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February 12, 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. ~~901475~~-5U
Limited Proceeding
Our File No. 29062.02

Dear Eric:

Attached in accordance with our recent conversations is a revised customer notice and a revised escrow agreement to implement the emergency rates recently approved by the Commission. I have generally utilized the proposals you made for changes in these two documents. However, I have made some additional modifications that I felt helped clarify the wording. We intend to send out the attached customer notice as revised in approximately one week. Therefore, I request that you review it immediately and let me know if you have any additional problems. We are taking the attached escrow agreement to the bank to get it executed within the next few days and will hopefully send it on to you within the week.

One difference that you will note between the original versions of these documents and these final versions is that I have removed any reference to the PSC's order number. According to the Commission's normal time schedule, the order will probably not be issued until approximately February 24. Including that order number after its issuance will not provide a sufficient time to duplicate and distribute the notice and execute the escrow documents and return them to the Commission prior to implementation of the rates. However, I believe you will find these minor changes acceptable and immaterial.

Finally, I have requested that the client begin looking for a location for a customer meeting for March 12 and I hope to be able to provide you with some suggestions within the next few days.

DOCUMENT NUMBER-DATE
01579 FEB 12 5
FPSC-RECORDS/REPORTING

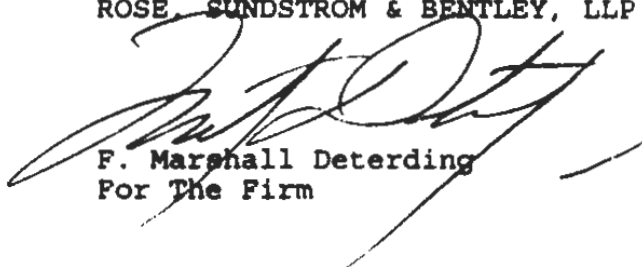
ACK _____
AFA _____
APP _____
CAF _____
CMI _____
DTH _____
JES _____
WAS _____
OTH _____

Mr. Eric Groom
February 12, 1997
Page 2

Should you have any questions with regard to any of these matters, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP

A large, stylized handwritten signature in black ink, appearing to read 'F. Marshall Deterding', is written over the typed name and firm name.

F. Marshall Deterding
For The Firm

FMD/lts
Enclosure

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

FOREST HILLS UTILITIES, INC.
CUSTOMER NOTICE

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On December 12, 1996, Forest Hills Utilities, Inc., applied to the Florida Public Service Commission (PSC) for an increase in wastewater service rates resulting from the required interconnection of Forest Hills' sewage treatment system to that operated by Pasco County. This interconnection was required as a result of settlement of litigation with the Florida Department of Environmental Protection (DEP) under threat of fine by DEP.

In order to comply with the DEP requirements for immediate interconnection with Pasco County's system for all future treatment of sewage, Forest Hills requested that the PSC authorize the requested rates necessary to pay the bulk charges to Pasco County on an emergency basis during the pendency of the Commission's review and analysis of the detailed information submitted to justify the required increase.

At its regularly scheduled Agenda Conference held on February 4, 1997, the Public Service Commission authorized the Utility to charge the requested rates and to place all increased revenues into an escrow account with withdrawals only allowed to pay Pasco County for the cost of purchased sewage treatment. All of the monies collected pursuant to this emergency relief are subject to refund with interest should the Commission ultimately determine that any refund to customers is required.

The Commission will issue its order reflecting their decision on emergency rates in late February 1997. The Commission is scheduled to decide the final rates and what, if any, refund is needed at its May 6, 1997, Agenda Conference.

The increased rates by the Commission are effective for meters read on or after thirty (30) days from February _____, 1997. The previously approved rates for wastewater service and the new rates are listed on the back of this customer notice.

If you have any questions concerning your bill or this notice, please call (813) 937-7457 between the hours of 9 a.m. and 5 p.m. weekdays.

Written comments to the Commission regarding Forest Hills, its rates, or service may be directed to the following address:

Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Such correspondence should refer to "Docket No. 961475-SU: Forest Hills' application for a Limited Proceeding to increase its wastewater rates." You may also call the Commission's Division of Consumer Affairs at the following toll-free number: 1-800-342-3552.

Sincerely,

Forest Hills Utilities, Inc.

DOCUMENT NUMBER DATE
01579 FEB 12 5

FPSC-RECORDS/REPORTING

FOREST HILLS UTILITIES, INC.
Schedule of Approved Rates

WASTEWATER

Residential Service

Base Facility Charge

<u>Meter Size</u>	<u>Previously Approved Rates</u>	<u>New Rates</u>
All meter sizes	\$ 9.24	\$ 18.80
Gallonge Charge per 1,000 gallons (Wastewater Cap 10,000 gallons)	\$ 1.29	\$ 2.62

General Service

Base Facility Charge

<u>Meter Size</u>	<u>Previously Approved Rates</u>	<u>New Rates</u>
5/8" x 3/4"	\$ 9.24	\$ 18.80
1"	23.09	46.98
1 1/2"	45.83	93.25
2"	73.91	150.38
3"	147.81	300.75
4"	230.93	469.87
6"	461.92	939.87
Gallonge Charge per 1,000 gallons	1.29	2.62

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is made by and between _____ Bank (the "Bank"), the Florida Public Service Commission ("FPSC"), and Forest Hills Utilities, Inc. (the "Utility"), a Florida corporation, upon the following terms, conditions and considerations:

W I T N E S S E T H:

WHEREAS, by action of the FPSC in Docket No. 961475-SU at its Agenda Conference held on February 4, 1997, the FPSC authorized the Utility to collect increased rates on an emergency basis from its customers, and;

WHEREAS, as a condition of such authority, the FPSC required that the Utility provide security for the excess of the emergency rates over the previously approved rates in the event that a refund should become necessary, and;

WHEREAS the Bank has agreed to hold such funds in an interest bearing account, the parties agree as follows:

1. The foregoing representations are true and correct.
2. An order of the FPSC reflected its February 4, 1997 decision and requiring this security will be issued on approximately February 24, 1997. That order will be provided to the Bank within 20 days of issuance and before the first deposit or request for withdrawal is made.
3. The Utility shall open a joint interest bearing escrow account. The total excess of the revenues generated by the emergency rates over those previously in existence for the Utility shall be deposited by the Utility in accordance with the requirements of the FPSC Order to be issued in Docket No. 961475-SU.
4. The escrow account shall bear interest at the prevailing _____ rate which currently is at _____% Annual Percentage Yield, which is a variable rate.
5. The Utility is authorized to withdraw funds from this account for the purpose of paying bulk service wastewater charges to Pasco County. The Utility will provide the Bank with a bill for such services a condition of each such withdrawal. The Bank will then release those funds in an amount equal to the amount of the bill from Pasco County for such services. To the extent the funds on deposit in the escrow account are less than the amount of any bill for bulk service presented, the Bank shall release all such funds available and the Utility will be responsible for securing the remaining funds for payment of such bills from other sources.
6. No funds will be withdrawn from the escrow account, other than those authorized under Paragraph 4 above, without the signature of both the Director of the Division of Records and Reporting of the FPSC and the Receiver of the Utility. Signature cards executed by the Director of the Division of Records and Reporting of the FPSC and the Receiver of the Utility shall designate the appropriate authorized signature for each.

7. The Bank shall forward regular monthly statements (including canceled checks) to the Receiver and shall mail a copy of the monthly account statement to the FPSC.
8. The Bank may, without reason, withdraw from this Agreement upon thirty (30) days written notice to the FPSC and to the Utility.
9. The Utility shall indemnify and hold the Bank harmless from any claim, demand or loss suffered by the Bank, and the cost thereof (including court costs and attorney fees for negotiation, trial and appeal).
10. This escrow account is established pursuant to the FPSC decision reached in Docket No. 961475-SU at its February 4, 1997 Agenda Conference for the benefit of the Utility's customers.
11. The balance of funds remaining in the Escrow Account shall be disposed of in accordance with the Commission's final order issued in Docket No. 961475-SU immediately after issuance and the account closed thereafter.
12. Information concerning the escrow account shall be available from the Bank to the FPSC and its representatives at all times.
13. Pursuant to Cosentino v. Elson, 263 So.2d 253 (Fla. 3rd DCA 1972), escrow accounts are not subject to garnishment.

THIS AGREEMENT shall become effective and binding upon all parties upon the date that it becomes executed by all parties.

FOREST HILLS UTILITIES, INC.

BY: _____
Robert Dreher, President

(Corporate Seal)

_____ BANK

BY: _____

(Corporate Seal)

FLORIDA PUBLIC SERVICE COMMISSION

BY: _____
Director, Records & Reporting

(Seal)