

ORIGINAL

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

RECEIVED-FPSC
01 JAN 10 PM 4:40

STEPHEN A. ECENIA
JOHN R. ELLIS
KENNETH A. HOFFMAN
THOMAS W. KONRAD
MICHAEL G. MAIDA
MARTIN P. McDONNELL

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

RECORDS AND REPORTING

J. STEPHEN MENTON
R. DAVID PRESCOTT
HAROLD F. X. PURNELL
GARY R. RUTLEDGE
GOVERNMENTAL CONSULTANTS
M. LANE STEPHENS

January 10, 2001

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

Re: Docket No. 920199-WS

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Water Services Corporation ("Florida Water") are the following documents:

1. Original and fifteen copies of Florida Water's Motion to Approve Settlement Agreement Extension Concerning Spring Hill Appeal; and
2. A disk in Word Perfect 6.0 containing a copy of the Motion.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,


Kenneth A. Hoffman

APP _____
 CAF _____
 CMP _____
 COM 5 _____
 CTR _____
 ECR _____
 LEG 1 _____
 OPC _____
 PAI _____
 RGO _____
 SEC 1 _____
 SER _____
 OTH _____

KAH/rl
Enclosures

cc: All Parties of Record
Bayo.110

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

00461 JAN 10 01

FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of)
Southern States Utilities,)
Inc. and Deltona Utilities,)
Inc. for Increased Water and)
and Wastewater Rates in Citrus,)
Nassau, Seminole, Osceola, Duval,)
Putnam, Charlotte, Lee, Lake,)
Orange, Marion, Volusia, Martin,)
Clay, Brevard, Highlands,)
Collier, Pasco, Hernando, and)
Washington Counties.)
_____)

Docket No. 920199-WS

Filed: January 10, 2001

**FLORIDA WATER SERVICES CORPORATION'S
MOTION TO APPROVE SETTLEMENT AGREEMENT
EXTENSION CONCERNING SPRING HILL APPEAL**

Florida Water Services Corporation ("Florida Water"), by and through its undersigned counsel, and pursuant to Rule 28-106.204(1), Florida Administrative Code, hereby requests the Commission to approve the Settlement Agreement Extension entered into between Florida Water and Hernando County which resolves all pending issues arising out of Florida Water's appeal of that portion of Order No. PSC-98-0143-FOF-WS issued January 26, 1998 ("Final Order") requiring Florida Water to provide refunds to the customers of the Spring Hill water and wastewater systems for the period of January 23, 1996 through June 13, 1997. In support of this Motion, Florida Water states as follows:

BACKGROUND

1. This matter arises from a rate case filed by Florida Water's predecessor, Southern States Utilities, Inc., in June of 1992. In the case, Florida Water sought rate relief for 127 of its water and wastewater systems regulated by the Commission. The Commission issued its final order

DOCUMENT NUMBER-DATE

00461 JAN 10 2001

FPSC-RECORDS/REPORTING

in the rate case on March 22, 1993.¹ In that order, the Commission rejected Florida Water's proposal for a modified stand-alone rate structure and, instead, imposed a uniform rate structure.

2. The March 1993 final order was appealed. The First District Court of Appeal reversed the uniform rate structure on the ground that Florida Water had failed to present competent substantial evidence demonstrating that the 127 systems at issue were "functionally related", a requirement found in Section 367.171(7), Florida Statutes, which addresses the respective jurisdictional authority of the Commission and individual counties over private water and wastewater utilities. See Citrus County v. Southern States Utilities, 656 So.2d 1307 (Fla. 1st DCA), rev. den., 663 So.2d 631 (Fla. 1995) ("Citrus County").

3. On October 19, 1995, the Commission issued its initial order on remand, approving Florida Water's originally proposed modified stand-alone rate structure and ordering Florida Water to pay refunds to customers who had overpaid under the uniform rate structure (the "Initial Refund Order").² The modified stand-alone rate structure was implemented on January 23, 1996 - - not in this docket, but in the docket involving Florida Water's subsequent rate case, Docket No. 950495-WS (the "1995 Rate Case"), as a predicate for securing interim rate relief in that case.³ Modified stand-alone rates were not implemented for the Spring Hill facilities in the 1995 Rate Case, however, because: (a) the Hernando County Board of County Commissioners had taken away the

¹In re: Application for rate increase by SOUTHERN STATES UTILITIES, INC., 93 F.P.S.C. 3:504 (1993).

²In Re: Application for a Rate Increase by SOUTHERN STATES UTILITIES, INC., 95 F.P.S.C. 10:371 (1995).

³In re: Application for rate increase by Southern States Utilities, Inc., 96 F.P.S.C. 1:475 (1996).

Commission's jurisdiction over the Spring Hill land and facilities⁴; and (b) the Commission, on its own motion, had removed the Spring Hill land and facilities from the 1995 Rate Case.⁵

4. Florida Water moved for reconsideration of the Commission's Initial Refund Order, requesting that the Commission rescind any refund requirement or alternatively provide authority to impose equivalent surcharges, and requesting that the Commission reinstitute the uniform rate structure. At a February 20, 1996 Agenda Conference, the Commission voted to deny all of Florida Water's reconsideration requests, including the request: (a) to reaffirm the uniform rate structure, and (b) to rescind the refund requirement, or to offset refunds by equivalent surcharges. However, before the Order denying Florida Water's motion was issued, the Supreme Court of Florida issued its opinion in GTE Florida, Inc. v. Clark, 668 So.2d 971 (Fla. 1996) ("GTE Florida"), leading the Commission to reconsider its Initial Refund Order sua sponte and to order the parties to file briefs addressing what action the Commission should take in light of the GTE Florida decision.⁶

5. After further reconsideration in light of the GTE Florida decision, on August 14, 1996, the Commission issued its Final Refund Order ordering Florida Water to make a one-sided refund to customers who had paid more under a uniform rate than they would have if the modified stand-alone rates originally requested by Florida Water had not been rejected by the Commission

⁴In re: Request for Acknowledgment of Resolution Rescinding Florida Public Service Commission Jurisdiction over Private Water and Wastewater Utilities in Hernando County, 94 F.P.S.C. 6:172 (1994).

⁵In re: Application for rate increase by Southern States Utilities, Inc., 95 F.P.S.C. 11:301 (1995).

⁶In Re: Application for Rate Increase by SOUTHERN STATES UTILITIES, INC., 96 F.P.S.C. 3:324 (1996).

in favor of the uniform rate structure. The Commission also reaffirmed and incorporated its previous findings in the Initial Refund Order, including its rejection of the uniform rate structure in favor of the modified stand-alone rate structure.⁷ By the time the Final Refund Order was issued, however, modified stand-alone rates had been implemented in the 1995 Rate Case for all of the affected service areas except Spring Hill because the Commission had removed Spring Hill from Florida Water's 1995 Rate Case.

6. The Final Refund Order was appealed. The First District Court of Appeal reversed the Final Refund Order and remanded the case to the Commission for further proceedings. Southern States Utility, Inc. v. Florida Public Service Commission, 704 So.2d 555 (Fla. 1st DCA 1997) ("Southern States I").

7. On remand from the Southern States I decision, the Commission conducted further proceedings and ultimately issued its Final Order on January 26, 1998, declining to order refunds and surcharges for the period between the implementation of the final uniform rates in September 1993 and January 23, 1996, the date on which modified stand-alone rates were implemented in the 1995 Rate Case. However, the Commission did order Florida Water to provide refunds, without commensurate surcharges, to the Spring Hill water and wastewater customers for the period of January 23, 1996 through June 13, 1997, the effective date of Florida Water's initial settlement agreement with Hernando County establishing rates for the Spring Hills systems on a prospective basis.

⁷In re: Application for Rate Increase by SOUTHERN STATES UTILITIES, INC., 96 F.P.S.C. 8:198 (1996).

8. The January 26, 1998 Final Order also was appealed. The refund/surcharge portion of the Final Order was appealed by Sugarmill Woods Civic Association, Inc. and other parties desiring refunds. The Spring Hill refund portion of the Final Order was appealed by Florida Water. Florida Water's Motion to Stay the Spring Hill refund requirement pending the court's decision was granted by the Commission.

THE SETTLEMENT AGREEMENT EXTENSION

9. In the Spring Hill appeal, the Commission and the Office of Public Counsel defend and support that portion of the Final Order imposing the Spring Hill refund requirement. Florida Water challenges the Spring Hill refund requirement on numerous grounds, specifically that: (a) in light of the First District Court of Appeal's decision rescinding the "functionally related" test for a uniform rate structure in Southern States II,⁸ the uniform rate structure ordered by the Commission in its March 1993 final order was lawful and could not provide the basis for refunds; (b) under GTE Florida, any refund requirement must be accompanied by authority for Florida Water to collect commensurate surcharges from Florida Water's remaining customers; (c) the revenue derived from the uniform rates collected by Florida Water from January 23, 1996 through June 13, 1997 was less than the revenue Florida Water would have collected under stand-alone rates for the same time period, and therefore, Florida Water should be authorized to collect surcharges - - not make refunds - - for the appropriate time period at issue; and (d) any refund liability of Florida Water should be limited to the period of August 14, 1996, the date of the Final Refund Order through June 13, 1997, the effective date of the initial settlement agreement with Hernando County.

⁸Southern States Utilities v. Florida Public Service Commission, 714 So.2d 1046 (Fla. 1st DCA 1998).

10. On December 12, 2000, Florida Water and Hernando County executed a Settlement Agreement Extension resolving all issues arising out the Spring Hill refund appeal. The Settlement Agreement Extension is an extension of the Settlement Agreement entered into between Florida Water and Hernando County dated July 17, 1997, which established new water and wastewater rates effective June 14, 1997. The Settlement Agreement Extension is supported by Intervenor Spring Hill Civic Association, Inc., a group comprising the substantial portion of Florida Water's customers in the Spring Hill service area. The Settlement Agreement Extension was approved by the Hernando County Board of County Commissioners by Order entered December 12, 2000. Copies of the Settlement Agreement Extension, the July 1997 Settlement Agreement, attachments to the Settlement Agreement Extension and the Order approving the Settlement Agreement Extension are attached hereto as Composite Exhibit A.

11. The current amount of any Spring Hill refund remains at issue before the court. As previously stated, Florida Water's position is that the appropriate lawful period for any refunds (and surcharges) is August 14, 1996 through June 13, 1997, which equates to potential refunds (and surcharges), including interest, of approximately \$1.62 million. The Commission and the Office of Public Counsel, on the other hand, maintain that the appropriate lawful refund period is January 23, 1996 through June 13, 1997, which equates to potential refunds, including interest, of approximately \$3.1 million. See Attachment 1, page 1 of 10, to Composite Exhibit A.

12. Pursuant to the Settlement Agreement Extension, Florida Water has agreed to provide rate reductions over the three year period of the Settlement Agreement Extension totalling \$1,862,000. Florida Water has also agreed to abstain from filing for a rate increase for the Spring Hill water or wastewater systems for a period of three years unless a petition or complaint is filed

by or with Hernando County seeking a decrease in Florida Water's Spring Hill rates or if Hernando County pursues an earning investigation or decrease in Florida Water's rates. Under the Settlement Agreement Extension, Florida Water is allowed to implement indexing and pass-through increases for the three year period. The terms and conditions of the three year stay-out period reflected in the Settlement Agreement Extension are consistent with those previously approved by the Commission for Florida Water on remand of the Southern States II decision and on remand from the First District Court of Appeal's reversal of the Commission's final order concerning the application for increased rates for the Palm Coast water and wastewater systems which were ultimately acquired by Florida Water.⁹

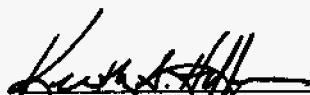
13. Florida Water maintains that approval of the Settlement Agreement Extension is in the public interest. If the court were to reverse that portion of the final order concerning the Spring Hill refund and remand for further proceedings addressing surcharges, Florida Water and its customers will be faced with another round of Commission hearings and appeals and the substantial rate case expense associated therewith. Florida Water, the Spring Hill Civic Association and Hernando County have entered into an agreement which brings at least a portion of this rate case, which has been on-going for over eight years, to a close. The Settlement Agreement Extension provides substantial benefits in the form of reduced rates to the Spring Hill water and wastewater customers of Florida Water as well as rate stability and elimination of additional rate case expense.

⁹See Order No. PSC-99-1794-FOF-WS issued September 14, 1999 in Docket No. 950495-WS (1995 Rate Case) and Order No. PSC-00-1879-AS-WS issued October 16, 2000 in Docket No. 951056-WS on remand in the Palm Coast rate case.

14. Finally, Florida Water notes that oral argument on both the refund/surcharge appeal and the Spring Hill appeal is scheduled to take place before the First District Court of Appeal on February 21, 2001. At Florida Water's request, the court has relinquished jurisdiction of the Spring Hill refund appeal for a period up to and until February 8, 2001, for the purpose of allowing the Commission to consider the settlement agreement extension. Accordingly, Florida Water requests that the Commission act on this Motion and approve the Settlement Agreement Extension no later than its February 6, 2001 Agenda Conference.

WHEREFORE, for the foregoing reasons, Florida Water respectfully requests that the Commission approve the Settlement Agreement Extension attached hereto in Composite Exhibit A on or before February 6, 2001.

Respectfully submitted,



KENNETH A. HOFFMAN, ESQ.
RUTLEDGE, ECENIA, PURNELL & HOFFMAN, P.A.
P. O. Box 551
Tallahassee, FL 32302-0551
(850) 681-6788

Attorney for Florida Water Services Corporation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished by U.S. Mail this 10th day of January, 2001 to the following:

Christiana T. Moore, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Room 301G
Gerald L. Gunter Building
Tallahassee, FL 32399-0850

Susan W. Fox, Esq.
MacFarlane, Ferguson
P. O. Box 1531
Tampa, Florida 33601

Michael B. Twomey, Esq.
P. O. Box 5256
Tallahassee, Florida 31314-5256

Charles J. Beck, Esq.
Office of Public Counsel
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400

Joseph A. McGlothlin, Esq.
Vicki Gordon Kaufman, Esq.
117 South Gadsden Street
Tallahassee, FL 32301

Darol H. M. Carr, Esq.
Farr, Farr, Emerich, Sifrit, Hackett & Carr,
P.A.
2315 Aaron Street
Port Charlotte, FL 33949

Arthur Jacobs, Esq.
P. O. Box 1110
Fernandina Beach, FL 32305-1110

Charles R. Forman, Esq.
320 Northwest 3RD Avenue
Ocala, FL 34475

John R. Marks, III, Esq.
215 S. Monroe Street
Suite 130
Tallahassee, FL 32301

Renee Lee, Esq.
Charlotte County
18500 Murdock Circle
Port Charlotte, FL 33948-1094

By: 
KENNETH A. HOFFMAN, ESQ.

Roxanne\920199\1.10motion

Board of County Commissioners
Hernando County
COUNTY ATTORNEY'S OFFICE

12/18/00



Garth C. Collier, County Attorney
William P. Buztrey, Chief Assistant County Attorney
Kent L. Weissinger, Assistant County Attorney
Susan H. Bishop, Legal Administrator

20 N Main Street, Suite 462
Brooksville, FL 34601
352-754-4009 Voice Mail
352-754-4001 Fax
352-754-4122

December 15, 2000

Ken Hoffman
Rutledge, Ecenia, Purcell & Hoffman
215 South Monroe Street
Suite 420
Tallahassee FL 32301

(850) 681-6788

Re: Order of Hernando County Board of County Commissioners

Dear Ken:

Enclosed is an original Order of the Board regarding approval of the Settlement Agreement Extension, per your request, along with a copy of the Extension for attachment. Please advise if I can be of any additional assistance. An original of the Extension is going out today to Apopka.

Sincerely,

Kent L. Weissinger

Encl.
cc: Chuck Lewis

COMPOSITE EXHIBIT A

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
HERNANDO COUNTY, FLORIDA**

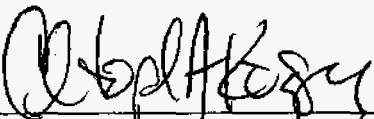
ORDER

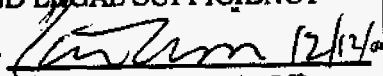
On this 12th day of December, 2000, the Hernando County Board of County Commissioners considered the Settlement Agreement Extension entered into by and between Florida Water Services Corporation and Hernando County and determined that the Settlement Agreement Extension provides substantial benefits to the Spring Hill water and wastewater customers of Florida Water Services Corporation including reduced rates, rate stability and elimination of additional rate case expense, and is in the public interest.

Therefore, by vote of 5--0 on this 12th day of December, 2000, the Hernando County Board of County Commissioners hereby approves the Settlement Agreement Extension and authorizes the undersigned as Chairman of the Board to execute the Settlement Agreement Extension by and between Florida Water Services Corporation and Hernando County, and directs staff to take all necessary actions to secure approval of the Settlement Agreement Extension by the Florida Public Service Commission.



ATTEST: Karen Nicolai
Clerk to the Board


BY: Christopher A. Kingsley
Chairman

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY
BY  12/12/00
County Attorney's Office

SETTLEMENT AGREEMENT EXTENSION

THIS SETTLEMENT AGREEMENT EXTENSION made and entered into this 12 day of December, 2000, by and between

HERNANDO COUNTY, FLORIDA (hereinafter called the "County"),

and

FLORIDA WATER SERVICES CORPORATION, a Florida corporation (hereinafter called "Florida Water"),

WITNESSETH:

WHEREAS, the County and Florida Water (collectively called the "parties") entered into a Settlement Agreement on July 17, 1997, to resolve certain litigation in the Circuit Court of the Fifth Judicial Circuit in and for Hernando County, Florida in the cases of: Florida Water Services Corporation vs. Hernando County and its Board of County Commissioners, Case No. 94-769-CA; and Hernando County vs. Southern States Utilities, Case No. 96-192-CA; and various other regulatory dockets, including Docket No. 94-01, 96-01, and 97-02-WS, which said regulatory dockets address substantially the same issues as addressed in Hernando County Docket No. 97-01-WS, involving the authority of Florida Water to charge customers of Florida Water's Spring Hill Water Distribution and Wastewater Collection and Treatment Systems certain rates, and

WHEREAS, the Settlement Agreement of July 17, 1997, proved to be beneficial to the parties and to the customers and ratepayers of Florida Water during the term of the Agreement, and

WHEREAS, the Settlement Agreement of July 17, 1997, has now expired by its own terms, and

WHEREAS, there is currently pending before the First District Court of Appeal an appellate matter involving an order of the Florida Public Service Commission ("PSC") relating to refunds that may or may not be determined due to certain Florida Water

customers in Hernando County for periods from January 23, 1996, through June 13, 1997, and

WHEREAS, the **County** and **Florida Water** desire to extend the July 17, 1997, Settlement Agreement terms for a period of three years from the date of a Final Order of the Florida Public Service Commission approving this Settlement Agreement Extension, with such specific modifications as are expressly set forth herein, in the interest of resolving the uncertainty of the pending administrative and appellate litigation and providing the Spring Hill customers and ratepayers of **Florida Water** with an appropriate measure of prospective water rate reduction in the amount of \$1,862,000 over a three year period, in view of the contentions before the PSC and the appellate court with respect to refund issues, and in the further interest of avoiding future disputes between the parties regarding rate matters for the duration of the Settlement Agreement Extension.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES, COVENANTS AND AGREEMENTS HEREIN CONTAINED, the parties hereto agree as follows:

1. Except as expressly modified herein, the parties confirm and ratify the terms of the Settlement Agreement of July 17, 1997, a correct copy of which is attached hereto as Exhibit A, and agree that said unmodified terms shall remain in effect for the duration of this Extension.

2. **Florida Water** shall abstain from filing a petition for increased water or wastewater rates for the Spring Hill service area in Hernando County for a period of three years following execution of all necessary Court, County, and PSC orders accepting the terms set forth herein and thereby relieving **Florida Water** of any liability associated with a refund/surcharge order on appeal in the First District Court of Appeal, Case No. 98-727, provided that indexing and pass-through increases would be allowed for this three year period, and provided further that if a petition or complaint is filed by or with **County** seeking a decrease in **Florida Water's** Spring Hill rates or if **County** pursues an earnings investigation or decrease in **Florida Water's** rates, then the three-year stay-out shall terminate as of the date such case or docket is opened, and **Florida Water** may pursue appropriate rate relief.

3. The resolution of the revenue requirements and rate issues as set forth

herein shall not be construed to reflect PSC or County precedent or policy and shall not be revisited or reconsidered by County, nor shall Florida Water seek PSC reconsideration of the matters set forth herein. No aspect of this Settlement Agreement Extension or conduct undertaken to carry out its purpose shall be deemed an admission in any pending or future cases by the parties.

4. Nothing herein is intended to or shall be construed to address refund/surcharge issues on appeal in First District Court of Appeal Case No. 98-713 as to any determined liability for refunds/surcharges associated with PSC Docket No. 920199-WS with respect to rates and revenues collected in Spring Hill by Florida Water for periods prior to January 23, 1996.

5. Rates reflecting the revenue reductions over the three-year duration of this Settlement Agreement Extension, totaling \$1,862,000, as set forth on Attachment 1 hereto, as incorporated herein, shall be implemented by Florida Water within 60 days after all necessary Court, County, and PSC orders are obtained accepting the terms of this Settlement Agreement Extension in all respects, and thereby relieving Florida Water of any liability associated with the aforementioned refund order on appeal in First District Court of Appeal Case No. 98-727.

6. The parties will use their best efforts in support of obtaining all necessary approvals of or statements of non-opposition to the terms of this Settlement Agreement Extension. The parties agree that the terms set forth herein are not severable or divisible and shall be deemed null and void in the event all necessary documents reflecting such approvals or non-opposition statements are not executed so as to relieve Florida Water of the liability associated with the refund order on appeal in First District Court of Appeal Case No. 98-727.

7. County agrees not to file an eminent domain action to acquire Florida Water's Hernando County assets any time prior to expiration of the three year rate reduction period provided herein.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

8. The duration of this Settlement Agreement Extension shall be three years from the date of a Final Order of the Florida Public Service Commission approving this Settlement Agreement Extension.

AGREED TO AND ENTERED INTO this 12 day of December, 2000.



Attest:

Karen Nicolai
Karen Nicolai, Clerk

HERNANDO COUNTY, FLORIDA,
BY AND THROUGH ITS BOARD OF
COUNTY COMMISSIONERS

By:

Christopher A. Kingsley
Christopher A. Kingsley, Chairman

(SEAL)

Attest:

Kirk D. Martin
Name: KIRK D. MARTIN
Title: ASSISTANT SECRETARY

FLORIDA WATER SERVICES
CORPORATION, a Florida corporation

By:

James A. Perry
Name: James A. Perry
Sr. Vice President and CFO

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY

Kirk D. Martin
BY
County Attorney's Office

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT made and entered into this 17th day of July, 1997, by and between

HERNANDO COUNTY, FLORIDA (hereinafter called the "County"),

and

FLORIDA WATER SERVICES CORPORATION (hereinafter called "Florida Water"), formerly known as **SOUTHERN STATES UTILITIES, INC.** (hereinafter called "SSU"),

WITNESSETH:

WHEREAS, the County and Florida Water are currently engaged in litigation in the Circuit Court of the Fifth Judicial Circuit in and for Hernando County, Florida in the cases of: Florida Water Services Corporation vs. Hernando County and its Board of County Commissioners, Case No. 94-769-CA; and Hernando County vs. Southern States Utilities, Case No. 96-192-CA; and

WHEREAS, there is currently pending before the Board of County Commissioners of Hernando County, a Petition to Establish Rates for Florida Water Services Corporation's Spring Hill Service Area in Hernando County Docket No. 97-01-WS; and

WHEREAS, the County has also previously commenced various other regulatory dockets, including Docket No. 94-01, 96-01, and 97-02-WS, which said regulatory dockets address substantially the same issues as addressed in Hernando County Docket No. 97-01-WS.

WHEREAS, the County and Florida Water have engaged in a variety of forms of litigation in various forums over the past several years concerning numerous issues including: the County's jurisdiction to regulate Florida Water within Hernando County; the legality of the County's various regulatory actions; and, the legality of rates being charged in Florida Water's Spring Hill Service Area; and

WHEREAS, the County and Florida Water (collectively called the "parties") desire to

settle the pending litigation, establish an approved rate tariff for Florida Water's Spring Hill Service Area, and resolve the various disputes between the parties.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES, COVENANTS AND AGREEMENTS HEREIN CONTAINED, the parties hereto agree as follows:

1. Each party shall dismiss all claims, causes of actions, counterclaims, appeals, petitions for writ of cartiorari, and defenses in the following lawsuits:

(a) Florida Water Services Corporation vs. Hernando County, and its Board of County Commissioners, Hernando County Circuit Court Case No. 94-769-CA; and

(b) Hernando County vs. Southern States Utilities, Hernando County Circuit Court Case No. 96-192-CA.

2. By executing this Settlement Agreement, the parties confirm the County's jurisdiction to regulate Florida Water on water and waste water utility matters within its Spring Hill Service Area pursuant to and consistent with the provisions of: Chapter 367, Florida Statutes, to the extent made specifically applicable by said statute to a county regulatory authority; Hernando County Ordinance No.: 94-07 and 94-14, as amended; and this Settlement Agreement. Notwithstanding anything else contained in this Settlement Agreement, as to issues not specifically addressed by this Settlement Agreement, the parties each reserve the right to enforce, contest, or challenge any proposed and/or asserted application and/or interpretation of said statute and/or ordinances when such party believes such application and/or interpretation to be either incorrect and/or impossible of performance.

3. Each party shall pay their own costs and attorney fees in connection with the lawsuits described in paragraph 1 above and in connection with the other various disputes settled by this agreement. The County shall pay its costs and attorney fees, including the reimbursement of incurred costs and attorney fees, out of the RAF to be paid by Florida Water.

4. The County hereby waives and cancels any administrative fines either heretofore imposed or allegedly imposable for any matter arising prior to the date hereof against Florida Water by the County.

5. This agreement does not settle any pending case, matter, or proceeding before the Florida Public Service Commission (hereinafter called the "PSC") or any appeals

therefrom.

6. All pending County regulatory dockets relating to Florida Water are merged into Hernando County's Docket No. 97-01, which Docket shall establish, pursuant to the terms of this agreement, the authorized and approved rate tariff for Florida Water to be charged to Florida Water's water and waste water customers within Florida Water's Spring Hill Service Area within Hernando County. The rate tariff shall reflect the following:

- a. The effective date of the approved rate tariff shall be June 14, 1997;
- b. Notwithstanding the fact the County disagrees with the propriety of the new rates implemented by Florida Water on June 14, 1997, Florida Water shall be allowed to charge said rates, as set forth in the attached Attachment "A", through August 31, 1997, without any obligation for refund for the period between June 14, 1997, and August 31, 1997;
- c. The previously approved rate tariff for Florida Water for its Spring Hill Service Area based on a stand-alone system for the calendar year of 1991 is established as the base line rate tariff for Florida Water for purposes of establishing Florida Water's authorized and approved rate tariff by the County for purposes of this Settlement Agreement (the previously approved rate tariff for a stand-alone system based on the calendar year of 1991 is set forth in the attached Attachment "B");
- d. Effective September 1, 1997, the approved and authorized rate tariff for Florida Water for its Spring Hill Service Area shall be as set forth in the attached Attachment "C" (the rate tariff in Attachment "C" is established by utilizing the rate tariff in Attachment "B" as the base line rate tariff and by permitting approximately a one percent (1%) per annum cost of living adjustment from the base line tariff until September 1, 1997);
- e. Effective January 1, 1999, the approved and authorized rate tariff for Florida Water for its Spring Hill Service Area shall be as set forth in Attachment "D" (the rate tariff in Attachment "D" is established by utilizing the rate tariff in Attachment "B" as the base line rate tariff and by permitting an approximately two and seven tenths percent (2.7%) per annum cost of living adjustment from the base line tariff until January 1, 1999, which said cost of living adjustment is inclusive of and not in addition to the one percent (1%) per annum cost of living adjustment set forth in subparagraph "d" above);
- f. Florida Water will not file any new rate case, petition, or application

prior to September 1, 2000;

g. During the above periods and through September 1, 2000, Florida Water shall not receive any adjustments of its approved and authorized rate tariff for any cost of living index adjustments, pass through adjustments, or adjustments of any other kind or nature, except any change in Florida Water's obligation to pay RAF, regardless of whether considered a regulatory assessment fee or a franchise fee, and regardless of whether imposed by the County or the PSC, shall result in Florida Water's approved and authorized rate tariff being automatically adjusted to reflect any such change.

7. The parties acknowledge that there exists a disagreement over whether Florida Water's application for a rate increase in Hernando County Docket No. 97-01 meets the "minimum filing requirements" and other requirements of Hernando County Ordinance No. 94-07 and No. 94-14, as well as the requirements of Chapter 367, Florida Statutes, to the extent applicable to Hernando County. The parties agree that this Settlement Agreement settles said disagreements pursuant to the terms of this agreement. However, in settling said disagreements, the parties agree that the application or petition filed by Florida Water for a rate increase shall not independently resolve any issues between the parties and shall not be utilized by either party as establishing any fact or precedent in future regulatory proceedings before the Hernando County Board of County Commissioners.

8. On or before September 1, 1997, Florida Water shall pay to the County the County's full Regulatory Assessment Fee (RAF) calculated from the period beginning on the date the County acquired regulatory jurisdiction over Florida Water, March 29, 1994, through the date of actual payment, but no later than September 1, 1997. In addition to the principal amount of past due RAF, estimated to be approximately one million one hundred thirty nine thousand nine hundred six dollars (\$1,139,906) Florida Water shall pay interest on the from time to time principal amount from March 29, 1994, until paid, at the legal rate of interest as determined from time-to-time pursuant to the provisions of Section 55.03, Florida Statutes (hereinafter the "Legal Rate"). After payment of the past due RAF, Florida Water shall timely pay to the County the RAF established by the County's regulatory ordinances and pursuant to the provisions of said regulatory ordinances. The RAF to be paid pursuant to this agreement shall be subject to an adjustment based on an audit of Florida Water's books and records to insure that the proper amount of RAF actually

due and owing is paid. In dismissing the litigation described in paragraph 1 above, Florida Water waives any dispute or contest concerning the RAF, including the County's determination or designation of said fee, either retrospectively or prospectively, as a franchise fee, and further waives any dispute or contest concerning the County's determination as to its utilization of said fee.

9. The County, on behalf of itself and the Hernando County Water and Sewer District (hereinafter called the "District"), agrees to pay current any disputed bulk rate charges owed by the District to Florida Water, together with interest at the Legal Rate. The amount of disputed bulk rate charges is agreed to be the sum of three hundred three thousand and seventy one dollars (\$303,071).

10. This Settlement Agreement does not settle or resolve any refund issue or refund obligation of Florida Water during any period of time prior to June 14, 1997. In reaching said agreement, the parties acknowledge that the PSC has the exclusive regulatory jurisdiction to determine any and all refund issues for any period of time prior to June 14, 1997. The parties further agree, as between themselves, to abide by a final, non-appealable order of the PSC on the issue of refunds for any period of time prior to June 14, 1997. However, in so agreeing, each party reserves the right to advocate its position on any refund issue before the PSC or any Court reviewing any PSC order on said issue. Furthermore, neither party waives any rights which it may have to seek appropriate remedies before the PSC on any such refund issue. The agreement contained in this paragraph 9 shall be subject to a savings provision to the effect that in the event the PSC, or any court of competent jurisdiction, determines through a final, non-appealable order that the PSC does not have jurisdiction to resolve the refund issue for any time period prior to June 14, 1997, then the County shall have reserved the right to affirmatively assert jurisdiction over any period of time in which it is determined that the PSC does not have such jurisdiction. In agreeing to this savings provision, Florida Water does not waive any right which it may have to challenge or contest either the County's jurisdiction over any refund issue for any period of time prior to June 14, 1997, or the legality of any refund ordered by the County for any such period of time.

11. The County will cause to be confirmed Florida Water's entitlement to a Certificate of Authorization and will otherwise cause to be issued a duly authorized and executed Certificate of Authorization. As a condition to obtaining a Certificate of

Authorization. Florida Water shall pay to the County the application fee as required by the County's regulatory ordinances, and shall file with the County all filings required by the County's regulatory ordinances, including the Company's audited financial reports for 1994, 1995, 1996 and all subsequent years.

12. The County agrees not to file an eminent domain action to acquire Florida Water's Hernando County assets any time prior to September 1, 2000.

AGREED TO AND ENTERED INTO this 17th day of July, 1997.

(SEAL)

HERNANDO COUNTY, FLORIDA ON
BEHALF OF ITSELF AND THE HERNANDO
COUNTY WATER AND SEWER DISTRICT,
BY AND THROUGH ITS BOARD OF
COUNTY COMMISSIONERS

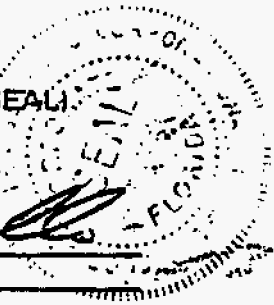
Attest: Judy S. Kockus, Deputy
Karen Nicolai, Clerk

By: Ray Lossing
Ray Lossing, Chairman

Attest: Forrest G. Gombaal
Name: FORREST G. GOMBAAL
Title: VP

FLORIDA WATER SERVICES (SEAL)
CORPORATION

By: John Cirello
Name: John Cirello
Title: President



DOCKET #920199-WS SPRING HILL REFUND ISSUE
 SUMMARY OF SPRING HILL SETTLEMENT

Line No.		Prospective Rate Reduction		
		(1) Water	(2) Wastewater	(3) Combined (c1+c2)
1	Total Settlement			
2	(1) Refund Liability 1/23/96 - 6/13/97	\$2,092,962	\$1,051,838	\$3,144,801
3	(with interest through 11/00)			
4	(2) Refund Liability 8/14/96 - 6/13/97	\$1,070,048	\$548,633	\$1,618,681
5	(with interest through 11/00)			
6	(3) Total Prospective Settlement	<u>\$1,862,000</u>	<u>\$0</u>	<u>\$1,862,000</u>
7				
8	Annual Settlement			
9	(1) Year One Settlement Rate Reduction			
10	a. One-third of Settlement	\$620,667	\$0	\$620,667
11	(.33333 * col. 1 line 6)			
12	(2) Year Two Settlement Rate Reduction			
13	a. One-third of Settlement	\$620,667	\$0	\$620,667
14	(.33333 * col. 1 line 6)			
15	(3) Year Three Settlement Rate Reduction			
16	a. One-third of Settlement	\$620,667	\$0	\$620,667
17	(.33333 * col. 1 line 6)			
18	(4) Year Four Settlement Rate Reduction			
19	a. Return to Current Rates	\$0	\$0	\$0
20				
21	Total Prospective Settlement	<u>\$1,862,001</u>	<u>\$0</u>	<u>\$1,862,001</u>

ATTACHMENT 1

FLORIDA WATER SERVICES
DOCKET #920199-WS SPRING HILL REFUND ISSUE
SUMMARY OF SETTLEMENT REVENUES FOR SPRING HILL (1999 BILLING DETERMINANTS)

ANNUALIZED REVENUES									
	Calendar (1/1/99)	Settlement Revenues				% Reductions From Current			
		Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4
WATER									
Residential	\$5,725,239	\$5,118,232	\$5,118,232	\$5,118,232	\$5,725,239	-10.60%	-10.60%	-10.60%	0.00%
Commercial	\$239,885	\$214,445	\$214,445	\$214,445	\$239,885	-10.61%	-10.61%	-10.61%	0.00%
Total	\$5,965,124	\$5,332,677	\$5,332,677	\$5,332,677	\$5,965,124	-10.60%	-10.60%	-10.60%	0.00%
WASTEWATER									
Residential	\$1,574,264	\$1,574,264	\$1,574,264	\$1,574,264	\$1,574,264	0.00%	0.00%	0.00%	0.00%
Residential WW Only	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	0.00%	0.00%	0.00%	0.00%
Commercial	\$364,723	\$364,723	\$364,723	\$364,723	\$364,723	0.00%	0.00%	0.00%	0.00%
Sub Total	\$1,940,515	\$1,940,515	\$1,940,515	\$1,940,515	\$1,940,515	0.00%	0.00%	0.00%	0.00%
Bulk	\$428,739	\$428,739	\$428,739	\$428,739	\$428,739	0.00%	0.00%	0.00%	0.00%
Total	\$2,369,253	\$2,369,253	\$2,369,253	\$2,369,253	\$2,369,253	0.00%	0.00%	0.00%	0.00%
COMBINED									
Residential	\$7,299,503	\$6,692,496	\$6,692,496	\$6,692,496	\$7,299,503	-8.32%	-8.32%	-8.32%	0.00%
Residential WW Only	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528	0.00%	0.00%	0.00%	0.00%
Commercial	\$604,608	\$579,168	\$579,168	\$579,168	\$604,608	-4.21%	-4.21%	-4.21%	0.00%
Sub Total	\$7,905,639	\$7,273,192	\$7,273,192	\$7,273,192	\$7,905,638	-8.00%	-8.00%	-8.00%	0.00%
Bulk	\$428,739	\$428,739	\$428,739	\$428,739	\$428,739	0.00%	0.00%	0.00%	0.00%
Total	\$8,334,378	\$7,701,931	\$7,701,931	\$7,701,931	\$8,334,377	-7.59%	-7.59%	-7.59%	0.00%

2 of 10

**FLORIDA WATER SERVICES
DOCKET #920199-WS SPRING HILL REFUND ISSUE
BILL COMPARISON FOR SPRING HILL vs. HERNANDO COUNTY (5/8" Residential) - AT 10,000 GALLONS USAGE**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)				
RATES									Bills at 10,000 Gallons Usage										
1999 Historical		Spring Hill									Spring Hill								
Line No.	Ave. Res. Cust.	Ave. Res. Billed Usage	Hernando County		Current Rates (1/1/99)	Settlement				Hernando County		Current Rates (1/1/99)	Settlement						
			Non-Seas.	Seasonal		Year 1	Year 2	Year 3	Year 4	Non-Seas.	Seasonal		Year 1	Year 2	Year 3	Year 4			
WATER																			
1	25,924	10,000	Base:	\$8.50	\$8.50	\$4.85	\$4.35	\$4.35	\$4.35	\$4.85	Base:	\$8.50	\$8.50	\$4.85	\$4.35	\$4.35	\$4.35	\$4.85	
2			Gallorage:								Gallorage:								
3			0 - 3,000	\$0.00	\$0.00	\$1.12	\$1.00	\$1.00	\$1.00	\$1.12	0 - 3,000	\$0.00	\$0.00	\$3.36	\$3.00	\$3.00	\$3.00	\$3.00	\$3.36
4			3,001 - 8,000	\$1.25	\$1.25	\$1.12	\$1.00	\$1.00	\$1.00	\$1.12	3,001 - 8,000	\$6.25	\$6.25	\$5.60	\$5.00	\$5.00	\$5.00	\$5.00	\$5.60
5			8,001 - 15,000	\$1.50	\$1.88	\$1.12	\$1.00	\$1.00	\$1.00	\$1.12	8,001 - 15,000	\$3.00	\$3.75	\$2.24	\$2.00	\$2.00	\$2.00	\$2.00	\$2.24
			Total Bill								Total Bill	\$17.75	\$18.50	\$16.05	\$14.35	\$14.35	\$14.35	\$16.05	
WASTEWATER																			
3	5,892	10,000	Base:	\$9.15	\$9.15	\$12.33	\$12.33	\$12.33	\$12.33	\$12.33	Base:	\$9.15	\$9.15	\$12.33	\$12.33	\$12.33	\$12.33	\$12.33	\$12.33
4			Gallorage:	\$2.58	\$2.58	\$2.64	\$2.64	\$2.64	\$2.64	\$2.64	Gallorage:	\$20.64	\$20.64	\$15.84	\$15.84	\$15.84	\$15.84	\$15.84	\$15.84
5			Sewer Cap	8,000	8,000	6,000	6,000	6,000	6,000	6,000	Total Bill	\$29.79	\$29.79	\$28.17	\$28.17	\$28.17	\$28.17	\$28.17	\$28.17
COMBINED																			
6			Base								Base	\$17.65	\$17.65	\$17.18	\$16.68	\$16.68	\$16.68	\$17.18	
7			Gallorage								Gallorage	\$29.89	\$30.64	\$27.04	\$25.84	\$25.84	\$25.84	\$27.04	
8			Total Bill								Total Bill	\$47.54	\$48.29	\$44.22	\$42.52	\$42.52	\$42.52	\$44.22	

3 of 10

FLORIDA WATER SERVICES
DOCKET #920199-WS SPRING HILL REFUND ISSUE
SETTLEMENT RATE COMPARISON FOR SPRING HILL (1999 BILLING DETERMINANTS) - WATER

SPRING HILL WATER														
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)		
Line	1999 Historical		Rates					Annualized Revenues						
	No.	Class/Meter Size	Bills	Gallons (000's)	Current (1/1/99)	Settlement Year One	Settlement Year Two	Settlement Year Three	Settlement Year Four	Calendar (1/1/99)	Settlement Year 1	Settlement Year 2	Settlement Year 3	Settlement Year 4
1	RESIDENTIAL													
2	5/8" x 3/4"	296,220			\$4.85	\$4.35	\$4.35	\$4.35	\$4.85	\$1,436,667	\$1,288,557	\$1,288,557	\$1,288,557	\$1,436,667
3	Full 3/4"	11			\$7.28	\$6.52	\$6.52	\$6.52	\$7.28	\$80	\$72	\$72	\$72	\$80
4	1"	14,785			\$12.13	\$10.87	\$10.87	\$10.87	\$12.13	\$179,342	\$160,713	\$160,713	\$160,713	\$179,342
5	1 1/2"	61			\$24.26	\$21.74	\$21.74	\$21.74	\$24.26	\$1,480	\$1,326	\$1,326	\$1,326	\$1,480
6	2"	13			\$38.84	\$34.80	\$34.80	\$34.80	\$38.84	\$505	\$452	\$452	\$452	\$505
7	Gallonage Charge/MG:													
8	All Gallonage		3,667,112		\$1.12	\$1.00	\$1.00	\$1.00	\$1.12	\$4,107,165	\$3,667,112	\$3,667,112	\$3,667,112	\$4,107,165
9	Total RESIDENTIAL	311,090	3,667,112							\$5,725,239	\$5,118,232	\$5,118,232	\$5,118,232	\$5,725,239
10	Ave. cust/cons/bill/mth	25,924	11,788							\$18.40	\$16.45	\$16.45	\$16.45	\$18.40
11	COMMERCIAL													
12	5/8" x 3/4"	5,038			\$4.85	\$4.35	\$4.35	\$4.35	\$4.85	\$24,434	\$21,915	\$21,915	\$21,915	\$24,434
13	Full 3/4"	12			\$7.28	\$6.52	\$6.52	\$6.52	\$7.28	\$87	\$78	\$78	\$78	\$87
14	1"	1,314			\$12.13	\$10.87	\$10.87	\$10.87	\$12.13	\$15,939	\$14,283	\$14,283	\$14,283	\$15,939
15	1 1/2"	159			\$24.26	\$21.74	\$21.74	\$21.74	\$24.26	\$3,857	\$3,457	\$3,457	\$3,457	\$3,857
16	2"	554			\$38.84	\$34.80	\$34.80	\$34.80	\$38.84	\$21,517	\$19,279	\$19,279	\$19,279	\$21,517
17	3"	52			\$77.66	\$69.58	\$69.58	\$69.58	\$77.66	\$4,038	\$3,618	\$3,618	\$3,618	\$4,038
18	6"	24			\$242.69	\$217.45	\$217.45	\$217.45	\$242.69	\$5,825	\$5,219	\$5,219	\$5,219	\$5,825
19	Gallonage Charge/MG:													
20	All Gallonage		146,596		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$164,188	\$146,596	\$146,596	\$146,596	\$164,188
21	Total COMMERCIAL	7,153	146,596		\$1.12	\$1.00	\$1.00	\$1.00	\$1.12	\$239,885	\$214,445	\$214,445	\$214,445	\$239,885
22	Ave. cust/cons/bill/mth	596	20,494							\$33.54	\$29.98	\$29.98	\$29.98	\$33.54
23	Total WATER	318,243	3,813,708							\$5,965,124	\$5,332,677	\$5,332,677	\$5,332,677	\$5,965,124
24	Ave. cust/cons/bill/mth	26,520	11,984							\$18.74	\$16.76	\$16.76	\$16.76	\$18.74

21 f 11

FLORIDA WATER SERVICES
 DOCKET #920199-WS SPRING HILL REFUND ISSUE
 SETTLEMENT RATE COMPARISON FOR SPRING HILL (1999 BILLING DETERMINANTS) - WASTEWATER

SPRING HILL WASTEWATER														
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)		
Line	1999 Historical		Rates					Annualized Revenue						
	No.	Class/Meter Size	Bills	Gallons (000's)	Current (1/1/99)	Year One	Year Two	Year Three	Year Four	Calendar (1/1/99)	Year 1	Year 2	Year 3	Year 4
1	RESIDENTIAL													
2	5/8" x 3/4"	70,512			\$12.33	\$12.33	\$12.33	\$12.33	\$12.33	\$869,413	\$869,413	\$869,413	\$869,413	\$869,413
3	1"	145			\$12.33	\$12.33	\$12.33	\$12.33	\$12.33	\$1,788	\$1,788	\$1,788	\$1,788	\$1,788
4	1 1/2"	37			\$12.33	\$12.33	\$12.33	\$12.33	\$12.33	\$456	\$456	\$456	\$456	\$456
5	2"	12			\$12.33	\$12.33	\$12.33	\$12.33	\$12.33	\$148	\$148	\$148	\$148	\$148
6	Gallage Charge/MG:													
7	0 - 6,000		266,083		\$2.64	\$2.64	\$2.64	\$2.64	\$2.64	\$702,459	\$702,459	\$702,459	\$702,459	\$702,459
8	All Excess		179,657		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0	\$0	\$0
9	Total RESIDENTIAL	70,706	266,083							\$1,574,264	\$1,574,264	\$1,574,264	\$1,574,264	\$1,574,264
	Ave. cust/cons/bill/mth	5,892	3,763							\$22.26	\$22.26	\$22.26	\$22.26	\$22.26
10	RES WW ONLY													
11	5/8" x 3/4"	72			\$21.22	\$21.22	\$21.22	\$21.22	\$21.22	\$1,528	\$1,528	\$1,528	\$1,528	\$1,528
12	Gallage Charge/MG:													
13	All Gallage		0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0	\$0	\$0
14	Total RES WW ONLY	72	0							\$1,528	\$1,528	\$1,528	\$1,528	\$1,528
15	Ave. cust/cons/bill/mth	6	0.000							\$21.22	\$21.22	\$21.22	\$21.22	\$21.22
16	COMMERCIAL													
17	5/8" x 3/4"	2,838			\$12.33	\$12.33	\$12.33	\$12.33	\$12.33	\$34,993	\$34,993	\$34,993	\$34,993	\$34,993
18	1"	529			\$30.83	\$30.83	\$30.83	\$30.83	\$30.83	\$16,309	\$16,309	\$16,309	\$16,309	\$16,309
19	1 1/2"	79			\$61.65	\$61.65	\$61.65	\$61.65	\$61.65	\$4,870	\$4,870	\$4,870	\$4,870	\$4,870
20	2"	341			\$98.63	\$98.63	\$98.63	\$98.63	\$98.63	\$33,633	\$33,633	\$33,633	\$33,633	\$33,633
21	3"	32			\$197.28	\$197.28	\$197.28	\$197.28	\$197.28	\$6,313	\$6,313	\$6,313	\$6,313	\$6,313
22	6"	24			\$616.49	\$616.49	\$616.49	\$616.49	\$616.49	\$14,796	\$14,796	\$14,796	\$14,796	\$14,796
23	Gallage Charge/MG:													
24	All Gallage		80,066		\$3.17	\$3.17	\$3.17	\$3.17	\$3.17	\$253,809	\$253,809	\$253,809	\$253,809	\$253,809
25	Total COMMERCIAL	3,843	80,066							\$364,723	\$364,723	\$364,723	\$364,723	\$364,723
26	Ave. cust/cons/bill/mth	320	20,834							\$94.91	\$94.91	\$94.91	\$94.91	\$94.91
27	BULK SEWER													
28	4"	24			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0	\$0	\$0
29	10"	12			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0	\$0	\$0
30	Gallage Charge/MG:													
31	All Gallage		182,442		\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$428,739	\$428,739	\$428,739	\$428,739	\$428,739
32	Total BULK SEWER	36	182,442							\$428,739	\$428,739	\$428,739	\$428,739	\$428,739
33	Ave. cust/cons/bill/mth	3	5067.833							11,909	11,909	11,909	11,909	11,909
34	Total WASTEWATER	74,657	528,591							\$2,369,253	\$2,369,253	\$2,369,253	\$2,369,253	\$2,369,253
35	Ave. cust/cons/bill/mth	6,221	7,080							\$31.74	\$31.74	\$31.74	\$31.74	\$31.74

01 of 5

**DOCKET #920199-WS SPRIN HILL REFUND ISSUE
CALCULATION OF SETTLEMENT RATE REDUCTION FACTOR/PERCENTAGE**

	(1)	(2)	(3)
	<u>Water</u>	<u>Wastewater</u>	<u>Combined (c1+c2)</u>
Spring Hill Settlement Rate Reduction			
(A) 1999 Annualized Revenues	\$5,965,125	\$2,369,253	\$8,334,378
Less Hernando Bulk Sewer		\$428,739	\$428,739
1999 Adjusted Annualized Revenues	<u>\$5,965,125</u>	<u>\$1,940,515</u>	<u>\$7,905,640</u>
(B) Year One Settlement			
1. 1999 Adjusted Annualized Revenues	\$5,965,125	\$1,940,515	\$7,905,640
2. Less Year One Settlement Revenue Reduction	<u>\$620,667</u>	<u>\$0</u>	<u>\$620,667</u>
3. Year One Settlement Revenues	<u>\$5,344,458</u>	<u>\$1,940,515</u>	<u>\$7,284,973</u>
4. Year One Rate Reduction Factor (from Current Rates) (1-((B) 2 / (B) 1))	0.8960	1.0000	0.9215
5. Percent Rate Reduction	10.40%	0.00%	7.85%
(C) Year Two Settlement			
1. 1999 Adjusted Annualized Revenues	\$5,965,125	\$1,940,515	\$7,905,640
2. Less Year Two Settlement Revenue Reduction	<u>\$620,667</u>	<u>\$0</u>	<u>\$620,667</u>
3. Year Two Settlement Revenues	<u>\$5,344,458</u>	<u>\$1,940,515</u>	<u>\$7,284,973</u>
4. Year Two Rate Reduction Factor (from Current Rates) (1-((C) 2 / (C) 1))	0.8960	1.0000	0.9215
5. Percent Rate Reduction	10.40%	0.00%	7.85%
(D) Year Three Settlement			
1. 1999 Adjusted Annualized Revenues	\$5,965,125	\$1,940,515	\$7,905,640
2. Less Year Three Settlement Revenue Reduction	<u>\$620,667</u>	<u>\$0</u>	<u>\$620,667</u>
3. Year Three Settlement Revenues	<u>\$5,344,458</u>	<u>\$1,940,515</u>	<u>\$7,284,973</u>
4. Year Three Rate Reduction Factor (from Current Rates) (1-((D) 2 / (D) 1))	0.8960	1.0000	0.9215
5. Percent Rate Reduction	10.40%	0.00%	7.85%
(E) Year Four Settlement			
1. 1999 Adjusted Annualized Revenues	\$5,965,125	\$1,940,515	\$7,905,640
2. Less Year Four Settlement Revenue Reduction	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
3. Year Four Settlement Revenues	<u>\$5,965,125</u>	<u>\$1,940,515</u>	<u>\$7,905,640</u>
4. Year Four Rate Reduction Factor (from Current Rates) (1-((E) 2 / (E) 1))	1.0000	1.0000	1.0000
5. Percent Rate Reduction	0.00%	0.00%	0.00%

FLORIDA WATER SERVICES
DOCKET #920199-WS SPRING HILL REFUND ISSUE
APPLICATION OF RATE REDUCTION FACTORS TO CURRENT RATES - WATER

Line No.	(1) Class/Meter Size	(2) Current Rates	(3) Year One		(5) Year Two		(7) Year Three		(9) Year Four	
			Factor	Rates	Factor	Rates	Factor	Rates	Factor	Rates
				(c2*c3)		(c2*c5)		(c2*c7)		(c2*c9)
<u>RESIDENTIAL, GENERAL, AND MULTI-FAMILY SERVICES</u>										
1	5/8"x3/4"	\$4.85	0.8960	\$4.35	0.8960	\$4.35	0.8960	\$4.35	1.0000	\$4.85
2	3/4"	\$7.28	0.8960	\$6.52	0.8960	\$6.52	0.8960	\$6.52	1.0000	\$
3	1"	\$12.13	0.8960	\$10.87	0.8960	\$10.87	0.8960	\$10.87	1.0000	\$12.13
4	1 - 1/2"	\$24.26	0.8960	\$21.74	0.8960	\$21.74	0.8960	\$21.74	1.0000	\$24.26
5	2"	\$38.84	0.8960	\$34.80	0.8960	\$34.80	0.8960	\$34.80	1.0000	\$38.84
6	3"	\$77.66	0.8960	\$69.58	0.8960	\$69.58	0.8960	\$69.58	1.0000	\$77.66
7	4"	\$121.35	0.8960	\$108.73	0.8960	\$108.73	0.8960	\$108.73	1.0000	\$121.35
8	6"	\$242.69	0.8960	\$217.45	0.8960	\$217.45	0.8960	\$217.45	1.0000	\$242.69
9	8"	\$388.31	0.8960	\$347.93	0.8960	\$347.93	0.8960	\$347.93	1.0000	\$388.31
10	10"	\$558.19	0.8960	\$500.14	0.8960	\$500.14	0.8960	\$500.14	1.0000	\$558.19
11	<u>GALLONAGE CHARGE / MG:</u>									
12	All Gallonage	\$1.12	0.8960	\$1.00	0.8960	\$1.00	0.8960	\$1.00	1.0000	\$1.12
<u>EMERGENCY STANDBY SERVICE</u>										
13	All Meter Sizes	\$0.00	0.8960	\$0.00	0.8960	\$0.00	0.8960	\$0.00	1.0000	\$0.00
14	<u>GALLONAGE CHARGE / MG:</u>									
15	All Gallonage	\$1.12	0.8960	\$1.00	0.8960	\$1.00	0.8960	\$1.00	1.0000	\$1.12

7
10

**FLORIDA WATER SERVICES
DOCKET #920199-WS SPRING HILL REFUND ISSUE
APPLICATION OF RATE REDUCTION FACTORS TO CURRENT RATES - WASTEWATER**

Line No.	(1) Class/Meter Size	(2) Current Rates	Year One		Year Two		Year Three		Year Four	
			(3) Ratio	(4) Rates	(5) Ratio	(6) Rates	(7) Ratio	(8) Rates	(9) Ratio	(10) Rates
				(c2*c3)		(c2*c5)		(c2*c7)		(c2*c9)
<u>RESIDENTIAL SERVICE</u>										
1	All Meter Sizes	\$12.33	1.0000	\$12.33	1.0000	\$12.33	1.0000	\$12.33	1.0000	\$12.33
2	GALLONAGE CHARGE / MG:									
3	0 - 6,000	\$2.64	1.0000	\$2.64	1.0000	\$2.64	1.0000	\$2.64	1.0000	\$2.64
4	All Excess Gallons	\$0.00	1.0000	\$0.00	1.0000	\$0.00	1.0000	\$0.00	1.0000	\$0.00
<u>RESIDENTIAL WASTEWATER ONLY</u>										
5	All Meter Sizes	\$21.22	1.0000	\$21.22	1.0000	\$21.22	1.0000	\$21.22	1.0000	\$21.22
<u>GENERAL, MULTI-FAMILY SERVICES</u>										
6	5/8"x3/4"	\$12.33	1.0000	\$12.33	1.0000	\$12.33	1.0000	\$12.33	1.0000	\$12.33
7	3/4"	\$18.50	1.0000	\$18.50	1.0000	\$18.50	1.0000	\$18.50	1.0000	\$18.50
8	1"	\$30.83	1.0000	\$30.83	1.0000	\$30.83	1.0000	\$30.83	1.0000	\$30.83
9	1 - 1/2"	\$61.65	1.0000	\$61.65	1.0000	\$61.65	1.0000	\$61.65	1.0000	\$61.65
10	2"	\$98.63	1.0000	\$98.63	1.0000	\$98.63	1.0000	\$98.63	1.0000	\$98.63
11	3"	\$197.28	1.0000	\$197.28	1.0000	\$197.28	1.0000	\$197.28	1.0000	\$197.28
12	4"	\$308.24	1.0000	\$308.24	1.0000	\$308.24	1.0000	\$308.24	1.0000	\$308.24
13	6"	\$616.49	1.0000	\$616.49	1.0000	\$616.49	1.0000	\$616.49	1.0000	\$616.49
14	8"	\$986.38	1.0000	\$986.38	1.0000	\$986.38	1.0000	\$986.38	1.0000	\$986.38
15	10"	\$1,417.93	1.0000	\$1,417.93	1.0000	\$1,417.93	1.0000	\$1,417.93	1.0000	\$1,417.93
16	GALLONAGE CHARGE / MG:									
17	All Gallonage	\$3.17	1.0000	\$3.17	1.0000	\$3.17	1.0000	\$3.17	1.0000	\$3.17
<u>BULK WASTEWATER</u>										
18	All Meter Sizes	\$0.00	0.0000	\$0.00	0.0000	\$0.00	0.0000	\$0.00	0.0000	\$0.00
19	GALLONAGE CHARGE / MG:									
20	All Gallonage	\$2.35	0.0000	\$2.35	0.0000	\$2.35	0.0000	\$2.35	0.0000	\$2.35
<u>EFFLUENT</u>										
21	All Meter Sizes	\$0.00	0.0000	\$0.00	0.0000	\$0.00	0.0000	\$0.00	0.0000	\$0.00
22	GALLONAGE CHARGE / MG:									
23	All Gallonage	\$0.00	0.0000	\$0.00	0.0000	\$0.00	0.0000	\$0.00	0.0000	\$0.00

8 of 10

**FLORIDA WATER SERVICES
DOCKET #920199-WS SPRING HILL REFUND ISSUE
COMPARISON OF SETTLEMENT RATES WITH PREVIOUS ORDERED RATES - WATER**

Line	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
No.	Class/Meter Size	Uniform (Pre-6/14/97)	1997 Spring Hill Rate Case (6/14/97)	1997 Rate Case Settlement		Year 2000 Settlement			
				(9/1/97)	(1/1/99)	Year One	Year Two	Year Three	Year four
<u>RESIDENTIAL, GENERAL, AND MULTI-FAMILY SERVICES</u>									
1	5/8"x3/4"	\$5.05	\$8.11	\$4.22	\$4.85	\$4.35	\$4.35	\$4.35	\$4.85
2	3/4"	\$7.58	\$9.17	\$6.33	\$7.28	\$6.52	\$6.52	\$6.52	\$7.28
3	1"	\$12.63	\$15.28	\$10.55	\$12.13	\$10.87	\$10.87	\$10.87	\$12.13
4	1 - 1/2"	\$25.25	\$30.55	\$21.10	\$24.26	\$21.74	\$21.74	\$21.74	\$24.26
5	2"	\$40.40	\$48.88	\$33.77	\$38.84	\$34.80	\$34.80	\$34.80	\$38.84
6	3"	\$80.80	\$97.76	\$67.53	\$77.66	\$69.58	\$69.58	\$69.58	\$77.66
7	4"	\$126.25	\$152.75	\$105.52	\$121.35	\$108.73	\$108.73	\$108.73	\$121.35
8	6"	\$252.50	\$305.50	\$211.04	\$242.69	\$217.45	\$217.45	\$217.45	\$242.69
9	8"	\$404.00	\$488.80	\$337.66	\$388.31	\$347.93	\$347.93	\$347.93	\$388.31
10	10"	\$580.75	\$702.65	\$485.39	\$558.19	\$500.14	\$500.14	\$500.14	\$558.19
11	<u>GALLONAGE CHARGE / MG:</u>								
12	All Gallonage	\$1.21	\$0.99	\$0.97	\$1.12	\$1.00	\$1.00	\$1.00	\$1.12
<u>EMERGENCY STANDBY SERVICE</u>									
13	All Meter Sizes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
14	<u>GALLONAGE CHARGE / MG:</u>								
15	All Gallonage	\$1.21	\$0.99	\$0.97	\$1.12	\$1.00	\$1.00	\$1.00	\$1.12
<u>Typical Residential Bill At 10,000 Gallons</u>									
16	Water	\$17.15	\$16.01	\$13.92	\$16.05	\$14.35	\$14.35	\$14.35	\$16.05
17	Combined Water & Wastewater	\$50.65	\$56.77	\$38.44	\$44.22	\$42.52	\$42.52	\$42.52	\$44.22

9/ for b

FLORIDA WATER SERVICES
DOCKET #920199-WS SPRING HILL REFUND ISSUE
COMPARISON OF SETTLEMENT RATES WITH PREVIOUS ORDERED RATES - WASTEWATER

Line	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
No.	Class/Meter Size	Uniform (Pre-6/14/97)	1997 Spring Hill Rate Case (6/14/97)	1997 Rate Case Settlement		Year 2000 Settlement			
				(9/1/97)	(1/1/99)	Year One	Year Two	Year Three	Year Four
<u>RESIDENTIAL SERVICE</u>									
1	All Meter Sizes	\$12.26	\$18.10	\$10.72	\$12.33	\$12.33	\$12.33	\$12.33	\$12.33
2	GALLONAGE CHARGE /MG:								
3	0 - 6,000	\$3.54	\$4.11	\$2.30	\$2.64	\$2.64	\$2.64	\$2.64	\$2.64
4	All Excess Gallons	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<u>RESIDENTIAL WASTEWATER ONLY</u>									
5	All Meter Sizes	\$24.86	\$30.97	\$18.45	\$21.22	\$21.22	\$21.22	\$21.22	\$21.22
<u>GENERAL MULTI-FAMILY SERVICES</u>									
6	5/8"x3/4"	\$12.26	\$16.10	\$10.72	\$12.33	\$12.33	\$12.33	\$12.33	\$12.33
7	3/4"	\$18.39	\$24.15	\$16.09	\$18.50	\$18.50	\$18.50	\$18.50	\$18.50
8	1"	\$30.65	\$40.25	\$26.81	\$30.83	\$30.83	\$30.83	\$30.83	\$30.83
9	1 - 1/2"	\$61.30	\$80.50	\$53.61	\$61.65	\$61.65	\$61.65	\$61.65	\$61.65
10	2"	\$98.08	\$128.80	\$85.77	\$98.63	\$98.63	\$98.63	\$98.63	\$98.63
11	3"	\$196.16	\$257.60	\$171.55	\$197.28	\$197.28	\$197.28	\$197.28	\$197.28
12	4"	\$306.50	\$402.50	\$268.04	\$308.24	\$308.24	\$308.24	\$308.24	\$308.24
13	6"	\$613.00	\$805.00	\$536.08	\$616.49	\$616.49	\$616.49	\$616.49	\$616.49
14	8"	\$980.80	\$1,288.00	\$857.73	\$986.38	\$986.38	\$986.38	\$986.38	\$986.38
15	10"	\$1,409.90	\$1,851.50	\$1,232.99	\$1,417.93	\$1,417.93	\$1,417.93	\$1,417.93	\$1,417.93
16	GALLONAGE CHARGE /MG:								
17	All Gallonage	\$4.25	\$4.93	\$2.76	\$3.17	\$3.17	\$3.17	\$3.17	\$3.17
<u>BULK WASTEWATER</u>									
18	All Meter Sizes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
19	GALLONAGE CHARGE /MG:								
20	All Gallonage	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35	\$2.35
<u>EFFLUENT</u>									
21	All Meter Sizes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
22	GALLONAGE CHARGE /MG:								
23	All Gallonage	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<u>Typical Residential Bill At 10,000 Gallons</u>									
24	Wastewater	\$33.50	\$40.76	\$24.52	\$28.17	\$28.17	\$28.17	\$28.17	\$28.17
25	Combined Water & Wastewater	\$50.65	\$56.77	\$38.44	\$44.22	\$42.52	\$42.52	\$42.52	\$44.22

10 of 12