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August 18, 2008

**VIA HAND DELIVERY**

Ralph Jaeger, Esq.  
Office of General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

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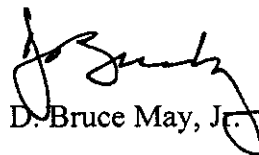
Re: *In Re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc., Docket No. 080121-WS*

Dear Mr. Jaeger:

To keep the Commission Staff and the parties informed of continuing efforts to address and resolve water quality issues in the Chuluota area, we have enclosed the following series of e-mails.

Sincerely,

HOLLAND & KNIGHT LLP

  
D. Bruce May, Jr.

DBM:kjg  
Enclosures

cc: Ms. Ann Cole, FPSC Clerk  
Marshall Willis, Bureau Chief  
Katherine Fleming, Esq.  
Caroline Klancke, Esq.  
Erik Saylor, Esq.  
Charles Beck, Esq.  
Cecelia Bradley, Esq.

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**From:** Franklin, Chris

**Sent:** Wednesday, August 13, 2008 12:48 PM

**To:** Sandy.Adams@myfloridahouse.gov; mlandrews@cityofoviedo.net

**Cc:** Lihvarcik, John M.; 'bruce.may@hklaw.com'; Joyce, Kimberly A.; Rendell, William T.; Luitweiler, Preston; Dickerson, William

**Subject:** Discussions with City of Oviedo

Dear Representative Adams and Mayor Andrews:

I write to again request a meeting between City officials and Aqua management to discuss mutual steps that we may be able to take in order to bring Oviedo water into the Chuluota area. It has been almost a month since the FPSC customer input hearing and almost three weeks since I sent the attached letter with my initial request for a meeting.

Mayor Andrews, I've reread the transcript of your testimony from the July 17 hearing and I truly appreciate the direct offer of help that you extended during your testimony. It is my hope that you will pursue that testimony and meet within the next week to begin the process of exploring the various options that can be taken to make Oviedo water a reality for Chuluota residents. To date our numerous calls to various members of the city staff requesting to meet on this issue have not yielded an offer to meet in person. I am aware of the City's current application to increase its Consumptive Use Permit ("CUP") and the desire to keep that issue separate from discussions with Aqua. We respect that position; however, we do not believe that direct discussions between the parties to explore the various options would in any way impede the City's ability to achieve success in its CUP filing.

Since the service hearings in Chuluota, Aqua has initiated several additional actions to address the water quality issues. I personally hold weekly meetings with our management team, water quality team and consulting team to discuss water treatment in Chuluota. We have already installed our new analyzers and they appear to be operating efficiently. We should be in a position to move back to Chloramination on September 3. In addition, we continue to seek external expertise to treat the water in Chuluota, which as all parties have agreed, is a very temperamental water supply. There is clearly a reason that Chuluota residents have struggled for decades with water quality issues. To that end, we have added Dr. James Taylor, P.E. to our consulting team.

Dr. Taylor is located in the Orlando area, and has been recognized by the FPSC as an expert in water systems and treatment. He has over 27 years of experience in water treatment and had been employed at the University of Central Florida since 1977. During his tenure at UCF he was the Director of the Environmental Systems Engineering Institute (ESEI), a Professor of Engineering in the Civil and Environmental Engineering Department, the Leader of the UCF Membrane Focus Group and holds the Alex Alexander Chair for Environmental Engineering. Importantly, he has expertise in working with water systems exhibiting similar issues to those in Chuluota.

Since the hearings I am aware that both DEP and DOH have been sampling the water supply in Chuluota. A meeting of the parties, including those agencies, would give us an opportunity to hear first hand about the results of those tests. A meeting of the parties would also be useful in developing a concerted action plan to work toward mutual solutions.

Several months ago we had discussions about selling the Chuluota system to Oviedo. While there appears to be mixed opinions on merits of Oviedo purchasing the system, even among the City's staff, it is my hope that our common goal remains the same: solving the water quality issues for Chuluota residents. We remain open to the discussion of a sale of the Chuluota system although earlier discussions between Aqua and Oviedo have made it apparent that our approximate rate base of \$9.5 million is not a price that can be supported by the City's current rate structure. Notwithstanding this, I believe we can find common ground on an interconnection that could provide good water to Chuluota and revenue to the City of Oviedo. The interconnection could also lead to a future sale, should the economics become acceptable to the parties.

As I stated in my July 25 letter, Aqua remains prepared and eager to join the City and state agencies in a meeting to discuss options and ensure good quality water for citizens in Chuluota. I look forward to your response and a meeting with our respective staffs in the near future.

Best regards,  
Chris

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July 25, 2008

Mayor Mary Lou Andrews  
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Regional President

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**SENT VIA FACSIMILE (407) 971-5803**

Dear Mayor Andrews:

First I want to thank you for your comments at the Public Service Commission customer service hearings in Oviedo last week. I was encouraged by your statements that the City of Oviedo (the "City") would like to assist in solving the water quality issues, which have existed in Chuluota at various levels for several decades, by bringing City water into Chuluota. As you know, Aqua and the City have been in discussions about a sale of assets for over the past year. Our hurdle has always been the difference between Aqua's approximately \$9 million in rate base and what the City can support within its limited rate structure. Aqua is committed to continuing to explore an ultimate sale of assets to the City, but my company is also very interested in expediting an arrangement to bring quality water from the City to Chuluota quickly.

To that end, I am proposing a meeting as soon as possible with all parties copied on this letter to discuss the following issues: 1) St. Johns Water Management District ("SJRWD") - Consumptive Use Permits; 2) Aqua/City Engineers - Hydraulics and Interconnection between the City and Aqua; 3) FDOT/Seminole County - Road Crossing Permits to Install Interconnection Pipeline; 4) Florida Department of Environmental Protection ("FDEP") - advice on water quality, permits and process; and 5) Florida Department of Health ("FDOH") - review of any test results.

- 1) Initial reviews of the City and Aqua systems would suggest that an interconnection could be achieved at the intersection of SR 419 and Snow Hill road. A 10 inch pipeline would be routed and terminate at Aqua's Chuluota plant #2. This would require installation of approximately 5,500 feet of water main.
- 2) It is important that FDOT and Seminole County transportation staff be included in the initial discussions so that they are aware of any proposed pipeline routes and the associated permitting required.
- 3) FDEP has been regulating and monitoring Aqua's TTHM remediation project and progress in Chuluota. We would hope that FDEP would support and expedite an interconnection with Oviedo, but implementation under the most optimistic scenario could take several months. Aqua will need to continue to work with FDEP in the interim.

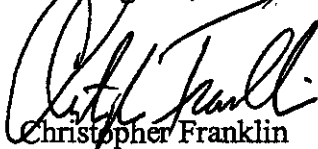
- 4) If FDOH has done any testing of water samples from Chuluota, a meeting among all the parties might be an appropriate time to share and review the results.
- 5) Our preliminary discussion with officials at the SJRWMD indicates that they would advocate a solution that involves a mix of Chuluota and City water. The ratio of that mix needs to be a topic of discussion at the meeting and subsequent consumptive use permitting for Aqua and the City. It would be helpful if the SJWMD would advise the parties on this issue including but not limited to process and recommended mix

We believe that the initial meeting would be best used to flesh out the concept, collaboratively discuss potential solutions, and establish a schedule for follow up meetings designed to reach a final solution. This framework will allow us to report back to our respective organizations for timely decisions on key elements of a plan, including terms of any purchase water contract.

Mayor, I am optimistic that together we can collaboratively resolve the long standing water quality problem in Chuluota. This issue is at the top of my agenda at Aqua. I would propose that we convene our meeting at your earliest convenience. I can be reached at any time and I look forward to talking with you soon to set up mutually convenient time and location for a meeting.

Finally, because the PSC staff has asked that we keep them apprised, I am providing a copy of this letter to the PSC clerk and parties in PSC Docket No. 080121.

Best Regards,



Christopher Franklin  
Regional President

- cc: Honorable Sandy Adams, State Representative  
Deputy Mayor Dominic Persampiere  
Cecilia Bradley, Office of the Attorney General  
Mr. Kirby Green, SJWMD  
Ms. Vivian Garfein, FDEP  
Mr. Randy Williams, Seminole County/FDOT  
Mr. William Sundstrom, Esq.  
Mr. Michael J. Napier, M.S., FDOH  
Mr. Jack Lihvarcik, President Aqua Florida  
Ms. Ann Cole, PSC Clerk  
Charles Beck, Esq., Office of Public Counsel  
Ralph Jaegger, Esq., PSC  
Katherine Flemming, Esq., PSC