

ORIGINAL

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY, LLP
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

FREDERICK L. ASCHAUER, JR.
CHRIS H. BENTLEY, P.A.
ROBERT C. BRANNAN
DAVID F. CHESTER
F. MARSHALL DETERDING
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
CHASITY H. O'STEEN
DAREN L. SHIPPY
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON
WAYNE L. SCHIEFELBEIN, OF COUNSEL
ROBERT M. C. ROSE (1924-2006)

(850) 877-6555
FAX (850) 656-4029
www.rsbatorneys.com

REPLY TO CENTRAL FLORIDA OFFICE

November 10, 2006

HAND DELIVERY

CENTRAL FLORIDA OFFICE
SANLANDO CENTER
2180 W. STATE ROAD 434, SUITE 2118
LONGWOOD, FLORIDA 32779
(407) 830-6331
FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A.
VALERIE L. LORD
BRIAN J. STREET

Ms. Blanca Bayo
Commission Clerk & Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RECEIVED-FPSC
06 NOV 13 AM 10:10
COMMISSION
CLERK

RE: Docket No.: 060257-WS; Cypress Lakes Utilities, Inc.'s Application for Rate Increase
in Polk County, Florida
Our File No.: 30057.113

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket is the response of Cypress Lakes
Utilities, Inc., to Staff's fifth data request dated October 27, 2006:

JMP _____
JOM _____
JTR _____
JCR _____
GCL _____
OPC _____
RCA _____
SOR _____
SCA _____
SEC _____
OTH _____

1. According to the utility's MFRs. Schedule B-8 shows since the last rate case, the cost
of sludge removal increased by 237.36%. However, Schedule F-2, when compared
to the last rate case, shows an increase of 7.37%. Please explain, in detail, the reason
for this increase and include all supporting documentation.

RESPONSE: In the prior test year, the unit cost to stabilize, transport, and dispose of a
gallon of sludge was \$0.068. In the current test year, the price of sludge
stabilization, transport, and disposal was \$0.120 per gallon, an increase of
76%. In the prior test year, the wastewater treatment plant generated
approximately 339,500 gallons of sludge. With the addition of many new
customers since then, the plant's flow has increased resulting in an increase
in sludge production to 412,500 gallons, an increase of 21.5 % in sludge
volume.

DOCUMENT NUMBER-DATE

10378 NOV 13 8

FPSC-COMMISSION CLERK

2. The following questions are regarding customers' concerns which were expressed at the customer meeting:

- a) Please explain why the utility is flushing lines for extended periods of time. In addition, provide all flushing data sheets from January 1, 2005 through October 20, 2006.

RESPONSE: The Utility has been flushing lines in an effort to maintain adequate chlorine residual throughout the distribution system. Line flushing activity acts to reduce the retention time in the system and counteracts the effect of elevated chlorine demand in the water.

- b) The Polk County Health Department (PCHD) issued a warning notice (No. 05-653PW5055a, on September 28, 2005) to the utility regarding chlorine residual of less than 0.2 ppm of its equivalent. Are you currently in compliance with PCHD's regulatory requirement of 0.2 ppm chlorine residual? If you are not currently in compliance with the regulatory requirements, what steps are you taking to bring the utility into compliance and what options are you considering?

RESPONSE: The Utility is in compliance with the regulatory requirement to maintain a minimum chlorine residual of 0.2 ppm.

- c) Would the addition of a chlorine booster station aide in resolving the chlorine residual problem?

RESPONSE: There is insufficient information available to answer the question. An engineering evaluation of the distribution system, water quality, and treatment options would need to be conducted before offering a response.

- d) Would the addition of a chlorine booster station eliminate the need in the increased flushing of hydrants and blowoffs?

RESPONSE: Without having determined the effect of installing a chlorine booster station

on the distribution system, it is impossible to predict its impact on the current flushing program.

- e) Provide an estimate for the cost of the installation of a chlorine booster station.

RESPONSE: The Utility has not investigated the value of installing a booster station. Without having conducted an evaluation of the worth of installing a chlorine booster station or having initiated any engineering design efforts for such a project, it would be imprudent if not impossible to provide an estimate of probable cost.

- f) Customers complained of smelly water, water discoloration, and discoloring of water filters (brown and green). Staff investigated customers' complaints and found them to be valid. Please provide a detailed response regarding the source of the water odor problem and the reason for the discolored water filters and the steps if any, the utility is taking to correct the situation.

RESPONSE: The Utility has initiated an analysis of the water produced from each of the two water supply wells with particular attention focused on total sulfide concentration. One possibility under consideration is that sulfide levels have increased over time in the ground water. Since the water plant does not contain the means to remove sulfides from the source water, the common practice is to add chlorine in sufficient quantity to oxidize the sulfide compounds and produce a residual chlorine concentration. In certain circumstances, sulfide-reducing bacteria may grow on the interior surface of pipes causing discoloration of the water, produce strong odors, and precipitate out of solution in the form of elemental sulfur. Once the analysis is completed, the Utility expects to have a better understanding of the cause of the water quality problems and then generate recommendations to solve them.

- g) In the utility's last rate case, the water treatment plant was 100% used and useful (U&U) and the wastewater treatment plant was approximately 72% U&U. With the addition of phase 12 (approximately 312 new homes) will an

Ms. Blanca Bayo
Commission Clerk & Administrative Services Director
Florida Public Service Commission
November 10, 2006
Page 4

expansion of the existing water treatment plant be required? Explain how the utility intends to provide adequate service to the new customers.

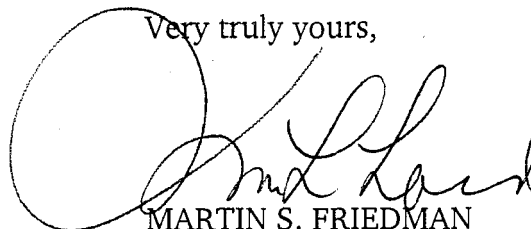
RESPONSE: The Utility has reviewed site plans for Phase 12, which will contain approximately 120 residential lots. A review of historical water demand data indicates that sufficient permitted water capacity is available at the Cypress Lakes Water Treatment Plant to serve the proposed 120-lot subdivision. Consequently, the Utility is not planning to expand the water plant's permitted capacity.

3. It has come to staff's attention that the PCHD has requested a meeting with a representative of the utility regarding noncompliance with the chlorine residual requirement. Please provide the following: Dates of all meeting(s), written conclusion(s) and/or proposed solutions and all supporting documentation for any conclusion reached at the meeting(s).

RESPONSE: The Polk County Health Department requested that Utility representatives meet with PCHD staff to discuss this issue. In response, a meeting will be scheduled in the near future.

Should you have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
VALERIE L. LORD
For the Firm

VLL/tlc

Ms. Blanca Bayo
Commission Clerk & Administrative Services Director
Florida Public Service Commission
November 10, 2006
Page 5

cc: Katherine Fleming, Esquire, Office of General Counsel (via hand delivery)
Mr. Troy Rendell, Division of Economic Regulation (via hand delivery)
Mr. Jay Revell, Division of Economic Regulation (via hand delivery)
Ms. Cheryl Bulecza-Banks, Division of Economic Regulation (via hand delivery)
Ms. Frances Lingo, Division of Economic Regulation (via hand delivery)
Mr. Gerald Edwards, Division of Economic Regulation (via hand delivery)
Ms. Sonica Bruce, Division of Economic Regulation (via hand delivery)
Steven M. Lubertoizzi, Chief Regulatory Officer (via U.S. Mail)
Kirsten Weeks, CPA (via U.S. Mail)
John Hoy, Regional Vice President for Operations (via U.S. Mail)
Patrick C. Flynn, Regional Director (via U.S. Mail)
Mr. Frank Seidman (via U.S. Mail)
Stephen Reilly, Esquire, Office of Public Counsel (via U.S. Mail)

M:\1 ALTAMONTE\UTILITIES INC\CYPRESS LAKES\(.113) 2005 RATE CASE\PSC Clerk 12 (Data Request 5).ltr.wpd