

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer  
of Certificates Nos. 592-W and  
509-S from Cypress Lakes  
Associates, Ltd. to Cypress  
Lakes Utilities, Inc. in Polk  
County.

DOCKET NO. 971220-WS  
ORDER NO. PSC-98-0993-FOF-WS  
ISSUED: July 20, 1998

The following Commissioners participated in the disposition of  
this matter:

JULIA L. JOHNSON, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
JOE GARCIA  
E. LEON JACOBS, JR.

ORDER APPROVING TRANSFER, REQUIRING SUBMISSION OF  
PROOF OF LAND OWNERSHIP, SETTING RATES AND CHARGES

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING RATE BASE FOR PURPOSES OF THE TRANSFER,  
SETTING CAP OF 8,000 GALLONS PER MONTH FOR WASTEWATER CHARGE AND  
APPROVING A CHARGE FOR INSTALLATION OF IRRIGATION METERS  
USING THE RESIDENTIAL WATER RATES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service  
Commission that the action discussed herein regarding the  
establishment of rate base for purposes of the transfer, setting  
cap of 8,000 gallons per month for wastewater charge and approving  
charge for installation of irrigation meters is preliminary in  
nature and will become final unless a person whose interests are  
substantially affected files a petition for a formal proceeding,  
pursuant to Rule 25-22.029, Florida Administrative Code.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

### Background

On September 19, 1997, Cypress Lakes Associates, Ltd. (Cypress Lakes or utility or seller) filed an application with this Commission for approval of the transfer of Certificates Nos. 592-W and 509-S to Cypress Lakes Utilities, Inc. (CLUI or buyer), pursuant to Section 367.071, Florida Statutes. CLUI is a wholly-owned subsidiary of Utilities, Inc. Cypress Lakes is a Class C utility, which has been in existence since 1987. The utility currently provides water and wastewater services to approximately 819 customers.

Cypress Lakes and CLUI entered into an agreement on August 20, 1997, for the sale of the utility to CLUI. CLUI is also purchasing the mobile home community served by the utility. The agreement indicates that the sale is contingent upon Commission approval. Pursuant to Section 367.071, Florida Statutes, no utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof, or majority organizational control without approval of the Commission. Although CLUI is operating the system, ownership and control has not passed from Cypress Lakes. CLUI will operate and manage the utility for a fee, pursuant to the provisions of a management contract, until closing of the sale occurs. All revenues collected are paid to Cypress Lakes.

### Application

The application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and provisions of the Florida Administrative Code, except as discussed below. In particular, the application contains a filing fee in the amount of \$3,000, in accordance with Rule 25-30.020, Florida Administrative Code.

Rule 25-30.037(2)(q), Florida Administrative Code, requires a utility to provide proof of ownership or continued use of the land upon which its facilities are located. The deed provided with the application is in the name of Cypress Lakes and includes the entire development. The sales contract states that Cypress Lakes will provide deeds to the land where the facilities are located at closing. Therefore, we find it appropriate to require Cypress Lakes to provide warranty deeds for the land upon which the utility's facilities are located in the name of CLUI within 60 days of the date this Order is issued.

ORDER NO. PSC-98-0993-FOF-WS

DOCKET NO. 971220-WS

PAGE 3

Cypress Lakes provided proof of compliance with the noticing requirements set forth in Rule 25-30.030, Florida Administrative Code, including notice to the customers of the system being transferred. No objections to the notice of application have been received and the time for filing such has expired.

Cypress Lakes provided a copy of the Purchase Agreement with the application. The agreement includes the purchase price, terms of payment, and a list of the assets purchased and the liabilities assumed. According to the application, there are no developer agreements which the buyer is obligated to assume or fulfill. There are no customer deposits, guaranteed revenue contracts, customer advances, or leases. In addition, the utility's 1997 regulatory assessment fees have been paid and the 1997 annual report has been filed.

With regard to CLUI's technical ability, CLUI is a wholly-owned subsidiary of Utilities, Inc. Utilities, Inc. has approximately 31 years of experience in the water and wastewater utility industry; 22 years of that experience under the regulation of this Commission. Currently, Utilities, Inc. provides water and wastewater service to approximately 165,000 customers in fifteen states.

Regarding CLUI's financial ability, Utilities, Inc. provided a statement that it has both the regulatory experience and financial ability to ensure CLUI's continued compliance with regulations. Utilities, Inc. has other water and wastewater utilities which are under the regulation of this Commission. All of the subsidiaries are in good standing with the Commission.

From its inspection of the utility, CLUI indicated that the water plant appears to be in satisfactory condition and in compliance with all applicable standards set by the Department of Environmental Protection (DEP). The wastewater plant does, however, have problems with capacity during peak flow periods; the system needs to be expanded to meet future and existing demands. Preliminary designs to expand the wastewater plant have been prepared and submitted to DEP. Pursuant to the contract, Cypress Lakes will fund the expansion and donate the facilities to CLUI.

Based on the foregoing, we find that the transfer of Certificates Nos. 592-W and 509-S from Cypress Lakes to CLUI is in the public interest, and it is approved. The territory Cypress

Lakes is authorized to serve is shown on Attachment A of this Order, which by reference is incorporated herein.

#### Rate Base

According to the application, the net book value of the system being transferred was \$863,372 as of December 31, 1995. The net book value was amended by Cypress Lakes in its response, dated May 18, 1998, to the Commission's audit report. In that response, the utility indicated that the net book value of the water system was \$765,248 and \$1,258,431 for the wastewater system. The utility has never had a rate proceeding before the Commission.

An audit of the utility's book and records was conducted by the Commission staff to determine rate base (net book value) as of December 31, 1997. Rate base was determined from historical records and supporting source documentation provided by the utility. The utility does not keep separate books for utility operations. Cypress Lakes purchased a mobile home community along with the utility assets, allocating \$2,547,450 as the recorded price of the utility.

The Commission staff determined, during audit, that the utility's books and records were not maintained in compliance with the NARUC Uniform System of Accounts (USOA). Rule 25-30.115(1), Florida Administrative Code, requires all water and wastewater utilities to maintain their accounts and records in conformity with the USOA. Because this audit was conducted for the purpose of a transfer, no action is being taken against Cypress Lakes at this time. However, we find that the requirement warrants mentioning so that CLUI will be aware of it in future proceedings.

As a result of the Commission staff's audit, several adjustments were made to rate base. The adjustments are discussed below.

#### Utility Plant in Service

The Commission staff determined that the plant-in-service balances are \$908,575 for the water system and \$1,383,869 for wastewater system. The utility disagrees with staff's exclusion of the franchise costs and the costs of plant lines to serve the Phase V-1 development from the plant balances. The utility believes the plant-in-service account balances are \$1,059,914 and \$1,728,299, for water and wastewater, respectively, as of December 31, 1997.

According to the utility's response to the audit report, \$60,644 in capitalized franchise costs should be split equally between the water and wastewater plant-in-service balances. The franchise costs are consultant fees for processing a franchise application before the Polk County Commission. The utility contends that because no one has established a basis that Polk County committed an error by allowing the franchise costs to be capitalized, the costs should remain in the plant accounts.

The franchise costs were excluded by the Commission staff because the invoices that were provided did not always distinguish the franchise costs from other services provided. Furthermore, Polk County no longer requires or collects a franchise fee and the capitalized franchise costs have expired. The expiration occurred when the Polk County Commission relinquished jurisdiction to this Commission in May 1996. Staff's treatment of the franchise cost is consistent with the NARUC Uniform System of Accounts, which states that expired franchise costs should be retired. Therefore, each of the plant accounts for water and wastewater have been decreased by \$30,322 and the related accumulated depreciation balances have been decreased by \$2,274 for water and \$2,274 for wastewater.

Additionally, staff determined that the developer expanded the existing park to include a new mobile home rental community referred to as Phase V-1. Company records indicate that lots in this phase were being connected to the water and wastewater systems since June 30, 1997. Phase V-1 is now complete and being served by the utility. However, the sales contract between Cypress Lakes and CLUI does not list the assets and infrastructure in Phase V-1. The sales contract between Cypress Lakes and CLUI was entered into on August 20, 1997. The contract requires the conveyance of title and/or easements to CLUI for real property associated with utility operations. The utility is required to provide water and wastewater service to customers in Phase V-1, but CLUI will not own nor have legal access to any of the water and wastewater infrastructure. Cypress Lakes is aware of the omission of Phase V-1 from the sale's contract, but it believes that the plant costs for Phase V-1 should still be included in the plant-in-service balances.

Subsequent to the audit, the utility submitted documentation to support the costs requested for inclusion of Phase V-1. According to the documentation, the plant costs are \$121,017 and \$314,108 for water and wastewater, respectively. The utility is serving the area and the documentation supports the requested costs

ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 6

for the plant. However, the company's documentation is unaudited, and it would not be appropriate to include plant based upon unsubstantiated costs.

Additionally, there is a provision in the sales contract requiring the buyer to install and construct additional water and/or wastewater facilities that may be necessary in the future in order to provide service for additional residences to be constructed within the property. The plant expansion and costs are to be borne by the seller and then given to the buyer at no cost or expense to CLUI. Further, the contract states the buyer will either waive the collection of the tap fees or collect the tap fees as the agent, on behalf of the seller.

Since the sales contract was signed on August 20, 1997, but connections to the Phase V-1 area began in June 1997, we are uncertain whether the reference in the sales contract to expansion and contributed plant actually excludes the Phase V-1 area. The Commission staff suggested a modification to clarify this point; however, to date, no modification has been made. According to the utility's accounting consultant, the Phase V-1 plant investment is not contributed property. Because the Phase V-1 plant was not listed as part of the assets and infrastructure in the contract; the new data from the company is unaudited; and the contract language does not specifically exclude Phase V-1, we do not believe it is appropriate to authorize the inclusion of that plant at this time.

Therefore, the costs of Phase V-1 have been removed from the plant-in-service balances. Thus, plant-in-service balances have been decreased by \$121,017 for water and \$314,108 for wastewater. Further, the accumulated depreciation balances have been decreased by \$1,426 for water and \$5,164 for wastewater to remove the related depreciation of Phase V-1.

Based on these adjustments, the plant-in-service balances are \$908,575 and \$1,383,869, for the water and wastewater systems, respectively, as of December 31, 1997.

#### Accumulated Depreciation

The Commission staff calculated the depreciation expense using the rates, in accordance with Rule 25-30.140, Florida Administrative Code, to compute depreciation rates. In its response to the audit report, the utility disagreed with using

guideline depreciation rates. The utility believes depreciation should be calculated using the service lives that were established by Polk County and upon which the utility's monthly service rates were based. Because the utility has never appeared before this Commission in a rate proceeding, the original rates are still in effect.

Rule 25-30.140(3), Florida Administrative Code, states that "[e]xcept as listed in Sections (5) and (6) of this rule, average service life depreciation rates based on the guideline lives and salvages shall be used in rate proceedings before this Commission." Section (5) provides that a utility may petition for average service life depreciation rates different from those contained in this rule. Section (6) specifies the conditions under which a utility may apply for guidelines for a proposal for implementation of remaining life depreciation rates. In the past, the Commission has not implemented new rules and guideline depreciation rates for a company until the company participates in a proceeding before this Commission either for (1) revised water and/or wastewater rates and charges, or (2) a specific request for changes in depreciation rates.

We believe it is more appropriate for the utility to base its depreciation rates on the service lives established under Polk County rather than Class C utility guideline rates. Because this docket is not a rate proceeding and the utility has never participated in a rate proceeding before this Commission, we do not find it appropriate to change the utility's depreciation rates at this time. The Commission has allowed other utilities to continue using depreciation rates that were established prior to the Commission's regulation or prior to a rate proceeding. This is consistent with Order No. PSC-95-0622-FOF-WS, issued May 22, 1995, in Docket No. 940850-WS. Therefore, we find that the utility should continue using the approved depreciation rates established by Polk County, which result in accumulated depreciation balances of \$189,257 for water and \$393,401 for wastewater.

Amortization of Contributions-in-Aid-of-Construction (CIAC)

The depreciation rate is used to establish the CIAC amortization rate. Based upon the above information, it would also be appropriate to use the amortization rate established under the Polk County Commission. Therefore, we find the appropriate accumulated CIAC amortization balances to be \$10,801 for water and \$15,352 for wastewater.

### Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the rate base. In the absence of extraordinary circumstances, it has been Commission policy that the purchase of a utility at a premium or discount shall not affect the rate base calculation. The circumstances in this exchange do not appear to be extraordinary. Further, an acquisition adjustment has not been requested by Cypress Lakes. Therefore, no negative acquisition adjustment has been included in the rate base calculation.

Based on the foregoing, we find rate base for Cypress Lakes to be \$617,609 for the water system and \$921,439 for the wastewater system as of December 31, 1997. Our calculation of rate base is shown on Schedules Nos. 1 and 3, with adjustments shown on Schedules Nos. 2 and 4.

The rate base calculation is used purely to establish the net book value of the property being transferred. It does not include the normal ratemaking adjustments of working capital calculations and used and useful adjustments.

### Rates and Charges

Cypress Lakes' current rates and charges were approved by Polk County on August 6, 1996. These rates and charges were grandfathered in effective May 20, 1997, pursuant to Order No. PSC-97-0569-FOF-WS, issued in Docket No. 961334-WS.

Rule 25-9.044(1), Florida Administrative Code, requires the new owner of a utility to adopt and use the rates, classification and regulation of the former owner unless authorized to change by this Commission. CLUI has not requested to change the basic rates and charge of the utility. It has, however, requested a cap of 8,000 gallons on the monthly wastewater charge for residential customers. In addition, CLUI has requested the approval of a charge for the installation and use of irrigation meters, based on the general service water schedule. The utility proposes that it be allowed to install a second meter at the customer's requested (fully paid for by the customer) for the operation of their on-site irrigation system.

The idea of establishing a residential wastewater cap is not a new idea, and in fact is the preferred rate structure used by the Commission. The difference in this case is the rate structure



ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 9

issues are generally evaluated in the context of a rate case, and filling data is used to evaluate the appropriate breakpoint for establishing the wastewater cap. No such data was provided by the utility with the application.

However, the wastewater cap is to the benefit of the customer because it recognizes that all water used is not returned to the wastewater system. Since the wastewater bill is based on the amount of water used, the customer only pays up to the amount of the cap. Another factor in considering the cap, is that the service area is comprised of mobile homes. An 8,000 gallon wastewater cap is a fairly standard cap and typical of the usage of this type of development. The danger in reducing the cap too low is that it requires the base facility charge to increase, sometimes substantially. The actual billing data allows an analyst to test and verify the impact that various caps may have on the base facility charge.

As stated previously, the utility has requested the authority to charge for the installation of a second meter for the purpose of measuring water used for irrigation. This would include application of a meter installation charge and the general service water rates.

The utility has the ability to install and charge for a separate meter to be used for irrigation. However, we do not find that the use of general service rates as requested by the utility is appropriate. The purpose of the irrigation meter is to measure water used for a residential service and to avoid the wastewater charge for water not returned to the collection system. Cypress Lakes' existing residential water rate has an inclining block gallonage charge, while the general service rate does not. Because the purpose of the inclining block charge is to encourage conservation, we believe that it is more appropriate to apply the residential rate to both meters.

Shown below are Cypress Lakes' existing rates and charges approved by Polk County on August 6, 1996, and grandfathered in by the Commission effective May 6, 1997. The rates and charges also include the 8,000 gallon wastewater cap on residential service and the requested charge for an irrigation meter.

Monthly Rates

WATER

Residential Service

<u>Base Facility Charge</u>	<u>Amount</u>
All Meter Sizes	\$ 3.73
<u>Gallonge Charge (per 1,000 Gallons)</u>	
0 - 6,000 Gallons	\$ .80
6,001 - 12,000 Gallons	\$ 1.20
Over 12,000 Gallons	\$ 1.60

Multi-Residential Service

<u>Base Facility Charge</u>	<u>Amount</u>
For water service to all master-metered residential customers including, but not limited to, Condominiums, Apartments, and Mobile Homes.	\$ 3.73
<u>Gallonge Charge (per 1,000 Gallons)</u>	
0 - 6,000 Gallons	\$ .80
6,001 - 12,000 Gallons	\$ 1.20
Over 12,000 Gallons	\$ 1.60

General Service

<u>Base Facility Charge</u>	<u>Amount</u>
<u>Meter Size</u>	
5/8" x 3/4"	\$ 3.73
1"	\$ 9.33
1-1/2"	\$ 18.65
2"	\$ 29.84
3"	\$ 55.95
4"	\$ 93.25
6"	\$186.50
<u>Gallonge Charge (per 1,000 Gallons)</u>	\$ .80

ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 11

WASTEWATER

Residential Service

<u>Base Facility Charge</u>	<u>Amount</u>
All Meter Sizes	\$ 9.36
<u>Gallonge Charge</u> (per 1,000 Gallons) (Maximum at 8,000 Gallons)	\$ 1.99

Multi-Residential Service

<u>Base Facility Charge</u>	<u>Amount</u>
For water service to all master-metered residential customers including, but not limited to, Condominiums, Apartments, and Mobile Homes.	\$ 9.36
<u>Gallonge Charge</u> (per 1,000 Gallons) No Cap	\$ 1.99

General Service

<u>Base Facility Charge</u>	<u>Amount</u>
5/8" x 3/4"	\$ 9.36
1"	\$ 23.40
1-1/2"	\$ 46.80
2"	\$ 74.88
3"	\$140.40
4"	\$234.00
6"	\$468.00
<u>Gallonge Charge</u> (per 1,000 Gallons) No Cap	\$ 1.99

Customer Deposits  
Residential and Commercial

<u>Meter Size</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
5/8" x 3/4"	\$ 17.00	\$ 43.00	\$ 60.00
1"	\$ 43.00	\$107.00	\$150.00
1-1/2"	\$ 85.00	\$215.00	\$300.00
2"	\$135.00	\$340.00	\$365.00

Meter Test Deposits

<u>Meter Size</u>	<u>Charge</u>
5/8" x 3/4"	\$ 20.00
1" and 1-1/2"	\$ 25.00
2" and over	Actual Cost

Miscellaneous Service Charges

Initial Connection Fee	\$ 15.00
Normal Reconnection Fee	\$ 15.00
Violation Reconnection Fee	\$ 25.00
Premises Visit Fee	\$ 15.00

Meter Installation Fees

<u>Meter Size</u>	<u>Charge</u>
5/8" x 3/4"	\$125.00
1"	\$150.00
1-1/2"	\$300.00
2"	\$350.00
Over 2"	Actual Cost

We find these rates and charges to be reasonable and they are approved. CLUI shall continue to charge these rates and charges until authorized to change by this Commission in a subsequent proceeding. Further, the utility's request for approval of an 8,000 gallon wastewater cap on residential service is approved. The utility's request to charge for a second meter for irrigation using residential service water rates is also approved.

ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 13

The utility has filed the tariffs which reflect the rates and charges approved herein. The tariff shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificates Nos. 592-W and 509-S from Cypress Lakes Associates, Ltd., 10000 North U.S. Highway 98, Lakeland, Florida 33809, to Cypress Lakes Utilities, Inc., 200 Weathersfield Avenue, Altamonte Springs, Florida 32714, is hereby granted. The territory which Cypress Lakes Utilities, Inc. is authorized to serve is shown on Attachment A of this Order, which by reference is incorporated herein. It is further

ORDERED that Cypress Lakes Utilities, Inc. shall provide copies of recorded warranty deeds in the name of the utility for the land upon which the utility facilities are located within 60 days of the date of this Order. It is further

ORDERED that rate base, for purposes of the transfer which reflects the net book value of the system being transferred, is \$617,609 and \$921,439 for the water and wastewater systems, respectively, as of December 31, 1997. Our calculation of rate base is shown on Schedules 1 and 3, with adjustments shown on Schedules 2 and 4, which by reference are incorporated herein. It is further

ORDERED that the rates and charges set forth in the body of this Order are hereby approved. Cypress Lakes Utilities, Inc. shall continue to charge these rates and charges until authorized to change by this Commission in a subsequent proceeding. The tariff submitted by Cypress Lakes Utilities, Inc. reflecting the rates approved herein shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that Cypress Lakes Utilities, Inc.'s request to implement an 8,000 gallon wastewater cap on residential service is hereby granted. it is further

ORDERED that Cypress Lakes Utilities, Inc.'s request to charge for a second meter for irrigation using residential service water rates is hereby granted. It is further

ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 14

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 20th day of July, 1998.



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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

ALC

DISSENT:

Commissioner J. Terry Deason dissents from the decision in this Order not to recognize a negative acquisition adjustment in the calculation of rate base.

ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 15

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action establishing rate base, for purposes of the transfer, setting a cap of 8,000 gallons per month for the wastewater charge and approving a charge for installation of irrigation meters using the residential water rates is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 10, 1998. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be

ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 16

completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.



ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 17

**ATTACHMENT A**

CYPRESS LAKES ASSOCIATES, LTD.  
Water and Wastewater Service Area  
Polk County

Parcel No. 1

That part of Sections 27, 28, 33 and 34, Township 26 South, Range 23 East, Polk County, Florida, being more particularly described as follows:

Begin at the Southeast corner of said Section 34; thence North  $00^{\circ} 48' 40''$  West along the East line of said Section 34, a distance of 2270.71 feet to the West right-of-way line of State Road No. 700 and No. 35 (U.S. No. 98) as is located this date (6-21-85), thence North  $47^{\circ} 20' 00''$  West along said West right-of-way line 1294.34 feet to the Point of Curvature of a curve concave to the Northeasterly having a radius of 5809.58 feet and a central angle of  $22^{\circ} 20' 00''$ ; thence Northwesterly along said Westerly right-of-way line and curve 2264.52 feet to the Point of Tangency; thence North  $25^{\circ} 00' 00''$  West still along said Westerly right-of-way line 610.00 feet; thence South  $65^{\circ} 00' 00''$  West 600.00 feet; thence South  $25^{\circ} 00' 00''$  East 410 feet; thence South  $65^{\circ} 00' 00''$  West 525.00 feet; thence North  $37^{\circ} 30' 00''$  West 710.00 feet; thence North  $84^{\circ} 30' 00''$  West 790.00 feet; thence North  $45^{\circ} 00' 00''$  West 816.46 feet to the centerline of Rock Ridge Road; thence South  $26^{\circ} 18' 39''$  West along said centerline 49.37 feet; thence South  $52^{\circ} 01' 40''$  West still along said centerline 957.92 feet; thence South  $37^{\circ} 51' 58''$  West still along said centerline 754.96 feet; thence South  $34^{\circ} 36' 25''$  West still along said centerline 969.18 feet to the intersection with the North line of the South 30.00 feet of the Northwest 1/4 of the Northeast 1/4 of aforesaid Section 33; thence South  $89^{\circ} 32' 15''$  East along said North line 253.93 feet to a point on the West line of the East 60.00 feet of the West 1/2 of the Northeast 1/4 of said Section 33; thence South  $00^{\circ} 34' 50''$  East along the said West line of the East 60.00 feet, a distance of 1358.98 feet to the South line of the West 1/2 of said Northeast 1/4; thence South  $89^{\circ} 29' 41''$  East along said South line 60.01 feet to the Southeast corner of the West 1/2 of said Northeast 1/4; thence South  $00^{\circ} 34' 07''$  East along the West line of the East 1/2 of the Southeast 1/4 of said Section 33, a distance of 2564.11 feet to the Southwest corner of the East 1/2 of said Southeast 1/4; thence North  $89^{\circ} 39' 13''$  East along the South line of said East 1/2, a distance of 1326.44 feet to the Southeast corner of said

ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 18

Section 33; thence North 89° 22' 37" East along the South line of said Section 34, a distance of 5323.57 feet to the Point of Beginning; LESS AND EXCEPT 30.00 feet for right-of-way for Rock Ridge Road. Said tract containing 710.23 acres, more or less.

Parcel No. 2

That part of Sections 27 and 34, Township 26 South, Range 23 East, Polk County, Florida, being more particularly described as follows:

Commence at the Southeast corner of said Section 34, thence North  $00^{\circ} 48' 40''$  West along the East line of said Section 34, a distance of 2270.71 feet to the West right-of-way line of State Road No. 700 and No. 35 (U.S. No. 98) as is located on the date of 6/21/85; thence North  $47^{\circ} 20' 00''$  West along said West right-of-way line 1294.34 feet to the Point of Curvature of a curve concave to the Northeasterly having a radius of 5809.58 feet and central angle of  $22^{\circ} 20' 00''$ ; thence Northwesterly along said Westerly right-of-way line and curve 2264.52 feet to the Point of Tangency; thence North  $25^{\circ} 00' 00''$  West still along said Westerly right-of-way line 610.00 feet to the Point of Beginning; thence South  $65^{\circ} 00' 00''$  West 600 feet; thence South  $25^{\circ} 00' 00''$  East 410.00 feet; thence South  $65^{\circ} 00' 00''$  West 525.00 feet; thence North  $37^{\circ} 30' 00''$  West 710.00 feet; thence North  $84^{\circ} 30' 00''$  West 790.00 feet; thence North  $45^{\circ} 00' 00''$  West 816.46 feet to the centerline of Rock Ridge Road; thence North  $26^{\circ} 18' 39''$  East along said centerline 1212.81 feet; thence North  $62^{\circ} 32' 09''$  East still along said centerline 1293.14 feet to said Westerly right-of-way line of State Road No. 700 and No. 35 (U.S. No. 98); thence South  $25^{\circ} 00' 00''$  East along said Westerly right-of-way line 2265.06 feet to the said Point of Beginning. Said parcel containing 95.75 acres, more or less.

LESS AND EXCEPT maintained right-of-way for Rock Ridge Road and that part of Section 27, Township 26 South, Range 23 East, Polk County, Florida, being more particularly described as follows:

Commence at the Southeast corner of Section 34, Township 26 South, Range 23 East and run North  $00^{\circ} 48' 40''$  West along the East line of said Section 34, a distance of 2270.71 feet to the West right-of-way line of State Road No. 700 and No. 35 (U.S. No. 98) as is located on the date of 6/21/85; thence North  $47^{\circ} 20' 00''$  West along said West right-of-way line, 1294.34 feet to the Point of Curvature of a curve concave to the Northeast having a radius of 5809.58 feet and central angle of  $22^{\circ} 20' 00''$ ; thence Northwesterly along said Westerly right-of-way line and curve 2264.52 feet to the Point of Tangency; thence North  $25^{\circ} 00' 00''$  West still along said Westerly right-of-way line 2525.06 feet to the Point of Beginning; thence continue North  $25^{\circ} 00' 00''$  West along said Westerly right-of-way 350.00 feet to the centerline of Rock Ridge Road; thence South  $62^{\circ} 32' 09''$  West along said centerline 330.00 feet; thence

ORDER NO. PSC-98-0993-FOF-WS  
DOCKET NO. 971220-WS  
PAGE 20

South 25° 00' 00" East 350.00 feet; thence North 62° 32' 09" East  
330.00 feet to the said Point of Beginning. Said parcel containing  
2.50 acres.

SCHEDULE NO. 1

CYPRESS LAKES ASSOCIATES, LTD.

SCHEDULE OF WATER RATE BASE

As of December 31, 1997

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$1,059,914	(\$151,339)	(1) \$908,757
Land	509	0	509
Plant Held for Future Use	0	0	0
Accumulated Depreciation	(\$189,257)	\$ 3,700	(2) (\$185,557)
Contributions-in- aid-of-Construction	(\$116,719)	0	(\$116,719)
CIAC Amortization	<u>\$ 10,801</u>	<u>0</u>	<u>10,801</u>
<b>TOTAL</b>	<u>\$765,248</u>	<u>\$147,639</u>	<u>\$617,609</u>

CYPRESS LAKES UTILITIES, INC. WATER SERVICE

SCHEDULE OF WATER RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
<b>Utility Plant in Service</b>	
A. To remove franchise cost which were capitalized	(\$ 30,322)
B. To remove unaudited phase V-1 plant costs	<u>(\$121,017)</u>
TOTAL (1)	<u>(\$151,339)</u>
<b>Accumulated Depreciation</b>	
A. Adjustment related to removal of franchise cost	\$ 2,274
B. Adjustment related to unaudited plant costs	<u>\$ 1,426</u>
TOTAL (2)	<u>\$ 3,700</u>

CYPRESS LAKES ASSOCIATES, LTD.

SCHEDULE OF WASTEWATER RATE BASE

As of December 31, 1997

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$1,728,299	(\$344,430)	(1) \$1,383,869
Land	\$2,610	0	\$2,610
Plant Held for Future Use	\$2,500	0	\$2,500
Accumulated Depreciation	(\$393,401)	\$ 7,438	(2) (\$383,963)
Contributions-in- aid-of-Construction	(\$ 96,929)	0	(\$ 96,929)
CIAC Amortization	<u>\$ 15,352</u>	<u>0</u>	<u>15,382</u>
<b>TOTAL</b>	<u>\$1,258,431</u>	<u>\$336,992</u>	<u>\$921,439</u>

**CYPRESS LAKES ASSOCIATES WASTEWATER SERVICE**  
**SCHEDULE OF WASTEWATER RATE BASE ADJUSTMENTS**

<b><u>EXPLANATION</u></b>	<b><u>ADJUSTMENT</u></b>
<b>Utility Plant in Service</b>	
A. To remove franchise cost which were capitalized	(\$ 30,322)
B. To remove unaudited phase V-1 plant costs	<u>(\$314,108)</u>
TOTAL (1)	<u>(\$344,430)</u>
<b>Accumulated Depreciation</b>	
A. Adjustment related to removal of franchise cost	\$ 2,274
B. Adjustment related to unaudited plant costs	<u>\$ 5,164</u>
TOTAL (2)	<u>\$ 7,438</u>