

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: March 3, 2010
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Patricia B. Daniel, Public Utilities Supervisor, Division of Economic Regulation *pd*
RE: Docket No. 080121-WS - 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.

Please place the attached letter from Troy Rendell, Rates Manager, Aqua Utilities Florida, Inc., providing a supplemental update to previous requests on environmental items concerning Aqua, in the above docket file. Thank you.

PD:kb

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Aqua Utilities Florida, Inc.
2228 Capital Circle NE, Ste. 2A
Tallahassee, FL 32308

February 25, 2010

Mr. Tim Devlin
Executive Director
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: AUF Environmental Update

Dear Mr. Devlin,

Attached is a supplemental update to your previous requests on environmental items concerning Aqua Utilities Florida, Inc. (AUF). We appreciate the opportunity to inform the Commission staff of AUF's commitment and continued efforts to address any DEP and DOH's questions and issues in a timely and cooperative manner.

AUF's foremost priority continues to be providing safe and reliable water and wastewater service to our customers. Please know that AUF's attention to environmental compliance goes well beyond replying to warning letters and consent orders. AUF has two full time employees dedicated to ensuring that the company complies with all environmental requirements throughout the state. If you have any questions or would like to discuss this supplemental update, please do not hesitate to contact me at 850.575.8500.

Sincerely,

Troy Rendell
Rates Manager

Cc: Patti Daniel, Public Service Commission
Bruce May, Holland & Knight
Kimberly Joyce, Aqua America, Inc.
Christopher Franklin, Aqua America, Inc.
Jack Lihvarcik, COO, Aqua Utilities Florida, Inc.

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An Aqua America Company
www.aquautilitiesflorida.com

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Chuluota WTP – Aqua has been working very closely with the FDEP to resolve issues stemming from TOCs and hydrogen sulfides, both of which are indigenous in the local water table. In 2009 we piloted two treatment systems and ultimately we selected an ion exchange system manufactured by Tonka Water Systems. To expedite the construction and meet the consent order timelines, Aqua divided the work into two phases. As part of Phase 1, Aqua modified the pipe configuration, installed new pumps, and placed into service a 50,000 gallon ground storage tank. The project has been designed to add chlorine into the smaller storage tank, reducing the time it has to react with the organics in the water, before ammonia is added thereby reducing the formation of TTHMs in the distribution system. Phase 1 will be operational and is expected placed in service on Thursday February 25, 2010. Phase 2 will consist of the installation of the ion exchange treatment units and the raw water pipeline from plant 1 to plant 2. The contract has been awarded to Brandeis Design Build Inc. and construction is set to begin March 8, 2010. In accordance with the consent order, construction is scheduled to be completed and operational for July, with anticipated FDEP clearance by August, 2010. Aqua is on track to meet the compliance deadlines in the consent order.

Tomoka View Estates WTP – Aqua signed a consent order for this system on December 18, 2009. Aqua has completed construction of the chloramination system which was placed in service in mid December, 2009. The results from samples taken on December 30, 2009 were 4.7 ug/L and the RAA for the last quarter of 2009 was 78.5 ug/L, which is below the relevant MCL RAA of 80 ug/L. The results from samples taken in January and February, 2010 were 6.9 ug/L and 6.7 ug/L, respectively. We are continuing to conduct monthly monitoring. Aqua also identified the need to implement a flushing program for the distribution system. In 2009 engineering and operations evaluated the distribution system and determined it lacked valves in key locations so the system could be directionally flushed. A contractor was hired to install these valves, flushing hydrants and upsize the lines to existing flushing hydrants to increase flows. A comprehensive flushing plan was prepared with instructions for operating valves to assure the entire system would be directionally flushed. The company has a dedicated compliance officer that has met with the operators of Tomoka View Estates and provided a training session to implement the program. Aqua is on track to meet the compliance deadlines in the consent order.

Twin Rivers WTP – Aqua signed a consent order for this system on September 24, 2009. Operational changes were made to the chloramination system in 2009. The 2009 4th quarter TTHM sample was 51.9 ug/L and the RAA is now 37.1 ug/L, which is below the MCL RAA of 80 ug/L. The system is in compliance and the FDOH has allowed Aqua to return to annual monitoring. In 2009 engineering and operations evaluated the distribution system and determined it lacked valves in key locations so the system could be directionally flushed. A contractor was hired to install these valves, flushing hydrants and upsize the lines to existing flushing hydrants to increase flows. A comprehensive flushing plan was prepared with instructions for operating valves to assure the entire system would be directionally flushed. The company has a dedicated compliance officer that has met with the operators of Tomoka View Estates and provided a training session to implement the program. Aqua is on track to meet the compliance deadlines in the consent order.

Village Water WWTF – Aqua is completing the requested study on increasing effluent disposal capacity. Thus far it has identified four options. First, Aqua has approached the City of Lakeland to discuss an interconnection into its collection system. The City has preliminarily advised that it does not have the capacity in either its collection system or plant to handle Aqua's flows. Second, Aqua is investigating the purchase or lease of a spray field on adjacent property. Third, Aqua is investigating a spray field on adjacent Osceola Parkway Right of Way to irrigate that right-of-way. Fourth, Aqua is investigating the conversion of the WWTP to public access reuse treatment facility, and is in preliminary discussions with an organic farmer who may be interested in using the flows to irrigate his crops. Aqua is on track to develop a long-term disposal option by May 2011 as required the Consent Order. Meanwhile, Aqua has installed monitoring wells around the percolation ponds and is monitoring in accordance with Consent Order. To date, that monitoring has revealed no adverse impacts.

Jasmine Lakes WWTF – A warning letter was issued by the FDEP asserting that the percolation ponds in this system needed to comply with new FDEP rules. The Company is in ongoing discussions with the FDEP and Office of General Counsel (OGC) regarding whether the ponds are to be grandfathered and thus subject to regulations existing at the time the ponds were placed into service. The OGC has instructed the Company to resubmit the permit application with the grandfather language included. The Company believes that this issue will be resolved with the submission of the permit modification.

Palm Terrace WWTF – A warning letter was issued by the FDEP asserting that the percolation ponds in this system needed to comply with new FDEP rules. Since then, however, DEP issued a 5 year permit renewal for operating the WWTP, which includes language indicating that this system would be grandfathered thus remedying the issue identified in the warning letter. As part of the permit conditions, Aqua installed a cross-over pipe between ponds 1 & 2. The two percolation ponds and the spray field are permitted and designed to take the permitted flows from this facility.

Sunny Hills WTP – A warning letter was issued by the FDEP regarding tank inspection and storage capacity. Aqua retained the services of Hatch Mott McDonald Consulting Engineers to inspect the tanks for compliance and evaluate the current ground storage capacity. Hatch Mott is also preparing a design and permit package to interconnect Well 1 and Well 4 with the storage tank so in the event either well is out of service the storage tank will remain in service thus continuing to improve reliability to the customer. Hatch Mott has also conducted a pilot sequestering study to determine whether the addition of a sequestering agent to the treatment process will reduce customer complaints of iron in their water. The study proved that levels of iron in the water can be sequestered so Hatch Mott is preparing a design and permit package for FDEP's approval.

Peace River Heights WTP – Aqua met with FDEP staff on November 9, 2009 to discuss the warning letter regarding an alleged gross alpha exceedance. Since that meeting, Aqua has sent split samples to several independent laboratories and had Wisconsin State Laboratory for Hygiene conduct a very thorough analysis of samples from this system. Aqua's testing

conducted by independent laboratories demonstrates that there are no exceedances at the WTP. Aqua has been working with Water Remediation Technology (WRT) to evaluate possible cost effective treatment options. Aqua received a proposed consent order from FDEP on February 3, 2010. Aqua responded with proposed amendments and supporting documentation on the laboratory sampling and the independent study that has been conducted as well as treatment options that are currently being explored.

South Seas WWTF – Aqua received a warning letter on February 25, 2010 regarding a leak at the facility's reject storage tanks, which Aqua had previously reported to the FDEP. Prior to detecting the leak, Aqua had already contacted contractors to evaluate the reject storage tank. When the contractor visited the site to evaluate tanks, the facility had a reject event and filled the tanks. One of the tanks had a failure which resulted in a spill. Aqua immediately began pumping the reject water from this tank as well as the effluent from the facility and hauling it to the City of Sanibel. Aqua's contactor is working on the rehabilitation of the reject storage tank.

As of this report, Aqua has no notices of violation from the FDEP. Aqua has only one outstanding compliance issue with a water management district, namely, Aqua is currently in discussions with the St. Johns River Water Management District concerning the filing date for a consumptive use permit application for the Tomoka and Twin Rivers WTPs.