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June 30, 2003

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

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COMMISSION
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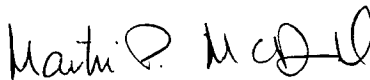
Re: Hudson Utilities, Inc.'s Application for Increase in Service Availability Charges
Docket No. 020254-SU

Dear Ms. Bayo:

Enclosed please find the original and fifteen copies of Hudson Utilities, Inc.'s ("Hudson")
Quarterly Progress Report.

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

MPM/rl

Enclosure

AUS _____
CAF _____
CMP _____
COM _____
CTR _____
ECR _____
GCL _____
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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Hudson Utilities,)
Inc. for increase in service availability)
charges for wastewater customers in)
Pasco County, Florida.)
_____)

Docket No. 020254-SU

Filed: June 30, 2003

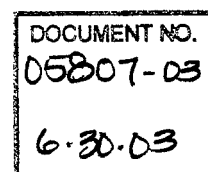
QUARTERLY PROGRESS REPORT

Pursuant to Order No. PSC-02-1626-PAA-SU issued November 25, 2002 in Docket Nos. 981079-SU, 020253-SU and 020254-SU, Hudson Utilities, Inc. ("Hudson") hereby files its Quarterly Progress Report due on June 30, 2003.

1. In Order No. PSC-02-1626-PAA-SU, the Florida Public Service Commission ("Commission") granted Hudson's request for an increase in service availability charges. In the Order, the Commission ruled it important to monitor the progress of Hudson's construction project that necessitated the increase in service availability charges, particularly for Phase I of the project, the Signal Cove service area. In order to monitor the progress of Hudson's construction project, the Commission ordered Hudson to submit quarterly progress reports on December 31, 2002, March 31, 2003, and June 30, 2003. The reports are to list total expenses to date, anticipated remaining expenses, and an estimated date to complete construction of Phase I of the project.

2. On December 20, 2002, in Consummating Order No. PSC-02-1818-COU-SU, the Commission made Order No. PSC-02-1626-PAA-SU effective and final. Hudson has timely filed Quarterly Progress Reports on December 31, 2002 and March 31, 2003.

3. Hudson has continued to diligently pursue the funding necessary to complete the sanitary sewer construction project in its service area, including the Signal Cove service area. Hudson has successfully negotiated the renewal and extension of a Senior Loan, a new Construction



Loan and the renewal and extension of a Subordinate Loan through Republic Bank, United Bank and WRH Mortgage Company, Inc. On June 17, 2003, the above principals and Hudson entered into a formal Commitment for the construction loan. The Commitment to renew and extend the existing Senior Loan and Subordinate Loan will expire on July 25, 2003, or if the loan does not close by August 11, 2003, unless the parties otherwise extend the Commitment in writing.

4. Hudson maintains its commitment to service the Signal Cove territory as soon as possible and will immediately commence construction of the project upon the closing of the loans. In response to the Commission's specific request in Order No. PSC-02-1626-PAA-SU, Hudson submits the following:

a. Total expenses to date.

Response: None, as Hudson is awaiting commercial financing prior to commencing the construction of the Signal Cove service territory.

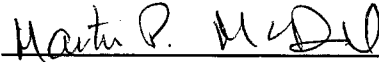
b. Anticipated remaining expenses.

Response: See Exhibit A which is the fully executed Term Sheet entered into between WRH Income Properties, Inc. and Hudson. The Term Sheet illustrates the terms of the construction note and anticipated expenses.

c. Estimated date to complete construction of Phase I.

Response: Assuming that the pending loans close in a timely manner, Hudson estimates approximately four months to complete construction of Phase I. However, due to unforeseeable circumstances that may delay completion of the construction project, the commitment by the lenders to finance the project is predicated upon the Commission granting Hudson an eight month extension to complete the sewer system improvements to the Signal Cove Subdivision with additional extensions of time available to accommodate any unavoidable construction delays. (See Exhibit B, page 2).

Respectfully submitted,



KENNETH A. HOFFMAN, ESQ.
MARTIN P. MCDONNELL, ESQ.
MARSHA RULE, ESQ.
Rutledge, Ecenia, Purnell & Hoffman, P.A.
P. O. Box 551
Tallahassee, Florida 32302
(850) 681-6788 (Telephone)
(850) 681-6515 (Telecopier)

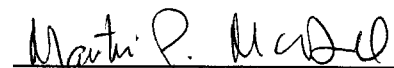
Attorneys for Hudson Utilities, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Quarterly Progress Report was furnished by United States Mail to the following, this 30th day of June, 2003:

Roseanne Gervasi, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Room 370
Tallahassee, Florida 32399-0850

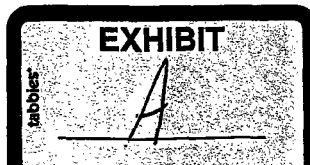
Stephen M. Presnell, Esq.
Associate Public Counsel
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400


MARTIN P. MCDONNELL, ESQ.

Hudson Utilities, Inc.

Term Sheet


1. The Senior Notes presently outstanding and held by Republic Bank and United Bank will be renewed and extended for five years from the closing date. These Notes will have a senior lien on all assets and cash flows of Hudson Utilities, Inc. Interest rate will be a fixed rate of 6%. Amortization will be level over 20 years with principal and interest payments to start in the first month after closing. Maturity will be five years from dated date. The Banks will receive one point extension fee to be paid at the closing. The Notes will be repayable by the Company at any time without premium.
2. "The Construction Notes" will be represented by a line of credit in the maximum amount of \$1,800,000. This line of credit will be drawn upon to pay closing costs of the renewal and extension of the Senior Notes. The construction program will consist of Phase 1 and Phase 3 as described in the documents as presented by Hudson Utilities, Inc. The interest rate will be floating at prime plus 1 ½ (based upon the Wall Street Journal prime) with interest payable monthly on the balance, with a cap rate of 8.75% and a floor rate of 4.75%. The plan of finance provides for the funding of the construction program by drawing all deposits in the Impact Fee Fund arising from service availability income on previously installed facilities as well as newly installed Phase 1 and Phase 3 facilities. 100% of Impact Fee monies will be utilized toward the construction program of Phase 1 and Phase 3. To the extent these Impact Fee monies are insufficient to fund the entire construction program, the line of credit will be drawn upon. On completion of construction, all Impact Fee Income received will be applied toward retirement of the Construction Notes until such Notes are 100% retired. The maturity date will be five years from dated date of the Note. The Notes may be prepaid at any time without premium. The lender will receive one point at the closing.
3. Subordinated Notes. The Subordinated Notes will bear interest at 12% payable monthly. The holder of the Notes will continue to have an extended stock option as previously granted which will be extended to the maturity date of the Notes which shall be ten years from the date of the closing. The Notes will be redeemable at a premium of 1% per annum for each year between the date of redemption and the stated date of maturity. An amortization rate of 20 years will commence 5 years after closing with a balloon in ten years after closing.
4. The existing covenants in the Loan Agreement will remain in place except for the following additional covenants:
 - a. Rate Covenant. Net Operating Income will cover current debt service by not less than 1.05% on a trailing 12 months basis.
 - b. Owner and management salaries will be subject to approval of an annual budget prepared by management and approved by WRH Income Properties, Inc. which approval will not be unreasonably withheld. WRH Income Properties, Inc. will receive an annual retainer in the amount of \$25,000 payable monthly for consulting services which will include advice and assistance on financial matters, budget matters and will include the servicing of all the debt. This consulting agreement will continue until July 1, 2008. WRH Income Properties, Inc. will receive one point placement fee on the Construction Notes and .5% placement and extension fee for the Senior Notes and the Subordinated Notes payable at the closing.
 - c. In addition to the 2 ½% of Operating Revenues which are required to be deposited in the Repair and replacement Account, all surplus operating revenues after the closing will be applied to the Repair and Replacement Account until such amount is equal to \$150,000. Emergency needs in excess of amounts existing in the Renewal and Replacement Account may be drawn down from the Impact Fee Account by consent of the Construction Note Lender.
 - d. Monthly operating statements and balance sheets will be sent to all three lenders.



- e. Expansion of the System may be undertaken with consent of the Lenders, upon an engineer's certificate as to feasibility.

Accepted By:

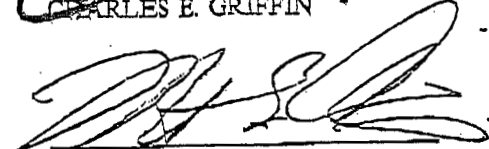
WRH INCOME PROPERTIES, INC.


By: _____

HUDSON UTILITIES, INC.


ROBERT BAMMANN


CHARLES E. GRIFFIN


MATHEW S. GRIFFIN

Sincerely,

REPUBLIC BANK, A Florida Corporation
("Senior Lender")

By: *Brigit A. Lawton*
Brigit A. Lawton
Title: *SVP*

UNITED BANK, A Florida Corporation
("Senior Lender")

By: *Cathy P. Swanson*
Cathy P. Swanson
Senior Vice President

WRH Mortgage, Inc., A Florida Corporation
("Subordinate and Construction Lender")

By: *William R. Hough*
William R. Hough
Chairman

Accepted and Agreed to this 17th day of June, 2003.

Hudson Utilities, Inc., a Florida Corporation
d/b/a Hudson Bay Company ("Borrower")

By: *Robert Bammann* (PRES)
Robert Bammann
President

June 12, 2003

Robert Bammann, President
Hudson Utilities, Inc.
d/b/a/ Hudson Bay Company
14832 U.S. Highway 19, Suite 6
Hudson, FL 34667

**RE: RENEWAL & EXTENSION OF SENIOR LOAN
NEW CONSTRUCTION LOAN
RENEWAL & EXTENSION OF SUBORDINATE LOAN**

Dear Mr. Bammann:

We are pleased to notify you that Republic Bank, a Florida banking corporation ("Republic") and its participant lender ("United Bank") (Republic and United Bank shall be known collectively as the Senior Lender) and WRH Mortgage, Inc. ("Subordinate Lender" and "Construction Lender") have approved your request for the renewal and extension of the above-referenced Senior and Subordinate Loans as well as a new Construction Loan to be used for the expansion of your wastewater system. Additional terms of these loans are outlined as follows:

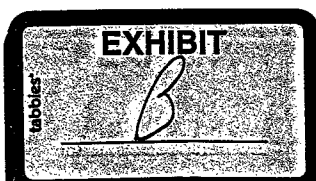
Senior Loan Amount: The amount of the Senior Loan shall equal the outstanding balance of the existing senior loan between Hudson Utilities, Inc. and Republic Bank at the time of the closing of the loan or approximately \$3,804,108.94. ("Senior Loan").

Construction Loan Amount: The outstanding amount of the new Construction Loan shall not exceed \$1,800,000. The permitted uses and other general terms of this loan are summarized in the Term Sheet attached hereto.

Subordinate Loan Amount: The amount of the Subordinate Loan shall equal the outstanding balance of the existing subordinate loan between Hudson Utilities, Inc. and WRH Mortgage, Inc. or approximately \$600,000. ("Subordinate Loan").

Additional Terms & Conditions: All other terms, conditions and covenants detailed in the existing Loan Documents (including Guaranties) shall continue under the renewed and extended Senior and Subordinate Loans and shall be expanded to apply to the new Construction Loan, subject to modifications necessary to reflect the changes indicated in the Term Sheet attached hereto.

Loan Documents: The general form of the existing loan documents shall be used but will be edited to conform to the terms summarized in the attached Term Sheet as well as to incorporate any other modifications that are deemed appropriate and are acceptable to all parties to the transaction.



Loan Closing: The Closing of the Loans contemplated herein are conditioned upon:

1. Action by the Public Service Commission granting Hudson Utilities, Inc. an 8-month extension to complete the sewer system improvements to the Signal Cove Subdivision (Phase I of the planned expansion), with additional extensions of time available to accommodate any unavoidable construction delays.
2. Opinion letter from Borrower's attorney affirming Hudson Utilities' legitimate franchise rights to the service area that includes the Signal Cove Subdivision and the Sea Pines Subdivision (Phases I and III of the planned expansion).
3. Delivery of copies of the certificate of authorization and the tariff that officially document the Borrower's franchise rights and franchise areas.
4. Opinion letter from Borrower's attorney affirming Hudson Utilities' legitimate rights to serve and collect service fees from those customers within the Signal Cove Subdivision that are presently served by Pasco County, including rights to assume ownership of the sewer infrastructure (including easement rights) presently used by Pasco County to serve those customers.
5. Further requirements as may be recommended by legal counsel.

Distribution of Cash Flow: The cash flows from the operation of the sewer system shall be applied as outlined below.

1. Net Operating Revenue includes ordinary operating revenue less ordinary operating expenses. Ordinary operating revenue includes all revenue from the operation of the sewer system, excluding lump-sum impact fees and principal and interest payments associated with impact fee promissory notes. Ordinary operating expenses include those expenses incurred in connection with the normal operation of the sewer system and exclude capital costs incurred to expand the sewer system and debt service. Net Operating Revenue shall be distributed in the following priority:
 - a. First, to scheduled principal and interest payable under the terms of the Senior Note, but excluding accelerated amortization available under the terms of the Senior Note;
 - b. Second, to interest payable under the terms of the Construction Note.
 - c. Third, to scheduled principal and interest payable under the terms of the Subordinate Note but excluding accelerated amortization available under the terms of the Subordinate Note;
 - d. Fourth, to fund the Repair and Replacement Account up to a balance of \$150,0000;
 - e. Fifth, 100% of all cash flow remaining after funding items (a) through (d) shall be applied to reduce the outstanding principal due under the Construction Note until the debt is retired;
 - f. Sixth, 100% of all cash flow remaining after funding items (a) through (e) shall be applied to reduce the outstanding principal due under the Senior Note until the debt is retired.
2. Impact fees include lump-sum cash payments of impact fees as well as principal and interest payments associated with impact fee promissory notes. Impact Fees shall be distributed in the following priority:
 - a. First, to any shortfall that may exist in the payment of scheduled principal and interest due under the terms of the Senior Note after applying available Net

- Operating Revenue, but excluding accelerated amortization available under the terms of the Senior Note;
- b. Second, to fund construction costs associated with Phase I and Phase III of the System plus emergency renewals and replacements, if needed;
 - c. Third, 100% of all remaining Impact Fees shall be applied to reduce the outstanding principal due under the Construction Note until the debt is retired;
 - d. Fourth, to any shortfall that may exist in the payment of scheduled principal and interest due under the terms of the Subordinate Note after applying available Net Operating Revenue;
 - e. Fifth, to reduce the outstanding principal due under the Senior Note until the debt is retired.

Representations and Warranties: Hudson Utilities, Inc. and the Guarantors under the existing Senior and Subordinate Loans hereby reaffirm all of the representations and warranties given in conjunction with the original Loan Agreement dated May 7, 1997 and as subsequently modified and ratified on September 2, 2002.

Fees and Expenses: Hudson Utilities, Inc. shall be responsible for paying all reasonable transaction expenses (including legal fees) in addition to the various extension and placement fees detailed in attached Term Sheet.

Commitment Expiration Date: This commitment to renew and extend the existing Senior and Subordinate will expire on July 25, 2003, if not accepted in writing by that date, or if the Loan does not close by August 11, 2003, unless otherwise extended in writing.

Unless provided in the Loan documents, the provisions contained herein will survive the closing of the Loan. This commitment is not intended to be all-inclusive, and other terms and conditions will be included in the Loan and security documents.

Lender shall be under no obligation to fund this commitment should there be any material adverse change in the Borrower's position, or if it is determined that Borrower has failed to provide Lender material information. In the event of any of these contingencies, Lender shall have no further liability under this commitment.

It is understood and agreed that this commitment cannot be sold, transferred or assigned to any person, partnership, or other entity without the express written consent of Lender. This commitment will survive the Loan closing and any subsequent agreements between the parties unless otherwise agreed in writing.

Sincerely,

REPUBLIC BANK, A Florida Corporation
("Senior Lender")

By: Brigit A. Lawton
Brigit A. Lawton
Title: SVP

UNITED BANK, A Florida Corporation
("Senior Lender")

By: Cathy P. Swanson
Cathy P. Swanson
Senior Vice President

WRH Mortgage, Inc., A Florida Corporation
("Subordinate and Construction Lender")

By: William R. Hough
William R. Hough
Chairman


Accepted and Agreed to this 17th day of June, 2003.

Hudson Utilities, Inc., a Florida Corporation
d/b/a Hudson Bay Company ("Borrower")

By: Robert Bannmann (PRES)
Robert Bannmann
President

Accepted and Agreed to this ^{7th} 17 day of June, 2003.

Guarantors


Robert Bammann, Individually


Charles E. Griffin, Individually


Mathew S. Griffin, Individually


Edith D. Griffin, Individually