



Public Service Commission

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

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**DATE:** June 3, 2003  
**TO:** Division of the Commission Clerk and Administrative Services  
**FROM:** Lorena A. Holley, Senior Attorney, Office of the General Counsel *JAM*  
**RE:** Docket No. 021066-WS - Investigation into Proposed Sale of Florida Water Services Corporation

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Please file the attached letter dated May 29, 2003, from Kenneth A. Hoffman to Virginia Cassady, Esq., requesting that the City of Palm Coast withdraw its previously-filed Response and Objection, in the above-referenced docket.

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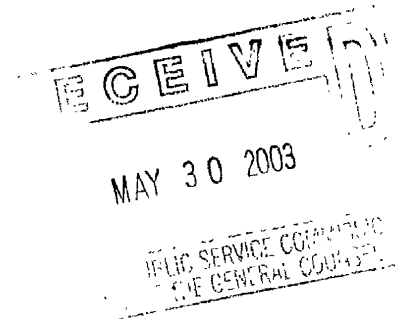
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May 29, 2003

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Re: Florida PSC Docket No. 021066-WS

Dear Ms. Cassady:

Our firm represents Florida Water Services Corporation ("Florida Water"). On May 27, 2003, I received a copy of the Response that you filed on behalf of the City of Palm Coast ("City") objecting to Florida Water's Notice of Cancellation of the Asset Purchase Agreement ("Agreement") with the Florida Water Services Authority ("Authority") and Suggestion that the Florida Public Service Commission ("PSC") close the above-referenced docket. The purpose of this letter is to request the withdrawal of your recently filed Response and Objection.

In its Notice of Cancellation of Contract and Suggestion of Mootness, Florida Water advised the PSC that it had lawfully terminated the Agreement with the Authority and dismissed pending appeals of PSC and circuit court orders precluding the closing of the transaction. Based on these facts, Florida Water maintains there is no longer any need for the evidentiary hearing scheduled by the PSC concerning the previously contemplated sale of Florida Water's assets to the Authority. I understand from your Response that you received a letter from the attorney for the City of Gulf Breeze claiming that the Agreement was not validly terminated. Based on that unsubstantiated claim, you have asked the PSC to proceed with a full blown evidentiary hearing on the merits of a transaction that has been terminated, notwithstanding the Authority's claim to the contrary.

It is rare, if not unprecedented, for the PSC to open a docket to investigate the potential sale of a water and wastewater utility. Had the PSC not opened this docket, Florida Water would have been required under Section 367.071, Florida Statutes, to file an application (and a new docket would have been opened) for PSC approval or acknowledgment of the sale of assets to the Authority.

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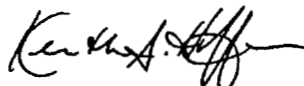
Although the sale of assets to the Authority will no longer take place, should Florida Water enter into a new contract in the future for the sale of its statewide assets, Florida Water will be required under the same statute to file an application for approval or acknowledgment of the sale, depending on whether the purchaser is a governmental authority. That future application will trigger the opening of a new docket in which the City may request to intervene.

I trust that you understand that your request on behalf of the City that the PSC hold a full blown evidentiary hearing will require the unnecessary and meaningless yet substantial expenditure of time and resources of the parties, including the City and its taxpayers, and the PSC. There does not appear to be any legitimate reason for the City's taxpayers to pay the costs associated with participating in the hearing that you seek (and, perhaps, appeals arising therefrom) concerning a transaction that will not take place.

For the reasons that I have outlined above, the withdrawal of the City's Response and Objection will avoid the unnecessary and wasteful expenditure of time, resources and money of the City and its taxpayers, Florida Water, the other parties to this proceeding, and the PSC on hearings and potential appeals that would supposedly focus on a hypothetical transaction. I respectfully request, on behalf of Florida Water, that you withdraw the City of Palm Coast's Response and Objection to Florida Water's Notice of Cancellation of Contract and Suggestion of Mootness filed with the Florida Public Service Commission in the above-referenced docket.

Thank you for your consideration of this request.

Sincerely,



Kenneth A. Hoffman

KAH/rl

cc: Mr. Donnie Crandell  
Mr. Forrest L. Ludsen  
Carlyn Kowalsky, Esq.  
Lorena Holley, Esq.