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October 1, 2003

HAND DELIVERY

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 September 26, 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 _____
CMP _____
COM _____
CTR _____
ECR _____
GCL _____
OPC _____
MMS _____
SEC 1
OTH _____

MSF/dmp
Enclosures

cc: Ms. Denise N. Vandiver (w/enclosure) (via hand delivery)
Ms. Patricia Merchant (w/enclosure) (via hand delivery)
Mr. Steven M. Lubertozzi (w/o enclosure)
Mr. Patrick Flynn (w/enclosure)
David L. Orr, PE (w/enclosure)

DOCUMENT NUMBER-DATE

09452 OCT-1 8

FPSC-COMMISSION CLERK

UTILITIES, INC.

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

Via Fax and Hand Delivery

September 26, 2003

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:

Thank you for your correspondence dated August 28, 2003. Below please find the additional clarification and information that you have requested.

No. 3 Account Cross-Reference & Allocation Methodology

Attached please find the revised schedule.

No. 5 Retirements

An exact date of the memo cannot be discerned at this time; however, our Director of Regulatory Accounting is currently preparing a draft of this memo. The memo will be created in conjunction with our Director of Corporate Accounting and Director of Operations to ensure that all divisions of the Utility's personnel are involved. When the memo has been a circulated a copy will be hand delivered to your attention. In addition, the memo will reiterate the company's current retirement policy so that all employees are clear as to the decisions to be made regarding retirements.

DOCUMENT NUMBER-DATE
09452 OCT-18
FPSC-COMMISSION CLERK

No. 7 Water Service Allocation

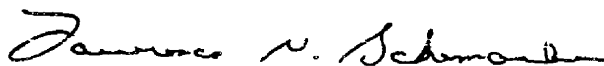
Attached please find the initial memo distributed to Utilities, Inc.'s operations personnel. In addition, Utilities, Inc. has the capacity to generate reports that contain the numbers of gallons sold to each individual within all subdivisions and bill codes. However, we do have some limitations on content for systems where other entities control the billing data. The Utility is committed to working with the FPSC's auditors prior to any subsequent audits to ensure that all requested consumption data is available. Most of the consumption is contained on Utilities, Inc.'s billing and general ledgers systems that were replaced in the second quarter of 2003. This new and improved system allows us the capacity to generate and print additional data. In addition, certain consumption data is contained in the field with operational personnel. The intent would be to work with the FPSC Staff, prior to their arrival to ensure that all of the requested information is available.

No. 10 Adjusting Entry Log Book

The folder will contain all manual journal entries. The folder will also provide enough information that an individual can easily find source documents either within the folder or in another location.

Utilities, Inc. continues to show its commitment and good faith effort to resolve these outstanding issues, which will allow the Commission to see that the \$3,000 Rule to Show Cause fine would be inappropriate. 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,



Lawrence N. Schumacher
President & CFO
Utilities, Inc.

cc: James Camaren

LUS/Lake Groves Overearnings Investigation
Docket No. 020567-WS

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 |
| 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 | | |

| | | | |
|-----|--|--------------------|------------------|
| 301 | Organization | 3011001 | Actual |
| 303 | Land and Land Rights | 3036010 | Actual |
| 302 | Franchises | 3021002 | |
| 304 | Structures and Improvements | 3043021 3044031 | Actual Actual |
| 307 | Wells and Springs | 3072014 | Actual |
| 311 | Pumping Equipment | 3113025 | Actual |
| 320 | Water Treatment Equipment | 3204032 | Actual |
| 330 | Distribution Reservoirs and Standpipes | 3305042 | Actual |
| 331 | Transmission and Distribution Mains | 3315043 | Actual |
| 333 | Services | 3335045 | Actual |
| 334 | Meters and Meter Installations | 3345046 3345047 | Actual Actual |
| 335 | Hydrants | 3355048 | Actual |
| 340 | Office Furniture and Equipment | 3406091 | Actual |
| 343 | Tools, Shop and Garage Equipment | 3466094 | Actual |
| 344 | Laboratory Equipment | 3446095 | Actual |
| 346 | Communication Equipment | 3466097 | Actual |
| 348 | Other Tangible Plant | 3486050 3406050 | Actual |

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 | | |
| 351 | Organization | 3511001 | Actual |
| 352 | Franchises | 3521020 | Actual |
| 353 | Land and Land Rights | 3537002 | Actual |
| 354 | Structures and Improvements | 3547003 | Actual |

| | | | |
|-----|----------------------------------|--------------------|------------------|
| 360 | Collection Sewers - Force | 3602007 | Actual |
| 361 | Collection Sewers - Gravity | 3612008 | Actual |
| 362 | Special Collecting Structure | 3804004 | Actual |
| 371 | Pumping Equipment | 3542001 3612010 | Actual Actual |
| 381 | Plant Sewers | 3602006 3804005 | Actual Actual |
| 382 | Outfall Sewer Lines | 3824009 | Actual |
| 390 | Office Furniture & Equipment | 3907091 | Actual |
| 393 | Tools, Shop and Garage Equipment | 3937094 | Actual |
| 394 | Lab. Equipment | 3947095 | Actual |
| 396 | Communication Equipment | 3967097 | Actual |

Printed By: Steve Lubertozi 9/29/03 2:58 PM

Page: 1

From: Patty Owens (8/15/03)

To: Sandy Berry, Becky Daniels, Alice Davis, Bunny Dotson, Stacy Foltz, Dolly Lewis, Linda Lutz, Teacia Marotta, Linda Matthews

CC: Rick Bryan, Lisa Crossett, Carl Daniel, Patrick Flynn, Bruce Haas, Brad Jordon, Adrienne Lowman, Steve Lubertozi, Mary El

BCC:

Priority: Normal

Date sent: 8/15/03 9:01 AM

OFFICE MEMO

Subject:

Single Family Equivalents

Time:

5:22 PM

Date:

8/14/03

To ease the concerns of the utility commissions regarding our supporting documentation, or lack of it, with respect to the establishment of single family equivalents (SFE's), please implement the following policy:

If an account requires an SFE greater than "1" be input into the billing/customer service system, you must obtain written documentation from the operations staff to support that number. This could be as simple as a quickmail message indicating why the SFE should be, for example "6", or any number greater than "1". Please keep that written documentation in a binder sorted by subdivision number for easy reference during an audit.

Please make sure the appropriate personnel are made aware of this.

If you have any questions, please let me know.

Thank you.