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September 3, 2004

D. BRUCE MAY, JR.
850-425-5607
bruce.may@hklaw.com

VIA HAND DELIVERY

Blanca S. Bayo
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED FPSC
SEP - 3 PM 2: 10
COMMISSION
CLERK

Re: B & C Water Resources, L.L.C.'s Application for Original Certificate for
Proposed Water System and Request for Initial Rates and Charges

Dear Ms. Bayo:

Enclosed for filing on behalf of B & C Water Resources, L.L.C. are: (i) the original and five copies of the referenced Application and attached exhibits; (ii) one copy of the territory and system map; (iii) two copies of the proposed tariff (original tariff is in Appendix X); and (iv) a check for the proper filing fee in the amount of \$750.00.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me. Thank you for your assistance with this filing.

Sincerely,

Orig Tariffs + MAPS
forwarded to ECR
RECEIVED & FILED
FPSC-BUREAU OF RECORDS

HOLLAND & KNIGHT LLP

D. Bruce May, Jr.

DBM:kjg

Enclosures

cc: Russell Hagen
Gerry Hartman
Clay Henderson

Check received with filing and forwarded
to Fiscal for deposit. Fiscal to forward
deposit information to Records.

Initialing person who forwarded check

[Signature]

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DOCUMENT NUMBER-DATE
09707 SEP -3 20

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of B & C Water
Resources, L.L.C. to operate a water
utility in Baker and Union
Counties, Florida.

Docket No. 041040-100

Filed: September 3, 2004

APPLICATION FOR ORIGINAL CERTIFICATE FOR PROPOSED WATER
SYSTEM AND REQUEST FOR INITIAL RATES AND CHARGES

B & C Water Resources, L.L.C. (the "Utility"), by and through its undersigned attorneys and pursuant to Sections 367.031 and 367.045, Florida Statutes, and Rule 25-30.033, Florida Administrative Code, files this application for an original certificate to operate a water utility in Baker and Union Counties and for approval of initial rates and charges ("Application"). The complete Application form is attached hereto as Composite Exhibit 1. In support of the Application, the Utility states:

1. The Utility's name and address are:

B & C Water Resources, L.L.C.
One Concourse Parkway
Suite 755
Atlanta, Georgia 30328

2. The names and addresses of the Utility's authorized representatives are:

D. Bruce May, Jr.
Holland & Knight, LLP
315 South Calhoun Street, Suite 600
Tallahassee, Florida 32301
Post Office Drawer 810
Tallahassee, Florida 32302-0810
Phone: (850) 224-7000
Fax: (850) 224-8832

and

Clay Henderson
Holland & Knight, LLP
200 South Orange Avenue, Suite 2600
Orlando, Florida 32801
P.O. Box 1526
Orlando, Florida 32802-1526
Phone: (407) 425-8500
Fax: (407) 244-5288

DOCUMENT NUMBER-DATE

09707 SEP-3 3

FPSC-COMMISSION CLERK

3. The Utility is subject to the exclusive jurisdiction of the Commission because its service will transverse the boundaries of Baker and Union Counties, Florida. Section 367.171(7), Florida Statutes (2003).

4. Pursuant to Rule 25-30.030(2), Florida Administrative Code, the Utility has obtained from the Commission a list of names and addresses of entities entitled to receive notice of the Application ("Notice List").

5. Within seven (7) days of filing this Application, the Utility will provide notice of the Application by regular mail to: (a) the governing bodies of Baker and Union Counties, Florida, where the territory proposed to be served is located, and to the governing body of Bradford County; (b) the governing bodies of all municipalities within Baker, Union and Bradford Counties, Florida, stated on the Commission's Notice List; (c) the regional planning councils designated on the Notice List; (d) all water and wastewater utilities on the Commission's Notice List; (e) the Office of Public Counsel; (f) the Commission's Director of the Commission Clerk and Administrative Services; (g) the appropriate regional office of Florida Department of Environmental Protection ("FDEP"); (h) the appropriate Water Management Districts; and (i) other entities stated on the Notice List. Such notice will contain all information required under Florida Administrative Code Rule 25-30.030(4).

6. Within seven (7) days of filing this Application, the Utility will provide a copy of the notice of the Application to the prospective customers of the system to be certificated.

7. Within seven (7) days of filing this Application, the Utility will publish notice of the Application once in newspapers of general circulation in the territory proposed to be served.

8. Within fifteen (15) days of filing this Application, the Utility will submit an affidavit to the Commission verifying that it has provided notice of its Application, along with a copy of the notice and list of entities receiving the notice pursuant to Florida Administrative Code Rule 25-30.030.

9. Included in the Application attached hereto are all information, documents, and maps required by Florida Administrative Code Rule 25-30.033, including facts demonstrating the Utility's

ability to provide service, the area and facilities involved, the need for service in the area involved, and the existence or nonexistence of service from other sources in the proposed service area. Also included in the Application are Schedules showing all rates, classifications, charges for service of every kind proposed by the Utility, and all rules, regulations and service availability policies.

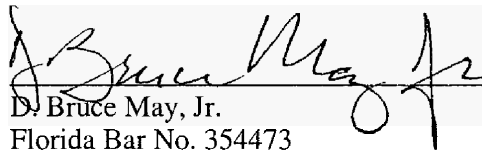
10. The application fee required by Section 367.145, Florida Statutes, and Florida Administrative Code Rule 25-30.020, has been submitted to the Commission Clerk of Administrative Services, along with the filing of this Application.

WHEREFORE, the Utility requests that the Commission:

- a. Grant Utility's application for original certificate for a proposed water system;
- b. Approve initial rates and charges for the Utility;
- c. Issue a certificate of authorization for the water system; and
- d. Grant such other relief as appropriate.

Respectfully submitted this 3rd day of September, 2004.

HOLLAND & KNIGHT LLP



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Florida Bar No. 354473
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Orlando, Florida 32802-1526
Phone: (407) 425-8500
Fax: (407) 244-5288

Attorneys for B & C Water Resources, L.L.C.

COMPOSITE EXHIBIT 1

**APPLICATION FOR ORIGINAL CERTIFICATE
FOR A PROPOSED OR EXISTING SYSTEM REQUESTING
INITIAL RATES AND CHARGES**

(Pursuant to Section 367.045, Florida Statutes)

To: **Director, Division of the Commission Clerk & Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850**

The undersigned hereby makes application for original certificate(s) to operate a water utility in Baker and Union Counties, Florida, and submits the following information:

PART I APPLICANT INFORMATION

- A) The full name (as it appears on the certificate), address and telephone number of the applicant:

B & C Water Resources, L.L.C.

Name of utility

770-829-6330

Phone No.

Fax No.

One Concourse Parkway, Suite 755

Office street address

Atlanta

Georgia

30328

City

State

Zip Code

Mailing address if different from street address

Internet address if applicable

- B) The name, address and telephone number of the person to contact concerning this application:

D. Bruce May, Jr. – Holland & Knight LLP

(850) 224-7000

Name

Phone No.

Post Office Drawer 810

Address

Tallahassee

Florida

32302-0810

City

State

Zip Code

and

Clay Henderson - Holland & Knight LLP	(407) 425-8500
Name	Phone No.
200 South Orange Avenue, Suite 2600	
Street address	
Orlando	Florida
City	State
	32801
	Zip Code

- C) Indicate the organizational character of the applicant: (circle one)

Corporation	Partnership	Sole Proprietorship
-------------	-------------	---------------------

Other Limited Liability Corporation Incorporated in Delaware
(Specify)

- D) If the applicant is a corporation, indicate whether it has made an election under Internal Revenue Code Section 1362 to be an S Corporation:

Yes _____ No X

- E) If the applicant is a corporation, list names, titles and addresses of corporate officers, directors, partners, or any other person(s) or entities owning an interest in the applicant's business organization. (Use additional sheet if necessary).

The Applicant is wholly owned by B & C Water Resources, Inc.
("B&CWRI"). B&CWRI is the sole and managing member of Applicant.

- F) If the applicant is not a corporation, list names and addresses of all persons or entities owning an interest in the organization. (Use additional sheet if necessary.)

Not Applicable.

PART II NEED FOR SERVICE

- A) Exhibit A - A statement regarding the need for service in the proposed territory, such as anticipated (or actual) development in the area. Identify any other utilities within the area proposed to be served which could potentially provide such service in the area and the steps the applicant took to ascertain whether such other service is available.
- B) Exhibit B - A statement that to the best of the applicant's knowledge, the provision of service will be consistent with the water and wastewater sections of the local comprehensive plan, as approved by the Department of Community Affairs at the time the application is filed. If the provision of service is inconsistent with such plan, provide a statement demonstrating why granting the certificate would be in the public interest.

PART III SYSTEM INFORMATION

A) WATER

- (1) Exhibit C - A statement describing the proposed type(s) of water service to be provided (i.e., potable, non-potable or both).
- (2) Exhibit D - The number of equivalent residential connections (ERCs) proposed to be served, by meter size and customer class. If development will be in phases, separate this information by phase. In addition, if the utility is in operation, provide the current number of ERCs by meter size and customer class.
- (3) Description of the types of customers anticipated (i.e., single family, mobile homes, clubhouse, commercial, etc.):

The Applicant is currently proposing to serve only general service customers. The potable water service will be provided to various hunting camp sites located throughout the proposed service territory. Potable water service will be used for consumption, cooking, bathing, cleaning, etc.

- (4) In the case of an existing utility, provide the permit number and the date of approval of facilities by the Department of Environmental Protection (DEP) or the agency designated by DEP to issue permits:

Not Applicable.

- (5) Indicate the design capacity of the treatment plant in terms of equivalent residential connections (ERCs) and gallons per day (gpd). If development will be in phases, separate this information by phase.

384 (ERCs) 134,250 (GPD)

- (6) Indicate the type of treatment: The full extent of treatment required has not yet been determined. Test wells are being drilled and analyzed.

- (7) Indicate the design capacity of the transmission and distribution lines in terms of ERCs and gpd. If development will be in phases, separate this information by phase.

The design capacity of the transmission and distribution lines will be up to 134,250 GPD, sufficient to serve 384 ERCs. Because of the remoteness of customers and the financial burden of providing water service by way of a central distribution system each leased hunting property initially will have its own local system.

- (8) Provide the date the applicant began or plans to begin serving customers:

Service will begin as soon as immediately possible after certification and rate approval by the Commission.

- (9) Exhibit E - Evidence, in the form of a warranty deed, that the utility owns the land where the water facilities are or will be located. If the utility does not own the land, a copy of the agreement which provides for the long term continuous use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative.

The applicant may submit a contract for the purchase and sale of land with an unexecuted copy of the warranty deed provided the applicant files an executed and recorded copy of the deed, or executed copy of the lease, within thirty days after the order granting the certificate.

PART IV FINANCIAL AND TECHNICAL INFORMATION

- A) Exhibit F - A statement regarding the financial and technical ability of the applicant to provide reasonably sufficient and efficient service.
- B) Exhibit G - A detailed financial statement (balance sheet and income statement), certified if available, of the financial condition of the applicant, showing all assets and liabilities of every kind and character. The income statement shall be for the preceding calendar or fiscal year. If an applicant has not operated for a full year, then the income statement shall be for the lesser period. The financial statement shall be prepared in accordance with Rule 25-30.115, Florida Administrative Code. If available, a statement of the source and application of funds shall also be provided.
- C) Exhibit H - A list of all entities, including affiliates, upon which the applicant is relying to provide funding to the utility, and an explanation of the manner and amount of such funding, which shall include their financial statements and any financial agreements with the utility. This requirement shall not apply to any person or entity holding less than 10 percent ownership interest in the utility.
- D) Exhibit I - A schedule showing the projected cost of the proposed system (or actual cost of the existing system) by uniform system of accounts (USOA) account numbers pursuant to Rule 25-30.115, F.A.C. In addition, provide the capacity of each component of the system in ERCs and gallons per day. If the utility will be built in phases, this schedule shall apply to the design capacity of the first phase only. Provide a separate exhibit for the water and sewer systems.
- E) Exhibit J - A schedule showing the projected operating expenses of the proposed system by USOA account numbers when 80 percent of the designed capacity of the system is being utilized. If the utility will be built in phases, this schedule shall apply to the design capacity of the first phase only. In addition, if the utility has been in existence for at least one year, provide actual operating expenses for the most recent twelve months. Provide a separate exhibit for the water and sewer systems.
- F) Exhibit K - A schedule showing the projected capital structure, including the methods of financing the construction and operation of the utility until the utility reaches 80 percent of the designed capacity of the system(s).
- G) Exhibit L - A cost study, including customer growth projections, which supports the proposed rates, miscellaneous service charges, customer

deposits and service availability charges. A sample cost study is enclosed with the application package. Provide a separate cost study for the water and sewer systems.

- H) Exhibit N/A - If the base facility and usage rate structure (as defined in Rule 25-30.437(6), F.A.C.) is not utilized for metered service, provide an alternative rate structure and a statement supporting why the alternative is appropriate.
- I) Exhibit M - If a different return on common equity other than the current equity leverage formula established by order of the Public Service Commission pursuant to Section 367.081(4), F.S. is utilized, provide competent substantial evidence supporting the use of a different return on common equity. Information on the current equity leverage formula may be obtained by contacting the accounting section at the listed number.

PART V ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

Please note the following:

- A) Utilities obtaining initial certificates pursuant to Rule 25-30.033, F.A.C., are authorized to accrue AFUDC for projects found eligible pursuant to Rule 25-30.116(1), F.A.C.
- B) A discounted monthly AFUDC rate calculated in accordance with Rule 25-30.116(3), F.A.C., shall be used to insure that the annual AFUDC charged does not exceed authorized levels.
- C) The date the utility shall begin to charge the AFUDC rate shall be the date the certificate of authorization is issued to the utility so that such rate can apply to initial construction of the utility facilities.

PART VI TERRITORY DESCRIPTION AND MAPS

A) TERRITORY DESCRIPTION

Exhibit N - An accurate description, using township, range and section references as specified in Rule 25-30.030(2), Florida Administrative Code. If the water and wastewater service territories are different, provide separate descriptions.

B) **TERRITORY MAPS**

Exhibit N - One copy of an official county tax assessment map or other map showing township, range and section with a scale such as 1"=200' or 1"=400' on which the proposed territory is plotted by use of metes and bounds or quarter sections and with a defined reference point of beginning. If the water and wastewater service territories are different, provide separate maps.

C) **SYSTEM MAPS**

Exhibit N - One copy of detailed map(s) showing proposed lines, facilities and the territory proposed. **Additionally, identify any existing lines and facilities.** Map(s) should be of sufficient scale and detail to enable correlation with a description of the territory to be served. Provide separate maps for water and wastewater systems.

PART VII NOTICE OF ACTUAL APPLICATION

A) Exhibit O - An affidavit that the notice of actual application was given in accordance with Section 367.045(1)(a), Florida Statutes, and Rule 25-30.030, Florida Administrative Code, by regular mail to the following:

- (1) the governing body of the municipality, county, or counties in which the system or the territory proposed to be served is located;
- (2) the privately owned water and wastewater utilities that hold a certificate granted by the Public Service Commission and that are located within the county in which the utility or the territory proposed to be served is located;
- (3) if any portion of the proposed territory is within one mile of a county boundary, the utility shall notice the privately owned utilities located in the bordering counties and holding a certificate granted by the Commission;
- (4) the regional planning council;
- (5) the Office of Public Counsel;
- (6) the Public Service Commission's Director of the Division of the Commission Clerk and Administrative Services;

- (7) the appropriate regional office of the Department of Environmental Protection;
- (8) and the appropriate water management district.

Copies of the Notice and a list of entities noticed shall accompany the affidavit.
THIS MAY BE A LATE-FILED EXHIBIT

- B) Exhibit O - An affidavit that the notice of actual application was given in accordance with Rule 25-30.030, Florida Administrative Code, by regular mail or personal delivery to each customer of the system. A copy of the notice shall accompany the affidavit. THIS MAY BE A LATE-FILED EXHIBIT.
- C) Exhibit P - Immediately upon completion of publication, an affidavit that the notice of actual application was published once in a newspaper of general circulation in the territory in accordance with Rule 25-30.030, Florida Administrative Code. A copy of the proof of publication shall accompany the affidavit. THIS MAY BE A LATE-FILED EXHIBIT.

PART VIII FILING FEE

Indicate the filing fee enclosed with the application:

\$ 750.00 (for water).

Note: Pursuant to Rule 25-30.020, Florida Administrative Code, the amount of the filing fee as follows:

- (1) For applications in which the utility has the capacity to serve up to 500 ERC's, the filing fee shall be **\$750.**
- (2) For applications in which the utility has the capacity to serve from 501 to 2,000 ERC's the filing fee shall be **\$1,500.**
- (3) For applications in which the utility has the capacity to serve from 2,001 ERC's to 4,000 ERC's the filing fee shall be **\$2,250.**
- (4) For applications in which the utility has the capacity to serve more than 4,000 ERC's the filing fee shall be **\$3,000.**

PART IX TARIFF

Exhibit Q - The original and two copies of water and/or wastewater tariff(s) containing all rates, classifications, charges, rules and regulations. Sample tariffs are enclosed with the application package.

PART X AFFIDAVIT

I Jose J. Quintana (applicant) do solemnly swear or affirm that the facts stated in the forgoing application and all exhibits attached thereto are true and correct and that said statements of fact thereto constitutes a complete statement of the matter to which it relates.

BY: [Signature]

Applicant's Signature

Jose J. Quintana

Applicant's Name (Typed)

Sole Incorporator for B & C Water Resources, L.L.C.

Applicant's Title *

Subscribed and sworn to before me this 10th day of June in the year of 2004 by Jose J. Quintana who is personally known to me, or produced identification _____.

Type of Identification Produced



[Signature]
Notary Public's Signature

Anna L. Oswald

Print, Type or Stamp Commissioned
Name of Notary Public

Residing in Seattle, WA

My Commission expires: 9/29/06

* If applicant is a corporation, the affidavit must be made by the president or other officer authorized by the by-laws of the corporation to act for it. If applicant is a partnership or association, a member of the organization authorized to make such affidavit shall execute same.

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TABLE OF CONTENTS

EXHIBITS

<u>Exhibit</u>	<u>Name</u>
A	Need for Service
B	Consistency with Local Comprehensive Plans
C	Type of Service Provided
D	Customers, Facility, and Services
E	Land Ownership
F	Financial and Technical Ability
G	Financial Statement
H	Funding of Utility
I	Projected Cost of the System
J	Operating Expenses
K	Projected Capital Structure
L	Cost of Service Study
M	Return on Common Equity
N	Territory Description, Territory Maps, and System Maps
O	Affidavit: Notice of Application (Late Filed)
	Affidavit: Notice to Customers (Late Filed)
P	Affidavit: Notice of Publication (Late Filed)
Q	Water Tariff

TABLE OF CONTENTS (cont.)

APPENDICES

Appendix I:	<u>Attachments to Exhibit A</u> – Letters Requesting Service
Appendix II:	<u>Attachments to Exhibit B</u> – Comprehensive Plan Research
Appendix III:	<u>Attachments to Exhibit E</u> – Draft Lease Agreement
Appendix IV:	<u>Attachment to Exhibit F</u> – Corporate Structure Chart
Appendix V:	<u>Attachment to Exhibit F</u> – Funding Agreement
Appendix VI:	<u>Attachment to Exhibit F</u> – Annual Report of Plum Creek Timber Company, Inc.
Appendix VII:	<u>Attachment to Exhibit F</u> – Plum Creek Timber Company, Inc., Hartman & Associates, Inc. and ECFS, Inc. Information
Appendix VIII:	<u>Attachments to Exhibit L</u> – Cost Study and Rate Design
Appendix IX:	<u>Attachments to Exhibit N</u> – Proposed Service Territory: Legal Description and Map
Appendix X:	<u>Attachments to Exhibit Q</u> – Original Water Tariff

EXHIBIT A

There is an immediate and growing need for potable water service in the service territory described in this Application. The land within the proposed service territory is owned by the Utility's affiliate, Plum Creek Timberlands LP, which has leased the land to 27 hunt clubs that have 27 separate hunting camps located throughout the proposed service area. Approximately 1,082 families are members of these hunt clubs and all require potable water at the campsites for consumption, cooking, bathing, cleaning, etc. Currently, there are no permanent permitted potable water wells within the proposed service territory. The immediate need is evident in Appendix I as lessees are requesting potable water service from the Utility. That need will grow as Plum Creek Timberlands LP pursues development plans in the area. These plans are currently in the initial stages and Plum Creek Timberlands LP anticipates working with the relevant local governmental entities and the Department of Community Affairs to develop and finalize these plans.

No other utilities have facilities located in the proposed service territory, and there are no other utilities in the area that are capable of providing the required level of service. In reaching this conclusion, the Utility reviewed information from the Florida Public Service Commission, the Florida Department of Environmental Protection, and the Florida Department of Health and Human Services, regarding utilities currently operating in and around the proposed service territory. Because the Utility's affiliate owns all of the land within the proposed service territory, the Utility is in the optimal position to provide potable water service in the most efficient and cost-effective manner.

EXHIBIT B

To the best of the Utility's knowledge, the provision of potable water service within the proposed service territory will be consistent with the goals, policies, and objectives of the comprehensive plans of Baker County, Union County and the City of Lake Butler as approved by the Florida Department of Community Affairs. An analysis of these comprehensive plans revealed no policies that prohibit the creation of a private water utility as proposed by the Utility. The pertinent sections from each of the referenced comprehensive plans are included in Appendix II. It should be noted that although the City of Raiford is near the proposed service territory, because of its population it is exempt from the requirement of having a Comprehensive Plan.

EXHIBIT C

The Utility plans to immediately provide potable water service to various hunting campsites throughout the proposed service territory which traverses the boundaries between Union and Baker Counties. The water will be chlorinated and will meet all the Florida Department of Environmental Protection requirements for public drinking water. There are currently twenty-seven (27) hunting camp leases throughout the proposed service area. Due to the remoteness of these customers, each leased hunting property will have its own well. The Utility's system will be managed from a single centrally-located office. Personnel responsible for management, maintenance, customer service and administrative support will be the same for the Utility's operations in all of the counties. Staffing, planning, and budgeting will be done on a system-wide basis rather than county by county. Operating costs will not vary materially from county to county and rates will be uniform throughout the Utility's service area.

Additional potable water facilities are anticipated in the future. The Utility's related company, Plum Creek Timberlands LP, is the largest private land owner in Baker and Union Counties and is planning for development of its properties in the area. The anticipated development will require potable water and no other utility is positioned to provide the service that is needed.

The Utility does not propose to provide wastewater service at the present time. Any current wastewater requirements will be addressed through private septic systems. As development occurs and wastewater needs in the service territory change, the Utility will readdress the issue to determine the best way to protect the environment and serve the customers within the service territory.

EXHIBIT D

Exhibit D describes the number of equivalent residential connections (ERCs) proposed to be served by meter size and customer class. Also, Exhibit D discusses the types of customers anticipated, type of water treatment, the proposed facilities, and the capacity of the facilities in ERCs and gallons per day (gpd).

Equivalent Residential Connections and Projected Annual Demand

The Utility proposes to provide service to the following retail customers.

General Service:

Meter Size	Number of Meters	Number of ERCs ⁽¹⁾	Number of ERCs ⁽²⁾
5/8"	8	8.00	6.25
3/4"	2	3.00	3.57
1.0"	4	10.00	15.35
1.5"	4	20.00	59.11
2.0"	9	72.00	221.79
Total	27	113.00	306.07

Notes: (1) Equivalent Residential Connections based on American Water Works Association meter equivalencies.

(2) Equivalent Residential Connections based on 350 gallons per day per equivalency. A detailed explanation of the ERC calculation is found in Appendix VIII.

According to the Florida State Sanitary Code, Chapter V, Page 7, the following are minimum quantities of sewer flows for various types of establishments:

Type of Establishment	Gallons per Day (GPD) Per Person
Luxury camps	75
Tourist camps or trailer parks (with individual facilities)	50
Resort camps (night and day) with limited plumbing	50
Tourist camps or trailer parks (with central facilities)	35
Day schools with cafeterias, gyms and showers	20

Typically, water flows are approximately 25% higher than sewer flows (based on 350 gpd per Equivalent Residential Connection (ERC) for water and 280 gpd per ERC for sewer used by the Florida Public Service Commission when no historical flow data is available). Utilizing a service flow of 20 gpd per person as a basis, it is projected that each person at the hunting camps will use 25 gallons per day.

There are approximately 1,082 member families utilizing the 27 campsites located in the proposed service territory. Demand for these 1,082 member families has been estimated based on an average of 2.5 persons per family with usage of 25 gpd per person. Annual demand was then calculated based on the member families needing service approximately 50 days out of the year. This results in a total annual demand of approximately 3,381,250 gallons.

Type of Treatment and Capacity of Facilities

The potable water facilities will provide chlorination via a hypochlorinator for disinfection purposes. There are 27 proposed potable water facilities with capacity to serve approximately 384 equivalent residential connections (ERCs) across the service territory. These facilities will be 4" wells with a total system capacity of 134,250 gallons average daily flow. Figure D-1 presents a typical retail potable water supply water treatment schematic.

Type of Customers Anticipated

Currently, the Utility is only proposing to serve general service customers. The potable water service will be provided to various hunting campsites throughout the proposed service territory. The potable water service will be used for consumption, cooking, bathing, cleaning, etc.

Provision of Service

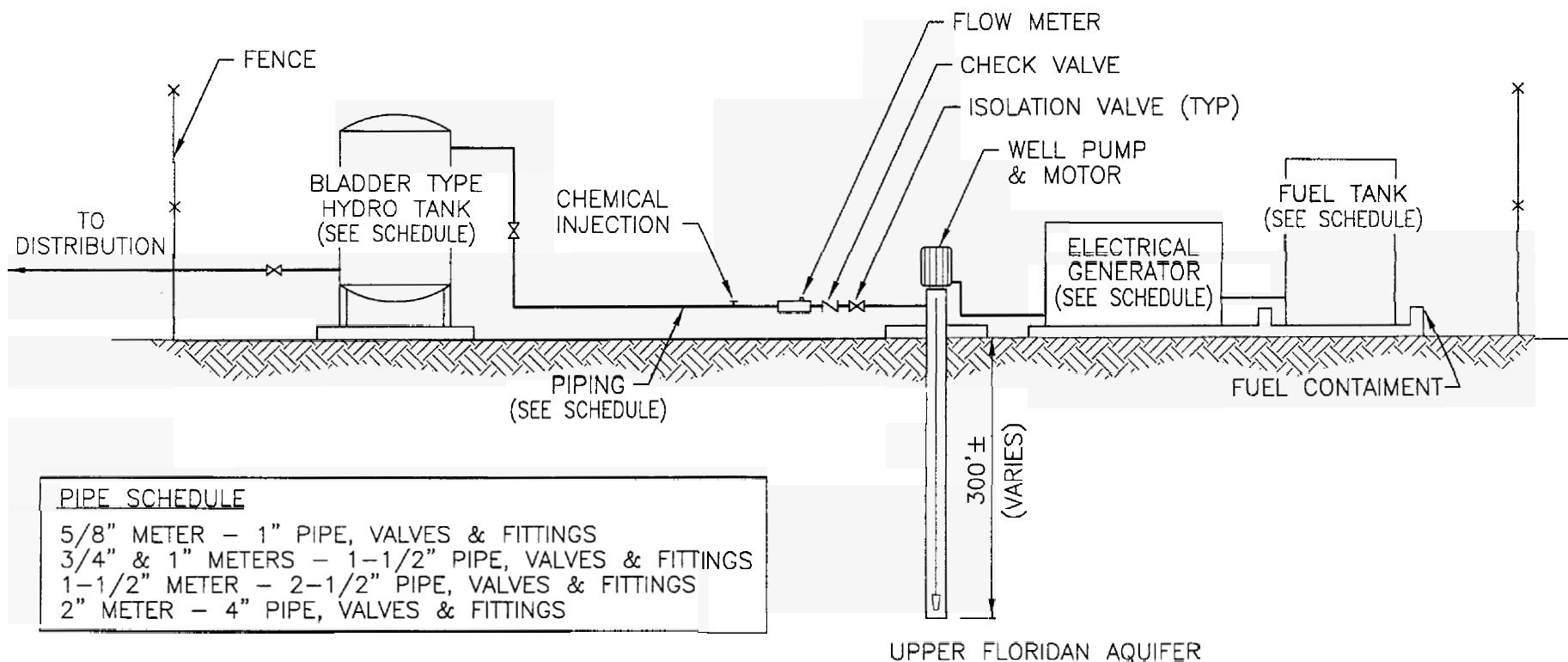
The Utility will construct the proposed water facilities and begin providing water service as soon as immediately possible upon certification and rate approval by the Commission.

HYDROTANK SIZE

5/8", 3/4" & 1" METERS - 55 GAL
1-1/2" METER - 100 GAL
2" METER - 200 GAL

CHLORINATORS

5/8" METER - 5 GAL
3/4" & 1" METERS - 10 GAL
1-1/2" METER - 20 GAL
2" METER - 55 GAL



PIPE SCHEDULE

5/8" METER - 1" PIPE, VALVES & FITTINGS
3/4" & 1" METERS - 1-1/2" PIPE, VALVES & FITTINGS
1-1/2" METER - 2-1/2" PIPE, VALVES & FITTINGS
2" METER - 4" PIPE, VALVES & FITTINGS

GENERATOR & FUEL TANK SIZE

5/8" METER - 1Hp/5 GAL
3/4" & 1" METERS - 1Hp/10 GAL
1-1/2" METER - 2Hp/25 GAL
2" METER - 5Hp/60 GAL



EXHIBIT E

The Utility will lease the land on which utility facilities will be located from its affiliate – Plum Creek Timberlands LP. Attached as Appendix III is a copy of the draft lease agreement, that gives the Utility the continuous use of the land on which the utility facilities will be located. The parties will execute the lease upon approval of certification by the Florida Public Service Commission.

EXHIBIT F

Exhibit F is a statement regarding the financial and technical ability of the Utility to provide reasonably sufficient and efficient service. The Utility, B & C Water Resources, L.L.C., is a wholly owned subsidiary of B & C Water Resources, Inc., a Delaware corporation. B & C Water Resources, Inc. is wholly-owned by Plum Creek Manufacturing Holding Company, Inc., which is wholly-owned by Plum Creek Manufacturing LP. The majority owner of Plum Creek Manufacturing LP is Plum Creek Timberland LP, which is a subsidiary of Plum Creek Timber Company, Inc., a publicly-traded Real Estate Investment Trust (REIT). A corporate structure chart for Plum Creek Timber Company, Inc. is contained in Appendix IV.

Financial Ability of B & C Water Resources, L.L.C.

B & C Water Resources, L.L.C.'s financial ability to operate is summarized on the proforma financial analysis attached as Appendix VIII to Exhibit L. Inter-company debt is the only debt of this corporation. Sixty percent (60%) is anticipated debt and forty percent (40%) is anticipated infusion of cash from an affiliate, Plum Creek Timber Company, Inc. A copy of the Funding Agreement between the Utility and Plum Creek Timber Company, Inc. whereby Plum Creek Timber Company, Inc. agrees to provide the utility with funding necessary to build and operate the utility system is contained in Appendix V. Plum Creek Timber Company, Inc.'s annual report is contained in Appendix VI.

Technical Ability of B & C Water Resources, L.L.C.

Utility's affiliate, Plum Creek Timberlands LP owns all of the land and has overseen all of the water resources within the proposed service territory. Plum Creek Timberlands LP has vast experience in water management through its silvi/agricultural oversight and has been a leader in water conservation measures and innovative resource management techniques for use of non-potable water. Appendix VII provides brief information on Plum Creek Timberland LP and its affiliates. Appendix VII also includes information on the Utility's consultant, Hartman & Associates, Inc. (HAI), which has been retained to provide the technical expertise necessary to

construct, operate, and maintain the Utility's proposed water system. Finally, Appendix VII includes information on a previous certification of a similar utility, East Central Florida Services, Inc. and its positive impact on the water resources in its service territory.

EXHIBIT G

The Utility has not yet begun operation and thus does not yet have a detailed balance sheet, a statement of financial condition or an operating statement. However, Exhibits I and J include information concerning all of the assets of the Utility to be utilized in the provision of the various types of water service, and the operation and maintenance expenses anticipated to be incurred in such operation. These lists of assets and O&M expenses are prepared in accordance with the provisions of Rule 25-30-115, Florida Administrative Code, and comply with the requirements of Rule 25-30.032 (1) (r) and (s).

EXHIBIT H

As described in Exhibit F, the Utility's affiliate – Plum Creek Timber Company, Inc. is the entity that has agreed to provide funding to the Utility as and when needed to insure that all needs for capital improvements are met in a timely manner and to insure the continued provision of a safe and efficient potable water service in the future within the proposed service territory. The Funding Agreement that Plum Creek Timber Company, Inc. entered into with the Utility is found in Appendix V. Plum Cree Timber Company Inc.'s annual report is found in Appendix VI.

EXHIBIT I

Exhibit I is a schedule showing the projected cost of the proposed system by uniform system of accounts (USOA) account numbers pursuant to Rule 25-30.115, Florida Administrative Code. In addition, the capacity of the system in Equivalent Residential Connections (ERCs) is provided.

B & C WATER RESOURCES, LLC
CAPITAL COSTS
POTABLE WATER SUPPLY

EXHIBIT I

Account No. and Name		In Service Year	Per Unit Cost	Account Balance as of 12/31/05
307.1	Wells & Springs			
27	4" well	2005	\$ 2,500	\$ 67,500
320.3	Water Treatment Equipment			
8	Chlorinators - 5 Gallon	2005	100	800
6	Chlorinators - 10 Gallon	2005	200	1,200
4	Chlorinators - 20 Gallon	2005	350	1,400
9	Chlorinators - 55 Gallon	2005	500	4,500
304.4	Structures and Improvements			
27	Fence, access control/lock, etc.	2005	400	10,800
311.4	Pumping Equipment			
8	1 hp Generator, 5 Gallon Fuel Tank & Appurtenances	2005	1,300	10,400
6	1 hp Generator, 10 Gallon Fuel Tank & Appurtenances	2005	1,340	8,040
4	2 hp Generator, 25 Gallon Fuel Tank & Appurtenances	2005	2,800	11,200
9	5 hp Generator, 60 Gallon Fuel Tank & Appurtenances	2005	7,000	63,000
330.4	Distribution Reservoirs & Stand Pipes			
14	55-Gallon Bladder Type Hydro-Tank	2005	150	2,100
4	100-Gallon Bladder Type Hydro-Tank	2005	400	1,600
9	200-Gallon Bladder Type Hydro-Tank	2005	600	5,400
334.4	Meters & Meter Installations			
8	5/8"	2005	200	1,600
2	3/4"	2005	250	500
4	1.0"	2005	300	1,200
4	1.5"	2005	450	1,800
9	2.0"	2005	600	5,400
301.5	General Plant			
	Organization Costs	2005		50,000
TOTAL POTABLE WATER SUPPLY				\$ 248,440

CAPACITY:

Equivalent Residential Connections (ERC):

Based on AWWA Meter Equivalencies: 113

Based on 350 gallons per day per equivalency: 384

Average Daily Flow (gallons): 134,250

EXHIBIT J

Exhibit J is a schedule showing the projected typical operating expenses of the proposed system by USOA account numbers when 80% of the design capacity of the system is being utilized.

**B & C WATER RESOURCES, LLC
OPERATING EXPENSES OF UTILITY
POTABLE WATER SUPPLY**

EXHIBIT J

Account No.	Description	Test Year 2005
Operation and Maintenance Expenses		
601	Salaries and Wages - Employees	\$ -
603	Salaries and Wages - Other	-
604	Employees Pensions and Benefits	-
610	Purchased Water	-
615	Purchased Power	-
616	Fuel for Power Production	1,832
618	Chemicals	260
620	Materials and Supplies	-
630	Contractual Services	6,150
640	Rents	2,700
650	Transportation Expense	-
655	Insurance Expense	-
665	Regulatory Expense	-
670	Bad Debt Expense	-
675	Miscellaneous Expense	550
Total Operation and Maintenance Expenses		\$ 11,491
Depreciation and Amortization		
403	Depreciation Expense	\$ 11,635
407	Amortization Expense - Other	(6,478)
Total Depreciation and Amortization		\$ 5,157
Taxes Other Than Income Taxes		
408.10	Utility Regulatory Assessment Fees	\$ 1,217
408.11	Property Taxes	-
408.12	Payroll Taxes	-
408.13	Other Taxes and Licenses	-
408.20	Other Income and Deductions	-
Total Taxes Other Than Income Taxes		\$ 1,217
Income Taxes		
409	Federal, State, and Local Income Taxes	-
Total Taxes		\$ 1,217
Return on Investment		\$ 9,182
Total Revenue Requirement		\$ 27,047
Less: Miscellaneous Revenues		\$ -
Net Revenue Requirement		\$ 27,047

EXHIBIT K

Exhibit K is a schedule showing the projected capital structure, including the methods of financing construction and operation of the Utility until the Utility reaches eighty percent (80%) of the design capacity of the system. Please note that this schedule presents the anticipated capital structure as of December 31, 2005, after the Utility has been in operation for one year.

B & C WATER RESOURCES, LLC
PROJECTED CAPITAL STRUCTURE AND RATE OF RETURN
AS OF 12/31/05

EXHIBIT K

	<u>Amount of Capital</u>	<u>Weight</u>	<u>Cost Rate ⁽¹⁾⁽²⁾</u>	<u>Weighted Cost</u>
Equity	\$ 48,582	40.00%	11.40%	4.560%
Debt	72,873	60.00%	5.00%	3.000%
Total	\$ 121,456	100.00%		7.560%

Note:

- (1) FPSC Order # PSC-04-0643-CO-WS, issued July 2, 2004, establishes the following leverage formula for 2004:
Return on Equity = 7.57% + 1.533/Equity Ratio, and the Allowable Range of Return = 9.10% @ 100% Equity
to 11.40% @ 40% Equity.
- (2) For related party debt, cost is equal to the parent company's average lending rate.

EXHIBIT L

Exhibit L addresses the cost study that supports the proposed rates, miscellaneous service charges, customer deposits, and service availability charges. The cost of service for potable water service, including revenue requirements and rate design, was developed using the Florida Public Service Commission standards. The cost study is included in Appendix VIII.

EXHIBIT M

Exhibit M evidences the use of the current equity leverage formula established by the Florida Public Service Commission. The most recent order (PSC-04-0643-CO-WS) issued July 2, 2004, establishes the following leverage formula:

$$\text{Return on Common Equity} = 7.57\% + 1.533/\text{Equity Ratio}$$

Based on this formula, the range of return on common equity goes from 9.10% at 100% equity to 11.40% at 40% equity.

This amount corresponds to the equity cost of capital rate shown on Exhibit K.

EXHIBIT N

Exhibit N provides the territory descriptions and associated area and system maps of the area proposed to be certificated by the Utility in this Application.

Territory Description

Attached hereto as Appendix IX is a description of the territory proposed for inclusion in the Utility's certificated service area using township range and section references. This is in compliance with Rule 25-30.033 (1) and 25-30.030 (2), Florida Administrative Code.

Territory and System Map

Attached to the Application is one copy of a map showing the township range and section references with the proposed service territory plotted thereon. This is a series of 90 maps utilizes a scale of 1" = 400 feet as proposed under Subsection (n) of Rule 25-30.033, Florida Administrative Code. In addition, attached in Appendix IX is a map utilizing a much smaller scale (1" = 6,000 feet), which is more readily usable for the Commission in evaluating this Application.

EXHIBIT O

Exhibit O will be a late-filed exhibit consisting of an affidavit that the Notice of Actual Application ("Notice") was given in accordance with Sections 367.045(1)(a), Florida Statutes, and Rule 25-30.030, Florida Administrative Code, by regular mail to the following:

1. The governing body of the municipality, county, or counties in which the system or the territory proposed to be served is located;
2. The privately-owned water and wastewater utilities that hold a certificate granted by the Public Service Commission and that are located within the county in which the utility or territory proposed to be served is located;
3. If any portion of the proposed territory is within one mile of a county boundary, the utility shall notice the privately owned utilities located in the bordering counties and holding a certificate granted by the Commission;
4. The regional planning council;
5. The Office of Public Counsel;
6. The Public Service Commission's Director of the Division of the Commission Clerk and Administrative Services;
7. The appropriate regional office of the Department of Environmental Protection; and
8. The appropriate water management district.

Copies of the Notice and a list of entities identified by the Florida Public Service Commission staff to receive notice are appended to the draft affidavit which is attached hereto.

AFFIDAVIT

I, _____ do solemnly swear or affirm that a copy of the attached Notice of Actual Application was sent by regular mail on _____, 2004 to each of the governmental bodies, agencies, utilities, councils, municipalities, and other entities appearing on the list provided by the Florida Public Service Commission which is also attached hereto.

BY: _____
(Applicant's Signature)

(Applicant's Name)

(Applicant's Title)

Subscribed and sworn before me this ____ day of _____, 2004.

NOTARY PUBLIC

**NOTICE OF
APPLICATION FOR AN INITIAL CERTIFICATE OF AUTHORIZATION
FOR WATER CERTIFICATE FOR
B & C WATER RESOURCES, INC.
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

(Section 367.045, Florida Statutes)

LEGAL NOTICE

Notice is hereby given on (Date), pursuant to Section 367.045, Florida Statutes, of the application of B & C Water Resources, L.L.C. to operate a water utility to provide service to the following described territory in Baker and Union Counties, Florida. Please see attached legal description.

Any objection to the said application must be made in writing and filed with the Director, Division of the Commission Clerk and Administrative Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within thirty (30) days from the date of this notice. At the same time, a copy of said objection should be mailed to the applicant whose address is set forth below. The objection must state the grounds for the objection with particularity.

B & C Water Resources, L.L.C.
One Concourse Parkway
Suite 755
Atlanta, Georgia 30328

B & C WATER RESOURCES, L.L.C. SERVICE TERRITORY

SERVING ONLY BAKER COUNTY, FLORIDA

TOWNSHIP 3, SOUTH RANGE 19, EAST: All of Section 23, lying South of U.S. Highway 90; All of Section 24, lying South of U.S. Highway 90; All of Section 25; All of Section 26, lying South of U.S. Highway 90; All of Section 27, lying South of U.S. Highway 90; All of Section 28, lying South of U.S. Highway 90; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 3, SOUTH RANGE 20, EAST: All of Section 11; All of Section 13; All of Section 15; All of Section 16; All of Section 17, Lying South of U.S. Highway 90; All of Section 18, lying South of U.S. Highway 90; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 25, lying West of County Road 229; All of Section 26; All of Section 27; All of Section 29; All of Section 30; All of Section 31; All of Section 33; All of Section 35

TOWNSHIP 3, SOUTH RANGE 21, EAST: All of Section 29; All of Section 30; All of Section 31; All of Section 32

TOWNSHIP 4, SOUTH RANGE 19, EAST: All of Section 1; All of Section 2; All of Section 3; All of Section 4; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16

TOWNSHIP 4, SOUTH RANGE 20, EAST: All of Section 6; All of Section 7; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 18

TOWNSHIP 4, SOUTH RANGE 21, EAST: All of Section 4; All of Section 5; All of Section 6; All of Section 7; All of Section 8; All of Section 9; All of Section 10, lying East of County Road 121; All of Section 11, lying East of County Road 121; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18

TOWNSHIP 4, SOUTH RANGE 22, EAST: All of Section 7; All of Section 18

SERVING ONLY UNION COUNTY, FLORIDA

TOWNSHIP 4, SOUTH RANGE 19, EAST: All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 28; The east ½ of Section 32; All of Section 33; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 4, SOUTH RANGE 20, EAST: All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 28; All of Section 29; All of Section 30; All of Section 31; All of Section 32; All of Section 33; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 4, SOUTH RANGE 21, EAST: All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; Section 26: The northeast 1/4, the North 1/2 of the Southeast 1/4 and the southwest 1/4 of the northwest 1/4; Section 27: The North 1/2, the northwest 1/4 of the southeast 1/4 and the Northeast 1/4 of the southwest 1/4; The North 1/2 of Section 28; All of Section 29; All of Section 30; All of Section 31; Section 32: the West 1/2; All of Section 36

TOWNSHIP 4, SOUTH RANGE 22, EAST: All of Section 19; All of Section 30

TOWNSHIP 5, SOUTH RANGE 18, EAST: All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 34; All of Section 35, lying North of County Road 238; All of Section 36, lying North of County Road 238

TOWNSHIP 5, SOUTH RANGE 19, EAST: All of Section 1; All of Section 2; All of Section 3; All of Section 4; All of Section 5; All of Section 7; All of Section 8; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18; All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25, lying North of County Road 100; All of Section 27; All of Section 28; All of Section 29; All of Section 30; All of Section 31, lying North of County Road 238; All of Section 32, lying North of County Road 238; All of Section 33; All of Section 34; All of Section 35

TOWNSHIP 5, SOUTH RANGE 20, EAST: All of Section 1, lying South of County Road 16; All of Section 2; All of Section 3; All of Section 4; All of Section 5; All of Section 6; All of Section 7; All of

SERVING ONLY UNION COUNTY, FLORIDA (continued)

Section 8; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18; All of Section 19; All of Section 20; All of Section 21, lying North of County Road 121; All of Section 22, lying North of County Road 121; All of Section 23, lying North of County Road 121; All of Section 28; The Southeast 1/4 of the Northwest 1/4 of Section 29 lying South of County Road 238 and the North 1/2 of the Northwest 1/4 of section 29; The North 1/2 of Section 30; The Southeast 1/4 and the East 1/2 of the southwest 1/4 of Section 32; All of Section 33; All of Section 34; All of Section 35

TOWNSHIP 5, SOUTH RANGE 21, EAST: All of Section 6; All of Section 7; The west 1/4 and the northwest 1/4 of southeast 1/4 of Section 8; All of Section 17, lying South of County Road 121 and State Highway 16; Section 18: The South 1/2 of the southeast 1/4 lying East of County Road 229 and the East 2/3 of the Northeast 1/4 of the southeast 1/4; All of Section 19, lying North of County Road 229; All of Section 20, lying North of County Road 229; All of Section 29; All of Section 30

TOWNSHIP 6, SOUTH RANGE 20, EAST: All of Section 2, lying North of County Road 100; All of Section 3; All of Section 4; All of Section 5; All of Section 6; All of Section 8; All of Section 9; All of Section 10; All of Section 16; All of Section 18

COMMISSIONERS:
BRAULIO L. BAEZ, CHAIRMAN
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

STATE OF FLORIDA



TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

July 22, 2004

Mr. D. Bruce May, Jr.
Holland & Knight LLP
P.O. Drawer 810
Tallahassee, FL 32302-0810

Re: Noticing for List for Baker, Bradford and Union Counties for an Original Water Certificate for B & C Water Resources, Inc. in Baker and Union Counties.

Dear Mr. May:

Enclosed is the list of water and wastewater utilities and governmental/regulatory agencies in the above mentioned counties. Please refer to Commission Rule 25-30.030, Florida Administrative Code, for the noticing requirements. Noticing must be done in the proper format, consistent with the rule. If your notice is not in the proper format, you will be required to renotice and your application will be delayed. Instructions for preparation of a territory description are available upon request.

Please note that if your county list includes two Department of Environmental Protection offices or two Water Management District offices, you must identify which is the proper district office for your notice. You will note that the county list is dated and is valid for sixty days from that date. If you have not performed the noticing by this date, you must request an updated list. If you have any questions, please contact the undersigned.

Sincerely,

A handwritten signature in cursive script that reads "Richard Redemann".

Richard Redemann, P.E.

C:\msword\county\8 B&C.doc
Enclosures3

cc: Gerry Hartman
Hartman & Associates
201 East Pine Street, Suite 1000
Orlando, FL 32801

Page 29

**LIST OF WATER AND WASTEWATER UTILITIES IN BAKER COUNTY
(VALID FOR 60 DAYS)
07/22/2004 - 09/19/2004**

UTILITY NAME

MANAGER

GOVERNMENTAL AGENCIES

CLERK, BOARD OF COUNTY COMMISSIONERS, BAKER COUNTY
339 EAST MACCLENNEY AVENUE
MACCLENNEY, FL 32063-2231

DEP NORTHEAST DISTRICT
7825 BAYMEADOWS WAY, ST. 200B
JACKSONVILLE, FL 32256-7577

MAYOR, CITY OF GLEN SAINT MARY
P. O. BOX 519
GLEN SAINT MARY, FL 32040-0519

MAYOR, CITY OF MACCLENNEY
118 EAST MACCLENNEY AVENUE
MACCLENNEY, FL 32063-2120

NORTHEAST FLORIDA PLANNING COUNCIL
9143 PHILLIPS HIGHWAY, SUITE 3
JACKSONVILLE, FL 32256

ST. JOHNS RIVER WTR MANAGEMENT DISTRICT
P.O. BOX 1429
PALATKA, FL 32178-1429

SUWANEE RIVER WTR MANAGEMENT DISTRICT
9225 COUNTY ROAD 49
LIVE OAK, FL 32060

**LIST OF WATER AND WASTEWATER UTILITIES IN BAKER COUNTY
(VALID FOR 60 DAYS)
07/22/2004 - 09/19/2004**

UTILITY NAME

STATE OFFICIALS

MANAGER

STATE OF FLORIDA PUBLIC COUNSEL
C/O THE HOUSE OF REPRESENTATIVES
THE CAPITOL
TALLAHASSEE, FL 32399-1300

DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL 32399-0850

**LIST OF WATER AND WASTEWATER UTILITIES IN BRADFORD COUNTY
(VALID FOR 60 DAYS)
07/22/2004 - 09/19/2004**

UTILITY NAME

BRADFORD COUNTY

MANAGER

FLORIDA WATER SERVICES CORPORATION (WU693)
P. O. BOX 609520
ORLANDO, FL 32860-9520

CARLYN KOWALSKY
(407) 598-4297

**LIST OF WATER AND WASTEWATER UTILITIES IN BRADFORD COUNTY
(VALID FOR 60 DAYS)
07/22/2004 - 09/19/2004**

UTILITY NAME

GOVERNMENTAL AGENCIES

MANAGER

CLERK, BOARD OF COUNTY COMMISSIONERS, BRADFORD COUNTY
P. O. DRAWER B
STARKE, FL 32091-1286

DEP NORTHEAST DISTRICT
7825 BAYMEADOWS WAY, SUITE 200B
JACKSONVILLE, FL 32256-7577

MAYOR, CITY OF HAMPTON
P. O. BOX 250
HAMPTON, FL 32044-0250

MAYOR, CITY OF LAWTEY
P. O. DRAWER G
LAWTEY, FL 32058-0709

MAYOR, CITY OF STARKE
P. O. DRAWER C
STARKE, FL 32091-1287

MAYOR, TOWN OF BROOKER
P. O. BOX 127
BROOKER, FL 32622-0127

NORTH CENTRAL FLORIDA PLANNING COUNCIL
2009 N.W. 67 PLACE, SUITE A
GAINESVILLE, FL 32653-1603

SUWANNEE RIVER WTR.MANAGEMENT DISTRICT
9225 COUNTRY ROAD 49
LIVE OAK, FL 32060

**LIST OF WATER AND WASTEWATER UTILITIES IN BRADFORD COUNTY
(VALID FOR 60 DAYS)
07/22/2004 - 09/19/2004**

UTILITY NAME

STATE OFFICIALS

MANAGER

STATE OF FLORIDA PUBLIC COUNSEL
C/O THE HOUSE OF REPRESENTATIVES
THE CAPITOL
TALLAHASSEE, FL 32399-1300

DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL 32399-0850

**LIST OF WATER AND WASTEWATER UTILITIES IN UNION COUNTY
(VALID FOR 60 DAYS)
07/22/2004 - 09/19/2004**

UTILITY NAME

MANAGER

GOVERNMENTAL AGENCIES

CLERK, BOARD OF COUNTY COMMISSIONERS, UNION COUNTY
UNION COUNTY COURTHOUSE
15 N.E. 1ST STREET
LAKE BUTLER, FL 32054-1701

DEP NORTHEAST DISTRICT
7825 BAYMEADOWS WAY, SUITE 200B
JACKSONVILLE, FL 32256-7577

MAYOR, CITY OF LAKE BUTLER
125 EAST MAIN STREET
LAKE BUTLER, FL 32054-1725

MAYOR, CITY OF RAIFORD
P. O. BOX 428
RAIFORD, FL 32083-0428

MAYOR, TOWN OF WORTHINGTON SPRINGS
P. O. BOX 150
WORTHINGTON SPRINGS, FL 32697-0016

N CENTRAL FL REGIONAL PLANNING COUNCIL
2009 N.W. 67 PLACE, SUITE A
GAINESVILLE, FL 32653-1603

SUWANNEE RIVER WTR MANAGEMENT DISTRICT
9225 COUNTY ROAD 49
LIVE OAK, FL 32060

Florida State Prison
7819 N.W. 228th Street
Raiford, Florida 32026-1000

Floridagame.com
6809 SR 70 East
Bradenton, FL 34203

**LIST OF WATER AND WASTEWATER UTILITIES IN UNION COUNTY
(VALID FOR 60 DAYS)
07/22/2004 - 09/19/2004**

UTILITY NAME

STATE OFFICIALS

MANAGER

STATE OF FLORIDA PUBLIC COUNSEL
C/O THE HOUSE OF REPRESENTATIVES
THE CAPITOL
TALLAHASSEE, FL 32399-1300

DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FL 32399-0850

Exhibit O will also include a late-filed Affidavit that the Notice of Actual Application was given in accordance with Rule 25-30.030, Florida Administrative Code, by regular mail or personal delivery to each prospective customer of the system. A copy of the draft affidavit is attached.

AFFIDAVIT

I, _____, do solemnly swear or affirm that the Notice of Actual Application was provided in accordance with Rule 25-30.030, Florida Administrative Code, by regular mail or personal delivery to each prospective customer of the system.

BY: _____
(Applicant's Signature)

(Applicant's Name)

(Applicant's Title)

Subscribed and sworn before me this ____ day of _____, 2004.

NOTARY PUBLIC

EXHIBIT P

Exhibit P will be a late-filed affidavit that the Notice of Actual Application was published once in the newspapers of general circulation in the territory in accordance with Rule 25-30.030, Florida Administrative Code.

EXHIBIT Q

Exhibit Q is the original water tariff containing all rates, classifications, charges, rules and regulations. The original tariff is contained in Appendix X. Also, included as part of this Application are two (2) additional copies of the original water tariff. These copies are labeled and included separate from the bound Application.

APPENDIX I:

Attachments to Exhibit A

Letters Requesting Service

RECEIVED

FEB 9 2004

2337

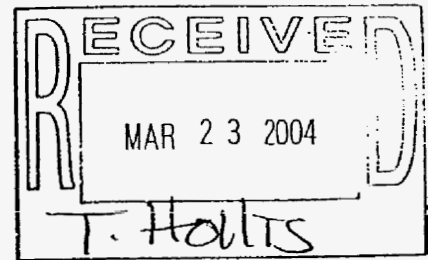
Greg Zinn

Greg Zinn

PLUM CREEK TIMBER CO.

908 North Magnolia Ave
Ocala, FL 34475

February 12, 2004



Mr. Jim Rundorff
161 North Macon Street
Jesup, Georgia 31545

RE: Request for Potable Water Service

Dear Mr. Rundorff:

We would like to develop a hunting campsite with potable water service for 8 members. Wells will be located at the current campsites or where requested. As I understand, it is the intent to provide water services for this property owned by Plum Creek through a separate regulated utility. I understand we would be required to pay a reasonable fee for the potable water service, and that such fees and charges would be determined by the Florida Public Service Commission.

Please let me know as soon as such services can be made available, so that we can commence with our plans for the development of the hunting campsite.

Sincerely,

Note

Greg Zinn
Greg Zinn

Before we can accept the water services the fees and charges would have to be known by me and club members in order to see if it is feasible for us to use this service

Thank

Greg Zinn 02/04

2452
Wesley Carter
Wesley Carter
P O Box 2288
Alachua, FL 32616-2288

February 12, 2004

Mr. Jim Rundorff
161 North Macon Street
Jesup, Georgia 31545

RE: Request for Potable Water Service

Dear Mr. Rundorff:

We would like to develop a hunting campsite with potable water service for 59 members. Wells will be located at the current campsites or where requested. As I understand, it is the intent to provide water services for this property owned by Plum Creek through a separate regulated utility. I understand we would be required to pay a reasonable fee for the potable water service, and that such fees and charges would be determined by the Florida Public Service Commission.

Please let me know as soon as such services can be made available, so that we can commence with our plans for the development of the hunting campsite.

Sincerely,

WAC

Wesley Carter
Wesley Carter

P.S. Mr Jim, per our conversation on 2/11/04, we would love another well @ our camp. We would like to see if we could upgrade to a well with an electric pump! I know this maynot be possible, but if it is we would be very interested!

Wesley (386) 454 151

RECEIVED

FEB 6 2004

PLUM CREEK TIMBER CO.

2637
Doug Moore
Doug Moore
12094 New Berlin Road
Jacksonville, FL 32226

February 12, 2004

Mr. Jim Rundorff
161 North Macon Street
Jesup, Georgia 31545

RE: Request for Potable Water Service

Dear Mr. Rundorff:

We would like to develop a hunting campsite with potable water service for 10 members. Wells will be located at the current campsites or where requested. As I understand, it is the intent to provide water services for this property owned by Plum Creek through a separate regulated utility. I understand we would be required to pay a reasonable fee for the potable water service, and that such fees and charges would be determined by the Florida Public Service Commission.

Please let me know as soon as such services can be made available, so that we can commence with our plans for the development of the hunting campsite.

Sincerely,



Doug Moore
Doug Moore

APPENDIX II:

Attachments to Exhibit B

Comprehensive Plan Research

BAKER COUNTY

Comprehensive Plan

BAKER COUNTY COMPREHENSIVE PLAN

PUBLIC FACILITIES ELEMENT

GOALS, OBJECTIVES, AND POLICIES

Goal D.1

Baker County shall provide Sanitary Sewer, Potable Water, Solid Waste and Drainage which meet existing and projected demands at the Level of Service identified in this Element. Also, the County shall protect and preserve the functions of natural groundwater recharge areas and natural drainage features.

Objective D.1.1

To correct deficiencies as well as to coordinate the extension of facilities to meet future needs, the County shall, upon plan adoption, develop and maintain a five-year schedule of capital improvement needs for public facilities, to be updated annually in conformance with the requirement established by 9J-5.016(4)(a)1.

Policy D.1.1.1

The County Commission or its designated representative will coordinate, evaluate, and rank capital improvement projects proposed for inclusion in the 5-year schedule of capital improvement needs, according to the following priority level guidelines.

Level One - Whether the project is needed to protect public health and safety, and to provide the County's legal commitment to provide services.

Level Two - Whether the project eliminates existing capacity deficits to developed service areas shown for such facilities in the Future Land Use Element of this plan.

Level Three - Whether the project represents a logical extension of facilities and services within a designated service area thereby controlling urban sprawl.

Policy D.1.1.2

Unless modified by an amendment to the element, projects shall be completed in accordance with the schedule provided in the County Capital Improvements 5-year Plan.

Policy D.1.1.3

The County shall maintain up to date inventories of all public facilities and identify locations required to support future development needs.

Objective D.1.2

The County shall coordinate the extension of, or increase the capacity of, facilities to meet future needs.

Policy D.1.2.1

The County shall ensure that the continuation of current service and the extension of service into the future meets the needs of the residents of Baker County through the endorsement of state regulations pertaining to permitting, construction and quality standards of potable water, specifically:

- a. Private water wells shall be permitted and constructed in accordance with the requirements of Chapter 17-532 FAC.
- b. Water systems serving the public shall be permitted and constructed in accordance with the requirements of Chapter 17-555 FAC.
- c. Drinking water shall meet the quality standards established in Chapter 17-555 Part III, FAC.
- d. The minimum gallons per capita per day (gpcd) requirement of new potable water systems serving the public shall be 116 gpcd based upon the average Level of Service of functioning systems serving the public in Baker County.
- e. Existing water systems serving the public in Baker County shall provide the number of gallons of potable water per capita per day (LOS) at the rate presented in Table D-6 of this Element.

Policy D.1.2.2

The County shall ensure that the continuation of current service and the extension of service into the future meets the needs of the residents of Baker County through the endorsement of state regulations pertaining to permitting, construction and standards of sanitary sewer disposal, specifically:

- a. No septic tanks or other on-site sewage disposal system shall be installed until an "Onsite Sewage Disposal System Construction Permit" (HRS H Form 4016) has been obtained from the Department of Health and Rehabilitative Services. Sanitary sewage system shall not be constructed until an application form HRS-H Form 4015 is submitted and a construction permit is issued.
- b. The sizing and location of sanitary sewer disposal systems (including septic tanks) shall be in accordance with Chapter 10D-6, sections .044 through .046(f) FAC.

- c. Site evaluation for the location of septic tanks shall meet the site evaluation criteria specified in Chapters 10D-6.047 and 17-600, Part 1, FAC.
- d. Discharge water quality of wastewater treatment plants shall meet the criteria specified in Chapter 17-600, Part II, FAC.
- e. Existing wastewater treatment facilities serving the public in Baker County shall maintain the capacity to provide the LOS (gallons/capita/day) as presented in Table D-4 of the Public Facilities Element.
- f. The minimum gallons per capita per day LOS permitted for new sanitary sewer facilities serving the public in Baker County shall be 110 gpcd.

Policy D.1.2.3

The following level of service standards for drainage facilities shall be used as the basis for determining the availability of facility capacity and the demand generated by a development.

Surface Water Quality	Applicable local and state regulations shall pertain to maintaining water quality, natural hydro periods and flows. Ambient water quality standards will be maintained. Minimum criteria for surface water quality shall meet the standards of FAC 62-302.
Wetland Stormwater Discharge	Permits for Wetland stormwater discharge shall follow FAC 40C-42.0265.
Stormwater Discharge Facilities	Permits for construction of new stormwater discharge facilities shall follow FAC 40C-42.022.
Closed conduits	10 year frequency, 24-hour duration; IDF curve Zone 5, DOT Drainage Manual 1987.
Open channels	25 year frequency, 24 hour duration; IDF curve Zone 5, DOT Drainage Manual 1987.
Level of Service	Shall meet DEP Stormwater Drainage Rule 40C-42.025 and 40C-42.026 regarding retention of stormwater runoff.

The standards stated above shall pertain to all new development and redevelopment without exception. The exemption regarding project size thresholds provided in Rule 40C-42.0225 FAC, does not pertain for concurrency determinations.

Policy D.1.2.4

The level of service standards for the County's solid waste facilities of 5.08 pounds per capita per day shall be adopted and utilized to assess adequacy of service and project the expected lifetime of the County landfill.

Policy D.1.2.5

The County shall enter into interlocal agreements with the municipalities (of the County) whereby the County commits itself to negotiate a solid waste disposal capacity which the County will provide at its landfill to meet reasonable solid waste generation projections of local communities.

Policy D.1.2.6

The County shall continue its recycling effort and shall enter into interlocal agreements with each municipality which stipulates how each municipality shall assist in meeting the requirements of Senate Bill 1192.

Policy D.1.2.7

All improvements for replacement, expansion, or increase in capacity of facilities shall be compatible with the level of service standards for the facilities stated in this Element and with the scheduling for implementation identified in Subparagraphs 9J-5.0055(2)(a), (b), and (c) FAC.

Policy D.1.2.8

The County shall continue its contracted relationship with the New River Solid Waste Association to provide for the environmentally safe disposal of solid waste and the operation of a resource recovery facility recycling solid waste materials.

Objective D.1.3

The County shall regulate land use and discourage urban sprawl by adopting land development regulations which make use of current and planned infrastructure facilities.

Policy D.1.3.1

The County shall adopt and implement the spatial distribution of land use as identified in the FLUM.

Objective D.1.4

The County shall conserve potable water resources by implementing specific measures in the policies listed for this objective.

Policy D.1.4.1

The County shall conduct a public information program alerting residents of wasteful water usage practices and encouraging responsible and practical use of potable water resources.

Policy D.1.4.2

The County shall adopt land development regulations that implement the requirements of Chapter 553.14, F.S., "The Water Conservation Act."

Policy D.1.4.3

The County shall maintain an awareness of the diminishing supply of potable water in the state of Florida and be prepared to explore alternative sources of water as the situation becomes more critical.

Objective D.1.5

The County shall adopt land development regulations that protect the functions of natural groundwater recharge areas and natural drainage features.

Policy D.1.5.1

The County shall coordinate with Florida Department of Environmental Protection to ensure that all wastewater treatment plants are inspected routinely.

Policy D.1.5.2

The County in coordination with DEP and the St. Johns River Water Management District (the SWIM program) shall by 2005 determine all know point and nonpoint sources of pollution within the County. All permitted discharges shall be required to meet State Water Quality Standards. Any unpermitted discharges shall be required to meet any existing Best Management Practices (BMP's)

Policy D.1.5.3

Upon plan adoption, groundwater quality shall be protected through annual monitoring of landfills and underground storage of toxic materials, requiring that the siting of hazardous waste sites be accomplished in accordance with Rule 17-731.040, FAC, and by regulating the number of permits issued for septic tanks.

Policy D.1.5.4

The County shall limit the amount of surface area covered by streets, parking areas and structures within SJRWMD defined zones of low to moderate aquifer recharge Figure D-5., as indicated by the FLUM and Policy A.1.9.3.

Objective D.1.6

The County shall take specific flood protection measures, which will also protect all surface water bodies from pollutants.

Policy D.1.6.1

The County shall by 2005 develop a stormwater master plan which delineates strategies for 1) determining the volume, rate, timing, and pollutant load of the

runoffs where improvements have been made; 2) identifying areas which have recurring drainage problems and evaluating the extent to which water bodies are being impacted by the stormwater discharges; 3) determining where additional improvements are needed; 4) a priority listing of drainage projects based upon Policy D.1.1.1, and costs and time associated with the completion of each project required to correct current deficiencies and meet future needs. Upon approval by the Baker County Board of County Commissioners, the Stormwater Master Plan shall be incorporated in a stormwater management ordinance and made part of the Public Facilities Element through the amendment process presented in s.163.3187, F.S.

Policy D.1.6.2

The County shall implement a routine maintenance program of drainage ditches, the costs of which are incorporated into the County's operating budget.

Policy D.1.6.3

The County shall coordinate with the Department of Transportation to implement a maintenance program of drainage ditches along state maintained roads.

Policy D.1.6.4

The County shall adopt Land Development Regulations which require development to maintain buffers of native vegetation adjacent to water bodies and wetlands which provide filtration of stormwater pollutants.

Policy D.1.6.5

The County shall adopt Land Development Regulations which require that new dirt roads and driveways be designed to reduce erosion due to stormwater runoff which can adversely affect adjacent surface water bodies and wetlands.

Policy D.1.6.6

All new development within flood zones shall be constructed above base flood elevations.

Policy D.1.6.7

The County shall not issue a building permit until applicable permits from jurisdictional agencies for dredge and fill, stormwater, and drainage are secured.

Policy D.1.6.8

The County shall adopt Land Development Regulations which require that surface water runoff from new construction sites be retained on-site to permit no greater runoff than existed prior to construction activities. Exempted from this policy are single family residence sites, subdivisions with a master drainage plan and construction associated with a DRI.

Policy D.1.6.9

Baker County Comprehensive Plan

Conservation Element

Goals, Objectives, and Policies

BAKER COUNTY COMPREHENSIVE PLAN

CONSERVATION ELEMENT

GOALS, OBJECTIVES, AND POLICIES

Goal E.1

Conserve, manage, and protect the natural resources of Baker County in order to maintain an acceptable quality of life for its citizens and preserve the functions of the County's natural resources.

AIR QUALITY

OBJECTIVE E.1.1

The County shall protect air quality by ensuring that air quality shall continue to meet or exceed those minimum standards established by state and federal agencies.

Policy E.1.1.1

Any future industry located in the County shall be required to meet or exceed the air quality standards established by state and federal agencies.

GROUNDWATER

OBJECTIVE E.1.2

The County shall preserve, appropriately use and protect the quality and quantity of water resources.

Policy E.1.2.1

Voluntary water conservation measures as defined by the appropriate Water Management District shall be promoted and become mandatory during water shortage emergencies for all potable water users including domestic, public, institutional, industrial, and agricultural.

Policy E.1.2.2

The County shall continue to enforce the Uniform Energy Conservation Construction Code which requires water conservation plumbing fixtures and devices in new construction.

Policy E.1.2.3

A well or well fields serving a "Public Water System" as defined by DEP Rule 62.550.200(61) (having 15 or more service connections or serving at least 25 persons for 60 or more days per year) shall be protected from adverse impacts of development by establishment of buffers and limiting land uses within these buffers consistent with DEP's Wellhead protection Rule (62-521).

Any nonconforming land use located within 200 feet of a well serving the public will not be permitted to expand or be improved until such use complies with DEP's wellhead protection rule.

Policy E.1.2.4

The County will utilize existing data from the Water Management Districts in identifying and mapping high recharge areas (8 inches or more per year) to the Floridan Aquifer within the County. The Plan will be amended through s. 163.3187, F.S. to include the data and analysis and recommended protection measures including protection of land uses and restriction on the types of activity permitted in areas of significant aquifer recharge capability. At a minimum, the following criteria shall apply:

The following shall be prohibited within high recharge areas:

- The use or storage of toxic or hazardous materials as defined in Title 40-CFR.
- Type I Landfills
- Hazardous waste sites
- New residential development (without central sewer) having a density greater than 1 unit per five acres.
- Impervious surfaces of more than 50%

Policy E.1.2.5

The County shall protect needed groundwater supplies for future projected population through implementation of policies such as; conservation measures (water restrictive devices in plumbing and limited water use by the WMD), well head protection, and recharge protection (limiting land uses to low density/low intensity and non-polluting applications).

WATER BODIES/WETLANDS

OBJECTIVE E.1.

The County shall conserve, appropriately use and protect the quality and quantity of waters that flow into estuarine waters.

Policy E.1.3.1

Fifty (50) foot buffers of vegetation native to the area shall be required for new development adjacent to ecologically significant water bodies as defined in the survey conducted under policy E.1.7.4. Development immediately adjacent to ecologically sensitive water bodies shall be restricted to low density/low intensity land uses of up to (2) residential units per acre and to non-polluting land use activities as defined in Policy E.1.2.3 paragraph 2.

Policy E.1.3.2

Dredge and fill in wetlands shall require that state permits in accordance with Ch. 62-312 F.A.C. and federal permits be secured before a development permit is issued by the County in accordance with adopted LDRs which address specific requirements of depth of dredge, type of permitted fill material and required open space in dredge.

Policy E.1.3.3

The County shall coordinate with the County Agricultural agent to implement guidelines as found in Best Management Guidelines for Forested Wetlands in Florida as published by the Division of Forestry.

Policy E.1.3.4

Development order and permits for development in wetland shall be specific as to controlling the density/intensity of use as well as the type of land use permitted to protect the overall integrity and quality of wetland systems such as vegetative cover, and quantity and quality of surface water, including such regional wetland resources as Pinhook Swamp, Impassable Bay, Moccasin Swamp, Big Gum Swamp, and New River Swamp.

Policy E.1.3.5

The County shall coordinate efforts with the Department of Environmental Protection and the Water Management Districts to enforce requirements of wetlands mitigation practices where State agencies allow alteration of viable jurisdictional wetlands.

Policy E.1.3.6

The natural functions and hydro-period of wetlands shall be maintained.

Policy E.1.3.7

The County shall continue to work with the State and The Nature Conservancy to identify and promote the purchase and conservation of significant wetlands.

WILDLIFE/NATIVE PLANT HABITAT

OBJECTIVE E.1.7

The county shall implement measures to protect and conserve wildlife, and native plant communities in a healthy environment and for the enjoyment of future generations.

Policy E.1.7.1

The County shall coordinate with the Florida Fish and Wildlife Conservation Service and the Florida Natural Areas Inventory in implementing the following activities. The County shall initiate the inventory, and mapping program of threatened and endangered species of plants and wildlife and significant upland communities. This inventory and mapping shall be completed by 2001 and the findings of the study be included in an amendment to the plan upon approval by the Board of County Commissioners. Prior to completion of the study, and assessment of potential adverse affects on listed species and an approved wildlife management plan shall be required for all new developments of greater than 40 acres where the density is greater than 1 unit per acre.

Policy E.1.7.2

The County shall promote the acquisition of floodplains along the St. Mary's River through such programs as the Save Our River program and/or Conservation and Recreational Lands program.

Policy E.1.7.3

Agriculture and silviculture shall be directed to use Best Management Practices (BMPs) whenever possible to ensure that wildlife habitat is maintained.

Policy E.1.7.4

The County shall coordinate with the Florida Fish and Wildlife Conservation Service by 2001 to prepare a conservation map and overlay to its Future Land Use Map which identifies areas of ecological concern. Development within these identify areas shall be restricted as to low density/intensity of uses and to non-polluting land use applications.

Upon completion, the map overlay shall be reviewed by the Board of County Commissioners and upon approval shall be made part of the Comprehensive Plan Future Land Use and Conservation Elements by amendment in accordance with s. 163.3187, F.S.

Restriction on development in areas identified on the conservation overlay shall include:

- a. Set back requirements from wetlands;
- b. Density restrictions based upon the level of ecological sensitivity and recommendations from the Florida Game and Fresh Water Fish Commission;
- c. Water quality and water quantity requirements.

Policy E.1.7.5

The County shall coordinate with adjacent local governments in the conservation of wildlife habitat.

HAZARDOUS WASTE

OBJECTIVE E.1.8

The County shall continue to take appropriate measures to safeguard its residents and natural resources from dangers of hazardous materials.

Policy E.1.8.1

The County shall inform residents through public education programs regarding hazardous waste.

Policy E.1.8.2

The County should require that fire, police and other emergency personnel have proper training in regard to protecting and public and natural resources at hazardous waste spills and evacuation procedures in the event that hazardous materials are released to the atmosphere.

Policy E.1.8.3

The County shall implement a program of hazardous waste collection by designating a site for the collection and storage of hazardous household waste materials within the County.

Baker County Comprehensive Plan
Recreation and Open Space Element
Goals, Objectives, and Policies

BAKER COUNTY COMPREHENSIVE PLAN
RECREATION AND OPEN SPACE ELEMENT
GOALS, OBJECTIVES, AND POLICIES

Goal F.1

Provide sufficient parks and recreation facilities to meet the health, safety and welfare needs of Baker County's citizens and visitors.

Objective F.1.1

The County shall continue to ensure public access to recreation sites, including fresh water beaches and shores, particularly on the St. Marys River.

Policy F.1.1.1

- To improve levels of water access, the County shall initiate a program to acquire land along the St. Marys River and its tributaries sufficient to provide public access.

Policy F.1.1.2

The County shall provide each access with roads and parking scaled to meet the projected demand at each facility.

Policy F.1.1.3

The County shall ensure that the elderly and the handicapped have access to recreational sites and facilities.

Objective F.1.2

The County shall continue to coordinate public and private resources to meet recreation demands.

Policy F.1.2.1

The County's Recreation Director shall coordinate with the Baker County Chamber of Commerce, particularly the Economic Development Task Force, to ensure cooperation with the private sector in meeting recreational needs, particularly those needs that cannot be provided by the public sector, i.e., movie theater, bowling alley, skating rink, etc.

Objective F.1.3

The County shall continue to adequately and efficiently maintain its parks, recreation sites and open space locations under County ownership throughout the planning period 2000-2010.

Policy F.1.3.1

The County adopts the level of service recreation standards shown in Table F-2, Section C.1 and the open space standards presented in Section C.2, "Open Space Standards"

Policy F.1.3.2

The County shall preserve and maintain existing parks, open space, and recreational facilities through the use of adequate operating budgets and proper management techniques.

Policy F.1.3.3

The County shall, through its Recreation Director, maintain a record of facility use and where possible conduct on-site surveys to determine citizen recreational interests and apply these data to correct or improve existing deficiencies in parks and recreational facilities.

Objective F.1.4

The County shall continue to ensure the provision of recreation facilities and open space by public agencies and private enterprise.

Policy F.1.4.1

- Permanent open space/recreation lands shall be designated on the FLUM. Said lands shall be protected from adjacent incompatible land uses and development through the adoption of land development regulations.

Policy F.1.4.2

The County shall require a buffer of vegetation along the St. Marys River and its tributaries to prevent erosion, retard runoff, provide habitat and open space, and preserve natural beauty. Best management practices shall be used as a guide for silvicultural activities within this and other areas of the County.

Policy F.1.4.3

The County shall adopt land development regulations that include specific requirements and standards for recreation facilities to be included in subdivision plats and Planned Unit Developments (PUDs).

RECREATION FACILITY NEEDS

Facility	Existing Inventory	Population Service Design (Level of Service)	Age Group Served*	Year 2000 Age Group Population*	Facility Surplus/ Deficit	Year 2005 Age Group Population*	Facility Surplus/ Deficit	Year 2010 Age Group Population*	Facility Surplus/ Deficit
Football Field	1	18,000	B,C	16,673	1,327	17,805	195	18,916	-916
Baseball Field/ Softball Field	10	5,000	B,C	16,673	33,327	17,805	32,195	18,916	31,084
Multi-Use Field**	2	10,000	A,B,C	18,451	1,549	19,704	296	20,934	-934
Boat ramp Lanes	4	6,500	A,B,C	18,451	7,549	19,704	6,296	20,934	5,066
Picnic Area	8	6,000	A,B,C,D	22,230	25,770	23,740	24,260	25,222	22,778
Basketball Court	7	5,000	B,C	16,673	18,327	17,805	17,195	18,916	16,084
Playground	3	2,500	C,D	7,284	216	7,834	-334	8,323	-823
Gymnasium**	3	10,000	B,C	16,673	13,327	17,805	12,195	18,916	11,084
Fairgrounds**	1	100,000	A,B,C	18,451	81,549	19,704	80,296	20,934	79,066
Community Center	0***	8,000	A,B,C	18,451	-18,451	19,704	-19,704	20,934	-20,934
Tennis Courts	9	3,000	A,B,C	18,451	8,549	19,704	7,296	20,934	6,066

* See Recreation Table F-3 for age group definitions and populations

** Not an adopted Level of Service Facility

*** A Community Center is in the planning stages and should be completed by 2001

Source: Baker County, NEFRPC

Baker County Comprehensive Plan
Intergovernmental Coordination Element
Goals, Objectives, and Policies

BAKER COUNTY COMPREHENSIVE PLAN
INTERGOVERNMENTAL COORDINATION ELEMENT

GOALS, OBJECTIVES, AND POLICIES

Goal G.1

Improve coordination between Baker County and adjacent local governments and local, regional and state agencies in order to coordinate all development activities, preserve the quality of life, and maximize use of available resources.

Objective G.1.1

The County shall designate the Board of County Commissioners as an intergovernmental coordination body to conduct planning coordination with adjacent counties and the municipalities of Macclenny and Glen St. Mary.

Policy G.1.1.1

The Board of County Commissioners, in its capacity as County intergovernmental coordinator, shall schedule biannual meetings with participating local governments and agencies.

Policy G.1.1.2

The County shall utilize the intergovernmental coordinating body for the review of such issues as annexation, comprehensive plan reviews, and use of adjacent lands and make recommendations regarding these issues to County boards and commissions.

Policy G.1.1.3

Baker County shall utilize the Northeast Florida Regional Planning Council as a mediator when development issues cross jurisdictional boundaries and cannot be resolved with offending parties by the intergovernmental coordination body membership or the County government.

Policy G.1.1.4

Baker County shall continue to assist the Northeast Florida Regional Planning Council in identifying regional issues and updating the Strategic Regional Policy Plan.

Policy G.1.1.5

Baker County shall encourage units of local government that provide services but don't have regulatory authority over the use of land to review, comments and otherwise provide constructive input to proposed land use amendments of the County Comprehensive Plan.

Policy G.1.1.6

Upon plan adoption, Baker County shall coordinate with adjacent counties and Town/City local governments in the siting of Locally Undesirable Land Uses when facilities being

proposed are within two miles of an adjacent jurisdictions boundary.

Policy G.1.1.7

The County, as part of its service of conducting building permit services for Glen St. Mary, shall review and amend where necessary all ordinances, codes and permitting practices to ensure efficient housing delivery in the Town.

Objective G.1.2

The County shall continue to ensure coordination of adopted levels of service with the state, regional and local entities which have operational and maintenance responsibility for such facilities.

Policy G.1.2.1

Baker County shall continue to coordinate with the Department of Health local office for the permitting of private wells and septic tanks.

Policy G.1.2.2

Baker County shall continue to coordinate with the state DEP for the permitting and inspection of potable water and sanitary sewer treatment plants.

Policy G.1.2.3

Baker County shall continue to coordinate with the FDOT for the construction and maintenance of drainage facilities which meet the requirements of state regulations and the LOS identified in the County Comprehensive Plan Drainage Sub-Element and Traffic Circulation Element.

Policy G.1.2.4

Baker County, on an annual basis, shall review its agreement to provide recreational facilities and the maintenance thereof within the city limits of Macclenny.

Policy G.1.2.5

The County shall negotiate agreements with the Town of Glen St. Mary and the City of Macclenny which will provide those governments with a reasonable level of cubic yard disposal space within the County's authorized landfill (New River).

Policy G.1.2.6

Baker County shall coordinate with state agencies in providing information to its residents regarding the conservation of water resources and the disposal of hazardous waste.

Policy G.1.2.7

The County shall continue to coordinate with the County municipalities and service providers on a regular basis to ensure the maintenance of adopted levels of service.

Objective G.1.3

The County shall ensure coordination of its Plan with the County School Board.

Policy G.1.3.1

The County shall provide a copy of its Plan and subsequent amendments to the County School Board and coordinate proposed developments with School Board development plans.

Objective G.1.4

The County shall ensure that projected land development in the adopted plan and future amendments are compatible with development in all adjacent local governments.

Policy G.1.4.1

The County shall provide a copy of its plan and subsequent elements to all adjacent local governments, and shall obtain development plans of those same local governments and review the plans for compatibility.

Objective G.1.5

The County shall ensure the availability of adequate funding and staff resources to implement all of the adopted Goals, Objectives and Policies in the Comprehensive Plan.

Policy G.1.5.1

The County shall continue to coordinate with the Northeast Florida Regional Planning Council for assistance in updating and amending the Comprehensive Plan and related Land Development Regulations (when needed and when funding is available).

Policy G.1.5.2

The County shall continue to coordinate with the Northeast Florida Regional Planning Council and the Department of Community Affairs in seeking out all potential funding sources which could assist the County in implementing the Comprehensive Plan and related Land Development Regulations.

order to maintain the level of service as provided in the Comprehensive Plan.

Objective H.3.1

Adopt Land Development Regulations to obtain fair share exaction or impact fee from developers to hold harmless present residents and taxpayers of Baker County for the provision of public infrastructure at the required LOS.

Policy H.3.1.1

Set fair share exaction where necessary by evaluating **impact** of new development against level of service, existing facilities capacity and the fair share cost of improving infrastructure capacity to maintain an adequate level of service.

Policy H.3.1.2

Collect a fair share exaction in those cases where the new development will create the necessity that Baker County construct new capital facilities or expand existing capital facilities to maintain a required level of service.

Objective H.4.1

Public or private infrastructure currently serving all areas of the County shall meet or exceed the required Level of Service standards.

Policy H.4.1.1

Evaluate level of service presently in existence and actions necessary to achieve levels of service stated in the Comprehensive Plan.

Policy H.4.1.2

Require all developers or builders to prove to the Building Official's satisfaction that infrastructure supplying the needed levels of service will be available concurrent with development impact before a development order is issued.

Objective H.5.1

The County shall ensure that the continuation of current service and the extension of service into the future meets the needs of the residents of Baker County through the endorsement of state regulations pertaining to permitting, construction and quality standards of potable water specifically:

- (a) Private water wells shall be permitted and constructed in accordance with the requirements of Chapter 62-532 FAC.
- (b) Water systems serving the public shall be permitted and constructed in accordance with the requirements of Chapter 62-555 FAC.
- (c) Drinking water shall meet the quality standards established in Chapter 62-555 Part III, FAC.

- (d) The minimum gallons per capita per day (gpcd) requirement of new potable water systems serving the public shall be 116 gpcd based upon the weighted average Level of Service of functioning systems serving the public in Baker County.
- (e) Existing water systems serving the public in Baker County shall provide the number of gallons of potable water per capita per day (LOS) at the rate presented in Table D-6 of the Public Facilities Element and as amended through proper procedures.

Policy H.5.1.1

Baker County shall not issue a building or other development order in any case where the above standards for potable water levels of service are not met.

Objective H.5.2

The County shall ensure that the continuation of current service and the extension of service into the future meets the needs of the residents of Baker County through the endorsement of state regulations pertaining to the permitting, construction and standards of sanitary sewer disposal, specifically:

- (a) No septic tank or other on-site sewage disposal system shall be installed until an "Onsite Sewage Disposal System Construction Permit" (HRS-H Form 4016) has been obtained from the Department of Health and Rehabilitative Services. Sanitary sewage systems shall not be constructed until an application for HRS-H Form 4015 is submitted and a construction permit issued.
- (b) The sizing and location of sanitary sewer disposal systems (including septic tanks) shall be in accordance with Chapter 10D-6, sections .044 through .046(f) FAC.
- (c) Site evaluation for the location of septic tanks shall meet the site evaluation criteria specified in Chapters 10D-6.047 and 62-600, Part 1, FAC.
- (d) Discharge water quality of wastewater treatment plants shall meet the criteria specified in Chapter 62-600, Part II, FAC.
- (e) Existing wastewater treatment facilities serving the public in Baker County shall maintain the capacity to provide the LOS (gallons/capita/day) as presented in Table D-4 of the Public Facilities Element.
- (f) The minimum gallons per capita per day LOS permitted for new sanitary sewer plants serving the public in Baker County shall be 110 gpcd.

APPENDIX A

FUTURE URBAN DEVELOPMENT AREA OVERLAY for BAKER COUNTY

August 21, 2000

Prepared by:
Northeast Florida Regional Council
6850 Belfort Oaks Place
Jacksonville, Florida 32216
(904) 279-0880

objectives and policies created, this Future Urban Development Overlay establishes a development strategy for this area through the year 2010.

PURPOSE

Due to the concerns surrounding this area it is important to take a proactive planning approach. This approach includes conducting studies and gathering as much information as possible prior to potential future growth pressures so that smart decisions can be made regarding the future of this Overlay Area. Areas such as these, under growth pressures need planning and foresight to prevent urban sprawl.

With this Overlay study we seek not only to create goals, objectives and policies which will help guide our decisions in the present, but also to create a platform of insight upon which future decisions can be made. By focusing in on this area with a detailed approach we are able to obtain a more complete understanding of this area, with the assistance of mapping and information gathering. This study will provide the information needed to lay the ground work for future decisions, by providing information, involving the future need for any stormwater system planning, infrastructure decisions, and future land use decisions. After gathering information it should become easier to identify and recognize key relationships within this area. Decisions involving the future of this area may incorporate knowledge gained through this study. Natural resource systems identified in this process should play a major role in guiding development and this study should provide information regarding these relationships within this area.

COORDINATED EFFORT

Throughout the Overlay planning process there was an attempt to involve all stakeholder groups in the shaping of the vision for this Overlay Study. Agency staff which participated in the study included the Baker County Development Commission, Department of Community Affairs, Baker County Board of County Commissioners, Baker County Planning Department, Northeast Florida Regional Planning Council, St. Johns River Water Management District and the United States Army Corps of Engineers. Participants from these agencies contributed their expertise to identify issues of concern within the Overlay area including future growth patterns, the adequate provision of infrastructure including water and sewer, property ownership patterns and property owners desires, wetland protection, and stormwater planning. These concerns are addressed throughout this Overlay Study.

AGENCY WORKSHOP DATE: Monday, March 22, 1999 at 10:00 AM

Two public hearings were scheduled Tuesday, March 9, 1999 at 6:00 PM, and Thursday, July 1, 1999 at 6:00 PM. The first public workshop was advertised in the *Baker County Standard*. Due to a lack of public participation at the first advertised workshop, efforts

were made to increase public participation by holding a second public hearing. Although a more simplified explanation that outlined the purpose of the Future Urban Development Area Overlay Study and the need for public participation was included in an advertisement for the second workshop and published in the *Baker County Standard*, public participation was still lacking.

CHALLENGES





One major challenge the County faces when dealing with urban sprawl is that of ownership. The property within the Overlay area is under private ownership. Much of the land exists in tracts used for silvaculture or agriculture. This land is under multiple ownership. The owners of this land are often established long-term owners who have a great deal of tradition in the agricultural industry and little desire to sell or develop the land. Incentives should be explored in this study which may promote the development in those areas determined to be best suited for growth within this Overlay area.

FUTURE URBAN DEVELOPMENT AREA OVERLAY

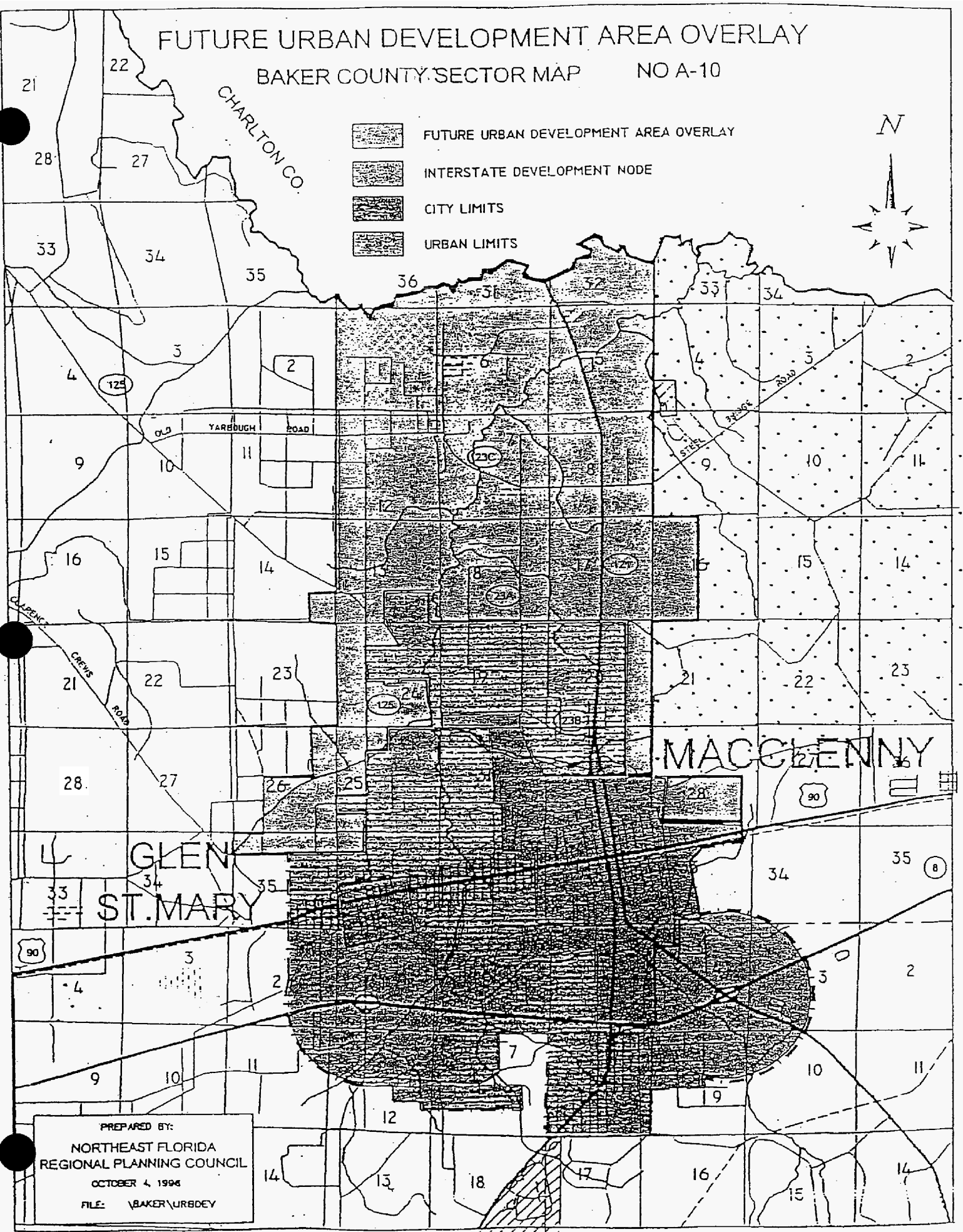
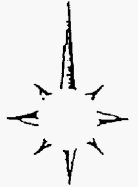
BAKER COUNTY SECTOR MAP

NO A-10

CHARLTON CO.

-  FUTURE URBAN DEVELOPMENT AREA OVERLAY
-  INTERSTATE DEVELOPMENT NODE
-  CITY LIMITS
-  URBAN LIMITS

N



MACCLENY

GLEN
ST. MARY

PREPARED BY:
NORTHEAST FLORIDA
REGIONAL PLANNING COUNCIL
OCTOBER 4, 1996
FILE: \BAKER\URBDEVEY

DATA ANALYSIS:

UNINCORPORATED BAKER COUNTY

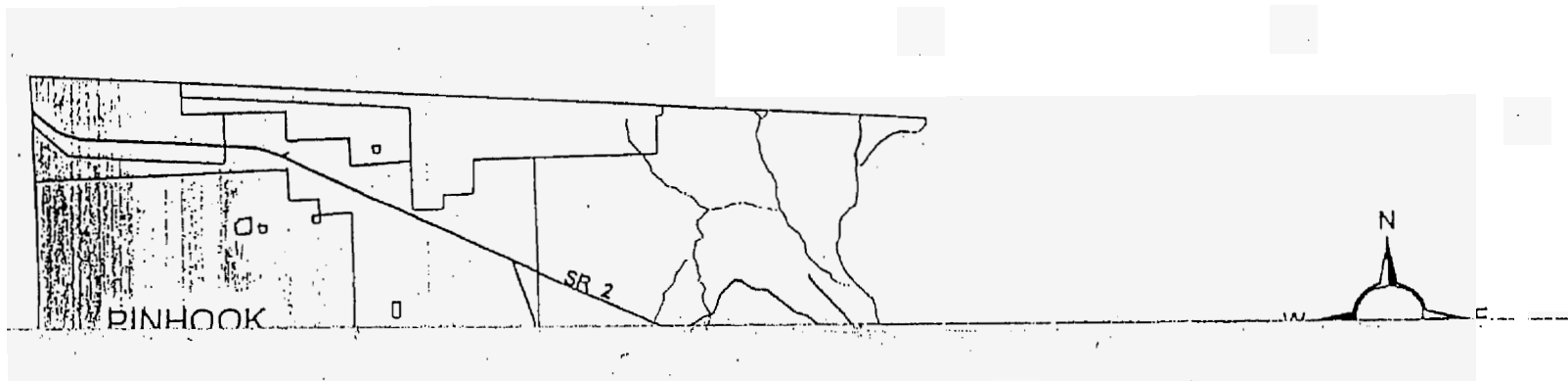
Unincorporated Baker County contains approximately 372,186 acres (582 square miles) of land and water area (Map B). Most land development has been in the southeast portion of the County. Residential land use accounts for approximately 1.1 percent of the unincorporated land area. Major residential areas are located in the Glen St. Mary – Macclenny growth corridor and along the north south arterial highways.

Inland water, marsh and wetland forest account for approximately 23,200 acres (36 square miles) or 6.2 percent of the gross land area not included as conservation, recreation, public facility or other reserved land use category. "Protected" areas include a portion of the Okefenokee National Wildlife Refuge, the Osceola National Forest, and the recent addition of Pinhook Swamp. "Protected" areas account for 26.7 percent of 99,217 acres; (155 square miles of the net land area); thereby reducing to 249,769 acres (390 square miles) the area that might generally be considered "total useable land" area in Baker County. This was 67 percent of Baker County.

The population in the entire county grew from 18,486, as reported in the 1990 U.S. Census, to a 1996 estimate of 20,709. The Bureau of Economic and Business Research (BEBR) estimates for 2000 and 2005 are 22,197 and 23,697, respectively. Population growth in the County has occurred in the Macclenny area in the east part of the County toward Jacksonville.

Baker County recognizes the need to provide adequate public facilities to the County's population. The County has to balance the benefits of such facilities with the level of demand and take into consideration the present and future density and level of development within the County in all public infrastructure decisions. The county does not have a county wide sanitary district. Given the present level of development it is obvious that the development of a county system will be beyond the planning period for the county. Each municipality and several small private water companies supply public potable water. However, the county anticipates no need for a county water district in the foreseeable future. There has not been enough high-density new construction to warrant the construction of a county sponsored potable water system. Baker County's Solid Waste Department is responsible for landfilling or disposing of the solid waste within the County. Baker County joined Union and Bradford Counties in the New River Solid Waste Management Association.

Baker County Sector Plan Base Map



MAP LEGEND

	Municipalities		State Roads		St. Marys River
	Interstate		County Roads		Recreational Lands
	US Roads		Streams		Sector Study Area

	Last Revision:	July 31, 2000
	Operator:	USF
	Source:	FWW
	F:	Publication/Revision

DATA ANALYSIS: FUTURE URBAN DEVELOPMENT AREA

Population Trends

This population analysis estimates the population within the Overlay Area using a combination of methods. First, population estimates are derived based on the best and most recent available census data and projected forward to the year 2010, the timeframe of this plan. This information is then supplemented by recent development trends within the Overlay Area. Lastly, future development possibilities are figured into the picture for an overall understanding of the population trends in the Overlay Area.

Census Study

The 1990 Census block maps were overlaid on the Overlay Area boundaries. All census blocks included in the Overlay Area were identified. However, the census block boundaries and the Overlay Area boundaries are not identical. Some of the census blocks are totally within the Overlay Area and others are only partially included in the area. Two census studies were conducted; one that included all census blocks that are totally and/or partially included in the Overlay Area and the other that took an estimation of the percentage of the census block located within the Overlay Area if the census block was located partially in the Area. The actual population count of the Overlay Area is between these two calculations.

From the 1990 Census, the populations for the identified blocks in the Overlay Area were listed and a total population based on the percentage of those blocks located within the Overlay Area was calculated at 1,263 persons, according to the 1990 Census. This estimate is more conservative than the alternative estimate using the full population of each block which lies within the Overlay Area. A percentage of each individual census block within the Overlay Area to the County total population of 18,486 in 1990 was calculated, showing that 6.83 percent of the total County population was located within the Overlay Area in 1990.

The Bureau of Economic and Business Research (BEBR) population estimate for Baker County was 21,879. Using the 6.83 percent calculation from 1990 gives a conservative population count for the Overlay Area of 1,494 persons. This indicates an increase of 231 persons over the 1990 population.

Using BEBR's latest population projections for Baker County for years 2000, 2005, and 2010, (22,139, 23,740 and 25,222, respectively) with the same percentage methodology as for estimates, gives Overlay Area population projections of 1,512, 1,621, and 1,723, respectively.

Using the projected increase in population for the Overlay area and the BEBR 1997 average household size estimation of 2.99 people per household in Baker County, the increase in households within the Overlay area was derived. Between 2000 and 2005 it is estimated that the population will increase by 109 persons. Given the average household size within the county this would result in the need for 36 additional households. By 2010 an additional 34 households would be added. Cumulatively, within the time frame of this study the population would have increased by 211 and 70 households would have been added.

Table 1 - Population and Household Projections

* 1990 Counts: Population: 1,263 Total HHs: 422

Year	Population Projection	Population Increase	Household Increase	Total Households
2000	1,512			505
2005	1,621	109	36	541
2010	1,723	102	34	575
Total by 2010		211	70	575

A less conservative estimate of the population within the Overlay Area involved the inclusion of the entire population within the census blocks that lie totally and/or partially within the Overlay Area boundaries. This analysis reflected a total population of 1,741 persons and 630 dwelling units. This should reflect a population that is greater than that of the actual Overlay Area since 8 of the 28 identified blocks (29%) are only partially contained within the Plan boundaries.

As in the conservative estimate, a percentage of the Overlay Area total population to Baker County's total population is calculated at 9.42%. Therefore taking 9.42% of the total County population of 18,486 derived the total population of 1,741. In addition, the 630 dwelling units account for 10.5% of the County's 5,975 total dwelling units.

For 1999, the Bureau of Economic and Business Research (BEBR) estimated Baker County's total population at 21,879. Applying the 1990 percentage of the Plan population to Baker County's total (9.42%), drives a 1999 Overlay Area population of 2,061, an increase of 320 persons over the 1990 estimated population. Further, the estimated populations for the years 2000, 2005 and 2010 would be 2,085, 2,236 and 2,376, respectively.

Development Trends

The proceeding population estimates are based on 1990 census data. The 2000 census information will be more accurate in projecting the population of this area to the year 2010, but will not be available until the year 2001 at the earliest. However, looking at

Infrastructure

Public Facilities

A sanitary and/or potable water district does not exist within Baker County. Given the present level of development and population growth, the County does not anticipate a need for a County sponsored system in the foreseeable future. It is expected that large developments will provide for privately operated package treatment plants and individual homes will be developed using individual septic systems. The provision of individual on-site water systems is also expected to continue.

The City of Macclenny, located south of the Future Urban Development Overlay Area, currently benefits from a municipal water and sewer system not provided in the rest of the County. Sewer and water service limits include the city limits of Macclenny. The potable water plant operates at a capacity of 1,400,000 gallons per day. It is currently operating at 50% capacity, allowing a comfortable margin for service area expansion.

Recently, a water and sewer line was extended from the City of Macclenny to the Town of Glen St. Mary to serve Baker County High School. This extension of service creates the possibility that the Town of Glen St. Mary and surrounding areas could be served by water and sewer lines. While representatives of both local governments agree that the extension of service is a possibility, no formal agreement has been reached and services are not anticipated to be extended for at least the next two years. The introduction of central water and wastewater treatment will make the area west of Macclenny more appealing for future development. In addition, the extension of the water and sewer lines into this area has created the possibility that the Southwestern most portion of the Overlay area could be connected to water and sewer service.

Any potential consumer wishing to be served by this system, located contiguous to the city limits, can be annexed in to the City of Macclenny and connected to the system with a tie in fee. If a potential consumer is not contiguous to the City limits they may opt to sign an agreement to hook up to the system. This agreement would require that the property be annexed into the City when and if their property becomes contiguous to the City limits. These consumers are required to pay a tie in fee and one and a half times the water and sewer rates prior to annexation, which is achieved via referendum. The City of Macclenny has stated that beyond a mile outside the current service limits it is not cost effective to provide services.

Map C provides a delineation of the portion within the Overlay area with the potential to supply water and sewer prior to 2010. Beyond the areas designated on this map it is not currently feasible for the city to provide services. This map identifies two areas. The first area is the area within the Overlay Study that lies within one mile of the City of Macclenny. This area represents the area within the Overlay study most likely to be connected to water and sewer services by 2010. It is anticipated that if the developer or land owner located in this area desires, they could be connected to central water and

Level of Service E: represents near-capacity, generally unstable, flow. All speeds are low and maneuvering is very difficult. Small increases in traffic volume or minor problems within the traffic stream will cause conditions to deteriorate to LOS F.

Level of Service F: represents forced flow, stop and go conditions. At intersections, those conditions create long queues requiring motorists to wait through two or more signal cycles. Volume exceeds capacity at intersections and other conflict locations.

State Road 121 is said to be operating with good stable flow conditions within the Overlay Area. In this case the motorist utilizing this road may experience a slightly restricted ability to maneuver in the presence of other users, but speed selection is relatively unaffected.

This study further identifies this portion of State Road 121 as a two (2) lane signal free Minor Arterial within a rural area. Less than four (4) miles of this road lies within the Overlay area. The maximum service volume is 8,200. The count in 1996 was 2,700 and in 1997 the count was 3,099. The road is currently operating at 38% capacity at a LOS B. FDOT determined a growth rate of 2.3 for this portion of State Road 121. The annual projections from 1997 to 2000 are shown on Table XXX. The traffic count increased less than 500 for those three years. Further the same table shows projections for 2005 to 2010. According to FDOT, by the end of the time frame for this Study (2010) this portion of State Road 121 will still operate at a LOS B.

The District II FDOT Tentative Work Program for Baker County identifies the transportation needs and priorities within Baker County (Map E). No roads within the Overlay area were identified as needing attention from FDOT on the Work Program through 2005. A portion of State Road 121, south of the Overlay Area, has been identified for a \$3,798,000 resurfacing project currently in the preliminary engineering phase and anticipated to be completed by the year 2001.

An additional transportation improvement, which effects the overlay area, is the four laning of U.S. 90 between Macclenny and Glen St. Mary, which has occurred since 1991. This improved corridor will provide the opportunity for businesses and residents to locate along this widened road, which is designated as Mixed Use Zone F on the Future Land Use Map allowing 12 units/acre to 4 units/acre.

Emergency Response

Three fire stations provide emergency services to the Future Urban Development Overlay Area. A fire station located near the intersection of State Road 121 and County Road 23C provides emergency service to the majority of the Overlay Area (See FLUM). There are also two fire stations located less than one mile from portions of the Future Urban Development Overlay Area. One of these stations is in the Town of Glen St. Mary and

the other is in the east portion of the City of Macclenny. The locations of these fire stations were provided by Baker County and are depicted on the Future Land Use map. The County Sheriff's department provides police services for the entire county.

Education

Six schools are located in Baker County and serve 4,625 students. The High School is located in Glen St. Mary, less than one mile from the southwestern portion of the Overlay Area and approximately five miles from the furthest point of the Overlay Area in the north near the St. Marys River. The two middle schools are located in the City of Macclenny and one elementary school is in Macclenny and the other is in the Town of Glen St. Mary. The following is a list of the schools that serve Baker County:

Elementary Schools

- Macclenny Elementary School – Macclenny
- Westside Elementary School – Glen Saint Mary

Middle Schools

- Baker County Middle School – Macclenny
- J. Franklin Keller Middle School – Macclenny

High Schools

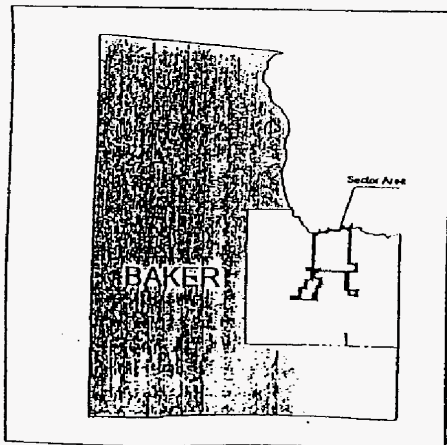
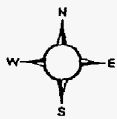
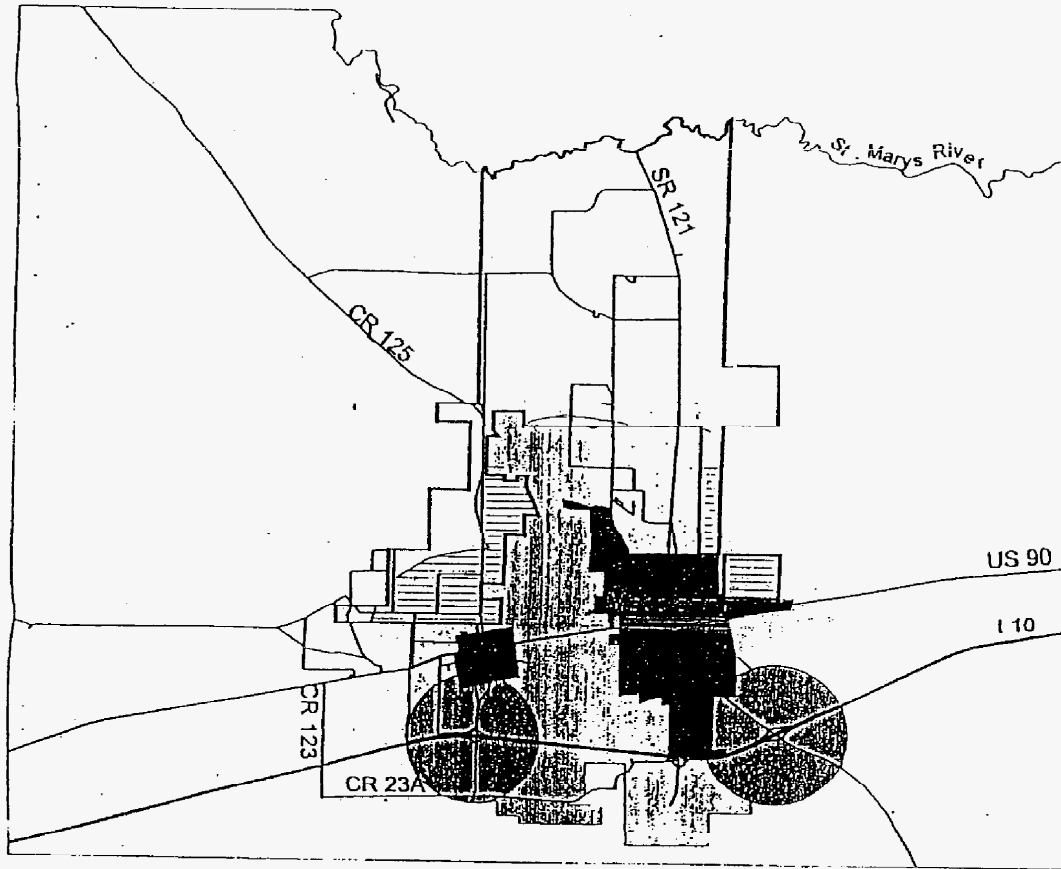
- Baker County High School – Glen Saint Mary

Other School/Programs

- Baker County Alternative School - Macclenny
- Baker County 4-H Program
- The Academy of Business Administration (ABA) – Baker County, Glen St. Mary
- South Side Educational Center - Macclenny

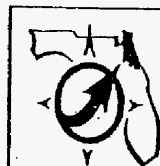
The Baker County School Board has purchased and will be developing a thirty-acre school site south of the Overlay area. This school would be located along State Road 121 and County Road 23B adjacent to the Macclenny city limits, within the existing Urban Development Area. The school board has indicated that this site will connect to central water and sewer service from the City of Macclenny. This would increase the likelihood that any future development in southeastern portion of the Overlay Area will be able to connect to water and sewer.

Baker County Sector Plan: Future Central Water & Sewer Service Area



MAP LEGEND

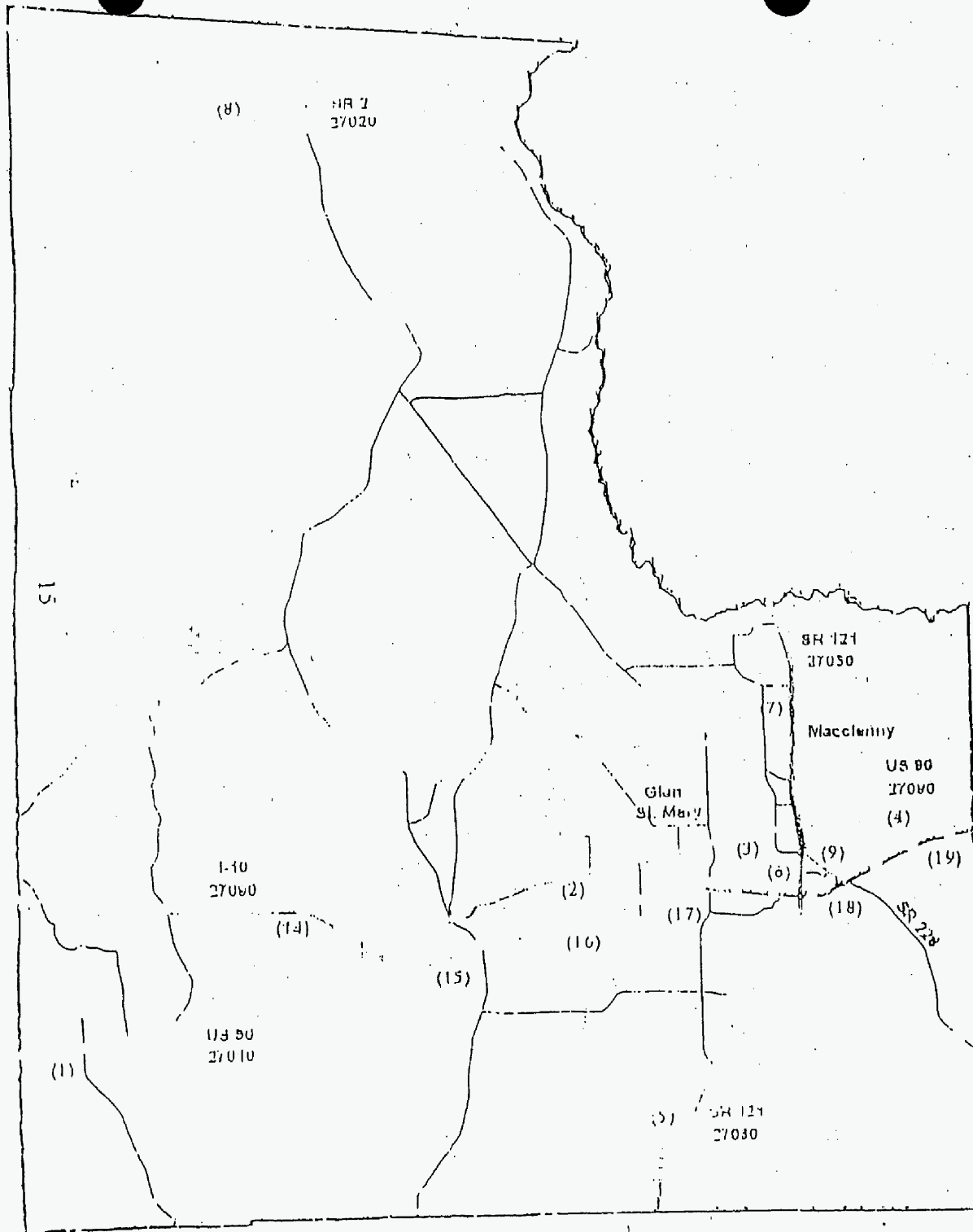
	1 Mile Service Area		Baker Sector Area
	City Limits		Interstate
	Urban Limits		Road network
	Interstate Development Node		County Area of Interest



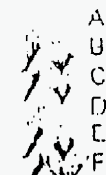
Revision date:	July 31, 2000
Operator:	LJG1
Source:	EJRWMD, Baker County Sector Plan
File name:	BakerBakerSectorPlan2.apr

Baker County

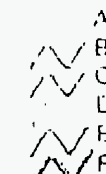
Level of Service



Florida Intrastate Highway System - LOS



State Highway System - LOS



Local Roads



County Boundary

27000 Roadway Characteristics Inventory (RC)
(01) Segment Number
Based on 1997 AADT
District II May 1998

Map D

District 2
Tentative Work
Program
Baker County

Map E

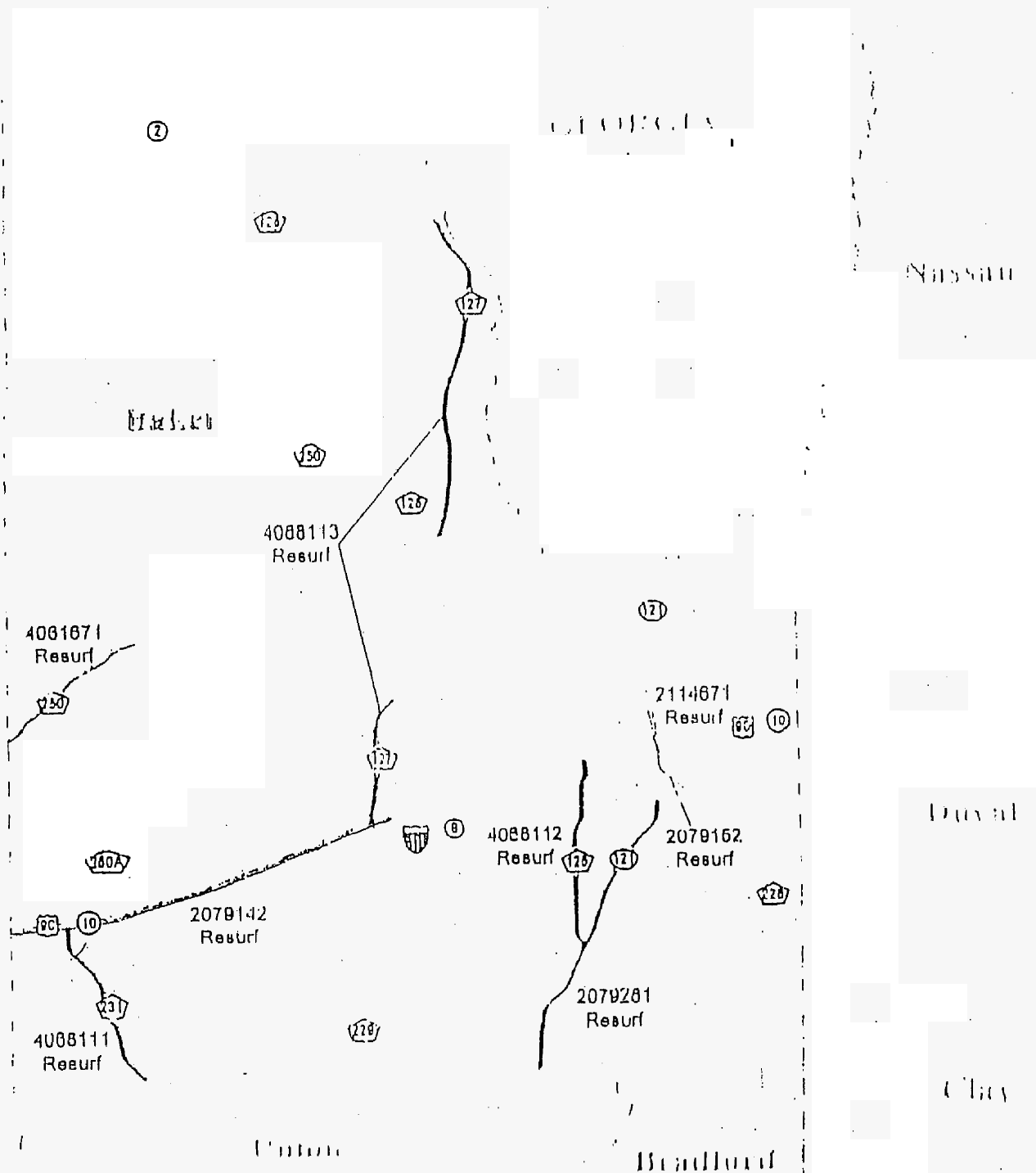
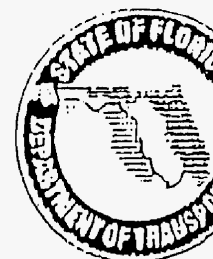
LEGEND

Highway Project

- 1999/00
- 2000/01
- 2001/02
- 2002/03
- 2003/04
- 2004/05



Source:
Florida Department of Transportation



Resource Protection Areas

Water Resources

The Future Urban Development Area Overlay has several water resources that should be considered in the planning process. The St. Marys River borders the Overlay Area on the north and the South Prong of the St. Marys River runs diagonally through the sector, from the southwest to the northeast corners. The St. Marys River has been listed as a Natural Resource of Regional Significance, which is defined in the Northeast Florida Strategic Regional Policy Plan as "a natural resource or system of interrelated natural resources, that due to its function, size, rarity or endangerment retains or provides benefit of regional significance to the natural or human environments, regardless of ownership."

The entire Overlay area lies within the SJRWMD jurisdiction. The Overlay is within the St. Mary's River Basin, which covers approximately 608,733 acres. The water quality of the St. Marys River and the South Prong of the St. Marys River systems was analyzed by the SJRWMD. Reports based on monitoring station data show that the South Prong, a tributary of the St. Mary's River, has high estimated existing nonpoint source pollutant loads compared to the rest of the District. Nonpoint source pollution is associated with land use activities that do not have well defined points of discharge, including urban stormwater runoff, agricultural discharges, and septic tank leachate.

Some of the pollution problems associated with the South Prong might be attributable, in part, to discharges from the Macclenny and Northeast Florida State Hospital wastewater treatment plants, located down stream, or stormwater runoff, according to the SJRWMD. The majority of the St. Marys River Basin is undeveloped, but the SJRWMD warn that the excellent water quality of the St. Marys River Basin could be deteriorated if urban development is combined with inadequate protection. Overall the surface water quality in the Overlay Area was reported either as "good" or "unknown" in a 1994 Department of Environmental Protection (DEP) 305 (b) Report.

Wetlands

Wetlands, as defined in subsection 373.019(17), F.S., means those areas that are inundated or saturated by surface or groundwater at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. Soils present in wetlands generally are classified as hydric or alluvial, or possess characteristics that are associated with reducing soil conditions. The prevalent vegetation in wetlands generally consists of facultative or obligate hydrophytic macrophytes that are typically adapted to areas having soil conditions described above. These species, due to morphological, physiological, or reproductive adaptations, have the ability to grow, reproduce or persist in aquatic environments or anaerobic soil conditions. Florida wetlands generally include swamps,

marshes, bogs, riverine swamps and marshes, cypress domes and strands, and similar areas. Florida wetlands generally do not include longleaf or slash pine flatwoods with an understory dominated by saw palmetto.

Wetlands are an important source of wildlife habitat and are an integral component of natural surface water drainage and filtration systems. Wetlands adjacent to surface waters provide a purifying buffer, stabilize the shoreline, reduce erosion and serve as habitat for many species. Wetlands, associated with the major rivers, streams and tributaries are part of the surface water system. These wetlands provide purification of pollutants and protect water quality of surface waters. They also stabilize the shoreline, reduce erosion and provide habitat and foraging areas for many listed species of animals.

One thousand one hundred and twenty three acres of wetlands were mapped in the Overlay Area using SJRWMD GIS Export Library (Map F). This covers approximately thirteen percent of the Overlay Area. Most of the wetlands appear along the St. Marys River or the South Prong of the St. Marys River. As previously stated these wetlands provide an important function by providing purification of pollutants to protect the water quality of the St. Marys River and its tributaries.

Other wetlands appear in an area in the southeast portion of the Overlay to the east of SR 121. An out parcel, included as part of the Overlay area, located to the southeast of the overlay area directly north of the City of Macclenny, also contains a large amount of wetlands. Smaller isolated wetlands appear throughout the sector.

Water Supply

The SJRWMD has identified areas where water supply problems have become critical or are projected to become critical by the year 2010. The primary procedure used to determine the Priority Water Resource Caution Areas (PWRCA) was to compare ground water level and quality changes, based on existing and future needs, with thresholds for various impact criteria. The four impact criteria used in the assessment are: impacts to natural systems, ground water quality, and existing legal users, and failure to identify an adequate public water supply source. Water use needs were inventoried for the year 1990 and projected to the year 2010 for various classifications of water uses. Ground water flow and water quality models served as the primary tools for assessing the impacts of increased ground water withdrawals projected by the needs assessment. Locations where the models predicted significant impacts, and the public water supply service areas contributing to the demand for ground water withdrawals that would cause the impacts, were designated as PWRCAs.

The results of the PWRCA study are displayed in the Baker County Local Governmental Water Resource Atlas (Dec. 1996). No areas in Baker County were found to qualify as PWRCA. The SJRWMD found that currently in Baker County projected water use will probably not result in regionally significant harm to water resources.

Floodplains

Floodplains occur naturally along streams, rivers, lakes, wetlands, and coastal areas. They are subject to inundation from floodwaters and provide many benefits including water storage, filtration, erosion control and habitat. Surface water bodies, wetland areas and floodplains are important to Baker County for the purposes of drainage, water level control, flood storage and wildlife habitat. Flooding can become a problem when these floodprone areas are developed as people, property, and roadways can be adversely affected by flooding. Areas in the County with the most significant flood-related problems tend to be those where roads and/or housing projects have been constructed in wetlands or adjacent to streams.

Floodplains cover approximately 1,639 acres or 20% of the overlay area (Map G). The two main areas within the Overlay Study that lie in the 100-year Floodplain are the northern portions of the Overlay area that border the St. Mays River and the area around the South Prong tributary that diagonally divides the Overlay from southwest to northeast. Portions of the St. Marys River and its tributaries have broad, flat swampy floodplains that are frequently flooded. Development in such areas could adversely impact the natural floodplain.

Land use in the floodplain areas within Baker County is restricted via the comprehensive plan. Policy A.1.3.3 states that the land use in flood prone areas shall be limited to low density residential (up to 2 dwelling units per acre) and nonresidential construction controlled by the specifications in Policy A.1.1.1.

Habitat

Map H identifies those areas determined to contain regionally significant habitat. Regionally significant habitat is defined as land identified as being important for sustaining the native plant communities and viable populations of native species. This map is intended as a screening tool for land acquisition and land use planning, not for making final site-specific land use decisions. The majority of the land that lies within the identified regionally significant habitat lies within or adjacent to the wetlands identifies on the Wetland Extent Map.

Soils

Map I depicts the soil distribution within the Overlay Area. The majority of the Overlay Area consists of Leefield-Albany-Ocilla soils. The Leefield series consists of nearly level and gently sloping, somewhat poorly drained soils that formed in sandy and loamy marine deposits. These soils are on narrow to broad ridges and isolated knolls in the flatwoods. The Albany series consists of nearly level and gently sloping somewhat poorly drained soils that formed in sandy and loamy marine deposits. These soils are on

narrow to broad ridges and isolated knolls in the flatwoods. The Ocilla series consists of nearly level and gently sloping somewhat poorly drained soils that formed in sandy and loamy marine deposits. These soils are on flatwoods. Slopes range from 0 to 5 percent.

Septic tank absorption fields are areas in which effluent from a septic tank is distributed into the soils through subsurface tiles or perforated pipe. Soil ratings are based on soil properties, site features, and observed performance of the soils. All three soils are considered to have severe limitations for septic tank absorption fields. The Baker County Department of Health requires the removal of unsuitable soils in and around all septic tank absorption fields and the replacement with suitable fill soil.

The nature of the soil is important in selecting sites for septic tank absorption fields and identifying limiting soil properties and site features. In large areas of Baker County, the soils were not suitable for subsurface septic systems due to poor drainage, poor percolation, and a high water table. However, the primary sanitary sewage disposal system used in Baker County is the septic tank. These systems are permitted by the County Department of Health and a Health Department approval is required for each septic tank system before a building permit or certificate of occupancy is issued. Due to unsuitable soil types and high water table levels, 95 percent of all septic tank permits in Baker County are issued for above ground level, mounded drain fields. Furthermore, policy D.1.5.3 in the Baker County Comprehensive Plan states that groundwater quality shall be protected regulating the number of permits issued for septic tanks.

Conservation

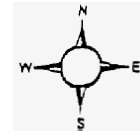
Unincorporated Baker County contains approximately 372,186 acres of land and water area. Inland water, marsh and wetland forest account for approximately 23,200 acres (36 square miles) or 6.2 percent of the gross land area not included as conservation, recreation, public facility or other reserved land use category. "Protected" areas include a portion of the Okefenokee National Wildlife Refuge, the Osceola National Forest, and the recent addition of Pinhook Swamp. "Protected" areas account for 26.7 percent of 99,217 acres; (155 square miles of the net land area); thereby reducing to 249,769 acres (390 square miles) the area that might generally be considered "total useable land" area in Baker County. This was 67 percent of Baker County.

Historic/Archaeological

Historic structures and archaeological sites are those identified by the local government or state as being significant. Within Baker County there are two sites listed in the National Register of Historic Places. These sites are identified as Site No. 8 BA 00015, the Olustee Battlefield and Site No. E BA 00016, the Bunsed Blockhouse. In addition to these two historical sites, the Florida Master Site File identifies 284 sites in the unincorporated Baker County as being historically or archeologically significant. These

sites which may exist within the Overlay area are identified on a appendix A of the Future Land Use Element within the Baker County Comprehensive Plan by section, township and range.

Baker County Sector Plan: Wetland Extent



MAP LEGEND

Wetland Systems

Palustrine

Riverine

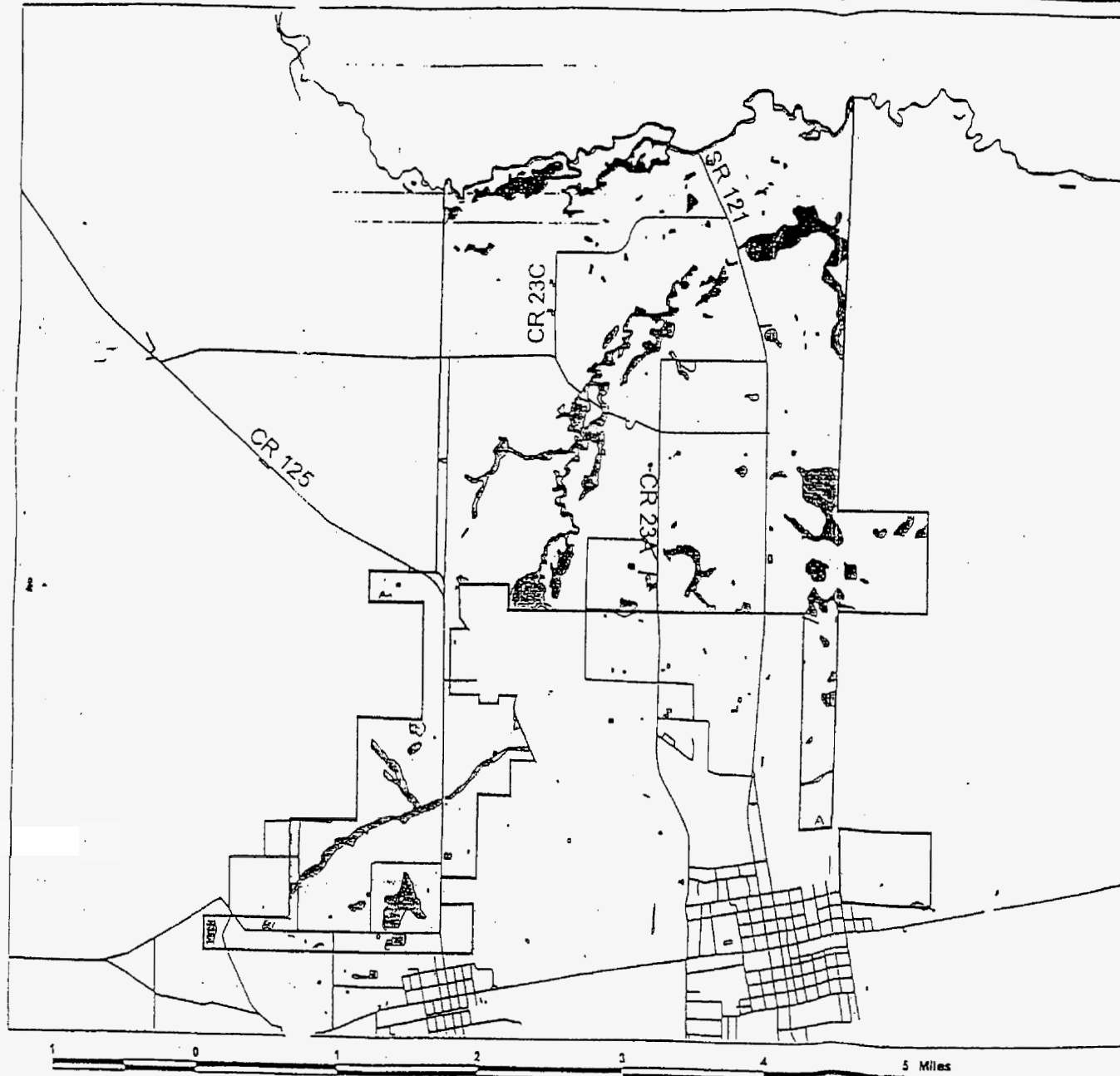
Upland

Interstate

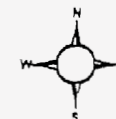
Road network

Baker County Sector Study Area

	Northeast Florida Regional Planning Council	Last Revision: July 2001
	Designer: LCH	Source: SURFAC OCA
	Date:	File:
	Title:	Project:

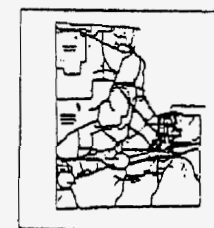


Baker County Sector Plan: 100 Year Flood Plain Inudation

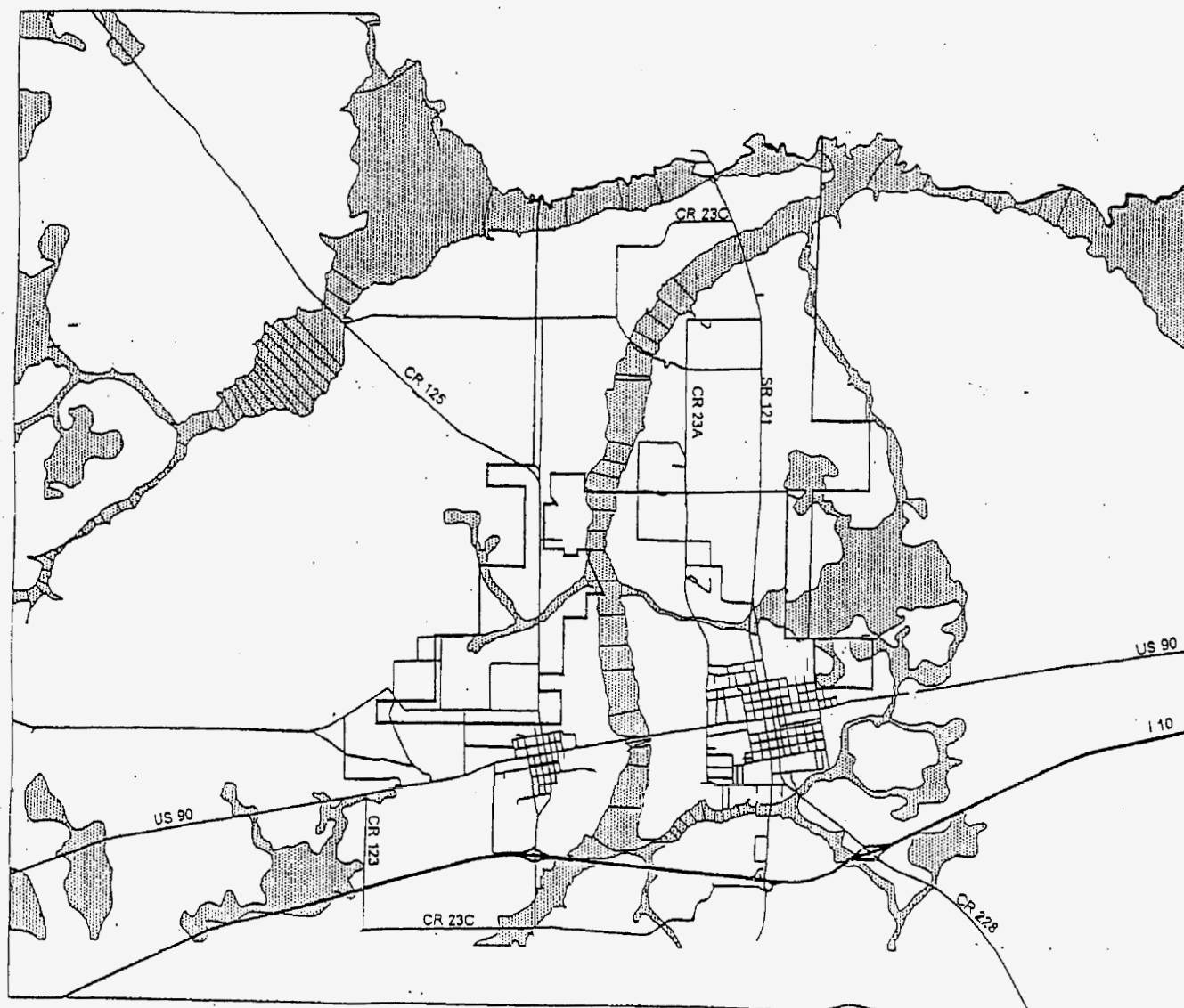


MAP LEGEND

- 100 Year Flood Plain
- St. Marys River
- Interstate
- Road network
- Sector Boundary

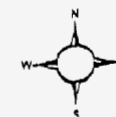
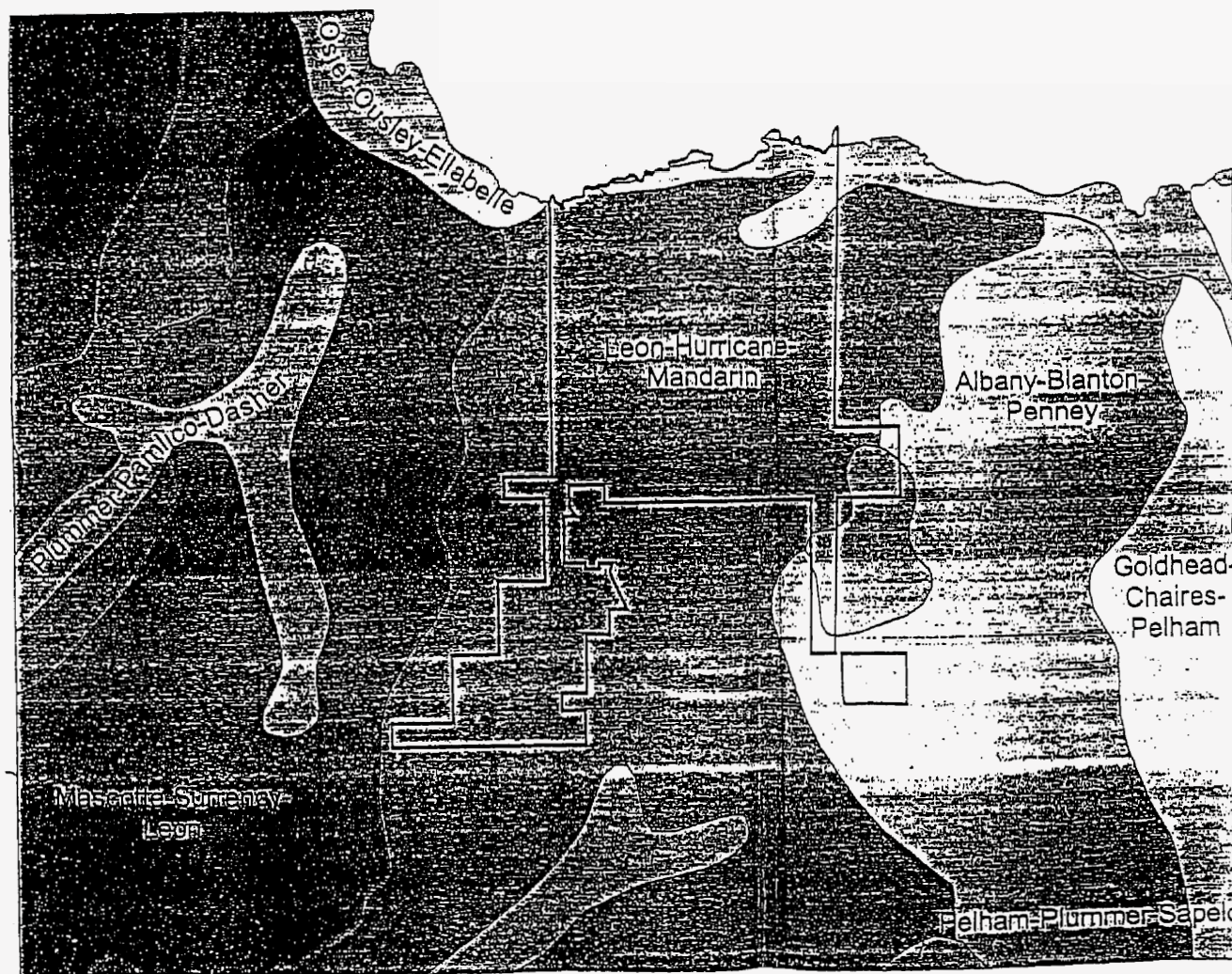


	Map Prepared: April 11, 1984
	Revised: N/A
	Date: February 1984
	By: [Signature]



0 4 8 Miles

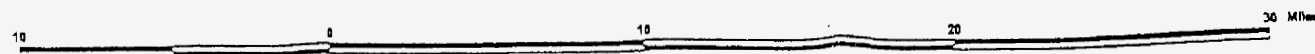
State Soil Geographic
Database:
Baker County Sector
Study Area



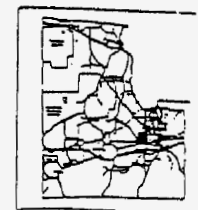
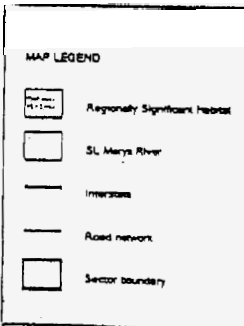
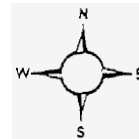
MAP LEGEND

State Soil Geographic Data

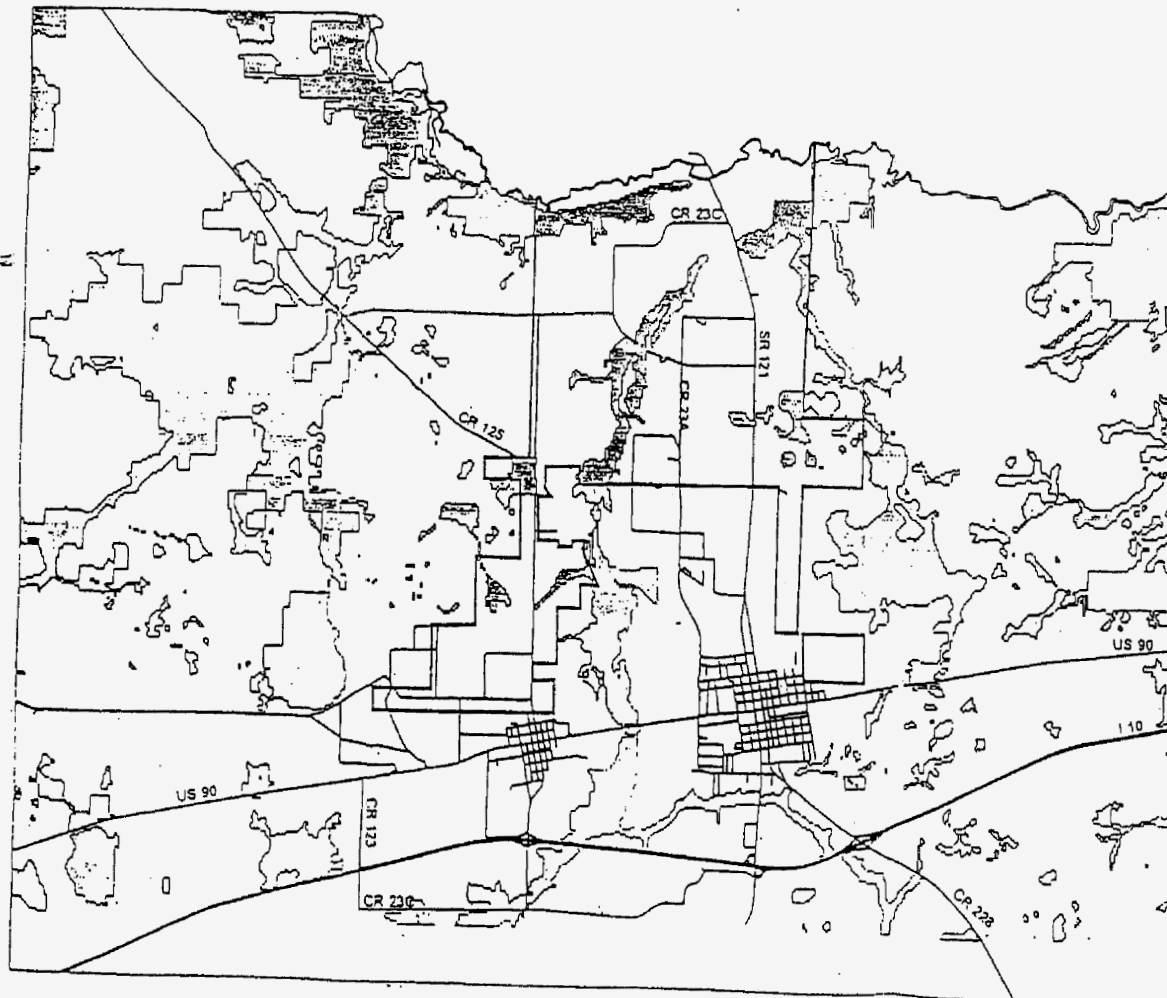
- Mascoite-Summary-Leon
- Oser-Crusey-Ellebelle
- Plummer-Panlico-Dasher
- Pelham-Plummer-Sapelo
- Albany-Blanton-Penney
- Leon-Hurricane-Mandarin
- Goldhead-Chaires-Pelham
- Sector Study Area



Baker County Sector Plan: Regionally Significant Habitat



	Date: JULY 2008
	Author: LSA
	Editor: LSA
	For: Oregon Department of Fish and Wildlife



LAND USE

The Future Urban Development Overlay Area covers approximately 8,169 acres and is located directly north of the city of Macclenny and the town of Glen St. Mary. The land use within this area is analyzed below using three methods. First the Future Land Use designations within the County's comprehensive plan are analyzed. Then the Existing Land Use and Cover are examined. Lastly the Future Development Trends expected based on contributing factors such as population growth, projected infrastructure availability, and natural resources.

Baker County Future Land Use Categories

The following Future Land Use Designations appear in the Baker County Comprehensive Plan:

Agricultural	- Zone A	1 Unit/20 acres or more
Agricultural	- Zone B	1 Unit/7.5 to 19 acres.
Residential	- Zone C	1 unit/2.5 to 7.5 acres
Residential	- Zone D	1 unit/1 to 2.4 acres
Residential	- Zone E	1 unit/.25 to .9 acres
Mixed Use	- Zone F	1 Unit/.25 - 12 Units/acre
Commercial		
Industrial		
Public Buildings and Grounds		
Other Public Facilities (Transportation)		
Conservation		
Recreation		
Vacant or Undeveloped Land		
Historic Resources		

The Future Urban Development Overlay Area is currently designated with low-density future land uses in the County's Comprehensive Plan (Map J). An overwhelming majority of the area within the Future Urban Overlay Area, 87%, is designated as Agricultural Zone B. This land use designation has a maximum allowable density of 1 unit per 7.5 acres to one unit per 19 acres. While there is no Agriculture Zone A within the Overlay area, the majority of the area is bordered by Agriculture Zone A Future Land Use.

A small percentage of the Overlay Area is used for residential and commercial uses. Only 8% of the Overlay Area is designated Residential Zone D, including the newly approved Cannon's Crossing subdivision, previously mentioned as the land use amendment appearing in Policy A.1.9.3.A.2. An area located in the northwest corner of the Overlay Area, bordered to the north by the St. Mary's River, is designated Residential Zone C and comprises less than 4% of the area. There are also two small areas designated as Residential Zone E, which combine to make up 1% of the sector. Less than

0.5% of the area is designated for commercial use. Also within the area, located to the west of State Road 121 is a private airstrip.

Over three winding miles of the St. Mary's River border the northern portion of the Overlay Area. The area is bordered to the west and east by Agriculture Zone A, primarily used for silviculture with a maximum allowable density of 1 unit per 20 acres. The Osceola National Forest is located beyond the timberlands to the west of the Overlay Area. The Urban Development Area neighbors the Overlay Area to the south. This area is designated primarily by Residential Zone E (1 unit/.25 to .9 acres).

One small out parcel of the Overlay Area is bordered to the south and west by the City of Macclenny City limits and to the north and east by Agriculture Zone A.

Urban Development Areas

Surrounding the Town of Glen St. Mary and the City of Macclenny and directly abutting the south of the Overlay Area is the Urban Development area. This area is identified on the County's Future Land Use Map, as adopted within the Baker County Comprehensive Plan. This County identified the area covers approximately 6,600 acres. Urban Development Areas contain specific locations designated for residential, commercial, or industrial land use. The total amount of industrial land use projected for development in the Urban Development Area is 80 acres; the total amount of commercial land use is 120 acres. The Plan states that this development will be permitted in either location specifically designated as industrial or commercial or in the mixed-use designated land uses where industrial/commercial land use is, or can be made through buffering, compatible. The UDA also contains approximately 2,3000 acres of land designated for residential land use. It is anticipated that the Macclenny/Glen St. Mary UDA will experience the greatest level of growth within the County.

Development in the Macclenny – Glen St. Mary Urban Development Areas is contingent upon two factors (1) the limitation on the number of acres in each category of residential land use as shown above and (2) specific requirements for water, sewer and roads associated with parcel size (density) and location. The Urban Development Areas contains specified areas of residential, commercial, and/or industrial land use application as well as a designated mixed use zone.

The following table, as well as Map K, identifies the number of acres within each land use category in the Glen St. Mary – Macclenny Urban Development Area. The amount of land which lies within the 100-year floodplain was subtracted from the total acres to give a subtotal of developable land within the UDA. The amount of developed land was then prepared and deducted from the subtotal. 66% of the total developable land within the UDA has been developed. This leaves 33%, or 1,203 acres, of available land for development within the UDA. The majority of this available land is within the most dense residential/mixed use land use category, Zone E. Within zone E units can be built between 1 unit per 0.9 acres to 1 unit per 0.25 acres.

Table 2 - Glen St. Mary – Macclenny Urban Development Area Available Acres

Zone Designation Permitted Lot Size	B 1/5-7.5 ac.	D 1/1.0 ac.	E 1/0.25 ac.	TOTAL
Total Acres	243	1,048	3,417	4,708
In Flood Plain	30	308	768	1,106
SUBTOTAL	213	740	2,649	3,602
Developed Land	30	670	1,699	2,399
AVAILABLE ACRES	183	70	950	1,203

In the "Population" portion of this Data Analysis, it was stated that it is anticipated that 70 additional households will be needed within the Overlay Area by 2010. According to the previously presented population projections and the projected rate of household increase within the Overlay Area, the amount of available land within the UDA would be more than sufficient to satisfy the future need in this area. However, due to the ownership challenges previously discussed it can not be guaranteed that the all available lands within the UDA will be developed by the 2010 time frame of this Overlay study. Therefore, options within the Overlay Area will be explored.

Existing Land Use and Cover

The Land Use and Cover map, Map L, shows the existing land use and cover within the Overlay Area in 1990. The following Table (Table 3) divides the land uses into five categories; developed agriculture, wetlands, forest, and other uses. Each category has been subdivided to break down the specific uses within these categories, identify the acreage of the Overlay area they cover and the percent of the Overlay Area that these uses make up.

The total Overlay area is 8,169 acres, the majority of which is low density residential or agricultural. Table 3 shows the break down of land use within the Overlay and the percent of Overlay Area that each land use composes.

TABLE 3 Land Use

Land Use	Acres	Percent of Overlay Area
<i>Developed (Total - 1,114 acres, 13.8%)</i>		
Residential	1105	13.5%
Commercial	9	0.3%
Industrial	0	0%
<i>Agriculture (Total - 4,654 acres, 38.6%)</i>		
Open Lands	4	0%
Agricultural	1526	0%
Rangeland	53	1%
Tree Plantation	3071	37.6%
<i>Wetlands (Total - 1,123 acres, 13.7%)</i>		
Hardwood forested wetland	476	5.8%
Waterways	46	0.6%
Coniferous forested wetland	43	0.5%
Vegetated forested wetland	48	0.6%
Mixed forested wetland	555	6.8%
<i>Forest</i>		
Coniferous forest	1205	14.8%
<i>Other Uses</i>		
Barren land	27	6.8%
Extractive	0	0.1%
Recreational	0	0%
TOTAL	8168	99.7%

Future Development Trends

Several factors may effect future development in the Overlay Area within the planning period for this study. We have already discussed several of the issues that have occurred and touched on many of those that are predicted to occur prior to 2010. The rural tradition that has dominated this county is likely to remain for the next ten years, however, several factors which may influence growth within the Overlay Area have been identified.

The need to protect the water quality of the St. Mary's River to the north of the Overlay Area and the South Prong tributary that runs through the Overlay Area may direct growth. These two systems are associated with wetland systems that cover over 1,000 acres of the Overlay area. State and county laws protect and regulate development within

these wetlands. These rules discourage and in most cases prohibit development within these sensitive habitats.

The future of development in Baker County may have a relationship with the provision of adequate infrastructure. It is projected that over the next ten years infrastructure improvements to the area west of Macclenny will increase growth in that direction. This allows for the westward movement of infrastructure provision from the City of Macclenny towards the town of Glen St. Mary. The four laning of the one mile corridor between Macclenny and the Town of Glen St. Mary, which is designated as Mixed Use Zone F, will likely be highly traveled and have increased development appeal. Improvements to infrastructure in other areas of the County are not expected to take place as rapidly as those to the area west of Macclenny.

The likely introduction of the new elementary school abutting north Macclenny, within the existing Urban Development Area, will extend water and sewer lines to this area. This area is located near the southeast portion of the Overlay Area. The introduction of water and sewer lines in this area may make development more appealing.

FUTURE LAND USE

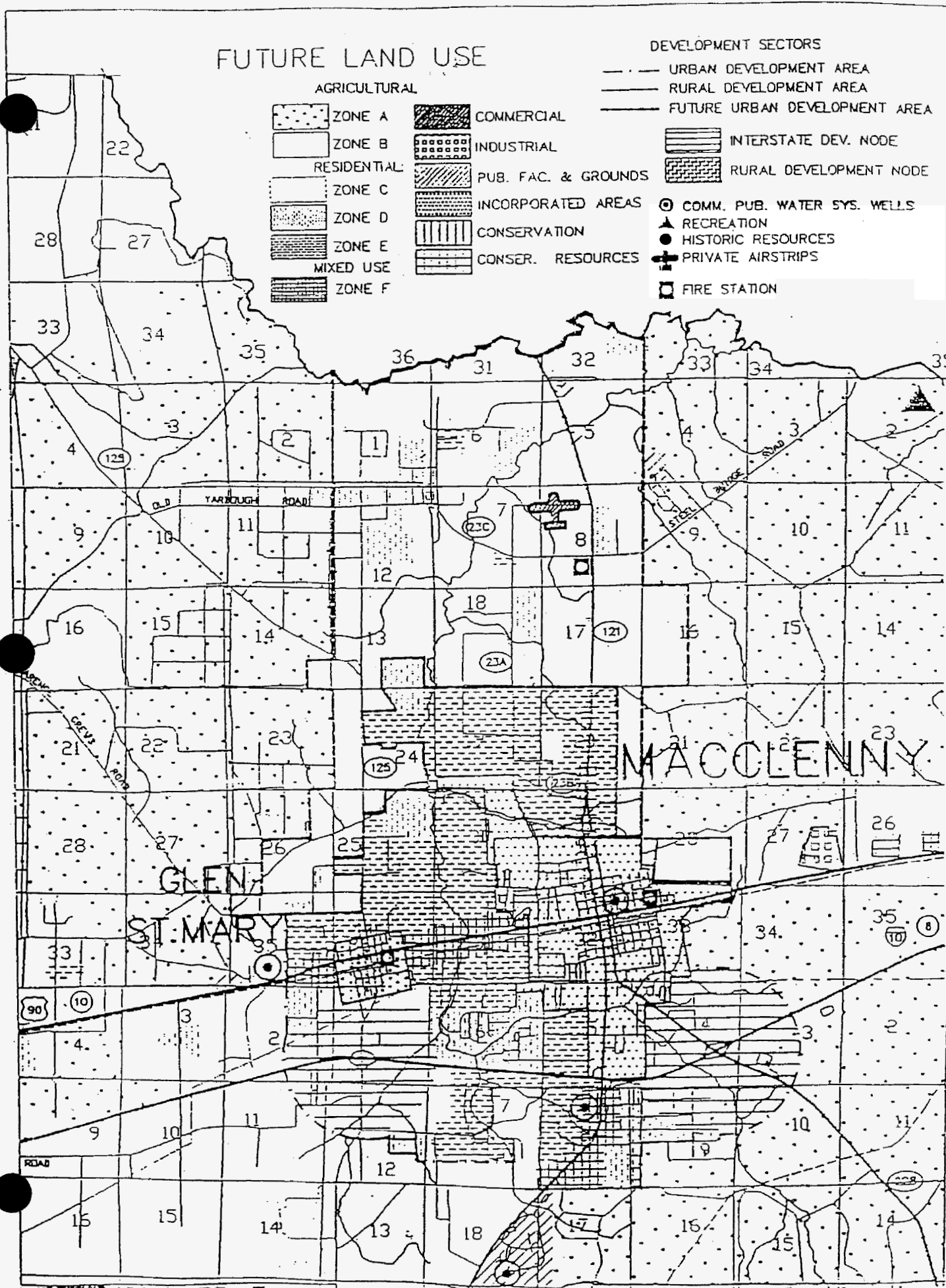
AGRICULTURAL

- ZONE A
- ZONE B
- RESIDENTIAL
- ZONE C
- ZONE D
- ZONE E
- MIXED USE
- ZONE F

- COMMERCIAL
- INDUSTRIAL
- PUB. FAC. & GROUNDS
- INCORPORATED AREAS
- CONSERVATION
- CONSER. RESOURCES

DEVELOPMENT SECTORS

- URBAN DEVELOPMENT AREA
- RURAL DEVELOPMENT AREA
- FUTURE URBAN DEVELOPMENT AREA
- INTERSTATE DEV. NODE
- RURAL DEVELOPMENT NODE
- COMM. PUB. WATER SYS. WELLS
- RECREATION
- HISTORIC RESOURCES
- PRIVATE AIRSTRIPS
- FIRE STATION



GEORGIA

FUTURE LAND USE -2000- (Available Acres in Urban Devel. Area)

LEGEND

- AGRICULTURAL
ZONE A 1 UNIT/ 20 AC
ZONE B 1 UNIT/ 5-7.5 AC
RESIDENTIAL:
ZONE C 1 UNIT/ 2.5-7.5 AC
ZONE D 1 UNIT/ 1.0 AC
ZONE E 1 UNIT/ 0.25 AC
MIXED USE
ZONE F
- DEVELOPMENT SECTORS
URBAN DEVELOPMENT AREA
- INTERSTATE DEV. NODE
- COMMERCIAL
- INDUSTRIAL
- PUBLIC FACILITIES & GROUNDS
- INCORPORATED AREAS
- COMM. PUB. WATER SYS. WELLS
- PRIMARY HWY.
- SECONDARY HWY.
- IMPROVED RDS.
- COUNTY LIMIT
- MUNICIPAL LIMIT
- RAILROADS

LAST PRINT DATE:	2-28-2000
REVISION DATE:	2-18-99
FIRST PRINT DATE:	5-28-96
PREPARED BY:	WOF
FILE NAME:	BAKER\URBANDEV

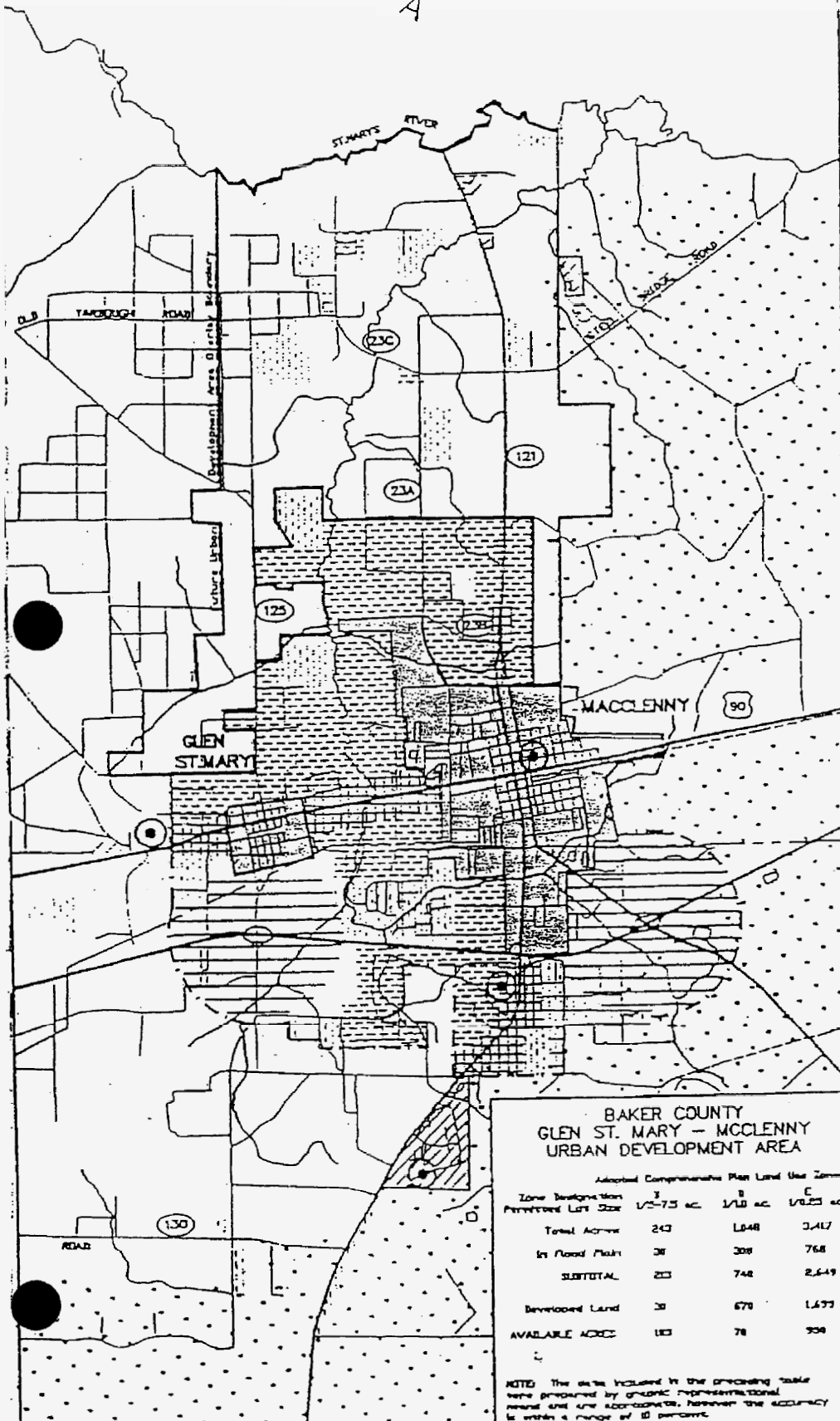
COMPREHENSIVE PLAN FOR

BAKER COUNTY FLORIDA

PREPARED BY:

NORTHEAST FLORIDA
REGIONAL PLANNING COUNCIL

2000



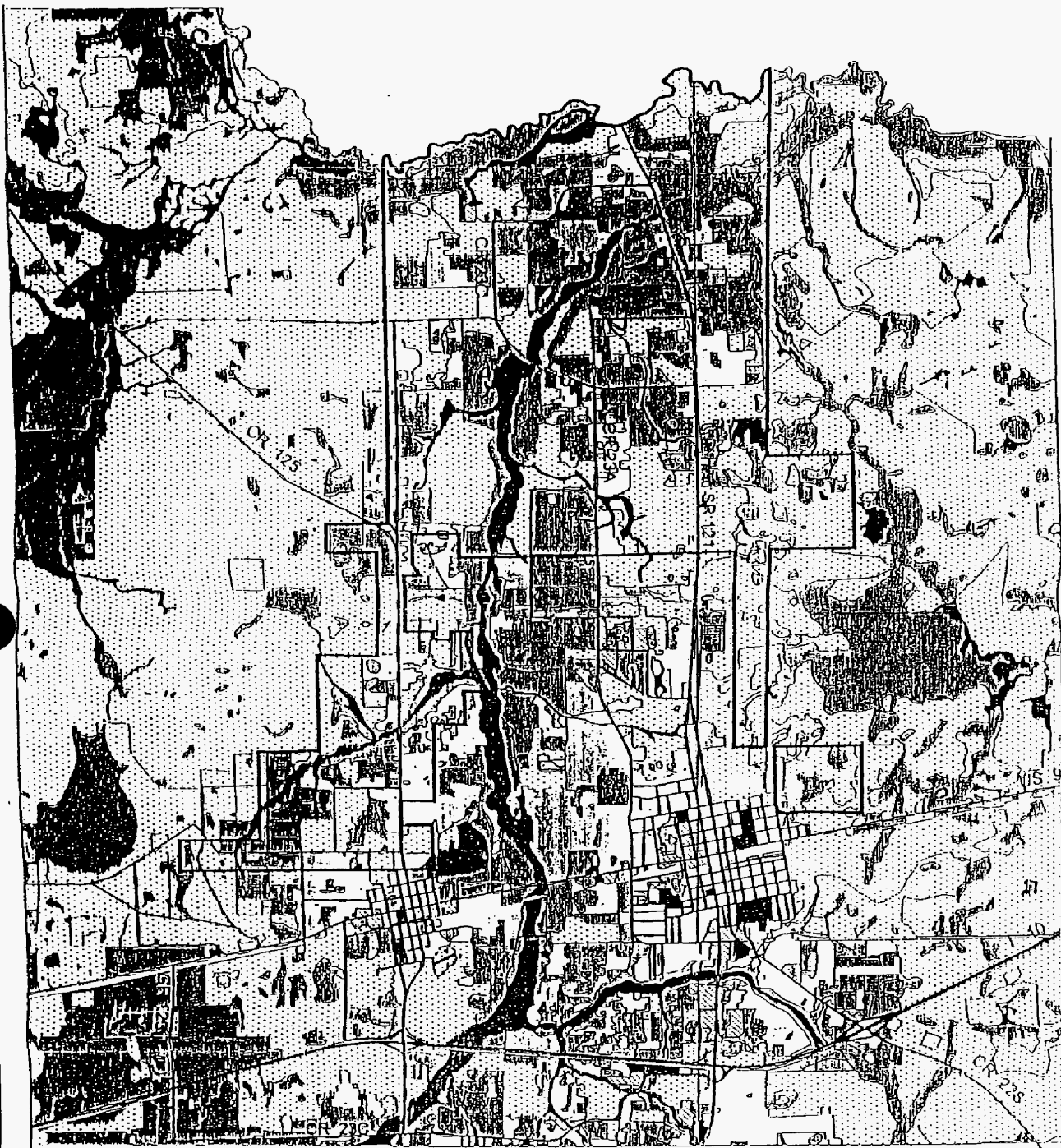
BAKER COUNTY GLEN ST. MARY - MACCLENY URBAN DEVELOPMENT AREA

Adopted Comprehensive Plan Land Use Zones

Zone Designation Permitted Lot Size	A 1/2-7.5 ac	B 1/10 ac	C 1/16.25 ac
Total Acres	243	1848	3417
In Flood Plain	38	308	768
SUBTOTAL	205	748	2,649
Developed Land	38	670	1,673
AVAILABLE ACRES	167	78	976

NOTE: The data included in the preceding table were prepared by graphic representation and are approximate, however the accuracy is within a range of 10 percent.

Baker County Sector Area- 1990 Land Use and Cover



MAP LEGEND

	Forestland		Pastureland		Tree Plantations		Vegetated Barrenland
	Developed		Openland		Waterways		Barren Land
	Irrigated		Agricultural		Cropland Forested wetland		Road network
	Rangeland		Forestland		Cropland Forested wetland		Interstate
	Irrigated		Cropland Forested wetland		Irrigated Barrenland		Sub or County Border Area

Scale: 1 inch = 1 mile

Prepared by: _____

Date: _____

For: _____

OVERLAY AREAS: FUTURE LAND USES RECOMMENDATIONS

Conservation Area Overlay

One purpose of this Overlay Study is to determine which areas are best suited for development within the Overlay Area. Due to the sensitive nature of wetland systems and habitat, and the high nonpoint source pollution in the South Prong of the St. Mary's River, it is not wise to promote increased landuse densities in or around such systems. A Conservation Overlay Area has been created to discourage high-density development in these areas.

This area was determined by mapping wetland systems as seen in Map M. The Conservation Overlay Area consists of wetland systems in that map, which total approximately 1,123 acres or 13.7% of the total Overlay Area, and an additional 50 foot upland buffer. This upland buffer shall discourage encroachment on these wetland systems as well as protect them from any degradation associated with development. The conservation area will preserve interconnected natural resources throughout the overlay area to protect drainage systems and headwaters of the regional tributaries, implement regional water quality/quantity management and protection, create and protect wildlife corridor and preserve lands adjacent to and within this overlay area.

The Future Land Use map series shall be amended to include the Conservation Overlay Area Map and New Policy A.1.9.3.B.2 should be added as follows:

New Policy A.1.9.3.B.2

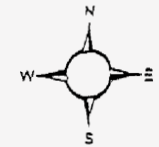
2. Conservation Overlay Area

The Conservation Area Overlay will preserve interconnected natural resources associated with the St. Mary's River and the South Prong tributary, north of Macclenny, to protect the drainage systems and headwaters of the regional tributaries, implement regional water quality/quantity management and protection, create and protect wildlife corridor and preserve lands adjacent to and within this area.

Increase in Land Use intensity within the Conservation Overlay areas shall be prohibited unless it can be shown that such development will not adversely affect water quality, water storage, habitat value or natural resources, or if this development is mitigated for in such a manner that the integrity of the natural system is not degraded.

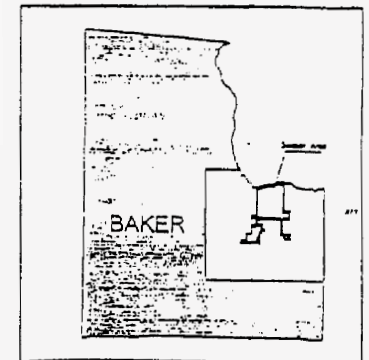
Development immediately adjacent to ecologically sensitive water bodies (See Policy E.1.3.1) shall be restricted to low density/low intensity land uses of up to 2 residential units per acre and to non-polluting land use activities as defined in Policy E.1.2.3 paragraph 2.

Baker County Sector Plan: Conservation Areas

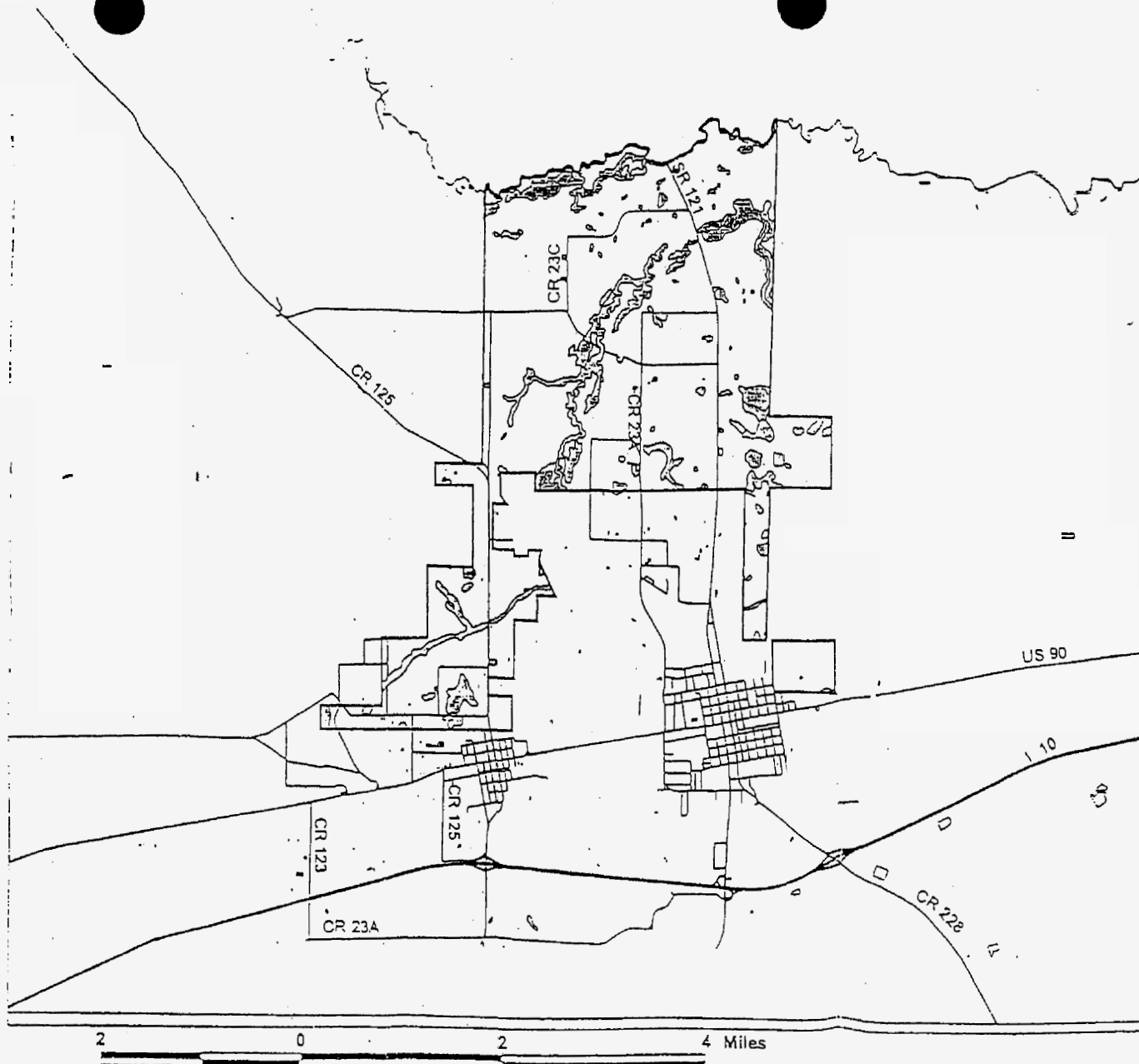


MAP LEGEND

	50' buffer conservation overlay		Interstate
	Sector Area Wetlands		Road network
	Baker County Sector Study Area		County Area



	Survey Date	April 21, 2008
	Drawn by	LM
	Source	LIFEWIRE, Baker County, Baker Plan
	File name	ConservationAreasBakerPlan.mxd



Future Urban Development Expansion Area Overlay

The Future Urban Development Expansion Area is the area within the Overlay Area that has the greatest potential to connect to water and sewer services within the time frame of this Future Urban Development Area Overlay Study. This area lies within the Overlay Area within one mile of the City of Macclenny. Future potential developers within this area may have the ability to connect to water and sewer from the City of Macclenny if they pay a tie in fee and increase in rates for being located outside the city limits, prior to annexation. While the future land uses in this area remain the same, low-density agriculture, future increases in the density within these areas must follow the guidelines as set out by the existing Urban Development Area criteria.

As the population in the unincorporated area of Baker County increases, the County should strive to encourage new construction to occur in compact nodes in and around the urban service area surrounding Macclenny, which will enhance the economic feasibility of implementing central water and sewer systems. The concentration of higher density land use near the City of Macclenny public facility projected future service limits will allow adequate use of available public facilities and decrease the reliance on septic tanks. This can be done through the introduction of the Future Urban Development Expansion Area.

The Future Land Use map series shall be amended to include the Future Urban Development Expansion Area Overlay Map and New Policy A.1.9.3.C.1.b should be added as follows:

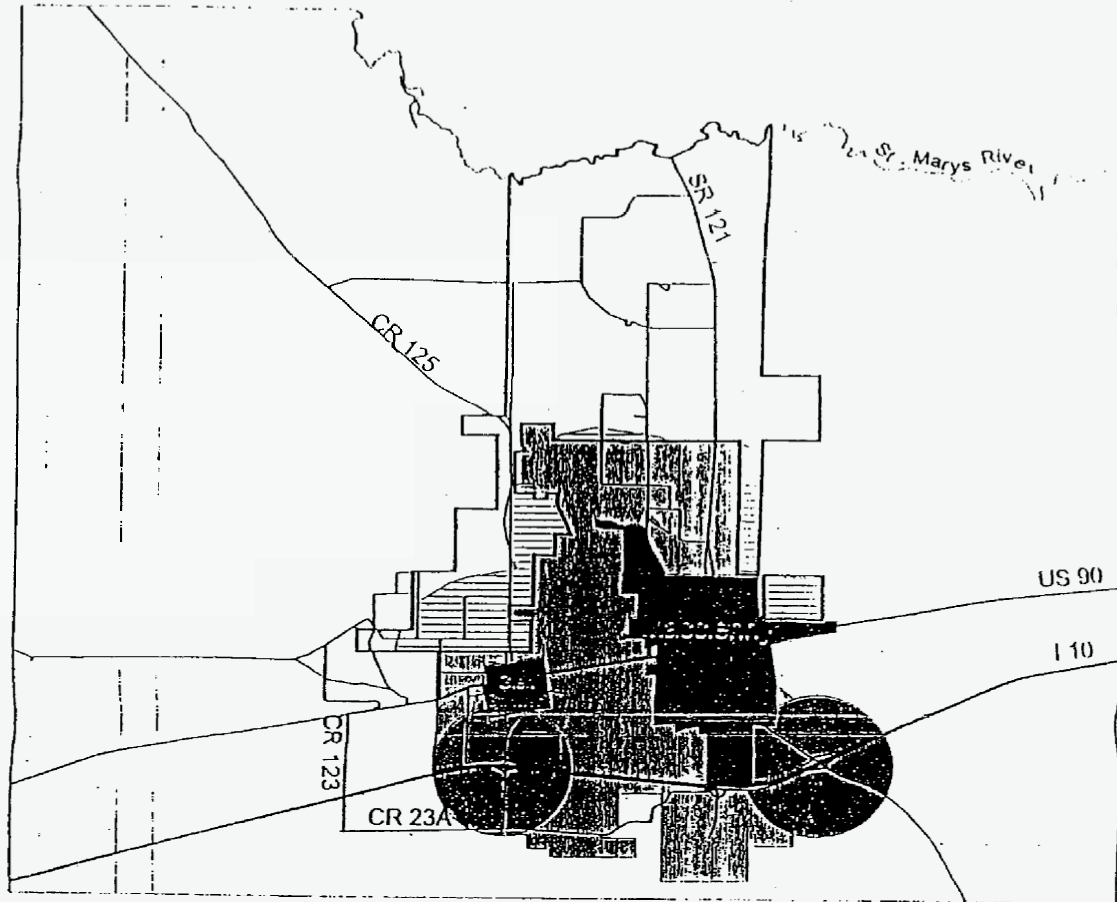
New Policy A.1.9.3.C.1

b. Future Urban Development Expansion Area Overlay

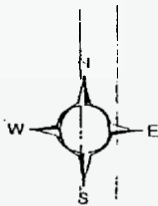
This area, north of the existing Macclenny – Glen St. Mary Development Area, has been identified as an area appropriate for future growth based on proximity to urban areas and the potential to receive urban services.

Increases in land use intensities in this area, which lies approximately within one mile of the city limits of Macclenny, as designated on the Future Land Use map as the Future Urban Development Expansion Area, shall be subject to the requirements for development within those land use categories in the existing Macclenny – Glen St. Mary Development Area as prescribed in Policy A.1.9.3.C.1.b.

Future Urban Development Expansion Area Overlay

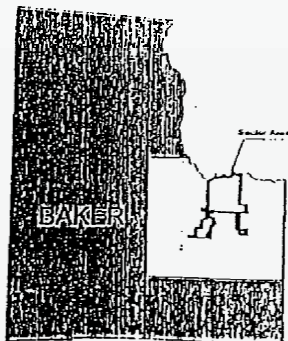


3 0 3 6 Miles



MAP LEGEND

- | | |
|--|-------------------------|
| Future Urban Dev. Expansion Area Overlay | Baker Sector Area |
| City Limits | Interstate |
| Urban Limits | Road network |
| Interstate Development Corridor | County Area of Interest |



Revision date	April 27, 2000
Operator:	EGF
Source:	SRWAP, Baker County Sector Plan
File name	Baker Asks w/ sector/sectorplan2.apr

UNION COUNTY

Comprehensive Plan

Words underlined have
been added.

Words ~~struck-through~~
have been deleted.

IV

UNION COUNTY

SANITARY SEWER, SOLID WASTE, DRAINAGE, POTABLE WATER AND NATURAL GROUNDWATER AQUIFER RECHARGE ELEMENT

INTRODUCTION

The following plan element provides direction for the use, maintenance and location of general sanitary sewer, solid waste, drainage, potable water facilities and natural groundwater aquifer recharge areas in conformance with the future land use element of this Comprehensive Plan. The data collected for this plan element and its analysis, contained in the County's Data and Analysis document, are not part of this plan element but provide a basis for the formulation of it.

This portion of the Comprehensive Plan provides a goal, objectives and policies which direct the implementation and use of such public facilities in a logical and economic fashion consistent with the State of Florida Comprehensive Plan, the North Central Florida Comprehensive Regional Policy Plan and other elements of this Comprehensive Plan.

GOAL IV-1 - ENSURE THE PROVISION OF PUBLIC FACILITIES IN A TIMELY, ORDERLY, EFFICIENT, AND ENVIRONMENTALLY SOUND MANNER AT AN ACCEPTABLE LEVEL OF SERVICE FOR THE COUNTY'S POPULATION.

- OBJECTIVE IV.1 The County, upon the adoption of this Comprehensive Plan, shall correct existing deficiencies by undertaking capital improvement projects in accordance with the schedule contained in the Capital Improvements Element of this Comprehensive Plan.
- Policy IV.1.1 The County shall provide that within the schedule contained in the Capital Improvements Element, that capital improvement projects needed for replacement or correction of existing deficiencies in public facilities be given priority over providing for future facilities needs; (1) highest priority - projects imminently needed to protect the public health and safety; and (2) secondary priority - existing facilities not meeting maintenance or operation level of service standards adopted herein.

OBJECTIVE IV.2

If applicable and funds are available, the County shall coordinate the extension of, or increase in the capacity of facilities by scheduling the completion of public facility improvements, upon adoption of this Comprehensive Plan, and requiring that they are concurrent with projected demand beginning on May 1, 1992.

POLICIES FOR SANITARY SEWER

Policy IV.2.1

The County hereby establishes the following level of service standards for sanitary sewer facilities.

FACILITY TYPE

LEVEL OF SERVICE STANDARD

Individual Septic Tanks

Standards as specified in Chapter 10D-6, Florida Administrative Code, and as administered and regulated by the Department of Health and Rehabilitative Services in effect on April 16, 1992
~~upon adoption of this Comprehensive Plan.~~

City of Lake Butler
Community Sanitary
Sewer System

94 gallons per capita per
day

Union Correctional
Institute

123 gallons per capita per
day

Lake Butler Reception
and Medical Center
(west unit)

62 gallons per capita
per day

Policy IV.2.2

The County shall prohibit the installation of septic tanks in locations with soils which do not meet the installation requirements of Chapter 10D-6, Florida Administrative Code and as administered and regulated by the Department of Health and Rehabilitative Services, in effect upon adoption of this Comprehensive Plan.

Policy IV.2.3

The County shall allow existing septic tanks and package wastewater treatment facilities to remain in service until such time as centralized sanitary sewer service is accessible, conditioned on the following requirements:

- (a) The County shall not issue a building permit for construction of a building or facility where sanitary sewage is proposed to be disposed using an onsite sewage disposal system in an area classified industrial on the Future Land Use Plan Map, or uses for industrial or manufacturing purposes, or its equivalent, where a centralized sanitary sewer system is available within 1,000 feet of the area used or classified industrial, or where the likelihood exists that the on site sewage disposal system may receive toxic, hazardous or industrial waste; and
- (b) The County shall not issue an occupational license to the owner or tenant of a building located in an area classified industrial on the County's Future Land Use Plan Map, or used for industrial or manufacturing purposes, or its equivalent, when such site is served by an onsite sewage disposal system without the owner or tenant first obtaining an annual operating permit from the County Health Department; and
- (c) The County shall not issue a certificate or land development regulation compliance to a new owner or tenant of a building located in an area zoned industrial on the County's official zoning atlas, or used for industrial or manufacturing purposes, or its equivalent, or which operates a business which has the potential to generate toxic, hazardous or industrial wastewater, when such site is served by an onsite sewage disposal system without the owner or tenant first obtaining an annual operating permit for an onsite sewage disposal system from the County Health Department.

Policy IV.2.4

The County shall allow the temporary use of package wastewater facilities within urban development areas where a centralized wastewater service has been planned and is part of the five year schedule of improvements within the Capital Improvements Element of this Comprehensive Plan to serve development until such time as the centralized sanitary sewer system is accessible.

Policy IV.2.5

The land development regulations shall limit development which proposes the construction of package wastewater treatment facilities outside the urban development areas to public uses and special use facilities such as rest stops, parks and resource based recreation uses.

POLICIES FOR SOLID WASTE DISPOSAL

Policy IV.2.6

The County hereby establishes the following level of service standards for solid waste disposal facilities:

<u>FACILITY TYPE</u>	<u>LEVEL OF SERVICE STANDARD</u>
Solid Waste Landfill	.076 tons per capita per year

Policy IV.2.7

The County shall schedule, design operate and maintain solid waste disposal facilities in a manner which minimizes the effects of such facilities on water and air resources.

Policy IV.2.8

The County shall enhance the use of solid waste facilities through separation of solid waste for recycling as recycling programs are developed pursuant to Chapter 403.706, Florida Statutes, in effect upon adoption of this Comprehensive Plan.

POLICIES FOR DRAINAGE

Policy IV.2.9

The County hereby establishes the following level of service standards for drainage facilities:

LEVEL OF SERVICE STANDARD

County shall comply with all rules and regulations of Suwannee River Water Management District pertaining to drainage facilities.

For all projects not exempted from Chapter 40B-4 and 17-25, Florida Administrative Code, in effect upon adoption of this policy, within the County, stormwater management systems will be installed such that the peak rate of post-development runoff will not exceed the peak-rate of pre-development runoff.

1. Such storm water management systems shall design for storm events up through and including either:

a. A storm with a 10-year, 24-hour rainfall depth with U.S. Soil Conservation Service Type II distribution falling on average antecedent moisture conditions for projects

serving exclusively agricultural, forest, conservation or recreational uses; or

- b. A storm with 100-year critical duration rainfall depth for projects serving any land use other than agricultural, silvicultural, conservation or recreational issues.

2. Facilities which directly discharge into an Outstanding Florida Water shall include an additional level of treatment equal to the runoff of the first 1.5 inches of rainfall from the design storm consistent with Chapter 17-25.025(9), Florida Administrative Code, in effect upon adoption of this policy, in order to meet the receiving water quality standards of Chapter 17-302, Florida Administrative Code, in effect upon adoption of this policy. Stormwater discharge facilities shall be designed so as not to lower the receiving water quality below its designated classification as established in Chapter 17-302, Florida Administrative Code, in effect upon adoption of this policy.

Any development exempt from Chapter 17-25 or 40B-4, Florida Administrative Code, in effect upon adoption of this policy, as cited above and which is adjacent to or drains into a surface water, canal or stream, or which enters a ditch which empties into a sinkhole, shall first allow the runoff to enter a grassed swale or other conveyance designed to percolate 80 percent of the runoff from a 3-year, 1-hour design storm within 72 hours after a storm event. In addition, any development exempt from Chapter 17-25 or 40B-4, Florida Administrative Code, in effect upon adoption of this policy, as cited above, which is directly discharged into an Outstanding Florida Water shall include an additional level of treatment equal to the runoff of the first 1.5 inches of rainfall from the design storm consistent with Chapter 17-25.025(9), Florida Administrative Code, in effect upon adoption of this policy, in order to meet the receiving water quality standards of Chapter 17-302, Florida Administrative Code. Such stormwater discharge facilities shall be designed so as not to lower the receiving water quality below its designated classification as established in Chapter 17-302, Florida Administrative Code, in effect upon adoption of this policy.

Policy IV.2.10 The County shall prohibit the construction of structures or landscape alterations which would interrupt natural drainage flows, including sheet flow and flow to isolated wetland systems.

Policy IV.2.11 The County, by May 1, 1991, in response to written recommendations of the Florida Department of Environmental Regulations, shall request the Florida Department of Environmental Regulation to fund and conduct a detailed stormwater study and prepare a stormwater master plan to (1) determine the design, capacities and hydraulic demands on the County's stormwater management facilities, (2) assess the performance of existing facilities with regard to flood control, water quality treatment and impact on the area's surface and groundwater, and (3) identify opportunities and funding options to correct existing quality and quantity problems. Upon completion of this master plan, and if stormwater management facilities are determined to be needed or modified, the County shall request the Florida Department of Environmental Regulation to fund and construct such needed facilities to be turned over to the County for subsequent operation and maintenance provided that funding for such is made available by the State. The County shall amend this Comprehensive Plan to include the findings and recommendations (including projects in the five-year schedule of capital improvements) of the master plan.

POLICIES FOR POTABLE WATER

Policy IV.2.12 The County hereby establishes the following level of service standards for potable water.

<u>FACILITY TYPE</u>	<u>LEVEL OF SERVICE STANDARD</u>
Private individual water wells	Standards as specified in Chapter 17-22, Florida Administrative Code and as administered and regulated by the Water Management District in effect upon adoption of this Comprehensive Plan
City of Lake Butler Community Potable Water System	155 gallons per capita per day
Union Correctional Facility Potable Water System	181 gallons per capita per day

OBJECTIVE IV.3

The County, upon adoption of this Comprehensive Plan, shall require that densities greater than 2 dwelling units per acre, but less than 3 dwelling units per acre, be directed to areas served by centralized potable water systems and that densities greater than 3 dwelling units per acre be directed to areas served by centralized potable water systems and sanitary sewer systems.

Policy IV.3.1

The County's land development regulations shall permit (a) residential densities in excess of 2 dwelling units per acre, but less than 3 dwelling units per acre, only within areas served by centralized potable water systems and (b) residential densities on excess of 3 dwelling units per acre only within areas served by centralized potable water and sanitary sewer systems.

OBJECTIVE IV.4

The County shall require that, upon adoption of this Comprehensive Plan, no sanitary sewer facility have any discharge into designated prime groundwater recharge areas.

Policy IV.4.1.

The County shall require that, during the development review process, all proposed development within the drainage basin of any designated priority water body shall be coordinated with the Water Management District. Further, the County shall ensure that any proposed development is consistent with any approved management plans within that basin.

OBJECTIVE IV.5

The County, upon adoption of this Comprehensive Plan, shall coordinate with the Water Management District to protect the functions of natural groundwater recharge areas and natural drainage features by requiring all proposed subdivision plats be reviewed by the Water Management District prior to final approval of the plat.

Policy IV.5.1

The County's land development regulations shall provide for the limitation of development adjacent to natural drainage features to protect the functions of the feature by establishing a design standard that require all development to conform with the natural contours of the land and leave natural drainage ways undisturbed. In addition, no development shall be constructed so that such development impedes the natural flow of water from higher adjacent properties across such development.

Policy IV.5.2

The County shall provide for the limitation of development and associated impervious surfaces in prime groundwater recharge areas designated by the Water Management District to protect the functions of the recharge area through requirement of the following:

- (a) Stormwater management practices shall not include drainage wells and sinkholes for stormwater disposal where recharge is into potable water aquifers. Where development is proposed on private property with existing private drainage wells, these wells shall be abandoned, including adequate sealing and plugging according to Chapter 17-28, Florida Administrative Code, and as administered and regulated by the Water Management District, in effect upon adoption of this Comprehensive Plan;
- (b) Well construction, modification or closure shall be regulated in accordance with the criteria established by the Water Management District and the Florida Department of Health and Rehabilitative Services;
- (c) Abandoned wells shall be closed in accordance with the criteria established in Chapter 17-28, Florida Administrative Code, and as administered and regulated by the Water Management District in effect upon adoption of this Comprehensive Plan;
- (d) No person shall discharge or cause to or permit the discharge of a regulated material as listed in Chapter 442, Florida Statutes, in effect upon adoption of this Comprehensive Plan, to the soils, groundwater, or surfacewater; and
- (e) No person shall tamper or bypass or cause or permit tampering with or bypassing of the containment of a regulated material storage system, except as necessary for maintenance or testing of those components.

OBJECTIVE IV.6 The County, by May 1, 1992, shall include within the land development regulations a requirement that construction activity undertaken shall protect the functions of natural drainage features.

Policy IV.6.1 The County's land development regulations shall include a provision which requires a certification by the preparer of the permit plans that all construction activity undertaken shall incorporate erosion and sediment controls during construction to protect the functions of natural drainage features.

CITY OF LAKE BUTLER

Comprehensive Plan

IV
CITY OF LAKE BUTLER
SANITARY SEWER, SOLID WASTE, DRAINAGE, POTABLE WATER
AND NATURAL GROUNDWATER AQUIFER RECHARGE ELEMENT

INTRODUCTION

The following plan element provides direction for the use, maintenance and location of general sanitary sewer, solid waste, drainage, potable water facilities and natural groundwater aquifer recharge areas in conformance with the future land use element of this Comprehensive Plan. The data collected for this plan element and its analysis contained in the City's Data and Analysis document, are not part of this plan element, but provide a basis for its formulation.

The future growth of the City depends upon the safe, adequate and economical means for the provision of public facilities and services. This portion of the Comprehensive Plan provides a goal, objectives and policies which direct the implementation and use of such public facilities in a logical and economic fashion, as well as, in a manner which is consistent with the State of Florida Comprehensive Plan, the North Central Florida Regional Comprehensive Policy Plan and the various elements of this Comprehensive Plan.

GOAL IV-1 - ENSURE THE PROVISION OF PUBLIC FACILITIES IN A TIMELY, ORDERLY EFFICIENT AND ENVIRONMENTALLY SOUND MANNER AT AN ACCEPTABLE LEVEL OF SERVICE FOR THE CITY'S POPULATION.

OBJECTIVE IV.1 The City, upon adoption of this Comprehensive Plan , shall correct existing deficiencies by undertaking capital improvement projects in accordance with the schedule contained in the Capital Improvements Element of this Comprehensive Plan.

Policy IV.1.1 The City shall provide that within the schedule contained in the Capital Improvements Element, that capital improvement projects needed for replacement or correction of existing deficiencies in public facilities be given priority over providing for future facilities needs; (1) if they are imminently needed to protect the public health and safety, which shall be given the highest priority; and (2) if existing facilities are not meeting maintenance or operation level of service standards adopted herein, which shall be given the second order of priority.

OBJECTIVE IV.2

The City, upon adoption of this Comprehensive Plan, shall coordinate the extension of, or increase in the capacity of facilities by scheduling the completion of public facility improvements concurrent with projected demand.

POLICIES FOR SANITARY SEWER

Policy IV.2.1

The City hereby establishes the following level of service standards for sanitary sewer facilities.

<u>FACILITY TYPE</u>	<u>LEVEL OF SERVICE STANDARD</u>
Lake Butler Community Sanitary Sewer System	100 gallons per capita per day

Policy IV.2.2

The City shall prohibit the installation of septic tanks in locations with soils which do not meet installation requirements of Chapter 10D-6, Florida Administrative Code, in effect upon adoption of this Comprehensive Plan.

Policy IV.2.3

The City's land development regulations shall allow septic tanks to remain in service until such time as a centralized sanitary sewer system is accessible conditional on the following requirements:

- (a) The City shall not issue a building permit for construction of a building or facility where sanitary sewage is proposed to be disposed using an onsite sewage disposal system in an area zoned industrial on the City's official zoning atlas, or used for industrial or manufacturing purposes, or its equivalent, where the City's centralized sanitary sewer system is available within 1/4 mile of the area used or zoned industrial or manufacturing, or where a likelihood exists that the onsite sewage disposal system may receive toxic, hazardous or industrial waste;
- (b) The City shall not issue an occupational license to the owner or tenant of a building located in an area zoned industrial on the City's official zoning atlas, or used for industrial or manufacturing purposes, or its equivalent, when such site is served by an onsite sewage disposal system without first obtaining an annual operating permit from the County Health Department; and

- (c) The City shall not issue a certificate of land development regulation compliance to a new owner or tenant of a building located in an area zoned industrial on the City's official zoning atlas, or used for industrial or manufacturing purposes, or its equivalent, or who operates a business which has the potential to generate toxic, hazardous or industrial wastewater, when such site is served by an onsite sewage disposal system without first obtaining an annual operating permit for an onsite sewage disposal system from the County Health Department.

POLICIES FOR SOLID WASTE DISPOSAL

Policy IV.2.4

The City hereby establishes the following level of service standards for solid waste disposal facilities:

<u>FACILITY TYPE</u>	<u>LEVEL OF SERVICE STANDARD</u>
Solid Waste Landfill	.76 tons per capita per year

Policy IV.2.5

The City shall maximize the use of solid waste facilities through implementation of a strategy for separation of solid waste for recycling as recycling programs are developed pursuant to Chapter 403.706, Florida Statutes, in effect upon adoption of this Comprehensive Plan.

POLICIES FOR DRAINAGE

Policy IV.2.6

The City hereby establishes the following level of service standards for drainage facilities:

LEVEL OF SERVICE STANDARD

For all projects which fall totally within a stream, or open lake watershed, detention systems must be installed such that the peak rate of post-development runoff will not exceed the peak-rate of pre-development runoff for storm events up through and including either:

1. A design storm with a 10-year, 24 hour rainfall depth with Soil Conservation Service type II distribution falling on average antecedent moisture conditions for projects serving exclusively agricultural, forest, conservation, or recreational uses; or

2. A design storm with 100-year critical duration rainfall depth for projects serving any land use other than agricultural, silvicultural, conservation, or recreational uses.

All other stormwater management projects shall adhere to the standards as specified in Chapter 17-25, Florida Administrative Code (rules of the Florida Department of Environmental Regulation) and Chapter 40B-4, Florida Administrative Code (rules of the Suwannee River Water Management District), as effective on the date of adoption of this comprehensive plan.

Any development exempt from Chapter 17-25 or 40B-4 as cited above, and which is adjacent to, or drains into a surface water, canal, stream, or which empties into a sinkhole, shall first allow the runoff to enter a grassed swale designed to percolate 80 percent of the runoff from a three year, one hour design storm within 72 hours after a storm event.

Policy IV.2.7

The City, upon adoption of this Comprehensive Plan, shall prohibit the construction of structures or landscape alterations which would interrupt natural drainage flows, including sheet flow and flow to isolated wetland systems.

POLICIES FOR POTABLE WATER

Policy IV.2.8

The City hereby establishes the following level of service standards for potable water.

<u>FACILITY TYPE</u>	<u>LEVEL OF SERVICE STANDARD</u>
Lake Butler Community Potable Water System	165 gallons per capita per day

OBJECTIVE IV.3

The City, upon adoption of this Comprehensive Plan, shall require that residential densities greater than 2 dwelling units per acre be directed to areas which are served by centralized potable water systems and sanitary sewer systems.

Policy IV.3.1

The City's land development regulations shall permit residential densities in excess of 2 dwelling units per acre only within areas served by centralized potable water and sanitary sewer systems.

OBJECTIVE IV.4

The City, upon adoption of this Comprehensive Plan, shall require that no sanitary sewer facility have any discharge into designated prime groundwater recharge areas.

- Policy IV.4.1. The City's land development regulations shall provide that during the development review process, all proposed development within the drainage basin of any designated priority water body shall be coordinated with the Water Management District and ensure that any proposed development is consistent with any approved management plans within that basin.
- OBJECTIVE IV.5 The City, upon adoption of this Comprehensive Plan shall coordinate with the Water Management District to protect the functions of natural groundwater recharge areas and natural drainage features, by requiring that all developments requiring supervision approval be reviewed by the Water Management District prior to final approval of the plat.
- Policy IV.5.1 The City's land development regulations shall prohibit the discharge of hazardous materials to all soils, groundwaters and surfacewaters of the City. Should the City be identified as a potential site for a hazardous waste treatment facility, the City will cooperate with the Regional Planning Council by coordinating adjacent land uses with the facility and amending the Comprehensive Plan to further address the protection of natural resources, emergency response and appropriate land uses related to the facility.
- Policy IV.5.2 The City will cooperate with the County in the County's establishment of a local listing of all producers of industrial, hazardous and toxic materials and waste, as provided by the Water Quality Assurance Act of 1983, Florida Statutes 403.7225 by 1993.
- Policy IV.5.3 The City, by May 1, 1996 will cooperate with the County in its preparation of a five year assessment and update the County's hazardous materials plan, as provided by the Water Quality Assurance Act of 1983, Florida Statutes 403.7225, and the County's monitoring of small quantity producers of industrial, hazardous and toxic materials identified by such plan to be operating within the City.
- Policy IV.5.4 The City will participate in the County's Amnesty Day program as provided by the Water Quality Assurance Act of 1983, Florida Statutes 403.7225, by March 1, 1992.

Policy IV.5.5

The City shall provide for the limitation of development and associated impervious surfaces in prime groundwater recharge areas designated by the Water Management District to protect the functions of the recharge area through requirement of the following:

- (a) Stormwater management practices shall not include drainage wells and sinkholes for stormwater disposal where recharge is into potable water aquifers. Where development is proposed in areas with existing wells, these wells shall be abandoned, including adequate sealing and plugging according to Chapter 17-28, Florida Administrative Code, in effect upon adoption of this Comprehensive Plan;
- (b) Well construction, modification, or closure shall be regulated in accordance with the criteria established by the Water Management District and the Florida Department of Health and Rehabilitative Services;
- (c) Abandoned wells shall be closed in accordance with the criteria established in Chapter 17-28, Florida Administrative Code, in effect upon adoption of this Comprehensive Plan;
- (d) No person shall discharge or cause to or permit the discharge of a regulated material as listed in Chapter 442, Florida Statutes, in effect upon adoption of this Comprehensive Plan, to the soils, groundwater, or surfacewater; and
- (e) No person shall tamper or bypass or cause or permit tampering with or bypassing of the containment of a regulated material storage system, except as necessary for maintenance or testing of those components.

Policy IV.5.6

The City's land development regulations shall provide for the limitation of development adjacent to natural drainage features to protect the functions of the feature.

OBJECTIVE IV.6

The City, upon adoption of this Comprehensive Plan, shall assist the Water Management District, with the implementation of its water conservation rule, when water shortages are declared by the District. Whereby, during such shortages, water conservation measures shall be implemented for the use and reuse of water of the lowest acceptable quality for the purposes intended. In addition, the City shall assist the Water Management District with the

dissemination of educational materials regarding the conservation of water prior to peak seasonal demand.

Policy IV.6.1

The City shall assist in the enforcement of water use restrictions during a Water Management District declared water shortage and in addition assist the Water Management District with the dissemination of educational materials regarding the conservation of water prior to peak seasonal demand.

OBJECTIVE IV.7

The City, by May 1, 1992, shall include within the land development regulations a requirement that construction activity undertaken shall protect the functions of natural drainage features.

Policy IV.7.1

The City's land development regulations shall include a provision which requires a certification, by the preparer of the permit plans, that all construction activity undertaken shall incorporate erosion and sediment controls during construction to protect the functions of natural drainage features.

APPENDIX III:
Attachments to Exhibit E
Lease Agreement

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") made as of _____, 2004 ("Effective Date"), between **PLUM CREEK TIMBERLANDS, L P**, a Delaware limited partnership, whose Federal ID Number is 91-1920356 ("PLUM CREEK") and **B & C WATER RESOURCES, L.L.C.**, a Delaware Corporation ("LESSEE").

WITNESSETH:

1. Granting Clause. PLUM CREEK, in consideration of the covenants, consideration, royalties, and the agreements of LESSEE herein contained, grants, leases and lets unto LESSEE, upon the terms herein set forth, the exclusive right to investigate, explore, prospect, drill and produce potable and non-potable water ("Water") on approximately _____ acres, located in Baker, Union and Bradford Counties, Florida (the "Leased Premises"). A more detailed description of the Leased Premises is attached as Exhibit "A".
2. No Warranty of Title. PLUM CREEK does not warrant title to the Water or the surface rights hereunder. LESSEE covenants with PLUM CREEK that LESSEE's operations shall not violate the rights of any third persons not parties to this Lease, whether those rights are documented or apparent from an examination of the Leased Premises.
3. Limitation of Rights Granted. The rights and privileges granted by this Lease are limited to the rights and privileges PLUM CREEK possesses and has lawful right to lease, and this Lease shall not be construed as leasing or attempting to lease to LESSEE any rights and privileges other or more than those that are vested in PLUM CREEK.
4. Exceptions and Reservations. PLUM CREEK excepts and reserves all oil, gas, timber, and minerals not specifically leased under this Lease for all purposes together with full and free rights of ingress and egress as may be necessary or convenient in the proper development thereof or of other lands. The rights and privileges excepted and reserved to PLUM CREEK shall be exercised with due regard for the operations of LESSEE under this Lease, and in a manner as to not unreasonably interfere with the operations of LESSEE.
6. Primary Term. Subject to the provisions below, this Lease is for a term of ten years from the Effective Date (the "Primary Term") and as long thereafter as Water is produced in Paying Quantities from the Leased Premises. As used in this Lease "Paying Quantities" is Operating Revenue sufficient to pay all Operating Cost of a prudent operator during the prior 12 months of operation on a lease basis. "Operating Revenue" is all revenue from the sale of production attributable to the water well, less the amount of revenue paid to the mineral interest owner(s) as royalty for such

production. "Operating Cost" is direct (variable) operating expenses for operating the well. By way of illustration depreciation and administrative overhead cost are not a direct operating expense.

7. Delay Rentals. If operations for drilling are not commenced on the Leased Premises on or before one year from the Effective Date, this Lease will terminate unless on or before such anniversary date LESSEE pays PLUM CREEK a delay rental of **One Dollar (\$1.00) per acre**, which shall cover the privilege of deferring commencement of drilling operations for 12 months. In like manner and upon like payments annually the commencement of drilling operations may be further deferred for successive 12-month periods during the Primary Term.

8. Rental / Royalty Payments.

- a) Annual Rent. LESSEE shall pay to PLUM CREEK an annual rental payment of **\$100.00 per well site**, plus sales tax, (the "Annual Rent") all as compensation for the LESSEE's right to PLUM CREEK's property and the impact of LESSEE's right to utilize the surface and the impact of such uses on the Leased Premises.
- b) Royalty Payments In the event that LESSEE withdraws more than **4,000,000** gallons of water per year from the Leased Premises LESSEE shall pay PLUM CREEK the sum of **\$0.10** per thousand gallons of water withdrawn from the Leased Premises, plus sales tax, (the "Royalty") all as compensation for the LESSEE'S right to PLUM to withdraw Water from PLUM CREEK's property.
- c) Measurement of Water Production. LESSEE shall measure the Water produced from the Leased Premises with a read-out meter at each wellhead, tank battery and/or sales delivery point. The face of the meter shall be visible to PLUM CREEK at all times and PLUM CREEK's royalty payment for Water shall be based on the full amount of Water production indicated by such meter and not reduced by subsequent loss or shrinkage occurring down-stream. The meter(s) should be calibrated on a regular basis to assure accuracy. Royalty shall be paid on sales delivery volumes.
- d) Adjustments to the Annual Rent and Royalty. At least ninety (90) days but not earlier than one hundred twenty (120) days prior to the end of the third year of this Lease, and within the same period prior to the end of each succeeding 3-year period, LESSEE and PLUM CREEK shall renegotiate the Annual Rent and the Royalty to be paid over the next 3-year period. The purpose of renegotiating the Annual Rent and the Royalty is to reflect the increase in the fair value of the Leased Premises, the rights to withdraw Water, and Well Site Production Facilities over the last 3-year period.
- e) Resolution of Impasse. If LESSEE and PLUM CREEK are unable to agree on the amount of increase in the Annual Rent or the Royalty to be paid over the subject 3-year period, then at least forty-five (45) days but not earlier than ninety (90) days prior to the commencement of the subject 3-year period, LESSEE and PLUM

CREEK shall agree upon a qualified appraiser who will calculate the increase in the Annual Rent and/or the Royalty to be paid over the subject 3-year period. If the parties are unable to agree upon an appraiser to be used, then LESSEE and PLUM CREEK shall select a qualified appraiser of its choice and make the calculations, and the average of the two appraisers shall be binding on the parties. Calculations by the appraiser or appraisers shall in either case be made and delivered to LESSEE and PLUM CREEK at least fifteen (15) days prior to the commencement of the subject 3-year period. Neither the calculations of the appraiser or appraisers nor anything contained herein shall operate to reduce the Annual Rent or the Royalty below the amount of the Annual Rent or the Royalty in effect at the time the negotiations or calculations are conducted as set forth herein or below the then existing Annual Rent or Royalty plus inflation using the compounded index percentage approved for regulated water and wastewater utilities by the Florida Public Service Commission for each intervening year since that last Annual Rent Royalty amount was set.

- f) Effect of Restrictions In addition to renegotiating the Annual Rent and the Royalty every 3 years as set forth above, any time that, in PLUM CREEK's reasonable opinion, the impact of any local, regional, state, or federal rule, ordinance, law, or policy directly or indirectly affects PLUM CREEK's use of the Leased Premises or its other lands not subject to this Lease by further restricting or requiring changes in land or water uses near Well Sites, or as a result of withdrawals or activities related to withdrawals, LESSEE and PLUM CREEK shall renegotiate the Annual Rent and the Royalty. The purpose of this renegotiation shall be to reflect the diminution in value of the affected Leased Premises or other lands of PLUM CREEK. At anytime that PLUM CREEK reasonably deems such diminution in value to have occurred, PLUM CREEK shall notify LESSEE in writing and, within forty-five (45) days thereof, Owner and LESSEE shall renegotiate the Annual Rent and Royalty to compensate PLUM CREEK for the diminution in value. If PLUM CREEK and LESSEE are unable to agree on a renegotiated Annual Rent or Royalty, then LESSEE and PLUM CREEK shall agree upon a qualified appraiser who will calculate such compensation. If the parties are unable to agree upon a qualified appraiser to be used, the PLUM CREEK and LESSEE shall each select a qualified appraiser of its choice to make the necessary calculations, and the average of the two appraisers shall be binding on the parties.

9. Proportionate Reduction of Royalty and Annual Rentals. If PLUM CREEK owns an interest in the Leased Premises less than the entire mineral rights and royalty related thereto, then the delay rentals and royalties due PLUM CREEK shall be reduced proportionately.

10. Minimum Drilling Requirements and Retention of Acreage. This Lease may be extended past the Primary Term only by drilling and completing at least five wells in each lease year (Minimum Drilling Requirements). Should LESSEE fail to complete the Minimum Drilling Requirements, LESSEE shall be entitled, subject to the other provisions of this Lease, to designate and retain 10 acres around

each Producing Well. Each such 10 acre tract to be in nearly the form of a square as possible with the well in as near the center thereof as practicable.

11. Relocation or Abandonment of Wells Sites. If PLUM CREEK shall reasonably determine that for PLUM CREEK's beneficial use of the Leased Premises a Well Site must be relocated, PLUM CREEK will provide a substitute Well Site located as closely as reasonably possible to the one removed, and PLUM CREEK shall bear the expense of such relocation, including cost of plugging. The Royalty shall be renegotiated based upon the costs of such relocation efforts. Upon the abandonment of any Well Site, or the removal from any Well Site, LESSEE shall clean up the Well Site and leave the same in neat and presentable condition.

12. Payment of Taxes, Mortgage or Liens. LESSEE, at its option, may pay any tax, mortgage or other lien bearing upon the Leased Premises and/or PLUM CREEK's water rights with the right to enforce it and apply rentals and royalties accruing hereunder toward recouping the payment.

13. Force Majeure. If any operation permitted or required in this Lease, or the performance by LESSEE of any covenant, agreement or requirement hereof is delayed or interrupted directly or indirectly by any past or future acts, orders, regulations or requirements of the Government of the United States or any state or other governmental body, or any agency, officer, representative or authority of any of them, or because of delay or inability to get materials, labor, equipment or supplies, or on account of any other similar or dissimilar cause beyond the control of LESSEE, the period of such delay or interruption is not counted against LESSEE, and the Primary Term of this Lease is automatically extended, so long as the cause or causes for such delays or interruptions continue and for a period of two months thereafter; and such extended term shall constitute and shall be considered for the purposes of this Lease as a part of the Primary Term. LESSEE shall not be liable to PLUM CREEK in damages for failure to perform any operation permitted, or required hereunder or to comply with any covenant, agreement or requirement hereof during the time LESSEE is relieved from the obligation to comply with such covenants, agreements or requirements. In no event shall the suspension of obligations as permitted under this paragraph exceed two years.

15. LESSEE's Use of the Surface of the Leased Premises.

- a) Notice of Intent to Use the Surface. LESSEE assumes the risk of use of the surface of the Leased Premises and agrees to use the minimum amount of acreage that is necessary for a prudent operator in the operations permitted. LESSEE shall give the surface owner of record at least 30, but not more than 60 days, advance written notice of its intention to use the surface of the Leased Premises. If PLUM CREEK owns the surface, the notice shall be directed to PLUM CREEK's Resource Manager at _____ (the "Resource Manager") at least 30, but not more than 60 days, advance written notice of its intention to use the surface of the Leased Premises. With this notice, LESSEE shall include a plat or

plats showing the area it plans to use and the location of the proposed facilities. The surface owner may salvage for its account all or so much of the forest products from this area, as it desires within the 30 to 60 days after receipt of notice. LESSEE shall dispose of the forest products not salvaged by the surface owner from such area, in a manner stipulated by, or acceptable to the surface owner, to prevent hazards from fire and insect infestation to forest products on the Leased Premises and on adjacent lands. LESSEE agrees to pay all costs of improvements to any roads on the Leased Premises the road for its usage, maintain the roads in good condition during such usage, and use the roads in a prudent manner so as not to interfere with PLUM CREEK's use of such roads.

- b) Damage Payments. LESSEE assumes for itself, its agents and invitees, the liability for prompt payment to surface owner for any and all damages to surface owner's property, equipment, timber and other improvements located on the Leased Premises that may be caused by the operations of LESSEE, its agents and invitees on the Leased Premises.

16. Prudent Operator. LESSEE shall conduct its operations on the Leased Premises in a prudent, modern, efficient and safe manner. By way of illustration, but not limitation, LESSEE shall immediately repair any water leaks from pipelines, wellheads or pumping stations located on the Leased Premises.

17. Pipelines. If LESSEE shall construct any pipelines or water distribution systems on the Leased Premises, it shall bury all such pipelines or distribution systems to a minimum depth of 36 inches below the surface of the earth.

18. Compliance with Regulations. LESSEE shall conduct operations in full compliance with the related regulations established by the appropriate State or Governmental Authority having jurisdiction in such matters. The obligations imposed by this paragraph shall survive expiration or termination of this Lease.

19. Debris. All refuse generated by LESSEE'S operations on the Leased Premises, including without limitation, lunch or snack containers, paper, cans, oilcans, bottles, filters, tires, and discarded equipment, must be disposed of properly away from the Leased Premises.

20. Environmental Definitions. As used in this Lease the term "Environmental Law" shall mean, any federal, state or local law, statute, decree, ordinance, code, rule, or regulation, including, without limiting the generality of the foregoing, the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Toxic Substance Control Act of 1976, and any federal, state or local so-called "Superfund" or "Superlien" law or ordinance relating to the emission, discharge, release, threatened release into the environment of any pollutant, contaminant, chemical, hazardous, toxic or dangerous waste, substance or material (including, without

limitation, ambient air, surface water, groundwater or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of such substances and any regulations, codes, plans, orders, decrees, judgments, injunctions, notices or demand letters issued, entered, promulgated or approved thereunder. As used herein, the term "Hazardous Material" shall mean any pollutants, contaminants, chemicals, hazardous, toxic or dangerous waste, substance or material, or any other substance or material regulated or controlled pursuant to any Environmental Law now or at any time hereafter in effect, including any other substances defined as "hazardous substances" or "toxic substances" in any Environmental Law.

21. General and Environmental Indemnification. LESSEE shall defend and indemnify and keep indemnified, and hold harmless, PLUM CREEK from and against all actions or causes of action, claims, losses and damages of every kind, including costs and attorney's fees, incident to or in any manner resulting in injury to persons (including employees, agents, representatives, invitees and licensees of LESSEE, or others engaged by LESSEE), and damages to property or other legal consequences growing out of the use and occupancy of the Leased Premises and any and all operations or other work or services contemplated or undertaken thereon by LESSEE, its agents, representatives, or others engaged by it to perform the same, including without limitation all acts of commission or omission of LESSEE, its said agents, representatives, invitees, employees and licensees. LESSEE also indemnifies PLUM CREEK and agrees to hold PLUM CREEK harmless from and against any and all loss, liability, damage, injury, cost, expense and claims of any kind whatsoever paid, incurred or suffered by, or asserted against, PLUM CREEK for, with respect to, or as a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Leased Premises of any Hazardous Material arising out of, in connection with or in any manner related to the use of the Leased Premises by LESSEE, including, without limiting the generality of the foregoing, any loss, liability, damage, injury, cost, expense or claim asserted or arising under any Environmental Law as defined below. This indemnity shall survive the expiration or earlier termination of this Lease.

22. Insurance. LESSEE covenants and agrees to obtain and maintain during the Term of this Lease the following insurance coverage:

- a) General Liability. Commercial General Liability covering claims for bodily injury, death and property damage, including Comprehensive Form, Premises and Operations, Independent Contractors, Products and Completed Operations, Personal Injury, Contractual, Broadform Property Damage, Cross Liability and Hostile Fire liability coverages, with a combined single limit of \$1,000,000 for bodily injury, death and property damage each or per occurrence and \$2,000,000 general aggregate, with pollution coverage, in an amount of not less than \$1,000,000. Additionally, the policy shall not exclude X, C or U (Explosion, Collapse or Underground) or Subsidence. As used in this Lease "Subsidence" is defined as sinking or settling of land caused by

heavy rains or man-made caverns. Subsidence does not include earth movement caused by an earthquake.

- b) Umbrella Liability. Excess Liability insurance providing limits of not less than \$10,000,000 each occurrence and annual aggregate over General Liability, Automobile Liability, and Employers Liability.
- c) Environmental Liability. Pollution Legal Liability providing On-Site Clean-up protection and Third Party Off-Site Cleanup of Pollution Conditions, as well as protection for Bodily Injury and Property Damage resulting from operations granted under this Lease. Limit of Liability shall be not less than \$10,000,000. PLUM CREEK shall be an Additional Insured.
- d) Automobile Liability. Comprehensive Automobile Liability covering owned, non-owned, hired and other vehicles, with a combined single limit of \$1,000,000 for bodily injury, death and property damage per occurrence and \$1,000,000 general aggregate.
- e) Fire and Extended Coverage Insurance on Improvements and Personalty. During the Term of this Lease, LESSEE shall keep all improvements, installations, machinery and equipment placed by it and all other personal property placed by it on the Leased Premises continuously insured against loss or damage by theft, fire or lightning (with extended coverage if available) in an amount equal to the fair market value thereof, subject to reasonable and customary deductibles. If at the time of any loss LESSEE is in default to PLUM CREEK, PLUM CREEK may require the proceeds be paid to PLUM CREEK, to satisfy LESSEE's obligations to PLUM CREEK. If LESSEE is not in default under this Lease, the proceeds shall be used for the repair or restoration of the property regarding which loss occurred, if the property is needed for the future development of the Leased Premises.
- f) Workers' Compensation. LESSEE covenants and agrees that all employees of LESSEE or any other persons performing work on the Leased Premises pursuant to this Lease will be fully covered by or insured always by Workers' Compensation. LESSEE shall comply with all applicable Workers' Compensation laws, rules and regulations of the state in which the Leased Premises is located and shall make all necessary contributions or other payments.
- g) Employer's Liability. Employer's Liability insurance in an amount of not less than \$500,000 each accident.
- h) Policy Requirements. All certificates of insurance furnished by LESSEE to evidence insurance coverage shall provide for thirty days written notice by the insurance company to the designated representative of PLUM CREEK before the cancellation, material change or non-renewal of any insurance policy

referred to in this Lease. All liability insurance policies shall be written on an "occurrence" policy form and by insurance companies acceptable to PLUM CREEK with a Best's Key Rating Guide of B+ or better, with a financial rating of at least VI. If LESSEE fails at any time to maintain the insurance coverage as required above, LESSEE shall cease operations immediately and shall not resume operations pursuant to this Lease until after the failure has been corrected. Except for Workers' Compensation Insurance, PLUM CREEK and PLUM CREEK Timber Company, Inc. and its subsidiaries and/or affiliates shall be named as an Additional Insured on all such required policies. The additional insured endorsement must be ISO CG20 10 11 85 or other form with like wording. If the additional insured endorsement is not ISO CG20 10 11 85 or like form, LESSEE must maintain Completed Operations coverage with additional insured extension for a period of two (2) years after completion and acceptance by PLUM CREEK of the work performed. LESSEE shall be responsible for payment of any and all deductibles from insured claims under its policies. The coverage afforded under any insurance policy obtained by LESSEE pursuant to this Paragraph shall be primary coverage regardless of whether or not PLUM CREEK has similar coverage. LESSEE shall not perform any operations on the Leased Premises unless and until evidence of such insurance, including renewals thereof, has been delivered to and approved by PLUM CREEK. PLUM CREEK reserves the right to require a certified copy of the policies or to examine the actual policies. LESSEE shall not self-insure any of the insurance coverages required by this Lease without the prior written consent of PLUM CREEK. The minimum limits of coverage required by this Lease may be satisfied by a combination of primary and excess or umbrella insurance policies. The maintenance of this insurance shall not in any way operate to limit the liability of LESSEE to PLUM CREEK under this Lease.

- i) Certificate of Insurance Evidencing Coverage. LESSEE shall give PLUM CREEK's Resource Manager a certificate of insurance evidencing the above coverage before conducting any operations on the Leased Premises. The certificate shall provide for 10 days written notice by the insurance company to the designated representative of PLUM CREEK before the cancellation, material change or non-renewal of the policy. If LESSEE fails at any time to maintain the insurance coverage as required above, LESSEE shall cease operations on the Leased Premises immediately and shall not resume operations until the failure has been corrected. The coverage afforded under any insurance policy obtained by LESSEE pursuant to this paragraph shall be primary coverage regardless of whether or not PLUM CREEK has similar coverage. Except for Workers' Compensation and employer liability insurance, PLUM CREEK shall be named as additional insured under all policies of insurance issued to LESSEE according to the terms of this Lease. LESSEE shall not self-insure any of the insurance coverage required by this Lease without the prior written consent of PLUM CREEK.

23. Data and Reports to PLUM CREEK. LESSEE agrees it shall furnish PLUM CREEK when practicable after receipt and without cost to PLUM CREEK, copies of Title Opinions and State or Federal conservation orders or regulations pertaining to the Leased Premises.

24. Retention and Audit of Records. LESSEE shall keep and preserve for at least five years accurate records showing the quantity of Water produced and saved from the Leased Premises in such detail sufficient for PLUM CREEK to verify its Royalty is being properly paid (the "Records"). PLUM CREEK and its agents ("Auditor"), with at least 14 days notice, shall have access at all reasonable business hours to the Records. LESSEE also hereby grants to Auditor, the right to obtain from any purchaser of Water from the Leased Premises information as to the quantity of Water purchased.

25. Surrender of Acreage. LESSEE may at any time execute and deliver to PLUM CREEK or place of record a release or releases covering any portion or portions of the Leased Premises and thereby surrender this Lease as to such portion or portions.

26. Defaults and Remedies.

- a) Default. LESSEE shall be in "Default" if LESSEE shall at any time fail to provide any Monthly Statement when due or fail to pay as and when due any royalty or Damages to the surface owner, under paragraph 16, required to be paid hereunder, and the failure continues for fifteen (15) days after written notification of such Default; provided, however, that if there is a dispute as to the amount due and all undisputed amounts are paid and Monthly Statements received by PLUM CREEK, the 15-day period shall be extended until five days after such dispute is settled by final court decree, arbitration or agreement. LESSEE shall also be in "Default" if LESSEE shall fail to perform or be guilty of a breach of any one or more of any of the terms, conditions, covenants, stipulations, and agreements of this Lease relating to matters other than the payment of money and shall fail within 15 days after written notice of the breach shall have been given by PLUM CREEK to LESSEE, to cure the breach, if cure is possible within the 15 day period, or if not to begin to cure and thereafter diligently pursue cure of any breach, provided that immediately upon receipt of written demand from PLUM CREEK, LESSEE will terminate all mining operations hereunder until such time as LESSEE has cured the breach to the satisfaction of PLUM CREEK.
- b) Forfeiture. If LESSEE is in Default, PLUM CREEK shall have the right to terminate this Lease and to enter the Leased Premises and hold and possess the same, and all the property of the LESSEE thereon, free and acquit from any claims of LESSEE thereto.
- c) Right to take Possession Without Forfeiture. If PLUM CREEK takes possession of the Leased Premises as a result of Default, PLUM CREEK shall have the option, to divide the Leased Premises in any manner PLUM

CREEK may determine and to lease the Leased Premises or portions thereof as PLUM CREEK may elect. PLUM CREEK reserves the right to bring action or proceedings for the recovery of any deficits remaining unpaid, as PLUM CREEK may believe appropriate.

- d) No Waiver. A waiver by PLUM CREEK of any Default under this Lease shall not prevent the right of PLUM CREEK to forfeit this Lease for any other cause, or for the same cause occurring at any other time. The receipt by PLUM CREEK from LESSEE of payments after the occurrence of any Default, or the continued recognition by PLUM CREEK of LESSEE as its tenant after the occurrence of any Default shall not be deemed a waiver of PLUM CREEK's right of forfeiture, so long as the cause of forfeiture continues to exist. Receipt and acceptance by PLUM CREEK of any amounts tendered by LESSEE shall not constitute an agreement by PLUM CREEK that the amounts are the proper amounts due or a waiver of PLUM CREEK's claims for greater amounts. All payments by LESSEE to PLUM CREEK shall apply on the items longest past due, and the receipt of any such payment shall not be a waiver either of the right of distress or the right of forfeiture or any other remedy available to PLUM CREEK with respect to items which remain undischarged after crediting the payments.
- e) Removal of Equipment and Improvements Upon Termination by Default. Upon the termination of this Lease for Default any personal property and all permanent improvements shall, at PLUM CREEK's option, be and become the property of PLUM CREEK or be removed from the Leased Premises at the direction of PLUM CREEK, but at the sole expense of LESSEE.

27. Release of Acreage and Removal of Property and Fixtures. When this lease or any portion of it expires or is terminated, for any reason whatsoever, LESSEE agrees to furnish PLUM CREEK, within 30 days thereafter, a Release covering that portion of the lease so affected in appropriate form and duly executed, in order that the Release may be placed of public record. LESSEE shall have 90 days from the date of the Release to remove from the released acreage any property or fixtures placed by LESSEE on the abandoned land. Unless the time period is extended by written consent of PLUM CREEK, any property or fixtures of LESSEE left on the abandoned land after the appropriate removal date shall, at the option of PLUM CREEK, become PLUM CREEK's property and fixtures or be removed from such land at the direction of PLUM CREEK but at the sole expense of LESSEE.

28. Notices. All notices and payments, except that notice to the Resource Manager, given under the terms of this Lease shall be directed as follows:

To PLUM CREEK:	PLUM CREEK Timberlands, L P
	Mineral Department
	100 Peachtree St. NW, Suite 2650
	Atlanta, GA 30303

Telecopy: 404-586-9388

With Copy to:

PLUM CREEK Timberlands, L P
Law Department
100 Peachtree St. NW, Suite 2650
Atlanta, GA 30303
Telecopy: 404-586-9388

To LESSEE:

B & C WATER RESOURCES, INC.
Energy and Natural Resources
999 Third Avenue, Suite 4300
Seattle, Washington 98104
Telecopy: 206-467-3786

or to such other address as each party may designate by written notice to the other party. The deposit in the mail of any letter so addressed and with postage prepaid shall, for this Lease, be notice to the addressees of the contents of the letter.

29. Dispute Resolution. Except as otherwise provided herein, in the event of any disputes, claims and other matters in question between PLUM CREEK and LESSEE arising out of the terms and conditions of this Lease and the performance of either party hereunder, PLUM CREEK and LESSEE shall attempt in good faith to resolve such matter promptly by negotiation between senior executives who have authority to settle the controversy and who do not have direct responsibility for administration of this Lease.

30. Liens. LESSEE shall conduct its operations in such a manner as to prevent any lien from being attached to the Leased Premises. If any lien should so attach, LESSEE shall take immediate steps to liquidate the indebtedness represented by the lien to remove the lien from the public records. Always LESSEE shall hold PLUM CREEK harmless and indemnify it against the effect of any such lien or purported lien.

31. No Modification. The terms and conditions of this Lease may not be modified, altered or amended except by a writing that is executed by PLUM CREEK and LESSEE and of equal formality with this Lease.

32. Assignments. This Lease may not be assigned in whole or in part by LESSEE without the prior written consent of PLUM CREEK, which consent shall not be unreasonably withheld. In the event of any such assignment, LESSEE shall not be released from its obligation relative to the payment of royalties or from the performance of any of the other obligations or conditions herein contained.

33. Prior Agreements. This Lease constitutes the sole and entire existing agreement between PLUM CREEK and LESSEE and expresses all the obligations of and the restrictions imposed upon PLUM CREEK and LESSEE. All prior agreements and

commitments, whether oral or written, between the parties are either superseded by specific paragraphs of this Lease or, without such coverage, specifically withdrawn.

34. Headings. The use of headings in this Lease is solely for the convenience of indexing the various paragraphs and shall in no event limit or defines or otherwise affects any provision in this Lease.

IN WITNESS WHEREOF, this instrument is executed effective the date first above written.

WITNESSES:

PLUM CREEK TIMBERLANDS, L P

BY: PLUM CREEK Timber I, L.L.C.

Its: General Partner

By: _____

Title: _____

B & C WATER RESOURCES, L.L.C.

By: _____

Title: _____

ACKNOWLEDGMENT

STATE OF GEORGIA

COUNTY OF FULTON

On this the ____ day of _____, 2004, personally appeared before me, the undersigned authority in and for the said County and State, within my jurisdiction, the within named **Russell S. Hagen** who acknowledged himself to be the General Manager Energy and Natural Resources of PLUM CREEK TIMBER I, L.L.C. the general partner of PLUM CREEK TIMBERLANDS, L P, and that for and on behalf of said limited liability company, he did sign, seal and deliver the foregoing LEASE AGREEMENT for the purposes mentioned on the day and year therein mentioned, after first having been duly authorized by said limited liability company so to do.

Notary Public

My commission expires:

STATE OF FLORIDA

COUNTY OF _____

On this the ____ day of _____, 2004, personally appeared before me, _____, the undersigned authority in and for the said County and State, within my jurisdiction, the within named, who acknowledged himself to be the Vice President of B & C WATER RESEOURCES, L.L.C., and that for and on behalf of said company, he did sign, seal and deliver the foregoing LEASE AGREEMENT for the purposes mentioned on the day and year therein mentioned, after first having been duly authorized by said corporation so to do.

Notary Public

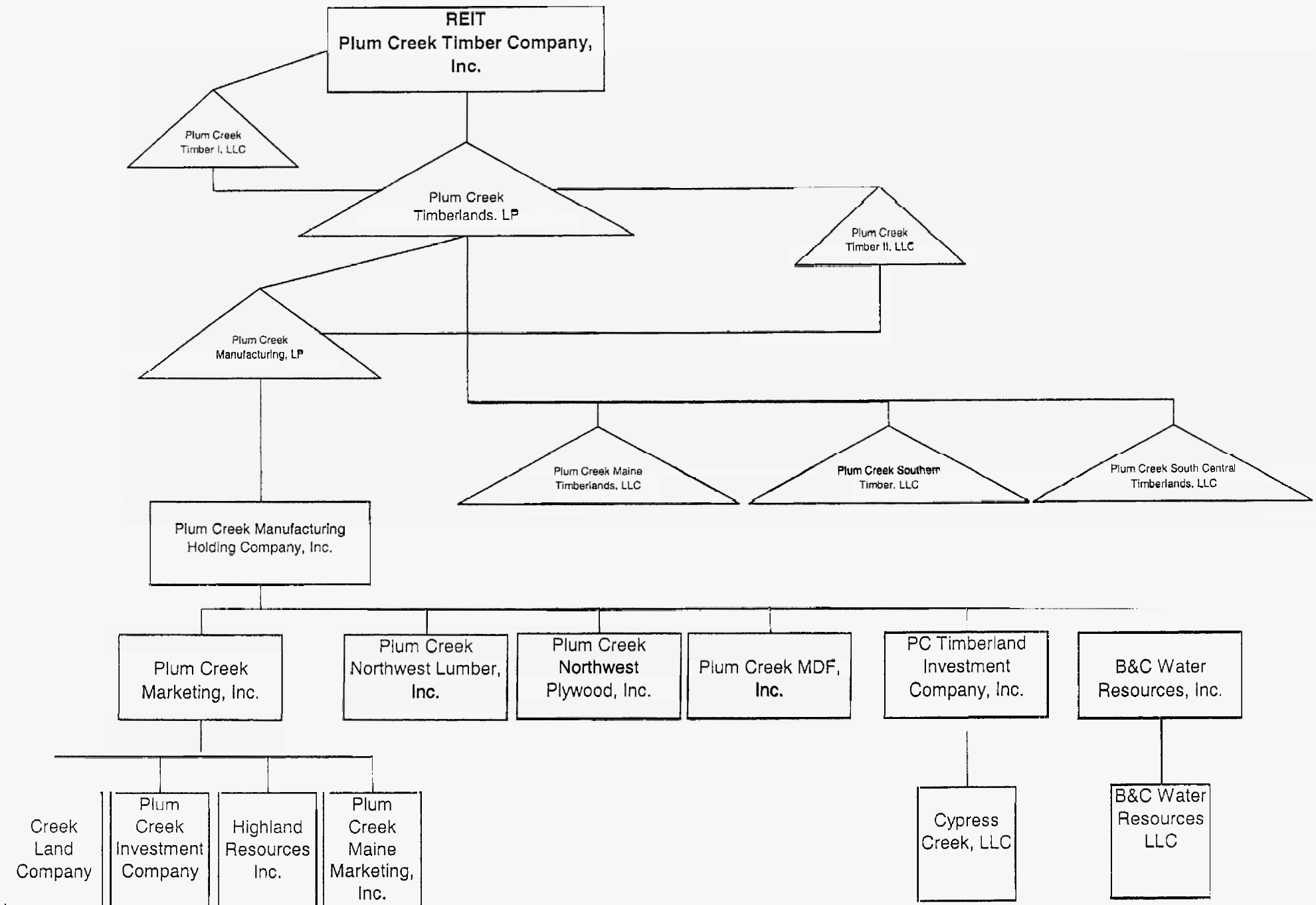
My commission expires:

APPENDIX IV:

Attachments to Exhibit F

**Corporate Structure Chart for
Plum Creek Timber Company, Inc.**

Plum Creek Timber Company - REIT Structure



APPENDIX V:

Attachment to Exhibit F

Funding Agreement

FUNDING AGREEMENT

This Funding Agreement ("Agreement") is made and entered into this 30th day of August, 2004 by and among Plum Creek Timber Company, Inc., a Delaware corporation ("Plum Creek") and B & C Water Resources, L.L.C. ("Utility"), a Delaware limited liability corporation.

Recitals

1. Plum Creek owns and controls Plum Creek Timberlands LP, which owns and controls Plum Creek Manufacturing, LP, which owns and controls Plum Creek Manufacturing Holding Company, Inc., which in turn owns 100% of the stock of B & C Water Resources, Inc., which is the sole and managing member of the Utility.
2. The Utility plans to build and operate a water utility system in Baker and Union Counties, Florida and will apply to the Florida Public Service Commission ("Commission") for an original water utility certificate.
3. All of the land within the Utility's proposed service territory in Baker and Union Counties is owned by Plum Creek's subsidiary – Plum Creek Timberlands, L.P.
4. As an inducement to the Utility to operate the utility system, Plum Creek seeks to assure the Commission that it intends to provide the Utility with an infusion of capital reasonable and necessary to allow the Utility to build and operate the proposed utility system.

AGREEMENT

THEREFORE, in consideration of the foregoing premises and mutual promises, the Utility and Plum Creek agree as follows:

1. Plum Creek hereby agrees to provide reasonable and necessary funding to the Utility if needed for the Utility to build and operate the proposed utility system in Baker and Union Counties, Florida; provided, that nothing contained herein shall obligate Plum Creek Manufacturing Holding Company, Inc. to provide specified or conditional level of funding for the Utility to maintain a specified or conditional level of working capital or net worth.
2. The Utility agrees to provide Plum Creek with a written request for such funding at least thirty (30) days in advance of the date upon which any such funding is needed.
3. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.
4. The obligations of Plum Creek shall not be assigned, either voluntarily or by operation of law, without the prior written consent of the Utility, which consent shall not be unreasonably withheld.

5. Any notice or other communication required or permitted to be given hereunder may be (i) personally delivered or (ii) transmitted by facsimile to the parties as follows (as elected by the party giving such notice, demand, or other communication):

If to the Utility:

Erwin Barger
One Concourse Parkway, Ste. 755
Atlanta, GA 30328
Fax: (770) 671-0211

If to Plum Creek:

Erwin Barger
One Concourse Parkway, Ste. 755
Atlanta, GA 30328
Fax: (770) 671-0211

The date of any notice or other communication hereunder shall be deemed to be the earlier to occur of (i) the date of receipt if delivered personally or (ii) the date of transmission by facsimile (with personal delivery within 5 days thereafter). Any party may change its address for purposes hereof by notice to the others as set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth above.

PLUM CREEK TIMBER COMPANY, INC.

By: David W. Lambert
David W. Lambert

Title: Vice President and Treasurer

Date: 8-31-04

B & C WATER RESOURCES, L.L.C.

By: Thomas M. Lindquist
Thomas M. Lindquist

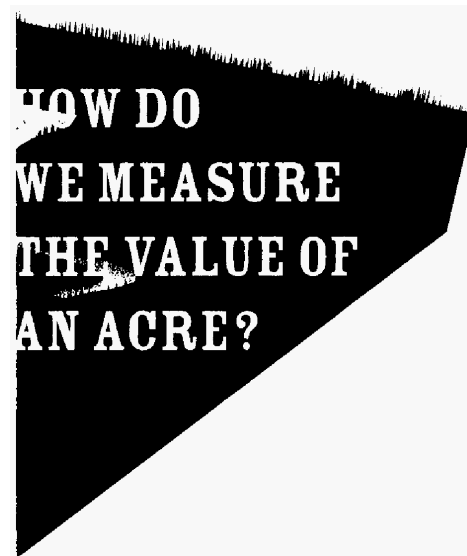
Title: Executive Vice President

Date: 8/31/04

APPENDIX VI:

Attachments to Exhibit F

Annual Report of Plum Creek Timber Company, Inc.



SELECTED FIVE-YEAR FINANCIAL HIGHLIGHTS: 1999-2003

	2003 (A)	2002 (B)	2001 (C)	2000	1999 (D)
Income Statement Items					
Revenues	\$ 1,196	\$ 1,137	\$ 598	\$ 493	\$ 1,028
Operating Income	303	338	250	303	723
Net Interest Expense	117	103	54	44	69
Income before Income Taxes	186	235	196	259	654
Benefit (Provision) for Income Taxes	6	(2)	142	(97)	(256)
Net Income	\$ 192	\$ 233	\$ 338	\$ 162	\$ 398
Diluted Earnings per Share (E)	\$ 1.04	\$ 1.26	\$ 2.58	\$ 1.42	\$ 3.49
Non-Cash Items					
Depreciation, Depletion, and Amortization	\$ 107	\$ 105	\$ 55	\$ 27	\$ 41
Basis of Real Estate Sold	66	28	18	17	101
Balance Sheet Items					
Total Assets	\$ 4,387	\$ 4,289	\$ 4,122	\$ 1,619	\$ 1,521
Total Debt, including Timber Obligations	2,076	1,884	1,701	1,009	970
Total Harvest Volume (million tons)	19.0	19.3	13.9	11.7	14.9

Plum Creek merged with The Timber Company in October 2001. The merger was accounted for as a reverse acquisition, with The Timber Company treated as the acquirer for financial reporting purposes. As a result, the five-year financial highlights presented above reflect the results of The Timber Company for periods prior to the merger. 2002 was the first full year of results for the merged company.

^A During 2003, the company acquired 139,000 acres of timberland in Arkansas, South Carolina, and New Hampshire for \$162 million. The company primarily used funds available under an existing line of credit to acquire the timberlands. Additionally, approximately 29,000 acres of Montana timberland were sold in 2003 for \$13 million. During 2003, the company also recorded asset impairments of \$14 million related to the sale or expected sale of non-strategic timberlands. The company recorded a loss of \$4 million representing the book basis of timber destroyed by fire on approximately 45,000 acres in Montana.

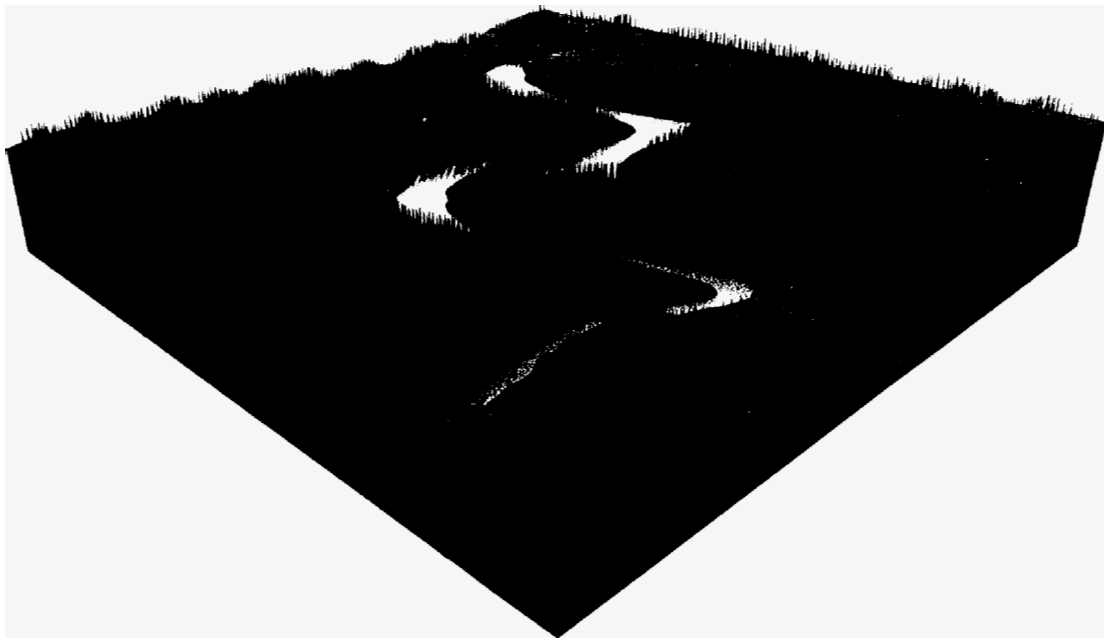
^B During 2002, the company acquired 307,000 acres of timberland primarily in Wisconsin for approximately \$141 million. The company used cash and borrowings from its line of credit to acquire the timberlands.

^C During 2001, the company changed its accounting policy for reforestation costs. Additionally, as a consequence of The Timber Company merger, a tax benefit of \$216 million was recognized in 2001.

^D During 1999, approximately 1,024,000 acres of timberland were sold by The Timber Company in three separate transactions. These transactions included 390,000 acres of timberland in the Canadian province of New Brunswick, 440,000 acres of timberland in Maine, and 194,000 acres of timberland in California. These sales totaled \$442 million and resulted in a \$355 million pre-tax gain (\$215 million after-tax gain).

^E On October 6, 2001, former shareholders of The Timber Company received Plum Creek common stock totaling 112.7 million shares (113.9 million diluted shares). Therefore, 113.9 million shares have been applied retroactively in computing diluted earnings per share for 1999 and 2000. Diluted earnings per share for 2001 was calculated using a weighted average 130.7 million diluted shares outstanding.

PLUM CREEK^{PCL}

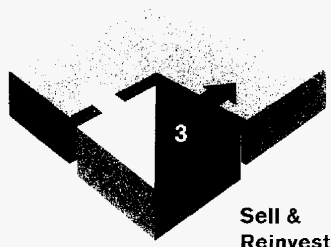


IS IT DEEP OR IS IT TALL?
IS IT LONG OR IS IT WIDE?
IS IT YOUNG OR IS IT OLD?



Rick R. Holley
President and
Chief Executive Officer


DEAR



Total Land Holdings
8.1 million acres

Core Timberland
5.4 million acres

Non-Strategic Timberland
1.4 million acres

 **Timberland with Higher Values**
1.35 million acres

I believe that in the years ahead, we will look back at 2003 as one of the most important in the company's history. It was during 2003 that we laid the foundation from which to build the future of Plum Creek!

Today, Plum Creek stands as one of the largest and most diversified landowners in the United States. Our most valuable asset is 8.1 million acres of land—a truly exceptional asset that can't be duplicated. Land is an asset that, like timber, appreciates in value over time due to its high demand and scarcity. From our diversified land holdings, we derive value from our core business, timber management, which represents approximately two-thirds of the cash flow of the company. Our land assets are increasingly recognized as a significant component of our total asset value. Lastly, our wood products manufacturing and natural resource businesses add value to our land and timber assets—although they represent a relatively small portion of the company's cash flow. Through each of these businesses, we focus on maximizing the value of each and every one of the 8.1 million acres we own.

The foundation we built in 2003 is based on the results of a detailed asset analysis of our 8.1 million acres. Over the past two years, our timberland and real estate managers combined their market insight and technical expertise to determine the long-term best use and highest value of each acre.

The graphic (at left) shows the results of our analysis. Today, these land holdings are segmented into: (1) core timberlands, lands in attractive long-term markets which are highly productive and have a good species and age mix, (2) non-strategic timberlands, lands that did not meet the core timberlands criteria, and (3) lands with values in excess of timberland, lands with other value attributes which greatly exceeded the value of land to be managed for timber production.

Our core timberlands represent 67 percent of our land holdings and provide the vast majority of our timber cash flow. Our reinvestment efforts will focus on identifying and purchasing quality timber properties that add to our growing timber inventory, improve our harvest profile, and grow our cash flow.

Over the next several years, we will sell the non-strategic timberlands, which total 1.4 million acres. We will reinvest the proceeds in core timberlands or use them for other corporate purposes such as debt retirement or stock repurchases—whatever brings the most value to the company.

Likewise, over time, we will sell the timberlands with higher values, which total 1.35 million acres. We will reinvest the capital from these sales in the company. However, due to the nature and value of these properties, the disposition timeline is greater, but so are the values we expect to obtain when these higher value properties are sold. In the meantime, all these lands continue to be managed as productive timberland.

Today, we have a comprehensive understanding of the value of all of these land holdings and intend to realize the maximum value from them. We will continually assess everything we own and the external opportunities to ensure that we realize the full value from this exceptional asset base.

Business conditions remained challenging in 2003. The single biggest issue facing the company was the lumber trade dispute with Canada, which remains unresolved. This caused lumber markets to remain oversupplied and prices for both lumber products and sawlogs to remain at low levels. We also had the worst fire season in history forcing a temporary curtailment of our timber operations in the Rockies and a write-off of \$4 million related to timber destroyed by fires.

Notwithstanding these events, we were pleased with our financial performance in 2003. Our earnings for the year were \$192 million, or \$1.04 per diluted share, on revenues of \$1.2 billion. Our cash flow from operations, which we believe is one of our most important financial measures, was \$369 million.

Plum Creek's ability to perform well, even in difficult markets, speaks to the geographic and business diversity that we've built over the last several years. Today, we own land in 21 states, making us one of the largest and most diversified landowners in the country.

Our largest business segment, timber management, is very much a regional business affected by local supply and demand factors. Our presence in multiple markets gives Plum Creek the ability to focus our activities on regions with better pricing dynamics. It also enables us to defer harvests when market conditions are weak and allow the trees to grow in size and in value. We did both in 2003.

Our timberland holdings include significant acreage with values exceeding that of pure timberland. We have developed an excellent real estate management team that is focused on realizing the full potential of these land holdings. Our wood products manufacturing business is well capitalized and well positioned in the marketplace and is expected to improve upon the difficult year it had in 2003.

As we look to 2004 and beyond, our strategic direction and focus remain unchanged. We will:

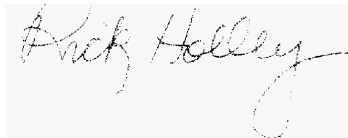
- Enhance the value of our core timber management business;
- Continually assess our portfolio to identify non-core assets—both non-strategic and higher value lands—and realize the maximum value from the sale of these assets;
- Effectively allocate capital from the sale of non-core assets;
- Grow our cash flow and net asset value on a per share basis; and
- Deliver value through long-term capital appreciation and an attractive, tax-efficient dividend.

From a business perspective, we see hopeful signs on the horizon. The U.S. and Canadian governments have reached a tentative agreement to resolve the lumber trade dispute. The U.S. economy continues to improve and the weaker U.S. dollar should have a positive impact on the competitiveness of our wood product and pulp and paper customers.

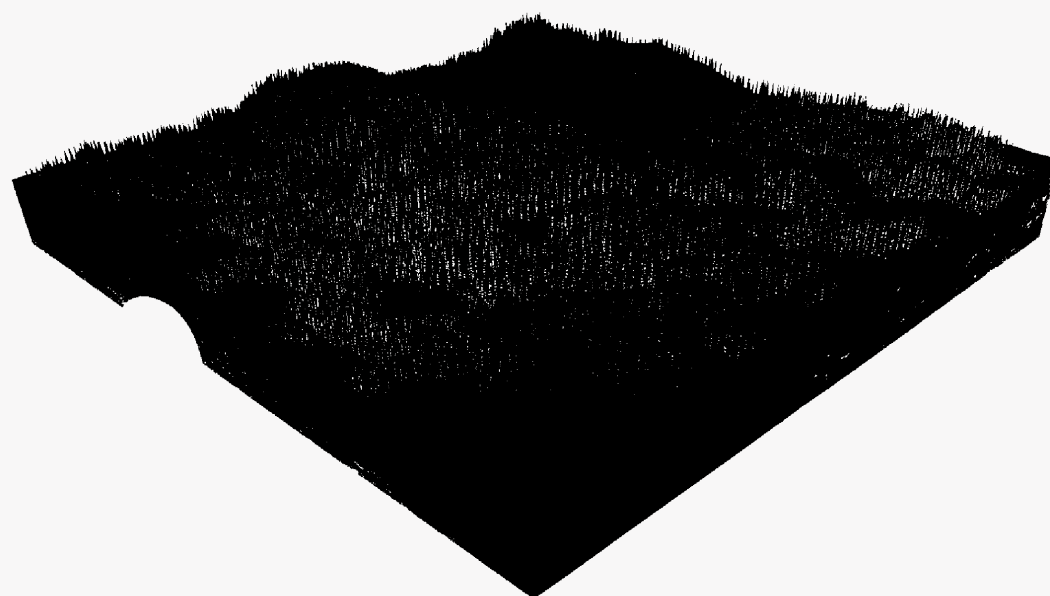
The foundation that we built during 2003 positions your company well to benefit as business conditions improve. At Plum Creek, we have the assets, we have the strategic direction and focus, and we have the people to meet the challenges and opportunities that lie ahead.

As I mentioned a year ago, the true measure of our performance is the value we return to shareholders. We did well in 2003 with a total return of 37 percent, once again outperforming the S&P 500. We will remain steadfast as a management team to maximize the value of every tree and every acre of land—with the ultimate goal of growing the value of your investment in Plum Creek.

On behalf of all of us at Plum Creek, I thank you for your continued support.

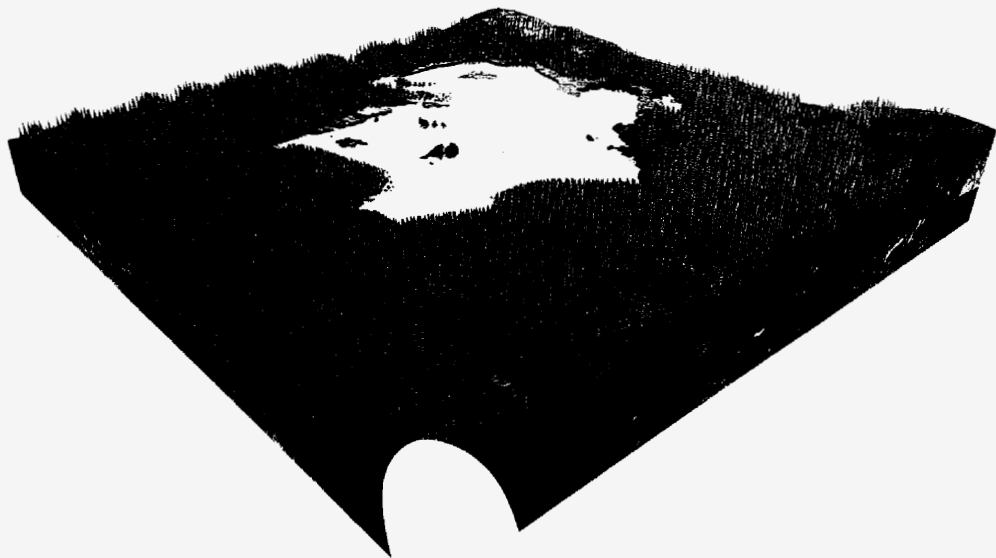


WE DROP THE BOMB
JUST TRAIL



PLUM CREEK^{PCL}

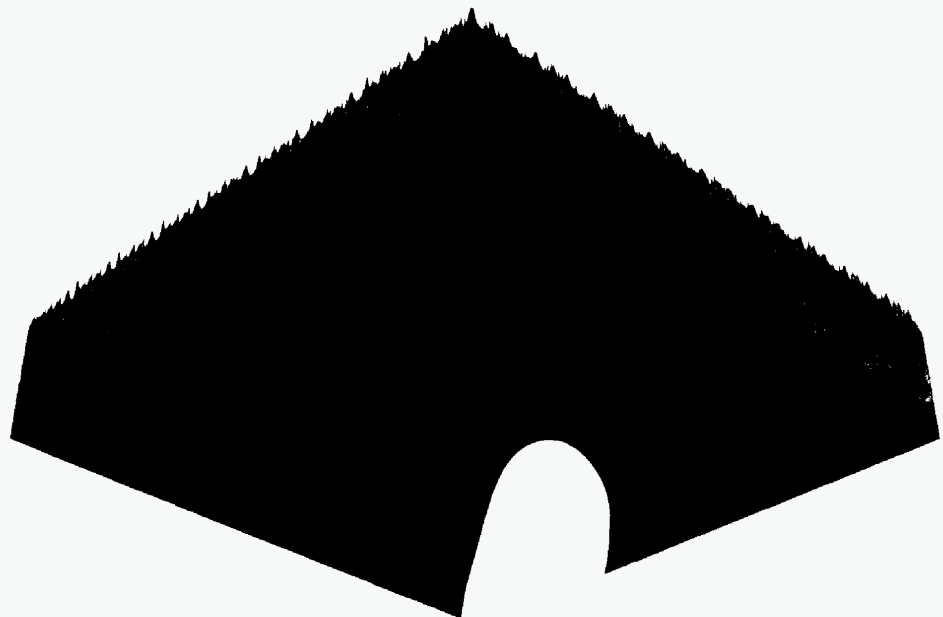
WE OPTIMIZED SLA
LAND PORTALITY



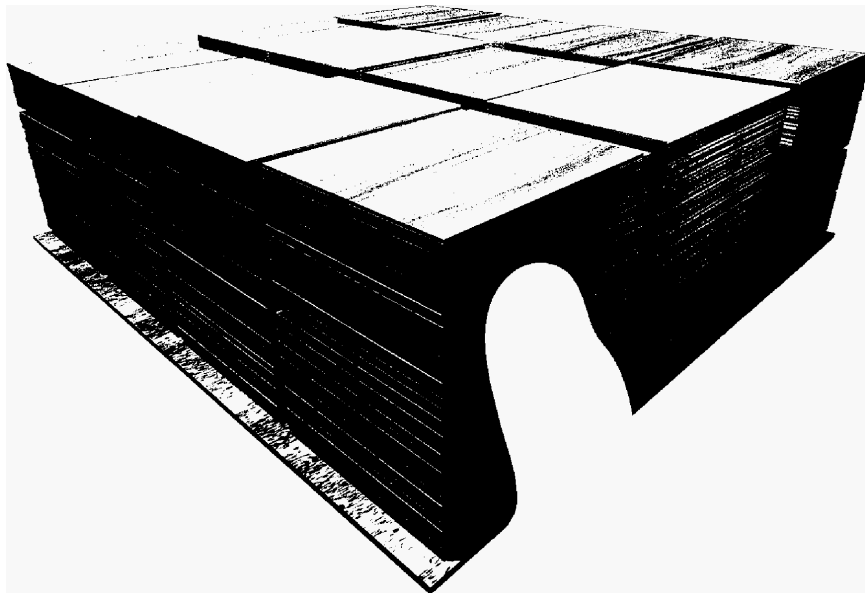
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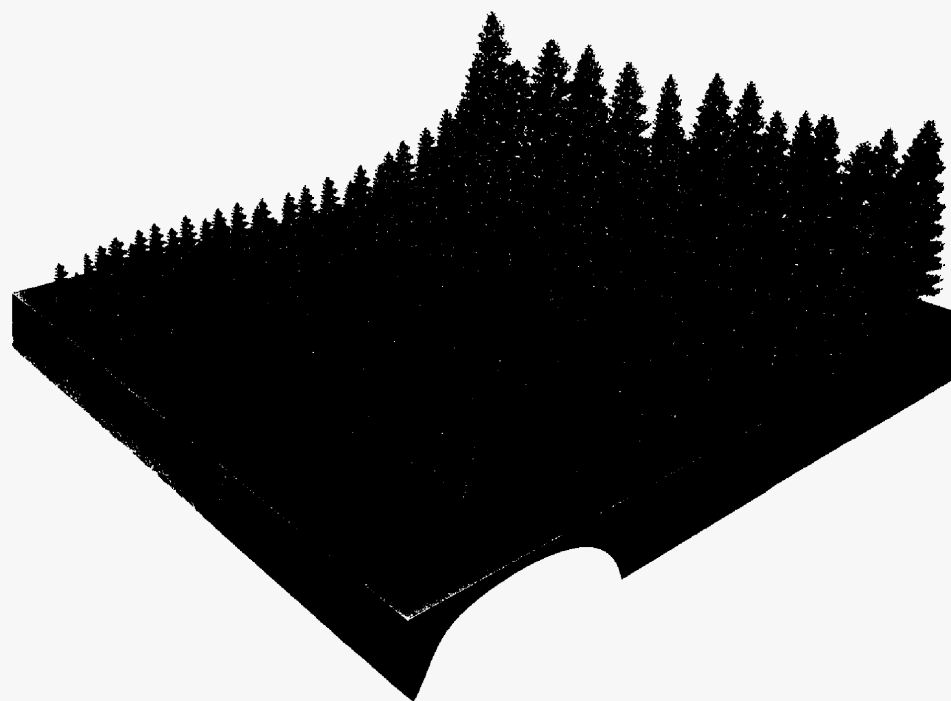
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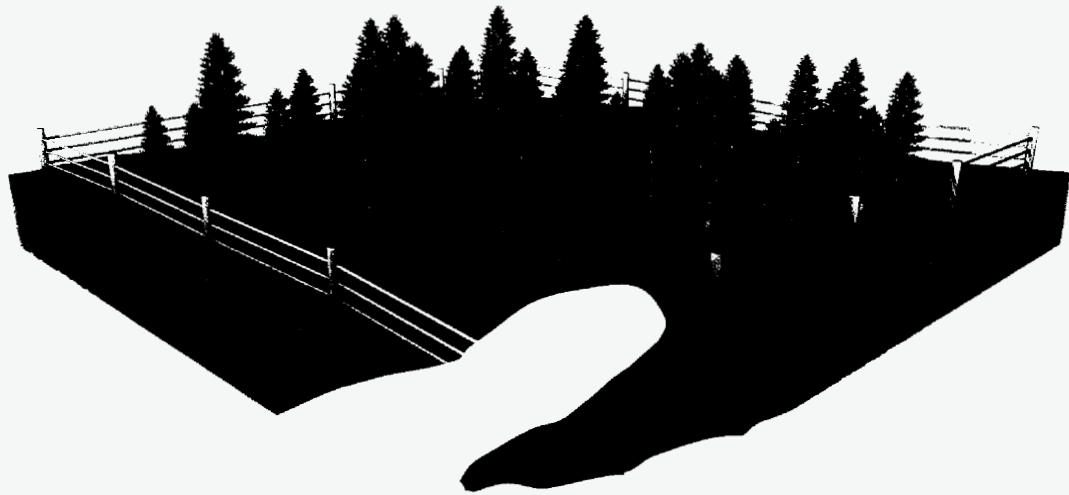


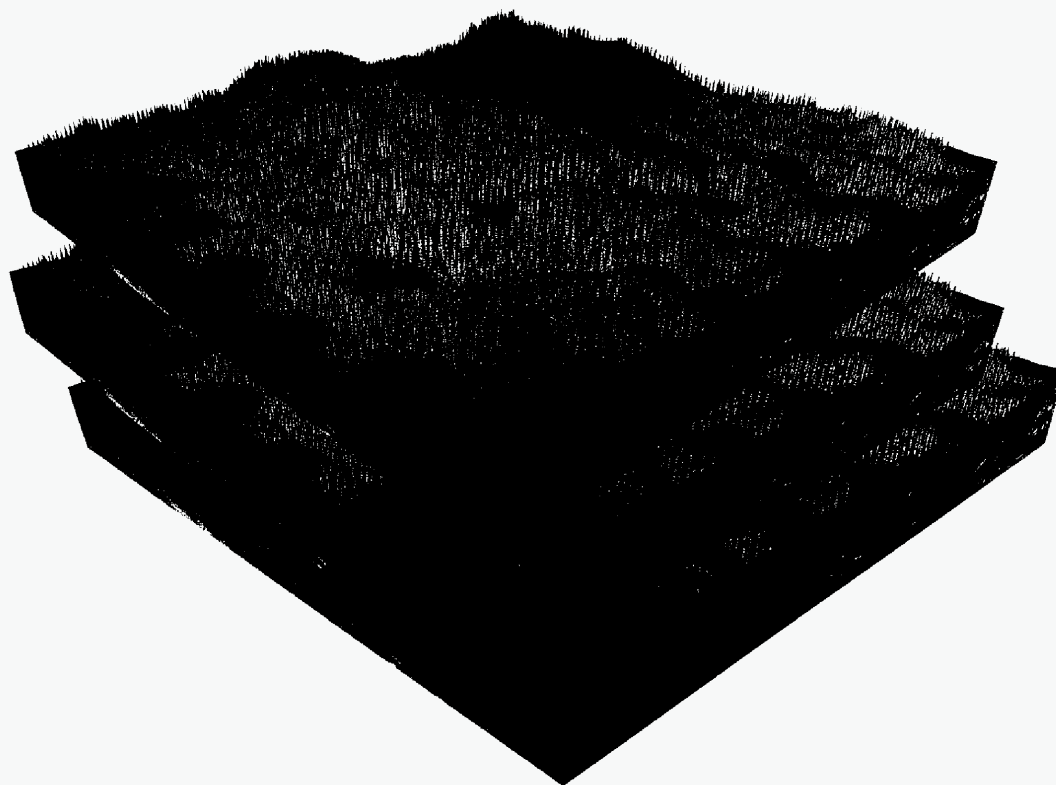
WE GENERATE
STRONG CASH FLOW



PLUM CREEK^{PCL}

W/ PROTECT
SHAREHOLDER VALUE





PLUM CREEK^{PCL}



**Plum Creek
Executive
Committee.**

(From left to right)

Thomas M. Lindquist
Executive Vice President

Barbara L. Crowe
Vice President
Human Resources

Rick R. Holley
President and Chief
Executive Officer

James A. Kraft
Senior Vice President, General
Counsel and Secretary

Michael J. Covey
Executive Vice President

Joan K. Fitzmaurice
Vice President, Audit and
Financial Services

William R. Brown
Executive Vice President and
Chief Financial Officer

Q

Answer:

Plum Creek's nine-member board of directors is a group of experienced business and academic leaders with diverse backgrounds. The group is comprised of eight independent outside directors and one inside director, Rick Holley. Only independent directors serve on the committees of the board. Additionally, the chairman and chief executive officer roles are separate.

At Plum Creek, we have long understood that our reputation, in terms of the quality of our financial reporting, our environmental stewardship, and our relationships with shareholders, employees, and customers, is an important asset.

Plum Creek is committed to maintaining its position at the vanguard of good corporate governance. We encourage our shareholders to view the various charters and guidelines that are the foundation of Plum Creek's corporate governance practices on our website at www.plumcreek.com.

Answer:

Careful capital allocation is critical to the company's ability to maximize the value of your investment. At any given time, we evaluate debt reduction, discretionary capital investment, timberland acquisitions, and share repurchase with the goal of using the cash generated by the company to the best benefit of shareholders.

Maintaining a conservative balance sheet remains a top priority. With a comfortable balance sheet established, we have the financial flexibility to pursue a number of potentially attractive investments. These include the acquisition of financially attractive timberlands and discretionary capital investment that improves the health, growth, and yield of our forests.

From time to time, there may be opportunities to purchase Plum Creek stock at a significant discount to its underlying value. During those periods, we view share repurchase as an excellent opportunity to invest in quality timberlands and increase our shareholders' proportionate interest in the company.

Answer:

Plum Creek has a long history of providing attractive total shareholder returns through a balance of current dividend income and capital appreciation. We believe this is appropriate, given the cash-generating capability of our assets and their record of long-term capital appreciation.

We also believe that one of the most transparent and direct ways of delivering shareholder value is through the payment of a reliable and attractive dividend. Plum Creek's board of directors, in its sole discretion, determines the amount and timing of the dividends paid to our shareholders based on a number of factors. As we've said, sustainable cash flow growth is a primary management objective. As sustainable cash flow from our core businesses grows, the dividend should grow as well.

Answer:

Most of Plum Creek's taxable income is generated by the sale of standing timber, a long-term capital asset. As such, Plum Creek generates long-term capital gain income from the sale of its timber and that tax characterization flows through to our shareholders.

Our U.S. shareholders benefit from the tax characterization and the low capital gains tax rate (15% for most stockholders). This tax treatment is clearly stated on our shareholders' IRS Form 1099-DIV each year. Historic tax treatment of the company's dividends can be found under "REIT Tax Information" on the Investor section of our website at www.plumcreek.com.

Answer:

Plum Creek is committed to being a steward of the environment as well as a steward of our shareholders' capital. We believe doing an excellent job at both is not mutually exclusive.

Our sustainable forestry practices confirm this commitment. Our approach to sustainable forestry is guided by the Sustainable Forestry Initiative® (SFI). The SFI program is led by the independent Sustainable Forestry Board that consists of representatives from government agencies, the environmental community, forest products companies, and others.

The SFI program combines the perpetual growing and harvesting of trees with the long-term protection of wildlife, plants, soil, and water quality. During 2002, the company completed third-party SFI audits on all its properties in Idaho, Maine, and Montana. By the end of 2004, all of the company's timberlands will be third-party certified to this standard.

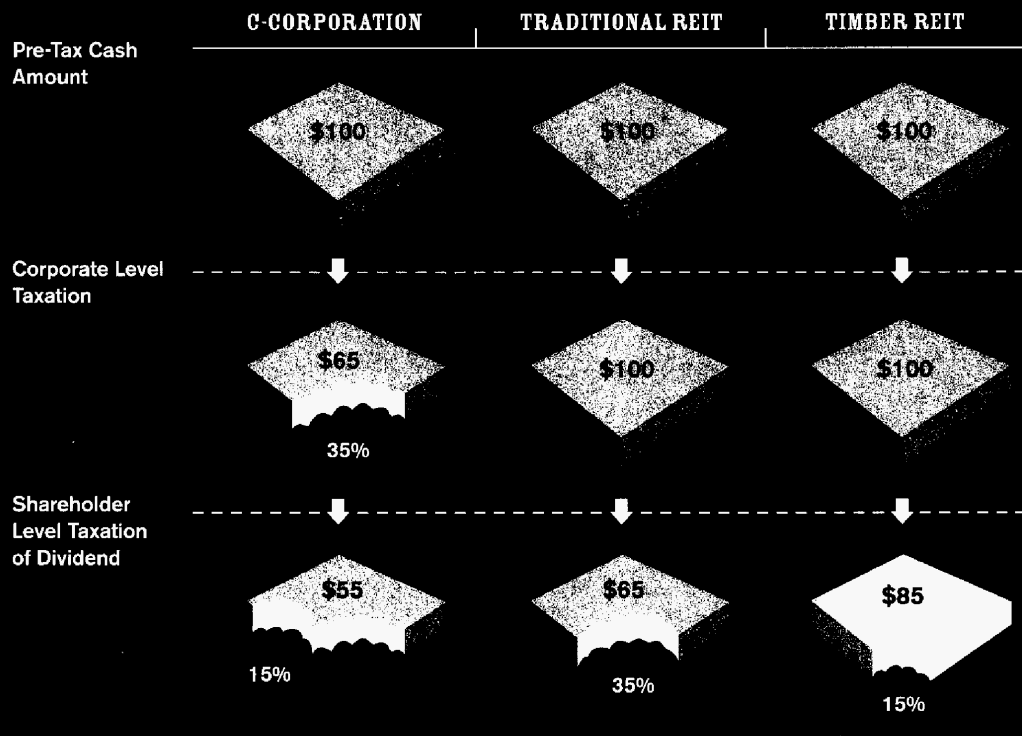
Plum Creek's environmental managers have more than 100 years of cumulative professional experience in watershed, wildlife, and fisheries science. This experience has helped place us at the forefront of the habitat conservation planning movement. Our lands support many species of national concern including grizzly bears, spotted owls, red-cockaded woodpeckers, and salmon. Today, we manage approximately 1.9 million acres of timberland under five conservation agreements with various state and federal agencies, protecting hundreds of species.

AN ESPECIALLY TAX-EFFICIENT STRUCTURE

Benefits of a Timber REIT

Most of Plum Creek's income is created by the sale of standing timber, a long-term capital asset, so our income is characterized as long-term capital gains. As a result, Plum Creek's unique timber REIT structure results in a highly tax-efficient dividend paid to our shareholders. Here's how:

01. Plum Creek has more cash available to distribute to shareholders. Unlike regular C-corporations, a REIT's income is taxed only once, at the shareholder level, rather than twice, at both the shareholder level and the corporate level.
02. Plum Creek's shareholders keep more of their dividend. Unlike typical REITs, Plum Creek's income is considered long-term capital gains, not ordinary income. This is significant because capital gains are taxed at a substantially lower rate (now 15%), rather than the higher ordinary income rate applied to most REIT dividends.
03. Plum Creek has a number of fully consolidated taxable REIT subsidiaries. These taxpaying subsidiaries conduct manufacturing, real estate, and natural resource activities.



Assumes corporate level taxes at 35%. Assumes marginal shareholder tax rates of 35% for ordinary income, and 15% for capital gains and qualifying C-corporation dividends. Corporate and shareholder state income tax impact not considered. Traditional REIT and timber REIT examples do not consider the impact of taxable income generated by their taxable REIT subsidiaries.

RETHINKING TRADITIONAL BUSINESS MODELS

Examining the Timber Thesis

Plum Creek's assets are unlike those in more familiar businesses such as manufacturing. Because of the unique nature of our timber assets, our business model has unique value creation advantages over traditional business models. Here's how:

01. Plum Creek's cash flow is built on a sustainable long-term harvest and increasing timber inventory. Our business is based on owning and managing unique assets; a diverse and sizeable amount of land and timber. The age and growth of our timber assets allow us to manage them so that every year we grow more volume than we harvest. So, over time, our standing timber inventory grows and ultimately our harvest grows.
02. Plum Creek's assets appreciate—instead of depreciate—in value. The volume and value of our standing
- inventory grows over time while the underlying land assets appreciate. This stands in sharp contrast to traditional business models with depreciating assets.
03. Plum Creek has the option to bring product to market when values are high. Because larger trees are more valuable on a per unit basis, Plum Creek managers have the option of reducing harvests in weak markets. The trees continue to grow, increasing in volume and value. The choice simply defers income to a later, more advantageous time.

Service Business

AIRPLANE



EMPTY SEATS



LOSS OF INCOME



Product Business

CONSUMER GOODS



STANDING INVENTORY



LOSS OF INCOME



Timber Business

PLUM CREEK



GROWING TREES



INCREASED VALUE



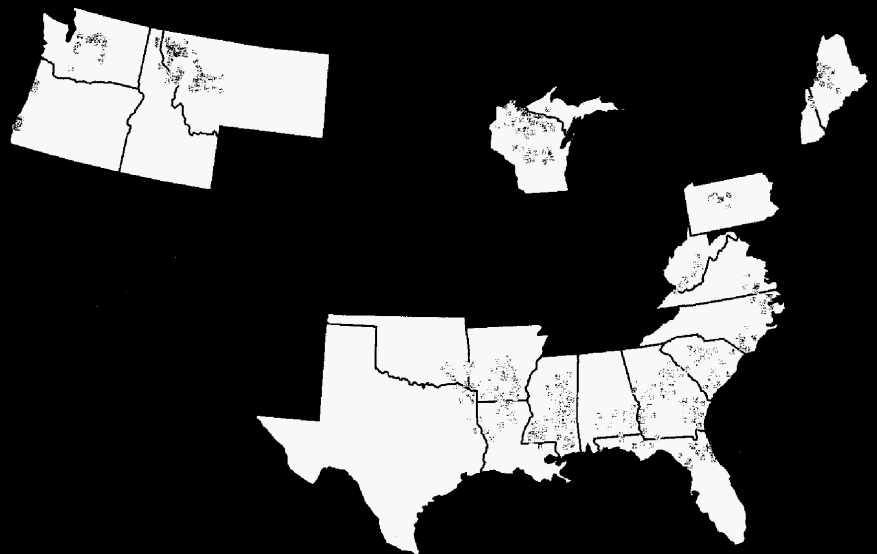
DISTRIBUTION OF 2003 U.S. ACREAGE

8,060,000 Acres in 21 States

We are one of the largest and most geographically diverse landowners in the nation, with over 8 million acres in 21 states.

Alabama	103,000	North Carolina	80,000
Arkansas	919,000	Oklahoma	135,000
Florida	581,000	Oregon	285,000
Georgia	913,000	Pennsylvania	32,000
Idaho	39,000	South Carolina	218,000
Louisiana	539,000	Texas	50,000
Maine	880,000	Virginia	44,000
Michigan	3,000	Washington	191,000
Mississippi	864,000	West Virginia	225,000
Montana	1,405,000	Wisconsin	522,000
New Hampshire	32,000		
		TOTAL	8,060,000

U.S. Map



2003

PLUM CREEK	Annual Report	Form 10-K
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Form 10-K

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

David D. Leland

Chairman of the Board
Plum Creek Timber Company, Inc.

Rick R. Holley

Director and President and Chief Executive Officer
Plum Creek Timber Company, Inc.

Ian B. Davidson

Chairman of the Board
Davidson Companies, the holding company of D.A. Davidson & Co., a brokerage firm

Robin Josephs

Managing Director
Ropasada, L.L.C., a private investment firm

Professor John G. McDonald

IBJ Professor of Finance
Graduate School of Business
Stanford University

Hamid R. Moghadam

Chairman of the Board and Chief Executive Officer
AMB Property Corporation, a real estate investment trust focusing on high throughput distribution properties

John H. Scully

Managing Director
SPO Partners & Co., a private investment firm

Stephen C. Tobias

Vice Chairman and Chief Operating Officer
Norfolk Southern Corporation, a rail transportation company

Carl B. Webb

Director
Plum Creek Timber Company, Inc.

EXECUTIVE OFFICERS

Rick R. Holley

President and Chief Executive Officer

William R. Brown

Executive Vice President and Chief Financial Officer

Michael J. Covey

Executive Vice President

Thomas M. Lindquist

Executive Vice President

James A. Kraft

Senior Vice President, General Counsel and Secretary

David A. Brown

Vice President, Controller

Barbara L. Crowe

Vice President, Human Resources

Joan K. Fitzmaurice

Vice President, Audit and Financial Services

David W. Lambert

Vice President, Treasurer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-10239

PLUM CREEK TIMBER COMPANY, INC.
(Exact name of registrant as specified in its charter)

Organized in the State of Delaware

I.R.S. Employer Identification No.
91-1912863

999 Third Avenue, Suite 4300
Seattle, Washington 98104-4096
Telephone: (206) 467-3600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ☒ No ☐

The aggregate market value of the voting common stock held by non-affiliates based on the closing sales price on June 30, 2003 was \$4,733,707,811. For this calculation, all executive officers, directors and stockholders owning more than 5% of the outstanding common stock have been deemed affiliates. Such determination should not be deemed an admission that such executive officers, directors and stockholders are, in fact, affiliates of the registrant.

The number of outstanding shares of the registrant's common stock as of February 20, 2004 was 183,169,116.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated:

Portions of the Proxy Statement for registrant's 2004 Annual Meeting of Shareholders to be held on May 4, 2004, are incorporated by reference into Part III of this Annual Report on Form 10-K.

PLUM CREEK TIMBER COMPANY, INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2003

TABLE OF CONTENTS

PART I

Item 1.	Business	1
Item 2.	Properties	14
Item 3.	Legal Proceedings	14
Item 4.	Submission of Matters to a Vote of Security Holders	14

PART II

Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	17
Item 6.	Selected Financial Data	19
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	48
Item 8.	Financial Statements and Supplementary Data	49
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	95
Item 9A.	Controls and Procedures	95

PART III

Item 10.	Directors and Executive Officers of the Registrant	96
Item 11.	Executive Compensation	96
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	96
Item 13.	Certain Relationships and Related Transactions	96
Item 14.	Principal Accountant Fees and Services	96

PART IV

Item 15.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	97
	Index to Exhibits	98

Note: The exhibits to Plum Creek's Annual Report Form 10-K as filed with the Securities and Exchange Commission are not included with this document. These exhibits can be viewed on the Securities and Exchange Commission's website at www.sec.gov.

PART I

When we refer to “we”, “us”, “our”, “the company” or “Plum Creek” we mean Plum Creek Timber Company, Inc. and its consolidated subsidiaries and its predecessor, Plum Creek Timber Company, L.P.

On October 6, 2001, we merged with The Timber Company, formerly a separate operating division of Georgia-Pacific Corporation. This merger was accounted for as a reverse acquisition. Accordingly, the historical financial statements of The Timber Company became our historical financial statements for accounting and financial reporting purposes.

ITEM 1. BUSINESS

AVAILABLE INFORMATION

The company’s Internet website is accessible to the public at www.plumcreek.com. Information about the company, including the company’s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are made available free of charge through our Internet website as soon as reasonably practicable after such reports have been filed with, or furnished to, the United States Securities and Exchange Commission.

INDUSTRY OVERVIEW

GENERAL

The timber industry provides raw material and conducts resource management activities for the paper and forest products industry, including the planting, fertilizing, thinning, and cutting of trees and the marketing of logs. Logs are marketed and sold either as sawlogs to lumber and other wood products manufacturers or as pulplogs to pulp and paper manufacturers. The timber industry possesses several unique characteristics that distinguish it from the broader paper and forest products industry, which we believe makes timber an attractive asset class, including the following:

Renewable Resource. Timber is a growing and renewable resource that, when properly managed, increases in volume and value as it grows over time. Larger diameter trees command a higher price than smaller trees because they may be converted to higher value end-use products such as lumber and plywood.

Predictable and Improving Growth Rates. Predictable biological growth is an attractive feature of timberland assets because it contributes to predictable, long-term harvest planning. The development and application of intensive forest management practices continue to improve biological growth rates.

Harvest Flexibility. Timberland owners have some flexibility to increase their harvests when prices are high and decrease their harvests when prices are low, allowing timberland owners to maximize the long-term value of their growing resource base.

Historical Real Price Appreciation. Due to growing demand combined with limitations on supply caused by environmental restrictions, urban sprawl and overcutting, prices for Douglas-fir and Southern Yellow Pine timber have exhibited a compound annual growth rate of approximately 4% and 3%, respectively, from 1975 through 2003.

SUPPLY AND DEMAND DYNAMICS

There are five primary end-markets for most of the timber harvested in the United States: products used in new housing construction; products used in the repair and remodeling of existing housing; products for industrial uses; raw material for the manufacture of pulp and paper; and logs for export.

Supply. Timber supply can fluctuate based upon a variety of factors.

The supply of timber is limited, to some extent, by the availability of timberlands. The availability of timberlands, in turn, is limited by several factors, including government restrictions relating to environmental regulation and land use, alternate uses such as agriculture, and loss to urban or suburban real estate development. The large amounts of capital and long time required to create new timberlands also limits timber supply.

Over the long-term, timber supply increases when modern forestry techniques increase productivity of timberlands and when some marginal agriculture lands revert to timberlands or are planted to forests for conservation purposes. In certain regional markets, log supply can expand when log imports increase relative to log exports.

Demand. The demand for timber is directly related to the underlying demand for pulp and paper products, lumber, panel and other wood related products. The demand for pulp and paper is largely driven by population growth and per-capita income levels. The demand for lumber and manufactured wood products is affected primarily by the level of new residential construction activity and repair and remodeling activity, which, in turn, is impacted by changes in general economic and demographic factors, including interest rates for home mortgages and construction loans. The demand for United States timber is impacted by the amounts of lumber and other wood products that are imported into the United States. A significant factor determining the volume of wood products shipped into the United States by foreign producers is currency valuation shifts as well as tariffs and quotas.

OUR BUSINESS

We are the second largest private timberland owner in the United States, with 8.1 million acres of timberlands located in 21 states. Our timberlands are well diversified, not only geographically but also by species mix and age distribution. Growth rates vary depending on species, location, age and forestry practices. We manage our timberlands in two business segments: the Northern Resources Segment, consisting of timberlands primarily in Idaho, Maine, Michigan, Montana, New Hampshire, Oregon, Pennsylvania, western Virginia, Washington, West Virginia and Wisconsin; and the Southern Resources Segment, consisting of timberlands primarily in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and eastern Virginia. In addition, our Other Segment includes our natural resource businesses that focus on opportunities resulting from our extensive property ownership including opportunities relating to mineral extraction, natural gas production and communication and transportation rights of way. The Real Estate Segment, which is partially conducted through our taxable REIT subsidiaries, refers to our sale and management of higher and better use timberlands and the sale of non-strategic timberlands.

Our Manufactured Products Segment, also conducted through our taxable REIT subsidiaries, includes four lumber mills, two plywood plants, two medium density fiberboard ("MDF") facilities, and two lumber remanufacturing facilities. These facilities, strategically located near our timberlands in Montana and Idaho, convert logs to lumber, plywood and other wood products, and convert chips, sawdust and wood shavings to MDF. The Manufactured

Products Segment also has established a network of nation-wide field inventory points where inventory is held for customers at either independent public warehouses or on consignment at customer distribution centers.

OUR VALUE GROWTH STRATEGY

Our value growth strategy is guided by specific operating objectives, including maximizing the value of our current timberlands through intensive forest management and optimizing our resource base through acquisitions and divestitures, and practicing environmentally responsible resource stewardship. Our value growth strategy includes the following key elements:

Focus on Maximizing the Value of Our Resource Base Through Intensive Management of Our Timberlands. We view our core timber resource base as a renewable asset with substantial inherent value. We seek to manage our timberlands in a manner that optimizes the balance among current cash flows, the biological growth of our timber and prudent environmental management. Our management approach employs advanced forest management practices, including the use of a computerized timber inventory system, thinning and fertilization, and the development and use of genetically improved seedlings. Tree growth rates vary from region to region because of differences in weather, climate and soil conditions. Newly-planted seedlings take 20 to 30 years to reach harvest maturity in the Southern United States, 45 to 60 years in the Northwestern United States, 45 to 70 years in the Northeastern United States and 70 to 90 years in inland regions of the Western United States, depending on the desired product.

Pursue Acquisitions of High Quality Timber Assets. The United States timber market is highly fragmented. We believe that there will continue to be numerous timberland acquisition opportunities due to the desire among some paper and forest product companies to sell their timberland assets and the difficulties faced by some small timberland owners in efficiently managing their timberlands. We believe we are well positioned to compete for high quality timberland assets because:

- We are an attractive strategic partner for integrated forest products companies seeking to sell their timberlands because we do not compete with their pulp or paper manufacturing operations and we are willing to enter into long-term supply agreements;
- We can structure acquisitions on a tax-efficient basis through the issuance of common stock, limited partnership interests in our operating partnership, or installment notes, giving sellers the ability to defer some or all of the taxes otherwise payable upon a sale;
- The geographic reach of our operations enhances our awareness of new acquisition opportunities and our knowledge of environmental concerns, market dynamics, timber productivity and other factors important in valuing timberlands and operations in each region;
- Our reputation for prudent environmental management makes us attractive to sellers concerned with continued environmentally responsible forest management; and
- We maintain a conservative capital structure, which provides the flexibility to ensure ready access to capital.

Our disciplined acquisition strategy has allowed us to expand and diversify our timber holdings, as well as increase our cash flow. Since 1989, we have increased our timber holdings from 1.4 million acres to 8.1 million acres. These acquisitions have enhanced our operating flexibility and reduced our exposure to regional timber market fluctuations. Our strategy is to continue to make strategic acquisitions that are accretive to cash flow.

Realize the Value of Selected Properties Through Sale or Exchange. At the same time that we pursue timberland acquisitions, we continually review our timberland portfolio to identify properties that are no longer strategic to our long-term timberland operations or that may have higher and better uses other than as commercial timberlands. We estimate that included in the company's 8.1 million acres of timberlands are 1.35 million acres of higher and better use timberlands and 1.4 million acres of non-strategic timberlands. The higher and better use timberlands are expected to be sold over the next 15 years for conservation, residential or recreational purposes. Approximately half of the non-strategic timberlands are expected to be sold in large blocks over the next two years. The other half of the non-strategic timberlands, which are generally in smaller tracts, is expected to be sold over the next five to ten years. In the meantime, these timberlands continue to be used productively in our business of growing and selling timber. Our ongoing review process evaluates properties based on a number of factors such as proximity to population centers and major transportation routes, and the presence of special ecological or geographic features.

We may sell or exchange timberlands that have high environmental or other public values and reinvest in timberlands that are more suitable for commercial timber management. In addition, we may sell conservation easements that limit development rights, but ensure that the timberlands will be maintained as a working forest in perpetuity. We may also sell or exchange less strategic timberlands to other forest products companies or non-industrial investors.

Capture the Value of Non-timber Resources on Our Properties. As part of our resources business, we focus on realizing the maximum value potential of our extensive property ownership, including opportunities relating to mineral extraction. Our strategy involves forming strategic alliances with industry specific leaders to identify and pursue such opportunities, as well as securing participation rights in resulting development projects.

Practice Responsible Environmental Forestry. We believe that environmentally sound management practices contribute to our growth in value by providing greater predictability in the management of our assets. Our forestry practices follow the principles of the Sustainable Forestry Initiative® program which are aimed at the sound management of all natural resources, including soils, air, watersheds, fisheries and wildlife habitats. These principles are reflected in our habitat planning efforts, which have led to the implementation of five major habitat conservation agreements under which we manage approximately 1.9 million acres of our timberlands. Our manufacturing practices follow a set of internally developed environmental principles. See "Federal and State Regulations" below.

ACQUISITIONS AND DISPOSITIONS

During the third and fourth quarter of 2003, we acquired 139,000 acres of timberlands located primarily in South Carolina, Arkansas and New Hampshire for approximately \$162 million. The Southern timberlands are dominated by mature loblolly pine plantations. The New Hampshire timberlands contain both softwood and mixed hardwood stands.

During the fourth quarter of 2002, we acquired 307,000 acres of timberlands located primarily in Wisconsin for approximately \$141 million. These timberlands contain a diversified mix of tree types and age profiles, including mature mixed hardwood stands, mixed natural conifer stands, and hardwood and conifer plantations.

On October 6, 2001, six former subsidiaries of Georgia-Pacific Corporation, collectively referred to as "The Timber Company", merged with and into Plum Creek ("The Timber Company Merger"). The Timber Company held all of

the assets and liabilities attributed to Georgia-Pacific's timber and timberland business. In the merger, we acquired approximately 3.9 million acres of primarily pine forests in the southern regions of the United States, 287,000 acres of primarily Douglas-fir forests in Oregon and 542,000 acres of mixed hardwood forests in the Appalachian and northeastern regions of the United States for a purchase price of approximately \$3.4 billion.

Prior to The Timber Company Merger, Plum Creek disposed of certain of its timberlands. These dispositions are not reflected in the company's historical financial statements because the merger was accounted for as a reverse acquisition and the historical financial statements of The Timber Company became the historical financial statements of Plum Creek effective as of October 6, 2001.

On March 29, 2001, Plum Creek sold 44,000 acres of timberlands near Kelso, Washington to Pope Resources, a Delaware Limited Partnership, for approximately \$54 million.

On December 15, 2000, Plum Creek sold its Southern lumber manufacturing operations in Joyce, Louisiana and Huttig, Arkansas to West Fraser (South) Inc. for \$60 million plus working capital. In January 2000, Plum Creek sold 90,000 acres of timberlands near St. Maries, Idaho to Crown Pacific Partners, L.P. for approximately \$73 million.

During 1999, The Timber Company sold approximately 1 million acres of timberlands for \$442 million in three separate transactions. These transactions included 390,000 acres of timberlands in the Canadian province of New Brunswick, 440,000 acres of timberlands in Maine, and 194,000 acres of timberlands in California.

On July 1, 1999, Plum Creek Timber Company, L.P. converted from a master limited partnership to a corporation. Plum Creek Timber Company, Inc., the new corporation and successor registrant, has elected to be treated for federal income tax purposes as a real estate investment trust or "REIT". As of the date of the REIT conversion, Plum Creek Timber Company, L.P. ceased to exist. To qualify as a REIT, substantially all assets and associated liabilities related to our manufacturing operations and harvesting activities, and some higher and better use timberlands, were transferred to several unconsolidated corporate subsidiaries. In late 1999, Congress simplified several of the qualification requirements applicable to REITs, including the circumstances under which a REIT may own the voting stock of entities that do not generate qualified REIT income. Accordingly, on January 1, 2001, Plum Creek purchased the voting stock of the unconsolidated subsidiaries and thereby consolidated the equity ownership in these business entities.

SEGMENT INFORMATION

Certain financial information for each business segment is included in Note 15 of the Notes to Financial Statements and is incorporated herein by reference.

NORTHERN RESOURCES SEGMENT

As of December 31, 2003, the Northern Resources Segment encompassed 3.7 million acres of timberlands in Idaho, Maine, Michigan, Montana, New Hampshire, Oregon, Pennsylvania, western Virginia, Washington, West Virginia and Wisconsin, and contained an estimated 132 million tons (44 million cunits) of standing timber. Consistent with industry practices in the North, Plum Creek's estimated inventory of standing timber includes deductions for visible and hidden defect. Furthermore, Plum Creek's estimated inventory includes volumes in environmentally sensitive areas, where we defer harvest until conditions permit the removal of trees without adversely affecting the environment.

Logs harvested in the Northern Resources Segment are sold predominately to domestic mills. To a lesser extent, the company exports logs to Canada and to other countries of the Pacific Rim. Competitors in the domestic log market include the United States Forest Service, the Bureau of Land Management, the Bureau of Indian Affairs, the British Columbia Ministry of Forests, and numerous private individuals, domestic and foreign industrial timberland owners, and state agencies located in the regions in which we operate. Competitors in export log markets include numerous private timberland owners in the United States, as well as companies and state-controlled enterprises in Canada, Chile, New Zealand, and Russia, all of which have abundant timber resources. In the Northern Resources Segment, domestic wood and fiber consuming facilities tend to purchase raw materials within a 200-mile radius due to transportation costs. Competitive factors within a market area generally will include price, species and grade, quality, proximity to wood consuming facilities and the ability to consistently meet customer requirements. We compete based on our reputation as a stable and consistent supplier of well-merchandised, high-quality logs, and on price.

In 2002, we entered into a three-year pulpwood fiber supply agreement with Stora Enso North America Corp. in connection with our acquisition of 307,000 acres of timberlands located primarily in Wisconsin. Under the agreement, which expires December 31, 2005, we supply specified quantities of fiber at prevailing market prices to Stora's paper mills. In connection with our acquisition of the Maine timberlands in 1998, we entered into a long-term agreement to supply pulpwood fiber to S.D. Warren Company's paper facility in Skowhegan, Maine at prevailing market prices. The fiber supply agreement ends in 2023 and may be extended up to an additional 15 years at the option of S.D. Warren Company. In 2003, we renewed a sourcing agreement with Stimson Lumber Company to supply logs to Stimson's Montana mills, based upon prevailing market prices, over a three-year period ending at December 31, 2006. The long-term supply agreements may restrict our ability to sell lands in certain areas within our Northern Resources Segment.

SOUTHERN RESOURCES SEGMENT

As of December 31, 2003, the Southern Resources Segment consisted of 4.4 million acres of timberlands (including 350,000 acres of leased land) located in the states of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and eastern Virginia, and contained an estimated 165 million tons (47 million cunits) of standing timber. Consistent with industry practices in the South, Plum Creek's estimated inventory of standing timber includes deductions for visible defect. Furthermore, Plum Creek's estimated inventory includes volume in environmentally sensitive areas, where we defer harvest until conditions permit the removal of trees without adversely affecting the environment.

Logs in the Southern Resources Segment are sold to third party mills producing a wide array of forest products, including manufacturers of lumber, plywood, oriented strand board, and pulp and paper products. We compete with numerous private and industrial timberland owners, as well as federal and state agencies, across the Southern United States. Due to transportation costs, domestic wood and fiber consuming facilities in the Southern Resources Segment tend to purchase raw material within a 100-mile radius. Competitive factors within our Southern Resources Segment include price, species, grade, quality, proximity to wood consuming facilities and the ability to consistently meet customer requirements. We compete based on our reputation as a stable and consistent supplier of well-merchandised, high-quality logs, and on price.

In connection with The Timber Company Merger, our Southern Resources Segment entered into a long-term agreement to sell timber to Georgia-Pacific at prevailing market prices. The supply agreement expires in 2010

subject to an automatic 10-year renewal period, unless either party delivers a timely termination notice. In connection with Plum Creek's December 2000 sale of its Southern lumber facilities to West Fraser (South) Inc., Plum Creek entered into a long-term agreement to supply logs to these mills at prevailing market prices. The supply agreement expires in 2015 and may be renewed for five-year periods thereafter upon mutual consent of both parties. Additionally, in connection with Plum Creek's acquisition of 538,000 acres of timberlands in Louisiana and Arkansas from Graphic Packaging Corporation (formerly Riverwood International Corporation) in 1996, Plum Creek entered into a long-term agreement to supply pulp logs at prices that are based upon prevailing market prices. The supply agreement ends in 2016 and can be extended up to an additional 10 years by either party. We expect that our long-term supply agreements with Georgia-Pacific, Graphic Packaging Corporation and West Fraser (South) Inc. will provide us with ongoing secure markets for a substantial portion of the wood fiber harvested from our Southern Resources Segment timberlands. The long-term supply agreements may restrict our ability to sell lands in certain areas within our Southern Resources Segment.

REAL ESTATE SEGMENT

We estimate that included in the company's 8.1 million acres of timberlands are 1.35 million acres of higher and better use timberlands and 1.4 million acres of non-strategic timberlands. The higher and better use timberlands are expected to be sold over the next 15 years for conservation, residential or recreational purposes. Approximately half of the non-strategic timberlands are expected to be sold in large blocks over the next two years. The other half of the non-strategic timberlands, which are generally in smaller tracts, is expected to be sold over the next five to ten years. In the meantime, these timberlands continue to be used productively in our business of growing and selling timber.

From time to time, we transfer timberlands to wholly owned taxable REIT subsidiaries that may pursue various pre-development activities such as entitlement or zoning to prepare a property for an eventual sale.

We compete with numerous sellers of land in hundreds of local markets. Our sales tend to be tracts of 10 acres or more, with many transactions in excess of 1,000 acres, and occasional transactions exceeding 10,000 acres.

MANUFACTURED PRODUCTS SEGMENT

Lumber. We produce a diverse line of softwood lumber products, including common and select boards, studs, edge-glued boards and finger-jointed studs. Lumber products manufactured in our two studmills, two random-length board mills, and remanufacturing facility in western Montana, along with our remanufacturing facility in Idaho, are targeted to domestic lumber retailers, such as retail home centers, for use in repair and remodeling projects. These products are also sold to stocking distributors for use in home construction.

Competition in our lumber markets is based on price and quality and, to a lesser extent, the ability to meet delivery requirements on a consistent long-term basis and to provide specialized customer service. We compete in domestic lumber markets with many United States, Canadian and European producers. In the past few years, Canadian and European lumber producers have increased their penetration into the United States market due to their lower wood fiber costs and favorable exchange rates. This trend abated by the end of 2003, however, as the U.S. dollar declined in comparison to Canadian and European currencies. The lumber market is also subject to competition from substitute products, such as products made from engineered wood composites, fiber/cement composites, plastics and steel.

Our lumber and plywood mills produce residual wood chips, sawdust and planer shavings as by-products of the conversion of logs into finished products. The wood chips are sold to regional paper and pulp mills or used in our MDF facilities, which also consume the sawdust and shavings. A substantial portion of our residual wood chip production is sold to Smurfit Stone Container Corporation under a long-term supply agreement, which expires on February 28, 2006.

Plywood. Our two plywood plants in western Montana produce high-grade softwood plywood that we sell primarily into domestic specialized industrial markets, including boat, recreational vehicle, transportation and concrete forming applications. Our plywood products are generally of higher quality than commodity construction grade products and generally command higher prices in these specialty markets. While some plywood products are sold directly to large industrial customers, the majority is sold via stocking wholesale distributors. We also export 5 to 10% of our plywood to Canada. See “Lumber” above for a discussion of residual wood chips.

Competition within the plywood market is based primarily on price and quality and, to a lesser extent, the ability to offer a full line of products and meet delivery requirements on a consistent, long-term basis. The domestic plywood market is characterized by numerous large and small producers and is also subject to competition from oriented strand board, a less expensive substitute wood product used primarily in commodity construction markets. Oriented strand board continues to capture an increasing percentage of the North American structural panel market due to its low cost. Oriented strand board has now captured over 57% of the structural panel market, and this percentage is expected to increase over the next several years as additional oriented strand board plants are built or existing facilities are expanded. This trend has forced closure of marginal plywood capacity over the past several years. To improve operating performance, some commodity plywood manufacturers have refocused their products toward the specialty plywood market, resulting in increased competition in the markets we serve. Recently, competition from imported South American plywood has also impacted the high-grade sanded plywood market. We expect to remain competitive due to our strong customer base, extensive experience in industrial markets, supply of superior quality timber, and reputation for high quality products.

Medium Density Fiberboard. In October of 2001, we commenced operation of a new \$80 million thin-board production facility adjacent to our existing medium density fiberboard (“MDF”) facility in western Montana. This new thin-board line, which complements our existing product line, has a capacity of 95 million square feet annually and increases our overall capacity by 70% to approximately 230 million square feet. During 2002, the two lines combined produced approximately 178 million square feet of MDF. During 2003, the two lines produced approximately 198 million square feet. In 2004, we expect to run both lines near full production capability. We supply high quality MDF to a wide range of customers throughout North America. Some of the more common uses for our MDF include furniture and cabinet components, architectural moldings, doors, store fixtures, core material for hardwood plywood, commercial wall paneling and substrate for laminate flooring.

Worldwide, the MDF industry has undergone dramatic growth in terms of productive capacity and demand for its products. Manufacturers compete on a global scale on the basis of price, quality, service and the availability of specialty products. Additionally, MDF is a ready substitute for solid wood, hardboard and plywood in specific applications. Competition in the North American MDF industry has continued to intensify due to increased imports from New Zealand, Asia and South America in spite of the U.S. dollar's recent weakening. In addition, the continuing shift of end product production to offshore manufacturing, as has been seen with certain types of furniture from China and moldings from South America, continues to negatively impact the North American MDF industry.

OTHER SEGMENT—NATURAL RESOURCES

As part of our natural resources business, we focus on realizing the maximum value potential of our extensive property ownership, including opportunities relating to mineral extraction, natural gas production, water rights and communication and transportation rights of way. This segment represents a diverse array of natural resource products and markets subject to widely varying forms and levels of competition. Our strategy, in part, involves forming strategic alliances with industry specific leaders to identify and pursue such opportunities, as well as securing participation rights in select development projects.

We currently receive royalty revenue from the extraction of oil, gas, coal and minerals from some of our lands. Since 2001, one of our taxable REIT subsidiaries has been a party to a joint operating agreement with Geomet, Inc., a coalbed methane developer, with whom we jointly explored for and developed coalbed methane gas found on certain of our lands in West Virginia and Virginia. During the first quarter of 2004, we entered into a binding agreement to sell our working interest in the joint operating agreement to Geomet, Inc. for \$27 million. The agreement also provides for contingent additional sales proceeds of up to \$3 million payable in 2008. The transaction is scheduled to close in the second quarter of 2004. We will retain our royalty interest in the project.

TIMBER RESOURCE MANAGEMENT AND ENVIRONMENTAL STEWARDSHIP

RESOURCE MANAGEMENT

We view our timberlands as assets with substantial inherent value. We strive to manage them in an economically prudent and environmentally responsible manner to enhance their value. We seek to enhance value by improving the productivity of our forests, controlling harvesting costs, and sorting and merchandising logs to obtain their highest value.

We use different management techniques in each of our regions, employing a variety of the most cost effective silvicultural methods available. We expect timber growth rates on our timberlands to continue to improve over time as a result of genetic advances in seedlings, intensive forest management practices such as thinning and fertilization, and the increasing proportion of our timberlands that are converted from natural forests to actively managed plantations. Technology and forest management advances have increased growth rates and shortened harvest cycles. We believe our focus on intensive management practices will enhance forest productivity and increase the value of our timberlands over time.

Value can be enhanced on younger timber stands through thinning operations. Value increases as trees grow and add wood volume more rapidly. Thinning a timber stand enables the healthier and potentially more valuable trees to grow more rapidly. As trees grow larger, they can be used in higher value applications such as high-grade lumber, plywood, and furniture. We also consider the impact of forest management activities on properties with potentially higher and better uses other than long-term timber production, and modify silviculture and harvest plans accordingly.

Intensive silvicultural applications, including the use of genetically improved seedlings, early and mid-rotation applications of fertilizers and chemicals to control plant competition, and pre-commercial thinning, will continue to enhance the growth and value of our timberlands. These projects improve not only the growth of the forests, but enhance the quality of the wood grown, reduce future harvesting costs, and shorten the length of harvest rotations.

It is our policy to ensure that every acre harvested is promptly reforested. Based on the geographic and climatic conditions of the harvest site, harvested areas may be regenerated naturally by leaving mature trees to reseed the area. Natural regeneration methods are used on a substantial portion of our timberlands in the Northern Resources Segment. In the Southern Resources Segment, substantially all reforestation is done by planting.

Forests are subject to a number of natural hazards, including damage by fire, insects and disease. Severe weather conditions and other natural disasters can also reduce the productivity of timberlands and disrupt the harvesting and delivery of forest products. While damage from natural causes is typically localized and would normally affect only a small portion of our timberlands at any one time, these hazards are unpredictable and losses might not be so limited. The size and diversity of our timberlands, together with our intensive forest management, should help to minimize these risks. Consistent with the practices of other large timber companies, we do not maintain insurance against loss to standing timber on our timberlands due to natural disasters, but we do maintain insurance for loss of already harvested logs due to fire and other occurrences. During 2003, a loss of \$4 million was recorded as a result of forest fires on approximately 45,000 acres of our timberlands in Montana.

ENVIRONMENTAL STEWARDSHIP

We practice environmentally responsible resource management. We adhere to the philosophy that environmentally sound management practices contribute to the company's growth in value by providing greater predictability in the management of its natural resource assets. Our practices follow the principles and objectives of the Sustainable Forestry Initiative® program ("SFISM"), which sets forth a comprehensive approach to responsible forest stewardship. The SFISM program principles, which can be found on the company's website at www.plumcreek.com, are designed to ensure that forest management is integrated with the conservation of soil, air and water resources, wildlife and fish habitat, and aesthetics.

Consistent with these principles, we have actively engaged in habitat conservation planning. We currently manage 1.9 million acres under five habitat conservation agreements. The habitats of hundreds of species are protected by these agreements, including 15 species listed as threatened under the Endangered Species Act. These conservation agreements include: the Central Cascades Habitat Conservation Plan, which provides habitat protection for 315 species and impacts 0.2 million acres of our timberlands in Washington State; the Swan Valley Grizzly Bear Agreement, which covers 0.1 million acres of our lands in western Montana; the Native Fish Habitat Conservation Plan, which provides for habitat protection of 18 species of native trout and salmon on 1.4 million acres of our land in Idaho, Montana and Washington State; the Red-Cockaded Woodpecker Habitat Conservation Plan, which covers 0.3 million acres of our timberlands in Arkansas and Louisiana; and the Karner Blue Butterfly Habitat Conservation Plan, which extends to 23,000 acres of our timberlands in Wisconsin. In addition to these completed conservation agreements, we are in the process of negotiating a "safe harbor agreement" with the U.S. Fish and Wildlife Service pursuant to which we will conserve additional habitat for the red-cockaded woodpecker on other portions of our Southern ownership not covered by our Red-Cockaded Woodpecker Habitat Conservation Plan. We expect the safe harbor agreement to cover 0.6 million acres.

RAW MATERIALS

Our lumber and plywood facilities obtain approximately two-thirds of their logs from our timberlands. Our Montana timberlands provide a consistent supply of high quality logs and preferred timber species to our lumber and

plywood facilities, although future harvest levels on our Montana timberlands are expected to decline. Furthermore, over time the average log size is expected to decline due to evolving harvest and growth patterns.

Our lumber and plywood facilities have purchased and will continue to source stumpage and logs from external suppliers, including the United States Forest Service, Bureau of Indian Affairs, and state and private timberland owners. We expect to increase purchases of stumpage and logs from external sources as harvest levels on our Montana timberlands decline. The geographic area from which our lumber and plywood facilities obtain logs may expand or contract from year to year as the cost of logs and value of manufactured products fluctuates. (For further discussion of other timber supply issues see “Federal and State Regulations” below.) Our MDF facilities have a consistent supply of chips, sawdust and wood shavings from internal and external sources. Competition for such wood fiber, however, will intensify as harvest levels decline. Both MDF and plywood use large quantities of resins, which are procured from a reliable supplier. Our two lumber remanufacturing facilities (the Montana finger-joint stud plant and the Idaho pine board plant) obtain about 35-45% and 10-20%, respectively, of their lumber raw materials from Plum Creek sawmills, with the remainder being procured from third party suppliers.

COMPETITION

Markets for manufactured forest products are highly competitive in terms of price and quality. Some of our manufactured forest products competitors have substantially greater financial and operating resources. In addition, wood products are subject to increasing competition from a variety of substitutes, including non-wood and engineered wood products as well as import competition from other worldwide suppliers. We believe we can compete effectively because of our extensive private timber inventory, our reputation for environmentally responsible forestry, which has positioned us to meet regulatory challenges on a cost-effective basis, our reputation as a dependable, long-term supplier of quality products, our innovative approach to providing high-quality, value-added products to various retail and industrial niche markets and the integration of our timberlands with efficient manufacturing processes.

SEASONAL EFFECTS

Log sales volumes from our Northern Resources Segment are typically at their lowest point in the second quarter of each year when warming weather thaws and softens roadbeds, thus restricting access to logging sites. Log sales volumes from our Southern Resources Segment are generally at their lowest point during the first quarter of each year, as winter rains limit operations.

Demand for manufactured products is generally lower in the winter quarter when activity in construction markets is slower, and higher in the spring, summer and fall quarters when construction increases. Working capital varies with seasonal fluctuations.

FEDERAL AND STATE REGULATIONS

GENERAL ENVIRONMENTAL REGULATION

Our operations are subject to federal, state and local environmental laws and regulations, including laws relating to water, air, solid waste and hazardous substances and the requirements of the Federal Occupational Safety and Health Act and comparable state statutes relating to the health and safety of our employees. Although we believe

that we are in material compliance with these requirements, there can be no assurance that we will not incur significant costs, civil and criminal penalties, and liabilities, including those relating to claims for damages to property or natural resources, resulting from our operations. We maintain environmental and safety compliance programs and conduct regular internal and independent third-party audits of our facilities and timberlands to monitor compliance with these laws and regulations.

ENDANGERED SPECIES

The Endangered Species Act protects species threatened with possible extinction. A number of species indigenous to our timberlands have been listed as threatened or endangered or have been proposed for one or the other status under the Endangered Species Act. As a result, our activities in or adjacent to the habitat of these species may be subject to restrictions on the harvesting of timber and the construction and use of roads.

We have received incidental take permits and similar authorizations pursuant to the Central Cascades Habitat Conservation Plan, the Native Fish Habitat Conservation Plan, the Swan Valley Grizzly Bear Agreement, the Red-Cockaded Woodpecker Habitat Conservation Plan, and the Karner Blue Butterfly Habitat Conservation Plan from the U.S. Fish and Wildlife Service (and from National Marine Fisheries Service, in the case of anadromous species) that in total cover our forest management on 1.6 million acres in the Northern Resources Segment and 0.3 million acres in the Southern Resources Segment. As required by the Endangered Species Act, we prepared habitat conservation plans that will govern our management activities on the lands covered by the plans in these regions during their respective terms. The habitat conservation plans require us to maintain certain levels of wildlife and fish habitat, and to take numerous other mitigation measures including the protection of riparian areas. In consideration for this mitigation, we are authorized to conduct forestry practices that are consistent with the plans, even though they may have an adverse impact on the listed species covered by the plans.

We are currently in the process of negotiating a "safe harbor agreement" with the Fish and Wildlife Service to address the presence on or near some of our Southern properties of red-cockaded woodpeckers, listed as endangered under the Endangered Species Act. Under the proposed agreement, which would cover approximately 0.6 million acres outside of the recently implemented Red-Cockaded Woodpecker Habitat Conservation Plan, we would agree to maintain Red-Cockaded Woodpecker habitat at or above baseline levels. In exchange we would be free to manage our lands for commercial timber production within the area of the plan even if such activities might incidentally impact Red-Cockaded Woodpecker habitat.

Although the habitat conservation plans and the grizzly bear agreement have been implemented and are functioning as expected, there can be no assurance that they will remain in force or be sufficient to protect us against subsequent amendments of the Endangered Species Act. And while we expect that the safe harbor agreement for red-cockaded woodpeckers will help us effectively manage the presence of that species on our Southern lands, there can be no assurance that an agreement will be reached. Nor can there be any assurance that the habitat conservation plans, the grizzly bear agreement and the safe harbor agreement, individually or collectively, will be sufficient to protect us against the listing of additional species, or against changes to other applicable laws and regulations. Any of these changes could materially and adversely affect our operations.

CLEAN WATER

The Clean Water Act and comparable state laws, regulations and best management practices programs protect water quality. As a result, our resource management activities adjacent to rivers and streams as well as the point

source discharges from our manufacturing facilities are subject to strict regulation. Most silvicultural activities are defined by regulation to be “non-point sources” and thus do not require federal permits from the Environmental Protection Agency, but rather are subject to state regulation and best management practices programs. Recent litigation in numerous courts, however, has challenged this silvicultural exemption under the Clean Water Act. Accordingly, there can be no assurance that our forest management activities will not be subject to increased regulation under the Clean Water Act in the future.

At this time, we believe that federal and state laws and regulations related to the protection of endangered species and clean water will not have a material adverse effect on our financial position, results of operations or liquidity. We anticipate, however, that increasingly strict laws and regulations relating to the environment, natural resources and forestry operations, as well as increased social concern over environmental issues, may result in additional restrictions on us leading to increased costs, additional capital expenditures and reduced operating flexibility. We believe that our experience provides us a relative competitive advantage in managing environmental risks.

In connection with The Timber Company Merger in 2001, Plum Creek agreed to indemnify Georgia-Pacific for substantially all of the liabilities attributed to The Timber Company. During the fourth quarter of 2003, Georgia-Pacific provided Plum Creek with information for the first time about the existence of mine tailings and approximately 4.5 billion gallons of acidic surface water on approximately 90 acres in Hot Spring County, Arkansas on former Georgia-Pacific properties. Barite mining and related activities were conducted on the site between 1939 and 1981 in part by lessees of an entity that was acquired by Georgia-Pacific. The environmental issues associated with this site are currently being investigated and no remediation plan has yet been approved. There is not sufficient information, therefore, to adequately assess the costs, if any, associated with this matter or Georgia-Pacific's degree of responsibility. No amounts have been accrued for this potential liability, as Plum Creek's liability in this matter cannot be reasonably determined at this time. Furthermore, to the extent Plum Creek is required to indemnify Georgia-Pacific for its share of the remediation costs Plum Creek may be able to recover a portion of its cost from Georgia-Pacific's insurance policy, or indemnity obligations of various lessees that conducted mining operations on the property, or both.

TIMBERLANDS

Our forest practices are and will in the future be subject to specialized statutes and regulations in the states where we operate. Many of these states have enacted laws that regulate forestry operations, such as growing, harvesting and processing activities on timberlands. Among other requirements, these laws impose some reforestation obligations on the owners of timberlands. Several states require prior notification before beginning harvesting activities. A number of states require a regulatory review taking from 15 to 30 days or more prior to harvesting, depending upon the environmental and other sensitivities of the proposed activity. Other state laws and regulations control the following activities: slash burning and harvesting during fire hazard periods; activities that affect water courses or are in proximity to inland shorelines; and activities that affect water quality, and some grading and road construction activities.

ENCUMBRANCES

Under the terms of our debt agreements, we have agreed not to pledge, assign or transfer timberlands, except under limited circumstances. The holders of our \$51 million face value 11.125% First Mortgage Notes due 2007 have a first mortgage lien on a significant portion of our lumber, plywood and MDF facilities.

The title to our timberlands does not always include the related hard rock mineral interests or oil and gas rights. Title to the timberlands is subject to presently existing easements, rights of way, flowage and flooding rights, servitudes, hunting and other leases, licenses and permits, none of which materially adversely affect the value of the timberlands or materially restrict the harvesting of timber or other operations.

EMPLOYEES

We currently have approximately 800 salaried and 1,240 non-union hourly employees. We believe that our employee relations are good. Our wage scale and benefits are generally competitive with other forest products companies. The planting of seedlings and the harvesting and delivery of logs are conducted by independent contractors who are not our employees.

ITEM 2. PROPERTIES

We believe that our timberlands and manufacturing facilities are suitable and adequate for current operations. The manufacturing facilities are owned and are maintained through on-going capital investments, regular maintenance and equipment upgrades. The majority of the manufacturing facilities are modern facilities. During 2002, the newly constructed thin-board production facility adjacent to our existing medium density fiberboard facility moved from start up phase towards full production. This new thin-board line complements our existing product line. During 2003, the two lines produced approximately 198 million square feet. In 2004, we expect to run both lines near full production capability of nearly 230 million square feet. During 2001, our lumber and plywood facilities reduced production by 5% to 10% as a result of weak market conditions and to better align our lumber and plywood production to our timber harvests. During 2002 and 2003, our lumber facilities operated at levels similar to those in 2001, whereas our plywood facilities increased production slightly during 2003 in response to improved pricing. See Item 1. "Business" for discussion of the location and description of properties and encumbrances related to properties.

ITEM 3. LEGAL PROCEEDINGS

There is no pending or threatened litigation involving the company that we believe would have a material adverse effect on the company's financial position, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers are elected annually at the first quarterly meeting of the board of directors following the annual meeting of stockholders.

Name	Age	Office ⁽¹⁾	Officer Since
Rick R. Holley ^(A)	52	President and Chief Executive Officer	1989
William R. Brown ^(B)	52	Executive Vice President and Chief Financial Officer	1995
Michael J. Covey ^(C)	46	Executive Vice President	1998
Thomas M. Lindquist ^(D)	43	Executive Vice President	2001
James A. Kraft ^(E)	48	Senior Vice President, General Counsel and Secretary	1989
David A. Brown ^(F)	49	Vice President, Controller	2002
Barbara L. Crowe ^(G)	52	Vice President, Human Resources	1997
Joan K. Fitzmaurice ^(H)	46	Vice President, Audit and Financial Services	2002
David W. Lambert ^(I)	43	Vice President, Treasurer	2002

- (A) Served since January 1994 as President and Chief Executive Officer. Mr. Holley was Vice President and Chief Financial Officer from April 1989 to December 1993.
- (B) Served since May 1999 as Executive Vice President and Chief Financial Officer. Mr. Brown was Vice President, Strategic Business Development from January 1998 to May 1999, Vice President, Resource Management from February 1995 to January 1998, and Director, Planning from August 1990 to February 1995.
- (C) Served since August 2001 as Executive Vice President. Mr. Covey was Senior Vice President from August 2000 to August 2001, Vice President, Resources from January 1998 to August 2000, General Manager, Rocky Mountain Timberlands from August 1996 to January 1998, Director of Operations, Rocky Mountain Region from June 1995 to August 1996, and Plant Manager, Ksanka Sawmill from August 1992 to June 1995.
- (D) Served since December 2001 as Executive Vice President. Mr. Lindquist was Executive Vice President of Global Sales and Corporate Alliances for Trammell Crow Company serving from June 1986 to December 2001.
- (E) Served since January 2002 as Senior Vice President, General Counsel and Secretary. Mr. Kraft was Vice President, General Counsel and Secretary from April 1996 to January 2002, Vice President, Law from January 1994 to April 1996 and Vice President, Law and Corporate Affairs from April 1989 to December 1993.
- (F) Served since January 2002 as Vice President, Controller. Mr. Brown was Controller from November 1994 to January 2002 and Director of Planning from July 1994 to November 1994.
- (G) Served since April 1997 as Vice President, Human Resources.
- (H) Served since June 2002 as Vice President, Audit and Financial Services. Ms. Fitzmaurice was a Partner with PricewaterhouseCoopers LLP from 1997 through 2001.

- (I) Served since January 2002 as Vice President, Treasurer. Mr. Lambert was Director of Planning, Treasurer from June 1998 to January 2002 and Director of Finance and Treasurer from November 1994 to June 1998.
- (J) Since July 1, 1999 Ms. Crowe and Messrs. Holley, Brown, Brown, Covey, Kraft and Lambert have served in their indicated capacities for Plum Creek Timber Company, Inc. Prior to the REIT conversion, the listed individuals served in their indicated capacities of the general partner of Plum Creek Timber Company, L.P. or the predecessor of the general partner. There are no family relationships among them.
- (F) Served since January 2002 as Vice President, Controller. Mr. Brown was Controller from November 1994 to January 2002 and Director of Planning from July 1994 to November 1994.
- (G) Served since April 1997 as Vice President, Human Resources.
- (H) Served since June 2002 as Vice President, Audit and Financial Services. Ms. Fitzmaurice was a Partner with PricewaterhouseCoopers LLP from 1997 through 2001.
- (I) Served since January 2002 as Vice President, Treasurer. Mr. Lambert was Director of Planning, Treasurer from June 1998 to January 2002 and Director of Finance and Treasurer from November 1994 to June 1998.
- (J) Since July 1, 1999 Ms. Crowe and Messrs. Holley, Brown, Brown, Covey, Kraft and Lambert have served in their indicated capacities for Plum Creek Timber Company, Inc. Prior to the REIT conversion, the listed individuals served in their indicated capacities of the general partner of Plum Creek Timber Company, L.P. or the predecessor of the general partner. There are no family relationships among them.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Plum Creek Timber Company, Inc.'s common stock is traded on the New York Stock Exchange and the Pacific Exchange. As of February 20, 2004, there were approximately 28,221 stockholders of record of 183,169,116 outstanding shares.

Trading price data, as reported on the New York Stock Exchange Composite Tape, and declared cash dividend information **for 2003 and 2002**, are as follows:

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2003				
High	\$24.29	\$27.30	\$27.47	\$30.75
Low	20.88	21.50	24.83	25.28
Cash Dividend per Share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35
2002				
High	\$31.98	\$31.25	\$30.50	\$24.50
Low	28.20	29.31	21.80	18.92
Cash Dividend per Share	\$ 0.00 ^(A)	\$ 0.57	\$ 0.57	\$ 0.35

(A) No dividend was declared during the first quarter of 2002. Instead, the dividend that would have been declared in January 2002 was accelerated to December 2001 due to certain REIT requirements in connection with our October 6, 2001 merger with The Timber Company. See Note 5 of the Notes to Financial Statements.

Future dividends will be determined by our board of directors, in its sole discretion, based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, debt covenant restrictions that may impose limitations on our ability to make cash payments, borrowing capacity, changes in the prices of and demand for our products, and changes in our ability to sell or exchange timberlands at attractive prices. Other factors that our board of directors considers include the appropriate timing of timber harvests, acquisition and divestiture opportunities, stock repurchases, debt repayment and other means by which the company delivers value to our stockholders. See Note 8 of the Notes to Financial Statements for the restrictions under our debt agreements to pay dividends.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes options and other rights outstanding under Plum Creek's equity based compensation plans **as of December 31, 2003**:

<i>Plan category</i>	Securities to be issued upon exercise ^(A)	Weighted-average exercise price ^(B)	Securities available for future issuance ^(C)
Equity compensation plans approved by security holders	1,552,099	\$25.79	1,682,299
Equity compensation plans not approved by security holders ^(D)	—	—	—

(A) Number of securities to be issued upon exercise of outstanding options.

(B) Weighted-average exercise price of outstanding options.

(C) Number of securities remaining available for future issuance under equity compensation plans, excluding securities reflected in column (A). Represents shares available for future issuance under the Stock Incentive Plan. See Note 12 of the Notes to Financial Statements for a description of the various stock-based grants that may be issued under the Stock Incentive Plan. At December 31, 2003, 1.7 million shares of the 3.4 million shares available for issuance under Plum Creek's Stock Incentive Plan have been used for the grant of non-qualified stock options, the grant of restricted stock or payment of vested value management awards. The number of shares to be issued in connection with dividend equivalents and value management awards is not determinable until after the end of their respective performance periods.

(D) As of December 31, 2003, there are 845,815 outstanding options to acquire Plum Creek common stock that were issued originally under the Georgia-Pacific long-term incentive plans as options to acquire Georgia-Pacific's Timber Company stock. These stock options have a weighted average exercise price of \$16.01 per common share and were assumed by the company in connection with The Timber Company Merger. Although the company's stockholders did not separately approve the assumption of these stock options, the stockholders did approve each of The Timber Company Merger and the related merger agreement (and all of the transactions contemplated by the merger agreement, including the company's assumption of the stock options). No additional Plum Creek stock options may be granted under the Georgia-Pacific long-term incentive plans as a result of The Timber Company Merger. See Note 12 of the Notes to Financial Statements.

We maintain a corporate governance page on our website that includes key information about our corporate governance initiatives. That information includes our Corporate Governance Guidelines, Code of Ethics, and charters for our Audit and Compliance, Compensation, and Corporate Governance and Nominating Committees. The corporate governance page can be found at www.plumcreek.com, by clicking on "Investors", and then "Corporate Governance". You also may obtain copies of these policies and codes by contacting our Investor Relations Department, 999 Third Avenue, Suite 4300, Seattle, Washington 98104, or by calling (206) 467-3600.

ITEM 6. SELECTED FINANCIAL DATA

On December 16, 1997, shareholders of Georgia-Pacific Corporation ("Georgia-Pacific") approved the creation of two classes of common stock intended to reflect separately the performance of Georgia-Pacific's manufacturing ("Georgia-Pacific Group") and timber businesses ("The Timber Company"). The Timber Company represented the separate group of businesses whose results have been tracked by Georgia-Pacific's Timber Company stock ("Timber Company Stock") and was engaged primarily in the growing and selling of timber on the approximately 4.7 million acres of timberlands that Georgia-Pacific owned or leased.

On October 5, 2001, Georgia-Pacific redeemed all of the outstanding shares of Timber Company Stock, or 82.3 million shares. In connection with the redemption, each outstanding share of Timber Company Stock was exchanged for one unit, or a "Unit", that represented one outstanding share of common stock of each of Georgia-Pacific's former subsidiaries ("Subsidiaries"), which collectively held all of the assets and liabilities attributed to The Timber Company. On October 6, 2001, holders of the Units received 1.37 shares of Plum Creek common stock for each Unit, totaling 112.7 million shares. Therefore, 112.7 million shares have been applied retroactively in computing basic earnings per share for all periods prior to the merger. Diluted earnings per share include the dilutive effect of 3.8 million outstanding options using the treasury stock method at the converted exercise prices ranging from \$15.29 to \$18.34 per share.

The Timber Company Merger was accounted for as a "reverse acquisition", with The Timber Company being treated as the acquirer for accounting and financial reporting purposes. As a consequence, the historical financial statements of The Timber Company became the financial statements of Plum Creek effective as of October 6, 2001. The financial data for the year ended December 31, 2001 includes the operating results of The Timber Company up until the date of the merger and the operating results of the merged company for the remainder of the year. The financial data for the years prior to 2001 reflects only the data of The Timber Company.

As a consequence of The Timber Company Merger, which involved merging a taxable entity into a nontaxable entity, a tax benefit of \$216 million was recognized in the fourth quarter of 2001. This tax benefit represented the elimination of a deferred tax liability associated with temporary differences related primarily to timberlands that are not expected to be disposed of in transactions subject to built-in gains tax during a ten-year period following the merger. Subsequent to The Timber Company Merger, Plum Creek conducts most its activities through various wholly owned operating partnerships. The activities of the operating partnerships consist primarily of sales of timber under pay-as-cut contracts, and the income from such sales is not subject to corporate income tax. See Note 5 of the Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

The following table summarizes selected financial highlights for the **five most recent fiscal years** (dollars in millions, except per share amounts):

	2003 ^(A)	2002 ^(B)	2001 ^(C)	2000	1999 ^(D)
Revenues	\$1,196	\$1,137	\$ 598	\$ 493	\$1,028
Operating Income	303	338	250	303	723
Net Interest Expense	117	103	54	44	69
Income before Income Taxes	186	235	196	259	654
Benefit (Provision) for Income Taxes	6	(2)	142	(97)	(256)
Net Income	192	233	338	162	398
Non-Cash Items					
Depreciation, Depletion and Amortization	107	105	55	27	41
Basis of Real Estate Sold	66	28	18	17	101
Balance Sheet Items					
Total Assets	4,387	4,289	4,122	1,619	1,521
Total Debt, including Timber Obligations	2,076	1,884	1,701	1,009	970
Earnings per Share					
Basic	\$ 1.05	\$ 1.26	\$ 2.61	\$ 1.44	\$ 3.53
Diluted	\$ 1.04	\$ 1.26	\$ 2.58	\$ 1.42	\$ 3.49
Dividend Declared per Share ^(E)	\$ 1.40	\$ 1.49	\$ 1.14		
Harvest Volume (in million tons)	19.0	19.3	13.9	11.7	14.9

(A) During 2003, the company acquired 139,000 acres of timberlands in New Hampshire, Arkansas and South Carolina for \$162 million. See Note 2 of the Notes to Financial Statements.

(B) During 2002, the company acquired 0.3 million acres of timberlands located primarily in Wisconsin for \$141 million. See Note 2 of the Notes to Financial Statements.

(C) Effective January 1, 2001, the company changed its accounting policy for timber reforestation costs by capitalizing certain costs incurred after a timber stand has been established, primarily silviculture costs, that were previously expensed. Additionally, as a consequence of The Timber Company Merger, a tax benefit of \$216 million was recognized in 2001.

(D) During 1999, the company sold approximately 1 million acres of timberlands in three separate transactions. These transactions included 390,000 acres of timberlands in the Canadian province of New Brunswick, 440,000 acres of timberlands in Maine, and 194,000 acres of timberlands in California. These sales totaled \$442 million and resulted in a \$355 million pre-tax gain (\$215 million after-tax gain).

(E) Since The Timber Company was not a separate legal entity but rather an operating division of Georgia-Pacific, The Timber Company common stock, the only equity issued with respect to The Timber Company, represented a class of Georgia-Pacific's common stock. The Timber Company common stock paid a quarterly dividend of \$0.25 per share. Subsequent to The Timber Company Merger, Plum Creek paid dividends of \$0.57 per share on November 30, 2001 and again on December 28, 2001. The December 28, 2001 dividend represents the acceleration of our fourth quarter 2001 dividend that normally would have been paid in February 2002. See Note 5 of the Notes to Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**FORWARD-LOOKING STATEMENT**

This Report contains forward-looking statements within the meaning of the Private Litigation Reform Act of 1995. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes", "expects", "may", "will", "should", "seeks", "approximately", "intends", "plans", "estimates", "projects", "strategy", or "anticipates", or the negative of those words or other comparable terminology. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those described in the forward-looking statements, including those factors described in "Risk Factors" immediately following this Item 7. Some factors include changes in governmental, legislative and environmental restrictions, catastrophic losses from fires, floods, windstorms, earthquakes, volcanic eruptions, insect infestations or diseases, as well as changes in economic conditions and competition in our domestic and export markets and other factors described from time to time in our filings with the Securities and Exchange Commission. In addition, factors that could cause our actual results to differ from those contemplated by our projected, forecasted, estimated or budgeted results as reflected in forward-looking statements relating to our operations and business include, but are not limited to:

- our failure to qualify as a real estate investment trust, or REIT, or our failure to achieve the expected competitive advantages of operating as a REIT;
- an unanticipated reduction in the demand for timber products and/or an unanticipated increase in the supply of timber products;
- an unanticipated reduction in demand for higher and better use timberlands or non-strategic timberlands;
- our failure to make strategic acquisitions or to integrate any such acquisitions effectively or, conversely, our failure to make strategic divestitures; and
- the failure to meet our expectations with respect to our likely future performance.

It is likely that if one or more of the risks materializes, or if one or more assumptions prove to be incorrect, the current expectations of Plum Creek and its management will not be realized. Forward-looking statements speak only as of the date made, and neither Plum Creek nor its management undertakes any obligation to update or revise any forward-looking statements.

OVERVIEW**OPERATING PERFORMANCE**

Operating income decreased by \$35 million, or 10%, to \$303 million in 2003. This decrease of \$35 million was due primarily to lower operating income from our Real Estate, Southern Resources and Manufactured Products Segments. Despite real estate revenues increasing by \$26 million to \$124 million, operating income from our Real Estate Segment decreased by \$17 million, or 27%, to \$47 million. This decrease was due primarily to higher cost basis as a result of a \$14 million impairment charge and a \$20 million reduction in the sale of conservation easements. Operating income from our Southern Resources Segment decreased by \$11 million, or 5%, to \$216 million due primarily to the harvesting of smaller logs in 2003. During 2003, our Manufactured Products Segment reported an operating loss of \$5 million compared to operating income of \$1 million during 2002. This

decrease of \$6 million was due primarily to low lumber prices resulting from an industry-wide excess supply of lumber.

Despite the \$35 million decline in operating income, net cash provided by operating activity increased by \$1 million to \$369 million in 2003. This difference was due primarily to a \$26 million increase in timberland sales and a \$14 million impairment charge related to real estate held for sale. Real estate basis and impairment charges are non-cash expenses, which reduce operating income but do not impact net cash provided by operating activity.

KEY ECONOMIC FACTORS IMPACTING OUR BUSINESS

Our operating performance is impacted primarily by the supply and demand for logs in the United States. The short-term supply of logs is impacted primarily by weather. In general, there were favorable harvesting conditions during most of 2003, and as a result, there was an ample supply of logs. The demand for logs in the United States is impacted by housing starts, repair and remodeling activities and the amount of imported lumber, primarily from Canada. Housing starts are impacted primarily by interest rates. Mortgage interest rates continued at historically low levels during 2003 (averaging 5.8% for the year based on a 30-year fixed-rate conventional loan), which contributed to U.S. housing starts of approximately 1.8 million units during 2003, their highest level in the past 25 years. Despite these record housing starts, U.S. lumber prices during the first half of 2003 were weak due in part to excess North American lumber production.

Imports of lumber and other wood products into the United States are impacted by currency exchange rates, tariffs and quotas, and the relative cost of manufacturing wood products. Canadian imports into the U.S. capture a significant share (between 33% and 34%) of the U.S. lumber market. A U.S. industry coalition believes the Canadian government, which owns most of the timberlands in Canada, provides unfair subsidies by selling timber at below market prices. Prior to 2002, a trade agreement with Canada limited imports of lumber into the United States. Since May 2002, the U.S. has imposed duties on Canadian imports. At the same time, the U.S. and Canada have been trying to reach a negotiated settlement, but to date no settlement has been reached. Furthermore, reports indicate that the U.S. imposed duties have had the unintended consequences of causing some Canadian lumber manufacturers to increase their lumber production to lower their average production costs.

For the past several years, the U.S. dollar has been strong compared to other major currencies in the world. The strong U.S. dollar has given Canada and other exporting lumber countries a cost advantage over U.S. lumber manufacturers. The U.S. dollar declined, however, during 2003 against the Canadian dollar (which appreciated by approximately 20% during 2003) and several other major currencies. During the second half of 2003, U.S. lumber prices improved in response to the stronger Canadian dollar.

CORE TIMBERLANDS

During 2003, we completed an evaluation of our timberlands. We concluded that approximately 67% (5.4 million acres) of our timberlands are highly productive and strategically located near key customers and markets. We also identified approximately 16% (1.35 million acres) of our timberlands as having values well in excess of timberland values ("higher and better use timberlands"). These properties are better suited for recreational, conservation or development purposes. Finally, we identified approximately 17% (1.4 million acres) of our timberlands as being non-strategic.

We expect to sell our higher and better use timberlands over the next 15 years. Approximately half of the non-strategic timberlands are made up of large parcels that are expected to be sold over the next two years. The other half of the non-strategic timberlands, which are generally in smaller tracts, is expected to be sold over the next five to ten years. In the meantime, these timberlands continue to be used productively in our business of growing and selling timber. The capital generated from the sale of timberlands will be used to increase the value of the company. Uses may include strategic acquisitions of additional core timberlands, investments in our business, payments of dividends, repayments of debt and/or repurchases of our stock.

HARVEST LEVELS

Our operating performance is also impacted by the volume of trees we harvest each year and the percentage of sawlogs and pulpwood included in our annual harvest. During 2003, we harvested a total of 19.0 million tons compared to a total of 19.3 million tons during 2002. We expect to harvest approximately 19 million tons during 2004. Future harvest levels may vary from historic levels to take advantage of favorable prices or due to factors outside of our control such as weather and fires. Future harvest levels may also be impacted by our sale of timberlands and the extent to which proceeds are reinvested in core timberlands.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect our most significant judgments and estimates used in preparation of our consolidated financial statements:

REVENUE RECOGNITION

Prior to The Timber Company Merger, The Timber Company recognized revenue from timber sales under three different methods, depending upon the terms of the sale. The methods were delivered log sales, pay-as-cut contracts and timber deeds:

(1) Delivered Log Sales. Under a delivered log sale agreement, the seller cuts the tree and delivers it to the buyer. Risk of loss and title transfer to the buyer when the log is delivered. Revenue is recognized when the log is delivered to the customer. With delivered log sales, the seller incurs the cost of logging and hauling. For the last few days of an accounting period, there are typically delivered logs for which we have not received documentation and we have not created an invoice. In that case, an accrual for these deliveries is made along with an accrual for the costs of logging and hauling.

(2) Pay-as-Cut Contracts. Pay-as-cut contracts are agreements pursuant to which the buyer agrees to harvest all of the trees on a tract of land for an agreed upon price for each of the different types of trees over the term of the contract (usually 12 to 18 months). In some cases an advance is received in connection with pay-as-cut contracts,

and in other cases the buyer agrees to cut only certain trees on a tract of land. Under pay-as-cut contracts, the buyer is responsible for all logging and hauling costs. Title and risk of loss transfer to the buyer as the trees are cut. The buyer furnishes us with supporting information for the amount of wood that has been removed along with their payment. Revenue is recognized when the trees are cut. Total revenue recognized under a pay-as-cut contract is a function of the total volume of wood actually removed multiplied by the agreed upon per unit price for each of the various types of trees on a tract of land. There is typically a lag between the time the tree is harvested and the time the buyer pays for the tree. At the end of each accounting period, we make an accrual for the trees that have been cut but for which we have not received payment.

(3) Timber Deeds. Timber deeds are agreements pursuant to which the buyer agrees to harvest all of the trees on a tract of land over the term of the contract (usually 12 to 18 months). However, unlike a pay-as-cut contract, risk of loss and title to the trees transfer to the buyer when the contract is signed. The buyer also pays the full purchase price when the contract is signed. Under a timber deed, the buyer is responsible for all logging and hauling costs. Revenue from a timber deed sale is recognized when the contract is signed. Timber deeds are generally marketed and sold to the highest bidder. Bids are typically based on a timber cruise – an estimate of the total volume of timber on a tract of land broken down by the various types of trees (such as softwood sawlogs, hardwood pulpwood, etc.). Total revenue recognized under a timber deed is the amount of the highest bid and is not dependent upon the volume or types of trees actually harvested.

Subsequent to The Timber Company Merger, to comply with certain REIT requirements we replaced timber deed agreements with lump-sum sale agreements. Under a lump-sum sale, the parties agree to a lump-sum price for all the timber available for harvest on a tract of land. Generally the lump-sum price is paid when the contract is signed. However, unlike timber deeds, title to the timber and risk of loss transfers to the buyer as the timber is cut. Therefore, revenue is recognized each month based on the amount of timber actually harvested, compared to total timber available to be harvested on a tract of land over the term of the contract (usually 12 to 18 months). Under a lump-sum sale, the buyer is responsible for all logging and hauling costs. Lump-sum sales are generally marketed and sold to the highest bidder. Bids are typically based on timber cruise information. Total revenue recognized under a lump-sum sale contract is the amount of the highest bid, and is not dependent upon the volume or type of trees actually harvested.

Since revenue is recognized under a lump-sum sale agreement as the trees are cut, an estimate of how much revenue to recognize each month is made based on how much volume has been removed compared to the total volume available for harvest on a tract of land according to the timber cruise. We generally receive weekly information from the buyer regarding how much volume has been removed. Additionally, we gather information by observing the tract to estimate the percentage of original timber harvested. In most cases, the total volume harvested from a tract of land is different than the volume estimated in the timber cruise. If the total volume removed is greater than the cruise-estimated volume, we will stop recognizing revenue once the total revenue recognized is equal to total lump-sum contract price. No revenue will be recognized for volumes harvested in excess of the cruise-estimated volume. If the total volume removed is less than the cruise-estimated volume, an adjustment will be recorded in the month in which we learn of the difference. The adjustment is an increase in revenue equal to the difference between the total revenue recognized to date and the total lump-sum contract price. Finally, for our larger lump-sum contracts, which cover multiple tracts, we adjust revenues at the end of each accounting period for any known trends, which have materialized in the tracts that have been completely harvested. For lump-sum contracts completed during the past eight quarters, our largest quarterly adjustment to record the difference between estimated lump-sum revenues and actual revenues has been \$0.6 million. While the timing of revenue recognition

under a timber deed and a lump-sum contract is materially different, this change is not expected to have a material impact on the year-to-year comparison of our results of operations.

The following tables summarize amounts recognized under each method from sales to external customers in the company's financial statements for the **years ended December 31** (in millions):

	2003	2002
Revenues from		
Delivered log sales	\$ 520	\$ 441
Pay-as-cut sales	\$ 66	\$ 89
Lump-sum sales	\$ 53	\$ 96
	December 31, 2003	December 31, 2002
Accrued revenues for delivered and pay-as-cut log sales	\$ 33	\$ 24
Deferred revenues for lump-sum contracts	\$ 4	\$ 8

We attempt to estimate accrued revenues at the end of each accounting period based on the best information available. We do not believe that there is a material difference between estimated accrued revenues and actual revenues.

Substantially all of our timber sales in the Northern Resources Segment are under delivered log sale agreements. In our Southern Resources Segment, a substantial portion of our timber sales consists of either pay-as-cut contracts or lump-sum sales. Under both pay-as-cut contracts and lump-sum sales, the buyer is responsible for the logging and hauling costs. Therefore, operating profit percentages are significantly higher in our Southern Resources Segment.

REAL ESTATE SALES

We estimate that included in the company's 8.1 million acres of timberlands are 1.35 million acres of higher and better use timberlands and 1.4 million acres of non-strategic timberlands. The higher and better use timberlands are expected to be sold over the next 15 years for conservation, residential or recreational purposes. Approximately half of the non-strategic timberlands are expected to be sold in large blocks over the next two years. The other half of the non-strategic timberlands, which are generally in smaller tracts, is expected to be sold over the next five to ten years. In the meantime, these timberlands continue to be used productively in our business of growing and selling timber. The timing of real estate sales, however, is a function of many factors, including the availability of government and not-for-profit funding, the general state of the economy, the plans of adjacent landowners, our expectation of future price appreciation and the timing of harvesting activities. As a result, the timing of our real estate sales may materially impact our reported operating income and net income.

During 2003, the Real Estate Segment reported an operating profit percentage of approximately 40%. Historically, our Real Estate Segment has reported significant operating profit percentages (ranging from 65% to 85% of revenues). However, operating profit percentages vary significantly and depend upon the mix of real estate sales. The operating profit percentage depends on the nature of the interest sold and how much the market value of the property has risen over its book value. For example, the sale of conservation easements will have an operating profit percentage of close to 100% because no book basis is allocated to this type of revenue. Sales of recently acquired

properties will generally have relatively lower operating profit percentages while sales of properties held for a long time will tend to have relatively higher operating profit percentages. Sales of timberlands owned by Plum Creek prior to The Timber Company Merger, which, for accounting purposes, were deemed acquired as of the merger date, will thus have low operating profit percentages since these properties were recorded at appraised value as of October 2001.

In connection with major timberland acquisitions we are generally not able to identify our future real estate sales, as was the case in The Timber Company Merger. Since the merger was accounted for as a reverse acquisition, the timberlands of Plum Creek were recorded at their fair value. However, while our purchase price allocation and related appraisals reflected greater values for real estate which may be sold in the future for uses which have a higher value than timber production, we were generally not able to identify specific properties. Therefore, within each region, we allocated this higher value proportionately among all the acres acquired, except for certain specifically identified properties. In general, however, timberlands are acquired primarily for long-term use in our timber operations and specific properties cannot be identified in advance because their value is dependent upon numerous factors, most of which are not known at the acquisition date, including current and future zoning restrictions, current and future environmental restrictions, future changes in demographics, future changes in the economy, current and future plans of adjacent landowners, and current and future funding of government and not-for-profit conservation and recreation programs. We believe that current and future results of operations could be materially different under different purchase price allocation assumptions, and generally, when we acquire properties, we do not have the ability, with any level of precision, to estimate which of the acquired properties will someday sell for more than their underlying timber production value.

IMPAIRMENT OF LONG-LIVED ASSETS

In general, the company evaluates its ability to recover its net investment in long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 requires recognition of an impairment loss in connection with long-lived assets used in a business when the carrying value (net book value) of such assets exceeds the estimated future undiscounted cash flows attributable to such assets over their expected useful life. Impairment losses are measured by the extent to which the carrying value of a group of assets exceeds the fair value of such assets at a given point in time. When the fair values of the assets are not available, the company estimates the fair values by using the discounted expected future cash flows attributable to the assets. The cash flows are discounted at a rate commensurate with the risks associated with the recovery of the assets' carrying value. Furthermore, SFAS No. 144 requires recognition of an impairment loss in connection with long-lived assets held for sale when the carrying value of such assets exceeds an amount equal to their fair value less selling costs.

The company has grown substantially through acquisitions in recent years. A large portion of the carrying value of the company's Timber and Timberlands, and Property, Plant and Equipment represents amounts of the purchase price of recent acquisitions allocated to those assets. The allocation of the purchase price in a business combination is highly subjective. Management is required to estimate the fair values of acquired assets and liabilities as of the acquisition date. Subsequent to the original allocation, these assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable through future operations. SFAS No. 144 requires that long-lived assets be grouped and evaluated for impairment at the lowest level for which there are independent cash flows. The company tracks cash flows for its 8.1 million acres of timberlands by grouping them into 7 geographic areas in the Northern Resources Segment and 11 geographic

areas in the Southern Resources Segment. Additionally, the company tracks cash flows for each of its 10 manufacturing facilities.

(1) Timber and Timberlands Used in Our Business. SFAS No. 144 provides that for assets used in a business, an impairment loss is recorded only when the carrying value of such assets is not recoverable through future operations. The recoverability test is based on undiscounted future cash flows over the expected life of the assets. The company uses one harvest cycle (which ranges between 20 and 90 years) for evaluating the recoverability of its timber and timberlands. As a result of the inherently long life of timber and timberlands, we do not expect to incur an impairment loss in the future for the timber and timberlands used in its business.

(2) Timber and Timberlands Held for Sale. SFAS No. 144 provides that an impairment loss is recognized for long-lived assets held for sale when the carrying value of such asset exceeds an amount equal to its fair value less selling costs. An asset is generally considered to be held for sale when we have committed to a plan to sell the asset, the asset is available for immediate sale in its present condition, we have initiated an active program to locate a buyer, and the sale is expected to close within one year. Each of the foregoing occurred during the first quarter of 2003 in connection with 29,000 acres of non-strategic timberlands that were sold during the second quarter of 2003. As a result, we recorded an impairment loss of \$9 million during the first quarter of 2003. Additionally, during the fourth quarter of 2003 we recognized an impairment loss of \$5 million related to non-strategic timberlands that are expected to be sold during 2004. We expect to continue to sell or exchange non-strategic timberlands to other forest products companies or non-industrial investors, and it is possible that we will recognize, in accordance with SFAS No. 144, additional impairment losses in the future in connection with sales of non-strategic timberlands.

(3) Property, Plant and Equipment. The carrying value of Property, Plant and Equipment represents primarily the net book value of our ten manufacturing facilities. Each manufacturing facility is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future operations. The estimated future cash flows over the remaining useful life of a manufacturing facility is highly subjective and is dependent upon estimates for future product pricing, raw material costs, volumes of product sold, and residual value of the facility. We currently estimate that the carrying value for each of its manufacturing facilities is recoverable through future operations and that our estimate of future cash flows is reasonable. However, wood product prices were at depressed levels during the first half of 2003. If product prices were to remain depressed for an extended period of time, or if other key cash flow assumptions are revised in the future, the company may be required to record an impairment loss for one or more of its manufacturing facilities in a future period.

DEPLETION

Depletion, or costs attributed to timber harvested, is recorded as trees are harvested. Depletion rates for each region are adjusted annually. Depletion rates are computed by dividing (A) the sum of (1) the original cost of the timber less previously recorded depletion plus (2) estimated future silviculture costs, including the impact of inflation, that are expected to be incurred over the next harvest cycle, by (B) the total timber volume that is estimated to be harvested over the harvest cycle. The harvest cycle can be as short as 20 years in the South and as long as 90 years in the North. The estimate of future silviculture costs is limited to the expenditures that are expected to impact growth rates over the harvest cycle. The depletion rate calculations do not include an estimate for either future reforestation costs associated with a stand's final harvest or future volume in connection with the replanting of a stand subsequent to its final harvest.

The following table summarizes depletion expense recognized in the company's financial statements, key assumptions and sensitivities to changes in assumptions for the **years ended December 31** (dollars in millions, except per ton amounts):

	2003	2002
Depletion Expense		
Northern Resources Segment	\$ 23	\$ 28
Southern Resources Segment	44	46
Total depletion expense	\$ 67	\$ 74
Average Depletion Rates (per ton)		
Northern Resources Segment ^(A)	\$ 4.16	\$ 5.19
Southern Resources Segment	\$ 3.25	\$ 3.30
Assumptions Used to Determine the Average Depletion Rates		
Estimated future silviculture costs, including the impact of inflation		
Northern Resources Segment ^(B)	\$ 58	\$ 141
Southern Resources Segment	\$ 330	\$ 330
Estimated future volume (in million tons)		
Northern Resources Segment	289	263
Southern Resources Segment	441	417
Sensitivity of 2003 Results to Changes in Key Assumptions		
Increase in depletion expense for every 10%:		
increase in estimated future silviculture costs ^(C)		
Northern Resources Segment	\$ 0.1	
Southern Resources Segment	\$ 1.0	
decrease in estimated future volume ^(D)		
Northern Resources Segment	\$ 2.6	
Southern Resources Segment	\$ 4.8	

(A) Average depletion rate decreased primarily due to harvesting a higher percentage of trees during 2003 from regions with low depletion rates.

(B) During 2003, we reevaluated the economic benefits associated with silviculture expenditures in Montana and decided to significantly reduce the number of acres and the number of years in which silviculture expenditures are applied.

(C) Assumes future timber volumes do not change.

(D) Assumes future silviculture costs do not change.

Significant estimates and judgments are required to determine both future silviculture costs and the volume of timber available for harvest over the harvest cycle. Some of the factors impacting the estimates are changes in weather patterns, inflation rates, the cost of fertilizers and chemicals, the cost of capital, the actual and estimated increase in growth rates from fertilizer applications, the relative price of sawlogs and pulpwood, the actual and

expected real price appreciation of timber, the scientific advancement in seedling and growing technology, and changes in harvest cycles.

The company has invested in technology that enables it to predict its current standing inventory of trees, future growth rates, and the benefits of scientific advancements in connection with seedlings, planting techniques and fertilizer applications. Therefore, while estimates with respect to depletion computations will be revised annually, we do not expect the depletion rates will change materially from year to year.

DEFERRED INCOME TAXES

Plum Creek has elected to be taxed as a REIT under sections 856-860 of the United States Internal Revenue Code commencing July 1, 1999. A REIT is generally not subject to corporate-level tax if it satisfies certain requirements. On October 6, 2001, The Timber Company, consisting of a group of corporate entities, merged with and into Plum Creek. As a consequence of the merger of a taxable entity into a nontaxable entity, the deferred tax liabilities of The Timber Company were eliminated except for any expected transactions that would be subject to built-in gains tax.

Plum Creek will generally be subject to corporate-level tax (built-in gains tax) only if it makes a taxable disposition of certain property acquired in The Timber Company Merger within the ten-year period following the merger date. The built-in gains tax only applies to gains from such asset sales to the extent the fair value of the property exceeds its tax basis at the merger date. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", the company recorded a tax benefit of \$216 million in the fourth quarter of 2001 as a result of The Timber Company Merger. The benefit of \$216 million represents the elimination of the deferred tax liability associated with temporary differences related primarily to timberlands that are not expected to be disposed of in a transaction subject to built-in gains tax during a ten-year period following the merger.

We estimate that approximately 5% of The Timber Company's timberlands will be sold in one or more taxable transactions over the ten-year period ending October 5, 2011. As a result, \$11 million of deferred taxes related to timberlands were not eliminated during the fourth quarter of 2001. Timberland sales subject to the built-in gains tax through December 31, 2003 reduced our deferred tax liability by \$0.3 million. This amount was lower than originally estimated because a significant portion of the proceeds from our timberland sales that would otherwise be subject to the built-in gains tax were reinvested in like-kind property. The built-in gains tax can generally be avoided to the extent proceeds are reinvested in like-kind property within the statutory time period. It is not possible to predict whether we will be able to identify suitable replacement properties in the future in order to avoid the built-in gains tax. It is likely that actual timberland sales over the ten-year built-in gain period will be greater than, or less than, 5%. An adjustment to earnings will be required in the period in which it is determined that timberland sales subject to the built-in gains tax will be greater than, or less than, 5%.

LONG-TERM INCENTIVE PLANS

Plum Creek has a Stock Incentive Plan that provides for the award of non-qualified stock options, restricted stock, dividend equivalents and value management awards. See Note 12 of the Notes to Financial Statements. During 2003, the company recognized \$6 million of compensation expense associated with its long-term incentive plans, of which \$4 million related to value management awards.

Value management awards, which have been granted every other year since 2000, provide incentive compensation to participants that is contingent upon the company's performance measured against the performance of a peer group of companies over a three-year period. Value management awards are earned in whole or in part based on a sliding scale. No value management award is earned if the company's total stockholder return is below the 50th percentile of the peer group. The full value management award is earned if the company's total stockholder return is above the 75th percentile.

Plum Creek recognizes compensation expense for value management awards based on the expected value of the award upon vesting and accrues the related expense over the vesting period. The actual expense cannot be determined until the end of the three-year performance period. Furthermore, since the amount of the award, if any, is based on Plum Creek's relative performance compared to that of its peer group, it is possible to have significant changes to the estimated award value during the performance period. Compensation expense related to the value management awards is adjusted in the quarter in which there has been a material change in the expected vested value of the awards. Therefore, it is possible that an adjustment to the value management award expense may be material to the result of operations for the quarter and the year in which the estimated vested benefit is revised.

The performance period for the 2000 value management awards ended on December 31, 2002. Due to the company's strong relative performance, the full value for the awards was achieved. A total expense of \$9 million was recorded over the vesting period in connection with the 2000 value management award grants, of which \$1 million was recorded during 2003. An expense of \$2 million was recorded during 2003 and 2002 in connection with the 2002 value management award grants based on expected relative performance. The expense in connection with the 2002 value management award grants would have been \$4 million during both 2003 and 2002 if we had assumed maximum performance would have been achieved for these awards.

PENSIONS

Plum Creek provides pension benefits under defined benefit pension plans that cover substantially all of our employees. See Note 11 of the Notes to Financial Statements. Participants' benefits vest after five years of service. Subsequent to The Timber Company Merger, the cash balance of benefits of salaried employees is determined based primarily on certain percentages of compensation, age, years of service and interest accrued based on the 30-year treasury bond rate. Furthermore, employees of the company on September 1, 2000 earn benefits based on the greater of the cash balance formula or the amount of a monthly pension benefit that is principally based on highest monthly average earnings during any consecutive sixty-month period and the number of years of service credit. The benefits of hourly employees are generally based on a fixed amount per year of service. Plum Creek's contributions to the plan vary from year to year, but the company has made at least the minimum contributions required by law in each year and we intend to fund annually such that the fair value of plan assets equals or exceeds the actuarially computed accumulated benefit obligation ("ABO", the approximate actuarially computed current pension obligation if the plans were discontinued).

The computation of the company's benefit obligation, pension cost and accrued pension liability under accounting principles generally accepted in the United States of America requires us to make certain assumptions involving primarily the following (weighted-average rates):

	2003	2002
Assumptions Used to Determine the Benefit Obligation at December 31		
Discount rate ^(A)	6.25%	6.75%
Rate of compensation increase ^(C)	4.50%	5.00%
Assumptions Used to Determine Net Periodic Benefit Cost		
Discount rate ^(A)	6.75%	7.25%
Expected long-term return on plan assets ^(B)	7.75%	8.25%
Rate of compensation increase ^(C)	4.50%	5.00%

- (A) The assumed discount rates are based on Moody's long-term AA corporate bond yield, which is considered to represent the rate of return on high-quality fixed-income investments that, if invested at the measurement date, would provide the necessary future cash flows to pay the benefits when due.
- (B) The expected long-term rate of return on plan assets assumption is based on the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class is weighted based on the target asset allocation to develop the expected long-term rate of return on plan assets assumption for the portfolio.
- (C) The assumed rate of increase of future compensation levels represents our long-term estimate of such increases on the basis of the composition of plan participants, past results and market expectations.

Other key assumptions used in the estimate include primarily those underlying the mortality table, and expected long term rates for inflation, retirement and withdrawals, all of which are based on plan experience and standard actuarial methods but which are nevertheless subject to uncertainty.

It is likely that the actual return on plan assets and the outcome of other uncertain variables will differ from those used in estimating our pension costs and pension obligation reflected in our consolidated financial statements and notes thereto. Furthermore, the company may, from time to time, adjust the asset allocation, which may have an impact on the long-term rate of return on plan assets. The following table summarizes key financial measures and sensitivities to changes in assumption for the years ended December 31 (in millions):

	2003	2002
Key Financial Measures		
Pension expense	\$ 5.7	\$ 3.8
Cash contributions	6.0	8.4
Accrued net pension liability	2.4	2.8
Sensitivity to Changes in Key Assumptions		
Increase in pension expense for every 0.25 percentage point:		
decrease in long-term rate of return on plan assets	\$ 0.2	
decrease in weighted average discount rate	0.1	
increase in rate of increase in compensation levels	0.1	
Increase in pension funding for every 0.25 percentage point decrease in weighted average discount rate	\$ 2.9	

Assuming an average long-term rate of return on plan assets of 7.75%, a weighted average discount rate of 6.25% and a 4.5% rate of increase in compensation levels, we project that our annual pension expense for 2004 will be approximately \$7 million, a \$1.3 million, or 23%, increase compared to 2003, and will rise to approximately \$8 million annually by 2006. Over the same time period, the annual cash funding required under our present funding policy is expected to be approximately \$3 million during 2004 increasing to approximately \$6 million in 2006.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS

The consolidated financial statements of the company reflect all of the operations and assets and liabilities of the company. The company has no relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities. Consequently, the company has no off-balance sheet debt. Furthermore, except for certain interest rate hedging transactions in 2002, discussed more fully in Note 10 of the Notes to Financial Statements, and a financing in connection with certain installment notes receivable, which were transferred to Georgia-Pacific prior to The Timber Company Merger, the company is not a party to any derivative transactions. Finally, the company does not have any transactions with related parties or affiliates other than those described in Note 13 of the Notes to Financial Statements.

The following table summarizes our contractual obligations at **December 31, 2003** (in millions):

Contractual Obligations	Total	Payment due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt ^(A)	\$ 2,048	\$ 27	\$ 184	\$ 290	\$ 1,547
Operating lease obligations	16	3	5	3	5
Timber obligations	12	1	2	2	7
Long-term incentive plans	13	4	7	2	—
Purchase Obligations ^(B)	33	25	5	1	2
Other Long-Term Liabilities ^(C)					
Total Contractual Obligations	\$ 2,122	\$ 60	\$ 203	\$ 298	\$ 1,561

(A) Excludes unamortized premiums of \$16 million at December 31, 2003.

(B) Purchase obligations are comprised primarily of \$7 million for raw materials for our MDF facilities, \$6 million for third-party logs for our plywood and sawmill facilities, \$8 million for reforestation and silviculture, and \$11 million for real estate development and other activities.

(C) We have not included any amounts for our other long-term liabilities as we cannot estimate when we will be obligated to satisfy the liabilities. Our other long-term liabilities include workers' compensation (\$7 million) and pension (\$2 million). During each of the past two years we have funded approximately \$2 million for workers' compensation payments and expected the same in the near future. We have made contributions to our pension plan such that the fair value of the pension plan assets at December 31, 2003 exceeds the actuarially computed accumulated benefit obligation. As a result of this funding level, there is no pension-funding obligation at December 31, 2003.

EVENTS AND TRENDS AFFECTING OPERATING RESULTS

HARVEST PLANS

We determine our annual roundwood (sawlogs and pulpwood, including stumpage sales) harvesting plans based on a number of factors. At the stand level, ranging in size from 10 to 200 acres, we consider the age, size, density, health and economic maturity of the timber. A stand is a contiguous block of trees of a similar age, species mix and silvicultural regime. At the forest level, ranging in size from 105,000 to 770,000 acres, we consider the long-term sustainability and environmental impact of certain levels of harvesting, certain external conditions such as supply agreements, and the level of demand for wood within the region. A forest is a broad administrative unit, made up of a large number of stands. "Harvest scheduling" is the technical approach using computer modeling that considers all of the above factors along with forest growth rates and financial assumptions to project harvest plans for a number of years.

Actual harvest levels may vary from planned levels due to log demand, sales prices, the availability of timber from other sources, the level of timberland sales and acquisitions, the availability of legal access, abnormal weather conditions, fires and other factors that may be outside of our control. We believe that our harvest plans are sufficiently flexible to permit modification in response to short-term fluctuations in the markets for logs. Furthermore, future harvest levels may be impacted by both our planned sales of non-strategic and higher and better use timberlands. The impact will depend on the level and extent we are able to reinvest proceeds in productive timberlands and the stocking levels and age class distribution of any newly acquired timberlands.

Harvest levels in the Northern Resources Segment were 5.6 million tons during 2003 and 5.5 million tons during 2002. Harvest levels in the Northern Resources Segment in 2004 are expected to decrease by approximately 3%. Harvest levels in the Southern Resources Segment were 13.4 million tons during 2003 and 13.8 million tons during 2002. Harvest levels in the Southern Resources Segment in 2004 are expected to increase by approximately 3%.

U.S.-CANADA SOFTWOOD LUMBER AGREEMENT

Historically, Canada has been a significant source of lumber for the U.S. market, particularly in the new home construction market. This source of lumber was constrained in April 1996 when a five-year lumber trade agreement between the U.S. and Canada went into effect. The trade agreement was intended to limit the volume of Canadian lumber exported into the U.S. through the assessment of an export tariff on annual lumber exports to the U.S. in excess of certain levels from the four major producing Canadian provinces. The trade agreement expired in March 2001, and soon thereafter a U.S. industry coalition, of which Plum Creek is a member, submitted anti-dumping and countervailing duty petitions to the International Trade Commission and the U.S. Department of Commerce. In March 2002, the Department of Commerce rendered a final determination in favor of the U.S. industry coalition and set a 19.3% countervailing duty on Canadian lumber imports and an anti-dumping duty on all non-investigated Canadian exporters averaging 9.7% (representing the weighted average of the anti-dumping rates imposed on the investigated Canadian exporters). The Department of Commerce decreased these duties in April 2002 to 18.8% and 8.4%, respectively. In May 2002, the International Trade Commission rendered a final determination that the U.S. industry was threatened with material injury by Canadian lumber imports. Following this determination, the Department of Commerce put into effect the countervailing and anti-dumping duties in May 2002. Reports indicate, however, that the final duties have not had the effect of decreasing Canadian lumber imports into the U.S.

The future of the U.S.-imposed import duties on Canadian lumber remains uncertain. Canada appealed both the anti-dumping duty and the countervailing duty to the WTO and NAFTA appeal boards. Both the WTO and NAFTA recently issued rulings that affirmed the U.S. position that Canadian stumpage practices are, in fact, providing a subsidy to the Canadian industry, and upheld the validity of antidumping duties imposed on most Canadian producers. However, both the WTO and NAFTA rulings included provisions for re-examining the calculation and level of the countervailing and the anti-dumping duties. These rulings required the U.S. to lower the countervailing duty, and another decision by NAFTA on this matter is expected in March of 2004, which could lead to further adjustment of either the anti-dumping or countervailing duties, or both. To avoid protracted litigation, the U.S. and representatives of the Canadian government negotiated a tentative settlement agreement in December 2003. However, the Canadian federal government has not yet ratified the settlement agreement, and negotiations between the U.S. and Canada are continuing. There can be no assurance that an agreement will be reached, or that the terms of any such final agreement would be favorable to the U.S. lumber industry's interests. Therefore, other factors remaining unchanged, downward pressure on domestic lumber and log prices caused by Canadian imports could continue or increase.

COMPARABILITY OF FINANCIAL STATEMENT PERIODS

Acquisitions and Divestitures. We have pursued and expect to continue to pursue both the acquisition and divestiture of timberlands to increase the value of our assets. During the third and fourth quarter of 2003, we acquired 139,000 acres of timberlands located primarily in South Carolina, Arkansas and New Hampshire. During the fourth quarter of 2002, we purchased 307,000 acres of timberlands located primarily in Wisconsin, and on October 6, 2001, we completed our merger with The Timber Company. As a result of these acquisitions, our ownership increased to 8.1 million acres at December 31, 2003, 8.0 million acres at December 31, 2002 and 7.8 million acres at December 31, 2001 from 4.7 million acres at December 31, 2000. We may sell timberlands and facilities, from time to time, if attractive opportunities arise. Accordingly, the comparability of periods covered by the company's financial statements is, and in the future may be, affected by the impact of acquisitions and divestitures.

Merger with The Timber Company. On October 6, 2001, the six entities that comprised The Timber Company, formerly a separate operating group of Georgia-Pacific Corporation ("Georgia-Pacific"), merged with and into Plum Creek, with Plum Creek as the surviving company. The merger was accounted for as a reverse acquisition, with The Timber Company treated as the acquirer for accounting and financial reporting purposes. As a result, the historical financial statements of The Timber Company became the financial statements of Plum Creek effective as of the date of the merger. Consequently, the statement of income for the year ended December 31, 2001 reflects the performance of The Timber Company until the date of the merger, and that of the merged companies for the remainder of 2001. See Note 2 of the Notes to Financial Statements.

RESULTS OF OPERATIONS

The following table compares **Operating Income (Loss) by Segment** for the **years ended December 31** (in millions):

	2003	2002	2001
Northern Resources	\$ 82	\$ 80	\$ 30
Southern Resources	216	227	187
Real Estate	47	64	59
Manufactured Products	(5)	1	1
Other	7	7	8
Total Segment Operating Income	347	379	285
Other Costs & Eliminations	(44)	(41)	(35)
Operating Income	\$ 303	\$ 338	\$ 250

As a consequence of The Timber Company Merger and the related reverse acquisition accounting treatment, the financial results for 2003 and 2002 are not comparable with 2001.

2003 COMPARED TO 2002

Northern Resources Segment. Revenues decreased by \$11 million, or 3%, to \$309 million in 2003. This decrease was due primarily to a 12% decrease in softwood sawlog sales volume in Montana as a result of one of the worst fire season in decades, offset in part by harvesting from timberlands in Wisconsin that were acquired during December 2002. Sales volume from timberlands in Wisconsin that were acquired in December 2002 increased revenues by \$13 million.

Northern Resources Segment operating income was 27% of its revenues for 2003 and 25% for 2002. Costs and expenses decreased by \$13 million, or 5%, to \$227 million in 2003 due primarily to fire-related harvesting curtailments and lower depletion rates, offset in part by harvesting of timberlands in Wisconsin that were acquired during December 2002 and a \$4 million fire loss. Costs associated with the timberland operations in Wisconsin that were acquired in December 2002 were \$8 million. We recorded a \$4 million fire loss as a result of forest fires during the third quarter of 2003 on approximately 45,000 acres in Montana. The \$4 million loss represents the book basis of the timber volume destroyed by fire.

Southern Resources Segment. Revenues increased by \$22 million, or 5%, to \$445 million in 2003. This increase of \$22 million was due primarily to a higher percentage of delivered log sales (\$33 million) and a more valuable mix of logs (\$7 million), offset in part by lower softwood sawlog prices (\$15 million) and lower harvest volumes (\$9 million).

Revenues increased by \$33 million due to the company's increased percentage of delivered log sales. The company increased its percentage of delivered log sales by decreasing its percentage of sales of standing timber. Under a delivered log sale agreement, the seller is responsible for log and haul costs. When standing timber is sold the buyer incurs the log and haul costs. While revenues are higher when the seller is responsible for the logging and hauling of timber, costs of sales generally increase by a similar amount. As a result, the company realizes lower margins as a percent of revenues, although operating income is not generally affected. Revenues increased by

\$7 million due to a greater percentage of high value logs in the 2003 sales mix than in the prior year. During 2002 the weather was extremely dry which allowed us to increase our harvest of low value pulpwood.

Softwood sawlog prices decreased by 6% due primarily to harvesting of smaller diameter logs and mill curtailments. The diameter of sawlogs temporarily increased during 2001 and 2002 due to the increased conversion of slow growing natural stands to faster growing plantation stands. Mills curtailed production during the first half of 2003 due to weak lumber prices. Sales volume decreased by 3% due to a planned reduction in harvest levels.

Southern Resources Segment operating income was 49% of its revenues for 2003 and 54% for 2002. This decrease was due primarily to lower softwood sawlog prices and the increased percentage of delivered log sales. Southern Resources Segment costs and expenses increased by \$33 million, or 17%, to \$229 million. This increase was due primarily to an increase in log and haul costs as a result of a higher percentage of delivered log sales compared to sales of standing timber.

Real Estate Segment. Revenues increased by \$26 million, or 27%, to \$124 million in 2003. This increase of \$26 million was due primarily to the sale of non-strategic timberlands and a higher number of acres sold, offset in part by lower conservation easement sales. During the second quarter of 2003 we sold 29,000 acres of non-strategic timberlands for \$13 million. Additionally, we sold 96,000 acres of higher and better use timberlands during 2003 compared to sales of 38,000 acres during 2002. Revenues from conservation easements decreased by \$20 million compared to the prior year.

Real Estate Segment operating income was 38% of its revenues for 2003 and 65% for 2002. This decrease was due primarily to sales of non-strategic timberlands, fewer conservation easement sales and the recording of a \$5 million impairment loss. Real Estate Segment costs and expenses increased by \$43 million, or 126%, to \$77 million in 2003. This increase of \$43 million is due primarily to the sale of non-strategic timberlands, fewer sales of conservation easements and a \$5 million impairment charge. During the second quarter of 2003, 29,000 acres of non-strategic timberlands were sold for \$13 million, which had a book basis of \$22 million (\$9 million of the \$22 million was recorded as an impairment charge during the first quarter of 2003). We sold more acres but fewer conservation easements during 2003. No book basis is charged to cost of goods sold for sales of conservation easements. During the fourth quarter of 2003, we concluded that it was probable that 28,000 acres of non-strategic timberlands would be sold during 2004 in which the book basis exceeds the fair value by \$5 million. As a result, an impairment charge of \$5 million was recorded.

Manufactured Products Segment. Revenues increased by \$16 million, or 4%, to \$397 million in 2003. This increase of \$16 million was due primarily to higher MDF sales volume (\$14 million) and higher plywood prices (\$10 million), offset in part by lower lumber prices (\$8 million). MDF sales volume increase by 20 million square feet to 198 million square feet due primarily to our new thin-board mill, which began operations during the fourth quarter of 2001 and was in a start-up phase during most of 2002. Plywood prices temporarily skyrocketed during the second half of 2003 due to wholesalers and distributors maintaining low structural panel inventories and housing starts continuing at unanticipated record levels. Lumber prices decreased by 5% due primarily to an industry-wide excess supply of boards as a result of log salvage operations from 2002 forest fires and excess production capacity for studs and dimension lumber throughout North America.

Manufactured Products Segment operating loss was \$5 million during 2003 compared to \$1 million of operating income during 2002. This decrease in operating performance was due primarily to lower lumber prices and higher MDF operating costs. Manufactured Products Segment costs and expenses increased by \$22 million, or 6%, to \$402 million in 2003. This increase of \$22 million was due primarily to higher MDF production volume and higher MDF resin and maintenance costs.

Other Costs and Eliminations. Other Costs and Eliminations (which consists of corporate overhead and intercompany profit elimination) decreased operating income by \$44 million in 2003, compared to a decrease of \$41 million in 2002. This change of \$3 million was due primarily to higher corporate expenses.

Interest Expense. Net interest expense increased by \$14 million, or 14%, to \$117 million for 2003. This increase was due primarily to a higher debt level as the result of the acquisition of 307,000 acres of timberlands located in Wisconsin during December 2002, the acquisition of 139,000 acres in three states during the third and fourth quarters of 2003, and the purchase of 2 million shares of treasury stock during the first quarter of 2003 for \$43 million.

Provision for Income Taxes. The provision for income taxes was \$6 million benefit for 2003 compared to \$2 million expense for 2002. This change of \$8 million was due primarily to the \$6 million decline in operating performance for the Manufactured Products Segment and lower sales of higher and better use lands through our taxable REIT subsidiaries during 2003. As a REIT, Plum Creek is generally not subject to corporate income tax except for certain transactions that are subject to built-in gains tax and certain non-REIT activities that are conducted through taxable REIT subsidiaries. See Note 5 of the Notes to Financial Statements.

2002 COMPARED TO 2001

In order to make the 2002 and 2001 results comparable, we have excluded in the analysis below the revenues and expenses related to Plum Creek's assets and liabilities for the period January 1, 2002 to October 5, 2002.

Northern Resources Segment. Revenues increased by \$184 million, or 135%, to \$320 million in 2002. Excluding revenues (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, annual revenues increased by \$22 million, or 16%, to \$158 million in 2002. This increase of \$22 million was due primarily to higher softwood sawlog sales volume as a result of the age class distribution of our Oregon Timberlands, which has an increasing percentage of mature timber.

Excluding the impact of The Timber Company Merger (for the period January 1, 2002 to October 5, 2002), Northern Resources Segment annual operating income was 28% of its revenues for 2002 and 22% for 2001. This increase was due primarily to higher softwood sawlog volume. Northern Resources Segment costs and expenses increased by \$134 million, or 126%, to \$240 million in 2002. Excluding costs and expenses (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, annual costs and expenses increased by \$8 million, or 8%, to \$114 million. This increase of \$8 million was due primarily to higher log and haul costs as a result of higher sales volume.

Southern Resources Segment. Revenues increased by \$104 million, or 33%, to \$423 million in 2002. Excluding revenues (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, annual revenues increased by \$63 million, or 20%, to \$382 million in 2002. This increase of \$63 million was due

primarily to a higher percentage of delivered log sales (\$37 million) and higher log sales volume (\$35 million), offset in part by selling stumpage under lump-sum contracts as compared to timber deeds (\$8 million).

Revenues increased by \$37 million due to the company's increased percentage of delivered log sales. The company increased its percentage of delivered log sales by decreasing its percentage of sales of standing timber. Under a delivered log sale agreement, the seller is responsible for log and haul costs. When standing timber is sold the buyer incurs the log and haul costs. While revenues are higher when the seller is responsible for the logging and hauling of timber, costs of sales generally increase by a similar amount. As a result, the company realizes lower margins as a percent of revenues, although operating income is not generally affected.

Revenues increased by \$35 million due to higher sales volume. The increased log sales volume was due primarily to a temporary (24 to 36 months) increase in harvest levels. This temporary increase resulted from accelerating the conversion of slower-growing natural stands to faster-growing plantations.

Excluding the impact of The Timber Company Merger (for the period January 1, 2002 to October 5, 2002), Southern Resources Segment annual operating income was 57% of its revenues for 2002 and 59% for 2001. Southern Resources Segment costs and expenses increased by \$64 million, or 48%, to \$196 million. Excluding costs and expenses (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, costs and expenses increased by \$33 million, or 25%, to \$166 million in 2002. This increase was due primarily to an increase in log and haul costs as a result of a higher percentage of delivered log sales compared to sales of standing timber and higher sales volume.

Real Estate Segment. Revenues increased by \$18 million, or 23%, to \$98 million in 2002. Excluding revenues (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, revenues decreased by \$20 million, or 25%, to \$60 million. This decrease of \$20 million was due primarily to the timing of real estate sales. The timing of real estate sales is a function of many factors, including the availability of government and not-for-profit funding, the general state of the economy, the plans of adjacent landowners, the company's expectation of future price appreciation and the timing of harvesting activities.

Excluding the impact of The Timber Company Merger (for the period January 1, 2002 to October 5, 2002), Real Estate Segment operating income was 78% of its revenues for 2002 and 74% for 2001. This increase was due primarily to a higher percentage of conservation easements during 2002. There is no book basis allocated to the sale of conservation easements. Real Estate Segment costs and expenses increased by \$13 million, or 62%, to \$34 million in 2002. Excluding costs and expenses (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, costs and expenses decreased by \$8 million, or 38%, to \$13 million.

Manufactured Products Segment. Revenues increased by \$295 million, or 343%, to \$381 million in 2002. Excluding revenues (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, revenues increased by \$4 million, or 5%, to \$90 million. This increase of \$4 million was due primarily to our new thin-board MDF facility, which began operations in the fourth quarter of 2001. We sold 18 million square feet of thin-board MDF during the fourth quarter of 2002 compared to 5 million square feet during the fourth quarter of 2001.

Excluding the impact of The Timber Company Merger (for the period January 1, 2002 to October 5, 2002), Manufactured Products Segment operating loss was \$5 million during 2002 compared to \$1 million of operating

income during 2001. This decrease in operating performance was due primarily to lower lumber prices as a result of excess supply caused by over production by U.S. and Canadian mills and higher MDF operating costs. Manufactured Products Segment costs and expenses increased by \$295 million, or 347%, to \$380 million in 2002. Excluding costs and expenses (for the period January 1, 2002 to October 5, 2002) associated with The Timber Company Merger, costs and expenses increased by \$10 million, or 12%, to \$95 million. This increase of \$10 million was due primarily to higher MDF production volume and higher MDF operating costs.

Other Costs and Eliminations. Other Costs and Eliminations (which consists of corporate overhead and intercompany profit elimination) decreased operating income by \$41 million in 2002, compared to a decrease of \$35 million in 2001. This change of \$6 million was due primarily to \$22 million of higher corporate expenses due to the increase in the size of the company, offset by a reduction of \$10 million for intercompany profit elimination and \$6 million for severance costs. During the fourth quarter of 2001, we incurred \$6 million of merger-related severance costs. Profit on intercompany log sales is deferred until the lumber and plywood manufacturing facilities convert existing log inventories into finished products and sell them to third parties. Prior to The Timber Company Merger, The Timber Company did not have any deferred profit on log sales. From the date of the merger to December 31, 2001, the company deferred profit of \$9 million on intercompany log sales. The company released intercompany profit of \$1 million during 2002. At December 31, 2002 the deferred profit on intercompany sales was \$8 million.

Interest Expense. Net interest expense increased by \$49 million, or 91%, to \$103 million for 2002. This increase was due primarily to the \$837 million of Plum Creek's debt that was acquired in connection with The Timber Company Merger.

Provision for Income Taxes. The provision for income taxes was \$2 million for 2002 compared to a net benefit of \$142 million for 2001. During the fourth quarter of 2001, we recognized a tax benefit of \$216 million in connection with The Timber Company Merger. For the period January 1, 2001 to October 5, 2001, The Timber Company recognized a tax expense of approximately \$70 million. As a REIT, Plum Creek is generally not subject to corporate income tax except for certain transactions that are subject to built-in gains tax and certain non-REIT activities that are conducted through taxable REIT subsidiaries. See Note 5 of the Notes to Financial Statements.

FINANCIAL CONDITION AND LIQUIDITY

Net cash provided by operating activity increased by \$1 million, to \$369 million for 2003 compared to \$368 million in 2002. Even though the cash provided by operating activity was stable, the Real Estate Segment's contribution was higher in 2003 and the Resources and Manufactured Products Segments' contributions were lower. We expect this trend of more cash provided by the Real Estate Segment's operating activities to continue in 2004.

Net cash provided by operating activity was \$368 million for 2002 compared to \$223 million for 2001, an increase of \$145 million, or 65%. The increase of \$145 million was due primarily to The Timber Company Merger. As a result, non-cash operating expenses (depreciation, depletion, amortization and basis of real estate sold) increased by \$60 million and cash taxes decreased by \$52 million.

At December 31, 2003, we had a \$600 million revolving line of credit maturing on September 30, 2005. The rate for the revolving line of credit was LIBOR plus 1.5%, which included facility fees. Interest rates vary and are based

on a series of borrowings with maturities that can range from one week to six months. The interest rate for the \$600 million credit facility at December 31, 2003 was 2.7% including facility fees.

Borrowings on the line of credit fluctuate daily based on cash needs. Subject to customary covenants, the line of credit allows for borrowings from time to time up to \$600 million, including up to \$50 million of standby letters of credit. As of December 31, 2003, less than \$1 million remained available for borrowing under the line of credit and there were outstanding standby letters of credit of \$5 million. On January 2, 2004, \$248 million of the borrowings under the line of credit was repaid. On January 15, 2004, the company refinanced its revolving line of credit. The new \$650 million facility has a maturity of five years. The interest rate for the new facility is based on LIBOR plus 1.25%, which includes facility fees.

The company believes it has adequate liquidity based on its cash balance of \$260 million at December 31, 2003, the replacement of its \$600 million line of credit with a new \$650 million line of credit on January 15, 2004 and expected proceeds from non-strategic timberland sales during 2004.

Our borrowing agreements contain various restrictive covenants, including limitations on harvest levels, sales of assets, the incurrence of indebtedness and making restricted payments (such as payments of cash dividends or stock repurchases). See Note 8 of the Notes to Financial Statements. Our borrowing agreements limit our ability to make restricted payments based on available cash, which is generally our net income after adjusting for non-cash charges (such as depreciation and depletion), changes in various reserves less capital expenditures and principal payments on indebtedness that are not financed. In addition, our line of credit requires that we maintain an interest coverage ratio and maximum leverage ratio. We were in compliance with all of our borrowing agreement covenants as of December 31, 2003.

The company's leverage strategy is to maintain a balance sheet that provides the financial flexibility to pursue our strategic objectives. In order to maintain this financial flexibility, the company strives to maintain an investment grade credit profile. This is reflected in our moderate use of debt, good access to credit markets and no material covenant restrictions in our debt agreements that would prevent us from prudently using debt capital.

Cash required to meet our financial needs will be significant. We believe, however, that cash on hand and cash flows from continuing operations will be sufficient to fund planned capital expenditures, and interest and principal payments on our indebtedness for the next year. In 2006 and 2007, the company has significant long-term debt principal payment requirements. The company intends to refinance these principal payments at the time of maturity. The company, however, may not refinance the entire amount and may use cash generated from operations for a portion of the principal payments.

On February 2, 2004, our board of directors declared a dividend of \$0.35 per share for the fourth quarter of 2003. Total dividends for the fourth quarter approximated \$64 million and were paid on February 27, 2004 to stockholders of record on February 13, 2004. Future dividends will be determined by our board of directors, in its sole discretion, based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, debt covenant restrictions that may impose limitations on the company's ability to make cash payments, borrowing capacity, changes in the prices of and demand for Plum Creek's products, and changes in our ability to sell timberlands at attractive prices. Other factors that our board of directors considers include the appropriate timing of timber harvests, acquisition and

divestiture opportunities, stock repurchases, debt repayment and other means by which the company could deliver value to its stockholders.

In October 2002, our board of directors authorized the company to buy up to \$200 million of the company's outstanding common stock. During the first quarter of 2003, the company purchased two million shares of common stock for a total cost of \$43 million at an average price of \$21.53 per share.

Capital expenditures, excluding the acquisition of timberlands, for 2003 were \$84 million, \$91 million for 2002 and \$76 million for 2001. During 2003, we acquired 139,000 acres of timberlands for \$162 million. The purchases were financed primarily using borrowings from our line of credit and \$25 million of funds from tax-deferred exchange transactions. In 2002, we invested \$158 million for timberlands of which the largest acquisition was for approximately \$141 million for 307,000 acres located primarily in Wisconsin. The \$141 million purchase price was financed primarily using existing lines of credit. Planned capital expenditures for 2004, excluding the acquisition of timberlands, are expected to be approximately \$84 million and include approximately \$65 million for our timberlands, and \$8 million for our manufacturing facilities. The timberland expenditures are primarily for reforestation and other expenditures associated with the planting and growing of trees. Of the \$84 million of planned capital expenditures in 2004, 50% are considered to be discretionary and 50% are considered maintenance expenditures. Maintenance expenditures consist primarily of reforestation and projects at our manufacturing facilities to sustain operating activities or improve safety.

OTHER INFORMATION

In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to SFAS No. 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. SFAS No. 149 amends SFAS No. 133 as a result of decisions previously made as part of the Derivatives Implementation Group process, changes made in connection with other FASB projects dealing with financial instruments, and deliberations in connection with issues raised in relation to the application of the definition of a derivative. Except for certain provisions that merely represent the codification of previous Derivatives Implementation Group decisions, which were effective immediately, the Statement is effective for contracts entered into or modified after September 30, 2003, and hedging relationships designated after September 30, 2003. We do not expect that adoption of this standard will have a material impact on the company's financial condition, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. We do not expect that adoption of this standard will have a material impact on the company's financial condition, results of operations or cash flows.

RISK FACTORS

BUSINESS AND OPERATING RISKS

The Cyclical Nature of Our Business Could Adversely Affect Our Results of Operations

Our results of operations are affected by the cyclical nature of the forest products industry. Historical prices for logs and manufactured wood products have been volatile, and we, like other participants in the forest products industry, have limited direct influence over the time and extent of price changes for logs and wood products. The demand for logs and wood products is affected primarily by the level of new residential construction activity and, to a lesser extent, repair and remodeling activity and other industrial uses. The demand for logs is also affected by the demand for wood chips in the pulp and paper markets. These activities are, in turn, subject to fluctuations due to, among other factors:

- changes in domestic and international economic conditions;
- **interest rates;**
- **population growth** and changing demographics; and
- **seasonal weather cycles** (e.g., dry summers, wet winters).

Decreases in the level of residential construction activity generally reduce demand for logs and wood products. This results in lower revenues, profits and cash flows. In addition, industry-wide increases in the supply of logs and wood products during favorable price environments can also lead to downward pressure on prices. Timber owners generally increase production volumes for logs and wood products during favorable price environments. Such increased production, however, when coupled with even modest declines in demand for these products in general, could lead to oversupply and lower prices.

Our results of operations may also be subject to global economic changes as global supplies of wood fiber shift in response to changing economic conditions. Changes in global economic conditions that could affect our results of operations include, but are not limited to, new timber supply sources and changes in currency exchange rates, foreign and domestic interest rates and foreign and domestic trade policies.

In addition, changes in our ability to sell or exchange non-strategic timberlands and timberland properties that have higher and better uses at attractive prices could have a significant effect on our results of operations.

The following factors, among others, may adversely affect the timing and amount of income generated by our land sales activities:

- general economic conditions;
- **availability of funding for governmental agencies, developers, conservation organizations, individuals and others** to purchase our lands for conservation, recreation, residential or other purposes;
- local real estate market conditions, such as oversupply of, or reduced demand for, properties sharing the same or similar characteristics as those in our portfolio;
- relative illiquidity of real estate investments;
- impact of federal, state and local land use and environmental protection laws; or
- changes in tax, real estate and zoning laws.

The Forest Products Industry is Highly Competitive

The forest products industry is highly competitive in terms of price and quality. Wood products are subject to increasing competition from a variety of substitute products, including non-wood and engineered wood products. For example, plywood markets are subject to competition from oriented strand board, and U.S. lumber and log markets are subject to competition from other worldwide suppliers.

Historically, Canada has been a significant source of lumber for the U.S. market, particularly in the new home construction market. This source of lumber was constrained in April 1996 when a five-year lumber trade agreement between the U.S. and Canada went into effect. The trade agreement was intended to limit the volume of Canadian lumber exported into the U.S. through the assessment of an export tariff on annual lumber exports to the U.S. in excess of certain levels from the four major producing Canadian provinces.

The trade agreement expired in March 2001, and soon thereafter a U.S. industry coalition, of which Plum Creek is a member, submitted anti-dumping and countervailing duty petitions to the International Trade Commission and the U.S. Department of Commerce. In March 2002, the Department of Commerce rendered a final determination in favor of the U.S. industry coalition and set a 19.3% countervailing duty on Canadian lumber imports and an anti-dumping duty on all non-investigated Canadian exporters averaging 9.7% (representing the weighted average of the anti-dumping rates imposed on the investigated Canadian exporters). The Department of Commerce decreased these duties in April 2002 to 18.8% and 8.4%, respectively. In May 2002, the International Trade Commission rendered a final determination that the U.S. industry was threatened with material injury by Canadian lumber imports. Following this determination, the Department of Commerce put into effect the countervailing and anti-dumping duties in May 2002. Reports indicate, however, that the final duties have not had the effect of decreasing Canadian lumber imports into the U.S.

The future of the U.S.-imposed import duties on Canadian lumber remains uncertain. Canada appealed both the anti-dumping duty and the countervailing duty to the WTO and NAFTA appeal boards. Both the WTO and NAFTA recently issued rulings that affirmed the U.S. position that Canadian stumpage practices are, in fact, providing a subsidy to the Canadian industry, and upheld the validity of antidumping duties imposed on most Canadian producers. However, both the WTO and NAFTA rulings included provisions for re-examining the calculation and level of the countervailing and the anti-dumping duties. These rulings required the U.S. to lower the countervailing duty, and another decision by NAFTA on this matter is expected in March of 2004, which could lead to further adjustment of either the anti-dumping or countervailing duties, or both. To avoid protracted litigation, the U.S. and representatives of the Canadian government negotiated a tentative settlement agreement in December 2003. However, the Canadian federal government has not yet ratified the settlement agreement, and negotiations between the U.S. and Canada are continuing. There can be no assurance that an agreement will be reached, or that the terms of any such final agreement would be favorable to the U.S. lumber industry's interests. Therefore, other factors remaining unchanged, downward pressure on domestic lumber and log prices caused by Canadian imports could continue or increase.

Our Cash Dividends are Not Guaranteed and May Fluctuate

In July 1999, we converted from a master limited partnership to a real estate investment trust, or "REIT". REITs are required to distribute 90% of their net taxable ordinary income. However, unlike ordinary income such as rent, the Internal Revenue Code of 1986, as amended, does not require REITs to distribute capital gain income. Accordingly,

we do not believe that the Internal Revenue Code will require us to distribute any material amounts of cash given that the majority of our income comes from timber sales, which generally are treated as capital gains. Our board of directors, in its sole discretion, determines the amount of the quarterly dividends to be provided to our stockholders based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels, changes in the price and demand for our products and general market demand for timberlands including those timberland properties that have higher and better uses. Consequently, our dividend levels may fluctuate.

We May Be Unsuccessful in Carrying Out Our Acquisition Strategy

We intend to pursue acquisitions of strategic timberland properties. As with any investment, our future acquisitions, if any, may not perform in accordance with our expectations. In addition, we anticipate financing such acquisitions through cash from operations, borrowings under our unsecured credit facilities, proceeds from equity or debt offerings (including offerings of limited partnership units by our operating partnership) or proceeds from asset dispositions, or any combination thereof. Our inability to finance future acquisitions on favorable terms or the failure of any acquisitions to conform to our expectations, could adversely affect our results of operations.

We Depend on External Sources of Capital for Future Growth

Our ability to finance growth is dependent to a significant degree on external sources of capital. Our ability to access such capital on favorable terms could be hampered by a number of factors, many of which are outside of our control, including, without limitation, a decline in general market conditions, increases in interest rates, an unfavorable market perception of our growth potential, a decrease in our current or estimated future earnings or a decrease in the market price of our common stock. In addition, our ability to access additional capital may also be limited by the terms of our existing indebtedness, which, among other things, restricts our incurrence of debt and the payment of dividends. Any of these factors, individually or in combination, could prevent us from being able to obtain the capital we require on terms that are acceptable to us, and the failure to obtain necessary capital could materially adversely affect our future growth.

Our Ability to Harvest Timber May Be Subject to Limitations Which Could Adversely Affect Our Operations

Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict harvesting of timberlands as may other factors, including damage by fire, insect infestation, disease, prolonged drought and other natural disasters. Although damage from such natural causes usually is localized and affects only a limited percentage of the timber, there can be no assurance that any damage affecting our timberlands will in fact be so limited. As is common in the forest products industry, we do not maintain insurance coverage with respect to damage to our timberlands.

Our revenues, net income and cash flow from our operations are dependent to a significant extent on the pricing of our products and our continued ability to harvest timber at adequate levels. In addition, the terms of our long-term debt agreements and lines of credit limit our ability to fund dividends to stockholders by accelerating the harvest of significant amounts of timber.

Our Timberlands and Manufacturing Facilities Are Subject to Federal and State Environmental Regulations

We are subject to regulation under, among other laws, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the National Environmental Policy Act, and the Endangered Species Act, as well as comparable state laws and regulations. Violations of various statutory and regulatory programs that apply to our operations could result in civil penalties, remediation expenses, potential injunctions, cease and desist orders and criminal penalties.

We engage in the following activities that are subject to regulation:

- forestry activities, including harvesting, planting and road building, use and maintenance;
- the generation of air emissions;
- the discharge of industrial wastewater and storm water; and
- the generation and disposal of both hazardous and non-hazardous wastes.

Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to the person's negligence or fault. These laws or future legislation or administrative or judicial action with respect to protection of the environment may adversely affect our business.

The Endangered Species Act and comparable state laws protect species threatened with possible extinction. A number of species on our timberlands have been and in the future may be protected under these laws, including the northern spotted owl, marbled murrelet, gray wolf, grizzly bear, bald eagle, Karner blue butterfly, red-cockaded woodpecker, bull trout, and various other trout and salmon species. Protection of threatened and endangered species may include restrictions on timber harvesting, road building and other forest practices on private, federal and state land containing the affected species.

STOCK OWNERSHIP

Provisions in Our Certificate of Incorporation and Delaware Law May Prevent a Change in Control

Some provisions of our certificate of incorporation may discourage a third party from seeking to gain control of us. For example, the ownership limitations described in our certificate of incorporation could have the effect of delaying, deferring, or limiting a change of control in which holders of our common stock might receive a premium for their shares over the then prevailing market price. The following is a summary of provisions of our certificate of incorporation that may have this effect.

Ownership Limit. In order for us to maintain our qualification as a REIT, not more than 50% of the value of our outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals, as defined in the Internal Revenue Code. For the purpose of preserving our REIT qualification, our certificate of incorporation prohibits ownership, either directly or under the applicable attribution rules of the Internal Revenue Code, of more than 5% of the lesser of the total number of shares of our common stock outstanding or the value of the outstanding shares of our common stock by any stockholder other than by some designated persons agreed to by us or as set forth in our certificate of incorporation (the "Ownership Limit"). The Ownership Limit may have the effect of discouraging an acquisition of control of us without the approval of our board of directors.

The Ownership Limit in our certificate of incorporation also restricts the transfer of our common stock. For example, any transfer of our equity is null and void if the transfer would:

- result in any person owning, directly or indirectly, equity in excess of the Ownership Limit;
- result in our equity being owned, directly or indirectly, by fewer than 100 persons;
- result in us being "closely held" (as defined in the Internal Revenue Code);
- result in us failing to qualify as a "domestically controlled REIT" (as defined in the Internal Revenue Code); or
- otherwise cause us to fail to qualify as a REIT.

Preferred Stock. Our certificate of incorporation authorizes our board of directors to issue up to 75 million shares of preferred stock. Upon issuance, our board of directors will establish the preferences and rights for this preferred stock. These preferences and rights may include the right to elect additional directors. The issuance of preferred stock could have the effect of delaying or preventing a change in control of us even if a change in control were in our stockholders' best interests.

Section 203 of the Delaware General Corporation Law. Section 203 of the Delaware General Corporation Law generally prohibits us from engaging in business transactions with a person or entity that owns 15% or more of our voting stock for a period of three years following the time such person or entity became an "interested stockholder" unless, prior to such time, our board of directors approved either the business combination or the transaction which resulted in such person or entity becoming an interested stockholder. A business transaction may include mergers, asset sales and other transactions resulting in financial benefit to the person or entity that owns 15% or more of our voting stock.

TAX RISKS

If We Fail to Qualify as a REIT, We Would Be Subject to Tax at Corporate Rates and Would Not Be Able to Deduct Dividends to Stockholders When Computing Our Taxable Income

If in any taxable year we fail to qualify as a REIT:

- we would be subject to federal and state income tax on our taxable income at regular corporate rates of approximately 40%;
- we would not be allowed to deduct dividends to stockholders in computing our taxable income; and
- unless we were entitled to relief under the Internal Revenue Code, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification.

If we fail to qualify as a REIT, we might need to borrow funds or liquidate some investments in order to pay the additional tax liability. Accordingly, funds available for investment or dividends to our stockholders would be reduced for each of the years involved.

Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code to our operations and the determination of various factual matters and circumstances not entirely within our control. There are only limited judicial or administrative interpretations of these provisions. Although we operate in a manner consistent with the REIT qualification rules, we cannot assure you that we are or will remain so qualified.

In addition, the rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the United States Department of the Treasury. Changes to the tax law could adversely affect our stockholders. We cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws applicable to us or our stockholders may be changed.

If We Failed to Distribute the Earnings and Profits of The Timber Company, We Would Be Subject to Adverse Tax Consequences

In connection with The Timber Company's October 6, 2001 merger with Plum Creek, we were required by January 31, 2002 to distribute the earnings and profits acquired from the six entities that comprised The Timber Company. We believe that the accelerated payment of our fourth quarter dividend for 2001, which we paid on December 28, 2001, was sufficient to distribute these earnings and profits. If we failed to distribute an amount equal to these earnings and profits, we might be subject to adverse tax consequences. We expect that, even if the earnings and profits were subsequently adjusted upward by the Internal Revenue Service, the amount we distributed exceeded such earnings and profits. Nevertheless, such an adjustment may give rise to the imposition of the 4% excise tax on the excess income required to be distributed over the amounts treated as distributed after application of the earnings and profits rule.

Certain of Our Business Activities are Potentially Subject to Prohibited Transactions Tax or Corporate Level Income Tax.

REITs are generally intended to be passive entities and can thus only engage in those activities permitted by the Internal Revenue Code (Code), which for Plum Creek generally include: owning and managing a timberland portfolio; growing timber; and the sale of standing timber. Accordingly, the manufacture and sale by us of wood products, certain types of timberlands sales, sales of logs, and lump-sum sales of timber are conducted through one or more of our taxable REIT subsidiaries ("TRSs") because such activities could generate non-qualifying REIT income and could constitute "prohibited transactions". Prohibited transactions are defined by the Code to be sales or other dispositions of property to customers in the ordinary course of a trade or business.

By conducting our business in this manner we satisfy the REIT requirements of the Code and avoid the 100% tax that could be imposed if a REIT were to conduct a prohibited transaction. We may not always be successful, however, in limiting such activities to our TRSs. Therefore, we could be subject to the 100% prohibited transactions tax if such instances were to occur. The net income of our TRSs is subject to corporate level income tax.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Approximately \$1.4 billion of the long-term debt of the company bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents contractual principal cash flows based upon maturity dates of the company's debt obligations and the related weighted-average contractual interest rates by expected maturity dates for the fixed rate debt (in millions):

	2004	2005	2006	2007	2008	There- after	Total	Fair Value ^(B)
December 31, 2003								
Fixed rate debt ^(A)	\$ 27	\$ 27	\$ 157	\$ 123	\$ 147	\$ 953	\$1,434	\$1,594
Avg. interest rate	7.6%	7.5%	7.4%	7.3%	7.4%	7.2%		
Variable rate debt ^(C)					\$ 20	\$ 594	\$ 614	\$ 614
	2003	2004	2005	2006	2007	There- after	Total	Fair Value ^(B)
December 31, 2002								
Fixed rate debt ^(A)	\$ 27	\$ 27	\$ 27	\$ 157	\$ 123	\$ 820	\$1,181	\$1,335
Avg. interest rate	8.1%	8.0%	7.9%	7.9%	7.8%	7.7%		
Variable rate debt			\$ 599			\$ 70	\$ 669	\$ 669

(A) Excludes unamortized premium of \$16 million at December 31, 2003 and \$22 million at December 31, 2002.

(B) The increase in fair value of fixed rate debt compared to 2002 was due primarily to the issuance of \$280 million in senior notes bearing interest at an average rate of 5.9%.

(C) As of December 31, 2003, the interest rate on the \$594 million borrowings under our revolving line of credit was 2.7%, based on LIBOR plus 1.5%, which includes facility fees. On January 15, 2004, we refinanced our revolving line of credit with a new \$650 million facility maturing January 2009. The interest rate for the new facility is based on LIBOR plus 1.25%, which includes facility fees. The interest rate on the \$20 million variable rate senior-note borrowings due in 2008 is based on 3-months LIBOR plus 1.445%.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**PLUM CREEK TIMBER COMPANY, INC.
CONSOLIDATED STATEMENTS OF INCOME**

		Year Ended	
	December 31,	December 31,	December 31,
	2003	2002	2001
<i>(In Millions, Except Per Share Amounts)</i>			
Revenues:			
Timber	\$ 664	\$ 649	\$ 423
Real Estate	124	98	80
Manufacturing	397	381	86
Other	11	9	9
Total Revenues	1,196	1,137	598
Costs and Expenses:			
Cost of Goods Sold:			
Timber	345	318	188
Real Estate	77	34	20
Manufacturing	390	370	83
Other	4	2	1
Total Cost of Goods Sold	816	724	292
Selling, General and Administrative	77	75	56
Total Costs and Expenses	893	799	348
Operating Income	303	338	250
Interest Expense, net	117	103	54
Income before Income Taxes	186	235	196
Benefit (Provision) for Income Taxes	6	(2)	142
Net Income	\$ 192	\$ 233	\$ 338
Net Income per Share—Basic	\$ 1.05	\$ 1.26	\$ 2.61
Net Income per Share—Diluted	\$ 1.04	\$ 1.26	\$ 2.58
Weighted average number of Shares outstanding—Basic	183.3	184.7	129.5
Weighted average number of Shares outstanding—Diluted	183.9	185.4	130.7

See accompanying Notes to Consolidated Financial Statements

PLUM CREEK TIMBER COMPANY, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2003	December 31, 2002
<i>(In Millions, Except Per Share Data)</i>		
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 260	\$ 246
Restricted Advance from Customer	3	4
Accounts Receivable	34	33
Inventories	54	58
Investment in Grantor Trust	13	10
Deferred Tax Asset	11	11
Other Current Assets	30	16
	405	378
Timber and Timberlands—Net	3,674	3,599
Property, Plant and Equipment—Net	303	307
Other Assets	5	5
Total Assets	\$ 4,387	\$ 4,289
Liabilities		
Current Liabilities:		
Current Portion of Long-Term Debt	\$ 33	\$ 33
Accounts Payable	27	25
Interest Payable	28	21
Wages Payable	23	23
Taxes Payable	15	11
Deferred Revenue	16	18
Liabilities Associated with Grantor Trust	13	10
Other Current Liabilities	13	12
	168	153
Long-Term Debt	1,437	1,170
Lines of Credit	594	669
Deferred Tax Liability	37	44
Other Liabilities	32	31
Total Liabilities	2,268	2,067
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, \$0.01 par value, authorized shares—75.0, outstanding—none	—	—
Common stock, \$0.01 par value, authorized shares—300.0, issued (including Treasury Stock)—185.1 at December 31, 2003 and 184.9 at December 31, 2002	2	2
Additional Paid-In Capital	2,150	2,197
Retained Earnings	9	23
Treasury Stock, at cost, Common shares—2.0 at December 31, 2003	(43)	—
Other Equity	1	—
Total Stockholders' Equity	2,119	2,222
Total Liabilities and Stockholders' Equity	\$ 4,387	\$ 4,289

See accompanying Notes to Consolidated Financial Statements

PLUM CREEK TIMBER COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2003	Year Ended December 31, 2002	December 31, 2001
(In Millions)			
Cash Flows From Operating Activities			
Net Income	\$ 192	\$ 233	\$ 338
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:			
Depreciation, Depletion and Amortization (2003 Includes \$4 Loss Related to Forest Fires)	107	105	55
Basis of Real Estate Sold (2003 Includes \$14 Impairment Losses)	66	28	18
Deferred Income Taxes	(7)	1	(198)
Working Capital Changes (2001 Net of Effect of Business Acquisition)	2	(5)	(4)
Other	9	6	14
Net Cash Provided By Operating Activities	369	368	223
Cash Flows From Investing Activities			
Property Additions (Excluding Timberland Acquisitions)	(84)	(91)	(76)
Timberlands Acquired (Including Tax-Deferred Exchange Proceeds, Net)	(162)	(158)	17
Merger Costs	—	—	(29)
Cash Received in Conjunction with Acquisition	—	—	159
Net Cash Provided By (Used In) Investing Activities	(246)	(249)	71
Cash Flows From Financing Activities			
Dividends	(257)	(275)	(209)
Net Cash Returned to Georgia-Pacific Corporation	—	—	(115)
Borrowings of Long-term Debt	298	25	536
Retirement of Long-term Debt	(33)	(34)	(676)
Borrowings on Lines of Credit	1,922	1,708	499
Repayments on Lines of Credit	(1,997)	(1,508)	(153)
Proceeds from Stock Option Exercises	1	18	32
Acquisitions of Treasury Stock	(43)	—	—
Other	—	—	(15)
Net Cash Used In Financing Activities	(109)	(66)	(101)
Increase In Cash and Cash Equivalents	14	53	193
Cash and Cash Equivalents:			
Beginning of Period	246	193	
End of Period	\$ 260	\$ 246	\$ 193
Supplementary Cash Flow Information			
Cash Paid (Received) During the Year for:			
Interest	\$ 112	\$ 110	\$ 69
Income Taxes—Net	\$ (1)	\$ 4	\$ 56
Cash Received in Connection with Acquisition:			
Fair Value of Assets Acquired			\$ 2,659
Liabilities Assumed			970
Stock Issued			(1,848)
Cash Acquired			\$ 159

See accompanying Notes to Consolidated Financial Statements

PLUM CREEK TIMBER COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

General. Plum Creek Timber Company, Inc. ("Plum Creek" or the "company"), a Delaware Corporation, is a real estate investment trust, or REIT, for federal income tax purposes. At December 31, 2003, the company owned and managed 8.1 million acres of timberlands in the Northwest, Southern and Northeast United States, and owned and operated ten wood product conversion facilities in the Northwest United States. Included in the 8.1 million acres are 1.35 million acres of higher and better use timberlands and 1.4 million acres of non-strategic timberlands. The higher and better use timberlands are expected to be sold over the next 15 years for conservation, residential or recreational purposes. Approximately half of the non-strategic timberlands are expected to be sold in large blocks over the next two years. The other half of the non-strategic timberlands, which are generally in smaller tracts, is expected to be sold over the next five to ten years. In the meantime, these timberlands continue to be used productively in our business of growing and selling timber.

On December 16, 1997, shareholders of Georgia-Pacific Corporation ("Georgia-Pacific") approved the creation of two classes of common stock ("The Letter Stock Recapitalization") intended to reflect separately the performance of Georgia-Pacific's manufacturing ("Georgia-Pacific Group") and timber businesses ("The Timber Company"). The Timber Company represented the separate group of businesses whose results were tracked by Georgia-Pacific's Timber Company stock ("Timber Company Stock") and was engaged primarily in the growing and selling of timber on the approximately 4.7 million acres of timberlands that Georgia-Pacific owned or leased.

On October 5, 2001, Georgia-Pacific redeemed all of the outstanding shares of Timber Company Stock, or 82.3 million shares. In connection with the redemption, each outstanding share of Timber Company Stock was exchanged for one unit, or a "Unit", that represented one outstanding share of common stock of each of Georgia-Pacific's former subsidiaries, which collectively held all of the assets and liabilities attributed to The Timber Company. On October 6, 2001, The Timber Company merged with and into Plum Creek, with Plum Creek as the surviving company ("The Timber Company Merger"). As a part of the merger, The Timber Company shareholders received 1.37 shares of Plum Creek's common stock for each Unit, or approximately 112.7 million shares.

The Timber Company Merger in 2001 has been accounted for as a reverse acquisition, with The Timber Company being treated as the acquirer for accounting and financial reporting purposes. As a consequence, even though The Timber Company ceased to exist for legal purposes, the historical financial statements of The Timber Company have become the financial statements of Plum Creek effective as of the consummation date of the merger. Therefore, the statement of income for the year ended December 31, 2001 includes the operating results of The Timber Company through October 5, 2001 and the operating results of the consolidated company from the date of the merger. Because the merger was accounted for as a reverse acquisition, in general when we refer to "Plum Creek" we are referring to Plum Creek Timber Company, Inc. after giving effect to the merger and when we refer to "The Timber Company" we are referring to the historic operations of The Timber Company prior to the merger.

Basis of Presentation. The consolidated financial statements of the company include the accounts of Plum Creek Timber Company, Inc. and its subsidiaries. Intercompany transactions and accounts have been eliminated in consolidation. All transactions are denominated in United States dollars.

The financial statements of The Timber Company were prepared on a basis that Georgia-Pacific's management believed was reasonable and appropriate and include (i) the historical balance sheets, results of operations and cash flows for The Timber Company, with all significant intercompany transactions and balances eliminated; and (ii) assets and liabilities of Georgia-Pacific and related transactions identified with The Timber Company, including allocated portions of Georgia-Pacific's debt and general and administrative expenses.

The Timber Company's combined financial statements reflect the application of the management and allocation policies adopted by the Board of Directors of Georgia-Pacific to various corporate activities, as described below

At June 30, 1997, \$1.0 billion of Georgia-Pacific's total debt was allocated to The Timber Company for financial statement purposes. Georgia-Pacific's debt was allocated to The Timber Company based upon a number of factors including expected future cash flows, volatility of earnings, and the ability to pay debt service. In addition, Georgia-Pacific considered certain measures of creditworthiness, such as coverage ratios and various tests of liquidity, as a means of ensuring that each group could continue to pay debt service during a business downcycle. The Timber Company's debt increased or decreased by the amount of any net cash generated by, or required to fund, its operating activities, investing activities, and financing activities. Georgia-Pacific's management believed that such allocation was equitable and reasonable.

Interest was charged to The Timber Company in proportion to the respective amount of its debt at a rate equal to the weighted-average interest rate of Georgia-Pacific's debt calculated on a quarterly basis. Georgia-Pacific's management believed that this method of allocating the cost of debt was equitable and provided a reasonable estimate of the cost attributable to the two business groups. Changes to the cost of Georgia-Pacific's debt were reflected in adjustments to the weighted average interest cost of such debt.

A portion of Georgia-Pacific's shared general and administrative expenses (such as executive management, human resources, legal, accounting and auditing, tax, treasury, strategic planning and information systems support) were allocated to The Timber Company based upon identification of such services specifically used by The Timber Company. Where determinations based on a specific usage alone have been impracticable, other methods and criteria were used that Georgia-Pacific's management believed were equitable and provided a reasonable estimate of the cost attributable to The Timber Company. These methods consisted of allocation cost based on (i) number of employees of each group, (ii) percentage of office space and (iii) estimated percentage of staff time utilized. The total of these allocations were \$2 million for 2001 through the date of the merger. It is not practicable to provide a detailed estimate of the expense that would have been recognized if The Timber Company had been a separate legal entity.

A portion of Georgia-Pacific's employee benefit costs, including pension and postretirement health care and life insurance benefits, was allocated to The Timber Company. The Timber Company's pension cost related to its participation in Georgia-Pacific's noncontributory defined benefit pension plan, and other employee benefit costs related to its participation in Georgia-Pacific's postretirement health care and life insurance benefit plans, were actuarially determined based on the number of its employees and an allocable share of the plan assets and are calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions", and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", respectively. Georgia-Pacific's management believed such method of allocation was equitable and provided a reasonable estimate of the costs attributable to The Timber Company.

The federal income taxes of Georgia-Pacific and the subsidiaries that owned assets allocated to The Timber Company were determined on a consolidated basis. Consolidated federal income tax provisions and related tax payments or refunds were allocated to The Timber Company based principally on the taxable income and tax credits directly attributable to it. Such allocations reflected The Timber Company's contribution (positive or negative) to Georgia-Pacific's consolidated federal taxable income and the consolidated federal tax liability and tax credit position. Tax benefits, if any, generated by The Timber Company that could not have been used by The Timber Company, but could be used on a consolidated basis, were credited to The Timber Company. Had The Timber Company filed separate tax returns for 2001 through the date of The Timber Company Merger, the provision for income taxes and net income for The Timber Company would not have differed significantly from the amounts reported on its statements of income for the year ended December 31, 2001.

Depending on the tax laws of various jurisdictions, state and local income taxes were calculated on either a consolidated or combined basis or on a separate corporation basis. State income tax provisions and related tax payments or refunds determined on a consolidated or combined basis were allocated to The Timber Company based on its contribution to such consolidated or combined state taxable incomes. State and local income tax provisions and related tax payments that were determined on a separate corporation basis were allocated to The Timber Company in a manner designed to reflect the contributions of The Timber Company's separate state or local taxable income.

Change in Year-End. Effective October 6, 2001, the financial statements of Plum Creek are based on a fiscal year ending December 31. Prior to the merger, The Timber Company's fiscal year ended on the Saturday closest to December 31.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Concentrations. Sales of the company's products are dependent upon the economic conditions of the housing, repair and remodeling, industrial, and pulp and paper industries. Changes in these industries may significantly affect management's estimates and the company's performance.

Revenue Recognition. Timber sales are recognized when legal ownership and the risk of loss transfer to the purchaser and the quantity sold is determinable. This occurs when a purchaser acquires stumpage or standing timber, or when a purchaser receives logs on a delivered sale agreement. There are two types of stumpage agreements. First, a timber deed agreement is one in which the buyer purchases and takes title to all timber on a tract of land. When title passes (usually when the contract is signed), revenue is recognized for the full value of all timber on the tract. Second, a pay-as-cut contract agreement is one in which the purchaser acquires the right to harvest specified timber on a tract, at an agreed-to price per unit. The sale and any related advances are recognized as the purchaser harvests the timber on the tract. For delivered sales, the title and risk of loss passes and revenue, including amounts billed for shipping and handling, is recognized, when the log is delivered to the customer.

Subsequent to The Timber Company Merger, as a result of certain REIT requirements, the company ceased using timber deed agreements and began using lump-sum sale agreements. Under a lump-sum sale, the parties agree to

a lump-sum price for all the timber available for harvest on a tract of land. Generally the lump-sum price is paid when the contract is signed. However, unlike timber deeds, title to the timber and risk of loss transfers to the buyer as the timber is cut. Therefore, revenue is recognized each month based on the timber harvested compared to total timber available to be harvested on a tract of land over the term of the contract (usually 12 to 18 months). An adjustment may be required at the completion of the contract to the extent the actual timber harvested was different than the estimate of timber available for harvest based on the timber cruise.

Revenues generated from the sale of lumber, plywood, MDF and related by-products, primarily wood chips, and amounts billed for shipping and handling, are recognized at the time of delivery. Revenues generated from real estate sales include the sale of higher and better use timberlands and non-strategic timberlands and are recognized when the sale is consummated. In some of these transactions, the company exchanged timberlands that qualified for like-kind (tax-deferred) exchange treatment under the Internal Revenue Code. Substantially all of these exchanges involved a third party intermediary, whereby the third party intermediary received proceeds related to the property disposed and then reinvested the proceeds in like-kind property. The proceeds are recorded as revenues when they are received by the third party intermediary.

Cash and Cash Equivalents. All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. Substantially all of the cash and cash equivalents are invested in money market funds. The company periodically reviews the credit rating of the financial institution where the money market funds are maintained. The company has restricted cash related to certain advances from a customer associated with lump-sum timber sales. When the trees associated with these lump-sum contracts are cut, the company may access the cash.

Accounts Receivable. Accounts receivable at December 31, 2003 and 2002 is presented net of an allowance for doubtful accounts of \$1 million. Accounts are deemed past due based on payment terms. The allowance for doubtful accounts represents management's estimate and is based on historical losses, recent collection history and credit ratings of individual customers and existing economic conditions. Delinquent accounts, are charged off against the allowance for doubtful accounts to the extent and at the time they are deemed uncollectible.

Grantor Trusts. Several grantor trusts have been established for deferred compensation. Assets, which include money market and mutual fund investments, are classified as "trading securities" and are carried at market value. Realized gains and losses and changes in unrealized gains and losses and a corresponding amount of compensation expense are recorded in the consolidated statement of income.

Inventories. Logs, work-in-process and finished goods of the company are stated at the lower of cost or market on the average cost method. Supplies inventories are stated at cost. Costs for manufactured inventories included raw materials, labor, supplies, energy, depreciation and production overhead. Cost of log inventories included timber depletion, stumpage, associated logging and harvesting costs, road costs and production overhead.

Timber and Timberlands. Timber and timberlands, including logging roads, are stated at cost less accumulated depletion for timber previously harvested and accumulated road amortization. The company capitalizes timber and timberland purchases and reforestation costs and other costs associated with the planting and growing of timber, such as site preparation, growing or purchases of seedlings, planting, fertilization, herbicide application and the thinning of tree stands to improve growth. Timber carrying costs, such as real estate taxes, insect control, wildlife control, leases of timberlands (other than lease payments for the purchase of standing timber, in which case the

payments are capitalized) and forest management personnel salaries and fringe benefits, are expensed as incurred. Costs of major roads are capitalized and amortized over 30 years. Costs for roads that are built to access multiple logging sites over numerous years are capitalized and amortized over 6 years. Costs for roads built to access a single logging site are expensed as incurred.

Costs attributable to timber harvested, or depletion, are charged against income as trees are cut. Depletion rates are determined annually based on the relationship between net carrying value of the timber plus certain capitalizable silviculture costs expected to be incurred over the harvest cycle and total timber volume estimated to be available over the harvest cycle. The depletion rate calculations do not include an estimate for either future reforestation costs associated with a stand's final harvest or future volume in connection with the replanting of a stand subsequent to its final harvest. Net carrying value of the timber and timberlands is used to compute the gain or loss in connection with timberland sales. There is no book basis allocated to the sale of conservation easements.

Plum Creek enters into like-kind (tax-deferred) exchange transactions to acquire and sell assets, principally timberlands. During 2003, the company acquired assets totaling \$57 million under tax-deferred exchange transactions compared to \$33 million during 2002 and \$25 million during 2001. Also during 2003, the company disposed of assets for consideration of \$53 million under tax-deferred exchange transactions, compared to \$36 million during 2002 and \$30 million during 2001.

Property, Plant and Equipment. Property, plant and equipment are recorded at cost. Replacements of major units of property are capitalized, and the replaced properties are retired. Replacement of minor components of property and repair and maintenance costs, are charged to expense as incurred.

All property, plant and equipment other than manufacturing machinery (lumber, plywood and MDF) are depreciated using the straight-line method over the estimated useful lives of the related assets. Manufacturing machinery and equipment are depreciated on a units-of-production basis, which approximates a straight-line basis. Useful lives are 25 years for land improvements, 20 to 45 years for buildings, and 3 to 20 years for machinery and equipment. Leasehold improvements are depreciated over the lease term or estimated useful life, whichever shorter. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any gain or loss is recorded.

In accounting for its coalbed methane gas exploration and development costs, the company follows the successful efforts method. Under this method, the gas exploratory costs, other than those of drilling exploratory wells, are charged to expense as incurred. The costs of drilling exploratory wells are capitalized pending discovery of proved commercial reserves, and either (i) expensed, if proven commercial reserves are not discovered, or (ii) capitalized with costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of natural gas and crude oil. The costs of producing properties are amortized using the units-of-production method over estimated recoverable gas reserves.

Shipping and Handling Costs. Costs incurred for shipping timber and manufactured products are included in cost of goods sold.

Stock-Based Compensation Plans. At December 31, 2003, the company had stock-based employee compensation plans, which are described more fully in Note 12 of the Notes to Financial Statements. Prior to 2002, the company accounted for those plans under the recognition and measurement provisions of Accounting Principles Board

Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Except for approximately \$0.6 million related to the acceleration in vesting of certain Timber Company options in 2001, no stock-based employee compensation cost related to stock options is reflected in 2001 net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. In the second quarter of 2002 the company adopted the fair value recognition provisions of Financial Accounting Standards Board ("FASB") SFAS No. 123, "Accounting for Stock-Based Compensation", effective January 1, 2002 prospectively to all employee awards granted, modified, or settled after January 1, 2002.

Accounting for employee stock options in accordance with SFAS No. 123 is considered preferable because it results in all forms of employee compensation, including stock-based compensation, being charged to expense in the income statement. This accounting policy change will have no impact on previously reported operating income or net income. The impact of the accounting change on compensation expense was an increase of approximately \$0.4 million for 2002. In accordance with the transitioning provisions of SFAS No. 123, no cumulative effect adjustment was recorded.

Stock option awards generally vest over a four-year period at a rate of 25% per year. Therefore, the cost related to stock-based employee compensation included in the determination of net income for 2003 and 2002 is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of SFAS No. 123.

The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards for the **years ended December 31** (in millions, except per share amounts):

	2003	2002	2001
Net income, as reported	\$ 192	\$ 233	\$ 338
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	4	5	1
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(4)	(5)	(4)
Pro forma net income	\$ 192	\$ 233	\$ 335
Earnings per share:			
Basic—as reported	\$ 1.05	\$ 1.26	\$ 2.61
Basic—pro forma	\$ 1.05	\$ 1.26	\$ 2.59
Diluted—as reported	\$ 1.04	\$ 1.26	\$ 2.58
Diluted—pro forma	\$ 1.04	\$ 1.26	\$ 2.56

Stock-based employee compensation expense included in reported net income, net of related tax effects comprises of expenses related to the following for the **years ended December 31** (in millions):

	2003	2002	2001
Stock options	\$ 0.9	\$ 0.4	\$ 0.6
Plum Creek value management awards, dividend equivalents, and grants of restricted stock	3.0	4.1	0.7
Total	\$ 3.9	\$ 4.5	\$ 1.3

Since both the value management awards and the dividend equivalents are paid 50% in company stock and 50% in cash, we also expensed \$2.6 million in 2003, \$3.3 million in 2002 and \$0.6 million in 2001 for the cash portion of these awards. See Note 12 of the Notes to Financial Statements.

Reclassifications. Certain prior year amounts have been reclassified to conform with the 2003 presentation. The reclassifications had no impact on operating income or net income.

New Accounting Pronouncements. In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to SFAS No. 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. SFAS No. 149 amends SFAS No. 133 as a result of decisions previously made as part of the Derivatives Implementation Group process, changes made in connection with other FASB projects dealing with financial instruments, and deliberations in connection with issues raised in relation to the application of the definition of a derivative. Except for certain provisions that merely represent the codification of previous Derivatives Implementation Group decisions, which were effective immediately, the Statement is effective for contracts entered into or modified after September 30, 2003, and hedging relationships designated after September 30, 2003. Management does not expect that adoption of this standard will have a material impact on the company's financial condition, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. Management does not expect that adoption of this standard will have a material impact on the company's financial condition, results of operations or cash flows.

NOTE 2. ACQUISITIONS AND DISPOSITIONS

During the fourth quarter of 2003, management concluded that it was probable that approximately 28,000 acres of non-strategic timberlands in the State of Washington would be sold during the next twelve months. These timberlands have a book basis of \$30 million. Management estimates that the fair value of these timberlands, net of selling costs, is approximately \$25 million. As a result, an impairment loss of \$5 million was included in Cost of Goods Sold for Real Estate on the Statement of Income.

During the third and fourth quarter of 2003, Plum Creek acquired 68,000 acres of timberlands in South Carolina, 38,000 acres in Arkansas and 33,000 acres in New Hampshire for approximately \$162 million. The Southern timberlands are dominated by mature loblolly pine plantations. The New Hampshire timberlands contain both softwood and mixed hardwood stands. The purchases were financed primarily using borrowings under existing lines of credit and \$25 million of funds from tax-deferred exchange transactions and have been accounted for as asset acquisitions.

During the first quarter of 2003, the company entered into a binding agreement to sell 29,000 acres of non-strategic timberlands for \$13 million. This transaction closed in the second quarter of 2003. The timberlands had a book basis of \$22 million, and the company recorded an impairment of \$9 million in the first quarter of 2003. The timberlands possessed a timber age profile younger than the average for the company's Rockies Region, had limited real estate potential, and were the furthest west from the company's manufacturing facilities.

During the fourth quarter of 2002, Plum Creek acquired 307,000 acres of timberlands located primarily in Wisconsin for approximately \$141 million. The timberlands contain a diversified mix of trees and age profiles including mature mixed hardwood stands, mixed natural conifer stands, and hardwood and conifer plantations. The purchase was financed primarily using existing lines of credit and has been accounted for as an asset acquisition.

NOTE 3. EARNINGS PER SHARE

The following table sets forth the reconciliation of basic and diluted earnings per share for the **years ended December 31** (in millions, except per share amounts):

	2003	2002	2001
Net income allocable to common stockholders	\$ 192	\$ 233	\$ 338
Denominator for basic earnings per share	183.3	184.7	129.5
Effect of dilutive securities—stock options	0.4	0.5	1.2
Effect of dilutive securities—restricted stock, dividend equivalents, and value management plan	0.2	0.2	—
Denominator for diluted earnings per share—adjusted for dilutive securities	183.9	185.4	130.7
Basic Earnings per Share	\$ 1.05	\$ 1.26	\$ 2.61
Diluted Earnings per Share	\$ 1.04	\$ 1.26	\$ 2.58

For the year ended December 31, 2003, options to purchase 0.8 million shares of common stock at exercise prices ranging from \$23.97 to \$30.70 per share were outstanding but were excluded from the computation of diluted shares for certain quarters in which the average market price of common stock for the quarter exceeded the exercise price. For 2002, antidilutive options for 0.5 million shares of common stock at exercise prices ranging from \$29.70 to \$30.70 per share were excluded from the computation of diluted earnings per share. The antidilutive options expire on or before January 2, 2013. There were no antidilutive options to purchase common stock outstanding during 2001.

Prior to The Timber Company Merger in 2001, the Timber Company Stock represented a class of Georgia-Pacific's common stock. In connection with The Timber Company Merger, on October 5, 2001, Georgia-Pacific redeemed all of the outstanding shares of Timber Company Stock, or 82.3 million shares, in exchange for Units representing the ownership interest in The Timber Company. On October 6, 2001, the holders of Units received 1.37 shares of Plum Creek Common Stock for each Unit, or an aggregate of 112.7 million Plum Creek shares. Therefore, 112.7 million outstanding shares have been applied retroactively in computing basic earnings per share for all periods ending prior to The Timber Company Merger. Furthermore, the dilutive impact of 3.8 million options at prices ranging from \$15.29 to \$18.34 per share as of the merger date (after adjusting for the 1.37 to 1 exchange ratio) have been applied retroactively in computing diluted earnings per share for all periods ending prior to the merger date.

Basic earnings per share for 2001 was computed using the weighted average shares outstanding for the period giving effect to the 69.2 million shares deemed issued for accounting purposes to Plum Creek stockholders in the reverse acquisition on October 6, 2001.

NOTE 4. TIMBER AND TIMBERLANDS AND PROPERTY, PLANT AND EQUIPMENT AND INVENTORY

Timber and timberlands consisted of the following (in millions):

	December 31, 2003	December 31, 2002
Timber and logging roads—net	\$ 2,404	\$ 2,352
Timberlands	1,270	1,247
Timber and Timberlands—net	<u>\$ 3,674</u>	<u>\$ 3,599</u>

During the third quarter of 2003, a loss of \$4 million was recorded in the Northern Resources Segment as a result of forest fires on approximately 45,000 acres in Montana. The \$4 million loss represents the book basis of the timber volume destroyed by fire.

Property, plant and equipment consisted of the following (in millions):

	December 31, 2003	December 31, 2002
Land, buildings and improvements	\$ 81	\$ 82
Machinery and equipment	304	285
	<u>385</u>	<u>367</u>
Accumulated depreciation	(82)	(60)
Property, Plant and Equipment—net	<u>\$ 303</u>	<u>\$ 307</u>

Property, Plant and Equipment—net at December 31, 2003 includes \$22 million of capitalized costs associated with the company's coalbed methane exploration and development activities and \$9 million at December 31, 2002.

Inventories, accounted for using the lower of average cost or market, consisted of the following (in millions):

	December 31, 2003	December 31, 2002
Raw materials (logs)	\$ 10	\$ 17
Work-in-process	4	4
Finished goods	31	27
	45	48
Supplies	9	10
Total	\$ 54	\$ 58

NOTE 5. INCOME TAXES

Plum Creek has elected to be taxed as a REIT under sections 856-860 of the United States Internal Revenue Code. A REIT is generally not subject to corporate-level income tax if it satisfies certain requirements as set forth in the Internal Revenue Code. Under these sections, a REIT is permitted to deduct dividends paid to stockholders in computing its taxable income. See Note 6 of the Notes to Financial Statements. If a company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years.

Plum Creek conducts its activities through various wholly owned operating partnerships. The activities of the operating partnerships consist primarily of sales of timber under pay-as-cut contracts, and the income from such sales is not subject to corporate income tax. In addition, our various taxable REIT subsidiaries (subchapter "C" corporations) harvest and sell logs, purchase and sell timber under pay-as-cut contracts or lump-sum sales, conduct our manufacturing operations and sell some higher and better use timberlands.

In 2001, The Timber Company, consisting of a group of taxable corporate entities, merged with and into Plum Creek. The Internal Revenue Code provides that when a REIT acquires a taxable (subchapter C) corporation, as with the merger of The Timber Company and Plum Creek, a company may qualify as a REIT only if, as of the close of the year of acquisition, such REIT has no undistributed "earnings and profits" acquired from such taxable corporation. As a result of The Timber Company Merger, Plum Creek succeeded to the earnings and profits of The Timber Company, and therefore, was required to distribute all such earnings and profits before January 31, 2002. This requirement was satisfied in part through the accelerated payment of the fourth quarter 2001 distribution made in December 2001. Normally, the fourth quarter 2001 dividend would have been paid at the end of February 2002.

As a consequence of The Timber Company Merger, which involved merging a taxable entity into a nontaxable entity, Plum Creek will generally be subject to corporate-level tax (built-in gains tax) only if it makes a taxable disposition of certain property acquired in The Timber Company Merger within the ten-year period following the merger date. The built-in gains tax only applies to gains from such asset sales to the extent that the fair value of the property exceeded its tax basis at the merger date. The built-in gains tax does not apply to income generated from the harvesting and sale of trees. In accordance with SFAS No. 109, "Accounting for Income Taxes", a tax benefit of \$216 million was recognized in the fourth quarter of 2001. This tax benefit represents the elimination of the deferred tax liability associated with temporary differences related primarily to timberlands that are not expected to be disposed of in transactions subject to built-in gains tax during a ten-year period following the merger.

The Timber Company was included in Georgia-Pacific's consolidated tax return through the date of The Timber Company Merger and in Plum Creek's tax return subsequent to the date of the merger. For periods prior to The Timber Company Merger, the provision for income taxes includes The Timber Company's allocated portion of Georgia-Pacific's income taxes currently payable and those deferred because of temporary differences between the financial statement basis and the tax basis of assets and liabilities through the merger date. For periods subsequent to The Timber Company Merger, the tax provision reflects the operations of Plum Creek's taxable REIT subsidiaries and any built-in gains tax associated with certain dispositions of property previously owned by The Timber Company. The provision (benefit) for income taxes consists of the following for the years ended December 31 (in millions):

	2003	2002	2001
Federal income taxes:			
Current	\$ 1	\$ 1	\$ 49
Deferred	4	3	17
State income taxes:			
Current	—	—	7
Deferred	(1)	—	1
Benefit of operating loss carryforwards	(10)	(2)	—
Adjustment to deferred tax liability due to change in tax status	—	—	(216)
Provision (benefit) for income taxes	\$ (6)	\$ 2	\$ (142)

The federal statutory income tax rate was 35%. The income generated by Plum Creek is generally not subject to federal and state income tax. The provision for income taxes is reconciled as follows to the federal statutory rate for the **years ended December 31** (in millions):

	2003	2002	2001
Provision for income taxes computed at the Federal statutory tax rate	\$ 65	\$ 82	\$ 69
Adjustment to deferred tax liabilities for change in tax status at date of merger	—	—	(216)
REIT income not subject to Federal tax	(68)	(79)	(1)
State income taxes, net of Federal benefit	(1)	—	6
Permanent book-tax differences	(2)	(1)	—
Provision (benefit) for income taxes	\$ (6)	\$ 2	\$ (142)

Deferred income taxes are provided for net operating loss carryforwards and the temporary differences between the financial reporting basis and tax basis of the company's assets and liabilities. The components of net deferred income tax liabilities are as follows (in millions):

	December 31, 2003	December 31, 2002
Deferred income tax assets:		
Accrued compensation	\$ 14	\$ 13
Net operating loss carryforwards	17	8
Other accruals and reserves	6	11
	<u>37</u>	<u>32</u>
Deferred income tax liabilities:		
Machinery and equipment	(60)	(62)
Timber and timberlands	(3)	(3)
	<u>(63)</u>	<u>(65)</u>
Deferred income tax liability, net	<u>\$ (26)</u>	<u>\$ (33)</u>

Deferred income tax liabilities at December 31, 2003 and 2002 are net of \$11 million of deferred tax assets included in current assets.

Plum Creek conducts its activities through various wholly owned operating partnerships and through several taxable REIT subsidiaries. The activities of the REIT are not subject to corporate-level income tax provided the REIT's taxable income is distributed to its shareholders. The book basis of the REIT's assets and liabilities exceeds its tax basis by approximately \$1.6 billion at December 31, 2003. Plum Creek's taxable REIT subsidiaries file a consolidated federal income tax return. Operating loss carryforwards for the taxable REIT subsidiaries as of December 31, 2003 are approximately \$44 million expiring between 2020 and 2023.

The company filed its federal income tax return as part of Georgia-Pacific's (GP) consolidated income tax return for all tax years through the date of The Timber Company Merger. Under the agreement governing the terms of The Timber Company Merger, the company remains liable to GP for any additional tax that would result from audit adjustments by the Internal Revenue Service (the "Service") for any open tax years. The Service has completed all examinations of GP's consolidated income tax returns through 1998. The Service has proposed certain adjustments for 1997 and 1998 for which final settlement has not been reached. The proposed adjustments are in dispute and are currently in administrative appeals before the Service. No amounts have been accrued for these proposed IRS adjustments as management believes there are substantial defenses for the matters in dispute. GP's consolidated income tax returns for 1999 and 2000 are currently under examination. Additionally, the Service has completed examinations of the federal income tax return of Plum Creek Timber Company, Inc. and the consolidated federal income tax return of the taxable REIT subsidiaries for the period ended December 31, 1999 and for the year 2000. Plum Creek has no open tax years prior to 2001.

NOTE 6. REIT DISCLOSURES

Plum Creek has elected to be taxed as a REIT under sections 856-860 of the United States Internal Revenue Code. For the years 2003 and 2002, Plum Creek elected to designate all taxable distributions as capital gain dividends. For the year 2001, Plum Creek distributed ordinary dividends sufficient to distribute the earnings and profits of The Timber Company acquired in connection with The Timber Company Merger. See Note 5 of the Notes to Financial Statements. Plum Creek elected to designate all remaining taxable distributions for the year 2001 as capital gain dividends. Accordingly, as of and for the years ended December 31, 2003, 2002 and 2001, Plum Creek has distributed all of its taxable income.

The table below summarizes the historical tax character of distributions from the REIT to Plum Creek shareholders for the **years ended December 31** (in millions):

	2003	2002	2001
Capital gain dividend ^(A)	\$ 1.01	\$ 1.20	\$ 1.42
Non-taxable return of capital	0.39	0.29	0.42
Ordinary dividend			1.01
Total distributions	\$ 1.40	\$ 1.49	\$ 2.85

- (A) Approximately 65.75% of the 2003 capital gain dividend is considered a Post-May 5 Capital Gain Distribution and qualifies for the new 15% and 5% capital gains tax rates.

Summarized below is the tax character of distributions made to former shareholders of Timber Company Stock that received shares of Plum Creek Timber Company, Inc. in connection with The Timber Company Merger on October 6, 2001 for the **period from October 6 to December 31, 2001** (in millions):

Capital gain dividend	\$ 0.10
Non-taxable return of capital	0.03
Ordinary dividend	1.01
Total distributions	\$ 1.14

NOTE 7. BORROWINGS

Long-term debt and the lines of credit consist of the following (in millions):

	December 31, 2003	December 31, 2002
Lines of Credit (A):		
Revolving Line of Credit due 2005	\$ 594	\$ 599
364-day Revolving Line of Credit due 2003	—	70
Senior Notes due 2007, 11.125% plus unamortized premium of \$5.3 at 12/31/03, effective rate 6.19%	62	79
First Mortgage Notes due 2007, 11.125% plus unamortized premium of \$4.7 at 12/31/03, effective rate 6.19%	56	71
Senior Notes due 2007, 5.31%	25	25
Senior Notes due 2009, 8.73% plus unamortized premium of \$7.9 at 12/31/03, effective rate 7.55%	158	159
Senior Notes due 2011, mature serially 2007 to 2011, 7.62% to 7.83%, plus unamortized premium of \$1.9 at 12/31/03, effective rates of 6.96% to 7.84%	173	174
Senior Notes due 2013, mature serially 2006 to 2013, 6.96% to 7.76%, less unamortized discount of \$6.1 at 12/31/03, effective rates of 6.95% to 8.04%	494	493
Senior Notes due 2016, mature serially 2006 to 2016, 7.74% to 8.05%, plus unamortized premium of \$1.9 at 12/31/03, effective rates of 6.96% to 8.04%	202	202
Senior Notes due 2013, mature serially 2008 to 2013, 4.96% to 6.18%	280	—
Senior Notes due 2008, 3-month LIBOR plus 1.445%, at 12/31/03 2.615%	20	—
Total Long-term Debt	\$ 2,064	\$ 1,872
Less: Current Portion	(33)	(33)
Long-term Portion	\$ 2,031	\$ 1,839

(A) At December 31, 2003, the company had \$594 million of borrowings and \$5 million of standby letters of credit outstanding under its \$600 million revolving line of credit maturing on September 30, 2005. During 2003, the company elected not to renew the \$150 million 364-day revolving line of credit. The interest rate for the \$600 million facility at December 31, 2003 was 2.7%, based on LIBOR plus 1.5%, which included facility fees. Interest rates vary and are based on a series of borrowings with maturities that can range from one week to six months. The average interest rate for both facilities at December 31, 2002 was 3.6% including facility fees.

Subject to customary covenants, the line of credit maturing in 2005 allows for borrowings from time to time up to \$600 million, including up to \$50 million of standby letters of credit. Borrowings on the line of credit fluctuate daily based on cash needs. At December 31, 2002, the 364-day Revolving Line of Credit was classified as long-term debt due to the company's intent and ability to subsequently refinance these borrowings on a long-term basis.

On January 15, 2004, the company refinanced its revolving line of credit. The new \$650 million facility has a maturity of five years. The interest rate for the new facility is based on LIBOR plus 1.25%, which includes facility fees.

On January 22, 2003, the company issued \$300 million of senior notes maturing serially in 2008 to 2013 consisting of the following (in millions):

Maturity	Interest Rate	Principal Amount
2008	3-month LIBOR plus 1.445%	\$ 20
2008	4.96%	47
2010	5.48%	55
2013	6.18%	178
		<u>\$ 300</u>

The proceeds from the issuance of these notes were used to repay a portion of the outstanding borrowings under the lines of credit and for general business funding purposes.

Principal payments of \$14 million are due on the Senior Notes due 2007 for each of the years between 2004 and 2007. Principal payments of \$13 million are due on the First Mortgage Notes due 2007 for each of the years between 2004 and 2007.

In connection with the purchase price allocation associated with The Timber Company Merger, a premium was recorded to reflect the difference between the market rate of interest and the stated interest rates. The unamortized premium was \$16 million and \$22 million at December 31, 2003 and 2002, respectively.

The Senior Notes (excluding the Senior Notes due 2011) and the First Mortgage Notes are redeemable prior to maturity subject to a premium on redemption, which is based upon interest rates of United States Treasury securities having similar average maturities as these notes. The premium that would have been due upon early retirement approximated \$218 million at December 31, 2003 and \$229 million at December 31, 2002. The Senior Notes are unsecured. The First Mortgage Notes are collateralized by substantially all of the property, plant and equipment of the lumber, plywood and MDF manufacturing facilities. The Senior Notes due 2011 are not redeemable prior to maturity.

The aggregate maturities on the note agreements and the line of credit are as follows as of **December 31, 2003** (in millions):

Maturity	Note Agreements	Line of Credit
2004	\$ 33	
2005	32	
2006	161	
2007	125	
2008	168	
Thereafter	951	\$ 594
Total	<u>\$ 1,470</u>	<u>\$ 594</u>

The note agreements and the line of credit contain certain restrictive covenants, including limitations on harvest levels, sales of assets, payment of cash dividends and the incurrence of indebtedness. See Note 8 of the Notes to Financial Statements. In addition, the line of credit requires the maintenance of a minimum interest coverage ratio. The company was in compliance with such covenants at December 31, 2003.

As of December 30, 2000, \$640 million of Georgia-Pacific's debt was allocated to The Timber Company. Interest was charged to The Timber Company in proportion to the respective amount of its debt at a rate equal to the weighted average interest rate of Georgia-Pacific's debt, excluding debt incurred in recent acquisitions, calculated on a quarterly basis and was 6.7% for the period December 31, 2000 to October 5, 2001. In October 2001, Plum Creek replaced approximately \$650 million of Georgia-Pacific debt attributed to The Timber Company with third party debt following The Timber Company Merger. The first \$500 million of allocated debt was refinanced with fixed rate debt (Senior Notes due 2013) and the debt in excess of \$500 million was refinanced with variable rate bank debt.

NOTE 8. RESTRICTED NET ASSETS

Plum Creek Timber Company, Inc. is the direct parent company of Plum Creek Timberlands, L.P., our operating partnership (the "Partnership"), and the indirect parent of all the subsidiaries of our consolidated group. Plum Creek Timber Company, Inc. has no assets or liabilities other than its ownership interest in the Partnership. Under the terms of our note agreements and line of credit (see Note 7 of the Note to Financial Statements), the Partnership is restricted from transferring assets and funds in the form of loans, advances or cash dividends to Plum Creek Timber Company, Inc. Our note agreements and line of credit limit the transfer of funds based on the amount of available cash which in general is our net income after adjusting for non-cash charges (such as depreciation and depletion), changes in various reserves less capital expenditures and principal payments on indebtedness that was not financed. Additionally, the amount of available cash may be increased by the amount of proceeds from the sale of higher and better use properties and, under certain circumstances, by 50% of the amount of net proceeds from the sale of other assets. The Partnership can also make loans or advances to Plum Creek Timber Company, Inc. subject to certain restrictions. Based on these provisions, the Partnership could distribute or advance the cash on its balance sheet as of December 31, 2003, or \$260 million, all of which is considered unrestricted assets. At December 31, 2003, the Partnership and its consolidated subsidiaries had net assets of \$2,119 million of which \$1,859 million were restricted from being transferred by the Partnership to Plum Creek Timber Company, Inc. At December 31, 2002, the Partnership and its consolidated subsidiaries had net assets of \$2,222 million of which \$1,976 million were restricted from being transferred by the Partnership to Plum Creek Timber Company, Inc.

Presented below is the condensed unconsolidated financial information for Plum Creek Timber Company, Inc. as of December 31, 2003 and 2002, and for each of the years in the three-year period ended December 31, 2003. The ownership of Plum Creek Timberlands, L.P. is presented using the equity basis of accounting. On October 6, 2001, The Timber Company merged with and into Plum Creek. Amounts prior to the October 6, 2001 merger are presented as if our current ownership structure was in existence for all of 2001. Plum Creek Timber Company, Inc. does not have any direct or indirect ownership interest in unconsolidated subsidiaries or 50 percent or less owned persons accounted for by the equity method of accounting.

PLUM CREEK TIMBER COMPANY, INC.
CONDENSED UNCONSOLIDATED BALANCE SHEET DATA

<i>(In Millions)</i>	December 31, 2003	December 31, 2002
Assets		
Investment in Plum Creek Timberlands, L.P. and Subsidiaries	\$ 2,119	\$ 2,222
Total Assets	\$ 2,119	\$ 2,222
Liabilities		
Total Liabilities	\$ —	\$ —
Commitments and Contingencies		
Stockholders' Equity		
Common Stock	2	2
Additional Paid in Capital	2,150	2,197
Retained Earnings and Other Equity	10	23
Treasury Stock, at cost	(43)	—
Total Stockholders' Equity	2,119	2,222
Total Liabilities and Equity	\$ 2,119	\$ 2,222

PLUM CREEK TIMBER COMPANY, INC.
CONDENSED UNCONSOLIDATED STATEMENT OF INCOME DATA

<i>(In Millions)</i>	December 31, 2003	Year Ended December 31, 2002	December 31, 2001
Equity in Net Income of Plum Creek Timberlands, L.P.	\$ 192	\$ 233	\$ 338
Net Income	\$ 192	\$ 233	\$ 338

PLUM CREEK TIMBER COMPANY, INC.
CONDENSED UNCONSOLIDATED STATEMENT OF CASH FLOWS DATA

(In Millions)	December 31, 2003	Year Ended	
		December 31, 2002	December 31, 2001
Cash Flows From Operating Activities:			
Net Income	\$ 192	\$ 233	\$ 338
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:			
Equity in Net Income of Plum Creek Timberlands, L.P.	(192)	(233)	(338)
Net Cash Provided By (Used In) Operating Activities	—	—	—
Net Cash Provided By (Used In) Investing Activities	—	—	—
Cash Flows From Financing Activities:			
Cash Dividends	(257)	(275)	(209)
Net Cash Returned to Georgia-Pacific Corporation	—	—	(115)
Cash Distribution from Plum Creek Timberlands, L.P.	299	257	292
Proceeds from Stock Option Exercises	1	18	32
Acquisition of Treasury Stock	(43)	—	—
Net Cash Provided by (Used In) Financing Activities	—	—	—
Increase In Cash and Cash Equivalents	—	—	—
Cash and Cash Equivalents:			
Beginning of Period	—	—	—
End of Period	\$ —	\$ —	\$ —

NOTE 9. FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents and notes receivable approximate fair value due to the short-term maturities of these instruments. The estimated fair value of the company's debt, based on current interest rates for similar obligations with like maturities, was approximately \$2.21 billion and \$2.00 billion at December 31, 2003 and 2002, respectively. The carrying amount was \$2.06 billion and \$1.87 billion at December 31, 2003 and 2002, respectively. Unrealized holding gains relating to mutual fund investments held in a grantor trust were \$0.3 million at December 31, 2003. The change in unrealized holding gains or losses has been recognized in the company's consolidated statement of income resulting in a gain of \$2.8 million in 2003, a loss of \$1.1 million in 2002 and a gain of \$0.6 million in 2001, respectively. See Note 10 of the Notes to Financial Statements regarding hedging arrangements during 2002.

NOTE 10. CAPITAL

At December 31, 2003, Plum Creek had the following authorized capital of which only 183.1 million shares of common stock were issued and outstanding:

- 300,000,000 shares of common stock, par value \$.01 per share;
- 150,000,001 shares of excess stock, par value \$.01 per share; and
- 75,000,000 shares of preferred stock, par value \$.01 per share.

The changes in the company's capital accounts are as follows (in millions):

	Common Stock		Paid-in	Retained	Other	Parent's	Treasury	Total
	Shares	Dollars	Capital	Earnings	Equity	Equity	Stock	Equity
December 31, 2000						\$ 145		\$ 145
Net Income December 31, 2000 to October 5, 2001						112		112
Cash Returned to G-P						(175)		(175)
Contributions from G-P						267		267
Balance on October 5, 2001						349		349
Acquisition of Plum Creek						1,849		1,849
Recapitalization in Connection with Merger	181.9	\$2	\$2,195		\$ 1	(2,198)		—
Net Income October 6, 2001 to December 31, 2001				\$ 226				226
Dividends				(209)				(209)
Stock Option Exercises	1.9		32					32
Deferred Compensation	0.1							—
December 31, 2001	183.9	2	2,227	17	1	—		2,247
Net Income				233				233
Dividends				(48)	(227)			(275)
Stock Option Exercises	1.0		18					18
Deferred Compensation and Other Comprehensive Loss					(1)			(1)
December 31, 2002	184.9	2	2,197	23	—	—		2,222
Net Income				192				192
Dividends				(51)	(206)			(257)
Stock Option Exercises	0.1		1					1
VMA Shares Issued ^(A)	0.1		2					2
Treasury Shares Acquired ^(B)	(2.0)						\$(43)	(43)
Deferred Compensation and Other Comprehensive Loss			1		1			2
December 31, 2003	183.1	\$2	\$2,150	\$ 9	\$ 1	\$ —	\$(43)	\$2,119

(A) At December 31, 2002, participants in Plum Creek's Stock Incentive Plan earned 44,870 value management awards, which have a value of \$200 per award, or \$9 million in total. Under the terms of the plan, the awards are paid 50% in the first quarter of 2003 and 50% in the first quarter of 2004. Furthermore, each payment is made 50% in cash and 50% in Plum Creek stock.

(B) On October 17, 2002, our Board of Directors authorized the company to repurchase up to \$200 million of the company's common stock. As of December 31, 2003, the company had repurchased approximately 2 million shares of common stock for a total cost of \$43 million at an average price of \$21.53 per share.

During 2003, Plum Creek paid dividends of \$257 million or \$1.40 per share. Dividends of \$0.35 per share were paid quarterly in February, May, August and November 2003.

During 2002, Plum Creek paid dividends of \$275 million or \$1.49 per share. A dividend of \$0.57 per share was paid in May 2002 and August 2002. A dividend of \$0.35 per share was paid in November 2002.

During 2002, Plum Creek entered into two treasury-lock arrangements to secure current long-term interest rates on approximately \$100 million of the \$300 million fixed rate debt that was issued in January 2003. See Note 7 of the Notes to Financial Statements. The company designated these transactions as cash flow hedges. The company incurred a loss of approximately \$0.7 million in connection with these arrangements. In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging

Activities", the loss is recorded as other comprehensive loss, which is included in Other Equity. Hedge ineffectiveness is reported in earnings and was not material in 2003 or 2002. Reclassification adjustments to interest expense will occur over the life of the related debt.

Prior to The Timber Company Merger in 2001, the Timber Company Stock represented a class of Georgia-Pacific's common stock. In connection with The Timber Company Merger, on October 5, 2001, Georgia-Pacific redeemed all of the outstanding shares of Timber Company Stock, or 82.3 million shares, in exchange for Units representing ownership interests in The Timber Company. On October 6, 2001, the holders of Units received 1.37 shares of Plum Creek Common Stock for each Unit, or an aggregate of 112.7 million Plum Creek shares. Furthermore, since The Timber Company Merger was accounted for as a reverse acquisition, The Timber Company was deemed, for accounting purposes, to have issued 69.2 million shares for the acquisition of Plum Creek. However, since Plum Creek was the surviving legal entity, Plum Creek had 181.9 million shares of its common stock issued and outstanding immediately after the merger.

Subsequent to The Timber Company Merger, Plum Creek paid dividends of \$209 million, or \$1.14 per share, during the fourth quarter of 2001. Dividends of \$0.57 per share were paid on November 30, 2001 and December 28, 2001. The December 28, 2001 dividend represented the acceleration of our fourth quarter 2001 dividend that normally would have been paid in February 2002. The acceleration was due to a REIT requirement that the earnings and profits inherited in connection with the merger with The Timber Company be distributed. See Note 5 of the Notes to Financial Statements. See Note 6 of the Notes to Financial Statements for a historical summary of dividends paid to Plum Creek stockholders.

Timber Company Stock, a letter stock of Georgia-Pacific that tracked the performance of The Timber Company, historically paid a quarterly dividend of \$0.25 per share. Therefore, quarterly Timber Company Stock dividends are reflected in the above table as "Cash Returned to Georgia-Pacific".

Prior to The Timber Company Merger, The Timber Company was required to transfer to Georgia-Pacific: (1) certain installment notes receivable and related commercial paper and deferred tax liabilities plus approximately \$85 million cash, and (2) approximately \$24 million cash for the cost of tax risk insurance. Accordingly, the following were transferred to Georgia-Pacific during the third quarter of 2001 (in millions):

Installment Notes	\$	355
Commercial Paper	\$	349
Deferred Income Tax Liability	\$	200
Cash	\$	109

The cash transfer of \$109 million was accounted for as a dividend and the net transfer of the installment notes and related commercial paper and deferred income tax liabilities of \$194 million were accounted for as a capital contribution.

In addition to the above dividends and capital contributions during 2001, The Timber Company had the following capital transactions with Georgia-Pacific prior to The Timber Company Merger: (1) The Timber Company distributed \$66 million cash to Georgia-Pacific primarily for dividends on Timber Company Stock, and (2) Georgia-Pacific contributed \$71 million cash related to proceeds from the exercise of options on Timber Company Stock and the purchase of certain lands near Georgia-Pacific's mills.

At December 31, 2003 and 2002, there were 0.3 million shares of Plum Creek common stock held in a trust to fund deferred incentive plan awards. These shares were recorded at \$7 million at December 31, 2003 and 2002. The related liability at December 31, 2003 and 2002 was \$9 million. The above amounts are shown net in the equity section of the consolidated balance sheet. Additionally, the cost of the restricted stock awards is recorded in equity as deferred compensation and is amortized over the restriction period. See Note 12 of the Notes to Financial Statements.

NOTE 11. EMPLOYEE PENSION AND RETIREMENT PLANS

Prior to The Timber Company Merger on October 6, 2001, The Timber Company employees were generally covered by Georgia-Pacific's Defined Benefit Pension Plan, Defined Contribution Plan and Health Care and Life Insurance Benefit Plan. Under the terms of the merger agreement, Georgia-Pacific retained the obligation to fund and pay all vested benefits for the above plans, with the exception of an unfunded non-qualified supplemental pension plan for two officers of The Timber Company whose employment terminated in connection with the merger. Benefit obligations of \$2 million for the two officers remained with Plum Creek. The Timber Company employees became participants in Plum Creek's plans as of the merger date.

In connection with The Timber Company Merger, The Timber Company acquired Plum Creek's Defined Benefit Pension Plan and Defined Contribution Plan. In accordance with SFAS No. 141, "Business Combinations", The Timber Company recorded \$2 million for accrued pension liability (excess of projected benefit obligation over plan assets) in connection with the purchase price allocation. Furthermore, under the terms of the merger agreement, as a result of the employment of two of The Timber Company's officers terminating during the fourth quarter of 2001 due to the change in control, an expense of \$2 million was recorded for special termination benefits. As a result of The Timber Company adopting Plum Creek's pension and retirement plans and Georgia-Pacific retaining the vested pension and retirement benefit obligations of The Timber Company employees as of The Timber Company Merger date (except as described above), the following disclosure reflects the Plum Creek plans (inclusive of the supplemental pension benefits for the two former officers of The Timber Company) from October 6, 2001 to December 31, 2003 and the Georgia-Pacific Plans from December 31, 2000 to October 5, 2001.

PLUM CREEK PLANS

Pension Plan. The company provides defined benefit pension plans that cover substantially all employees of the company. The company uses a December 31 measurement date for its pension plans. The following tables provide a reconciliation of benefit obligations, plan assets, and funded status of the plans for the **years ended**

December 31 (in millions):

	2003	2002
Change in benefit obligation		
Benefit obligation at beginning of period	\$ 81	\$ 70
Service cost	5	5
Interest cost	6	5
Amendment	1	1
Actuarial loss	8	5
Benefits paid	(6)	(5)
Benefit obligation at end of period	\$ 95	\$ 81
Change in plan assets		
Fair value of plan assets at beginning of period	\$ 63	\$ 65
Actual return on plan assets	14	(5)
Employer contributions	6	8
Benefits paid	(6)	(5)
Fair value of plan assets at end of period	\$ 77	\$ 63

The funded status and the amounts recognized on the accompanying balance sheets under the caption "Other Current Liabilities" are set forth in the following table (in millions):

	December 31, 2003	December 31, 2002
Funded status	\$ (18)	\$ (18)
Unrecognized net actuarial loss	14	14
Unrecognized prior service cost	2	1
Accrued benefit cost	\$ (2)	\$ (3)

No minimum liability has been recorded at either December 31, 2003 or 2002 because the fair value of plan assets exceeded the accumulated benefit obligation (the approximate actuarially computed current pension obligation if the plans were discontinued) by \$5 million at December 31, 2003 and \$1 million at December 31, 2002. The accumulated benefit obligation was \$72 million at December 31, 2003 and \$62 million at December 31, 2002.

The components of pension cost were as follows (in millions):

	Year ended December 31, 2003	Year ended December 31, 2002	Period Oct. 6, 2001 to Dec. 31, 2001
Components of net periodic benefit cost			
Service cost	\$ 5	\$ 5	\$ 1
Interest cost	6	5	1
Expected return on plan assets	(5)	(6)	(1)
Net periodic benefit cost	6	4	1
Special termination benefits	—	—	2
Total pension cost	\$ —	\$ 4	\$ 3

Most of the company's salaried and all hourly employees who complete one year of service in which they work at least 1,000 hours are eligible to participate in the plan. Participants vest after five years of service. Subsequent to The Timber Company Merger, the cash balance of benefits of salaried employees is determined based primarily on certain percentages of compensation, age, years of service and interest accrued based on the 30-year treasury bond rate. Furthermore, employees of the company on September 1, 2000 earn benefits based on the greater of the cash balance formula or the amount of a monthly pension benefit that is principally based on highest monthly average earnings during any consecutive sixty-month period and the number of years of service credit. The benefits of hourly employees are generally based on a fixed amount per year of service.

Plum Creek's contributions to the plan vary from year to year, but the company has made at least the minimum contributions required by law in each year. Management intends to fund annually such that the fair value of plan assets equals or exceeds the actuarially computed accumulated benefit obligation. As a result of Plum Creek's contribution policy, annual pension contributions are significantly impacted by investment returns and changes in interest rates. Based on current interest rates and expected investment returns, the company expects 2004 pension contributions to range between \$2 million and \$7 million.

As of year-end, plan assets were allocated as follows:

	December 31, 2003	December 31, 2002
Large Capitalization Domestic Equities	41%	32%
Small and Mid-Size Capitalization Domestic Equities	13%	10%
International Equities	12%	11%
Fixed Income	33%	33%
Cash ^(A)	1%	14%
Total	100%	100%

(A) Our 2002 pension contribution of \$8 million was contributed in December 2002 but was not invested with our various fund managers until first quarter of 2003.

It is the company's investment policy to achieve maximum returns at a reasonable risk for pension assets over a full market cycle. The company uses seven fund managers to capture favorable returns in various asset classes and to diversify risk. Target allocations for the various asset classes are as follows:

Large Capitalization Domestic Equities	35% to 45%
Small and Mid-Size Capitalization Domestic Equities	10% to 15%
International Equities	10% to 15%
Fixed Income	30% to 40%

Pension assets are rebalanced on a quarterly basis to maintain the above target allocations. To further reduce risk, fund managers are required to invest in a diversified portfolio. No more than 5% of an equity portfolio can be invested in a single company and no more than 20% of an equity portfolio can be invested in any one sector of the market (other than the financials' sector). No more than 10% of a fixed income portfolio can be invested in a single issuer (other than U.S. treasuries). Furthermore, equity investments are limited to common stocks, common stock equivalents and preferred stock. Fixed income investments are limited to U.S. treasuries, agencies of the U.S. Government, domestic corporations, municipalities, domestic banks, and other U.S. financial institutions.

Over a full market cycle the investment goals for pension assets are as follows:

Large Capitalization Domestic Equities	Exceed the S&P 500 Index by 1% per annum
Small and Mid-Size Capitalization Domestic Equities	Exceed the Russell 2000 Index by 1% per annum
International Equities	Exceed the Morgan Stanley Capital International Europe, Australia and Far East Index by 1% per annum
Fixed Income	Exceed the Lehman Brothers Aggregate Bond Index and exceed the median return for all fixed income funds

Weighted-average assumptions used to determine benefit obligation:

	December 31, 2003	December 31, 2002
Discount rate	6.25%	6.75%
Rate of compensation increase	4.50%	5.00%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	2003	2002
Discount rate	6.75%	7.25%
Expected long-term return on plan assets	7.75%	8.25%
Rate of compensation increase	4.50%	5.00%

To develop the expected long-term rate of return on plan assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset

allocation to develop the expected long-term rate of return on plan assets assumption for the portfolio. This resulted in the selection of the 7.75% assumption as of January 1, 2003.

Thrift and Profit Sharing Plan. The company sponsors an employee thrift and profit sharing plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all full-time employees. The company matches employee contributions of up to six percent of compensation at rates ranging from 35 to 100 percent, depending upon financial performance.

Amounts charged to expense relating to the Thrift and Profit Sharing Plan by the company were \$5 million for the year ended December 31, 2003, \$5 million for the year ended December 31, 2002 and \$2 million for the period October 6, 2001 to December 31, 2001, respectively. The employer match was 100% in 2003, 2002 and 2001.

Other Benefit Plans. Certain executives and key employees of the company participate in incentive benefit plans, which provide for the granting of shares and/or cash bonuses upon meeting performance objectives. See Note 12 of the Notes to Financial Statements.

GEORGIA-PACIFIC PLANS

Defined Benefit Pension Plans. Most of The Timber Company's employees participated in noncontributory defined benefit pension plans. These include plans that are administered solely by Georgia-Pacific. Georgia-Pacific's funding policy for solely administered plans is based on actuarial calculations and the applicable requirements of federal law.

Benefits under the majority of plans for hourly employees were related primarily to years of service. Georgia-Pacific had separate plans for salaried employees and officers under which benefits were related primarily to compensation and years of service. The officers' plan was not funded and is nonqualified for federal income tax purposes.

During the period December 31, 2000 to October 5, 2001, The Timber Company's net periodic pension cost was less than \$1 million. Except as described above, on October 6, 2001, in connection with The Timber Company Merger, The Timber Company's projected benefit obligation and plan assets were assumed by Georgia-Pacific.

Defined Contribution Plans. Georgia-Pacific sponsored several defined contribution plans to provide eligible employees with additional income upon retirement. Georgia-Pacific's contributions to the plans were based on employee contributions and compensation. The allocated portion of Georgia-Pacific's contributions related to The Timber Company totaled \$1 million for the period December 31, 2000 to October 5, 2001. Under the terms of The Timber Company Merger, Georgia-Pacific retained the obligation to fund and pay all vested benefits under this plan.

Health Care and Life Insurance Benefits. Georgia-Pacific provided certain health care and life insurance benefits to eligible retired employees. Salaried participants generally became eligible for retiree health care benefits after reaching age 55 with 10 years of service or after reaching age 65. Benefits, eligibility and cost-sharing provisions for hourly employees varied by location and/or bargaining unit. Generally, the medical plans paid a stated percentage of most medical expenses, reduced for any deductible and payments made by government programs and other group coverage. The plans were funded through a trust established for the payment of active and retiree benefits. Georgia-Pacific contributed to the trust in the amounts necessary to fund current obligations of the plans.

Under the terms of The Timber Company Merger agreement, Georgia-Pacific retained the obligation to fund and pay all vested benefits under this plan.

The Timber Company's net periodic postretirement benefit cost consisted of service cost of benefits earned, interest cost on accumulated postretirement benefit obligation and amortization of gains and losses. Total net periodic benefit costs were less than \$1 million for the period December 31, 2000 to October 5, 2001.

NOTE 12. STOCK-BASED COMPENSATION PLANS

Prior to The Timber Company Merger in 2001, certain Timber Company and Georgia-Pacific employees received stock options with respect to Timber Company Stock. In accordance with the merger agreement for The Timber Company Merger, outstanding options with respect to Timber Company Stock were converted to Plum Creek options on October 6, 2001. The option price and number of options were adjusted for the 1.37 to 1 exchange ratio. Furthermore, in connection with The Timber Company Merger, The Timber Company acquired Plum Creek's long-term incentive plans. All Plum Creek incentive plans remained in effect. Therefore, the disclosure below reflects the Plum Creek long-term incentive plans for the years ended December 31, 2003 and 2002 and the period from October 6, 2001 to December 31, 2001, and the Georgia-Pacific long-term incentive plans for the period from December 31, 2000 to October 5, 2001.

PLUM CREEK'S LONG-TERM INCENTIVE PLANS

Plum Creek has a Stock Incentive Plan (that was approved by its stockholders in May 2000) that provides for the award of non-qualified stock options, restricted stock, dividend equivalents and value management awards. There are 3.4 million shares of common stock reserved and eligible for issuance under the plan. In addition to the 3.4 million shares that are eligible for issuance under Plum Creek's Stock Incentive Plan, Plum Creek acquired 3.8 million (after adjustment for the exchange ratio) Timber Company Stock options in connection with The Timber Company Merger that were converted to Plum Creek stock options. No additional Plum Creek stock options may be granted under the Georgia-Pacific long-term incentive plans as a result of The Timber Company Merger. At December 31, 2003, there remains 0.8 million options of the 3.8 million options issued and outstanding.

At December 31, 2003, 1.7 million shares of the 3.4 million shares available for issuance under Plum Creek's Stock Incentive Plan have been used for the grant of non-qualified stock options, the grant of restricted stock or the payment of vested value management awards. The number of shares to be issued in connection with dividend equivalents and value management awards is not determined until after the end of their respective performance periods.

Stock Options. Under the plan, non-qualified stock options may be granted to any officer, director, employee, consultant or advisor of the company. Each stock option granted allows the recipient the right to purchase the company's common stock at the fair market value of the company's common stock on the date of the grant. Generally, the stock options have a ten-year term and vest over a four-year period at a rate of 25% per year. Under the plan, the exercise price of an option may not be reduced. See table below for summary of stock options granted, exercised and forfeited.

Restricted Stock. Under the plan, restricted stock of the company may be awarded to certain officers and employees of the company. Restricted stock may not be sold, assigned, transferred, pledged or otherwise

disposed of for a period of time from the date on which the restricted stock was granted. The recipients of restricted stock generally have the rights of stockholders of the company with respect to voting and receipt of dividends during the restricted period. Termination of employment prior to the end of the restricted period will require the return of the restricted stock to the company. The company had 32,412 shares of restricted stock outstanding under this plan as of December 31, 2003 compared to 55,312 shares of restricted stock as of December 31, 2002.

Dividend Equivalents. Under the plan, dividend equivalents may be granted in connection with stock options. Dividend equivalents represent the right to receive a payment equal in value to the per-share dividend paid over a five-year period by the company multiplied by the number of unexercised stock options. Each year during the five year performance period for each dividend equivalent right granted, a participant may earn an amount equal to the company's current year dividend plus prior year unearned dividends to the extent the company's total shareholder return on an annualized basis equals or exceeds 13% for 15 trading days out of any 30 trading day period in any given year. The total stockholder return computation consists of the company's stock price appreciation plus dividends paid. Payments related to the achievement of any performance goal will be made at the end of the five-year performance period, and will be made half in cash and half in the company's common stock. At December 31, 2003, 1.6 million dividend equivalents, net of forfeitures, had been granted to employees, officers and directors of the company compared to 1.1 million dividend equivalents outstanding at December 31, 2002.

If a participant terminates employment prior to the end of the five-year performance period, a cash payment will be made for any performance goals achieved in connection with vested stock options through the last day of employment. Payment related to unvested stock options and performance goals achieved after termination of employment are forfeited.

Value Management Awards. Under the plan, value management awards provide incentive compensation to participants that is contingent upon performance measured against the performance of a peer group of forest products companies over a three-year period. Value management awards are earned in whole or in part based on a sliding scale. No value management award is earned if the company's total stockholder return is below the 50th percentile of the peer group. The full value management award is earned if the company's total stockholder return is above the 75th percentile. A unit has a face value of \$100. The value of an award between the 50th and 75th percentile is a sliding scale between 0% and 200% of the face value. At the end of the performance period, the awards will be paid 50% immediately and 50% one year later. Each payment will be paid half in cash and half in the company's common stock. Generally, to be entitled to the payment, a participant must be employed by the company on the award payment dates.

The performance period for value management awards granted in 2000 ended on December 31, 2002 and the company was above the 75th percentile. Half of the awards were paid to participants in February 2003 and half were paid in February 2004. At December 31, 2003, 22,435 of the 2000 grants, net of forfeitures and payments, were outstanding compared to 44,870 awards outstanding at December 31, 2002. See Note 10 of the Notes to Financial Statements.

During 2002, value management awards with a performance period ending December 31, 2004 were granted. At December 31, 2003 and 2002, 76,880 of the 2002 grants, net of forfeitures, were outstanding.

Summary of Stock Option Activity. Presented below is a summary of stock option plan activity since the date of The Timber Company Merger. The balance at October 6, 2001 represents the Timber Company Stock options that were converted to Plum Creek stock options in connection with the merger.

PLUM CREEK COMMON STOCK OPTIONS

	Options Outstanding	
	Number of shares	Wtd. avg. exercise price
Balance at October 6, 2001	3,841,394	\$ 16.57
Plum Creek options acquired in merger	583,700	25.94
Options granted	79,883	24.95
Options exercised/surrendered	(1,882,352)	16.86
Options cancelled/forfeited	(7,055)	20.96
Balance at December 31, 2001	2,615,570	\$ 18.70
Options granted	480,050	\$ 29.62
Options exercised/surrendered	(1,020,522)	16.66
Options cancelled/forfeited	(46,794)	24.50
Balance at December 31, 2002	2,028,304	\$ 22.18
Options granted	478,750	\$ 21.99
Options exercised/surrendered	(91,243)	16.35
Options cancelled/forfeited	(17,897)	25.07
Balance at December 31, 2003	2,397,914	\$ 22.34

The following table summarizes the options outstanding and exercisable:

Range of prices	Number	Options Outstanding		Options Exercisable	
		Wtd. avg. remaining life	Wtd. avg. exercise price	Number	Wtd. avg. exercise price
December 31, 2001					
\$15.29–\$26.25	2,615,570	6.0 years	\$ 18.70	2,056,162	\$ 16.75
December 31, 2002					
\$29.70–\$30.70	460,050	9.1 years	\$29.72	—	\$ —
\$22.21–\$26.25	634,954	7.8 years	\$25.82	227,976	\$25.78
\$16.94–\$18.34	253,927	2.7 years	\$17.22	253,927	\$17.22
\$15.29–\$16.42	679,373	3.7 years	\$ 15.52	679,373	\$ 15.52
\$15.29–\$30.70	2,028,304	6.1 years	\$ 22.18	1,161,276	\$ 17.91
December 31, 2003					
\$29.70–\$30.70	451,800	8.1 years	\$29.72	\$ 112,950	\$29.72
\$24.35–\$26.27	628,549	6.8 years	\$25.85	\$ 380,950	\$25.81
\$21.91–\$23.97	471,750	9.1 years	\$21.94	\$ 1,250	\$22.21
\$16.94–\$18.34	236,500	1.8 years	\$17.26	\$ 236,500	\$17.26
\$15.29–\$16.42	609,315	2.7 years	\$ 15.53	\$ 609,315	\$ 15.53
\$15.29–\$30.70	2,397,914	6.0 years	\$ 22.34	\$1,340,965	\$ 19.96

Accounting for Stock-Based Compensation. Compensation expense in connection with the company's stock-based compensation plans was \$6.5 million for the year ended December 31, 2003 compared to \$7.8 million during 2002, and \$1 million for the period from October 6, 2001 to December 31, 2001. Effective January 1, 2002, the company has elected to adopt prospectively the fair value recognition provisions of SFAS No. 123, "Accounting for Stock Based Compensation", for its accounting of stock options. Of the \$6.5 million stock-based compensation expense in 2003, \$0.9 million relates to the expensing of stock options that were granted since January 1, 2002. Approximately \$0.4 million of the \$7.8 million stock-based compensation expense for 2002 relates to the expensing of stock options that were granted during 2002.

Prior to January 1, 2002, the company had adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". Summarized below are the assumptions used in computing the pro forma amounts in Note 1 of the Notes to Financial Statements.

The weighted-average measurement date fair values were computed using the Black-Scholes option valuation model with the following assumptions:

	Granted 2003	Plum Creek Options Granted 2002	Granted 2001 ^(A)	Outstanding at merger date ^(B)	Timber Company Options Converted at merger date ^(C)
Expected life in years	7	7	7	7	5
Risk-free interest rates	3.5%	3.5–4.8%	4.4%	6.5%	6.2%
Volatility	29%	31%	25%	24%	34%
Dividend yield	6.4%	6.0–7.7%	9.1%	8.4%	4.0%
Weighted-average measurement date fair values per share	\$3.27	\$4.21–4.33	\$2.01	\$2.93	\$7.07

The following additional assumptions were used in computing the pro forma disclosures for 2001:

- (A) Newly Granted Plum Creek Options. Plum Creek options that were granted on October 8, 2001, subsequent to The Timber Company Merger, were based on a fair value of \$2.01 per share as of the grant date. Pro forma net income was computed based on amortizing the fair value of these options over their vesting period.
- (B) Outstanding Plum Creek Options. Plum Creek options that were outstanding on the date of The Timber Company Merger were based on a weighted-average fair value of \$2.93 per share as of the merger announcement date of July 18, 2000. Pro forma net income was computed based on amortizing the fair value of the unvested options over the remaining vesting period.
- (C) Outstanding Timber Company Options. Timber Company options that were converted to Plum Creek options in connection with The Timber Company Merger were based on a weighted-average fair value of \$7.07 per share as of July 17, 2000, the date of the latest modification. Since The Timber Company options were all vested as of the merger date, the entire fair value was expensed in computing 2001 pro forma net income. Furthermore, a portion of the grant date fair value for The Timber Company options was amortized in computing 2001 pro forma net income for the period from December 31, 2000 to October 5, 2001.

GEORGIA-PACIFIC'S LONG-TERM INCENTIVE PLANS

Georgia-Pacific's authorized capital stock included 250 million shares of Timber Company Stock. In connection with the merger, holders of stock options to purchase Timber Company Stock received Plum Creek options using the exchange ratio of 1.37 to one.

1997 Long-Term Incentive Plans. Georgia-Pacific reserved 3,800,000 shares of Timber Company Stock for issuance under The Timber Company 1997 Long-Term Incentive Plan ("The Timber Company Plan"). Options covering 950 shares and 624,250 shares were granted under The Timber Company Plan on January 28, 1999 and January 21, 2000, respectively. These grants have a 10-year term and, initially, vested ratably over four and three-year periods, except that all grants vested in connection with The Timber Company Merger.

Employee Stock Purchase Plan. Georgia-Pacific reserved 1,500,000 shares of Timber Company Stock for issuance under the 2000 Employee Stock Purchase Plan (the "2000 Purchase Plan"), which offered employees the right to subscribe for shares of Timber Company Stock at a subscription price equal to 90% of the lower of the price per share on the first day or the last day of the purchase period. The purchase period for the initial one-year period began on July 1, 2000 and ended on June 30, 2001. An employee could terminate his or her subscription at any time before he or she pays the full price of the shares subscribed and would receive in cash, the full amount withheld, without interest.

1995 Outside Directors Stock Plan. Georgia-Pacific reserved 200,000 shares of Timber Company common stock for issuance under the 1995 Outside Directors Stock Plan (the "Directors Plan"), which provided for the issuance of shares of common stock to non-employee directors of Georgia-Pacific on a restricted basis. Each non-employee director was issued 647 restricted shares of Timber Company common stock in 2000 and 346 restricted shares in 1999, respectively. These shares were redeemed in connection with the merger.

Employee Stock Option Plans. The 1995 Shareholder Value Incentive Plan (the "SVIP") provided for the granting of stock options having a term of either 5½ or 10 years to officers and key employees. Under the amended and restated SVIP, no further grants may be made. Options having a term of 10 years became exercisable in 9½ years unless certain performance targets tied to Georgia-Pacific's common stock performance were met, in which case the holder could exercise such options after 3, 4 or 5 years from the grant date. Options having a term of 5½ years could be exercised only if such performance targets were met in the third, fourth or fifth year after such grant date. At the time options were exercised, the exercise price was payable in cash or by surrender of shares of common stock already owned by the optionee. All options were vested as of February 2000.

Additional information relating to Georgia-Pacific's Timber Company employee common stock options is provided below. All amounts have been retroactively restated to reflect the 1.37 to 1 exchange ratio.

TIMBER COMPANY COMMON STOCK OPTIONS

	Options Outstanding	
	Number of shares	Wtd. avg. exercise price
Balance at December 31, 2000	6,726,289	\$ 16.39
Options exercised/surrendered	(2,859,711)	\$ 16.15
Options cancelled/forfeited	(25,184)	\$ 16.43
Balance at October 5, 2001	<u>3,841,394</u>	

The Timber Company elected to account for its participation in stock based compensation plans of Georgia-Pacific under APB Opinion No. 25 and disclose pro forma effects of the plans on net income and earnings per share as provided by SFAS No. 123. Accordingly, no compensation cost had been recognized for the SVIP, The Timber Company Plan or the 2000 Purchase Plan.

NOTE 13. RELATED-PARTY TRANSACTIONS

TRANSACTIONS WITH GEORGIA-PACIFIC

Timber Sales. Prior to The Timber Company Merger on October 6, 2001, The Timber Company was a separate operating group of Georgia-Pacific, and as such, was engaged primarily in the growing and selling of timber on the approximately 4.7 million acres of timberlands that Georgia-Pacific owned or leased.

A substantial portion of each year's harvest was sold to the Georgia-Pacific Group for consumption in their numerous mills. For the period December 31, 2000 to October 5, 2001, timber revenues from sales between The Timber Company and the Georgia-Pacific Group totaled \$144 million. Timber prices were based on prices paid by independent purchasers and sellers for similar kinds of timber.

Effective January 1, 2001, The Timber Company and Georgia-Pacific Group entered into a ten-year timber supply agreement, which was subject to an automatic ten-year renewal period, unless either party delivered a timely termination notice. This agreement covered four key southern timber basins: Southeast Arkansas, Mississippi, Florida, and Southeast Georgia. Under the agreement, The Timber Company had to offer to Georgia-Pacific Group specified percentages of its annual harvest, subject to absolute minimum and maximum limitations in each basin. Georgia-Pacific Group could elect between 36% and 51% of The Timber Company's annual harvest each year in Mississippi, Florida and Southeast Georgia, and between 52% and 65% in Southeast Arkansas. The total annual volume softwood was to range from a minimum of 2.7 million tons to a maximum of 4.2 million tons. The prices for such timber were to be negotiated at arm's length between The Timber Company and Georgia-Pacific Group every six months, and were to be set by third party arbitration if the parties could not agree. A new agreement on substantially the same terms was entered into with Plum Creek in conjunction with The Timber Company Merger.

The Timber Company and Georgia-Pacific Group also entered into a one-year supply agreement for 2001 under which The Timber Company delivered 42 million board feet of Douglas-fir and Western Hemlock sawtimber to Georgia-Pacific Group's sawmills at Coos Bay and Philomath, Oregon as well as 13 thousand green tons of pulpwood to the Georgia-Pacific Group Toledo pulp mill. Prices were based on prevailing market prices.

Other Recurring Transactions. In addition to timber sales between The Timber Company and the Georgia-Pacific Group, The Timber Company had the following recurring related-party transactions with the Georgia-Pacific Group as a result of The Timber Company being organized as a separate operating group of Georgia-Pacific:

1. **General and Administrative Expenses.** A portion of Georgia-Pacific's general and administrative expenses was allocated to The Timber Company. In 2001, general and administrative expenses of \$2 million were allocated to The Timber Company for the period December 31, 2000 to October 5, 2001. See Note 1 of the Notes to Financial Statements.
2. **Intercompany Debt and Related Interest Expense.** Intercompany allocated debt was \$644 million as of October 6, 2001 (the merger date). Interest expense was charged to The Timber Company in proportion to the respective amount of its debt at a rate equal to the weighted-average interest rate of Georgia-Pacific's debt calculated on a quarterly basis. Net interest expense of \$31 million (net of \$18 million of interest income) was allocated to The Timber Company for the period December 31, 2000 to October 5, 2001. See Notes 1 and 7 of the Notes to Financial Statements.
3. **Employee Benefit Costs.** Prior to The Timber Company Merger on October 6, 2001, The Timber Company employees were generally covered by Georgia-Pacific's Defined Benefit Pension Plan, Defined Contribution Plan and Health Care and Life Insurance Benefit Plan. As a result, a portion of Georgia-Pacific's employee benefit costs were allocated to The Timber Company based on number of employees and allocated share of plan assets. Net periodic pension costs and net periodic postretirement benefit costs allocated to The Timber Company for period December 31, 2000 to October 5, 2001 were less than \$1 million. See Notes 1 and 11 of the Notes to Financial Statements.
4. **Capital Transactions.** Since The Timber Company was not a separate legal entity but rather an operating division of Georgia-Pacific, the Timber Company Stock, the only equity issued with respect to The Timber Company, represented a class of Georgia-Pacific's common stock. As a result, cash payments incurred by Georgia-Pacific with respect to dividends were allocated to The Timber Company. Furthermore, proceeds from the exercise of stock options with respect to Timber Company Stock were allocated to The Timber Company. Cash for the payment of dividends with respect to Timber Company Stock was \$61 million for the period December 31, 2000 to October 5, 2001. Cash proceeds with respect to the exercise of stock options and the purchase of employee stock for Timber Company Stock was \$58 million (which includes a benefit of \$12 million for the related tax deduction) for the period December 31, 2000 to October 5, 2001.
5. **Income Taxes.** Georgia-Pacific filed consolidated federal and state income tax returns, and as a result, a portion of Georgia-Pacific's income tax expense was allocated to The Timber Company. Of Georgia-Pacific's consolidated income tax expense, \$56 million in current and \$13 million in deferred tax expense were allocated to The Timber Company for the period December 31, 2000 to October 5, 2001. See Notes 1 and 5 of the Notes to Financial Statements.

Merger Related Transactions. In connection with The Timber Company Merger, The Timber Company had the following related-party transactions with the Georgia-Pacific Group:

1. **Merger Costs.** Georgia-Pacific Group allocated The Timber Company \$20 million of merger-related costs. These costs were included in the purchase price allocation.

2. **Installment Notes.** Certain installment notes receivable and related commercial paper and deferred income tax liabilities were transferred to the Georgia-Pacific Group in connection with the merger. The installment notes receivable and associated deferred income tax liabilities related to prior bulk sales of timberlands. The commercial paper relates to the monetization of the installment notes. Furthermore, in connection with the transfer, The Timber Company's intercompany allocated debt was increased by \$85 million, which was approximately equal to the net present value of the installment notes, commercial paper and deferred income tax liabilities. The increase in intercompany allocated debt of \$85 million was accounted for as a dividend and the net book value of the installment notes, commercial paper and deferred tax liabilities was accounted for as a capital contribution. See Note 10 of the Notes to Financial Statements.
3. **Insurance Premiums.** Georgia-Pacific Group allocated The Timber Company \$24 million for the cost of tax risk insurance. The increase of allocated intercompany debt of \$24 million was accounted for as a dividend. See Note 10 of the Notes to Financial Statements.
4. **Property Sales.** The Timber Company sold some land to the Georgia-Pacific Group in close proximity to several of the Georgia-Pacific Group's mill sites for \$13 million less allocated income tax expense of \$5 million. The \$13 million purchase price was accounted for as a capital contribution and the related reimbursement for taxes was accounted for as a dividend. See Note 10 of the Notes to Financial Statements.

TRANSACTIONS WITH FORMER GENERAL PARTNER

Plum Creek is party to a registration rights agreement with its former general partner, referred to as selling stockholders, pursuant to which Plum Creek agreed to register the selling stockholders' shares of the company's common stock under applicable federal and state securities laws under specific circumstances and at specific times. The registration rights agreement provides for cross-indemnification of the selling stockholders and the company and the directors, officers and controlling persons of the selling stockholders and the company, respectively, against specific liabilities arising in connection with the offer and sale of the company's common stock, including liabilities arising under the Securities Act of 1933, as amended. In November 2001, pursuant to the terms of the registration rights agreement, the selling stockholders asked the company to register for public sale under the Securities Act up to 9,851,633 shares of common stock of the company owned collectively by the selling stockholders. The company incurred costs relating to the registration of these securities of approximately \$0.4 million.

TRANSACTIONS WITH NORFOLK SOUTHERN RAILWAY CO.

Norfolk Southern Railway Company and its subsidiaries provide rail transportation services to the company and its subsidiaries at either published or negotiated rates. A director of the company, Mr. Tobias, is also a director and officer of Norfolk Southern Railway Company. The total amount paid by the company during 2003 for such services was \$0.9 million compared to \$0.8 million during 2002 and \$1 million during 2001.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Contingencies. The company is subject to regulations regarding forest and harvest practices and is, from time to time, involved in various legal proceedings, including environmental matters, incidental to its business. While administration of current regulations and any new regulations or proceedings have elements of uncertainty, it is anticipated that no pending legal proceedings or regulatory matters will have a materially adverse effect on the financial position, results of operations or liquidity of the company.

Environmental Contingencies. In connection with The Timber Company Merger in 2001, Plum Creek agreed to indemnify Georgia-Pacific for substantially all of the liabilities attributed to The Timber Company. During the fourth quarter of 2003, Georgia-Pacific provided Plum Creek with information for the first time about the existence of mine tailings and approximately 4.5 billion gallons of acidic surface water on approximately 90 acres in Hot Spring County, Arkansas on former Georgia-Pacific properties. Barite mining and related activities were conducted on the site between 1939 and 1981 in part by lessees of an entity that was acquired by Georgia-Pacific. The environmental issues associated with this site are currently being investigated and no remediation plan has yet been approved. There is not sufficient information, therefore, to adequately assess the costs, if any, associated with this matter or Georgia-Pacific's degree of responsibility. No amounts have been accrued for this potential liability, as Plum Creek's liability in this matter cannot be reasonably determined at this time. Furthermore, to the extent Plum Creek is required to indemnify Georgia-Pacific for its share of the remediation costs Plum Creek may be able to recover a portion of its cost from Georgia-Pacific's insurance policy, or indemnity obligations of various lessees that conducted mining operations on the property, or both.

Contractual Obligations. The company has contracted to source logs and supply fiber with customers under long-term agreements at prevailing market rates. The agreements range from one to 20 years with renewal options by either party for periods ranging from five years to 15 additional years. These agreements expire beginning in 2004 through 2024.

Lease Commitments. The company leases buildings and equipment under non-cancelable operating lease agreements. Operating lease expense was \$4 million in 2003, \$3 million in 2002 and \$1 million in 2001. The company leases certain timberlands in which the company acquired title to the standing timber at the inception of the lease. The following summarizes the future minimum operating lease payments and obligations in connection with leasing timberlands at **December 31, 2003** (in millions):

	Operating Leases	Timber Obligations
2004	\$ 3	\$ 1
2005	3	1
2006	2	1
2007	2	1
2008	1	1
Thereafter	5	7
Total	<u>\$ 16</u>	<u>\$ 12</u>

NOTE 15. SEGMENT INFORMATION

The company is organized into eight business units on the basis of both product line and geographic region. Each business unit has a separate management team due to geographic location, marketing strategies and/or production processes. In applying SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", these business units have been aggregated into five reportable segments based on similar long-term economic characteristics. The company's reportable segments are: (1) Northern Resources, (2) Southern Resources, (3) Real Estate, (4) Manufactured Products and (5) Other.

The Northwest Resource unit and the Northeast Resource unit are aggregated into the Northern Resources Segment. The Northern Resources Segment consists primarily of timberlands located in Idaho, Maine, Michigan, Montana, New Hampshire, Oregon, Pennsylvania, western Virginia, Washington, West Virginia and Wisconsin. The Northern Resources Segment grows timber for sale primarily in domestic regional markets. Additionally, some logs are sold in export markets, primarily the Pacific Rim countries and Canada. The Northern Resources Segment sells primarily softwood and hardwood sawlogs and softwood and hardwood pulpwood. Softwood sawlogs are sold primarily to regional lumber and plywood manufacturers. Logs harvested in Montana are sold primarily to our lumber and plywood mills (which are part of the Manufactured Products Segment). Hardwood sawlogs are sold primarily to furniture manufacturers. Softwood and hardwood pulpwood is sold primarily to regional paper and packaging manufacturers.

The Southwest Resource unit and the Southeast Resource unit are aggregated into the Southern Resources Segment. The Southern Resources Segment consists primarily of timberlands located in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and eastern Virginia. The Southern Resources Segment grows timber for sale primarily in domestic regional markets. The Southern Resources Segment sells primarily softwood sawlogs and pulpwood. Softwood sawlogs are sold primarily to regional lumber and plywood manufacturers. Softwood pulpwood is sold primarily to regional paper and packaging manufacturers. The Southern Resources Segment leases timberlands to third parties on an annual basis for recreational purposes.

The Real Estate Segment consists of sales of higher and better use timberlands and sales of non-strategic timberlands. Management estimates that included in the company's 8.1 million acres of timberlands are 1.35 million acres of higher and better use timberlands and 1.4 million acres of non-strategic timberlands. The higher and better use timberlands are expected to be sold over the next 15 years for conservation, residential or recreational purposes. Approximately half of the non-strategic timberlands are expected to be sold in large blocks over the next two years. The other half of the non-strategic timberlands, which are generally in smaller tracts, is expected to be sold over the next five to ten years. In the meantime, these timberlands continue to be used productively in our business of growing and selling timber.

The lumber and panel businesses are aggregated into the Manufactured Products Segment. The Manufactured Products Segment consists of four lumber mills, two plywood mills, two MDF facilities and one lumber remanufacturing facility in Montana, and one lumber remanufacturing facility in Idaho. The lumber facilities produce boards, studs, and dimension lumber and the panel facilities produce high-quality plywood and MDF panels. All of these products are targeted to domestic lumber retailers, home construction, and industrial customers, and to a lesser extent for export primarily to Canada. Residual chips are sold to regional pulp and paper manufacturers. Revenues from manufactured products during 2003 were \$192 million for lumber, \$115 million for plywood and

\$90 million of MDF. In 2002, revenues from manufactured products were \$203 million for lumber, \$105 million for plywood and \$73 million of MDF. During the period from October 6 to December 31, 2001, revenues from manufactured products were \$49 million for lumber, \$24 million for plywood and \$13 million for MDF. Prior to The Timber Company Merger, The Timber Company was not in the manufacturing business.

The Other Segment consists primarily of income associated with mineral extraction, natural gas production and communication and transportation rights of way. Mineral income consists of royalty revenue from the extraction of oil and gas, natural aggregates and coal. Additionally, through a joint operating agreement, the company is in the process of exploring for and developing coalbed methane gas, which may be found on some of its properties in West Virginia and Virginia. As of December 31, 2003, the company had invested \$23 million in the exploration and development of coalbed methane compared to \$9 million invested as of December 31, 2002 and \$1 million invested as of December 31, 2001. During 2003, the company began producing and selling coalbed methane from some of its wells.

Segment data includes external revenues, intersegment revenues and operating income, as well as export revenue and depreciation, depletion and amortization. The company evaluates performance and allocates capital to the segments based on operating income before interest, unallocated corporate expenses and taxes. Asset information is not reported by segment, as the company does not produce such information internally.

The table below presents information about reported segments for the **years ended December 31** (in millions):

	Northern Resources	Southern Resources	Real Estate	Manufactured Products	Other	Total
2003						
External revenues	\$219	\$445	\$124	\$397	\$ 11	\$1,196
Intersegment revenues	90	—	—	—	—	90
Export revenues	22	—	—	14	—	36
Depreciation, depletion and amortization ^(A)	30	51	—	25	1	107
Operating income (loss)	82	216	47	(5)	7	347
2002						
External revenues	\$226	\$423	\$ 98	\$381	\$ 9	\$1,137
Intersegment revenues	94	—	—	—	—	94
Export revenues	26	—	—	11	—	37
Depreciation, depletion and amortization	33	49	—	23	—	105
Operating income	80	227	64	1	7	379
2001						
External revenues	\$104	\$319	\$ 80	\$ 86	\$ 9	\$ 598
Intersegment revenues	32	—	—	—	—	32
Export revenues	4	—	—	3	—	7
Depreciation, depletion and amortization	13	38	—	4	—	55
Operating income	30	187	59	1	8	285

(A) Northern Resources and Total include \$4 million loss related to forest fires.

A reconciliation of total operating income to income before income taxes is presented below for the **years ended December 31** (in millions):

	2003	2002	2001
Total segment operating income	\$ 347	\$ 379	\$ 285
Interest expense, net	(117)	(103)	(54)
Corporate and other unallocated expenses	(44)	(41)	(35)
Income before income taxes	\$ 186	\$ 235	\$ 196

Intersegment sales prices are determined quarterly, based upon estimated market prices and terms in effect at the time. Export revenues consist of log sales, primarily to Japan and Canada, as well as manufactured product sales primarily to Canada. The company does not hold any long-lived foreign assets. During 2003, 2002 and 2001, the company recognized revenues of \$177 million, \$195 million and \$170 million, respectively, from sales to Georgia-Pacific. Of the \$177 million sales to Georgia-Pacific in 2003, \$12 million were attributable to the Northern Resources Segment, \$136 million to the Southern Resources Segment and \$29 million to the Manufactured Products Segment. In 2002, \$14 million of the \$195 million sales to Georgia-Pacific were attributable to the Northern Resources Segment, \$152 million to the Southern Resources Segment and \$29 million to the Manufactured Products Segment. In 2001, \$26 million of the \$170 million sales to Georgia-Pacific were attributable to the Northern Resources Segment, \$138 million to the Southern Resources Segment and \$6 million to the Manufactured Products Segment. At December 31, 2003 and 2002, the company had net accounts receivable from Georgia-Pacific of \$3 million and \$10 million, respectively.

NOTE 16. SUBSEQUENT EVENTS (UNAUDITED)

On February 2, 2004, the board of directors authorized Plum Creek Timber Company, Inc. to make a dividend distribution of \$0.35 per share. Total dividends approximated \$64 million and were paid on February 27, 2004 to stockholders of record on February 13, 2004.

Since 2001, Plum Creek has been a party to a joint operating agreement with Geomet, Inc., a coalbed methane developer, with whom the company jointly explored for and developed coalbed methane gas found on certain of its lands in West Virginia and Virginia. During the first quarter of 2004, the company entered into a binding agreement to sell its working interest in the joint operating agreement to Geomet, Inc. for \$27 million. The transaction is scheduled to close in the second quarter of 2004 and expected to result in a gain of \$5 million. In addition, the agreement provides for contingent additional sales proceeds of up to \$3 million payable in 2008. Plum Creek will retain its royalty interest in the project.

NOTE 17. UNAUDITED SELECTED QUARTERLY FINANCIAL DATA*(In Millions, Except Per Share Amounts)*

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2003				
Revenues	\$ 273	\$ 318	\$ 290	\$ 315
Gross Profit	76	103	92	109
Operating Income	59	84	72	88
Net Income	33	58	45	56
Net Income per Share—Basic ^(A)	\$ 0.18	\$ 0.32	\$ 0.25	\$ 0.31
Net Income per Share—Diluted ^(A)	\$ 0.18	\$ 0.31	\$ 0.25	\$ 0.30
2002				
Revenues	\$ 275	\$ 271	\$ 310	\$ 281
Gross Profit	101	99	116	97
Operating Income	84	82	97	75
Net Income	56	53	70	54
Net Income per Share—Basic	\$ 0.30	\$ 0.29	\$ 0.38	\$ 0.29
Net Income per Share—Diluted	\$ 0.30	\$ 0.29	\$ 0.38	\$ 0.29

(A) Net income per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly net income per share does not equal the total computed for the year due primarily to the repurchase of 2.0 million shares during the first quarter of 2003. See Note 10 of the Notes to Financial Statements.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Plum Creek Timber Company, Inc.:

We have audited the accompanying consolidated balance sheets of Plum Creek Timber Company, Inc. as of December 31, 2003 and 2002, and the related consolidated statements of income and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Plum Creek Timber Company, Inc. for the year ended December 31, 2001 were audited by other auditors whose report dated January 29, 2002 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2003 and 2002 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Plum Creek Timber Company, Inc at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Seattle, Washington
January 21, 2004

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Plum Creek Timber Company, Inc.:

In our opinion, the accompanying consolidated statements of income and of cash flows present fairly, in all material respects, the results of operations of Plum Creek Timber Company, Inc. and its cash flows for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The image shows a handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style. It is positioned on a light gray rectangular background.

Seattle, Washington
January 29, 2002

REPORT OF MANAGEMENT

The management of Plum Creek Timber Company, Inc. is responsible for the preparation, fair presentation, and integrity of the information contained in the financial statements in this Annual Report. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts determined using management's best estimates and judgments.

The company maintains a system of internal controls over financial reporting which provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The system of internal controls over financial reporting includes policies and procedures that:

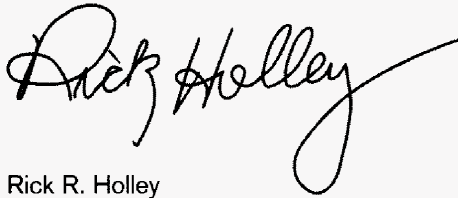
- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

The system of internal controls over financial reporting is designed and effected by management through company wide communication of policies and procedures, the use of information technology systems, and our code of conduct, which requires a high standard of ethical behavior for all employees, as well as careful selection, training and development of our people. The company conducts a corporate audit program to provide assurance that the system of internal controls over financial reporting is operating effectively as designed.

Our independent certified public accountants have performed audit procedures deemed appropriate to obtain reasonable assurance that the financial statements are free of material misstatement.

The Board of Directors provides oversight to the financial reporting process through its Audit and Compliance Committee, which meets regularly with management, corporate audit, and the independent certified public accountants to review the activities of each and to ensure that each is meeting its responsibilities with respect to the company's financial statements and internal controls over financial reporting.

Finally, each of the undersigned has personally certified that the information contained in this Annual Report presents fairly, in all material respects, the financial condition of the company and its results of operations and cash flows, there are in place effective disclosure controls, which ensure that the information required to be disclosed by the company in its financial statements is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure, and there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

A handwritten signature in black ink, reading "Rick R. Holley". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Rick R. Holley
President and Chief Executive Officer

A handwritten signature in black ink, reading "William R. Brown". The signature is cursive, with the first name "William" being more prominent and followed by "R. Brown".

William R. Brown
Executive Vice President and Chief Financial Officer

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Previously disclosed.

ITEM 9A. CONTROLS AND PROCEDURES**(a) Disclosure Controls and Procedures**

The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the company's management, including the Chief Executive Officer and Chief Financial Officer, has concluded that the company's disclosure controls and procedures were effective as of the end of such period.

(b) Control over Financial Reporting

There have been no changes in the company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our Code of Conduct, which contains a Code of Ethics that applies to all of the company's officers, directors and employees, including the company's principal executive officer, principal financial officer and principal accounting officer, is available on Plum Creek's Internet website at www.plumcreek.com.

Information with respect to directors, executive officers and 10% stockholders included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 4, 2004, under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance", is incorporated herein by reference. The executive officers are presented in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 4, 2004, under the caption "Executive Compensation", is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 4, 2004, under the caption "Security Ownership of Certain Beneficial Owners and Management", is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to certain relationships and related transactions included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 4, 2004, under the captions "Related-Party Transactions" and "Indebtedness of Management", is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to principal accountant fees and services included in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 4, 2004, under the caption "Independent Auditors", is incorporated herein by reference.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K****(a) Documents filed as a part of this report****(1) Financial Statements and Supplementary Financial Information**

The following consolidated financial statements of the company are included in Part II, Item 8 of this Form 10-K:

Consolidated Statement of Income	49
Consolidated Balance Sheet	50
Consolidated Statement of Cash Flows	51
Notes to Consolidated Financial Statements	52
Reports of Independent Auditors	91
Report of Management	93

(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable, not material or the required information is shown in the consolidated financial statements or the notes thereto.

(3) List of Exhibits

Each exhibit set forth below in the Index to Exhibits is filed as a part of this report. All exhibits not filed herewith are incorporated herein by reference to a prior filing as indicated. Exhibits designated by a positive sign ("+") indicate management contracts or compensatory plans.

INDEX TO EXHIBITS

Exhibit Designation	Nature of Exhibit
2.1	Amended and Restated Agreement and Plan of Conversion, dated as of July 17, 1998, by and among Plum Creek Timber Company, Inc., Plum Creek Timber Company, L.P. and Plum Creek Management Company, L.P. (Form S-4, Regis. No. 333-71371, filed January 28, 1999).
2.2	Agreement and Plan of Merger, dated as of July 17, 1998, by and among Plum Creek Timber Company, L.P., Plum Creek Acquisitions Partners, L.P. and Plum Creek Timber Company, Inc. (Form S-4, Regis. No. 333-71371, filed January 28, 1999).
2.3	Agreement and Plan of Merger, dated as of July 17, 1998, by and among Plum Creek Timber Company, Inc. and Plum Creek Management Company, L.P. (Form S-4, Regis. No. 333-71371, filed January 28, 1999).
2.4	Agreement and Plan of Merger by and among Georgia-Pacific Corporation, North American Timber Corp., NPI Timber, Inc., GNN Timber, Inc., GPW Timber, Inc., LRFP Timber, Inc., NPC Timber, Inc. and Plum Creek Timber Company, Inc. (Form 8-K/A, File No. 1-10239, dated July 18, 2000). Amendment No. 1 to the Agreement and Plan of Merger, dated as of June 12, 2001 (Form 8-K, File No. 1-10239, dated June 12, 2001).
2.5	Purchase and Sale Agreement by and among North American Timber Corp., Georgia-Pacific Corporation and Hawthorne Timber Company, LLC dated as of October 29, 1999. (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).
2.6	Purchase and Sale Agreement by and among Stora Enso North America Corp., as seller, and Plum Creek Timberlands, L.P. and other Plum Creek entities named herein, as purchasers, dated as of September 19, 2002 (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).
2.7	Form of Real Estate Sales Contract governing the terms of acquisition of three tracts of timberlands by and among Great Eastern Timber Company, LLC, as seller, and Plum Creek Timberlands, L.P. and other Plum Creek entities named herein, as purchasers, dated as of July 2, 2003 (Form 10-Q, File No. 1-10239, for the quarter ended June 30, 2003).
3.1	Restated Certificate of Incorporation of Plum Creek Timber Company, Inc. (Form 10-Q, File No. 1-10239, for the quarter ended March 31, 2002).
3.2	Amendment and Restated By-laws of Plum Creek Timber Company, Inc. (Form 10-Q, File No. 1-10239, for the quarter ended March 31, 2002).
4.1	Senior Note Agreement, dated as of October 9, 2001, \$55,000,000 Series H due October 1, 2006, \$75,000,000 Series I due October 1, 2008, \$295,000,000 Series J due October 1, 2011, \$75,000,000 Series K due October 1, 2013. (Form 8-K File No. 1-10239, filed October 9, 2001). First Amendment to Senior Note Agreement dated as of December 19, 2002, \$55,000,000 Series H due October 1, 2006, \$75,000,000 Series I due October 1, 2008, \$295,000,000 Series J due October 1, 2011, \$75,000,000 Series K due October 1, 2013 (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).
4.2	The registrant agrees that it will furnish the Commission a copy of any of its debt instruments not listed herein upon request.

Exhibit Designation	Nature of Exhibit
10.1	Credit Agreement, dated as of October 9, 2001, among Plum Creek Timberlands, L.P., Bank of America, N.A., as Administrative Agent, First Union National Bank and The Bank of Tokyo-Mitsubishi, Ltd., Portland Branch, as Syndication Agents, Suntrust Bank, ScotiaBanc Inc. and Northwest Farm Credit Services, PCA, as Documentation Agents, the Other Financial Institutions Party Thereto and Banc of America Securities LLC and First Union Securities, Inc., as Arrangers. (Form 8-K, File No. 1-10239, filed October 9, 2001). First Amendment to Credit Agreement dated as of November 26, 2002, among Plum Creek Timberlands, L.P., Bank of America, N.A., as Administrative Agent and the Other Financial Institutions Party Thereto (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).
10.2+	Plum Creek Supplemental Benefits Plan (Form 10-K/A, Amendment No. 1, File No. 1-10239, for the year ended December 31, 1994). First Amendment to the Plum Creek Supplemental Benefits Plan. (Form 10-Q, File No. 1-10239, for the quarter ended September 30, 1995). Second Amendment to the Plum Creek Supplemental Benefits Plan (Form 10-Q, File No. 1-10239, for the quarter ended June 30, 2003).
10.3+	1994 Long-Term Incentive Plan, Plum Creek Management Company, L.P. (Form 10-K/A, Amendment No. 1, File No. 1-10239, for the year ended December 31, 1993). First Amendment to the Plum Creek Management Company, L.P. Long-Term Incentive Plan (Form 10-Q, File No. 1-10239, for the quarter ended September 30, 1995).
10.4+	Plum Creek Timber Company, Inc. Executive and Key Employee Salary and Incentive Compensation Deferral Plan (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).
10.5+	Deferred Compensation Plan for Directors, PC Advisory Corp. I. (Form 10-K/A, Amendment No. 1, File No. 1-10239, for the year ended December 31, 1994).
10.6+	Plum Creek Director Unit Ownership and Deferral Plan. (Form 10-K, File No. 1-10239, for the year ended December 31, 1996).
10.7	Tax Matters Agreement by and among Plum Creek Timber Company, Inc., Georgia-Pacific Corporation on behalf of itself and North American Timber, Corp, NPI Timber, Inc., GNN Timber, Inc., GPW Timber, Inc., LRFP Timber, Inc., and NPC Timber, Inc., dated as of June 12, 2001 (Registration Statement on Form S-4, Registration No. 333-47708, filed July 13, 2001).
10.8	Form of Primary Insurance Policy (Registration Statement on Form S-4, Registration No. 333-47708, filed July 13, 2001).
10.9+	Plum Creek Timber Company, Inc. 2000 Stock Incentive Plan. (Filed as an appendix to the corporation's definitive Proxy Statement on Schedule 14A, filed on March 31, 2000).
10.10+	Plum Creek Timber Company, Inc. Annual Incentive Plan. (Form 10-K, File No. 1-10239, for the year ended December 31, 2000).
10.11+	Employment Contract between Plum Creek Timber Company, Inc. and Thomas M. Lindquist (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).
10.12+	Executive Agreement between Plum Creek Timber Company, Inc. and Thomas M. Lindquist (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).

Exhibit Designation	Nature of Exhibit
10.13+	Form of Executive Stock Option, Dividend Equivalent Right and Value Management Award Agreement (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).
10.14+	Form of Director Stock Option and Dividend Equivalent Award Agreement (Form 10-K, File No. 1-10239, for the year ended December 31, 2002).
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
31.1	Certification of Rick R. Holley, President and Chief Executive Officer, pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of William R. Brown, Executive Vice President and Chief Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Rick R. Holley, President and Chief Executive Officer, pursuant to Rules 13a-14(b) and 15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of William R. Brown, Executive Vice President and Chief Financial Officer, pursuant to Rules 13a-14(b) and 15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

The company filed a Current Report on Form 8-K, dated October 20, 2003, furnishing a copy of its press release announcing the company's results of operations for the third quarter ended September 30, 2003, and certain related information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLUM CREEK TIMBER COMPANY, INC.
(Registrant)

By: /s/ RICK R. HOLLEY
Rick R. Holley
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

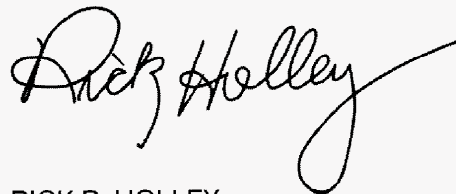
<u>/s/ DAVID D. LELAND</u> David D. Leland	Chairman of the Board	February 26, 2004
<u>/s/ IAN B. DAVIDSON</u> Ian B. Davidson	Director	February 25, 2004
<u>/s/ RICK R. HOLLEY</u> Rick R. Holley	President and Chief Executive Officer, Director	February 25, 2004
<u>/s/ ROBIN JOSEPHS</u> Robin Josephs	Director	February 25, 2004
<u>/s/ JOHN G. McDONALD</u> John G. McDonald	Director	February 23, 2004
<u>/s/ HAMID R. MOGHADAM</u> Hamid R. Moghadam	Director	February 25, 2004
<u>/s/ JOHN H. SCULLY</u> John H. Scully	Director	February 24, 2004
<u>/s/ STEPHEN C. TOBIAS</u> Stephen C. Tobias	Director	February 24, 2004
<u>/s/ CARL B. WEBB</u> Carl B. Webb	Director	February 27, 2004
<u>/s/ WILLIAM R. BROWN</u> William R. Brown	Executive Vice President and Chief Financial Officer, (Principal Financial and Accounting Officer)	February 25, 2004

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Rick R. Holley, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Plum Creek Timber Company, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 3, 2004



RICK R. HOLLEY
President and Chief Executive Officer

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, William R. Brown, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Plum Creek Timber Company, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 3, 2004



WILLIAM R. BROWN
Executive Vice President and Chief Financial Officer

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Plum Creek Timber Company, Inc. (the "Company") for the period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Rick R. Holley, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13a or section 15d of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 3, 2004

A handwritten signature in black ink, reading "Rick R. Holley", is written over a light gray rectangular background.

RICK R. HOLLEY
President and Chief Executive Officer

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Plum Creek Timber Company, Inc. (the "Company") for the period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William R. Brown, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13a or section 15d of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 3, 2004

A handwritten signature in black ink that reads "William R. Brown". The signature is written in a cursive, flowing style.

WILLIAM R. BROWN
Executive Vice President and Chief Financial Officer

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APPENDIX VII:

Attachment to Exhibit F

**Plum Creek Timber Company,
Hartman & Associates, Inc. and
ECFS, Inc. Information**

PLUM CREEK TIMBER COMPANY

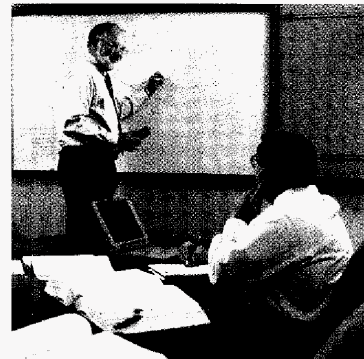
HARTMAN & ASSOCIATES, INC.

H A R T M A N & A S S O C I A T E S , I N C

Management Consulting Services

To do business in a competitive, deregulated environment, public utilities must be effective, efficient and responsive to customer needs. Hartman & Associates, Inc. has an experienced staff — including professional engineers, managers, certified management consultants and certified public accountants, as well as individuals with masters degrees in business and public administration. In fact, our service and expertise have helped clients attain over three million new customers and over two billion dollars of utility financing.

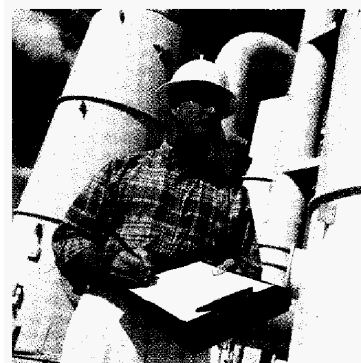
- Expert Witness Services
- Utility Valuations
- Utility Acquisitions
- Utility Rate Studies
- Funding Options
- Grant Applications
- Bond Financing Assistance
- Utility Standards
- Policies, Procedures, Forms
- Cost/Benefit Analyses
- Feasibility Studies
- Assessment Programs
- Privatization Evaluations
- Capital Improvement Programs
- Rate Cases
- Utility Management Support
- Utility Operations Review
- Business Planning
- Tri-, Bi- and Annual Reports to Bondholders
- Strategic Planning
- Staffing, Organization and Operations Procurement



Construction Services

Hartman & Associates, Inc. takes projects from concept to completion by offering a comprehensive list of construction services that includes everything from the traditional construction phase to design-build and construction management. Our professional, knowledgeable staff members are experts at solving problems, making sound decisions, and bringing projects to successful completion.

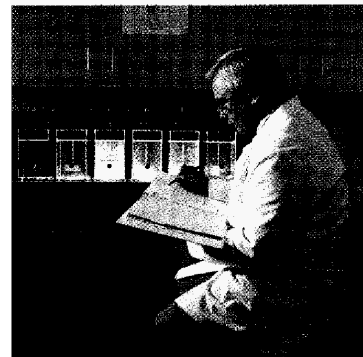
- Traditional Construction Services:
 - Competitive Bidding Assistance
 - Resident Project Representation
 - Contract Administration Services
 - Schedule and Payment Analyses
 - Shop Drawing Reviews
- Design-Build:
 - Complete Single Source Implementation
 - Guaranteed Maximum Price
 - Cost Plus
 - Partnering
- Construction Management:
 - Procurement
 - Contract Interfacing
 - Cost Modeling
 - Market Assessments
 - Value Engineering
 - Constructability and Peer Reviews
- Program Management
- Risk, Liability and Conflict Avoidance
- As-Built Surveys and Documentation
- Progress Reporting
- Start-Up Services and Training Programs
- Construction Remediation Services
- Construction Claims Resolution
- Expert Witness Services



Water Engineering

Increased demands on water supply have increased the demand for water engineering applications. For years, the specialized staff members at Hartman & Associates, Inc. have helped to supply a finished product that is safe for human consumption and appealing to the consumer. In addition to excellent system design capabilities, we are also experts in cost-effective management of capital and operating costs.

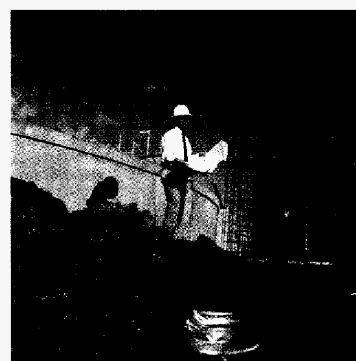
- Water System Planning
- Distribution System Analyses and Design
- Transmission Main Analyses and Design
- Computer Modeling Techniques
- Raw Water Supply Wells
- Treatability Studies
- Water Treatment Facility Design:
 - Conventional Treatment
 - Reverse Osmosis
 - Membrane Treatment
 - Lime Softening
 - Ozone
 - Specialty/Industrial Treatment
- Storage Facilities:
 - Elevated, Ground and Aquifer Storage/Recovery (ASR)
- Treatment, Operations, Energy and Process Optimizations
- Regulatory Compliance
- Cost Estimating and Economic Analyses
- Operation and Maintenance Performance Studies, Manuals and Programs
- Value Engineering
- Construction Management
- Start-Up Services
- Expert Witness Services



Wastewater Engineering

Population and development trends, changing water quality standards, escalating energy costs, and effluent and sludge disposal problems are presenting new challenges in environmental protection planning. At Hartman & Associates, Inc., our skilled wastewater engineers combine the basic principles of science and engineering and apply them to our ultimate goal — to protect the environment in a manner commensurate with public health, economic, social and regulatory concerns.

- Wastewater Facilities Planning
- Wastewater Collection/Transmission System Analyses, Planning and Design:
 - Computer Hydraulic Modeling
 - Conventional Gravity and Alternative Systems
 - Pumping Stations and Force Mains
 - Infiltration/Inflow Studies
 - Rehabilitation and Upgrades
- Wastewater Treatment System Analyses, Planning and Design:
 - Secondary to Advanced Level Treatment Facilities
 - Biological Nutrient Removal Treatment Facilities
 - Membrane Treatment Facilities
 - Residuals Management Treatment Facilities
 - Treatability and Pilot Studies
- Effluent Disposal System Analyses and Design:
 - Land Application, Percolation Ponds, Sprayfields
 - Public Access Reuse (Golf Courses, Residential, etc.)
 - Direct and Indirect Potable Reuse
 - Surface Water
 - Aquifer Storage and Recovery
 - Wetlands Enhancement
 - Deep Injection Wells
 - Wasteload Allocation, Groundwater Modeling and Minimal Negative Impact Analyses
- Cost Estimating and Economic Analyses
- Operation and Maintenance Performance Studies, Manuals and Programs
- Value Engineering
- Construction Management
- Start-Up Services
- Regulatory Compliance
- Expert Witness Services



HARTMAN & ASSOCIATES, INC.
PUBLIC CLIENT LIST

Hartman & Associates, Inc. (HAI) provides complete civil and environmental engineering, planning, design and construction management services. This work varies from water supply, treatment and distribution facilities to wastewater collection, treatment and effluent disposal/reuse facilities, to stormwater management systems, to roadways, to financial management services. Below is a partial listing of our clients. HAI has a strong track record in all types of general civil and environmental engineering projects.

Cities

City of Albany, GA
City of Atlanta, GA
City of Alachua, FL
City of Apopka, FL
Village of Bald Head Island, NC
City of Bartow, FL
City of Beloit, WI
City of Belleview, FL
City of Bonita Springs, FL
City of Boynton Beach, FL
City of Brooksville, FL
City of Bushnell, FL
Town of Calabash, NC
City of Cape Canaveral, FL
City of Cape Coral, FL
City of Casselberry, FL
City of Clermont, FL
City of Center Hill, FL
City of Cocoa Beach, FL
City of Coconut Creek, FL
City of Crystal River, FL
City of Dade City, FL
City of Dania, FL
City of Daytona Beach, FL
City of Daytona Beach Shores, FL
City of DeFuniak Springs, FL
City of DeLand, FL
City of Deltona, FL
City of Destin, FL
City of Dunedin, FL
City of Dunnellon, FL
Town of Eatonville, FL
City of Edgewater, FL
City of Fellsmere, FL
City of Fernandina Beach, FL
City of Flagler Beach, FL
City of Fort Lauderdale, FL
City of Fort Myers, FL
City of Fort Walton Beach, FL
City of Green Cove Springs, FL
City of Haines City, FL

City of Hallandale, FL
Town of Indian River Shores, FL
Islamorada Village of Islands, FL
City of Inverness, FL
City of Jacksonville, FL
City of Keystone Heights, FL
City of Kissimmee, FL
City of Lake City, FL
City of Lakeland, FL
City of Lauderhill, FL
Town of Lauderdale-By-The-Sea, FL
City of Leesburg, FL
Town of Lexington, SC
City of Lighthouse Point, FL
City of Live Oak, FL
City of Longwood, FL
City of Lynn Haven, FL
City of Madison, FL
City of Marianna, FL
Town of Medley, FL
City of Miami Springs, FL
City of Minneola, FL
City of Miramar, FL
City of Melbourne, FL
City of Mount Dora, FL
City of Naples, FL
City of Nashua, NH
City of New Port Richey, FL
City of New Smyrna Beach,
Utilities Commission, FL
City of North Miami Beach, FL
City of North Port, FL
Town of Oakland, FL
City of Ocoee, FL
City of Orange City, FL
City of Orlando, FL
City of Palatka, FL
City of Palm Bay, FL
Town of Palm Beach, FL
City of Panama City Beach, FL

HARTMAN & ASSOCIATES, INC.
PUBLIC CLIENT LIST (Continued)

Cities (Continued)

City of Peachtree City, GA
Village of Philo, IL
City of Plant City, FL
City of Ponce Inlet, FL
City of Port St. Lucie, FL
City of Punta Gorda, FL
City of Ripon, WI
Village of Royal Palm Beach, FL
City of Sanford, FL
City of Sanibel, FL
City of St. Petersburg, FL
City of Sunrise, FL
City of Tallahassee, FL
City of Tamarac, FL
City of Tampa, FL
City of Tarpon Springs, FL
City of Tavares, FL
City of Tega Cay, SC
Village of Tequesta, FL
City of Umatilla, FL
City of Venice, FL
Village of Wellington, FL
City of West Palm Beach, FL
City of Winter Garden, FL
City of Winter Haven, FL
City of Winter Park, FL

Counties

Brevard County, FL
Broward County, FL
Citrus County, FL
Charlotte County, FL
Columbia County, FL
Clay County, FL
Collier County, FL
DeSoto County, FL
Flagler County, FL
Gadsden County, FL
Glynn County, GA
Hernando County, FL
Hillsborough County, FL
Indian River County, FL
Jackson County, FL
Lake County, FL
Lee County, FL
Lee County, GA
Marion County, FL
Martin County, FL
Nassau County, FL
Orange County, FL

Osceola County, FL
Pasco County, FL
Pinellas County, FL
Polk County, FL
Putnam County, FL
St. Johns County, FL
Santa Rosa County, FL
Seminole County, FL
Sumter County, FL
Volusia County, Florida
Walton County, FL
York County, SC

Other State and Local Agencies or Departments

State of Florida - Department of Environmental Protection
State of Florida Board of Regents, University of South Florida/State University System
State of Florida Department of Corrections
State of Florida Department of Transportation
Brevard County School Board, FL
Department of Emergency Management, FL
Suwannee River Water Management District, FL
South Florida Water Management District, FL
Columbia County School Board, FL
Flagler County School Board, FL
Lee County School Board, FL
Pasco County School Board, FL

Florida Utilities Services, Inc., FL
Bonita Springs Utilities, Inc., FL
Braden River Utilities, Inc., FL
Canaveral Port Authority, FL
Carolina Water Service, NC
Carolina Water System, SC
Central Broward Drainage District, FL
Central Florida Pipeline Corporation, FL
Central Florida Research Park, FL
CDF, Tupelo, MS
Clay County Utility Authority, FL
Consumers Water Company, FL
Duke Power Corporation, FL
Dynergy Corporation, FL
East Central Florida Services, FL
El Dorado Utilities
Englewood Water District, FL
Escambia County Utility Authority, FL
Fort Pierce Utilities Authority, FL



HARTMAN & ASSOCIATES, INC.
PUBLIC CLIENT LIST (Continued)

Other Public Utilities (Continued)

GATX Corporation
Greater Pine Island Water Association, FL
Gulfstream Utilities, Inc., FL
Heater Utilities, NC, SC, WVA
Holiday Isle Improvement Association, FL
IMC/Agrico, FL
Island Water Association, FL
Jacksonville Electric Authority, FL
K.W. Utilities, Inc., FL
Lehigh Acres Utilities, Inc., FL
Liberty Park Utilities, AL
North Fort Myers Utilities, Inc., FL
North Key Largo Utility Corporation, FL
Orange Grove Utility Company, MS
Orlando Utilities Commission, FL
Osceola County, FL Water Districts 1, 2, 3, & 4
Peoples Gas Corporation, FL
Peoples Water Services Company
Plum Creek Timber Company
Port of the Islands Improvement District, FL
Reliant Energy Corporation
Senergy Corporation
Utilities, Inc. – SC, NC, IN, IL, NM, MD
Widefield Water and Sanitation District, CO
Withlacoochee Regional Water Supply Authority
Windermere Utilities, Inc., GA

HARTMAN & ASSOCIATES, INC.

A Tetra Tech Company

Education

B.S., Duke University, 1975
M.S., Duke University, 1976

Professional Registrations

Alabama, No. 19422
Arizona, No. 28939
Colorado, No. 31200
Florida, No. 27703
Georgia, No. 17597
Illinois, No. 062-053100
Indiana, No. 10100292
Kentucky, No. 22463
Louisiana, No. 30816
Maine, No. 10395
Maryland, No. 12410
Mississippi, No. 12717
New Hampshire, No. 10820
New Mexico, No. 15990
North Carolina, No. 15264
Pennsylvania, No. 38216
South Carolina, No. 15389
Tennessee, No. 105550
Virginia, No. 131184
Wisconsin, No. 32971
NCEES P.E. No. 2048,
National

Professional Affiliations

Diplomate, American Academy of
Environmental Engineers
American Society of Civil
Engineers
National Society of Professional
Engineers
Florida Engineering Society
American Water Works
Association
Water and Environment Federation
American Water Resources
Association
Florida Water and Pollution
Florida Waterworks Association
American Concrete Institute (ACI)
Water Management Institute
American Society of Appraisers

Office Location

Orlando, Florida

Years of Experience

28

Years with Firm

14

GERALD C. HARTMAN, P.E., DEE, PRESIDENT

Mr. Hartman is highly qualified in environmental engineering with special expertise in water resources, water quality, wellfield design, water treatment analysis/design, pumping system analysis/station design, hydraulic analysis, and pipeline design. He is a qualified expert witness in the areas of water supply and water treatment, utility system analysis, and utility costs, rates and charges and construction.

EXPERIENCE

Facility Planning

Mr. Hartman has been involved in over 50 water, wastewater or solid waste master plans, several interlocal negotiations and agreements, over 100 capital improvement programs, and numerous capital construction fund plans. He represented the American Society of Civil Engineers in the State Comprehensive Plan as a Policy Advisory Committee Member on the utility element, and has participated in the preparation of Comprehensive Plans, Chapter 9J5, for more than 20 communities. Mr. Hartman has been involved in over 20 water resource (needs and sources) and treatment plans in every water management district of the State of Florida and in other states.

Analyses

Mr. Hartman has participated in over 50 computer-assisted hydraulic analyses of water and wastewater transmission systems including extended period simulations as well as hydraulic transient analyses. He has been involved in numerous water treatment investigations, 2 sludge pilot testing programs, 14 pilot programs and investigations, several energy efficiency analyses, several odor control studies, and other process evaluations for operations. Mr. Hartman has participated in 6 value engineering investigations oriented toward obtaining the most cost-effective alternatives for regional and private programs. He has been involved in numerous water blending, trihalomethane, synthetic organic contaminant removal, secondary precipitation, corrosion control, and alum precipitation studies. Mr. Hartman has performed process evaluations for simple aeration facilities, surface water sedimentation facilities, water softening facilities, as well as reverse osmosis facilities. He has been involved in water conservation programs, as well as distribution system evaluation programs. He has also participated in numerous lime sludge thickening, management, and utilization/disposal investigations. Mr. Hartman has been involved in wellfield management studies, wellfield protection ordinances, wellfield siting, water resource evaluations, and water resource planning for several entities in sand aquifer, sand and gravel aquifer and limestone aquifer systems.

Wellfield Siting

Mr. Hartman has been involved in the siting of numerous regional wellfields, system wellfields, individual wells and expansions of existing systems. He has written papers on the interdisciplinary approach to regional water supply and wellfield siting criterion, and thoroughly understands the issues of raw water quality versus treatment, site location factors, CUP permitting factors, as well as source integrity aspects. Wellfields sited by Mr. Hartman include:

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- Cross-Bar Ranch Wellfield (75 MGD), Pasco County, Florida, 1978.
- Brandon Wellfield (10 MGD), Hillsborough County, Florida, 1980.
- Northwest Wellfield (54 MGD), Lakeland, Florida, 1981.
- Northeast Wellfield (32 MGD), Lakeland, Florida 1989.
- Edgewater Wellfield (6 MGD), Edgewater, Florida, 1989.
- State Road 415 Wellfield (4 MGD), New Smyrna Beach, Florida, 1990.
- North Beach Water Company Wellfield (4 MGD), Wabasso, Florida, 1982.
- Venice Gardens Wellfield, (4 MGD), Venice, Florida, 1990.
- Deseret/Cocoa Wellfield (20 MGD Expansion), Orange County, Florida, 1992.
- SBWA Bull Creek Wellfield Litigation (20 MGD), 1994.
- Palm Bay Wellfield (11.5 MGD), 1995.
- Port St. Lucie Wellfields (13 MGD), 1996.
- Naples Wellfields (35 MGD), 1997.
- Town of Palm Beach (proposed 24 MGD), 1998.
- City of North Miami Beach (proposed expansion – 17 to 45 MGD), 2000.

Design

Mr. Hartman has participated in the design of water and wastewater facilities totaling more than \$1 billion in value. He has been involved in the design of 3 elevated storage tanks, 18 ground storage reservoirs, 30 pumping stations, 20 major water treatment plants, numerous smaller water treatment plants, and pipeline systems varying in size from 6 to 84 inches in diameter. Some of the most notable projects include:

- City of Tampa - Electrification of the 100 MGD Hillsborough River water treatment plant, 226 MGD Pumping Station 1980-82.
- City of St. Petersburg - Chemical feed and gravity lime sludge thickener for 81 MGD Cosme-Odesa water treatment plant, 1990.
- City of Lakeland - Preliminary design and subsequent expansion of 51 MGD T.B. Williams water treatment plant, 1981.
- City of Dunedin - Decision documentation and project management for 10 MGD reverse osmosis/membrane softening plant, 1992.
- City of Edgewater - Process and technical review of 5.0 MGD softening water treatment plant, 1990.
- City of Edgewater - Design engineering for 2.4 MGD split treatment softening water treatment plant, 1986.
- Southern States Utilities Inc. - Venice Gardens Utilities 3.35 MGD low-pressure reverse osmosis water treatment plant, 1990.
- North Beach Water Company - 0.5 MGD low-pressure reverse osmosis water treatment plant, 1988.
- Southern States Utilities Inc. - Burnt Store Utilities 0.49 MGD low-pressure reverse osmosis water treatment plant, 1991.
- City of Lakeland - Upgrades and improvements to the 51 MGD T.B. Williams water treatment plant.
- Expansion of the Cypress Creek Pumping Station to 125 MGD with 84" and 72" transmission improvements.
- Expansion of the Lakeland HSPS to 81 MGD and 54" Transmission System.
- Lake Apopka drawdown project with twin 84" steel pipelines and 250 MGD Pump Station.
- Numerous fluoridation, defluoridation, iron removal, hydrogen sulfide removal, water stabilization and conventional chlorination/storage water treatment plants.

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Surface Water Experience

- City of Tampa, Florida – Hillsborough River Water Treatment Plant Energy Efficiency Study for the 100 MGD plant and pumping stations. Evaluation of energy uses throughout the entire facility and recommendations for higher efficiency concerning energy usage.
- City of Tampa, Florida – Hillsborough River Water Treatment Plant 226 MDG high-service pumping station and 125 low-lift pumping station electrification program. Conversion from steam-driven to electric-driven pumping units and clearwell modifications at the 100 MGD water treatment plant.
- City of Tampa, Florida – Hillsborough River Water Treatment Plant Process Study – Chemical Efficiency Evaluation for liquid potable process as well as sludge processes in compliance with the Safe Drinking Water Act. Process evaluations for the use of chemicals at points of application, alternative chemicals and usage/dosage rate and method of application. Modifications to operations, modifications to chemical feed system, modifications and studies relative to sludge processing, evaluation of innovative sludge techniques, and review of alum recovery techniques.
- City of Atlanta, Georgia, Hemphill 200 MGD Surface Water Treatment Plant – Expert testimony services concerning yard piping, valving, clear wells and high-service pumping suction. Design review, construction management review, construction review, evaluation of facilities and flow schemes, and development of corrective improvement program.
- City of Atlanta, Georgia, Hemphill 200 MGD Surface WTP – Corrective improvement program design consultant. Design of valve vaults and replacement activities, design of storage/clear well facility improvements, and related activities.
- City of Atlanta, Georgia, Chattahoochee 55 MGD Surface WTP – solids management/sludge and washwater recovery improvements. Performed with Western Summit as a design/build activity. Involved in facility development and review for selective alternative.
- City of Milwaukee, Wisconsin – Howard Avenue 100 MGD water treatment plant cryptosporidium expert analysis.
- Osceola County - Evaluation of treatability of water resources of Lake Washington and Bull Creek. Study included capacity, process, and cost analysis. Blending and water stability issues were addressed.
- City of North Port - Evaluation of the Peace River 12 MGD surface water treatment plant which covered process optimization and treatability. Evaluated the Peace River water quality and studied water blends between the Peace River and North Port Water Treatment Plant of 4.4 MGD capacity.
- Manatee County – Lake Manatee 54 MGD Surface Water Treatment Plant Studies of maximum insolubility of alum, lime feed system modifications and improvements, filtration turbidity, operation review and process analysis.
- Louisville Water Company water treatment plant – TTHM study review; TTHM control strategies, contact time study and cooperative research.
- ECFS/COPJCLDS – Taylor Creek Reservoir Treatability Study. This source now augments the City of Cocoa's Cloud Dyal Water Treatment Plant. Color Filtration and water quality analyses.
- Marco Island Utilities – Collier pits water quality review, color hardness, surface water/stormwater impacts. Modifications to Marco Island SWTP.

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Decommissioning filtration and lowering plant firm capacity from 8 MGD to 5 MGD.

- City of Melbourne, Florida – Lake Washington Surface Water Treatment Plant evaluation, process review, and water blending analysis.
- City of Melbourne, Florida – Lake Washington Surface WTP treatability and process study for 20 MGD WTP, detailed evaluation concerning the surface WTP and recommendations for capital improvement program. Treatability testing, sludge testing, process and potable water testing, raw water quality testing, and complete detailed alternative analysis at a planning level.
- City of Melbourne, Florida – Lake Washington WTP Dorr-Oliver surface water treatment unit renovations; rehabilitation and replacement for continued operation.
- City of Melbourne, Florida – Lake Washington WTP detailed filter analysis and investigations – filter media, underdrains, and filtering mechanisms review and analysis; testing of filter units, turbidity effectiveness evaluation, etc.
- Okeechobee Utility Authority – Lake Okeechobee Surface Water Treatment Plant chemical feed, sludge wasting and filtration review. Facility evaluation, valuation, CIP and financing.

Mr. Hartman has participated in the design of over 200 potable drinking water wells. These wells have been for brackish and fresh water; sand and gravel systems; sand lenses; and the Ocala, Avon Park, Hawthorne, and Lake City formations of the aquifer. He has been involved in the design of odor control systems for water plants, sludge dewatering facilities, and numerous water treatment plants.

Wellfield Design and Water Use Permitting (WUP)

A partial project listing of Mr. Hartman's wellfield design and WUP assignments includes:

- City of Tampa - 104 MGD surface water CUP at Hillsborough River water treatment plant and 30 MGD average/40 MGD maximum groundwater CUP for Morris Bridge water treatment plant, 1989.
- City of Lakeland - 54 MGD northwest wellfield CUP, NW7, NW10, NW13, and NW14 wells, 1986.
- City of Lakeland - 16 MGD northeast wellfield wells NW1, NW2, NW3, NW4, and NW5 CUP, 1989.
- City of Daytona Beach - Wellfield expansion, 1989.
- Utilities Commission, City of New Smyrna Beach - 9.3 MGD, numerous wells, and CUP.
- City of Edgewater - 5.0 MGD wellfield expansion, 11 wells and CUP, 1989.
- City of Titusville - Wellfield management program, restoration, and CUP, 1989/90.
- City of St. Petersburg - Cosme-Odesa and South Pasco regional wellfields, 1986.
- General Development Utilities Inc. - Port St. Lucie wellfield expansion to 5.0 MGD and CUP, 1987.
- North Beach Water Company - Reverse osmosis wellfield, 1985.
- Southern States Utilities Inc. - Venice Gardens reverse osmosis wellfield, 1989/90.
- City of St. Cloud - Wellfield expansion and CUP, 1988.
- Poinciana Utilities Inc. - Wellfield expansion and CUP, 1987.

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- Southern States Utilities Inc. Sugarmill Woods CUP and wellfield expansion from 6.0 to 10.0 MGD, 10 wells, 1989.
- Southern States Utilities Inc. Sugarmill Woods CUP and 2 additional wells for 0.5 MGD, 1989.
- City of Palm Bay - Port Malabar Utilities Inc., 3 wells CUP for 1.0 MGD, 1990.

Water Blending

A partial project listing of Mr. Hartman's water blending experience includes:

- Northwest Florida Water Management District - Sand and gravel aquifer and surface water blending analyses, 1985.
- City of Tampa - Groundwater and surface water blending analyses, 1983.
- City of St. Petersburg/Pinellas County - Organic quality of blending surface water and groundwater, 1984.
- City of Dunedin - Blending and corrosivity of softened and membrane water in the transmission system, 1989.
- City of Edgewater - Floridan Aquifer and ultra-low pressure reverse osmosis water stability and Safe Drinking Water Act compliance, 1986.
- City of Lakeland - Floridan Aquifer softened water blending, 1985.
- General Development Utilities Inc. - Split-treatment softening blending analyses, 1988.
- Florida Cities Water Company - Floridan Aquifer softened water shallow well water quality analysis, Waterway Estates, 1989.
- Southern States Utilities Inc. - Venice Gardens low pressure reverse osmosis and lime softened water blending program, 1989.
- Southern States Utilities Inc. - Sugarmill Woods low pressure reverse osmosis shallow well water quality blending expansion, 1985.
- As well as many other water chemistry/blending projects.

Reverse Osmosis

Mr. Hartman's reverse osmosis experience includes:

- Southern States Utilities Inc. - Venice Gardens water treatment plant (3.35 MGD) reverse osmosis water treatment plant, phases 2 and 3, 1988/89.
- North Beach Water Company - Reverse osmosis water treatment plant (1.0 MGD sized for 2.5 MGD) phases 1, 2, and 3, 1982/84/85.
- City of Dunedin - Ultra-low pressure reverse osmosis water treatment plant (10 MGD) 1989/90.
- Southern States Utilities Inc. - Burnt Store Utilities reverse osmosis water treatment plant (0.48 MGD - 0.24 MGD expansion) 1989/90.
- Florida Cities Water Company - Waterway Estates water treatment plant (2.0 MGD) with reverse osmosis (1.0 MGD) and softened (1.0 MGD) 1989/90.
- Bay Tree reverse osmosis water treatment plant (0.123 MGD) North Vero Beach, 1986.
- City of North Miami Beach - 6 MGD R.O., 8 MGD Nanofiltration Expandable by 16 MGD to equal 30 MGD, 2001-2004.
- City of Melbourne - 5 MGD R.O. WTP analysis, 1998.
- City of Sunrise - 9 MGD R.O. WTP analysis, 2001.

Safe Drinking Water Act

Mr. Hartman has participated in Safe Drinking Water Act compliance projects effecting over two million people within the State of Florida, serving the cities of

GERALD C. HARTMAN, P.E., DEE, PRESIDENT

Dunedin, Tampa, Lakeland, St. Petersburg, North Port, and Palm Bay; the counties of Martin and Clay; several of the Southern States Utilities Inc. systems, and many other communities.

Expert Testimony

Mr. Hartman has been accepted in various Circuit Courts, Florida Division of Administrative Hearings, Florida Public Service Commission, arbitration, and quasi-judicial hearings conducted by cities and counties, as a technical expert witness in the areas of water supply, facility planning, water resources, water treatment, water quality engineering, water system design and construction, and utility systems valuation. Recently, Mr. Hartman has been an expert witness on utility condemnation, utility arbitration, water rates and use permitting DOAH case, utility rate setting DOAH case, service area and utility service civil case, City of Atlanta Water Treatment Plant Construction, City of Milwaukee Cryptosporidium, Jupiter vs. Tequesta Water Contract Services and several others.

PUBLICATIONS/PRESENTATIONS

Mr. Hartman has presented several training sessions and seminars throughout the United States for the American Water Works Association, the American Society of Civil Engineers, the Water Pollution Association, and the Water and Pollution Control Operators Association. He has presented and/or published more than 30 papers on water, wastewater and solid waste utility systems. His two books and papers since 1994 include:

Books

Hartman, G.C., *Utility Management and Finance*, (presently under contractual preparation with Lewis Publishing Company/CRC press).

Vesilind, P.A., Hartman, G.C., Skene, E.T.; *Sludge Management and Disposal for the Practicing Engineer*; Lewis Publishers Inc.; Chelsea, Michigan; 1986.

Papers/Presentations

Hartman, G.C., and R. J. Ori; "Water and Wastewater Utility Acquisition," AWWA Specialty Conference, 1994.

Hartman, G.C. and R.C. Copeland; "Utility Acquisitions - Practices, Pitfalls and Management," AWWA Annual Conference, 1995.

Hartman, G.C.; "Safe Drinking Water Act", and "Stormwater Utilities," FLC Annual Meeting, 1995.

Hartman, G.C., M.A. Rynning, and R.A. Terrero; "5-Year Reserve Capacity - Can Customers Afford the Cost?" FSASCE Annual Meeting, 1996.

Hartman, G.C., T.A. Cloud, and M.B. Alvarez; "Innovations in Water and Wastewater Technology," Florida Quality Cities, August, 1996.

Hartman, G.C., Seth Lehman; "Financing Utility Acquisitions," AWWA/WEF Joint Management Conference, February, 1997.

GERALD C. HARTMAN, P.E., DEE, PRESIDENT

Hartman, G.C., M.B. Alvarez, and J.R. Voorhees; "Softening for Color Removal," FWRC Conference, April, 1997.

Hartman, G.C., B.V. Breedlove; "Water: Where It Comes From and Where It Goes," FRT & G/FDEP Conference, September, 1997.

Hartman, G.C., W.D. Wagner, T.A. Cloud, and R.C. Copeland; "Outsourcing Programs in Seminole County," AWWA/WEF/FPCOA Conference, November, 1997.

Hartman, G.C., M.B. Alvarez, J.R. Voorhees, and G.L. Basham; "Using Color as an Indicator to Comply with the Proposed D/DBP Rule," AWWA, Water Quality Technology Conference, November, 1997.

Hartman, G.C.; "In-House, Outsourcing and the Non-for-Profit Utilities Option," Florida Government Finance Officers Association (FGFOA) Conference, March 27, 1998.

Hartman, G.C. and D.P. Dufresne; "Understanding Groundwater Mounds - A Key to Successful Design, Operation and Maintenance of Rapid Infiltration Basins," April 4-7, 1998, FWWA/WET/FPCOA Joint Meeting.

Hartman, G.C. and Seth Lehman; "Financing Water Utilities – Acquisition and Privatization Projects," AWWA Annual Conference, June 24, 1998.

Hartman, G.C., "Utility Valuation," Wake Forest University Law School Seminars Series, February 7, 2003.

Hartman, G.C., H.E. Schmidt, Jr., and Michael S. Davis, "Biosolids Application in Rural DeSoto County, Florida," WEF/AWWA/CWEA Joint Residuals & Biosolids Management conference, February 19-22, 2003.

Hartman, G.C., M.A. Rynning and V. Hargray, "Assessing the Water Demands of Commercial Customers," WEF Volume 6 No.4, July/August 2003 – Utility Executive.

Hartman, G.C., D. Cooper, N. Eckloff and R. Anderson, "Water" The Bond Buyer's Sixth Southeast Public Finance Conference, February 23, 2004.

HARTMAN & ASSOCIATES, INC.

A Tetra Tech Company

Education

B.S., Florida International
University, 1974

Professional Registrations

Florida, P.E. No. 21076

Professional Affiliations

Diplomate - American Academy of
Environmental Engineers
American Water Works
Association
Water Environment Federation
American Society of Civil
Engineers
Florida Engineering Society

Office Location

Orlando, Florida

Years Experience

41

Years with Firm

3

RAFAEL A. TERRERO, P.E., DEE, ASSOCIATE

Mr. Terrero has been in the water/wastewater industry for over 39 years serving in many capacities. As Vice President of Environmental Compliance, he wrote the Corporate Environmental Compliance Program for the largest private utility in the States of Florida, Georgia, and North and South Carolina (combined). He ensured that appropriate reports, action plans and recommendations were performed to assure compliance with environmental rules, regulations and permits of the various water, wastewater and reclaimed facilities throughout those states, while maintaining reliable, cost-effective service. Mr. Terrero has also served as Chief Engineer for over 150 water, wastewater and reclaimed systems, providing in-house engineering services and supervision of outside consultants. He has hands-on experience in water and wastewater master planning, project management, and in plant operations and maintenance, as well as many years of administrative expertise. He has served as an expert witness before regulatory agencies including Florida Department of Environmental Protection, Florida Public Service Commission, Water Management Districts and County Government.

EXPERIENCE

Master Plans

Mr. Terrero is highly experienced in the master planning of water, wastewater, and reclaimed water facilities consisting of raw water transmission, treatment, collection, distribution and disposal systems. Selected projects include the following utilities:

- Spring Hill, Hernando County, Florida – Consisting of 35,000 +/- residential MF and commercial lots.
- City of Deltona, Volusia County, Florida – Consisting of 34,000 +/- residential, multi-family and commercial lots.
- City of Marco Island, Collier County, Florida – Consisting of 20,000 +/- residential lots, 14,000 +/- hotel and multi-family units and commercial establishments.
- Citrus Springs, Citrus County, Florida – Consisting of 32,000 +/- residential MF and commercial lots
- St. Augustine Shores, St. Johns County, Florida – consisting of 9,000 +/- residential lots and 4,000 +/- multi-family units.
- Sunny Hills, Washington County, Florida – consisting of 32,000 +/- residential and 5,000 +/- multi-family units.
- Pine Ridge, Citrus County, Florida – Consisting of 9,000 +/- residential lots of one (1) to five (5) acres.
- Rotonda West, Charlotte County, Florida
- Seminole Woods, Seminole County, Florida
- Wastewater Facilities consisting of collection systems, lift stations/pumping stations, force mains, treatment and disposal for strategic area of the above-mentioned master plans.

RAFAEL A. TERRERO, P.E., DEE, ASSOCIATE

Water/Wastewater Upgrades

Several of the major design and engineering projects that Mr. Terrero has recently participated in are:

- Venice Gardens – Improvements including reverse osmosis expansion and two (2) new deep wells for a total of .6 MGD and rehabilitation of old R.O. plant with a total capacity of 1.9 MGD
- City of Deltona – On-site improvements to 0.9 MGD STP Facility including Public Access facilities
- City of Deltona - Five (5) new wells with a capacity of approximately 5.0 MGD for a total of 20 MGD
- City of Deltona – Effluent transmission from WWTP to golf course with a capacity of 1.4 MGD
- Marco Island Utilities - \$29 million in improvements including 1.0 MGD WWTP expansion, 4.0 MGD reverse osmosis WTP, and effluent river crossing; addition of 3.25 MGD wastewater effluent filter to meet public access effluent standards, concentrate disposal and alternate disposal of wastewater reclaimed into a Class I injection well
- Seaboard Utilities - \$600,000 in improvements to include water storage tank and high service pumps
- Woodmere – New 12-inch outfall lines for effluent disposal
- Beacon Hills – Installation of new dechlorination facilities and installation of Perox-guard system in the collection system
- Burnt Store – .250 MGD reverse osmosis plant expansion and Class I injection well disposal
- Sugar Mills Woods – New water plant consisting of 3-wells with an additional capacity of 3 MGD
- Marion Oaks – Water storage tank; wastewater collection system extension
- Citrus Park – New wastewater plant and sprayfield
- Fisherman's Haven – Upgrade WWTP and effluent disposal
- St. Augustine Shores – 1.0 MGD addition to the lime softening plant at the WTP. This plant was the first in the State to have an air/water filter backwash system.

Design

- Mr. Terrero has been involved with numerous design and construction projects. Examples of his major project experience includes the following utilities:
-
- Spring Hill – 2.0 MGD addition using an oxidation ditch and boat clarifier to the WTP
- Spring Hill – 1.5 MGD addition to the WWTP for a total capacity of 2.0 MGD using the contact stabilization process and spray irrigation for effluent disposal.
- Marco Island – Additional raw water pumping facilities consisting of two 600 h.p. pumps with a capacity of 10 MGD
- Marco Island – Raw water booster station consisting of three 200 h.p. can-type pumps and related controls and piping
- City of Deltona – Design, construction and certification of a 2 MGD water supply facility

RAFAEL A. TERRERO, P.E., DEE, ASSOCIATE

- Marco Island – Ammoniation System to reduce MCL THM's
- Marco Island – Raw water pumping facilities consisting of 5500 GPM low head pumps, 250,000 gallon blending tank, infiltration gallery, and high-service pumping facilities with five 400 h.p. centrifugal pumps; and raw water supply
- St. Augustine Shores - .300 MGD addition to the WWTP for a total capacity of .500 MGD by changing the process from extended aeration to contact stabilization
- Marco Shores – 1.0 MGD WTP with lime softening process
- Marco Island – Secondary Digester with floating aerator
- Marco Island – Additional lime sludge dewatering system with a capacity of 5 MGD for a total capacity of 10 MGD
- Marco Island – 5.0 MGD lime softening addition to the WTP
- St. Augustine Shores - .200 MGD extended aeration wastewater treatment plant with Class I reliability and final disposal of reclaimed water to golf course
- Marco Island – lime sludge dewatering system, storage tank and pumping facilities.
- Rotonda West - 250 MGD WWTP and effluent disposal.

Construction Supervision

Mr. Terrero has been involved in the construction supervision, budgeting, scheduling and certification of completed facilities such as pre-stressed storage tanks, water and wastewater facilities, reclaimed water facilities, evaporation percolation ponds, raw water supply pumps, lime softening plants, and lime sludge dewatering systems throughout the State of Florida. His participation also includes coordination with regulatory agencies and consultants to construct these facilities.

Compliance/Permitting

- As Vice President of Environmental Compliance for the largest private utility in Florida, coordinated the Corporate Environmental Compliance Program. This program was implemented and it was used as a companion of the present EPA CMOM.
- Was instrumental in coordinating with the Water Management District rule changes to include water and wastewater facilities in the general permit exemption to partially cross wetlands without mitigation.
- Was able to obtain the first 20-year permit from South Florida Water Management District using alternative water supplies, reclaimed water system, and raw water ASR's.

PUBLICATIONS/PRESENTATIONS

- Co-Author of The Planning and Design of a Reverse Osmosis Plant Using a Deteriorating Water Supply presented at the AWWA Membrane Technology Conference, March 1991.
- Co-Author of Marco Island RO Plant, Overcoming Regulatory and Construction Obstacles, A Case Study presented at the AWWA 1992 Conference, Vancouver, B.C., June 1992.

RAFAEL A. TERRERO, P.E., DEE, ASSOCIATE

- "Permit Management or Permit Compliance Failure," 10th Annual Environmental Permitting Summer School, Marco Island, July 1996.

HARTMAN & ASSOCIATES, INC.

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Education

B.B.A., Florida Atlantic University
1973

Professional Registrations

Certified Management Consultant,
Institute of Management
Consultants Inc. (CMC)
Certified Government Financial
Manager, Association of
Government Accounts
(CGFM)

Professional Affiliations

Institute of Management
Consultants, Inc.
Government Finance Officers
Association
Association of Government
Accountants
Florida Government Finance
Officers Assn.

Office Location

Orlando, Florida

Years Experience

29

Years with Firm

10

MARCO H. ROCCA, C.M.C., SENIOR ASSOCIATE

Mr. Rocca is a senior management consultant, providing professional services to the private and public sectors in Florida since 1979. These services have been related to utility rate studies; utility acquisitions; connection charges; interlocal agreements; financial planning and funding and administration of capital programs providing infrastructure facilities to meet the transportation, drainage and utility requirements of communities. Additionally, Mr. Rocca has an extensive background pertaining to the formation and operation of community development and special districts, requiring the preparation, presentation and implementation of master financing plans, feasibility studies, rate studies, assessment programs together with the documentation for debt financing, utility valuations and acquisitions, and cost of service studies.

EXPERIENCE

- Utility rate studies for both municipal and investor-owned utilities; the larger utilities were in excess of 25,000 connections. Clients include the City of DeLand, City of Tavares, City of Palm Bay, City of Port St. Lucie, City of North Lauderdale, City of Ft. Walton Beach, City of Apopka, City of Sanibel, City of Lauderhill, City of Lauderdale-By-The-Sea, City of Orange City, City of Bartow, City of Dania, City of Coral Springs, City of Clermont, City of DeLand, City of Tamarac, City of New Port Richey, City of Port St. Lucie, City of Miami Springs, City of Melbourne, St. Johns County, Indian River County, DeSoto County, Bonita Springs Utilities, Englewood Water District, Utility Commission of New Smyrna Beach, Dunes Community Development District and City of Bullhead, AZ.
- Master financing plans and feasibility studies for capital expansion and improvement programs with projects ranging from several hundred thousand to several hundred million dollars. Clients include St. Johns County, the City of North Miami Beach, City of Apopka, City of Bartow, City of Palm Bay, City of Orange City, City of Port St. Lucie, Englewood Water District, Bonita Springs Utilities, City of Clermont, City of New Port Richey, City of Port St. Lucie, City of Melbourne, City of Moore Haven, the Englewood Water District, Bonita Springs Utility, the Village of Tequesta, Widefield Water and Sanitation District, the Dunes Community Development District, North Springs Improvement District, Indian Trace Community Development District, and many more.
- Preparation of initial operating budgets for water and wastewater utilities, and annual review of utility and other governmental operating budgets. Clients include the City of Palm Bay, City of Lauderdale By-the-Sea, City of Orange City, City of Melbourne, City of Moore Haven, City of Port St. Lucie, Bonita Springs, City of DeLand, Widefield Water and Sanitation District, the Village of Tequesta, Widefield Water and Sanitation District, the Coral Springs Improvement District, and Dunes Community Development District and many more.
- Assistance and documentation for general obligation, revenue, special assessment, and other special forms of tax-exempt bond financing for over \$1.5 billion in funding. Clients include St. Johns County, City of Palm Bay, City of

MARCO H. ROCCA, C.M.C., SENIOR ASSOCIATE

Apopka, City of Clermont, City of Bartow, City of Miramar, City of Palatka, City of Winter Haven, City of Port St. Lucie, City of Peachtree City, and Widefield District.

- Assistance with litigation, negotiations and expert witness services recently included St. Johns County, Flagler County, the City of Deltona, City of St. Petersburg, Town of Palm Beach, Village of Royal Palm Beach, Village of Tequesta, and City of New Port Richey.
- Assistance in developing interlocal, large user and other forms of agreements for governments, utilities and developers. Clients include St. Johns County, the City of North Lauderdale, City of Ft. Walton Beach, City of Lauderdale By-the-Sea, City of Palm Bay, City of Edgewater, City of New Port Richey, Village of Royal Palm Beach, Indian Trace Community Development District, City of Melbourne, Village of Tequesta and North Springs Improvement District.
- Development and Review of Stormwater Utility Programs. Clients have included the City of Bonita Springs, City of Lauderdale-By-The-Sea, City of Cape Coral, City of Delray Beach, Viera East Community Development District, Dunes Community Development District and the Village of Tequesta.
- Water and wastewater utility acquisition assistance and utility transition assistance for governmental entity pursuant to acquisition of investor-owned utility. Clients include St. Johns County, Flagler County, the City of Winter Haven, the Okeechobee Utility Authority, Peachtree City Water and Sewer Authority, Widefield Water and Sanitation District, City of Port St. Lucie, City of Orange City, City of Palm Beach Gardens, City of Juno Beach, City of Atlantic Beach and the Village of North Palm Beach, Palm Beach County and Volusia County.
- Market sensitivity and risk partitioning studies. Clients include the Orlando Utility Authority, City of Orlando, City of Palm Bay, Bonita Springs Utility, Englewood Water District, City of Sanibel, Schroeder Manatee Ranch, Inc., Admiral Corporation, Coral Ridge Properties, Village of Tequesta, Viera East Community Development District and City of Moore Haven.
- Special and benefit assessment programs for water, wastewater, water management, roadway, and similar improvement projects. Clients include the Bonita Springs Utility, Englewood Water District, City of Palm Bay, City of Sanibel, City of Orange City, Coral Springs Improvement District, North Springs Improvement District, Dovera Community Development District, Viera East Improvement District, Dunes Community Development District and Indian Trace Community Development District.
- Specialized and unique financing plans for commercial and public projects, including economic and feasibility studies for the formation of special districts. Clients include City of Orange City, City of Clermont, Okeechobee Utility Authority, Viera East Community Development District, Dovera Community Development District, Dunes Community Development District, Spring Lake Improvement District and Indian Trace Community Development District.

Mr. Rocca has an extensive working knowledge of governmental processes, funding alternatives, accounting procedures, financial reports, enterprise operations, and administrative requirements. He has prepared and presented public awareness and information programs related to municipal projects and also developed and presented a seminar on the acquisition of utilities. He has developed procedures and supervised the preparation of extensive computer programs for utility rate studies,

MARCO H. ROCCA, C.M.C., SENIOR ASSOCIATE

financial control, data retrieval and analysis, financial feasibility studies, product expansion programs, capital acquisition alternatives, and real estate investment analysis.

Mr. Rocca's experience with community development and special districts have included:

- Acme Improvement District - 18,000 Acres
- Coral Springs Improvement District - 5,000 Acres
- Dovera Community Development District - 1,200 Acres
- Downtown/Uptown Community Development District - 77 Acres
- Dunes Community Development District - 3,000 Acres
- East County Water Control District - 60,000 Acres
- Englewood Water District.
- Indian Trace Community Development District - 13,000 Acres
- North Springs Improvement District - 5,000 Acres
- Pelican Bay Improvement District - 2,600 Acres
- Reedy Creek Improvement District - 27,500 Acres
- South Florida Water Management District - 15+ Counties
- South Broward Drainage District - 41,200 Acres
- Spring Lake Improvement District - 2,500 Acres
- Sunshine Drainage District - 5,000 Acres
- Viera East Community Development District - 5,000 Acres
- Widefield Water and Sanitation District - Colorado

HARTMAN & ASSOCIATES, INC.

A Tetra Tech Company

Education

M.B.A., University of Central
Florida, 1998

B.S.B.A., University of Central
Florida, 1996

Professional Registrations

C.P.A., Florida, No. AC-0031100

Professional Affiliations

American Institute of Certified
Public Accountants

Florida Institute of Certified Public
Accountants

Florida Government Finance
Officers Association

Office Location

Orlando, Florida

Years Experience

7

Years with Firm

5

TARA HOLLIS, C.P.A., M.B.A., ASSOCIATE

Ms. Hollis's responsibilities include the preparation of rate and cost of service studies, feasibility and financial reports, and debt structuring analysis for the issuance of utility indebtedness for major capital improvement programs. Ms. Hollis has an extensive range of experience in financial analysis including such areas as budget analyses, customer and usage analyses, development of revenue requirements, cost of service allocations, and sensitivity analyses related to the implementation of conservation efforts. Included in these broad areas of financial analyses are detailed analyses pertaining to the sufficient recovery of revenue such as utility rates and rate design alternatives, the determination of specialized user fees and charges, service availability and impact fees, and various miscellaneous service charges. For the past three (3) years, Ms. Hollis has been a principal investigator in electric system comparable sales. She was the CPA analyst serving the bondholders on the \$0.5 Billion Okeelanta, Gator and Osceola damages case. In addition, Ms. Hollis has extensive experience related to reviewing and analyzing compliance with bond covenant requirements and contractual obligations. She has assisted in the development of numerous bond documents including engineering reports and official statements for the issuance of municipal debt instruments. Additionally, Ms. Hollis creates computerized dynamic spreadsheet models for use in valuing and analyzing future sales, profitability and financial performance ratios of utility systems and to determine fund needs for capital expansion programs.

EXPERIENCE

- Development of extensive and dynamic computer models for water, wastewater and reclaimed water rate studies, feasibility studies, forecasts, and valuations including the City of Lauderhill, the City of Sanibel, the City of Clermont, the City of Palm Bay, the City of Apopka, the City of Orlando, the City of Port St. Lucie, and Kings Point Utilities.
- Development of retail and bulk rates; impact fees; capital funding plans; and user rates and charges including the preparation of water, wastewater and reclaimed water user rate studies for public utilities. Recent clients include the City of Lauderhill, the City of Orange City, the City of Sanibel, the City of Apopka, the City of Fort Walton Beach, the City of North Lauderdale, the City of Port St. Lucie, the City of Orlando, the City of Palm Bay, the City of Naples, the City of Miami Springs, and St. Johns County.
- Water conservation rate analysis, structuring and enactment. Clients have included the City of Lauderhill, the City of Apopka, the City of Orange City, the City of Fort Walton Beach, and St. Johns County.
- Miscellaneous service charges for a variety of customer request services including customer deposits, water meter installation charges, water and wastewater taps, turn-on charges, and the initiation of service charges. Clients have included the City of Lauderhill, the City of Orange City, and the City of Fort Walton Beach.
- Development of presentation workshops and accompanying briefing documents for utility rate study and cost of service clients to foster client and audience understanding of the analysis conducted. Recent clients include the Cities of Apopka, Fort Walton Beach, Orange City, Sanibel, and St. Johns County.

TARA HOLLIS, C.P.A., M.B.A., ASSOCIATE

- Assistance and documentation for revenue and other special forms of tax-exempt bond financing including detailed projections and reports to support the issuance of long-term indebtedness. Clients include the City of Clermont, the City of Palm Bay, the City of Port St. Lucie, the City of Apopka, the City of North Miami Beach, and Marion County.
- Preparation of Bond Resolutions, Official Statement, Certificates of Compliance, Additional Bonds Test certificates, and other related documents in support of long-term indebtedness. Recent clients include the City of Palm Bay, the City of Port St. Lucie, and the City of Apopka.
- Assistance with litigation, negotiations, and expert witness services including Kings Point Utilities, Okeelanta LP, Osceola LP, and the Cities of Casselberry and Winter Park.
- Conducting valuation studies using various techniques including the income approach and comparable sales approach for water, wastewater, and electric utility systems, and developing detailed financial forecasts and cash flow models to be used in damages calculations.
- Preparation of Utility Annual Reports and review of compliance issues as required by the Bonds Resolutions. Clients include the City of Cape Coral, the City of Tamarac, and Clay County Utility Authority.
- Preparation of initial operating budgets, rates and service area certification for investor-owned utilities including Farmton Water Resources LLC, St. Johns Service Company and North Beach Utilities, Inc.
- Water and Sewer Utility Rate Escrow reconciliation for investor owned utilities including Ocean City Utilities.
- Preparation of detailed reports explaining water, wastewater, and reclaimed water systems and related terms and rates and charges, for clients including the City of North Miami Beach.
- Special assessment programs for water and wastewater improvement projects including the City of Palm Bay.
- Assistance in the preparation of governmental operating budgets.
- Audits and reviews of not-for-profit organizations and their compliance with federal and state funding requirements.
- Performance of detailed reviews of applications submitted to the State of Florida for reimbursement under the Petroleum Cleanup Program.
- Performance of tax planning and projections for various estates, trusts, and corporations.

ECFS, INC.

FPSC CERTIFICATION PUBLIC INTEREST EXAMPLE

East Central Florida Services, Inc.

BACKGROUND

In the early 1990s, a large landowner (Corporation of the President of the Church of Jesus Christ of Latter-Day Saints) certificated the largest land area FPSC regulated water and wastewater utility in the State of Florida. This large piece of property had singularity of land ownership. The owner was constantly impacted by governmental entities wishing to utilize this property for waste solids, solid waste, water resource development, and effluent disposal as well as other matters. The area had experienced forest fires and there was a need for fire protection in eastern Osceola, southeastern Orange and western Brevard Counties. No fire station was located in this region. Though sparse and spread out, there were many hunting camps on the property desirous of potable water service and had requested the same from the landowner. In addition, there are several home sites on the property for workers, managers and administrators of the property. These individuals and their families also wished to have adequate utility services. There was a future 50-year potential for certain types of development on the property. There were major corporations, which were desirous of utility service and access to the I-95 Power Transmission Corridor.

Land stewardship is very important to the owner. The use of water for land management was needed. The water resources underneath the property were being contaminated by saltwater intrusion at an alarming rate. The saltwater wedge was moving from the east to the west at an average rate of approximately 1,500 linear feet per year. The City of Cocoa's easternmost wells were being pumped so hard that saltwater upconing was also occurring and both were polluting the freshwater Floridan aquifer water resources to the extent of several square miles of the property each year. Prior to the FPSC certification, the landowner intervened on the City of Cocoa's water use permit (1988 through 1991) and the condemnations of well sites (1990 through 1991). The facts were that the City of Cocoa's more eastern Tram Road wells were increasing in salinity and that the monitor wells to the east were showing the saltwater pollution moving across the property. The St. Johns River Water Management District (SJRWMD) granted the complete request by the City of Cocoa for additional Floridan aquifer freshwater supplies and found such utilization to be in the general public interest that the environmental harm being caused was solely to one landowner and thereby insignificant, that the environmental damage to wetlands, etc. was also acceptable in nature, and that the use of fresh groundwater from the Floridan aquifer was reasonable and beneficial use to serve the customers of the City of Cocoa regional water system.

The City of Cocoa derives 90-percent (90%) of its water revenues from customers outside of the city limits. Only 10-percent (10%) of the revenues are within the city limits. The City of Cocoa historically applied a 35-percent (35%) "outside the city" surcharge to those customers outside the city limits and was transferring significant sums of money to the general fund of the City of Cocoa. Customers of the City of Cocoa included the Federal Government (military and aerospace installations), Titusville, the beach communities and cities, the City of Melbourne, and

the inland cities generally north of Melbourne and south of Titusville. During this same time period, the beach communities and other communities, other than the City of Melbourne, surrounding the City of Cocoa obtained the Brevard County surcharge limitation legislation. This was accomplished through the legislative delegation in Brevard County, which passed the Florida legislature limiting specifically as an exception to the 180.02 F. S. a Brevard County Outside City Limit of 110%. In addition, the court system found that the wells on the landowner's property had necessity for condemnation and very small wellhead properties were condemned by the City of Cocoa for integration into its regional raw water system. Shortly thereafter, the lower court found that the southern properties adjacent to the landowner (the Holland properties), would be considered "water banking" and there was not enough necessity for the condemnation of those parcels due to the City of Cocoa's demand projections and testimony at trial. Interestingly, the lower court opinion was appealed by the City of Cocoa and the Circuit Court of Appeals reversed the lower court ruling and provided again small well sites on the Holland property and provided for the condemnation of these small wells sites basically usurping all of the Fresh Floridan aquifer water resources in this area of Orange County to the City of Cocoa.

In contrast, to the north, within Orange County's utility service area and the International Corporate Park located just north of the owner's property, the well sites were not accomplished. In that situation, Orange County offered to provide raw water service to Cocoa if it so desired and stated that the County would develop its water resources within the County's Urban Service Area boundary. A major fact that the landowner, Holland Properties, ICP, Orange County, etc. pointed out was that the City of Cocoa virtually had no reuse, no alternative water supply development, no conservation, or other demand mitigating or resource protecting activities of substance.

Since the fresh water resources of Deseret from the main Floridan aquifer were being polluted at an alarming rate and no help was in sight, and due to the fact that there was a need for service on the property and that Deseret had hired professional hydrogeologists and water resource engineers to demonstrate environmentally acceptable water resource development alternatives; Deseret searched for an avenue which met all the needs of proper stewardship of the land, the community, and satisfied the ever-increasing potable water needs of the Space Coast via Cocoa's regional system.

In addition, the South Brevard Water Authority (a special act legislatively created entity) was searching for additional water supplies on Deseret and the Bull Creek Wildlife Area for an additional 50 million gallons per day. Osceola County, the State of Florida Department of Natural Resources, and Parks and Recreation personnel as well as the landowner and other landowners and their representatives within the Eastern Osceola area, all banded together and objected to both on a permitting, environmental, and legislative basis to this additional withdrawal of Floridan aquifer freshwater in Eastern Osceola County. The SJRWMD supported the South Brevard Water Authority and was willing to issue the water use permit for the area on the landowner's property, on Bull Creek property, and on other properties. Due to negotiations with the SJRWMD, the Bull Creek property was to be utilized at no cost to the Authority for land and easements, etc. The impacts of a regional well field at that location would be similar to the Cocoa wellfield and would lower or stop the flow in the agricultural wells in the area as well

as have significant environmental harm. The hearing officer, after a lengthy case, found that the environmental harm was unacceptable, that the alternatives for water supply existed, that the alternative water supply development had not occurred and should be allowed to occur and that though the use would be considered reasonable and beneficial use and the highest priority use (for potable water service) and that the engineering and hydrogeology conducted for its development were appropriate, that the permits should not be issued. This plus the legislative activities of the community finally led to the unique situation by the Florida Legislature to dissolve a regional water supply authority which has only occurred once in the State's history.

With this historical background, the major landowner in the area submitted for certification to Florida's Public Service Commission its holdings under to corporate name of East Central Florida Services, Inc. (ECFS). Osceola County, Special Water Districts 1, 2, 3, and 4, the City of Palm Bay and others supported the ECFS application. The Cities of Kissimmee, St. Cloud, OUC, Titusville, Rockledge and Melbourne did not intervene in the matter. Initially, Orange County intervened, but with a slight modification to the service area requested (a deletion of properties within the Orange County USA), settled out of the case. Both Brevard County and the City of Cocoa intervened and alleged conflicts with comprehensive plans, overlapping facilities and service areas. The Florida Public Service Commission (FPSC) conducted the hearing and weighed the testimony in the matter. The FPSC granted ECFS, Inc. the water and wastewater service area as amended.

TRACK RECORD OF ECFS, INC.

1. Financial

For over the past decade, ECFS, Inc. has only had to apply for a few of the many annual FPSC inflation derived deflator indexing provision. Although, a) millions of dollars have been invested by or contributed, transferred or loaned to ECFS, Inc.; b) the SJRWMD, SFWMD, FDEP and Orange, Osceola and Brevard Counties have required or requested many things of ECFS, Inc.; and, c) ECFS, Inc. has cumulatively operated approximating a not-for-profit entity – ECFS, Inc. has had little in rate relief.

2. Service

There have been no service complaints in over a decade of service. In fact, the hunting camps, residences, development, governments, fire districts, and major corporations have had their need **for service met promptly**. The quality of service and facilities has improved greatly and continuously ever since FPSC certification. ECFS, Inc. has improved water treatment and service for its potable customers. ECFS, Inc. has made more efficient use of existing facilities through its raw water service to its customers. Examples of new customers include:

- Additional hunting camps
- Additional single-family homes
- The new church facilities
- Major telecommunication customers

- Osceola County Fire Station (a sorely needed service could be provided with ECFS, Inc. water supply)
- Reliant Energy Corporation merchant power plant cooling water, fresh water for potable, boiler water make-up, and other uses.

3. Intergovernmental

ECFS, Inc. has an exemplary track record in assisting various levels of government in accomplishing worthwhile projects, programs and/or activities. A few of the examples include:

- a. ECFS, Inc. providing information to Osceola, Orange and Brevard Counties for comprehensive planning and other purposes.
- b. ECFS, Inc. and Deseret have consolidated their water use permits for easier regulation and have provided water facility, use, and resource information for improved regulation to both the SFWMD and SJRWMD.
- c. ECFS, Inc. has agreed with the City of Palm Bay to provide alternative water supply and/or fresh raw water supply when the City elects to avail itself of the supply. This combined with the City of Palm Bay's new membrane treatment facilities assures that the City's potable supply needs will be met.
- d. ECFS, Inc./City of Orlando/Orange county reclaimed water program cooperative activities developed environmental wetland renourishment, silvaculture, sod, agriculture and saltwater encroachment barrier opportunities. This program is one of the priority listing reclaimed water uses following CHSEC cooling water use and residential/golf course uses on the eastside of Orange County.
- e. Alternative Water Supply Programs:
 - 1) City of Cocoa/ECFS, Inc./Deseret:
 - Taylor Creek Reservoir:
This lease created the largest new surface water source use in Florida over the past 20 years
 - Pipeline Road Secondary Aquifer Shallow Wells:
ECFS, Inc. developed the concept and City of Cocoa implemented 11 such wells providing wellfield stress rotation and management benefits.
 - Cocoa/Orange County/OUC Agreement for Alternate Water Supply.
 - 2) Cities of Melbourne and Palm Bay:
With Florida Legislature's dissolving of the SBWA, both cities have developed major reclaimed water reuse and alternative water supply – membrane treatment – sources to meet their potable needs versus the previous SBWA program of inland fresh Floridan aquifer groundwater sources.

f. **Managed Land Stewardship Programs:**

- 1) **Brevard County Landfill Site:**
This site is accommodated in the northeast corner of the unit north of 192 and downstream of the Class I Lake Washington Reservoir and with the additional protection of the Deseret Berm.
- 2) **City of Cocoa Lime Sludge:**
The City of Cocoa's lime sludge from the Claude Dyal lime softening units is stockpiled on their site in Orange County. This waste product is beneficially reused upon the property as a soil sweetener.
- 3) **City of Orlando and Others Domestic Biosolids:**
This material is either directly applied or composed and applied to add organics to the sandy soil matrix.

There are several other land stewardship programs occurring on Deseret Ranches which do not include intergovernmental cooperation/facilitation/assistance.

INTERVENOR OBJECTIONS – A DECADE LATER

1. Comprehensive Plan Compliance

There have been no developments on other activities that have conflicted with either the Brevard County or City of Cocoa comprehensive plans after over a decade of operations.

2. Competition with Existing Utilities

Neither the City of Cocoa nor Brevard County serve on the west side of the St. Johns River or anywhere close to ECFS, Inc. after over a decade of operations.

3. Competition for Water Use Permits

- a. ECFS, Inc. has facilitated the City of Cocoa getting the WUP's for the Pipeline Road Wells and the Taylor Creek Surface Water Reservoir. Now the City of Cocoa has more raw water resources than ever and their Tram Road wellfield that was previously becoming more saline is recovering and improving in water quality.
- b. ECFS, Inc. has never commented, competed or intervened on any Brevard County WUP and Brevard County has not commented, competed or intervened on any ECFS, Inc. WUP.

4. Public Interest

None of the objections or theories of negative public interest by either City of Cocoa or Brevard County have occurred in over a decade of operations.

All of the positive public interest statements by the applicant ECFS, Inc. have occurred and are documented.

5. Water Resources

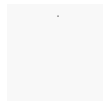
The devastation and pollution at an alarming rate of the fresh Floridan aquifer water quality due to overpumping in concentrated areas by the City of Cocoa have been stemmed to approximately that level of pollution present in 1992 and in some areas some limited water quality recovery has occurred. The westward migration of salinity has been slowed to a small fraction of the previous pace.

ECFS, Inc. has facilitated the largest percent growth of Alternative Water Supplies in any major/regional (Space Coast) water supply area in the State of Florida. ECFS, Inc. has provided the GIS mapping and information to both the SJRWMD and SFWMD to better regulate and manage the water resources of the region.

APPENDIX VIII:

Attachments to Exhibit L:

Cost Study and Rate Design



B & C WATER RESOURCES, L.L.C.
POTABLE RETAIL WATER SERVICE
COST OF SERVICE STUDY

PROPOSED POTABLE RETAIL WATER FACILITIES

Currently, over 124,000 acres within the proposed service territory have been leased under 27 Hunting Lease agreements with the landowner, Plum Creek Timberlands LP, as presented on **Schedule L-1**. The Utility is proposing to service each of these hunting camps through the use of newly constructed potable water treatment facilities located near each customer unit. One of the first steps after approval by the Florida Public Service Commission (FPSC) is to construct 27 new potable water treatment facilities and initialize the sale of retail potable water to these customers.

The proposed facilities will provide a location near each customer for water quality control, maintenance, and treatment of potable water. A potable water supply facility will be designed to provide safe and reliable potable water service to the customers within the proposed service area. Raw water for each facility will be pumped through a 4-inch well. A bladder type hydropneumatic tank will be utilized at each location along with chlorination for disinfection. These facilities should be sufficient to provide service for the projected planning period. As the need for additional capacity is realized, B & C Water Resources, L.L.C. will construct the necessary facilities to meet such demands.

Each retail user will be metered with a meter varying in size from 5/8" to 2.0" based on the anticipated member families for each hunting camp.

ESTIMATED CAPITAL COSTS

It is estimated that the capital cost for the initial construction of the 27 proposed retail potable water wells and associated equipment is \$198,440. Each potable water treatment plant will include the construction of a new well, a bladder type hydropneumatic tank, chlorination, a 1-hp to 5-hp gas generator with fuel tank, fence, and customer meters.

In addition, the Utility is allocating approximately 10% of its organizational startup costs to the rate base for the current retail potable water customers. The Utility is projecting total

organizational costs at \$500,000. In reviewing the comprehensive plans for Baker and Union Counties for projected growth over the next 20 years, the Utility is projecting the addition of approximately 1,000 units within the proposed service territory. Therefore, the remaining 90% will be allocated to rate base as these customers are added to the system. The equipment costs and 10% of the organizational costs result in total capital costs of \$248,440.

It is anticipated that each hunting camp will pay a service availability charge prior to connection which will consist of two components: 1) meter installation fee and 2) plant capacity charge. The meter installation fee will be charged based on the size of the meter installed at each hunting camp. The plant capacity charge will be billed per Equivalent Residential Connection (ERC). ERCs for this charge are based on usage, with 1 ERC equaling 350 gallons per day. It should be noted that the plant capacity charge is charged based on total committed capacity, while actual consumption may be less. The capacity of the entire system based on average daily flow (ADF) is 134,250, which equates to approximately 384 ERCs. At the present time, there is a total of 306 ERCs at the 27 hunting campsites as shown on **Schedule L-1**. This total was developed by taking the number of member families per campsite times an average of 2.5 members per family times a usage of 25 gallons per day per person to arrive at total daily flow at each well. This result was then equated to an ERC based on 350 gallons per day per ERC.

The meter installation fee and plant capacity charges are as follows:

	Charge
Meter Installation Charge	
<u>Meter Size</u>	
5/8"	\$ 200.00
3/4"	\$ 250.00
1.0"	\$ 300.00
1.5"	\$ 450.00
2.0"	\$ 600.00
Plant Capacity Charge	
Residential and General Service	
Per ERC (350 gpd)	\$ 293.66
All others per gallon	\$ 0.84

The initial capital costs associated with the new retail potable water treatment facilities are presented in **Schedule L-2** and the service availability charge calculations are presented in **Schedule L-3**.

ESTIMATED OPERATION AND MAINTENANCE COSTS

The primary costs that are typically associated with the operation and maintenance of a retail potable water facility are:

- Fuel
- Chemicals
- Labor

Due to the low horsepower (hp) requirements of the well pumps, the fuel costs will be minimal. It is projected that the utility will need approximately 3,330 horsepower hours (hp-hr) of power per year. The generators to be installed require approximately 1 gallon of fuel for every 3 hp-hr of generation. Therefore, the Utility anticipates that approximately 1,110 gallons of fuel will be needed in the test year. Disinfection will be provided through the use of 12% chlorine solution. It is projected that the utility will need approximately 148 gallons of the chlorine solution per year. It is presumed that maintenance services will be contracted out by B & C Water Resources, L.L.C. to a third party maintenance provider. The primary maintenance will be inspection and repair of wells and chlorinators and site maintenance. A rental payment is included in the B & C Water Resources, L.L.C. O&M Costs. This payment is intended to compensate the landowner, Plum Creek Timberlands LP, for the use of the land and the lost opportunity to the landowner as a result of B & C Water Resources, L.L.C. utilizing the property for utility purposes. The rental payment has been calculated in terms of both well location and demand. The payment has been set at \$100.00 per well site per year and includes up to 4,000,000 gallons of water withdrawals from the entire service area annually. If annual withdrawals exceed 4,000,000 gallons, an additional payment of \$0.10 per 1,000 will be incurred. **Schedules L-4 and L-4A** present the estimated O&M costs for the retail potable water facilities.

SYSTEM FINANCIAL REQUIREMENTS

The potable general service water rates discussed in this section were developed on a cost of service basis and in accordance with FPSC rules and Florida Statutes wherein associated costs are equitably recovered from each customer pursuant to the level of service enjoyed by that customer.

Financial Requirements

System financial requirements consist of capital, operating, maintenance, depreciation, and monetary needs necessary to provide, maintain, and continue quality services to meet the goals of the utility with regard to operations. Funding of capital requirements is generally provided from sources other than direct user rates and charges, such as impact fees, service availability charges, debt obligations, or contributions. However, capital needs not funded from these sources can be recovered through user rates and charges.

Financial requirements can generally be separated into three primary categories: 1) Operating and Maintenance Expenses (O&M), 2) Depreciation and Amortization, and 3) Other Expenses. As previously mentioned, O&M expenses of this Utility will consist of purchased power, rents, contractual services for operating and maintaining the system, and other miscellaneous costs. Depreciation and amortization expenses will be based on the useful lives of the assets of a Class C Water Utility pursuant to Rule 25-30.115 of the Florida Administrative Code. Other expenses will include such items as regulatory assessment fees and return on investment. It should be noted that for purposes of these projections, since B & C Water Resources, L.L.C. was organized as a Limited Liability Corporation, it is a non-taxable entity. Therefore, no state or federal income tax expense has been included in these projections.

Schedules L-5A and L-5B presents a detailed calculation of the capital costs and related depreciation and amortization of Contributions-in-aid-of-Construction (CIAC).

Return on Investment

In addition, since B & C Water Resources, L.L.C. is a private utility, it will be able to receive a rate of return based on its cost of equity and debt. With regard to the cost of equity capital, annually, the Florida Public Service Commission issues an order establishing the authorized

range of return on common equity of water and wastewater utilities pursuant to Section 367.081(4)(f) of the Florida Statutes. The most recent order (PSC-04-0643-CO-WS), issued July 2, 2004, establishes the following leverage formula:

$$\text{Return on Common Equity} = 7.57\% + 1.533/\text{Equity Ratio}$$

Based on this formula, the range of return on common equity goes from 9.10% at 100% equity to 11.40% at 40% equity.

If B & C Water Resources, L.L.C. has a need for debt financing, its affiliate Plum Creek Timber Company, Inc. has the resources necessary to loan funds to B & C Water Resources, L.L.C. It is anticipated that the terms of any loan will include repayment over a 30-year period. In determining the interest rate in this transaction, we set the interest rate equal to Plum Creek Timber Company's average lending rate of 5.0%.

The Utility is anticipating 40% equity contribution and the remaining 60% to be financed through debt.

Schedule L-6 presents the projected capital structure and rate of return for the Utility. **Schedule L-7** presents the projected financial requirements for the Utility for the year ended December 31, 2005, including the Return on Investment amount calculated based on the Potable Water Rate Base shown on **Schedule L-7A**.

RATE DESIGN

Cost of Service Allocations

Utility ratemaking cost of service method requires that there be a reasonable relationship between the costs of services and the benefits received by the customer. It is important to recognize that service/benefits are varied and to a large extent not always evident to the customers of the utility. Customers generally associate services/benefits with the metered usage of water; however, more importantly and costly are the underlying infrastructure capacity and readiness to serve. Most of these services/benefits have associated capital costs and fixed O&M expenses. Although some of the capital costs will be provided upon initial connection to the utility, others require funding through user rates and charges

Once the net financial requirements were determined for the Utility, they were reallocated according to various cost of service principles in order to design the proposed monthly retail water rates. Specifically, the financial requirements were allocated to a base charge and a gallonage charge. In general, it can be construed that fixed costs such as meter reading, billing, customer service, and certain capital related costs and operating expenses should be recovered through a monthly base charge, whereas certain other fixed and variable expenses and capital expenses are recovered through a gallonage charge. Summarized below in **Table 1** are the results of these allocations.

Table 1
Financial Requirements Per Rate Element

Rate Component	Amount
Base Facility Charge	\$ 17,109
Gallonage Charge	9,938
Total	\$ 27,047

Retail Water Rate Design

The financial requirements for retail water service were allocated to a base charge and gallonage charge as shown on **Table 1** and detailed on **Schedule L-8**. In order to develop the monthly base charge and gallonage charge for retail water service, the rate determinants need to be identified. Using American Water Works Association (AWWA) meter equivalencies, the Utility is anticipating 113 retail ERCs. It is anticipated that these connections will use approximately 3,381,000 gallons annually. To calculate the monthly base charge, the amount allocated to the charge was divided by the number of ERCs to arrive at the rate of \$12.61 per ERC per month as shown in **Schedule L-8**. To determine the gallonage charge per thousand gallons of usage, the same method was applied, taking the financial requirements allocated to the gallonage charge and dividing it by the gallonage determinant in thousands of gallons, resulting in a rate of \$2.94 per thousand gallons as shown on **Schedule L-8**.

Table 2 below summarizes the proposed monthly retail water rates.

Table 2
Proposed Monthly Retail Water Rates

General Service and Residential Customers

Monthly Base Facility Charge per Meter Size

5/8"	\$	12.61
3/4"	\$	18.92
1.0"	\$	31.53
1.5"	\$	63.05
2.0"	\$	100.88

Gallonge Charge (per thousand gallons)	\$	2.94
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CONCLUSIONS

The revenues, expenses, costs, and criteria associated with rate making are representative of averages, which were developed primarily from historic and projected data. In formulating the rates and expenses for B & C Water Resources, L.L.C., Hartman & Associates, Inc. utilized prior knowledge of startup utilities and their costs, together with the development of assumptions based on prudent engineering, financial, and ratemaking relationships in the development of the proposed rates herein. Some of the assumptions will inevitably change or not materialize and unanticipated events may occur which could significantly change the results shown herein. These factors include regulatory actions by the SJRWMD and the SRWMD.

**B & C WATER RESOURCES, LLC
LAKE BUTLER AREA HUNT CAMP LEASES
PROJECTED/KNOWN MEMBERS, METER SIZE, AND ERCs**

SCHEDULE L-1

MAP ID	Name	Acres	Known/Projected Member Families	Anticipated Meter Size	ERCs ⁽¹⁾	ERCs ⁽²⁾
0	Big Buck Hunt Club	6,946.51	54	1.5"	5.00	9.64
2	Bird Hill Hunt Club	524.59	15	1.0"	2.50	2.68
5	Ora Davis Hunt Club	384.64	4	5/8"	1.00	0.71
7	Little Hell Hunt Club	2,740.27	30	1.0"	2.50	5.36
9	New River Hunt Club	229.77	7	5/8"	1.00	1.25
10	North Florida Beagle Hunt Club	1,037.76	15	1.0"	2.50	2.68
14	John Shadd Hunt Club	9,309.38	94	1.5"	5.00	16.79
16	Doug Moore Hunt Club	1,072.04	8	3/4"	1.50	1.43
17	John Whitehead Hunt Club	1,232.62	12	3/4"	1.50	2.14
18	Marvin Pritchett Hunt Club	269.31	3	5/8"	1.00	0.54
20	South Prong Plantation LLC	146.78	1	5/8"	1.00	0.18
21	South Gate Hunt Club	359.58	4	5/8"	1.00	0.71
22	David Rivers Hunt Club	1,126.06	3	5/8"	1.00	0.54
23	Greg Zinn Hunt Club	2,067.63	7	5/8"	1.00	1.25
25	Broken Gate Hunt Club	129.33	(3)	2.0"	8.00	28.21
27	Broken Gate Hunt Club	10,747.48	(3)	2.0"	8.00	28.21
28	229 Hunting Camp	1.20	100	2.0"	8.00	17.86
30	James Manning Hunt Club	2,595.64	26	1.0"	2.50	4.64
31	Broken Gate Hunt Club	20,437.85	158	2.0"	8.00	28.21
33	Danny Thomas - Palestine Hunt Club	13,335.10	113	2.0"	8.00	20.18
34	Broken Gate Hunt Club	672.09	(3)	2.0"	8.00	28.21
35	Swift Creek Sportsman's Club	9,330.15	89	1.5"	5.00	15.89
36	Piney Bay Hunt Club	11,537.10	126	2.0"	8.00	22.50
37	Kenneth Owen Hunt Club	927.38	6	5/8"	1.00	1.07
39	One Shot Hunt Club	11,292.39	113	2.0"	8.00	20.18
40	Broken Gate Hunt Club	4,574.25	(3)	2.0"	8.00	28.21
41	Lulu Hunt Club	11,292.26	94	1.5"	5.00	16.79
Totals		124,319.16	1,082.00		113.00	306.07

Notes: (1) Based on AWWA Meter Equivalencies.
(2) Based on 350 gallons per day per equivalency.
(3) 158 Member Families for all Broken Gate Hunt Club Leases.

B & C WATER RESOURCES, LLC
CAPITAL COSTS
POTABLE WATER SUPPLY

SCHEDULE L-2

Account No. and Name		In Service Year	Per Unit Cost	Account Balance as of 12/31/05
307.1	Wells & Springs			
27	4" well	2005	\$ 2,500	\$ 67,500
320.3	Water Treatment Equipment			
8	Chlorinators - 5 Gallon	2005	100	800
6	Chlorinators - 10 Gallon	2005	200	1,200
4	Chlorinators - 20 Gallon	2005	350	1,400
9	Chlorinators - 55 Gallon	2005	500	4,500
304.4	Structures and Improvements			
27	Fence, access control/lock, etc.	2005	400	10,800
311.4	Pumping Equipment			
8	1 hp Generator, 5 Gallon Fuel Tank & Appurtenances	2005	1,300	10,400
6	1 hp Generator, 10 Gallon Fuel Tank & Appurtenances	2005	1,340	8,040
4	2 hp Generator, 25 Gallon Fuel Tank & Appurtenances	2005	2,800	11,200
9	5 hp Generator, 60 Gallon Fuel Tank & Appurtenances	2005	7,000	63,000
330.4	Distribution Reservoirs & Stand Pipes			
14	55-Gallon Bladder Type Hydro-Tank	2005	150	2,100
4	100-Gallon Bladder Type Hydro-Tank	2005	400	1,600
9	200-Gallon Bladder Type Hydro-Tank	2005	600	5,400
334.4	Meters & Meter Installations			
8	5/8"	2005	200	1,600
2	3/4"	2005	250	500
4	1.0"	2005	300	1,200
4	1.5"	2005	450	1,800
9	2.0"	2005	600	5,400
301.5	General Plant			
	Organization Costs	2005		50,000
TOTAL POTABLE WATER SUPPLY				\$ 248,440

**B & C WATER RESOURCES, LLC
SERVICE AVAILABILITY CHARGE CALCULATION
POTABLE WATER SUPPLY**

SCHEDULE L-3

METER INSTALLATION FEE

Meter Size	Fee
5/8"	\$ 200.00
3/4"	\$ 250.00
1.0"	\$ 300.00
1.5"	\$ 450.00
2.0"	\$ 600.00

PLANT CAPACITY CHARGE

Total Amount to be recovered: \$ 112,764

System Capacity (ERCs): 384.00

Capacity Charge:

Per ERC	\$ 293.66
Per Gallon	\$ 0.84

**B & C WATER RESOURCES, LLC
OPERATIONS AND MAINTENANCE REQUIREMENTS
POTABLE WATER SUPPLY**

SCHEDULE L-4

<u>Account No</u>	<u>Description</u>	<u>2005</u>
Operation and Maintenance Expenses		
601	Salaries and Wages - Employees	\$
603	Salaries and Wages - Other	-
604	Employees Pensions and Benefits	-
610	Purchased Water	-
615	Purchased Power	
616	Fuel for Power Production	1,832
618	Chemicals	260
620	Materials and Supplies	
630	Contractual Services	6,150
640	Rents	2,700
650	Transportation Expense	
655	Insurance Expense	-
665	Regulatory Expense	-
670	Bad Debt Expense	
675	Misc. Expense (5% of Other O&M)	<u>550</u>
Total Operation and Maintenance Expenses		\$ 11,491

B & C WATER RESOURCES, LLC
OPERATIONS AND MAINTENANCE REQUIREMENTS - ASSUMPTIONS
POTABLE WATER SUPPLY

SCHEDULE L-4A

	2005
FUEL COSTS	
A.) Price per gallon of Gasoline	\$ 1.65
B.) Horsepower hours per gallon of Gasoline	3
C.) Horsepower hours per year requirement	3,330
D.) Total Fuel Costs (C/B*A)	\$ 1,832

Note: (1) $(1,390 \text{ gpm} * 150 \text{ ft (pressure and drawdown)}) / (0.5 \text{ efficiency} * 3,960) * 24 \text{ hrs/day} = 76 \text{ hp/kwh}$

CHEMICAL COSTS

A.) Price Per Gallon of Chlorine (12% solution)	\$ 1.75
B.) Chlorine per gallon ⁽¹⁾	456,000
C.) Needs per potable gallon in milligrams/liter(mg/l) chlorine: 10 mg/l X 2 Usage Factor =	20
D.) Gallons per year	3,381,250
E.) Gallons of chlorine needed per year (C*D/B)	148
F.) Total Chlorine Costs (A*E)	\$ 260

Note: (1) 1% solution = 10,000 mg/l, 12% solution = 120,000 mg/l, 3.8 liters per gallon

CONTRACTUAL SERVICES

	2005
Operation Service (hr/mo)	8
Operation Service Costs per year ⁽¹⁾	\$ 4,800
Lab Service Costs per year	1,350
Total Contractual Services	\$ 6,150

Note: (1) Operating Services costs based on \$50.00 per hour.

RENTS

	2005
Number of Wells	27
Cost per well ⁽¹⁾	\$ 100.00
Total Rents (rounded)	\$ 2,700

Note: (1) Based on the amount of acreage and the opportunity cost of not being able to use that acreage.

B & C WATER RESOURCES, LLC
PROJECTED CAPITAL AND ACCUMULATED DEPRECIATION AS OF 12/31/05
POTABLE WATER SUPPLY

SCHEDULE L-5A

Account No. and Name	In Service Year	Per Unit Cost	Account Balance as of 12/31/05	Depreciation Life	Age	Annual Depreciation	Accumulated Depreciation as of 12/31/05
307.1 Wells & Springs							
27 4" well	2005	\$ 2,500	\$ 67,500	27	1	2,500	2,500
320.3 Water Treatment Equipment							
8 Chlorinators - 5 Gallon	2005	100	800	7	1	114	114
6 Chlorinators - 10 Gallon	2005	200	1,200	7	1	171	171
4 Chlorinators - 20 Gallon	2005	350	1,400	7	1	200	200
9 Chlorinators - 55 Gallon	2005	500	4,500	7	1	643	643
304.4 Structures and Improvements							
27 Fence, access control/lock, etc.	2005	400	10,800	28	1	386	386
311.4 Pumping Equipment							
8 1 hp Generator, 5 Gallon Fuel Tank & Appurtenances	2005	1,300	10,400	17	1	612	612
6 1 hp Generator, 10 Gallon Fuel Tank & Appurtenances	2005	1,340	8,040	17	1	473	473
4 2 hp Generator, 25 Gallon Fuel Tank & Appurtenances	2005	2,800	11,200	17	1	659	659
9 5 hp Generator, 60 Gallon Fuel Tank & Appurtenances	2005	7,000	63,000	17	1	3,706	3,706
330.4 Distribution Reservoirs & Stand Pipes							
14 55-Gallon Bladder Type Hydro-Tank	2005	150	2,100	30	1	70	70
4 100-Gallon Bladder Type Hydro-Tank	2005	400	1,600	30	1	53	53
9 200-Gallon Bladder Type Hydro-Tank	2005	600	5,400	30	1	180	180
334.4 Meters & Meter Installations							
8 5/8"	2005	200	1,600	17	1	94	94
2 3/4"	2005	250	500	17	1	29	29
4 1.0"	2005	300	1,200	17	1	71	71
4 1.5"	2005	450	1,800	17	1	106	106
9 2.0"	2005	600	5,400	17	1	318	318
301.5 General Plant							
Organization Costs	2005		50,000	40	1	1,250	1,250
TOTAL POTABLE WATER SUPPLY			\$ 248,440			\$ 11,635	\$ 11,635

B & C WATER RESOURCES, LLC
CONTRIBUTIONS IN AID OF CONSTRUCTION AND AMORTIZATION
POTABLE WATER SUPPLY

SCHEDULE L-5B

Account No. and Name	In Service Year	Account Balance as of 12/31/05	Amortization Life	Age	Annual Amortization	Accumulated Amortization as of 12/31/05
307.1 Wells & Springs						
27 4" well	2005	40,500	27	1	1,500	1,500
320.3 Water Treatment Equipment						
8 Chlorinators - 5 Gallon	2005	480	7	1	69	69
6 Chlorinators - 10 Gallon	2005	720	7	1	103	103
4 Chlorinators - 20 Gallon	2005	840	7	1	120	120
9 Chlorinators - 55 Gallon	2005	2,700	7	1	386	386
304.4 Structures and Improvements						
27 Fence, access control/lock, etc.	2005	6,480	28	1	231	231
311.4 Pumping Equipment						
8 1 hp Generator, 5 Gallon Fuel Tank & Appurtenances	2005	6,240	17	1	367	367
6 1 hp Generator, 10 Gallon Fuel Tank & Appurtenances	2005	4,824	17	1	284	284
4 2 hp Generator, 25 Gallon Fuel Tank & Appurtenances	2005	6,720	17	1	395	395
9 5 hp Generator, 60 Gallon Fuel Tank & Appurtenances	2005	37,800	17	1	2,224	2,224
330.4 Distribution Reservoirs & Stand Pipes						
14 55-Gallon Bladder Type Hydro-Tank	2005	1,260	30	1	42	42
4 100-Gallon Bladder Type Hydro-Tank	2005	960	30	1	32	32
9 200-Gallon Bladder Type Hydro-Tank	2005	3,240	30	1	108	108
334.4 Meters & Meter Installations						
8 5/8"	2005	1,600	17	1	94	94
2 3/4"	2005	500	17	1	29	29
4 1.0"	2005	1,200	17	1	71	71
4 1.5"	2005	1,800	17	1	106	106
9 2.0"	2005	5,400	17	1	318	318
301.5 General Plant						
Organization Costs	2005		40	1		
TOTAL POTABLE WATER SUPPLY		\$ 123,264			\$ 6,478	\$ 6,478

B & C WATER RESOURCES, LLC
PROJECTED CAPITAL STRUCTURE AND RATE OF RETURN
AS OF 12/31/05

SCHEDULE L-6

	<u>Amount of Capital</u>	<u>Weight</u>	<u>Cost Rate ⁽¹⁾⁽²⁾</u>	<u>Weighted Cost</u>
Equity	\$ 48,582	40.00%	11.40%	4.560%
Debt	72,873	60.00%	5.00%	3.000%
Total	<u>\$ 121,456</u>	<u>100.00%</u>		<u>7.560%</u>

Note:

- (1) FPSC Order # PSC-04-0643-CO-WS, issued July 2, 2004, establishes the following leverage formula for 2004:
Return on Equity = 7.57% + 1.533/Equity Ratio, and the Allowable Range of Return = 9.10% @ 100% Equity
to 11.40% @ 40% Equity.
- (2) For related party debt, cost is equal to the parent company's average lending rate.

**B & C WATER RESOURCES, LLC
WATER RATE BASE
AS OF 12/31/05**

SCHEDULE L-6A

Utility Plant In Service	\$	248,440
Accumulated Depreciation	\$	(11,635)
Contributions in Aid of Construction	\$	(123,264)
Accumulated Amortization of CIAC	\$	6,478
Less: Non Used & Useful Adjustment	\$	-
Working Capital Allowance	\$	1,436
Total Rate Base	\$	121,456

**B & C WATER RESOURCES, LLC
SCHEDULE OF REVENUE REQUIREMENTS
FOR THE YEAR ENDED 12/31/05**

SCHEDULE L-7

<u>Description</u>	<u>Total</u>
Operation & Maintenance Expenses	\$ 11,491
Depreciation Expenses	11,635
CIAC Amortization Adjustment	(6,478)
Regulatory Assessment Fees (4.5%)	1,217
State and Federal Income Tax	
TOTAL EXPENSES	\$ 17,865
Return on Investment	\$ 9,182
REVENUE REQUIREMENT	\$ 27,047

B & C WATER RESOURCES, LLC
RATE CALCULATION
POTABLE WATER SUPPLY

SCHEDULE L-8

Account No.	Description	Test Year 2005	Base Facility Charge	Gallonge Charge	Base Facility Cost	Base Facility Charge	Gallonge Cost	Gallonge Charge
Operation and Maintenance Expenses								
601	Salaries and Wages - Employees	\$	75%	25%	\$ -	\$ -	\$	\$ -
603	Salaries and Wages - Other	-	75%	25%	-	-	-	-
604	Employees Pensions and Benefits	-	75%	25%	-	-	-	-
610	Purchased Water	-	10%	90%	-	-	-	-
615	Purchased Power	-	10%	90%	-	-	-	-
616	Fuel for Power Production	1,832	10%	90%	183	0.13	1,648	0.49
618	Chemicals	260	10%	90%	26	0.02	234	0.07
620	Materials and Supplies	-	40%	60%	-	-	-	-
630	Contractual Services	6,150	30%	70%	1,845	1.36	4,305	1.27
640	Rents	2,700	100%	0%	2,700	1.99	-	-
650	Transportation Expense	-	30%	70%	-	-	-	-
655	Insurance Expense	-	100%	0%	-	-	-	-
665	Regulatory Expense	-	50%	50%	-	-	-	-
670	Bad Debt Expense	-	50%	50%	-	-	-	-
675	Miscellaneous Expense	550	50%	50%	275	0.20	275	0.08
Total Operation and Maintenance Expenses		\$ 11,491			\$ 5,029	\$ 3.70	\$ 6,462	\$ 1.91
Depreciation and Amortization								
403	Depreciation Expense	\$ 11,635	80%	20%	\$ 9,308	\$ 6.86	\$ 2,327	\$ 0.69
407	Amortization Expense - CIAC	(6,478)	80%	20%	(5,182)	(3.82)	(1,296)	(0.38)
Total Depreciation and Amortization		\$ 5,157			\$ 4,125	\$ 3.04	\$ 1,031	\$ 0.31

**B & C WATER RESOURCES, LLC
RATE CALCULATION
POTABLE WATER SUPPLY**

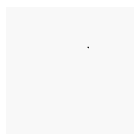
SCHEDULE L-8

Account No.	Description	Test Year 2005	Base Facility Charge	Gallonge Charge	Base Facility Cost	Base Facility Charge	Gallonge Cost	Gallonge Charge
Taxes Other Than Income Taxes								
408.10	Utility Regulatory Assessment Fees	\$ 1,217	50%	50%	\$ 609	\$ 0.45	\$ 609	\$ 0.18
408.11	Property Taxes		50%	50%	-	-	-	-
408.12	Payroll Taxes		50%	50%	-	-	-	-
408.13	Other Taxes and Licenses		50%	50%	-	-	-	-
408.20	Other Income and Deductions		50%	50%	-	-	-	-
Total Taxes Other Than Income Taxes		\$ 1,217			\$ 609	\$ 0.45	\$ 609	\$ 0.18
Income Taxes								
409	Federal, State, and Local Income Taxes	\$	50%	50%	\$ -	\$ -	\$ -	\$ -
Total Income Taxes		\$ -			\$ -	\$ -	\$ -	\$ -
Return on Investment		\$ 9,182	80%	20%	\$ 7,346	\$ 5.42	\$ 1,836	\$ 0.54
Total Revenue Requirement		\$ 27,047			\$ 17,109	\$ 12.61	\$ 9,938	\$ 2.94
Less: Miscellaneous Revenues		\$ -	100%	0%	\$ -	\$ -	\$ -	\$ -
Total Revenues for Rate Setting		\$ 27,047			\$ 17,109	\$ 12.61	\$ 9,938	\$ 2.94
Factored ERCs (based on AWWA meter equivalencies)		1,356						
Factored Gallons (In Thousands)		3,381						

APPENDIX IX:

Attachments to Exhibit N

**Proposed Service Territory:
Legal Description and Map**



B & C WATER RESOURCES, L.L.C. SERVICE TERRITORY

SERVING ONLY BAKER COUNTY, FLORIDA

TOWNSHIP 3, SOUTH RANGE 19, EAST: All of Section 23, lying South of U.S. Highway 90; All of Section 24, lying South of U.S. Highway 90; All of Section 25; All of Section 26, lying South of U.S. Highway 90; All of Section 27, lying South of U.S. Highway 90; All of Section 28, lying South of U.S. Highway 90; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 3, SOUTH RANGE 20, EAST: All of Section 11; All of Section 13; All of Section 15; All of Section 16; All of Section 17, Lying South of U.S. Highway 90; All of Section 18, lying South of U.S. Highway 90; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 25, lying West of County Road 229; All of Section 26; All of Section 27; All of Section 29; All of Section 30; All of Section 31; All of Section 33; All of Section 35

TOWNSHIP 3, SOUTH RANGE 21, EAST: All of Section 29; All of Section 30; All of Section 31; All of Section 32

TOWNSHIP 4, SOUTH RANGE 19, EAST: All of Section 1; All of Section 2; All of Section 3; All of Section 4; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16

TOWNSHIP 4, SOUTH RANGE 20, EAST: All of Section 6; All of Section 7; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 18

TOWNSHIP 4, SOUTH RANGE 21, EAST: All of Section 4; All of Section 5; All of Section 6; All of Section 7; All of Section 8; All of Section 9; All of Section 10, lying East of County Road 121; All of Section 11, lying East of County Road 121; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18

TOWNSHIP 4, SOUTH RANGE 22, EAST: All of Section 7; All of Section 18

SERVING ONLY UNION COUNTY, FLORIDA

TOWNSHIP 4, SOUTH RANGE 19, EAST: All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 28; The east ½ of Section 32; All of Section 33; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 4, SOUTH RANGE 20, EAST: All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 28; All of Section 29; All of Section 30; All of Section 31; All of Section 32; All of Section 33; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 4, SOUTH RANGE 21, EAST: All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; Section 26: The northeast 1/4, the North 1/2 of the Southeast 1/4 and the southwest 1/4 of the northwest 1/4; Section 27: The North 1/2, the northwest 1/4 of the southeast 1/4 and the Northeast 1/4 of the southwest 1/4; The North 1/2 of Section 28; All of Section 29; All of Section 30; All of Section 31; Section 32: the West 1/2; All of Section 36

TOWNSHIP 4, SOUTH RANGE 22, EAST: All of Section 19; All of Section 30

TOWNSHIP 5, SOUTH RANGE 18, EAST: All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 34; All of Section 35, lying North of County Road 238; All of Section 36, lying North of County Road 238

TOWNSHIP 5, SOUTH RANGE 19, EAST: All of Section 1; All of Section 2; All of Section 3; All of Section 4; All of Section 5; All of Section 7; All of Section 8; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18; All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25, lying North of County Road 100; All of Section 27; All of Section 28; All of Section 29; All of Section 30; All of Section 31, lying North of County Road 238; All of Section 32, lying North of County Road 238; All of Section 33; All of Section 34; All of Section 35

TOWNSHIP 5, SOUTH RANGE 20, EAST: All of Section 1, lying South of County Road 16; All of Section 2; All of Section 3; All of Section 4; All of Section 5; All of Section 6; All of Section 7; All of

SERVING ONLY UNION COUNTY, FLORIDA (continued)

Section 8; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18; All of Section 19; All of Section 20; All of Section 21, lying North of County Road 121; All of Section 22, lying North of County Road 121; All of Section 23, lying North of County Road 121; All of Section 28; The Southeast 1/4 of the Northwest 1/4 of Section 29 lying South of County Road 238 and the North 1/2 of the Northwest 1/4 of section 29; The North 1/2 of Section 30; The Southeast 1/4 and the East 1/2 of the southwest 1/4 of Section 32; All of Section 33; All of Section 34; All of Section 35

TOWNSHIP 5, SOUTH RANGE 21, EAST: All of Section 6; All of Section 7; The west 1/4 and the northwest 1/4 of southeast 1/4 of Section 8; All of Section 17, lying South of County Road 121 and State Highway 16; Section 18: The South 1/2 of the southeast 1/4 lying East of County Road 229 and the East 2/3 of the Northeast 1/4 of the southeast 1/4; All of Section 19, lying North of County Road 229; All of Section 20, lying North of County Road 229; All of Section 29; All of Section 30

TOWNSHIP 6, SOUTH RANGE 20, EAST: All of Section 2, lying North of County Road 100; All of Section 3; All of Section 4; All of Section 5; All of Section 6; All of Section 8; All of Section 9; All of Section 10; All of Section 16; All of Section 18

APPENDIX X:

Attachments to Exhibit O

Original Water Tariff

WATER TARIFF

B & C WATER RESOURCES, L.L.C.

FILED WITH
FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL SHEET NO. 1.0

WATER TARIFF

B & C WATER RESOURCES, L.L.C.

One Concourse Parkway, Suite 755
Atlanta, GA 30328

(770) 829-6320

FILED WITH

FLORIDA PUBLIC SERVICE COMMISSION

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

TABLE OF CONTENTS

	Sheet Number
Communities Served Listing	4.0
Description of Territory Served	3.1
Index of	
Rates and Charges Schedules.....	11.0
Rules and Regulations	6.0
Service Availability Policy	24.0
Standard Forms.....	19.0
Technical Terms and Abbreviations.....	5.0
Territory Authority.....	3.0

ISSUING OFFICER

TITLE

ORIGINAL SHEET NO. 3.0

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

TERRITORY AUTHORITY

CERTIFICATE NUMBER -

COUNTY -

COMMISSION ORDER(s) APPROVING TERRITORY SERVED -

Order Number

Date Issued

Docket Number

Filing Type

ORIGINAL CERTIFICATE

(Continued to Sheet No. 3.1)

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

(Continued from Sheet No. 3.0)

DESCRIPTION OF TERRITORY SERVED

SERVING ONLY BAKER COUNTY, FLORIDA

TOWNSHIP 3, SOUTH RANGE 19, EAST: All of Section 23, lying South of U.S. Highway 90; All of Section 24, lying South of U.S. Highway 90; All of Section 25; All of Section 26, lying South of U.S. Highway 90; All of Section 27, lying South of U.S. Highway 90; All of Section 28, lying South of U.S. Highway 90; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 3, SOUTH RANGE 20, EAST: All of Section 11; All of Section 13; All of Section 15; All of Section 16; All of Section 17, Lying South of U.S. Highway 90; All of Section 18, lying South of U.S. Highway 90; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 25, lying West of County Road 229; All of Section 26; All of Section 27; All of Section 29; All of Section 30; All of Section 31; All of Section 33; All of Section 35

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TOWNSHIP 4, SOUTH RANGE 19, EAST: All of Section 1; All of Section 2; All of Section 3; All of Section 4; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16

TOWNSHIP 4, SOUTH RANGE 20, EAST: All of Section 6; All of Section 7; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 18

TOWNSHIP 4, SOUTH RANGE 21, EAST: All of Section 4; All of Section 5; All of Section 6; All of Section 7; All of Section 8; All of Section 9; All of Section 10, lying East of County Road 121; All of Section 11, lying East of County Road 121; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18

TOWNSHIP 4, SOUTH RANGE 22, EAST: All of Section 7; All of Section 18

SERVING ONLY UNION COUNTY, FLORIDA

TOWNSHIP 4, SOUTH RANGE 19, EAST: All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 28; The east ½ of Section 32; All of Section 33; All of Section 34; All of Section 35; All of Section 36

TOWNSHIP 4, SOUTH RANGE 20, EAST: All of Section 19; All of Section 20; All of Section 21; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 28; All of Section 29; All of Section 30; All of Section 31; All of Section 32; All of Section 33; All of Section 34; All of Section 35; All of Section 36

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(Continued to Sheet No. 3.2)

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

(Continued from Sheet No. 3.1)

SERVING ONLY UNION COUNTY, FLORIDA (CONTINUED)

TOWNSHIP 4, SOUTH RANGE 22, EAST: All of Section 19; All of Section 30

TOWNSHIP 5, SOUTH RANGE 18, EAST: All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 22; All of Section 23; All of Section 24; All of Section 25; All of Section 26; All of Section 27; All of Section 34; All of Section 35, lying North of County Road 238; All of Section 36, lying North of County Road 238

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TOWNSHIP 5, SOUTH RANGE 20, EAST: All of Section 1, lying South of County Road 16; All of Section 2; All of Section 3; All of Section 4; All of Section 5; All of Section 6; All of Section 7; All of Section 8; All of Section 9; All of Section 10; All of Section 11; All of Section 12; All of Section 13; All of Section 14; All of Section 15; All of Section 16; All of Section 17; All of Section 18; All of Section 19; All of Section 20; All of Section 21, lying North of County Road 121; All of Section 22, lying North of County Road 121; All of Section 23, lying North of County Road 121; All of Section 28; The Southeast 1/4 of the Northwest 1/4 of Section 29 lying South of County Road 238 and the North 1/2 of the Northwest 1/4 of section 29; The North 1/2 of Section 30; The Southeast 1/4 and the East 1/2 of the southwest 1/4 of Section 32; All of Section 33; All of Section 34; All of Section 35

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TOWNSHIP 6, SOUTH RANGE 20, EAST: All of Section 2, lying North of County Road 100; All of Section 3; All of Section 4; All of Section 5; All of Section 6; All of Section 8; All of Section 9; All of Section 10; All of Section 16; All of Section 18

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

COMMUNITIES SERVED LISTING

<u>County Name</u>	<u>Development Name</u>	<u>Rate Schedule(s) Available</u>	<u>Sheet No.</u>
Baker		All	
Union		All	

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

TECHNICAL TERMS AND ABBREVIATIONS

- 1.0 "BFC" - The abbreviation for "Base Facility Charge" which is the minimum amount the Company may charge its Customers and is separate from the amount the Company bills its Customers for water consumption.
- 2.0 "CERTIFICATE" - A document issued by the Commission authorizing the Company to provide water service in a specific territory.
- 3.0 "COMMISSION" - The shortened name for the Florida Public Service Commission.
- 4.0 "COMMUNITIES SERVED" - The group of Customers who receive water service from the Company and whose service location is within a specific area or locality that is uniquely separate from another.
- 5.0 "COMPANY" - The shortened name for the full name of the utility which is B & C Water Resources, L.L.C.
- 6.0 "CUSTOMER" - Any person, firm or corporation who has entered into an agreement to receive water service from the Company and who is liable for the payment of that water service.
- 7.0 "CUSTOMER'S INSTALLATION" - All pipes, shut-offs, valves, fixtures and appliances or apparatus of every kind and nature used in connection with or forming a part of the installation for rendering water service to the Customer's side of the Service Connection whether such installation is owned by the Customer or used by the Customer under lease or other agreement.
- 8.0 "MAIN" - A pipe, conduit, or other facility used to convey water service to individual service lines or through other mains.
- 9.0 "RATE" - Amount which the Company may charge for water service which is applied to the Customer's actual consumption.
- 10.0 "RATE SCHEDULE" - The rate(s) or charge(s) for a particular classification of service plus the several provisions necessary for billing, including all special terms and conditions under which service shall be furnished at such rate or charge.
- 11.0 "SERVICE" - As mentioned in this tariff and in agreement with Customers, "Service" shall be construed to include, in addition to all water service required by the Customer, the readiness and ability on the part of the Company to furnish water service to the Customer. Service shall conform to the standards set forth in Section 367.111 of the Florida Statutes.

(Continued to Sheet No. 5.1)

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

(Continued from Sheet No. 5.0)

- 12.0 "SERVICE CONNECTION" - The point where the Company's pipes or meters are connected with the pipes of the Customer.
- 13.0 "SERVICE LINES" - The pipes between the Company's Mains and the Service Connection and which includes all of the pipes, fittings and valves necessary to make the connection to the Customer's premises, excluding the meter.
- 14.0 "TERRITORY" - The geographical area described, if necessary, by metes and bounds but, in all cases, with township, range and section in a Certificate, which may be within or without the boundaries of an incorporated municipality and may include areas in more than one county.

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

INDEX OF RULES AND REGULATIONS

	<u>Sheet Number:</u>	<u>Rule Number:</u>
Access to Premises	9.0	14.0
Adjustment of Bills	10.0	22.0
Adjustment of Bills for Meter Error.....	10.0	23.0
All Water Through Meter	10.0	21.0
Application	7.0	3.0
Applications by Agents.....	7.0	4.0
Change of Customer's Installation.....	8.0	11.0
Continuity of Service	8.0	9.0
Customer Billing.....	9.0	16.0
Delinquent Bills	7.0	8.0
Extensions	7.0	6.0
Filing of Contracts.....	10.0	25.0
General Information	7.0	1.0
Inspection of Customer's Installation	9.0	13.0
Limitation of Use	8.0	10.0
Meter Accuracy Requirements	10.0	24.0
Meters.....	10.0	20.0
Payment of Water and Wastewater Service Bills Concurrently	10.0	18.0

(Continued to Sheet No. 6.1)

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

(Continued from Sheet No. 6.0)

	<u>Sheet Number:</u>	<u>Rule Number:</u>
Policy Dispute	7.0	2.0
Protection of Company's Property	8.0	12.0
Refusal or Discontinuance of Service	7.0	5.0
Right-of-way or Easements	9.0	15.0
Termination of Service	9.0	17.0
Type and Maintenance	7.0	7.0
Unauthorized Connections - Water	10.0	19.0

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

RULES AND REGULATIONS

- 1.0 GENERAL INFORMATION - These Rules and Regulations are a part of the rate schedules and applications and contracts of the Company and, in the absence of specific written agreement to the contrary, apply without modifications or change to each and every Customer to whom the Company renders water service.
- The Company shall provide water service to all Customers requiring such service within its Certificated territory pursuant to Chapter 25-30, Florida Administrative Code and Chapter 367, Florida Statutes.
- 2.0 POLICY DISPUTE - Any dispute between the Company and the Customer or prospective Customer regarding the meaning or application of any provision of this tariff shall upon written request by either party be resolved by the Florida Public Service Commission.
- 3.0 APPLICATION - In accordance with Rule 25-30.310, Florida Administrative Code, a signed application is required prior to the initiation of service. The Company shall provide each Applicant with a copy of the brochure entitled "Your Water and Wastewater Service," prepared by the Florida Public Service Commission.
- 4.0 APPLICATIONS BY AGENTS - Applications for water service requested by firms, partnerships, associations, corporations, and others shall be rendered only by duly authorized parties or agents.
- 5.0 REFUSAL OR DISCONTINUANCE OF SERVICE - The Company may refuse or discontinue water service rendered under application made by any member or agent of a household, organization, or business in accordance with Rule 25-30.320, Florida Administrative Code.
- 6.0 EXTENSIONS - Extensions will be made to the Company's facilities in compliance with Commission Rules and Orders and the Company's tariff.
- 7.0 TYPE AND MAINTENANCE - In accordance with Rule 25-30.545, Florida Administrative Code, the Customer's pipes, apparatus and equipment shall be selected, installed, used and maintained in accordance with standard practice and shall conform with the Rules and Regulations of the Company and shall comply with all laws and governmental regulations applicable to same. The Company shall not be responsible for the maintenance and operation of the Customer's pipes and facilities. The Customer expressly agrees not to utilize any appliance or device which is not properly constructed, controlled and protected or which may adversely affect the water service. The Company reserves the right to discontinue or withhold water service to such apparatus or device.
- 8.0 DELINQUENT BILLS - When it has been determined that a Customer is delinquent in paying any bill, water service may be discontinued after the Company has mailed or presented a written notice to the Customer in accordance with Rule 25-30.320, Florida Administrative Code.

(Continued on Sheet No. 8.0)

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

(Continued from Sheet No. 7.0)

- 9.0 CONTINUITY OF SERVICE - In accordance with Rule 25-30.250, Florida Administrative Code, the Company will at all times use reasonable diligence to provide continuous water service and, having used reasonable diligence, shall not be liable to the Customer for failure or interruption of continuous water service.

If at any time the Company shall interrupt or discontinue its service, all Customers affected by said interruption or discontinuance shall be given not less than 24 hours written notice.

- 10.0 LIMITATION OF USE - Water service purchased from the Company shall be used by the Customer only for the purposes specified in the application for water service. Water service shall be rendered to the Customer for the Customer's own use and the Customer shall not sell or otherwise dispose of such water service supplied by the Company.

In no case shall a Customer, except with the written consent of the Company, extend his lines across a street, alley, lane, court, property line, avenue, or other way in order to furnish water service to the adjacent property through one meter even though such adjacent property may be owned by him. In case of such unauthorized extension, sale, or disposition of service, the Customer's water service will be subject to discontinuance until such unauthorized extension, remetering, sale or disposition of service is discontinued and full payment is made to the Company for water service rendered by the Company (calculated on proper classification and rate schedules) and until reimbursement is made in full to the Company for all extra expenses incurred for clerical work, testing, and inspections. (This shall not be construed as prohibiting a Customer from remetering.)

- 11.0 CHANGE OF CUSTOMER'S INSTALLATION - No changes or increases in the Customer's installation, which will materially affect the proper operation of the pipes, mains, or stations of the Company, shall be made without written consent of the Company. The Customer shall be liable for any charge resulting from a violation of this Rule.

- 12.0 PROTECTION OF COMPANY'S PROPERTY - The Customer shall exercise reasonable diligence to protect the Company's property. If the Customer is found to have tampered with any Company property or refuses to correct any problems reported by the Company, service may be discontinued in accordance with Rule 25-30.320, Florida Administrative Code.

In the event of any loss or damage to property of the Company caused by or arising out of carelessness, neglect, or misuse by the Customer, the cost of making good such loss or repairing such damage shall be paid by the Customer.

(Continued on Sheet No. 9.0)

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

(Continued from Sheet No. 8.0)

- 13.0 INSPECTION OF CUSTOMER'S INSTALLATION - All Customer's water service installations or changes shall be inspected upon completion by a competent authority to ensure that the Customer's piping, equipment, and devices have been installed in accordance with accepted standard practice and local laws and governmental regulations. Where municipal or other governmental inspection is required by local rules and ordinances, the Company cannot render water service until such inspection has been made and a formal notice of approval from the inspecting authority has been received by the Company.

Notwithstanding the above, the Company reserves the right to inspect the Customer's installation prior to rendering water service, and from time to time thereafter, but assumes no responsibility whatsoever for any portion thereof.

- 14.0 ACCESS TO PREMISES - In accordance with Rule 25-30.320(2)(f), Florida Administrative Code, the Customer shall provide the duly authorized agents of the Company access at all reasonable hours to its property. If reasonable access is not provided, service may be discontinued pursuant to the above rule.

- 15.0 RIGHT-OF-WAY OR EASEMENTS - The Customer shall grant or cause to be granted to the Company, and without cost to the Company, all rights, easements, permits, and privileges which are necessary for the rendering of water service.

- 16.0 CUSTOMER BILLING - Bills for water service will be rendered - Monthly, Bimonthly, or Quarterly - as stated in the rate schedule.

In accordance with Rule 25-30.335, Florida Administrative Code, the Company may not consider a Customer delinquent in paying his or her bill until the twenty-first day after the Company has mailed or presented the bill for payment.

A municipal or county franchise tax levied upon a water or wastewater public Company shall not be incorporated into the rate for water or wastewater service but shall be shown as a separate item on the Company's bills to its Customers in such municipality or county.

If a Company utilizes the base facility and usage charge rate structure and does not have a Commission authorized vacation rate, the Company shall bill the Customer the base facility charge regardless of whether there is any usage.

- 17.0 TERMINATION OF SERVICE - When a Customer wishes to terminate service on any premises where water service is supplied by the Company, the Company may require reasonable notice to the Company in accordance with Rule 25-30.325, Florida Administrative Code.

(Continued on Sheet No. 10.0)

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

(Continued from Sheet No. 9.0)

- 18.0 PAYMENT OF WATER AND WASTEWATER SERVICE BILLS CONCURRENTLY - In accordance with Rule 25-30.320(2)(g), Florida Administrative Code, when both water and wastewater service are provided by the Company, payment of any water service bill rendered by the Company to a Customer shall not be accepted by the Company without the simultaneous or concurrent payment of any wastewater service bill rendered by the Company.
- 19.0 UNAUTHORIZED CONNECTIONS - WATER - Any unauthorized connections to the Customer's water service shall be subject to immediate discontinuance without notice, in accordance with Rule 25-30.320, Florida Administrative Code.
- 20.0 METERS - All water meters shall be furnished by and remain the property of the Company and shall be accessible and subject to its control, in accordance with Rule 25-30.230, Florida Administrative Code.
- 21.0 ALL WATER THROUGH METER - That portion of the Customer's installation for water service shall be so arranged to ensure that all water service shall pass through the meter. No temporary pipes, nipples or spaces are permitted and under no circumstances are connections allowed which may permit water to by-pass the meter or metering equipment.
- 22.0 ADJUSTMENT OF BILLS - When a Customer has been undercharged as a result of incorrect application of the rate schedule, incorrect reading of the meter, incorrect connection of the meter, or other similar reasons, the amount may be refunded or billed to the Customer as the case may be pursuant to Rules 25-30.340 and 25-30.350, Florida Administrative Code.
- 23.0 ADJUSTMENT OF BILLS FOR METER ERROR - When meter tests are made by the Commission or by the Company, the accuracy of registration of the meter and its performance shall conform with Rule 25-30.262, Florida Administrative Code and any adjustment of a bill due to a meter found to be in error as a result of any meter test performed whether for unauthorized use or for a meter found to be fast, slow, non-registering, or partially registering, shall conform with Rule 25-30.340, Florida Administrative Code.
- 24.0 METER ACCURACY REQUIREMENTS - All meters used by the Company should conform to the provisions of Rule 25-30.262, Florida Administrative Code.
- 25.0 FILING OF CONTRACTS - Whenever a Developer Agreement or Contract, Guaranteed Revenue Contract, or Special Contract or Agreement is entered into by the Company for the sale of its product or services in a manner not specifically covered by its Rules and Regulations or approved Rate Schedules, a copy of such contracts or agreements shall be filed with the Commission prior to its execution in accordance with Rule 25-9.034 and Rule 25-30.550, Florida Administrative Code. If such contracts or agreements are approved by the Commission, a conformed copy shall be placed on file with the Commission within 30 days of execution.

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

INDEX OF RATES AND CHARGES SCHEDULES

	<u>Sheet Number</u>
Bulk Raw Water, BRWS.....	14.0
Customer Deposits	15.0
General Service, GS.....	12.0
Meter Test Deposit	16.0
Miscellaneous Service Charges	17.0
Residential, RS	13.0
Service Availability Fees and Charges	18.0

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

GENERAL SERVICE

RATE SCHEDULE GS

AVAILABILITY - Available throughout the area served by the Company.

APPLICABILITY - For water service to all Customers for which no other schedule applies.

LIMITATIONS - Subject to all of the Rules and Regulations of this tariff and General Rules and Regulations of the Commission.

BILLING PERIOD - Monthly

RATE -

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8"	\$ 12.61
3/4"	18.92
1.0"	31.53
1.5"	63.05
2.0"	100.88

Gallage Charge per 1,000 gallons: \$ 2.94

TERMS OF PAYMENT - Bills are due and payable when rendered. In accordance with Rule 25-30.320, Florida Administrative Code, if a Customer is delinquent in paying the bill for water service, service may then be discontinued.

EFFECTIVE DATE -

TYPE OF FILING - Original Certificate

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

RESIDENTIAL SERVICE

RATE SCHEDULE RS

AVAILABILITY - Available throughout the area served by the company.

APPLICABILITY - For water service for all purposes in private residences.

LIMITATIONS - fSubject to all of the Rules and Regulations of this tariff and General Rules and Regulations of the Commission.

BILLING PERIOD - Monthly

RATE -

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8"	\$ 12.61
3/4"	18.92
1.0"	31.53
1.5"	63.05
2.0"	100.88

Gallonge Charge per 1,000 gallons: \$ 2.94

TERMS OF PAYMENT - Bills are due and payable when rendered. In accordance with Rule 25-30.320, Florida Administrative Code, if a Customer is delinquent in paying the bill for water service, service may then be discontinued.

EFFECTIVE DATE -

TYPE OF FILING - Original Certificate

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

BULK RAW WATER SERVICE

RATE SCHEDULE BRWS

AVAILABILITY - Available for all requests for bulk raw water purchased for treatment and resale.

APPLICABILITY - Available for all requests for bulk raw water purchased for treatment and resale.

LIMITATIONS - Subject to all of the Rules and Regulations of this Tariff and General Rules and Regulations of the Commission.

BILLING PERIOD - N/A

RATE - N/A

TERMS OF PAYMENT - Bills are due and payable when rendered. In accordance with Rule 25-30.320, Florida Administrative Code, if a Customer is delinquent in paying the bill for water service, service may then be discontinued.

EFFECTIVE DATE -

TYPE OF FILING - Original Certificate

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

CUSTOMER DEPOSITS

ESTABLISHMENT OF CREDIT - Before rendering water service, the Company may require an Applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the Customer from complying with the Company's rules for prompt payment. Credit will be deemed so established if the Customer complies with the requirements of Rule 25-30.311, Florida Administrative Code.

AMOUNT OF DEPOSIT - The amount of initial deposit shall be the following according to meter size:

	<u>General Service</u>
5/8" x 3/4"	<u>N/A</u>
1"	<u>N/A</u>
1 1/2"	<u>N/A</u>
Over 2"	<u>N/A</u>

ADDITIONAL DEPOSIT - Under Rule 25-30.311(7), Florida Administrative Code, the Company may require a new deposit, where previously waived or returned, or an additional deposit in order to secure payment of current bills provided.

INTEREST ON DEPOSIT - The Company shall pay interest on Customer deposits pursuant to Rules 25-30.311(4) and (4a). The Company will pay or credit accrued interest to the Customer's account during the month of _____ each year.

REFUND OF DEPOSIT - After a residential Customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the Company shall refund the Customer's deposit provided the Customer has met the requirements of Rule 25-30.311(5), Florida Administrative Code. The Company may hold the deposit of a non-residential Customer after a continuous service period of 23 months and shall pay interest on the non-residential Customer's deposit pursuant to Rules 25-30.311(4) and (5), Florida Administrative Code.

Nothing in this rule shall prohibit the Company from refunding a Customer's deposit in less than 23 months.

EFFECTIVE DATE -

TYPE OF FILING - Original Certificate

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

METER TEST DEPOSIT

METER BENCH TEST REQUEST - If any Customer requests a bench test of his or her water meter, in accordance with Rule 25-30.266, Florida Administrative Code, the Company may require a deposit to defray the cost of testing; such deposit shall not exceed the schedule of fees found in Rule 25-30.266, Florida Administrative Code.

<u>METER SIZE</u>	<u>FEE</u>
5/8" x 3/4"	\$20.00
1" and 1 1/2"	\$25.00
2" and over	Actual Cost

REFUND OF METER BENCH TEST DEPOSIT - The Company may refund the meter bench test deposit in accordance with Rule 25-30.266, Florida Administrative Code.

METER FIELD TEST REQUEST - A Customer may request a no-charge field test of the accuracy of a meter in accordance with Rule 25-30.266, Florida Administrative Code.

EFFECTIVE DATE -

TYPE OF FILING - Original Certificate

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

MISCELLANEOUS SERVICE CHARGES

The Company may charge the following miscellaneous service charges in accordance with the terms stated herein. If both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the Company require multiple actions.

INITIAL CONNECTION - This charge may be levied for service initiation at a location where service did not exist previously.

NORMAL RECONNECTION - This charge may be levied for transfer of service to a new Customer account at a previously served location or reconnection of service subsequent to a Customer requested disconnection.

VIOLATION RECONNECTION - This charge may be levied prior to reconnection of an existing Customer after disconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment.

PREMISES VISIT CHARGE (IN LIEU OF DISCONNECTION) - This charge may be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the Customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

Schedule of Miscellaneous Service Charges

Initial Connection Fee	\$ <u>15.00</u>
Normal Reconnection Fee	\$ <u>15.00</u>
Violation Reconnection Fee	\$ <u>Actual Cost (1)</u>
Premises Visit Fee (in lieu of disconnection)	\$ <u>10.00</u>

EFFECTIVE DATE -TYPE OF FILING - Original Certificate

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.
WATER TARIFFSERVICE AVAILABILITY FEES AND CHARGES

<u>Description</u>	<u>Refer to Service Availability Policy</u>	
	<u>Amount</u>	<u>Sheet No./Rule No.</u>
<u>Back-Flow Preventor Installation Fee</u>		
5/8" x 3/4"	\$	
1"	\$	
1 1/2"	\$	
2"	\$ ¹	
Over 2"	\$ ¹	
<u>Customer Connection (Tap-in) Charge</u>		
5/8" metered service	\$	
1" metered service	\$	
1 1/2" metered service	\$	
2" metered service	\$ ¹	
Over 2" metered service	\$ ¹	
<u>Guaranteed Revenue Charge</u>		
With Prepayment of Service Availability Charges:		
Residential-per ERC/month (__ GPD)	\$	
All others-per gallon/month	\$	
Without Prepayment of Service Availability Charges:		
Residential-per ERC/month (__ GPD)	\$	
All others-per gallon/month	\$ ¹	
<u>Inspection Fee</u>	\$ ¹	
<u>Main Extension Charge</u>		
Residential-per ERC (__ GPD)	\$	
All others-per gallon	\$	
or		
Residential-per lot (__ foot frontage)	\$	
All others-per front foot	\$	
<u>Meter Installation Fee</u>		
5/8"	\$	200.00
3/4"	\$	250.00
1"	\$	300.00
1 1/2"	\$	450.00
2"	\$ ¹	600.00
Over 2"	\$ ¹	
<u>Plan Review Charge</u>	\$ ¹	
<u>Plant Capacity Charge</u>		
Residential-per ERC (350GPD)	\$	293.66
General Service per ERC (350GPD)	\$	293.66
All others-per gallon	\$	0.84
<u>System Capacity Charge</u>		
Residential-per ERC (__ GPD)	\$	
All others-per gallon	\$	

¹Actual Cost is equal to the total cost incurred for services rendered.EFFECTIVE DATE –TYPE OF FILING - Original Application

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.
WATER TARIFF

INDEX OF STANDARD FORMS

<u>Description</u>	<u>Sheet No.</u>
APPLICATION FOR METER INSTALLATION.....	22.0
APPLICATION FOR WATER SERVICE	21.0
COPY OF CUSTOMER'S BILL	23.0
CUSTOMER'S GUARANTEE DEPOSIT RECEIPT	20.0

ISSUING OFFICER

TITLE

ORIGINAL SHEET NO. 20.0

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

CUSTOMER'S GUARANTEE DEPOSIT RECEIPT

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

Application for Water Service

Name _____

Telephone Number

Billing Address

City

State

Zip

Service Address

City

State

Zip

Date service should begin

By signing this agreement, the Customer agrees to the following:

1. The Company shall not be responsible for the maintenance and operation of the Customer's pipes and facilities. The Customer agrees not to utilize any appliance or device which is not properly constructed, controlled and protected or which may adversely affect the water service; the Company reserves the right to discontinue or withhold water service to such apparatus or device.
2. The Company may refuse or discontinue water service rendered under application made by any member or agent of a household, organization, or business for any of the reasons contained in Rule 25-30.320, Florida Administrative Code. Any unauthorized connections to the Customer's water service shall be subject to immediate discontinuance without notice, in accordance with Rule 25-30.320, Florida Administrative Code.
3. The Customer agrees to abide by all existing Company Rules and Regulations as contained in the tariff. In addition, the Customer has received from the Company a copy of the brochure "Your Water and Wastewater Service" produced by the Florida Public Service Commission.
4. Bills for water service will be rendered - Monthly, Bimonthly, or Quarterly - as stated in the rate schedule. Bills must be paid within 20 days of mailing bills. If payment is not made after five working days written notice, service may be discontinued.
5. When a Customer wishes to terminate service on any premises where water and/or wastewater service is supplied by the Company, the Company may require (oral, written) notice within ____ days prior to the date the Customer desires to terminate service.

Signature

Date

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

APPLICATION FOR METER INSTALLATION

ISSUING OFFICER

TITLE

ORIGINAL SHEET NO. 23.0

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

COPY OF CUSTOMER'S BILL

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

INDEX OF SERVICE AVAILABILITY

<u>Description</u>	<u>Sheet Number</u>
Schedule of Fees and Charges	Go to Sheet No. 18.0
Service Availability Policy	25.0

ISSUING OFFICER

TITLE

B & C WATER RESOURCES, L.L.C.

WATER TARIFF

SERVICE AVAILABILITY POLICY

The Company will provide service to any customer within its certificated territory requesting service upon application and payment of the required meter installation and plant capacity charges as shown on Tariff Sheet No. 18. Service provided will be in compliance with such requirements as may be appropriate under the provisions of the Company's tariff and the rules and statutes of the Florida Public Service Commission and State of Florida.

ISSUING OFFICER

TITLE