

ORIGINAL

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: February 27, 2003
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.

RECEIVED-FPSC
03 FEB 27 AM 11:43
COMMISSION
CLERK

AUS _____
CAF _____
CMP _____
COM _____
CTR _____
ECR _____
GCL _____
OPC _____
MMS _____
SEC 1
OTH _____

DOCUMENT NUMBER-DATE
01990 FEB 27 8
FPSC-COMMISSION CLERK

SERVICE MANAGEMENT SYSTEMS, INC.

SMS

February 19, 2003

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Attention: Mr. Troy Rendell ✓
Mr. Tony Sargent

Ref: Staff Assisted Rate Case
Docket No. 021228WS

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
03 FEB 26 AM 10:48
DIVISION OF
ECONOMIC REGULATION

Dear Sirs:

I wanted to provide this letter to follow up our telephone conversation of yesterday. Relative to your comment that your statistical information provides that a "manager salary should be \$20.00 per hour", I would like to make the following points:

1. I am the President of the utility and responsible for not only the overall operation of the utility but also the coordinating of all regulatory affairs and reporting requirements. This includes the operation of a public drinking water system, a fire protection system, and a sewerage treatment system. The responsibilities include evaluation of capital improvements, expansion of collection and distribution lines and engineering of same. Compliance with environmental regulations and water management issues.

2. This "manager" category that you refer to is probably a job classification that applies to an operator who perhaps supervises a couple of other licensed operators or maintenance persons. This is not what I do.

3. The hourly rate of \$80.00 per hour is consistent with what I earn during the balance of the week on work not associated with the utility. The \$80.00 per hour rate is the market value of my services. If my weekly earnings are divided by 40 hours, I make more than this.

I find it difficult to understand how you could even propose that a person with a complete operation and administration responsibilities for a drinking water, fire protection and sewer utility could be operated safely and in the public interest by paying the person with the overall responsibility \$20.00 an hour for 15 hours per week. This could be considered irresponsible on the owner's part.

A full time clerical person in general business has costs of health insurance and benefits that typically exceed \$15,000.00 per annum.

Do you feel that the investor owners of Service Management Systems, Inc. would be acting responsibly to the customers if they hired someone at the skill level that would normally be compensated at \$20.00 per hour and pay them for 15 hours per week with no benefits? Could this be considered responsible ownership, and in the interest of the public?


I think the customers of this utility expect professional, experienced and competent management and operation of this utility. This is not a "mom and pop" trailer park sewer system that you can pay someone \$15,000.00 per year to manage. The fire protection pumping system alone involves a very complex system of variable speed pumps that operate with highly complex controls. We have to have back up power and redundant pumping capacity.

The amount of required interaction with various regulatory agencies is extensive. The compliance with the regulations on the local, state, regional and federal levels are numerous and ever changing. This utility would be considered to be very irresponsible to hire somebody for \$20.00 an hour for 15 hours a week and assume that that person could fulfill all the obligations that this utility has. A fair compensation for the responsibilities currently filled, the sole officer and executive person, should be based on a similar utility with 3 different services and the amount paid the President who actively manages.

In terms of office space, the general market for office space available in the Melbourne area is approximately \$11.00 to \$12.00 per square foot per year on a net lease basis. The figures that I quoted you in my letter are the cost of a G.E. Capital modular building. The information came from the G.E. Orlando office located on 931 Taft Vineland Road, Orlando 32827. I spoke with Joe Koscielski and the office telephone number is 407-859-7925. I can't do much more than this in providing you available office space in our area because there really isn't any. Our current plan is to get a double wide modular office that the utility could share with other community use and split the cost of. This is the source of the cost I provided.

The new investor owners of the utility would like to have rates that are compensatory to the cost of delivering the services that are provided by this utility. The utility's cost, operations and management are costs, which the investors would like to have factored into the rates, which are charged to customers. This is not a "mom and pop" operation and the responsibilities and operation of this utility are not what you would find in a "mom and pop" operation. This utility should not be expected to operate without experienced, competent officers and employees, or to have rates that do not provide for proper maintenance of the utility's equipment, or replacement and upgrading of the equipment as it becomes necessary.

Sincerely yours,


James H. Bates
President

/gak

cc: Robert Nixon

cc: F. Marshall Deterding