



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

DATE: March 31, 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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March 25, 2003

Mr. Troy Rendell
Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0865

RE: Staff Assisted Rate Case Docket No. 021228-WS
Non-Potable Water Service

Dear Mr. Rendell:

There is a substantial inequity in the rates that this utility currently charges for irrigation and fire protection service. The fire protection component of this service is not charged directly, but just factored into the irrigation gallonage charge. The fire hydrants throughout residential communities serviced by this utility and the fire flow service to multi-family and commercial accounts are provided without any direct charge. As your staff explained it to me, the cost of this fire protection service is built into the gallonage charge that irrigation customers pay. This may make sense if all of the irrigation customers of this utility were customers who received fire protection services or somewhat of a level or even basis.

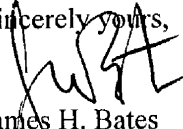
There are 53 customers for irrigation water supplied by this utility. The single largest irrigation customer, which receives more irrigation water than all of the other customers combined, is the golf course. The one golf course building that does receive fire protection is the golf clubhouse building, which is a separate irrigation customer from the actual golf course. The golf course itself that is irrigated through a separate 75 HP variable speed pump receives no fire protection.

The fire protection component of the non-potable water service is by far becoming the more expensive part of this non-potable service provided by this utility. To recover all of the non-potable water costs through a gallonage charge on irrigation is not charging the customers based on the cost of provided service.

I think it is necessary that this be looked into as part of the current staff assisted rate case. If all of the irrigation customers were provided fire protection services equally, a single gallonage charge might be appropriate. Of the 53 current non-potable water customers we have 1 – 18 hole golf course, 29 single family homes, 14 homeowner associations, 1 county fire station, 3 recreational buildings that includes golf clubhouse, tennis and ocean club and 1 administrative office and 2 pool areas.

I will be providing your office a separate exhibit of non-potable water service provided, including the size of the mains and laterals and number of fire hydrants. I look forward to your response to the issues I have raised here.

Sincerely yours,


James H. Bates
President

cc: Robert Nixon, CPA
cc: F. Marshall Deterding, Esq.

REGULATION OF
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