

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: March 25, 2003
TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director
FROM: Richard P. Redemann, Utility Systems/Communications Engineer, Division of Economic Regulation
RE: Docket No. 020408-SU; Application for Rate Increase in Seminole County by Alafaya Utilities, Inc.

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Attached please find a letter dated March 19, 2003 to Richard Redemann from David Orr, Regional Manager of Alafaya Utilities, Inc., that should be included in the docket file.

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cc: Division of Economic Regulation (Fletcher, Fitch)
Office of General Counsel (Vining)

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

ALAFAYA UTILITIES, INC.

AN AFFILIATE OF UTILITIES, INC.

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VIA US MAIL AND FACSIMILE (850) 413-7000

March 19, 2003

Mr. Richard Reddeman, PE
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Alafaya Utilities, Inc. Effluent Disposal
Synopsis

Dear Mr. Reddeman:

As requested during our conference call on January 8, 2003, the following provides a brief synopsis of the effluent disposal issues at the Alafaya Wastewater Treatment Facility (WWTF).

As discussed during our conference call, the Alafaya WWTF disposes of effluent via two methods, either utilization of a rapid infiltration basin (RIB) system or through public access irrigation. Until recently, the public access irrigation method was limited to the disposal of reclaimed water via the Ekana (Twin Rivers) Golf Course. In April 2002, the expansion of the reclaimed water facilities at the WWTF allowed the expansion of the reclaimed water disposal area to include the irrigation of private residences throughout the service area. As identified in the application before the Commission in 1998, new developments were focused upon for the provision of reclaimed water to individual residences. Specifically, the developments of Ekana Green, Little Creek, Live Oak, The Sanctuary at River Oaks, and Waverlee Woods were identified for the provision of reclaimed water to private customer residences. In addition, other areas were also identified in 1998. However, to date no plans have been formalized to develop these areas. Effective April 2002, the subdivisions of Ekana Green and Waverlee Woods were capable of receiving reclaimed water. Between April of 2002 and the date of this letter only 53 residences within these two subdivisions have been successfully connected to the reclaimed water system. It is anticipated that by the end of April 2003, a reclaimed water main extension will be complete which will allow The Sanctuary at River Oaks and Live

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Oak developments to receive reclaimed water. Currently, out of the 2,000 proposed residences approximately 500 homes have been built within these two subdivisions thus far.

The challenge of implementing a successful reclaimed water program within the Alafaya service area has been exaggerated by several issues including: the implementation of reclaimed water rates for commercial customers; the necessity of dealing with two entities (the City of Oviedo and Alafaya) when individual residents apply for reclaimed water service; and the logistics necessary to disconnect an existing private irrigation system from a potable water service and reconnecting it to a reclaimed water service.

Although Alafaya has no clear indication from the commercial customers that the implementation of the reclaimed water rates has hindered their desire to utilize reclaimed water, it can easily be demonstrated through the largest single commercially classified customer's historic usage. The Ekana (Twin Rivers) Golf Course would normally utilize approximately 100,000 gallons of reclaimed water on an annual average. From March 2002, through February 2003, the golf course only utilized 46,000 gallons of reclaimed water on an annual average daily basis. It should be noted that 2002 was an abnormally wet year and undoubtedly had a significant impact on their consumption. However, it can be ascertained that pre- and post-implementation of the reclaimed water rates demonstrates a definite usage pattern difference for this commercial customer.

The situation of the customer dealing with two entities seems to be somewhat unique to Alafaya's system. Ordinarily the same entity controls both the potable water service and the provision of reclaimed water service. However, in Alafaya's circumstance several key issues require consideration. Specifically, coordination between two entities, whose programs are in their infancy, throughout the connection process: application, connection, and the provision of reclaimed service. With regard to the City, it is necessary to protect their water supply through a thorough and closely monitored cross-connection control program. From the customer's viewpoint, it is necessary to apply to two different entities for the provision of service, and ultimately contact a third entity, an independent plumbing contractor, to perform the necessary connection in the field.

The field logistics necessary for disconnecting an existing irrigation system from the potable water service and re-connecting to Alafaya's reclaimed water system also has its own inherent challenges. After navigating the application process, the customer is then required to obtain a qualified licensed plumbing contractor to disconnect the irrigation system, install the necessary backflow prevention device on the potable water service, have the City inspect the backflow device installation, and construct the necessary piping to connect to Alafaya's

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reclaimed water system. This sometimes involves crossing a driveway if the reclaimed service is located on the opposite lot line from the potable water service.

It is Alafaya's opinion that these issues have contributed to the low level of participation, and therefore the low usage levels of the reclaimed water service. However, Alafaya has identified, and has discussed with the Commission, several options to increase the effective disposal rate of reclaimed water within the Alafaya service area. These options include: (a) re-evaluating the existing reclaimed water rates to determine if effluent usage can be increased through a revenue neutral alternative rate structure; (b) a more expedient implementation of the reclaimed water program through the connection of those existing customers to the reclaimed water system initiated by an innovative connection program; (c) the acquisition of additional reclaimed water disposal areas or the addition of land not previously considered within the reclaimed water program; and (d) the simplification of the reclaimed water application and connection process through a joint cooperative effort with the City of Oviedo.

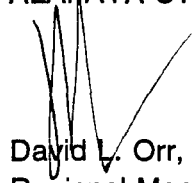
Several of these alternatives have been discussed and/or investigated in whole or in part since our conference call on January 8. Specifically, Alafaya has contacted the City of Oviedo to initiate discussion of the overall connection process to determine if a consensus regarding the simplification of the application process can be reached or if there are additional alternatives yet unexplored. Alafaya has contacted the developer or developer representatives of the Live Oak and Sanctuary developments in order to ascertain if additional lands not previously considered could be utilized for the purpose of additional reclaimed water disposal. Also, we are evaluating the costs of connecting the existing homes within the Sanctuary, Live Oak, Waverlee Woods, and Ekana Green subdivisions to the reclaimed water system to elicit a more expedient demand on the reclaimed water system instead of waiting on participation. This last alternative will be evaluated against a preliminary engineering and cost analysis for a displaced irrigation system. This displaced irrigation system will be installed to achieve a more immediate reclaimed water demand. Eventually the irrigation system would be displaced by the permanent connection of future residences to the reclaimed water system. Alafaya has also contacted large landowners in the vicinity to determine the feasibility of acquiring or procuring additional reclaimed water effluent disposal areas.

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If you have any questions or require additional information, please let me know.

Sincerely,

ALAFAYA UTILITIES, INC.



David L. Orr, PE
Regional Manager

DLO/inw

cc Don Rasmussen, Vice President, Utilities, Inc. of Florida
Martin S. Friedman, Esquire, Rose, Sundstrom & Bentley, LLC
Frank Seidman, Management and Regulatory Consultants, Inc.
Steve Lubertozi, Utilities, Inc.
Bart Fletcher, Florida Public Service Commission