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July 15, 2002

ROBERT M. C. ROSE
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VIA HAND DELIVERY

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COMMISSION
CLERK

Ms. Blanca Bayo, Clerk
Division of the Commission Clerk
& Administrative Services
Florida Public Service Commission
2540 Shumard Oaks Boulevard
Tallahassee, Florida 32399-0850

Re: River Ranch, L.C. Docket No. 020382; Application for transfer of facilities
Our File No. 37027.01

Dear Ms. Bayo:

This letter is in response to the PSC Staff's May 28, 2002 correspondence to Mark Waltrip requesting additional information of River Ranch Water Management, LLC in the above-referenced docket.

1. Since this Utility was purchased in a foreclosure proceeding, River Ranch does not have access to the Certificates of the foreclosed upon entity. According to the records available on the Commission's web site, the name and address of the prior certificated utility was:

New River Ranch, L.C. d/b/a River Ranch
2555 Enterprise Road, Suite 12A
Clearwater, Florida 33763-1160
Attention: Mr. Andrew J. Bolnick, Receiver

2. As recognized by the Commission, the Utility and non-utility property were acquired in a single purchase at a foreclosure sale. The amount of that purchase price that will be allocated to the Utility assets will be an amount equal to the rate base as established in this proceeding.

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3. The Utility system and related development obviously faced financial hardship which resulted in a foreclosure of the mortgage on the Utility and related development property. This apparently was not the first time the utility and development had been sold because of financial difficulties. Commission Order No. PSC-99-0254-FOF-WU reflects the prior owner as having purchased the Utility from bankruptcy in 1997. Subsequently in Commission Order No. PSC-00-2242-FOF-WS, the Commission recognized the deteriorating state of the wastewater treatment plant. Although the Commission in that Order encouraged the utility to file for a staff assisted rate case in order to put the utility on a more sound financial basis, the prior owner (receiver) apparently chose not to do so. The Utility is wholly owned by Central Florida Investments, Inc., which is a privately held corporation which, through related parties, is successful as a resort developer. Central Florida Investments, Inc. has become one of the largest privately held corporations in the central Florida area with over \$400 million in annual sales. The company was founded in 1970 and today employs over 5,000 people and has expanded from central Florida to Miami and Daytona Beach, Florida, Park City, Utah, Gatlinburg, Tennessee, and Las Vegas, Nevada. Its Westgate Resorts has grown into one of the largest timeshare companies in the world. There are over 180,000 owners of its timeshare properties in 8 resorts. Its success is expected to be carried over to the River Ranch development which will provide financial stability to the utility system since the water and wastewater facilities are imperative to the existing and continued viability of this development project. Although the management of the utility does not have prior utility experience, it has put together a team of consultants with that expertise. That team includes David Orr and Robert Ori of Public Resource Management Group, Inc., Frank Seidman, and Martin Friedman of the law firm of Rose, Sundstrom & Bentley, LLP. The utility's commitment to upgrading the deteriorating facilities has already been exhibited by the expenditures incurred in order to replace the existing wastewater treatment plant. Further, the operating staff holds licenses as required by the Department of Environmental Protection.

4. Although the Certificate of Title was issued in connection with this foreclosure sale on November 27, 2001, no customers were billed and thus no revenues were received that would have been subject to regulatory assessment fees. To the extent that the prior receiver of the utility collected revenues, that receiver is solely responsible for the payment of regulatory assessment fees and that obligation in no way passed to River Ranch when it purchased the property at foreclosure sale.

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5. Attached is a list of the improvements and repairs needed to be made to the water and wastewater systems, the status of each, and the amount, if known.

6. The Utility acquired the property upon which the water and wastewater plants are located by Quit Claim Deed for a related party dated January 16, 2002, a copy of which was filed with the Application as Exhibit 10. The Utility intends to obtain a title insurance policy insuring its ownership interest in the properties conveyed by the Quit Claim Deed which is being prepared in connection with the issuance of a title insurance policy on the development property. That title insurance policy is not currently available, but a copy will be filed immediately upon issuance. We expect that policy to be completed prior to the date the staff recommendation is due.

Should you or the Staff have any additional questions regarding this application, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For The Firm

MSF/brm

Enclosure

cc: Mr. Mark Waltrip
Mr. David Orr
Mr. Bill Goaziou
Michael Marder, Esquire
Lorena Holly, Esquire

RIVER RANCH
WATER and WASTEWATER IMPROVEMENTS
As of June 28, 2002

WATER:

- **New Valve installations at the Storage and Treatment Facility location. This item is complete and the Capital Costs were approximately \$??????.**
- **Repairs required for the Chlorine Gas to Liquid Chlorine switch by the previous owner. These included new piping, automatic feeder relocation and electrical hook up to the pump(s) panel, new door installations to the building, internal lighting repair and fan repair. This item is complete and the Capital Costs were approximately \$??????.**
- **New meter installations for Well Pumps 1 and 2. This item is complete and the Capital Costs were approximately \$??????.**
- **Well Pump 2 must be raised in accordance with the requirements of the Florida Department of Health. This item is not complete and the anticipated Capital Costs are approximately \$??????.??.**
- **Repair or replacement of the 2 high service pumps/motors. This item is not complete and the anticipated Capital Costs are approximately \$??????.??.**
- **Repair or replacement of the auxiliary power unit for Well Pump 1 and high service pumps. This item is not complete and the anticipated Capital Cost is approximately \$70,000.00.**
- **Repair of the Aeration Unit at the Treatment Facility. This item is not complete and the anticipated Capital Costs are approximately \$??????.??.**
- **Structural Inspection of the 100,000 gallon elevated storage tank and the two 50,000 gallon ground storage tanks. This item is not complete and the anticipated costs are approximately \$7,000.00.**
- **Repair of the elevated storage tank and the two ground storage tanks based on the Structural inspection. The Capital Costs can not be anticipated until the Structural Inspection previously mentioned is complete.**
- **Field location of existing distribution lines and installation of isolation valves at appropriate locations. This item is not complete and the anticipated Capital Costs are approximately \$80,000.00.**

WASTEWATER:

- **Clean and Televisive 10,200 lineal feet of sanitary sewer in Country Side Estates to determine Infiltration/Inflow locations in the collection system. This item is complete and the Capital Costs were approximately \$18,300.00.**
- **Install Cured-In-Place liner to repair 8,331 lineal feet of sanitary sewer in Country Side Estates due to Infiltration/Inflow determined from cleaning and televising operations and seal manholes. This item is not complete and the anticipated Capital Costs are approximately \$350,000.00.**
- **Clean and televisive approximately 20,000 lineal feet of sanitary sewer in other service areas that contribute to the Facility. This item is not complete and the anticipated Capital Costs are approximately \$45,000.00.**
- **Remove sand and grit from the Wastewater Treatment Facility as advised by the Florida Department of Environmental Protection. This item has been completed and the Capital Costs were approximately \$27,500.00.**
- **Repair or replace the two air blowers located in the Treatment Facility building including repair or replacement of the building ventilation fan assembly and replace the facility doors. This item is not complete and the anticipated Capital Costs are approximately \$?????.??.**
- **Install stand by power for the Treatment Facility. This item is not complete and the anticipated Capital Costs are approximately \$70,000.00.**
- **Remove excessive solids and vegetation from the single percolation pond. This item is not complete and the anticipated Capital Costs are approximately \$?????.??.**
- **On April 25, 2002 the Treatment Facility clarifier's gear drive, scrapper arm and stilling collapsed and fell to the bottom of the clarifier. This potential failure was noted in a Warning Letter to the previous owner from the Florida Department of Environmental Protection on May 16, 2001. This rendered the Facility in operable requiring the need to purchase and install a used Package Plant Treatment Facility. This item is not complete and the anticipated Capital Costs are approximately \$240,000.00.**
- **Upgrade the Master Lift Station as the wet well and pumps are undersized. This lack of adequate capacity causes regular failure of the pumps, which requires repair and replacement. This item is not complete and the anticipated Capital Costs are approximately \$45,000.00.**