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TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

December 19, 2002

Mr. Tom McMullen
208 Osprey Villas Court
Melbourne Beach, FL 32951

Re: Customer complaint against Service Management Systems, Inc.

Dear Mr. McMullen:

I have reviewed your letter dated December 18, 2002, and I would like to address your concerns. First, the undocketed investigation audit request was withdrawn because Service Management Systems, Inc. filed an application for a staff assisted rate case. If this application is accepted by the Commission, an audit of much broader scope and detail will be performed as part of the staff assisted rate case. Should this application be rejected by the Commission, the undocketed investigation audit will still be performed. This audit and review, however, will be much more in depth as part of a staff assisted rate case and will address each of your concerns regarding the golf course usage, debt service charges, and cost of employees in addition to utility plant value, operation and maintenance costs, and quality of utility service.

Please be assured that during the staff assisted rate case, the Commission's accountants, engineers and economists examine the financial and engineering information of the utility. The Commission's auditors also examine this information and publish the results of their findings in an audit report. Recovery of any costs found by the Commission to be imprudent or unreasonable is not allowed.

You also expressed concern that the utility does not qualify for staff assistance under the provision of Section 367.0814, Florida Statutes. The Commission has established rules by which utilities may apply for staff assistance in rate setting. Rule 25-30.455(1), Florida Administrative Code states:

Water and wastewater utilities whose total gross annual operating revenues are \$150,000 or less for water service or \$150,000 or less for wastewater service, or \$300,000 or less on a combined basis, may petition the Commission for staff assistance in rate applications by submitting a completed staff assisted rate case application.

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

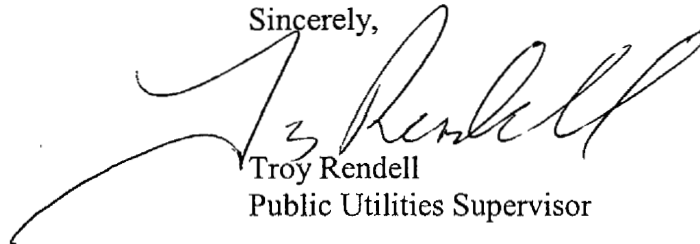
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The criteria above are used when evaluating the utility's application for a staff assisted rate case. Based on the annual reports filed by this utility with the Commission, the total revenues comply with the provisions of Rule 25-30.455(1), Florida Administrative Code.

The staff assisted rate case provision was enacted in Section 367.0814, Florida Statutes to ultimately save ratepayers money. If this provision was not available to Service Management Systems, Inc., the utility would be required to file for a more extensive rate filing under the provisions of Section 367.081, Florida Statutes. Typically, rate cases of this type may cost anywhere from \$20,000 to \$40,000. These costs may be passed onto the utility's ratepayers pursuant to Section 367.0816, Florida Statutes. Therefore, by the review and analysis being performed by the staff of the Public Service Commission, the cost of the utility's rate case is kept to a minimum.

If you have any further questions regarding this matter, please contact the Commission staff assigned to this matter, Tony Sargent, at (850) 413-6968.

Sincerely,

A handwritten signature in black ink, appearing to read 'Troy Rendell', is written over a printed name and title. The signature is fluid and cursive, with a large initial 'T' and 'R'.

Troy Rendell
Public Utilities Supervisor

TR:ts

CC: Representative Stan Mayfield
James Bates, President, Service Management Systems, Inc.
F. Marshall Deterding, Esq.
Division of Commission Clerk and Administrative Services (021228-WS)