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February 28, 2002

Ms. Patricia B. Daniel
Florida Public Service Commission
2540 Shumard Oaks Blvd.
Tallahassee, FL 32399

010119-WS

Dear Ms. Daniel,

This letter is written in response to Florida Public Service Commission ("Commission") staff's question regarding the wastewater cap issue for the Steeplechase Utility transfer.

On December 29, 2000 Florida Water acquired the Stonecrest service area from Steeplechase Utilities, Inc. During billing conversion it came to our attention that the wastewater cap of 10,000 gallons per month was not being applied. Instead, Steeplechase chose to use a 5,000-gallon cap. It is Florida Water's position that we cannot apply the 10,000-gallon cap at this time because in the sales contract signed with Steeplechase, Florida Water agreed not to change the customer rates for three years. Staff is concerned that Florida Water is not charging the approved tariff and has asked Florida Water to suggest solutions to this issue.

Florida Water proposes to continue applying the 5,000-gallon cap until the contract provision precluding rate changes expires in June of 2003. At that time Florida Water would implement the 10,000-gallon cap. During the intervening time, Florida Water would reflect the appropriate cap on the customer's bill with a separate credit to reflect the 5,000-gallon cap we are actually applying. That difference would post to a separate general ledger account so that Florida Water could calculate the appropriate RAFs due to the Commission. In July of 2003 the credit would cease and the customers of Stonecrest would thereafter be billed at the approved 10,000-gallon cap for wastewater.

Upon approval of the transfer and this plan by the Commission, Florida Water would notify the customers of these changes by both a written notice and a customer meeting. A copy of the proposed written notice is attached.

DOCUMENT NUMBER-DATE

02362 FEB 28 02

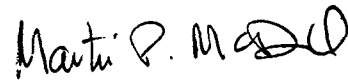
FPSC-COMMISSION CLERK

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Florida Water is hopeful that this proposed plan meets with your approval. Please contact Tony Isaacs, Vice President, Customer Service at (407) 598-4165 if you need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Martin P. McDonnell". The signature is written in a cursive style with a large, stylized "D" at the end.

Martin P. McDonnell

MPM/rl

Enclosure