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September 18, 2002

Ms. Blanca Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

RECEIVED-FPSC
2 SEP 18 PM 4:21
COMMISSION CLERK

Re: Docket No. 981079-SU

Dear Ms. Bayo:

Enclosed for filing on behalf of Hudson Utilities, Inc. ("Hudson") are the following documents:

1. Original and fifteen copies of Hudson's Proposed Settlement Agreement Regarding its Application for Amendment of Certificate No. 104-S to Extend Service Territory in Pasco County; and
2. A disk containing a copy of the Proposed Settlement Agreement in Word Perfect 6.0.

Please acknowledge receipt of these documents by date-stamping the enclosed copy of this letter and returning it to the undersigned.

Sincerely,

Martin P. McDonnell

AUS _____
CAF _____
CMP _____
COM _____
CTR _____
ECR _____ MPM/rl
GCL _____ Enclosures
OPC _____
MMS _____
SEC 1
OTH _____

DOCUMENT NUMBER - DATE

09971 SEP 18 02

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for amendment)
of Certificate No. 104-S to extend)
service territory in Pasco County by)
Hudson Utilities, Inc., and request for)
limited proceeding.)
_____)

Docket No. 981079-SU

Filed: September 18, 2002

**HUDSON UTILITIES, INC.'S
PROPOSED SETTLEMENT AGREEMENT
REGARDING ITS APPLICATION FOR
AMENDMENT OF CERTIFICATE NO. 104-S TO
EXTEND SERVICE TERRITORY IN PASCO COUNTY**

Comes now Hudson Utilities, Inc. ("Hudson"), by and through undersigned counsel, and pursuant to Order No. PSC-02-1166-PCO-SU, hereby files its Proposed Settlement Agreement resolving Hudson's Application for Amendment of Certificate No. 104-S to Extend Service Territory in Pasco County.

1. Hudson is a Class B utility serving approximately 2,300 residential and 115 commercial customers. The utility provides wastewater collection service to its customers and contracts with Pasco County ("County") for wastewater treatment service pursuant to a bulk wastewater treatment agreement.

2. On August 26, 1998, Hudson filed an Application for Amendment of Certificate No. 104-S to extend its service area ("application"). The application included a request to serve a portion of territory known as Signal Cove. Signal Cove is adjacent to the southern boundary of a portion of territory currently served by Hudson and the community includes 382 existing buildings, 131 of which are currently receiving wastewater service from the County. The remaining buildings in the community use septic tanks. Signal Cove is located in an area which has been federally designated

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

as a flood plain area unsuitable for the efficient use of septic tanks and drain fields. The Comprehensive Land Use Plan adopted by the County calls for coastal areas, including Signal Cove, to be provided with sanitary sewer collection and treatment systems. The County, however, generally does not construct gravity sewer collection systems. Thus, pursuant to an Addendum to an agreement included in the Application, the County and Hudson agreed that the Signal Cove territory would be transferred from the County to Hudson.

3. To serve Signal Cove, Hudson must construct an additional collection system, lift station, and force main, and rebuild the existing lift station and force main. Pursuant to the agreement between Hudson and the County, the transfer of the Signal Cove territory will close when Hudson connects its force main to the County's wastewater collection system currently serving the 131 Signal Cove customers.

4. On September 27, 1999, by Order No. PSC-99-1916-PAA-SU, in this docket, which was made final and effective by Order No. PSC-99-2082-CO-SU, issued October 21, 1999, the Commission approved Hudson's Application to Amend its Certificate, including the transfer of the Signal Cove territory from the County to Hudson. Pursuant to Order No. PSC-99-1916-PAA-SU, Hudson was to file proof of the transfer of the Signal Cove territory from the County to Hudson within three months.

5. Since October 21, 1999, Hudson has been diligent and vigilant in its attempts to construct an additional collection system, lift station, and force main, and rebuild the existing lift station and force main to allow it to serve the Signal Cove territory, as well as other territories within Hudson's service territory in Pasco County.

6. The Commission has previously granted Hudson three motions for extension of time to file proof of the transfer of territory. In support of these motions, Hudson reported to the Commission that it needed additional time to file proof of the territory transfer because it was having problems obtaining acceptable commercial financing. As early as June 27, 2000, Hudson stated in its Motion for Second Extension of Time to file Proof of Transfer of Territory, that Hudson was experiencing difficulty in obtaining acceptable financing for the necessary construction work. Additionally, on June 29, 2001, Hudson filed a motion for third extension of time to file proof of transfer of territory. In support of that motion, Hudson stated that its commercial lender had determined that Hudson's current service availability charge of \$1,000.00 is insufficient to enable the utility to recover its current costs of construction and to obtain acceptable commercial financing for new construction, including building the additional facilities necessary to serve Signal Cove.

7. Upon the completion of the financial and accounting analysis performed on behalf of Hudson, on March 19, 2002, Hudson filed an Application for an Increase in Service Availability Charges in Docket No. 020254-SU. In support of its application to increase service availability charges, Hudson advised the Commission that Hudson and its commercial lender have concluded that Hudson's current service availability charge of \$1,000.00 is insufficient to enable Hudson to recover its current costs of construction and therefore is insufficient to enable it to obtain acceptable commercial financing for new construction of facilities including the additional facilities planned for Signal Cove. The relevant financial and accounting analyses were based on the cost of construction of the facilities completed in Hudson's most recent expansion of its system and were attached as exhibits to Hudson's application for an increase in its service availability charges. The exhibits attached to Hudson's application to increase service availability charges also included the

original cost of the existing water transmission and distribution system, and sewage collection system by Uniform System of Accounting Account Numbers as required by Rule 25-30.115, Florida Administrative Code and the related capacity of each system as of ninety days prior to the application. Hudson also provided detailed statements by a registered professional engineer showing the costs, by Uniform System of Accounting Account Numbers, and capacity of proposed expansion and a timetable showing projected construction time, and a statement establishing how the proposed construction will effect the capacity of the existing system. On April 11, 2002, in Docket No. 020254-SU, Commission staff filed a Staff Recommendation that stated:

On March 19, 2002, the Utility filed an application to increase its system capacity charge. The Utility filed this application to recover the costs of extending its collection lines to serve the Signal Cove territory. Staff has reviewed the Utility's application and supporting documentation, and has determined that the Utility has met the minimum filing requirements of Rule 25-30.565, Florida Administrative Code. Thus, March 19, 2002, was designated as the official filing date, pursuant to Section 367.083, Florida Statutes.

The final staff recommendation is currently scheduled to be filed in the service availability charge docket prior to the November 5, 2002, Agenda Conference. On September 11, 2002, Hudson agreed, in a motion filed by the Office of Public Counsel, to expedite the matter so long as Commission staff has sufficient time to present its staff recommendation to the Commission.

8. Hudson's continuing commitment to serve its extended service territory in Pasco County is further reflected in Hudson's good faith attempts to resolve with the Intervenor, Office of Public Counsel ("OPC") its Application for Increase in Service Availability Charges before the Commission. On June 6, 2002, representatives from Hudson and the ("OPC") met with the Commission staff in an informal meeting. Hudson agreed at the meeting to attend an informal

meeting between OPC and any other interested persons and Hudson in an effort to resolve any issues regarding Hudson's request for increase in service availability charges. On July 11, 2002, representatives from Hudson Utilities again met with OPC and State Representative Heather Fiorentino, who has constituents residing in Pasco County. Hudson advised OPC and Ms. Fiorentino that Hudson's ability to service its extended service territory is dependent upon the Commission granting Hudson's application for the increase in service availability charges to \$2,400.00. No acceptable reasonable alternatives were presented by OPC at the meeting. Hudson has repeatedly advised the OPC and Commission staff that Hudson's commercial lenders have maintained that service availability charges must be at least \$2,400.00 to allow Hudson to obtain commercial financing for the construction necessary to build out its system to service the additional territory. Hudson has no other financing options available for the project except through commercial financing.

Therefore, based on the foregoing, Hudson proposes the following Settlement Agreement regarding its Application for Amendment of Certificate No. 104-S to extend service territory in Pasco County.

A. Subject to Commission approval, Hudson will increase its service availability charge to \$2,400.00 which will allow it to secure the financing necessary to construct an additional collection system, lift station, and force main, and rebuild the existing lift station and force main to allow it to serve the Signal Cove territory, as well as other areas within Hudson's service territory in Pasco County.

B. Upon Commission approval of Hudson's service availability charges of \$2,400.00, Hudson will immediately commence the final contractual requirements to secure commercial financing for the expansion.

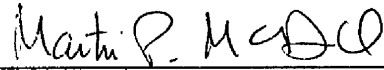
C. If Hudson's commercial lenders obligate themselves to the above financing, Hudson will immediately commence the construction work necessary to build out its service territory.

D. On February 18, 2002, as an attachment to Hudson's application for increase in service availability charges filed with the Commission, Hudson attached the proposed costs and plant additions necessary for Hudson to service its extended service area including timetables. The projected costs and plant additions were prepared by Charles E. Griffin, Inc., Spring Hill, Florida. A copy of Mr. Griffin's projected costs and plant additions and proposed construction schedule are attached hereto as Composite Exhibit 1. The proposed construction schedule attached hereto must be revised in light of the date of the Commission's final order regarding Hudson's application for increase in service availability charges. After the Commission's final order, Hudson will be in a position to set forth a formal timetable to construct the necessary sewer system.

Hudson Utilities has not in the past and will not in the future stand in the way of an area procuring sanitary sewer service from others in the event Hudson is unable to provide service.

The other known local option for the Signal Cove Area acquiring sanitary sewer service would be Pasco County Utilities, who in the past has indicated its construction costs and impact fees are considerably higher than Hudson's current requested service availability charges.

Respectfully submitted,



Kenneth A. Hoffman, Esq.
Martin P. McDonnell, Esq.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, FL 32302
(850) 681-6788
Counsel for *Hudson Utilities, Inc.*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by United States Mail to the following this 18th day of September, 2002.

Samantha Cibula, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Room 370
Tallahassee, Florida 32399

Jack Shreve, Esq.
Steve Presnell, Esq.
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400



Martin P. McDonnell, Esq.

CHARLES E. GRIFFIN, INC.
Civil Engineering - Land Surveying - Land Planning

3705 COMMERCIAL WAY - SPRING HILL, FLORIDA 34606 - (352) 666-8686

February 18, 2002

Hudson Utilities, Inc.
14334 Old Dixie Hwy
Hudson, Florida 34667

Re: Proposed Future Construction

Subj: Projected Costs & Plant Additions

Gentlemen,

Please find enclosed attachment "A" outlining the projected plant additions by Phases, Areas and associated Construction Costs covering each Area.

This costs analysis is based on current contract prices for sewerage system work in Hudson, Florida

Certification of attachment "A" to Hudson Utilities, Inc., Feb. 18, 2002.



Charles E. Griffin, Inc.
FL. Reg. P.E. No. 6993



— COMPOSITE EXHIBIT 1 —

HUDSON UTILITIES, INC.

PROPOSED CONSTRUCTION SCHEDULE 2002 thru 2003

ATTACHMENT "A"

| | Area No | Collection Gravity | 60% Pav. & Sod (Gravity) | Collection Manholes | Service Laterals | 40% Pav. & Sod (Laterals) | Pumping Stations | Force Mains | Sub-Total | Engineering (6.8 %) | Testing (1.5 %) | Contingency (5.0 %) | Total |
|------------|---------|--------------------|--------------------------|---------------------|------------------|---------------------------|------------------|-------------|-----------|---------------------|-----------------|---------------------|-----------|
| PHASE I | 61 | 158,754 | 48,429 | 27,700 | 39,963 | 32,288 | 0 | 0 | 307,132 | 20,885 | 4,607 | 15,357 | 347,981 |
| | 62 | 128,340 | 34,922 | 19,600 | 21,051 | 23,282 | 25,000 | 34,667 | 286,862 | 19,506 | 4,303 | 14,343 | 325,014 |
| Sub-Totals | | 287,094 | 83,351 | 47,300 | 61,014 | 55,568 | 25,000 | 34,667 | 593,994 | 40,391 | 8,910 | 29,700 | 672,995 |
| PHASE II | 41B | 7,635 | 606 | 1,700 | 1,764 | 404 | 0 | 12,940 | 25,049 | 1,703 | 376 | 1,253 | 28,381 |
| | 22B | 16,515 | 5,040 | 1,700 | 2,187 | 3,360 | 0 | 0 | 28,802 | 1,959 | 432 | 1,440 | 32,633 |
| | 42B | 43,185 | 6,063 | 5,650 | 4,629 | 4,042 | 0 | 0 | 63,569 | 4,323 | 954 | 3,178 | 72,024 |
| | 44 | 51,955 | 11,547 | 9,250 | 5,238 | 7,698 | 25,000 | 24,010 | 134,698 | 9,159 | 2,021 | 6,735 | 152,613 |
| | 45 | 48,610 | 14,835 | 7,250 | 5,847 | 9,890 | 25,000 | 17,420 | 128,852 | 8,762 | 1,933 | 8,442 | 145,989 |
| | 43 | 91,912 | 17,835 | 15,450 | 12,783 | 11,890 | 25,000 | 3,180 | 178,050 | 12,107 | 2,671 | 8,902 | 201,730 |
| | 40 | 97,550 | 11,910 | 18,050 | 16,320 | 7,940 | 25,000 | 15,980 | 192,750 | 13,107 | 2,891 | 9,638 | 218,386 |
| | 31 | 43,980 | 5,964 | 7,550 | 5,607 | 3,976 | 0 | 0 | 67,077 | 4,561 | 1,006 | 3,354 | 75,998 |
| | 33C | 20,555 | 480 | 2,250 | 2,847 | 320 | 0 | 0 | 26,452 | 1,799 | 397 | 1,322 | 29,970 |
| | 55B | 20,925 | 240 | 2,850 | 3,621 | 160 | 0 | 0 | 27,796 | 1,890 | 417 | 1,390 | 31,493 |
| Sub-Totals | | 442,822 | 74,520 | 71,700 | 69,843 | 49,680 | 100,000 | 73,530 | 973,095 | 59,370 | 13,098 | 43,654 | 989,217 |
| PHASE III | 77 | 61,688 | 11,104 | 7,650 | 10,487 | 7,402 | 25,000 | 20,740 | 144,071 | 9,797 | 2,161 | 7,204 | 163,233 |
| | 78 | 54,050 | 9,729 | 6,800 | 9,189 | 5,486 | 25,000 | 16,104 | 127,358 | 8,660 | 1,910 | 6,368 | 144,296 |
| | 79 | 45,825 | 8,249 | 5,950 | 7,790 | 5,499 | 25,000 | 28,182 | 126,495 | 8,602 | 1,897 | 6,325 | 143,319 |
| | 80 | 142,998 | 25,739 | 18,700 | 24,310 | 17,160 | 25,000 | 65,331 | 319,238 | 21,708 | 4,789 | 15,962 | 361,697 |
| | 81 | 56,635 | 10,194 | 7,650 | 9,628 | 6,796 | 25,000 | 13,176 | 129,079 | 8,777 | 1,936 | 6,454 | 146,246 |
| Sub-Totals | | 361,196 | 55,015 | 46,750 | 61,404 | 43,343 | 125,000 | 143,533 | 846,241 | 57,544 | 12,693 | 42,313 | 958,791 |
| Totals | | 1,091,112 | 222,886 | 165,750 | 183,261 | 148,591 | 250,000 | 251,730 | 2,313,330 | 157,305 | 34,701 | 115,667 | 2,621,003 |

Hudson Utilities, Inc.
 Projected ERC's by Area
 2002 - 2008

| Description | Phase I | | Phase II | | | | | Phase III | | | | | | Total | | | | |
|--|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|------------|
| | 61 | 62 | 41B | 22B | 42B | 44 | 45 | 43 | 40 | 31 | 33C | 55B | 77 | | 78 | 79 | 80 | 81 |
| Mo/Yr in Service | 7/02 | 10/02 | 7/03 | 2/04 | 7/03 | 10/03 | 11/03 | 9/03 | 1/04 | 2/04 | 3/04 | 3/04 | 5/03 | 3/03 | 2/03 | 1/03 | 6/03 | |
| Existing ERC's | 167 | 78 | 5 | 10 | 12 | 30 | 34 | 35 | 51 | 14 | 7 | 13 | 24 | 61 | 31 | 74 | 23 | 669 |
| Vacant lots | 3 | 11 | 5 | 2 | 5 | 7 | 7 | 11 | 34 | 24 | 9 | 12 | 7 | 10 | 16 | 31 | 31 | 225 |
| Total Additional ERC's | 170 | 89 | 10 | 12 | 17 | 37 | 41 | 46 | 85 | 38 | 16 | 25 | 31 | 71 | 47 | 105 | 54 | 894 |
| Additions By Year | | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total | | | | | | | | | |
| Existing ERC's (1) | | 196 | 263 | 74 | | | | | 533 | | | | | | | | | |
| Existing ERC's (2) | | | 49 | 66 | 21 | | | | 136 | | | | | | | | | |
| Vacant Lots (1) | | | 4 | 37 | 57 | 57 | 37 | 33 | 225 | | | | | | | | | |
| Vacant Lots & Exist. Erc's- Dev Area (4) | | 86 | 86 | 86 | 87 | 87 | 87 | 87 | 606 | | | | | | | | | |
| Total | | 282 | 402 | 263 | 165 | 144 | 124 | 120 | 1,500 | | | | | | | | | |

- Notes: (1) Assumes that 80% of existing ERC's will connect upon completion of construction, consistent with the parameters in Order No 21348.
 (2) Assumes the remaining ERC's will connect within 1 year of completion of construction, consistent with parameters in Order No. 21348
 (3) Assumes vacant lots will connect evenly over 4 years from completion of construction.
 (4) Unconnected vacant lots & existing homes in areas where construction was complete prior to 12-31-01. Assumption made that 606 Erc's (512 vacant lots + 94 existing structures) will be connected evenly over the next 7 years, beginning in 2002.