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December 1, 2006

HAND DELIVERY

Ms. Blanca Bayo
Commission Clerk & Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No.: 060256-SU; Alafaya Utilities, Inc.'s Application for Rate Increase in Seminole County, Florida
Our File No.: 30057.112

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket is the response of Alafaya Utilities, Inc., (*Utility*) to Staff's sixth data request dated November 21, 2006:

I. The following data requests related to reuse are follow-up questions from the November 15, 2006, customer meeting.

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It was represented that Mr. Patrick Flynn had stated to customers of Live Oak that an extension to loop the Live Oak area would be completed by May 26, 2006. Please explain.

RESPONSE: Mr. Flynn met with a group of Live Oak customers in 2005 and expressed at that time the goal of Utility to design and construct a reuse main extension in the spring of 2006, that would serve to improve the hydraulic capacity of the reuse distribution system in the Live Oak area. The timing of the construction of this line extension was dependent on a number of factors including the construction of Phases 4 and 5 of Live Oak. Phases 4 and 5, which are currently under construction but not completed, will contain an 8" reuse main

Exhibit 14

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that connects to Phase 3 and terminates at C.R. 419. The delay by the developer in constructing Phases 4 and 5 contributed to the delay by Utility in constructing a reuse main extension on C.R. 419.

2. What is the estimated completion date for completing the extension to loop the Live Oak area?

RESPONSE: June 30, 2007.

3. What is the estimated cost for completing the extension to loop the Live Oak area? Please provide the details.

RESPONSE: $600,000. This is based on a rough estimate of the cost to design, permit, and build a 4,400-foot, 18-inch reuse main extension on CR 419.

4. It was represented that Mr. Patrick Flynn had stated to the customers and the City Council that the utility would stop adding customers to the reuse system. Please explain.

RESPONSE: Mr. Flynn attended an Oviedo City Council meeting in 2006 in which a customer requested that Utility stop adding customers to its reuse system in response to the Utility not having adequate supplies of reuse to meet demand at all times. Mr. Flynn indicated to City Council that the reuse demand exceeded the current supply due to a combination of factors including high demand four days each week, reuse supply limited by plant flow volume, an extended period of dry weather, hydraulic constraints in the reuse piping system, and limited reuse storage capacity. Mr. Flynn did not agree to stop adding customers to the reuse system. He did agree to consider the request in light of the current conditions. It was emphasized at that meeting that the Utility had recently developed and implemented a modified irrigation schedule designed to distribute the reuse demand across all seven days of the week instead of four and thereby reduce the peak daily demand.

5. Does the utility oppose su spending the connection of additional new and/or converted reuse customers? Please explain.

RESPONSE: Yes. Adding reuse customers will result in the maximum beneficial use of reuse as well as provide adequate disposal capacity as the Utility grows. Customers who elect to use potable water for irrigation often do not convert to reuse at a later date resulting in a permanent demand placed on the City's water system. The City does not operate its own reclaimed water plant nor does it have alternative water supplies established.

6. It was represented that the City of Oviedo has offered to provide reuse from the Iron Bridge Reuse System. Please provide any notes, correspondence, proposed contracts, etc. related to this issue.

RESPONSE: The City of Oviedo does not have the means to provide reuse from the Iron Bridge reuse system at this time. The City has indicated to the Utility that it will complete the construction of its 20-inch reuse transmission main on Lockwood Blvd. no earlier than the end of the second quarter of 2007. The City agreed to consider the possibility of providing reuse to Utility from this reuse main if it was feasible, i.e. there was sufficient hydraulic capacity available to do so above and beyond the volume needed to meet its customers' demand. No further discussions have been held on this issue, primarily due to the City not having developed a reuse tariff yet. The City has not identified how much its own residents will have to pay once reuse is made available, much less determine a wholesale rate.

7. Does the utility plan to interconnect its reuse line with the City of Oviedo? If so, please provide a detailed cost estimate for this interconnection.

RESPONSE: Yes. The Utility entered into an agreement with the City over two years ago to supply reuse to the City on an interim basis at an estimated cost of $25,000 and in coordination with the City's contract to construct its 20-inch reuse main. The intent at that time was for the Utility to establish additional disposal capacity and at the same time provide the City with an interim source of reuse until such time as the Iron Bridge facilities were completed. However, due to various problems with its contractor, the City has yet to construct its pipeline to the proposed point of connection with Utility's reuse system. The original design did not envision a bi-directional connection between the two systems. Additionally, the construction of the Iron Bridge

facilities has been delayed repeatedly.

8. With regard to the 4-inch augmentation wells estimated to provide 99,000 gallons per day for each well, (a) please provide an update on all permitting for these wells; and (b) the total estimated cost to install these wells.

RESPONSE: The Utility met with the staff of the St. John's River WMD on November 11, 2006 to clarify the permitting issues. Staff confirmed that a Consumptive Use Permit would be required before any reuse well construction permit would be issued. Staff indicated that the District would be amenable to the issuance of a short-term CUP (2-3 years perhaps) provided the requested withdrawal was less than 500,000 gpd on an annual average basis, the wells were drilled into the upper production zone of the Upper Floridan aquifer, and that a general permit was requested. Staff expressed a willingness to consider any number of wells, borehole size, and location of the wells as long as the application was consistent with the District's permitting guidelines and policies. It is estimated that the cost to install four (4) 4-inch wells is $60,000 inclusive of design, permitting, construction, well development, testing, piping, and controls. Alternatively, the cost to install two (2) each 6-inch wells is estimated to cost approximately the same.

9. What would the total estimated cost be to install meters for all the customers currently receiving reuse service and to perform any required retrofitting of irrigation systems? Provide all calculations and a copy of all workpapers used to derive the total estimated cost.

RESPONSE: The Utility has not performed a detailed analysis of the cost to retrofit all of the current reuse customers with a standard reuse meter. Assuming a unit price of $150 per meter installation, the total cost to install meters at each of the approximately 1,200 residential reuse customers would be $180,000. The cost to retrofit existing irrigation systems using potable water varies from $250 to $1,000 depending on site specific issues. There are approximately 500 Utility customers who are not utilizing reuse.

10. As previously requested in Question 8.(k) of Staff's first data request, what is the current cost for a installing an electronic reuse meter?

RESPONSE: The Utility estimates that it would cost no more than $150 to install a standard 5/8" x ¾" reuse meter including all labor and materials.

11. What is the current cost for installing an electronic reuse meter?

RESPONSE: The Utility does not have any electronic (i.e. remote-read type) reuse meters in service and therefore has no specific cost information at this time. Based on previous discussions with electronic meter manufacturers, the incremental cost to install an electronic meter may be as much as $100 more than a standard meter. This does not include the purchase of the associated software and hardware, training, and programming necessary to implement electronic meter reading equipment.

12. Has the Alafaya performed any hydraulic analysis of its reuse system? If so, please provide a copy of any such hydraulic analysis.

RESPONSE: Yes. A copy of a hydraulic analysis was done by CPH Engineers. Please refer to Exhibit 12 attached hereto.

13. With regard to where reuse service has been interrupted and remained out of service in excess of 48 hours from January 1, 2005 to present, please provide the date of each occurrence and the number of customers who were affected by each occurrence.

RESPONSE: The Utility has not had any instances where reuse service was interrupted for 48 continuous hours. The Utility routinely interrupts service between the hours of 10:00 am and 4:00 pm in order to refill its reuse storage tank and to be consistent with irrigation watering practices recommended by SJRWMD.

14. Please indicated the number of days for each month from January, 2005 to November, 2006 when all reuse water available was used and the distribution system had to be shut down.

RESPONSE: Please refer to Exhibit 14 attached hereto.

II. The following question relates to rate case expense.

15. With regard to Questions 6(a) through (e) of Staff's First Data Request, provide an update of actual expenses incurred to date and an estimate to complete the case.

RESPONSE: Please refer to response submitted to the Commission on November 27, 2006.

Should you have any questions, please do not hesitate to give me a call.

Very truly yours,

MARTIN S. FRIEDMAN
VALERIE L. LORD
For the Firm

VLL/tlc
Enclosures

cc: Ralph Jaeger, Esquire, Office of General Counsel (w/o enc. - via hand delivery)
Mr. Troy Rendell, Division of Economic Regulation (w/o enc. - via hand delivery)
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