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September 20, 2005

Via Hand Delivery

Jennifer Brubaker, Esq.
Florida Public Service Commission
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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COMMISSION
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RE: Docket No. 040952-WS - Joint Application for Approval of Sale of Florida Water Service Corporation's Land, Facilities and Certificates for Chuluota Systems in Seminole Count to Aqua Utilities Florida, Inc.

Dear Ms. Brubaker:

The purpose of this letter is to advise Staff of the terms of settlement of an easement dispute that has arisen involving the Chuluota System sprayfield and owners of parcels of land that are located adjacent to the Chuluota sprayfield. Pursuant to the terms of the settlement agreement, Aqua Utilities Florida, Inc. ("Aqua Utilities"), as the current owner of the Chuluota system land and facilities, has agreed to convey a 45 x 660 foot strip of land located on the perimeter of the Chuluota sprayfield to one of the parties involved in the easement dispute.

CMP
COM Florida Water Services Corporation ("Florida Water") and Aqua Utilities are in agreement
CTR that in establishing rate base for the purposes of this transfer, the Commission should reduce rate
ECR base by the appropriate amount to reflect the conveyance of the strip of land. As provided in more
GCL detail below, Florida Water and Aqua Utilities have agreed that a reduction in the amount of
OPC \$4,865.00 should be made to rate base in relation to the wastewater land associated with the
RCA Chuluota system.
SCR Easement Dispute
SGA Sanctuary-Oviedo Limited Partnership ("Sanctuary") owns property that is adjacent to the
SEC Chuluota sprayfield and is in the process of developing the property as a multi-family residential
OTH subdivision. In the process of the development, Sanctuary discovered an access easement that had

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been granted by its predecessor-in-title in favor of another adjacent tract of property that is currently owned by Thomas and Sally Chitty (the "Chitty Property"). A 10-acre portion of Sanctuary's Property as well as the 40-acre Chuluota sprayfield are encumbered by the access easement. The document creating the access easement states in part that it is "an easement for ingress and egress to the . . . [10 acre Sanctuary Property and the Chuluota sprayfield]". The Chittys have taken the position that the easement for ingress and egress is a "blanket easement" and therefore covers the entire 10-acre site and 40-acre Chuluota sprayfield.

Sanctuary filed a two-count Complaint in the Eighteenth Judicial Circuit Court in and for Seminole County against the Chittys and Florida Water/Aqua Utilities¹ seeking a declaratory judgment that the access easement is not, as contended by the Chittys, a "blanket easement" and also seeking a determination as to reasonable access to the Chitty Property. The Chittys subsequently filed a Counterclaim against Sanctuary. In the course of the ongoing litigation, the parties engaged in settlement discussions and were able to reach a potential settlement agreement. Under the terms of the settlement agreement, Aqua Utilities will convey a 45 x 660-foot strip of land located on the edge of the Chuluota sprayfield to The Chittys.

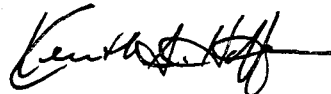
Rate Base Reduction

As stated previously, Florida Water and Aqua Utilities are in agreement that for purposes of the transfer docket, a reduction in the amount of \$4,865.00 should be made to rate base to reflect the conveyance of the strip of land to The Chittys.

The adjustment of \$4,865.00 is based on the following: The entire Chuluota sprayfield parcel measures a total of 1,742,400 square feet, and was booked by Florida Water for \$286,195.50. The strip of land that will be conveyed to Mr. Chitty measures 45 x 660 feet, or 29,700 square feet, which is 1.7% of the total parcel. 1.7% of \$286,195.40 is \$4,865.00, which is the amount that Aqua Utilities and Florida Water believe to be the correct and appropriate amount of rate base reduction.

Should you have any questions regarding the matters contained herein, or should you require any additional information, please do not hesitate to contact me.

Sincerely,



Kenneth A. Hoffman

¹ As the owner of the Chuluota sprayfield at the time Sanctuary filed its Complaint, Florida Water was one of the defendants named in Sanctuary's Complaint. Upon the transfer of the Chuluota System's land and facilities to Aqua Utilities, Florida Water was dismissed as a defendant and replaced by Aqua Utilities.

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

cc: Melissa Taylor, Esq.
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Patti Daniel, Division of Economic Regulation
✓ Blanca Bayo, Director, Commission Clerk and Administrative Services