



Public Service Commission

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RECEIVED

JUN 10 2002

Florida Public Service (CHAIRMAN JAE

DATE: June 10, 2002
TO: Chairman Jaber
FROM: Timothy J. Devlin, Director, Division of Economic Regulation
Katherine Echternacht, Attorney, Office of the General Counsel
RE: Docket No. 020407-WS - Request by Cypress Lakes Utilities, Inc. for Approval of File and Suspend Rate Increase in Polk County - Test Year Approval

By letter dated May 9, 2002, Cypress Lakes Utilities, Inc. (CLU or utility) has requested approval to use a historical test year ended December 31, 2001, for its water and wastewater systems. The utility is also requesting that it be allowed to file its MFRs on or before September 30, 2002. The utility has stated that it will also seek interim rate relief using the year ended December 31, 2001 as a test year. Further, the utility stated that it will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes.

The utility has indicated that the proposed test year ended December 31, 2001 is representative of the current operations. CLU also believes that the historical test year will be a representative period to measure the cost of service and establish new rates. The utility states that there is no material growth in the system, the expenses incurred by the utility are typical, and this test year is the most current year for which financial information is available. No material pro forma adjustments are needed. CLU states that the rate increase is being sought because of increased operating costs and because of the length of time since rates were last set.

Water and wastewater rates have not been set since CLU aquired these systems. The transfer of assets to Utilities, Inc. from Cypress Lakes Associates was approved in Order PSC-98-0993-WS, issued July 20, 1998, in Docket No. 971220-WS and rate base was subsequently established in Order No. PSC-00-0264-FOF-WS. Additionally, there was a negative acquisition adjustment which was not approved in this docket. The current rates, subject to index and pass through increases, were set for the prior owner by Polk County on August 6, 1996, and grandfathered in by the Commission in Order No. PSC-97-0659-FOF-WS issued May 20, 1997, in Docket No. 961334-WS.

Staff believes that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 1999 through 2001. Based on our review, we believe that the requested test year should be approved. Receipt of the application by September 30, 2002, will be acceptable.

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The test year letter filename is S:\psc\ecr\wp\clu_tya.wpd

c: Dr. Mary Bane, Executive Director
Division of Economic Regulation (Willis, Merchant, Kyle, Revell)
Division of Auditing and Safety (Vandiver)
Division of the Commission Clerk and Administration
Jackie Edwards

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

LILA A. JABER
CHAIRMAN

STATE OF FLORIDA



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2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6044

Public Service Commission

June 10, 2002

Mr. Martin S. Friedman
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

Re: Docket No. 020407-WS, Application for rate increase in Polk County by Cypress Lakes Utilities, Inc.

Dear Mr. Friedman:

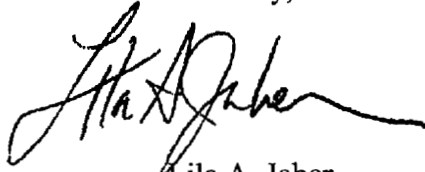
We have received your letter dated May 9, 2002 requesting test year approval for Cypress Lakes Utilities, Inc. (CLU). Your correspondence states that the utility is requesting to use a historical test year ended December 31, 2001. CLU is also requesting that it be allowed to file its minimum filing requirements (MFRs) on or before September 30, 2002. In your correspondence, you state that the utility intends to seek interim rate relief using the year ended December 31, 2001 as a test year. Further, you state that the utility intends to file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes. The utility's test year request as outlined above is hereby approved.

For administrative purposes only, Docket No. 020407-WS has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of the Commission Clerk & Administrative Services receives the complete petition, the MFRs, and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than September 30, 2002.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information with its original filing that it wishes the Commission to consider. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation required, there is a possibility that information filed at a later time will not be considered. Lastly, the utility should be prepared to justify its requested test year operation and maintenance expenses, particularly those which have increased above the level of customer growth and inflation, for the period of December 31, 1996 through December 31, 2000.

Mr. Martin S. Friedman
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June 10, 2002

Sincerely,

A handwritten signature in black ink, appearing to read "Lila A. Jaber", with a long horizontal flourish extending to the right.

Lila A. Jaber
Chairman

LAJ:jbk

cc: Dr. Mary Bane, Executive Director
Division of The Commission Clerk & Administrative Services
Division of Economic Regulation (Willis, Merchant, Kyle, Revell)
Office of the General Counsel (Echternacht)
Division of Auditing and Safety (Vandiver)