

ORIGINAL
FILE COPY

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY, LLP
2648 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301
(904) 877-8866

MAILING ADDRESS
POST OFFICE BOX 1887
TALLAHASSEE, FLORIDA 32309-1887
TELECOPIER (904) 886-4089

CHRIS H. BENTLEY, PA
F. MARSHALL DIETERING
BRIAN L. DOSTER
MARTIN S. FRIEDMAN, PA
JOHN R. JENKINS, PA
STEVEN T. MINDLIN, PA
ROBERT M. C. ROSE
CAREN L. SHIPPY
WILLIAM E. SUNDSTROM, PA
DIANE D. TREMPER, PA
JOHN L. WHARTON

September 17, 1997
VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida

Re: Forest Hills Utilities, Inc.; Docket No. 961475-SU
Application for Limited Proceeding
Our File No. 29062.02

Dear Ms. Bayo:

At last week's Agenda Conference, final action on the above referenced Proposed Agency Action recommendation was delayed for numerous reasons including a request by the customers for additional time to obtain answers to several questions, and for the Utility and the Staff to provide answers to questions raised by the Commissioners. This letter represents Forest Hills' attempt to provide answers to those questions raised by either the Commissioners or the customers:

- ACK _____
 - AFA _____
 - APP _____
 - CAF _____
 - CMU _____
 - CTR _____
 - EAC _____
 - LE _____
 - LI _____
 - O _____
 - R _____
 - SP _____
 - WT _____
 - OTH _____
1. Sewer Connection Fees - Commissioner Deason questioned what connection fee would be charged to the customers of the Utility now that the Utility's wastewater plant was being taken off-line and the system tied into the County's wastewater treatment facilities. The provisions of the agreement entered into between Pasco County and Forest Hills Utilities provide for a \$ 1.00 per thousand gallons "capital cost surcharge" rather than an upfront County service availability charge. This will allow the County to recover its service availability charge over 25 years. Our interpretation of the agreement is that all customers within the existing PSC certificated area will be treated in this manner even if those are currently water only customers of Forest Hills and later tie into the sewer system. Additionally, any new developments which have previous commitments from Forest Hills for service who actually tie in within five years would not pay a separate impact fee, but would also simply pay the surcharge. The only customer that would pay the impact fee to the County would be those customers involving new construction where there was no previous commitment from Forest Hills for such wastewater service and then that charge would be prorated over the portion of the 25 year capital recovery surcharge remaining. So that they would, in

DOCUMENT NUMBER-DATE

0948 | SEP 17 97

FPSC-RECORDS/REPORTING

effect, pay the same as those customers in combined surcharges and upfront service availability charges.

The Commission Staff is also proposing that Forest Hills' service availability charge be eliminated because it is currently entitled a [plant capacity charge]. The Utility is opposed to this proposal because the Utility's contribution level at build-out already appears to be far below the level that the Commission rules call for. While the Commission may wish to change the name of the charge being imposed to a "general service availability" or "main extension" charge. Eliminating the charge itself will cause the Utility's CIAC level to fall even further below the Commission rule recommended levels. The Utility therefore opposes this Staff proposal.

2. Utility Office Hours - Mr. Ekonomides raised the issue of the shortened summer office hours for the Utility company and, in fact, suggested that the Utility's offices were "closed for several months during the summer". The Utility's offices are open every Monday through Friday from 9 to 5 p.m. except major holidays. The offices are open for cash payments from 9 to 12. At any other times, there is always a drop box available for such payments 24 hours a day. The Utility is always available by phone during normal business hours and an emergency number is printed on the customer's bills for after-hours problems.

However, during the summer months, the number of customers making office visits drops off substantially as does the number of customer inquiries and, as such, because of the short staffing and because of vacations of the Utility personnel as well, the Utility is often left with only one person in the office at a time. As such, for safety reasons and to better ensure that all of the functions of the office personnel are accomplished during these summer months, the Utility closes its doors for cash payments during the months of June through September each year. The drop box is still available 24 hours per day as are the staff for telephone inquiries during normal business hours through this summer period.

The Utility has only two full-time employees assigned to Utility record keeping, billing, collecting and customer service duties at any point in time. The Commission Staff, despite the evidence provided to them concerning these duties has chosen to further reduce the amount of time recognized as devoted to Utility services to 67% of their full-time activities. As such, the Utility does not have the office personnel under the Staff's proposal to continue to keep the open office hours already currently maintained by the Utility and may consider further

Blanca S. Bayo, Director
September 17, 1997
Page 3

reducing the hours that the office is actually open for walk-in visits.

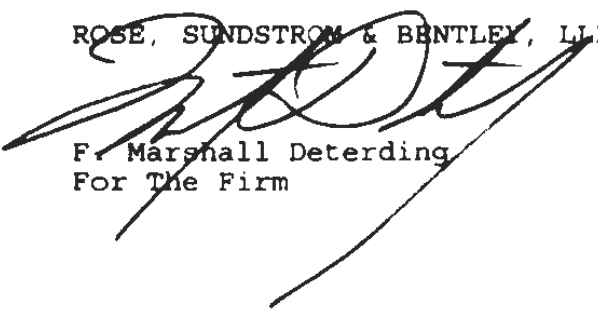
3. Deposit Refunds - The customers and the Commissioners also asked questions about the status of the refunds of customer deposits and whether or not the Utility is on a going forward basis maintaining its customer deposits in accordance with the Commission rules. The Utility has made the refunds as agreed to with the Staff informally approximately two years ago and a detailed report showing will be submitted within the next few days.

Mr. Ekonomides also raised several other issues concerning where the Utility serves; whether there has been treatment of sewage trucked in from outside the Utility's service area that resulted in the need to discontinue operation of the sewer plant; and the water problems with a recent curb reads by a meter reader. Each of these issues is separately addressed in the letter to Mr. Ekonomides, a copy of which is attached for your information.

Should the Commissioners, the Staff, Mr. Ekonomides or the customers have any further questions with regard to any of these issues or any others that they believe need to be addressed before the Agenda Conference, we will be happy to assist in any way possible. Since the Commission is set to consider this matter at its October 7th Agenda Conference, any additional questions must be forwarded to the Utility in very short order.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/lts
Enclosure

cc: Mr. Eric Groom
Ms. Shannon Austin
Mr. Lee Munroe
Tim Vaccaro, Esquire
Anthony Ekonomides, Esquire
Mr. Robert L. Dreher
Robert C. Nixon, CPA
Mr. Gary Deremer
Michael Allen, Esquire

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(904) 877-8555

CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERINGO
BRIAN L. DOSTER
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
ROBERT M. C. ROSE
DAREN L. SHIPPY
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

MAILING ADDRESS
POST OFFICE BOX 1867
TALLAHASSEE, FLORIDA 32302-1867
TELECOPIER (904) 886-4088

September 17, 1997

VIA FACSIMILE AND U.S. MAIL

Anthony C. Ekonomides
Ekonomides & Associates
Attorneys and Counselor at Law
One Tampa City Center
201 North Franklin Street, Ste. 2350
Tampa, Florida 33602

Re: Forest Hills Utilities, Inc.; Docket No. 961475-SU
Application for Limited Proceeding
Our File No. 29062.02

Dear Anthony:

I am writing to try to provide you with some information concerning several issues that you raised at the Florida Public Service Commission Agenda Conference on September 9th. As you requested, I am attempting to provide answers to all of the questions you raised which I can recall and also to open up lines of communication so that if there are any further questions your clients have about the Utility and, specifically, about the interconnect of the wastewater system to Pasco County or the rates which the Utility is requesting to recover that cost, I will be glad to do so. If you can give me either by phone or in writing any further questions, I will be happy to provide you with answers to those as well.

1. Numerous Trucks Through the Neighborhood - You and Ms. Buchanan, as well as I believe customers at the customer meeting several months ago, questioned what was the need for all the trucks running through the Utility's service area to the Utility's treatment plant over the last several years. I have discussed this matter at length with both Mr. Dreher and with his contract operator, Mr. Gary Deremer, and offer you the following explanation.

No sewage was trucked into the facility for treatment. The sewage treatment plant at Forest Hills serves only those customers connected to the sewer system within the Utility's service territory. The trucks which the customers saw coming and going

were sludge hauling trucks which are required to haul treated sludge away from the treatment plant. This is a normal function of this and any other sewage treatment plant. In addition, as a result of the actions taken by the DEP several years ago in raising the requirements for treatment at the Forest Hills treatment facility, the Utility generated larger quantities of sludge than had originally been generated by the plant under previously permitted operations. As such, some additional sludge hauling had to be utilized. The sewage treatment plants still functioned as it was supposed to but it simply created a slightly greater amount of sludge than in prior years of operation necessitating more sludge hauling.

2. Service to the Croft Mobile Home Park - The Croft Mobile Home Park is not serviced with sewer service by Forest Hills Utilities. It operates its own package sewage treatment plant which is also operated by Mr. Gary Deremer for H2O Utilities Services as a contract operator. In no way is it connected to Forest Hills' system. In fact, in general terms, there have been no major additions to Forest Hills' service territory in several years. In other words, growth within the service territory is not the cause for this change in operations. Please review my comments concerning an explanation of the change in operations as outlined below.

3. Utility Office Hours - You and several customers at the customer meeting expressed some concern about the Utility's office hours. I have provided a detailed explanation on this issue in my letter to the Commission Clerk. Please review that letter and let me know if you have any further questions.

4. Circumstances Surrounding Required Interconnect - You and several other customers have repeatedly referred to the circumstances surrounding this required interconnect as resulting from mismanagement by the Utility. This is not the case. Perhaps if I explained to you a little about the background, you will better understand why this change was required.

The Utility's treatment plant was originally constructed approximately 30 years ago with some modifications approximately 25 years ago. It has therefore provided service about as long as most small sewage treatment plants are expected to. However, its age was not the cause of the problem. Forest Hills Utilities was fully in compliance with all applicable environmental regulations and was fully permitted and the original plans were approved when these

facilities were constructed. The Utility also received many permit renewals throughout its many years of operating the plant. Changes in environmental regulations ultimately resulted in the DEP determining that the Utility did not have adequate disposal capacity. Despite the fact that the facility was permitted to accept more flow than that which it was currently accepting, change in DEP oversight requirements required upgrades to the existing treatment facility in order to meet the higher standards, what are known as "Class 1 reliability standards" that DEP now sought to require. Forest Hills had an engineering study done to determine what could be done to resolve the wastewater treatment issue and the most cost effective alternative was to take the Forest Hills sewage treatment facility off-line and to contract for bulk wastewater service rather than constructing additional disposal facilities. This solution has resulted in the lowest cost option available to Forest Hills and the Commission Staff has agreed with that conclusion after extensive investigation.

Prior to entering the agreement with Pasco County, Forest Hills negotiated with the City of Tarpon Springs in an attempt to connect to the Tarpon Springs regional wastewater facility instead of Pasco County. Those negotiations began in 1992 and though the City of Tarpon Springs staff, including the City Manager, viewed the interconnection favorably, at the very last minute the Tarpon Springs City Council voted not to provide bulk service to Forest Hills Utilities for reasons which are still unknown. Forest Hills had done extensive work with the City of Tarpon Springs and its consultants to show that the interconnection of Forest Hills to the City system would be advantageous to the City and those negotiations went on from 1992 until late 1994. Forest Hills had chosen to negotiate with Tarpon Springs for two reasons. First, it was the only existing wastewater collection facilities close enough to be a source of possible bulk treatment at the time. Pasco County's lines were nowhere near the Utility at the time negotiations with Tarpon Springs began.

Ultimately, when the City of Tarpon Springs negotiations fell apart in late 1994, Forest Hills began negotiations with Pasco County and signed an agreement with Pasco County on April 4, 1995. Immediately thereafter, Forest Hills designed and permitted that infrastructure to interconnect with Pasco County. As soon as the DEP issued construction permits, Forest Hills began construction of those facilities and worked diligently until that construction was complete. As soon as the County line was available for such interconnect, Forest Hills moved quickly with the PSC to ensure

that the Utility could connect and take its existing treatment facilities off-line expeditiously.

I believe you can see from the above facts that the Utility has acted not only in good faith, but very conscientiously to resolve changes forced upon it by the Florida Department of Environmental Protection and not by any actions of the Utility. It took until 1997 to actually get the interconnect on-line because of the failed negotiations with Tarpon Springs and the unavailability of any other source for bulk treatment of the Forest Hills sewage. If Tarpon Springs had fallen through and the County had not extended its line in the interim period of time to allow the interconnection between Pasco County and Forest Hills, the Utility would have had to had gone forward with plant improvements at substantial additional cost which would have resulted in an even higher rate increase than that which is being recommended or requested by the Utility.

5. Meter Misreads - You and several of the customers questioned what happened with the "renegade" water meter reader a few months back. Outlined below is a chronology of what has occurred with regard to this problem. One of the meter readers for the Utility apparently decided after working with the Utility for several months to skip reading the meters and instead put down false numbers for meter readings and submitted them to the Utility for use in billing. After receiving a few complaints from customers and checking out those complaints of high usage and therefore high bills through rereads, the Utility isolated the cause of the problem and released the meter reader at fault. The Utility immediately undertook to reread all of the meters effected and get correct readings. Any customer who called with a complaint of high usage was told to send in an amount based upon their previous average usages and was in no way charged with late charges or any other fees for failure to pay the erroneous billings. In addition, the Utility published an advertisement informing the customers of the situation and of the steps the Utility was taking to remedy it. As quickly as possible, the Utility obtained corrected meter readings and rebilled.

Once this occurred, I know of nothing else this Utility company could have done to correct the situation. I believe they have not only done everything they could, but they have most definitely gone above and beyond anything that is required under PSC regulations or their tariff to correct this one time problem.

Anthony C. Ekonomides
September 17, 1997
Page 5

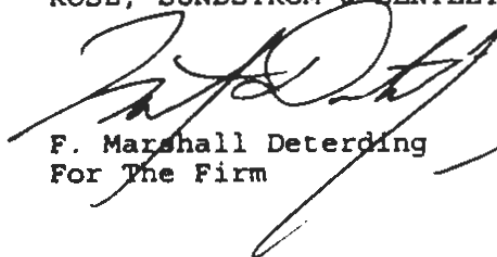
I hope to be able to work with you in the coming weeks to answer any other questions that you have concerning this Utility or its rate increase in order to avoid the time consuming and costly full hearing process if at all possible.

When I talked recently with Mr. Robert Dreher, the president of the Utility, he expressed an interest in speaking with you about any concerns that you might have. Therefore, if Mr. Dreher does call you, you certainly have my permission to speak to him directly rather than through me if that is more helpful in order to answer any of your questions.

If you have any further questions, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/lts