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September 17, 1998

RUBEN M. C. REYES
LAW OFFICES

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
Audit of Customer Deposits
Our File No. 29062.02

Dear Ms. Bayo:

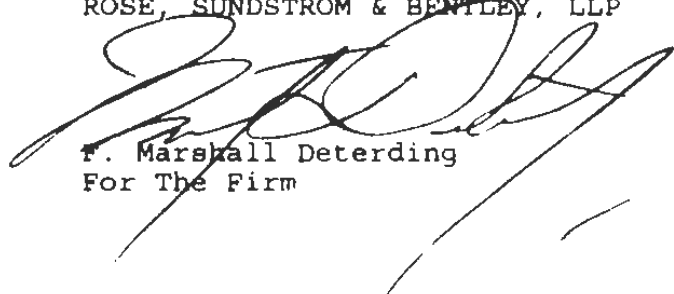
Attached is a Revised Settlement Agreement in order to incorporate some minor changes discussed and agreed upon with staff in order to finalize and settle the concerns of the Commission and its staff relative to the handling of customer deposits by Forest Hills Utilities, Inc. and to close the above-referenced docket.

Should you or any members of the staff have any questions in this regard, please let me know.

- ACK _____
- AFA 1
- APP _____
- CAF _____
- CMU _____
- CIP _____
- ~~ES~~ _____
- LEG 1 EMD/tmg
- LIN _____ Enclosures
- GI _____ CC: Tim Vaccaro, Esquire
- RC _____ Ms. Shannon Austin
- SE _____ Mr. Troy Rendell
- SE 1 Marshall Willis, CPA
- WAY _____ foresthi\9bayo.ltr
- OTH _____

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

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DOCUMENT NUMBER-DATE

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FPSC RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Forest Hills)
 Utilities, Inc. for limited) Docket No. 961475-SU
 proceeding increase in wastewater)
 rates in Pasco County, Florida.)
 _____)

REVISED SETTLEMENT AGREEMENT

COMES NOW, FOREST HILLS UTILITIES, INC., ("Forest Hills" or "Utility") by and through its undersigned attorneys, and files this proposed settlement of the outstanding show cause matters related to customer deposits in the above-referenced case and states as follows:

1. The Commission entered its order to show cause by Order No. PSC-97-1458-FOF-SU issued on November 19, 1997, requiring that Forest Hills show cause why it should not be fined \$15,000 for failing to comply with the requirements of Rule 25-30.311(3) and (5), and 25-30.115, Florida Administrative Code, and Section 367.091(3), Florida Statutes.

2. In response to the Commission's show cause order, the Utility has provided substantial additional information to the Commission staff and has met with the Commission staff on several occasions to discuss the alleged violations and the corrective measures taken by the Utility over the last three years.

3. Based upon the Utilities' response to the order to show cause dated December 9, 1997, Forest Hills is not currently in violation of Rules 25-30.115 and 25-30.311(3), Florida Administrative Codes.

4. The information supplied by the Utility demonstrates that, to the extent violations occurred, they were due to many factors including change in staffing, misunderstandings about the requirements of the rule, illness of key personnel and other events.

5. Forest Hills has now provided substantial information to the Commission staff which demonstrates that the Utility is currently in compliance with the requirements of Rule 25-30.011, Florida Administrative Code with regard to customer deposits and has made a refund to all customers entitled to a refund of deposits including 8% interest. The Commission's staff will undertake an audit in the near future to verify these facts. To the extent the staff audit reveals any further discrepancies, the Utility will work with the staff to correct those. The Utility has also provided the staff with the assurances that the Utility has set up its bookkeeping so that it can better monitor the status of those customer deposits and insure that the Utility will continue in compliance with the requirements of the Commission's rule on customer deposits. The Utility hereby makes the same assurances to the Commissioners.

6. The final concern with the Utility's charging of non-utility deposits to customers who did not have non-utility services has now been corrected and the Utility has taken steps to insure that it will no longer occur on a going-forward basis. Within thirty (30) days of the date of this proposed Settlement Agreement, the Utility will have completed refunds of all remain-

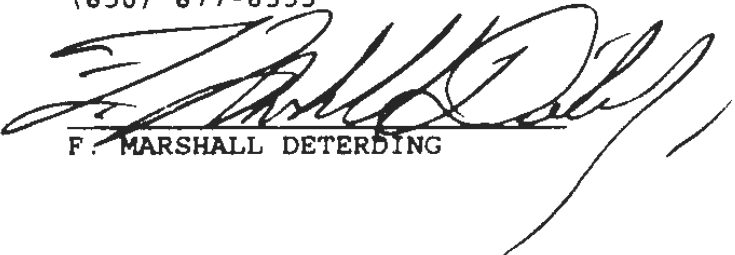
ing outstanding deposits that fall within this area of concern and will have supplied an affidavit to the staff from an officer of the Utility that all appropriate refunds have been completed.

7. In light of the above facts, the Utility proposes to settle the instant show cause proceeding by the provision of the information already submitted to the staff, the assurances as outlined above in paragraph 4 hereof and by payment of a fine of \$4,000 for the past violations of Commission rules and statutes.

WHEREFORE, Forest Hills Utilities, Inc. hereby proposes that the Commission accept the proposed settlement offer under the terms as outlined herein, and issue its Order closing the show cause proceeding in accordance with those terms. The Utility will submit payment for the fine, as outlined herein, immediately upon acceptance of this settlement by the Commission.

Respectfully submitted this
17th day of September, 1998
by:

ROSE, SUNDSTROM & BENTLEY, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
(850) 877-6555

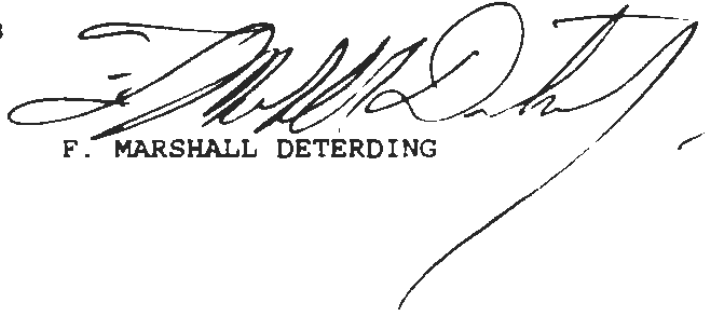


F. MARSHALL DETERDING

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished ~~by~~ Hand Delivery* or U.S. Mail to the following parties this 17 day of September, 1998.

Tim Vaccaro, Esquire*
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0873



F. MARSHALL DETERDING

foresth\settle.agr