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January 16, 2015

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766 North Sun Drive, Suite 4030
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VIA EMAIL

Re: Docket No. 130212-WS - Application for increase in water/wastewater rates in Polk County by Cypress Lakes Utilities, Inc.

Dear Marty:

Mr. Bob Halleen, a customer of Cypress Lakes, requested that OPC review the calculation and documentation filed by the Company regarding the Commission ordered refund of interim rates. The final order approving the settlement in this docket was issued on September 24, 2014. Thus, the 90 day deadline to complete the refund ordered in the above docket was December 23, 2014¹. The Company filed its "final refund report" on December 17, 2014, which is within the required 90 day deadline. OPC, in our attempt to determine whether the refund made was correct, found several discrepancies in the Company's refund amount and the submitted documentation required by rule to support the refund calculation. First, OPC believes that the Company applied the interim refund percentage to the interim increase, not the interim revenues collected. This materially understated the amount of the refund credited to customer bills.

Second, during the time the interim rates were in effect, the utility failed to correctly file the monthly reports with the Commission, required by Rule 25-30.360 (6), F.A.C. A review of the PSC's docket file for Cypress Lakes shows that the Company failed to file at least 6 of the 11 required monthly reports. Further, the information that was provided in the monthly interim

¹ Rule 25-30.360(2), F.A.C., prescribes the timing of the refund to be made prior to 90 days after the issuance of the final Commission order. Order No. PSC-14-0508-AS-WS, issued on September 24, 2014, approved the settlement agreement, and thus became the final order in the docket, which establishes December 23, 2014, as the date the refund should be completed.

revenue reports did not comply with the rule. For example, the interim revenue report filed on January 21, 2014, contained a 2-page print out of the general ledger revenue account balances for both water and wastewater but did not include a total of the monthly water revenues collected. The total balance that was provided on that document was the combined water and wastewater revenues for the 2013 year.

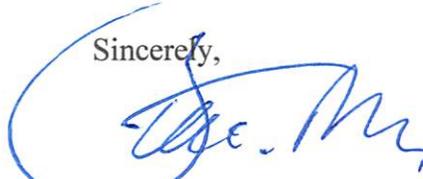
Finally, the utility failed to correctly file the information required for the final refund report, as provided by Rule 25-30.360 (7), F.A.C. This subsection provides:

(7) Refund Reports. During the processing of the refund, monthly reports on the status of the refund shall be made by the 20th of the following month. In addition, a preliminary report shall be made within 30 days after the date the refund is completed and again 90 days thereafter. A final report shall be made after all administrative aspects of the refund are completed. The above reports shall specify the following: (a) The amount of money to be refunded and how that amount was computed; (b) The amount of money actually refunded; (c) The amount of any unclaimed refunds; and (d) The status of any unclaimed amounts.

The Company's final report reflected unsupported amounts for water general and residential customers, an unexplained amount for Polk County tax and monthly interest. Since the monthly interim revenue reports are designed to back up the amount of total interim revenues billed, the Company's provided revenues cannot be reconciled. Also there is no breakdown or explanation of how many months make up the interim revenues billed. Nor is a calculation of how the interest rate factor was calculated or how it was applied. Lastly, the Company's report does not state how each refund was applied to each customer's account.

Please advise our office when the utility intends to complete the refund, including interest, required by Commission Order No. PSC-14-0508-AS-WS and when it will file the corrected refund reports. We note that the refund and interest calculation should include the additional interest required due to the understated and extended refund timeframe.

Sincerely,



Stephen C. Reilly
Associate Public Counsel

cc: Office of the General Counsel (Mapp)
Division of Accounting and Finance (Maurey, Fletcher, A. Norris)