

# ORIGINAL

LAW OFFICES

## ROSE, SUNDSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE  
TALLAHASSEE, FLORIDA 32301

(850) 877-6555

FAX (850) 656-4029

www.rsbatorneys.com

### CENTRAL FLORIDA OFFICE

600 S. NORTH LAKE BLVD., SUITE 160  
ALTAMONTE SPRINGS, FLORIDA 32701

(407) 830-6331

FAX (407) 830-8522

MARTIN S. FRIEDMAN, P.A.

VALERIE L. LORD, OF COUNSEL  
(LICENSED IN TEXAS ONLY)

CHRIS H. BENTLEY, P.A.  
ROBERT C. BRANNAN  
DAVID F. CHESTER  
F. MARSHALL DETERDING  
JOHN R. JENKINS, P.A.  
STEVEN T. MINDLIN, P.A.  
DAREN L. SHIPPY  
WILLIAM E. SUNDSTROM, P.A.  
DIANE D. TREMOR, P.A.  
JOHN L. WHARTON  
ROBERT M. C. ROSE, OF COUNSEL  
WAYNE L. SCHIEFELBEIN, OF COUNSEL

June 17, 2003  
VIA HAND DELIVERY

RECEIVED - FPSC  
JUN 17 PM 3:38  
COMMISSION  
CLERK

Blanca S. Bayo, Director  
Division of the Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Service Management Systems, Inc.; PSC Docket No. 021228-WS  
Application for Staff Assisted Water and Sewer Rate Increase in Brevard County  
Our File No. 36082.01

Dear Ms. Bayo:

I am writing to provide the Utility's initial response to the preliminary staff report and some of the issues and adjustments outlined therein, with which we at Service Management Systems, Inc. have some concerns. We believe that adjustments are necessary to the staff position as a result of the issues and information outlined below and attached hereto. I have addressed each of these issues separately:

1. Ron Chupka Wages - The staff has made an adjustment to the salaries and wages of the Utility, based upon the pending departure of Mr. Chupka. The assumptions underlying the adjustment made by the staff are incorrect. In addition to his general operations and maintenance duties, Mr. Chupka is a licensed operator for both water and wastewater plants. He currently provides a required licensed operator presence at the treatment plants in accordance with DEP requirements, four hours per week total, on Mondays, Wednesdays, and Fridays. Upon Mr. Chupka's departure, those would have to be picked up by a licensed operator. Since the Utility does not have a licensed operator on staff, we will have to depend upon the services of Accurate Utilities, Inc., to

AUS \_\_\_\_\_  
CAF \_\_\_\_\_  
CMP \_\_\_\_\_  
COM \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
SEC I \_\_\_\_\_  
OTH \_\_\_\_\_

DOCUMENT NUMBER DATE

05367 JUN 17 8

FPSC COMMISSION CLERK

provide the remaining required coverage for the plants and that outside contractor would have to begin providing the total coverage. The cost of this additional coverage will be \$9,360 per year in increased cost to the Utility in order to obtain these required operator services. I am attaching hereto as Exhibit "A" a copy of a statement from Accurate Utilities, Inc. outlining this \$9,360 additional yearly cost for this service. This cost must be recognized in operation expenses.

2. Repair Expenses - Capitalized or Amortized - The staff has made several adjustments to repair costs contained either in the repairs and maintenance or materials and supplies accounts of the Utility. There are two problems with the adjustments proposed by the staff. These are discussed separately below:
  - A. An adjustment of \$15,130 for the cost of rewiring of the clarifier drive at the sewage treatment plant was removed by the staff and amortized as a long-term repair. The adjustment is reflected in the preliminary staff report for repairs to be removed from operating expense and instead amortized over a five year period. Such an adjustment is inappropriate. While the Utility believes that these types of repairs are appropriately classified as repairs and should not be amortized, this adjustment is especially troubling since this repair occurred and was booked for calendar year 2001, not calendar year 2002 to which the adjustment is proposed by the staff. While the two payments on this repair was made during January of calendar year 2002, the repair itself and the accrual for that repair was made for calendar year 2001 and it appears in the Utility's 2001 financial statements as it appropriately should. Therefore, this adjustment of \$15,130 to the test year 2002, is inappropriate.
  - B. The staff has made numerous adjustments to the 2002 test year to capitalize \$24,961 of items classified as repairs and maintenance, and \$4,145 of repairs classified under the materials and supplies account. The Utility books and records reflect \$28,684 of repairs and maintenance and \$7,517 of materials and supplies. The staff has effectively capitalized an amount equal to 76% of all repairs and maintenance and materials and supplies that the Utility incurred during the test year and instead either capitalized or amortized those costs. This is inappropriate, as these are recurring costs and expenses. The Utility is left with a total of \$8,909

in repairs and maintenance and materials and supplies for the test year. Attached hereto as **Exhibit "B"** are copies of invoices for repairs and maintenance that are clearly repairs and maintenance when reviewing these expenses. Especially in light of the fact that the Utility sewage treatment facility is 20 years ago, regular and significant repair is the norm and must be recognized in rate setting. Please review these attached invoices, and I believe you will agree with this conclusion.

- C. The \$3,303 of expenses associated with generator repairs, which staff is capitalizing, are clearly ordinary maintenance costs as evidenced by the detailed invoice for these services. Staff also capitalized simple repairs of line breaks and equipment repairs.

Prior years' experience readily illustrate the total repair costs that the Utility is incurring on a regular basis. In 2001, the Utility had \$53,842 in the same repair and maintenance and materials and supplies accounts (this included the \$15,130 previously mentioned).

The Utility incurred a total of \$20,210 in these two accounts for calendar year 2000 and \$23,991 in these accounts for the year 1999. The Utility was criticized by DEP and other regulatory authorities for failure to properly maintain facilities in these two earlier years. As such, the more recent years are more reflective of the actual maintenance expense.

Therefore, there are a minimum of three errors with the staff's initial calculation with regard to maintenance and repairs and materials and supplies accounts:

- (1) The \$15,130 repair for rewiring of the clarifier drive at the sewage treatment plant is not included in the expenses for the calendar year 2002 and as such, should not be adjusted out of those expenses.
- (2) The average operation and maintenance expense cost over the last several years is a minimum of \$31,682. However, when the earliest two years are removed, the average is \$41,263. These earlier years should be removed from the average since at that time, insufficient maintenance and repairs were being undertaken

by the Utility as evidenced by the concerns expressed to Utility Management by the regulatory authorities.

(3) If in fact some of the repairs, including the \$15,140 rewiring cost, should be appropriately amortized, then part of the amortization for those expenses and prior years' expenses booked as repairs and maintenance, should be included in amortization expense for the test year.

3. Sewer Depreciation Expense - The depreciation expense allowed by the staff is incorrect and in error. As such, Bob Nixon (the outside accountant for the Utility) recalculated depreciation expense after review of both the accountant and analyst workpapers. Attached hereto as **Exhibit "C"** is a copy of a calculation of the needed depreciation expense adjustment, in order to properly reflect the Utility's depreciation expense for calendar year 2002. Therefore, the depreciation expense must be adjusted to correct this error.

4. Salary of James Bates, President and General Manager - The staff has made an adjustment to the salary of Mr. Bates based upon an analysis of the American Waterworks Association 1998 Water Utility Compensation Survey. We believe this is inappropriate adjustment for several reasons:

Mr. Bates is being paid a part-time salary for only 15 hours per week. As such, the average rate for a full-time employee, as assumed in the American Waterworks Association Compensation Survey is not a reasonable comparison. The rates for part-time help, especially when that part-time only equates to approximately 1/3 of a full-time person, are always substantially higher as compared to a full-time salary person. You cannot equate those costs on a per hour basis.

Mr. Bates is effectively a consultant to the Utility because of this part-time work arrangement. He is also on call virtually 24 hours a day, 7 days a week as the Utility's President for emergencies, or for just day-to-day operation activities. As such, we believe the staff's reduction is not a reasonable one. Mr. Bates is operating a rather complicated reverse osmosis water system and a separate and extensive irrigation and fire flow system, as well as the sewer system. In addition, Mr. Bates performs many of the functions often associated with separate consultants, such as preparing all the environmental and regulatory reporting for submission to the Commission, DEP and the Water Management District. We

Ms. Blanca Bayo  
June 17, 2003  
Page 5

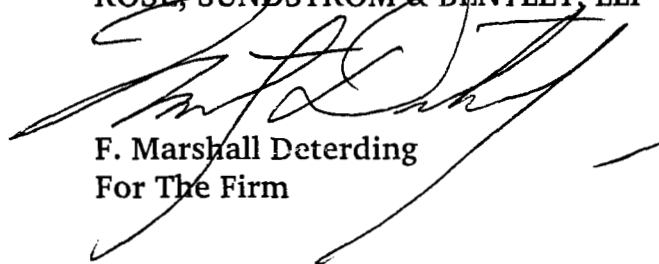
believe his level of expertise enables the Utility to only utilize a part-time person 15 hours per week, rather than having to enlist the services of several consultants at a much higher cost than the \$80 per hour which is charged for Mr. Bates' time. As such, we believe an adjustment must be made in this regard.

5. Insurance Expense - The staff has not included a sufficient provision for insurance expense for the Utility. I am attaching hereto as **Exhibit "D"** invoices for \$4,059 and \$2,376 for additional insurance coverage not recognized by the staff in their report.

If you have any further questions in this regard, please let me know. Otherwise, please review the above proposed adjustments and let me know as soon as possible if the staff is in agreement or disagreement with the adjustments outlined above. We would like to resolve these issues before the staff recommendation is finalized, to avoid the possibility of controversy at the final agenda conference in this matter. We will be happy to discuss these issues or provide further information if requested by the staff.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP



F. Marshall Deterding  
For The Firm

FMD\tms

cc: Jim Bates  
Robert Frazier, Esquire  
Marty Sadkin  
Robert C. Nixon, CPA

indian\5bayo.ltr

Accurate Utilities, Inc.

880 SW St Lucie West Blvd  
Port St Lucie, Fl. 34986  
772 340.3772, 340 3339  
Pumpout1@Aol.com



June 06, 2003

Service Management Systems, Inc.

7500 S. Highway A1A

Melbourne Beach Fl. 32951

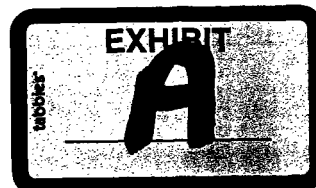
To Whom It May Concern:

Ron Chupka currently provides four hours per week of the required licensed operator coverage for the water and sewer plant. If Ron Chupka was no longer providing this coverage, Accurate Utilities, Inc. would provide this licensed operator coverage at 45.00 per hour, or an additional \$9360.00 per year.

Sincerely,

David Whiteside

President



Loftus Electric, Inc.

4451-R Enterprise Court  
Melbourne, FL 32934-9254  
(321) 253-4333



# Invoice

DATE	INVOICE #
12/11/2001	6985

<b>BILL TO</b>
AQUARINA DEVELOPMENT 235 HAMMOCK SHORE DR. MELBOURNE BCH, FL. 32951

*SMS*

P.O. NO.	TERMS

DESCRIPTION	AMOUNT
<p>10/17/2001 thru 12/10/2001</p> <p>Removed and replaced shorted wires from control panel to tank. Replaced broken J boxes. Replaced 1 scum pump contactor. Replaced raceway and conductors to bridge drive motor. Replaced switch that was broken and connected new drive motor. Replaced over load heaters. Replaced aeration bridge raceway, conductors and motor starter. Replaced scum pump controller and heaters, including raceway and conductors. Labor to clean slip rings and restore proper ground readings. Replaced phase monitor relay in lift station.</p> <p>NOTE--Down to 3 slip rings feeding aeration bridge. All 7 need to be replaced ASAP.</p> <p>LABOR: 256.5 manhours</p> <p>MATERIAL:</p>	<p>11,542.50</p> <p>3,587.31</p>
<p><i>Sewer plant # 7,500.00</i></p> <p><i>pay 1/2 payment</i></p> <p><i>Abach 1/8/02</i></p>	
Thank you for calling Loftus Electric!	
<p>CREDIT CARD PAYMENT</p> <p>TYPE: VISA <input type="checkbox"/> MC <input type="checkbox"/></p> <p>ACCT# _____</p> <p>EXP DATE _____</p> <p>SIGNATURE _____</p>	
<p>Payment is due upon receipt. If not received within 25 days of billing, 1.5% monthly finance charge may be accessed.</p>	
<b>Total</b>	<b>\$15,129.81</b>



STANDBY SYSTEMS INC.  
 700 S. JOHN RODES BLVD (BUILDING D, SUITE 1)  
 MELBOURNE, FL. 32904  
 PH. (321) 253-6038 FAX (321) 253-0861

INVOICE:

TO:

AQUARINA (ATTN: RON CHUBKA)  
 235 HAMMOCK SHORE DRIVE  
 MELBOURNE BCH, FL. 37931

QTY	DATE: 12/24/02 INVOICE # D-2797 TERMS: NET 30	COST \$
	CUSTOMER P.O. # RON	
A	EMERGENCY CALL BY RON GENERATOR SET WILL NOT START	
	WENT TO SITE AND FOUND ENGINE WOULD NOT START. ENGINE DRAGING DURING CRANK. REPLACED STARTER. REPLACED BATTERIES (CUSTOMER SUPPLIED) TROUBLE SHOOT WIRING AND CONTROLS, FOUND AND RESET FAULTY BREAKER. STARTED SYSTEM, ALL TESTED OK. RECEIVED CALL NEW BATTERIES POST BURNED. PICK UP BATTERIES HAD REPAIRED RE-INSTALLED. (ROYAL BATT) INSTALLED NEW BATTERY CABLES AND TERMINALS FOLLOWING WEEK RECEIVED CALL GENERATOR WILL NOT SHUTDOWN RETURNED TO SITE AND FOUND DEFECTIVE FUEL SOLENOID. NOW ON ORDER FROM CAT. AUTOMATIC TRANSFER SWITCH HAS BURNED PIN CONNECTORS IN RUN BETWEEN NORMAL POWER AND VOLTAGE SENSORS. WE NEED TO BY-PASS BUT MUST SCEDULE WITH F.P.&L.  WILL RETURN WITH NEEDED SOLENOID AND F.P.&L SCEDULE.	\$347.00
	12/24/02 TRAVEL / LABOR TO DATE: 22 HOURS TRAVEL/LABOR X \$ 75.00 PER SEVEN TRIPS TO SITE 420 MILES X \$ 0.75	\$1,650.00 \$315.00
	SUB-TOTAL: <i>DS</i> 6% SALES TAX <i>wp, ww, wp</i>	\$2,651.23 \$159.07
<b>TOTAL INVOICE</b>		<b>\$2,810.30</b>

RECEIVED  
 DEC 27 2002  
 BY: \_\_\_\_\_

SERVICE MANAGEMENT SYSTEMS INC.

1148

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
D-2797		12/24/02	2,810.30		2,810.30



STANDBY SYSTEMS INC.  
 700 S. JOHN RODES BLVD (BUILDING D, SUITE 1)  
 MELBOURNE, FL. 32904  
 PH. (321) 253-6038 FAX (321) 253-0861

INVOICE:

TO:

AQUARINA (ATTN: RON CHUBKA)  
 235 HAMMOCK SHORE DRIVE  
 MELBOURNE BCH, FL. 37931

QUA	DATE: 7/29/02 INVOICE # D-2718 TERMS: NET 30	COST \$
A	CUSTOMER P.O. # RON EMERGENCY CALL BY RON GENERATOR SET WILL NOT START  WENT TO SITE AND FOUND DEFECTIVE AUTO/OFF/MANUAL SWITCH. ORDERED PART FROM CAT.  RETURNED TO JOB SITE AND REPLACED DEFECTIVE PART. TESTED SYSTEM ALL OK.  TWO TRIPS - TRAVEL AND LABOR TO REPAIR. 4 HOURS X \$ 75.00 PER PARTS	\$300.00 \$165.00
	6 % SALES TAX	\$27.90
<b>TOTAL INVOICE:</b>		<b>\$492.90</b>

*OK [Signature]*

RECEIVED  
 AUG - 9 2002  
 BY: \_\_\_\_\_

SERVICE MANAGEMENT SYSTEMS INC.

1012

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
D-2718		8/1/02	492.90		492.90





# MELBOURNE PUMP AND ELECTRIC MOTOR REPAIR

836 Creel St. (321) 242-8289  
Melbourne, Florida 32935

CUSTOMER'S ORDER NO.		PHONE	DATE				
NAME <i>Ron Chupka</i>		<i>635-4200</i>	<i>7-11-02</i>				
ADDRESS <i>AQUARINA</i>							
SOLD BY	CASH	C.O.D.	CHARGE	ON ACCT.	MOSE. RET'D.	PAID OUT	
QTY.	DESCRIPTION					PRICE	AMOUNT
<i>1</i>	<i>EURO-DRIVE MOTOR + GEAR BOX</i>						
	<i>R42R37 D771K4</i>						
						<i>\$1280.00</i>	
<i>PAID</i>							
<i>CK # 0899</i>							
<i>[Signature]</i>							
RECEIVED BY <i>AIRATOR DRIVE WATER TREAT</i>						TAX <i>\$76.80</i>	
TOTAL						<i>1356.80</i>	

B PRODUCT 610

All claims and returned goods must be accompanied by this bill.

To Reorder:  
800-225-8380 or nebs.com

Thank You



# MELBOURNE PUMP AND ELECTRIC MOTOR REPAIR

836 Creel St. (321) 242-8289  
Melbourne, Florida 32935

CUSTOMER'S ORDER NO.		PHONE	DATE				
NAME <i>Ron Chupka</i>		<i>635-4200</i>	<i>4-12-02</i>				
ADDRESS <i>AQUARINA</i>							
SOLD BY	CASH	C.O.D.	CHARGE	ON ACCT.	MOSE. RET'D.	PAID OUT	
QTY.	DESCRIPTION					PRICE	AMOUNT
	<i>REPAIR R.O. Pump</i>						
	<i>AMPCO M/N 2X1/2 ZC2</i>						
	<i>1mp Dia 6. 3/8 RPM 3500</i>						
	<i>S/N W-55539-1-1</i>						
	<i>INSTALL NEW MOTOR</i>						
	<i>" " SEAL</i>						
	<i>" " GASKET</i>						
	<i>SET FOR 460VAC</i>						
	<i>1 YEAR WARRANTY ON MOTOR EXCEPT RUST, WATER, INSECT OR LIGHTNING DAMAGE. 90 DAYS ON SEAL &amp; LABOR</i>						<i>537.60</i>
RECEIVED BY <i>POT WATER Pump</i>						TAX	<i>32.26</i>
TOTAL							<i>569.86</i>

B PRODUCT 610

All claims and returned goods must be accompanied by this bill.

To Reorder:  
800-225-8380 or nebs.com

Thank You

JUN-11-03 11:01A AQUARINA Project Admin. 321 725 0804 P.13



# MELBOURNE PUMP AND ELECTRIC MOTOR REPAIR

836 Creel St. (321) 242-8289  
Melbourne, Florida 32935

CUSTOMER'S ORDER NO. <b>DAWN</b>		PHONE <b>723-2522</b>		DATE <b>7-18-02</b>		
NAME <b>AQUARINA</b>						
ADDRESS						
SOLD BY	CASH	C.O.D.	CHARGE	ON ACCT.	MODE. RET'D.	PAID OUT
<b>INVOICE FOR INSTALLING          CUSTOMER OWN 15 HP HOLOSHAF          MOTOR.</b>						
4 hrs 2 men labor only						320 <sup>00</sup>
RECEIVED BY						TOTAL <b>320<sup>00</sup></b>

*JB*

PRODUCT #10

All claims and returned goods must be accompanied by this bill.

2759

To Reorder:  
800-225-6360 or neba.com

Thank You

*Compatible water*



# MELBOURNE PUMP AND ELECTRIC MOTOR REPAIR

PAGE 1

836 Creal St. (321) 242-8289  
Melbourne, Florida 32935

CUSTOMER'S ORDER NO. <b>DAWN</b>		PHONE <b>723-2522</b>		DATE <b>7-26-02</b>		
NAME <b>AQUARINA</b>						
ADDRESS						
SOLD BY	CASH	C.O.D.	CHARGE	ON ACCT.	MOSE. RET'D.	PAID OUT
<b>INVOICE FOR REPAIR OF UNKNOWN HP EUROPA PUMP.</b> <b>CLEAN + CHECK MOTOR</b>						
<b>1 NEW WET END KIT INC.</b> <b>IMPELLER - SEAL - SLEEVE</b> <b>WASHERS + O' RINGS - BOLT WASHER</b> <b>w/ MISC HARDWARE</b>						<b>2696 40</b>
<b>1 SEAL PLATE</b>						<b>938 00</b>
<b>1 WEAR RING</b> <b>PISTONS</b>						<b>145 60</b>
<b>NEXT PAGE</b>						<b>3780 00</b>
RECEIVED BY <b>FIRE NOX SYSTEM</b>					TAX	
					TOTAL	

PRODUCT #10 All claims and returned goods must be accompanied by this bill.

2780

To Reorder: 800-225-6380 or nebs.com

Thank You

**RECEIVED**  
**JUL 29 2002**  
 BY: \_\_\_\_\_



# MELBOURNE PUMP AND ELECTRIC MOTOR REPAIR

PAGE 2

836 Creel St. (321) 242-8289  
Melbourne, Florida 32935

CUSTOMER'S ORDER NO.		PHONE		DATE		
				7-26-02		
NAME						
ADDRESS						
AQUARINE						
SOLD BY	CASH	C.O.D.	CHARGE	ON ACCT.	MOBE. RET'D.	PAID OUT
6hrs Shop Labor						50 <sup>00</sup> 300 <sup>00</sup>
1.5 hours SERVICE TO SIZE pump						50 <sup>00</sup> 75 <sup>00</sup>
4 hours 2 MEN TO RE-INSTALL pump						80 <sup>00</sup> 320 <sup>00</sup>
TOTAL LABOR						695 <sup>00</sup>
Total from Page 1						3780 <sup>00</sup>
PAID ck \$998 \$3780 <sup>00</sup>						4475 <sup>00</sup>
BAL. \$963.50						
ASAP PLEASE						
RECEIVED BY						TAX
Thank You						268 <sup>50</sup>
						TOTAL
						4743 <sup>50</sup>

Did not receive his 2nd page w/ original

2811

To Reorder: 800-228-6380 or mps.com

Thank You

OK [Signature]



# MELBOURNE PUMP AND ELECTRIC MOTOR REPAIR

836 Creel St. (321) 242-8289  
Melbourne, Florida 32935

CUSTOMER'S ORDER NO. <b>Ron Clupka</b>		PHONE <b>723-2522</b>		DATE <b>8-7-02</b>		
NAME <b>AQUARINA</b>						
ADDRESS						
SOLD BY	CASH	C.O.D.	CHARGE	ON ACCT.	MOBE. RET'D.	PAID OUT
<b>1 MARATHON 15HP Heloshast MOTOR M/JN 259NTB7026 3Ø 460VAC 1750 RPM 2ØHP</b>  <b>REWIND, double dp motor NEW BEARINGS LABOR</b>						
<b>P+L</b>				<b>\$ 975<sup>00</sup></b>		
				<b>TAX 58<sup>50</sup></b>		
RECEIVED BY				<b>TOTAL 1033<sup>50</sup></b>		

PRODUCT #10 All claims and returned goods must be accompanied by this bill.

2807

To Reorder: 800-228-6360 or melp.com

Thank You

**CORRECTION OF SEWER DEPRECIATION EXPENSE**

On the staff's sewer depreciation workpapers on Page 4 (2002 calculations), the gross expense calculated by staff is \$90,369. Using the information on Page 30 of the preliminary recommendation, depreciation expense should be as follows:

GROSS DEPRECIATION EXPENSE	\$90,369
AMORTIZATION OF CIAC	(12,992)
NON-USED & USEFUL DEPRECIATION	<u>(6,378)</u>
NET DEPRECIATION PER STAFFS OWN NUMBERS	70,999
NET DEPRECIATION PER STAFF RECOMMENDATION	<u>(9,135)</u>
DIFFERENCE	<u>\$61,864</u>

I DON'T KNOW WHERE STAFF'S GROSS DEPRECIATION OF \$28,505 CAME FROM. POSSIBLY THEY STARTED WITH A NET NUMBER AND DOUBLE DIPPED.





# USI FLORIDA

Please respond to:

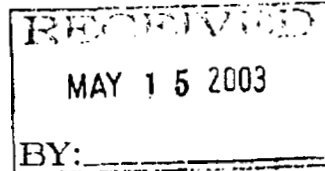
( )  
301 Yamato Road  
Suite 3110  
Boca Raton, FL 33431  
Tel: (561) 999-0232  
Fax: (561) 999-9526

(X)  
8100 S.W. 10<sup>th</sup> Street  
Suite #2000  
Plantation, FL 33324  
Tel: (954) 474-9700  
Fax: (954) 474-2101

( )  
90 Almeria Avenue  
Coral Gables, FL 33134  
Tel: (305) 447-8600  
Fax: (305) 447-0209

Date: May 12, 2003  
To: Jim Bates  
Company: Service Mngmt Systems, Inc.  
Fax #: 321-725-0804  
From: Dora Villavicencio, Ext. 230

RE: Commercial Package  
Policy Number: BINDER/02LX75078010



Number of pages in this transmission: 1

Jim,

As requested I have received a quotation to add the inland marine equipment totaling \$506,500. The annual premium would be an additional \$4059.00.

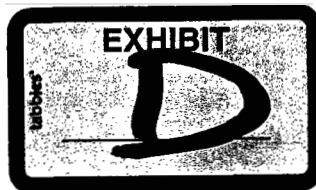
I know you declined terrorism on the package policy but AIG has provided you a quote to include Terrorism coverage for the equipment, the additional premium would be \$960. As you know this is optional, please advise if you still would like to exclude or include.

If you would like to add the equipment, please forward the \$4059.00 payable to USI Florida via Federal Express to be received by 5/14/03. Upon receipt I will have the equipment added.

If you have any questions, please feel free to call me.  
Thank you.

**CONFIDENTIALITY NOTE:** The information contained in this facsimile message is legally privileged and confidential and is intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this facsimile is strictly prohibited. If you have received this facsimile in error, please immediately notify us by telephone and return the original message to us at the address above via the United States Postal Service. Thank you.

**DISCLAIMER:** We do not accept binding instructions via facsimile. Please call the office and speak to your Agent or Customer Service Representative.



<b>USI FLORIDA</b>		
<b>Please respond to:</b>		
( )	(X)	( )
301 Yamato Road Suite 3110 Boca Raton, FL 33431 Tel: (561) 999-0232 Fax: (561) 999-9525	8100 S.W. 10 <sup>th</sup> Street Suite #2000 Plantation, FL 33324 Tel: (954) 474-9700 Fax: (954) 474-2101	90 Almeria Avenue Coral Gables, FL 33134 Tel: (305) 447-8600 Fax: (305) 447-0209

**FAX TRANSMITTAL**

**Date:** May 2, 2003  
**To:** Stacey  
**Company:** Service Mngmt Systems, Inc.  
**Fax #:** 954-370-9771  
**From:** Dora Villavicencio, Ext. 230

**RE:** Commercial Package  
 Policy Number: 02LX75078010

*Jim -  
Please  
Review*

Number of pages in this transmission: 15

Attached please find a proposal for the renewal policy. Please forward the following to my attention no later than Monday, 5/12/03. I will need originals of everything.

- Signed Client Authorization to Bind
- Signed Acord Application
- Signed Windstorm waiver
- Signed Terrorism Waiver or \$656 additional premium for the coverage
- Full premium in full of \$2376 payable to USI Florida

*SMS*

If you have any questions, please let me know.  
Thank you.

*Approved*

*Dora*

*JVB 5/6/03*

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