

State of Florida



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: August 13, 2010
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Lorena A. Holley, Senior Attorney, Office of the General Counsel *JAM*
RE: Docket No. 090349-WS - Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.

Attached is a document for inclusion in the docket file in the above-referenced docket.

The document is a letter dated August 9, 2010, with attachments, sent to Lorena Holley from Dr. Robert M. Halleen. As requested by Dr. Halleen, copies of the letter and attachment were distributed to the staff members indicated, the Office of Public Counsel, and also to the attorney for the Utility.

DOCUMENT NUMBER-DATE

06698 AUG 13 2

FPSO TALLAHASSEE OFFICE

August 9, 2010

Ms. Lorena A. Holley
Senior Attorney
Office of the General Counsel
Public Service Commission
Capital Circle Office Circle Center
2540 Shumard Oaks Boulevard
Tallahassee, FL 32399-0850

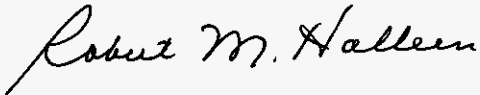
Dear Ms. Holley,

As per our discussion today, I am enclosing the information that we have complied concerning the Revenue Request developed by the PSC Staff and presented at the last Agenda hearing. Reviewing the data supplied by the Cypress Lakes Utility in response to your Data Requests and the meeting that we had at their offices in Altamont, Florida, we believe that there are at least five major modifications that should be made.

I would appreciate it if you and the PSC Staff would review our proposal and indicate where you believe that it needs further revision. Hopefully, we can resolve these issues prior to any Agenda hearing and present a united response to the PSC Commissioners.

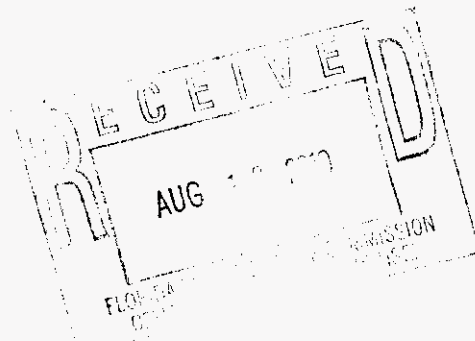
I have included copies of this letter for both Bart Fletcher and Curt Mouring of the PSC staff and for Mr Charles Rehwinkel of the Office of Public Counsel. I would appreciate it if your secretary could forward them to these gentlemen.

Sincerely,



Dr. Robert M. Halleen, President
Cypress Lakes Homeowners Association
2237 Big Cypress Blvd.
Lakeland, FL 33810

cc: Mr. Bart Fletcher, Mr. Curt Mouring, Mr. Charles Rehwinkel



DOCUMENT NUMBER DATE

06698 AUG 13 2010

PSC-COMMUNICATIONS CLERK

CLHA Proposed Revisions to Original Staff Revenue Recommendations

ITEM	<u>Staff Water</u>	<u>Staff Wastewater</u>	<u>CLHA Water</u>	<u>CLHA Wastewater</u>
UPIS Increase	\$149,193	\$ 1,130,953	\$ 149,193	\$ 1,130,953
Retirements	0	0	0	(20,000) (#1)
CIAC	0	(125,000)	0	(125,000)
Settlement CIAC	0	0	0	(235,365) (#2)
Phoenix Project Benefit	<u>0</u>	<u>0</u>	<u>(10,000)</u>	<u>(20,000)</u> (#3)
Total Increase to Rate Base	\$ 130,920	\$ 965,726	To Be Determined	
Required Return	\$ 11,606	\$ 85,613	To Be Determined	
Increase in Sludge Hauling	0	30,000	0	(10,000) (#4)
Increase in TOTI	<u>25,657</u>	<u>33,416</u>	<u>0</u>	<u>0</u> (#5)
Total Increase in O&M	\$ 44,710	\$ 106,396	To Be Determined	
Total Taxable Income	\$ 11,606	\$ 85,613	To Be Determined	
Total Revenue Increase	\$ 63,415	\$ 234,316	To Be Determined	

Documentation Related to CLHA Proposed Revenue Revisions

The following information is provided to support the CLHA requests for revenue revisions. The items delineated by (#) are considered.

- (#1) - Retirements: The Utility added a new standby generator set to the wastewater plant; no retirement is shown for the standby generator set previously included in the plant. Our estimated value to the set is as shown.
- (#2) - Settlement CIAC: The Settlement Agreement approved in 2007 by the PSC involved only the Office of Public Counsel, the Cypress Lakes Associates (Park Owners) and the Cypress Lakes Utilities. It identified that the CLU would receive \$ 235,365 through serviceability fees paid by the developer (CLA) toward the expansion of the wastewater plant as well as the original CIAC of \$ 125,000 paid by the developer. Both amounts should be deducted from the revenue requested from the customers of CLU. This is consistent with the cost of the expansion as identified by CLU in the letter in response to the 7th Data Request of the PSC.
- (#3) - Phoenix Project Benefit: It is our contention that Utilities, Inc. received considerable financial benefit from the modernization of its Accounting system. Discussion with the PSC has failed to quantify such a benefit; therefore, CLHA has estimated its share of such a benefit and requests that it be included in the revised revenue request.
- (#4) - Data from the CLU response to the 7th Data Request by the PSC clearly shows that beginning with the completion of the expansion to the wastewater plant upgrade in June of 2009 the cost of sludge hauling was reduced dramatically. It is estimated from the 2009 data that the cost will be somewhere between \$ 30,000 and \$ 40,000 annually. Therefore the current budgeted amount of \$ 50,000 should be reduced by at least \$ 10,000.
- (#5) - Because neither the PSC or CLU has provided any explanation from the taxing authority as to the major increases in assessed value of the plant in 2007 and 2008; the CLHA requested an opinion from the park owners (CLA) through the President, Robert Young as to the cause of such an increase. Mr. Young's opinion was that Polk County commercial taxes were based on potential income and that in all probability, the increases in 2007 and 2008 reflected the additional revenue to be received by the Utility with the expansion of the park through Phases 7, 8 10, 11 and 12. He experienced similar increases during that time frame. Therefore, the current upgrade of the wastewater plant should not increase the assessed value of the plant and the item eliminated from the revenue request.

CYPRESS LAKES WATERWATER
SLUDGE REMOVAL FOR 2009

INVOICE DATE	AMOUNT	INVOICE NUMBER
12-Jan-09	\$2,625	7332
19-Jan-09	\$2,625	7348
26-Jan-09	\$2,625	7367
02-Feb-09	\$2,625	7384
09-Feb-09	\$2,625	7404
16-Feb-09	\$2,625	7424
23-Feb-09	\$3,500	7441
02-Mar-09	\$2,625	7463
09-Mar-09	\$2,625	7477
16-Mar-09	\$2,625	7497
23-Mar-09	\$3,500	7514
30-Mar-09	\$2,625	7531
06-Apr-09	\$2,625	7547
20-Apr-09	\$2,625	7582
04-May-09	\$2,625	7616
18-May-09	\$2,625	7646
01-Jun-09	\$2,625	7688
15-Jun-09	\$2,625	7723
05-Jul-09	\$2,625	7773
20-Jul-09	\$1,750	7804
24-Aug-09	\$2,625	7873
28-Sep-09	\$2,625	7947
26-Oct-09	\$2,625	8012

2009 TOT, \$61,250

ASSUMPTION

NOVEMBER AND DECEMBER MISSING ADD \$ 5,250

2009 TOTAL \$66,500

GOOD AGREEMENT WITH ANNUAL REPORT

SINCE EXPANSION COMPLETED IN JUNE 2009, ESTIMATED
ANNUAL SLUDGE REMOVAL COST = \$ 31,500
[12 X \$ 2,625 PER MONTH]