

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** June 30, 2010  
**TO:** Ann Cole, Commission Clerk - PSC, Office of Commission Clerk  
**FROM:** Curt Mouring, Regulatory Analyst III, Division of Economic Regulation  
**RE:** Docket No. 090349-WS, Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.

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Attached is a document for inclusion in the docket file in the above referenced docket.

The document is a three page letter dated June 24, 2010, sent to Bart Fletcher from Christian Marcelli. The letter contains information concerning a meeting held between Cypress Lakes Homeowners Association and Cypress Lakes Utilities, Inc.

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Please Respond to the Longwood Office

June 24, 2010

VIA E-MAIL AND U.S. MAIL

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Bart Fletcher, Esquire  
Office of General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. 090349-WS; Cypress Lake Utilities, Inc.'s Application for a Limited Proceeding Water and Wastewater Rate Increase in Polk County, Florida  
Our File No. 30057.182

Dear Bart:

On June 22, 2010, Cypress Lakes Utilities, Inc. (the "Utility") met with Robert Halleen and Robert Attebury, representatives of the Board of Directors of the Cypress Lakes Homeowner's Association (the "HOA") to discuss quality of service and issues arising in the above-referenced docket. The Utility and the HOA have jointly prepared the attached Memorandum to keep Staff apprised of the content of that meeting.

Should you or the Staff have any questions or concerns regarding this matter, please do not hesitate to give me a call.

Very truly yours,

CHRISTIAN W. MARCELLI  
For the Firm

CWM/tlc  
Enclosure

- cc: Steven M. Lubertozzi, Exec. Director of Regulatory Acct and Affairs (w/enc.) (via e-mail)
- Kirsten E. Weeks, Manager of Regulatory Accounting (w/enclosure) (via e-mail)
- John Williams, Director of Governmental Affairs (w/enclosure) (via e-mail)
- Patrick C. Flynn, Regional Director (w/enclosure) (via e-mail)
- Mr. Curt Mouring, Division of Economic Regulation (w/enclosure) (via e-mail)
- Lorena A. Holley, Esquire, Office of General Counsel (w/enclosure) (via e-mail)
- Charles Rehwinkle, Esquire, Office of Public Counsel (w/enclosure) (via e-mail)
- Tricia Merchant, Esquire, Office of Public Counsel (w/enclosure) (via e-mail)
- Mr. Robert Attebery (w/enclosure) (via e-mail)
- Dr. Robert Halleen, President, Cypress Lakes HOA (w/enclosure) (via e-mail)

Date: June 23, 2010

To: Bart Fletcher, Supervisor  
Division of Economic Regulation  
Public Service Commission

From: Dr. Robert M. Halleen, President  
Board of Directors  
Cypress Lakes Homeowners Association

Christian Marcelli, Esquire  
Cypress Lakes Utilities, Inc.

**Subject: Responses from Cypress Lakes Utilities, Inc. at June 22, 2010 meeting**

A meeting between Cypress Lakes Homeowners Association ("CLHA") and Cypress Lakes Utilities, Inc. ("CLU" or the "Utility") was held at the office of Rose, Sundstrom & Bentley (counsel for CLU), in Longwood, Florida, to discuss items associated with the Limited Proceeding rate increase filed by CLU. Attending from CLU were Patrick Flynn, Regional Director of Utilities, Inc., Mike Wilson of the Utility and Christian Marcelli, Esquire, from Rose, Sundstrom & Bentley. Attending from CLHA were Dr. Robert Halleen, President and Robert Attebery, Director. The meeting was non-confrontational and significant information was communicated by both parties aimed at promoting better understanding of key issues remaining in the filing and outside of the filing.

The initial issue discussed was Quality of Service. The Utility and CLHA produced similar maps showing the location of Cypress Lakes residents who submitted complaints to the PSC correspondence file or at the customer meeting in this docket. CLU proposed relocating two of the three currently installed "automatic blow-off" valves from Phase 12 to new locations reflecting the problem areas, which are primarily near the westernmost part of the community. CLHA agreed that this would be a very positive first attempt to resolve the issue. Mike Wilson commented that CLU has noted some improvement with the uni-directional flushing. Dr. Halleen reported that his feedback indicates only minor improvement occurred. Patrick Flynn stated that a chlorine booster addition would not be applicable to resolving the problems that are water quality related. Two other long range items were considered; a lawn watering program as suggested by the Utility's consultant in his report supplied in this docket and a possible interconnection with the City of Lakeland to supply water at a bulk rate. It was felt by CLU that a lawn watering program would be a poor solution with added financial cost to the customer and with less likelihood of success compared to the use of automatic flushing valves. The proposal to interconnect with the City of Lakeland, in order to supply water to the CLU system, would lead to added cost to the customer base from connection fees without a major difference in water quality. It was agreed the CLU would supply copies of its latest well water analysis to CLHA and CLHA would contact the City of Lakeland to obtain similar data of water quality in the Duff

Road area. Both agreed that if the water was of similar quality, the information would be communicated to the community and that the issue would likely be dropped. This process will be helpful in answering questions frequently raised to the HOA board regarding alternatives to the Utility's well water.

The second issue discussed was Property taxes. CLU indicated that it would review the allocation between water system and wastewater system. CLU's position on the assessed value question was that the increases in 2007 and 2008 did not reflect either the WWTP expansion or the Water system upgrade. CLU believes the increases reflect additions to the system for Phases 7, 8, 10 and 11. CLU anticipates further increases, as noted in the Limited Proceeding, for Phase 12 and the WWTP expansion. CLU suggested that Polk County's update of the recent investment lags significantly. The Utility will investigate further to confirm these issues.

The third issue considered was sludge hauling. CLU stated that the WWTP modifications lead to an apparent improvement in efficiency and therefore reduced sludge hauling costs. Patrick Flynn commented that sludge hauling costs reflect three elements – amount of wastewater handled, the amount of sludge produced needing to be hauled and the cost per unit of the haul. His view of the 2009 reduced cost is a reflection of the process improvements that occurred after completing the WWTP modifications in reducing the amount of sludge produced. In the absence of changes to the other two elements, the future annual cost should be similar to the 2009 expense.

The fourth issue considered was the WWTP expansion and its associated cost and its impact on the revenue requirement. CLHA presented its position that if the Settlement Agreement established that the Developer was not responsible for any further cost and that connection fees, which would total approximately \$ 235,000, from the remaining lots identified as unsold, the revenue request of \$1,049,000 should be reduced by both the \$ 125,000 up-front payment by the Developer and the \$ 235,000 to be collected in connection fees as stated in the Settlement Agreement. CLHA further stated that its interest in defining the actual cost of the expansion, including costs associated with maintaining compliance with current DEP rules, is to give it the ability to secure reimbursement of the added cost, if any, by other means. CLHA recognizes that the PSC Recommendation rejects its position relative to the legal status of the Settlement Agreement and would require alternate action, legal or otherwise, to accomplish the reimbursement. CLU noted that it did not support the Office of Public Counsel's alteration of the previous Developer Agreement, but now agrees that Staff's position is legally correct given the Commission's approval of the Settlement Agreement.

The final point of discussion involved the Phoenix Project cost allocation. Neither party has a complete understanding of either the allocations or the numbers associated with it. More information will be solicited from the PSC staff.

The discussion with CLU lasted for approximately one and one-half hours and was completely open and non-confrontational. No formal documents were exchanged.

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