

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water )  
and wastewater rates in Lake County )  
by Utilities, Inc. of Pennbrooke. )  
\_\_\_\_\_ )

DOCKET NO. 060261-WS

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COMMISSION  
CLERK

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into this 4<sup>th</sup> day of May, 2007, by and between Utilities, Inc. of Pennbrooke ("Pennbrooke" or "Utility"), and the Office of Public Counsel, on behalf of the customers of Pennbrooke ("Citizens").

WITNESSETH

WHEREAS, the Florida Public Service Commission ("Commission") issued Proposed Agency Action Order No. PSC-07-0088-PAA-WS in this docket on January 31, 2007, ("PAA Order"); and

WHEREAS, the February 21, 2007, Citizens filed a timely protest to the PAA Order; and

WHEREAS, on March 2, 2007. Pennbrooke timely filed a Cross-Petition; and

WHEREAS, in order to avoid the time, expense and uncertainty associated with adversarial litigation, and in keeping with the Commission's long-standing policy and practice of encouraging parties in protested proceedings to settle issues whenever possible, the Citizens and Pennbrooke hereby enter into this Agreement to settle this case in accordance with the terms and conditions contained herein.

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NOW, THEREFORE, for and in consideration of the mutual covenants set forth below, the Citizens and Pennbrooke agree as follows:

1. A. The PAA Order shall be amended to eliminate the requirement that the \$22,143 in water system overearnings be used on water conservation programs, and in lieu thereof, the wastewater revenue requirement shall be reduced by \$22,143.

B. The PAA Order shall be amended to eliminate the language relating to the determination of the used and usefulness of Pennbrooke's water and wastewater plants. It is the intent of Pennbrooke and Citizens that the PAA Order shall have no precedential value as to the issues of determining the used and usefulness of Pennbrooke's water and wastewater plants. Notwithstanding these amendments to the PAA Order, the parties stipulate to the revenue requirement as set forth in the PAA Order as modified above. Further, approval by Pennbrooke and the Citizens of the above stipulated revenue requirements shall in no way limit or estop either party from espousing whatever positions either deems appropriate for each and every issue that might be in controversy in any subsequent proceeding.

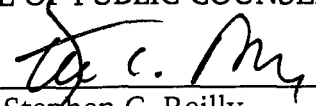
C. As a result of the above adjusted revenue requirements, the standard Commission refund calculations shall be used for determining whether any refunds are required from the interim or PAA implemented rates. Any refund required because of Pennbrooke's implementation of interim and PAA rates shall be accounted for on the books of Pennbrooke as contribution in aid of construction ("CIAC").

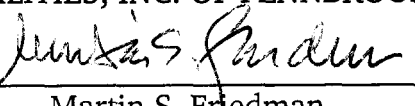
2. The submission of this Settlement Agreement by the Parties is in the nature of an offer to settle. Consequently, if this Settlement Agreement is not accepted and approved without modification by Commission Order, then this Settlement Agreement is rejected and shall be considered null and void and neither Party may use the attempted agreement in this or any other proceeding.

3. Pennbrooke and the Citizens expressly agree that all activity relating to this docket should be suspended until the Commission disposes of the Joint Motion Requesting Commission Approval of Settlement Agreement.

4. The 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, the Citizens Petition on Proposed Agency Action and Pennbrooke's Cross-Petition shall be deemed resolved, in accordance with the terms of this Settlement Agreement.

5. The Parties have evidenced their acceptance and agreement with the provisions of this Settlement Agreement by their signatures, and personally represent that they have authority to execute this Settlement Agreement on behalf of their respective Parties.

OFFICE OF PUBLIC COUNSEL  
By:   
Stephen C. Reilly  
Associate Public Counsel  
On behalf of the Customers  
of Utilities, Inc. of Pennbrooke

UTILITIES, INC. OF PENNBROOKE  
By:   
Martin S. Friedman  
Attorney for Utilities, Inc. of  
Pennbrooke