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September 21, 2000
VIA HAND DELIVERY

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Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0862

Re: Aloha Utilities, Inc.; PSC Docket No. 960545-WS
Water Quality Investigation
Our File No. 26038.17

Dear Ms. Bayo:

Pursuant to the requirements of Order No. PSC-00-1285-FOF-WS, we are writing to apprise the Commission of the status of the pilot project as required under the provisions of the Commission's Order and the amendment thereto (Order No. PSC-00-1628-FOF-WS) dated September 12, 2000. It should be kept in mind that because of the need for clarification of the original Order proposing the pilot project, the Utility could not move forward until such clarification was in hand. Having only received that clarification with the issuance of the Amendatory Order on September 12, 2000, the Utility has much to do in all aspects of planning for, purchasing, construction, and beginning operation of the pilot project.

The initial work related to organizing the pilot project has been placed primarily in the hands of the Utility's consulting engineer, Mr. David Porter. Below is an outline of actions taken to date and the expecting nature and timing of future events leading to completion and operation of the pilot project.

1. Contacts with Manufacturers and Suppliers

Mr. Porter has been in contact with several manufacturers and suppliers of components which Mr. Porter believes will be necessary in order to construct the pilot plant and has begun discussing with them the following:

- A. Availability of components needed for construction of pilot project
- B. Specifications and dimensions of components
- C. The cost of the components necessary for construction of the pilot project
- D. Lead time necessary for ordering and receipt of components for construction of the pilot project

2. Discussions with Management

The engineer has met with the Utility owner and operation staff to discuss the issues of when and where to install the components, the costs of components and construction, and the staffing for same, and the need to hire full-time personnel for such functions. Testing

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requirements for both utility personnel and outside labs have also been discussed with management..

3. Discussions with Lab

The engineer has also begun discussing with the certified laboratory used by Aloha what one time and recurring tests will have to be done on the new facilities, development of testing procedures that will be necessary, what necessary tests can be done on site and/or by Utility personnel versus lab personnel, and what tests will have to be done back at the main laboratory, and the cost for all facets of testing.

4. Discussions with DEP

Because of the very recent issuance of the Order and the upcoming rate hearings which have demanded the great majority of the available time of the Utility's consulting engineer and its in-house staff, the Utility has put off further work on this issue for at least the next three weeks.

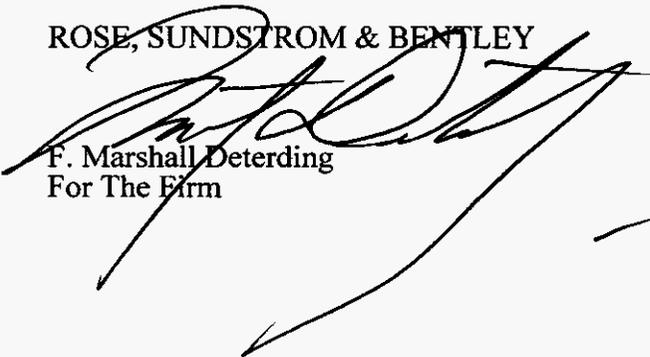
At that time, the Utility's engineer will again take up his contacts with manufacturers, etc. and begin review of pricing, specifications, availability, dimensions, etc. of the various components from the various alternative suppliers and manufacturers. After review of those and consultation with the client, the Utility will order or possibly put out to bid, the larger components of the facilities. After review with management of the various aspects of available components and pricing, and the hiring of the new staff necessary to run, test, operate, and maintain the pilot project facilities ordering will begin.

Based upon the estimated lead time necessary to obtain the final components to be ordered, to assemble and build the installation and obtain the necessary trucking equipment on which to install them, hire and train appropriate staff, and organize testing procedures, the Utility estimates that the pilot project should be up and running sometime in late February of 2001.

Should you have any further questions in this regard, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY


F. Marshall Deterding
For The Firm

FMD/tmg

cc: Tom Walden
Patti Daniel
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Stephen G. Watford
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