

State of Florida



ORIGINAL
Public Service Commission
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COMMISSION
CLERK

DATE: December 29, 2004
TO: Division of Commission Clerk and Administrative Services
FROM: Troy Rendell, Public Utilities Supervisor, Division of Economic Regulation
RE: Docket No. 030250-WU – Application for staff assisted rate case by Floralino Properties, Inc.

The attached letter was inadvertently sent to the Division of Economic Regulation. Please include it in the official docket file for Docket No. 030250-WU.

Thank you.

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FPSC-COMMISSION CLERK

ORIGINAL

Colonial Manor Utility Company
a/k/a Floralino Properties, Inc.

Gary Deremer, President
PO Box 398
New Port Richey, Florida 34652
Tel: 727-919-0408 Fx: 727-848-7701

December 22, 2004

Mr. Troy Rendell
Public Utilities Supervisor
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Docket No. 030250-WU
Floralino Properties, Inc.

Dear Mr. Rendell:

In response to your correspondence dated November 24th, and pursuant to our telephone discussion regarding the items there noted, I would like to take this opportunity to share the following information in regard to the status of improvements noted in the rate case study previously performed by the Commission. Responses are prepared in the order of your numbered items:

1. Emergency phone numbers have been posted at the utility well locations throughout the territory served.
2. These signs are posted on behalf of the utility by U.S. Water Services Corporation as the contracted operating and emergency service company. I have asked our staff to acquire a picture of the signs posted and will forward the pictures electronically.
3. N/A.
- 4-7. To date the utility has expended approximately \$25,000.00 toward this particular project and installation delays have occurred due to unforeseen circumstances. The need to determine the exact location of the system isolation valves to allow for proper control of the system during installation, and to meet any need for future control, became apparent after I became involved with the utility. We are currently undergoing a valve replacement program as the age of the valves render some of them inoperable. Secondly, we encountered a set of delays in regard to the active hurricane season just experienced throughout the State. Utility related emergencies encumbered the process of non-emergency utility

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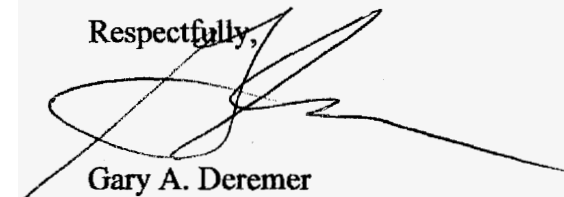
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repairs and upgrades in many areas of Florida effecting the opportunity to contract the installation. This system also incurred hurricane damage and those repairs took precedence. At this time, the approved hydro-tanks are scheduled to be completed during the month of February, 2005 and based upon the valve location and replacement program and other plant upgrades that have been required but were not obvious at the time of rate case review in 2003, the utility will exceed the plant upgrade cost of \$45,816.00 noted at that time. The utility will consider seeking help of the Commission in regard to the additional expenditures by filing for a staff assisted rate case in 2005. I am enclosing a copy of the current capital improvement plan for the Floralino/Colonial Manor Utility System for your review.

In addition, I have negotiated with Mr. Tubolino, owner and President of Floralino Properties, Inc., to purchase this water system; hence the response under Colonial Manor Utility Company, a corporation formed for this purpose. While I have assumed management control over the utility at this time, the application for asset transfer approval is being completed by U.S. Water Services Corporation on Mr. Tubolino's behalf and in keeping with Commission requirements. We anticipate that the application will be forwarded to the Commission within the next few days. This process has also been delayed in relation to hurricane activity and the need for the contract operating company to disperse and managed utility emergencies and repairs across Florida.

I hope this information reassures the Commission that it is my full intent to honor the commitment previously made in regard to the plant upgrades noted in the rate case review. I will be available at any time to discuss the current status of the improvements or other items of concern. Please do not hesitate to contact me for further review.

Respectfully,



Gary A. Deremer
President

Enc.



DRAFT 12/17/04

Capital Improvement Plan for the Colonial Manor Utility System

August 2004

December 1, 2004

Summary of Projects:

I. Install fencing at all five well site locations:

Project Description:

The new fencing will consist of six foot chain link galvanized steel fencing with a double access gate for each water treatment plant site. The fence will enclose the well house, hydropneumatic tank and all above ground piping. Each well site will require between 150 to 200 LF of fencing materials.

Project Justification:

Well sites need to be more secure to protect the water supply. Additionally, the well buildings have experienced vandalism resulting from poor access control to the interior of the well houses. The situation is generating unnecessary liability exposure for the Utility. Adequate water treatment plant security is required by FDEP rules and regulations.

Estimated Cost:

\$9,000.00

Project Status:

Two bids received – work awarded to CFK Fencing, Inc. - \$8,950.00. Work scheduled to start in December 2004 and to be completed in January 2005. The Utility will seek recovery in rates for this improvement project.

II. Replace hydropneumatic tanks at Well numbers 2, 3 & 4.

Project Description:

The project consists of installing (3) new 3000 gallon hydropneumatic tanks and new steel saddles. Each tank will have an engineering certification of 100 psi working pressure. The tank will be coated with a Themec potable water epoxy coating on the interior and a five year

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Water and Wastewater Utility Operations, Maintenance, Engineering, Management

paint coating for the exterior. The new system will be equipped with a pressure relief valve, all new piping and valves and a sight glass water level indicator.

Project Justification:

Engineering Analysis has determined by way of metal thickness testing that the hydropneumatic tanks are in need of replacement. Tanks have been patched a number of times and will likely develop new leaks. Metal loss and fatigue can cause a dangerous situation to exist, resulting in possible explosion and catastrophic rupture of the tanks.

Estimate Cost:

\$46,000.00

Project Status:

Tank design is complete and tanks have been ordered from the manufacture. Work is expected to be completed in early 2005. This work has already been approved in current rates.

III. Install auxiliary power generation at Well numbers 2 & 4.

Project Description:

The generators will be size to provide adequate power supply to operate the well pumps and all other appurtenances necessary for operating the water facility at full rated capacity. The generators will be housed in the existing well building and will be installed with an automatic transfer switch to provide uninterrupted power supply. The generators will utilize diesel fuel and be equipped with a secondary fuel containment vessel.

Project Justification:

System loss of power during recent hurricane events of 2004 caused a major disruption of potable water service. The Utility System has an interconnection with Pasco County; however the Pasco system also experienced interruptions of its service. Additionally, due to the county conversion to chloramines as a disinfectant, the interconnection will not be able to be utilized in the future, unless the Colonial Manor system converts to chloramine disinfection. The Colonial Manor water supply system has performed testing in accordance with the new disinfection by-product rules and it was determined that the system was compliant with the new requirements. Therefore, the system will continue to utilize free chlorine as a disinfectant. A cost comparison was also performed to determine if the Colonial Manor system should convert to chloramine disinfection solely as a means of cost saving thus avoiding the additional cost of auxiliary power construction. When the comparison was made between the cost of adding two generators to the cost of design and constructing a completely

Capital Improvement Plan for the Colonial Manor Utility System

August 2004

new disinfection system for all five wells, including all the necessary sophisticated controls and system analyzers, it was clear that the cost of the installation of auxiliary power generators would be a more useful and a prudent investment for the Utility. Also, the added benefit of the generators in the time of an emergency event would provide for more system reliability and improved customer service.

Estimated Cost:

\$75,000.00 – assuming the generators can be installed in the existing well houses at well numbers 2 & 4.

Project Status:

Project is currently in the design and permitting stage, and scheduled for the construction in the middle of 2005 pending FPSC approval to recover the project cost in rates.

IV. Miscellaneous building repairs at all five well houses.

Project Description:

Repairs will include repairs to roofs, aluminum soffit and fascia, replacement of broken doors and windows, repair of concrete and building painting.

Project Justification:

Most buildings are twenty five to thirty years old and are in need of repair. Leaking roofs and windows have caused electrical control and equipment damage. The wells are located in existing residential communities and it is important to the Utility that the well houses general appearances are in accordance with the communities, deed restrictions and Pasco County standards. It is equally important to the Utility to provide good public perception and customer relations, and that the building repairs are prudent and warranted.

Project Cost:

\$13,000.00 - \$16,000.00

Project Status:

Some estimates have been received by the Utility for roof and window repairs. Project is underway and should be completed in mid 2005. The Utility will seek recovery in rates for these repairs.

V. Engineering study to evaluate Nitrate Exceedance

Project Description:

The study will determine the most likely cause of the nitrate exceedance in Well # 1. The study will provide an outline of treatment alternatives and develop cost estimates for

Capital Improvement Plan for the Colonial Manor Utility System

August 2004

implementation. Additionally, the study will perform preliminary investigations into abandonment of Well # 1 and to obtain replacement of water capacity elsewhere.

Project Justification:

During the 3rd & 4th quarter of 2004 Well number 1 has exceeded the maximum contamination level (MCL) for Nitrate, a preliminary standard. The project will evaluate and study treatment and source water alternatives and is necessary to ensure adequate water supply is available for the customers of the Utility.

Project Cost:

\$7,500.00

Project Status:

Project is underway and should be completed in early 2005. Recommendations could include the construction of a treatment system or addition of added source water through other means. The Utility will seek recovery of all these cost in future rates.

VI. Water main valves and fire hydrant replacements

Project Description:

The Utility has undergone a valve location and exercising program. It has been determined that approximately forty valves and three fire hydrants are in need of replacement. The valves range in size for 2" to 6" diameter and many are located in the rear easement. This rear easement restricts access for excavation equipment and requires all excavation to be preformed by hand digging. All the new valves will meet AWWA requirements and be of the resilient wedge variety. Each valve will have a cast iron valve box and be located on the AutoCAD mapping. The fire hydrants will also meet AWWA standards for wet barrel hydrants and be installed in the original design locations.

Project Justification:

Most of this infrastructure is in excess of thirty years old and no longer operable. This improvement is necessary to return the system operation to its original design and to provide for a more efficient functioning water distribution system. This improvement will also increase the level of customer service by allowing the Utility to isolate smaller areas in the event of system repairs. Additionally, the Utility has entered all the information on the distribution system in AutoCAD format for future reference. The Utility believes this improvement is necessary and a prudent investment for the customers. The utility will seek recovery of these expenses in rates.

Project Cost:

\$30,000.00 - \$45,000.00

Project Status:

Project is underway and expected to be completed in mid 2005.

VII: Initiate operator of Well number 5.

Project Description:

The project consists of installing new well controls, valving, metering, hydropneumatic tank and piping to facilitate the operation of the well. The well will be tested for all FDEP requirements including a 20 day micro-bacteriological testing.

Project Justification:

The addition of Well number 5 would provide improved fire flow for the community and will add to the overall system reliability. This would also improve the water pressure in the southeast portion of the distribution system. As previously discussed in project number V, above, Well # 1 may need to be modified or abandoned which would further necessitate the need for Well # 5 to be online. The Utility believes this project to be prudent and to be in the best interest of the customers. The Utility will be seeking recovery of these costs in rates.

Project Cost:

\$26,000.00

Project Status:

Project is underway and scheduled for completion in the middle of 2005.

Project Number	Project Description	Project Cost
Number I	Six foot chain link galvanized steel fencing, double access gate, enclosure of well house, hydropneumatic tank & above ground piping, and 150 - 200 LF of fencing for each site.	\$9,000.00
Number II	Engineering certification of 100 psi working pressure, Tnemec potable water epoxy coating on the interior and a five year paint coating on the exterior for the 3 new 300 gallon hydropneumatic tanks and new steel saddles. New system will be equipped with a pressure relief valve, new piping and valves and a sight glass water level indicator.	\$46,000.00
Number III	Generators will be sized for power supply and operation at full rate. Generators will be housed in existing building, have automatic transfer switch for power supply installed, use diesel fuel and a secondary fuel vessel.	\$75,000.00
Number IV	Repairs to roof, aluminum soffit and fascia, building paint and concrete. Replacement of broken doors and windows.	\$13,000.00 - \$16,000.00
Number V	Study will determine cause of Nitrate exceedance in Well number 1 and will provide treatment options and cost estimates. Study will also provide preliminary investigation of abandonment and obtain replacement capacity elsewhere.	\$7,500.00
Number VI	Forty valves and three fire hydrants need to be replaced. Valves ranging in size of 2" - 6" in diameter, most located in rear easement with restricted access. All valves and fire hydrants meet AWWA requirements. Valves will be the resilient wedge variety and the fire hydrants will be wet barrel. They are to be installed in original design locations.	\$30,000.00 - \$45,000.00
Number VII	Installation of new well controls, valving, metering hydropneumatic tanks and piping. Well will be tested for FDEP and a twenty day micro bacteriological test.	\$26,000.00

Capital Improvement Plan for the Colonial Manor Utility System

August 2004