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REPLY TO CENTRAL FLORIDA OFFICE

January 10, 2008

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Ann Cole, Commission Clerk
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Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No.: 060256-SU; Alafaya Utilities, Inc.'s Application for Rate Increase in
Seminole County, Florida
Our File No.: 30057.112

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket is Alafaya Utilities, Inc.'s Fourth
Quarter Progress Report as required by Proposed Agency Action Final Order No. PSC 07-
0130-SC-SU.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/mp
Enclosure

Dictated by Mr. Friedman
but signed in his absence
to avoid delay in mailing.

cc: Cheryl Bulecza-Banks, Division of Economic Regulation (via e-mail)
Mr. Richard Redemann, Division of Economic Regulation (via e-mail)
Steven M. Lubertozzi, Chief Financial Officer (via e-mail)
Ms. Kirsten Weeks (via e-mail)
John Hoy, Chief Regulatory Officer (via e-mail)
Patrick C. Flynn, Regional Director (via e-mail)



January 9, 2008

Mr. Richard Redemann
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Alafaya Utilities, Inc.
Proposed Agency Action Order No. PSC 07-0130-SC-SU
Fourth Quarter Progress Report

Dear Mr. Redemann:

As required by the terms of the PAA Final Order referenced above, please find the following status report of projects currently underway to assist in the delivery of reclaimed water to Alafaya Utility's current and future reuse customer base.

Augmentation Wells

Alafaya investigated the feasibility of acquiring the five existing irrigation wells located within Live Oak Reserve for the purpose of supplementing Alafaya's reuse supply on a daily basis. The Utility determined that the irrigation wells would not be adequate as an augmentation source. The Utility found that the well yields have dropped and they are pumping sand. This would be a detriment to Alafaya's existing reuse system and to the customers' irrigation heads. On September 3, 2007, the Utility contracted with The Colinas Group to supervise the siting and drilling of a four-inch test well on Alafaya's property. The field data generated from this study will be used to determine whether the site will support a larger single well or multiple smaller wells, to design the well(s), assemble a CUP application for roughly 0.400 mgd on an annual average basis, and monitor construction of the well(s). The Colinas Group will also identify if any additional treatment will be necessary before mixing well water with reclaimed water. The contractor began drilling the 4" test well September 7, 2007. The test well was completed with samples taken on October 11, 2007. Sample results were received on November 15, 2007 and found to be favorable in that additional treatment to meet reuse standards does not appear necessary. Based upon the results, the Consumptive Use Permit was filed with the District on December 18, 2007 with the Utility receiving the first Request for Additional Information (RAI) on January 3, 2008, a response to which is currently being prepared. If and when SJRWMD issues the CUP, Alafaya will proceed with the well construction. It is likely to take as much as six months before the augmentation well project is completed and on line.

a Utilities, Inc. company **Alafaya Utilities, Inc.**

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The City of Oviedo

Utility staff met with the city manager and his staff on June 15, 2007 to discuss the possibility of obtaining a portion of the reuse water allocation that is assigned to the City from the Iron Bridge WWTF. The City is amenable to selling the portion of Iron Bridge's reuse allocation that exceeds the City's needs, but the City's cost to purchase reuse water from Iron Bridge at \$0.45/kgal exceeds the Utility's residential reuse rate of \$0.29/kgal making this option economically unattractive. Separately, the City investigated the possibility of contracting with Alafaya to treat a portion of the City's flow in lieu of purchasing additional treatment capacity from Seminole County. According to City staff the results of this study found it to be more economical for the city to construct its own reuse treatment plant rather than pump wastewater to Alafaya's treatment plant or pump wastewater to Iron Bridge. Alafaya and the City will continue to discuss operational scenarios that would be mutually beneficial.

Reuse Meter Installation

The Utility obtained firm bids from contractors and meter suppliers to retrofit our existing residential reuse connections with reuse meters. To date, there have been 1116 reuse meters installed with a balance of 128 meters remaining to complete this task. The balance of which is expected to be completed by January 25, 2008. Once the last of the meters is in place, the Utility will commence billing reuse customers based on consumption as per the current FPSC tariff.

1.500 MG Ground Storage Tank Addition

This project is complete and fully operational as of Tuesday, October 2, 2007.

Operational Adjustments

Alafaya's WWTP is consistently able to generate approximately 0.850 mgd of reuse or about 85% of plant flow. Approximately 15% of plant flow does not meet minimum reuse limits and is pumped to percolation ponds for disposal. However, due to very dry conditions that have existed through much of 2007, a corresponding drop in the water table, and a slowdown in residential real estate sales, plant influent flow has actually trended downward. As a result, the disparity between reuse supply and demand has widened. In an effort to maximize the use of this limited resource, the Utility notified all reuse customers in August of a modification to the twice a week watering schedule so as to better distribute reuse water geographically and hydraulically across the days of the week. Alafaya enforces this revised schedule on a daily basis by restricting the delivery of reuse to specific pressure zones. As a result of this effort and cooler weather, the frequency and duration of reuse outages has significantly diminished.

FL PSC
January 9, 2008
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I hope this information is satisfactory in meeting the conditions set forth in the above referenced matter. If there should be additional requests for information, please contact me directly at (407) 869-8588, extension 226.

Sincerely,

ALAFAYA UTILITIES, INC.

A handwritten signature in black ink, appearing to read "Bryan K. Gongre", with a long horizontal line extending to the right.

Bryan K. Gongre
Regional Manager

Ec: Patrick Flynn, Regional Director
Marty Friedman, Rose, Sundstrom and Bentley