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January 10, 1997

VIA HAND DELIVERY

Mr. Eric Groom
Division of Water & Wastewater
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida

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

Dear Eric:

As a follow-up to the conference call we had between you, Tim Vaccaro, Troy Rendell and myself, I am writing to outline some additional facts which I believe are relevant to your review of Forest Hills' request for emergency rate relief in the above referenced matter.

As we discussed, Forest Hills has completed all construction necessary to allow the interconnection of its existing wastewater system with that of Pasco County and to immediately discontinue use of its wastewater treatment plant. I am currently attempting to obtain as-built plans certified by Mr. Sandy Loveras, P.E., showing completion of these facilities which I understand have been completed for at least 1 1/2 months.

The DEP, in light of the completion of these facilities is demanding under threat of fine, that Forest Hills immediately connect its system with that of the County and discontinue use of its sewage treatment plant. I am attaching hereto, a letter to the Utility representatives from Mr. David Thulman, of the DEP, verifying DEP's position in that regard. This letter is from November 20, 1996, and while it is not completely legible, I believe it conveys the basic point i.e., that DEP recognizes that construction was complete as of November 20th of last year, and that they are threatening the Utility with fines should the Utility not immediately turn on service from the County.

As we additionally discussed, the Utility cannot afford to make the simple turn of a valve to connect with Pasco County's

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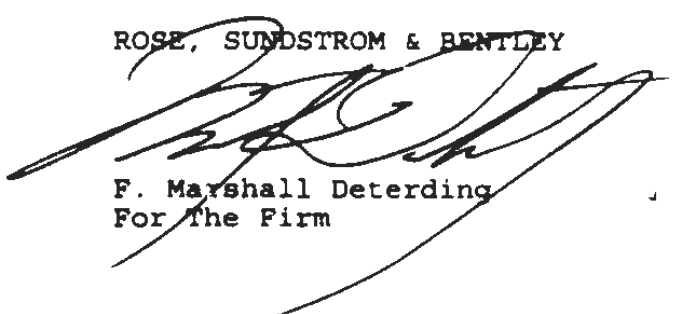
wastewater system until such time as it obtains rate relief from the Public Service Commission. The rates that the Utility has will not allow it to pay the cost of that purchased sewage treatment until adequate rate relief is granted in accordance with our request for emergency/interim/temporary rates.

Finally, as we discussed, we certainly would understand the Commission's desire to require that the emergency/interim rate relief be escrowed and only allow withdrawal by the Utility for payments to Pasco County for bulk service and we would agree to such a condition. However, we must be sure that there is adequate relief in accordance with our request to allow the Utility to pay the cost of the bulk wastewater service from Pasco County and as quickly as possible in order to avoid further costs and fines being imposed upon the Utility. Because of the tremendous discrepancy between the cost of purchased sewage treatment and the Utility's existing rates and charges, the Utility cannot afford under any circumstances to go forward with that interconnection until such emergency/interim/temporary approval is granted.

If you need any further information or documents to assist you in this regard, please let me know. We will be happy to provide whatever documents you need in order to recommend to the Commissioners that this emergency rate relief be granted immediately.

Sincerely,

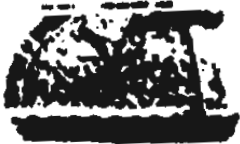
ROSE, SUNDSTROM & BENTLEY



F. Marshall Deterding
For The Firm

FMD/lts
Enclosure

cc: Mr. Troy Rendell
Tim Vaccaro, Esquire
Ms. Blanca Bayo
Mr. Robert L. Dreher
Mr. Jim Dreher
Robert C. Nixon, CPA



Department of Environmental Protection

Thomas Chiles
Governor

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3000 Commonwealth Boulevard
Tallahassee, Florida 32310-3000

Virginia E. Winters
Secretary

November 20, 1988

Michael Allen
8000 Keystone Crossing
Suite 800
Indianapolis, Indiana 46240

Ben Harris
2426 US Hwy 19 N
Holiday FL 34601

Re: DCF v. Forest Hills Utilities, Inc. and Robert Dreher
Case No. CA 80-3678 Div. 0

Dear Ben and Mike:

As I'm sure you remember, our clients entered a Stipulated Settlement Agreement on January 25, 1983. As part of that Stipulation your client agreed to either take the Forest Hills WWTP offline or refurbish the plant to meet the applicable regulations. The Stipulation required your client to notify us in writing what it was going to do within 90 days of execution. While your client never notified us, everyone understood it was taking the second option, i.e. Connection of the plant to a municipal system within 182 weeks after the execution of the Stipulation. That 182 week deadline has come and gone and we have not heard officially from you or your client concerning the status of the connection.

We contacted Pasco County and determined that the connection is complete and the wastewater could flow as of Friday, November 15, 1988. I spoke with Ben and he confirmed that the connection is complete, but Mr. Dreher was waiting for the FPC to approve a pass-through increase to cover the costs of sending the flow to Pasco.

We have reviewed the Stipulation and determined this is not a contingency which entitles your client to a delay. Section 8.3. on page 16

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Michael Allen
Ben Harri
November 20, 1996
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provides:

During this period of time, Forest Hills shall negotiate and enter all contracts, apply for and receive the permits, rate increases or other authorizations necessary to complete the connection within the scheduled deadline.

Upon the completion of the transmission line, Forest Hills shall plan to take the existing waste water treatment plant off-line.

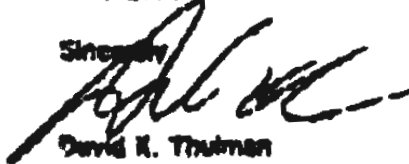
Now that the connection is complete, the plant must be taken off-line. Forest Hills's need to simply obtain a rate increase was anticipated in the Stipulation. No extensions of time were ever requested by your client.

At this time the following is due:

1. The plant must be immediately taken off-line to Pecos County.
2. Forest Hills must immediately submit a plan to abandon the plant. (The Stipulation required the plan to be submitted at least 60 days prior to completing the transmission line.) A copy of DEP's generic requirements for abandonment are included.
3. Upon approval of the abandonment plan, Forest Hills must complete the implementation of the plan within 60 days of approval.
4. Forest Hills must start paying the \$25,000.00 additional civil penalty as provided in Section 7. of the Stipulation. If Forest Hills cannot make these payments, Mr. Dreher must make them.

If we cannot reach agreement on these outstanding issues by November 31, 1996, DEP will petition the court to enforce the Stipulation. Call me at (904) 921-8866 if you have any questions.

Sincerely,



David R. Thuman
Assistant General Counsel

cc: David MacColeman