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July 16, 2001

VIA FAX

Scott Schildberg, Esq.
Ade & Schildberg, P.A.
One Independent Drive
Suite 2000
Jacksonville, FL 32202

RE: St. Johns County Declaratory Statement
Docket No. 010704-SU

Dear Scott:

St. Johns County will be meeting with the Commission staff to discuss the declaratory statement staff recommendation on Friday, July 20, 2001 at 10:00 a.m. Both Staff and the County would like United Water to attend this meeting or participate by phone in order to clarify the position of United Water regarding the issuance of a declaratory statement prior to the July 24th agenda conference at which it will be considered.

This is also an opportunity for both the County and United Water to resolve the outstanding issues between us:

Legal fees
Administrative fees
Inspection fees

As you are aware, United Water has agreed to:

1. The construction by the County, subject to United Water's approval of the County's construction plans, of a wastewater force main in the Ponte Vedra;
2. The lease of the wastewater force main by United Water for the term of the financing mechanism, a period estimated to be 25-30 years, during which time the County would maintain the legal title to the main;
3. The operation, maintenance and repair of the wastewater force main for the term of the lease at United Water's sole expense;
4. The transfer of the force main to United Water at the end of the financing term for a nominal fee; and

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5. Payment by the County, prior to connection to United Water's system, of the service availability charges and connection fees associated with the MSD connections based upon the number of ERCs acceptable to both the County and United Water.

United Water did not agree to a "one time" payment of the service availability charges and connection fees by the County, i.e., the service availability cap. However, United Water did agree that the County could include such a request for an opinion from the Commission on this point in its declaratory statement.

The County did not represent in its declaratory statement petition that the County and United Water had agreed to each term and condition in the lease agreement and special service availability contract which were attached to the petition. [Footnote 12 on page 7 of County's petition.] In fact, the County specifically set forth the fact that there was disagreement between the County and United Water with regard to administrative, inspection and legal fees and that these fees were not included in the special service availability contract attached to the petition. Id.

As you are aware, the County has been working with you as United Water's counsel on this issue since February of 2000, a period of 17 months, to resolve the issues between the County and United Water regarding the MSD force main. The original plan was for the County and United Water to submit a joint petition for declaratory statement. The contracts submitted are the result of those efforts and contain the basic agreements outlined above with the exceptions noted in the petition. The plan to submit a joint petition failed to materialize in large part because United Water stated that it didn't have the time to address the outstanding issues before the County needed to have a decision from the Commission. At no time did United Water state that the County was not entitled to a declaratory statement or that United Water opposed the County seeking a declaratory statement from the Commission even if contracts had not been executed by United Water.

It now appears from both United Water's response to the County petition and its motion to intervene, filed just 3 and 2 days respectively before the Staff's recommendation was due, that United Water is opposed to the Commission issuing a declaratory statement and has not, in fact, agreed to the basic terms of the contract as outlined above. Needless to say, this position has come as a surprise to the County given the past representations of United Water. It is particularly surprising given the fact that United Water was provided a copy of the County's declaratory statement at

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the same time it was filed with the Commission on May 10, 2001, 2 months ago.

Given these facts, the County hopes that United Water will be able to participate in the meeting with Staff on Friday, July 20th and welcomes its participation.

Very truly yours,



Suzanne Brownless
Attorney for St. Johns Co.

cc: Jim Sisco, Esq.
Joe Vonasck
Samantha Cibula, Esq.
Commissioners
Commission Clerk