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080121-WS

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Sent: Wednesday, April 07, 2010 4:56 PM
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b. Docket number and title for electronic filing are: Docket No. 080121-WS - 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.

c. The name of the party on whose behalf the document is filed: Aqua Utilities Florida, Inc.

d. Total number of pages: 4

e. Brief description of filing: Letter to Commission Clerk

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April 7, 2010

Via E-Mail

Ms. Ann Cole, Director
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, FL 32399-0850

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 Ms. Cole :

On Monday, April 5, 2010, representatives from Aqua Utilities Florida, Inc. ("AUF") and I met with various members of Staff and the Office of Public Counsel ("OPC") to discuss the scope of additional quality of service monitoring in this docket. Representatives from the Office of the Attorney General and other customers telephonically participated in this meeting. Staff has requested additional clarification on how AUF intends to select the seven systems that would be subject to the aesthetics project referenced on page 13 of Commission Order No. PSC-10-0218-PAA-WS. The requested clarification follows.

AUF has previously advised that it proposes to monitor on a monthly basis through December 31, 2010, secondary constituents under the Florida and Federal Safe Drinking Water Act, and report the results for the following systems: Tangerine, Zephyr Shores, Tomoka, Leisure Lakes, Lake Josephine, Rosalie Oaks, and Sebring Lakes. AUF identified these systems after reviewing comments from customers at public hearings, internally reviewing the number of customer inquiries dealing with water aesthetics issues, reviewing water quality data on secondary water quality results, reviewing information from AUF's four Area Coordinators on predominant aesthetics issues, and reviewing survey results from customers. Solutions to the aesthetic concerns identified during the aesthetics project will be developed after meeting and

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Ann Cole
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discussing the solutions and projected costs with the parties and customer representatives of the seven systems.

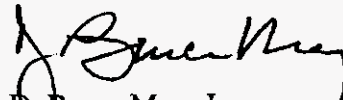
AUF wants to be clear that, in the interim, it is not simply studying aesthetic issues. AUF has been actively working on improving aesthetics for a number of its systems and has already begun to spend capital dollars associated with those solutions. For example, to address aesthetic issues with respect to discolored water at Zephyr Shores, AUF has installed new flushing equipment and devised a systematic flushing schedule to clean the water mains. In addition, AUF has designed, permitted and installed a "sequestration" treatment system that will reduce the effects of natural minerals in the water. That sequestration treatment system has been approved by the Florida Department of Environmental Protection ("FDEP") and is now in service.

It should also be noted that AUF's efforts to address aesthetic water quality issues are not limited to the seven systems identified above. For example, with respect to the Sunny Hills system, AUF has retained the services of Hatch Mott MacDonald consulting engineers to conduct a pilot sequestration study to determine whether the addition of a sequestering agent to the treatment process will address customer concerns about levels of iron in the water. That study proved that levels of iron in the water can be successfully sequestered. Accordingly, at AUF's direction, Hatch Mott has prepared and filed with FDEP a "design and permit package" for the sequestration treatment process. AUF is in the process of ordering the necessary components to be installed once the FDEP permit is issued. In addition, AUF continues to take affirmative steps to address aesthetic water quality issues for the Chuluota water system. (See Attachment "A").

Thank you for your consideration.

Sincerely,

HOLLAND & KNIGHT LLP



D. Bruce May, Jr.

DBM:kjg
Enclosure

cc: Marshall Willis
Ralph Jaeger, Esq.
Patti Daniel
Charles Beck, Esq.
Cecilia Bradley, Esq.
Kimberly A. Joyce, Esq.
Troy Rendell

ATTACHMENT "A"

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Chuluota Water System

The Chuluota water system in Seminole County serves nearly 1,500 Aqua customers. Aqua acquired the system in 2004.

Water utilities in Chuluota have struggled with water quality issues for nearly 40 years. The water in the Chuluota region originates in the Floridan aquifer, and the natural groundwater in the region is characteristically difficult to treat for public drinking water purposes. At the time of purchase, Aqua was faced with solving a "black water" issue and had to change the water treatment. A change to free chlorine cleared up the discolored water but posed a new challenge with disinfection byproducts known as total trihalomethanes (TTHMs). This development required a complete redesign of the disinfection processes at the two water treatment plants.

Aqua has implemented both a chloramination treatment, which reduces TTHM formation in the distribution system, and a rigorous distribution system monitoring program. We also have completed installation of a new water main to eliminate some dead-ends in the system to keep the water fresh and reduce TTHM formation.

Last year, Aqua conducted pilot tests of additional treatment processes at Chuluota's Water Treatment Plant No. 2 to address TTHM levels and odors, and we selected an ion exchange treatment system for installation. Construction started earlier this year. The treatment process consists of vessels containing special ion exchange resins designed for the removal of natural organic carbon and sulfide. The resins are periodically regenerated with brine. Pilot tests showed the process to be very effective in removing the natural precursors that form TTHMs and the sulfides that contribute to taste and odor in the water. During 2009 and 2010, Aqua will spend \$2 million on upgrades to the Chuluota water system, including the new ion exchange system.

Aqua also is working on plans to deliver the raw water from WTP No. 1 through WTP No. 2 so that all of the water distributed to the Chuluota system will go through the new ion exchange treatment in the most cost-effective and efficient manner.

All work related to the water system is expected to be completed this summer (2010).

Aqua is also completing \$350,000 in wastewater treatment upgrades to produce public-access irrigation water. This treatment strategy will help Aqua ameliorate the impact of groundwater withdrawals and eliminate the need to build a new spray field. Aqua's cost analysis shows that this was the lowest-cost alternative to our ratepayers to address permitting concerns with our wastewater facility.

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