

ORIGINAL

State of Florida



Public Service Commission

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

RECEIVED-FPSC

03 DEC 26 AM 8:22

COMMISSION
CLERK

DATE: December 26, 2003
TO: Division of Commission Clerk and Administrative Services
FROM: Sam Merta (Professional Accountant Specialist) SM
RE: Docket No. 030423-WU

Attached is a December 18, 2003 letter from Robert C. Nixon, Cronin, Jackson, Nixon & Wilson, to Troy Rendell presenting additional documentation related to areas that remain in dispute. Please include these letters in the above docket file.

cc: Division of Economic Regulation (Rendell)

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

DOCUMENT NUMBER-DATE

13475 DEC 26 03

FPSC-COMMISSION CLERK

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
CHRISTINE R. CHRISTIAN, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
REBECCA G. VOITLAIN, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 33765-4419
(727) 791-4020
FACSIMILE
(727) 797-3602
e-Mail
cpas@cjinw.net

December 18, 2003

Mr. Troy Rendell
Public Utility Supervisor
Florida Public Service Commission
Division of Economic Regulation
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

RE: Residential Water Systems, Inc.
Docket No. 030423-WU

Dear Troy:

Thank you for your letter of December 8, 2003 and Staff's response to the information previously submitted. Mr. deMenzes is anxious to resolve the overearnings investigation as soon as possible.

On Monday, December 15, 2003, I met with Mr. deMenzes at my office and we discussed each element of Staff's response in detail. This letter and the enclosed Exhibits are presented as additional documentation related to the areas that remain in dispute.

Rate Base

1. Utility plant in service
 - a) Meter and services replacement

A misunderstanding exists as to the actual and estimated cost of replacing these items. That misunderstanding apparently relates to the auditor's interpretation of the letter from Mr. deMenzes and contract found in audit workpaper (WP) 16-16, page 4. That letter describes the scope of the proforma additions and contained an estimate to complete. Although the letter is undated, the auditor workpaper to which the letter is attached has a date of 8/03. What the letter meant to convey was that after the actual expenditures totaling \$40,810 (through June 19, 2003), an additional \$120,000 would be needed to complete, bringing the total estimated project cost to approximately \$147,000. A summary of the additions through June 19, 2003 is as follows:

13475 DEC 26 8

FPSC-COMMISSION CLERK

Mr. Troy Rendell
 Public Utility Supervisor
 Florida Public Service Commission
 December 18, 2003
 Page Two

2001	\$ 7,064
2002	18,836
2003 -- 6/19/03	<u>14,910</u>
	40,810
Less: cost of new customer meters	<u>(14,064)</u>
Total replacements 6/19/03	26,746
Estimate to complete	<u>120,000</u>
Total project estimate 6/19/03	<u>\$ 146,746</u>

That this total estimate at June 19, 2003 was reasonable can be demonstrated as follows:

	<u>No.</u>	<u>Cost</u>	<u>Total</u>
5/8 X 3/4" meters to be replaced	575	\$ 99	\$ 56,925
1" meters to be replaced	113	175	19,775
New services	188	250	<u>72,000</u>
Total estimated project cost			<u>\$148,700</u>

Since June 19, 2003, the Company has spent an additional \$8,618 on services and \$15,283 on meters and meter replacements. Of the \$15,283 related to meters and meter replacements, \$3,150 represented new connections (18 meters X \$175) for which meter fees were collected and therefore unrelated to the meter replacement project. As a result, meter replacements since June 19, 2002 total \$12,133. Thus, the remaining amounts to complete meter replacements and services as of December 15, 2003 is as follows:

Total project estimate to be complete 6/19/03	\$ 120,000
Completed services	(8,618)
Completed meter replacements	<u>(12,133)</u>
Total remaining on project at December 15, 2003	<u>\$ 99,249</u>

Attached to this letter is Exhibit A, which includes the letter indicating that \$120,000 was the estimate to complete as of June 19, 2003 and summaries showing the additions as of June 19, 2003 and December 15, 2003.

Mr. Troy Rendell
Public Utility Supervisor
Florida Public Service Commission
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b) Building

The Company is unable to make a firm commitment for completion of the \$59,000 building scheduled for completion by the end of 2004. This is due to the proposed magnitude of the rate decrease. However, management believes that it could commit to completion of the building by the end of 2005.

2. CIAC related to the replacement project

The Company will not collect any CIAC related to the meter replacement and service upgrades. Customers/developers have already paid for these items at the time of hook up and cannot be assessed again. The only additional CIAC, which is being collected, relates to new connections in Dalton Woods.

3. Averaging adjustments

The Company believes that year-end investment in the project to replace meters and upgrade water services should be recognized. By averaging these additions, the Company will not have the full cost of its investment recognized in going forward rates. The same is true of depreciation expense related to these improvements. In addition, this small company has experienced unusual growth due to the rapid build out of the Dalton Woods subdivision. Over the period January 1, 2001 through December 31, 2002, the Company added 97 one inch residential customers. This equates to an average growth rate over 24 months of 18.20%. This new subdivision resulted in extremely high water usage and produced a large increase in income, which in part, led to this rate investigation. Operating revenues increased from approximately \$152,000 in 2001 to \$198,000 in 2002, an increase of approximately 30%. We believe this level of growth in customers and revenues requires a year-end approach to rate base. Attached as Exhibit B is an explanation of the extraordinary growth and demands on the water system due to the addition of the Dalton Woods subdivision.

4. Accumulated depreciation

The Company agrees with the Staff's calculation of historic accumulated depreciation. The only remaining issue relates to accumulated depreciation and depreciation expense on the projected plant additions. As mentioned above, we believe that a full year's accumulated depreciation and full year's depreciation expense on the proforma additions is necessary to recognize the Company's full investment on a going forward basis.

5. CIAC and accumulated amortization

The Company agrees with Staff's comments on CIAC and accumulated amortization.

Operating Income

1. O&M expense

a) Officer's Salary

The Company does not believe that Staff's proposal to reduce Mr. deMenzes' salary based on \$28.63 per hour is fair. Mr. deMenzes set his salary for Residential Water Systems, Inc. based on the time and value of his services rendered to the Utility. A more reasonable hourly rate would be at least \$39 per hour.

This hourly rate was developed using 2000 U.S. Census Bureau Median earnings for Chief Executives in Florida, who were working full time. According to this Census Data, the Median 2000 salary was \$76,651. Assuming a 40 hour week and 2,080 hours per year, this equates to \$36.85 per hour. This data is 3 years old. If the Commission's GNP Price Deflator Indexes are then applied for 2001 – 2003, the current fair hourly rate is \$39.16, say \$39.

Based on 30 hours per week and 1,560 hours per year, the fair annual salary for Mr. deMenzes is \$60,840. Attached as Exhibit I is the Census data on which these calculations are based. In addition, a letter from the Company's contract services plumber is attached that shows an hourly rate of \$50. Mr. deMenzes believes that his salary should at least be comparable to the hourly rates paid to outside contractors for their services.

Finally, it should be noted that Mr. deMenzes' current salary is being covered by the existing low service rates. He is not asking for a rate increase to pay his salary.

b) Officer life insurance

Staff has removed the expense for officer's life insurance on the basis that the beneficiary was the Utility's former owner. This is not correct and the auditor failed to ask who the current beneficiaries were and relied solely on the 1996 agreement for sale and purchase of the Company. On May 6, 2002, the beneficiaries were changed to the following:

Tradewinds Utilities, Inc. – 20%;
Pette Roderick (wife) – 40%; and
Residential Water Systems, Inc. – 40%

Therefore, 40% of the annual premium should be recognized as insurance expense. The quarterly premium is \$3,700.20. Therefore the Utility's portion of the cost is \$5,920.31 (\$3,700.20 X 4 X 40%). Attached as Exhibit C is documentation for the change of beneficiaries and a copy of the quarterly premium billing from Valley Forge Life Company, a CNA company.

Mr. Troy Rendell
Public Utility Supervisor
Florida Public Service Commission
December 18, 2003
Page Five

c) Management fees

Staff has allowed approximately \$29,000 for management fees for 2003. It is unclear exactly what this amount consists of since certain maintenance expenses performed by MIRA are included in the total. The Company believes this amount exclusive of the maintenance expenses, is understated and does not reflect a fair allocation of actual costs. Attached as Exhibit D is a schedule showing that the current weekly management fee allocated to Residential Water Systems, Inc. is \$781.85. On an annual basis, this amounts to approximately \$40,656. As you will note, the total expense was allocated based on number of customers and includes the salary of the utility maintenance man, related benefits, workmen's comp insurance, liability and casualty insurance, and other administrative overhead. The Company believes that these actual allocated costs should be utilized in addition to the other maintenance contract services, which are provided to the utility.

d) Miscellaneous expense

The preliminary Staff calculations have zero provision for any miscellaneous expenses. Apparently, the audit staff reclassified balances in 2002 miscellaneous expense to other accounts. However, the Company incurs ongoing miscellaneous expense for bank charges and charges related to direct deposit and administration of payroll and related expense. Residential Water Systems, Inc. is a credit card merchant and allows its customers to pay for their water bills with credit cards. The Company is charged a monthly service fee by the bank for such credit card sales. Credit card payments are provided as a service to the customers, many of whom take advantage of this option for payment. The charges for payroll processing include direct deposit of employee paychecks, payroll record keeping and all payroll tax reporting and administration. Through November 30, 2003, such charges totaled \$2,855. On an annualized basis, these charges are expected to total approximately \$3,115.

Attached as Exhibit E is a summary and breakdown of bank and payroll processing charges through November 30, 2003. We believe that the auditors finding that \$1,740 in this account was interest, is completely erroneous. The Company knows better than to charge interest expense above the line as a miscellaneous expense.

Capital Structure

1. Long-term debt

a) Wachovia loan payoff

As indicated in the Company's initial response, the Wachovia loan has been paid off. Attached as Exhibit F is a letter from the bank acknowledging the pay off as well as a copy of the satisfaction of the mortgage.

Mr. Troy Rendell
Public Utility Supervisor
Florida Public Service Commission
December 18, 2003
Page Six

b) State of Florida loan

The current balance on the State of Florida loan through DEP is \$178,794. Attached as Exhibit G is a copy of the amortization schedule and a copy of the general ledger account balance for this loan showing the same outstanding balance. In addition, the local disbursement officer contact information with DEP is provided.

c) Bobcat and Kubota

Attached as Exhibit H is a copy of the general ledger page showing the balance on this note of \$15,437 as of November 30, 2003.

Troy, I hope this additional information and enclosed Exhibits are of assistance to you. Based on my experience, Residential Water Systems, Inc. is one of the better run small utilities I have seen. The state of maintenance of the system and attention to customer service is exceptional. In addition, I believe the record keeping is far above average. Although we can argue about how expenses may have been misclassified in certain accounts, certainly the detailed descriptions and record keeping are very good. At the same time, I believe you would agree that the existing rates are extremely low and that any drastic reduction in rates and revenues could have a detrimental impact on continued maintenance of the system and customer service. Sometimes, setting rates which are fair involves consideration of qualitative factors and not simply a quantitative analysis applied to the standard rate making formula. I trust you will keep these factors in mind as we proceed to resolve this matter in an expeditious manner.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON



Robert C. Nixon

cc: Charles deMenzes w/enclosures
Marty Deterding w/enclosures
Wayne Schiefelbein w/enclosures

RCN:dd

Enclosures

8/03 per
PSC:W.F.

Residential Water Systems, Inc.
P.O. Box 5220
Ocala, FL 34478
352-622-4949

Scheduled Replacement and/or Upgrades since 2001.

Replace all meters with AMR type (Invensys) in the following subdivisions:

- Edgewood
- Suntree
- Country Estates Buffington
- High Point
- Wineberry
- Dalton Woods

Replace all thin wall poly services with current standard thick wall poly in the following subdivisions:

- Edgewood
- Suntree
- Country Estates Buffington
- High Point
- Wineberry

Install under road chases in the following subdivisions:

- Edgewood
- Suntree
- Country Estates Buffington

Status as of June 25, 2003:

- 113 (5/8") meters replaced
- 44 (1") meters replaced

Funds expended in 2002 were \$25,900.00

Funds expended so far in 2003 are \$14,910.00

$$\begin{array}{r} \$7066 \text{ pd. in 2002, Completed in 200} \\ 18836 \\ \hline \$25,902 \\ \rightarrow \text{thru 6/19/03} \end{array}$$

Total to date \$40,810.00

Estimated projected cost to complete AMR and lateral service replacement is \$120,000.00 to be completed in 18 months.

Exhibit A, of 3

YEAR OF REPORT 12/12/2003

WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT DESCRIPTION (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	DELETIONS (e)	CURRENT YEAR (f)
301	FRANCHISES AMORT 4 YEARS	400	0	0	400
304	STRUCTURES AND IMPROVEMENTS	43,366	1,610	0	44,976
310	POWER GENERATION EQUIPMENT	32,588	0	0	32,588
311	PUMPING EQUIPMENT	47,374	39,906	40,086	47,194
320	WATER TREATMENT EQUIPMENT	89,714	0	0	89,714
330	DISTRIBUTION RESERVOIR AND STANDPIPES	173,719	0	0	173,719
331	TRANSMISSION AND DISTRIBUTION MAINS	198,553	0	0	198,553
333	SERVICES	26,115	13,233	0	39,348
334	METERS AND METER INSTALLATIONS	42,705	(1) 25,578	39,811	68,283
335	HYDRANTS	14,500	0	0	14,500
339	OTHER TANGIBLE PLANT AND MISC EQUIPME	4,920	0	0	4,920
340	OFFICE FURNITURE AND EQUIPMENT	27,985	0	1,976	26,009
	TOTALS	\$ 701,939	80,327	42,062	740,204

W-1

Additions as of 12/15/03

(1) Includes cost of 18 New Meters, not part of replacement program. $CIMC + Cost = 18 \times \$175 = \underline{\underline{\$3150}}$

EXHIBIT "E"

Residential Water Systems, Inc.
P.O. Box 5220
Ocala, FL 34478

June 26, 2003

To Whom It May Concern:

In 1999 Residential Water Systems, Inc. applied to the Florida PSC for an extension of its franchised area, which was approved in Order No. PSC-99-2248-FOF-WJ as of 11/15/1999. The new development known as Dalton Woods, with all ¼ acre lots, was originally projected to build out in 5 to 7 years as the majority of medium to high priced subdivisions have in the past.

What was not expected was a complete sellout of the subdivision in less than 120 days. Construction began in late 2000 with four (4) homes, then in 2001 fifty-three (53) homes and in 2002 forty (40)-homes for a total of 97 homes in two (2) years.

During this construction we were in the midst of upgrading our water plant to handle the projected water demand from the new subdivision as well as bringing the plant up to current capacity code regarding fire flow.

Contractors in the meantime were building furiously and upon completion of each home, they were irrigating the ¼ acre lots in an attempt to complete landscaping and grass (St. Augustine) for marketing purposes.

As a result of the new construction and construction irrigation we experienced a tremendous water demand and unusual income. The average contractor would use 100,000 to 150,000 gallons of water per month once the landscaping was installed. Once the vegetation took hold, the contractor would reduce usage accordingly. Our water demand this year has reduced significantly now that homeowners are maintaining their own property as our monthly accounting reports for 2003 currently reflect.

Please take this into consideration in calculating future income and expense levels.

Sincerely,

Charles deMenzes
President

Exhibit B
page 1 of 1

F1



100 CNA Drive Nashville TN 37214-3439

May 6, 2002

Charles DeMenzes
12601 SE Sunset Harbor Rd.
Weirsdale, FL 32195

Valley Forge Life Insurance Company
Insured: Charles DeMenzes
Policy Number: AUBA000374

AN IMPORTANT NOTICE ABOUT YOUR LIFE INSURANCE POLICY

Dear Mr. DeMenzes:

We have received your request to change this policy's beneficiary and recorded the change in our records. Enclosed is your copy of the beneficiary change request. Please keep it with your policy.

Thank you for making CNA your insurance carrier and we hope you will consider us for your future insurance needs. If you have questions or need further assistance, please contact your agent who will assist you or contact us directly at 1-800-437-8854.

Sincerely,
Policy Owner Services Team

Enclosure

rd

cc: Best Agcy-USA Inc #2237
Scott R. Kiefer #049115001



Change Of Beneficiary

Check one:

Please print or type all information. See instructions.

- Continental Assurance Company, CNA Plaza, Chicago IL 60685
 - Valley Forge Life Insurance Company, 401 Penn Street, Reading PA 19601
- Executive Office: CNA Plaza, Chicago IL 60685
 Administrative Office: CNA Life, P.O. Box 305153, Nashville TN 37230-5153

Policy No.: AUBA000374 Insured: CHARLES DE MENZES
 Owner: CHARLES DE MENZES

I, owner of the above numbered policy, revoke the beneficiary designation and any election of settlement option now in effect, and change the beneficiary designation for payment of the net proceeds in one sum to:

Primary Beneficiary's Name and Address:

TRADEWINDS UTILITIES, INC. P.O. BOX 5700 OCALA, FL 34478 - 20%
BETTE ROADERICK 12601 SE SUNSET HARBOR ROAD WEIRSDALE, FL 32195 - 40% (WIFE)
RESIDENTIAL WATER SYSTEMS, INC. P.O. BOX 5700 OCALA, FL 34478 - 40%

Date of birth

Relationship to insured

Contingent Beneficiary's Name and Address:

Date of birth

Relationship to insured

If the above Policy now requires endorsement of Change of Beneficiary, I request that the Company waive all such requirements. I expressly agree that the above revocation and change, upon being filed with the Company, will take effect as of the date this notice was signed, except as to any payment made by the company before this revocation and change is recorded by the Company. The right to change the beneficiary is reserved unless otherwise stated above.

I authorize the above change of beneficiary.

Dated the 8th day of APRIL 2002 (month/year).

Charles De Menzes
 Owner (Officer's Title)

Donna Phife
 Witness (required for residents of MA only)

Spouse (Community Property States only) (AZ, CA, ID, LA, NM, NV, WA, WI)

Irrevocable Beneficiary (only required if the previous beneficiary included an irrevocable designation)

The above requested Change of Beneficiary has been accepted and recorded by The Company at its Office

By: *Archie* Date: MAY 06 2002

Exhibit C
Page 2 of 3

Valley Forge Life Company



For All the Commitments You Make®

CNA Insurance - Life
(800) 437-8854
PO BOX 305153
Nashville, TN 37230-5153

STATEMENT OF PREMIUMS DUE

JANUARY 03, 2003

AGENT INFORMATION:

CHARLES DE MENZES
12601 SE SUNSET HARBOR ROAD
WEIRSDALE, FL 32195

SCOTT ROBERT KIEFER
*THE KIEFER AGENCY INC
2143 NE 2ND STREET
OCALA, FL 34470
(352)732-7500

INDIVIDUAL LIFE INSURANCE FOR:
QUARTERLY RENEWAL PREMIUM DUE FOR:
POLICY NUMBER:
BILL CONTROL NUMBER:
AMOUNT DUE:

CHARLES DE MENZES
JANUARY 28, 2003
AUBA000374
0030100001

\$3,700.20

40% = 1480.08

KEEP THIS PORTION. A RETURN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

BA

08A012LAUBA000374ZZ0003700202003012800301000011000000001

Exhibit C
Page 3 of 3

Residential Water Systems, Inc. Analysis of Management Fee

Attachment "A"							
Analysis of Weekly Expense Allocation Attributed to Residential Water Systems, Inc.							
Utility Company	# Water Accts			% Total			
Residential Water	632			47%			
Tradewinds Utilities	498			37%			
CFAT H2o	221			16%			
BFF				0%			
Total Num Accts	1381						
Maintenance Dept	Weekly	Weeks	Monthly	Annual	Weekly	RWS Wkly Portion	Annual Amount
Steve Carroll	650.00	54	2,925.00	35,100.00	675.00		
Corp SS				2,685.15	51.84		
Overtime				2,000.00	38.46		
Hospitalization			593.36	7,120.32	136.93		
Workmens Comp				3,500.00	67.31		
Van Insurance			101.00	1,212.00	23.31		
Fuel Avg			350.00	4,200.00	80.77		
Total Service Dept					1,073.41	502.14	26,111.50
Office Expenses							
Mortgage			1,510.00	18,120.00	348.48		
Ocala Utilities			800.00	9,600.00	184.62		
Grounds Maint			250.00	3,000.00	57.69		
Real Estate Taxes				3,800.00	73.08		
Phone Service			250.00	3,000.00	57.69		
Yellow Pages			166.00	1,992.00	38.31		
Janitorial			200.00	2,400.00	46.15		
Total Facilities Exp			RWS @ 6.5%		806.00	56.56	2,940.98
Other Gen Expenses							
Liability & Casualty							
Insurance Coverage				1,503.00	13.52		
Meter Reading				3,792.00	72.92		
Postage				2,806.08	53.96		
Supplies (paper, envelopes)				1,137.60	21.88		
Cell Phones				4,200.00	37.78		
Misc				1,200.00	23.08		
Total Other					223.15	223.15	11,603.66
Total Weekly RWS Liab						781.85	40,656.03
Charged in 2002						600.00	28,000.00
							Annual Shortfall
Undercharged						(281.85)	(14,656.03)

**Analysis of Miscellaneous Bank, Credit Card and Payroll Charges
for Residential Water Systems, Inc. from January through November 2003**

Month	Credit Card	Bank Charges	Payroll Charges	
Jan	54.58	148.00	104.40	306.96
Feb	50.08	104.12	104.40	258.60
Mar	61.42	99.61	104.40	265.43
Apr	47.35	90.10	104.40	241.85
May	60.08	103.17	105.00	268.25
Jun	66.28	100.80	108.40	275.28
Jul	55.22	91.67	112.40	259.29
Aug	63.80	60.42	113.00	237.02
Sep	62.74	72.20	112.40	247.34
Oct	51.84	97.23	112.40	261.47
Nov	49.16	81.80	102.70	233.66
				2,855.15

WACHOVIA

Retail Credit Servicing

P.O. Box 13327

Roanoke, Virginia 24040-0343

August 15, 2003

Residential Water Sysyem Inc

PO BOX 5220

OCALA FL 34478

Loan Number: 321090000005849

Date Closed: 07/29/2003

Interest Paid This Year: \$4,688.23

Dear Residential Water Sysyem Inc:

Thank you and congratulations on paying off your Wachovia loan. We have certainly appreciated your business. Now that your account has been paid in full, we will go ahead and forward the mortgage to the appropriate courthouse for release.

Should you have any questions or need additional information, please call
1-800-347-1131.

Sincerely,



William R Scarborough

Senior Leader, VP

Wachovia Direct

Prepared By:

Wachovia Bank, N.A.
PO Box 33010
Roanoke, VA 24022
By Kelly Oakes



6.03

DAVID R ELLSPERMANN, CLERK OF COURT MARION COUNTY
DATE 08/18/2003 04:34:37 PM
FILE #: 2003105755 OR BK/PG 03496/0727

RECORDING FEE \$ 6.00

SATISFACTION OF MORTGAGE

THE UNDERSIGNED AS OWNER OF THAT CERTAIN MORTGAGE MORE PARTICULARLY IDENTIFIED BELOW AND THE OBLIGATION WHICH IT SECURES, CERTIFIES THAT SAID MORTGAGE AND OBLIGATION HAVE BEEN PAID AND FULLY SATISFIED, AND HEREBY DIRECTS THAT THE SAME BE DISCHARGED OF RECORD. TO-WIT: THE MORTGAGE DEED WHEREIN.

MORTGAGOR WAS: RESIDENTIAL WATER SYSTEM INC

DATE OF MORTGAGE: February 20, 2001

ORIGINAL PRINCIPAL
AMOUNT OF DEBT SECURED: \$90,000.00

PLACE OF ORIGINAL
RECORDING. MARION

RECORDING REFERENCE: BOOK: 2939 PAGE: 1344 CLERK'S FILE NO. N/A

IN WITNESS WHEREOF, UNDERSIGNED HAS DULY EXECUTED THIS SATISFACTION AS OF 31st day of July, 2003.

WITNESS:

Jill Romain, Witness

WACHOVIA BANK, N. A., FORMERLY
REPUBLIC SECURITY BANK

By (SEAL)
Kelly M Oakes, Assistant Vice President

STATE OF VIRGINIA
CITY OF ROANOKE

On the 31st day of July, 2003, before me a Notary in and for said county, personally came the above named Kelly M Oakes, Assistant Vice President, an Authorized Officer of WACHOVIA BANK, N. A., known to me to be the person named in or has produced satisfactory identification to prove such and who executed the above instrument, and acknowledged that he/she executed the same for the intents and purposes therein mentioned.

Cynthia Catino, Notary Public

MY COMMISSION EXPIRES 01-31-2007

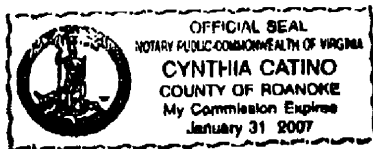


Exhibit F
Page 2 of 2



ACCT # DATE C/J NUM BEG BAL TR AMT DESCRIPTION

CR 0.00 DB 0.00 0.00 ENDING ACCOUNT BALANCE

224003 STATE OF FL SRF LOAN (DW4215-010)

-186,648.30 BEGINNING ACCOUNT BALANCE
 224003 01/01/2003 2 101 648.74 DEC 02 SALES..01/01/2003
 224003 02/01/2003 2 201 648.74 JAN SALES..02/01/2003
 224003 03/01/2003 2 301 648.74 FEB SALES..03/01/2003
 224003 04/01/2003 2 401 648.74 MARCH SALES..04/01/2003
 224003 05/01/2003 2 501 648.74 APRIL SALES..05/01/2003
 224003 06/01/2003 2 601 648.74 MAY SALES..06/01/2003
 224003 07/01/2003 2 701 648.74 JUNE SALES..07/01/2003
 224003 08/01/2003 2 801 648.74 JULY SALES..08/01/2003
 224003 09/01/2003 2 901 648.74 AUG SALES..09/01/2003
 224003 10/01/2003 2 1001 648.74 SALES SEPT..10/01/2003
 224003 11/01/2003 2 1101 648.74 OCT SALES..11/01/2003
 224003 12/01/2003 2 1201 717.83 NOV SALES..12/01/2003

CR 0.00 DB 7,853.97 -178,794.33 ENDING ACCOUNT BALANCE

224006 WACHOVIA BANK (90,000) 3-2-10-9000000584-9

-84,065.30 BEGINNING ACCOUNT BALANCE
 224006 01/13/2003 1 3025 292.95 WACHOVIA BANK, N.A.-584-9 01/2..01/13/2003
 224006 02/10/2003 1 3041 295.09 WACHOVIA BANK, N.A.-584-9 02/2..02/10/2003
 224006 03/07/2003 1 3057 297.24 WACHOVIA BANK, N.A.-584-9 03/2..03/07/2003
 224006 04/10/2003 1 3076 299.41 WACHOVIA BANK, N.A.-584-9 4/20..04/10/2003
 224006 05/08/2003 1 3088 301.59 WACHOVIA BANK, N.A.-584-9 5/20..05/08/2003
 224006 06/10/2003 1 3101 303.79 WACHOVIA BANK, N.A.-584-9 6/20..06/10/2003
 224006 07/09/2003 1 3110 306.01 WACHOVIA BANK, N.A.-584-9 7/20..07/09/2003
 224006 07/25/2003 2 725 81,969.22 PAID OFF BY DEMENZES..07/25/2003

CR 0.00 DB 84,065.30 0.00 ENDING ACCOUNT BALANCE

231000 ACCRUED SRF LOAN PAYMENT

0.00 BEGINNING ACCOUNT BALANCE
 231000 01/01/2003 2 101 -1,200.91 DEC 02 SALES..01/01/2003
 231000 02/01/2003 2 201 -1,200.91 JAN SALES..02/01/2003
 231000 03/01/2003 2 301 -1,200.91 FEB SALES..03/01/2003
 231000 04/01/2003 2 401 -1,200.91 MARCH SALES..04/01/2003
 231000 05/01/2003 2 501 -1,200.91 APRIL SALES..05/01/2003
 231000 06/01/2003 2 601 -1,200.91 MAY SALES..06/01/2003
 231000 07/01/2003 2 701 -1,200.91 JUNE SALES..07/01/2003
 231000 07/17/2003 2 717 7,205.45 SRF WIRED PAYMENT..07/17/2003
 231000 08/01/2003 2 801 -1,200.91 JULY SALES..08/01/2003
 231000 09/01/2003 2 901 -1,200.91 AUG SALES..09/01/2003
 231000 10/01/2003 2 1001 -1,200.91 SALES SEPT..10/01/2003
 231000 11/01/2003 2 1101 -1,200.91 OCT SALES..11/01/2003
 231000 12/01/2003 2 1201 -1,200.91 NOV SALES..12/01/2003

CR -14,410.92 DB 7,205.45 -7,205.47 ENDING ACCOUNT BALANCE

~~231004 ACCOUNTS PAYABLE TRADE~~

-2,024.14 BEGINNING ACCOUNT BALANCE

Exhibit G
page 143

284000

DCP Revolving Loan

Amortization Schedule

Project Sponsor: Residential Water Systems, Inc.

Project Number: DW4215 010

Initial Loan Rate: 3.55%

Date	No.	Payment	Serv. Fee	SF Interest	Interest	Principal	Amount to be Repaid
8/15/2000							205,115.60
2/15/2001	1- Pd	7,205.45	3,564.65	70.06	3,570.74		201,550.95
8/15/2001	2- Pd	7,205.45	382.13	6.78	3,570.75	3,245.79	197,923.03
2/15/2002	3- Pd	7,205.45			3,513.13	3,692.32	194,230.71
8/15/2002	4- Pd	7,205.45			3,447.60	3,757.85	190,472.86
2/15/2003	5- Pd	7,205.45			3,380.89	3,824.56	186,648.30
8/15/2003	6- Pd	7,205.45			3,313.01	3,892.44	182,755.86
2/15/2004	7	7,205.45			3,243.92	3,961.53	178,794.33
8/15/2004	8	7,205.45			3,173.60	4,031.85	174,762.48
2/15/2005	9	7,205.45			3,102.03	4,103.42	170,659.06
8/15/2005	10	7,205.45			3,029.20	4,176.25	166,482.81
2/15/2006	11	7,205.45			2,955.07	4,250.38	162,232.43
8/15/2006	12	7,205.45			2,879.63	4,325.82	157,906.61
2/15/2007	13	7,205.45			2,802.84	4,402.61	153,504.00
8/15/2007	14	7,205.45			2,724.70	4,480.75	149,023.25
2/15/2008	15	7,205.45			2,645.16	4,560.29	144,462.96
8/15/2008	16	7,205.45			2,564.22	4,641.23	139,821.73
2/15/2009	17	7,205.45			2,481.84	4,723.61	135,098.12
8/15/2009	18	7,205.45			2,397.99	4,807.46	130,290.66
2/15/2010	19	7,205.45			2,312.66	4,892.79	125,397.87
8/15/2010	20	7,205.45			2,225.81	4,979.64	120,418.23
2/15/2011	21	7,205.45			2,137.42	5,068.03	115,350.20
8/15/2011	22	7,205.45			2,047.47	5,157.98	110,192.22
2/15/2012	23	7,205.45			1,955.91	5,249.54	104,942.68
8/15/2012	24	7,205.45			1,862.73	5,342.72	99,599.96
2/15/2013	25	7,205.45			1,767.90	5,437.55	94,162.41
8/15/2013	26	7,205.45			1,671.38	5,534.07	88,628.34
2/15/2014	27	7,205.45			1,573.15	5,632.30	82,996.04
8/15/2014	28	7,205.45			1,473.18	5,732.27	77,263.77
2/15/2015	29	7,205.45			1,371.43	5,834.02	71,429.75
8/15/2015	30	7,205.45			1,267.88	5,937.57	65,492.18
2/15/2016	31	7,205.45			1,162.49	6,042.96	59,449.22
8/15/2016	32	7,205.45			1,055.22	6,150.23	53,298.99
2/15/2017	33	7,205.45			946.06	6,259.39	47,039.60
8/15/2017	34	7,205.45			834.95	6,370.50	40,669.10
2/15/2018	35	7,205.45			721.88	6,483.57	34,185.53
8/15/2018	36	7,205.45			606.79	6,598.66	27,586.87
2/15/2019	37	7,205.45			489.67	6,715.78	20,871.09
8/15/2019	38	7,205.45			370.46	6,834.99	14,036.10
2/15/2020	39	7,205.45			249.14	6,956.31	7,079.79
8/15/2020	40	7,205.46			125.67	7,079.79	0.00
Subtotals		288,218.01	3,946.78	76.84	83,025.57	201,168.82	

Exhibit C
Page 2 of 3

Charles DeMenzes

Full Name: Sheri Garcia
Last Name: Garcia
First Name: Sheri
Job Title: SRF Disbursement Officer
Company: FDEP

Business Address: 2600 Blair Stone Road
Station 3505
Tallahassee, FL 32399-2400

Business: (850) 245-8377
Business Fax: (850) 921-2769

E-mail: Sheri.Garcia@dep.state.fl.us

Pruyn, Carleen

ACCT #	DATE	C/J	NUM	BEG BAL	TR AMT	DESCRIPTION
235001	11/01/2003	2	1101		50.00	REV PD & J PROP..11/01/2003
235001	11/01/2003	2	1101		-50.00	ADJ PD & J PROPERTIES..11/01/2003
235001	11/01/2003	2	1101		80.00	OCT SALES..11/01/2003
235001	11/10/2003	2	1110		-20.00	CC DEP864131..11/10/2003
235001	11/10/2003	2	1110		-40.00	NEW ACCT DEPOSIT..11/10/2003
235001	11/10/2003	2	1110		-20.00	CC DEP851121..11/10/2003
235001	11/18/2003	2	1118		-20.00	CC DEP843192..11/18/2003
235001	12/01/2003	2	1201		20.00	NOV SALES..12/01/2003
CR	-1,310.00	DB	910.00		-3,414.76	ENDING ACCOUNT BALANCE
235002 REFUND CHECKS RETURNED				0.00		BEGINNING ACCOUNT BALANCE
CR	0.00	DB	0.00		0.00	ENDING ACCOUNT BALANCE
236001 ACCRUED TAXES PAYABLE				0.00		BEGINNING ACCOUNT BALANCE
236001	01/01/2003	2	101		-224.00	DEC 02 SALES..01/01/2003
236001	02/01/2003	2	201		-224.00	JAN SALES..02/01/2003
236001	03/01/2003	2	301		-224.00	FEB SALES..03/01/2003
236001	04/01/2003	2	401		-224.00	MARCH SALES..04/01/2003
236001	05/01/2003	2	501		-224.00	APRIL SALES..05/01/2003
236001	06/01/2003	2	601		-224.00	MAY SALES..06/01/2003
236001	07/01/2003	2	701		-224.00	JUNE SALES..07/01/2003
236001	08/01/2003	2	801		-224.00	JULY SALES..08/01/2003
236001	09/01/2003	2	901		-224.00	AUG SALES..09/01/2003
236001	10/01/2003	2	1001		-224.00	SALES SEPT..10/01/2003
236001	11/01/2003	2	1101		-224.00	OCT SALES..11/01/2003
236001	11/19/2003	1	3197		79.44	THOMAS 'MAC' OLSON-R35818-000-..11/19/2003
236001	11/19/2003	1	3197		226.41	THOMAS 'MAC' OLSON-R3581-000-0..11/19/2003
236001	11/24/2003	1	3200		3,077.44	THOMAS 'MAC' OLSON-P831196 200..11/24/2003
236001	12/01/2003	2	1201		-224.00	NOV SALES..12/01/2003
236001	12/01/2003	2	1201		-695.29	ADJ TO ACTUAL..12/01/2003
CR	-3,383.29	DB	3,383.29		0.00	ENDING ACCOUNT BALANCE
236002 BOBCAT & KUBOTA OF OCALA				-21,926.16		BEGINNING ACCOUNT BALANCE
236002	01/01/2003	2	101		1,699.60	YE 2002 ADJ..01/01/2003
236002	01/20/2003	1	3031		428.35	BOBCAT..01/20/2003
236002	02/14/2003	1	3046		429.75	BOBCAT..02/14/2003
236002	03/19/2003	1	3064		431.14	BOBCAT..03/19/2003
236002	04/16/2003	1	3078		432.54	BOBCAT..04/16/2003
236002	05/23/2003	1	3094		433.95	BOBCAT..05/23/2003
236002	06/18/2003	1	3107		435.36	BOBCAT/INGERSOLL-RAND FIN. SVC..06/18/2003
236002	07/18/2003	1	3120		436.77	BOBCAT/INGERSOLL-RAND FIN. SVC..07/18/2003
236002	08/20/2003	1	3141		438.19	BOBCAT/INGERSOLL-RAND FIN. SVC..08/20/2003
236002	09/19/2003	1	3157		439.62	BOBCAT/INGERSOLL-RAND FIN. SVC..09/19/2003
236002	10/24/2003	1	3182		441.05	BOBCAT/INGERSOLL-RAND FIN. SVC..10/24/2003
236002	11/19/2003	1	3196		442.48	BOBCAT/INGERSOLL-RAND FIN. SVC..11/19/2003
CR	0.00	DB	6,488.80		-15,437.36	ENDING ACCOUNT BALANCE

Exhibit H

U.S. Census Bureau

Earnings By Occupation and Education

TABLE 2. EARNINGS BY DETAILED OCCUPATION: 1999

(Data for Civilian Noninstitutional Workers From the 2000 Census. Workers who worked 50 weeks or more and 35 or more hours per week in 1999 were classified as year-round full-time workers.)

FLORIDA; BOTH SEXES

	Worked in 1999	Median Earnings	Percent College Graduates	Year-round Full-time Workers	Median Earnings	Percent College Graduates
21 to 74 years	7,369,435	\$23,964	25.1	4,788,230	\$29,961	27.1
MANAGEMENT OCCUPATIONS						
Chief executives	79,035	\$71,156	52.9	64,545	\$76,651	53.6
General and Operations Managers	60,345	\$47,108	39.8	51,635	\$50,031	40.0
Legislators	445	\$39,238	59.7	255	\$51,875	63.0
Advertising and Promotions Managers	3,395	\$39,280	63.0	2,660	\$41,993	61.2
Marketing and Sales Managers	66,560	\$44,106	50.3	51,880	\$50,371	50.7
Public Relations Managers	2,960	\$41,083	62.9	2,285	\$47,018	62.1
Administrative Services Managers	4,775	\$37,275	35.4	3,900	\$40,938	37.4
Computer and Information Systems Managers	13,545	\$59,102	57.6	11,755	\$61,588	58.4
Financial Managers	54,865	\$41,812	48.8	45,050	\$45,376	49.7
Human Resources Managers	26,420	\$36,143	37.8	20,825	\$40,102	39.7
Industrial Production Managers	12,435	\$41,924	32.1	10,495	\$45,056	32.3
Purchasing Managers	11,045	\$41,593	44.0	9,440	\$44,216	43.6
Transportation, Storage, and Distribution Managers	15,935	\$31,157	19.2	13,080	\$33,177	19.3
Farm, Ranch, and Other Agricultural Managers	7,415	\$29,495	21.0	5,300	\$34,413	22.3
Farmers and Ranchers	7,900	\$16,336	18.4	4,540	\$22,114	19.7
Construction Managers	43,515	\$44,701	26.4	35,400	\$48,271	27.2
Education Administrators	35,485	\$41,622	71.5	25,060	\$46,847	73.5
Engineering Managers	6,875	\$67,912	65.9	5,765	\$71,146	67.0
Food Service Managers	46,400	\$27,834	19.9	34,480	\$31,009	20.3
Funeral Directors	2,095	\$35,228	22.4	1,575	\$40,124	21.9
Gaming Managers	1,920	\$34,753	37.2	1,515	\$36,547	37.1
Lodging Managers	12,775	\$28,258	29.0	9,020	\$31,279	30.0
Medical and Health Services Managers	23,540	\$39,393	49.5	18,790	\$42,256	49.5
Natural Sciences Managers	560	\$58,611	89.6	455	\$73,958	93.7
Postmasters and Mail Superintendents	1,075	\$50,917	23.5	940	\$52,160	23.3
Property, Real Estate, and Community Association Managers	33,735	\$30,090	29.5	24,095	\$32,228	30.3
Social and Community Service Managers	10,820	\$31,858	59.6	8,065	\$36,179	62.7
Managers, All Other	104,185	\$41,666	40.9	82,995	\$46,506	41.3
BUSINESS AND FINANCIAL OPERATIONS OCCUPATIONS						
Agents and Business Managers of Artists, Performers, and Athletes	2,555	\$26,949	40.3	1,495	\$35,882	45.7
Purchasing Agents and Buyers, Farm Products	705	\$36,184	24.9	500	\$37,500	24.1
Wholesale and Retail Buyers, Except Farm Products	13,865	\$25,425	24.0	8,590	\$30,916	25.5
Purchasing Agents, Except Wholesale, Retail, and Farm Products	12,170	\$30,262	27.2	9,635	\$31,795	26.8
Claims Adjusters, Appraisers, Examiners, and Investigators	19,985	\$31,463	36.3	15,800	\$33,751	37.1
Compliance Officers, Except Agriculture, Construction, Health and Safety, and Transportation	5,945	\$31,848	40.8	4,735	\$35,282	43.1
Cost Estimators	6,390	\$36,738	23.5	5,170	\$40,192	23.2

TABLE 2. EARNINGS BY DETAILED OCCUPATION: 1999

(Data for Civilian Noninstitutional Workers From the 2000 Census. Workers who worked 50 weeks or more and 35 or more hours per week in 1999 were classified as year-round full-time workers.)

FLORIDA; BOTH SEXES

	Worked in 1999	Median Earnings	Percent College Graduates	Year-round Full-time Workers	Median Earnings	Percent College Graduates
Human Resources, Training, and Labor Relations Specialists	45,665	\$31,124	42.4	33,955	\$33,913	41.9
Logisticians	1,970	\$40,036	45.4	1,630	\$42,385	46.9
Management Analysts	30,200	\$42,049	64.0	19,260	\$50,847	63.7



HAROLD ELLZEY PLUMBING, INC.

1255 N.E. 17TH ROAD
OCALA, FLORIDA 34470
(352) 629-8142

November 7, 2003

Dear Valued Customer:

Your patronage over the years has been truly appreciated. It is always our desire to provide the highest quality service possible in a prompt and courteous manner. Our service rates have remained the same for 5 ½ years. Rising costs of operating expenses such as fuel, insurance, and the cost of living, make it necessary to implement an increase in those rates.

Effective Monday, January 5, 2004, our single man service rate will increase to \$50.00 per hour. Our overtime rate will increase to \$75.00 per hour for a single man. Our two man rate will also increase to \$75.00 per hour for a technician and helper during regular working hours. Rates for use of equipment will not change.

We thank you for your past patronage and hope that you will understand the need for this increase. We look forward to serving you, our valued customer, in the future.

Sincerely,

HAROLD ELLZEY PLUMBING, INC.

Chris Chappell
President

Exhibit I
Page 2 of 2