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February 6, 2004

HAND DELIVERY

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COMMISSION
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Ms. Blanca Bayo
Commission Clerk and Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No. 020745-SU; Application of Island Environmental Utility, Inc., for
Original Certificate
Our File No.: 37025.01

Dear Ms. Bayo:

In view of the numerous amendments and revisions to the original Application, Island Environmental Utility, Inc. ("IEU"), has prepared and will file a Restated Application which satisfies the requirements of Rule 25-30.033(1), Florida Administrative Code. In addition, IEU provides the following specifically in response to the Commission's deficiency letter dated January 9, 2004:

1. Rule 25-30.033(1)(e): In its Answer to Commission Staff's Interrogatory No. 3, IEU stated that it has previously provided its pro forma financial information to the Commission in connection with the testimony of James A. Elder. To the extent Commission Staff wishes to review any financial information relating to the shareholders of IEU, the shareholders will be happy to provide it to the Commission Staff in accordance with their prior custom, and subject to the customary procedures for confidentiality. However, IEU expects to have an offer of support from a financial institution to satisfy the financial ability requirement.

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In the original Application, IEU stated that it had retained the following professionals, WilsonMiller, Inc. (engineering services), Gueltzow Utilities, Inc. (operations), and Rose, Sundstrom & Bentley, LLP (legal services). The principal shareholders of IEU have many years of experience in owning and operating water and wastewater utilities in or near the area proposed to be served. Mr. John R. Boyer is an officer and shareholder of Little Gasparilla Water Utility, Inc., Mr. Dean Beckstead is an officer and member of Knight Island Utility, Inc., and Mr. Garfield Beckstead is an officer and shareholder of Useppa Island Utility, Inc.

In its Answer to Commission Staff Interrogatory No. 5, IEU stated that only two wastewater utilities have the capacity to provide wastewater service to the barrier islands, Englewood Water District and Charlotte County Utilities. Both are located on the mainland. When asked by IEU, the director of Englewood Water District refused to provide retail service to the islands. Charlotte County Utilities has always had the option to provide service on the barrier islands but has never elected to provide service there. The only wastewater utility of any size on the barrier islands is the one owned and operated by Knight Island Utilities, Inc., which is a Florida not-for-profit corporation. IEU's original plan was to serve the barrier islands by purchasing and expanding Knight Island Utilities' wastewater treatment plant. However, Knight Island Utilities decided to keep its wastewater treatment plant and was not interested in expanding its service.

Dr. Abdul Ahmadi, a DEP manager, testifying on behalf of Commission Staff, stated that there are three utilities located near the proposed service area: Useppa Island Utility, Inc. (wastewater system in Lee County), Knight Island Utilities, Inc. (Described above), and Little Gasparilla Water Utility, Inc. (water system on Little Gasparilla Island). (See Direct Testimony of Dr. Abdul Ahmadi, at Page 3). Dr. Ahmadi stated that they are generally doing a satisfactory job of maintaining and operating their respective facilities. As described above, each of the principal shareholders of IEU is involved with one of these utilities. Each can contribute his extensive technical ability and experience to the operations of IEU.

2. Rule 25-30.033(1)(m): The corrected proposed service territory is more fully described as follows:

That portion of Sections 28, 32 and 33, and the South ½ of Section 29, Township 41 South, Range 20 East, and Sections 3, 4, 15, 16, 21, 22 and 27, Township 42 South,

Range 20 East, bounded on the West by the Gulf of Mexico, on the East by the Intercoastal Waterway, on the South by Gasparilla Pass, and on the North by Palm Island Resort Pass, consisting of a portion of Knight Island, Don Pedro Island and Little Gasparilla Island, all in Charlotte County, Florida.

Mr. James Elder, on behalf of IEU, has previously provided a County GIS map showing the proposed service area. Although it is premature to attempt to provide the final location of the lines, IEU has attempted to show these lines on the maps attached to the Restated Application. The treatment facilities are not located in the proposed service area. Treatment will be provided by Englewood Water District.

3. Rule 25-30.033(1)(n): This map has been provided to Commission Staff under separate cover.

4. Rule 25-30.033(1)(o): Mr. Elder, in his direct testimony on behalf of IEU provided Staff with a full description of the separate capacities of the proposed lines and treatment facilities in terms of ERCs and gallons per day, specifying phases in the development if appropriate. This information will also be provided in the Restated Application.

5. Rule 25-30.0-33(1)(r): Pro forma financial statements have already been provided to Commission Staff. IEU is a new company and has no history of operations. Therefore, it is unable to provide the type of financial statement required by this Rule. On December 12, 2003, Mr. James Elder, consultant for IEU, provided a revised cost study to Commission Staff. IEU is currently negotiating with Peninsula Bank for funds to commence the permitting and design phase upon receiving Commission approval, and will provide Commission Staff with a copy of the arrangements with the bank.

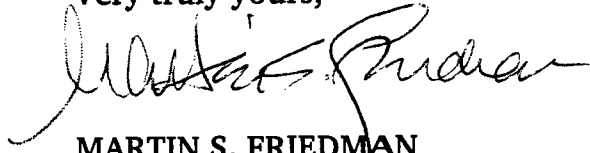
6. Rule 25-30.033(1)(s): As stated above, IEU is currently negotiating with Peninsula Bank for funds to commence the permitting and design phase, and for funds to carry IEU through the development and construction phase. Terms for funding, including the manner and amount of such funding, will be negotiated when the necessary certificates, authorizations and permits have been granted. Terms are subject to negotiation between the parties and will reflect the prevailing rates for

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similar funding at that time. IEU will provide Commission Staff with copies of any arrangements with the bank.

Should you have any questions concerning this matter, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/VLL/mp

cc: Rosanne Gervasi, Esquire (via hand delivery)
Jannette Knowlton, Esquire
Mrs. Linda Bamfield
Mr. Ronald Koenig
Mr. John R. Boyer
Mr. Dean Beckstead

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