

State of Florida



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

DATE: March 13, 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.

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FPSC-COMMISSION CLERK

SERVICE MANAGEMENT SYSTEMS, INC.

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03 MAR 13 AM 8:37

March 11, 2003

Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0865

RE: Staff Assisted Rate Case Docket No. 021228-WS,
Future plans for the Aquarina utility for the next 5 years

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
03 MAR 13 AM 9:51
DIVISION OF
ECONOMIC REGULATION

To Whom It May Concern:

There are no existing plans or expectations of inter-connections of the Aquarina utility with any other water and sewer utility. There are no plans for retirement of any plant or equipment within the next 5 years.

The Aquarina utility currently serves approximately 267 ERC's (equivalent residential connections) for drinking water; approximately 285 ERC's for wastewater services; provides fire protection and irrigation water for 265 ERC's, and provides non-potable irrigation water for approximately 150 acres of golf course and urban landscape. There has just begun new development in 4 residential plats within the Aquarina community, which will receive drinking water, wastewater, fire protection and irrigation water from the Aquarina utility. These new 85 ERC's could be fully built out within 2-1/2 years from the current date. In addition to this there are approximately 17 other residences, which represent the last couple of homes in 4 different neighborhoods, which should be completed over the next 2 years. The most difficult part of the future growth potential to estimate completion of our 3 other development sites which may be developed in 7 story condominium buildings and will total an estimated 252 ERC's. I feel it fair to assume that approximately 210 of those ERC's will be in place in 4 or 5 years from now. The Aquarina community is the primary source of customers for this utility, has been an area of extremely slow development for many years, but recently the market has had a significant up turn and house development is beginning to occur on a much more rapid basis. I feel that this utility will be serving 500 to 600 ERC's 5 years from now.

Required capital improvements over the next 5 years will include additional RO treatment membranes in the water treatment plant at a cost of \$75,000 to \$90,000. Also a required cost when we reach a total of 500 customers will be an additional \$150,000 ground storage tank for drinking water. The emergency generator for the water and wastewater facility will need to be replaced in 3-4 years at a cost of about \$65,000.

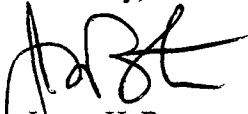
Within the wastewater utility a new plant drain field will need to be constructed, pumping equipment updated and replacement of some aging electrical controls. There is a current need of \$25,000 in replacement parts for the wastewater treatment aerator arm and clarifier equipment and the additional drain field will cost about \$20,000.

SERVICE MANAGEMENT SYSTEMS, INC.

SMS

The high service pump facility which pumps the irrigation and fire protection for the residential customers is in the process of being replaced along with the electrical control panel which operates this high speed pumping feature at a cost of \$90,000, which will be incurred in April and May 2003.

Sincerely,



James H. Bates
President

/gak

cc: Robert Nixon, CPA

cc: F. Marshall Deterding, Esq.

cc: Richard Brown, PSC – via fax 407-317-73360.