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Via Hand Delivery

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

RECEIVED-FPSC
04 NOV - 1 PM 4: 18
COMMISSION
CLERK

Re: Docket No. 981079-SU
Settlement Agreement

Dear Ms. Bayo:

Enclosed herewith for filing on behalf of Hudson Utilities, Inc. and Citizens of The State of Florida, Office of Public Counsel is the original and fifteen copies of the parties' Settlement Agreement in the above referenced docket.

CMP Please acknowledge receipt of this document by stamping the extra copy of this letter
COM "filed" and returning the copy to me. Thank you for your assistance with this filing.
CTR
ECR
GCL
OPC
MMS
RCA MPM/tls
SCR Enclosures
SEC L FAUSERS\Marty\Hudson Utilities\Bayo LTR 11.01.04
OTH

Sincerely,

Martin P. McDonnell
Martin P. McDonnell

RECEIVED & FILED

Handwritten initials

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

11747 NOV-1 04

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)

In re: Citizens of the State of Florida Petition to initiate a Show Cause Proceeding against Hudson Utilities, Inc. For Failure to Provide Service)

DOCKET NO. 981079-SU Filed: September 21, 2004

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into this 21 day of September, 2004, by and between the Citizens of the State of Florida ("Citizens") through the Office of Public Counsel and Hudson Utilities, Inc. ("Hudson," "Utility" or "Company").

WITNESSETH

WHEREAS, on August 26, 1998, Hudson filed an application with the Commission for an amendment of Certificate No. 104-S to extend its service territory. Included in this extended area is the Sea Pines Community. The Sea Pines area is located north of Hudson's preexpanded territory; and

WHEREAS, the Sea Pines residents in the Hudson service territory are currently served by septic tanks. The area has been federally designated 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 Sea Pines, to be provided with sanitary sewer collection and treatment systems. However, the County generally does not construct gravity sewer collection systems; and

DOCUMENT NUMBER-DATE

11747 NOV-18

FPSC-COMMISSION CLERK

WHEREAS, to serve Sea Pines, Hudson must construct a collection system including lift stations and force mains to connect the Sea Pines area with its other collection mains, that transport wastewater to Pasco County's treatment plant; and

WHEREAS, by Order No. PSC-99-1916-PAA-SU, issued September 27, 1999, in this docket, which was made final and effective by Order No. PSC-99-2082-CO-SU, issued on October 21, 1999, the Commission approved Hudson's application to amend its certificate, including the addition of the subject Sea Pines area. In the five (5) years since the Commission granted Hudson's request to include the Sea Pines area in its service territory Hudson has failed to begin construction of any wastewater collection system to serve this area; and

WHEREAS, as a result of Hudson's continued failure to serve the Sea Pines area, OPC, on May 25, 2004, filed a motion to initiate a show cause proceeding against Hudson. In its motion OPC requested the Commission to assess such penalties and or provide such other relief as it deems necessary to assure that Sea Pines is provided wastewater collection and treatment service as quickly as possible; and

WHEREAS, on August 19, 2004 Hudson filed a response to OPC's motion to show cause. In its response Hudson informed the Commission that it was seeking bids to determine the cost to serve the Sea Pines area, and that once the bids were received they would be submitted to Hudson's lenders to determine if it was feasible for Hudson to serve the area. In its response Hudson also informed the Commission of the potential of Pasco County purchasing all or part of Hudson Utilities; and

WHEREAS, on August 26, 2004, the Staff of the Commission ("Staff") filed a recommendation to grant OPC's motion to initiate a show cause proceeding against

without modification by Commission order, 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.

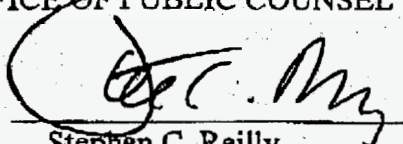
4. This Settlement Agreement will become effective on the date the Commission enters a final order approving the agreement in total. Upon the Commission issuing a final order approving this Settlement Agreement, OPC's motion to show cause shall be deemed to be resolved, with both Parties bearing their own expenses associated with this proceeding (OPC on behalf of the customers and the shareholders of the Company on behalf of Hudson).

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

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

CITIZENS OF THE STATE OF FLORIDA,
OFFICE OF PUBLIC COUNSEL

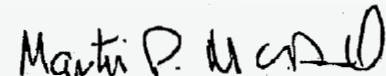
By:



Stephen C. Reilly
Associate Public Counsel

HUDSON UTILITIES, INC.

By:



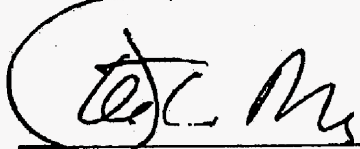
Martin P. McDonnell
Attorney for Hudson

**CERTIFICATE OF SERVICE
DOCKET NO. 981079-SU**

I HEREBY CERTIFY that a true and correct copy of the foregoing Settlement Agreement has been furnished by U.S. Mail or *hand-delivery to the following parties this 21st day of September, 2004.

Rosanne Gervasi, Esquire*
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Room 370
Tallahassee, FL 32399-0850

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Stephen C. Reilly
Associate Public Counsel