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VALERIE L. LORD

September 1, 2004

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: North Peninsula Utilities Corporation
Rate Investigation; PSC Docket No. 030601-SU
Our File No. 26097.04

Dear Ms. Bayo:

After numerous discussions between representatives of the Utility and the Public Service Commission staff in the above-referenced case, the Utility has decided to propose a settlement of this case in order to resolve the outstanding issues without incurring substantial additional monies in potential litigation. In order to resolve all outstanding issues relative to this case, North Peninsula Utilities Corporation hereby proposes the following refunds and rate reductions on a going-forward basis:

1. Refund of 1.56% of all revenues collected from the implementation of the Utility's last index in August of 2002 through September 5, 2003.
2. Refund 7.09% of revenues collected from September 5, 2003 through the date of implementation of the reduced rates outlined below.
3. Both of the above refunds will be made, with interest, in accordance with the requirements of Commission Rule 25-30.360.
4. The Utility will immediately reduce all categories of rates by 4.14% on a going-forward basis.

If this proposal for settlement is acceptable to the Commission and its staff, we

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09588 SEP-1 04

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would like to move forward with implementation immediately and closing of the above-referenced case.

If you have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP


F. Marshall Deterding
For The Firm

FMD/tms

cc: Troy Rendell
Bart Fletcher
Sam Merta
Robert Hillman
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Doug Martin