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REPLY TO ALTAMONTE SPRINGS

MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD, OF COUNSEL
(LICENSED IN TEXAS ONLY)

August 13, 2003

HAND DELIVERY

RECEIVED - FPSC
00 AUG 13 AM 11:35
COMMISSION
CLERK

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

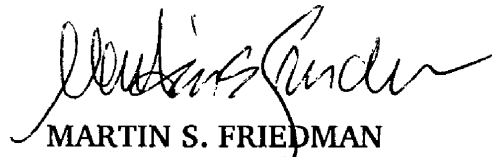
Re: Cypress Lakes Utilities, Inc.; Application for Rate Increase in Polk County
Florida; Docket No. 020407-WS
Our File No. 30057.45

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and seven (7) copies of Cypress Lakes Utilities, Inc.'s Supplemental Response dated August 11, 2003, to the Order to Show Cause.

Should you have any questions concerning the enclosed, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

AUS _____
CAF _____ MSF/dmp
CMP _____ Enclosures
COM _____
CTR _____
ECR _____ cc: Ms. Denise N. Vandiver (w/enclosure) (via hand delivery)
GCL _____ Ms. Patricia Merchant (w/enclosure) (via hand delivery)
OPC _____ Mr. Steven M. Lubertozi (w/enclosure)
MMS _____ Mr. Patrick Flynn (w/enclosure)
SEC 1 _____ David L. Orr, PE (w/enclosure)
OTH _____

DOCUMENT NUMBER DATE
07422 AUG 13 8
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of)
CYPRESS LAKES UTILITIES, INC.)
for a rate increase in Polk County)
_____)

DOCKET NO. 020407-WS

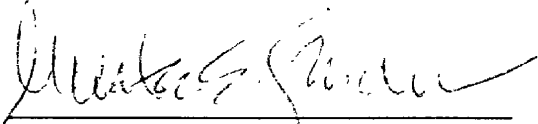
NOTICE OF FILING SUPPLEMENTAL RESPONSE
TO ORDER TO SHOW CAUSE

Applicant, CYPRESS LAKES UTILITIES, INC., hereby gives notice of filing its Supplemental Response dated August 11, 2003, to the Order to Show Cause issued in the above-referenced docket.

Respectfully submitted on this
13th day of August, 2003 by:

ROSE, SUNDSTROM & BENTLEY, LLP
600 S. North Lake Boulevard
Suite 160
Altamonte Springs, Florida 32701
(407) 830-6331
(407) 830-8522 Fax

By:



MARTIN S. FRIEDMAN

DOCUMENT NAME: 020407-WS

07422 AUG 13 8

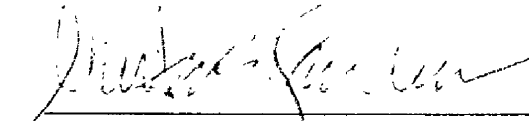
FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Notice and Supplemental Response dated August 11, 2003, to Order to Show Cause has been furnished by Hand Delivery this 13th day of August, 2003, to:

Ms. Denise N. Vandiver, Bureau Chief
Division of Auditing and Safety
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Ms. Patricia Merchant
Supervisor, File and Suspended Case
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399



MARTIN S. FRIEDMAN

UTILITIES, INC.

2335 Sanders Road
Northbrook, Illinois 60062-6196
Telephone 847 498-6440
Facsimile 847 498-2066

August 11, 2003

Via Fax and Hand Delivery

Denise N. Vandiver
Bureau Chief of Auditing
Division of Auditing and Safety
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Patricia W. Merchant
Supervisor, File and Suspended Cases
Division of Economic Regulation
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 020407-WS, Application for Increase Water and Wastewater in Polk County for Cypress Lakes Utilities, Inc. – Recommendation For Apparent Violation of Commission Rules Regarding Books and Records for Florida Subsidiaries of Utilities, Inc.

Dear Ms. Vandiver and Ms. Merchant:

We have reviewed the Commission's response dated July 3, 2003 and suggest and/or recommended the following specific course of action and/or time frame, as requested:

No. 3 Account Cross-Reference & Allocation Methodology

Utilities, Inc.'s Response

Attached please find the schedule that was provided to Staff Auditor Jeff Small on or about June 9th. This schedule provides a detailed listing of all General Ledger account numbers, the corresponding USOA account number and method of allocation.

No. 4 Pumping Equipment

Utilities, Inc.'s Response

The Utility has reviewed this allegation and has identified the accounts and amounts in questions and will make the necessary adjusting entries. These entries will be booked within 90 days and will be reflected on the utilities' 2003 annual report.

No. 5 Retirements

Utilities, Inc.'s Response

The Utility will be reiterating to its operations personnel and accounting staff the importance of retirements to ensure that all retirements or replacements are clearly marked on all invoices and properly recorded. A copy of the memo will be provided to the FPSC Staff.

No. 6 CIAC Amortization Rate

Utilities, Inc.'s Response

As of January 2003 Utilities, Inc. and all Florida operating subsidiaries will use the appropriate amortization rate "where supporting documentation is available to identify the account or function of the related CIAC plant." These changes will be reflected in the utilities' 2003 annual reports.

No. 7 Water Service Allocation

Utilities, Inc.'s Response

Utilities, Inc. will be circulating to all operations personnel and to all branch offices, where the Single Family Equivalent (SFE) information is entered a policy and procedure memo to ensure that the appropriate supporting documentation is being provided when an SFE is being added to the billing system. In addition, Utilities, Inc. does keep records of gallons pumped, purchased and treated for all operating subsidiaries and this information is available for Staff's review.

No. 9 Document "other water uses"

Utilities, Inc.'s Response

On July 12, 2003, Lisa Crossett, Utilities, Inc.'s Director of Operations advised all regional managers as to the importance of "other water uses" and the importance of accurately estimating this information. This information was then disseminated to all operations personnel. Within the next thirty to sixty days Utilities, Inc. will be circulating a memo to reiterate what was said on July 12th and to further elaborate on how to ensure that all future employees will be informed of these requirements. A copy will be provided to FPSC Staff.

No. 10 Adjusting Entry Log Book

Utilities, Inc.'s Response

Utilities, Inc.'s Accounting Department's personnel have created a folder that will contain all manual and uploaded journal entries, this information will be sorted by month. In addition, the Utility's accounting department has been advised to retroactively create these folders as of January 2003.

No. 11 Additional Detail in Cash Book & General Ledger

Utilities, Inc.'s Response

The accounting staff will be providing as much information that is available and that the system will allow them to enter. This additional information will also be provided in the cash book.

I hope that these action items coupled with our commitment and good faith effort to resolve these outstanding issues will allow the Commission to see that the \$3,000 Rule to

Show Cause fine would be inappropriate at this time. If you have any other questions or concerns please do not hesitate to contact me, or Steven M. Lubertozi in my absence, at the phone number listed above.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Lawrence N. Schumacher". The signature is fluid and cursive, with a long horizontal stroke at the end.

Lawrence N. Schumacher
President & CFO
Utilities, Inc.

cc: James Camaren

LUSI/Lake Groves Overearnings Investigation
Docket No. 020567-WS
Data Request No. 12

WATER

<u>A/R Account</u>	<u>Annual Report Description</u>	<u>G/L Account</u>	<u>Allocation Method</u>
601	Salaries and Wages - Employees	6019020	Customers
		6019040	Customers
		6019045	Customers
		6019050	Customers
		6019054	Customers
604	Employee Pensions and Benefits	6049010	Customers
615	Purchased Power	6151010	Actual
618	Chemicals	6181010	Revenues
		6181090	Revenues
620	Materials and Supplies	6755090	Actual
		6205003	Gross Plant
		6759080	Actual
		6355010	Actual
		6355030	Revenues
632	Contractual Services - Accounting	6329002	Customers
		6329014	Customers
633	Contractual Services - Legal	6338001	Customers
636	Contractual Services - Other	6369003	Customers
		6369005	Customers
		6369006	Customers
		6369007	Customers
		6369008	Customers
		6369009	Customers
		6369090	Customers
650	Transportation Expenses	6501020	Customers
659	Insurance - Other	6599090	Revenues
666	Regulatory Commission Expenses - Amortization of Rate Case Expense	7668010	Customers
670	Bad Debt Expense	6708000	Revenues
675	Miscellaneous Expenses	6759001	Customers
		6759002	Customers
		6759003	Customers
		6759004	Customers
		6759005	Customers
		6759006	Customers
		9759008	Customers
		9759009	Customers
		6759010	Customers
		6759013	Customers
		6759014	Customers
		6759015	Customers
		6759016	Customers
		6759090	Customers
		6759110	Customers
6759210	Customers		
6759330	Customers		

WASTEWATER

<u>A/R Account</u>	<u>Annual Report Description</u>	<u>G/L Account</u>	<u>Allocation Method</u>
701	Salaries and Wages - Employees	6019020	Customers
		6019040	Customers
		6019045	Customers
		6019050	Customers
		6019054	Customers
704	Employee Pensions and Benefits	6049010	Customers
711	Sludge Removal Expense	7754008	Actual
715	Purchased Power	7151020	Actual
718	Chemicals	6181010	Revenues
		6181090	Revenues
720	Materials and Supplies	7754003	Actual
		6205003	Gross Plant
		6355030	Revenues
		7352020	Actual
732	Contractual Services - Accounting	6329002	Customers
		6329014	Customers
733	Contractual Services - Legal	6338001	Customers
736	Contractual Services - Other	6369003	Customers
		6369005	Customers
		6369006	Customers
		6369007	Customers
		6369008	Customers
		6369009	Customers
		6369090	Customers
750	Transportation Expenses	6501020	Customers
759	Insurance - Other	6599090	Revenues
766	Regulatory Commission Expenses - Amortization of Rate Case Expense	7668010	Customers
770	Bad Debt Expense	6708000	Revenues
775	Miscellaneous Expenses	6759001	Customers
		6759002	Customers
		6759003	Customers
		6759004	Customers
		6759005	Customers
		6759006	Customers
		9759008	Customers
		9759009	Customers
		6759010	Customers
		6759013	Customers
		6759014	Customers
		6759015	Customers
		6759016	Customers
		6759090	Customers
		6759110	Customers
		6759210	Customers
		6759330	Customers