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September 18, 2002

D. BRUCE MAY, JR.
850-425-5607

Internet Address:
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VIA HAND DELIVERY

Blanca S. Bayo
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED FPSC
 SEP 18 AM 9:36
 COMMISSION
 CLERK

Re: In Re: Application for Limited Proceeding to Recover Costs of Water System Improvements In Marion County By Sunshine Utilities of Central Florida, Inc., Docket No. 992015-WU

Dear Ms. Bayo:

Enclosed for filing in the referenced proceeding are the original and seven (7) copies of a Joint Motion Seeking Commission Approval of Settlement Agreement and Continuation of Hearing.

For our records, please acknowledge your receipt of this filing on the enclosed copy of this letter. Thank you for your consideration.

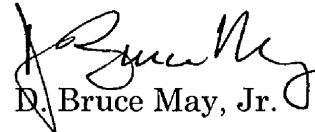
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Sincerely,

14

FPSC-BUREAU OF RECORDS

HOLLAND & KNIGHT LLP


D. Bruce May, Jr.

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DBM:kjg
Enclosures

DOCUMENT NUMBER DATE

09899 SEP 18 02

FPSC-COMMISSION CLERK

Blanca Bayo
September 18, 2002
Page 2

cc: Ralph Jaeger (via hand-delivery)
Stephen C. Reilly (via hand-delivery)
James H. Hodges (via facsimile)

TAL1 #256663 v1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Limited)
Proceeding to Recover Costs of Water) Docket No. 992015-WU
System Improvements In Marion County)
By Sunshine Utilities of Central Florida,) Filed: September 18, 2002
Inc.)
_____ /

**JOINT MOTION SEEKING COMMISSION APPROVAL OF
SETTLEMENT AGREEMENT AND CONTINUATION OF HEARING**

The Office of Public Counsel ("OPC") and Sunshine Utilities of Central Florida, Inc. ("Sunshine") file this joint motion requesting the Florida Public Service Commission ("Commission") to approve the attached Settlement Agreement. In support of this joint motion, OPC and Sunshine state:

1. OPC and Sunshine have entered into a Settlement Agreement that avoids the time, expense and uncertainty associated with adversarial litigation, in keeping with the Commission's long-standing policy and practice of encouraging parties in protested proceedings to settle issues whenever possible. That Settlement Agreement is attached to this motion as Attachment "1".

2. OPC and Sunshine believe that the Settlement Agreement serves the public interest and accordingly request the Commission to expeditiously accept and approve the Settlement Agreement as filed and to close Docket No. 992015-WU.

3. Pending Commission consideration of the Settlement Agreement, Sunshine and OPC request the Commission to suspend discovery and continue the hearing currently set for October 9 and 10, 2002.


DOCUMENT NUMBER PAGE

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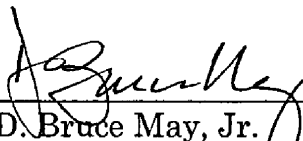
WHEREFORE, OPC and Sunshine respectfully request the Commission to approve without modification the attached Settlement Agreement, to suspend discovery and to continue the hearings set for October 9 and 10, 2002.

Respectfully submitted,



Stephen C. Reilly
Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
Telephone: (850) 488-9330

Attorney for the Citizens of the State
of Florida

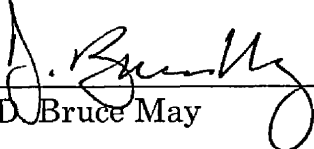


D. Bruce May, Jr.
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315 South Calhoun Street
Suite 600
Tallahassee, Florida 32301
Telephone: (850) 224-7000

Attorneys for Sunshine Utilities
of Central Florida, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished by hand delivery to Ralph Jaeger, Esquire, Florida Public Service Commission, Division of Legal Services, Room 370, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 this 18th day of September, 2002.


D. Bruce May

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Limited)
Proceeding to Recover Costs of Water) Docket No. 992015-WU
System Improvements In Marion County)
By Sunshine Utilities of Central Florida,)
Inc.)
_____ /

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into this 17th day of September, 2002, by and between Citizens of the State of Florida ("Citizens"), and Sunshine Utilities of Central Florida, Inc. ("Utility" or "Sunshine"), through their undersigned counsel.

WITNESSETH

WHEREAS, the Florida Public Service Commission ("FPSC" or "Commission") issued Proposed Agency Action Order No. PSC-02-0656-PAA-WU ("PAA Order") in this docket on May 14, 2002, and

WHEREAS, on June 4, 2002, Citizens and Utility both filed timely protests to the PAA Order, and

WHEREAS, Citizens and Utility desire to resolve their disputes in this docket.

NOW, THEREFORE, for and in consideration of the mutual covenants set forth below, Citizens and Utility agree as follows:

1. Citizens and the Utility agree that as a result of the protests filed by the Utility and Citizens to the PAA Order, the PAA Order is null and void in its entirety and without precedential effect.

2. As part of Phase I of the Utility's Water Facilities Plan, the Utility proposes to consolidate 5 of its 21 systems (the Lake Weir, Lakeview Hills, Oklawaha, Belleview Oaks, and Hilltop systems) to eliminate water contamination and to improve water quality (the "Project"). Sunshine intends to completely finance the Project using a combination of grants and low-interest loans from the FDEP Drinking Water State Revolving Fund ("DWSRF") Program. Sunshine shall not proceed to construct the project until it receives FDEP approval for complete financing of the Project which financing structure shall not materially deviate from

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the financing structure referenced in the PAA Order (\$632,570 of grants and \$1,475,314 in low-interest loans).

3. Without requiring a Commission ruling upon any of the issues presented in this docket, Sunshine shall be entitled to an increase of 6.11% over existing September 2002 service rates, which is the same level of rate increase authorized by the PAA Order, with such rate increase to go into effect only after the Project has been completed and is operational. The 6.11% rate increase over existing rates assumes that as part of the Project: (1) Sunshine shall connect and serve approximately 38 customers on private wells currently outside of the Utility's service territory, that are experiencing problems with contamination in their water supply; (2) the connection of the 38 customers is estimated to cost \$195,222; (3) Sunshine shall not construct the facilities to connect the 38 customers until complete funding is provided by a grant from FDEP and a cash contribution from Marion County; (4) Sunshine shall exercise its best efforts to persuade Marion County to provide cash funding of \$175,000 (amount previously recommended by Marion County staff) to connect the 38 customers; (5) to the extent funding from the FDEP grant and the cash contribution from Marion County exceeds the amount required to construct the facilities to connect the 38 customers, such funding shall be deemed additional CIAC, and Sunshine shall make a corresponding automatic reduction in the 6.11% increase over existing rates.

4. Upon Commission approval of this Settlement Agreement, Sunshine shall immediately begin to amortize, over four years, \$20,000 of post protest rate case expense associated with this docket (\$5,000 per year). The amortization of the \$20,000 of rate case expense is for surveillance purposes only, and except for earnings surveillance shall never be included in any calculation to determine Sunshine's revenue requirement or otherwise be collected from ratepayers.

5. Included in the rate increase of 6.11% is recovery of \$74,929 of pre-protest rate case expense, which shall be amortized for recovery over a four year period (\$18,732 per year) beginning with the implementation of the 6.11% rate increase over existing September 2002 service rates. Upon completion of this amortization, rates will be reduced to reflect the removal of revenues associated with the amortization of this rate case expense.

6. Sunshine shall not file for a rate increase (except for annual indexing and/or pass throughs) nor shall the Citizens petition the Commission to initiate an overearnings investigation of Sunshine for a period of one year from the date of the order approving this Settlement Agreement.

7. This Settlement Agreement is contingent upon the Commission accepting and approving the entire Settlement Agreement without modification. Upon entry by the Commission of a final order approving this Settlement

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Agreement, the Utility and the Citizens voluntarily waive their right to further proceedings under Chapter 120 and 367, Florida Statutes, and the right to appeal under such final order.

8. The submission of this Settlement Agreement by the Parties is in the nature of an offer to settle. Consequently, if this Settlement Agreement is not accepted and approved without modification by Commission order not subject to further proceedings or judicial review, then this Settlement Agreement is rejected and shall be considered null and void and neither Party may use the attempted agreement in this or any other proceeding.

9. This Settlement Agreement will become effective on the date the Commission enters a final order approving the agreement in total.

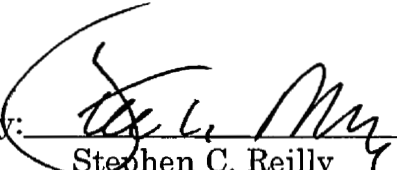
10. Pending Commission approval of this Settlement Agreement, Citizens and Utility agree to suspend all discovery immediately upon the date of execution of this Settlement Agreement until such time as the Commission enters a final order addressing this Settlement Agreement.

11. Citizens and Utility further agree that within one business day of the execution of this Settlement Agreement, they will jointly move the Commission to continue the hearing currently set for October 9 and 10, 2002, and for approval of this Settlement Agreement.

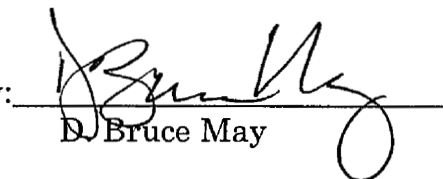
12. The Parties have evidenced their acceptance and agreement with the provisions of this Settlement Agreement by their signatures.

13. The undersigned personally represent that they have authority to execute this Settlement Agreement on behalf of their respective clients.

CITIZENS OF THE STATE
OF FLORIDA, OFFICE OF
PUBLIC COUNSEL

By: 
Stephen C. Reilly

SUNSHINE UTILITIES OF
CENTRAL FLORIDA, INC.

By: 
D. Bruce May