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November 22, 2002

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REPLY TO ALTAMONTE SPRINGS

Ms. Blanca Bayo  
Commission Clerk and Administrative Service Director  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0865

Re: Docket No. 020407-WS; Application of Cypress Lakes Utilities, Inc. for  
Rate Increase in Polk County, Florida

Dear Ms. Bayo:

This is in response to the October 23, 2002, letter of deficiency in the above referenced application.

**Responses to Specific Deficiencies**

Deficiency No. 1 - Schedule D-6, Cost of Variable Rate Long-Term Debt

12996-02

The alleged deficiency is that Column (10), Basis of Variable Rate has been left blank. It has been determined that the debt instruments listed are fixed, not variable, rate notes. The deficiency does not apply. The debt instruments listed are more appropriately listed on Schedule D-5, and in fact are carried over to that schedule in total at line 7 of Schedule D-5. The following explanation is provided as to why those particular debt instruments ended up on Schedule D-6.

The debt detailed on schedules D-5 and D-6 are the debt of the parent Utilities, Inc. These schedules were initially prepared and submitted earlier as a part of the MFRs's for sister companies Utilities Inc. of Florida (Docket No. 020071-WS) and Utilities, Inc. of Sandalhaven (Docket No. 020409-SU). In those initial filings, there was no breakdown of debt shown on Schedule D-6, only the statement, "See Schedule D-5, Line 7." Line 7 of Schedule D-5 was described as "Other Long Term Debt - 8.1% to 10.95% promissory notes due in monthly installments through 2017." In the deficiency letters for Utilities, Inc. of Florida and Utilities Inc. of Sandalhaven, the Staff requested that the detail for these debt instruments be provided on Schedule D-6. When that detail was collected, it became clear that "Other Long Term Debt" did

AUS 1  
CAF \_\_\_\_\_  
CMP \_\_\_\_\_  
COM 5  
CTR \_\_\_\_\_  
ECR 1  
GCL 1  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
SEC 1  
OTH \_\_\_\_\_

not consist of variable rate notes, but rather was the summation of several small fixed rate notes. In response to the deficiencies in those cases, the detailed information was provided on Schedule D-6 and transferred in total to Schedule D-5, just as it appears in the Cypress Lakes MFRs. Since those responses were accepted by the Staff, and the MFRs in those cases were deemed to have met the Commission rules and were assigned an official filing date, the identical schedules were used in the Cypress Lakes MFRs (as well as for Alafaya Utilities, Inc., Docket No. 020408-SU).

We submit that Schedules D-6 and D-5 are complete as files and, with this explanation, are not deficient. However, for clarity, revised Schedules D-5 and D-6 are submitted, with an explanatory statement.

**Enclosed are sixteen (16) copies of the following revised schedules:**  
**Schedule D-5, Rev. 1, 11/25/02 (Page 54 of the MFRs)**  
**Schedule D-6, Rev. 1, 11/25/02 (Page 55 of the MFRs)**

Deficiency No. 2 - re Schedule F-1, Gallons of Water Pumped, Sold and Unaccounted for 12997-02

The average percentage of unaccounted for water for the test year is shown as 11.21%. There is no specific explanation as to why it is 11.21% rather than 10.0%. It could be due to an understatement of other uses. It also could be due to the normal range of metering error. It is the utility's position that the acceptable level of unaccounted for water, without further explanation is 12.5%, based on recommendations in previous rulemaking dockets that includes an allowance of 2-3% for metering error in addition to the 10% the Commission has historically utilized. Since the instructions on Schedule F-1 do include a requirement for an explanation, a revised schedule is provided that includes the above statement.

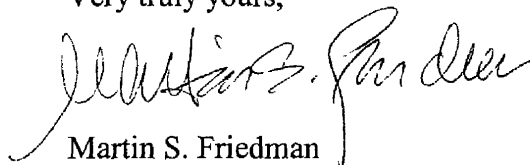
**Enclosed are sixteen (16) copies of the following revised schedule:**  
**Schedule F-1, Rev. 1, 11/25/02 (Page 72 of the MFRs)**

Deficiency No. 3 - re Detailed Map

12998-02

**Enclosed is one (1) set of revised system maps showing the location and size of the distribution and collection lines. That information was previously omitted.**

Very truly yours,

  
Martin S. Friedman

cc: Mr Steve Lubertozzi  
Mr. Don Rasmussen  
Mr. David Orr  
Mr. Frank Seidman

**CYPRESS LAKES UTILITIES, INC.**

**Docket No. 020407-WS**

**Response to PSC Request  
MFR Deficiencies  
Dated October 23, 2002**

**Item 1**

**Polk County**

***Schedule D-5 and D-6***

DOCUMENT NUMBER - DATE

12996 NOV 26 08

FPSC-COMMISSION CLERK

Cost of Long-Term Debt  
Beginning and End of Year Average

Florida Public Service Commission

Company: Cypress Lakes Utilities, Inc  
Docket No.: 020407-WS  
Test Year Ended: December 31, 2001  
Utility [ ] or Parent [X]  
Historic [X] or Projected [ ]

Explanation: Provide the specified data on long-term debt issues on a simple average basis for the test year. Arrange by type of issue (i.e., first mortgage bonds). If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information on the parent level.

Schedule: D-5  
Page 1 of 1  
Preparer: Seidman, F  
Rev. 1, 11/25/02

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Line No	Description, Coupon Rate, Years of Life	Issue Date - Maturity Date	Principal Amount Sold (Face Value)	Principal Amount Outstanding	Amount Outstanding Within One Year	Unamortized Discount (Premium) Associated With Col(4)	Unamortized Issuing Expense Associated With Col(4)	Annual Amortization of Discount (Premium) on Principal Outstanding	Annual Amort. of Issuing Expense on Principal Outstanding	Interest Cost (Coupon Rate) x Col(4)	Total Interest Cost (\$)+(9)+(10)	Effective Cost Rate ((11)/((4)-(5)-(7)))
1	Collateral Trust Notes -											
2	9.16%, \$1,000,000 due in annual installments beginning April 30, 1997	5/15/91 - 4/30/06	10,000,000	5,500,000	1,000,000		45,048		10,284	488,533	498,817	9.14 %
3	9.01%, \$1,500,000 due in annual installments beginning November 30, 1998	7/15/92 - 11/30/07	15,000,000	9,750,000	1,500,000		135,875		24,214	934,788	959,002	9.97 %
4	8.421%, \$5,857,143 due in annual installments beginning 2009	6/15/00 - 6/30/15	41,000,000	41,000,000	0		952,096		70,700	3,452,200	3,522,900	8.80 %
5	7.87%, due June 1, 2005	6/1/95 - 6/1/05	15,000,000	15,000,000	0		58,741		15,955	1,180,500	1,196,455	8.01 %
6	Mortgage Notes -	See										
7	OTHR Long Term Debt - carried over from Sch D-6, to calculate average LTD rate.	Sch D-6	400,000	348,116	0		-			31,005	31,005	8.91 %
8	Total		81,400,000	\$ 71,598,116	\$ 2,500,000	-	1,191,760	-	\$ 121,153	\$ 6,087,026	6,208,179	8.82 %

Supporting Schedules: D-6  
Recap Schedules: A-19,D-2

Cost of Variable Rate Long-Term Debt  
Beginning and End of Year Average

Florida Public Service Commission

Company: Cypress Lakes Utilities, Inc.  
Docket No.: 020407-WS  
Test Year Ended: December 31, 2001  
Utility [ ] or Parent [X]  
Historic [X] or Projected [ ]

Schedule: D-6  
Page 1 of 1  
Preparer: Seidman, F.  
Rev. 1, 11/25/02

Explanation: Provide the specified data on variable cost long-term debt issues on a simple average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line No	Description, Coupon Rate, Years of Life	Issue Date-Maturity Date	Principal Amount Sold (Face Value)	Principal Amount Outstanding	Unamortized Discount (Premium) Associated With Coll(d)	Unamortized Issuing Expense Associated With Coll(d)	Annual Amortization of Discount (Premium) on Principal Outstanding	Annual Amort of Issuing Expense on Principal Outstanding	Basis of Variable Rate (i.e. Prime + 2%)	Interest Cost (Test Year Cost Rate x Col. (4))	Total Interest Cost (8)+(9)+(11)	Effective Cost Rate (12)/(10)-(7)
1	8.84% Promissory Note	9/1/97 - 12/20/12	100,000	84,263					Fixed	7,758	7,758	9.21%
2	8.60% Promissory Note	9/1/97 - 12/21/15	100,000	86,891					Fixed	7,699	7,699	8.86%
3	8.10% Promissory Note	9/1/97 - 11/15/15	100,000	87,079					Fixed	7,267	7,267	8.35%
4	8.96% Promissory Note	9/1/97 - 12/20/16	100,000	89,883					Fixed	8,281	8,281	9.21%

Note. The above notes are a group of fixed rate OTHER long term debt, not variable rate long term debt. They are detailed on this schedule and carried forward, in total, to Schedule D-5, line 7.

\$	400,000	\$	348,116	\$	-	\$	-	\$	-	\$	-	\$	31,005	\$	31,005	8.91%
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Supporting Schedules: None  
Recap Schedules: A-19, D-2, D-5