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CLERK

DATE: May 17, 2006

TO: Kay B. Flynn, Chief of Records, Division of the Commission Clerk & Administrative Services

FROM: Cheryl A. Johnson, Regulatory Analyst IV, Division of Economic Regulation

RE: Docket No. 060169-SU; Application for transfer of non-jurisdictional Laurel Oaks Wastewater System In Lee County from The Laurel Oaks Property Owners Association, Inc. to Forest Utilities, Inc.

Please include the attached documents in docket file 060169-SU.

- CMP _____
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May 12, 2006

VIA HAND DELIVERY

Cheryl Johnson, C.P.A.
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Forest Utilities, Inc. - Application for Transfer of Laurel Oaks; PSC Docket No. 060169-SU
Our File No. 25052.03

Dear Cheryl:

As a result of our conversations yesterday, I went back and looked at the most recent Annual Reports for Forest Utilities, Inc. You had indicated some concern with the fact that the Utility was operating at a loss presently and, therefore, some concern about the Utility's financial strength. While it is nearly impossible to estimate the bottom line effect on earnings that the addition of the Laurel Oaks' subdivision or other discreet changes in operations will have, from a review of the Annual Report one can determine that the average daily flow into the sewer system of the Utility is only 244,000 gallons per day, whereas the rated capacity of the system is approximately 500,000 gallons per day. Therefore, it is clear that the treatment facilities are to some significant extent, under utilized. This is probably one of the major reasons why the earnings picture as reflected in the Annual Report is not very favorable. The addition of the 113 residential ERCs within the Laurel Oaks subdivision will provide approximately a 5% increase in annual revenue and therefore, because of the fixed costs associated with this idle capacity and perhaps others, we can expect an increase in annual earnings to the Utility. Between both the addition of the Laurel Oaks' subdivision and the recent addition of the much larger bulk service customer (Jamaica Bay), we believe that the earnings picture for the Utility will improve significantly in the near future.

Should you any further questions in this regard, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP

F. Marshall Deterding
For The Firm

FMD/tms

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DIVISION OF ECONOMIC REGULATION
PUBLIC SERVICE