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REPLY TO CENTRAL FLORIDA OFFICE

MARTIN S. FRIEDMAN, P.A.  
VALERIE L. LORD  
BRIAN J. STREET

June 19, 2007

VIA HAND DELIVERY

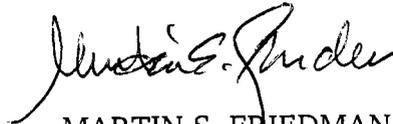
Ann Cole, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

Re: Docket No. 030106-SU; Application for Staff-Assisted Rate Case by Environmental Protection Systems of Pine Island, Inc.  
Our File No.: 31099.03

Dear Ms. Cole:

Enclosed please find for filing in the above-referenced docket is Environmental Protection Systems of Pine Island, Inc.'s Settlement Proposal.

Very truly yours,



MARTIN S. FRIEDMAN  
For the Firm

MSF/mp  
Enclosure

cc: Ms. Jennifer Brubaker, Office of General Counsel (w/enclosure) (via Hand Delivery)  
Mr. Kevin J. Cherry (w/enclosure)

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Lee County, Florida by ENVIRONMENTAL PROTECTION SYSTEMS OF PINE ISLAND, INC.

DOCKET NO. 030106-SU

ENVIRONMENTAL PROTECTION SYSTEMS OF PINE ISLAND, INC.'S SETTLEMENT PROPOSAL

Applicant, ENVIRONMENTAL PROTECTION SYSTEMS OF PINE ISLAND, INC. ("EPS" or "Utility"), by and through its undersigned attorneys, files this Settlement Proposal with regard to its Petition on Proposed Agency Action protesting Order No.: PSC-07-0426-PAA-SU.

1. Test Year Ended 12/31/06 - Schedule of Wastewater Rate Base. EPS disagrees with item 3. Non-used and useful components;

EPS has booked the non-used and useful components as other assets not as part of other plant. When EPS hooks up a new customer, it credits this account and debits other plant. EPS also credits CIAC for the receipt of fees. This amount should not have been deducted.

Rate Base per schedule	\$ 469,677
Non-used component deducted	\$ <u>159,999</u>
Corrected Rate Base	\$ <u>629,676</u>
Effect to refund - reduction	\$ 159,999 @ 6.25 = \$9,999.94

2. In all years salary expense per the Utility was reduced by payroll taxes and benefits. The Utility added the benefits and salary allowed per the staff assisted rate case and added the payroll taxes to that amount. In a Subchapter "S" Corp, benefits to a 2% or more stockholder are considered salary and must go on W-2. The amount of payroll taxes

of \$5,220 was left out of the Staff Assisted Rate Case so EPS added it as salary expense. This should have been posted as taxes other than income. The amounts deducted should be added back:

12/31/06	\$ 17,706
12/31/05	\$ 17,706
12/31/04	\$ <u>18,754</u>
<b>TOTAL</b>	<b>\$ 54,166</b>

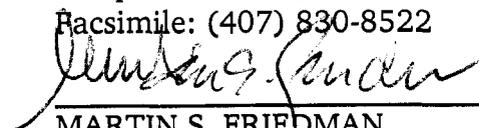
3. The summary of the effect of these adjustments is a reduction in the refund due EPS customers in the amount of \$64,166. EPS requests the allocation as follows:

<u>Period</u>	<u>Revenue</u>	<u>%</u>	<u>Refund Per FPSC</u>	<u>Reduction Request</u>	<u>Settlement Amount</u>	<u>%</u>
11/15/03 - 8/04/04	147,396.22	35.64	52,532.02	27,365.79	25,166.23	17.07
8/05/04 - 12/31/04	82,237.65	8.97	7,376.72	7,376.72	-0-	-0-
1/01/05 - 8/01/07	616,844.59	4.77	29,423.49	29,423.29	-0-	-0-
<b>TOTAL REFUND</b>			<b>89,332.23</b>	<b>64,166.00</b>	<b>25,166.23</b>	

In addition, EPS requests no adjustment to its current rates since it is not over earning on a prospective basis.

Respectfully submitted this 18<sup>th</sup> day of June, 2007, by:

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MARTIN S. FRIEDMAN  
 Florida Bar Number: 0199060  
 For the Firm

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by

U.S. Mail this 18<sup>th</sup> day of June, 2007, to:

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



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MARTIN S. FRIEDMAN  
For the Firm