

STATE OF FLORIDA

ORIGINAL
FILE COPY

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING



DIVISION OF WATER & WASTEWATER
CHARLES H. HILL
DIRECTOR
(904) 413-6900

Public Service Commission

May 29, 1997

Mr. B. Kenneth Gatlin
The Mahan Station
1709-D Mahan Drive
Tallahassee, FL 32308

Re: Docket No. 970530-WU; Request to establish reclaimed water rate for the H&S Grove in Brevard County by Florida Cities Water Company - Barefoot Bay Division

Dear Mr. Gatlin:

In order for staff to fully evaluate the reclaimed water rate requested in the above referenced docket folder, we request a response to the following:

Lease Agreement:

1. Paragraph 2(C) states: "Lessor has constructed reclaimed water mains and appurtenances as shown on Exhibit 'B' attached hereto and made a part hereof. Lessee shall be responsible for maintaining the reclaimed water system in good repair as reasonably determined by Lessor and any damage thereto shall be promptly repaired or replaced to the reasonable satisfaction of Lessor."
 - (a) Did FCWC construct the reuse lines within the sod farm or just the reclaimed water main up to the property? Who will own the reclaimed water system within the sod farm?
 - (b) What was the cost of the mains constructed by FCWC?
 - (c) According to this paragraph, SF Sod shall be responsible for maintaining the reclaimed water system. Will SF Sod be maintaining the reclaimed water main or just the reuse lines within the farm? What will be SF Sod's responsibility with regard to any DEP permits or testing requirements?
 - (d) Exhibit B was not attached to the lease provided to staff. Please provide a copy of Exhibit B.

ACK _____
 AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 LIN _____
 OFC _____
 RCH _____
 SEC 1 _____
 WAS _____
 WTA _____

DOCUMENT NUMBER - DATE

05515 JUN-30

Mr. B. Kenneth Gatlin
Page 2
May 29, 1997

2. According to Paragraph 2(E), during prolonged periods of wet weather, Lessee may cease accepting reclaimed water for not more than 5 consecutive days to the extent that Lessor, in Lessor's opinion has storage capacity sufficient to temporarily store excess reclaimed water produced.
 - (a) If FCWC does not have sufficient storage capacity to temporarily store the excess reclaimed water, and SF Sod requires wet weather storage, how will the excess be stored?
 - (b) Will additional wet weather storage need to be constructed in order to meet the requirements of Paragraph 2(E)? If so, what type of storage will be used, when will the construction take place and which party will be responsible for the construction? What is the anticipated cost of the construction? Once the construction is complete, which party will own and maintain the storage facility?
3. According to Paragraph 2(L)(4), the annual lease payment will be \$1,750. Will FCWC be the recipient of this payment, or will the recipient be an affiliated party? How will this payment be recorded on the utility's books?

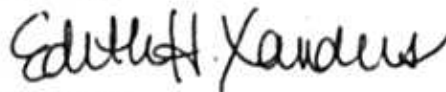
Decision Matrix

1. This matrix shows that many factors were considered in finding a suitable lessee. Please provide a statement indicating which of these factors was the most controlling in making the decision to lease the land to SF Sod. Included with the statement should be an explanation as to why the factors were controlling.
2. In the discussions with the potential lessees, was a reuse rate discussed? If so, which party(ies) discussed a rate and what was the amount of the rate? Why wasn't an agreement negotiated with that party?
3. One of the columns is entitled "Assessed Value". Please explain what the column shows and how this value was considered in the decision making process.
4. Please explain how the potential cash flows were determined and how this value was considered in the decision making process.
5. One of the options considered was a recreational option. What type of recreation was considered and why would the plant need to be "upgraded to a usable condition"?

Mr. B. Kenneth Gatlin
Page 3
May 29, 1997

Please file your response with the Division of Records and Reporting by June 27, 1997. If you have any questions, please feel free to contact me.

Sincerely,



Edith H. Xanders
Regulatory Analyst IV
Bureau of Policy Development and
Industry Structure

EHX:ehx

cc: Charles H. Hill
Division of Records and Reporting
Division of Legal Services (Vaccaro)