

State of Florida



Public Service Commission

ORIGINAL

-M-E-M-O-R-A-N-D-U-M-

DATE: November 7, 1997
TO: Division of Records and Reporting
FROM: Division of Water and Wastewater (Lingo)
RE: Docket No. ~~960288~~-SU, Application for approval of reuse project plan in Seminole County by Alafaya Utilities, Inc.

Please place the attached documents in the above-referenced docket file. Thank you.

VJL

- Atts:
- 1) 8/06/96 letter from Marty Friedman to JoAnn Chase in response to 4/09/96 deficiency letter from Charles Hill
 - 2) 10/22/96 letter from Marty Friedman to Jennie Lingo in response to 9/13/96 letter from Charles Hill
 - 3) 4/04/97 memo from Rosanne Capeless to all parties re: 4/10/97 informal meeting

- ACK _____
- AFI _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- DPC _____
- RCH _____
- SEC 1
- WIS _____

DOCUMENT NUMBER-DATE DATE
 11530 NOV-7 1997
 FPSC-RECORDS/REPORTING



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: April 4, 1997
TO: All Parties of Record & Interested Persons
FROM: Rosanne G. Capeless, Senior Attorney, Division of Legal Services *RGC*
RE: Docket No. 960288-SU - Application for approval of reuse project plan in Seminole County by Alafaya Utilities, Inc.

Please note that an informal meeting between Commission Staff and Alafaya Utilities, Inc. (utility), has been scheduled to be held at the following time and place:

Thursday, April 10, 1997, at 2:00 p.m.
Room 362, Gerald L. Gunter Building
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida

The purpose of this meeting is to review the utility's filing, and in particular, its engineering plans. If anyone has any questions about the meeting, please call Rosanne Capeless at (904) 413-6224.

RGC/mw

cc: Office of Public Counsel
Division of Records & Reporting
Division of Water & Wastewater (Chase, Lingo, McRoy, ✓
Von Fossen, Xanders)

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ROSE, SUNDBSTROM & BENTLEY
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Division of Water and Wastewater

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DIANE D. TREMOR, P.A.
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October 22, 1996

VIA HAND DELIVERY

Ms. Jennie Lingo
Florida Public Service Commission
Division of Water & Wastewater
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Alafaya Utilities, Inc.; Reuse Project Plan
Docket No. 960288-SU
Our File No. 30057.05

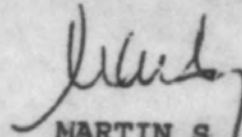
Dear Jennie:

Enclosed are schedules in response to Chuck Hill's September 13, 1996 correspondence to me regarding the above-referenced Application. Obviously, a prospective customer's use of reuse water for irrigation will be price driven, so I expect there will be some modification in the rates in order to make the use of irrigation water financially advantageous to the customer. Since Alafaya Utilities, Inc.'s service availability charges are relatively low, we should consider having Alafaya Utilities, Inc. recover a portion of the costs of the reuse system from that source. In addition, since the use of reuse as a method for effluent disposal is the environmentally preferred method of effluent disposal, it may be appropriate to include a portion of the operating costs in the wastewater bills of all of the Utility's customers. Once the appropriate scenario is approved, we can more clearly refine the manner in which the Utility will recover its cost and operating expenses.

Ms. Jennie Lingo
October 22, 1996
Page 2

After you have had an opportunity to review the enclosed information, I would suggest that we set up another conference call with the Utility and begin making some decisions towards finalizing this docket.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/bsr

cc: Mr. Carl Wenz

Costs Associated with Various Reuse Scenarios

	Source	Institutional Scenario	Residential Scenario #1	Residential Scenario #2	Residential Scenario #3	Residential Scenario #4
Operation & Maintenance Expense	[a]	\$ 98,760	\$ 141,810	\$ 142,520	\$ 144,186	\$ 307,080
Depreciation	[b]	55,270	119,316	105,771	77,604	174,239
Ad Valorem Tax	[c]	114	3,219	3,219	5,529	7,915
Additional Operating Expenses		\$ 154,144	\$ 264,345	\$ 251,510	\$ 227,319	\$ 489,234
Required Rate of Return	[d]	\$ 168,960	\$ 375,216	\$ 328,898	\$ 217,708	\$ 532,590
Total additional expenses before Regulatory Assessment Fees		\$ 323,104	\$ 639,560	\$ 580,408	\$ 445,026	\$ 1,021,824
Divide by RAF expansion factor		0.955	0.955	0.955	0.955	0.955
Total Additional Revenue Requirement		\$ 338,329	\$ 669,697	\$ 607,757	\$ 465,996	\$ 1,069,973
Test Year Gallons Billed (000's)	[e]	489,002	489,002	489,002	489,002	489,002
Test Year Gallons Billed:						
Cost per Gallon						
Average Monthly Bill @ 6,000 gallons		\$ 0.69	\$ 1.37	\$ 1.24	\$ 0.95	\$ 2.19
Cost per Gallon		\$ 4.15	\$ 8.22	\$ 7.46	\$ 5.72	\$ 13.13
10% increase in Test Year Gallons Billed:						
Cost per Gallon		\$ 0.63	\$ 1.25	\$ 1.13	\$ 0.87	\$ 1.99
Average Monthly Bill @ 6,000 gallons		\$ 3.77	\$ 7.47	\$ 6.78	\$ 5.20	\$ 11.93
20% increase in Test Year Gallons Billed:						
Cost per Gallon		\$ 0.58	\$ 1.14	\$ 1.04	\$ 0.79	\$ 1.82
Average Monthly Bill @ 6,000 gallons		\$ 3.46	\$ 6.85	\$ 6.21	\$ 4.76	\$ 10.94
30% increase in Test Year Gallons Billed:						
Cost per Gallon		\$ 0.53	\$ 1.05	\$ 0.96	\$ 0.73	\$ 1.68
Average Monthly Bill @ 6,000 gallons		\$ 3.19	\$ 6.32	\$ 5.74	\$ 4.40	\$ 10.10

a) See Schedule 1.

b) See Schedule 2.

c) See Schedule 3.

d) See Schedule 4.

e) See Schedule 5.

ALAFAYA UTILITIES, INC.
 Docket No. 960288-SU
 Operation and Maintenance Expenses

	<u>Institutional Scenario</u>	<u>Residential Scenario #1</u>	<u>Residential Scenario #2</u>	<u>Residential Scenario #3</u>	<u>Residential Scenario #4</u>
Staffing/Administration	\$ 56,000	\$ 68,500	\$ 68,500	\$ 68,500	\$ 112,000
Filter Media	3,000	3,000	3,000	3,000	4,500
CL2	230	430	430	440	1,490
Equipment Repair & Replacement	31,600	51,750	52,460	53,326	125,570
Electricity	7,930	18,130	18,130	18,920	63,520
Total O & M expenses	<u>\$ 98,760</u>	<u>\$ 141,810</u>	<u>\$ 142,520</u>	<u>\$ 144,186</u>	<u>\$ 307,080</u>

Source: Hartman & Associates, Inc.

Docket No. 960288-SU

Depreciation Expense

NARUC Acct. #	Description	Cost of Facilities	PSC Depr. Rate	Depreciation Expense
<u>Institutional Scenario</u>				
360	Effluent Force Main	\$ 362,100	3.33%	\$ 12,058
371	Pumping Equipment	317,000	5.56%	17,625
380	Treatment & disposal equip.	6,000	5.56%	334
381	Plant sewers	260,500	2.86%	7,450
389	Other plant	<u>320,200</u>	5.56%	<u>17,803</u>
	TOTAL	\$ <u>1,265,800</u>		\$ <u>55,270</u>
<u>Residential Scenario #1</u>				
360	Effluent Force Main	\$ 1,546,110	3.33%	\$ 51,485
371	Pumping Equipment	274,000	5.56%	15,234
380	Treatment & disposal equip.	170,000	5.56%	9,452
381	Plant sewers	92,500	2.86%	2,646
389	Other plant	<u>728,390</u>	5.56%	<u>40,498</u>
	TOTAL	\$ <u>2,811,000</u>		\$ <u>119,316</u>
<u>Residential Scenario #2</u>				
360	Effluent Force Main	\$ 1,288,320	3.33%	\$ 42,901
371	Pumping Equipment	274,000	5.56%	15,234
380	Treatment & disposal equip.	170,000	5.56%	9,452
381	Plant sewers	92,500	2.86%	2,646
389	Other plant	<u>639,180</u>	5.56%	<u>35,538</u>
	TOTAL	\$ <u>2,464,000</u>		\$ <u>105,771</u>
<u>Residential Scenario #3</u>				
360	Effluent Force Main	\$ 454,820	3.33%	\$ 15,146
371	Pumping Equipment	352,000	5.56%	19,571
380	Treatment & disposal equip.	292,000	5.56%	16,235
381	Plant sewers	108,800	2.86%	3,112
389	Other plant	<u>423,380</u>	5.56%	<u>23,540</u>
	TOTAL	\$ <u>1,631,000</u>		\$ <u>77,604</u>
<u>Residential Scenario #4</u>				
360	Effluent Force Main	\$ 1,916,800	3.33%	\$ 63,829
371	Pumping Equipment	441,000	5.56%	24,520
380	Treatment & disposal equip.	418,000	5.56%	23,241
381	Plant sewers	180,000	2.86%	5,148
389	Other plant	<u>1,034,200</u>	5.56%	<u>57,502</u>
	TOTAL	\$ <u>3,990,000</u>		\$ <u>174,239</u>

ALAPAYA UTILITIES, INC.
Docket No. 960288-SU
Ad Valorum Tax

Assumptions:

1. Seminole County will assess Account #380 as Tangible Personal Property.
2. Seminole County will establish assessed value at original cost.
3. Current rate of \$1.8935 per \$100 of assessed value will not change.

<u>NARUC</u> <u>Acct. #</u>	<u>Description</u>	<u>Institutional</u> <u>Scenario</u>	<u>Residential</u> <u>Scenario #1</u>	<u>Residential</u> <u>Scenario #2</u>	<u>Residential</u> <u>Scenario #3</u>	<u>Residential</u> <u>Scenario #4</u>
380	Treatment & disposal equip.	\$ 6,000	\$ 170,000	\$ 170,000	\$ 292,000	\$ 418,000
	Ad Valorum Tax rate	<u>0.018935</u>	<u>0.018935</u>	<u>0.018935</u>	<u>0.018935</u>	<u>0.018935</u>
	Ad Valorum Tax	\$ <u>114</u>	\$ <u>3,219</u>	\$ <u>3,219</u>	\$ <u>5,529</u>	\$ <u>7,915</u>

ALAFAYA UTILITIES, INC.
Docket No. 960288-SU
Rate of Return/Cost of Capital

	Note	Weight	Cost	Weighted Cost	Income Tax Factor	Weighted Cost incl. Tax Factor
Long-Term Debt	[a]	53.08%	8.99%	4.77%	1.0000	4.77%
Common Shareholders' Equity	[b]	46.92%	11.40%	5.35%	1.6033 [c]	8.58%
Overall Rate of Return		<u>100.00%</u>		<u>10.12%</u>		<u>13.35%</u>

	Institutional Scenario	Residential Scenario #1	Residential Scenario #2	Residential Scenario #3	Residential Scenario #4
Capital Investment	\$ 1,265,800	\$ 2,811,000	\$ 2,464,000	\$ 1,631,000	\$ 3,990,000
Cost of Capital incl. Income Taxes	<u>13.35%</u>	<u>13.35%</u>	<u>13.35%</u>	<u>13.35%</u>	<u>13.35%</u>
Cost of Capital/Rate of Return	\$ <u>168,960</u>	\$ <u>375,216</u>	\$ <u>328,898</u>	\$ <u>217,708</u>	\$ <u>532,590</u>

[a] The capital structure used is Utilities, Inc. and Subsidiaries at December 31, 1995.
[b] The equity return is calculated using the most recent FL PSC leverage formula:

$$\text{Return on Common Equity} = 8.99\% + 1.131 / \text{ER}$$

$$\text{Return on Common Equity} = 8.99\% + 1.131 / 46.92\%$$

$$\text{Return on Common Equity} = 11.40\%$$

[c] State Income tax rate = 5.5% , Federal Income tax rate = 34%.

$$\text{Tax Factor} = 1 / 1-.3763$$

$$\text{Tax Factor} = 1.6033$$

ALAFAYA UTILITIES, INC.

Docket No. 960288-SU

Consumption Data

The 12 month period ended April 1995

Schedule #5

<u>Month</u>		<u>Consumption</u>
May-94	Cycle 3	31,648,650
	Cycle 4	29,984,370
Jun-94	Cycle 3	21,314,650
	Cycle 4	22,971,570
Jul-94	Cycle 3	17,383,020
	Cycle 4	16,330,170
Aug-94	Cycle 3	22,159,375
	Cycle 4	23,635,790
Sep-94	Cycle 3	17,554,460
	Cycle 4	17,322,700
Oct-94	Cycle 3	18,121,620
	Cycle 4	19,356,700
Nov-94	Cycle 3	18,347,550
	Cycle 4	16,614,840
Dec-94	Cycle 3	14,209,260
	Cycle 4	15,352,960
Jan-95	Cycle 3	19,273,406
	Cycle 4	19,208,990
Feb-95	Cycle 3	18,043,440
	Cycle 4	16,977,180
Mar-95	Cycle 3	20,477,080
	Cycle 4	17,433,010
Apr-95	Cycle 3	29,270,300
	Cycle 4	26,010,550
TOTAL		<u><u>489,001,641</u></u>

Note: The City of Oviedo includes Alafaya's sewer charges on their monthly water billings (for a fee). In 1995, Alafaya proposed and funded changes to Oviedo's billing system so that historical information could be generated in compliance with FL-PSC requirements. The programming changes to the Oviedo billing system were not in place until the October 1995 billings. Therefore, the above information is the most recent twelve month period available.

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August 6, 1996

VIA HAND DELIVERY

Ms. JoAnn Chase
Division of Water and Wastewater
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Alafaya Utilities, Inc.
PSC Docket No. 960288-SU
Reuse Feasibility Plan
Our File No. 30057.01

Dear JoAnn:

This letter is in response to Chuck Hill's April 9, 1996 correspondence to me requesting additional information in connection with the PSC staff's review of Alafaya Utilities, Inc.'s application in the above-referenced docket. Alafaya Utilities, Inc.'s consulting engineers, Hartman & Associates, Inc., have recommended residential scenario #4 as the most cost effective scenario for implementation of the Utility's reuse plan. That scenario is dependent upon the PSC granting Alafaya Utilities, Inc.'s application in Docket No. 951419-SU, which is scheduled for the Commission's September 3, 1996 agenda conference. After that Commission action, then Alafaya Utilities, Inc. will be in a position to express its preference among the various scenarios.

I have attached a schedule, with backup documentation, showing the total costs associated with each scenario, including expenses, taxes, and rate of return. Also enclosed is the billing analysis for the 12 month period ending April 1995.

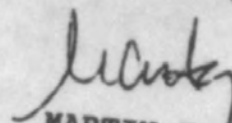
Enclosed is a copy of the Memorandum of Intent entered into on March 6, 1995 between the City of Oviedo and Alafaya Utilities, Inc. which addresses the filing of this reuse plan in paragraph 3. There are no existing contracts with any proposed reuse customers.

Ms. JoAnn Chase
August 6, 1996
Page 2

Such contractual provisions would be included in developer agreements with prospective developers depending upon the Commission's action in Docket No. 951419-SU.

Should you require any additional information, please do not hesitate to contact me.

Very truly yours,


MARTIN S. FRIEDMAN
For The Firm

MSF/bsr

Enclosures

cc: Mr. Carl Wenz
Mr. Gerald L. Chancellor

ALAPAYA UTILITIES, INC.

Docket No. 960288-SU

Costs Associated with Various Reuse Scenarios

	<u>Source</u>	<u>Institutional Scenario</u>	<u>Residential Scenario #1</u>	<u>Residential Scenario #2</u>	<u>Residential Scenario #3</u>	<u>Residential Scenario #4</u>
Capital Investment:	[a]	<u>\$ 1,265,800</u> τ	<u>\$ 2,811,000</u> τ	<u>\$ 2,464,000</u> τ	<u>\$ 1,631,000</u> τ	<u>\$ 3,990,000</u> τ
Operating Costs:	[b]	<u>\$ 98,760</u>	<u>\$ 141,810</u>	<u>\$ 142,520</u>	<u>\$ 144,186</u>	<u>\$ 307,080</u>
Taxes:						
Federal Income Tax Rate		34.00%	34.00%	34.00%	34.00%	34.00%
State Income Tax Rate		5.50%	5.50%	5.50%	5.50%	5.50%
Regulatory Assessment Fee Ad Valorem	[c]	4.50%	4.50%	4.50%	4.50%	4.50%
Cost of Capital/Rate of Return	[d]	<u>10.12%</u>	<u>10.12%</u>	<u>10.12%</u>	<u>10.12%</u>	<u>10.12%</u>
Consumption Billed (000's)	[e]	<u>489,002</u>	<u>489,002</u>	<u>489,002</u>	<u>489,002</u>	<u>489,002</u>

- [a] Per Hartman & Associates, Inc. Wastewater Reuse Study, March 1996, Section 5.
- [b] Per Hartman & Associates, Inc. Analysis, June 1996 (see attached).
- [c] Unknown at this time how capital improvements will impact Seminole County Ad Valorem Assessment.
- [d] Per current Florida PSC Leverage Formula (see attached)
- [e] Per City of Oviedo billing records (see attached).


τ = TIES TO H:A REUSE STUDY PP. 5-12, 5-17, 5-21, 5-28 & 5-36. 

TABLE A-1
 Alafaya Utilities Inc.
 Wastewater Treatment Plant
 Institutional Reuse Scenerio

OPERATION AND MAINTENANCE COSTS (0.239 MGD)			
ITEM DESCRIPTION	FLOW(GPD)	CAPITAL COST (\$)	O&M COST (\$/YEAR)
FILTRATION UNITS	239,000		
O & M COSTS:			
Capital Costs		0	
FILTER MEDIA REPLACEMENT			3,000
CHLORINE CONTACT			
Capital Costs			
O & M COSTS:			
CL2		0	
REPAIR AND REPLACEMENT			230
REUSE STORAGE			9,560
CAPITAL COSTS			
O & M COSTS:			
REPAIR AND REPLACEMENT		0	
HIGH SERVICE PUMPING			4,780
CAPITAL COSTS			
O & M COSTS:			
POWER CONSUMPTION		200,000	
REPAIR AND REPLACEMENT			6,210
EFFLUENT PUMPING			4,000
CAPITAL COSTS			
O & M COSTS:			
POWER CONSUMPTION			
REPAIR AND REPLACEMENT			1,720
ELECTRICAL/INSTRUMENTATION			4,780
CAPITAL COSTS			
O & M COSTS:			
REPAIR AND REPLACEMENT		117,000	
YARD PIPING			2,340
CAPITAL COSTS			
O & M COSTS:			
REPAIR AND REPLACEMENT		87,000	
TRANS./DIST. MAINS			1,740
CAPITAL COSTS			
O & M COSTS:			
REPAIR AND REPLACEMENT		361,600	
VALVES			3,620
CAPITAL COSTS			
O & M COSTS:			
REPAIR AND REPLACEMENT		26,000	
STAFFING/ADMINISTRATION			780
			56,000
TOTAL COSTS			98,760

TABLE A-2
 Alafaya Utilities Inc.
 Wastewater Treatment Plant
 Residential Reuse Scenario Number One

OPERATION AND MAINTENANCE COSTS (0.437 MGD)

ITEM DESCRIPTION	FLOW (GPD)	CAPITAL COST (\$)	O&M COST (\$/YEAR)
FILTRATION UNITS	437,000		
O & M COSTS:			
Capital Costs		130,000	
FILTER MEDIA REPLACEMENT			3,000
CHLORINE CONTACT			
Capital Costs		40,000	
O & M COSTS:			
CL2			430
REPAIR AND REPLACEMENT			11,200
REUSE STORAGE			
CAPITAL COSTS		0	
O & M COSTS:			
REPAIR AND REPLACEMENT			8,740
HIGH SERVICE PUMPING			
CAPITAL COSTS		200,000	
O & M COSTS:			
POWER CONSUMPTION			14,190
REPAIR AND REPLACEMENT			8,000
EFFLUENT PUMPING			
CAPITAL COSTS		0	
O & M COSTS:			
POWER CONSUMPTION			3,940
REPAIR AND REPLACEMENT			4,370
ELECTRICAL/INSTRUMENTATION			
CAPITAL COSTS		74,000	
O & M COSTS:			
REPAIR AND REPLACEMENT			2,960
YARD PIPING			
CAPITAL COSTS		55,500	
O & M COSTS:			
REPAIR AND REPLACEMENT			1,110
TRANS./DIST. MAINS			
CAPITAL COSTS		884,110	
O & M COSTS:			
REPAIR AND REPLACEMENT			13,260
VALVES			
CAPITAL COSTS		70,400	
O & M COSTS:			
REPAIR AND REPLACEMENT			2,110
STAFFING/ADMINISTRATION			
			68,500
TOTAL COSTS			141,810

TABLE A-3
 Alafaya Utilities Inc.
 Wastewater Treatment Plant
 Residential Reuse Scenario Number Two

OPERATION AND MAINTENANCE COSTS (0.437 MGD)

ITEM DESCRIPTION	FLOW(GPD)	CAPITAL COST (\$)	O&M COST (\$/YEAR)
FILTRATION UNITS	437,000		
O & M COSTS:			
Capital Costs		130,000	
FILTER MEDIA REPLACEMENT			3,000
CHLORINE CONTACT			
Capital Costs		40,000	
O & M COSTS:			
CL2			430
REPAIR AND REPLACEMENT			11,200
REUSE STORAGE			
CAPITAL COSTS		0	
O & M COSTS:			
REPAIR AND REPLACEMENT			8,740
HIGH SERVICE PUMPING			
CAPITAL COSTS		200,000	
O & M COSTS:			
POWER CONSUMPTION			14,190
REPAIR AND REPLACEMENT			8,000
EFFLUENT PUMPING			
CAPITAL COSTS		0	
O & M COSTS:			
POWER CONSUMPTION			3,940
REPAIR AND REPLACEMENT			4,370
ELECTRICAL/INSTRUMENTATION			
CAPITAL COSTS		74,000	
O & M COSTS:			
REPAIR AND REPLACEMENT			2,960
YARD PIPING			
CAPITAL COSTS		55,500	
O & M COSTS:			
REPAIR AND REPLACEMENT			1,110
TRANS./DIST. MAINS			
CAPITAL COSTS		698,620	
O & M COSTS:			
REPAIR AND REPLACEMENT			13,970
VALVES			
CAPITAL COSTS		70,400	
O & M COSTS:			
REPAIR AND REPLACEMENT			2,110
STAFFING/ADMINISTRATION			
			68,500
	TOTAL COSTS		142,520

TABLE A-4

Alafaya Utilities Inc.
Wastewater Treatment Plant
Residential Reuse Scenario Number Three

OPERATION AND MAINTENANCE COSTS (0.456 MGD)			
ITEM DESCRIPTION	FLOW(GPD)	CAPITAL COST (\$)	O&M COST (\$/YEAR)
FILTRATION UNITS	456,000		
O & M COSTS:			
Capital Costs		252,000	
FILTER MEDIA REPLACEMENT			3,000
CHLORINE CONTACT			
Capital Costs		40,000	
O & M COSTS:			
CL2			440
REPAIR AND REPLACEMENT			11,200
REUSE STORAGE			
CAPITAL COSTS		0	
O & M COSTS:			
REPAIR AND REPLACEMENT			9,120
HIGH SERVICE PUMPING			
CAPITAL COSTS		200,000	
O & M COSTS:			
POWER CONSUMPTION			14,810
REPAIR AND REPLACEMENT			8,000
EFFLUENT PUMPING			
CAPITAL COSTS		65,000	
O & M COSTS:			
POWER CONSUMPTION			4,110
REPAIR AND REPLACEMENT			4,560
ELECTRICAL/INSTRUMENTATION			
CAPITAL COSTS		87,000	
O & M COSTS:			
REPAIR AND REPLACEMENT			3,480
YARD PIPING			
CAPITAL COSTS		65,300	
O & M COSTS:			
REPAIR AND REPLACEMENT			1,306
TRANS./DIST. MAINS			
CAPITAL COSTS		451,660	
O & M COSTS:			
REPAIR AND REPLACEMENT			13,550
VALVES			
CAPITAL COSTS		70,400	
O & M COSTS:			
REPAIR AND REPLACEMENT			2,110
STAFFING/ADMINISTRATION			68,500
	TOTAL COSTS		144,186

TABLE A-5
 Alafaya Utilities Inc.
 Wastewater Treatment Plant
 Residential Reuse Scenario Number Four

OPERATION AND MAINTENANCE COSTS (1.531 MGD)

ITEM DESCRIPTION	FLOW(GPD)	CAPITAL COST (\$)	O&M COST (\$/YEAR)
FILTRATION UNITS	1,531,000		
O & M COSTS:			
Capital Costs		378,000	
FILTER MEDIA REPLACEMENT			4,500
CHLORINE CONTACT			
Capital Costs		40,000	
O & M COSTS:			1,490
CL2			11,200
REPAIR AND REPLACEMENT			
REUSE STORAGE		0	
CAPITAL COSTS			
O & M COSTS:			
REPAIR AND REPLACEMENT			30,620
HIGH SERVICE PUMPING			
CAPITAL COSTS		200,000	
O & M COSTS:			49,720
POWER CONSUMPTION			8,000
REPAIR AND REPLACEMENT			
EFFLUENT PUMPING			
CAPITAL COSTS		100,000	
O & M COSTS:			13,800
POWER CONSUMPTION			15,310
REPAIR AND REPLACEMENT			
ELECTRICAL/INSTRUMENTATION			
CAPITAL COSTS		141,000	
O & M COSTS:			5,640
REPAIR AND REPLACEMENT			
YARD PIPING			
CAPITAL COSTS		108,000	
O & M COSTS:			2,160
REPAIR AND REPLACEMENT			
TRANS./DIST. MAINS			
CAPITAL COSTS		1,684,300	
O & M COSTS:			50,530
REPAIR AND REPLACEMENT			
VALVES			
CAPITAL COSTS		70,400	
O & M COSTS:			2,110
REPAIR AND REPLACEMENT			
ADMINISTRATION			
			112,000
TOTAL COSTS			307,080

ALAFAYA UTILITIES, INC.
 Docket No. 960288-SU
 Rate of Return/Cost of Capital

	<u>Note</u>	<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-Term Debt	(a)	53.08%	8.99%	4.77%
Common Shareholders' Equity	(b)	46.92%	11.40%	5.35%
Overall Rate of Return		<u>100.00%</u>		<u>10.12%</u>

[a] The capital structure used is Utilities, Inc. and Subsidiaries at December 31, 1995.
 [b] The equity return is calculated using the most recent FL PSC leverage formula:

$$\text{Return on Common Equity} = 8.99\% + 1.131 / \text{ER}$$

$$\text{Return on Common Equity} = 8.99\% + 1.131 / 46.92\%$$

$$\text{Return on Common Equity} = 11.40\%$$

ALAFAYA UTILITIES, INC.
 Consumption Data
 The 12 month period ended April 1995

<u>Month</u>		<u>Consumption</u>
May-94	Cycle 3	31,648,650
	Cycle 4	29,984,370
Jun-94	Cycle 3	21,314,650
	Cycle 4	22,971,570
Jul-94	Cycle 3	17,383,020
	Cycle 4	16,330,170
Aug-94	Cycle 3	22,159,375
	Cycle 4	23,635,790
Sep-94	Cycle 3	17,554,460
	Cycle 4	17,322,700
Oct-94	Cycle 3	18,121,620
	Cycle 4	19,356,700
Nov-94	Cycle 3	18,347,550
	Cycle 4	16,614,840
Dec-94	Cycle 3	14,209,260
	Cycle 4	15,352,960
Jan-95	Cycle 3	19,273,406
	Cycle 4	19,208,990
Feb-95	Cycle 3	18,043,440
	Cycle 4	16,977,180
Mar-95	Cycle 3	20,477,080
	Cycle 4	17,433,010
Apr-95	Cycle 3	29,270,300
	Cycle 4	26,010,550
TOTAL		<u><u>489,001,641</u></u>

Note: The City of Oviedo includes Alafaya's sewer charges on their monthly water billings (for a fee). In 1995, Alafaya proposed and funded changes to Oviedo's billing system so that historical information could be generated in compliance with FL-PSC requirements. The programming changes to the Oviedo billing system were not in place until the October 1995 billings. Therefore, the above information is the most recent twelve month period available.

MEMORANDUM OF INTENT

THIS MEMORANDUM OF INTENT, made and entered into as of this 6th day of March, 1995, by and between THE CITY OF OVIEDO, FLORIDA, ("City") and ALAFAYA UTILITIES, INC., a Florida corporation, its successors and assigns ("Alafaya").

WHEREAS, the City is a holder of a Consumptive Use Permit ("CUP") Number 2-117-0035ANGM3R2 issued by the St. Johns River Water Management District by which it is authorized to withdraw raw water from the ground for conversion to potable water and utilization by the City in provision of potable water service to the customers of its water utility system. The said St. Johns River Water Management District is requiring the City, through the CUP renewal process, and in accordance with the State Water Policy, as contained in Chapter 17-40, Florida Administrative Code, to evaluate the feasibility of implementation of a program of water conservation and wastewater reuse. The City intends to comply with the requirements of the said St. Johns River Water Management District in that regard; and

WHEREAS, the City does not currently possess a sanitary wastewater treatment and disposal system of its own, the City desires to enter into an agreement with Alafaya by which Alafaya will design, permit and implement a wastewater reuse system in cooperation with the City, the St. Johns River Water Management District, the Florida Department of Environmental Protection, and the Florida Public Service Commission for the mutual use and benefit of the City, Alafaya, and the citizens of the City and customers of the Utility who will benefit thereby; and

WHEREAS, a number of disputes have arisen between the City and Alafaya relative to reuse service area rights, the City's CUP permit, and other matters enumerated below. It is the intent of the parties to enter into an agreement for the accomplishment of the goals stated above to the mutual advantage of the parties and the citizens of the City.

NOW, THEREFORE, the parties agree as follows:

1. The foregoing recitations are true, correct and incorporated herein as though fully set forth.
2. The City and Alafaya hereby agree that it is their intent to execute such further documents as necessary to accomplish the goals stated herein.
3. Alafaya will, at its sole cost and expense, cause to be prepared a Wastewater Reuse Study for submission to the Florida Public Service Commission which will examine the manner, method, and financial feasibility of expanding its wastewater reuse ability within the wastewater service area approved for service by the Florida Public Service Commission pursuant to PSC Certificate 379-S. Alafaya shall complete the study within six months of the date of this agreement. Upon the completion of such study, if it is determined economically feasible to proceed with implementation of expansion of Alafaya's wastewater reuse capability, then Alafaya will, within six months from completion of the study, file its "Reuse Implementation Plan" with the Florida Public Service Commission, pursuant to the provisions of Chapters 367 and 403, Florida Statutes, for regulatory approval by that body. Further,

if the Florida Public Service Commission issues a Final Order approving implementation of that plan then Alafaya will design, construct and implement same. Implementation of the reuse plan shall be completed within 18 months of approval of the plan by the Florida Public Service Commission.

4. The City will file a Notice of Voluntary Dismissal of its lawsuit entitled "City of Oviedo v. Alafaya Utilities, Inc.," Seminole County Circuit Court Case No. 94-2159-CA-16-E, wherein the City is seeking a Declaratory Judgment as to reuse service area rights within the City. Such case shall be dismissed as Alafaya will be, hereby, proceeding to implement a reuse plan which will obviate the necessity of such lawsuit. It is understood between the parties hereto, however, that should Alafaya not proceed with its reuse plan; that nothing herein contained shall preclude the City from reasserting its legal position relative to the right to provide reuse services anywhere within City limits, notwithstanding any prior claim to Florida Public Service Commission territorial rights granted to Alafaya. Moreover, nothing herein contained shall be construed so as to preclude Alafaya from reasserting its legal position that its Florida Public Service Commission certificate grants to it the exclusive right to provide reuse services within its certificated service area.

5. The City will suspend action on its bond validation petition (Seminole County Circuit Court File No. 942158-CA-16-E) pending execution of the Agreement referenced herein. Upon execution of this agreement, Alafaya agrees not to contest the

validation petition provided that the City agrees that no proceeds of any bond issuance will be used to fund engineering or infrastructure construction for the provision of reclaimed water within Alafaya's certificated geographic territory or for acquisition of the system.

6. The City will immediately file a pleading with the Florida Public Service Commission withdrawing its Motion to Intervene in the Florida Public Service Commission Transfer Proceeding involving the former and current owners of all of the outstanding common stock of Alafaya Utilities, Inc., and not otherwise interfere in the Florida Public Service Commission proceedings involving the transfer of the utility to Utilities, Inc.

7. Alafaya will withdraw its objection to the final issuance of the CUP permit referenced hereinabove. At the request of the City, Alafaya will provide information regarding its Reuse Implementation Plan for use by the City in renegotiating its CUP permit .

8. Alafaya will withdraw its objection to the Florida Department of Environmental Protection issuance of a State Revolving Loan ("SRF"), subject, however, to the agreement of the parties that, should the City proceed to close on said loan, that the proceeds thereof will not be used to develop reclaimed water facilities within the currently Certificated Service Area of Alafaya.

9. Alafaya will dismiss its Civil Complaint entitled "Alafaya Utilities, Inc. v. City of Oviedo," Seminole County Circuit Case No. 94-1552, wherein Alafaya is alleging breach of the Computer Billing Services Agreement between the parties. Instead, the parties will work together to either (i) adopt a mutually acceptable methodology for billing and collection by the City of the customer service revenue due to Alafaya, and the prompt turnover of the proceeds thereof to Alafaya or (ii) agree upon the termination of the Computer Billing Services Agreement and the use by Alafaya of the meter reading data of the potable water utility system of the City for rendering its own bills to its customers. Said reconciliation and agreement, and turnover of monies due from the City to Alafaya, shall be accomplished within 45 days of the date hereof.

10. There is an ongoing dispute between the parties as to the application of the City's Stormwater Utility Ordinance to Alafaya. The parties will meet and resolve all outstanding issues between them regarding this matter within 45 days of the date hereof.

11. There is an outstanding dispute between the parties concerning the alleged encroachment by the City onto property which is under long-term beneficial lease to Alafaya. Alafaya hereby consents to the location of the City's retention pond and storage shed on the property in the manner currently configured provided, however, that in the event operation of its wastewater facilities or other lawful use of the property necessitate use of that portion of the property where the retention pond and storage shed are

located, then the City, shall within 120 days of notice from Alafaya, remove the retention pond and storage shed from the subject property.

12. Alafaya hereby agrees to reserve, for the use and benefit of the City, 500,000 gallons per day of wastewater treatment and disposal capacity, at its Florida Public Service Commission approved connection charge of \$410.00 per ERC. Such capacity will be reserved for purchase by the City for a period of two years from the date hereof.

13. Alafaya agrees to grant the City an option of first refusal to purchase all of its assets by advising the City of its intent to sell such assets. The City shall have 90 days to reach an agreement for the purchase of such assets, according to terms and conditions to be agreed in a contract for purchase and sale. Failure to reach agreement within the stated time period shall cause the option to expire.

14. The parties hereto will extend, each to the other, their mutual good faith efforts to assist each other whenever and wherever possible in accomplishing their stated missions, and will grant to each other such further assurances as are necessary in order to accomplish the goals stated herein. To the extent this document directs the parties to negotiate regarding outstanding issues, including, but not limited to, the billing services agreement and stormwater issues, the success or failure of those negotiations shall not affect the obligations of the parties with respect to any other part of this memorandum of understanding.

15. It is agreed by and between the parties hereto that this document incorporates the intention of the parties and that, by the execution hereof, both parties authorize and instruct their respective representatives to accomplish the terms and intent hereof.

IN WITNESS WHEREOF, the parties hereof have herunto caused this Agreement to be executed as of the date above.

CITY OF OVIEDO, FLORIDA

Judith A. Green, Mayor

ATTEST:

Nancy K. Cox, Clerk

ALAFAYA UTILITIES, INC.

Jim Camaren, Vice Chairman

ATTEST:

Pat O'Brien, Assistant Secretary