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Public Service Commission

March 30, 2010

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COMMISSION
CLERK

Christian W. Marcelli, Esquire
Rose, Sundstrom & Bentley, LLP
2180 West State Road 434
Sanlando Center Suite 2118
Longwood, FL 32779

Re: Docket No. 090349-WS – Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.

Dear Mr. Marcelli:

By Order No. PSC-07-0199-PAA-WS, issued March 5, 2007, in Docket No. 060257-WS, Cypress Lakes Utilities, Inc. (Cypress Lakes or Utility) was ordered by the Commission to complete an evaluation of its distribution system to examine possible alternatives for the water treatment plant to address the hydrogen sulfide problems at Well No. 2. Pursuant to the Commission's Order, this examination was to include all viable options, including the costs of each option in the evaluation.

According to your letter dated January 15, 2010, which was sent in response to Ms. Brubaker's letter dated December 14, 2009, Cypress Lakes submitted the water quality evaluation report, prepared by TBE Group, dated September 2007. As indicated on pages 1 and 2 of that report, the scope of work included, but was not limited to, evaluating the existing system to determine if there are any operational issues that might be leading to odor issues. In addition, the report included a review of industry best management practices for applicability in addressing any physical and operational improvements to reduce or eliminate odors and improve overall water quality.

Based on our review of TBE Group's report, staff believes that the Utility has still not complied with Order No. PSC-07-0199-PAA-WS. Accordingly, please provide staff with all of the possible improvements options, costs of each option, as well as an explanation of why the MIEX system, which has been used by other Utilities, Inc. subsidiaries with similar hydrogen sulfide issues, was not examined. Please submit the requested information to the Office of Commission Clerk by **April 6, 2010.**

Pursuant to Section 367.161, Florida Statutes, the Commission has the power to impose upon any entity subject to its jurisdiction that is found to have refused to comply with, or to have willingly violated, any statute, rule, or order of the Commission, a penalty for each offense of not more than \$5,000. Staff is currently scheduled to file a recommendation in this docket on April 22, 2010. If the

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Utility does not comply with the Commission's Order, staff plans to include an issue in the recommendation addressing the Utility's non-compliance with the Order and possible penalty.

Thank you for your prompt attention to this matter. Should you have any questions, please contact me at (850) 413-6228 or by email at jbrubaker@psc.state.fl.us.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer Brubaker" with a small "for" written below it.

Jennifer Brubaker
Attorney Supervisor

cc: Division of Economic Regulation (Bulecza-Banks, Daniel, Fletcher, Rieger, Mouring)
Office of Commission Clerk (Docket 090349-WS)
Office of Public Counsel (Reilly)
Patrick Flynn, Utilities Inc. of Florida Regional Director