

State of Florida



ORIGINAL

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 30, 2006
TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director
FROM: *JB* Jay B. Revell, Regulatory Analyst III, Division of Economic Regulation
RE: Docket No. 060257-WS - Application for Increase in water and wastewater rates in Polk County by Cypress Lakes Utilities, Inc.

Enclosed is a letter dated October 23, 2006, from representatives of the Cypress Lakes Homeowners Association. Please place this letter in the docket file for this docket.

- CMP _____
- COM _____
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- OPC _____
- RCA _____
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- SGA _____
- SEC 1
- OTH _____

DOCUMENT NUMBER-DATE

10105 NOV-28

FDSC-COMMISSION CLERK

October 23, 2006

Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Attention : W. Troy Rendell
Public Utilities Supervisor
Division of Economic Regulation

06 OCT 30 AM 10:19
DIVISION OF
ECONOMIC REGULATION
FLORIDA PUBLIC SERVICE
COMMISSION

The residents of Cypress Lakes wish to thank you and your staff for your positive contribution to their understanding of the water rate process and the opportunity to express their opinions directly to you concerning the product and services of the Cypress Lakes Utilities. The Board of Directors also extends their thanks for participating with us in a separate open discussion of many of the issues associated with the current rate increase request earlier that day.

As we indicated at the close of the afternoon meeting, we will document many of our comments from that meeting. Many of the product and service comments made in this meeting were further amplified by the strong contingency of residents that spoke at the evening meeting; these concerns included:

- a. Poor quality of the product - excessive sediment plugging filters, distorted profiles of chlorine throughout the community, "smell",
- b. Poor service - excessive flushing of the lines (24 x 7 for many hydrants), "hit-and-miss" meter reading, non-responsive behavior of the Utility to billing questions of the customers (always "leaks" or "stolen water"), and
- c. Failure to properly communicate to the residents the basis of the Commission's interim rate action.

However, the majority of the afternoon discussion centered on elements of the filing. They can be summarized as follows:

1. Choice of the test year 2005 - Lakeland Ledger data suggest that abnormal rainfall occurred in 2005; their published figures indicated a 30 % increase in 2005 as compared to Lakeland's average. Your analyst suggested that only a 5 to 6 % increase was identified by your sources. This obvious difference must be reconciled as it dramatically reduces water usage for lawn care - and therefore, water revenue is reduced as well, to a lesser amount, the wastewater revenue as lawns watered automatically for residents not in attendance would be reduced.
2. Water system O & M Expenses - Revenue reported in the filing matched the projected revenue given in the final 2001 report (\$254,865 vs \$237,506), but the O & M Expenses greatly exceeded the 2001 projected level (\$134,677 vs \$87,941). Review

of the supporting data (Sheet B-7 of the filing) suggests that 83 % of this increase was due to additional salary and maintenance expense. The Board's comment was that there was not an observed increase in personnel nor would one be expected since water pumped had decreased; this suggested some inefficiency in operation and should not be the justification for a rate increase.

3. Wastewater system revenue "gap" - capping the wastewater charges at 8000 gallons of water usage resulted, according to the filing, in a 10 % loss in wastewater revenue. The amount billed under the "cap" was 40,000,000 gallons; where as the reported treated wastewater flow was 44,000,000 gallons. The question was raised at the last Agenda by the Cypress Lakes members as a significant issue and the Board's feeling expressed in this meeting is that it should be reexamined.

4. Repression analysis associated with the 2001 rate case did not consider growth although both the Public Counsel and Cypress Lakes expressed disagreement with the staff's position. The Board requested that it be considered in this case as the park has expanded by 20 % since the last case and, with the \$ 3 M improvements by the owner, growth is projected to include an additional 10 % over the 20 % already included in the community's plans.

5. The filing identified one of the reasons for the rate increase as "...major changes to plant and equipment,..."; Board members commented that no observable changes had occurred and questioned if the rate increase was to cover the expansion of facilities to accommodate the opening of additional phases of development in the community. Additional detail was requested by the Board on this point.

The Commission did provide the Board with a copy of the audit report. The Board indicated that it would be reviewed as well as further review of the filing would develop more questions and concerns for consideration by the Commission as they work toward a final recommendation. These issues will be forwarded directly to the Commission staff for consideration; the Board also commented that they would include the Public Counsel in all correspondence to the Commission.

Again, the Board thanks the PSC staff for their positive responses to the Board's concerns and looks forward to similar consideration on future requests.

Sincerely,



Robert M. Halleen
Director, CLHA
Utility Rate Increase Project



Richard Holzschuh
Director, CLHA
Utility Rate Increase Project

cc: Office of Public Counsel