

ORIGINAL

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(850) 877-6555

CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
JOSEPH P. PATTON
DAREN L. SHIPPY, LL.M. TAX
WILLIAM E. SUNDBSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

TELECOPIER (850) 656-4029

January 16, 2002

VIA HAND DELIVERY

ROBERT M. C. ROSE
OF COUNSEL

Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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02 JAN 16 PM 2:33
COMMISSION
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Re: Aloha Utilities, Inc.; PSC Docket No. 010156-WS
Our File No. 26038.17

Dear Ms. Bayo:

Attached in accordance with the requirements of the Commission's Final Order in Docket No. 960545-WS is the most recent report on the status of the pilot project. Please see the attached letter for more detail concerning this status report.

If any members of the staff have any questions or concerns with the direction of the pilot project or anything within Mr. Porter's letters, either this report or previous reports, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

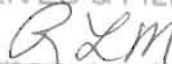
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Enclosure

cc: Tom Walden, PSC
David W. Porter, P.E.
Stephen G. Watford

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**David W. Porter, P.E., C.O.****Water and Wastewater Engineering Consultants**

January 15, 2002

Ms. Connie Kurish
Aloha Utilities, Inc.
6195 Perrine Ranch Road
New Port Richey, FL 34655

Re: PSC Docket No. 010156-WU
Project Number AUI-021-1-S
Seven Springs WS Pilot Plant
Status Report for January 2002

**Regulatory Assistance;
Process Troubleshooting;
System Design, Permitting,
Construction Observation;
Forensic Engineering,
Expert Witness Testimony;
Rate Case Support**

Dear Connie,

I have prepared this project update letter so that you may use it in the preparation of your monthly report to the FPSC concerning this project.

Since my last report, I have continued working with ORICA-WATERCARE and WESTECH in the technical program development along with estimating construction and O&M costs for a MIEX demonstration plant. I have begun discussing the MIEX demonstration plant proposal with Steve Watford and will shortly provide his comments to Michael Bourke of ORICA-WATERCARE.

As we have been discussing over the last several months, water supply problems and changes that Pasco County will be making to their water chemistry have caused us to have to carefully consider how we will continue to move forward with the pilot project. Both Steve Watford and I have given this matter a considerable amount of thought and need to be careful not to make decisions that would result in the purchase and installation of equipment that would need to be extensively modified and/or replaced soon after they were placed into service.

As you are aware, last week Steve Watford spoke to Pasco County's utility director and was told that the County still could not predict what the chemistry of their water would be after they make changes to their water system to comply with the new Disinfection Byproduct Rules. Steve was also told that the County had decided to conduct additional pilot tests of the MIEX process to determine its compatibility with the chloramination disinfection process they are considering for use in their water system.

Since the County has stated that additional time will be required before we will receive any definitive description of the chemistry of the future County water supply, Steve Watford has directed me to produce an interim report detailing the results of the bench-top and small scale pilot testing we conducted on the MIEX process in 2001. This report will be used to work with the FDEP in obtaining permits to construct and operate the larger demonstration MIEX plant at Well Number 9. It is our intent to also share this data with Pasco County to aid them in completing their new MIEX trials as soon as possible, thus allowing them to hopefully be in a position to predict the chemistry of the water they will soon be supplying

PCHD//Status Report 01-15-02//proj/via FAX

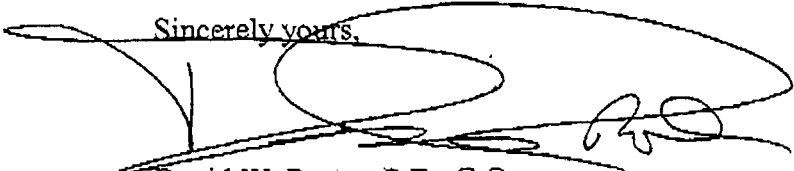
Ms. Connie Kurish
January 15, 2002
Page 2

Aloha. The interim report will be followed-up with a final report once the new County water chemistry is known and the demonstration MIEX plant has been operating long enough to provide us with the data needed to complete final sizing and develop construction and O&M cost projections for the full-scale MIEX plant(s).

The volume of data to be tabulated and presented is quite large, therefore, some time will be required to complete the Interim Report. My current plans are to have it completed by early March. In the meantime, as soon as I have the data in a form that can be presented to others, I will begin working with the FDEP to permit the demonstration facility and meeting with the County to share MIEX data and coordinate with them on their additional MIEX pilot work. This data will also be used when our Customer Advisory committee begins its work early this year.

If you have any questions please call me.

Sincerely yours,



David W. Porter, P.E., C.O.
Engineering Consultant