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RECORDS AND
September 10, 1999 REPORTING

ORIGINAL

Ms. Blanca Bayo
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

971220-WS

Re: Docket No. ~~981220~~-WS - Application for transfer of Certificates Nos. 592-W and 509-S from Cypress Lakes Associates, Ltd. to Cypress Lakes Utilities, Inc. in Polk County Florida.

Dear Ms. Bayo:

Enclosed for filing are the original and ten copies of the following documents:

1. Utility's Response to Staff's First Set of Interrogatories.
2. Utility's Response to Staff's First Request for Production.

Thank you for your assistance. If there are any questions, please let me know.

Sincerely yours,

Ben E. Girtman

Encls.

AFA	_____
APP	_____
CAF	_____
CMU	_____
CTR	_____
EAG	_____
LEG	<u>2</u> _____
MAS	_____
OPC	_____
PAI	_____
SEC	<u>1</u> _____
WAW	_____
OTH	_____

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Interrogatories
DOCUMENT NUMBER-DATE
10932 SEP 10 88
FPSC-RECORDS/REPORTING

PODs
DOCUMENT NUMBER-DATE
10933 SEP 10 88
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 971220-WS

Submitted for Filing:
September 10, 1999

ORIGINAL

UTILITY'S RESPONSE TO
COMMISSION STAFF'S
FIRST SET OF INTERROGATORIES

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the attached Utility's Response to Commission Staff's First Set of Interrogatories has been sent to Harold McLean, Esq. Office of Public Counsel, 111 W. Madison St., Tallahassee, FL 32399-1400; Roger A. Larson, Esq., attorney for Cypress Lakes Associates, Ltd., P.O. Box 1368, Clearwater, FL 33757; and to Jennifer Brubaker, Esq., Division of Legal Services, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee FL 32399-0850, by U.S. mail this 10th day of September, 1999.



Ben E. Girtman
FL BAR NO. 186039
1020 E. Lafayette St.
Suite 207
Tallahassee, FL 32301

Attorney for Utilities, Inc. and
Cypress Lakes Utilities, Inc.

DOCUMENT NUMBER-DATE

10932 SEP 10 99

FPSC-RECORDS/REPORTING

INTERROGATORIES

1. **Please state whether the utility was under any enforcement notices of violation or consent orders from the Florida Department of Environment of Protection (DEP) or Polk County from 1995 through 1999.**

Source of Data: Donald Rasmussen
Regional Vice President
Utilities, Inc. of Florida
200 Weathersfield Avenue
Altamonte Springs, FL 32714
(407) 869-1919

Response:

On January 28, 1997, the Utility received a Warning Letter #WL97000IDW535WD concerning a number of violations at the plant.

On February 19, 1998, the Utility (water system) entered into a Consent Order with Florida Department of Health, Polk County, for failure to monitor for Primary Inorganics, Secondaries, Volatile Organic, Pesticides, PCB's, Radiological and Group II Unregulated Contaminants in 1997. The system also failed to do Public Notification.

2. **If the response to the preceding Interrogatory No. 1 is affirmative, please explain the violation and all action taken by the utility to address these areas, and identify whether the wastewater system is now in compliance with Polk County and DEP.**

Source of Data: Donald Rasmussen
Regional Vice President
Utilities, Inc. of Florida
200 Weathersfield Avenue
Altamonte Springs, FL 32714
(407) 869-1919

Response:

Both of the previous violations were prior to the transfer of ownership to Utilities, Inc.

In response to the Request for Production of Documents #2, the violation letters and response from the Utility are enclosed.

COMMISSION STAFF'S FIRST SET OF INTERROGATORIES
TO CYPRESS LAKES UTILITIES, INC.
DOCKET NO. 971220-WS

3. **Please state the net book value for the water and wastewater system, and whether there are any additional plant items that you believe should be considered in the book value that the staff did not consider.**

Source of Data: Carl J. Wenz
Vice President, Regulatory Matters
Utilities, Inc.
2335 Sanders Rd.
Northbrook, IL 60062
(847) 498-6440.

Response:

The net book value at the time of transfer of the water system is \$617,609. The net book value at the time of transfer of the wastewater system is \$921,439. The Company is not aware of any additional plant that should be considered for the determination of net book value at the time of transfer.

4. **Please discuss whether any study or analysis of Cypress Lakes' facilities that was conducted by Utilities, Inc. in preparation for negotiating the purchase of the utility.**

Source of Data: Carl J. Wenz
Vice President, Regulatory Matters
Utilities, Inc.
2335 Sanders Rd.
Northbrook, IL 60062
(847) 498-6440.

Response:

Yes. A review of the Cypress Lakes utility system prepared by Gerald T. Buhr. The review is included in the response to the Commission Staff's First Request for Production of Documents, Question #1.

COMMISSION STAFF'S FIRST SET OF INTERROGATORIES
TO CYPRESS LAKES UTILITIES, INC.
DOCKET NO. 971220-WS

5. **Please discuss Utilities, Inc.'s plans with respect to investment in Cypress Lakes for future demand and expansion. Please specify dollar amounts, expected timeframe for completion and estimated ERCs to be served in future plant expansion.**

Source of Data: Donald Rasmussen
Regional Vice President
Utilities, Inc. of Florida
200 Weathersfield Avenue
Altamonte Springs, FL 32714
(407) 869-1919

Response:

A contract has been signed with Shaw Construction and Management Services, Inc. to upgrade the WWTP to 240,000 GPD. The contract amount is for \$284,500 and excludes a number of upgrade items.

Construction began in July of 1999 and should be completed by February of 2000. According to the "Preliminary Design Report" prepared by Michael Gaylor, P.E., the 240,000 GPD WWTP will handle the build out of the 1557 lots and clubhouse.

6. **Please identify and discuss the factors considered by Utilities, Inc. in developing its purchase price of the Cypress Lakes system.**

Source of Data: Carl J. Wenz
Vice President, Regulatory Matters
Utilities, Inc.
2335 Sanders Rd.
Northbrook, IL 60062
(847) 498-6440.

Response:

It is Utilities, Inc.'s goal, in any negotiated arms length transaction, to purchase at the lowest possible price. The factors considered by Utilities, Inc. in negotiating the purchase of the Cypress Lakes system were some of the same factors considered in all negotiated purchases. These factors include the long-term earnings potential of the utility, the potential growth of the customer base, the overall regulatory climate where the utility is located, the current and future capital needs of the utility and the ability to recover additional costs on a timely basis, and proximity to other Utilities, Inc. operations.

The factors listed above are considered in light of the specific circumstances of the proposed transaction and the perceived value to the seller.

COMMISSION STAFF'S FIRST SET OF INTERROGATORIES
TO CYPRESS LAKES UTILITIES, INC.
DOCKET NO. 971220-WS

7. **Cypress Lakes' application for transfer indicated that the utility estimated preliminary costs for plant expansion and donated facilities to be \$535,000. Please identify the portion of this amount that relates to plant expansion versus donated facilities.**

Source of Data: Carl J. Wenz
Vice President, Regulatory Matters
Utilities, Inc.
2335 Sanders Rd.
Northbrook, IL 60062
(847) 498-6440.

Response:

At this time, the estimated cost of the plant expansion is approximately \$300,000. The seller has agreed to contribute \$300,000 towards the expansion.

8. **The filing for transfer also indicated that this \$535,000 for the future expansion was to be paid by the seller. Please explain whether this preliminary \$535,000 cost was considered in determining the purchase price. If so, please explain how this cost affected the purchase price.**

Source of Data: Carl J. Wenz
Vice President, Regulatory Matters
Utilities, Inc.
2335 Sanders Rd.
Northbrook, IL 60062
(847) 498-6440.

Response:

The estimated preliminary cost of the plant expansion was not a factor for Utilities, Inc. in the determination of the purchase price. The purchase price reflects the price paid for existing facilities, not future facilities.

COMMISSION STAFF'S FIRST SET OF INTERROGATORIES
TO CYPRESS LAKES UTILITIES, INC.
DOCKET NO. 971220-WS

I HEREBY DECLARE that the responses to the above interrogatories are true
and correct to my best knowledge and belief.

Carl J. Wenz
Vice President
Regulatory Matters
Utilities, Inc.
2335 Sanders Road
Northbrook, IL 60062

By: Carl J. Wenz

STATE OF ILLINOIS

COUNTY OF COOK

SWORN to and subscribed before me at NORTHBROOK,
COOK County, Illinois, this 9th day of SEPTEMBER,
1999.

Phil Ann Scully
Notary Public
State of Illinois
My Commission Expires: 09-18-01

