

Ruth Nettles

100094-WS

From: Greene, Angela [agreene@ngn-tally.com]
Sent: Thursday, March 11, 2010 2:58 PM
To: Filings@psc.state.fl.us
Cc: Armstrong, Brian
Subject: Docket No. 100094-WS
Attachments: letter to PSC clerk.3-11-10.pdf

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Docket No.: 100094-WS

In Re: Compass Bank v. Service Management Systems, Inc.

Name of Document: Letter to Florida Public Service Commission dated March 11, 2010 regarding request for rate investigation

No. of Pages: 2

Party: Aquarina Community Services Association

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March 11, 2010

*Via U.S. Mail and
Electronic Correspondence*

Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Request for Rate Investigation of Service Management Systems, Inc.

Dear Ms. Cole:

Please be advised that my firm represents the Aquarina Community Services Association ("Customers"). The residents of Aquarina constitute the vast majority (approximately 90%) of the customers of Service Management Systems, Inc. ("SMS"). Our firm originally was retained to assist Aquarina in protecting customer interests in an anticipated sale by Compass Bank of the SMS system. However, upon review of documents associated with SMS and the sale, as well as an inspection of the SMS facilities, the Customers have instructed me to request, pursuant to Section 367.081, Florida Statutes, that this Commission open a docket to investigate the reasonableness of the rates being charged by SMS. It is noteworthy that such rates have not been reviewed since they were established through a staff-assisted rate proceeding in 2003. It is further noteworthy that upon completing the audit to determine a reasonable level of expenses in such proceeding, the Commission reduced SMS expenses to remove unreasonable or imprudently incurred expenses of nearly \$100,000. Since 2003, SMS reported expenses have nearly doubled - - a fact which alone justifies an investigation into their reasonableness and whether owner returns are being under-reported.

SMS currently is being operated by a receiver. Representatives of Aquarina have discussed SMS operations with the receiver and have been informed that reported expenses have not been at reasonable levels. The Customers have requested, this date, a copy of the receiver's annual budget for operating the SMS system (such budget having been required by court order to be produced within thirty (30) days after the receiver was appointed).

Physical inspection of the plant reveals extremely poor maintenance of the assets, as well as an attempt to conceal such poor maintenance by simply painting over rusted areas (without sanding and proper coating prior to application of paint). The inadequacy of maintenance was

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further revealed by the fact that on the very day of Aquarina's inspection, a pump had to be repaired to halt the continuous, 24 hour a day unencumbered flow of water to the golf course, the duration of which flows could not even be estimated. The golf course is charged for these flows.

As of yesterday, SMS further has failed to install a necessary clarifier drive unit and a blower which the Department of Environmental Protection required to be installed by tomorrow, March 12, 2010.

In addition to all of the above, based on information provided to this office to date, it appears that the minimal investment of SMS in plant in service has not been properly adjusted to reflect non-used and useful assets and, thus, properly excluded from SMS rate base.

In short, given the high rates being charged to Aquarina, the obviously poor maintenance of the SMS system, the failure to timely install necessary equipment pursuant to DEP order, and the recent revelations by a court appointed receiver that SMS reported expenses were not reasonable, the Customers respectfully request that an investigation of the SMS rates be initiated immediately.

The anticipated assistance and cooperation of the Commission in granting this request is appreciated.

Very truly yours,



Brian P. Armstrong, Esq.

cc: Bruce May, Esq.