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August 6, 1997

VIA HAND DELIVERY

Mr. Travis Coker  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Re: Sports Shinko Utility, Inc. d/b/a Grenelefe Utilities;  
Docket No. ~~951006~~-WS; Application for Grandfather Certificates  
Our File No. 31098.01

Dear Travis:

I recently became aware that you received certain information from the Utility in the above referenced case concerning costs and expenses allegedly related to the provision of non-potable water service to my client, Grenelefe Association of Condominium Owners, No. 1, Inc. After review of that information, it appears as though the Utility is attempting to justify to the Commission Staff the appropriate basis for the establishment of rates for non-potable irrigation water service, either on a going forward basis or retroactively. I do not believe that this is or can be the proper purpose for a grandfather certificate proceeding and as such is irrelevant. However, to the extent this data is being considered for any reason, I believe it is important that you consider additional information which I have obtained relative to the prospective and retroactive establishment of such rates.

RETROACTIVE RATE SETTING

I have discussed at length with John Sheahan (the former County Consultant, who oversaw the processing of the Utility's last rate case before Polk County as the regulator of the Utility) what went into the calculation of the potable rates approved by Polk County. The purpose of that case was solely to restructure existing rates to implement a conservation rate structure required by the local Water Management District. It was intended to be completely revenue neutral. As such, the purpose of the County

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rate setting proceeding was to establish rates to recover all of the current costs of the Utility and to generate the exact same revenue as was generated under the old rates. Since the expenses of the Utility included the costs related to non-potable irrigation service, and that service was provided as part of the overall charges assessed against customers, the rate restructuring authorized by Polk County, effectively included full recovery of all costs related to non-potable service. As such, any separate charge for non-potable water service now, in addition to the grandfathering of the rates established by Polk County, will allow double recovery of those non-potable water costs. Any decision by the Commission to establish, even prospectively (much less retroactively), a charge for non-potable water irrigation service must be done only in the context of a review of the overall costs and rates for potable water service as well, in order to separate out those costs that have previously been considered as part of the basis for the existing potable water rates.

In addition, as noted previously, no rate can be authorized on a retroactive basis because that would constitute retroactive rate making and because it would constitute double recovery of costs related to the provision of such service in light of the way in which the current potable water rates were established to include all non-potable costs. In addition, because none of the customers were given an opportunity to be heard on the issue of non-potable water service, any decision to recognize a rate retroactively would deny those customers due process and the opportunity to be heard on the issue.

#### PROSPECTIVE ESTABLISHMENT OF RATES

As noted above, the Utility customers must have an opportunity to be heard on the establishment of any rate for non-potable service, especially in light of the fact that the rates as currently established for potable service include all non-potable costs. We have briefly reviewed the information that was filed in the Clerk's office by you on June 27th and containing information from Mr. Andrew M. Stephens with Dyer, Riddle, Mills & Precourt and believe that it overstates both the capital costs and operating costs related to non-potable service. As such, we as customers will need the opportunity to conduct extensive discovery in any rate proceeding initiated to establish such rates before any prospective rate for non-potable service is established.

In light of these facts, we urge you to move forward quickly to require refunds with interest of all monies collected for non-

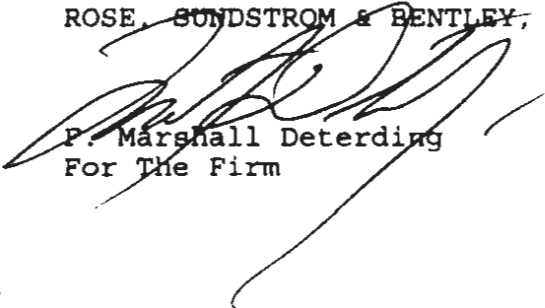
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potable water service and to the extent the Commission intends to set a future rate for such service, to give the Utility customers, including my client, proper notice and the opportunity to conduct discovery and present evidence on the subject.

Should you have any further questions in this regard, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



P. Marshall Deterding  
For The Firm

FMD/lts  
cc: Ms. Blanca Bayo  
Richard Redemann, P.E.  
Mr. Charles Peloquin