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IN REPLY REFER TO:

June 24, 1999

Tampa Office

Public Service Commission
Records and Reportings
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket Nos. 9⁵0495-WS and 980744-WS

Gentlemen:

Enclosed please find the following for proper filing in the above-captioned case:

RESPONSE OF SUGARMILL WOODS CIVIC ASSOCIATION
TO FWSC'S MOTION FOR APPROVAL OF NEW OFFER OF SETTLEMENT
AND PROPOSAL FOR DISPOSITION OF MANDATE ON REMAND
(Original and fifteen copies)

Would you please be so kind as to stamp the enclosed copy of this transmittal letter when received and return same to this office in the enclosed stamped self-addressed envelope. Thank you.

Sincerely,

Susan W. Fox

Susan W. Fox

(Signed for attorney to avoid delay)

AFA 2 SWF/ce
APP _____
CAF _____ Enclosures
CMU _____
CTR _____
EAG _____
LEG 4 _____
MAS 5 _____
CPC _____
RFR _____
SEC 1 _____
WAW Willis
OTR Leach dkt

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PUBLIC CLERK OF RECORDS

DOCUMENT NUMBER-DATE

07768 JUN 28 99

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate) DOCKET NO. 950495-WS
 increase and increase in service)
 availability charges by Southern)
 States Utilities, Inc. for)
 Orange-Osceola Utilities, Inc.)
 in Osceola County, and in)
 Bradford, Brevard, Charlotte,)
 Citrus, Clay, Collier, Duval,)
 Highlands, Lake, Lee, Marion,)
 Martin, Nassau, Orange, Osceola,)
 Pasco, Putnam, Seminole, St.)
 Johns, St. Lucie, Volusia, and)
 Washington Counties.)
 _____)

In re: Investigation into ratemaking)
 considerations of gain on sale from)
 sale of facilities of Florida Water) DOCKET NO. 980744-WS
 Services Corporation to Orange)
 County.)
 _____)

RESPONSE OF SUGARMILL WOODS CIVIC ASSOCIATION
 TO FWSC'S MOTION FOR APPROVAL OF
 NEW OFFER OF SETTLEMENT AND
 PROPOSAL FOR DISPOSITION OF MANDATE ON REMAND

SUGARMILL WOODS CIVIC ASSOCIATION hereby objects to the motion filed by Florida Water Services Company (FWSC) for approval of new offer of settlement and proposal for disposition of mandate on remand. Without the consent and agreement of all parties, this Commission is without authority to approve settlement or to deny any of the parties their right to full administrative proceedings.

This case is before the Commission on remand from the First District Court of Appeal for further justification of the changes in Commission policy with regard to several accounting issues. See

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Southern States Utilities v. Florida Public Service Commission, 714 So.2d 1046 (Fla. 1st DCA 1998). The Commission has determined the scope of further proceedings on remand, but such proceedings have been temporarily abated pending FWSC's motion to the appellate court to challenge the consistency of those proceedings with the mandate.

FWSC now submits a proposed settlement which has been approved by only a small percentage of the affected customers, and unfairly favors those customers at the expense of other customers. The hearing process must be completed before the Commission can determine the amount of rates, refunds and surcharges, and the equitable allocation or rate structure for assessment of such amounts among the customer groups.

Besides objecting to the lack of due process and unfairness of the proposed settlement, Sugarmill Woods has specific objections to FWSC's proposal.

First, the proposed reduction in prospective Category II rate increase is overstated. There may be no rate increase if the Commission determines on remand that the evidence supports the change in policy. Therefore, the Commission should proceed to take the necessary testimony on this issue and to decide it on the merits.

Second, FWSC's proposal to book Category I and II surcharges as a regulatory asset would ultimately charge the wrong customers for the surcharges. Not only would the proposal shift the expense to future customers, rather than the current customers from whom the surcharges are due, the methodology suggested would create a

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"uniform" surcharge, rather than correlate the liability for the surcharges to particular systems and allocate them on a stand alone or capband basis. Allocated surcharges on a uniform basis would be a departure from the Commission's policy favoring capband rates.

The so-called "three year stay out" is unauthorized. It would prohibit the Commission from responding to petitions that may be brought by affected customers. Such a provision would abdicate the Commission's statutory oversight responsibility. Moreover, the suggested split of excess earnings would allow FWSC to earn above a reasonable rate of return. Such a split is impractical because there would be no way to audit or verify FWSC's calculation of the split.

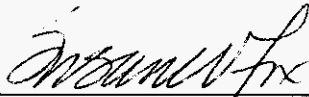
It would be improper to close the Orange County docket and let FWSC's shareholders retain the full gain on sale. Since the Orange County systems were jurisdictional systems at the time of this proceeding, the gain on sale must enure to the benefit of all the customers and be considered part of FWSC's return on equity.

The proposed deferral of rate case expense amounts to no real benefit to FWSC's customers. Since there is no waiver of interest, this proposal shifts the burden from current to future customers.

Lastly, the motion incorrectly states that interim rate refunds affect only the Marco and Lehigh customers. There may be interim rate refunds due Sugarmill Woods. Since liability for interim rate refunds has not yet been determined, an order disposing of this issue prematurely would be improper.

For these reasons, the Commission should deny the proposed settlement and proceed with the hearings on remand.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the above and foregoing has been furnished via U.S. Mail, postage prepaid, this 24th day of June, 1999 to the following persons:

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