



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

ORIGINAL
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REPORTING
MAR 28 PM 3:32
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DATE: March 26, 2001
TO: Division of Records and Reporting
FROM: Division of Legal Services (Jaeger)
RE: Docket No. 010156-WU - Application for increase in service availability charges for water

Attached is Edward Wood's letter and staff's response. Please file the documents in the above-referenced docket.

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APP _____
CAF _____
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DOCUMENT NUMBER-DATE

03880 MAR 28

FPSC-RECORDS/REPORTING

STATE OF FLORIDA

Commissioners:
E. LEON JACOBS, JR., CHAIRMAN
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI



DIVISION OF LEGAL SERVICES,
NOREEN S. DAVIS,
DIRECTOR
(850) 413-6199

Public Service Commission

March 26, 2001

Mr. Edward O. Wood
1043 Daleside Lane
New Port Richey, Florida 34655-4293

Re: Your letter to Governor Bush dated February 24, 2001

Dear Mr. Wood:

I am responding to your letter to Governor Bush dated February 24, 2001 regarding the quality of service problems you and other customers appear to be having with the provision of water service by Aloha Utilities, Inc. (Aloha or utility). As you are aware, the Florida Public Service Commission (Commission) has been concerned for several years with complaints from customers of Aloha. The quality of service problem known as the "black water" problem appears to arise after the water passes through the customer's meter and contacts copper piping in the customer's home. Hydrogen sulfide, which is either in the source water or evolves from sulfates in the water, reacts with copper pipes to create copper sulfide (black particulate in the water) -- a form of copper corrosion. Even though the water delivered by the utility to the home meets all present federal and state drinking water standards and the resulting black water has no known adverse health consequences, the Commission realizes that the black water is unacceptable to you and other affected customers, and is making every effort to address this problem.

Therefore, the Commission formed an Interagency Task Force, and initiated the Interagency Copper Pipe Corrosion ("Black Water") Project, along with the Department of Environmental Protection and Department of Community Affairs in August, 2000. Participants have included representatives from other state agencies, including the Department of Health and the Water Management Districts, local governments, water utilities, pipe manufacturers, and the building industry. Workgroups were established to identify feasible solutions for customers with existing copper pipe corrosion and to find long term solutions to prevent future copper pipe corrosion.

There are proposals to revise the Department of Environmental Protection's water system permitting rules to require new, relatively inexpensive tests on new wells in order to identify water systems that are at risk of developing copper pipe corrosion problems. Systems found to be at risk would be required to ensure that the sulfide problem is addressed and not passed along to customers.

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A new statewide building code is scheduled to go into effect on July 1, 2001. The new code includes a provision to address the compatibility of piping material used in new homes with the local water supply. Statewide training on the new code is being designed to educate the building community about copper pipe corrosion and appropriate building materials to be used to avoid potential black water problems.

Efforts are being made to identify ways water utilities can provide information that is needed by the building community in order to assess the appropriateness of water piping materials for that region. In addition, manufacturers of water-pipe products are considering including information on or with their products which provide the conditions under which their products are suitable for use.

There is evidence that point-of-entry home water conditioning devices contribute to copper-pipe corrosion problems. Currently, these devices are exempt from regulation. Actions being considered for recommendation by the Interagency Task Force are whether the home water conditioning device industry should be regulated, whether there should be requirements for them to place notification on their product to inform customers that the use of the product may contribute to the copper-pipe corrosion problem, as well as proposals to develop mechanisms to educate consumers about the impact of these devices.

Options to aid customers with the financial burden of replacing corroded copper pipes were explored. Two options were identified, both of which would be dependent on actions implemented at the local government level. Although the final recommendations of the Interagency Project are not complete at this time, the Interagency Task Force plans to recommend that local governments consider establishment of a municipal service taxing unit or municipal service benefit unit and work with local banks to secure low-interest guaranteed loans to finance the plumbing retrofits in the affected homes.

The project participants are in the process of drafting a final Interagency report which will contain recommendations for action. The report is expected to be completed in April, 2001.

As to your concern about the utility's statement made in Docket No. 010156-WU that "[t]he expansion and Plant upgrading will only be undertaken once it is required . . . by . . . regulatory authority," the Commission staff shares your concern. However, at this time, the utility appears to be in compliance with all rules, statutes, and orders enforced by this Commission.

Moreover, by Orders Nos. PSC-00-1285-FOF-WS and PSC-00-1628-FOF-WS, issued on July 14, 2000 and September 12, 2000, respectively, in Docket No. 960545-WS, the Commission specifically ordered as follows:

ORDERED that Aloha Utilities, Inc., shall immediately implement a pilot project using the best available treatment alternative to remove the hydrogen sulfide, thereby enhancing the water quality and diminishing the tendency of the water to produce copper sulfide in the customers' homes as set forth in the body of this Order.

Mr. Edward O. Wood
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March 26, 2001

The utility is in the process of implementing a pilot project using a treatment methodology that has been successfully used by other utilities to remove hydrogen sulfide. However, the pilot project has not been completed at this time, and it is too early to tell whether this methodology will work for Aloha.

In conclusion, please be assured that the Commission and other state agencies are attempting to find solutions to the black water problem. Moreover, the Legislature has declared that the regulation of utilities is in the public interest and in all actions of the Commission, the public interest is of primary concern.

If you have any questions, or if I can be of further assistance, please call me at 850-413-6234.

Sincerely,



Ralph R. Jaeger
Senior Attorney

RRJ/lw

cc: Governor Jeb Bush
Chairman E. Leon Jacobs
Secretary David B. Struhs
Senator Jack Latvala
Representative Mike Fasano
F. Marshall Deterding, Esq. (with letter attached)
Office of Public Counsel (with letter attached)

Wyndtree Phase III, Villages 5 & 7 Association, Inc.

P.O. Box 187

Tarpon Springs, Florida 34688-0187

727 376 0380

February 24, 2001

01-0065 MAR-9

Governor Jeb Bush
The Capitol
Tallahassee, FL 32399-0001

Dear Governor Bush:

This letter is being written on behalf of the ninety-six (96) homeowners in the Wyndtree Phase III, Villages 5 & 7 subdivision. Individually we have written to you and other members of the Executive and the Legislative Branches of the State of Florida. To date, we have been ignored, and attempts have been made to sweep us under the rug. We are looking to you to initiate some action that will solve our community problem.

The problem that we are confronted with, is a private utility. This utility is suppose to be regulated by the State of Florida. The name of this utility is Aloha Utilities. This utility supplies water to the Seven Springs Area in Pasco County. The product that they supply is unfit to bathe in or to drink. The product that Aloha supplies has caused serious damage in some of the homes in our community. Yet, the regulatory commissions and departments have ruled that these conditions are "ok", as long as they are not in their homes. The Public Service Commission, and the Department of Environmental Protection have refused to do anything about this State of Florida created monopoly.

There have been many fact finding trips to the homes in this community by members of state agencies. The members of the commissions and their staffs have seen the problem in the homes of the taxpayers. The utility has admitted that there are sulfates in their product. It is these sulfates in the water, that is causing the copper pipes in the homes to leach copper. The copper that is leached causes the pipes to deteriorate, and causes the water coming from the home taps to be black in color with black particles in the water. The water and service provided by this utility is a disgrace to the State and Country in which we live. Third World countries have cleaner water than that which is supplied to the residents of Wyndtree.

The statues governing these so called regulated utilities must have been written by the utilities for the legislature in the "wee hours" of the morning. The statues permit the regulated utilities to collect excessive profits, and also force the customers to pay for all the frivolous rate cases they file. The utility does nothing unless a government agency orders them to do something, then they file a frivolous case for a rate increase. Then the PSC grants it to them, whether they deserve it or not.

What I have written in the above paragraph is exemplified in the Aloha petition for an increase in

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FEB 26 2001

FLORIDA PUBLIC SERVICE COMMISSION
Chairman, Jacobs

Wyndtree Phase III, Villages 5 & 7 Association, Inc.

P.O. Box 187

Tarpon Springs, Florida 34688-0187

727 376 0380

February 24, 2001

01-0046 MAR -9

Governor Jeb Bush
The Capitol
Tallahassee, FL 32399-0001

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FLORIDA PUBLIC SERVICE COMMISSION
Chairman, Jacobs

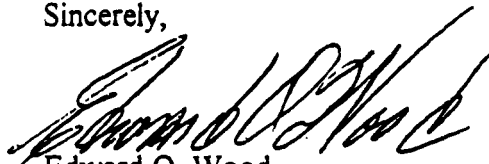
impact fees, PSC Docket No. 10156 WU. Aloha states, "The expansion and Plant upgrading will only be undertaken once it is required as part of a mandate by either a local, state, or federal regulatory authority." We believe that this statement tells the whole story. The utility will not provide acceptable customer service unless some government authority orders them to do it. Then they are able to file a rate increase, and the regulating authority will grant it.

Customers are the losers in all dealings with regulated utilities. Revisions must be made to the statutes governing same. These regulations should not be authored by the utilities, but by elected or appointed State officials. There should be no doubt about the customer's protection. These utilities have been given the right to be a monopoly. They should be responsible and be pro-active to the needs of the customer. Deregulation is not the answer, since these utilities are structured in such a manner, that it is impossible to have a free market.

Aloha Utilities currently serves about 9100 customers. They expect to add nearly 6000 more in the next few years. With service so bad why are they allowed to expand? They can't deliver an acceptable product to the current customers. Are they going to be permitted to "scam" 6000 new ones?

We are looking forward to your response, and the action to be taken by the State of Florida.

Sincerely,



Edward O. Wood

Director - Wyndtree Phase III Association

CC: David Struh - Dept of Environmental Protection
E. Leon Jacobs - Public Service Commission
Jack Latvala - Florida Senate
Mike Fasano - Florida House of Representatives
Robert Carlson - Wyndtree Phase III Association