

State of Florida



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Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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-M-E-M-O-R-A-N-D-U-M- COMMISSION CLERK

DATE: November 6, 2006

TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director

FROM: *JBR* Jay B. Revell, Regulatory Analyst III, Division of Economic Regulation

RE: Docket No. 060257-WS - Application for Increase in water and wastewater rates in Polk County by Cypress Lakes Utilities, Inc.

Enclosed is a letter dated November 1, 2006, from representatives of the Cypress Lakes Homeowners Association. Please place this letter in the docket file for this docket.

- CMP _____
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DOCUMENT NUMBER-DATE

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PPSC-COMMISSION CLERK

November 1, 2006

Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Attention : W. Troy Rendell
Public Utilities Supervisor
Division of Economic Regulation

06 NOV -6 AM 9:46
DIVISION OF
ECONOMIC REGULATION
PUBLIC SERVICE

At the meeting with the PSC at Cypress Lakes, your staff indicated that the Cypress Lakes Utilities two-year water usage data was not, as previously stated. available on the web site. At that time, we requested that a copy be forwarded to us to be used as part of our evaluation of the proposed water/sewer rate increase. We have not received it as yet.

Similarly, in discussion with Jennie Lingo on the appropriateness of the test year 2005, we requested an identification of her source of rainfall data that was used in her determination. We provided her with a copy of our data source - the Lakeland Ledger - and have requested that they identify for us the source of their data. We will provide it to her when it becomes available to us.

As we continue our review of the filing, we find that we need additional information that apparently was provided to the Audit group, but not contained in the Filing. The Audit group, in reviewing UPIS stated that they studied capital items (page 2), construction project additions, etc.. We would like to know if there is a list of such items available for our review. Since we are beginning our detailed review with the water system, an initial list of those items specifically related to the water system would be appreciated.

The Audit findings of Audit # 12 and # 13 are disturbing in that no apparent record exists for developer contributions to the cost of the expanded utility service to the new phases opened since the last rate case. If the plant was in fact capable of supporting the new phases without expansion, then the previous determination of the Useful Plant must have been in error. As the Audit turned this matter to staff for investigation, we would like to be aware of any preliminary conclusions by staff in this matter. As we note from Schedules F-3 and F-4 for both test year 2001 and test year 2005, there has been no increase in plant capacity in those intervening years.

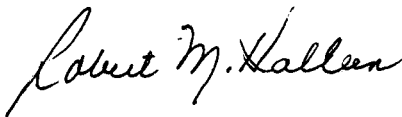
We also noted an anomaly in the water flow for the Maximum Day. In test year 2005 the maximum day flow was 492,000 gal. - almost 50 % higher than 2001 (331,000 gals,) but the Five Day Max Month figures show 10 % less flow than 2001. Since there is no explanation identifying an unusual flow situation, we conclude that the 2005 data are in error - but which one?

As we do our review of the filing, we are becoming increasingly concerned with the lack of efficiency improvement by the utility. The accepted addition of staff by PSC without regard for the purpose or reason for such addition - i.e. the charges for O & M of the water system shows a salary expenditure reflecting an additional person (who from the 2002 operating data was

costed in the water system) without an obvious improvement in service or product as evidence by the comments at the Customer meeting. We request that PSC consider requiring a complete definition of all Proforma additions to include a time schedule, estimated cost and expected benefits of such additions. }

Hopefully, we will be able to complete our review of the water side of the total filing quickly when your data arrives; in the meantime we will undertake the start of the review of the wastewater side of the filing. Obviously, in doing so, many similar requests like these for the water system will be developed for the wastewater system. It would improve the time schedule for our review if you could anticipate some of them and forward any appropriate material prior to our having to request it.

Sincerely,



Robert M. Halleen
Director, CLHA
Utility Rate Increase Project



Richard Holzschuh
Director, CLHA
Utility Rate Increase Project

cc: Office of Public Counsel