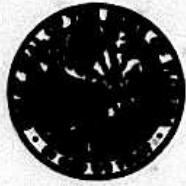


FILE COPY



Public Service Commission

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

DATE: February 25, 1997
TO: Blanca Bayo, Director of Records and Reporting
FROM: Bob Casey, Regulatory Analyst, Water and Wastewater Division *BC*
RE: Docket No. 960984-WS, Investigation of Possible Overearnings by North Peninsula Utilities Corporation

Please place a copy of the attached letter from Mr. F. Marshall Deterding in the above Docket file. Thank You.

cc: Division of Water and Wastewater (Hill, Bethea, Rieger)
Division of Legal Services (Capeless)

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(904) 877-6555

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February 21, 1997

VIA HAND DELIVERY

RECEIVED
FEB 21 1997

Florida Public Service Commission
Division of Water and Wastewater

Mr. Robert Casey
Division of Water and Wastewater
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: North Peninsula Utilities Corporation; Docket No. 960984-SU
Investigation of Possible Overearnings
Our File No. 26097.03

Dear Bob:

Attached is a letter I received today from Bob Hillman, of North Peninsula Utilities Corporation outlining, with additional detail and discussion of the various components of the current management fee. Since the determination of the appropriate amount of each component was based upon actual experience of the Utility in 1995 and 1996, we believe these costs accurately reflect the appropriate expenses incurred on behalf of the Utility during the two years which are the subject of the current Commission investigation and review.

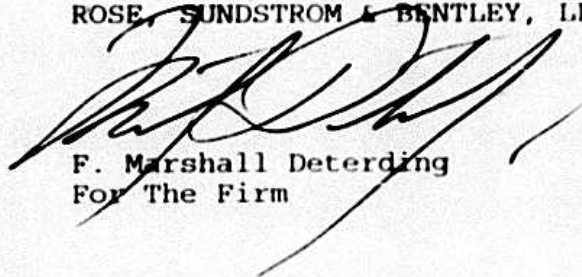
As we have stated previously, the Utility's share of total costs have been reviewed in depth by the Utility in recent times and are currently being charged in the form of this management fee. These costs were equally applicable to previous years. Because the Utility did not have the cash flow available in previous years to actually pay these costs, no charge for them was previously assessed against the Utility. However, with the Utility's recent consultation with persons experienced in the industry, management was informed of the need to begin booking these costs on a going-forward basis. For the purposes of the review currently ongoing, however, we believe it is imperative that the Commission recognize the true cost associated with the provision of the Utility service, even though not previously booked to the Utility until recently.

Mr. Robert Casey
February 21, 1997
Page 2

If you have any further questions or we can provide you with any further information concerning the management fee, please let me know. Otherwise, we believe that the true cost of Utility services should be recognized for 1995 and 1996 in reviewing the Utility's earnings level and making these analyses.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/lts
Enclosure

cc: Rosanne Capeless, Esquire
Mr. Stan Rieger
Mr. Neil Bethea
Mr. Greg Shafer

February 21, 1997

Mr. Marty Deterding
Rose, Sundstrom, & Bentley
2548 Blairstone Pines Drive
Tallahassee, FL 32301

Dear Marty:

Attached is a current breakdown of costs charged by Peninsula Management Inc. to North Peninsula Utilities Corporation for monthly services. Included with this breakdown is an itemized explanation of those costs.

1. Management Salary - \$2,200/month

This is payment of managerial expertise paid to Robert L. Hillman - Ty Wilson for services listed below:

- manage maintenance and operation of infrastructure
- supervise all individuals and companies and subs hired by the utility
- oversee financial, accounting, and legal services as required by the utility
- maintaining current licenses and permits and certifications required by the utility
- supervises maintenance, repairs and be available for twenty-four hour emergency situations
- coordinate and meet with any and all government agencies concerning utility matters
- prepare budgets and cost flow projections on a regular basis
- monitor and plan future needs of the utility, capacity reservations, regulations and any other utility requirements.

The estimate to perform these duties by Hillman/Wilson for Peninsula Management Inc. is approximately thirty (30) hours per week under normal operating conditions.

Post-It™ brand fax transmittal memo 7071 # of pages = 5	
To: Marty Deterding	From: Robert L. Hillman
Dept.	Phone 904 411 6286
Fax # 904-656-4079	Fax #

February 21, 1997
Page 2

2. Office Salary - \$1,100

These persons provide customer service, billing and collection, aging schedules, bookkeeping, coordination with accountants, monitor for new hook-ups, direct customer relations.

These services provided by:

Carole May	15 hours/week @ \$11.93	\$178.95/week
Betty Hawkins	8 hours/week @ \$ 8.07	\$ 64.56/week

3. Rent - \$350.00

Attached is a letter from our leasing agent describing current, reasonable leasing rates for our area.

4. Utilities - \$160/month

This figure includes pro-rata share of electricity, water, telephone expense of Peninsula Management Inc.

5. Insurance - \$30/month

Pro rata share liability and office insurance for Peninsula Management Insurance.

6. Emergency Answering Service - \$95/month

This is the monthly cost to provide twenty-four (24) hour service to customers to report any emergency situations regarding service or plant operations.

7. Auto Expense - \$150/month

This is an estimate of fuel costs and wear and tear on autos used by office employees for utility business and for managers of Peninsula Management Inc. in handling all duties as previously described.

February 21, 1997

Page 3

8. Office Equipment - \$400/month

This covers the utility share of expense by Peninsula Management Inc. to provide computer, computer software, printer, word processing capabilities, phone systems, copier, and fax machines, typewriters, calculators, Pitney Bowes postage meter and any other equipment necessary for normal day-to-day operations.

Hopefully, this will clarify any questions related to what we feel is a more than fair management contract.

If you have any questions or suggestions regarding the above, please feel free to call.

Sincerely,



Robert L. Hillman
Attachments

NORTH PENINSULA UTILITIES CORPORATION**Costs to Management Company**

Management Salary	\$2,200.00
Office Salary	1,100.00
Rent	350.00
Utilities	160.00
Insurance	30.00
Answer Service	95.00
Auto	150.00
Office Equipment	<u>400.00</u>
	\$4,485.00

DSR Equity Partners

February 8, 1997

Robert L. Hillman
North Peninsula Management, Inc.
1460 Oceanshore Blvd.
P.O. Box 2830
Ormond Beach, FL 32176

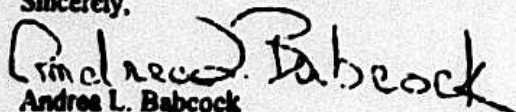
Dear Mr. Hillman:

This letter shall serve as acknowledgment by the Landlord of your agreement to sub-lease 400-500 square feet to North Peninsula Utilities during the term of your lease at the above referenced location.

As one of the largest commercial property leasing and management companies in the area, I am able to advise him that your sub-lease arrangement, at a per square foot rate of \$9.50-11.00 plus sales tax operating expenses, is well within rates typical for the market area, and at your type of property.

Thank you for your patronage.

Sincerely,



Andrea L. Babcock
Vice President/ Special Assets