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July 18, 2005 VIA HAND DELIVERY CENTRAL FLORIDA OFFICE 600 S. NORTH LAKE BLVD., SUITE 160 Altamonte Springs, Florida 32701 (407) 830-6331 FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A. VALERIE L. LORD

COMMENTER AN IO: 17

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FPSC-COMMISSION CLERK

Blanca S. Bayo, Director Division of the Commission Clerk and Administrative Services Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850

Re: Aloha Utilities, Inc.; PSC Docket No. 010503-WU Our File No. 26038.35

Dear Ms. Bayo:

On behalf of Aloha Utilities, Inc., a report has been prepared by Mr. David Porter, P.E. which complies with all of the water supply alternatives analysis required to be performed by Order No. PSC-02-0593-FOF-WS dated April 30, 2002 at Pages 52 and 53

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CM <u>5</u> Should you have any questions in this regard, please let me know.		
CTR	Sincerely	
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ROBERT M. C. ROSE, OF COUNSEL WAYNE L. SCHIEFELBEIN, OF COUNSEL

Alternative Potable Water Supply Search and Cost-Benefit Analysis Report

for

Seven Springs Water System Pasco County, Florida

Prepared for:

Aloha Utilities, Inc. 6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115

Prepared by:

David W. Porter, P.E. 3197 Ryans Court Green Cove Springs, FL 32043 (904) 291-2744

July 14, 2005

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Executive Summary

A. Background

Aloha Utilities, Inc. operates two water supply systems that serve portions of Pasco County. This report concerns the water system known as the Seven Springs Water System (SSWS). Aloha's own raw and finished water supply capacity has grown to exceed that which is provided by its Water Use Permit (WUP) issued by the Southwest Florida Water Management District (District). The District has ordered Aloha to reduce its raw water withdrawals to those allowed in its WUP by purchasing water from Pasco County to supplement its own supplies.

Aloha's current WUP allows for 2.04 MGD raw water withdrawals from its wells based on annual average daily demands (AADD). This permitted quantity is less then that required to meet current demands (approximately 3.2 MGD AADD for 2004), and, substantially less then that required to meet future demands (projected to be 5.9 MGD AADD).

In Docket No. 010503-WU: Petition for Water Rate Increase for the Seven Springs Water System, Aloha requested rates to support the purchase of finished potable water from Pasco County as required by the District. During the disposition of that Docket, the Commission denied the requested increase in rates for the purchase of the Pasco County water. The reason given for this denial of rates was that the Commission did not believe that Aloha had provided sufficient evidence that Pasco County was the only viable provider of the supplemental potable water. Therefore, the Commission ordered Aloha Utilities, Inc. to prepare a report identifying and evaluating the feasibility and potential costs of obtaining alternative potable water supplies to supplement its existing water supplied prior to again requesting rates to allow it to purchase water from an alternative supplier. This report has been prepared to comply with the Commission's order.

B. Potential Alternative Potable Water Supply Sources

There are three potential means of supplying the Seven Springs Water System with additional potable water supplies:

The first is to obtain additional water use capacity for its existing wells or for the addition of new wells in the form of a Water Use Permit capacity increase from the Southwest Florida Water Management District.

The second is to develop an alternative raw water source and treatment system such as a brackish water wellfield and reverse osmosis (RO) Treatment system.

The third is to obtain finished potable water from another water supplier to supplement Aloha's existing supplies as was envisioned by the SWFWMD in it Order.

C. Feasibility of the Three Alternatives

The SSWS is located in the Northern Tampa Bay Water Use Caution Area and the Northern Tampa Bay-Wellfield Impact Area. In a letter dated January 23, 2002 SWFWMD provided the Commission written confirmation that "The only alternative source of water which is currently and immediately available to Aloha is the purchase of water from Pasco County." On January 28, 2004 SWFWMD sent a letter to Pasco County in response to a County letter requesting clarification on the District's position on the possibility of Aloha obtaining additional WUP capacity. In that most recent letter, the District's stated "the District does not anticipate that Aloha will receive approval from the District for any additional withdrawal quantities." Copies of these letters can be found in Appendix B of this report. The District's stated position as provided to Pasco County was the same as that presented to the Commission in the January 23, 2002 letter. It was also consistent with its position as reported by the District's staff to Aloha and/or its consultants during a number of conversations Aloha has had with the District allowing it to increase pumping from its own wells to provide the needed additional capacity.

Aloha was required by the SWFWMD to undertake an extensive study to determine if it was feasible to develop a brackish water wellfield and RO treatment system that would produce the additional finished water capacity required. This study was completed in December 2003. The study concluded that there were potential technical and permitting difficulties that could prevent the development of the brackish water wellfield and/or the RO brine waste disposal system. The feasibility of this project is therefore at least questionable and would require much additional study at great expense to examine. The cost of the project was estimated to be in excess of \$47M dollars. Without substantial (over \$30M) grant funding from the District, the study concluded that this project was not financial feasible. The District has reported to Aloha that grant funding was not available, therefore, the project is not financially feasible. A copy of the applicable portions of the RO Study Report is provided in Appendix J.

The only remaining alternative is to obtain finished potable water from another potable water supplier to supplement Aloha's own sources. There are five (5) water systems that are located in the general geographic area that were thought to potentially have sufficient capacity to meet Aloha's water needs. Based upon the cost of extension of a water main alone (even without considering impact fees on the cost of the water itself), transfer of water from any other source would not be feasible. Each of these 5 systems are either members of Tampa Bay Water and/or are supplied water by Tampa Bay Water or one of its member governments. There is also, Tampa Bay water itself. Therefore, the potential bulk water suppliers are: Tampa Bay Water, Pasco County, Pinellas County, Hillsboro County, City of Port Richey, and City of New Port Richey. The Tampa Bay Water Agreement (a copy of portions of the Agreement is provided in Appendix C) regulates how and when Tampa Bay Water and/or its member governments may serve non-member-government utilities. The City of Port Richey, while not a Tampa Bay Water member government, has stated that they do not have the desire or the water system capacity required to provide Aloha with bulk water service. The only Tampa Bay Water Member Government, which has the desire, capacity and/or legal right to supply Aloha bulk finished potable water, is Pasco County.

Based on the forgoing, obtaining bulk potable water from Pasco County is the only feasible means available to Aloha to obtain the quantity of supplemental water required by SWFWMD Order.

D. Alternative Selection

Pasco County is the only legally available supplemental water supplier with the desire and capacity to serve Aloha.

E. Recommendations

That Aloha immediately submit this report to the Commission in support of a rate request to provide the funding necessary to begin taking supplemental finished potable water from Pasco County in accordance with the SWFWMD order and its Bulk Water Agreement with Pasco County.

Section 1 – Introduction

A. Background

Aloha Utilities, Inc. operates two water supply systems that serve portions of Pasco County. This report concerns the water system known as the Seven Springs Water System (SSWS). Aloha's own raw and finished water supply needs have grown to exceed that which is permitted by its Water Use Permit (WUP) issued by the Southwest Florida Water Management District (District). The District has ordered Aloha to reduce its raw water withdrawals to those allowed in its WUP by purchasing water from Pasco County to supplement its own supplies.

Aloha's current WUP allows for 2.04 MGD raw water withdrawals from its wells based on annual average daily demands (AADD). This permitted quantity is much less then that required to meet current demands (approximately 3.2 MGD AADD for 2004), and, substantially less then that required to meet future demands (projected to be 5.9 MGD AADD).

In Docket No. 010503-WU: Petition for Water Rate Increase for the Seven Springs Water System, Aloha requested rates to support the purchase of finished potable water from Pasco County as required by the District. During the disposition of that Docket, the Commission denied the requested increase in rates for the purchase of the Pasco County water. The reason given for this denial of rates was that the Commission did not believe that Aloha had provided sufficient evidence that Pasco County was one and only potential provider of the supplemental potable water. Therefore, the Commission ordered Aloha Utilities, Inc. to prepare a report identifying and evaluating the feasibility and potential costs of obtaining alternative potable water supplies to supplement its existing water supplied prior to again requesting rates to allow it to purchase water from an alternative supplier. This report has been prepared to comply with the Commission's order.

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Section 2 – Potential Alternative Potable Water Supply Sources

A. Overview

There are three potential means of supplying the Seven Springs Water System with additional potable water supplies:

The first is to obtain additional water use capacity for its existing wells and/or for the addition of new wells in the form of a Water Use Permit capacity increase from the Southwest Florida Water Management District.

The second is to develop an alternative raw water source and treatment system such as a brackish water wellfield and reverse osmosis (RO) Treatment system.

The third is to obtain finished potable water from another water supplier to supplement Aloha's existing supplies as was envisioned by the SWFWMD in it Order.

B. Obtain Additional Pumping Capacity for Existing and/or New AUI Wells

The existing WUP limits withdrawals of raw water from the sum of all of Aloha's existing wells to 2.04 MGD (based on annual average daily raw water withdrawal rate).

For Aloha to increase the production of water from its existing facilities to meet its current and future needs, the allowable raw water withdrawals permitted by the existing WUP would need to be increased, and, the existing pumping and storage facilities would need to be capable of supporting this increased production capacity.

Each of the eight (8) wells that provide raw water to the Seven Springs Water System have pumps that are capable of pumping a daily quantity of water greater then that allowed by the existing SWFWMD WUP. Additional daily quantities of raw water could be provided if the pumps were able to operate a longer period of time then was envisioned when the system was originally designed. Sufficient storage would be needed to allow the pumps to provide water in excess of the immediate demands of the system throughout a 24-hour day.

While the existing pumps could operate longer then originally contemplated, continued operation in this mode would shorten their service life of the pumps and require more frequent pump replacements. The existing storage facilities are only marginally capable of supporting additional average daily potable water pumping rates at the existing well sites. As stated earlier, additional storage and high-service pumping facilities would be required to meet peak water demands if Aloha's existing wells were to be permitted to extract additional quantities of raw water in excess of the that permitted by the existing WUP.

C. Develop Brackish Water Wellfield and RO Treatment System

The development of an alternate supply of potable water based on the development of a new brackish water wellfield and RO Treatment System would be a daunting task.

Aloha undertook a study in 2002-2003 to evaluate the feasibility of developing such as system. As a part of this study, a wellfield development analysis was conducted which included on-site hydrogeological investigations conducted by David N. Gomberg, Ph.D., P.G., RO treatment pilot testing by the University of South Florida; analysis of the permitting (SWFWMD, FDEP, etc.) requirements that would apply to the project; development of capital and operating cost estimates for the physical facilities conducted by David W. Porter, P.E. and Civil Engineering Associates, Inc.; and, an analysis of the economic project requirements by Cronin, Nixon, Jackson and Wilson, P.A.

Substantial infrastructure would be required to implement this project since none of the components that would be required to complete this system are now in place. In addition, the new brackish water wellfield and the treatment facilities would need to be located on the west side of US 19 to facilitate the pumping of brackish raw well water without excessive environmental impacts (per SWFWMD). Placing the new facilities in this location would require long pipelines (several miles through built-up areas) to deliver finished water from its point of production to the Seven Springs Water System service area.

In order to obtain the brackish raw water needed, deep brackish water wells, raw water pumping and transport stations, long piping systems and complicated controls would be required. The RO treatment system would require the RO treatment skids, the various chemical feed systems, membrane cleaning systems, complicated controls, finished water filtration, degasification and disinfection facilities, buildings needed to house the various process units, reject water storage and pumping facilities, and finished water storage and transfer pumping facilities. Reject water disposal facilities, at a minimum, would require storage and pumping facilities, long pipelines (several miles), dilution water intake and re-pumping facilities at the point of discharge, in-stream reject water injection equipment, buildings to house the pumping systems, and complicated control and telemetry systems.

After numerous meetings and discussions with the FDEP (domestic water, industrial waste, domestic waste, etc.) and the owner of the location where the reject water would have to be discharged (Progress Power), it became evident that obtaining all the necessary permissions and/or permits would be very complicated and time consuming if even possible. It could not be determined if the necessary permissions and/or permits could be obtained with any certainty without extensive additional (time consuming and costly) study.

The conceptual estimated capital cost of implementing this project was approximately \$47M. Based upon this cost, grant funding from outside sources (SWFWMD) of at least \$30 would be required to allow Aloha to produce finished water at or near the cost of that which could be obtained from Pasco County at bulk water purchase rates.

D. Obtain Source of Bulk Finished Potable Water to Supplement Existing Supplies

A number of governmental entities, which own water utilities are located within the general geographic area surrounding the Seven Springs Water System Service Area. These entities include: Tampa Bay Water, Pasco County, Pinellas County, Hillsboro County, City of Port Richey and the City of New Port Richey. These entities constitute the universe of potential bulk water suppliers.

Each of these entities, with the exception of the City of Port Richey, are Tampa Bay Water member governments and, therefore, their actions related to serving bulk water customers are governed by the Tampa Bay Water Agreement. The Tampa Bay Water Agreement (portions provided in Appendix C) prohibits Tampa Bay Water from supplying water to non-member governments. Also, the Tampa Bay Water Agreement also prohibits member governments from providing bulk water to non-members unless the non-member is located within their service area (or the that member government allows one of the other member governments to provide the water to the non-member). Therefore, based on the Tampa Bay Water Agreement, Aloha believes that the only Tampa Bay Water member government legally able to provide it with bulk water is Pasco County. The City of Port Richey has provided Aloha with a letter which states that they are not interested in providing bulk water service to Aloha and that their water system is not sized to be able to provide such service to Aloha.

Section 3 – Evaluation of Feasibility of Potential Alternative Finished Water Sources

A. Obtain Additional Pumping Capacity for Existing AUI Wells

The SSWS is located in the Northern Tampa Bay Water Use Caution Area and the Northern Tampa Bay-Wellfield Impact Area. In a letter dated January 23, 2002 SWFWMD provided the Commission written confirmation that "The only alternative source of water which is currently and immediately available to Aloha is the purchase of water from Pasco County." On January 28, 2004 SWFWMD sent a letter to Pasco County in response to a County letter requesting clarification on the District's position on the possibility of Aloha obtaining additional WUP capacity. In that most recent letter, the District's stated "the District does not anticipate that Aloha will receive approval from the District for any additional withdrawal quantities." Copies of these letters can be found in Appendix B of this report. The District's stated position as provided to Pasco County was the same as that presented to the Commission in the January 23, 2002 letter. It was also consistent with its position as reported by the District's staff to Aloha and/or its consultants during a number of conversations Aloha has had with the District allowing it to increase pumping from its own wells to provide the needed additional capacity

B. Develop Brackish Water Wellfield and RO Treatment System

Aloha was required by the SWFWMD to undertake an extensive study to determine if it was feasible to develop a brackish water wellfield and RO treatment system that would produce the additional finished water capacity required. This study was completed in December 2003. The study concluded that there were potential technical and permitting difficulties that could prevent the development of the brackish water wellfield and/or the RO brine waste disposal system. The feasibility of this project is therefore at least questionable and would require a much additional study at great expense to examine. The cost of the project was estimated to be in excess of \$47M dollars. Without substantial (over \$30M) grant funding from the District, the study concluded that this project was not financial feasible. The District has reported to Aloha that grant funding was not available, therefore, the project is not financially feasible.

C. Obtain Source of Bulk Finished Potable Water to Supplement Existing Supplies

The only remaining alternative is to obtain finished potable water from another potable water supplier to supplement Aloha's own sources. There are five (5) water systems that are located in the general geographic area that were thought to potentially have sufficient capacity to meet Aloha's water needs. Based upon the cost of extension of a water main alone (even without considering impact fees on the cost of the water itself), transfer of water from any other

source would not be feasible. Each of these 5 systems are either members of Tampa Bay Water and/or are supplied water by Tampa Bay Water or one of its member governments. There is also, Tampa Bay water itself. Therefore, the potential bulk water suppliers are: Tampa Bay Water, Pasco County, Pinellas County, Hillsboro County, City of Port Richey, and City of New Port Richey. The Tampa Bay Water Agreement (a copy of portions of the Agreement is provided in Appendix C) regulates how and when Tampa Bay Water and/or its member governments may serve non-member-government utilities. The City of Port Richey, while not a Tampa Bay Water member government, has stated that they do not have the desire or the water system capacity required to provide Aloha with bulk water service. The only Tampa Bay Water Member Government, which has the desire, capacity and/or legal right to supply Aloha bulk finished potable water, is Pasco County.

Aloha contacted each of the 6 possible bulk water suppliers via US Mail and asked if they would be interested in providing bulk water to Aloha. In addition, Aloha met with two of the entities (Pasco County and the City of New Port Richey) that requested additional information when they received Aloha's initial request. With the exception of Pasco County, each of the other 5 potential suppliers of bulk water provided Aloha with written responses stating that they were either not interested, limited legally from serving Aloha and/or did not have the water system capacity required to provide Aloha with bulk water service. Copies of the correspondence with these 6 potential suppliers of bulk water can be found in the appendices to this report.

D. Conclusion

Based on the forgoing, obtaining finished potable bulk water supplied by Pasco County is the only feasible means for Aloha to obtain the supplemental water that it is required to obtain by SWFWMD Order.

Section 4 – Alternative Selection

A. Overview

It is not feasible for Aloha to obtain additional raw water pumping capacity for its system from due to area wide restrictions on well pumping in Water Use Caution Areas and/or Well Impact Areas designated by SWFWMD. Technical, permitting and financial impediments render the development of a brackish water/RO treatment system unfeasible. Pasco County is the only legally available supplemental water supplier that has the desire and capacity to provide Aloha with bulk water service.

B. Discussion

The SWFWMD has stated that Aloha will not receive approval to increase the quantity of water pumped from its existing wells, nor will it receive approval to construct new wells to supplement the quantity of water it currently is permitted to pump from the aquifer in the Seven Springs Water System service area.

The technical hurdles, regulatory permitting and the costs to construct and operate a Brackish Water Wellfield, RO Treatment System and Reject Water Disposal System cause this alternative to be unfeasible.

While there are six (6) potential bulk water suppliers located within the general area of Aloha's Seven Springs Water System service area. Of that six, four are not legally permitted to provide Aloha with bulk water service due to their membership in Tampa Bay Water and the agreement that they entered into when Tampa Bay Water was formed. One potential supplier, City of Port Richey, has stated that they do not have the water system capacity to provide Aloha with bulk water supply and that they are not interested in doing so. Pasco County is the only Tampa Bay Water member government with the capacity and/or legal right to serve Aloha as a bulk water supplier, and, is the only potential supplier that has expressed a desire to do so.

C. Conclusion

Only Pasco County has the legal right as well as the desire and water system capacity to serve Aloha as a bulk water supplier.

Aloha has entered into a Bulk Water Supply Agreement with Pasco County. A copy of that Agreement is provided in Appendix K to this report. During the negotiation of this agreement, substantive discussions were undertaken with the County regarding setting bulk water rates. The position of the County is that bulk water rates are set for all bulk water purchasers and that they are not negotiable on an individual basis. The county periodically conducts comprehensive rate investigations that determine what the rates for all classes of service will be going forward. The

bulk rates charged to all bulk water customers are set at that time by the County Commissioners and apply to such customers without exception. Aloha went so far as to attend the Pasco County Commission meeting when the last Water, Wastewater and Reuse Study was presented and the new rates were set (in August 2003) and objected to the bulk water rates being proposed. Aloha concerns were rejected by the County Commission.

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Section 5 – Recommendation

Recommendation

The following recommendation is offered:

It is hereby recommended that Aloha immediately submit this report to the Commission in support of a rate request to provide the funding necessary to begin taking supplemental finished potable water from Pasco County in accordance with the SWFWMD order and its Bulk Water Agreement with Pasco County.

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Appendix A Copy of SWFWMD Order

BEFORE THE SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

ORDER NO. SWF 02-15

IN RE: ALOHA UTILITIES, INC. WUP No. 203182.004/CT No. 55948 PASCO COUNTY, FLORIDA

CONSENT ORDER

Pursuant to Sections 120.57(4) and 373.083, Florida Statutes (F.S.), this Consent Order is entered into between the Southwest Florida Water Management District, hereinafter referred to as the "District", and Aloha Utilities, Inc., hereinafter referred to as the "Permittee", to settle certain matters at issue between the parties. The parties hereby voluntarily agree to the following findings of fact, conclusions of law and corrective actions.

FINDINGS OF FACT

1. The District is the administrative agency charged with the responsibility to conserve, protect, manage and control water resources within its boundaries and to administer and enforce Chapter 373, F.S., and the rules promulgated thereunder as Chapter 40D, Florida Administrative Code (F.A.C.).

2. Permittee's mailing address is 6915 Perrine Ranch Road, New Port Richey, Florida 34655-3904. Permittee is a private utility company, incorporated in the State of Florida.

3. On September 29, 1992, the District issued Water Use Permit (WUP) No. 20003182.002 (the ".002 Permit") to Permittee, authorizing water withdrawals of 2,040,000 gallons per day (gpd) on an annual average basis from eight wells for public supply use in Permittee's Seven Springs Service Area. The Seven Springs Service Area is located in southwestern Pasco County, Florida, and is within the Northern Tampa Bay Water Use Caution Area, hereinafter "NTBWUCA".

4. On April 27, 1999, the District issued WUP No. 20003182.004 (the ".004 Permit") to Permittee renewing the .002 Permit. The .004 Permit continued to authorize Permittee to make annual average withdrawals of 2,040,000 gpd. Permittee currently serves a population of approximately 24,452 people. The .002 Permit and the .004 Permit will hereinafter be referred to collectively as "the Permits".

5. Between November 1995, and the date of preparation of this Consent Order, Permittee has consistently exceeded the annual average withdrawals authorized under the Permits, as follows:

	MONTH/ YEAR	ANNUAL AVERAGE DAILY PUMPAGE	PERCENTAGE OVERPUMPED
	11/95	2,047,870	0.40%
	12/95	2,064,714	1.20%
	01/96	2,086,703	2.30%
	02/96	2,104,129	3.10%
	03/96	2,097,675	2.80%
	04/96	2,110,548	3.50%
	05/96	2,143,731	5.10%
	06/96	2,199,298	7.80%
	07/96	2,232,490	9.40%
	08/96	2,265,207	11.00%
	09/96	2,290,399	12.30%
	10/96	2,328,269	14.10%
Į	11/96	2,362,283	15.80%
ł	12/96	2,367,801	16.10%
	01/97	2,390,236	17.20%
	02/97	2,413,370	18.30%
	03/97	2,446,106	19.90%
	04/97	2,448,756	20.00%
	05/97	2,444,687	19.80%
	06/97	2,454,370	20.30%
I	07/97	2,460,133	20.60%

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	MONTH/	ANNUAL	PERCENTAGE
	YEAR	AVERAGE DAILY	OVERPUMPED
		PUMPAGE	
	08/97	2,495,844	22.30%
	09/97	2,549,630	25.00%
	10/97	2,570, 9 69	26.00%
	11/97	2,553,280	25.20%
	12/97	2,522,920	23.70%
l	01/98	2,484,245	21.80%
ļ	02/98	2,431,797	19.20%
ļ	03/98	2,390,309	17.20%
ļ	04/98	2,448,713	20.00%
	05/98	2,486,261	21.90%
Į	06/98	2,527,897	23.90%
l	07/98	2,555,726	25.30%
	08/98	2,553,353	25.20%
ſ	09/98	2,484,315	21.80%
ĺ	10/98	2,493,370	22.20%
I	11/98	2,531,705	24.10%
I	12/98	2,593,422	27.10%
ſ	01/99	2,612,634	28.10%
I	02/99	2,686,686	31.70%
[03/99	2,758,752	35.20%
L	04/99	2,784,050	35.50%
L	05/99	2,782,148	36.40%
L	06/99	2,721,232	33.40%
	07/99	2,707,556	32.70%
	08/99	2,737,043	34.20%
L	09/99	2,777,452	36.10%
	10/99	2,778,617	36.20%
L	11/99	2,781,201	36.30%
	12/99	2,777,208	36.10%
	01/00	2,795,862	37.10%
	02/00	2,809,800	37.70%
Ĺ	03/00	2,796,139	37.10%
Ĺ	04/00	2,767,378	35.70%
	05/00	2,770,537	35.80%
	06/00	2,829,833	38.70%
Γ	07/00	2,833,959	38.90%

MONTH/ YEAR	ANNUAL AVERAGE DAJLY PUMPAGE	PERCENTAGE OVERPUMPED
08/00	2,808,538	37.70%
09/00	2,791,682	36.80%
10/00	2,864,716	40.40%
11/00	2,885,176	41.50%
12/00	2,804,601	39.00%
01/01	2,708,565	33.00%
02/01	2,670,938	30.90%
03/01	2,681,989	31.50%
04/01	2,719,705	33.30%
05/01	2,764,828	35.50%
06/01	2,759,801	35.30%
07/01	2,727,397	33.70%
08/01	2,756,645	35.10%
09/01	2,788,770	36.70%
10/01	2;750,241	34.80%

6. The NTBWUCA is delineated by Rule 40D-2.801(3)(c), F.A.C., as an area where groundwater withdrawals have resulted in the lowering of lake levels, destruction or deterioration of wetlands, reduction in streamflow, and salt water intrusion. Permittees within the NTBWUCA are required to take special measures to conserve

water and protect the water resource.

7. During the review of Permittee's application for the .004 Permit, the District advised Permittee in a letter dated November 19, 1998, that due to the location of its withdrawals in the NTBWUCA no additional quantities would be permitted. Permittee was further advised that it should seek alternative sources to groundwater to address increased demand from its customers.

8. In a Compliance Notice dated April 2, 1999, the District informed Permittee that it was exceeding its permitted withdrawals, and advised Permittee to

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take action to reduce on-site well withdrawals.

9. On June 6, 2000, District staff issued Permittee a second Notice of Noncompliance, advising Permittee that it continued to exceed its permitted withdrawals.

10. On November 21, 2000, the District issued Permittee a Notice of Violation, again informing Permittee that it was exceeding its permitted withdrawals. The Notice of Violation advised Permittee to bring its water withdrawals into compliance with the .004 Permit within 30 days of the notice. As of the date of preparation of this Consent Order, Permittee remains in violation of the .004 Permit.

11. The parties herein have discussed this matter and resolved all disputed issues regarding the violations set forth above.

CONCLUSIONS OF LAW

12. The District has jurisdiction over the Permittee pursuant to Sections 373.069(2)(d), 373.103(1), 373.216 and 373.219(1), F.S., and Rule 40D-2.041, F.A.C.

13. Making withdrawals in excess of the quantity of water authorized by the Permits, as described in paragraph 5, constitute violations of Section 373.219(1), F.S., Rule 40D-2.381, F.A.C., and the terms of the Permits.

PENALTY

14. The Permittee shall pay to the District a penalty of Four Hundred Thirtynine Thousand Five Hundred Fifty-four and 45/100 dollars (\$439,554.45).

CORRECTIVE ACTIONS

15. Attached hereto as Exhibit "A" to this Consent Order is a Compliance Plan which has been mutually agreed to by the parties. The Compliance Plan demonstrates

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how and when Permittee will come into compliance with state law, District rules, and the terms of the .004 Permit. The Compliance Plan is subject to modification to ensure its effectiveness, upon mutual agreement of the parties. Full compliance with the .004 Permit must be achieved within one hundred eighty (180) days of approval of this Consent Order by the District's Governing Board. This requirement does not confer any authorization or approval by the District of any continued violation of the .004 Permit by Permittee. The Compliance Plan shall be complied with by the Permittee. Any failure of Permittee to comply with any provision of the approved Compliance Plan shall constitute a violation of this Consent Order.

16. The Permittee may request an extension of time for any due date specified in this Consent Order or in the Compliance Plan, in writing, at least five (5) days before such due date. The District shall grant the requested extension in writing, for good cause which is defined as any act, event or condition that adversely affects the ability of the Permittee to perform any obligation hereunder, or comply with any condition hereunder, if such act, event or condition is beyond the reasonable control of Permittee and is not the result of a lack of reasonable diligence by Permittee including, but not limited to, an act of God, hurricane, landslide, lightning, earthquake, flood, drought, sabotage, vandalism, aircraft accidents or incidents, or similar occurrence, acts of a public enemy, extortion, war, blockade or insurrection, riot, civil disturbance, change of law, the failure of any contractor, subcontractor or supplier to timely furnish labor, services, materials or equipment if such failure is caused by an uncontrollable circumstance and substitute labor, services, materials or equipment on terms and conditions no less favorable to the affected party are not readily available, strikes, work

stoppages or other labor disputes or disturbances, the order, injunction, judgment, action or failure to act, by any court.

17. The District acknowledges that development of an alternative water source project by Permittee would be a benefit to water resource management within the NTBWUCA. The District will use its best efforts to process and consider granting cooperative funding for a proposed project, which consideration shall be on a uniform basis with other projects in the District.

18. Payment of the penalty set forth in Paragraph 14 herein will be suspended while Permittee conducts a feasibility study for a reverse osmosis plant, as described in Section III B of the Compliance Plan. The suspension of the penalty will be effective for no more than five (5) years from the date of approval of this Consent Order by the District's Governing Board. If the feasibility study indicates that a reverse osmosis plant is technically and economically feasible, Permittee will construct the plant, and the District will waive the penalty at such time as Permittee begins operation of the reverse osmosis plant. If Permittee does not conduct the feasibility study in good faith as determined by the District, Permittee will be required to pay the penalty to the District within thirty (30) days of notification to Permittee of such a determination. The District's determination of whether the study was conducted in good faith shall be considered an agency action subject to challenge by the Permittee pursuant to Sections 120.569 and 120.57, F.S. The Permittee asserts that the feasibility study for the reverse osmosis plant which is referenced herein will cost an amount in excess of Four Hundred Fifty thousand and ‰ dollars (\$450,000.00), and shall provide to the District verification of the actual amount spent. The estimated cost of this feasibility study is a

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material provision of this Consent Order, and if the study does not meet or exceed the estimated cost, the penalty shall not be reduced as described hereinafter.

If the Permittee has conducted the feasibility study in good faith, but the conclusion of the study is that a reverse osmosis plant is not technically and economically feasible, the District will reduce the penalty to One Hundred Thousand and ‰ dollars (\$100,000.00). This reduced penalty will be suspended while the District and Permittee identify a mutually acceptable potential alternative water supply project. The suspension of the reduced penalty will be effective for no more than five (5) years from the date of approval of this Consent Order by the District's Governing Board. When the parties have agreed upon an alternative project, Permittee will conduct a feasibility study of that alternative project. If the feasibility study indicates the alternative project is technically and economically feasible. Permittee will implement the project, and the District will waive the penalty at such time as Permittee begins operation of the alternative project. If Permittee does not conduct the feasibility study in good faith as determined by the District, Permittee will be required to pay the reduced penalty of One Hundred Thousand and % dollars (\$100,000.00) to the District within thirty (30) days of notification to Permittee of such a determination. The District's determination of whether the study was conducted in good faith shall be considered an agency action subject to challenge by the Permittee pursuant to Sections 120.569 and 120.57, F.S. The Permittee asserts that the feasibility study for the alternative water supply project which is referenced herein will cost an amount in excess of Fifty Thousand and ‰ dollars (\$50,000.00), and shall provide to the District verification of the actual amount spent. The estimated cost of this feasibility study is a material

provision of this Consent Order, and if the study does not meet or exceed the estimated cost, the penalty shall not be reduced as described hereinafter.

If Permittee has conducted the feasibility study in good faith, but the conclusion of the study is that the alternative project is not technically and economically feasible, the District will reduce the penalty to Fifty Thousand and 00/100 dollars (\$50,000.00). This penalty will be paid to the District within thirty (30) days of submission to the District of the study indicating the alternative project is not feasible.

19. Permittee shall additionally pay to the District compensation for District enforcement costs in the amount of One Thousand and ‰ dollars (\$1,000.00), within 10 days of approval of this Consent Order by the District's Governing Board. If mailed, the address for payment is:

Finance Department Southwest Florida Water Management District 2379 Broad Street Brooksville, Florida 34604-6899

20. For each day of delay beyond any due date specified in this Consent Order or the approved Compliance Plan, the Permittee shall pay to the District an additional One Hundred and ‰ dollars (\$100.00) per day. This additional sum shall be paid by the Permittee upon the District's mailing to the Permittee of a demand letter for payment. This provision shall not be construed to preclude the District's right to undertake other administrative, civil or criminal action as appropriate in the event any due date is not met.

21. The Permittee further agrees to henceforth fully comply with all of the terms and conditions of the .004 Permit. The Permittee acknowledges by the execution of this Consent Order that any future violation of Chapter 373, F.S., District rules, or the

terms of the .004 Permit or subsequent permits may subject it to any or all of the following: criminal prosecution, administrative action, or civil suit in which civil penalties of up to Ten Thousand and ‰ dollars (\$10,000.00) per day per offense may be imposed.

22. The Permittee hereby waives any right to an administrative hearing or judicial review of the terms of this Consent Order.

23. This Consent Order shall not relieve the Permittee of the need to comply with all other applicable federal, state and local laws, regulations, or ordinances.

24. The terms and conditions set forth in this Consent Order may be enforced in a court of competent jurisdiction pursuant to Sections 120.69, 373.083(1) and 373.129, F.S.

25. The District expressly reserves and retains the right to initiate appropriate legal action against the Permittee to prevent or prohibit the future violation of any applicable statutes, rules, orders, or permit conditions, except as specifically addressed in this Consent Order.

26. For and in consideration of the complete and timely performance by the Permittee of its obligations under this Consent Order, the District waives its right to pursue civil or administrative action for any violations described in this Consent Order.

27. The Permittee shall allow authorized representatives of the District access to the Property at all reasonable times without prior consent or notice for the purpose of determining compliance with this Consent Order, Chapter 373; F.S., the rules of the District, and the terms of the Permit.

28. The effectiveness of this Consent Order is subject to review and approval

by the District Governing Board. In the event the District Governing Board shall not approve this Consent Order, this Consent Order shall be null, void and of no legal effect. After this Consent Order has been executed by the Permittee and the Executive Director of the District, the Permittee may not withdraw its approval or terminate this Consent Order under any circumstances unless the District Governing Board fails to approve this Consent Order.

Witness/Pamela Yacobelli

ALOHA UTILITIES, INC.

Watford, President fephen

Date

SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

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efgara

Executive Director

Approved as to legal form and content Massard Attorney

11-02

Approved by the Governing Board of the Southwest Florida Water Management District this \underline{AlpTH} day of \underline{FEBUGL}_{200} 2002, in Brooksville, Hernando County, Florida.

By: nnie E. Duncan, Chair Attest: anet D. Kovach, Secretary

(Seal)

Filed this 27th day of 62

Deputy Agency Clerk

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CONSENT ORDER ALOHA UTILITIES, INC.

15:05

EXHIBIT

ALOHA UTILITIES, INC.

GROUNDWATER WITHDRAWAL COMPLIANCE PLAN

Pursuant to discussions with the Southwest Florida Water Management District ("District"), Aloha Utilities, Inc. ("Aloha" or "Company") submits this Groundwater Withdrawal Compliance Plan. The purpose of the Plan is to demonstrate how and when the Utility will come into compliance with the strict pumping limitations set forth in the Company's Water Use Permit No. 203182.04 ("WUP"). The Plan is divided into four sections: an overview, demand and supply side conservation measures, environmental impact study and summary and a compliance schedule.

SECTION I - OVERVIEW

Aloha Utilities, Inc. is a PSC regulated water, wastewater and reuse service provider. The Company has eight production wells which draw from the floridan aquifer. The Company primarily provides residential potable water service to a population of approximately 25,000. The per capita gross usage as identified in the WUP is 121 gpd/person. The Utility has no central treatment facilities at this time. Its well fields are located between the Eldridge/Wilde and Pasco County ("County") well fields.

On April 27, 1999, the District issued its WUP to Aloha, for public service water supply. The permitted withdrawals included an annual average quantity of 2,040,000 gallons per day ("gpd") and peak monthly quantity of 2,470,000 gpd. Referencing these quantities the WUP states:

... and the quantities are unchanged from the previously permitted quantities. The permitted withdrawals will serve a portion of the population of the service area, but the quantities do not meet all of the present demand or the future demand within the service area.

Based on per capita consumption, historical usage in the service area has been below that of other area utilities. In the past, the Utility has had a core customer base in its Seven Springs service area comprised of retirees in one and two person households. The principal development in the service area was Veterans Village which contained small, garden and multi-family homes with limited square footage.

Usage characteristics in the Utility's Seven Springs service area have changed with the population demographic. South Pasco County is now a bedroom community of the Tampa metropolitan area. The Trinity Development of Regional Impact has resulted in the construction of thousands of homes and millions of square feet of commercial

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development in the service area. These homes are relatively larger than those added to the system in years past, with more square footage and more water fixtures. The houses are occupied by larger, younger, more active families. The lot sizes have increased, accompanied by irrigation demands. Small commercial and light industrial development is now taking place in the service area with varied usage patterns. The growth rate in the service area is approximately 5% per year. However, due to changes in demographics, the increase in consumption is even greater than 5% in the service area.

The Aloha Seven Springs service area is located within the Northern Tampa Bay Water Use Caution Area ("WUCA"). The Utility's service area is surrounded by Tampa Bay Water, a regional water supply authority with eleven well fields located in Pasco, Pinellas and Hillsborough Counties. In May of 1998, the District entered into a Partnership Agreement with Tampa Bay Water and its member governments to develop new water supplies and reduce withdrawals from certain well fields in an effort to promote recovery from adverse environmental impacts caused by over pumping from groundwater sources. The District recently determined that drought conditions, along with Tampa Bay Water's well field pumping, in excess of the quantities authorized by its Consolidated Permit for the eleven well fields, have together created an acute emergency affecting the public health, safety and welfare.

In addition to the substantial customer growth in its service area, rainfall amounts in the Seven Springs and the surrounding areas have been below normal levels since October 1998, shortly before the WUP was issued. Since 1998 there has been an approximate 28" rainfall deficit. On a District wide basis, the year 2000 was the driest calendar year on record since 1915, with rainfall at only 67% of normal levels.

SECTION II - DEMAND SIDE WATER CONSERVATION MEASURES

The Compliance Plan proposed by Aloha Utilities includes both demand side and supply side measures. On demand side, the Company has already implemented, or intends to undertake, certain activities to promote water conservation.

A. Customer Direct Mail Billing Inserts

In late 2000, Aloha Utilities, Inc. acquired the capability to provide billing inserts to its customers with each monthly customer bill. The Company has utilized the billing inserts to notify customers of various issues concerning utility service. Principal among these issues is the Company's efforts to educate customers about water supply and use including the current drought conditions, methods and devices for conserving water, and the importance of compliance with watering restrictions. A sample of the Company's billing inserts regarding conservation issues is enclosed as Exhibit "A". The Company is making District water conservation pamphlets and brochures available to its customers. The Company intends to continue its customer notice and information efforts to promote water conservation in an effort to reduce consumption and water pumpage.

B. Customer Conservation Programs

Conserving water provides a low-cost alternative to development of alternative water sources. The Company proposes to implement the following customer conservation programs to educate consumers, curtail additional increases in consumption, and achieve long term reductions in usage on an individual basis:

1. Retrofit Kit: The Company will initiate a program to make retrofit kits available to interested customers at no charge. The kit will include such items as low flow showerheads, low flow faucet aerators, leak detection tablets, replacement flapper valves, and educational materials regarding conservation. Customers will be informed of the program through billing inserts and other means. Annual Budgeted Cost: \$25,000.

2. Water Conservation Pilot Program: The Company will develop and implement a program to make available high efficiency water heaters and low flow toilets to utility customers. The program will provide for, or offer credits or other financial incentive toward, a selection of such devices to customers, monitor the water use of participants, and report to the District regarding the effectiveness of the program. An initial report concerning implementation of such program will be made within 60 days of implementation, a preliminary report within six months and a final report within one year of implementation. Annual Budgeted Cost: \$30,000. Thereafter, if the program is determined to provide substantive conservation benefits, the Company will fully implement the program. If the program is determined not to provide such benefits, it will be discontinued and the budgeted cost will be transferred to another conservation program hereunder or to a new program which will be subject to District approval.

3. Mixed Media Conservation Messages: Through radio, television and billing inserts, the Company will budget monthly for media advertising to promote conservation. Such advertising budget will be allocated 50% for billing inserts, 25% for radio and 25% for television mediums. Annual Budgeted Cost: \$15,000.

4. Water Auditor: A full time staff position will be created to interact directly with customers, perform water audits, irrigation audits and recommend and promote water conversation measures. Audits will initially target large volume users in which improvements in overall water use efficiencies will have the greatest impact on Utility water withdrawals. Annual Budgeted Cost: \$38,000.

5. Additional Staffing: Initially, the Company will budget for one new staff member to implement and promote consumer conversation programs. Budgeted Annual Cost: \$30,000.

6. Web Site: The Company is in the process of developing a web site to provide information to the general public about the Utility. The web site will include a section on conservation providing general information on the topic, specific information on Utility

programs, and links to other useful sites. Budgeted Annual Cost: \$12,000.

The Company will, within 30 days of the date of the Consent Order, meet to refine the details of this consumer conservation program in conjunction with the District's water shortage coordinator. The total cost of the program is estimated to be \$150,000 annually. It is anticipated that these conservation measures will result in an approximately 5% reduction in water demand in the service area.

The conservation program is to be paid for from revenues generated by the conservation rates implemented pursuant to Waterate 2001 discussed below. The Company will develop these programs in the first quarter of 2002 and should be in a position to implement them by June 30, 2002. These programs will proceed unless the Public Service Commission denies recognition of the funding for these programs as proposed by the Company In its pending rate case. The Company will nevertheless be required to comply with water conservation requirements of the WUP. Aloha will use its best efforts to secure PSC approval for the water conservation programs in this §2. In the event funding for these programs is recognized, but Conservation Revenues in a given year based on Waterate 2001 are less than projected, adjustments to the program budgets will be made accordingly.

C. Implementation of Conservation Rates

The Utility's rates and charges are established by the Florida Public Service Commission. Rates and charges cannot be modified without the prior consent of the Commission. Historically, the Commission has done very little to promote the use of conversation rates, having approved such rates for less than ten utilities statewide. As a result of several issues arising from District WUP enforcement, including the purchase of water from Pasco County and the implementation of a conservation rate structure, the Public Service Commission is conditioning rate relief for the Company on the filing of a full rate case.

On April 2, 2001, representatives of Aloha attended the Waterate 2001 Workshop hosted by the District. At that time, the District provided information and training on software designed to assist in establishing a conservation or inverted block rate structure, the goal of which is to reduce water usage by at least 5% in the Company's service area. The Company utilized this software in preparing a conservation rate structure for its Application for Increase in Water Rates which was filed with the PSC on August 10, 2001.

The time frame required for completing a rate case is 13-19 months from test year approval, as discussed in more detail below. At such time as the PSC authorizes a change in Aloha's rates, the Company will implement the conservation rate structure. According to the Waterate 2001 model, the Company can expect a substantial reduction in potable water use, estimated at 28%, over the use which would otherwise be expected for the same period. Unlike traditional rate setting in the water industry in Florida, use of a conservation rate structure will cause greater variability in system revenues. The Company estimates that, based on the District's model, revenues may exceed the approved revenue requirement by up to \$288,900 annually ("Conservation Revenues"). The Company has proposed to the PSC that, to the extent they occur, the Company should use such Conservation Revenues to further the conservation programs, with the balance going toward costs associated with the development of the reverse osmosis water treatment facility, or such other alternative water source project or objective as the Company may determine, subject to District approval, which approval shall not be unreasonably withheld.

D. Wastewater Reuse System

Over the past three years, Aloha Utilities, Inc. has invested approximately \$5,000,000 in upgrading its wastewater treatment facilities to provide public access irrigation quality effluent to the public, and to construct a backbone transmission system to deliver effluent to commercial and residential property owners in the Seven Springs service area. This investment represents the single largest financial and operational undertaking in the Company's history. The construction of the Aloha reclaimed water facility has proceeded in two phases.

In 1997 the Company installed filters at its wastewater plant to improve treatment standards to provide effluent quality suitable for irrigation purposes. In January 1998. Aloha entered into a Cooperative Funding Agreement with the District for the design and construction of a portion of its reuse system. The purpose of the Agreement was a 50% cost sharing arrangement for the \$1,800,000 phase 1 wastewater project being undertaken · by Aloha. The project consisted of the design and construction of approximately 5 miles of water transmission main and appurtenant facilities extending from the existing terminus of the transmission system at the intersection of Mitchell Ranch Road and Little Road into the heart of its service area and terminating at the Fox Hollow Golf Course. The reuse system was also extended to commercial properties in close proximity to the wastewater plant. As stated in the Cooperative Funding Agreement, the project was a key component in a program to provide 800 million gallons per year of reclaimed water to offset ground water withdrawals in the Northern Tampa Bay WUCA. A copy of the Agreement is attached hereto as Exhibit "B". At the completion of phase 1, the Company was generating public access irrigation quality effluent. However, due to certain Department of Environmental Regulation regultements regarding Class 1 reliability and redundancy of plant components, the Company was limited to irrigation on the Mitchell Ranch, which offset substantial, long duration, agricultural irrigation occurring on that property.

Phase 2 of the reclaimed water facility was facilitated through a \$5,200,000 financing completed on July 30, 1999. Loan proceeds were used to expand the wastewater treatment plant capacity from 1.2 to 1.6 mgd and to complete construction of the plant improvements necessary to achieve Class 1 reliability. As a result of the construction of the Aloha reclaimed water facility, and extension of the transmission system into the Seven Springs service area in the North Tampa Bay WUCA, the Department of

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Environmental Protection recently approved reuse service to 19 commercial sites and subdivisions. Delivery of effluent by Aloha to the Fox Hollow Golf Course alone offsets a permitted groundwater withdrawal capacity of 427,000 gpd and numerous other withdrawals. A list of the properties currently receiving reuse service, or to which service is available, is attached hereto as Exhibit "C." The Company may rely in part on the District's cooperation in ensuring that all such customers replace their groundwater withdrawals with reuse effluent as required by contract with the Utility or by water use permit restrictions.

On April 10, 2001 Aloha submitted permit documentation to DEP for Master Reuse System designation to extend service to reuse customers in the Seven Springs service area without DEP approvals for each site. All of the groundwater withdrawals by Aloha pursuant to the WUP are either consumed by its utility customers or returned to the reclaimed water facility and the environment within the Seven Springs service area.

Aloha believes that investment in its reclaimed water facility and reuse transmission system was the single most effective means available to offset groundwater withdrawals for customer irrigation needs and mitigate environmental and water resource impacts caused by groundwater withdrawals for direct customer consumption. Acknowledgment by the District of the benefits of this program can be seen in the continued cooperative funding provided since the original Agreement. Aloha has sought, and continues to seek recognition by the District of the benefits of this program and the mitigation of groundwater withdrawater withdrawater is seen in the Continues to seek recognition by the District of the benefits of this program and the mitigation of groundwater withdrawater is service area in the North Tampa Bay WUCA.

E. Residential Reuse

For a number of years, Aloha Utilities has required developers in its service area to contractually obligate themselves to construct residential reuse distribution systems for new development within the service area. Aloha has been limited in its ability to enforce this requirement until public access irrigation quality effluent was in fact available to such projects. This has now occurred, and Aloha will continue to require new projects to construct reuse distribution systems and take back effluent as an alternative to potable water for Irrigation purposes.

Aloha is now investigating the feasibility of retrofitting existing neighborhoods with reuse distribution facilities in an effort to offset potable water use with reuse for irrigation needs! While a number of governmental utilities have implemented such programs, very few PSC regulated utilities have been able to do so. Governmental utilities are free to establish compensatory rates for such programs, pass ordinances requiring usage or payment for irrigation water, and have broader access to grant funding, low interest loans and other favorable capital sources to finance these programs. Historically, even the District itself has not extended cooperative funding to finance the retrofitting of residential areas with reuse distribution systems. Aloha is willing to work with the District to pursue such programs based on financial feasibility under the PSC cost recovery and rate making guidelines.

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SECTION III - SUPPLY SIDE CONSERVATION MEASURES

The Compliance Plan proposed by Aloha Utilities includes supply side measures to promote water conservation.

A. Purchased Water From Pasco County

Pursuant to prudent operating practices, and primarily as an emergency backup for the benefit of both systems, Aloha Utilities, Inc. and Pasco County established a water system interconnect a number of years ago. Since that time, Aloha has, on occasion, purchased relatively modest amounts of water from the County on an as-needed basis. One alternative to reduce the Utility's pumping to levels set forth in the WUP is to purchase water from Pasco County in a quantity which makes up the difference between the permit limits and the demand in its Seven Springs water system. This alternative presents several issues which must be addressed.

First, the Company currently purchases water from the County on as-needed basis, and it's unclear whether the County would commit to provide water to the Utility in quantities required to bring the Utilities pumpage within the limits set forth in the WUP. Second, the Utility has not yet determined the overall effect of purchased water from Pasco :County on its water system and quality. The County employs different treatment processes, has a product with a different water chemistry, and is involved in a different corrosion control program. Material alterations to Aloha's water treatment processes, with the attendant costs, must be considered in order to accommodate large quantities of purchased water from the County or any other source.

The next issue to be addressed is the one of cost. The County charges \$2.20 per 1000 gallons for water purchased by Aloha Utilities. The County recently announced that the charge will be increased to \$2.35. The Utility currently has an approved commodity charge of \$1.25 per thousand gallons which it charges to its customers. Purchasing water from the County will increase the cost of water to Aloha, and therefore its customers, by over \$1,000,000. It also raises two relevant timing issues.

Until such time as Tampa Bay Water in general, in Pasco County in particular, have developed alternative water supply sources pursuant to the requirements of the Consolidated Permit, the customers of Aloha Utilities are simply replacing water drawn from Aloha Utilities with water drawn from a County well field a few miles away, both within the North Tampa Bay WUCA. Arguably, the additional demand placed on the Pasco County well fields as a result of the sale of water to Aloha will have a more deleterious effect on the environment than continued pumping by Aloha from its eight smaller, scattered wells. It short, purchasing water has not been demonstrated to benefit the environment, and may in fact be doing more harm. Therefore, until such time as alternative water sources are in place, it is questionable whether a compliance plan should

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require purchased water from Pasco County.

The second timing issue is the requirement that the Utility obtain Public Service Commission approval for a rate increase in order to generate revenues sufficient to pay the higher cost of water purchased from Pasco County. Further to that goal, in February 2001, the Utility filed an Application for Limited Proceeding for Emergency, Temporary, and Permanent Increase in Water Rates with the Public Service Commission for the narrow purpose of increasing rates to pay for the higher cost of water purchased from Pasco County. The filing of a limited proceeding was intended to take advantage of the more streamlined and faster review and approval process available for certain types of cases at the Commission. However, on April 3, 2001, the Commission threw out the Utility's Application. The Commission's reasoning in part was that, notwithstanding the declaration of a water shortage emergency by the District's Executive Director in Executive Director Order No.SWF 01-14 ("Order"), the Order raised far too many issues, and resulting rate matters, to isolate and handle in the Limited Proceeding. Therefore, in order to establish the rates necessary to pay for purchased water from Pasco County, the Utility was required to file a traditional rate case with the Public Service Commission.

On April 16, the Utility filed with the PSC a request for a test year approval. On April 27, the Commission issued approval of the test year to be used in the rate case. The Utility, with its legal, engineering and accounting consultants then prepared the minimum filing requirements ("MFR's") set forth in the Commission rules to properly file the rate case. Since the Commission has insisted on the use of a projected test year, rather than a historic test year with pro forma adjustments for the purchased water from Pasco County, the MFR preparation period proposed required a minimum of 90 days. The Utility filed its rate case Application on August 10, 2001.

The Commission established August 10, 2001 as the official date of filing of the rate case. From that point, the Commission has, by statute, eight months to conduct the case. The Commission will utilize that entire period of time. After eight months, the Commission will issue an order granting some, or all, of the rate relief requested by the Company. Based on precedent, the Commission will fail to grant a portion of the requested rate increase, and certain issues will be identified as in dispute between the Commission and the Utility. Within 15 days of the issuance of the Commission order, the Utility or other parties may file a Motion for Reconsideration on the points in dispute. Other parties will have 12 days to respond. An additional 60 days is required for Commission consideration and ruling on the Motion. Thereafter, a 20 day period is required for issuance of a final order. The total time frame for the rate case is estimated to be at 16 months, with a range of between 13 and 19 months from test year approval. At that time, the Utility will be in a position to pay for water it purchases from Pasco County. If the PSC process can be accelerated, the Utility will be in a position to purchase water as soon as rates which will allow such purchases are granted and implemented.

On April 12, 2001, District General Counsel, William Bilenky appeared before the Public Service Commission to address the District's actions in this case in the context of
the requested rate increase by Aloha Utilities, Inc. Mr. Bilenky's comments indicated the District's willingness to work with the Utility over time to address the noncompliance with the WUP. The Utility appreciates the District's cooperative approach in this matter. However, the District's position contributes to relieving the Commission of any urgency in acting on the Utility's rate increase, a prerequisite to the purchase of water from Pasco County as an alternative to over pumping under its WUP. Therefore, to the extent the Compliance Plan focuses on the purchase of water from Pasco County, the schedule for compliance will be subject to the 13-19 month PSC approval process.

Public Service Commission procedures will not allow a Utility to establish interim rates to begin to collect all or a portion of the rate increase related to increased purchased water costs prior to completion of the rate case.

The Company will, subject to and at the time rate relief has been secured from the PSC, purchase water from Pasco County in quantities sufficient to make up the difference between the permit limits and the demand in its Seven Springs water system. The Company shall diligently pursue such rate relief. The Company will continue to purchase water, assuming compatibility between the Company's water quality and the County's water quality, until a suitable alternative water source, such as completion of the proposed R.O. water treatment plant, is available.

B. Alternative Water Sources

Over the past two years, the Utility's consulting engineers undertook a thorough search of existing WUPs in and around its existing water service area to ascertain whether any wells or water withdrawal permits remained unused. The Utility was unsuccessful in locating and/or negotiating for the transfer of an unused or underutilized water use permits. Further, assignment and transfer of ownership and location of WUPs is within the District's discretion. In discussions with the Utility representatives, District Staff have appeared unwilling to approve any such transfer of ownership or location, raising the question of whether any benefit may be expected from efforts to utilize a third party WUP.

In 1997, in conjunction with an engineering report required by the Public Service Commission with regard to construction of centralized water treatment facilities in the Seven Springs area, the Company's consulting engineers prepared a comprehensive report on the water demand in the service area. That report demonstrated that water demand will continue to increase with population in the service area. Such population growth, and resulting water demand, is not only outside the control of the Utility, it is the Utility's legal duty to provide potable water service to this expanding customer base. At the time of the Utility's WUP renewal in 1999, the District recognized that the failure to change previously permitted quantities would mean that such quantities would not meet all of the present or future demand within the service area. Neither the Utility nor the District can ignore the reality of population growth in this service area.

The Utility, through its consulting engineer, has undertaken a study of possible water

source alternatives. The Company has determined, on a preliminary basis, that it is feasible to construct a 2,500,000 gpd, average annual daily demand, reverse osmosis water treatment facility. Preliminary construction cost estimate for the system is approximately \$25,000,000. The steps necessary to undertake and complete such a project include conceptual engineering, hydro geologic data review, regulatory feasibility assessment, construction cost estimate, secure financing, engineering and hydrology studies, finalize implementation plan, detailed design, permitting, construction and startup. The time frame for these tasks is 60 months. The Company proposes to undertake a feasibility study according to the following timetable:

1. Within 60 days of approval of the Consent Order by the District's Governing Board, Aloha will hire a consultant specializing in RO projects to assist the Company, its engineers and hydrology consultants, in performing the Feasibility Study.

2. Within 120 days of the RO consultant's start date, Aloha will submit a Scope of Work to the District, outlining the Feasibility Study. The Scope of Work should, at a minimum, describe how Aloha will address the following:

I. The anticipated water quality of source aquifer zones for RO withdrawals;

ii. The proposed method of disposal of brine-water concentrate, and if injection is the intended method of disposal, describe the anticipated water quality of the disposal aquifer zones;

iii. The anticipated number of RO wells, proposed well locations, proposed well construction details (e.g., casing and total depths, and pumping capacity), and projected well construction costs;

iv. The anticipated schedule and details of proposed hydrogeological testing to determine the technical feasibility of the RO project (e.g., vertical water quality profiling, Aquifer Performance Testing, geophysical logging, and groundwater modeling of potential drawdown impacts), and estimated costs for hydrogeological testing;

v. The anticipated RO treatment costs; and

vi. The anticipated total costs for the RO facility.

3. Within 180 days of approval of the Scope of Work by the District's Governing Board, Aloha shall perform all necessary groundwater supply hydrogeological testing.

4. Within 180 days of completion of hydrogeologic testing, Aloha shall complete the Feasibility Study and submit the final results to the District.

5. Assuming the results identify the Project as feasible, within 60 days of completion of the Feasibility Study, Aloha will issue a Notice to Proceed to the Company's

consulting engineer to begin the design and permitting process. A copy of the Notice will be provided to the District.

6. Within 60 days of issuance of all required permits, Aloha will publish a Notice to Bid for construction of the Project.

Subject to financial feasibility and required regulatory approvals, the Company proposes to construct the reverse osmosis treatment plant. Financial feasibility shall include consideration of grant funding from the District earmarked for project feasibility and capital costs, and PSC rate relief for the cost of the feasibility study, design, permitting and capital cost of the project. The Company will also be seeking financial assistance from the District for this project. This is the type of project the District has funded for Tampa Bay Water and other water service providers to encourage use of alternative sources, especially in WUCA's. This alternative water source should prove sufficient to allow for continued withdrawal under the WUP within the permit limits. Amounts in excess of the permit may be required on an interim basis from time to time.

SECTION IV - ENVIRONMENTAL IMPACT STUDY BASED ON CURRENT PUMPING LEVELS

Over the course of the last two to three years, the Company has slowly increased its pumping levels over the limits set forth in the WUP as a result of the increased customer base within the service area and increased demand resulting from drought conditions. Given the relatively small and scattered well sites utilized by the Company, negative environmental impact as a result of pumping in excess of the WUP limits are not readily apparent. Nevertheless, District staff has indicated that no increase in the pumping limits under the WUP will be approved. This is due in part to the environmental impact of over pumping by Tampa Bay Water within the Northern Tampa Bay WUCA.

The Order calls for Tampa Bay Water to evaluate and update environmental and water resource impacts caused by pumping from the consolidated permit well fields. As certain of these well fields are located in close proximity to the Company's well fields, it may be reasonable to consider a study of the environmental impacts of the Utility's current pumping levels as a small part of this analysis. The Company would be interested in cooperating in such an evaluation. This may assist in determining whether recent pumping levels may be sustained without damage to the environment, which should be considered as a reasonable alternative to other water sources, including the purchase of water from Pasco County and Tampa Bay Water. Further discussions between the parties are necessary to determine the parameters and potential benefits of such a study.

SECTION V - SUMMARY AND COMPLIANCE SCHEDULE

The Compliance Plan and schedule for Aloha Utilities, Inc. may be summarized as follows:

PLAN COMPONENT

Customer Direct Mail and Education Efforts

Consumer Conservation Programs

Implementation of Conservation Rates

Wastewater Reuse System

Residential Reuse

Purchase Water from Pasco County

Alternative Water Sources

COMPLIANCE SCHEDULE

Current and ongoing

June 30, 2002

PSC approval expected in 13-19 months from test year approval

Current and Ongoing

Current and Ongoing

13-19 months from test year approval for PSC approval of rates to support purchased water

60 months

The Utility views the purchase of water from Pasco County to be one of several components of the Compliance Plan. The Utility does not view this as a single, long term solution to the water demand in the service area. In the short term, the purchased water has operational and cost problems, as well as, raising questions of the environmental impact of purchased water from Tampa Bay Water and Pasco County.

Subject to financial feasibility and regulatory approvals, the Company proposes to construct a 2.5 mgd reverse osmosis treatment plant. This alternative water source should provide a sufficient water source to allow for continued withdrawal under the WUP within the permit limits, without reliance on purchased water.

Aloha/93/Compliance Plan9R.doc

Appendix B Copies of SWFWMD Letters

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Opportunity Employer

Employer

Thomas G. Dabney, II Chair, Sarasota Watson L. Haynes, II Vice Chair, Pinellas Janet D. Koyach

Secretary, Hillsborough Maggie N. Dominguez

Treasurer, Hillsborough Edward W. Chance Manatee

Ronnie E. Duncan Pinellas

Pamela L. Fentress Highlands

Ronald C. Johnson Polk

Heidi B. McCree Hillsborough

T. G. "Jerry" Rice Pasco

Judith C. Whitehead Hernando

David L. Moore Executive Director Gene A. Heath Assistant Executive Director William S. Bilenky General Counsel



 Tampa Service Office

 7601 Highway 301 North

 Tampa, Florida 33637-6759

 (813) 985-7481 or

 1-800-836-0797 (FL only)

 SUNCOM 578-2070

January 28, 2004

Bartow Service Office 170 Century Boulevard Bartow, Florida 33830-7700 (863) 534-1448 or 1-800-492-7862 (FL only) SUNCOM 572-6200 2379 Broad Street, Brooksville, Florida 34604-6899 (352) 796-7211 or 1-800-423-1476 (FL only) SUNCOM 628-4150 TDD only 1-800-231-6103 (FL only)

On the Internet at: WaterMatters.org

Sarasota Service Office 6750 Fruitville Road Sarasota, Florida 34240-9711 (941) 377-3722 or 1-800-320-3503 (FL only) SUNCOM 531-6900 Lecanto Service Office 3600 West Sovereign Path Suite 226 Lecanto, Florida 34461-8070 (352) 527-8131 SUNCOM 667-3271

.

JAN 29 2004

Douglas S. Bramlett, Assistant County Administrator West Pasco Government Complex Public Works / Utilities Building, Suite 213 7530 Little Road New Port Richey, FL 34654

Subject:

Assessment of Groundwater Withdrawals Project Name: Aloha Utilities, Inc. Permit No.: 20003182.004

Permit No.: 20003 County: Pasco

Dear Mr. Bramlett:

Pursuant to your request, I have enclosed an assessment of the groundwater withdrawals by Aloha Utilities, Inc. (Aloha), over the last several years. As you will see, the groundwater quantities being withdrawn by Aloha substantially exceed the quantities authorized by Aloha's current Water Use Permit (WUP). Due to Aloha's location within the Northern Tampa Bay Water Use Caution Area, and within a recovery area pursuant to the minimum flows and levels and recovery plan established through Chapters 40D8 and 80, F.A.C., the District does not anticipate that Aloha will receive approval from the District for any additional withdrawal quantities. The District is currently pursuing litigation to require Aloha to reduce its withdrawals to within its permitted quantities. This could involve, among other things, seeking other sources of water supply, such as purchasing water from another utility.

I hope you find this information helpful. If I can provide any further information, or if you have any questions, please do not hesitate to contact me at the District's Brooksville headquarters, extension 4332.

Sincerely

John W. Parker, P.G. Water Use Regulation Manager Brooksville Regulation Department

JWP:dkh04-004 cc: File of Record Mark Lapp, Deputy General Counsel Steve Rushing, Sr. Attorney Margaret Lytle, Staff Attorney Vivian Bielski, P.G. Steven DeSmith, P.G.



Southwest Florida Water Management District

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Tempe Service Diffee 7801 Highway 301 North Tempe, Planda 336376759 (813) 985-7481 or 1-800-836-0797 (FL only) SUNCOM 578-2070

January 23, 2002

Bartow Service Office 170 Century Boulevard Bartow, Florida 33830-7700 (863) 534-1448 or 1.800-492-7862 (FL only) SUNCOM 572-6200 2379 Broad Street, Brooksville, Florida 34604-6899

(352) 796-7211 or 1-800-423-1476 (FL only)

SUNCOM 628-4150 TDD only 1-800-231-6103 (FL only)

On the Internet at: WaterMatters.org

Sarasats Service Office 6750 Fultwile Road Sarasata, Rodds 34240-9711 (941) 377-3722 or 1-800-320-5503 (FL only) SURCOM 531-6800 Lacanto Service Office 3600 West Sovereign Peth Sume 226 Lecanto, Rondus 34461-8070 (352) 527-8131 SUNCOM 687-3271

Nonnie E. Duacan Chair, Pinellas Thomas G. Dabrey, R Vice Chair, Sarasota Japot D. Kovach Secretary, Hillsborough Watson L. Haywes, R Treasurer, Pinelläs Edward W. Chasea Manaton Nonroe "Al" Coogler Citus Nacche M. Dominguos Nincole M. Dominguos Nincole M. Dominguos

Parnels L. Fertress Highlands Bennid C. Johnson Poik Heldi B. McCree Heltsborough John K. Renke, W

Pasco

E. D. "Sonny" Verginte Executive Director Game A. Heath Issistant Executive Director William S. Silenky General Counsel

Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0870

Subject: Docket No. 010503-WU

Dear Commissioners:

It is the position of the Southwest Florida Water Management District that Aloha Utilities, Inc., must comply with the terms of Water Use Permit (WUP) No. 203182.004, and withdraw no more than 2,040,000 gallons per day (gpd) on an annual average day with a peak month day withdrawal quantity of 2,470,000 gpd. Any demand for water by Aloha's customers which cannot be met within the terms of Aloha's WUP needs to be addressed by use of an alternative source of water. The only alternative source of water which is currently and immediately available to Aloha is the purchase of water from Pasco County.

In the course of this docket, an issue has been raised concerning whether there is a benefit to the public and the environment in requiring Aloha to purchase water from Pasco County at this time. The District contends that there are benefits from requiring Aloha to immediately begin purchasing water.

Aloha's permitted withdrawals are not adequate to meet the present demand, and the existing condition of cumulative impacts prevents an increase in the withdrawals. Aloha's service area and wells are located within the Northern Tampa Bay Water Use Caution Area (NTB-WUCA), an area which has been delineated by rule to address ground water withdrawals that have resulted in lowering of lake levels, destruction or deterioration of wetlands, reduction in streamflow, and salt water intrusion. Aloha's withdrawals are also within what is informally referred to as the Northern Tampa Bay-Wellfield Impact Area (NTB-WIA), which is an area in which the most severe impacts have been identified that are caused by the cumulative effects of withdrawals in the Northern Tampa Bay region.

Protecting Your Water Resources Florida Public Service Commission January 23, 2002 Page 3

Pasco County is a member government of Tampa Bay Water, a regional water authority. Tampa Bay Water provides water to its members from many sources. Water which is presently distributed by Pasco County in the western portion of the County originates entirely from wells that are located in western Pasco County, including a system of widely dispersed wells operated by Pasco County and wells at two wellfields operated by Tampa Bay Water. Some of these wells are within the NTB-WIA, and some are outside of the NTB-WIA. The Water Use Permits which address these wells presently authorize total withdrawal quantities that are sufficient to meet the needs of the County and the additional demand of Aloha. The facilities allow some flexibility to rotate the production areas in western Pasco County to avoid and minimize environmental impacts by pumping from the wells that are located beyond the NTB-WIA.

The two wellfields in western Pasco County that are operated by Tampa Bay Water are two of the eleven Tampa Bay Water wellfields that are subject to an agreement to reduce the total withdrawals by 2003, and again by 2008, for the purpose of reducing environmental impacts. The extent to which production at the two wellfields in western Pasco County will be affected by the reductions is not yet known, but there are reasons to expect that the greatest proportion of reductions will occur at other wellfields where the greatest environmental impacts have been observed. Also, feasibility studies are underway for supplemental recharge projects at one of the wellfields serving western Pasco County, and these projects present the potential to reduce the impacts of withdrawals at the facility.

Tampa Bay water is obligated to meet the present and future water supply demands of its member governments, from water sources which are sustainable with acceptable environmental impacts. These obligations necessitate a series of new water supply sources and additional interconnections of existing facilities, in order to meet increasing demands while also reducing withdrawals at stressed wellfields. Thus far, the new source development progress has been dominantly toward sources other than ground water, such as desalination of seawater, and off-line storage reservoirs for capturing high stream flows. The two Tampa Bay Water wellfields in western Pasco County are not presently interconnected to the other regional facilities, although the potential future need for interconnection has been studied repeatedly. Interconnection is possible and perhaps inevitable in the future, if the water supply sources in western Pasco County become insufficient for the demands in western Pasco County. The regional water supply authority offers the greatest potential to meet the increasing demands for water from multiple regional sources which can be managed with acceptable environmental impacts. Therefore, there is an environmental benefit to requiring Aloha to purchase water from Pasco County instead of continuing to overpump its WUP. This benefit will continue to increase as Tampa Bay Water adds new alternative sources and system interconnections.

Florida Public Service Commission January 23, 2002 Page 4

An increased influx of water to Aloha from Pasco County, or from any other external source, may eventually or immediately result in water compatibility and treatment compatibility issues. Another source of water is necessary, so these issues must be addressed inevitably, and it is the District's preference to do so as soon as possible.

Additionally, there is no question that Aloha is violating its WUP. Allowing Aloha to continue to overpump its permit would be to allow continuing illegal activity. Tampa Bay Water and Pasco County are currently in compliance with their WUPs, and have the ability to address Aloha's needs within the scope of their WUPs. The District believes there is a public benefit in requiring compliance with the law.

For the reasons stated herein, the District would not authorize any further delay in requiring Aloha to begin purchasing water from Pasco County.

Sincerely,

John W. Parker, P.G. Water Use Manager

Appendix C Copy of Portions of Tampa Bay Water Agreement

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY, LLP

2548 Blairstone Pines Drive Tallahassee, Florida 32301

FREDERICK L. ASCHAUER, JR. CHRIS H. BENTLEY, P.A. ROBERT C. BRANNAN DAVID F. CHESTER F. MARSHALL DETERDING JOHN R. JENKINS, P.A. STEVEN T. MINDLIN, P.A. DAREN L. SHIPPY WILLIAM E. SUNDSTROM, P.A. DIANE D. TREMOR, P.A. JOHN L. WHARTON ROBERT M. C. ROSE, OF COUNSEL WAYNE L. SCHIEFELBEIN, OF COUNSEL (850) 877-6555 Fax (850) 656-4029 www.rsbattorneys.com

July 15, 2005

Central Florida Office 600 S. North Lake Blvd., Suite 160 Altamonte Springs, Florida 32701 (407) 830-6331 Fax (407) 830-8522

Martin S. Friedman, P.A. Valerie L. Lord

David W. Porter, P.E., C.O. 3197 Ryans Court Green Cove Springs, FL 32043

Re: Aloha Utilities, Inc.; Obtaining Bulk Water Supply Our File No. 26038.01

Dear David:

As we have discussed on numerous occasions in the past we have reached the conclusion, based upon several different facts and documents, that Pasco County is the only alternative available to Aloha among the member governments of the Tampa Bay Water Authority who can legally provide us with bulk water service. Below is a listing of the bases, each of which underlies that conclusion:

- 1. Excerpts from the Tampa Bay Water (formerly West Coast Regional Water Supply Authority) Master Water Supply Contract entered into between the member governments of Tampa Bay Water which specifically provides that only Pasco County can provide service within its water service territory, which is designated by the language and the maps as being all of Pasco County outside of New Port Richey.
- 2. Several of the responses we received to inquiries about the availability of bulk water from the members of the Tampa Bay Water Authority have specifically stated in their letters their belief that Pasco County maintains a veto and a right to provide service to all of those within Pasco County, including Aloha Utilities, Inc.
- 3. During meetings with Pasco County representatives including Mr. Bramblett, the then Utility's Director and Mr. Gallagher, the County Administrator, our inquiry as to whether Pasco County would oppose Aloha obtaining water from some other entity has been met with a clear and unequivocal response from these County representatives that they would oppose anyone providing us with bulk water other than Pasco County.

Additionally, we have also investigated the possibility of obtaining water directly from Tampa Bay Water. Attached hereto is an excerpt from the amended and restated Interlocal Agreement between the members of the Tampa Bay Water Authority stating that the Authority will not sell water to any customer of a member government. Aloha is considered to be a customer of a member government, specifically Pasco County.

If you have any further questions in this regard, please let me know.

Sincerely ROSE, SUNDSTROM & BENTLEY, LLP F. Marshall Deterding For The Firm

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MASTER WATER SUPPLY CONTRACT

among

WEST COAST REGIONAL WATER SUPPLY AUTHORITY,

and

HILLSBOROUGH COUNTY, FLORIDA

and

CITY OF NEW PORT RICHEY, FLORIDA

and

PASCO COUNTY, FLORIDA

and

PINELLAS COUNTY, FLORIDA

and

CITY OF ST. PETERSBURG, FLORIDA

and

CITY OF TAMPA, FLORIDA

Dated as of May 1, 1998

DR BK **3967** PG 565 134 of 1055

Government, with written consent where appropriate as described above. No amendment or supplement to the Exhibits hereto shall require the reexecution of this Contract.

SECTION 3. DEFINITIONS. Unless otherwise specifically set forth elsewhere in this Contract, the following words and phrases used in this Contract shall have the following meanings:

(A) **"Annual Estimate"** shall mean the estimate of the Authority Costs for a Fiscal Year, including the estimated amount thereof to be payable by each Member Government, and submitted to each Member Government on an annual basis, as required by Section 13 hereof. The Annual Estimate shall be based upon the Authority's proposed annual budget and estimated rate and shall consider the Annual Reports in determining the estimated amounts to be payable by the Member Governments.

(B) "Annual Report" or "Annual Reports" shall mean the report setting forth the next five (5) Fiscal Years of anticipated Water Service within the Water Service Areas for each of the Member Governments to be prepared by each such Member Government and submitted to the Authority as required by Section 12 hereof. The Annual Report may be amended by the Member Governments from time to time. The Annual Report shall be substantially in the form provided in Exhibit K hereto.

(C) "Authority" shall mean the West Coast Regional Water Supply Authority, an interlocal governmental agency created on October 25, 1974, and existing pursuant to Sections 373.1962 and 163.01, Florida Statutes, and pursuant to an interlocal agreement, among Hillsborough, Pasco, Pinellas, St. Petersburg and Tampa dated October 25, 1974, as amended, supplemented and reorganized pursuant to the Interlocal Agreement.

(EE) "Pasco Water Service Area" shall mean the geographic boundaries within which Pasco is permitted and authorized to provide Water Service.

(FF) **"Pinellas"** shall mean Pinellas County, Florida, a political subdivision of the State of Florida, acting by and through its Board of County Commissioners.

(GG) "Pinellas Water Service Area" shall mean the geographic boundaries within which Pinellas is permitted and authorized to provide Water Service.

(HH) **"Points of Connection"** shall mean those points where the Member Governments' water utility systems connect to the Authority's System for the purpose of delivering Quality Water from the Authority's System to the Member Governments, which Points of Connection are more particularly described on Exhibit C to this Contract.

(II) **"Primary Environmental Permit"** shall have the meaning provided therefor in the Interlocal Agreement.

(JJ) "Quality Water" shall mean Water which (1) meets State and federal drinking water regulations and standards as defined in Rule 62-550, Florida Administrative Code, as it may be amended or superseded from time to time, including regulations pertaining to surface water or groundwater under the direct influence of surface waters, but excluding regulations pertaining to disinfection and corrosivity, and (2) would not cause a particular Member Government utility to adopt new treatment techniques beyond modified chemical dosages and/or optimization of existing unit processes to meet a moderately altered source of Water. Except as otherwise provided herein, the provisions of this definition are not intended as permission for a Member Government to reject the type of Quality Water to be provided by the Authority to such Member Government;

in Exhibit C attached hereto and provision of Water by the Member Governments to their customers.

(XX) "Water Service Areas" shall mean, collectively, the Hillsborough Water Service Area, the New Port Richey Water Service Area, the Pasco Water Service Area, the Pinellas Water Service Area, the St. Petersburg Water Service Area and the Tampa Water Service Area. The Water Service Areas are described in Exhibit E attached hereto, as the same may be amended or supplemented from time to time pursuant to the terms hereof.

(YY) "Water Supply Facilities" shall mean Water production, treatment and transmission facilities. The term "Water Supply Facilities" does not include facilities for local distribution.

SECTION 4. TERM. The term of this Contract shall begin on the Effective Date and shall end on the later of (A) the date the Interlocal Agreement is terminated in accordance with the provisions thereof, or (B) the date on which no Obligations shall remain outstanding pursuant to the Financing Documents.

SECTION 5. CONDITIONS PRECEDENT. This Contract shall become effective upon satisfaction of the following conditions precedent:

(A) <u>Execution of Contract</u>. This Contract shall be duly authorized, executed and delivered by the Authority, Hillsborough, New Port Richey, Pasco, Pinellas, St. Petersburg and Tampa.

(B) <u>Series 1998 Bonds</u>. The Authority shall have issued the Series 1998 Bonds.

PINELLAS COUNTY FLA OR BK 3967 PG 577 OFF.REC.BK 10155 PG 3-146 of 1055

enforceability of this Contract may be limited by any applicable bankruptcy, moratorium, reorganization or other similar laws affecting creditor's rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

(D) <u>Pending Litigation</u>. Other than matters previously disclosed in writing to the parties hereto, there is no action, suit or proceeding, at law or in equity, before or by any court or governmental authority, pending against the Authority or any of the Member Governments, wherein any unfavorable decision, ruling or finding would materially and adversely affect the performance by the Authority or any of the Member Governments of their obligations hereunder or the other transactions contemplated hereby, or which, in any way, would adversely affect the validity or enforceability of this Contract, or any other agreement or instrument entered into by the Authority in connection with the transactions contemplated hereby.

SECTION 8. AUTHORITY'S AGREEMENT TO PROVIDE WATER SERVICE. (A) Provision of Water Service. The Authority shall sell and deliver sufficient Quality Water to the Member Governments to meet their need for Quality Water and the Member Governments shall purchase and receive the Quality Water delivered by the Authority to meet their needs in accordance with the terms of this Contract; subject, however, to the representations, conditions, limitations and restrictions set forth in this Contract and the Interlocal Agreement. Except as provided in the Interlocal Agreement, Water Service obtained by the Member Governments from the Authority may be utilized to serve only the Member Governments or their customers within their respective Water Service Areas: Nothing herein shall be construed to prohibit the Member Governments

from temporarily exchanging or purchasing Water, either among themselves or with other public or private utilities, for emergency or maintenance purposes in the ordinary course of business.

Insufficient Water. The Authority shall be in default hereunder should it fail (B) to provide to each Member Government a supply of Quality Water sufficient to meet its needs, except where the Authority's failure to supply the Quality Water needs of each Member Government is due to force majeure, as described in Section 21(E) hereof. In the event that there is, at any time, an insufficient supply of Quality Water available to fulfill the needs of the Member Governments due to force majeure described in Section 21(E) hereof, the Authority shall not be in default hereunder, if, in such circumstances, it shall furnish and deliver to the Member Governments, their pro rata share (or a share that as closely approximates their pro rata share as is reasonably practicable in the circumstances) of available supply, unless otherwise required by law, court order, or appropriate regulatory authorities. Each Member Government's pro rata share shall be based on the average of the actual amount of Quality Water supplied each month by the Authority to such Member Government over the previous twelve (12) month period. The Authority shall use its best efforts to prevent an insufficiency of Quality Water and to remedy any such insufficiency and shall take all necessary actions to supply the Quality Water needs of each Member Government in accordance with the terms of the Interlocal Agreement.

(C) <u>Water Use Restrictions</u>. In the event of an insufficiency in the supply of Quality Water described in the preceding paragraph, the Authority may request the

OR BOOK 09143 PAGE 0210 EXHIBITE

PINELLAS COUNTY FLA. OFF.REC.BK 10155 PG 406



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AMENDED AND RESTATED INTERLOCAL AGREEMENT

reorganizing the

WEST COAST REGIONAL WATER SUPPLY AUTHORITY

conditions and covenants, unless expressly terminated, superseded or modified as specified in this Agreement and the Master Water Supply Contract. Any proceedings heretofore begun by the Authority for the receipt of Environmental Permits, construction of any improvements, works or facilities; for the assessment of benefits and damages or for the borrowing of money shall not be impaired or voided by the reorganization of the Authority and may be continued and completed in the name of the Authority.

SECTION 2.02. POWERS AND DUTIES OF THE AUTHORITY.

(A) The Authority shall have the following powers in addition to and supplementing any other privileges, benefits and powers granted by Sections 373 1962 and 163 01. Florida Statutes

(1) To acquire Water and Water rights; develop, store, and transportWater; and sell Water in the manner provided herein.

(2) To sue and be sued in its own name.

(3) To acquire, by purchase, gift, devise or otherwise, and to dispose of, real or personal property, or any estate therein.

(4) To lease, as lessor or lessee, to or from any person, firm, corporation, association or body, public or private, facilities or property of any nature for the use of the Authority to carry out any of the purposes authorized by this Agreement.

(5) To make and execute contracts or other instruments necessary or convenient to the exercise of its powers.

(6) To contract with one or more other public corporations for the purpose of carrying out any of its powers and for that purpose to contract with such other

public corporation or corporations for the purpose of financing such acquisitions, construction, and operations. Such contracts may provide for contributions to be made by each party thereto, for the division and apportionment of the expenses of such acquisitions and operations, and for the division and apportionment of the benefits, services, and products therefrom. Such contracts may contain such other and further covenants and agreements as may be necessary and convenient to accomplish the purposes hereof.

(7) To contract for the service of engineers, accountants, attorneys, rate consultants and other experts or consultants, and such other agents and employees as the Board may require or deem appropriate.

(8) To contract with private or public entities or persons to develop, purchase or sell Water, subject to the preferential right of each Member Government to purchase Quality Water from the Authority for use by such Member Government, provided however, that the Authority shall not sell. Water to any customer of a Member Government.

(9) To contract with a Member Government or any private or public entity or person for the operation or management of Water Supply Facilities.

(10) To accomplish construction directly or by advertising for construction bids and letting contracts for all or any part of the construction of improvements to the Water Supply Facilities to the lowest responsible and responsive bidder or rejecting any and all bids at its discretion; provided however, that the competitive bid requirement may be waived if (a) the Board determines that emergency there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof, except as specifically set forth herein.

SECTION 6:13. AMENDMENTS AND WAIVERS.: No amendment, supplement, modification or waiver of this Agreement, including but not limited to the admission of additional Member Governments or the withdrawal of any Member Government, shall be binding unless executed in writing by all parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, unless otherwise expressly provided. Each such amendment, supplement, modification or waiver of this Agreement shall be filed with the Clerk of the Circuit Court in Hillsborough County, Pasco County and Pinellas County.

SECTION 6.14. BINDING EFFECT. This Agreement shall be binding upon the parties, their respective successors and assigns and shall inure to the benefit of the parties, their respective successors and assigns.

SECTION 6.15. SEVERABILITY. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof; provided however, that if any material provision of this Agreement (including but not limited to the governance structure, Member Governments' voting rights, or any other material change in the relative rights and responsibilities of the Authority and the Member Governments, but excluding initial enactment of the legislation attached hereto as Appendix M) is substantively modified by the Florida Legislature or any other person or entity that is not a party hereto, this Agreement may be terminated pursuant to Section 6.04 hereof.

Appendix D Copies of Correspondence with Tampa Bay Water

Board of Directors Robert Stewart, Frank Parker, Rick Baker, Kathy Castor, Ann Hildebrand, Pam Iorio, Susan Latvala, Ted Schrader, Ronda Storms

General Manager Jerry L. Maxwell General Counsel Donald D. Conn

2535 Landmark Drive, Suite 211, Clearwater, FL 33761-3930 Phone: 727.796.2355 / Fax: 727.791.2388 / SunCom: 513.7010 www.tampabaywater.org





October 23, 2003

Stephen G. Watford President Aloha Utilities, Inc. 6915 Perrine Ranch road New Port Richey, FL 34655

Dear Mr. Watford:

Tampa Bay Water is a regional wholesale water supply authority exclusively serving the potable supply needs of its members: New Port Richey, Pasco County, Pinellas County, St. Petersburg, Hillsborough County, and Tampa.

The Authority is precluded from distributing water to other than its members.

Sincerely, L. Maxwell

General Manager

JLM:md

CERT RTRN RCPT #7002 2030 0007 0209 8789

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115 Fax (727) 372-2677

October 21, 2003

Tampa Bay Water Authority Board of Directors 2535 Landmark Drive, Suite 211 Clearwater, FL 33761

Re: Bulk Water Supply Interest

Dear Board of Directors:

On August 27, 2003, the attached letter was mailed to you inquiring into the possibility of the provision of bulk water service to our utility. As stated in our original letter, it is imperative we receive a written response. If you should have any questions that would assist in your response, please feel free to contact me.

Thank you for your prompt assistance to this matter.

Sincerely,

ALOHA LIFILITIES, INC. Stephen G. Watford President

Attachment

Cc: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115 Fax (727) 372-2677

August 27, 2003

Tampa Bay Water Authority Board of Directors 2535 Landmark Drive, Suite 211 Clearwater, FL 33761

Re: Bulk Water Supply Interest

Dear Board of Directors:

Aloha Utilities, Inc. (Aloha) is an investor-owned water and wastewater utility located in Pasco County. Aloha would like to discuss with you the possibility of purchasing bulk water supplies to resell to its customers.

Aloha's present estimated need for bulk water supply is 1.5 MGD based on annual average daily demand (AADD) and approximately 3.0 MGD based on peak daily demand (PDD). In the future, Aloha anticipates a potential estimated bulk water supply need of 3.0 MGD (AADD) and approximately 6.0 MGD (PDD). The future need is anticipated to develop over the next five to ten years (and will depend on the population growth rate that actually occurs in the Seven Springs Water System service area. Attached is a map showing the location of Aloha's Seven Springs Water Service Area.

Aloha has asked its engineers to determine the feasibility of developing an interconnect with one of the governmental water suppliers that have water supply facilities located near or adjacent to its service area. Your water system has been identified as one such potential supplier of bulk water service. As part of Aloha's feasibility analysis we must determine if your utility is willing and able to provide bulk water service to Aloha, and if willing and able, what the cost of providing this bulk water service would be and the terms of any agreement for such system interconnection.

Therefore, we ask that you please provide us with answers to the following questions:

12. Is your utility interested in providing Aloha with bulk water service?

Bulk Water Supply Interest-TampaBay August 27, 2003 Page 2

- 13. If the answer to (1) is no, then please indicate this in your response letter along with a detailed explanation for why that is the case.
- 14. <u>Current Needs Capacity</u> Does your water system currently have the capacity to provide Aloha with bulk water service at the rate of 1.5 MGD (AADD) and 3.0 MGD (PDD)? If yes, what is the name of the water system that would provide water to Aloha? Where would you prefer that physical interconnect between our systems take place if you were to supply bulk water service to Aloha? Who would be responsible for the interconnection facilities' construction costs and maintenance?
- 15. <u>Future Needs Capacity</u> Does your water system currently have, or will it have over the next five years, the capacity to provide Aloha with bulk water service increasing over the next five years from the current water supply needs stated in (3) above to the anticipated water supply needs of 3.0 MGD (AADD) and 6.0 MGD (PDD)? If yes, would this service be provided by the same water system interconnect location provided in your answer to (3) above? If additional interconnect locations would be required to meet the higher future water supply needs please provide these additional proposed locations and terms.
- 16. <u>Bulk Water Rates</u> What is your bulk water purchase rate at this time? Is this rate scheduled to increase over the next 5 years? If so, please provide a schedule of anticipated bulk water purchase rate increases for the next 5 years. Do you have a bulk water rate that is lower if the customer provides for his own water storage facilities so as to lower the peak demand of the water supplied by your utility? If so please provide these rates as well.
- 17. <u>Connection and/or Reservation Fees</u> Does your utility charge up-front connection and/or capacity charges to new bulk water customers? If so, please provide a current schedule of these fees. Also, if these fees are scheduled to increase, or if you do not have scheduled increases planned, please provide an estimate of any anticipated increases (if any) that may take place over the next five years.
- 18. <u>Other Charges</u> If your utility does not charge up-front connection and/or capacity charges to new bulk water customers, do you charge a capacity charge (or some other named charge) in lieu of up-front connection charges and/or capacity charges? If so, what is the amount of this charge and how is this charge calculated and applied to the bulk customer or water rate? If part of the gallonage water rates, how long is this charge applied once bulk water service is begun. Is the charge applied over a limited number of years or throughout the life of the bulk water service agreement?
- 19. <u>Standard Agreement and Terms</u> Do you have a standard bulk water purchase agreement? If so, please provide a copy of your standard agreement for our review. If not, please provide us with the terms and conditions under which you would agree to supply bulk water service to Aloha.
- 20. <u>Interconnect Locations and Maps</u> For any proposed interconnect locations, please provide a map showing the location of the point, the line size and configuration at that point and the minimum, average and maximum pressure and supply capacity of the

Bulk Water Supply Interest-TampaBay August 27, 2003 Page 3

water line which will be used to provide the interconnection with Aloha's water system.

- 21. <u>Corrosion Control Program Details</u> Please provide us with the details of your FDEP approved Corrosion Control Program which you utilize to comply with the Lead and Copper Rule. Specifically, what process do you utilize? What chemicals (and at what concentrations) are added to the water as part of this process?
- 22. <u>Water Quality Information</u> Please provide us with a copy of your most recent FAC 62-500 testing reports for the water supplied to your customers by your utility. What disinfectant (and at what concentration) do you apply to your finished water? Also, if your proposed point of connection will be served by one specific treated water supply facility, please indicate which facility this will be and indicate which testing reports submitted are representative of the water that will be supplied as bulk water to Aloha.

We are tasked with completing this feasibility analysis in a very short time, therefore, we would appreciate your kind consideration of our request for information at your earliest opportunity. Our staff and consulting engineers are available to meet with you in the very near future to discuss these issues or to answer any questions you may have.

Thank you for your assistance. Please call me if you need any additional information or would like to set up an immediate meeting to discuss our request.

Sincerely,

ALOHA UTILITIES, INC. Stephen G. Watford

Stephen G. Watfor President

Enclosure

CC: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound



Appendix E Copies of Correspondence with Pasco County

I

RECEIVED

NOV 02 2004



PASCO COUNTY, FLORIDA

14236 6TH Street, Suite 201 Dade City, FL 33523

October 27, 2004

Mr. Stephen Watford Aloha Utilities, Inc. 6915 Perrine Ranch Road New Port Richey, FL 34655

RE: **Bulk Water Agreement**

Dear Mr. Watford:

At the Pasco County Board of County Commissioners meeting of October 26, 2004, the above mentioned agenda item was approved. Attached is an original agreement for your file.

If you have any questions, please contact the Board Records/Secretarial Services Department at 14236 6th Street, Suite 201, Dade City, Florida 33523 or call (352) 521-4274 extension 4550.

Sincerely,

JED PITTMAN Clerk to the Board

Hicks By: **Deputy Clerk**

JP/ehh

Enclosure

C66

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655

(727) 372-0115 Fax (727) 372-2677

www.aloha-water.com

February 25, 2004

Douglas S. Bramlett Assistant County Administrator Pasco County Utility Services Branch Public Works/Utilities Building, Suite 213 7530 Little Road New Port Richey, FL 34654

Re: Aloha Utilities - Additional Bulk Water Request

VIA FACSIMILE AND REGULAR MAIL

Dear Mr. Bramlett:

We are in receipt of your letter dated February 20, 2004, regarding our request to purchase additional bulk water from Pasco County Utilities. In response, we are still interested in pursuing this project. Please advise us of the earliest time that you and your staff would be available for a meeting regarding the various issues raised in our letter. As you know, this matter is rather urgent and we would appreciate a response as soon as possible.

Thank you for your assistance to date.

Sincerely,

ALOHA UTILITIES INC Watford Stephen & President

SW/mln

C: Marshall Deterding David Porter



PASCO COUNTY, FLORIDA

DADE CITY LAND O' LAKES NEW PORT RICHEY FAX (352) 521-4274 (813) 996-7341 (727) 847-8145 (727) 847-8083 UTILITIES SERVICES BRANCH PUB. WKS./UTILITIES BLDG., S-213 7530 LITTLE ROAD NEW PORT RICHEY, FL 34654-5598

FEB 2 6 2004

February 20, 2004

REVISED 2/24/04 ENCLOSURE ATTACHED

Mr. Stephen G. Watford President Aloha Utilities, Inc. 6915 Perrine Ranch Road New Port Richey, FL 34655

RE: Additional Bulk Potable Water Request

Dear Mr. Watford:

As follow-up to my January 8, 2004 letter concerning the referenced request, we have received correspondence from the Southwest Florida Water Management District that states "the District does not anticipate that Aloha will receive approval from the District for any additional withdrawal quantities." I have enclosed a copy of their letter dated January 28, 2004, which addresses their position in this matter.

We have also received information and data from King Engineering Associates, Inc., our water system consultant, regarding a hydraulic modeling analysis of our systems ability to supply additional bulk potable water at the two points of connection previously identified. The report, which is preliminary in nature, indicates that under certain operating conditions, Pasco County will experience significant pressure reductions across our Southwest service area if the quantities requested are provided. The pressure reductions appear to be primarily attributable to the hydraulic limitations of Tampa Bay Water (TBW) pumping stations at the West Pasco (Odessa) and/or U.S. 41 delivery points.

Another significant issue yet to be resolved is that Pasco County has not included, identified or forecast any additional bulk potable water demand as part of our required annual or five-year project reports to TBW. Since TBW would be required to supply the additional bulk water, this may be a problem even if our system pressure issues could be resolved.

We have estimated the cost of upgrading TBW's West Pasco (Odessa) and U.S. 41 pumping stations and delivery point piping requirements to be \$400,000.00 per location. This is a very rough estimate at this time; therefore, the cost may increase, as TBW will be solely responsible for completing these improvements. If an agreement can be negotiated for additional bulk potable water supply, we would require this cost, subject to TBW's requirements, to be paid for directly by Aloha Utilities.

Mr. Stephen G. Watford February 20, 2004 Page – 2 –

Another issue that would need to be resolved is the payment of impact fees. We would require the up-front payment of our potable water impact fees based upon an Equivalent Residential Unit (ERU) basis since we cannot require our existing customers to finance your immediate impact on our system. If we assume that Pasco County can provide 1.5 mgd based on an annual average day demand, this would equal 4,285 ERU's. Since our existing charge is \$556.00 per single-family ERU, this would require an up front payment of \$2,382,460.00

As detailed above, there are difficult and significant issues that need to be resolved prior to a final commitment of additional bulk potable service from Pasco County.

We are willing to discuss these issues with you if you remain interested in pursuing this project.

Sincerely,

Douglas S. Bramlett () Assistant County Administrator (Utilities Services)

DSB/mvv/mydocs/dsbltrs/watford(2)

Enclosure

 Marion Hale, Johnson, Blakely, Pope, Bokor, Ruppel & Burns, P.A., 911 Chestnut Street, Clearwater, FL 34617-1368
 John J. Gallagher, County Administrator
 Joseph D. Richards, Assistant County Attorney III
 Bruce E. Kennedy, P.E., Utilities Director



An Equal Opportunity Employer

Thomas G. Dabney, II Chair, Sarasota Watson L. Haynes, II Vice Chair, Pinellas

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Pasco

Judith C. Whitehead Hernando

David L. Moore Executive Director Gene A. Heath Assistant Executive Director William S. Bilenky General Counsel



 Tampa Service Office

 7601 Highway 301 North

 Tampa, Florida 33637-6759

 (813) 985-7481 or

 1-800-836-0797 (FL only)

 SUNCOM 578-2070

January 28, 2004

Bartow Service Office 170 Century Boulevard Bartow, Florida 33830-7700 (863) 534-1448 or 1-800-492-7862 (FL only) SUNCOM 572-6200

2379 Broad Street, Brooksville, Florida 34604-6899 (352) 796-7211 or 1-800-423-1476 (FL only) SUNCOM 628-4150 TDD only 1-800-231-6103 (FL only)

On the Internet at: WaterMatters.org

Sarasota Service Office 6750 Fruitville Road Sarasota, Florida 34240-9711 (941) 377-3722 or 1-800-320-3503 (FL only) SUNCOM 531-6900 Lecanto Service Office 3600 West Sovereign Path Suite 226 Lecanto, Florida 34461-8070 (352) 527-8131 SUNCOM 667-3271

- ----a.

JAN 2 9 2504

Douglas S. Bramlett, Assistant County Administrator West Pasco Government Complex Public Works / Utilities Building, Suite 213 7530 Little Road New Port Richey, FL 34654

Subject:

Assessment of Groundwater Withdrawals

Project Name:Aloha Utilities, Inc.Permit No.:20003182.004County:Pasco

Dear Mr. Bramlett:

Pursuant to your request, I have enclosed an assessment of the groundwater withdrawals by Aloha Utilities, Inc. (Aloha), over the last several years. As you will see, the groundwater quantities being withdrawn by Aloha substantially exceed the quantities authorized by Aloha's current Water Use Permit (WUP). Due to Aloha's location within the Northern Tampa Bay Water Use Caution Area, and within a recovery area pursuant to the minimum flows and levels and recovery plan established through Chapters 40D8 and 80, F.A.C., the District does not anticipate that Aloha will receive approval from the District for any additional withdrawal quantities. The District is currently pursuing litigation to require Aloha to reduce its withdrawals to within its permitted quantities. This could involve, among other things, seeking other sources of water supply, such as purchasing water from another utility.

I hope you find this information helpful. If I can provide any further information, or if you have any questions, please do not hesitate to contact me at the District's Brooksville headquarters, extension 4332.

Sincerely

John W. Parker, P.G. Water Use Regulation Manager Brooksville Regulation Department

JWP:dkh04-004 cc: File of Record Mark Lapp, Deputy General Counsel Steve Rushing, Sr. Attorney Margaret Lytle, Staff Attorney Vivian Bielski, P.G. Steven DeSmith, P.G.

Protecting Your Water Resources



PASCO COUNTY, FLORIDA

DADE CITY LAND O' LAKES NEW PORT RICHEY FAX

(352) 521-4274 (813) 996-7341 (727) 847-8145 (727) 847-8083 UTILITIES SERVICES BRANCH PUB. WKS./UTILITIES BLDG., S-213 7530 LITTLE ROAD NEW PORT RICHEY, FL 34654-5598

JAN 1 3 2004

RETURN RECEIPT REQUESTED CERTIFIED MAIL #7000 1530 0001 7710 6842

January 8, 2004

Mr. Stephen G. Watford President Aloha Utilities, Inc. 6915 Perrine Ranch Road New Port Richey, FL 34655

RE: Your Letter Dated December 24, 2003 Additional Bulk Water Request

Dear Mr. Watford:

In response to your latest letter concerning additional bulk potable water services from Pasco County, I have requested an updated "Situation Report" from the Southwest Florida Water Management District relative to your existing water use permit capacity and written verification that new ground water withdrawals will not be permitted.

I am also waiting on a modeling analysis and report from our consultant engineers to determine if Pasco County can provide your requested average day and peak day quantities from the two connection points requested.

Depending upon receipt of these documents and satisfactory results of each, we can then proceed to develop a new bulk potable water supply agreement.

Sincerely.

Douglas S. Bramlett Assistant County Administrator (Utilities Services)

DSB/mvv/mydocs/dsbltrs/watford(3)

John J. Gallagher, County Administrator CC: Bruce E. Kennedy, P.E., Utilities Director
er . . 1 Aloha Utilities, Inc.

December 17, 2003

Mr. Douglas S. Bramlett Assistant County Administrator Utilities Service Branch Pasco County Government Complex 7536 State Street New Port Richey, FL 34654

Re: Aloha Utilities, Inc. -Outstanding Request for Bulk Water Service

VIA CERTIFIED RETURN RECEIPT: 7003 1010 0002 7832 2750

Dear Mr. Bramlett:

In response to your telephone call yesterday, enclosed you will find a copy of our water use permit issued by Southwest Florida Water Management District on April, 27, 1999.

Once again, we request that you respond to our August 27, 2003 letter requesting conditions of additional bulk service from Pasco County Utilities. As was stated in our last letter of December 12, 2003, we request that you respond in writing by the date indicated in that letter.

Thank you for your assistance in this matter and if there is anything further that I can do to assist you, please don't hesitate to contact me.

Sincerely,

ALOHA UTILITIES, INC. Stephen &. Watford President

Enclosure

SGW/mln

Aloha Utilities, Inc.

December 12, 2003

Mr. Douglas S. Bramlett Assistant County Administrator Utilities Service Branch Pasco County Government Complex 7536 State Street New Port Richey, FL 34654

VIA CERTIFIED RETURN RECEIPT: 7003 1010 0002 7832 2736

Re: Aloha Utilities, Inc. -Outstanding Request for Bulk Water Service

Dear Mr. Bramlett:

As you are aware, Aloha Utilities, Inc.'s request to increase bulk water capacity from Pasco County was initially made to the County in writing on August 27, 2003. Since that time, we have engaged in follow up correspondence as well as meetings and various discussions. We have been a bulk customer of Pasco County Utilities for over 20 years and are at a loss as to why there seems to be such difficulty in responding to our request. To date, our request remains unanswered.

Most recently, you requested information as to any applications, which Aloha has made to the Southwest Florida Water Management District for increases in its water capacity. On April 27, 1999, the District issued WUP No. 20003182.004 to Aloha renewing the WUP the District has issued to Aloha in 1992. The renewed permit only authorized Aloha to make annual average withdrawals of 2,040,000 gpd, which represented no increase in the capacity of the 1992 WUP, and indicated on its face that "the quantities are unchanged from the previously permitted quantities" and that "the quantities do not meet all of the present demand or the future demand within the service area".

Page 2 Mr. Douglas Bramlett December 12, 2003

Since that time, the District has indicated to Aloha, both informally and formally (including on the record in the most recent Florida Public Service Commission rate case) that no increase in these previously permitted quantities would be forthcoming should Aloha apply for such an increase.

I hope that this information helps the County to reach an expeditious resolution of Aloha's outstanding request. Aloha has contacted other potential providers of bulk water service in the area. Some of those providers have indicated that they cannot provide bulk water service to Aloha because we are currently a customer of Pasco County. We therefore request that the County resolve this matter (which has been pending for months) within the next ten business days. While we would appreciate and anticipate a favorable written response to our request for increased bulk service from Pasco County, if for any reason that is not forthcoming immediately, we intend to review our options both with regard to Pasco County and with regard to other potential bulk water providers. We request that the County's response be in writing so that the basis of the County's decision may be clearly understood by both Aloha and by other interested persons or entities.

Thank you in advance for your immediate attention to this matter. As you know, this issue is of great importance to Aloha and its customers. We look forward to a continuing relationship with the County consistent with our request for an adequate supply of bulk water from the County which will allow Aloha to meet its present and future needs as we have previously outlined to the County and discussed with you.

Sincerely,

ALOHA UTILITIES. INC Watford Stephen Ø

SGW/fmd/mln

Admin2/letters/03gencorr/bramlett-bulkwater

Aloha Utilities, Inc.

November 21, 2003

Mr. Douglas S. Bramlett Assistant County Administrator Pasco County Utility Services Branch Public Works/Utilities Building, Suite 213 7530 Little Road New Port Richey, FL 34653

VIA CERTIFIED RETURN RECEIPT: 7002-2030-0007-0209-8802

RE: Aloha Utilities, Inc. – Purchase of Water from Pasco County

Dear Mr. Bramlett:

As requested, attached is a map showing the two proposed connection points to the Pasco County water system. I trust this is all you will need to respond to our letter of August 27, 2003.

Should you have any further questions, please do not hesitate to contact my office.

Sincerely,

ALOHA UTILITIES, INC Stephen Ø. Watford

President

Enclosure

SGW/jlw

cc: Marty Deterding

admin2/letters/03gencorr/bramlett

Aloha Utilities, Inc.

November 12, 2003

Mr. Douglas S. Bramlett Assistant County Administrator Pasco County Utility Services Branch Public Works\Utilities Building, Suite 213 7530 Little Road New Port Richey, Florida 34653

Re: Aloha Utilities, Inc. - Purchase of Water from Pasco County

Dear Mr. Bramlett:

Attached is a copy of a letter to the Florida Public Service Commission from the Southwest Florida Water Management District, outlining their requirement that Aloha begin purchasing all of its water needs above its current Water Use Permit from Pasco County. Aloha has in fact entered into a Consent Agreement and Compliance Plan with the Water Management District dated approximately the same date. However, because the Compliance Plan and Consent Agreement involve so many other issues and because it is a 22 page document, I felt that this letter from Mr. Parker with the Water Management District, best summarizes this situation and the requirements imposed upon Aloha by the Water Management District to begin buying water from Pasco County.

Should you need any further information or a copy of the relevant excerpts of the Consent Agreement, please let me know as quickly as possible.

I trust that with this information, you can now provide me the previously promised response to my letter of August 27, 2003 as quickly as possible.

Sincerely,

ALOHA UTILITH'S. INC. Stephen 6 Watford President

Enclosure

SGW/FMD/mln

Admin2/letters/03eustcorr/rose/bramlett 03Ger G(1



Southwest Florida Water Management District

Tampa Sorvice Diffee 7601 Highway 301 North Tempa, Ronda 33637-6759 (813) 955-7481 or 1-800-836-0797 (FL only) SUNCOM 578-2070

January 23, 2002

Bartow Service Office 170 Century Boulevand Bartow, Florida 33830-7700 (863) 534-1448 or 1.800-492-7862 (FL only) SUNCOM 572-6200 2379 Broad Street, Brooksville, Florida 34604-6899

(352) 795-7211 or 1-800-423-1476 (FL only)

SUNCOM 628-4150 TDD only 1-800-231-6103 (FL only)

On the Internet at: WaterMatters.org

Sarasets Service Office 6750 Fultwile Road Serstora, Porto 34240-9711. (941) 377-3722 of 1-800-320-3503 (FL only) SUNCOM 531-6800 Lecanto Service Office 3600 West Sovinign Path Sute 226 Lecanto, Ronze 34451-8070 (352) 527-8131 SUNCOM B67-3271

Nonnie E, Duncan Chair, Pinellos Thernets E, Debney, R Vice Chair, Sarasota Japet D, Kovach Secretory, Hilsborough Watson L, Haynets, R Tressurer, Pinellas Edward W, Chance Manaton Nonco "Al" Coorier Citys

Hilsborough Parnela L. Fentress Highlands Renald C. Johasse Polic Holdi B. McCree Hilsborough

Pasce E. R. "Sonay" Vergan Executive Directo

naka, W

Gaue A. Nanth Assistant Encutive Director William S. Blionky General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0870

Subject: Docket No. 010503-WU

Dear Commissioners:

It is the position of the Southwest Florida Water Management District that Aloha Utilities, Inc., must comply with the terms of Water Use Permit (WUP) No. 203182.004, and withdraw no more than 2,040,000 gallons per day (gpd) on an annual average day with a peak month day withdrawal quantity of 2,470,000 gpd. Any demand for water by Aloha's customers which cannot be met within the terms of Aloha's WUP needs to be addressed by use of an alternative source of water. The only alternative source of water which is currently and immediately available to Aloha is the purchase of water from Pasco County.

In the course of this docket, an issue has been raised concerning whether there is a benefit to the public and the environment in requiring Aloha to purchase water from Pasco County at this time. The District contends that there are benefits from requiring Aloha to immediately begin purchasing water.

Aloha's permitted withdrawals are not adequate to meet the present demand, and the existing condition of cumulative impacts prevents an increase in the withdrawals. Aloha's service area and wells are located within the Northern Tampa Bay Water Use Caution Area (NTB-WUCA), an area which has been delineated by rule to address ground water withdrawals that have resulted in lowering of lake levels, destruction or deterioration of wetlands, reduction in streamflow, and salt water intrusion. Aloha's withdrawals are also within what is informally referred to as the Northern Tampa Bay-Wellfield Impact Area (NTB-WIA), which is an area in which the most severe impacts have been identified that are caused by the cumulative effects of withdrawals in the Northern Tampa Bay region.

Protecting Your Water Resources Florida Public Service Commission January 23, 2002 Page 3

Pasco County is a member government of Tampa Bay Water, a regional water authority. Tampa Bay Water provides water to its members from many sources. Water which is presently distributed by Pasco County in the western portion of the County originates entirely from wells that are located in western Pasco County, including a system of widely dispersed wells operated by Pasco County and wells at two wellfields operated by Tampa Bay Water. Some of these wells are within the NTB-WIA, and some are outside of the NTB-WIA. The Water Use Permits which address these wells presently authorize total withdrawal quantities that are sufficient to meet the needs of the County and the additional demand of Aloha. The facilities allow some flexibility to rotate the production areas in western Pasco County to avoid and minimize environmental impacts by pumping from the wells that are located beyond the NTB-WIA.

The two wellfields in western Pasco County that are operated by Tampa Bay Water are two of the eleven Tampa Bay Water wellfields that are subject to an agreement to reduce the total withdrawals by 2003, and again by 2008, for the purpose of reducing environmental impacts. The extent to which production at the two wellfields in western Pasco County will be affected by the reductions is not yet known, but there are reasons to expect that the greatest proportion of reductions will occur at other wellfields where the greatest environmental impacts have been observed. Also, feasibility studies are underway for supplemental recharge projects at one of the wellfields serving western Pasco County, and these projects present the potential to reduce the impacts of withdrawals at the facility.

Tampa Bay water is obligated to meet the present and future water supply demands of its member governments, from water sources which are sustainable with acceptable environmental impacts. These obligations necessitate a series of new water supply sources and additional interconnections of existing facilities, in order to meet increasing demands while also reducing withdrawals at stressed wellfields. Thus far, the new source development progress has been dominantly toward sources other than ground water, such as desalination of seawater, and off-line storage reservoirs for capturing high stream flows. The two Tampa Bay Water wellfields in western Pasco County are not presently interconnected to the other regional facilities, although the potential future need for interconnection has been studied repeatedly. Interconnection is possible and perhaps inevitable in the future, if the water supply sources in western Pasco County become insufficient for the demands in western Pasco County. The regional water supply authority offers the greatest potential to meet the increasing demands for water from multiple regional sources which can be managed with acceptable environmental impacts. Therefore, there is an environmental benefit to requiring Aloha to purchase water from Pasco County instead of continuing to overpump its WUP. This benefit will continue to increase as Tampa Bay Water adds new alternative sources and system interconnections.

Florida Public Service Commission January 23, 2002 Page 4

An increased influx of water to Aloha from Pasco County, or from any other external source, may eventually or immediately result in water compatibility and treatment compatibility issues. Another source of water is necessary, so these issues must be addressed inevitably, and it is the District's preference to do so as soon as possible.

Additionally, there is no question that Aloha is violating its WUP. Allowing Aloha to continue to overpump its permit would be to allow continuing illegal activity. Tampa Bay Water and Pasco County are currently in compliance with their WUPs, and have the ability to address Aloha's needs within the scope of their WUPs. The District believes there is a public benefit in requiring compliance with the law.

For the reasons stated herein, the District would not authorize any further delay in requiring Aloha to begin purchasing water from Pasco County.

Sincerely,

John W. Parker, P.G. Water Use Manager

CERT RETRN RCPT #/002 1000 0005 535/ 9460

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115 Fax (727) 372-2677

October 21, 2003

Pasco County Board of County Commissioners 7530 Little Road New Port Richey, FL 34654

Re: Bulk Water Supply Interest

Dear Commissioners:

On August 27, 2003, the attached letter was mailed to you inquiring into the possibility of the provision of bulk water service to our utility. As stated in our original letter, it is imperative we receive a written response. If you should have any questions that would assist in your response, please feel free to contact me.

Thank you for your prompt assistance to this matter.

Sincerely,

ALOHAUTILITIES, INC.

Stephen G. Watford President

Attachment

Cc: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655

(727) 372-0115 Fax (727) 372-2677

August 27, 2003

Pasco County Board of County Commissioners 7530 Little Road New Port Richey, FL 34654

Re: Bulk Water Supply Interest

Dear Commissioners:

Aloha Utilities, Inc. (Aloha) is an investor-owned water and wastewater utility located in Pasco County. Aloha would like to discuss with you the possibility of purchasing bulk water supplies to resell to its customers.

Aloha's present estimated need for bulk water supply is 1.5 MGD based on annual average daily demand (AADD) and approximately 3.0 MGD based on peak daily demand (PDD). In the future, Aloha anticipates a potential estimated bulk water supply need of 3.0 MGD (AADD) and approximately 6.0 MGD (PDD). The future need is anticipated to develop over the next five to ten years (and will depend on the population growth rate that actually occurs in the Seven Springs Water System service area. Attached is a map showing the location of Aloha's Seven Springs Water Service Area.

Aloha has asked its engineers to determine the feasibility of developing an interconnect with one of the governmental water suppliers that have water supply facilities located near or adjacent to its service area. Your water system has been identified as one such potential supplier of bulk water service. As part of Aloha's feasibility analysis we must determine if your utility is willing and able to provide bulk water service to Aloha, and if willing and able, what the cost of providing this bulk water service would be and the terms of any agreement for such system interconnection.

Therefore, we ask that you please provide us with answers to the following questions:

1. Is your utility interested in providing Aloha with bulk water service?

Bulk water Supply Interest-PscoCnty August 27, 2003 Page 2

- 2. If the answer to (1) is no, then please indicate this in your response letter along with a detailed explanation for why that is the case.
- 3. <u>Current Needs Capacity</u> Does your water system currently have the capacity to provide Aloha with bulk water service at the rate of 1.5 MGD (AADD) and 3.0 MGD (PDD)? If yes, what is the name of the water system that would provide water to Aloha? Where would you prefer that physical interconnect between our systems take place if you were to supply bulk water service to Aloha? Who would be responsible for the interconnection facilities' construction costs and maintenance?
- 4. <u>Future Needs Capacity</u> Does your water system currently have, or will it have over the next five years, the capacity to provide Aloha with bulk water service increasing over the next five years from the current water supply needs stated in (3) above to the anticipated water supply needs of 3.0 MGD (AADD) and 6.0 MGD (PDD)? If yes, would this service be provided by the same water system interconnect location provided in your answer to (3) above? If additional interconnect locations would be required to meet the higher future water supply needs please provide these additional proposed locations and terms.
- 5. <u>Bulk Water Rates</u> What is your bulk water purchase rate at this time? Is this rate scheduled to increase over the next 5 years? If so, please provide a schedule of anticipated bulk water purchase rate increases for the next 5 years. Do you have a bulk water rate that is lower if the customer provides for his own water storage facilities so as to lower the peak demand of the water supplied by your utility? If so please provide these rates as well.
- 6. <u>Connection and/or Reservation Fees</u> Does your utility charge up-front connection and/or capacity charges to new bulk water customers? If so, please provide a current schedule of these fees. Also, if these fees are scheduled to increase, or if you do not have scheduled increases planned, please provide an estimate of any anticipated increases (if any) that may take place over the next five years.
- 7. <u>Other Charges</u> If your utility does not charge up-front connection and/or capacity charges to new bulk water customers, do you charge a capacity charge (or some other named charge) in lieu of up-front connection charges and/or capacity charges? If so, what is the amount of this charge and how is this charge calculated and applied to the bulk customer or water rate? If part of the gallonage water rates, how long is this charge applied once bulk water service is begun. Is the charge applied over a limited number of years or throughout the life of the bulk water service agreement?
- 8. <u>Standard Agreement and Terms</u> Do you have a standard bulk water purchase agreement? If so, please provide a copy of your standard agreement for our review. If not, please provide us with the terms and conditions under which you would agree to supply bulk water service to Aloha.
- 9. <u>Interconnect Locations and Maps</u> For any proposed interconnect locations, please provide a map showing the location of the point, the line size and configuration at that point and the minimum, average and maximum pressure and supply capacity of the

Bulk Water Supply Interest-PscoCnty August 27, 2003 Page 3

water line which will be used to provide the interconnection with Aloha's water system.

- 10. <u>Corrosion Control Program Details</u> Please provide us with the details of your FDEP approved Corrosion Control Program which you utilize to comply with the Lead and Copper Rule. Specifically, what process do you utilize? What chemicals (and at what concentrations) are added to the water as part of this process?
- 11. <u>Water Quality Information</u> Please provide us with a copy of your most recent FAC 62-500 testing reports for the water supplied to your customers by your utility. What disinfectant (and at what concentration) do you apply to your finished water? Also, if your proposed point of connection will be served by one specific treated water supply facility, please indicate which facility this will be and indicate which testing reports submitted are representative of the water that will be supplied as bulk water to Aloha.

We are tasked with completing this feasibility analysis in a very short time, therefore, we would appreciate your kind consideration of our request for information at your earliest opportunity. Our staff and consulting engineers are available to meet with you in the very near future to discuss these issues or to answer any questions you may have.

Thank you for your assistance. Please call me if you need any additional information or would like to set up an immediate meeting to discuss our request.

Sincerely,

ALOHA UTHITIES, INC. 10/2 Stephen G. Watford President

Enclosure

CC: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound



Appendix F Copies of Correspondence with Pinellas County



BOARD OF COUNTY COMMISSIONERS PINELLAS COUNTY, FLORIDA

PINELLAS COUNTY UTILITIES P.O. BOX 1780

COMMISSIONERS:

KAREN WILLIAMS SEEL- CHAIRMAN SUSAN LATVALA - VICE CHAIRMAN CALVIN D. HARRIS JOHN MORRONI ROBERT B. STEWART BARBARA SHEEN TODD KENNETH T. WELCH



CLEARWATER, FLORIDA 33757

October 24, 2003

Stephen G. Watford, President Aloha Utilities, Inc. 6915 Perrine Ranch Road New Port Richey, FL 34655

Subj: Bulk Water Supply to Aloha Utilities, Inc. Re: Your Letters Dated August 27, 2003 and October 21, 2003

Dear Mr. Watford:

I have been asked by the Chairman of the Pinellas County Board of County Commissioners to respond to your request concerning the possibility of Pinellas County providing bulk water service to Aloha Utilities, Inc.

Pinellas County is a member of Tampa Bay Water. One of our partners in this authority is Pasco County. The two parties have agreed that each county would only provide water service to other water users within their own county. This is one of the founding policies and principles of cooperation of governments in the Region through their interlocal agreements.

We would not be in a position to provide bulk water service to Aloha Utilities. We believe that Pasco County would have pipelines closer to Aloha Utilities than Pinellas. However, should there be a more beneficial way for Aloha to obtain service from Pinellas County facilities, it would have to come through Pasco County. Pasco County would have to make the determination that it is in the interest of Pasco County Government and citizens for Aloha to obtain water service through Pinellas County facilities. The request to provide such service would also have to come from Pasco County.



printed on recycled paper

S.G. Watford / Aloha Utilities, Inc. October 24, 2003 Page 2

On a more technical basis, I am not aware of any Pinellas County Utilities facility that would lend itself to supply water to Aloha Utilities in a more technically feasible manner than direct service from Pasco County.

I hope this has answered your question. We, of course, are willing to cooperate, but our main commitment is to work directly with our partner, Pasco County, in solving the Region's water supply interests.

Very truly yours,

PINELLAS COUNTY UTILITIES

Vick Jelley

Pick Talley Director of Utilities

cc: The Honorable Karen Williams Seel, Chairman The Honorable Susan Latvala, Vice Chairman Members of the Pinellas County Board of County Commissioners

Aloha Utilities, Inc.

October 21, 2003

Pinellas County Board of County Commissioners 315 Court Street Clearwater, FL 33756

Re: Bulk Water Supply Interest

Dear Commissioners:

On August 27, 2003, the attached letter was mailed to you inquiring into the possibility of the provision of bulk water service to our utility. As stated in our original letter, it is imperative we receive a written response. If you should have any questions that would assist in your response, please feel free to contact me.

Thank you for your prompt assistance to this matter.

Sincerely,

ALOHA UTILITIES, INC. udel

Stephen G. Watford President

Attachment

Cc: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Aloha Utilities, Inc.

August 27, 2003

Pinellas County Board of County Commissioners 315 Court Street Clearwater, FL 33756

Re: Bulk Water Supply Interest

Dear Commissioners:

Aloha Utilities, Inc. (Aloha) is an investor-owned water and wastewater utility located in Pasco County. Aloha would like to discuss with you the possibility of purchasing bulk water supplies to resell to its customers.

Aloha's present estimated need for bulk water supply is 1.5 MGD based on annual average daily demand (AADD) and approximately 3.0 MGD based on peak daily demand (PDD). In the future, Aloha anticipates a potential estimated bulk water supply need of 3.0 MGD (AADD) and approximately 6.0 MGD (PDD). The future need is anticipated to develop over the next five to ten years (and will depend on the population growth rate that actually occurs in the Seven Springs Water System service area. Attached is a map showing the location of Aloha's Seven Springs Water Service Area.

Aloha has asked its engineers to determine the feasibility of developing an interconnect with one of the governmental water suppliers that have water supply facilities located near or adjacent to its service area. Your water system has been identified as one such potential supplier of bulk water service. As part of Aloha's feasibility analysis we must determine if your utility is willing and able to provide bulk water service to Aloha, and if willing and able, what the cost of providing this bulk water service would be and the terms of any agreement for such system interconnection.

Therefore, we ask that you please provide us with answers to the following questions:

1. Is your utility interested in providing Aloha with bulk water service?

Bulk Water Supply Interest-PinellasCnty August 27, 2003 Page 2

- 2. If the answer to (1) is no, then please indicate this in your response letter along with a detailed explanation for why that is the case.
- 3. <u>Current Needs Capacity</u> Does your water system currently have the capacity to provide Aloha with bulk water service at the rate of 1.5 MGD (AADD) and 3.0 MGD (PDD)? If yes, what is the name of the water system that would provide water to Aloha? Where would you prefer that physical interconnect between our systems take place if you were to supply bulk water service to Aloha? Who would be responsible for the interconnection facilities' construction costs and maintenance?
- 4. <u>Future Needs Capacity</u> Does your water system currently have, or will it have over the next five years, the capacity to provide Aloha with bulk water service increasing over the next five years from the current water supply needs stated in (3) above to the anticipated water supply needs of 3.0 MGD (AADD) and 6.0 MGD (PDD)? If yes, would this service be provided by the same water system interconnect location provided in your answer to (3) above? If additional interconnect locations would be required to meet the higher future water supply needs please provide these additional proposed locations and terms.
- 5. <u>Bulk Water Rates</u> What is your bulk water purchase rate at this time? Is this rate scheduled to increase over the next 5 years? If so, please provide a schedule of anticipated bulk water purchase rate increases for the next 5 years. Do you have a bulk water rate that is lower if the customer provides for his own water storage facilities so as to lower the peak demand of the water supplied by your utility? If so please provide these rates as well.
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- 7. <u>Other Charges</u> If your utility does not charge up-front connection and/or capacity charges to new bulk water customers, do you charge a capacity charge (or some other named charge) in lieu of up-front connection charges and/or capacity charges? If so, what is the amount of this charge and how is this charge calculated and applied to the bulk customer or water rate? If part of the gallonage water rates, how long is this charge applied once bulk water service is begun. Is the charge applied over a limited number of years or throughout the life of the bulk water service agreement?
- 8. <u>Standard Agreement and Terms</u> Do you have a standard bulk water purchase agreement? If so, please provide a copy of your standard agreement for our review. If not, please provide us with the terms and conditions under which you would agree to supply bulk water service to Aloha.
- 9. <u>Interconnect Locations and Maps</u> For any proposed interconnect locations, please provide a map showing the location of the point, the line size and configuration at that point and the minimum, average and maximum pressure and supply capacity of the

Bulk Water Supply Interest-Pinellas Cnty August 27, 2003 Page 3

water line which will be used to provide the interconnection with Aloha's water system.

- 10. <u>Corrosion Control Program Details</u> Please provide us with the details of your FDEP approved Corrosion Control Program which you utilize to comply with the Lead and Copper Rule. Specifically, what process do you utilize? What chemicals (and at what concentrations) are added to the water as part of this process?
- 11. <u>Water Quality Information</u> Please provide us with a copy of your most recent FAC 62-500 testing reports for the water supplied to your customers by your utility. What disinfectant (and at what concentration) do you apply to your finished water? Also, if your proposed point of connection will be served by one specific treated water supply facility, please indicate which facility this will be and indicate which testing reports submitted are representative of the water that will be supplied as bulk water to Aloha.

We are tasked with completing this feasibility analysis in a very short time, therefore, we would appreciate your kind consideration of our request for information at your earliest opportunity. Our staff and consulting engineers are available to meet with you in the very near future to discuss these issues or to answer any questions you may have.

Thank you for your assistance. Please call me if you need any additional information or would like to set up an immediate meeting to discuss our request.

Sincerely,

ALOHA UTHITIES, INC. Mape Stephen G. Watford

Stephen G₂Watford President

Enclosure

CC: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Admin2/letters/gencorrespondence/bulkwtrsupplyintrst-pinellascnty



Appendix G Copies of Correspondence with Hillsboro County





Deputy County Administrator Patricia Bean

Assistant County Administrators Bernardo Garcia Kathy C. Harris

BOARD OF COUNTY COMMISSIONERS Kathy Castor Pat Frank Ken Hagan Jim Norman Jan K. Platt Thomas Scott Bonda Storms

Office of the County Administrator Daniel A. Kleman

September 8, 2003

Mr. Stephen G. Watford, President Aloha Utilities Inc. 6915 Perrine Ranch Road New Port Richey, Florida 34655

Dear Mr. Watford:

Subject: Administrative Referral 25508 Bulk Water Supply to Aloha Utilities

Your letter to the Hillsborough County Board of County Commissioners requesting our interest in providing bulk water to Aloha Utilities has been forwarded to the Water Department for response. We regret to inform you that Hillsborough County cannot provide potable water to the Aloha Utilities service area identified in your letter as it is totally within Pasco County. Service provision within another local government jurisdiction requires an interlocal agreement authorizing such service. Mr. Doug Bramlett, Assistant County Administrator, Pasco County Utilities Services Branch, has advised me that Aloha Utilities is currently a customer of Pasco County Utilities and they would not agree to Hillsborough County providing the service you have requested.

Please do not hesitate to call me if you have questions.

Sincerely,

Muchael WML

Michael W. McWeeny, Director Hillsborough County Water Department

tro

cc: Board of County Commissioners Bernardo Garcia, Assistant County Administrator Doug Bramlett, Pasco County Utilities G:\Admin Referrals\AR 25508, Aloha Utilities Bulk Servcie, 05 Sept 03.doc

> Post Office Box 1110 · Tampa, Florida 33601 Web Site: www.hillsboroughcounty.org AnAffirmativeAction/EqualOpportarityEmployer

Aloha Utilities, Inc.

August 27, 2003

Hillsborough County Board of County Commissioners PO Box 1110 Tampa, FL 33601

Re: Bulk Water Supply Interest

Dear Commissioners:

Aloha Utilities, Inc. (Aloha) is an investor-owned water and wastewater utility located in Pasco County. Aloha would like to discuss with you the possibility of purchasing bulk water supplies to resell to its customers.

Aloha's present estimated need for bulk water supply is 1.5 MGD based on annual average daily demand (AADD) and approximately 3.0 MGD based on peak daily demand (PDD). In the future, Aloha anticipates a potential estimated bulk water supply need of 3.0 MGD (AADD) and approximately 6.0 MGD (PDD). The future need is anticipated to develop over the next five to ten years (and will depend on the population growth rate that actually occurs in the Seven Springs Water System service area. Attached is a map showing the location of Aloha's Seven Springs Water Service Area.

Aloha has asked its engineers to determine the feasibility of developing an interconnect with one of the governmental water suppliers that have water supply facilities located near or adjacent to its service area. Your water system has been identified as one such potential supplier of bulk water service. As part of Aloha's feasibility analysis we must determine if your utility is willing and able to provide bulk water service to Aloha, and if willing and able, what the cost of providing this bulk water service would be and the terms of any agreement for such system interconnection.

Therefore, we ask that you please provide us with answers to the following questions:

1. Is your utility interested in providing Aloha with bulk water service?

Bulk Water Supply Interest-HillsCnty August 27, 2003 Page 2

- 2. If the answer to (1) is no, then please indicate this in your response letter along with a detailed explanation for why that is the case.
- 3. <u>Current Needs Capacity</u> Does your water system currently have the capacity to provide Aloha with bulk water service at the rate of 1.5 MGD (AADD) and 3.0 MGD (PDD)? If yes, what is the name of the water system that would provide water to Aloha? Where would you prefer that physical interconnect between our systems take place if you were to supply bulk water service to Aloha? Who would be responsible for the interconnection facilities' construction costs and maintenance?
- 4. <u>Future Needs Capacity</u> Does your water system currently have, or will it have over the next five years, the capacity to provide Aloha with bulk water service increasing over the next five years from the current water supply needs stated in (3) above to the anticipated water supply needs of 3.0 MGD (AADD) and 6.0 MGD (PDD)? If yes, would this service be provided by the same water system interconnect location provided in your answer to (3) above? If additional interconnect locations would be required to meet the higher future water supply needs please provide these additional proposed locations and terms.
- 5. <u>Bulk Water Rates</u> What is your bulk water purchase rate at this time? Is this rate scheduled to increase over the next 5 years? If so, please provide a schedule of anticipated bulk water purchase rate increases for the next 5 years. Do you have a bulk water rate that is lower if the customer provides for his own water storage facilities so as to lower the peak demand of the water supplied by your utility? If so please provide these rates as well.
- 6. <u>Connection and/or Reservation Fees</u> Does your utility charge up-front connection and/or capacity charges to new bulk water customers? If so, please provide a current schedule of these fees. Also, if these fees are scheduled to increase, or if you do not have scheduled increases planned, please provide an estimate of any anticipated increases (if any) that may take place over the next five years.
- 7. <u>Other Charges</u> If your utility does not charge up-front connection and/or capacity charges to new bulk water customers, do you charge a capacity charge (or some other named charge) in lieu of up-front connection charges and/or capacity charges? If so, what is the amount of this charge and how is this charge calculated and applied to the bulk customer or water rate? If part of the gallonage water rates, how long is this charge applied once bulk water service is begun. Is the charge applied over a limited number of years or throughout the life of the bulk water service agreement?
- 8. <u>Standard Agreement and Terms</u> Do you have a standard bulk water purchase agreement? If so, please provide a copy of your standard agreement for our review. If not, please provide us with the terms and conditions under which you would agree to supply bulk water service to Aloha.
- 9. <u>Interconnect Locations and Maps</u> For any proposed interconnect locations, please provide a map showing the location of the point, the line size and configuration at that point and the minimum, average and maximum pressure and supply capacity of the

Bulk Water Supply Interest-HillsCnty August 27, 2003 Page 3

water line which will be used to provide the interconnection with Aloha's water system.

- 10. <u>Corrosion Control Program Details</u> Please provide us with the details of your FDEP approved Corrosion Control Program which you utilize to comply with the Lead and Copper Rule. Specifically, what process do you utilize? What chemicals (and at what concentrations) are added to the water as part of this process?
- 11. <u>Water Quality Information</u> Please provide us with a copy of your most recent FAC 62-500 testing reports for the water supplied to your customers by your utility. What disinfectant (and at what concentration) do you apply to your finished water? Also, if your proposed point of connection will be served by one specific treated water supply facility, please indicate which facility this will be and indicate which testing reports submitted are representative of the water that will be supplied as bulk water to Aloha.

We are tasked with completing this feasibility analysis in a very short time, therefore, we would appreciate your kind consideration of our request for information at your earliest opportunity. Our staff and consulting engineers are available to meet with you in the very near future to discuss these issues or to answer any questions you may have.

Thank you for your assistance. Please call me if you need any additional information or would like to set up an immediate meeting to discuss our request.

Sincerely,

ALOHA LATIDITIES, INC Metal

Stephen Ø. Watford President

Enclosure

CC: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound



Appendix H Copies of Correspondence with City of Port Richey

"FOR SUNSHINE-

CITY OF PORT RICHEY

6333 RIDGE ROAD PORT RICHEY, FLORIDA 34668 TELEPHONE (727) 816-1900

MAR 1 0 2004



AND PROGRESS'

March 2, 2004

Aloha Utilities, Inc. 6915 Perrine Ranch Rd. New Port Richey, FL. 34655 Mr. Stephen Watford

Dear Mr. Watford:

I am writing in response to your August 27, 2003 letter regarding the City providing bulk water service to Aloha Utilities. Below please find the City's response to each item contained in your correspondence.

- 1. No, the City is not interested in providing bulk water service.
- 2-3. No, the City does not have the capacity to provide service.
- 4. No, the City will not have the capacity to provide service in the future.
- 5. No, there is no bulk water purchase rate at this time.
- 6. See attached copy of City ordinance for Connection fees.
- 7. The other charges in guestion are not applicable.
- 8. Standard bulk water purchase agreement is not applicable.
- 9. Interconnect locations and maps are not applicable.
- 10-11. Since the City of Port Richey is not capable of providing bulk water service to Aloha Utilities, the City has not provided this information. If this information is still needed by your organization, please contact Moe Kader P.E. at U.S. Water Services Corporation at 727-848-8292.

If you require any further information, please contact me and I will be happy to assist you.

Sincerely,

Gary A. Deremer Utility Director/Consultant

GAD/cw

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655

(727) 372-0115 Fax (727) 372-2677 www.aloha-water.com

February 26, 2004

City of Port Richey City Council 6333 Ridge Road Port Richey, FL 34688

Re: Bulk Water Supply Interest

VIA CERTIFIED RETURN RECEIPT: 7002 2030 0007 0209 9144

Dear Council Members:

On August 27, 2003, the attached letter was mailed to you inquiring into the possibility of the provision of bulk water service to our utility. A second request for a response from your council was mailed to you on October 21, 2003. Again, we are requesting a response from your council regarding this request. This matter is rather urgent and we would appreciate a response as soon as possible.

Thank you for your prompt assistance.

Sincerely,

ALOHA UTILITIES, INC. Stephen G. Watford

President

SGW/mln

Enclosure

Admin2/letters/03gencorr/ctyofportrichey-bulkwater-2-26-043rdrequest

CERT RETRN RCPT #7002 2030 0007 0209 8772

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115 Fax (727) 372-2677

October 21, 2003

City of Port Richey City Council 6333 Ridge Road Port Richey, FL 34668

Re: Bulk Water Supply Interest

Dear Council Members:

On August 27, 2003, the attached letter was mailed to you inquiring into the possibility of the provision of bulk water service to our utility. As stated in our original letter, it is imperative we receive a written response. If you should have any questions that would assist in your response, please feel free to contact me.

Thank you for your prompt assistance to this matter.

Sincerely,

ALOHA UTILIPIES, INC. Stephen G. Watford

Stephen G. Watford President

Attachment

Cc: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Aloha Utilities, Inc.

August 27, 2003

City of Port Richey City Council 6333 Ridge Road Port Richey, FL 34668

Re: Bulk Water Supply Interest

Dear Council Members:

Aloha Utilities, Inc. (Aloha) is an investor-owned water and wastewater utility located in Pasco County. Aloha would like to discuss with you the possibility of purchasing bulk water supplies to resell to its customers.

Aloha's present estimated need for bulk water supply is 1.5 MGD based on annual average daily demand (AADD) and approximately 3.0 MGD based on peak daily demand (PDD). In the future, Aloha anticipates a potential estimated bulk water supply need of 3.0 MGD (AADD) and approximately 6.0 MGD (PDD). The future need is anticipated to develop over the next five to ten years (and will depend on the population growth rate that actually occurs in the Seven Springs Water System service area. Attached is a map showing the location of Aloha's Seven Springs Water Service Area.

Aloha has asked its engineers to determine the feasibility of developing an interconnect with one of the governmental water suppliers that have water supply facilities located near or adjacent to its service area. Your water system has been identified as one such potential supplier of bulk water service. As part of Aloha's feasibility analysis we must determine if your utility is willing and able to provide bulk water service to Aloha, and if willing and able, what the cost of providing this bulk water service would be and the terms of any agreement for such system interconnection.

Therefore, we ask that you please provide us with answers to the following questions:

1. Is your utility interested in providing Aloha with bulk water service?

Bulk Water Supply Interest-CtyofPR August 27, 2003 Page 2

- 2. If the answer to (1) is no, then please indicate this in your response letter along with a detailed explanation for why that is the case.
- 3. <u>Current Needs Capacity</u> Does your water system currently have the capacity to provide Aloha with bulk water service at the rate of 1.5 MGD (AADD) and 3.0 MGD (PDD)? If yes, what is the name of the water system that would provide water to Aloha? Where would you prefer that physical interconnect between our systems take place if you were to supply bulk water service to Aloha? Who would be responsible for the interconnection facilities' construction costs and maintenance?
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Bulk Water Supply Interest-CtyofPR August 27, 2003 Page 3

water line which will be used to provide the interconnection with Aloha's water system.

- 10. <u>Corrosion Control Program Details</u> Please provide us with the details of your FDEP approved Corrosion Control Program which you utilize to comply with the Lead and Copper Rule. Specifically, what process do you utilize? What chemicals (and at what concentrations) are added to the water as part of this process?
- 11. <u>Water Quality Information</u> Please provide us with a copy of your most recent FAC 62-500 testing reports for the water supplied to your customers by your utility. What disinfectant (and at what concentration) do you apply to your finished water? Also, if your proposed point of connection will be served by one specific treated water supply facility, please indicate which facility this will be and indicate which testing reports submitted are representative of the water that will be supplied as bulk water to Aloha.

We are tasked with completing this feasibility analysis in a very short time, therefore, we would appreciate your kind consideration of our request for information at your earliest opportunity. Our staff and consulting engineers are available to meet with you in the very near future to discuss these issues or to answer any questions you may have.

Thank you for your assistance. Please call me if you need any additional information or would like to set up an immediate meeting to discuss our request.

Sincerely,

ALOHA UTHENTIES, INC. The look Stephen &. Watford

President

Enclosure

CC: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Admin2/letters/gencorrespondence/bulkwtrsplyintrst-ctyofPR



Appendix I

Copies of Correspondence with City of New Port Richey
City of New Port Richey

"The Gateway To Tropical Florida"

5919 Main Street, New Port Richey, Florida 34652

February 4, 2004

Mr. Stephen G. Watford, President Aloha Utilities, Inc. 6915 Perrine Ranch Rd. New Port Richey, FL 34655

RE: Bulk Water Supply Interest

Dear Mr. Watford:

The City has received your letter of January 27, 2004 regarding the inquiry by Aloha Utilities relative to bulk water purchases from the City of New Port Richey. In response to your letter, I offer the following:

FEB 0 5 2004

On October 22, 2003, New Port Richey City Manager, Gerald Seeber, and Public Works Director, Thomas O'Neill met with you and Mr. Dave Porter to discuss the potential for bulk water sales from the City of New Port Richey to Aloha Utilities. A number of issues were discussed, including utility service area related issues. As you are aware, the City and Pasco County have entered into an Interlocal Agreement defining their respective water, sewer and reclaimed water utility service area boundaries. As you also are aware, the Aloha Utilities defined service area lies well to the south of the City of New Port Richey service area southern boundary at Trouble Creek Road. Additionally, it is also the City staff understanding that Aloha Utilities is currently a bulk water customer of the Pasco County Utility System.

Due to the above issues and to avoid the potential for dispute between the City and Pasco County, the City corresponded with the County on October 23, 2003 and inquired as to whether or not the County would object to the Aloha request. As of the date of this letter, the City has received no response from Pasco County regarding the Aloha request to purchase bulk water from the City of New Port Richey.

In view of the lack of response from Pasco County, you should understand that the City is not in a position to enter into any contractual agreement facilitating the sale of bulk water to Aloha Utilities.

If you have any further questions regarding this matter or if the need for any additional information arises, please feel free to contact me.

Sincerely.

Frank Parker Mayor

FP/TON/pac *PW040202

Cc: City Council G. Seeber T. O'Neill

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115 Fax (727) 372-2677

January 27, 2004

City of New Port Richey City Council 5919 Main Street New Port Richey, FL 34653

Re: Bulk Water Supply Interest

VIA CERTIFIED RETURN RECEIPT: 7002 2030 0007 0212 9483 AND REGULAR MAIL

Dear Council Members:

On August 27, 2003, the attached letter was mailed to you inquiring into the possibility of the provision of bulk water service to our utility. A second request for a response, which is also attached, was mailed to you on October 21, 2003. We still have not received a response to date and again we would like to point out how imperative it is that we receive a written response from you as soon as possible.

If you should have any questions that would assist in your response, please feel free to contact me.

Thank you for your prompt assistance in this matter.

Sincerely,

Carlad ALOHA UPILITIE Ś. INC Stephen G. Watford

President

Attachments

SGW/min

Cc: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Admin2/letters/04gencorr/bulkwtrsupplyintrst/letter3

CERT RTRN RCPT# 7002 2030 0007 0209 8765

3

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115 Fax (727) 372-2677

October 21, 2003

City of New Port Richey City Council 5919 Main Street New Port Richey, FL 34653

Re: Bulk Water Supply Interest

Dear Council Members:

On August 27, 2003, the attached letter was mailed to you inquiring into the possibility of the provision of bulk water service to our utility. As stated in our original letter, it is imperative we receive a written response. If you should have any questions that would assist in your response, please feel free to contact me.

Thank you for your prompt assistance to this matter.

Sincerely,

ALOHA UTILITIES, INC. telafet

Stephen G. Watford President

Attachment

Cc: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Aloha Utilities, Inc.

6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115 Fax (727) 372-2677

August 27, 2003

City of New Port Richey City Council 5919 Main Street New Port Richey, FL 34652

Re: Bulk Water Supply Interest

Dear Council Members:

Aloha Utilities, Inc. (Aloha) is an investor-owned water and wastewater utility located in Pasco County. Aloha would like to discuss with you the possibility of purchasing bulk water supplies to resell to its customers.

Aloha's present estimated need for bulk water supply is 1.5 MGD based on annual average daily demand (AADD) and approximately 3.0 MGD based on peak daily demand (PDD). In the future, Aloha anticipates a potential estimated bulk water supply need of 3.0 MGD (AADD) and approximately 6.0 MGD (PDD). The future need is anticipated to develop over the next five to ten years (and will depend on the population growth rate that actually occurs in the Seven Springs Water System service area. Attached is a map showing the location of Aloha's Seven Springs Water Service Area.

Aloha has asked its engineers to determine the feasibility of developing an interconnect with one of the governmental water suppliers that have water supply facilities located near or adjacent to its service area. Your water system has been identified as one such potential supplier of bulk water service. As part of Aloha's feasibility analysis we must determine if your utility is willing and able to provide bulk water service to Aloha, and if willing and able, what the cost of providing this bulk water service would be and the terms of any agreement for such system interconnection.

Therefore, we ask that you please provide us with answers to the following questions:

1. Is your utility interested in providing Aloha with bulk water service?

Bulk Water Supply Interest-CtyofNPR August 27, 2003 Page 2

- 2. If the answer to (1) is no, then please indicate this in your response letter along with a detailed explanation for why that is the case.
- 3. <u>Current Needs Capacity</u> Does your water system currently have the capacity to provide Aloha with bulk water service at the rate of 1.5 MGD (AADD) and 3.0 MGD (PDD)? If yes, what is the name of the water system that would provide water to Aloha? Where would you prefer that physical interconnect between our systems take place if you were to supply bulk water service to Aloha? Who would be responsible for the interconnection facilities' construction costs and maintenance?
- 4. <u>Future Needs Capacity</u> Does your water system currently have, or will it have over the next five years, the capacity to provide Aloha with bulk water service increasing over the next five years from the current water supply needs stated in (3) above to the anticipated water supply needs of 3.0 MGD (AADD) and 6.0 MGD (PDD)? If yes, would this service be provided by the same water system interconnect location provided in your answer to (3) above? If additional interconnect locations would be required to meet the higher future water supply needs please provide these additional proposed locations and terms.
- 5. <u>Bulk Water Rates</u> What is your bulk water purchase rate at this time? Is this rate scheduled to increase over the next 5 years? If so, please provide a schedule of anticipated bulk water purchase rate increases for the next 5 years. Do you have a bulk water rate that is lower if the customer provides for his own water storage facilities so as to lower the peak demand of the water supplied by your utility? If so please provide these rates as well.
- 6. <u>Connection and/or Reservation Fees</u> Does your utility charge up-front connection and/or capacity charges to new bulk water customers? If so, please provide a current schedule of these fees. Also, if these fees are scheduled to increase, or if you do not have scheduled increases planned, please provide an estimate of any anticipated increases (if any) that may take place over the next five years.
- 7. <u>Other Charges</u> If your utility does not charge up-front connection and/or capacity charges to new bulk water customers, do you charge a capacity charge (or some other named charge) in lieu of up-front connection charges and/or capacity charges? If so, what is the amount of this charge and how is this charge calculated and applied to the bulk customer or water rate? If part of the gallonage water rates, how long is this charge applied once bulk water service is begun. Is the charge applied over a limited number of years or throughout the life of the bulk water service agreement?
- 8. <u>Standard Agreement and Terms</u> Do you have a standard bulk water purchase agreement? If so, please provide a copy of your standard agreement for our review. If not, please provide us with the terms and conditions under which you would agree to supply bulk water service to Aloha.
- 9. <u>Interconnect Locations and Maps</u> For any proposed interconnect locations, please provide a map showing the location of the point, the line size and configuration at that point and the minimum, average and maximum pressure and supply capacity of the

Bulk Water Supply Interest-CtyofNPR August 27, 2003 Page 3

water line which will be used to provide the interconnection with Aloha's water system.

- 10. <u>Corrosion Control Program Details</u> Please provide us with the details of your FDEP approved Corrosion Control Program which you utilize to comply with the Lead and Copper Rule. Specifically, what process do you utilize? What chemicals (and at what concentrations) are added to the water as part of this process?
- 11. <u>Water Quality Information</u> Please provide us with a copy of your most recent FAC 62-500 testing reports for the water supplied to your customers by your utility. What disinfectant (and at what concentration) do you apply to your finished water? Also, if your proposed point of connection will be served by one specific treated water supply facility, please indicate which facility this will be and indicate which testing reports submitted are representative of the water that will be supplied as bulk water to Aloha.

We are tasked with completing this feasibility analysis in a very short time, therefore, we would appreciate your kind consideration of our request for information at your earliest opportunity. Our staff and consulting engineers are available to meet with you in the very near future to discuss these issues or to answer any questions you may have.

Thank you for your assistance. Please call me if you need any additional information or would like to set up an immediate meeting to discuss our request.

Sincerely,

ALOHA UTILITIES, INC.

Tubeful Stephen G. Watford President

Enclosure

CC: Dave Porter Dale Ernsberger Marty Deterding John Wharton Tom Pound

Admin2/letters/genorrespondence/bulkwtrsupplyintrst-ctyofNPR



Appendix J Copy of Portion of RO Feasibility Study

RO Feasibility Study Report

for

Seven Springs Water System Pasco County, Florida

Prepared for:

Aloha Utilities, Inc. 6915 Perrine Ranch Road New Port Richey, FL 34655 (727) 372-0115

Submitted By:

David W. Porter, P.E. 3197 Ryans Court Green Cove Springs, FL 32043 (904) 291-2744

December 2003

DEC. 9, 2003

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Attachment 1 – Hydrology Report (Separate Binder)

Attachment 2 – RO Treatment Report

Attachment 3 – Civil Engineering Report (Separate Binder)

Executive Summary

A. Report Purpose

Presently, the source water demands experienced by the Seven Springs Water System are greater than allowed by Aloha's existing Southwest Florida Water Management District (SWFWMD) Water Use Permit for its water supply wells. Source water demand will continue to increase into the future as the Seven Springs Water System Service Area is developed, requiring Aloha to obtain additional permitted source water capacity or alternative source water supply.

This report has been prepared in compliance with the Groundwater Withdrawal Compliance Plan attachment to Compliance Order SWF 62-15 issued on February 26, 2002 to Aloha Utilities, Inc. by the Southwest Florida Water Management District. Section III – Supply Side Conservation Measures, Subsection B. Alternative Supply Sources. The Groundwater Withdrawal Compliance Plan requires Aloha Utilities, Inc. to undertake a study to determine if it is feasible to meet Aloha's present and future water demands utilizing RO treatment of brackish water to supplement its existing Seven Springs water supply and treatment system.

B. Supplemental Water Supply Requirements

At this time, the average annual daily water demand experienced by the Seven Springs Water System is approximately 3 million gallons per day (MGD). Aloha's current SWFWMD Water Use Permit allows for annual average daily water withdrawals of 2.04 MGD. Therefore, currently 1 MGD (based on annual average daily demand (AADD)) of finished water is required to supplement the existing supplies that can be produced by the Seven Springs Water System when it is operated in conformance with the Water Use Permit issued by the SWFWMD.

It is projected that the Seven Springs Water Service Area will buildout by the year 2013. At that time, an additional 2.9 MGD (AADD) water demand over the 2003 value is projected. Therefore, at service area build out, the average annual daily demand for water will be 5.9 MGD (3.0 MGD existing and 2.9 MGD future). When the Annual Average Daily Water Demand is 5.9 MGD, the Maximum Daily Water Demand is projected to be 10 MGD.

C. Supplemental Water Sources

At this time, only two potential supplemental water sources, other than obtaining additional permitted withdrawals for Aloha's existing wells, have been identified. The first is to construct a water source consisting of a new brackish water wellfield, RO treatment facility and appurtenances, concentrate disposal facilities, various piping systems and storage facilities. The second potential source of supplemental water is to purchase it from Pasco County as bulk water.

D. RO Feasibility Study

This RO Feasibility study was undertaken to determine if it is feasible to develop a new finished water supply utilizing brackish raw water and RO technology for treatment.

E. Feasibility of Project

The project appears to be conceptually feasible from a technical and regulatory perspective. A number of agreements with third parties must be successfully negotiated and obtained (for instance, an agreement with Progress Energy must be obtained related to concentrate disposal issues and an agreement with Pasco County will be required to deal with treatment plant residuals disposal issues). Also, a number of complicated studies will require completion as part of the Florida Department of Environmental Protection (FDEP) concentrate disposal permitting process. It is possible that these studies may reveal permitting issues not apparent at the conceptual stage of this project and render the project ultimately unfeasible. Other regulatory agency permits must also be obtained as outlined in this study. Failure to obtain any of these permits would render this project unfeasible.

From a financial perspective, the project is feasible if a \$30 million minimum grant is obtained from SWFWMD to assist in funding the project. SWFWMD has assisted other water systems (such as Tampa Bay Water) with grant funding for similar alternative water supply projects. The SWFWMD Consent Order (SWF 62-15) that ordered that this study be completed acknowledged that SWFWMD grant funding could be found to be needed to fund this project. In fact, the Consent Order requires that grant funding be included in the determination of the feasibility of this project. A \$30 million minimum level of grant funding will permit Aloha to utilize this alternative water supply methodology and achieve retail water rates that will be competitive with those of other utilities in the area who are currently receiving such funding, directly or indirectly.

F. Recommendations

- 1. We recommend that Aloha apply for grant funding of \$30 million to assist in financing the entire 3.9 MGD (AADF) RO Treatment Facility project. The funding request should indicate that the grant funds would need to be supplied beginning immediately and be fully paid by 2007. The initial grant funding disbursement is needed to finance the necessary negotiations with Progress Energy for concentrate disposal rights and easements, necessary studies to support project permitting, beginning FPSC rate case work, etc. The exact immediate funding level is not known, however, it appears to be at least \$6 million to \$7 million.
- 2. Once SWFWMD grant funding has been obtained and funds are available to continue the project, we recommend that Aloha select its engineer to complete the project, enter into a contract with this engineer and instruct them to prepare updated estimated project time schedules. The time schedules included in the SWFWMD Consent Order will not be sufficient to complete the project due to issues that identified during the completion of the feasibility study as discussed within this report. The new time schedules must be substituted for those in the existing Consent Order. See Chapter 9, Section A, Subsection 5 for more information concerning schedule changes required.
- 3. Once the basic level of grant funding has been secured from SWFWMD and the new time schedules have been incorporated into the Consent Order, we recommend that Aloha enter into discussions with the Florida Public Service Commission (FPSC) to obtain a determination of the prudence of this project and to obtain assurances that the necessary rates would be granted to fund the construction and operation and maintenance of the proposed facilities. If the FPSC determines that the level of grant funding is not sufficient to allow them to determine that the project is prudent and that rates to fund the project can be allowed, the

level of SWFWMD grant funding will need to be increased for the project to continue.

- 4. After SWFWMD grant funding agreements have been finalized and FPSC has agreed to deem the project prudent and provide Aloha the necessary assurances that rates will be provided to fund the construction and operation and maintenance of the project, we recommend that Aloha, its attorneys and engineers undertake and finalize negotiations with Progress Energy to obtain an agreement that will allow Aloha to undertake the necessary formal studies required to permit an Anclote Power Station Cooling Water Canal FDEP surface water discharge permit for the concentrate water produced by the proposed RO treatment facilities. The Progress Energy agreement must also provide Aloha with the land use easements needed to enable the construction and operation and maintenance of the concentrate pipelines, dilution water pumping and mixing facilities and concentrate water disposal facilities.
- 5. Concurrent with undertaking the work necessary to secure the necessary Agreements with Progress Energy, we recommend that Aloha obtain agreement with Pasco County Utilities for membrane cleaning wastewater and concentrate filter backwash sludge disposal at County facilities.
- 6. Once the agreements with Progress Energy and Pasco County are obtained, we recommend that the studies necessary to undertake the various permitting efforts begin and that the formal permitting work be initiated.
- 7. Once the necessary permits are obtained, we recommend that the project proceed through completion.

Chapter 1 – Introduction

A. Report Purpose

Presently, the source water demands experienced by the Seven Springs Water System are greater than allowed by Aloha's existing SWFWMD Water Use Permit for its water supply wells. Source water demand will continue to increase into the future as the Seven Springs Water System Service Area is developed, requiring Aloha to obtain additional permitted source water capacity or alternative source water supply.

This report has been prepared in compliance with the Groundwater Withdrawal Compliance Plan attachment to Compliance Order SWF 62-15 issued on February 26, 2002 to Aloha Utilities, Inc. by the Southwest Florida Water Management District. Section III – Supply Side Conservation Measures, Subsection B. Alternative Supply Sources of the Groundwater Withdrawal Plan requires Aloha Utilities, Inc. to undertake a study to determine if it is feasible to meet Aloha's present and future water demands utilizing RO treatment of brackish water to supplement its existing Seven Springs water supply and treatment system.

B. Acknowledgements

Numerous companies and individuals have contributed to the completion of this RO Feasibility Study and report. We take this opportunity to recognize those contributors as listed below:

Aloha Utilities, Inc.

Stephen G. Watford, President Tom Pound, Utility Director Charles Painter, Water System Lead Operator Aloha Utilities Staff

David W. Porter, P.E., Consulting Engineer

Project Executive Project Representative Field Work Coordination Project Assistance

Project Team Leader Environmental Engineering

Civil Engineering Associates, Inc., Consulting Engine	eers
Dale Ernsberger, P.E,	Civil Engineering
Don Fenderson	Civil Engineering Technician

David N. Gomberg, Ph.D., P.G.

Robert P. Carnahan, Ph.D., P.E., DEE Miles Beamguard, E.I.

Hydrology

Water Chemistry/RO Treatment Expert RO Treatment Conceptual Design and Conceptual Cost Estimation

Cronin, Nixon, Jackson & Wilson Certified Public Accounts, P.A. Robert C. Nixon, C.P.A.

Rose, Sundstrom & Bentley, LLP

F. Marshall Deterding, Esq. John Wharton, Esq.

Short Environmental Laboratories, Inc.

Bruce Cummings David Murto Erin McCarta

Fourqurean Well Drilling

Dennis Fourqurean

Assistance With Water Cost Analysis

Report Review and Comment Report Review and Comment

Water Analysis Leader Water Chemist Water Sampling

Exploratory Drilling and Well Construction

Florida Department of Environmental Protection

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Cindy Zhang-Torres	Industrial Waste Permitting
Judy Richtar	Underground Injection Control Program
,	Manager
Charles Kovach	Surface Water Disposal Environmental
	Manager
Lori Pillsbury	Surface Water Disposal Environmental
-	Specialist
Tommy Oneal	Surface Water Disposal Environmental
	Specialist
Cynthia Craciun	Industrial Wastewater Secretary
	Specialist
Melissa Gunter	Surface Water Disposal Environmental
	Specialist
leff Greenwell	Potable Water Program Manager
Michael Hatcher	Industrial Wastewater Section
	Professional Engineer
Leslee Williams Ph D	Wastewater Compliance Evaluation
Lesite minute, i n.e	Section Environmental Specialist
	Seeden Zhennen Speedaner
Southwest Florida Water Management District	
John Parker, P.G.	Hydrology Work Product Review
Stephen DeSmith, P.G.	Hydrology Work Product Review

Progress Energy

Michael L. Shrader, QEP Richard Haup

Tampa Bay Water Michael Coates, P.G. Coordination with Progress Energy Coordination with Progress Energy

Coordination with Tampa Bay Water Cooling Water Canal Water Quality Data Provision

Numerous Equipment Supply Representatives

Too numerous to list individually here, however, the project team greatly appreciates the assistance they all provided in developing the conceptual cost data! Conceptual Unit Cost Prices

Chapter 2 – Water Supply Requirement Projections

A. Present and Historical Water Demands

Annual average daily demand (AADD) for source water at the Aloha Utilities, Inc. Seven Springs Water System over the period 1996 through 2002 is presented in Table 2-1. Presently, source water demand is approximately 3 MGD (AADD).

Maximum daily water demand (MDD) is estimated by multiplying the annual average daily demand by a factor of 1.7. Based on this calculation, the present maximum daily water demand is approximately 5.1 MGD.

B. Projected Water Demands

Projecting water demands is a very difficult task when water systems are growing at variable and/or rapid rates. In addition, if demographic shifts are taking place while variable and/or rapid growth is occurring, projecting water demands becomes much more difficult.

If one utilizes linear regression of historical water demands when rapid growth and/or demographic changes are anticipated, the resulting projection may greatly underestimate the true future water demands that will be placed on the system.

Projected water demands for the Seven Springs Water System, based on linear regression of the data in Table 2-1 is presented in Figure 2-1. This projection method assumes that the historical growth in water demand is representative of future growth in water demand. Based on this projection method, the estimated system water demand for the year the RO system may begin providing water to the system (approximately 2010) is 4.02 MGD (AADD). The estimated maximum daily demand for water would then be 6.83 MGD. As stated earlier, this estimate may, and most likely is, lower than will be experienced for a number of reasons as discussed below.

Another method of estimating future water demand is to estimate the number of future connections remaining to be added to the vacant land in the service area of each type of customer (i.e., residential, commercial, etc.). Once the estimated number of additional connections is determined, a water demand is applied to the estimated number of future connections of each customer type. The resulting demands, summed together, provide an estimate of the additional quantity of water that will be demanded at buildout of the system. When this value is added to the existing water demand, the total average daily water demand at buildout is calculated.

Table 2-2 presents an analysis of future water demands based on the remaining service area available for development for each customer type. This analysis shows that, at buildout, an additional daily demand of 2.9 MGD (AADD) will be experienced. Since the existing water demand is 3 MGD (AADD) the annual average daily water demand is estimated at 5.9 MGD

(AADD). The estimated maximum daily water demand would then be 10 MGD. When using this projection method, one needs to estimate when buildout will occur to determine when these water demands will be experienced.

As can be seen from Table 2-2, a number of the projected units to be constructed are part of land developments which currently exist and where homes and commercial buildings are now being constructed. One can expect that these units will be constructed within a short time period, say over the next five years. A number of units are part of a proposed development that has been approved and the infrastructure is under construction but homes have not yet begun to be constructed. Again, it is prudent to assume that these homes will be constructed in a short time period, say over the next five years. Estimating when the remainder of the commercial and residential properties will develop should be based on the level of development occurring in the area overall, the desirability of the properties available for development, the availability of essential services (roads, water, sewer, schools, hospitals, recreation facilities, shopping centers, etc.) in the area, and the overall economic condition of the area (job availability, etc.).

The relocation and widening of State Road 54 is well underway and will be completed before a new RO facility can be completed and be placed into service. This is the major access roadway into and out of Aloha's Seven Springs Service Area. As sections of this project are completed, one can logically assume that land development activity in the area will rise to levels even greater than the levels that exist in the general area at present. New schools, hospitals, recreational facilities, shopping centers, and other facilities necessary to fuel rapid growth have been constructed in the area, adding additional validity to the assumption that rapid growth will occur as the SR54 project is completed.

Therefore, assuming that development of the remaining service area occurs at a pace greater than that experienced previously, the water demands to be experienced by the year 2010 will exceed the 4 MGD (AADD) and 6.8 (MDD) projected by linear projection of historical data, by how much is uncertain. However, if it is assumed that the future build-out water demands of 5.9 MGD (AADF) and 10 MGD (MDD) will be realized by 2013, a conservative estimate of water demands that will be experienced at the time the RO system will begin providing water (2010) is 5 MGD (AADD) and 8.5 MGD (MDD). These demands were calculated by taking 7/10 (2010-2003/10) of the total future additional water demand projected (2.9 MGD (AADD)) and adding this portion of the future total water demand to the existing water demand being experienced in 2003 (3 MGD (AADD)) to obtain 5 MGD total water demand in 2010.

It is important to utilize conservative water demand estimates for the development of projected conceptual infrastructure needs and the resulting costs because, if lower values are utilized in the analysis, and the actual higher values materialize, the facilities conceptually designed will not be of sufficient size to supply the needed water to meet actual demands. Also, the assessment of the likelihood that certain necessary permits, crucial to the overall feasibility of the project (such as water use permits, surface water disposal permits for concentrate, etc.) could be compromised if lower water demands than actually encountered are used during the conceptual feasibility analysis. This could easily lead to the assumption that the project is feasible when, in fact, it is not.

Table 2-1

Aloha Utilities - Pumped and Purchased Water From SWFWMD Annual Water Use Survey Reports October 1997 - September 2002

Report Period	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
October	72.667	80.575	88.231	89.599	111.320	96.841
November	77.761	71.301	87.920	88.619	99.478	98.652
December	69.024	57.942	81.938	87.503	95.640	95.900
January	73.696	59.580	75.242	82.016	60.642	86.366
February	71.912	52.311	86.070	89.362	104.916	78.594
March	83.570	64.507	103.642	100.940	90.147	102.648
April	72.507	93.824	110.684	99.754	99.027	106.567
May	84.993	107.166	112.986	121.282	122.389	124.444
June	85.108	112.670	87.984	111.022	93.487	91.265
July	76.240	91.875	85.313	81.942	71.408	75.278
August	79.665 .	83.497	94.911	81.280	90.955	76.407
September	93.218	65.074	82.063	73.527	85.253	72.244
Required, Annual	940	940	1,097	1,107	1,125	1,105

Notes: All values in MG



Table 2-2	
Future Water Demand Proje	ection

						Estimated	Total	Units			Ave. Daily
Item					Proposed	*Unit	Units	in	Units	Unit	Flow
No.	Folio Number	S/T/R	Development	Acreage	Use	Density	Allowed	Service	Remaining	Flow	(GPD)
1	00800-0000	13/26/16	Villa Del Rio(1-4)	13.6	Villa		384.0	303.0	81.0	500.0	40,500
2	00100-0010	13/26/16	Riverchase	80.2	SF		266.0	0.0	266.0	300.0	79,800
3	00100-0116	13/26/16	North of Amazon	41.5	SF		106.0	0.0	106.0	500.0	53,000
4	00100-0015	13/26/15	South of Alvernon	14.0	SF		12.0	0.0	12.0	500.0	6,000
5		14/26/16	Park Lakes Unit 1		SF		41.0	16.0	25.0	500.0	12,500
6		14/26/16	Park lakes Unit 2		SF		41.0	39.0	2.0	500.0	1,000
7	00100-0020	14/26/16		2.5	Comm				2.5	1200	3,000
8	00100-0030	14/26/16		2.3	SF	4.0	9.2	0.0	9.2	500.0	4,600
9	00100-0000	14/26/16		0.5	Comm				0.5	1200	600
10	00200-0090	14/26/16		10.2	Comm				10.2	1200	12,240
11	00300-0010	14/26/16		2.0	Villa	12.0	24.0		24.0	300	7,200
12	00400-0020	14/26/16		1.0	Comm				1.0	1200	1,200
13	00300-0039	14/26/16		2.5	Comm				2.5	1200	3,000
14	00200-0030	14/26/16		1.5	Comm				1.5	1200	1,800
15	00200-0010	15/26/16		1.4	Comm				1.4	1200	1,680
16	00100-0100	15/26/16		15.4	Comm				15.4	1200	18,480
17		21/26/16	Plantation		SF		20.0	11.0	9.0	500.0	4,500
18	01000-0032	23/26/16		16.1	SF	6.0			6.0	500.0	3,000
19		23/26/16	Hunting Creek		SF		250.0	31.0	219.0	500.0	109,500
20	01000-0031	23/26/16		11.1	SF	2.0			22.2	500.0	11,100
21	00700-0000	23/26/16		15.0	SF	3.0			45.0	500.0	22,500

22	00600-0000	23/26/16		14.1	MF	8.0			112.8	300.0	33,840
23	0100-0030	23/26/16		15.0	Comm				15.0	1200	18,000
24	01600-0000	23/26/16		20.0	MF	12.0			120.0	300.0	36,000
25	01400-0000	23/26/16		2.3	SF	3.5			3.5	500.0	1,750
26	01000-0030	23/26/16	Tractor Supply	10.0	Comm				10.0	1200	12,000
27	01400-0030	23/26/16		2.2	MF	12.6			27.7	300.0	8,316
28	01300-0000	23/26/16		32.4	SF	3.5			113.4	500.0	56,700
29	01200-0013	23/26/16		11.5	SF	3.5			40.3	500.0	20,125
30	01200-0000	23/26/16		48.7	SF	3.5			170.5	500.0	85,225
31	01200-0050	23/26/16		27.9	MF	8.0			223.2	300.0	66,960
32	00100-0031	26/26/16		64.0	Comm				64.0	1200	76,800
33	00400-0000	26/26/16		47.0	ACLF	5.1			239.7	500.0	119,850
34	00500-0000	26/26/16		20.0	MF	12.0			240.0	300.0	72,000
35	00100-0034	26/26/16		19.4	HOSP	5.1			98.9	500.0	49,470
36	00100-0030	26/26/16		6.7	Comm				6.7	1200	8,040
37	00300-0000	26/26/16		9.0	Comm				9.0	1200	10,800
38	00500-0020	26/26/16		90.3	SF	3.4			307.0	500.0	153,510
39	00100-0010	26/26/16		33.7	SF	4.2			141.5	500.0	70,770
40	00100-0000	26/26/16		81.8	SF	3.0			245.4	500.0	122,700
41	00100-0012	26/26/16		3.9	Comm				3.9	1200	4,680
42	00100-0011	26/26/16		48.8	SF	4.2			205.0	500.0	102,480
43		27/26/16	Ross Tract		SF		218.0	0.0	218.0	500.0	109,000
44		27/26/16	Briar patch 1		Villa	4.0	75.0	65.0	10.0	300.0	3,000
45		27/26/16	Briar patch 2		Villa	4.2	79.0	0.0	79.0	300.0	23,700
46	00300-0000	27/26/16	Briar patch 3		Villa	4.2	76.0	0.0	76.0	300.0	22,800
47	00100-0040	27/26/16		18.9	MF	12.0			226.8	300.0	68,040
48	00100-0063	27/26/16		14.1	Comm				14.1	1200	16,920
49	00100-0061	27/26/16		11.8	Villa	8.0	94.4	0.0	94.4	300.0	28,320
50	00100-0076	28/26/16		5.6	Comm				5.6	1200	6,720
51	00200-0050	29/26/17	SR54 Comm	21.7	Comm				21.7	1200	26,040

52	00600-0000	29/26/17		53.1	LI				53.1	1200.0	63,720
53	0010-00000	29/26/17		6.0	Comm				6.0	1200	7,200
54	0020-00000	29/26/17		40.0	Comm				40.0	1200	48,000
55	00100-0022	30/26/17		6.0	Comm				6.0	1200	7,200
56	00600-0000	30/26/17		15.5	Comm				15.5	1200	18,600
57	00400-0000	30/26/17		7.6	Comm				7.6	1200	9,120
58	00400-0010	30/26/17		7.7	Comm				7.7	1200	9,240
59		33/26/16	Reserve at Oakridge		SF		27.0	16.0	11.0	500.0	5,500
60		34/26/16	Village at Wyndtree		MF		288.0	144.0	144.0	300.0	43,200
61		34/26/16	Sabal At Wyndtree		TH		61.0	0.0	61.0	300.0	18,300
62	00100-0000	34/26/16		11.7	MF	12.0	140.4	0.0	140.4	300.0	42,120
63	00100-0011	34/26/16	Cypress Walk	3.0	Comm				3.0	1200	3,600
64	00100-0021	34/26/16		15.1	MF	8.0	120.8		120.8	300.0	36,240
65	00100-0130	34/26/16		7.4	Comm				7.4	1200	8,880
66	00100-0090	34/26/16		4.4	Comm				4.4	1200	5,280
67	00400-0090	34/26/16	Cornerstone		Comm		0.3	0.0	0.3	1200	360
68	00100-00A0	34/26/16		7.2	Comm				7.2	1200	8,640
69	00500-0050	34/26/16		1.7	Comm				1.7	1200	2,040
70	00500-0040	34/26/16		1.7	Comm				1.7	1200	2,040
71	00500-0030	35/26/16		2.7	Comm				2.7	1200	3,240
72	00100-0010	35/26/16		15.2	Comm				15.2	1200	18,240
73	00100-0050	35/26/16		5.3	Comm				5.3	1200	6,360
74		35/26/16	1000 OAKS WEST		Villa		148.0	116.0	32.0	300.0	9,600
75		35/26/16	1000 OAKS WEST		SF		192.0	164.0	28.0	500.0	14,000
76		35/26/16	1000 OAKS WEST		SF		147.0	0.0	147.0	500.0	73,500
77	00500-0120	35/26/16		10.6	Comm				10.6	1200	12,720
78	00500-0121	35/26/16		1.7	Comm				1.7	1200	2,040
79	00500-0070	35/26/16		27.5	Comm				27.5	1200	33,000
80	00500-0080	35/26/16		7.0	Comm				7.0	1200	8,400
81		36/26/16	1000 OAKS EAST		SF		299.0	0.0	299.0	500.0	149,500

82	00300-0100	36/26/16	First Christian Church	28.7	School				1.0	10000	10,000
83	00500-0120	36/26/16	Commmercial	9.4	Comm				9.4	1200	11,280
84	00500-0121	36/26/16		34.6	SF	5.0	173.0	0	173.0	500	86,500
85	00500-0070	36/26/16		11.9	Comm				11.9	1200	14,280
86	00500-0080	36/26/16		13.7	Comm				13.7	1200	16,440
87		36/26/16		10.1	Comm				10.1	1200	12,120
88		36/26/16	FOXWOOD	Phase 1	SF		171	152	19.0	500	9,500
89		31/26/17	FOXWOOD	Phase 2	SF		96	94	2.0	500	1,000
90		31/26/17	FOXWOOD	Phase 3	SF		95	84	11.0	500	5,500
91		31/26/17	FOXWOOD	Phase 5	SF		246	240	6.0	500	3,000
92	00300-0010	31/26/17	FOX HOLLOW	Phase 5	SF		89	0	89.0	500	44,500
93		31/26/17	FOX HOLLOW	Phase 4	SF		64	35	29.0	500	14,500
94		31/26/17	FOX HOLLOW	Phase 3	SF		76	0	76.0	500	38,000
95		31/26/17	FOX HOLLOW	AGJJY	SF		69	0	69.0	500	34,500
96		31/26/17	FOX HOLLOW	D	SF		55	0	55.0	500	27,500
97		31/26/17	FOX HOLLOW	CU	SF		50	0	50.0	500	25,000
98		31/26/17	FOX HOLLOW	KPQZ	SF		117	0	117.0	500	58,500

Totals

5961.4

2,913,756

C. Existing Water Sources

Presently, Aloha obtains its source water from eight wells. As discussed earlier, the SWFWMD permitted water withdrawals from these wells total 2.04 MGD based on annual average daily withdrawal and 2.47 MGD based on maximum monthly average daily withdrawal. For the purposes of this study, we have assumed that the maximum daily demand that can be supplied by these facilities is 3 MGD.

An emergency interconnect with Pasco County's water system presently exists. The purpose of the feasibility study is to determine if a "stand-alone" water system (free from the need for County water to meet annual average daily demands and maximum daily demands can be feasibility developed. Therefore, for the purposes of this study the Pasco County interconnect will not be considered in determining existing system supply capacity.

D. New Water Source Requirements

Based on the total future water demand projections discussed above, it is projected that at the time the RO facility is estimated to become operational (2010), an additional water supply capacity of approximately 3 MGD (AADD) [5.04 MGD Demand – 2.04 MGD Current WUP Limitation] will be required to supplement the existing system supply. At buildout (estimated to be 2013), additional water supply capacity of 3.9 MGD (AADD) will be required to supplement the existing system water demand of 5.9 MGD (AADD). These additional quantities of water represent only that needed to deliver water to the water system at annual average daily demands. In reality, the system must be able to meet the maximum daily demand for water which requires that a greater quantity of water be deliverable than that shown above.

As is discussed in Chapter 4, Subsection B, the RO system must be capable of providing 5 MGD of treated water to the water system to meet maximum daily demands at system build-out. As discussed in Attachment 2, RO Treatment System Report, the RO treatment system will require 6.75 MGD of raw water to produce 5 MGD of finished water, as 1.75 MGD of the raw water will be rejected as concentrate from the treatment process.

Therefore, the new wells must supply at least 6.75 MGD of brackish water to meet maximum day demand based process needs of the treatment system at build-out of the Seven Springs Water System.

Chapter 3 – New Raw Water Sources

A. Overview

Twelve new well sites will be developed to provide the water necessary to meet the near-term and long-term water supply needs of the Utility. It is anticipated that when the system is fully operational and producing water to meet maximum daily demands at build-out, nine of these wells will be operating simultaneously to meet projected maximum daily demand. Three of the wells will be used for well rotation and back-up. We estimate that 6.75 MGD of raw water will be required to meet the supplemental maximum daily finished water demand when the Seven Springs Service Area is built-out (2013). At service area build-out, 5.2 MGD of raw water will be required for the treatment facility to produce the 3.9 MGD supplemental finished water quantity needed to meet annual average daily water demand.

B. Hydrology Report

A detailed hydrology report is provided in Attachment 1 to this report. The information presented in this report will not be repeated here. Please see the report for detailed information concerning the hydrology study completed as part of this project.

C. Well System Description and Features

A detailed civil engineering report is provided in Attachment 3 to this report. The information presented in this report will not be repeated here. Please see the report for detailed conceptual information concerning the location of the wells, well site layouts and descriptions, design of appurtenances and estimated costs.

Chapter 4 – RO Treatment and Appurtenances

A. Overview

The RO treatment system will be capable of producing up to 5 MGD of finished water. This quantity of water will provide all the supplemental water needed to meet annual average daily and maximum daily finished water demands when the facility is first put into service in 2010 and at service area build-out in 2013. The conceptual facility start-up date is beyond that anticipated in the Consent Order. See Chapter 9, Section A, Subsection 5 for more information concerning schedule changes required. A flow diagram for the conceptual treatment system and appurtenances can be found in Attachment 3, Civil Engineering Report, as Figure 1.

B. Overall Conceptual Sizing of RO Facilities and Appurtenances

Should a new RO facility be constructed, it must provide the quantity of supplemental capacity required when the Seven Springs Water System Service Area is at build-out as well as when the proposed facilities first go on-line. Therefore, all system components will be sized for the build-out condition. When sizing water supply facilities, one evaluates the annual average daily supply needs that must be met by the proposed facilities as well as the maximum daily supply requirements.

As discussed in Chapter 2, at system build-out in 2013, an annual average daily demand of 5.9 MGD is projected for the entire Seven Springs Water System. Since the existing system can provide 2.04 MGD annual average daily demand, the proposed facilities must provide approximately 3.9 MGD (AADD) capacity. At build-out the maximum daily demand is estimated at 10 MGD.

When determining the sizing of the facilities needed to supply maximum daily demands, it is assumed that two maximum demand days can occur back-to back. This is a reasonable and conservative approach. Therefore, the proposed RO system must to be capable of supplying 20 MG over a two-day period (10 MGD for each of two days). When calculating the size of the facilities needed to meet this demand, system storage is taken into account as it may (and should) be available at the start of the two-day event. However, since at the end of the first day, the storage tanks contents will have been partially used (to meet the first day maximum demand) the system must be capable of meeting the second day maximum demand with only the remainder of the original storage volume. Since the existing system can provide 3 MGD of water (over each of the two maximum demand days) and has 0.5 MG of existing bulk storage capacity, the existing system can provide 6.5 MG of the 20 MG needed to meet the two-day maximum daily water demand. The RO system must therefore supply the remaining 13.5 MG of water needed to meet the two-day demand. As will be discussed later in this Chapter, 4 MG of storage is provided with the RO system. This leaves 9.5 MG of water that must be supplied to the system over the two-day period by the RO treatment units. Therefore, the RO treatment system must provide a minimum of 4.75 MGD, each of the two days, to meet the maximum daily water demand a service area buildout. Since fire flows may also be required during a period of maximum daily demand, 5 MGD will be utilized as the RO treatment size requirement.

C. Sizing of Individual RO Treatment System and Appurtenances

When the facility first goes on-line, it is estimated that it will be operate at 77 percent of its 3.9 MGD annual average daily water production capacity, however, within three years, it is estimated that the service area will be built-out. This will cause the facility to operate at 100 percent of its annual average daily water production capacity.

D. Conceptual Descriptions of Major Components and Process Units

A flow diagram, graphically showing the facilities discussed here, is provided in Attachment 3 – Civil Engineering Report. Please refer to that diagram when reading this section.

The well field will consist of 12 individual well sites. Each site will include two wells. One of the wells will withdraw water, at approximately 400 gallons per minute (gpm), from a lower zone that contains higher levels of total dissolved solids (TDS). The second well will withdraw water, at approximately 150 gpm, from a higher zone that contains lower levels of TDS. Sodium bisulfite will be injected into the flow stream from each of the well pumps prior to the discharge of the water into a raw water blending tank. Water from the blending tank will be pumped, via a raw water transfer pump to the raw water transmission main. The purpose of the sodium bisulfite injection is to minimize the transfer of oxygen to the water and minimize the conversion of ferrous iron to ferric iron. At maximum plant capacity (5 MGD treated water), 9 of the well systems will be required, leaving 3 for back-up and well rotation use.

The combined flows of raw water from all the wells will flow to the RO treatment facility via the raw water transmission main. At the RO facility, raw water will flow into a 1 MG raw water storage tank. The purpose of the raw water tank is to allow for variations in the demand for water from the downstream processes, blend the raw waters from the various wells and to allow for the wells to be pumped at more consistent flow rates.

Scale inhibitor chemical is fed into the raw water as it is pumped by the raw water feed pumps (variable frequency drive (VFD) controlled) to cartridge filters. The purpose of the cartridge filters is to remove any fine debris that may be in the raw water that could foul the RO membranes. After cartridge filtration, the raw water passes to the RO Membrane Skids. These skids include high pressure pumps, the membranes and all the appurtenant equipment, controls, valves, meters, pressure sensors, etc. required for the operation of the RO treatment process. The selection of pre-engineered skids for the use in this conceptual design was based on economics and ease of installation. The RO treatment system will include a "clean in place" system that will be periodically used to clean the membranes. The cleaning waste must be either disposed of by discharge to the local municipal sewer system (Pasco County), or, it will need to be transported to another treatment facility via truck transport.

Permeate (treated water) and Concentrate (waste) from the RO treatment skids is further treated and transported either to storage and distribution (permeate) or disposal (concentrate).

The permeate leaves the RO treatment skids and is passed to a degassifier. This device removes hydrogen sulfide which is present in the raw water. The RO process will not remove much of the hydrogen sulfide present in the raw water as it passes through the membranes therefore, it must be removed prior to the distribution of the water to customers. After degassification, the treated water is pumped via a transfer pump to a finished water transfer/storage tank. The finished water transfer/storage tank is provided to allow the RO treatment system to operate independently of the demand for water in the distribution system. RO treatment systems do not operate effectively in on-off mode and are most economical when the process can run continuously.

Sodium hypochlorite and ammonia are added to disinfect the treated water as it leaves the transfer/storage tank and is pumped via transfer pumps to the remote storage and high service pumping facility. This remote water storage tank will be located in the heart of the Seven Springs Water System Service Area to facilitate the distribution of the treated water where it is required. Treated water from existing Seven Springs Water System Wells 8 and 9 will also be sent to this tank. The treated water from Wells 8 and 9 will provide alkalinity and other chemical constituents that will be beneficial to the RO treated water. At this tank, the blended water (RO treated water and that from Wells 8 and 9) will be injected with additional sodium hypochlorite and ammonia prior to the distribution of the water to customers via new high-service pumps.

This completes the description of the process steps for the treated water.

The concentrate created in the RO treatment process first passes to a pair of 1.75 MG concentrate water storage tanks. The purpose of these tanks is to allow the RO treatment process to operate independent of any minor concentrate disposal rate fluctuations. In addition, the concentrate disposal storage tanks will allow the RO facility to continue operation should a minor problem occur requiring the shutdown of the concentrate disposal system for a period of up to approximately 36 hours to 48 hours.

The concentrate will contain iron, sulfide and possibly a number of other constituents that may not be suitable to allow discharge of the concentrate to surface water for disposal. Therefore, the conceptual design includes treatment processes to enable iron and sulfide concentrations to be reduced. Concentrate is pumped from the concentrate storage tanks to a set of three pressure filters. Prior to the water entering these filters, sodium hypochlorite is injected into the concentrate stream. The purpose of the sodium hypochlorite is to oxidize the ferrous iron to ferric iron. Ferrous iron is dissolved in the water and can not be removed by filtration. Iron in the Ferric form can be removed by filtration from the water. As the iron builds up on the filter, it will eventually have to be removed by backwashing the filters. This backwash water will contain iron and some oxidized sulfide (elemental sulfur). The backwash will be sent to a thickener where the iron sludge will be concentrated and removed. This sludge will be transported off-site for disposal by a licensed sludge transport and disposal contractor The overflow from the concentrate thickener will be slowly returned to the concentrate stream ahead of the filters for eventual disposal as concentrate.

After filtration, the concentrate will pass, via transfer pumps, to a concentrate disinfection tank. Sodium hypochlorite will be added to the water as it passes from the filter to the disinfection tank

so that disinfection of any pathogens can be accomplished. After disinfection, the concentrate will pass to a dechlorination tank. Sodium bisulfite will be added to the concentrate as it passes from the disinfection tank to the dechlorination tank. The sodium bisulfite will react with any remaining chlorine reducing the chlorine levels below 0.01 mg/L as required by FDEP rule for surface water discharges.

After dechlorination, the concentrate will pass through a concentrate degassifier. The purpose of this degassifier is to remove any remaining hydrogen sulfide present and to aerate the water prior to surface water discharge (required by FDEP rule).

Treated concentrate will pass to the cooling water outfall canal via transfer pumps. At the canal, a dilution water pumping station will pump canal water from an upstream location and blend this dilution water with the treated concentrate to generate a resulting water blend that will be suitable to discharge into the Anclote Power Station cooling water canal. The blended water will be discharged to the canal via a multi-port diffuser to insure rapid and complete intermixing of the concentrate and the water flowing through the canal.

After degassification of both the treated and concentrate waters, hydrogen sulfide laden air will be released from the degassifier as this constituent is removed from the water. The hydrogen sulfide must be removed from the air prior to its release into the atmosphere. One method for accomplishing this is to install air to water scrubbers on the outlet air line and disposal of the resultant waste into a sewer system. Aloha does not operate a wastewater plant which is located in the proposed RO plant location, therefore, there is no location to dispose of this scrubber waste. A second, and more costly, method must be used to remove the hydrogen sulfide from the degassifier outlet air stream. Activate Carbon air purifiers have been utilized in the conceptual design of this facility. In this process, the hydrogen sulfide laden air is passed though large canisters of activated carbon with adsorbs the hydrogen sulfide. Eventually, enough hydrogen sulfide is adsorbed onto the available carbon in the canister and the carbon will need to be removed and new carbon added. The carbon is removed from the site and regenerated by a service company who supplies the new carbon.

In addition to the equipment and processes discussed above, numerous flow meters, on-line chemical analyzers, control valves, VFD drives and other similar items will be provided. A SCADA system will be provided that will allow for the monitoring and/or control of major process units, control valves, meters, chemical analyzers, VFD pump controllers, etc. Attachment 2, RO Treatment Report, provides a detailed report that discusses the studies undertaken to determine RO equipment and appurtenances sizing. In addition, this report provides detailed data on each process unit and its recommended sizing. Please refer to that report for detailed information concerning the RO treatment process sizing and specification.

Attachment 3, Civil Engineering Report, discusses the remainder of the RO system components (such as wells, raw water piping, raw water storage and transfer, permeate storage and transfer, concentrate storage and transfer, concentrate blending and disposal facilities, finished water remote storage and high-service pumping, controls, monitoring equipment, SCADA system, etc.). Please refer to that report for detailed information concerning the RO treatment system appurtenances sizing and specification.

E. Backup Finished Water Supply Requirement

When this facility is permitted, FDEP rule requirements at the time of permit application submittal will need to be met for the entire Seven Springs Water System. This may require the upgrade of existing facilities. Any such upgrades have not been provided for here as new rules, not currently promulgated, may be enacted after the date of this report preparation and before a permit application is submitted for this project.

One requirement that be met is that a backup supply of water must be available to meet water system demands should the largest system component go out of service due to failure or some other cause.

The RO facility proposed will include only one means of concentrate disposal – to surface water. No other means of concentrate disposal is feasible for this facility. The conceptual design of the RO facilities includes two days of concentrate storage that will allow for minor periods (1.5 to 2 days) when the concentrate disposal system may be down for service, repair or disruption. However, there may be prolonged periods when the concentrate disposal system may not be available for use. As described in detail in Chapter 5 of this report, substantial dilution of the concentrate into the cooling water passing through the Progress Energy Anclote Power Station cooling water canal will be required. During periods when the power station is not in operation, or the flow of water through the cooling water canal is below required dilution minimums, the RO treatment facility will be required to shut-down. During these periods a back-up source of water, equal to the capacity of the RO system (5 MGD for maximum daily demands) must be available.

It is assumed that a system interconnect with Pasco County, or some other utility, will be available to meet the 5 MGD water demand when the RO treatment system is put into service. No provision has been made in this report to provide the necessary hardware required or determine if the necessary agreements can be obtained for such an interconnect. No costs have been estimated or included for any equipment, agreements, right-to-take costs, water costs, or any other cost required to develop and/or operate such an interconnect.

F. Disposal of Filter Backwash Solids and Membrane Cleaning Wastes

It has been assumed that filter backwash solids (mainly composed of iron) will be thickened and transported via truck (by sludge contractor) to the Pasco County solids treatment and disposal facilities.

It has been assumed that RO membrane cleaning waste will be disposed of by discharge to the Pasco County wastewater treatment facilities via a wastewater pumping station that currently exists at the proposed RO facility site.

Chapter 5 – Concentrate Disposal

A. Overview

Concentrate disposal is one of the most complex and difficult problems to deal with when any RO project feasibility is studied. A substantial amount of effort has been expended on this one issue due to this complexity.

This Chapter presents the concentrate disposal options evaluated and the outcome of those evaluations.

B. Concentrate Disposal Options Considered

A number of conceptual disposal options were identified. They include:

- 1. Disposal into influent stream at existing Seven Springs WWTP
- 2. Co-disposal with reuse water at existing Seven Springs WWTP
- 3. Deep Well Injection
- 4. Surface water discharge into nearby water body
- 5. Disposal as raw water feed at proposed Tampa Bay Water Anclote RO plant
- 6. Co-disposal with concentrate produced at proposed Tampa Bay Water Anclote RO plant
- 7. Co-disposal with cooling water discharged at the Progress Energy Anclote Power Station

Each of these options is discussed further below.

C. Disposal Into Influent Stream at Existing Seven Springs WWTP

The existing Seven Springs WWTP is rated for 1.6 MGD (AADF). It produces public access reuse water that is delivered to customers throughout the Seven Springs Service Area. Currently the existing facility is receiving approximately 1.4 MGD (AADF) of raw wastewater. Another expansion is currently being permitted with the FDEP. This expansion will increase the capacity of the facility to 2.1 MGD (AADF). It is projected that this capacity will be fully utilized within five years.

It is estimated that the RO facility will produce 1.75 MGD of concentrate when the facility is producing 5 MGD of finished water (to meet maximum daily demand).

Neither the existing, nor the proposed expanded WWTP is of sufficient size to take any concentrate water into the influent stream. Therefore, this option is considered unfeasible.

D. Co-disposal With Reuse Water at Existing Seven Springs WWTP

These existing Seven Springs WWTP reuse customers include individual homeowners, commercial establishments (such as WalMart, etc.) and golf courses. Each of these customers utilize this reuse water for irrigation purposes.

The existing reuse system is permitted at 3.18 MGD (AADF). This capacity is just sufficient to provide the minimum reuse capacity required for a WWTP rated for 2.1 MGD (reuse capacity must be 1.5 times the treatment capacity, or 3.15 MGD in this case).

There are two reasons why this option is considered unfeasible. First, there is no reuse system capacity available to allow the co-disposal of the concentrate water with the reuse water. Second, the high salt content of the concentrate water would render the reuse water unfit for use on golf course turf at the high concentrate to reuse water mix ratio that would occur.

E. Deep Well Injection

Our study team members scheduled and attended a formal meeting with FDEP staff on March 19, 2003 to discuss the concentrate disposal options which were under study (as listed above). The FDEP staff member which attended this meeting included:

Yanisa Angulo/Program Manager - Industrial Waste Cindy Zhang-Torres/Professional Engineer, Industrial Waste Permitting Judy Richtar/Program Manager - Underground Injection Control Charles Kovach/Environmental Manager – Surface Water Disposal) Melissa Gunter/Environmental Specialist - Surface Water Disposal Jeff Greenwell/Program Manager - Potable Water

The purpose of the meeting was to solicit the FDEP staff input on the overall feasibility of each of the options.

Underground injection of concentrate was discussed. Members of our team asked Judy Richtar a number of questions related to how the permitting process would be undertaken for an underground injection concentrate disposal well. The permitting process, to a large extent, would be dependent on the geology of the formation in which the injection would take place, the quality of the water found in the formation and the chemical makeup of the concentrate to be disposed-of. Basically, two types of wells may be used for UI (underground injection) of concentrate in this area; Class 1 and Class 5. The FDEP rules provide detailed information, which defines these two well types and under what conditions they can be utilized.

A substantial quantity of important information was provided by the FDEP at the meeting related to permitting of UI of concentrate. The permitting process requires a period of well demonstration operation under a temporary operating permit before a final operating permit will be issued. This is a serious issue since it essentially requires that the RO plant be constructed and operated for a period of approximately 1 to 2 years to provide the necessary concentrate to test the well. If the well is shown to not meet FDEP requirements during the demonstration phase, an injection well operating permit will not be granted, potentially resulting in a forced shut-down of the new RO facilities. Based on the permitting requirements any utility considering UI would assume substantial risk should it choose UI as its means of concentrate disposal.

Several other points to note regarding UI of concentrate were discussed:

- 1. It takes 6-10 months to obtain the necessary SWFWMD and FDEP permits to construct an exploratory well to enable proper identification of the geology and hydrology for a location where one is considering utilizing UI.
- 2. UI test well projects for both Clearwater East WWTP and Pinellas North WWTP both failed to find confining layers suitable for UI and the use of UI had to be abandoned.
- 3. Judy Richtar commented that it seems fairly clear that, the farther North along the Florida West coast one goes from the Pinellas County area, the less likely it is that a suitable confining bed above a potential injection zone will be found.
- 4. The use of Class V injection wells require that you meet primary and secondary (to some extent) water quality standards at the wellhead; Class I injection wells need to meet secondary water quality standards, but it was unclear whether one would also need to meet primary standards as well.

We have reviewed a report completed for the City of Oldsmar by Boyle Engineering Corporation in 1998 where the disposal options for RO concentrate was also studied. This study also found that UI was not a feasible option and surface water disposal was chosen as the option to pursue.

Based on our discussions with FDEP we decided to abandon this option due to the apparent lack of the necessary confining zones, the high cost and risk associated with attempting to permit, construct and operate a UI system and the history of failure of other potential UI projects which were proposed for approximately the same area.

F. Surface Water Discharge Into Nearby Natural Water Body

During the meeting with FDEP (discussed above), we reviewed and discussed each of the water bodies located in the vicinity of the proposed RO treatment facility. None of the local natural surface water bodies (canals, streams, etc.) in the area were of sufficient size to enable the discharge of 1.75 MGD of RO concentrate. A receiving stream would need to exhibit high flow rates sufficient to provide the 100 to 1 dilution rates that will be required for disposal of the concentrate. Also, since the concentrate is of high TDS and salinity, a fresh water body would not be a suitable location for a concentrate discharge. Charles Kovach, FDEP's Environmental Manager for Surface Water Disposal stated that, in his option, this option was unfeasible. Therefore, this option was abandoned.

G. Disposal as Raw Water Feed at Proposed Tampa Bay Water Anclote RO Plant

On July 9, 2003 our team met with Michael Shrader and Rick Hauf of Progress Energy to discuss the potential of working with them and Tampa Bay Water on such a project. Mr. Shrader stated that he did not believe that his company would be receptive to any proposal that resulted in the discharge of Aloha's RO concentrate above the existing Anclote Power Station Point of Discharge (POD) located in the existing cooling water canal.

Also, on November 17, 2003 Tampa Bay Water announced that the RO project proposed for construction at the Anclote Power Plant had been shelved. Therefore, this option was abandoned.

H. Co-disposal With Concentrate Produced at Proposed Tampa Bay Water Anclote RO Plant

As stated earlier, on July 9, 2003 our team met with Michael Shrader and Rick Hauf of Progress Energy to discuss the potential of working with them and Tampa Bay Water on such a project. Mr. Shrader stated that he did not believe that his company would be receptive to any proposal that resulted in the discharge of Aloha's RO concentrate above the existing Anclote Power Station Point of Discharge (POD) located in the existing cooling water canal.

Also, on November 17, 2003 Tampa Bay Water announced that the RO project proposed for construction at the Anclote Power Plant had been shelved. Therefore, this option was abandoned.

I. Co-disposal With Cooling Water Discharged at the Progress Energy Anclote Power Station

Figure 5-1 presents a map showing the approximate conceptual location of the concentrate disposal point discussed here.

As stated earlier, a formal meeting was held with FDEP staff on March 19, 2003 to discuss the various concentrate disposal options identified. At this meeting, the one option that the FDEP staff thought was most likely to be able to permitted was this option. Mr. Kovach stated that with the quantity of cooling water present, high concentrate dilution rates would be possible and, therefore, he conceptually believed that a permit could be obtained to discharge 1.75 MGD of concentrate water into the canal. However, he did note that if any unusual constituents were found to be present in the concentrate that were not representative of typical brackish water RO concentrate, or if the concentrate was found to be toxic, then permitting might be difficult and/or costly or not be possible at all. Based on these discussions, a meeting was arranged with Progress Energy personnel to discuss this disposal option.

As stated previously, on July 9, 2003 our team met with Michael Shrader and Rick Hauf of Progress Energy to discuss the potential of working with them and Tampa Bay Water on such a project. Mr. Shrader stated that he did not believe that his company would be receptive to any proposal that resulted in the discharge of Aloha's RO concentrate above Progress Energy's Point of Discharge (POD) located in the existing cooling water canal at the Anclote Power Plant.

However, Mr. Shrader did believe that Progress Energy would consider a proposal that would allow Aloha to discharge its concentrate into the cooling water canal below the existing Anclote Power Station POD providing it did not impact Progress Energy's existing FDEP discharge permit or the operation of the power station.



Figure 5-1 Conceptual Concentrate Disposal Location At Anclote Power Station
Mr. Shrader stated that Aloha would need to prepare a detailed proposal and submit it to Progress Energy to begin formal negotiations between Aloha and Progress Energy to define and develop an agreement that would allow the two utilities to work together on this project. A similar procedure was utilized by Tampa Bay Water and Progress Energy when these two utilities entered into an agreement that may eventually allow Tampa Bay Water to discharge the RO concentrate from a proposed seawater desalination plant into the same cooling water canal.

To finalize an Agreement with Progress Energy, Aloha will need to undertake a number of complex studies to determine what impacts, if any, would result from the discharge to Aloha's concentrate to the cooling water canal. These studies would be the same studies that Aloha will undertake as part of their FDEP permitting efforts for the discharge. The studies would include hydraulic modeling of the canal and the canal discharge at the Anclote Anchorage and toxicity analysis of the concentrate (which will require that a long-term, continuous-flow pilot plant be operated to generate the concentrate needed to conduct the toxicity testing),

When such an application is submitted, FDEP sets-up a Technical Advisory Committee (TAC), made up of representatives from a number of State and Federal Agencies, that act as the permitting team for the project. This TAC would evaluate the application and direct Aloha in completing the necessary studies and request additional information they believe is needed to allow them to judge whether the permit should be issued or not. Prior to the formation of the TAC, it is not possible to determine the exact nature of the studies that will be required. Also, as the work progresses, the results of one study may cause the TAC to request additional studies that were not identified at the beginning of the process.

Once it became clear that Progress Energy would prefer (and most likely require) Aloha to discharge its concentrate below its present Anclote Power Station POD, we arranged and attended a number of meetings with FDEP staff (at both the Southwest District and Tallahassee headquarters office) to continue discussing the overall feasibility of permitting a concentrate discharge below the existing POD for the Anclote Power Station discharge in the cooling water canal.

In order to evaluate the conceptual feasibility of obtaining a the FDEP permit necessary to discharge 1.75 MGD of concentrate below the existing Progress Energy POD in the cooling water canal, three additional pieces of information were needed. The anticipated range of canal water flow was needed to estimate potential dilution rates, the background quality of the water flowing through the cooling water canal, and an estimate of the quality of the concentrate that would be generated by the proposed facilities. This data was needed to determine if State water quality standards would be met with the available dilution water. FDEP rules are explicit regarding the standards and permitting conditions that must be met to allow a permit to be issued for such a surface water discharge. A discussion of these requirements are presented in Chapter 6 - Permitting Overview.

By late October, the treatment process computer simulations, bench-top flat sheet pilot testing and detailed chemical analysis of the raw water from the test wells was completed and the data analyzed. This data was utilized to prepare a conceptual estimate of the quality of the concentrate that would be generated by this facility.

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Through a review of the Anclote Power Station FDEP permitting and monitoring files, a description of the range of cooling water canal flow rates was obtained. From 1997 through 2001 the facility intake volume (which roughly equals the canal flow rate) varied from 243 MGD to 3556 MGD.

As part of an on-going RO project, Tampa Bay Water has conducted a sampling and testing program for canal cooling intake and discharge water from early 2002 through early 2003 (approximately 4 quarterly sampling periods) to determine the canal water chemical characteristics. We contacted PB Water (Tampa Bay Water's consultant) and Tampa Bay Water's project manager (Mike Coates) to request a copy of this data. Review of this testing data indicates that the canal water generally meets Class III Marine criteria.

Table 5-1 presents a conceptual estimate of the concentration of chemical constituents for the RO concentrate. This table also presents the Class III Marine Criteria for Surface Water Quality Classifications that apply to the water flowing through the cooling water canal. As can be seen from the table, the conceptual projections of concentrate chemical constituents indicates that the iron, arsenic, gross alpha and radium 226/228 concentrations of the concentrate will exceed the Class III criteria without dilution. Also, nickel and thallium concentration values are at levels approaching the maximum allowable concentrations without dilution. Therefore, dilution (via a blending water pumping facility and the establishment of a mixing zone) of the concentrate will be required. Provisions have been provided in the conceptual design of the RO treatment facilities to remove a portion of the iron and hydrogen sulfide prior to discharge of the concentrate to minimize the size of the mixing zone required.

A multi-port diffuser will be installed in the canal at the end of the pipeline carrying the blended water. The purpose of the multi-port diffuser is to ensure that the water from the blending facility is intimately mixed into the canal water upon its entry.

As part of the permitting process, an assessment of the toxicity (both acute and chronic) level of the proposed discharge must be completed. If it is found to be toxic, FDEP rules allow for permitting only under very specific conditions. Concentrates from brackish water RO facilities may be found to be toxic due to the balance of chemical ions in this type of waste as it differs from that found in seawater. Current FDEP rules concerning the assessment of toxicity and mitigation methods available to allow permitting to proceed if toxicity is found are very complex, however, if high dilution rates (at least 100 to 1) can be demonstrated, a permit can be issued under specific circumstances. Since the minimum flow expected through the canal is over 175 MGD, there appears to be sufficient dilution water to meet the 100 to 1 dilution requirement. Detailed, site specific, computer hydraulic modeling of the canal and the concentrate flow will be required to be completed as part of the permitting process to demonstrate that this level of dilution can be achieved.

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Table 5 - 1Conceptual Concentrate Chemical Constituents

Constituent	Concentration CIII Mar. Stds.
Arsenic. mg/L	0.055 <=0.050
Nickel, ug/L	0.084 <=0.083
Aluminum, mg/L	0.567 <=1.5
Zinc, mg/L	0.016 <=0.086
Di(2-ethylhexyl)adipate, ug/L	2.705 *
Thallium, mg/L	0.004 <=0.0063
Barium, mg/L	0.14 *
Calcium, mg/L	899 *
lron, mg/L	2.76 <=0.3
Magnesium, mg/L	344 *
Manganese, mg/L	0.14 *
Sodium, mg/L	1782 *
Ammonium, mg/L	1.4 *
Strontium	1.89 *
Chloride, mg/L	2285 <=10% Rise
Fluoride, mg/L	1.92 <=5.0
Bicarbonate, mg/L	500 *
Nitrate, mg/L	1.31 *
Sulfate, mg/L	235 *
Silica, mg/L	30.47 *
Carbonate, mg/L	12.2 *
Carbon Dioxide, mg/L	8.15 *
TDS, mg/L	3763 *
Gross Alpha, pCi/L	44 15 pCi/L
Radium226/228, pCi/L	6.76 5 pCi/L
Sulfide, mg/L	2 *

* No standard or standard based on rule, analysis or existing conditions of receiving water

The State Legislature recently amended Chapter 403 of the Florida Statutes to enable the issuance of a discharge permit, under very specific conditions, for the disposal of a concentrate found to be toxic due to the presence of constituents naturally occurring in the source water, limited to calcium, potassium, sodium, magnesium, chloride, bromide, and other constituents designated by the FDEP. These are the constituents that are often responsible for ion imbalance related toxicity. The FDEP is currently in the process of writing a rule to implement this legislation, however, it may be some time before this rule will be promulgated.

With all this data in hand, On November 11, 2003 we met with Charles Kovach of the Tampa FDEP office to complete a final review of all the data available. This meeting was held to obtain his final opinion on the potential for permitting a discharge of 1.75 MGD of concentrate into the Progress Energy cooling water canal for disposal. After all the data was reviewed and discussed, Mr. Kovach stated that based on his review of the data presented, it remained his opinion that this discharge could conceptually be permitted.

It is important to note that the members of the TAC and/or others may raise issues that are not strictly related to FDEP permitting that may affect the overall permittability of the discharge. Such issues may include, but is not limited to, concerns of recreational users of the canal (fishermen, boaters, etc.), environmentally oriented citizen's groups, consumer (and customer) groups, etc. The potential for these, and other unknown issues, to derail the permitting process is unknown and can not be assessed at this time.

Once the proper agreements with Progress Energy are obtained, we believe that conceptually it appears to be possible to obtain a permit from FDEP to dispose of RO concentrate by discharge into the Anclote Power Station cooling water canal. However, it is not possible to forecast the level of difficulty that may be encountered to obtain the necessary FDEP surface water discharge permit at this conceptual stage of the project. Nor is it possible to determine the actual scope of the work that will need to be completed or the time that it will take to obtain the permit. There may be serious, unforeseen cost impacts on the overall project that may be realized if complicated and/or comprehensive facilities are required to be constructed to obtain a permit that were not evident during this conceptual feasibility study.

Chapter 6 – Permitting, Agreements and Funding Requirements

A. Overview

This chapter provides a brief overview of each of the permits and agreements that will be required to enable the construction and operation of the proposed RO treatment facilities and necessary appurtenances. In addition, since Aloha Utilities, Inc. is a publicly regulated investor owned utility, funding approval must be obtained from the Florida Public Service Commission (FPSC).

Should it be found impossible to obtain any of the necessary permits, agreements and/or funding, the RO treatment facilities could not be constructed and operated.

B. Water Use Permit

A Water Use Permit must be obtained from the Southwest Florida Water Management District to enable the withdrawal of raw water from the proposed wells. The permitting process is very complicated and time consuming.

As part of this study, field investigations were undertaken to enable the conceptual determination of the water withdrawal capacity of the proposed well fields. In addition, computer modeling of the well field system was undertaken to estimate the impact of the proposed water withdrawals. Attachment 1, Hydrology Report, provides this information. This report also discusses Water Use Permitting. Please see Attachment 1 for this information.

C. Raw Water Transmission, Water Treatment, Finished Water Transmission, Storage and Distribution Facilities Construction Permits

Florida Department of Environmental Protection (FDEP) construction permits will be required for the proposed raw water wells and transmission main, water treatment facility, water storage facilities, finished water transmission mains and high service pumping system.

When an existing water system is upgraded, the water system must be upgraded (as required) to meet any technical requirements that have become required by FDEP rule since the last system upgrade. In this case, substantial upgrades will be required to meet storage capacity, emergency power, disinfection byproduct limitation, and other requirements that did not exist when the facilities were last upgraded. Therefore, while not necessarily directly a component of the RO Treatment System, a number of design features were added to the conceptual design to meet these new FDEP requirements. Without these upgrades, the RO Treatment Facility could not be permitted.

We have met with FDEP-Tampa district permitting personnel to determine the conceptual feasibility of obtaining the necessary water treatment facility and storage/transmission system

construction permits. We believe that these permits can be obtained, provided all other necessary permits and agreements can be obtained as discussed in this chapter.

D. Concentrate Disposal Main and Discharge Facility Construction and Industrial Wastewater (Concentrate Water Disposal) Permits

As discussed in Chapter 5 – Concentrate Disposal, an FDEP Wastewater Permit must be obtained to enable surface water discharge of the concentrate generated by the RO Treatment Facility. In addition, a permit to construct the concentrate disposal mains and discharge facilities will be required. FDEP permit application Forms 1 and 2CS must be completed and submitted to the FDEP to begin the permitting process. Once the permitting process has begun, FDEP will assemble a "Technical Advisory Committee" (TAC) that will essentially assist the FDEP staff in determining what research, studies, demonstrations, etc. will be required to be completed by Aloha as part of the permit application review process. Based on numerous and comprehensive discussions we have participated in with FDEP permitting staff during the completion of this feasibility study, the number and complexity of the research, studies and demonstration work that will be required to support a wastewater permit application for concentrate surface water discharge will be substantial.

It is anticipated that, at a minimum, the following research, studies and demonstrations will be required:

- 1. Background water flow rate and quality monitoring of the existing Progress Energy Anclote Power Station cooling water canal, upstream and downstream of the proposed point of discharge of the concentrate, will need to be undertaken for a period of at least 12 consecutive months. This monitoring data will be utilized to determine if the existing canal water meets the Class III Marine surface water standards and to determine the assimilative capacity of the cooling water stream.
- 2. Computer modeling must be undertaken to determine what, if any, negative impacts would be occur to the cooling water flowing through the cooling water canal and/or the surface waters of the Anclote Anchorage if the concentrate was discharged to the cooling water canal as proposed.
- 3. A "proof of design" larger scale pilot plant would need to be operated (for at least 3 to 6 months) to provide final design data concerning process unit sizing, chemical feed rates, quality of permeate and concentrate water, etc. The actual concentrate produced from this pilot plant would be utilized to complete the necessary toxicity studies. These studies would determine the acute and chronic toxicity level of the concentrate to organisms typically found to inhabit Class III Marine surface waters.

The basic studies will generate the data needed for Aloha to prepare the documents required to demonstrate that it will meet FDEP's surface water Antidegradation Requirements (and WQBEL requirements if appropriate), support establishment of a Mixing Zone (if required), demonstrate that the discharge facilities will or will not meet the 100 to 1 dilution ratio (required if the concentrate is found to be toxic), etc. These studies will also provide the data needed to finalize an agreement between Progress Power and Aloha Utilities. This agreement is needed to provide

Aloha with the necessary easements and rights to construct and operate and maintain the concentrate disposal facilities at the Anclote Power Station Cooling Water Canal.

It is possible that the TAC will direct Aloha to complete additional studies once these basic studies have been completed. It is not possible to determine what additional studies may be required until the basic studies have been completed and the results of those studies known. Should other comprehensive studies and/or investigations be required, the cost to complete the permitting process may increase and the time required may be extended.

E. Misc. Permits

Depending on the final design of the various facilities, additional permits may be required. Stormwater management system construction and NPDES industrial discharge permits may be required depending on the final Civil Engineering design features, FDEP Stationary Source Permits may be required due to the presence of degassifier off-gas units, etc.

It is not possible at this conceptual stage of the project to determine all the permits that may be required to complete the RO project. It is anticipated that as the design of the final facilities proceeds, other permitting requirements may be identified.

F. Agreements Required

A number of agreements with other entities must be obtained as part of the implementation phase of this project. Those agreements presently identified are as follows:

- 1. Aloha must enter into an agreement with Progress Energy that will allow Aloha to obtain canal water flow data and samples of Anclote Power Station canal cooling water at various locations for study, to discharge Aloha's RO concentrate into the cooling water canal for disposal, to provide Aloha with the necessary easements to allow Aloha to construct the necessary concentrate pipelines, dilution water pumping facilities (water intake and pumping/blending plant), and discharge facilities (blended concentrate pipeline and multiport diffuser).
- 2. Aloha must enter into an agreement with Pasco County to accept the membrane cleaning wastewater generated at the RO Treatment Facility into Pasco's wastewater treatment system via the existing wastewater pumping station located at the RO plant site.
- 3. Aloha must enter into an agreement with Pasco County to accept the iron sludge generated from the concentrate filtration/backwash thickening process at the County's solids management facility for disposal.
- 4. Aloha must enter into an agreement with Pasco County to supply up to 5 MGD of finished water to Aloha as an emergency supply source to be used when the RO facilities must be taken out of service for any reason.
- 5. Aloha will need to obtain easements from numerous land owners to facilitate the construction and operation of the necessary raw water, finished water, concentrate water pipelines and the raw water wells where these facilities will be constructed on property not now owned by Aloha.

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As the final design of the facilities is completed, other agreements may be found to be necessary. It is impossible to determine what, if any, additional agreements may be necessary at this time.

G. Funding

Aloha Utilities, Inc. is a publicly regulated, investor owner utility. Its rates and charges are regulated by the Florida Public Service Commission (FPSC). The increase in rates and charges necessary to cover the Utility's increased costs to construct this project, and increased operating expenses, must be secured from the FPSC for this project to be feasible.

As stated in Chapter 8 – Water Cost Comparison, at a minimum, a \$30 million SWFWMD grant must be obtained immediately and be fully paid by 2007 to assist in financing this project for it to be feasible. The SWFWMD Consent Order (SWF 62-15) clearly anticipates that a SWFWMD grant could be required to assist in financing this project. The level of immediate grant funding needed to finance early work on the project appears to be between \$6 million and \$7 million.

The \$30 million grant funding requirement must be considered a minimum value, since that level of funding is necessary to allow the Utility to deliver retail water service to its customers at a cost which is comparable to the rates charged to customers by surrounding utilities who are also receiving funding for alternative water services from the District. In addition, the FPSC may not be willing to approve water rates sufficient to fund the construction and operation/maintenance of the project unless the RO treated water cost is substantially below the projected Pasco County bulk water rate.

Chapter 7 – Conceptual Cost Estimate

A. Overview

The existing finished water distribution system piping to the homes, the eight raw water wells and treatment facilities and the one existing 0.5 MG storage tank will continue to be utilized after the proposed facilities are placed into service. The proposed facilities will provide supplemental finished water supply to allow the Seven Springs Water System to provide the annual average daily and maximum daily water demands of its customers, now and into the future through build-out of the service area. However, the scope of facilities provided as part of this proposed project is vast and will, at system build-out, supply the majority of the water delivered to Aloha's Seven Springs Water System customers.

When comparing the costs associated with this conceptual RO System with those of other proposed facilities, it is important to note that the scope of this project includes not only treatment capacity, but, also includes raw water wells, raw water transmission mains, RO treatment facilities, comprehensive concentrate treatment facilities, substantial concentrate storage facilities, extended length concentrate disposal piping, concentrate dilution facilities, extended length finished water mains, substantial finished water storage volume, finished water high service pumping, emergency power facilities for the treatment works and the storage/high service facilities and a comprehensive (Supervisory Control and Data Acquisition) SCADA system. Many of the proposed components described above can be considered as basic water system components, however, since these components are not now available, they will need to be constructed as part of the RO system. As discussed in Chapter 6 – Permitting Overview, when a water system is upgraded, the entire system must be upgraded to meet FDEP rules at the time of permitting. This will be the case here.

Therefore, the costs associated with these conceptual facilities are greater than those that would be experienced when a RO treatment facility is added to a water system that already includes a number of the facilities proposed here.

B. Development of Conceptual Facility Cost Estimate

Conceptual cost estimates were developed from actual conceptual design data specific to the facilities proposed here. Water supply requirements were determined for not only the near-term, but also for build-out of the service area. Once this analysis was complete, a hydrology study was undertaken to determine how many wells would be required to provide the necessary volume of raw water required to feed the RO treatment facilities. The hydrology study also determined the parameters for conceptual design of the well field and the associated facilities and piping. Once representative raw water was available from the test wells, comprehensive laboratory testing of the water was undertaken. This laboratory testing data was used to complete comprehensive computer modeling of the RO treatment process. After modeling was complete, bench-top flat sheet pilot testing of the various RO membrane options was completed to verify the computer simulation modeling work. Conceptual design of the RO treatment facilities was then completed. Concentrate quality estimates were then developed and concentrate treatment and disposal facility

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conceptual design completed. Finished water transfer piping, storage facilities and high-service pumping facility conceptual design was completed. As the conceptual design was being completed, budget costs were developed for each of the project components. These costs were obtained from manufacturer's representatives for the majority of the treatment, pumping, electrical and SCADA equipment. Piping costs were developed based on the extensive comparison costs available for prior completed pipeline projects in the area. Once raw costs were developed, the necessary costs for contractor's mark-up, equipment installation, overhead and profit, sales taxes, mobilization and demobilization, etc were computed and added to the raw cost data. Soft costs, such as engineering, legal and accounting fees were added to the project costs. Specific costs were added for studies that are known to be required for permitting. The cost of these studies was estimated based on the costs of similar studies, recently completed or underway, by Tampa Bay Water as part of a similar project that was to be located at the Anclote Power Station. The cost of this study and the anticipated cost of a FPSC rate case was included.

Table 7-1 presents the conceptual permitting and construction cost estimates for the conceptual facilities.

C. Development of Conceptual Operation and Maintenance Cost Estimate

Conceptual operation and maintenance cost estimates for power and chemicals were developed from actual conceptual design data specific to the facilities proposed here. Labor cost estimates were developed from the experience of Aloha and its consultants in the operation of water and wastewater facilities applied to the actual conceptual design of the facilities. Sludge disposal costs and membrane cleaning waste disposal costs were developed from the actual estimated quantity of each of these wastes to be generated and the actual 2003 costs of disposal of wastewater and sludge from Pasco County Utilities' rate sheets. Repair and maintenance costs were developed partially from the recommendations of the various equipment manufacturer's representatives and partially from the experience of Aloha and its consultants in operating and maintaining actual water and wastewater treatment facilities.

Table 7-2 presents the conceptual Operation and Maintenance cost estimates for the conceptual facilities.

Reverse Osmosis Water Svstem	Cost Summary - Aloha Utilities Inc
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Total	Construction	noitszilidoM	listotdu 2			Piping &		Tanks &				
	Apuagency	l 'sul'spuog	+	Controls	Flectrical	SAVIEV	Fdupment	Structures	,sliew	sinemesta	PILEMOLK	
000'012'8\$	\$600,000	000'011\$	000'000'E\$	000'008\$	000'298'1\$	000,848	\$202'000	000'087\$	000'762\$		000'E1E\$	t, Wellfield .
086,754,12	\$525,800	\$12,580	000,051,12		ļ	000,051,12					-	2. Raw Water Transmission Main
\$20,498,420	23'325'500	\$385,220	000'192'91\$	000,022,1\$	000,790,5\$	\$360,000	000'888'2\$	000'941'4\$			000'028\$	3. Reverse Osmosis Treatment Plant
\$1,932,460	009,8022	098,08 2	000'875'15	000'51\$	\$251,000	000,5362	000'291\$	000'29\$	1		\$22'000	4. Concentrate Transmission & Disposal
25,841,360	009'257\$	097,86\$	000'882'2\$			000,089,1\$				000,809≵		5. Finished Water Transninsion Main
\$3'353'560	009,952\$	099,501\$	000,588,5\$	000'921\$	000,8448	\$154,000	000'061\$	000,532,12		ŀ	\$184'000	6. Seven Springs Storage & Pumping
2630,720	002'96\$	\$29,520	000'92‡\$			000'927\$						7. Seven Springs Transmission Mains
234'363'600	1000'929'9\$	009'206\$	000'088'22\$	\$5,100,000	000'620'9\$	000'622'7\$	000'006'2\$	\$6,245,000	000,792\$		\$955°000	alatoT

	Legal - Remaining Easements and Project Financing Assistance (3% of Conceptual Construction Eastimate)	806'020'1\$
	Cost of Conceptual Feasibility Study	000'009\$
	Physical Eacilities Design, Permitting, Construction Observation and Statt-Up (9.8% of Conceptual Construction Cost Estimate)	8232291292
	Concentrate Water Surface Water Disposal Permitting	\$500,000
	Water Use Permitting for Well Field (Inc. Advanced Field Work, Laboratory Analysis, Etc.)	000'067\$
	Proot of Design Advanced Pilot Plant and Concentrate Toxicity Study	000,002\$
	Concentrate Water Disposal System Modeling/Study	\$300,000
 Engineering, Permitting, Legal, Etc. 	Legal/Engineering/Easement Cost - Negotiation with Progress Power for Concentrate Disposal Agreement	\$200'000

TOTAL ESTIMATE OF CONCEPTUAL CONSTRUCTION COST = \$41,252,141

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Rate case expense for this project is estimated to be \$1,000,000. This cost is not a capital cost but must be recovered in rates over 4 years.

Table 7-2

Seven Springs Water System RO Feasibility Study

Annual O&M Conceptual Cost Projection - 3.9 MGD (AADD) Finished Water Production

Item	Sodium Bisulfite	RO Specific	Sodium Hypochlorite	Ammonia Solution	Off-Gas Carbon	Sulfuric Acid	Alkalinity	Corrosion Control	Sub-Total
Item Chemicals Membrane Replacement Media/Filter Consumables Membrane Cleaning Consumables Repair/Maintenance Parts-Service Membrane Cleaning Waste Disposal Iron Sludge Disposal Backwash Waste Disposal Cost (to sewer) Property Insurance Power Personnel	Sodium Bisulfite \$76,000	RO Specific \$153,600	Sodium Hypochlorite \$100,800	Ammonia Solution \$16,800	Off-Gas Carbon S80,000	Sulfuric Acid \$160,000	Alkalinity \$200,000	Corrosion Control \$42,400	Sub-Total \$829,600 \$97,000 \$14,600 \$120,000 \$42,000 \$40,000 \$60,000 \$30,000 \$715,000 \$365,000
Administration	L			[L	<u> </u>		L	\$36,500

Total \$2,355,200

Note: 1. Operations and maintenance personnel costs estimated at 5 persons, 8 hours per day each, 365 days per year at \$25/hour. Administrative personnel costs estimated at 2 hours per day 365 days per year at \$50/hour.

2. The power costs calculated at \$0.06/kwh.

3. All estimates based on values of materials and services in 2003

Chapter 8 – Water Cost Comparison

A. Overview

The conceptual construction and operation and maintenance costs developed as part of this project were utilized to calculate the cost per thousand gallons finished water produced on an annual average daily basis when the proposed RO treatment facilities will be in full operation (2013). The cost of Pasco County finished water was projected for the same year (2013) by conducting a linear regression analysis on past and/or known future County rates. Finally, the projected water costs of the proposed RO treatment system and that from the County were compared to determine financial feasibility of the overall project.

Chapter 7 – Conceptual Cost Estimate provides a description of the various RO treatment system conceptual and operation and maintenance costs.

B. Projection of Pasco County Bulk and Retail Water Costs in 2013

Linear projection of the past and/or known future of Pasco County bulk and retail water rates have been undertaken to provide an estimate of County bulk and retail water rates in the year 2013. This year was chosen for projection, as it is the year that RO treatment facilities are projected to be operating at full capacity.

Figure 8-1 presents the linear regression analysis of Pasco County Utilities bulk water rates. As can be seen from the chart, in 2013 the projected bulk water rate is \$4.76/1,000 gallons sold. Figure 8-2 presents the linear regression analysis of Pasco County Utilities retail water rates. As can be seen from the chart, in 2013 the projected retail water rate is \$4.29/1,000 gallons of water consumed for a customer utilizing 10,000 gallons per month. Therefore, these two rates have been utilized to compare the cost of Aloha's RO treated water with bulk purchases and the projected retail rate of Pasco County water.

The Pasco County retail rates are provided as an indicator of the retail charges imposed by other utilities said to be representative of the retail water rates charged in the area for similar water service. Calculations contained in this study of the costs of Aloha's RO treated water on 1,000 gallon basis are not directly comparable to the retail rates of Pasco County. The calculations of Aloha's RO treated water costs do not include many of the components that would ultimately go into determining a retail rate. As such, Aloha and its consultants believe that once those additional costs are added to the cost of producing the RO water, the retail rates for Aloha will be comparable to, if not slightly above, those charged by Pasco County for retail service.

It is important to note that the other entities (such as Pasco County, Pinellas County, City of New Port Richey, etc.) are receiving funding from SWFWMD for alternative water supplies, either directly or indirectly through the Tampa Bay Water Authority.



Figure 8-1 Pasco County Bulk Water Rate Projection

------Bulk Water Rate Projection



C. Projection of RO Treatment Facility Water Cost

A special report was prepared by Cronin, Jackson, Nixon & Wilson Certified Public Accountants, P.A. (CJNW) which determined the cost of RO treated water based on the procedures of the Florida Public Service Commission (FPSC). The FPSC financially regulates Aloha, therefore, the FPSC recognized procedures for calculating allowable rates must be used in this analysis.

The CJNW special report is provided in its entirety later in this Chapter.

D. Comparison of Water Costs

As stated earlier in Chapter 7, when comparing the costs associated with this conceptual RO System with those of other proposed facilities, it is important to note that the scope of this project includes not only treatment capacity, but, also includes raw water wells, raw water transmission mains, RO treatment facilities, comprehensive concentrate treatment facilities, substantial concentrate storage facilities, extended length concentrate disposal piping, concentrate dilution facilities, extended length finished water mains, substantial finished water storage volume, finished water high service pumping, emergency power facilities for the treatment works and the storage/high service facilities and a comprehensive SCADA system. Many of the proposed components described above can be considered as basic water system components, however, since these components are not now available, they will need to be constructed as part of the RO system for the RO system to function. As discussed in Chapter 6 – Permitting Overview, when a water system is upgraded, the entire system must be upgraded to meet FDEP rules at the time of permitting. This will be the case here.

Based on the linear regression of Pasco County bulk and retail water rates and the special report prepared by CJNW, the cost of RO treated water (\$3.76 for the first four years of operation and \$3.58 beginning on the fifth year) is somewhat less than the bulk water rates projected to be charged by Pasco County in 2013. These estimated RO treated water costs are hoped to create a retail rate that will be comparable to that projected to be charged by the County for retail water service in2013. The RO treated water costs shown assume that a SWFWMD grant of at least \$30 million will be obtained immediately and be fully paid, no later than 2007 to assist in financing the project.

It is important to note that the projected RO Treatment costs are based on an assumption that the treatment facilities will be designed and constructed to produce 3.9 MGD finished water flow on an annual average daily basis. Should the plant be sized to produce a lesser quantity of water, the required level of grant funding needed to maintain the same cost of RO treated water will change. This is due to the fact that a number of the project costs are not elastic to any great extent as related to plant capacity. Examples of these non-elastic, or slightly elastic costs are the cost of completing studies to support FDEP permits, engineering design costs, legal and accounting costs associated with obtaining easements, agreements and financing, pipeline construction costs, etc. Operation and Maintenance costs also contain some elements that are not linearly elastic with changes in plant capacity. Some of these costs are labor costs, contract maintenance services (for generators, instrumentation, etc.), administrative overhead, etc.

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We prepared conceptual estimates of the cost of construction and operation and maintenance at 2.9 MGD and 2.0 MGD annual average daily flow (AADF) capacity and utilized the same methodology utilized by CJNW to determine a conceptual grant funding level which would be required to maintain the RO treated water cost near the County retail water cost for each plant capacity. Based on this analysis, the grant funding required for a 2.9 MGD (AADF) facility is at least \$28,000,000 and for the 2.0 MGD (AADF) facility the grant funding required would be at least \$22,000,000. Therefore, the grant funding rate required as the plant capacity decreases increases from approximately \$7.69 million per MGD of constructed capacity for the 3.9 MGD (AADF) facility. As described above, these values illustrate the influence that economies of scale have on the overall cost of constructing and operating and maintaining a facility of this type.

Cronin, Jackson, Nixon & Wilson CERTIFIED PUBLIC ACCOUNTANTS, P.A.

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November 28, 2003

Officers and Directors Aloha Utilities, Inc.

In accordance with your request, we have prepared the accompanying Special Report of Projected Cost per Thousand Gallons of Water Produced, consisting of Schedules No. 1 through No. 7 and a summary of the significant estimates and assumptions. This Report is intended solely for use as part of an Engineering Study prepared by David W. Porter, P.E., related to the feasibility of construction of a reverse osmosis (RO) water treatment facility and should not be used for any other purpose.

This Report was prepared to assist Management in determining the financial feasibility of the RO project by comparing the projected cost per thousand gallons of water produced by the facility to the estimated cost per thousand gallons of water that could be purchased from Pasco County under a bulk rate contract.

The estimated cost per thousand gallons of RO water is based on the projected engineering costs contained in this Study and other estimates and assumptions disclosed in the Report. Because events and circumstances frequently do not occur as expected, there will usually be differences between the projected and actual results (assuming the RO project proceeds), and those differences may be material. We have no responsibility to update this Report for any changes in events and circumstances occurring after the date of this Report.

We have not audited or reviewed this Special Report and do not express an opinion or any other form of assurance on it.

Croning Jackson, Niforet uklson

CRONIN, JACKSON, NIXON & WILSON

Aloha Utilities, Inc. Special Report RO Feasibility Study Projected Cost Per Thousand Gallons of Water Produced November 28, 2003

This Special Report was prepared in response to a request by Management and David W. Porter, P.E., to project the cost per 1,000 gallons of water produced by the reverse osmosis facility described elsewhere in this study.

The purpose of this Report is to assist Management in determining the financial feasibility of the R O project by comparing the expected cost per thousand gallons of water produced by the facility to the estimated cost per thousand gallons of water that could be purchased from Pasco County under a bulk rate contract and the County's projected residential retail rate.

The estimated cost per thousand gallons of R O water is based on the projected engineering costs contained in this Study and other estimates and assumptions discussed below. Because events and circumstances frequently do not occur as expected, actual results may differ from the projections and those differences may be material.

The cost per thousand gallons was developed using the methods established by the Florida Public Service Commission (PSC) to determine cost of service and customer rates. Aloha is regulated by the PSC which would ultimately determine the prudency of construction of the R O facility and the amount of costs that could be recovered in service rates to pay for the project. The significant assumptions and estimates used in this Study are as follows:

- 1. Projected plant costs are based on the Engineer's estimate of costs discussed and shown in Chapter 7 and Table 7-1 of this Report.
- 2. The Engineer's plant cost estimates based on 2003 Dollars were inflated by 2.25% through the end of 2007, the expected date that the bidding and contract process would be complete.
- 3. Plant costs were increased for interest and equity costs during construction using Aloha's current PSC approved Allowance For Funds Used During Construction (AFUDC) rate. That rate is presently 9.08% on an annual basis. This rate was applied to average Construction Work in Progress (CWIP) over the expected construction time of 24 months (2008 and 2009), exclusive of any funding obtained through a Grant from Southwest Florida Water Management District.
- 4. Construction would be complete and the plant placed in service January 1, 2010. Accumulated depreciation and Contributions in Aid of Construction (CIAC) were projected through the end of 2013. This is the expected date that the R O facility would be operating at its design capacity. Costs at this level of operation were used to determine the expected cost of total utilization and efficiencies of the facility and the best basis for determination of financial feasibility. By 2013, Aloha's service area is expected to be built-out.
- 5. Accumulated depreciation and amortization of CIAC were projected based on PSC Guideline depreciation rates. Such rates resulted in a composite depreciation rate of

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3.67%.

- 6. CIAC consists of cash fees (Plant Capacity Charges) charged to developers/customers to connect to Aloha's system to defray a portion of the cost of plant facilities. Currently, Aloha's approved water plant capacity charge is \$1,000. The assumption was made that the Company would apply to the PSC for approval of a new charge of \$2,000 per ERC in early 2004. The new charge was assumed to be effective in January, 2005. In addition, it was assumed that Aloha would receive a Construction Grant from the Southwest Florida Water Management District (SWFWMD) in 2007 in the amount of \$30,000,000. Aloha would comply with PSC Rules on CIAC based on these assumptions.
- 7. Operation and Maintenance expenses were based on the Engineer's estimates summarized in Chapter 7, Table 7-2. These expenses are stated in 2003 Dollars and were inflated to 2013 Dollars at a compound annual inflation rate of 3%. Purchased power was not indexed for inflation since electric rates have been stable for many years and are assumed to remain stable throughout the projection period.
- 8. Aloha will be taxed for the tangible personal property represented by the R O plant. Such taxes were based on projected net book value and a millage rate of 24 mills. The Company will also be assessed PSC Regulatory Assessment Fees equal to 4.5% of the revenue requirement developed on Schedule No.1.
- 9. The basic regulatory methodology used in this report estimates the required rate of return on net investment (operating income) at December 31, 2013. To this, all other necessary operating expenses are added to result in the revenue requirement for the R O facility. The assumption was made that Aloha's portion of the total construction cost will be financed in 2007 by a loan from a recognized lending institution. As noted above, the balance of construction cost would be paid for through a grant from SWFWMD. Interest rates are assumed to rise over the next 4 years. For purposes of this report, an interest rate of 10% (Prime rate of 9% + 1%) has been used. The actual rates then in effect may be higher or lower than 10%.
- 10. No provision for income taxes was made on the assumption that interest on the construction loan and additional depreciation will more than offset the increase in operating income.
- 11. The projected revenue requirement was divided by the thousands of gallons to be produced annually, assuming operation at design capacity of 3.9 MGD. This results in a projected cost per thousand gallons of \$3.76 for the first 4 years of operation and \$3.58 thereafter. See item (13) below.
- 12. The projected 2013 Pasco County bulk water rate was determined by linear regression of the county's actual rates in effect for the period October 1, 1999 to September 30, 2007. See Chapter 8, Figure 8-1.
- 13. The projected 2013 Pasco County retail water rate per 1,000 gallons was determined by linear regression of the charges for a residential water customer using 10,000 gallons per month and the actual rates adopted for the period October 1, 2003 through September 30, 2007 (See Chapter 8, Figure 8-2). The projected retail rate is presented as a benchmark indicator of general reasonableness in assessing the financial feasibility of the RO Project and the associated projected cost per 1,000 gallons of \$3.58. The projected RO cost per thousand gallons does not include Aloha's actual or projected costs for existing operating and administrative expenses. However, Aloha expects that economies of scale and reduced pumping costs related to existing water sources, will result in a total 2013

residential service rate per 1,000 gallons that is comparable to the projected Pasco County residential retail rate.

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14. Aloha will need to file a General Rate Case to obtain an increase in monthly service rates to pay for the investment required for this project. The case would be filed in early 2008 based on actual contract costs to construct, so that new rates would be in place at the beginning of 2010, the expected date of start-up. Rate Case expense would total approximately \$1,000,000 and be recovered in rates over the first four years of operation. Recovery of such expense is expected to add approximately \$.18 to the cost per thousand gallons of water produced during the first four years of operation only.

Aloha Utilities, Inc.

Estimated Revenue Requirement and Cost per 1,000 Gallons for Reverse Osmosis Facility As Compared to the Expected Cost of Purchasing Water From Pasco County Assuming a Grant From Southwest Florida Water Management District For a Portion of the Cost At December 31, 2013

	Estimated Schedule
Total Estimated Cost of Reverse Osmosis Facility	\$ 47 286 708 2
Projected Accumulated Depreciation at December 31, 2013	(6.811.670) 3
Projected Contributions in Aid of Construction (CIAC)	(41,654,000) 4
Projected Accumulated Amortization of CIAC	9,082,066 4
	7,903,104
Working Capital to Fund Estimated Operation & Maintenance (O&M) Expenses (1)	364.109
Estimated Net Investment at December 31, 2013	8.267.213
Estimated Rate of Return Required (2)	10.00%
	<u></u>
Estimated Operating Income Required	826.721
Projected O&M Expenses	2.912.868 6
Projected Net Depreciation Expense	174.216 3
Projected Taxes Other Than Income Taxes	1,180,567 7
Total Estimated Revenue Requirement	\$ 5,094,372
	+ 0,00 ,01 L
Divide by Annual Gallons Produced Assuming Operation at Design Canacity of 3.9 MGD (000)	1 423 500
Divide by Annual Calibris Freduced Assuming Operation at Design Capacity of 5.5 MOD (000)	1,423,300
Estimated Cast of Water Dradward by the Deverse Comparis Estility next 1,000 Callena	
Estimated Cost of water Produced by the Reverse Osmosis Facility per 1,000 Gallons,	¢ 0.50
after four years of operation (Estimated Rate Case Expense fully amonized) (3)	
Estimated Orat of Water Draduard by the Deverse Oracesia Estility and 000 Orillary in	
Estimated Cost of water Produced by the Reverse Osmosis Facility per 1,000 Gallons in	
first four years of operation (Amortization of Rate Case Expense over 4 years) (3)	<u>\$ 3.76</u>
Projected Pasco County Bulk Rate in year 2013 (4)	\$ 4.76
Projected Pasco County Residential Retail Rate per 1,000 galllons (5)	\$ 4.29
	<u> </u>

Notes: (1) Working Capital is based on 1/8 of projected O&M expense on Schedule No.6.

(2) The Company will obtain bank financing to fund construction. Although Interest rates are at historic lows, it is more probable than not that interest rates will rise as the economy improves and inflation increases. For purposes of this report, an interest rate of 10% is used based on an estimated Prime Rate of 9% + 1%.

(3) Estimated Rate Case Expense to obtain a rate increase to pay for the invested portion of the RO Facility is expected to cost Approximatly \$1,000,000. This cost will be recovered in rates over the first four years of operation and will add approximatly \$.18 per thousand gallons to the projected cost per thousand gallons shown above (\$1,000,000 / 4 years = \$250,000 / .955 / 1,423,500 = \$.18)

(4) The Projected Pasco County Bulk Rate in year 2013 was based on Linear Regression of actual Pasco County Bulk Rates established for the years 1999 through 2007. Unexpected changes in County capital or operating costs could substantially increase the actual 2013 Bulk Rate. See Chapter 8, Figure 8-1.

(5) The projected Pasco County Retail Rate (Figure 8-2) is presented as a benchmark indicator of reasonableness. Although the projected R O rate does not include actual or projected operating & administrative expenses for Aloha's existing system, Aloha believes that when all system costs are considered in 2013, its total service rate per 1,000 gallons will be comparable with the projected retail rate of Pasco County.

Aloha Utilities, Inc. Summary of Projected Plant Costs by Uniform Account Number As of January 1, 2010

								Estimated			Total
			2003			Total		2007 Cost		E	stimated
Account		E	stimated	Percent	Allocation of	2003	Inflation	Before			Cost
<u>No.</u>	Description		Costs	<u>Ratio</u>	Soft Costs(1)	<u>Costs</u>	Factor(2)	AFUDC(3)	AFUDC (4)	Janu	ary 1, 2010
303	Land & Land Rights (Easements)	\$	608,000	1.77%	\$ 121,927	\$ 729,927	1.09	\$ 795,621	\$ 41,084	\$	836,705
304	Structures & Improvements		4,683,000	13.63%	938,908	5,621,908	1.09	6,127,880	316,429		6,444,308
307	Wells & Springs		3,230,000	9.40%	647,523	3,877,523	1.09	4,226,500	218,246		4,444,746
309	Supply Mains		1,427,380	4.15%	285,874	1,713,254	1.09	1,867,447	96,430		1,963,878
320	Water Treatment Equipment	1	6,352,420	47.59%	3,278,257	19,630,677	1.09	21,397,438	1,104,912		22,502,349
330	Distribution Reservoirs (Storage Tanks)		3,323,260	9.67%	666,122	3,989,382	1.09	4,348,426	224,542		4,572,968
331	Transmission & Distribution Mains		4,739,540	<u>13.79%</u>	949,930	 5,689,470	1.09	6,201,522	320,232		6,521,754
	Total	<u>\$3</u>	34,363,600	<u>100.00</u> %	<u>\$ 6,888,541</u>	\$ 41,252,141		<u>\$ 44,964,834</u>	<u>\$2,321,875</u>	<u>\$</u>	47,286,708

Notes: (1) Engineering, Permitting, Legal, Construction Management & Start-up Costs totaling \$6,888,541 per Engineer's preliminary estimate of cost (Chapter 7, Table 7-1).

(2) Bidding and Contracts are expected to be completed by December 31, 2007. Estimated 2003 costs were adjusted for inflation based on projection of historic Annual Construction Cost Indexes as published in ENGINEERING NEWS - RECORD from 2002 through 2008. The projected annual increase was 2.25% and multiplied by 4 years resulting in a factor of 1.09.

(3) AFUDC is Allowance For Funds Used During Construction and is similar to Interest During Construction. The AFUDC rate is established by the Florida Public Service Commission. Aloha's current approved AFUDC rate is 9.08% on an annual basis.

(4) Construction of the Reverse Osmosis Facility is expected to begin in early 2008 and take 24 months to complete. The approved annual AFUDC rate has been applied to the average Construction Work In Progress balance funded by Aloha for the 2 year Construction period.

Aloha Utilities, Inc. Schedule of Projected Accumulated Depreciation And Depreciation Expense When Plant is Operating at Design Capacity Year Ending December 31, 2013

						Ŷ	ears	10
			2010			Reach		
			Projected	PSC		Design	Acc	umulated
Account			Plant	Depreciation	Annual	Capacity	Dep	reciation
<u>No.</u>	Description		<u>Balance</u>	<u>Rate</u>	Depreciation	<u>2013</u>	1	<u>2/31/13</u>
303	Land & Land Rights (Easements)	\$	836,705	-	\$-		\$	-
304	Structures & Improvements		6,444,308	3.13%	201,707	4		806,827
307	Wells & Springs		4,444,746	3.33%	148,010	4		592,040
309	Supply Mains		1,963,878	2.86%	56,167	4		224,668
320	Water Treatment Equipment		22,502,349	4.54%	1,021,607	4		4,086,427
330	Distribution Reservoirs (Storage Tanks)		4,572,968	2.70%	123,470	4		493,881
331	Transmission & Distribution Mains		6,521,754	2.33%	151,957	4		607,827
	Total	\$	47,286,708		<u>\$ 1,702,918</u>		<u>\$</u> (5,811,670
	Composite Depreciation Rate				<u>3.67%</u>			
	Net depreciation expense year ending 12-31-	13						
	Annual depreciation per above				\$ 1,702,918			
	Annual CIAC amortization per Schedule No. 4	-			(1,528,702)			
	Net depreciation expense 2013				<u>\$ 174,216</u>			

Aloha Utilities, Inc. Estimated CIAC Collections And Accumulated Amortization Year Ending December 31, 2013

	No. of	Plant Capacity Charge	CIAC	Factor For CIAC Amortization	Accumulated Amortization
Year	ERCS (1)	Per ERC (2)	Collected (3)	To 12-31-13 (4)	12-31-13
2005	647	\$ 2,000	\$ 1,294,000	0.3120	\$ 403,728
2006	647	2,000	1,294,000	0.2753	356,238
2007	647	2,000	31,294,000	0.2386	7,466,748
2008	647	2,000	1,294,000	0.2019	261,259
2009	647	2,000	1,294,000	0.1652	213,769
2010	647	2,000	1,294,000	0.1285	166,279
2011	647	2,000	1,294,000	0.0918	118,789
2012	647	2,000	1,294,000	0.0551	71,299
2013	651	2,000	1,302,000	0.0184	23,957
Total	<u>5827</u>		<u>\$ 41,654,000</u>		\$ 9,082,066
Annualized	I CIAC Amo	tization year e	nding 12-31-13		
Total CIAC	C per above				\$ 41,654,000
Composite	e amortizatio	n rate			<u>3.67%</u>
Annual am	nortization 20	013			\$ 1,528,702

Notes: (1) The number of ERCS from which plant capacity charges are expected to be collected is based on available capacity of 2.9 MGD(AADF) (3.9 MGD (AADF) design flow minus 1.0 MGD (AADF) of currently allocated capacity = 2.9 MGD (AADF) available for future growth) divided by expected daily demand per ERC of 500 GPD.

(2) Under PSC rules, plant capacity charges should be designed to result in a net CIAC level of 75% when the utility plant is operating at design capacity or at a level equal to the percentage of plant facilities represented by the water transmission & distribution facilities. Collection of the CIAC shown above, is expected to result in a CIAC level which will generally meet PSC guidelines and therefore, PSC approval.

(3) CIAC collections in 2007 assume reciept of a grant from the Southwest Florida Water Management District in the amount of \$30,000,000 to fund a portion of the cost of this project.

(4) The composite depreciation rate shown on Schedule No. 3 was used to calculate accumulated amortization at 12-31-13, using the half-year convention in year of projected CIAC additions.

Aloha Utilities, Inc. Schedule of Estimated Contributions In Aid of Construction (CIAC) And CIAC Level Year Ending December 31, 2013

Projected Cost of Plant (Schedule No. 2) Projected Accumulated Depreciation (Schedule No.3)	\$	Projected Balance <u>12/31/13</u> 47,286,708 (6,811,670)	Adjustments For CIAC <u>Activity</u> -	P	rojected Net Balance <u>12/31/13</u> 47,286,708 (6,811,670)
Projected Net Plant Cost		40,475,039	-		40,475,039
Projected CIAC (Schedule No. 4) Accumulated Amortization of CIAC (Schedule No. 4)		-	41,654,000 (9,082,066)		41,654,000 (9,082,066)
Projected Net CIAC		<u> </u>	32,571,934		32,571,934
Projected Net Plant Investment	<u>\$</u>	40,475,039	<u>\$ (32,571,934</u>)	<u>\$</u>	7,903,105
Percent Net CIAC Percent Net Plant Investment		0.00% <u>100.00%</u>			80.47% <u>19.53%</u>
Total		<u>100.00%</u>			<u>100.00%</u>

Note: Aloha will file an application with the Florida Public Service Commission (PSC) to increase the charge to connect (Plant Capacity Charge) from developers and other future users of the system. This charge is designed to assist in the financing of new plant facilities. The Company expects to file an application to increase such charges in early 2004. Because the process for approval takes 8 months, collection of the new charges is estimated to begin in 2005. The projected CIAC and resulting level of net investment is based on approval of a new plant capacity charge of \$2,000 (currently \$1,000). And receipt of a grant from the Southwest Florida Water Management District in the amount of \$30,000,000.

Aloha Utilities, Inc. Projected Operation and Maintenance Expense by Uniform Account Number When Reverse Osmosis Plant is Operating at Design Capacity Year Ending December 31, 2013

		Engineering		Projected
Account		Estimate of	Inflation	Costs Year
<u>NO.</u>		2003 Costs(1)	Factor (2)	2013
601	Salaries & Wages - Employees	\$ 401,500	1.34	\$ 538,010
615	Purchased Power	715,000		715,000
618	Chemicals	829,600	1.34	1,111,664
620	Materials & Supplies (Maintenance Parts, service &			
	Waste Disposal Costs)	162,100	1.34	217,214
636	Contract Services Other - Membrane Replacement			
	Outside Repairs & Maintenance	217,000	1.34	290,780
657	Insurance - Property & General Liability	30,000	1.34	40,200
	Total	\$ 2,355,200		\$ 2,912,868

Notes: (1) See Engineer's Summary of Annual O&M Costs in 2003 dollars (Chapter 7, Table 7-2).

(2) The Inflation Factor is based on an annual Inflation Rate of 3%, compounded for the 10 year period 2004 through 2013. Purchased Power was not Indexed since rates have been stable for many years and are assumed to remain stable throughout the projection period.

Aloha Utilities, Inc. Projected Taxes Other Than Income When Reverse Osmosis Facility Is Operating at Design Capacity Year Ending December 31, 3013

(A)	Tangible Personal Property Taxes	
	Estimated Cost of Reverse Osmosis Facility	\$ 47,286,708
	Less: Intangible cost of Easements	(836,705)
	Projected accumulated depreciation	 (6,811,670)
	Estimated 2013 Assessed Taxible Value	39,638,333
	Estimated 2013 Pasco County Millage rate (24 mills)	<u>2.40%</u>
	Projected Property Taxes	 951,320
(B)	PSC Regulatory Assessment Fees	
	Total estimated revenue requirement	5,094,372
	Regulatory Assessment Fee Rate	<u>4.50%</u>
	Projected Regulatory Assessment Fees	 229,247
	Total Projected Taxes Other Than Income	\$ 1,180,567

Chapter 9 – Project Feasibility and Recommendations

A. Feasibility

When assessing overall feasibility of this project, a number of factors were considered. Each of the major factors are discussed below:

1. Raw Water Supply Availability

Based on the hydrology work completed and the report prepared by Dr. Gomberg, it is conceptually feasible to obtain the raw water quantity necessary to enable a RO treatment facility sized to provide 3.9 MGD of finished water on an annual average daily basis and 5.0 MGD on a maximum daily basis.

2. Raw Water of Sufficient Quality to Enable RO Treatment

Based on the hydrology work, test well water quality analysis data, and the treatment analysis completed as part of this project, it is conceptually feasible to treat the water from the upper two test well withdrawal zones with RO treatment technology.

3. Concentrate Disposal

Based on the raw water quality data and the RO Treatment studies and analysis, the concentrate generated by this facility will require treatment for metals and hydrogen sulfide before it is released from the treatment plant site. In addition, substantial dilution of the concentrate appears to be required prior to discharge to the cooling water canal of the Anclote Power Station. After dilution, the use of a multiport diffuser appears to be required to enable further rapid intermixing of the diluted and blended concentrate with the water in the canal.

An agreement must be formally entered into between Progress Energy and Aloha Utilities to enable Aloha to construct and operate the necessary concentrate pipeline, dilution water intake and blending facilities, the blended concentrate/cooling water outfall and multiport diffuser, and all other physical plant required to discharge Aloha's concentrate to the Progress Energy Anclote Power Station cooling water canal in the location required by future FDEP permit.

Additional agreements must be formally entered into between Aloha Utilities and Pasco County to allow for disposal of concentrate filter backwash thickener sludge and membrane wash-water disposal. An agreement with Pasco County must also be obtained for back-up water supply for use during emergencies. Based on the estimates of raw water quality, projected RO Concentrate quality, review of the applicable FDEP rules, and the numerous conversations and discussions we have participated in with FDEP staff, we believe that disposal of concentrate from this proposed facility to the Anclote Power Station cooling water canal is conceptually feasible providing all conditions outlined in this report are met and all the necessary agreements and permits can be obtained.

4. Financial Feasibility

The overall project cost for development of this Reverse Osmosis system will be substantially greater than the projected cost of purchasing bulk water from Pasco County at the time the RO system is completed and placed online unless substantial grant funding is made available to the project. This conclusion is based upon the linear projections of the County's bulk rate and the projected cost of producing RO water without grant funding.

Pasco County's rates, and those of Tampa Bay Water Authority from whom it receives a substantial portion of its water, have already been subsidized by SWFWMD in the development of their newest sources of water. Because the net beneficiaries of such subsidization are the customers of the utility, and because the customers of Aloha are also taxpayers of Pasco County and of SWFWMD, they should have their tax dollars benefit them by reduced rates in a manner similar or equal to that provided directly or indirectly to the customers of the Tampa Bay Water and its member governments. As such, a strict comparison of the County's bulk water rate to the costs of producing additional water for Aloha, is not the sole basis for determining financial feasibility. Such financial feasibility should also include recognition of a reasonable level of SWFWMD participation in the cost of construction of facilities for Aloha in order to give similar benefits to the customers of Aloha as have already been given to Tampa Bay Water and its member governments. In order to achieve such equal treatment of taxpayers/customers, a comparison of the net expected retail rates for customers of surrounding utilities to those which Aloha can achieve, is also appropriate. The FPSC is not likely to approve the rates necessary to make this project feasible unless the resulting retail rates are less than those which can be attained by bulk purchases of water from Pasco County.

When the feasibility study was first conceived, and its completion was made part of the SWFWMD Consent Order, it was known that grant funding from SWFWMD might be necessary for the project to be financially feasible (as stated in the Consent Order). This has proved to be the case for all of the reasons outlined above. A SWFWMD grant of at least \$30 million would be required to make this project conceptually feasible. Such a grant would reduce the estimated cost of finished water produced by the 3.9 MGD (AADF) RO facility to approximately \$3.58/1,000 gallons produced when the RO plant is operating at capacity. Approximately \$6 million to \$7 million of the total grant requirement will be needed immediately to fund the project through the permitting and design phases. The actual minimum grant funding requirements needed to make the project feasible, will not be known until all the required permitting and related facility final design, formal permitting and formal engineering estimates for the final facilities are completed. In addition, detailed analysis of the comparable bulk service and retail rates would also be required.

By comparing the bulk rate of Pasco County to the cost of producing water through RO and by comparing expected retail rates of Aloha to those of the neighboring utilities, one can better determine the appropriate level of grant funding needed in order to render this project feasible for Aloha and its customers. The cost to Aloha to produce RO water (as outlined above) does not include many of the additional administrative, customer service, and billing costs inherent in establishing an actual retail rate for water service, which will ultimately be added to the cost of producing the water itself. However, Aloha believes that once those costs are added to the cost of producing RO water, the comparison to retail rates with the other utilities within the area will be reasonable and that such rates will be at similar levels. Such a detailed analysis will be performed as part of a grant proposal application to SWFWMD or in the Rate application to the FPSC.

Even with the grant funding as proposed above, the FPSC still must approve a water rate sufficient to enable the project to be deemed feasible. Should SWFWMD grant funding be made available as proposed herein final determination of overall feasibility will be determined by the PSC action. Therefore, should SWFWMD indicate that it is willing to provide a grant in the amount necessary to lower the water cost below that projected for Pasco County bulk rates and to allow Aloha to have projected retail rates similar to those of Pasco County, Aloha must then begin discussions with the PSC to explore the receptiveness of that agency to the possibility of obtaining rates necessary to construct and operate the proposed facilities and request formal preapproval of the project's prudence and obtain the assurance that the necessary rates will be granted.

5. Project Timing

When the SWFWMD Consent Order (SWF 62-15) was developed, a 60 time period was assumed to be sufficient to conduct this Feasibility Study and then complete the necessary studies, design, permitting, construction and start-up of the RO Treatment Facilities. Now that the feasibility study has been completed, it has become apparent that the 60-month time period will no longer be sufficient. Time to obtain the necessary grant funding from SWFWMD will be required. The need to negotiate and secure an agreement with Progress Energy to obtain the rights and easements necessary to construct and operate the concentrate disposal facilities will take time to complete (we roughly estimate that this task will take a minimum of 6 months plus the time to complete the necessary studies). The scope of the concentrate disposal permitting effort will be greater then was envisioned when the Consent Order was developed. The RO Treatment Facility design will be more complicated then originally envisioned due to concentrate treatment and disposal facility complexity that is required. We now believe that a more realistic earliest start-up date for the RO Treatment Facilities is January 2010 providing grant funding can be obtained immediately. If grant funding can not be obtained quickly (less then 6 months maximum) then the earliest date to start up the proposed facilities will have to be moved back accordingly. This date is beyond the 60-month time frame now included in the Consent Order, therefore, the Consent Order must be modified to allow for the time required to complete the project.

B. Recommendations

- 1. We recommend that Aloha apply for grant funding of \$30 million to assist in financing the entire 3.9 MGD (AADF) RO Treatment Facility project. The funding request should indicate that the grant funds would need to be supplied beginning immediately and be fully paid by 2007. The initial grant funding disbursement is needed to finance the necessary negotiations with Progress Energy for concentrate disposal rights and easements, necessary studies to support project permitting, beginning FPSC rate case work, etc. The exact immediate funding level is not known, however, it appears to be at least \$6 million to \$7 million.
- 2. Once SWFWMD grant funding has been obtained and funds are available to continue the project, we recommend that Aloha select its engineer to complete the project, enter into a contract with this engineer and instruct them to prepare updated estimated project time schedules. The time schedules included in the SWFWMD Consent Order will not be sufficient to complete the project due to issues that identified during the completion of the feasibility study as discussed within this report. The new time schedules must be substituted for those in the existing Consent Order. See Chapter 9, Section A, Subsection 5 for more information concerning schedule changes required.
- 3. Once the basic level of grant funding has been secured from SWFWMD and the new time schedules have been incorporated into the Consent Order, we recommend that Aloha enter into discussions with the Florida Public Service Commission (FPSC) to obtain a determination of the prudence of this project and to obtain assurances that the necessary rates would be granted to fund the construction and operation and maintenance of the proposed facilities. If the FPSC determines that the level of grant funding is not sufficient to allow them to determine that the project is prudent and that rates to fund the project can be allowed, the level of SWFWMD grant funding will need to be increased for the project to continue.
- 4. After SWFWMD grant funding agreements have been finalized and FPSC has agreed to deem the project prudent and provide Aloha the necessary assurances that rates will be provided to fund the construction and operation and maintenance of the project, we recommend that Aloha, its attorneys and engineers undertake and finalize negotiations with Progress Energy to obtain an agreement that will allow Aloha to undertake the necessary formal studies required to permit an Anclote Power Station Cooling Water Canal FDEP surface water discharge permit for the concentrate water produced by the proposed RO treatment facilities. The Progress Energy agreement must also provide Aloha with the land use easements needed to enable the construction and operation and maintenance of the concentrate pipelines, dilution water pumping and mixing facilities and concentrate water

disposal facilities.

- 5. Concurrent with undertaking the work necessary to secure the necessary Agreements with Progress Energy, we recommend that Aloha obtain agreement with Pasco County Utilities for membrane cleaning wastewater and concentrate filter backwash sludge disposal at County facilities.
- 6. Once the agreements with Progress Energy and Pasco County are obtained, we recommend that the studies necessary to undertake the various permitting efforts begin and that the formal permitting work be initiated.
- 7. Once the necessary permits are obtained, we recommend that the project proceed through completion.

Appendix K AUI-Pasco County Bulk Water Agreement

ORIGINAL

BULK WATER AGREEMENT

THIS AGREEMENT is made and entered into by and between PASCO COUNTY, a political subdivision of the State of Florida, acting by and through its Board of County Commissioners, the governing body thereof, hereinafter referred to as the "COUNTY," and ALOHA UTILITIES, INC., a corporation authorized to conduct business within the State of Florida, hereinafter referred to as the "UTILITY."

WITNESSETH:

WHEREAS, the UTILITY has received a certificate from the Florida Public Service Commission authorizing the provision of public water service to an area located in the southwestern portion of the COUNTY pursuant to Chapter 367.041, Florida Statutes; and,

WHEREAS, the UTILITY has exceeded its existing permitted water supply capacity and is in need of additional supply to meet its existing and future demands for service; and,

WHEREAS, the UTILITY has requested the COUNTY to provide bulk water supply service to supplement its existing supply for service to both existing customers and potential new customers of the UTILITY system; and,

WHEREAS, subject to the conditions and limitations set forth herein, the COUNTY is willing to provide limited bulk water supply services to the UTILITY for the purpose of supplementing its existing water supply; and,

NOW, THEREFORE, in consideration of the premises, which shall be deemed an integral part of this agreement and of the mutual covenants and conditions set forth herein, the COUNTY and UTILITY intending to be legally bound thereby, agree as follows:

Section I. Whereas Clauses.

The WHEREAS clauses set forth above are incorporated herein by reference and made a part of this agreement.

Section II. Purpose.

The purpose and intent of this agreement is for the COUNTY to provide limited bulk potable water supply to the UTILITY so it may supplement its existing water supply for water services to existing homes and structures and future homes and structures located in the certificated service area of the UTILITY east of U.S. 19 and to provide for assurances of timely payment from the UTILITY to the COUNTY of all Countyapproved rates and charges. All terms and conditions contained herein shall be read and interpreted in a manner consistent with and in furtherance of this purpose and intent.

Section III. Bulk Water Service.

A. Subject to the conditions and limitations set forth in this agreement, the COUNTY shall provide bulk water supply services to the UTILITY in the amounts and at the times specified in Section VII herein. Such service shall be provided by the COUNTY'S existing water main on S.R. 54. The UTILITY shall be responsible for making the actual connection to the COUNTY'S water main. The UTILITY shall design the connections based on the maximum flow rates set forth in Section VII. The location and type of connection to the COUNTY'S water main must be approved in writing by the COUNTY prior to the time the work is actually performed. Such work shall be monitored by the COUNTY for conformance with the COUNTY approved connection requirements and the work must also meet all applicable State and COUNTY standards and regulations. It shall be the responsibility of the UTILITY to furnish proof from its engineer to the COUNTY'S Assistant County Administrator (Utilities Services) and/or other appropriate members of the staff of the comparability and equivalency of all such material and standards of performance as previously mentioned.

1. The UTILITY shall install, as part of its connection to the COUNTY water system, an appropriate metering device(s) meeting all COUNTY requirements and specifications. Meter installations shall be provided at all points of connection. The device(s) must be acceptable to the COUNTY for the purposes of determining the amount of water services being provided by the COUNTY to the UTILITY pursuant to this agreement. The UTILITY shall pay all costs associated with the purchase and installation of such meter(s). The COUNTY shall own, operate, and maintain the meter(s), and the COUNTY shall have the absolute right of access for testing, reading purposes, and for any necessary repairs to maintain the integrity of the COUNTY'S water distribution system. The UTILITY shall also be provided reasonable access to the meter(s) for testing and reading purposes.

Meter Reading and Payments: The COUNTY will invoice the UTILITY for services on a monthly basis in accordance with meter readings, calculated charges and other applicable service fees. The UTILITY shall make payment based upon the invoice amount within thirty (30) days after receipt of the invoice from the COUNTY. In the event that the payment is not made within thirty (30) days after receipt of the invoice, the UTILITY agrees to pay interest or penalties as established from time to time in the COUNTY'S utility system service regulations on the outstanding balance until paid in full. Nothing contained herein, including the charging of interest, shall extend the due date for any payment and any failure to pay on or before the due date shall be considered a default under the terms of this agreement entitling the COUNTY to those remedies set forth in the default section including, but not limited to, termination of service. The UTILITY shall be liable for the costs of the purchase and installation of any additional or replacement meters or similar equipment or devices used to measure the amount of water provided by the COUNTY. In the event the UTILITY disputes the accuracy of any meter reading, it must notify the COUNTY within fifteen (15) days of billing and demonstrate through appropriate calibration testing that the meter is either not properly calibrated or is not functioning properly. All meter readings not disputed within fifteen (15) days of receipt by the UTILITY will be final and not subject to dispute. In the event the UTILITY disputes the billing, it shall still pay the amount billed by the COUNTY unless the error is self-evident or obvious when compared to typical average usage and/or historical flows. If it is subsequently determined, in accordance with the procedure specified below, that the billing is in error, then the UTILITY will be reimbursed or credited for any difference within thirty (30) days of such determination. In the event of any unresolved dispute concerning the meter's performance or accuracy, the parties agree to mutually select an independent testing company qualified to perform appropriate tests upon the meter. The decision of this mutually selected testing company as to the meter's performance or accuracy shall be binding upon the parties. In the event the meter is determined to be accurate with the manufacturer's range of tolerance, then the cost of testing shall be paid by the UTILITY. If the meter is determined to be inaccurate and outside the range of tolerances, then the COUNTY shall pay for the cost of testing.

B. <u>Monthly Service Rate:</u> The UTILITY agrees to pay the COUNTY a service rate of Two and 95/100 Dollars (\$2.95) effective October 1, 2004 per thousand gallons of water based upon the meter readings. This initial user service rate, including any or all components thereof, may be adjusted upward or downward by the Board of County Commissioners from time to time in accordance with the COUNTY'S rate-setting procedure, including conversion to the County's bulk rate "with storage" if and when the UTILITY obtains such storage facilities.

C. Impact Fees:

1. The UTILITY agrees to pay all impact fees established from time to time by the COUNTY on an Equivalent Residential Unit (ERU) basis, which presently equals \$556.00 for 350 gallons per day of capacity. This payment shall be made within (30) days prior to the initial connection to the County system and thereafter, prior to the provision of any additional service capacity increases for each additional phase of service as detailed in Section VII of this agreement.

D. <u>Service Commitment:</u> The COUNTY shall use its best efforts to provide the water capacity required pursuant to the terms of this Agreement. However, the COUNTY shall not be liable in damages to the UTILITY as a result of its inability to provide water services pursuant to this agreement when such inability is attributable to equipment failure, regulatory restrictions, or uncontrollable circumstances and where the UTILITY is being affected and treated in a similar manner as other customers of the COUNTY'S Southwest service area.

E. <u>Public Water Distribution System:</u> The UTILITY shall, at its expense:
1. Purchase, install, repair, or maintain its entire water distribution system (defined as the UTILITY's facilities located on the UTILITY's side of any meter(s) installed to measure water provided to the UTILITY by the COUNTY), including all lines, valves, meters, and other facilities and appurtenances that are located on its side of the water meter the COUNTY utilizes for determining monthly billing and that may be necessary in order to tap into or make connections with the COUNTY'S water system.

2. Cause to be conducted all investigations and testing that may be required in order for the UTILITY to tap into the said system, including all design, construction, repair, and maintenance of the said connection equipment.

3. Cause all water lines, valves, meters, and all other facilities appurtenances that are located on the UTILITY'S side of the water meter installed to measure water provided to the UTILITY by the COUNTY, to be repaired and maintained in accordance with sound utility management practices.

4. Pay all costs required in section VII. B.

F. <u>Permits:</u> The UTILITY shall have the responsibility of securing and maintaining all necessary permits from all governmental agencies having regulatory authority over the UTILITY'S public water distribution system. The COUNTY shall have the same responsibility as to its water system. However, where governmental regulations require the UTILITY to obtain permits and/or develop reports and other documents that require the UTILITY to obtain data from the COUNTY related to its water system, the COUNTY will provide all needed data to the UTILITY in a timely manner and assist the UTILITY to the extent necessary for the UTILITY to comply with such governmental regulations at no additional cost to the UTILITY. In complying with all regulatory requirements, the parties shall work together and use their respective best efforts including, but not limited to, providing to the other party or agency, as applicable from time to time, information that will enable the other party to comply with any such regulatory requirements in a timely manner.

Section IV. General Provisions.

A. These conditions are binding upon the successors and assignees of the parties hereto. Whenever one (1) party gives notice to the other party concerning any of the provisions of this agreement, such notice shall be given by certified mail, return receipt required. The said notice shall be deemed given when it is deposited in the United States mail with sufficient postage prepaid (notwithstanding that the return receipt is not subsequently received). Notices shall be addressed as follows:

PASCO COUNTY:Utilities Services Branch
Pub. Wks./Utilities Bldg., S-213
7530 Little Road
New Port Richey, FL 34654-5598ALOHA UTILITIES, INC.Stephen Watford
Aloha Utilities, Inc.
6915 Perrine Ranch Road
New Port Richey, FL
34655

These addresses may be changed by giving notice as provided for in this paragraph.

B. No waiver of any breach of any of the terms of this agreement shall be construed to be a waiver of any succeeding breach.

Section V. Default.

If either party materially fails or defaults in keeping, performing, or abiding by the terms and provisions of this agreement, then the nondefaulting party shall give written notice to the defaulting party specifying the nature of the default. If the defaulting party does not cure the default within thirty (30) days after the date of written notice, then this agreement, at the option of the nondefaulting party, may be terminated. In the event the COUNTY elects to terminate pursuant to this section, such termination shall include the cessation of bulk water services. Neither party shall be relieved of liability to the other for damages sustained by virtue of any party wrongfully exercising this provision. This paragraph is not intended to replace any other legal or equitable remedies available to any nondefaulting party under Florida law, but it is in addition thereto. Notwithstanding the foregoing, any failure to make timely payments shall be considered a material default under the terms of this agreement without the necessity for any written notice.

Section VI. Utility System Charges.

The UTILITY shall fix, revise, maintain, and collect such fees, rates, rentals, or other charges for the use of the products, services, and facilities of its utility system as shall be necessary to fund the timely payment of its respective obligations and liabilities under this agreement. The UTILITY shall maintain its utility system operation and maintenance accounts throughout the term of this agreement for the purpose of paying its obligations and liabilities hereunder. The COUNTY agrees that any increase in the bulk water supply rate or impact fee schedule chargeable to the UTILITY shall not take effect until the COUNTY has provided the UTILITY with at least ninety (90) days' written notice of the said increase. Not withstanding any other provisions of this agreement, the rates and charges assessed by the COUNTY to the UTILITY for the water services provided herein and those anticipated under future phases of additional water service, shall be no higher than those provided to any other similar situated customer of COUNTY's services at the time of execution of this agreement or any time in the future.

Section VII. Phases of Service

A. Phase One - 500,000 gallons per day (gpd) (annual average daily flow rate). The initial phase of service by the COUNTY shall begin within 30 days after the COUNTY'S implementation of chloramination of the West Pasco Water System and shall be limited to a water supply capacity of 500,000 gallons per day (gpd) (annual average daily flow rate) - delivered at a not to exceed rate of 1,050 gallons per minute (gpm) (peak flow rate) at the designated point of connection as conceptually shown on Exhibit "A" hereof. Before the COUNTY will be obligated to provide this initial phase of service, UTILITY shall fund and construct all necessary connections, subject to the COUNTY'S review and approval, install meters and pay all necessary impact fees which currently totals \$794,285.69.

Phase Two - 1,000,000 gallons per day (gpd) (annual average daily flow rate). Β. The second phase of service by the COUNTY shall begin no earlier than January 1, 2006. The UTILITY shall give COUNTY thirty (30) days written notice of its intent to implement this second phase. The COUNTY shall supply an additional 1,000,000 gpd (annual average daily flow rate) delivered at a not to exceed rate of 2,085 (gpm) (peak flow rate) upon completion of all necessary County water system improvements as solely determined by the COUNTY including upgraded points of delivery with Tampa Bay Water or other transmission/distribution pipelines needed to increase the COUNTY'S water supply capacity to the UTILITY's point of connection at a location to be agreed upon by the parties. Before COUNTY will be obligated to provide the second phase of service, the UTILITY shall be responsible for all COUNTY water system improvement costs associated with and/or required so that the COUNTY may provide additional bulk water supply capacity increase over the initial phase of service to be provided by the COUNTY. These costs shall include, but are not limited to, all investigation, design, engineering, and construction costs for upgrading the COUNTY'S points of delivery with Tampa Bay Water, increasing potable water transmission and distribution system pipelines, hydraulic modeling and engineering associated with the Tampa Bay Water interconnects and transmission/distribution pipelines and all additional metering devices pursuant to Section III of this

agreement; however, such costs shall only include such costs necessary for providing the bulk service outlined herein to UTILITY and shall in no event include any costs attributable to oversizing for the overall benefit of other COUNTY customers, or looping of the COUNTY's system. UTILITY shall pay all necessary impact fees which currently totals \$1,588,571.30.

C. The total amount of bulk water supply capacity to be provided by the COUNTY under this agreement after initiation of Phase II shall be limited to a maximum flow rate of 3,135 gpm (peak flow rate).

D. The water supply provided by the COUNTY under Phase 1 and Phase 2 shall be at a minimum pressure to be determined by the UTILITY with the concurrence of the COUNTY when the necessary studies and design of the interconnecting facilities are completed.

E. The water supplied by the COUNTY shall, at a minimum, meet all Federal (USEPA) and State of Florida (FDEP) Drinking Water Standards as applicable at the point of delivery.

F. <u>Phase III</u> - Prior to implementation of Phase II, the COUNTY and the UTILITY agree to enter into negotiations as to the additional capacity beyond Phase II, which the UTILITY will need to obtain from the COUNTY. The UTILITY will continue to review additional sources for the water capacity needed to meet that additional demand to the build out of its service territory and to promote the efficient use of existing supplies. The parties agree to use their best efforts to conclude negotiation of such additional phases by the completion of the implementation of phase II as outlined herein (January 2006).

Section VIII. Miscellaneous Provisions.

A. In the event the parties' performance of this agreement, is prevented or interrupted by consequence of an act of God, or of the public enemy, or national emergency, allocation, or other governmental restrictions upon the use or availability of labor or materials, rationing, civil insurrection, riot, racial or civil rights disorder or demonstration, strike, embargo, flood, tidal wave, fire, explosion, bomb detonation, nuclear fallout, windstorm, hurricane, sinkholes, earthquake, or other casualty or disaster or catastrophe, unforeseeable failure or breakdown of pumping, transmission, or other facilities, governmental rules (except those of the COUNTY) or acts or orders or restrictions of regulations or requirements, acts or actions of any government, except the COUNTY, or public or governmental authority, commission, board, agency, official, or officer (except those authorities, commissions, boards, agencies, officials, or officers of the COUNTY), or judgment or a restraining order or injunction of any court, the party shall not be liable for such nonperformance, and the time of performance shall be extended for such time period that the party is diligently attempting to perform.

B. The parties hereto agree that from and after the date of execution hereof, each will, upon the request of the other, execute and deliver such other documents and instruments and take other actions as may be reasonably required to carry out the intent of this agreement.

C. This agreement shall not be considered an obligation on the part of the COUNTY or the UTILITY to perform in any way other than as indicated herein.

D. This agreement shall be binding upon the heirs, representatives, and assigns of the parties hereto and the provisions hereof shall constitute covenants running with the land for the benefit of the heirs, representatives, and assigns of the party. However, this agreement shall not be assigned by either party without the express written consent of the other party; however, such consent shall not be unreasonably withheld by such other party.

E. In the event the COUNTY ever elects to exercise its power of eminent domain for the purpose of acquiring all, or any part of the water utility system which may be owned by the UTILITY, the County and the Utility agree that the COUNTY will not be required to pay the UTILITY for any value which may be attributable to the services provided by the COUNTY under the terms of this agreement above the fair value of the facilities constructed hereunder and owned by the UTILITY, and the cost of the water reserved hereunder.

F. To the extent the parties to this Agreement at some time in the future determine that any portion of the capacity reserved hereunder is not and will not be necessary for the UTILITY to provide service to its certificated service area at build out, the parties agree to renegotiate the

capacity needed to be reserved in order to provide service to that area. At no time will the UTILITY utilize the water capacity reserved hereunder for bulk sales to third party retail reseller utilities.

G. <u>Term</u>: This agreement shall have a term of twenty-five (25) years commencing on the date of execution of this agreement. Upon approval of the COUNTY, the UTILITY may renew this agreement for an additional twenty-five (25) years. The UTILITY shall notify the COUNTY within one (1) year prior to the expiration of the initial term of the decision whether to renew and the COUNTY agrees that its approval of such renewal will not be unreasonably withheld.

H. The UTILITY agrees that immediately upon execution by the COUNTY of this Bulk Water Agreement, that UTILITY will begin preparation of an appropriate filing with the Florida Public Service Commission requesting recognition and recovery of the additional cost of increased water purchased from the COUNTY. The UTILITY shall use its best efforts to obtain such approval. However, the UTILITY will have no obligation to begin purchasing such water until the rates necessary to receive such service have been approved by the Florida Public Service Commission and such approval is final. The COUNTY shall have no obligation to provide such additional bulk service until the rates to cover the cost of such service to the UTILITY have been approved, and such approval by the Florida Public Service Commission is a condition precedent to the COUNTY's obligations hereunder.

I. Each party acknowledges that it has played an equal role in drafting this agreement and, as a result, in the event of any ambiguity contained herein, the same shall not be construed against or in favor of either party.

IN WITNESS WHEREOF, the parties hereto have executed the foregoing agreement on this 244 day of 0010ber_____, 2004.

BOARD OF COUNTY COMMISSIONERS OF PASCO COUNTY, FLORIDA

PETER A. ALTMAN, CHAIRMAN

ALOHA UTILITIES, INC.

OCT 2 6 2004

ATTEST Pamela Yacobelli, Secretary/Treasurer

Prisidet STEPHEN WATFORD, PRESIDENT

APPROVED AS TO LEGAL FORM AND SUFFICIENCY Office of the Pasco County Attorney

ATTORNEY

Aloha\35\09-24-04 Pasco Bulk Agr FINAL.doc

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(SEAL)

JED PITTMAN, CLERK

EXHIBIT "A"



PAGE 1 of 2



GENERAL METER CONFIGURATION SKETCH





PASCO COUNTY, FLORIDA

DADE CITY LAND O' LAKES NEW PORT RICHEY FAX (352) 521-4285 (813) 996-7341 (727) 847-8131 (727) 847-8972 UTILITIES CUSTOMER SERVICES DIVISION PASCO COUNTY GOVT. COMPLEX 7508 LITTLE ROAD POST OFFICE BOX 2139 NEW PORT RICHEY, FL 34656-2139 utilcustserv@pascocountyfl.net

July 28, 2003

Aloha Utilities 6915 Perrine Ranch Road New Port Richey, FL 34655-3904

RE: Rates and Charges

Dear Bulk Water Customer:

A public hearing has been schedule for August 12, 2003, at 6:30 p.m., in the Commission Chambers at the West Pasco Government Center, 7530 Little Road, New Port Richey, Florida, for the purpose of considering the adoption of the proposed water and wastewater user charge fees and related cost of services.

The proposed bulk water and wastewater rates are as follows:

Fiscal Year	Effective Date	Water W/Storage	Water W/O Storage	<u>Wastewater</u>
2004	10/01/03	\$2.41 k/gal.	\$2.65 k/gal.	\$4.04 k/gal.**
2005	10/01/04	\$2.70 k/gal.	\$2.95 k/gal.	\$4.15 k/gal.**
2006	10/01/05	\$3.03 k/gal.	\$3.28 k/gal.	\$4.26 k/gal.**
2007	10/01/06	\$3.40 k/gal.	\$3.65 k/gal.	\$4.38 k/gal.**

If you are regulated by the Florida Public Service Commission, you will be given 90 days from October 1, 2003, before the new rates are charged.

If you have any questions, feel free to contact us at one of the above telephone numbers.

Sincerely.

Douglas S. Bramlett Assistant County Administrator (Utilities Services)

** Includes \$1.00 k/gal. Capital Recovery

DSB/CC/ltr/gbulk01mrg