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November 10, 2004

Via Hand Delivery

Katherine Fleming, Esquire
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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COMMISSION
CLERK

RE: Docket No. 040358-SU - Application for Certificate to Provide Wastewater Service in Bay County by Crooked Creek Utility Company

Dear Ms. Fleming:

Our firm represents Crook Creek Utility Company ("Crooked Creek"). Crooked Creek is a wholly owned subsidiary of the St. Joe Company ("St. Joe"). As you are aware, St. Joe is currently constructing a substantial development in Bay County that will be known as Rivercamp at Crooked Creek ("Rivercamp"). Crooked Creek was organized with the purpose and intent of providing wastewater service to the Rivercamp community.

Pursuant to Order No. PSC-04-0983-PAA-SU issued October 11, 2004 ("Order No. 04-0983"), the Commission granted Crooked Creek Certificate No. 535-S and issued a Notice of Proposed Agency Action establishing rates and charges. The order was not protested and Consummating Order No. PSC-04-1085-CO-SU was issued on November 4, 2004, finalizing the proposed agency action portion of Order No. 04-0983.

In a related docket, Docket No. 041116-WS, the Commission issued Order No. PSC-04-1065-FOF-WS on October 29, 2004 acknowledging the resolution adopted by Bay County rescinding Commission jurisdiction effective September 7, 2004, noting that Crooked Creek held Certificate No. 535-S and further providing that the Crooked Creek certificate shall be cancelled upon the conclusion of Docket No. 040358-SU.

The central issue and purpose of this letter is to address the two post-Order No. 04-0983 requirements imposed by the Commission on Crooked Creek. Specifically, the Commission ordered Crook Creek to: (1) file a tariff reflecting a copy of the customers' bills within 120 days of the order

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Page 2

November 10, 2004

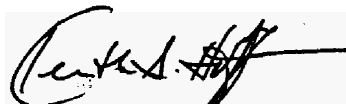
becoming final and (2) file the executed and recorded copy of the warranty deed reflecting Crooked Creek's ownership of the land on which the wastewater facilities used to provide service to the Rivercamp development will be situated. Recently, Bay County approved a Utility System Acquisition Agreement between it and St. Joe, whereby St. Joe commits to construct the Crooked Creek wastewater plant facilities and Bay County agrees to acquire such facilities and operate them upon completion of construction. A copy of the Agreement that was approved by the County is enclosed herewith.

In light of these recent events, Crooked Creek maintains that it would be a waste of Crooked Creek's and the Commission's resources to implement the two post-order requirements discussed above. As noted in Order No. PSC-04-1065, as soon as Docket No. 040358-SU is completed, Certificate No. 535-S will be cancelled. There is nothing to be gained and it certainly would appear to be a waste of time, resources and monies to require Crooked Creek to take and record title to the land and facilities when all parties understand that Crooked Creek would soon thereafter be transferring title of such land and facilities to Bay County. We also emphasize that Crooked Creek is not in a position to provide wastewater service to the Rivercamp development at this time and intends to follow through on its agreement with Bay County so that Bay County would be the initial and continuing provider of wastewater service to the Rivercamp Development.

In view of the foregoing, we respectfully request on behalf of Crooked Creek that the prehearing officer grant an extension of time on the warranty deed filing requirement and that upon execution of the enclosed agreement between the parties and the filing of the same with the Commission, that Docket No. 040358-SU be administratively closed and that Certificate No. 535-S be cancelled.

If you have any questions or need any additional information, please do not hesitate to give me a call.

Sincerely,



Kenneth A. Hoffman

Enclosure

KAH/knb

cc: Blanca Bayo
Bryan Duke, Esq. (w/o enclosure)

**UTILITY SYSTEM
ACQUISITION AGREEMENT**

THIS UTILITY SYSTEM ACQUISITION AGREEMENT (the “Agreement”) is made and entered into as of the ____ day of _____, 2004, by and between, THE ST. JOE COMPANY (hereinafter “St. Joe”) and BAY COUNTY BOARD OF COUNTY COMMISSIONERS (“Bay County”).

WITNESSETH:

WHEREAS, St. Joe is developing RiverCamps on Crooked Creek in Bay County Florida adjacent to County Road 388 and West Bay (hereinafter “Project”); and

WHEREAS, the Development Agreement approved by Bay County on October 15, 2002 for the development of the Project requires St. Joe to provide central sewer and central water service to the Project; and

WHEREAS, central sewer service is the preferred method of handling sanitary sewer and central water service is the preferred method of providing potable water service; and

WHEREAS, St. Joe intends to construct a sewer package plant, percolation ponds, collection and distribution lines and other utility facilities to serve the Project; and

WHEREAS, St. Joe intends to construct a water plant, consisting of a hydro-pneumatic surge tank facility, a re-chlorination facility, a pump station, a water main access line, and distribution lines and other water utility facilities to serve the Project; and

WHEREAS, Bay County would like to acquire and operate the sewer package plant, percolation ponds, collection and distribution lines and the water plant, hydro-pneumatic surge

#100618 v. 1

tank facility, re-chlorination facility, pump station, water main access lines, distribution lines and any other sewer and water utility facilities as part of its county wide retail utility system.

NOW, THEREFORE, in consideration of the foregoing recitals and the benefits to be derived from mutual promises, covenants, representations and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement do undertake, promise and agree for themselves, their permitted successors and assigns as follows:

1. Upon receipt of all required permits, St. Joe shall commence and thereafter complete the construction and installation of a sewer package plant, percolation ponds, collection and distribution lines, and all other associated sewer utility facilities for the Project (“Sewer Facilities”), and a water plant, consisting of a hydro-pneumatic surge tank facility, a re-chlorination facility, a pump station, a water main access line, and distribution lines and other water utility facilities for the Project (“Water Facilities”) all as set forth in **Exhibit “A”**. St. Joe is planning on constructing additional sewer plant facilities to accommodate additional development of the Project all as described in **Exhibit “B”** (“Additional Sewer Facilities”). The Additional Sewer Facilities shall be constructed in phases at the discretion of St. Joe based on the phasing of the Project and permitted Equivalent Residential Units (“ERU’s”) within the Project as approved by Bay County. St. Joe agrees to commence construction of the Additional Sewer Facilities in sufficient time to meet flow commitments and any other requirements of applicable regulatory agencies.

2. **St. Joe** shall obtain all necessary permits from the Department of Environmental Protection and any other required permits for the construction of the Water Facilities, Sewer Facilities and Additional Sewer Facilities. Bay County shall assist St. Joe in obtaining all necessary permits by executing any document related to the ownership, operation, and maintenance of the Water Facilities, Sewer Facilities and Additional Sewer Facilities, as may be required by the Department of Environmental Protection and/or any other governmental agency. The Water Facilities, Sewer Facilities and Additional Sewer Facilities shall be constructed at the sole cost and expense of St. Joe. The parties understand and agree that upon completion of the Additional Sewer Facilities, the sewer plant will be able to serve approximately four hundred (400) ERU's. The schedule for construction of the Water Facilities and Sewer Facilities is included in **Exhibit "A"** and the schedule for construction of the Additional Sewer Facilities is included in **Exhibit "B"**.

3. Within thirty (30) days after the last of the Water Facilities and Sewer Facilities are complete and operational (the "Closing Date"), St. Joe agrees to convey or cause to be conveyed to Bay County and Bay County agrees to acquire and accept St. Joe's fee simple interest in and to (a) that certain tract of land which will contain the sewer package plant, as depicted on **Exhibit "C-1"** and (b) that certain tract of land which will contain the Water Facilities, as depicted on **Exhibit "C-2"**; together with all appurtenances, hereditaments and improvements located thereon (the "Property"). St. Joe also agrees to convey to Bay County the following easements: (a) a temporary easement over the tract of land upon which the percolation ponds will be constructed, as depicted on **Exhibit "D-1"** ("Pond Easement"), which easement will terminate when Bay County ceases to use the percolation ponds; (b) a perpetual utility easement

#100618 v. 1

over the property legally described in **Exhibit “D-2”** (“Utility Easement”), and (c) an temporary access easement over the property legally described in **Exhibit “D-3”** (“Access Easment”), which easement shall terminate upon the County receiving acceptable alternative access to the Property. St. Joe will agree to maintain the Access Easement such that existing Bay County utility vehicles which need to access the Property are capable of accessing the Property. Bay County agrees that upon receipt of title to the Property, it will operate and maintain the Property, the Pond Easement and all of the Water Facilities and Sewer Facilities in accordance with applicable law. On the Closing Date, Bay County also agrees to convey to St. Joe a temporary access easement over and across the Property (“Temporary Construction Easement”) for the purpose of allowing St. Joe to complete the construction of the Additional Sewer Facilities as provided for in Section 3. St. Joe shall obtain at its sole cost and expense a Survey and Title Commitment for the Property and the Utility Easement and Access Easement and deliver these documents to Bay County within thirty (30) days of the Closing Date. St. Joe shall prepare all documents for the Closing and shall pay all costs of Closing.

4. St. Joe shall construct and complete the Water Facilities, Sewer Facilities and Additional Sewer Facilities in a good and workmanlike manner and in accordance with all applicable governmental laws and regulations, including all technical and operational standards of Bay County.

5. Upon the County’s receipt of the Property with respect to the Water Facilities and Sewer Facilities and upon receipt of the Department of Environmental Protection Sewer Completion Certificate with respect to the Additional Sewer Facilities, the County shall own, operate and

#100618 v. 1

maintain the Water Facilities, Sewer Facilities and the Additional Sewer Facilities for the benefit of the residents and facilities of the Project to the same standard applied to its ownership, operation and maintenance of other similar type utility facilities which it owns, operates and maintains in Bay County. Provided Bay County maintains reserve capacity for the Project's residents and facilities, it shall have the right to serve customers other than those within St. Joe's development(s) with the Water Facilities, Sewer Facilities and the Additional Sewer Facilities. St. Joe shall immediately following completion of construction of the Additional Sewer Facilities, cause the transfer of ownership of such Additional Sewer Facilities to the County.

6. During construction and prior to the transfer, the County shall have the right to inspect the Water Facilities, Sewer Facilities and the Additional Sewer Facilities to ensure compliance with applicable County technical and operational standards.

7. Upon the application for a residential building permit with respect to any residential lot within the Project, the County shall be entitled to charge the applicant the then prevailing County "sewer installation fees" and "sewer connection fees" (collectively "Sewer Fees") (currently \$1,166.00 per ERU), the then prevailing County water "installation fees", "impact fees" and "wholesale impact fees" (collectively "Water Fees") (currently \$551.67 per ERU), as well as any other then prevailing monthly service fees, meter fees, installation fees, irrigation fees, other impact fees, deposits and any other fees authorized by this Agreement, for that defined area at the time of the collection. The County agrees that, other than the fees authorized by this Agreement, it may not charge any other fees to owners within the Project.

8. The County agrees to compensate St. Joe for its capital investment in the Water Facilities, Sewer Facilities and Additional Sewer Facilities as follows:

A. The County will pay St. Joe on a monthly basis twenty five percent (25%) of its then prevailing retail Sewer Fees received from residents of the Project during the prior month to partially reimburse St. Joe for its total dollar capital investment costs for force mains, lift stations (regardless of location) and transmission lines (leading from the Project to the wastewater treatment plan) associated with the Sewer Facilities and Additional Sewer Facilities. St. Joe shall not be entitled to any payment for the cost of collection lines associated with the Sewer Facilities and Additional Sewer Facilities which are located within the Project. In addition, the County agrees to pay St. Joe on a monthly basis seventy five percent (75%) of its then prevailing retail Sewer Fees received from residents of the Project during the prior month to partially reimburse St. Joe for its total dollar capital investment costs for the wastewater treatment capacity, treated waste storage capacity and percolation ponds associated with the Sewer Facilities and Additional Sewer Facilities. After the Project has been developed to a maximum of four hundred fifty (450) units and Sewer Fees are no longer collected, no further payments are due to St. Joe.

B. The County will pay St. Joe on a monthly basis twenty five percent (25%) of its then prevailing retail "Water Fees" received from residents of the Project during the prior month to partially reimburse St. Joe for its total dollar capital investment costs for the off-site water main line associated with the Water Facilities and leading from the County's water main located on County Road 388 to the Project's water plant facility. St. Joe shall not be entitled to any

#100618 v. 1

payment for the cost of water distribution lines associated with the Water Facilities which are located within the Project. In addition, the County agrees to pay St. Joe on a monthly basis seventy five percent (75%) of its then prevailing retail Water Fees received from residents of the Project during the prior month to partially reimburse St. Joe for its total dollar capital investment costs for the hydro-pneumatic surge tank facility, the re-chlorination facility, and the pumping station associated with the Water Facilities. After the Project has been developed to a maximum of four hundred fifty (450) units and Water Fees are no longer collected, no further payments are due to St. Joe.

9. Bay County agrees that it shall only charge all residents within the Project its Board approved monthly retail rates for the provision of sewer and potable water services.

10. In accordance with its agreement to operate the Sewer Facilities and Additional Sewer Facilities as set forth above in Section 5, the County agrees to act as the central management entity in accordance with Rule 62-604-400(3), F.A.C., and as such, agrees to operate and maintain all facilities, including the on-lot e-one low pressure components, associated with the Sewer Facilities and Additional Sewer Facilities. St. Joe agrees that the County may charge the residents of the Project, a monthly fee of \$5.00 to be added to each residents monthly retail bill, which the County may hold in an escrow account to be used solely for any post warranty maintenance and repair costs of Project's on-lot e-one low pressure components. St. Joe also agrees to provide the County with an inventory of eight (8) e-one low pressure systems for initial maintenance and repairs in the event that the factory warranty or the above mentioned escrow account is not sufficient to cover such costs. St. Joe agrees to conduct an e-one low pressure

#100618 v. 1

system education program designed to provide residents of the Project, Bay County employees and RiverCamps' employees with information which will assist in the proper operation of the one low pressure system. This program will include St. Joe prepared flyers, which will be provided to the residents of the Project during the design review process and inserted into Bay County's billing notices. Bay County has determined and St. Joe agrees that Bay County will operate the Sewer Facilities at a deficit until sixty (60) Equivalent Residential Units have tapped onto the system and have begun paying monthly sewer charges. To compensate Bay County for these operating deficits, St. Joe has agreed to pay the Bay County Thirty Five Thousand Dollars (\$35,000.00) per year until the sixtieth (60th) Equivalent Residential Unit has tapped onto the system. Bay County will invoice St. Joe Eight Thousand Seven Hundred Fifty Dollars (\$8,750.00) on a quarterly basis and St. Joe will pay such sum within 30 days of receiving the invoice. Upon connection and billing of sixty (60) units, Bay County will immediately submit the final billing to St. Joe, which final billing will be a pro-rata share of the Eight Thousand Seven Hundred Fifty Dollar (\$8,750.00) quarterly amount based on the number of days in the quarter at which time the sixtieth (60th) unit connected to the system.

11. In the event either party fails to perform any obligation of this Agreement, after receipt of written notice of such default and a period of ten (10) days to cure such default, either party may seek and pursue any and all remedies allowed by law, specifically including injunctive relief.

12. Except as expressly provided herein, the conveyance of the Property, the Pond Easement, the Utility Easement, the Access Easement, the Temporary Construction Easement, the Water Facilities, the Sewer Facilities and the Additional Sewer Facilities under this Agreement are "AS

#100618 v. 1

IS” and there are no representations, covenants, warranties or retention and assumption of liabilities other than those specifically set forth in this Agreement, including but not limited to, any representations, covenants, warranties or retention and assumption of liabilities in respect to environment matters.

13. Bay County shall be responsible for obtaining the transfer to Bay County of any and all operating permits related to the Water Facilities, the Sewer Facilities and the Additional Sewer Facilities. St. Joe agrees to pay any applicable permit transfer fees. St. Joe and Bay County shall cooperate in the preparation of all requisite documents to notify, apply for and seek the transfer of such permits.

14. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from any county public health unit.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

16. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, or by courier service, charges prepaid, to the parties at the following addresses:

To St. Joe: St. Joe Timberland Company of Delaware, L.L.C.
1400 Oven Park Drive
Tallahassee, FL 32308
Attention: Kevin Fox
Fax Number: 850-523-4211
Phone Number: 850-386-8600

To Bay County:

With a copy to:

And additional copy to:

The parties may, by notice in writing given to the others, designate any future or different addresses to which the subsequent notices, certificates or other communications shall be sent. Any notice shall be deemed given on the date such notice is delivered by hand or by facsimile transmission or five (5) days after the date mailed.

17. Neither St. Joe nor Bay County shall have the power or authority to assign this Agreement or any of their rights, duties or obligations hereunder to a third party without the

#100618 v. 1

express written consent of the other party and this Agreement shall be construed as solely for the benefit of St. Joe, the residents of the Project and Bay County, and their successors by law, and no claim or cause of action shall accrue to or for the benefit of any other third party by reason hereof. However, Bay County may at its sole discretion contract with a third party to provide supplies or labor to operate facilities, provided such contract(s) continue to meet the terms and conditions set forth in State operating permits.

18. Except as otherwise provided in this Agreement, no amendment, supplement, modification or waiver of this Agreement shall be binding upon any party hereto unless executed in writing by such party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, unless otherwise expressly provided.

19. This Agreement is the entire agreement between the parties and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions of the agreements, understandings, negotiations and discussions of the parties, whether oral or written, pertaining to the subject matter hereof, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof, except as specifically set forth herein.

#100618 v. 1

IN WITNESS WHEREOF, The St. Joe Company and Bay County have caused this

Agreement to be duly executed and entered into on the date first above written.

THE ST. JOE COMPANY

By: _____
Its: _____

Attest:

BAY COUNTY

By: _____
Its: _____

Attest: