

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

DATE: OCTOBER 26, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF LEGAL SERVICES (JAEGER) *[Signature]*
 DIVISION OF ECONOMIC REGULATION (DEWBERRY, RENDELL, WILLIS) *[Signature]* *[Signature]* *[Signature]*

RE: DOCKET NO. 980242-SU - PETITION FOR LIMITED PROCEEDING TO IMPLEMENT TWO-STEP INCREASE IN WASTEWATER RATES IN PASCO COUNTY BY LINDRICK SERVICE CORPORATION.

AGENDA: 11/07/00 - REGULAR AGENDA - DECISION PRIOR TO HEARING - INTERESTED PERSONS MAY PARTICIPATE - FINAL AGENCY ACTION

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\980242B.RCM

CASE BACKGROUND

Lindrlick Service Corporation (Lindrlick or utility) is a Class B utility located in Pasco County (County). According to the utility's annual report, for the year ended December 31, 1997, the utility provided water and wastewater services to approximately 2,283 water customers and 2,203 wastewater customers.

Lindrlick's last rate case was finalized on November 16, 1983, by Order No. 12691, in Docket No. 830062-WS. In Docket No. 860089-SU, the Commission initiated an overearnings investigation and lowered rates for the wastewater system only.

In another overearnings investigation, by Order No. PSC-97-1501-FOF-WS, issued November 25, 1997 in Docket No. 961364-WS, the Commission addressed Lindrlick's 1995 earnings level and the disposition of wastewater revenues collected subject to refund. Based on the revenue deficiency of \$81,594 for the water system and

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the revenue excess of \$26,910 for the wastewater system, the Commission found that on a combined basis the company had a \$54,684 revenue deficiency. The Commission found that the customers and service area were virtually the same for both water and wastewater, and that the interest of the customers and the utility would be best served by allowing the utility to offset the overearning in the wastewater system by the even greater underearning in the water system.

On February 12, 1998, Lindrick filed this application, pursuant to Section 367.0822, Florida Statutes, for a limited proceeding to increase its wastewater rates. We have jurisdiction pursuant to that section and Section 367.011(2), Florida Statutes. This requested increase in wastewater rates was based upon the Florida Department of Environmental Protection's (DEP) Notice of Violation and Order for Corrective Action issued on January 13, 1998, and the resulting increase in cost of the wastewater operation. In the Notice of Violation and Order for Corrective Action, DEP ordered Lindrick to eliminate intrusion/infiltration into Lindrick's collection system and to meet the effluent limits of the permit or initiate actions that would cease surface water discharge into Cross Bayou.

Lindrick decided to take its wastewater treatment plant off line, ceasing surface water discharge, and send the raw effluent to the City of New Port Richey (City) in order to comply with DEP's requirements. The City then sends the treated wastewater to the County's reuse system. Effluent chloride is an inherent problem for Lindrick, given the location of its service area and the age of the system.

The County's reuse system limits the chloride level of the water entering the system. (Reuse water is primarily used for irrigation and excess chlorides are detrimental to plant life.) In order to meet the required chloride level so that Lindrick's effluent treated by the City could be accepted into the County's reuse system, it was necessary for Lindrick to improve its collection system to further reduce the chloride level.

In its original application, Lindrick requested an emergency rate increase of 47.13% effective immediately, and a second rate increase of 130.12% effective upon the completion of the interconnection with the City. At that time, Lindrick was still negotiating with the City for an agreement. On May 18, 1998, the New Port Richey City Council approved a Bulk Wastewater Agreement between the City and Lindrick. Under the terms of the Agreement, actual connection to the City was conditioned upon proof that the

chloride levels in Lindrick's wastewater system effluent did not exceed 600mg/L.

On September 3, 1998, Lindrick filed its first revised application, which changed the emergency rate increase previously requested to a request for a non-emergency Phase-I increase of 84.95% to allow recovery of the cost of (a) collection system improvements necessary to reduce chloride level; and (b) the City's bulk wastewater treatment rate. The requested Phase-II rate increase was 131.55% to allow the recovery of (a) the remaining investments and costs associated with the interconnection, including the cost of collection system improvements necessary to further reduce the chloride level below 400mg/L; (b) the return on the investments based on the utility's approved rate of return; and (c) the additional contractual services expenses.

On April 19, 1999, Lindrick submitted its second amended petition to request a Phase-I wastewater rate increase of 133.26%, and a Phase-II wastewater rate increase of 142.67% assuming no change in related party services. The second amended petition also added a proposed water rate increase of 19.05% for Phase-II assuming no change in related party services. The utility represented that the water rate increase was requested due to underearning experienced by the water operation for the year ended December 31, 1997. The second amended petition also stated that "the required new transfer pumping facility would be completed prior to May 12, 1999. Under the Bulk Wastewater Agreement with the City, Lindrick was required to commence bulk wastewater treatment on or before May 12, 1999 or risk termination of the Agreement by the City." The petition stated that "Lindrick also faced substantial monetary penalties under the DEP Consent Order if bulk treatment service from the City was not commenced prior to May 19, 1999." Consequently, Lindrick requested an emergency, temporary increase in wastewater rates to recover the cost for the Phase-I wastewater revenue requirement prior to May 12, 1999.

By Order No. PSC-99-1010-PCO-SU, issued May 20, 1999, the Commission approved a 59.89% increase in revenue for emergency rates on a temporary basis (emergency rates) for the utility. These emergency rates were approved subject to refund pending the Commission's final decision. The utility provided an irrevocable letter of credit for security for a potential refund and the emergency rates became effective for service rendered on or after May 27, 1999.

In its application for the rate increase, the utility requested an across the board percentage increase to existing

rates. Its calculation included the increase in plant improvements required for the interconnection and changes for operating expenses affected by the interconnection. The utility interconnected with the City on May 28, 1999. By Proposed Agency Action (PAA) Order No. PSC-99-1883-PAA-SU, issued September 21, 1999, the Commission proposed to allow Lindrick to increase its rates on a permanent basis by 91.26 percent. By that same Order, by final agency action, the Commission authorized rates on a temporary basis (temporary rates) in the event of protest.

Subsequent to the issuance of that Order (and prior to September 30, 1999), the utility advised staff that it would be protesting the PAA portion of the Order. Further, on September 30, 1999, the utility submitted its revised tariff sheets with the general service and residential service for wastewater, the approved Notice to Customers of Temporary Wastewater Rate Increase, and the appropriate Amended Irrevocable Letter of Credit in the amount of \$876,569 as required by Order No. PSC-99-1883-PAA-SU. The tariffs were approved by staff for service rendered on or after October 1, 1999.

However, on October 8, 1999, the Office of Public Counsel (OPC), filed its Notice of Intervention and its Motion for Order Requiring Refunds With Interest for Collecting Unlawful Rates. Further, both the utility and OPC filed their timely protests and petitions (alleging disputes of material fact) of PAA Order No. PSC-99-1883-PAA-SU on October 11, 1999 and October 12, 1999, respectively. Finally, on October 20, 1999, Lindrick filed its Response to OPC's Motion for Order Requiring Refunds With Interest for Collecting Unlawful Rates.

By Order No. PSC-00-0262-PCO-SU, issued February 8, 2000, the Commission granted in part and denied in part OPC's motion to require refunds. In that Order, the Commission also found that the utility had improperly implemented both the emergency and temporary rates approved by Orders Nos. PSC-99-1010-PCO-SU and PSC-99-1883-PAA-SU, respectively. The Commission ordered that the utility be made to show cause as to why it should not be fined in accordance with Section 367.161, Florida Statutes, for its improper implementation of both the emergency and temporary rates. The Commission directed that the issue of the fine be added as an issue and consolidated with the formal hearing currently scheduled.

The formal hearing is currently scheduled to be held on February 7-8, 2001 on the petitions protesting PAA Order No. PSC-99-1883-PAA-SU and the issue of whether a fine should be imposed. However, on September 27, 2000, Lindrick and OPC filed a Joint

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Motion to Approve Settlement Agreement and Stipulation (Settlement Agreement). This recommendation addresses that Settlement Agreement. A copy of the Settlement Agreement is appended to this recommendation as Attachment A. On October 24, 2000, subsequent to the filing of the Settlement Agreement, the parties filed a joint motion stating that their respective objections to Proposed Agency Action Order No. PSC-99-1883-PAA-SU should be deemed withdrawn upon vote of the Commission accepting the Settlement Agreement.

DISCUSSION OF ISSUES

ISSUE 1: Should Lindrick Service Corporation and the Office of Public Counsel's Joint Motion to Approve Settlement Agreement and Stipulation be approved?

RECOMMENDATION: Yes, the Joint Motion to Approve Settlement Agreement and Stipulation should be approved. Also, pursuant to the joint motion filed on October 24, 2000, the objections of the parties to Order No. PSC-99-1883-PAA-SU should be deemed withdrawn and that Order should be deemed final as modified by the provisions of the Settlement Agreement. Consequently, the letter of credit guaranteeing the revenues during the pendency of this proceeding should be released. (JAEGER, DEWBERRY, RENDELL)

STAFF ANALYSIS: As stated in the case background, on September 27, 2000, Lindrick and OPC filed a Joint Motion to Approve Settlement Agreement and Stipulation. The parties state that the purpose of the Settlement Agreement is to resolve all pending issues raised in the petitions filed by OPC and Lindrick protesting specific portions of Order No. PSC-99-1883-PAA-SU.

In considering the Settlement Agreement, staff has analyzed whether it would be in the public interest for the Commission to approve it. The main provisions of the Settlement Agreement are outlined below:

1. Effective September 1, 2000 and continuing for a period of three years, subject to exceptions set forth below, Lindrick will maintain the temporary wastewater rates approved by the Commission pursuant to Order No. PSC-99-1883-PAA-SU as final wastewater rates. Upon approval of this agreement, such final wastewater rates shall no longer be subject to refund.
2. Lindrick will abstain from filing a petition for increased wastewater rates from the period beginning September 1, 2000 and continuing for a period of three years; provided, however, that price index and pass-through increases will be allowed for this three year period pursuant to Section 367.081(4), Florida Statutes, or any amendments thereto, and applicable Commission rules.
3. Lindrick will not pursue the water revenue requirement increase of \$127,327 denied by Order No. PSC-99-1883-PAA-SU through a separate application for

increased water rates pursuant to Sections 367.081 or 367.0822, Florida Statutes, or any amendments thereto, and Lindrick will similarly abstain from filing a petition for increased water rates for the period beginning September 1, 2000 and continuing for a period of three years, provided, however, that price index and pass-through increases would be allowed for this three year period pursuant to Section 367.081(4), Florida Statutes, or any amendments thereto, and applicable Commission rules.

4. The parties agree that for the three year period of the rate case moratorium the expenses incurred by Lindrick for services provided by Borda Engineers and Energy Consultants ("Borda Engineering") are reasonable and prudent expenses and that Lindrick is permitted to expense all of the same; however, Lindrick's current temporary wastewater rates or current water rates shall not be increased for the period of September 1, 2000 and continuing through August 31, 2003 to recover the costs of services provided by Borda Engineering to Lindrick which were preliminary denied by Order No. PSC-99-1883-PAA-SU, consistent with the parties' agreement to freeze the current water and wastewater rates, with the exception of price index and pass-through increases, as set forth above. This provision does not preclude any party from challenging the propriety or prudence of any expense sought to be recovered by Lindrick in any rate case filed after the three year stay-out period expires.

5. The parties agree that the amount of Lindrick's rate base in wastewater operations is as set forth and reflected by Order No. PSC-99-1883-PAA-SU, the Order which forms the basis for the stipulated final wastewater rates as set forth in this Agreement. This provision does not preclude any party from challenging the propriety or prudence of any wastewater rate base item sought to be recovered by Lindrick in any rate case filed after the three year stay-out period expires.

6. If Lindrick's water and wastewater systems are sold within six months of September 1, 2000, Lindrick will refund to its customers the entire amount of emergency and temporary wastewater rates collected by Lindrick pursuant to Order Nos. PSC-99-1010-PCO-SU and PSC-99-1883-PAA-SU, up to the date of the sale of Lindrick's water and wastewater systems; provided, however, that any

potential refunds under this provision shall not exceed \$682,000.00. The determination of when Lindrick's water and wastewater systems are sold shall be the date of the executed contract for sale. Lindrick's potential refund liability under this provision shall stop accumulating on the date of the contract for sale. No liability shall be incurred by Lindrick under this provision unless the sale is actually consummated.

7. If Lindrick's water and wastewater systems are not sold within six months of September 1, 2000, but are sold within one year of September 1, 2000, Lindrick shall refund to its customers one-half of the emergency and temporary wastewater rates collected pursuant to Order Nos. PSC-99-1010-PCO-SU and PSC-99-1883-PAA-SU, up to the date of sale; provided, however, that any refund liability under this provision shall not exceed \$682,000. The determination of when Lindrick's water and wastewater systems are sold shall be the date of the executed contract for sale. Lindrick's potential refund liability under this provision shall stop accumulating on the date of the contract for sale. No liability shall be incurred by Lindrick under this provision unless the sale is actually consummated.

8. This Agreement is understood by the parties to be a generic, comprehensive settlement of the issues and/or objections raised by Lindrick and OPC in response to Proposed Agency Action Order No. PSC-99-1883-PAA-SU and shall not constitute or be construed by either party to be an admission regarding the merits or sufficiency of the claims, protests or objections raised by the parties in their respective protests to Proposed Agency Action Order No. PSC-99-1883-PAA-SU.

9. Upon completion and execution of this Agreement and approval of same by the Commission, Lindrick shall file a Voluntary Dismissal of its Petition protesting Proposed Agency Action No. PSC-99-1883-PAA-SU and Request for Formal Administrative Proceeding filed in this docket on October 11, 1999, and OPC shall file a Voluntary Dismissal of its Petition on Proposed Agency and Objection to Proposed Agency Action filed in this docket on October 12, 1999. These Voluntary Dismissals shall be filed within ten days following the date of a Commission order approving this Agreement.

10. Apart from the rate case expense determined to be recoverable and included in the temporary wastewater rates approved by the Commission pursuant to Order No. PSC-99-1883-PAA-SU, Lindrick agrees to bear its own attorneys' fees and costs incurred to date in connection with this proceeding.

It should be noted there were several other provisions in the Settlement Agreement; however, these remaining provisions are merely "boilerplate" and staff has set forth the provisions that have a significant impact on the proceedings. Having reviewed all the above provisions, staff believes that the Settlement Agreement provides a fair and reasonable resolution of this matter. Staff believes that the agreement entered into between Lindrick and OPC reaches a reasonable compromise and is in the public interest. Therefore, staff recommends that the Commission approve the Joint Motion to Approve Settlement Agreement and Stipulation and accept the Settlement Agreement in its entirety.

On October 24, 2000, subsequent to the filing of the Settlement Agreement, the parties filed a joint motion stating that their respective objections to Proposed Agency Action Order No. PSC-99-1883-PAA-SU should be deemed withdrawn upon vote of the Commission accepting the Settlement Agreement. Therefore, with the vote of the Commission to accept the Settlement Agreement, Order No. PSC-99-1883-PAA-SU should be deemed final as modified by the provisions of the Settlement Agreement. Consequently, the letter of credit guaranteeing the revenues during the pendency of this proceeding should be released.

ISSUE 2: Should the Commission proceed with the show cause provision in Order No. PSC-00-0262-PCO-SU?

RECOMMENDATION: No, the Commission should not proceed with the show cause proceedings initiated by Order No. PSC-00-0262-PCO-SU, issued February 8, 2000, because the issues raised in that Order have been satisfactorily addressed by the Settlement Agreement. (JAEGER, RENDELL)

STAFF ANALYSIS: As stated in the case background, in Order No. PSC-00-0262-PCO-SU, the Commission initiated show cause proceedings against Lindrick, and directed that the issue of whether the utility should be fined for its apparent improper implementation of both the temporary and emergency rates be added as an issue. While it could be argued that approval of the Settlement Agreement also disposes of the show cause proceeding, in an abundance of caution, staff has made the question of whether the Commission should proceed with the show cause proceeding a separate issue in this recommendation.

As noted in the order, the utility admitted that it had erred in implementing both the emergency and temporary rates. The utility immediately corrected the error on the emergency rates. Moreover, as soon as the effective date for the temporary rates was determined, the utility corrected its improper implementation of temporary rates through a credit to the customers' bills with the proper proration and interest, consistent with Rule 25-30.360, Florida Administrative Code. The utility now understands that any new rates must apply only to service rendered on or after the effective date.

As stated in Paragraph 8 of the Settlement Agreement, the parties intended for the agreement to be a comprehensive settlement of the issues. Staff does not believe that there would be any benefit in continuing with the show cause portion of the hearing. The utility has corrected the billing situation. As discussed in Issue 1, it would be in the best interests of the customers to approve the Settlement Agreement and close the docket.

For the foregoing reasons, staff recommends that the Commission decide not to proceed with the show cause proceeding initiated by Order No. PSC-00-0262-PCO-SU, because the issues raised in that Order have been satisfactorily addressed by the Settlement Agreement. However, it should be noted that while the Commission would not proceed with this show cause proceeding, the

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Commission reserves the right to resolve any future billing discrepancies on a case by case basis.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. Approval of the Settlement Agreement and the decision to not proceed with the show cause proceeding will dispose of all outstanding issues in this case. Consequently, this docket should be closed. (JAEGER, RENDELL)

STAFF ANALYSIS: Approval of the Settlement Agreement and the decision not to proceed with the show cause proceeding will dispose of all outstanding issues in this case. Consequently, this docket should be closed.

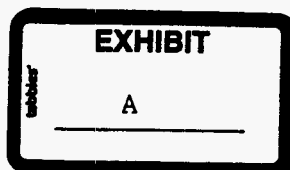
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Second Amended Petition of)
Lindrick Service Corporation for a Limited) Docket No. 980242-SU
Proceeding to Implement a Two-Step)
Increase in Wastewater Rates.) Filed: September 27, 2000
_____)

SETTLEMENT AGREEMENT AND STIPULATION

This Settlement Agreement and Stipulation (hereinafter referred to as the "Agreement") is entered into on this 26th day of September, 2000, by and between Lindrick Service Corporation ("Lindrick"), and the Citizens of the State of Florida, represented by the Office of Public Counsel ("OPC").

WHEREAS, on February 12, 1998, Lindrick filed an Application for a Limited Proceeding to Increase Wastewater Rates with the Florida Public Service Commission ("Commission"). Lindrick's Petition arose following a Notice of Violation and Orders for Corrective Action ("Notice of Violation") issued by the Florida Department of Environmental Protection ("DEP") to Lindrick on January 13, 1998. Lindrick determined that the most prudent means to comply with the Notice of Violation was to discontinue operation of its plant as a wastewater treatment facility, to enter into an agreement with the City of Port Richey ("City") to purchase wastewater treatment service, and to convert its plant to use a flow equalizing master pumping station. Under a then pending agreement with the City, Lindrick was required to perform improvements to its collection system to reduce chloride levels to allow the untreated influent to be sent to the City's plant for wastewater treatment service. The City would then send the treated wastewater to Pasco County's reuse system. Lindrick's Application requested an emergency wastewater rate increase of 47.13% effective



immediately, and a second wastewater rate increase of 130.12% effective upon the completion of the interconnection with the City; and

WHEREAS, on May 18, 1998, the City approved a Bulk Wastewater Agreement between the City and Lindrick, reflected in City Ordinance No. 1483, pursuant to which actual connection to the City was conditioned on proof that the chloride levels in Lindrick's wastewater system effluent did not exceed 600 mg/L. In addition, Lindrick resolved issues pending with DEP arising out of the Notice of Violation by agreeing to a Consent Order issued June 26, 1998; and

WHEREAS, under the Bulk Wastewater Agreement between the City and Lindrick, commencement of bulk wastewater treatment of Lindrick's effluent was conditioned on proof from Lindrick's engineer that the chloride levels in Lindrick's effluent did not exceed 600 mg/L. In addition, subsequent to commencement of bulk wastewater treatment service from the City, and pursuant to specific terms of the Bulk Wastewater Agreement and Consent Order, Lindrick was required to: (a) complete wastewater system improvements to reduce chloride levels to below 600 mg/L by May 19, 1999, and below 400 mg/L by May 19, 2000; (b) remove the wastewater treatment plant from service no later than May 19, 1999; and (c) retrofit the plant to a master lift station to equalize flows to the City's wastewater treatment facilities; and

WHEREAS, on September 3, 1998, Lindrick filed an Amended Application to Increase Wastewater Rates. Pursuant to the Amended Application, Lindrick requested a non-emergency Phase I increase of 84.95% which was intended to allow recovery of the cost of: (a) collection system improvements necessary to reduce chloride levels pursuant to the Bulk Wastewater Agreement; and (b) the City's bulk wastewater treatment rate. Lindrick also requested a Phase II rate increase of 131.55% which was intended to allow the recovery of: (a) the remaining investments

and costs associated with the interconnection, including the costs of collection system improvements which Lindrick believed were necessary to further reduce the chloride levels below 400 mg/L as contemplated by the Bulk Wastewater Agreement; (b) the return on investments based on Lindrick's approved rate of return; and, (c) the additional contractual services expenses; and

WHEREAS, on April 19, 1999, Lindrick filed a Second Amended Petition to Increase Wastewater Rates. Pursuant to its Second Amended Petition, Lindrick requested a Phase I wastewater rate increase of 133.26% and Phase II wastewater rate increase of 142.67% assuming no change in related party services. Lindrick's Second Amended Petition requested the Commission to allow Lindrick to recover alleged additional costs beyond those requested in the Amended Petition, including: (a) the City's increased rate for bulk wastewater treatment; and (b) additional incremental costs imposed as additional preconditions to the City's bulk wastewater treatment service, including the cost of a new transfer pumping facility requested by DEP, and additional costs and operating expenses necessary to comply with the Bulk Wastewater Agreement, Consent Order and additional permitting requirements imposed by DEP. Lindrick alternatively requested a Phase II wastewater rate increase of 158.13% if all related party expenses were replaced with contract services from third parties. In addition, Lindrick's Second Amended Petition also requested a proposed water rate increase of 19.05% for Phase II assuming no change in related party services and 40.64% if all related party expenses were replaced with contract services from third parties; and

WHEREAS, by Order No. PSC-99-1010-PCO-SU, issued May 20, 1999, the Commission approved emergency wastewater rates designed to increase wastewater revenues by 59.89%. The emergency rates were approved subject to refund pending the Commission's final decision. Lindrick

filed an irrevocable letter of credit consistent with the requirements of Order No. PSC-99-1010-PCO-SU for the purpose of securing a potential refund; and

WHEREAS, the emergency wastewater rates became effective May 27, 1999; and

WHEREAS, by Order No. PSC-99-1883-PAA-SU, issued September 21, 1999, by proposed agency action, the Commission: (a) approved a temporary wastewater revenue requirement increase of \$682,369 (a 91.26% increase), subject to refund in the event of a protest; and denied Lindrick's Petition for a Limited Proceeding to Increase Water Rates; and

WHEREAS, Lindrick filed a second irrevocable letter of credit consistent with the requirements of Order No. PSC-99-1883-PAA-SU to secure the increased temporary wastewater rates; and

WHEREAS, the temporary wastewater rates became effective October 1, 1999; and

WHEREAS, Lindrick and OPC timely filed petitions protesting specific preliminary determinations of the Commission reflected in Order No. PSC-99-1883-PAA-SU; and

WHEREAS, this proceeding is scheduled for a final hearing on February 7-8, 2001; and

WHEREAS, Lindrick desires to pursue efforts to sell its utility system and maintain rate stability for its customers while those efforts are pursued; and

WHEREAS, the parties to this Agreement seek to resolve their pending disputes and controversies without the need for further litigation and have determined that it is in their mutual best interests to resolve their differences in a cooperative, amicable and orderly fashion; and

WHEREAS, Lindrick and OPC have entered into this Agreement to resolve all of their disputes in this docket as set forth herein;

NOW THEREFORE, in consideration of the premises and mutual benefits to be derived from the Agreement by the parties and in consideration of the representations, warranties, covenants and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Effective September 1, 2000 and continuing for a period of three years, subject to the exceptions set forth below, Lindrick will maintain the temporary wastewater rates approved by the Commission pursuant to Order No. PSC-99-1883-PAA-SU as final wastewater rates. Upon approval of this Agreement by the Commission, such final wastewater rates shall no longer be subject to refund.

2. Lindrick will abstain from filing a petition for increased wastewater rates from the period beginning September 1, 2000 and continuing for a period of three years; provided, however, that price index and pass-through increases will be allowed for this three year period pursuant to Section 367.081(4), Florida Statutes, or any amendments thereto, and applicable Commission rules.

3. Lindrick will not pursue the water revenue requirement increase of \$127,327 denied by Order No. PSC-99-1883-PAA-SU through a separate application for increased water rates pursuant to Sections 367.081 or 367.0822, Florida Statutes, or any amendments thereto, and Lindrick will similarly abstain from filing a petition for increased water rates for the period beginning September 1, 2000 and continuing for a period of three years, provided, however, that price index and pass-through increases would be allowed for this three year period pursuant to Section 367.081(4), Florida Statutes, or any amendments thereto, and applicable Commission rules.

4. The parties agree that for the three year period of the rate case moratorium the expenses incurred by Lindrick for services provided by Borda Engineers and Energy Consultants

("Borda Engineering") are reasonable and prudent expenses and that Lindrick is permitted to expense all of same; however, Lindrick's current temporary wastewater rates or current water rates shall not be increased for the period of September 1, 2000 and continuing through August 31, 2003 to recover the costs of services provided by Borda Engineering to Lindrick which were preliminary denied by Order No. PSC-99-1883-PAA-SU, consistent with the parties' agreement to freeze the current water and wastewater rates, with the exception of a price index and pass-through increases, as set forth above. This provision does not preclude any party from challenging the propriety or prudence of any expense sought to be recovered by Lindrick in any rate case filed after the three year stay-out period expires.

5. The parties agree that the amount of Lindrick's rate base in wastewater operations is set forth and reflected by Order No. PSC-99-1883-PAA-SU, the Order which forms the basis for the stipulated final wastewater rates as set forth in this Agreement. This provision does not preclude any party from challenging the propriety or prudence of any wastewater rate base item sought to be recovered by Lindrick in any rate case filed after the three year stay-out period expires.

6. If Lindrick's water and wastewater systems are sold within six months of September 1, 2000, Lindrick will refund to its customers the entire amount of emergency and temporary wastewater rates collected by Lindrick pursuant to Order Nos. PSC-99-1010-PCO-SU and PSC-99-1883-PAA-SU, up to the date of the sale of Lindrick's water and wastewater systems; provided, however, that any potential refunds under this provision shall not exceed \$682,000.00. The determination of when Lindrick's water and wastewater systems are sold shall be the date of the executed contract for sale. Lindrick's potential refund liability under this provision shall stop

accumulating on the date of the contract for sale. No liability shall be incurred by Lindrick under this provision unless the sale is actually consummated.

7. If Lindrick's water and wastewater systems are not sold within six months of September 1, 2000, but are sold within one year of September 1, 2000, Lindrick shall refund to its customers one-half of the emergency and temporary wastewater rates collected pursuant to Order Nos. PSC-99-1010-PCO-SU and PSC-99-1883-PAA-SU, up to the date of sale; provided, however, that any refund liability under this provision shall not exceed \$682,000.00. The determination of when Lindrick's water and wastewater systems are sold shall be the date of the executed contract for sale. Lindrick's potential refund liability under this provision shall stop accumulating on the date of the contract for sale. No liability shall be incurred by Lindrick under this provision unless the sale is actually consummated.

8. This Agreement is understood by the parties to be a generic, comprehensive settlement of the issues and/or objections raised by Lindrick and OPC in response to Proposed Agency Action Order No. PSC-99-1883-PAA-SU and shall not constitute or be construed by either party to be an admission regarding the merits or sufficiency of the claims, protests or objections raised by the parties in their respective protests to Proposed Agency Action Order No. PSC-99-1883-PAA-SU.

9. Upon completion and execution of this Agreement and approval of same by the Commission, Lindrick shall file a Voluntary Dismissal of its Petition protesting Proposed Agency Action No. PSC-99-1883-PAA-SU and Request for Formal Administrative Proceeding filed in this docket on October 11, 1999, and OPC shall file a Voluntary Dismissal of its Petition on Proposed Agency and Objection to Proposed Agency Action filed in this docket on October 12, 1999. These

Voluntary Dismissals shall be filed within ten days following the date of a Commission order approving this Agreement.

10. This Agreement constitutes and contains the entire Agreement and understanding between the parties.

11. The parties agree and acknowledge that the signatories hereto are the proper and only necessary parties to this Agreement.

12. The parties agree to cooperate in good faith in seeking approval of this Agreement by the Commission.

13. This Agreement shall become effective upon execution of the Agreement by all parties. The parties agree that neither they, nor any employees, agents, consultants, or affiliated entities, will bring any action to contest the legality or enforceability of this Agreement.

14. Any waiver, amendment or modification of this Agreement, shall be effective only if set forth in a written document executed by a duly authorized representative of the waiving party, in the case of waiver, and by each of the parties in the case of a modification or amendment. A waiver of any breach or failure to enforce any of the terms of the Agreement by a party shall not in any way effect, limit or waive that party's other rights hereunder at any time to enforce strict compliance thereafter with each and every term of this Agreement.

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

16. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. The parties intend that this Agreement shall survive any and all


mergers, acquisitions, or reorganizations of any of the parties and will be binding on all affiliates, subsidiaries, successors and related entities.

17. Apart from the rate case expense determined to be recoverable and included in the temporary wastewater rates approved by the Commission pursuant to Order No. PSC-99-1883-PAA-SU, Lindrick agrees to bear its own attorneys' fees and costs incurred to date in connection with this proceeding.

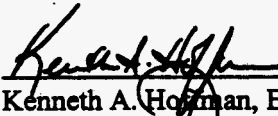
18. The parties covenant and agree to act in good faith in carrying out the terms and provisions of this Agreement.

19. The parties each represent to each other that the undersigned have full authority to execute this Agreement and to bind the parties hereto, including all successors, assigns, and affiliated entities.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.


Stephen Burgess, Esq.
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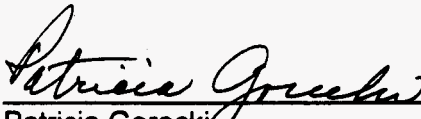
Settlement Agreement and Stipulation

Second Amendment Petition
of
Lindrick Service Corporation

Docket No. 980242-SU

Signatories:

Waterfront Community Impact Council of Pasco County (W.C.I.C.):



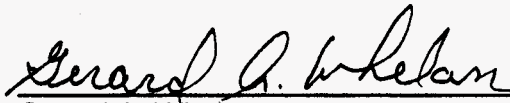
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