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MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD

January 10, 2005

VIA HAND DELIVERY

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Rosanne Gervasi, Esq.
General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0873

Re: Aloha Utilities, Inc.; PSC Docket No. 020896-WS
Our File No. 26038.37

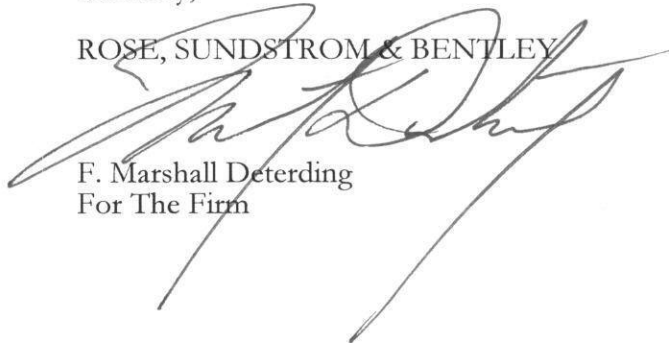
Dear Rosanne:

Enclosed please find the monthly update and comments which Aloha is directed to file by Order No. PSC-04-0712-PAA-WS. The attached represents the project status report due this month.

If you have any questions regarding the above, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY



F. Marshall Deterding
For The Firm

CMP _____
COM _____
CTR _____ cc: FMD/tms
ECR _____ cc: Blanca S. Bayo
GCL _____ cc: Stephen Watford
OPC _____ cc: David W. Porter, P.E.
MMS _____ cc: John Wharton
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Project Status Report

To: Stephen Watford
From: David W. Porter, P.E.
Subject: Seven Springs Water System Improvements - 2004
Date: January 10, 2004

This is the fifth status report completed for this project.

To date the following tasks have been completed:

1. Aloha has retained the services of the University of South Florida to develop design criteria and assist in the design of the water system improvements. The University has designated Dr. Audrey Levine the Principal Investigator for the project.
2. A meeting with the FDEP was held to discuss the project and to obtain design and permitting direction from the Department staff.
3. The design team has been selected and provided authorization to complete the design, permitting, construction observation, start-up and commissioning tasks necessary to complete this project.
4. Basis of design process, chemical and equipment vendors have been selected, a number of purchase orders have been issued by Aloha to allow these firms to provide necessary design assistance and shop drawings for the various facility improvements.
5. The process, chemical and equipment vendors have developed detailed initial application recommendations, prepared drawing details for use by the design team and prepared cost proposals and shop drawings. As the permitting effort and Dr. Levine's work continues to proceed, changes to these initial recommendations may need to be made which will result in updated design drawings, cost proposals and shop drawings, etc.
6. The initial permit application submittal package has been submitted to the FDEP for review and approval. This permit application package is for the portion of the project design that is sufficiently complete to allow the permitting effort to begin. At this time we believe that at least one additional permit documentation submittal package will be prepared and submitted to FDEP (as a modification to this earlier submission) when Dr. Levine's process testing work has been completed to the point where it has provided the information needed to allow the completion of the design work for the entire project.
7. Aloha has selected contractor's to provide construction services for this project.
8. FDEP has issued the initial permit for construction of those components described in item 6 above.

The following tasks are underway:

1. The design team has been coordinating with Dr. Levine on design parameter development; integrating all the various process, chemical and equipment application recommendations; undertaking the necessary sub-system and site engineering design work; working on the instrumentation and SCADA system design; preparing detailed project engineering drawings and readying the project documentation for supplemental FDEP Permit application submittals.
2. Dr. Levine and her team are working to gather the pilot testing data needed to complete her analysis of the hydrogen peroxide treatment process and provide the necessary design and permitting data and report needed to complete the project.

Dr. Levine's hydrogen peroxide treatment process testing work is underway. A summary of testing results will be provided when Dr. Levine has completed her work, compiled her data summaries and prepared her report for submittal to AUI, FDEP, PSC and others.