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November 4, 2005

Michael J. Duggar, Esquire
Post Office Box 192
Christmas, FL 32709-0192

Re: Docket No.: 050499-WS; Application of Utilities, Inc., for Authority for Transfer of Majority Organizational Control to Hydro Star, LLC
Our File No.: 30057.103

Dear Mr. Duggar:

This is a followup to our telephone conference earlier this week regarding your water quality concerns at Wedgefield. I will address both the THMs specifically and the water quality issues generally.

TTHM ISSUE:

In 2003, DEP modified its regulation that addressed TTHM levels in drinking water. The primary changes were:

- a reduction in the Maximum Contaminant Level from 100 ppb to 80 ppb
- a requirement that all water systems serving more than 350 connections had to comply instead of only large systems
- initiate sampling of TTHM and HAA5 beginning in the summer of 2004
- in the event that the initial sample was greater than 80 ppm, the utility must sample on a quarterly basis to develop data sufficient to calculate a rolling annual average of quarterly results
- sample location was changed from sampling at the point of entry into the distribution system to sampling at the point in the system with the longest detention time

In July, 2004, Wedgefield initiated annual sampling. The first quarterly sample was greater than 80 ppm so samples were drawn and tested in subsequent quarters.

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In May 2005, DEP sent Wedgefield Utilities a letter of non-compliance because the first 3 results indicated that a four-quarter average would exceed 80 ppm. At this point, DEP required that the utility provide public notice through an approved notice sent to all customers, publish a public notice in the Orlando Sentinel, and meet with DEP to discuss the course of action and time line to accomplish the necessary steps.

In late June, Utility representatives met with DEP and identified that Wedgefield had hired CPH Engineers to:

- analyze the system
- provide a recommendation of possible remedies including operational changes and changes to the treatment process
- generate a design reflecting any treatment modifications
- prepare an application for submittal to DEP

In July and August, representatives of the Utility attended a community meeting held at the Wedgefield clubhouse that was called by the Wedgefield HOA. Also attending were DEP officials and Orange County Health Department officials. I understand you attended that meeting, but were unsatisfied with the Utility and state agency comments.

STATUS REPORT:

In October, Wedgefield submitted an application to DEP to modify the disinfection system at the Wedgefield WTP from using chlorine only to using chlorine plus ammonia. This chloramination system will effectively prevent the formation of TTHMs in the distribution system.

DEP requested additional information from Wedgefield, which was recently submitted. Assuming that all of DEP's issues are adequately addressed, DEP will then issue a construction permit. Installation of the necessary equipment and materials will take about 30 days, possibly less. Once it is in place and certified as being completed by the design engineer, DEP will issue a clearance to place the equipment in service.

Concurrent with the clearance process, the Utility will notify all customers of the change in disinfecting agents and the date when the change will take place. The preliminary schedule is to complete the switchover to the new system by mid-December. This process will include a flush of the water system to effectuate a complete turnover of the water in the mains in a two-day period. Thereafter, the utility will sample the system and determine the

effectiveness of the modifications.

As long as the rolling annual average value is greater than 80 ppb, the Utility will continue to provide an updated notice and status report to the customers. The two previous notices are attached. Once the average drops below 80 ppb, the notices will stop but sampling will continue on a quarterly basis until the TTHM value is less than 40 ppb for a period of two years.

I have also enclosed a copy of a letter from Richard Lott, the Program Manager - Drinking Water of DEP to a customer emphasizing that the Utility's water is safe to drink.

PROJECT COST:

The total capital project cost is undetermined at this point. The engineering support will cost about $15,000. The equipment and its installation is about $5,000. In general terms, the total cost of the change to the disinfection system will be less than $25,000, hopefully a lot less.

WATER QUALITY GENERALLY:

Groundwater at Wedgefield contains characteristically high levels of naturally occurring total sulfides. The Utility's design engineer is currently working on the analysis, design and permitting of sulfide treatment equipment that will be installed at the Water Plant. However, the process of removing sulfides from the groundwater will cause sulfides to become airborne. Plant improvements will include installation of an odor control unit sized large enough to handle all of the water produced by our two supply wells. This will prevent sulfides from being carried off-site.

By removing sulfides, the Utility will improve the taste and odor of the water. Sulfides are easily detected by the human nose at low concentrations. Sulfide compounds often degrade the taste of the water. The reduction of sulfides will make the treated water taste better and smell better.

The Utility recently completed a comprehensive evaluation of the distribution system. Through this effort, the Utility was able to locate and open a significant number of valves that were in the closed or partially open position. After fully opening these valves, the Utility thoroughly flushed the whole system. This flushing program successfully removed a large buildup of elemental sulfur from the water mains. The Utility has established a more stable chlorine residual throughout the system resulting in a more consistent and improved water

quality at the customer taps.

A significant number of customers have indicated that they were frequently experiencing low water pressure conditions, especially on days with heavy irrigation use. By locating and opening a number of closed valves, the Utility has improved the pressure conditions throughout the system, especially during periods of high demand and when water main flushing activity is under way.

In addition to the improved hydraulic conditions mentioned above, the Utility's plant improvements will include the installation of a third high service pump at the Water Plant. This will act to increase the plant's total pumping capacity and provide the means to deliver additional volume during peak demand periods.

The estimated timeframe to complete the design of the plant improvements, the permitting phase through DEP, and all construction activities will be approximately twelve months.

As you can see, the Utility is making substantial efforts not only to address the TTHM issue, but to improve the taste and odor of the water. I trust this alleviates the concerns expressed in your Objection raised in this Docket. If I can provide you with any additional information, please do not hesitate to contact me.

Very truly yours,

MARTIN S. FRIEDMAN
For the Firm

MSF/mp
Enclosures

cc: Mr. Steve Lubertozzi (w/enclosures)
Patrick C. Flynn, Regional Director (w/enclosures)
Ms. Blanca Bayo, Commission Clerk (w/enclosures)
Martha Brown, Esquire (w/enclosures)
Mr. Stan Reiger (w/enclosures)
Ms. Patti Daniel (w/enclosures)

CUSTOMERS OF WEDGEFIELD UTILITIES, INC.

IMPORTANT INFORMATION ABOUT YOUR DRINKING WATER

Test Results Show Total Trihalomethanes Levels Above Drinking Water Standards

The purpose of this notice is to inform you that the water system serving your community recently exceeded a drinking water standard resulting in a violation. Although this incident was not an emergency, as our customers you have a right to know what happened and what we are doing to correct this situation.

Wedgefield Utilities, Inc. routinely monitors for the presence of drinking water contaminants. Where disinfection is used in the treatment of drinking water, disinfectants combine with organic and inorganic matter naturally present in our aquifer to form chemicals called disinfection byproducts (DBP). The U.S. Environmental Protection Agency (USEPA) and the Florida Dept. of Environmental Protection (FDEP) set standards for controlling the levels of disinfectants and DBPs in drinking water, including total trihalomethanes (TTHM) and haloacetic acids (HAA). The standard, or maximum contaminant level (MCL), for TTHMs is 80 parts per billion (ppb) and for the sum of five haloacetic acids (HAA5) is 60 parts per billion (ppb), expressed as a rolling annual average. For the nine-month period ending in March 2005, the rolling average for TTHMs was 106 ppb and for HAA5 was 36 ppb. The rolling average for HAA5 did not exceed the MCL.

What should I do?
You do not need to use an alternative water supply (e.g., bottled water). However, if you have specific health concerns, please consult your doctor.

What does this mean?
This is not an immediate risk. If it had been, you would have been notified immediately. However, some people who drink water containing TTHMs in excess of the MCL over many years may experience problems with their liver, kidneys, or central nervous system and may have an increased risk of getting cancer.

What happened? What is being done?
A Professional Engineer has been retained by Wedgefield Utilities and is working with the utility and FDEP in identifying our options to correct this problem. These options will consider alternate treatment methods and operational strategies to remove or reduce TTHM levels. Wedgefield Utilities, Inc. anticipates resolving the issue by implementing suggested treatment plant modifications and in consultation with FDEP. In the meantime, Wedgefield Utilities will continue to monitor and report the TTHM rolling annual average to you on a quarterly basis as long as the averages exceed the MCL and as we are required by FDEP.

For additional information regarding this matter, please contact Scotty Haws, Assistant Operations Manager, at (407) 869-1919, 200 Weathersfield Avenue, Altamonte Springs, FL 32714.

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

This notice is published by Wedgefield Utilities, Inc. State Water System ID#3480149. Date distributed June 1, 2005.

CUSTOMERS OF WEDGEFIELD UTILITIES, INC.

IMPORTANT INFORMATION ABOUT YOUR DRINKING WATER

Test Results Show Total Trihalomethane Levels Above Drinking Water Standards

The purpose of this notice is to inform you that the water system serving the Wedgefield community continues to exceed a drinking water standard resulting in a violation. Although this condition is not an emergency, as our customer you have a right to know what has occurred and what we are doing to correct this situation. This notice is an update of the previous notice provided to all Wedgefield Utilities customers in June 2005.

Wedgefield Utilities, Inc. routinely monitors for the presence of drinking water contaminants. Where chlorine disinfection is used in the treatment of drinking water, chlorine may combine with organic matter naturally present in our aquifer to form chemicals called disinfection byproducts (DBP). The U.S. Environmental Protection Agency (USEPA) and the Florida Department of Environmental Protection (FDEP) set standards for controlling the levels of disinfectants and DBPs in drinking water, including total trihalomethanes (TTHM) and haloacetic acids (HAA). The standard, or maximum contaminant level (MCL), for TTHMs is 80 parts per billion (ppb) and for the sum of five haloacetic acids (HAA5) is 60 parts per billion (ppb), both expressed as a rolling annual average. For the twelve-month period ending in June 2005, the rolling average for TTHMs was 140 ppb and for HAA5 it was 56 ppb. In addition, the most recent sample taken in August contained 111 ppb. This recent reduction in the TTHM level reflects the benefit of our recent flushing effort as well as the effect of changes in operational procedures at the water plant.

What should I do?
You do not need to use an alternative water supply (e.g., bottled water). However, if you have specific health concerns, please consult your doctor.

What does this mean?
This is not an immediate or acute risk. A short-term exposure to TTHMs will not result in any adverse health effects according to EPA-funded research studies completed to date. If it could, you would have been notified immediately. However, some people who drink water containing TTHMs in excess of the MCL over many years may experience problems with their liver, kidneys, or central nervous system and may have an increased risk of getting cancer. However, according to a recently completed study by the UNC School of Public Health and jointly funded by USEPA and the AWWA Research Foundation, drinking water containing elevated TTHMs generally was found **not** to be associated with increased risk of pregnancy loss, reduced fetal growth, or pre-term births. This study can be found on the AWWA website at http://www.awwarf.org/research/TopicsAndProjects/execSum/2579.aspx.

What is being done?
A Professional Engineer retained by Wedgefield Utilities to analyze the specific issues causing elevated TTHM levels has completed that effort. Wedgefield Utilities will submit an application to FDEP by September 15, 2005 that proposes a change in the disinfection process from free chlorine to chloramination. This change in the disinfection process is designed to prevent the formation of TTHMs from occurring in the water distribution system. After FDEP reviews and approves this proposal, Wedgefield Utilities will implement the conversion to chloramination within 30 days, then sample and analyze the water system again to measure its effectiveness. Wedgefield Utilities will continue to monitor and report

the TTHM rolling annual average to you on a quarterly basis as long as the average exceeds the MCL of 80 ppb and as required by FDEP.

Over the last three months you may have observed Wedgefield Utilities staff implementing an aggressive water main flushing program throughout the community. The goal of this effort is to remove a buildup of sediment from the water mains that has accumulated over time and which may contain organic matter. By removing this buildup of sediment, the Utility can more effectively maintain a protective barrier against bacterial contamination as required by USEPA and FDEP while at the same time reducing the amount of chlorine used to establish and maintain this protective barrier. At the direction of the engineering consultant, additional water samples were taken at the water plant and throughout the distribution system so as to provide a complete understanding of the specific chemical processes occurring. The resulting analysis indicates that the change to the chloramination method will be effective and timely in reducing the production of disinfection by-products such as TTHMs.

For additional information regarding this matter, please contact Scotty Haws, Assistant Operations Manager, at (407) 869-1919, 200 Weathersfield Avenue, Altamonte Springs, FL 32714.

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in schools and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

This notice is published on September 6, 2005 by Wedgefield Utilities, Inc., State Public Water System ID#3480149, for distribution to all customers of record. As long as the rolling annual average value of TTHMs exceeds 80 ppb, Wedgefield Utilities will continue to provide an updated customer notice on a quarterly basis.

Department of Environmental Protection

FLORIDA

Jeb Bush
Governor

Central District
3319 Maguire Boulevard, Suite 232
Orlando, Florida 32803-3767

Colleen Castille
Secretary

August 5, 2005

Ms. Wanda J. Harding
23030 Ardon Avenue
Orlando, FL 32833

OCD-PW-05-0662

Re: Wedgfield Utilities, Inc.

Dear Mr. Harding:

We received your letter on August 1 (dated July 29, 2005) and I am responding to it. Despite the statements you made in your letter regarding the quality of drinking water at Wedgefield Utilities, the water is adequate and safe to drink. If it were not, the Department would have directed the utility to discontinue providing the water when the analyses of Trihalomethanes (THMs) became known.

THMs are low risk, suspect carcinogens with a long latency period. This means that they are believed to cause cancer if they are consumed in large quantities of high concentrations for long periods of time. Maximum Contaminant Level or MCL, whose exceedance triggered the Public Notification, assume a consumption of 2 liters per day over a lifetime. The MCL is the level below which THMs are not believed to cause ANY adverse health effects. This means that a short-term exceedance will not result any adverse health effects.

Pursuant to Chapters 62-555 and 62-550, *Florida Administrative Code*, the utility will make the proper adjustments to the drinking water processes at the plant to ensure that the level of the THMs do not exceed the 80 mg/l MCL. We expect a study identifying these changes to be forthcoming followed by their implementation. Be assured, the Department will monitor these changes to make sure that they are done in a timely fashion. A meeting has been scheduled for August 17 to discuss health concerns about the THMs.

I appreciate your concern but must emphasize that your water is safe to drink. If bottled water or an additional treatment system is purchased, then that is an individual decision that the consumer has made but one not mandated by either the Utility or the Department.

Sincerely,

Richard S. Lott, P.G., P.E.
Program Manager - Drinking Water

Cc: Paul Morrison, FDEP
Patrick Flynn, Utilties Inc. [p.c.flynn@utilitiesinc-usa.com]