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REPLY TO ALTAMONTE SPRINGS

MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD, OF COUNSEL
(LICENSED IN TEXAS ONLY)

February 16, 2004

VIA HAND DELIVERY

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

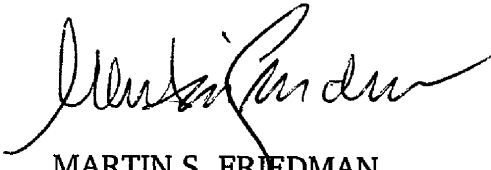
RECEIVED - FPSC
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COMMISSION
CLERK

Re: Docket No. 020745-SU; Application of Island Environmental Utility, Inc., for an Original Wastewater Certificate in Charlotte County, Florida
Our File No.: 37025.01

Dear Ms. Bayo:

Enclosed please find for filing in the above-referenced docket the original and fifteen (15) copies of Island Environmental Utility, Inc.'s Prehearing Statement. Also enclosed is a floppy disk containing the Prehearing Statement.

Very truly yours,


MARTIN S. FRIEDMAN
For the Firm

AUS _____
CAF _____
CMP _____
COM 3 MSF/mp
CTR _____ Enclosures
ECR _____
GCL _____
OPC _____
MMS _____
SEC 1
OTH _____

cc: Rosanne Gervasi, Esquire (w/enclosure) (via hand delivery)
Jannette S. Knowlton, Esquire (w/enclosure)
W. Kevin Russell, Esquire (w/enclosure)
Mr. Ronald Koenig (w/enclosure)
Mrs. Linda Bamfield (w/enclosure)
Mr. John R. Boyer (w/enclosure)
Mr. Dean Beckstead (w/enclosure)

DOCUMENT NUMBER-DATE

02142 FEB 16 04

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application of ISLAND ENVIRONMENTAL UTILITY, INC. for an original Wastewater Certificate in Charlotte County, Florida

Docket No. 020745-SU

ISLAND ENVIRONMENTAL UTILITY, INC.'S
PREHEARING STATEMENT

Pursuant to Order No. PSC-03-0485-PCO-SU, issued on April 14, 2003, Island Environmental Utility, Inc., (the "Utility"), by and through its undersigned counsel, files the following Prehearing Statement:

A. All Known Witnesses:

<u>Witness Name</u>	<u>Title</u>	<u>Subject</u>
Mr. John R. Boyer	President, Island Environmental Utility, Inc.	Issue Nos. 1-12
Mr. James A. Elder	Consulting Engineer	Issue Nos. 5, 7, 9-12

The Utility reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony and witnesses to address issues not presently designated but that may be designated by the Prehearing Officer at the prehearing conference.

B. All Known Exhibits:

The Utility has identified and intends to sponsor the following exhibits:

Exhibit No.	Description	Person(s) Sponsoring
_____	Restated Application for Certificate	John R. Boyer
_____	Map of Proposed Service Area (Amended)	John R. Boyer
____ (JAE-1)	Pro Forma Financial Information	James A. Elder
____ (JAE-2)	Order No. PSC-03-0707-PAA-WS	James A. Elder
_____	County GIS Map	James A. Elder
_____	Revised Cost Study	James A. Elder

The Utility may utilize other documents as exhibits at the time of hearing, either during cross examination or as further impeachment or rebuttal exhibits and the precise identification of such documents cannot be determined at this time.

C. The Utility's Statement of Basic Position:

There is a need for the provision of centralized wastewater service on Little Gasparilla Island, Don Pedro Island and a portion of Knight Island (the "Proposed Service Area"). The Proposed Service Area consists of three unbridged barrier islands in Charlotte County, Florida. The current use of septic systems on the islands contributes to the growing environmental and natural hazard risk. The provision of centralized wastewater service with treatment and disposal taking place on the mainland, will have obvious environmental benefits over the continued use of septic systems.

The Utility has the financial and technical ability to provide centralized wastewater service to the Proposed Service Area. The Utility proposes to purchase bulk wastewater treatment and disposal from Englewood Water District (the "District"). Other than Charlotte County,

the District is the only wastewater service provider within the geographical proximity of the Proposed Service Area that has the present capacity to treat and dispose of wastewater collected by the Utility. Charlotte County has indicated that it does not presently wish to provide this service to the Proposed Service Area. The District has agreed to treat and dispose of from 0.1 to 0.4 MGD of wastewater collected from the Proposed Service Area on behalf of the Utility.

D. Issues & the Utility's Positions:

ISSUE 1: Is there a need for service in the Utility's proposed service territory and, if so, when will service be required?

POSITION: Yes. As shown on the maps attached to the Restated Application, there are about 1,920 lots in the Proposed Service Area, of which approximately 46% are developed. Development in the Proposed Service Area is primarily single family homes but there are a few multi-family units. Currently, individual septic tanks provide wastewater disposal in the Proposed Service Area. About 50% of the potential customers of the Utility's proposed centralized wastewater system who have filed responses with the Commission are in favor of it. Approximately 1,850 property owners are, or soon will be, receiving centralized water service. They represent about 95% of the property owners in the Proposed Service Area.

Service is needed now, but construction cannot commence until the design and permitting phase is complete. The Utility has already received assurances from Peninsula Bank that adequate funding will be available. The Utility has received a letter of intent from Englewood Water District to provide bulk wastewater service.

It is premature to apply for the necessary permits, although the Utility does not anticipate that obtaining such permits will be difficult once the Commission has issued a wastewater certificate to the Utility. The proposed locations of the subaqueous and other lines are shown on the maps attached to the Restated Application. (John R. Boyer)

ISSUE 2: Is the Utility's application inconsistent with Charlotte County's Comprehensive Plan?

POSITION: No. (John R. Boyer)

ISSUE 3: Will the certification of the Utility result in the creation of a utility which will be in competition with, or duplication of, any other system within geographical proximity to the proposed service area?

POSITION: No. Other than Charlotte County, there is no other wastewater service provider in geographical proximity to the Proposed Service Area that has the capacity to provide wastewater service. Charlotte County has indicated that it does not wish to provide wastewater service to the Proposed Service Area at this time. The District is unwilling to provide wastewater service to the Proposed Service Area but has entered into a letter of intent with the Utility for the purchase by the Utility of bulk wastewater treatment and disposal. (John R. Boyer)

ISSUE 4: Can the public be adequately served by modifying or extending a current wastewater system?

POSITION: No. There is no wastewater system currently operating within the Proposed Service Area which is willing or able to provide centralized wastewater service. Modifica-

tion or extension of an existing system, even if the system owner was willing, would not be economic. Further, the Utility's proposal puts treatment and disposal on the mainland, which provides greater protection from hurricane damage. (John R. Boyer)

ISSUE 5: Does the Utility have the financial ability to serve the requested territory?

POSITION: Yes. The pro forma financial statements provided by the Utility in its original Application, together with the letter of support from Peninsula Bank , show that the Utility will have adequate funds to complete the construction of its facilities. The pro forma financial statements and cost studies provided by the Utility show that the utility will have sufficient revenues to provide continuous and uninterrupted service. (John R. Boyer; James A. Elder)

ISSUE 6: Does the Utility have the technical ability to serve the requested territory?

POSITION: Yes. The Utility's officers and shareholders have extensive experience in owning, managing and operating water and/or wastewater utilities. Mr. Garfield R. Beckstead is an officer of Useppa Island Utility, Inc., a wastewater system in Lee County. Mr. Dean L. Beckstead is an officer of Knight Island Utilities, Inc., a wastewater system in Charlotte County. Mr. John R. Boyer is an officer of Little Gasparilla Water Utility, Inc. , a water system. Little Gasparilla Water Utility, Inc. is certified by the Commission to provide water service in Charlotte County, Florida, including a portion of the proposed service area. In his testimony given on behalf of the Commission Staff in this docket, Dr. Abdul Ahmadi, of the Florida Department of Environmental Protection, commented that these utilities are generally doing a

satisfactory job of maintaining and operating their respective facilities. Each of the Utility's officers/shareholders will contribute his extensive technical ability and experience to the Utility's operations. In addition, the Utility has retained the following professionals:

James A. Elder, Consulting Engineer (engineering services)
WilsonMiller, Inc. (engineering services)
Gueltzow Utilities, Inc. (operations)
Rose, Sundstrom & Bentley, LLP (legal services)

(John R. Boyer)

ISSUE 7: Has the Utility contracted for sufficient wastewater plant capacity to serve the Proposed Service Area?

POSITION: Yes. The Utility proposes to enter into an agreement with the District to purchase bulk wastewater service. The permitted maximum capacity of the District's facilities are adequate to treat and dispose of the initial capacity required. The maximum permitted capacity of the District's facilities is presently in excess of 2 MGD, of which only 1.5 MGD is required to serve its existing customers. Expansion of the District's plant capacity to 3.0 MGD is underway. The initial capacity required is estimated to be 0.1 MGD. At full build out, the maximum capacity required is estimated to be 0.4 MGD. The Utility and the District have agreed that the Utility may purchase additional capacity in units of 100,000 GPD as the demand from the Proposed Service Area increases. (John R. Boyer; James A. Elder)

ISSUE 8: Is it in the public interest for the Utility to be granted a wastewater certificate for the territory proposed in its application?

POSITION: Yes. (John R. Boyer)

ISSUE 9: What is the appropriate return on equity for the Utility?

POSITION: The appropriate return on equity for the Utility, based on Commission Order No. PSC-03-0707-PAA-WS is 10.1%. (John R. Boyer; James A. Elder)

ISSUE 10: What are the appropriate wastewater rates and charges for the Utility?

POSITION: The appropriate wastewater rates for the Utility are as follows:

General Service:

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8x3/4"	\$ 21.19
3/4	\$ 31.79
1	\$ 52.98
1 ½	\$ 105.95
2	\$ 169.52
3	\$ 339.04
4	\$ 529.75
6	\$1,059.50
8	\$1,695.20

GALLONAGE CHARGE \$7.68 per 1,000 gallons (10,000 gallon maximum)

Residential and Multi-Residential:

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8x3/4"	\$ 21.19
3/4	\$ 31.79
1	\$ 52.98
1 ½	\$ 105.95
2	\$ 169.52
3	\$ 339.04
4	\$ 529.75
6	\$1,059.50
8	\$1,695.20

GALLONAGE CHARGE \$6.40 per 1,000 gallons (10,000 gallon maximum)

(John R. Boyer; James A. Elder)

ISSUE 11: What are the appropriate service-availability charges for the Utility?

POSITION: As shown in the revised cost study prepared by Mr. James A. Elder, the appropriate service availability charge for the Utility is \$4,806 per ERC. (John R. Boyer; James A. Elder)

ISSUE 12: What is the appropriate allowance for funds used during construction (AFUDC) rate for the Utility?

POSITION: The Utility is not requesting an AFUDC rate at this time. (John R. Boyer; James A. Elder)

E. There are no questions of law that are at issue.

F. The following policy questions are at issue:

Should it be determined that the Application is not consistent with the Charlotte County Comprehensive Plan, the Utility deems it in the public interest to grant the Application, notwithstanding the inconsistency. (John R. Boyer)

G. To the Utility's knowledge, there are no stipulations.

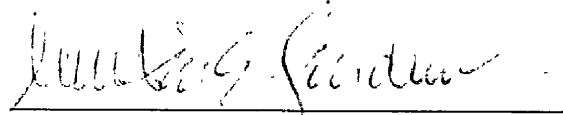
H. Pending Motions or other matters from which the Utility seeks action:

There is a pending Motion for Reconsideration filed by the Utility in connection with Order No. PSC-03-1415-PCO-SU, requiring the shareholders of the Utility to provide their personal financial statements to certain intervenors. The shareholders strongly object to producing their personal financial statements, and urges the Commission to consider other alternatives to providing evidence of financial ability.

I. Pending requests or claims for confidentiality.

Should the Utility's Motion for Reconsideration with regard to the financial statements be denied, then such claims will be presented.

- J. The Utility knows of no requirements of the Prehearing Order that can not be complied with.
- K. The Utility does not know of any objections to the qualifications of any witnesses at this time, but reserves the right to make such objections as appropriate.



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CERTIFICATE OF SERVICE
DOCKET NO.020745-SU

I HEREBY CERTIFY that a true and correct copy of Island Environmental Utility, Inc.'s Prehearing Statement has been furnished by U.S. Mail to the following parties on this 11th day of February, 2004:

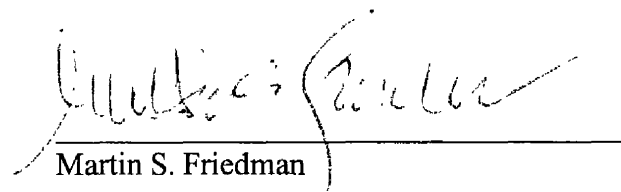
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