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LAW OFFICES
ROSE, SUNDSTROM & BENTLEY, LLP
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

FREDERICK L. ASCHAUER, JR.
CHRIS H. BENTLEY, P.A.
ROBERT C. BRANNAN
DAVID F. CHESTER
F. MARSHALL DIETERING
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
DAREN L. SHIPPY
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON
ROBERT M. C. ROSE, OF COUNSEL
WAYNE L. SCHEFFELBEIN, OF COUNSEL

(850) 877-6555
FAX (850) 656-4029
www.rsbatorneys.com

CENTRAL FLORIDA OFFICE
600 S. NORTH LAKE BLVD., SUITE 160
ALTAMONTE SPRINGS, FLORIDA 32701
(407) 830-6331
FAX (407) 830-8522

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

June 24, 2004
VIA HAND DELIVERY

Rosanne Gervasi, Esquire
Legal Division
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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

PSC Docket No. 010503-WU
Our File No. 26038.35

Dear Rosanne:

After review of the staff recommendation, there are a couple of areas where we at the Utility are very concerned that the revised proposal for water treatment by the staff is not workable:

- 1. Hydrogen Sulfide Goal - The proposal submitted by the Utility was exactly that imposed upon Tampa Bay Water for providing bulk service to its member governments. It is the only known goal on hydrogen sulfide levels and it is one that we had thought that the Public Service Commission and the Office of Public Counsel had previously agreed with as an appropriate alternative to that contained in the Commission's original rate order.

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The proposed change to require the measuring of hydrogen sulfide at the point of delivery to the customer's piping is not only substantially more stringent than that imposed by Tampa Bay Water, but is virtually unworkable without substantial changes in those necessary to meet the requirement at the point that the water leaves the treatment facilities of the Utility.

David Porter has prepared an analysis of those problems and they are outlined in the attached memo from Mr. Porter entitled "Response to PSC Staff Recommendation Related to Sulfide Limits and Monitoring." Dr. Audrey Levine at the University of South Florida reviewed and critiqued the contents of the memo. She agrees with the comments of Mr. Porter therein and with his conclusions.

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As also noted in Mr. Porter's memorandum, the testing requirements for the hydrogen sulfide levels once a month are also unworkable given the fact that implementation of a new treatment system requires optimization and it has already been seen that a change to chloramine used as a disinfectant has resulted in a need for a significant period of time to optimize these requirements and achieve the desired results.

The Utility proposed yearly testing, not only because that was exactly the same as that required of Tampa Bay Water, but also because of this need for optimization.

2. Low Cost Loan Program - In the interest of repairing customer relations Aloha is willing to voluntarily implement a low cost loan program to assist its customers in resolving problems that some are experiencing with discoloration of water associated with copper piping. However, there are some real concerns with the way it is proposed to be implemented under the staff recommendation. These are outlined below:

Requiring that a plumber provide "a signed statement that the damage being repaired was due to corrosion by hydrogen sulfide in the water" could not be obtained from a plumber who was savvy as to the underlying conclusions that he was being required to reach. Plumbers generally are not scientists to know the source of such problems. To the extent Aloha engages in the low interest loan program, which it is willing to undertake immediately, we do not believe that such a subjective requirement should be imposed on those who have copper piping.

Aloha would suggest in the alternative to the staff recommendation that the only requirement from the customer be that they request participation in such program and that Aloha determine that they in fact have copper piping and at that point Aloha would be willing to put them on the list for having their home repiped and participation in the loan program on a first come first serve basis.

In addition to the above concern with qualification for the program, Aloha would suggest that rather than the six month limit imposed under the staff recommendation that instead there be a simple one year sign up period by customers and then Aloha would be willing to allow participation for up to 75 customers per year under the program for a period of up to five years on a first come, first serve basis.

Based upon the above, Aloha proposes the following loan program which it will voluntarily undertake. However, in order for Aloha to be willing to do so, it will need to include the following requirements:

1. Anyone with copper piping will be eligible to participate in the

program on a first come, first serve basis.

2. The interest rate charged will be the same interest rate as Aloha pays on a customer deposit, which is currently 6%.
3. All persons wishing to participate will be required to sign up within one year of the notification of the program which Aloha will prepare and submit to staff prior to distribution in the next 60 days.
4. Work will be performed by a state licensed plumber chosen by the customer.
5. The low cost loan program will be for ½ of the cost of the plumbing improvements up to \$2,500 and will be repaid by the customer as a surcharge on their water and wastewater bills over a period of five years.
6. There will be a lien placed on the customer's property for the amount of the loan until paid in full.
7. The Utility will require a release of liability form be executed related to such re-plumbing activities as part of the participation in the program.
8. The Public Service Commission will recognize the cost of implementing and administering the program in any rate setting proceeding brought after the program has begun.

Without the above changes, we are concerned that neither the proposal for change in the treatment options or the loan/rebate programs are workable as proposed in the staff recommendation. We will be prepared to present on these issues at the agenda conference. However, it should be clear that barring some agreement to change these items, there is a distinct possibility that the proposal by the staff will have to be protested if adopted.

Sincerely,
ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD\tms

cc: Representative Mike Fasano
Stephen C. Burgess, Esq
Margaret Lytle, Esquire
Edward O. Wood
Ralph Jaeger, Esq.
Stephen Watford, President
David Porter, P.E.

Rose, Sundstrom & Bentley, LLP

2548 Blairstone Pines Drive, Tallahassee, Florida 32301

Response to PSC Staff Recommendations Related to Hydrogen Sulfide Limits and Monitoring:

In the PSC Staff Recommendation, it was suggested that the Commission modify its existing Order requiring 98% removal of hydrogen sulfide to read:

“Aloha shall make improvements to its wells 8 and 9 and then to all of its wells as needed to meet a goal of 0.1 mg/L of sulfides in its finished water at the point of delivery with the customers’ piping. Compliance with such requirement shall be determined based upon samples taken monthly at a minimum of two sites at domestic meters most distant from the multiple treatment facilities. Such sites shall be rotated to provide the greatest likelihood of detecting any departure from the maximum levels permitted. Aloha shall implement this standard no later than February 12, 2005.”

This recommendation, as stated, is unworkable for several reasons:

1. The only specific guideline for hydrogen sulfide monitoring that has been adopted in Florida is applied to wholesale water provided by Tampa Bay Water (TBW) to its member governments. The TBW guideline specifies a sulfide concentration based on annual monitoring at the point of delivery of its bulk water to its member governments. The rationale for the TBW monitoring location is that the point of entry into the distribution system is the only place where the hydrogen sulfide levels are directly impacted by treatment. After TBW water enters the distribution system, it combines with water from other sources (groundwater, surface water) that vary in water quality. After the bulk water connection point, TBW can no longer be held responsible for the quality of the distributed water.

The majority of water quality standards that are specified in the Safe Drinking Water Act (SDWA) and by the Florida Department of Environmental Protection (FDEP) require monitoring the treated water before it enters the water distribution system. The main purpose for a water quality guideline is to provide a mechanism to ensure that treatment systems are operating effectively and provide utilities with information that can be used to improve process operation. Results from sampling at treatment facilities provide a more accurate assessment of the treatment process effectiveness than samples collected from the distribution system where many other factors impact water quality. Monitoring locations that vary over time and location can provide misleading information due to the influence of water from other sources, temperature, and hydraulic factors. Because this Order addresses control of hydrogen sulfide, regular monitoring of hydrogen sulfide at the point of entry to the distribution system is the only feasible method of ensuring that the treatment is effective.

While Aloha will implement treatment to improve control of hydrogen sulfide at its treatment facilities, it is not feasible to impose a hydrogen sulfide limit at locations that are impacted by water from external sources, such as TBW and Pasco County Utilities. Aloha Utilities has no jurisdiction for control of the quality of the water supplied by Pasco County Utilities or TBW, particularly unregulated water quality constituents, such as hydrogen sulfide. It is important to note that TBW's sulfide limitations are explicitly stated as a "goal" and not an absolute maximum limitation in Exhibit D of the Tampa Bay Water Agreement. In addition, the Pasco County Utilities-Aloha draft bulk water agreement does not specify a limit for any water quality parameters not regulated by USEPA or FDEP rule, including sulfides. Bruce Kennedy of the Pasco County Utilities Department was asked if similar language could be added to its bulk water agreement with Aloha to meet the PSC staff recommendations. Mr. Kennedy responded that the County would not be willing to include a hydrogen sulfide limit in the agreement.

To be consistent with water purveyors in west-central Florida, the point of compliance with this stringent hydrogen sulfide requirement should be at the point that the finished water leaves its treatment plants and enters the distribution system. Sporadic measurements at varying locations in a distribution system that includes water from multiple sources cannot provide information about the treatment system effectiveness. In addition, in all of the testing data collected to date by many entities (FDEP, OPC consultants, Aloha, etc.) hydrogen sulfide levels have never exceeded 0.1 mg/L at any customer's meter. To require Aloha to meet a specific hydrogen sulfide goal at varying points in the distribution system is unreasonable. Not only would Aloha have to meet a goal that is far more stringent than guidelines utilized by TBW or its member governments, but, meeting that requirement is beyond Aloha's control. Imposing this requirement at the treatment facilities provides a means for direct evaluation of treatment performance.

2. The Staff Recommendation proposed wording states that "Aloha shall implement this standard no later than February 12, 2005." As with all new processes and major water system improvements, once the new facilities are constructed and begin operation, a period of time is needed to fine-tune the operation of the process units. This shake-down period is an essential part of every water treatment project. Aloha will require at least 12 months after the start-up of new facilities to conduct process fine-tuning to ensure that they are operating at peak efficiency. The process upgrades proposed will completely change the way the facilities now operate. In addition to hydrogen sulfide control, other water quality parameters will be impacted by process modifications. The process units will need to be fine-tuned and optimized to control hydrogen sulfide oxidation in consort with meeting requirements for disinfection byproduct generation, lead and copper, disinfectant residual levels, distribution system monitoring for coliforms, flushing requirements

and other important issues. Each of these issues, many of which are required by EPA and/or FDEP rule, will require balancing of all operating parameters of the new processes. The plant processes can not be optimized for one parameter, such as hydrogen sulfide control, without regard for the others. Therefore, a process optimization period must be allowed before compliance with any new limits can be required. The FDEP has recognized this. The other utilities that have converted from free chlorine disinfection to chloramination in this area have all required a long period to optimize their systems. In fact, some have been working on the optimization for over two years. Tampa Bay Water is still in the process of determining the best operating parameters for the water systems that utilize their water that will allow them to optimize their operations to meet all necessary EPA and FDPE rules. A symposium was held on May 13 and 14 of this year to provide research data (collected over recent years at the cost of over \$3M) to water systems that are consecutive to Tampa Bay Water to assist them in optimizing their systems.

Aloha must be granted at least 12 months to optimize their system before it must meet any new hydrogen sulfide standard. When Aloha submitted its language to modify the original 98% hydrogen sulfide removal order, it assumed that the standard would be implemented by February 12, 2005 but that the first sampling would take place sometime after the facilities were optimized, but within the one year sampling and testing frequency requirement also proposed at that time. A change to monthly sampling does not provide Aloha any time for process optimization and/or fine-tuning as is standard practice in the industry and has been needed by all of the other local utilities in upgrading their facilities.

Based on this information, Aloha believes that the language proposed in the Staff Recommendation is not workable for the reasons stated above and that the language below must be adopted:

“Ordered that Aloha Utilities, Inc. shall make improvements to its wells 8 and 9 and then to all of its wells as needed to meet a goal of 0.1 mg/L of hydrogen sulfide in its finished water as that water leaves the treatment facilities of the utility. Compliance with such requirement shall be determined based upon samples taken at least annually from a point of connection just after all treatment systems and before entry of such water into the transmission and distribution system of the utility. Aloha should implement this require no later than February 12, 2005.”