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May 22, 2003

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: Investigation Into Proposed Sale of Florida Water Services Corporation
Docket No. 021066-WS**

Dear Public Service Commission Agency Clerk:

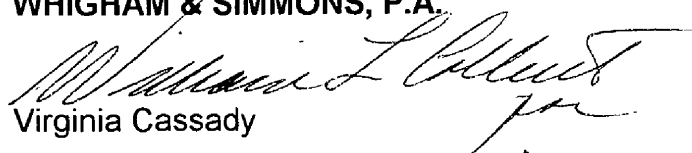
Please find enclosed the City of Palm Coast's Response And Objection To Florida Water Services Corporation's Notice of Cancellation of Contract and Suggestion of Mootness.

We will appreciate your office and the Commission taking appropriate action relative to this Response.

Please feel free to call with questions and to let me know if I can be of assistance in this matter or in any other way. Thank you for your attention to this matter.

Sincerely,

**STENSTROM, McINTOSH, COLBERT,
WHIGHAM & SIMMONS, P.A.**


Virginia Cassady

cc: Richard Kelton, City Manager
William L. Colbert, Esquire, City Attorney
Lonnie N. Groot, Esquire

AUS _____
CAF _____
CMP _____
COM 5 _____
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GCL _____
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MMS _____
SEC 1 _____
OTH _____

DOCUMENT NUMBER-DATE

04687 MAY 27 8

FPSC-COMMISSION CLERK

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into proposed sale of Florida)
Water Services Corporation to Florida Water)
Services Authority)
_____)

Docket No. 021066-WS

RESPONSE AND OBJECTION TO FLORIDA WATER SERVICES CORPORATION'S NOTICE OF CANCELLATION OF CONTRACT AND SUGGESTION OF MOOTNESS

The City of Palm Coast ("Palm Coast"), by and through its undersigned counsel, hereby files and serves this Response and Objection to Florida Water Services Corporation's Notice of Cancellation of Contract and Suggestion of Mootness which the Corporation filed with the Commission of May 15, 2003, and states as follows:

1. Palm Coast is an Intervener by Order of the Commission entered March 10, 2003.
2. Florida Water Services Corporation ("Corporation") states in Paragraph 7 of its Notice of Cancellation of Contract and Suggestion of Mootness that it advised Florida Water Services Authority that it was terminating the Purchase Agreement, and, therefore, the Commission should close the docket in this matter.
3. Florida Water Services Authority is still a viable Authority which has not been formally dissolved, nor have the cities of Gulf Breeze and Milton declared the interlocal agreement entered by them for the purposes of acquiring the water utility assets of the Corporation to be null and void with no further force and effect.
4. The City Attorney for Palm Coast has received correspondence dated May 7, 2003, from the City Attorney from Gulf Breeze that the Authority's position is that the Asset Purchase Agreement was not validly terminated by the Corporation and that the

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Authority wishes to proceed with consummation of the transaction and has communicated that intention to the Corporation. A copy of the letter received from the Gulf Breeze City Attorney is attached hereto as Exhibit "A" and made a part hereof.

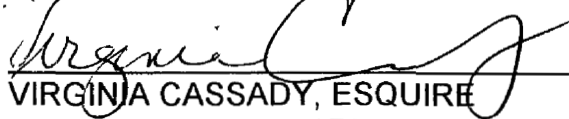
5. In the event the transaction between the Corporation and FWSA proceeds, if the Commission has closed the docket in this matter, undue prejudice will inure to not only the citizens of the Intervenors but to the affected citizens of the other 150 communities throughout the State.

WHEREFORE, for the reasons set forth above, Palm Coast respectfully requests that the Commission:

1. Find that this matter is not yet moot.
2. Proceed with this matter in accordance with the schedule set forth by the Commission.
3. Issue an Order denying the Corporation's request to close the docket in this matter.

Dated this 22nd day of May, 2003.

Respectfully submitted,



VIRGINIA CASSADY, ESQUIRE

Florida Bar No. 0500372

Stenstrom, McIntosh, Colbert,

Whigham & Simmons, P.A.

200 W. First Street, Suite 22

P.O. Box 4848

Sanford, Florida 32772-4848

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(407) 330-2379 - Facsimile

Attorney for City of Palm Coast

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail delivery on this 22nd day of May, 2003 to the following:

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J. STEPHEN MENTON, ESQUIRE
Rutledge, Ecenia, Purnell & Hoffman, P.A.
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Tallahassee, Florida 32302

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Vice President and General Counsel
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May 7, 2003

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SunTrust Bank, Ste. 22
200 West First Street
Post Office Box 4848
Sanford, Florida 32772-4848

RE: Florida Water Services Authority

Dear Virginia:

This will acknowledge your three separate letters sent to Roy Andrews, Bruce Culpepper and me. Responding to your inquiry, it is the position of the Florida Water Services Authority that the Asset Purchase Agreement was not validly terminated by the Florida Water Services Corporation. The Authority desires to proceed with consummating closing of the transaction contemplated in the Asset Purchase Agreement and has communicated that intention to the Florida Water Services Corporation.

I trust this responds to your inquiry, however should you have any questions please do not hesitate to contact me.

Sincerely,



Matt E. Dannheisser
For the Firm

MED/lg

cc: Edward Gray
Roy Andrews
Bruce Culpepper
Richard I. Lott

EXHIBIT "A"