



FRIEDMAN,  
FRIEDMAN & LONG, P.A.  
ATTORNEYS & COUNSELORS

RECEIVED  
FEB 19 1  
COM  
CLERK

February 18, 2014

VIA FEDEX

RECEIVED-FPSC  
14 FEB 19 AM 10:28  
COMMISSION  
CLERK

Carlotta S. Stauffer, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

RE: Docket No. 130212-WS; Application for an Increase in Water and Wastewater Rates in Polk County by Cypress Lakes Utilities, Inc.  
Our File No.: 30057.212

Dear Ms. Stauffer:

The following are Cypress Lakes Utilities, Inc.'s supplemental responses to the Staff's Second Data Requests dated December 23, 2013:

1) In conjunction with the supply main upgrade, work was performed by TBE group in the amount of \$23,660 with a completion date of 1/1/2008. Was this amount expensed or capitalized and included in plant? If this amount was included in plant, please provide support documentation of this entry.

Response: Regarding TBE Group invoice number 53391 dated 12/20/2007 (attached), the \$23,660 amount was neither expensed nor capitalized as far as the filing is concerned. This is because the original posting of the \$23,660 amount was **reversed in error** (see attached "general ledger entry") on 12/30/2007. However, further investigation confirmed that the invoice was, in fact, correctly posted to Cypress Lakes Utilities reflecting work completed to date. This amount, less accumulated depreciation, should be capitalized to the water treatment account. Attached please find a proposal by TBE Group to provide engineering design, permitting, and construction services regarding piping modifications made to the Cypress Lakes Water Treatment Plant. The work described under Task I and Item 1 under Task II in the proposal were completed by TBE Group in December 2007. The remaining items were completed in April 2008. Please make the appropriate adjustment for ratemaking purposes.

COM  
AFD  
APA  
ECO  
ENG + LCD

2) The following questions relate to Salaries and Wages expense for employees, officers, and directors.

GCL  
IDM  
TEL  
CLK

a) Please provide a specific breakdown of each position, including employees, officers, and/or directors, by job title/description and compensation for each year since the last rate case.

**Response:** A breakdown of employees and their respective salaries is on the attached file titled "Salaries for 2013 Rate Cases – 1Q 2Q w captime adj – updated\_CONFIDENTIAL\_01-29-2014 (REDACTED).pdf". This file is subject to a Request for Confidential Classification is being filed simultaneously herewith. The job descriptions are in the file titled "Job Descriptions.zip" attached hereto.

b) Has any increase in salaries and wages expense been offset by a reduction in overtime?

**Response:** Generally, increases in salaries and wages on a per person basis reflect the effort to recruit and retain highly qualified and trained employees that are needed in order to properly operate, maintain, repair, manage and monitor the delivery of water and wastewater services to the Cypress Lakes customers while maintaining compliance with current and future regulatory requirements. If all authorized positions were filled throughout the test year, it is likely that some reduction in overtime would be expected, all other factors remaining the same. However, the historical record indicates that vacancies occur from time to time in the work force and thus it is very difficult to quantify the amount of reduced overtime that might occur on an annual basis. Because the Cypress Lakes WWTP is a permitted as a reuse facility, it must be staffed for a minimum of six hours per day, seven days per week as specified in Chapter 62-610 and Chapter 62-699, F.A.C. In reality, the workload at the Cypress Lakes Plant requires a minimum of 7-8 hours per day of oversight in order to insure compliance with all regulatory requirements. Staffing requirements associated with the operation of the Cypress Lakes WTP are also set forth in Chapter 62-699, F.A.C. These staffing requirements result in overtime being required by operators who are scheduled to work on company holidays, who respond after hours to alarms or emergencies, and who fill in when fellow operators are on vacation, on sick leave, are called to activity duty, on unpaid authorized leave, or on short disability leave.

c) Has the Utility previously commissioned an organization or management study to justify any changes in labor? If so, please provide the study.

**Response:** No, the Utility did not commission an organization or management study.

d) Has the Utility previously commissioned an operational audit or does it plan to in the near future?

**Response:** In 2010, the Utility completed an internal analysis of meter reading expense incurred in reading meters in West Florida water systems from January 2009 through June 2010. See attached file titled "Exhibit 2.2(d) Meter Reading Analysis and Allocation.xlsx". The analysis indicated that the annual expense of reading meters with in-house personnel using one full time and one part-time meter reader, including salaries, benefits, and transportation expense, would be approximately equivalent to the cost of continuing the use of a contract meter reading service. However, the relatively poor performance of the vendor in carrying out his duties, the lack of alternative or competing meter reading services in the vicinity of the West Florida water systems, the likelihood of unit price increases by our vendor in the future, the increase in the number of meter reading errors that result in Utility staff having to reread meters in order to generate an accurate bill, delays in billing caused by meter reading errors, and the additional time and effort required by customer billing staff to rectify errors indicated that the customer and the utility would be best served by utilizing Utility personnel to read meters. Additionally, there is some intangible but inherent value in using employees to read meters who will take pride in their work, have a vested interest in reading meters accurately and on time, are more likely to flag maintenance issues found while reading meters, and will identify opportunities to become more efficient at reading meters. Meter readers were first hired in December 2010 for West Florida water systems and began reading meters at that time.

e) According to MFR Schedule B-7, Line 1, 1.5 full time equivalent positions were added and allocated across all Pasco and Pinellas water customers in 2009 resulting in an increase in allocated salary and benefits expense. Please provide an explanation and work papers detailing how the allocation increased for the Utility.

**Response:** See the attached file titled "Exhibit 2.2(d), Meter Reading Cost Analysis and Allocation.xlsx" showing the number of meters read each month by county. As stated above, one full-time and one part-time meter reader positions were created and filled in December 2010.

f) Please provide a specific description of the duties and responsibilities of any officers and/or directors that have started receiving compensation since the last rate case.

**Response:** Officers and directors do not receive compensation that is allocated to the Utility.

g) Please provide time sheets for the cross connection technician hired to comply with FDEP regulations. Additionally, please provide any information regarding allocation of this salary between Cypress Lakes and other Utilities, Inc. of Florida systems.

**Response:** See the attached file titled "Exhibit 2.2(g), Cross Connection Technician Information.xlsx". The allocation tab identifies the various operating companies in which the Cross Connection Technician performs his duties as well as the salary and benefits allocation by percentage of total.

h) Please provide time sheets, as well as a breakdown by county of total meters read, by the meter readers. Please provide a breakdown of salaries/wages, as well as employment dates, for the meter readers and the contract meter readers that were previously employed.

**Response:** See attached file titled "Exhibit 2.2(d), Meter Reading Analysis and Allocation.xlsx", for a breakdown by county of total monthly meters read in the West Florida water systems in the test year. Meter reader roster by employment dates and earnings per individual are shown on the attached file titled "Exhibit 2.2(h), Meter Reader Employment Roster and Earnings.xlsx". Prior to 2011, a contract meter reader read all of the West Florida meters on a monthly basis. From at least 2007 through 2010, the rate for meter reads was \$0.75/meter read.

If you or the Staff have any questions, please feel free to contact me.

Very truly yours,



MARTIN S. FRIEDMAN  
For the Firm

MSF/der

cc: Jason Barrett (via e-mail w/o attachments)  
Patrick Flynn (via e-mail w/o attachments)  
Frank Seidman (via e-mail w/o attachments)  
Erik Saylor, Esquire (via US Mail)