



United Water Florida

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STATEMENT OF UNITED WATER FLORIDA INC.
IN RESPONSE TO APRIL 4, 1997 REQUEST

The April 4, 1997, letter from JoAnn Chase, Supervisor, Policy Development, Staff of the Florida Public Service Commission to James L. Ade, requests clarification of the following statement in the Application by United Water Florida Inc. ("United Water Florida") For Amendment of Certificate Nos. 236-W and 179-S and a Limited Proceeding to Adjust Rates in St. Johns County, Florida ("Application"):

26...Consistent with the operation of United Water Florida's facilities, the Sunray facilities are:

- (h) Not substantially different from the other facilities
- (i) Not materially different in the cost of operation from the other facilities

United Water Florida provides the following information:

COMPARISON OF FACILITIES

Size of Facilities

Sunray Utilities-St. Johns, Inc.'s ("Sunray") water treatment plant has a capacity of 0.160 million gallons per day ("MGD"). The Sunray water facilities include two shallow wells and two deep wells as a source of water supply. The water is blended to meet state standards for drinking water. For treatment, the water is pumped to an aerator for removal of hydrogen sulfide, collected in the storage tank and then chlorinated for disinfection purposes. The chlorinated water is pumped via high service pumps through a hydro pneumatic tank to the distribution system. The hydro

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pneumatic tank helps maintain the water distribution system pressures within a specified range.

United Water Florida already owns and operates similarly sized facilities which utilize the same processes. For example, in its Lofton Oaks service subarea in Nassau County, United Water Florida owns and operates a very similar system. The treatment process is the same as the process at Sunray's facilities. Water is pumped to an aerator for removal of the hydrogen sulfide, collected in the storage tank and then is chlorinated for disinfection purposes. The chlorinated water is pumped via high service pumps through a hydro pneumatic tank to the distribution system. The hydro pneumatic tank helps maintain the water distribution system pressures within a specified range.

Likewise, the wastewater treatment facilities both at Lofton Oaks and Sunray are very similar. The physical tank configuration is similar with influent screening, biological reactor, clarification, digester and chlorination chambers all forming one integral unit. The plants at the two locations are substantially the same size. At Lofton Oaks the plant capacity is 50,000 GPD and at Sunray the plant capacity is 70,000 GPD. Of course, United Water Florida also has plant capacities larger than Sunray's plant capacity in some of its other service subareas.

As set forth in the Application, United Water Florida has a total of twenty-nine separate water facilities and eleven (11) separate wastewater facilities located in Duval, Nassau, and St.

Johns Counties. Such facilities and land are functionally related and comprise a single utility system whose service transverses county boundaries. United Water Florida's single utility system serves several service subareas. United Water Florida's water treatment plants range in size from 0.007 MGD for the Amocce-Yulee service subarea to 9.294 MGD for the Royal Lakes service subarea. Sunray's water treatment plant is within this range. In several of its service subareas, United Water Florida uses wells, pumps, tanks, and other appurtances of approximately the same size and type for similar sized facilities as used in the Sunray water facilities. United Water Florida's wastewater treatment plants range in size from 0.050 MGD for the Lofton Oaks service subarea to 3.60 MGD for the Monterey Wastewater Treatment Plant for the Arlington service subarea. Sunray's wastewater treatment plant is within this range. In several of its service subareas of similar size, United Water Florida uses facilities of approximately the same size and type as used in the Sunray wastewater facilities.

As mentioned on Exhibits A-8 and A-9 of the Application, United Water Florida is preparing a utility master plan which will include the St. Johns Forest service subarea (i.e., the current Sunray service area) and Sunray's utility facilities. Construction for improvements to present facilities and increases in the capacity of present facilities will be based on the master plan. The expansion of the facilities in the St. Johns Forest service subarea will result in increased treatment plant capacities;

however, the capacities of the individual treatment plants will be within the range of the capacities of United Water Florida's other treatment plants. Furthermore, the components used in the expansions will be similar in size and type to components used elsewhere in United Water Florida's utility system.

Customers of Facilities

Presently, Sunray has sixteen (16) residential service customers and two (2) general service customers, one of which currently is an eight inch (8") master meter customer. The eight inch master meter corresponds to 80 Equivalent Residential Connections ("ERCs") pursuant to Rule 25-30.055(1)(b), Florida Administrative Code ("FAC"). United Water Florida's understanding is that there are approximately fifty to seventy ERCs currently connected behind the master meter.

United Water Florida serves approximately 27,600 water customers and 21,200 wastewater customers through United Water Florida's facilities. The number of customers in the areas served by United Water Florida varies from the low teens (e.g., Bonn Aire service subarea) to over six thousand (e.g., Arlington service subarea). The number of customers served by the Sunray facilities is within this range.

Age of Facilities

Sunray's facilities were constructed approximately ten (10) years ago. United Water Florida's single utility system has

components of various ages, including wells that were constructed in the late 1920s and wells that were constructed in 1996. United Water Florida maintains its single utility system by continuously improving its facilities. The age of Sunray's facilities is within the range of ages of United Water Florida's facilities.

Treatment

The Sunray water facilities draw their water from the Floridian aquifer. Sunray treats the water through aeration for hydrogen sulfide removal and then utilizes storage and chlorination. United Water Florida also draws its water from the Floridian aquifer.

Sunray currently blends its water from its shallow and deep wells to meet drinking water standards. The blending process is not expensive. Although United Water Florida does not need to blend its water, both Sunray and United Water Florida treat their water through aeration for hydrogen sulfide removal and use chlorination in their treatment processes. United Water Florida is currently improving its treatment process in several ways to be in compliance with lead and copper rules. If United Water Florida acquires Sunray's facilities, United Water Florida anticipates including such facilities in its plans for improvement. Part of the improvement will include additional chemical additions at the plant, as well as possibly installing packed aeration towers, to address issues related to the lead and copper rules prescribed by the Florida Department of Environmental Protection.

With respect to wastewater, Sunray, like United Water Florida for similar sized facilities, treats its wastewater through extended aeration. Sunray currently disposes of its treated wastewater through percolation ponds. United Water Florida disposes of its treated wastewater at the Lofton Oaks service subarea through percolation ponds. United Water Florida anticipates that its master plan will recommend that the disposal of the treated wastewater in the St. Johns Forest service subarea be accomplished with dispersal in wetlands areas. United Water Florida disposes of its treated wastewater through dispersal in wetlands areas in several of its other service subareas.

Anticipated Additional Consistencies

Because United Water Florida is only operating Sunray's facilities as an operating agent and does not own Sunray's facilities as of yet, United Water Florida can not make certain improvements at this time which will improve such facilities and eliminate some of the differences between Sunray's facilities and United Water Florida's facilities. In addition to the capital improvements already discussed earlier, United Water Florida would include Sunray's facilities in its Supervisory Control and Data Acquisition system ("SCADA"). By including these facilities in the SCADA system, United Water Florida will be able to provide additional monitoring for Sunray's facilities in the same manner that it does for all of its own facilities. In the SCADA system, United Water Florida has its facilities monitored by on-site

personnel sixteen (16) hours a day, and uses alarm and pager systems to provide monitoring for the other eight (8) hours.

Furthermore, as referenced in the Application, United Water Florida is in the process of preparing a utility master plan. United Water Florida anticipates that the master plan will recommend that the facilities in the St. Johns Forest service subarea be connected to United Water Florida's current facilities in the St. Johns North service subarea because of ease of operation and economies of scale.

Summary

Sunray's facilities fall within the ranges of United Water Florida's facilities in terms of size, number of customers, and age, and also use the same treatment processes as United Water Florida for similar sized facilities. Following the proposed acquisition of facilities by United Water Florida, the Sunray facilities will be improved and become a part of United Water Florida's SCADA system. Furthermore, facilities in the St. Johns Forest service area are anticipated to be interconnected with United Water Florida's facilities in the St. Johns North service subarea. Accordingly, Sunray's facilities are not substantially different from United Water Florida's facilities.

COMPARISON OF COSTS OF OPERATION

Cost Comparison

To clarify statement 26(i) of the Application, the letter also requests a statement providing more detail as to how the costs vary

between Sunray and the facilities that are currently a part of United Water Florida. As set forth in the Application, the costs of operating the Sunray facilities are not materially different from the costs of operating the other facilities of United Water Florida. United Water Florida already is operating Sunray's facilities pursuant to its Operations and Management Agreement with Sunray. Accordingly, the operation of Sunray's facilities is already benefitting from United Water Florida's economies of scale, including cost savings relating to expenses for operating personnel, purchasing, testing, meter reading, billing, and administration. Of course, the costs of operation may vary between plants for several reasons, including plant size (e.g., more chemicals will be needed at a plant providing 1.0 MGD of water than a plant providing 0.100 MGD of water). There is no material difference in the cost of United Water Florida's operation of Sunray's facilities and the costs of United Water Florida's operations of facilities currently owned by United Water Florida of a similar size. One potential cost difference relates to the master meter customer: there currently are no costs of operation being incurred by Sunray for the distribution system behind the master meter. However, in the event that the master meter customer is converted to individual residential service customers, this cost differential would be eliminated. If Sunray were operating Sunray's facilities, United Water Florida would anticipate that there would be a difference in the cost of operation because Sunray

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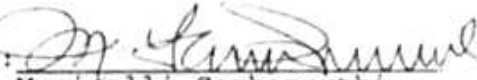
does not have the same economy of scale advantages as United Water Florida.

Summary

As discussed above, Sunray's facilities and United Water Florida's facilities are very similar and use the same basic treatment. With United Water Florida operating the system for Sunray, the costs of United Water Florida's operation of the Sunray system is similar to the costs of its operation of United Water Florida's facilities.

Dated this 10th day of April, 1997.

UNITED WATER FLORIDA INC.

By: 
Munipalli Sambamurthi
Vice President