



Public Service Commission

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

DATE: December 26, 2002
TO: Division of Commission Clerk and Administrative Services
FROM: Tony Sargent, Professional Accountant, Division of Economic Regulation
RE: Docket No. 021228-WS - application for staff assisted rate case in Brevard County by Service Management Systems, Inc.

The attached letter was sent to the Division of Economic Regulation. Please include it in the official docket file for Docket No. 021228-WS.

Thank you.

021228-WS
 12/26/02
 Tony Sargent
 H. Sargent

DOCUMENT NUMBER-DATE
 14035 DEC 26 02
 FPSC-COMMISSION CLERK

December 9, 2002

Public Service Commission
Attn: Troy Rendell, Public Utilities Supervisor
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0865

REF: Your letter dated December 2, 2002

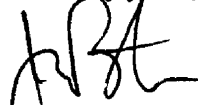
Dear Mr. Rendell:

After reviewing your letter, your statement that the audit would be of "limited scope" caused me some concern. I feel the audit should be complete so as to leave no questions unanswered and not allow anyone to discount the results as coming from a "limited scope" audit.

Mr. McMullen, whose letter started this process, has also initiated a separate code complaint with Brevard County to have the administration of this utility declared a commercial activity and be forced from its current office. This would require a new office to be rented and increase operating costs. Also, in reviewing the past years since the last rate case some 6 or 7 years ago, the utility has not paid a fair cost for its office costs or management of the utility, which has become more complex and time consuming. For example, our last rate case provided for no rent, \$15,000 for management and minimal bookkeeper wages. The utility has become more complex, has an annual audited financial statement and deals with numerous legal, environmental, regulatory and customer complaint issues. In short, the rates currently charged by this utility are not compensatory, particularly for the wastewater treatment service and the supply of non-potable water for fire protection.

I feel all of the issues of income, expenses and rates should be looked at. Not a "limited scope." Therefore I have prepared a request for a staff assisted rate case, which is being submitted, to the Public Service Commission under separate letter. I have consulted with Attorney F. Marshall Deterding, of Rose, Sundstrom & Bentley, LLP of Tallahassee, who should be copied on any further correspondence.

Sincerely yours,



James H. Bates
President

/gak

cc: F. Marshall Deterding, Esq
cc: S. Martin Sadkin. IRD