



Public Service Commission

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

DATE: April 18, 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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Public Service Commission
Troy Rendell, Public Utilities Supervisor
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Fl. 32399-0865

Ref: Staff Associated Rate Case Docket No. 021228-WS April 15, 2003
Engineering Report

Dear Mr. Rendell.

Thank you for giving me the opportunity to look at the Engineering report on Service Management Systems, Inc. from Mr. Davis. This is important to the rate case and I am hopeful that my comments will be reviewed, considered and responded to in writing. The copy of this report that your sent out was missing Page 2 of 5 of attachment D-an important calculation in the used and useful factor for the water distribution system. Please provide me with this page so that I may review this

I disagree with the following portions of this report from Mr. Davis, for the reasons provided.

Paragraph 3.0 General Information: Mr. Davis states that of the growth potential of 700 residential units (est. at 600 ERC's) all but 38 could be served from the existing collection and distribution system. This is incorrect. Mr. Davis's schedule for currently served missed two areas of single family homes on the ocean, Pelican Beach of 7 homes and an unnamed group of 3 single family homes directly south of Sea Hawk place, and overstated the number of units in Osprey Villas East by 15 units. Therefore currently served are 283 units of which 20 are wastewater only. The four undeveloped parcels in the North of Aquarina (parcels E, F, G & H), which new collection and distribution lines were installed in 2002, were deigned and approved for an additional 86 residential units. Two undeveloped parcels of land on the west side of A1A (Parcels A & D), for which site plans have not been submitted to Brevard County, are of a size to hold a maximum of 126 additional residential units. The two undeveloped parcels on the west of the Aquarina Project, **FOR WHICH THE COLLECTION AND DISTRIBUTION LINES HAVE NOT BEEN INSTALLED** (Parcels I & J), have recently had site plans submitted to the local county for 168 residential units. The collection and Distribution lines will be installed at the time these two sites are developed. Therefore, the total units to be served by the system should be 663

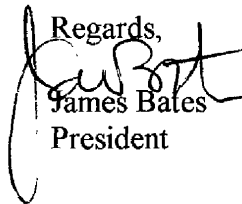
(20 of which are sewer only), not 700. In addition, the collection and distribution lines currently installed could serve up to 495 (20 of which are wastewater only). I have attached a copy from the master engineering plan showing the collection and distribution lines not installed.

Paragraph 7.0 Used and Useful. Water treatment plant. I disagree with the finding here by Mr. Davis. I will have an experienced Professional Engineer address the capacity of the water treatment plant. I do not dispute the capacity calculated for the well, but that used and useful percentage should be applied to the well only. The capacity of the Pumping Equipment, Water Treatment Equipment, Structures and Improvements and Other Plant and Misc. Equipment are not 276,000 GPD. Also, I think the capacity of the membranes are less than 20,000 GPD, and I think the capacity of this water treatment plant is no more than 100,000 to 110,000 GPD, but I will let a Professional Engineer address that.

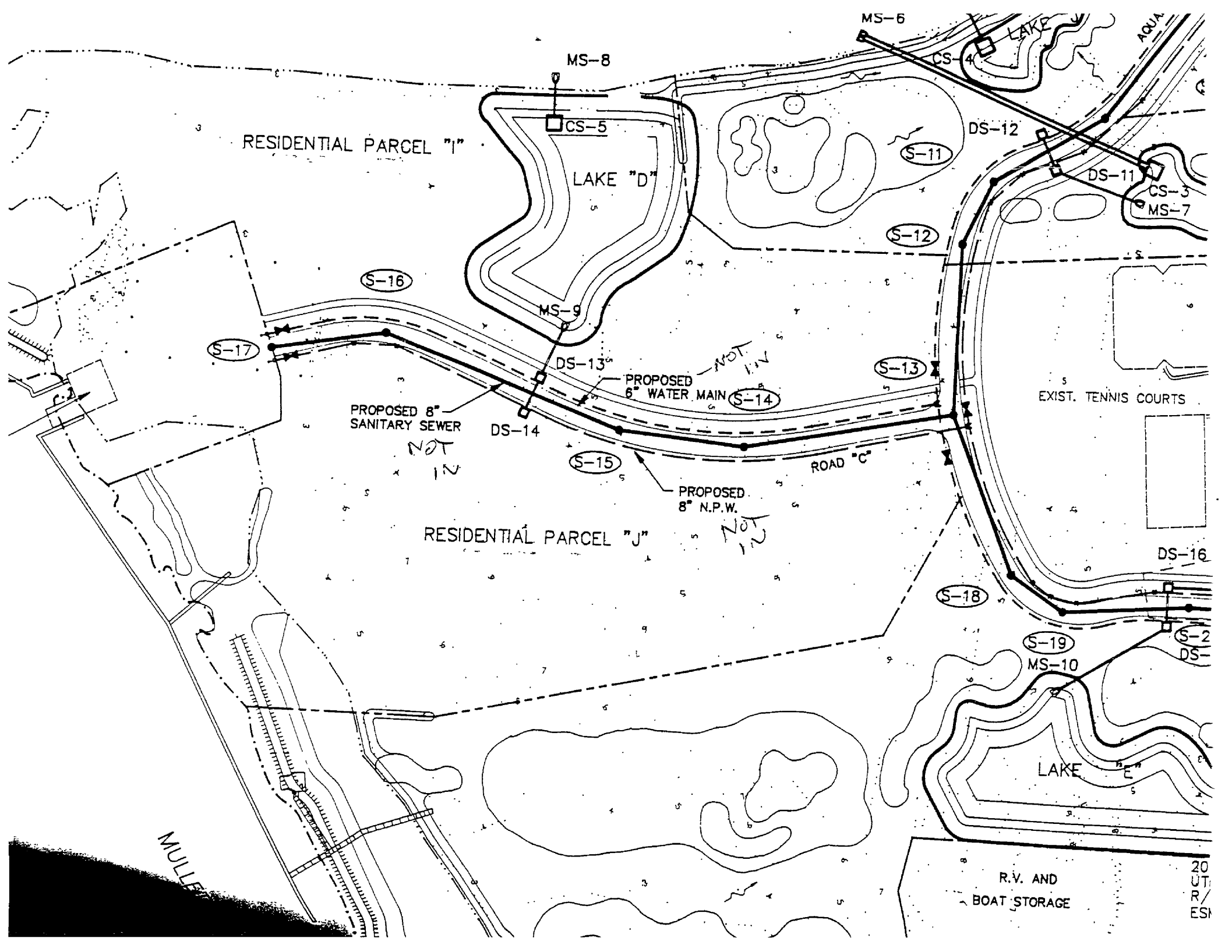
Water and Wastewater Distribution Systems. These calculations should be redone using the corrected number currently served of 283 and 495 units, which the collection and distribution lines are in place.

The expenses evaluated by Mr. Davis uses the lowest possible costs, and not the reasonable and necessary costs for this particular utility. This utility should receive rates, which are compensatory and address the location, and complexity of this utility operation.

I look forward to your response. It is important to this utility that you investigate the discrepancies I have pointed out above, prior to using data from Mr. Davis's report.

Regards,

James Bates
President

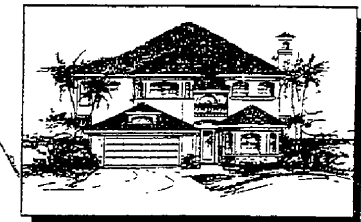
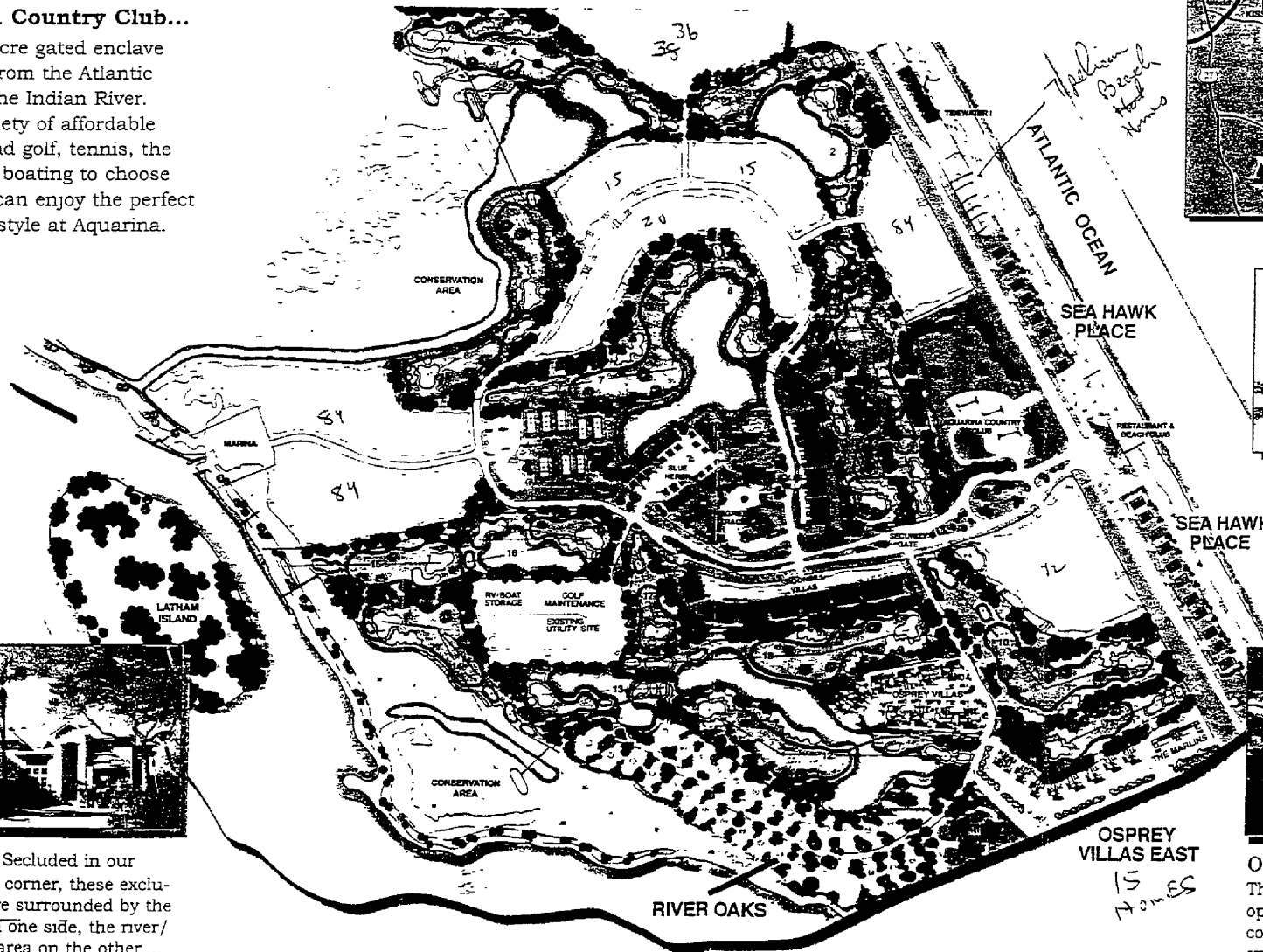
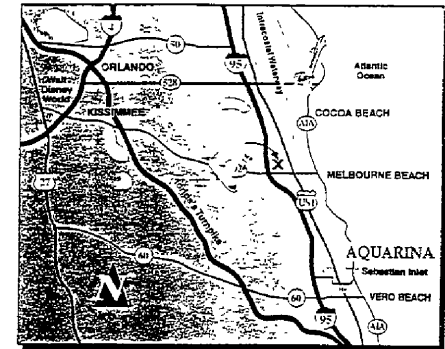
CC Marshall Deterding
Robert Nixon



Aquarina Site Plan

Aquarina Country Club...

This 250 acre gated enclave stretches from the Atlantic Ocean to the Indian River. With a variety of affordable housing and golf, tennis, the beach and boating to choose from, you can enjoy the perfect Florida lifestyle at Aquarina.



Sea Hawk Place
Direct oceanfront single family homes! Sunrise over the ocean, sunset over the golf course and all the fun of Aquarina in between!

3 HOMES



Osprey Villas East
These elegant villas have big, wide open floorplans with beautiful golf course vistas and optional indoor swimming pools! This is our fastest selling golf course villa ever!



River Oaks Secluded in our southwestern corner, these exclusive homes are surrounded by the golf course on one side, the river/conservation area on the other... and trees are everywhere!