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State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

**DATE:** February 23, 2004

**TO:** Division of Commission Clerk and Administrative Services

**FROM:** Sam Merta, Professional Accountant Specialist, Division of Economic Regulation

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

Attached are three letters. The first is a letter dated October 9, 2003, but received November 7, 2003 from F. Marshall Deterding, Rose, Sundstrom & Bentley, LLP, to Troy Rendell, Public Utilities Supervisor, requesting additional time to review the staff audit workpapers. The Second is a letter dated November 18, 2003, from F. Marshall Deterding, Rose, Sundstrom & Bentley, LLP, to Troy Rendell, Public Utilities Supervisor, attaching revised calculations of the earnings status, rate of return and rate base for the utility. The third is a letter dated October 9, 2003, but received February 16, 2004, from F. Marshall Deterding, Rose, Sundstrom & Bentley, LLP, to Troy Rendell, Public Utilities Supervisor, attaching a copy of information relative to rate case expense. Please include these letters in the above docket file.

Cc: Division of Economic Regulation (Rendell)

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FPSC-COMMISSION CLERK

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October 9, 2003

**VIA HAND DELIVERY**

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RECEIVED  
DIVISION OF  
ECONOMIC REGULATION

03 NOV - 7 AM 10:28

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION

**Mr. Troy Rendell**  
Division of Economic Regulation  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**RE: Investigation into 2002 Earnings of Residential Water Systems, Inc. of Marion County; PSC Docket No. 030423-WU**

Dear Troy:

As a result of our review of the documents provided to us by the staff and my the enlistment of the services of Bob Nixon on behalf of Residential Water Systems, I am writing to you to outline our current position with regard to the above-referenced rate investigation.

We would like another couple of weeks in order to review the staff audit workpapers which we requested on Monday, November 4, 2003. We have been told we will receive those by Friday, November 7, 2003. I will then have to overnight them to Bob Nixon for his review.

We are concerned that the staff is preparing to issue a recommendation that will require that substantial additional monies be held subject to refund, and we believe that should be delayed, if at all possible, for another couple of weeks so that we can demonstrate to the staff initially that the understatement of rate base by reliance on a 1996 audit, fails to take into consideration the original cost of the facilities acquired by the current owner in the transfer during 1995. We believe this causes the rate base to be understated by over \$250,000 and as such, believe that the staff is moving forward with a recommendation that will overstate the amount needed to be held subject to refund by at least the revenue requirement related to that error.

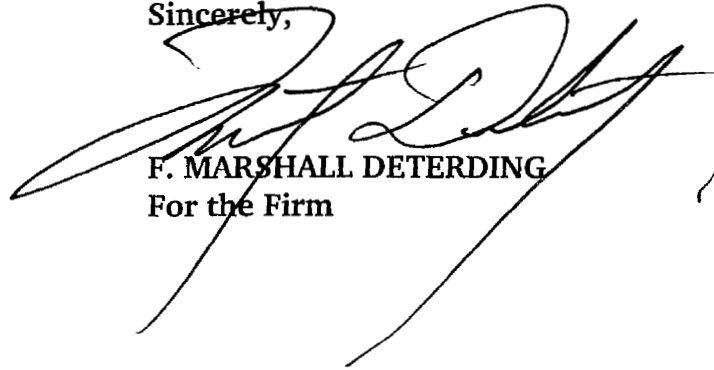
In addition, we will need a few weeks in order to fully analyze these audits on all of the other issues, before we can meet again with the staff to discuss where we go from here.

Mr. Troy Rendell  
November 6, 2003  
Page 2

I understand the staff's desire to go back to the agenda to obtain additional security for any potential overearnings, however, a couple of weeks would make all the difference in our being able to demonstrate to the staff at least some of the major areas where we believe the current position overstates the overearnings alleged, and hasty action which overstates the required escrow may financially cripple this small company.

Please contact me at your earliest convenience and let's see what we can do to resolve these concerns.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'F. Marshall Deterding', is written over the typed name and title.

F. MARSHALL DETERDING  
For the Firm

FMD/tms

cc: Ralph Jaeger, Esq.  
Charles de Menzes  
Robert C. Nixon, CPA  
Jennifer Iwenjiora  
Wayne Schiefelbein, Esquire

Residential Water Systems/rendell.ltr

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MARTIN S. FRIDMAN, P.A.  
VALERIE L. LORD, OF COUNSEL  
(LICENSED IN TEXAS ONLY)

**November 18, 2003**  
**VIA HAND DELIVERY**

**Mr. Troy Rendell**  
**Division of Economic Regulation**  
**Florida Public Service Commission**  
**2540 Shumard Oak Boulevard**  
**Tallahassee, FL 32399-0850**

03 NOV 19 AM 10:29  
DIVISION OF  
ECONOMIC REGULATION  
FLORIDA PUBLIC SERVICE  
COMMISSION

**RE: Investigation into 2002 Earnings of Residential Water Systems, Inc. of Marion County; PSC Docket No. 030423-WU**

**Dear Troy:**

After enlisting the services of Bob Nixon and his review of the various audits, staff recommendations, and numerous discussions with company representatives and the staff, he has prepared a revised calculation of the earnings status, rate of return and rate base for the Utility. There are significant adjustments contained herein that we believe the staff will recognize as appropriate. These reflect overearnings in the range of \$25,000 to \$30,000 on a going forward basis. This is substantially less than the staff's most recent calculation proposed. To the extent you have not already discussed the changes with Bob Nixon, you should probably contact Bob directly to discuss further.

Some of the key points are as follows:

1. I am attaching a group of four schedules prepared by Bob Nixon beginning with a water Rate base schedule and three additional pages to explain the adjustments made by Bob to that rate base as of September 30, 2003. Also attached is a group of two schedules dealing with the calculation of operating income for the year ended December 31, 2003 and two schedules dealing with the cost of capital, calculating a rate of return of 6.30% for the year ended December 31, 2003.
2. Secondly, I am attaching a group of schedules prepared by Mr. Nixon detailing additional O&M expense adjustments that should be recognized

by the staff. Many of these come directly from discussion with the staff or review of staff workpapers. The source of each of those adjustments is detailed on Bob Nixon's schedules. To the extent you need further explanation, you should contact Bob directly. However, I have outlined below five items that you should note in your review of these calculations:

- a) Unaccounted for Water - The Residential Water Services' systems are relatively old systems. The Commission staff initially made adjustments to both chemicals and electric cost based upon excessive unaccounted for water above 10%. The Commission has, on several occasions, recognized greater than 10% unaccounted for water as reasonable, based upon the systems involved being relatively old and therefore finding it is reasonable for the utility to have higher level of unaccounted for water. While management is undertaking several projects to replace lines, meters, etc. in order to reduce unaccounted for water, the Commission should recognize that the minor adjustments made by them are not appropriate given the age of the system and the small amount of the overall adjustment proposed. Therefore, no such adjustment to chemicals and electric expense has been made by us.
- b) Contractual Service - We have included small provisions for recurring legal and accounting costs, above that originally proposed by the staff. The Utility will enlist the services of outside accountants to assist in making sure record keeping is up-to-date in conformance with NARUC and PSC directives and in dealing with indexes and annual report review prior to filing. In addition, the Utility will incur regular legal services on a going forward basis, in order to assist in such areas as Water Use Permit renewal that is ongoing as I write, and other general regulatory advice. These allowances are reasonable.
- c) Miscellaneous Expenses - The staff has failed to include any miscellaneous expenses in their calculations. The Utility incurs both bank and payroll service charges on a monthly basis. Through October 31, 2003, the actual incurred miscellaneous expenses for these items totals \$2,509. Based upon this, the Utility has included \$3,000 for miscellaneous expenses.

Mr. Troy Rendell  
November 18, 2003  
Page 3

- d) Depreciation Expense - The depreciation expense included in Mr. Nixon's calculations of operating income and additional expenses are derived from the information contained in the revised rate base, plant in service, etc. schedules also attached.
  - e) Property and Real Estate Taxes - The property and real estate taxes included in Mr. Nixon's schedules are those actually incurred by the Utility as of October 31, 2003. Copies of bills are attached.
3. I am also attaching a copy of excerpts from the profit and loss statement from the Utility's actual books through October 31, 2003. Billed revenues for water service to date totaled \$172,514 as is evident from these schedules. If that figure is annualized, the total revenue projected for calendar year 2003 is \$207,017 which is less than that projected by the Commission staff before consideration of other miscellaneous service charge revenues. Therefore, we believe the projected revenue figure for 2003 should be based upon the actual experience of the Utility. The staff's calculations and projected revenues should be adjusted accordingly.

The factored ERC figures included in the attached schedules and the rates all assume that the 1" meters will be continued to be billed as 1" meters under whatever rates are ultimately determined to be appropriate on a going forward basis. We do not believe at this time it is appropriate to make an adjustment to that category. To the extent a rate reduction is incorporated, it should be one that is made across the board to the various categories of rates.

Finally, another issue remains outstanding. The Utility is currently involved in a Water Use Permit renewal process with the Water Management District. We had approached the staff about our concern that the Water Management District was trying to require that the Utility file for approval of an inclining block rate structure with the PSC. We believe that such a change in rate structure will be very costly and is inappropriate. In addition, the Utility does not have high average usage to warrant such a change. The staff had indicated their willingness to contact the Water Management District to convince them not to move forward with such a requirement at this time. We believe that it is imperative that the staff do so, otherwise the Utility believes that we will have to deal with that issue in this proceeding as well.

If the staff is willing to accept the adjustments as made in the attached

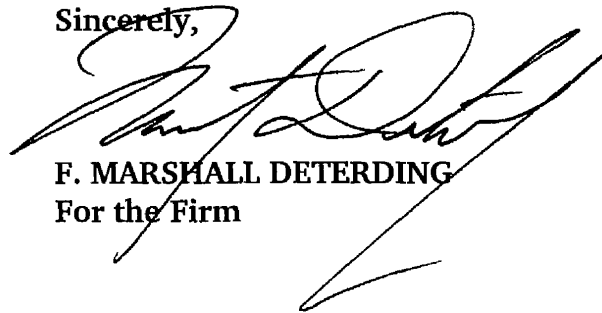
Mr. Troy Rendell  
November 18, 2003  
Page 4

schedules and as outlined herein, we believe we can resolve this matter with the staff in very short order, and begin the rate reductions immediately.

However, you should review these adjustments as quickly as possible, in light of the staff's intent to recommend that higher amounts be held subject to refund. While we do not object to an increase in the amount held subject to refund based upon our revised calculations herein, we are very concerned with the adverse impact on this small utility of increasing the amount required to be escrowed well above the levels needed to secure an appropriate calculation of the refund. We at the Utility are ready to resolve this entire case immediately, if the staff is willing to do so based upon these adjustments that have been made.

If you have any questions of me or of Mr. Nixon, please let us know. We stand ready to assist the staff in ensuring that an excessive provision for refunds is not undertaken in the short term, and that this matter is resolved on a going forward basis as quickly as possible.

Sincerely,



F. MARSHALL DETERDING  
For the Firm

FMD/tms

cc: Ralph Jaeger, Esq.  
Jennifer Iwenjiora  
Charles de Menzes  
Robert C. Nixon, CPA  
Wayne Schiefelbein, Esquire

Residential Water Systems  
Schedule of Water Rate Base  
As of 9/30/03

	<u>Balance Per Analyst</u>	<u>Utility Adj to Staff Bal</u>	<u>Balance per Utility</u>
Utility Plant in Service	\$ 945,715	\$ 223,929	\$ 1,169,644
Land and Land Rights	7,704		7,704
CIAC	(910,120)	(12,595)	(922,715)
Accumulated Depreciation	(206,039)	(15,259)	(221,298)
Amortization of CIAC	293,348	9,089	302,437
Working Capital Allowance	<u>15,081</u>	<u>696</u>	<u>15,777</u>
Water Rate Base	<u>\$ 145,689</u>	<u>\$ 205,860</u>	<u>\$ 351,549</u>



Residential Water Systems  
Adjustments to Rate Base  
12/31/2003

Description	Water																												
<u>Utility Plant in Service</u>																													
Proforma adjustments																													
(1) Balance of cost of utility building upgrade (See Analyst memorandum dated 8/05/2003; Proforma adjustment #2 B-6 \$59,000 total less \$5,000 deposit in 2002 = \$54,000)	\$ 54,000																												
(2) Distribution system upgrades (See Staffs 2nd data request response # 40 G-3)	99,100																												
(3) Add Other Plant not included in Staff Original Cost Study (Amounts from Staffs 2nd data request Exhibit A G-4)	4,920																												
(4) Add Office Furniture not included in Staff Original Cost Study (Amounts from Staffs 2nd data request Exhibit A G-4 \$26,009 less \$22,926 2002 addition per DeMenzes W/P E-2 and included in Account 345 per Analyst Depreciation W/P C-4)	3,084																												
(5) Retire pre-2002 meters (Per Analyst Memorandum, Page 5 B-5, the Analyst states that "In year 2002, the utility started to replace <u>all</u> of the regular meters...". Therefore, I am retiring all meters pre-2002).	(6,397)																												
(6) Proforma capitalization of meter replacements: (Per Staff 4th data request # 51 I-6)																													
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">5/8"</th> <th style="text-align: center; border-bottom: 1px solid black;">1"</th> <th style="text-align: center; border-bottom: 1px solid black;">Total</th> </tr> </thead> <tbody> <tr> <td>Cost of new meters I-6</td> <td style="text-align: right;">\$ 89.62</td> <td style="text-align: right;">\$ 156.72</td> <td></td> </tr> <tr> <td>Cost of Labor (note)</td> <td style="text-align: right; border-bottom: 1px solid black;">9.00</td> <td style="text-align: right; border-bottom: 1px solid black;">18.28</td> <td></td> </tr> <tr> <td>Total cost of installed meters</td> <td style="text-align: right;">98.62</td> <td style="text-align: right;">175.00</td> <td></td> </tr> <tr> <td>Number of meters</td> <td style="text-align: right; border-bottom: 1px solid black;">535</td> <td style="text-align: right; border-bottom: 1px solid black;">113</td> <td></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$ 52,762</td> <td style="text-align: right;">\$ 19,775</td> <td style="text-align: right;">\$ 72,537</td> </tr> <tr> <td>2002 &amp; 2003 additions C-4</td> <td></td> <td></td> <td style="text-align: right;">(39,914)</td> </tr> </tbody> </table>		5/8"	1"	Total	Cost of new meters I-6	\$ 89.62	\$ 156.72		Cost of Labor (note)	9.00	18.28		Total cost of installed meters	98.62	175.00		Number of meters	535	113		Total	\$ 52,762	\$ 19,775	\$ 72,537	2002 & 2003 additions C-4			(39,914)	32,623
	5/8"	1"	Total																										
Cost of new meters I-6	\$ 89.62	\$ 156.72																											
Cost of Labor (note)	9.00	18.28																											
Total cost of installed meters	98.62	175.00																											
Number of meters	535	113																											
Total	\$ 52,762	\$ 19,775	\$ 72,537																										
2002 & 2003 additions C-4			(39,914)																										
<p>Note: Cost of labor calculated as the difference between the stated cost of a 1" meter per I-6 and the meter fee collect at actual cost per client. I have arbitrarily used 1/2 of this developed cost as the labor charge to install a 5/8" meter.</p> <p>Note also that the analyst stated B-5 cost for a 5/8" AMR meter is \$135. I am unsure how this cost compares to the cost of a 5/8" meter shown above, or whether this amount includes sales tax, fittings and/or labor.</p>																													
(7) Remove averaging adjustment (Schedule of water rate base adjustments per analyst A-2)	34,781																												
(8) Adjust cost of fire flow upgrades to actual (4th data request # 52)																													
Total fire flow upgrades I-6	41,724																												
Recorded 2003 C-4	(39,906)																												
To complete	1,818																												
Total adjustments to Plant in Service	\$ 223,929																												

Residential Water Systems  
Adjustments to Rate Base  
12/31/2003

Description	Water
<u>Contributions in Aid of Construction</u>	
(1) Correct 2001 CIAC additions (Per Analyst workpapers)	
Meters/Installs-Plant in service C-3	\$ 4,860
Contributed meter CIAC C-10	<u>(7,750)</u>
CIAC Adjustment	\$ 2,890
(2) Retire pre-2002 contributed meters (Per Analyst Memorandum, Page 5 B-5, the Analyst states that "In year 2002, the utility started to replace <u>all</u> of the regular meters...". Therefore, I am retiring all meters pre-2002).	4,860
(3) Remove averaging adjustment (Per Analyst workpapers A-2)	(19,345)
(4) Adjust contributed fire flow upgrades to actual (4th data request # 52)	
Total developer fire flow upgrades I-6	(30,000)
Recorded 2003 C-10	<u>29,000</u>
To complete	<u>(1,000)</u>
	<u>\$ (12,595)</u>
<u>Accumulated Depreciation</u>	
(1) Add Other Plant not included in Staff Original Cost Study (Amounts from Staffs 2nd data request Exhibit A G-4 as calculated on CJNW depreciation D-1)	\$ (1,784)
(2) Add Office Furniture not included in Staff Original Cost Study (Amounts from Staffs 2nd data request Exhibit A G-4 as calculated on CJNW depreciation D-1)	1,450
(3) Retire pre-2002 meters (Per Analyst Memorandum, Page 5 B-5, the Analyst states that "In year 2002, the utility started to replace <u>all</u> of the regular meters...". Therefore, I am retiring all meters pre-2002).	6,397
(4) Full year depreciation of proforma adjustments D-2	(6,559)
(5) Remove averaging adjustment (Per Analyst workpapers A-2)	<u>(14,763)</u>
	<u>\$ (15,259)</u>

Residential Water Systems  
Adjustments to Rate Base  
12/31/2003

Description	Water
<u>Amortization of CIAC</u>	
(1) Retire pre-2002 meters (Per Analyst Memorandum, Page 5 B-5, the Analyst states that "In year 2002, the utility started to replace <u>all</u> of the regular meters...". Therefore, I am retiring all meters pre-2002).	\$ (4,860)
(2) Full year amortization of proforma adjustments C-3	59
(3) Adjust amortization for correction of contributed meters per CIAC adjustment (1) above D-3	(424)
(2) Remove averaging adjustment (Per Analyst workpapers A-2)	<u>14,314</u>
	<u>\$ 9,089</u>

Residential Water Services  
Schedule of Water Operating Income  
12/31/2003

<u>Description</u>	<u>Staff Adjusted Test Year</u>	<u>Staff Test Year Adjustments</u>	<u>Staff Revenue Requirement</u>	<u>Utility Revenue Adjustment</u>		<u>Utility Annual Revenues</u>
OPERATING REVENUES	\$ 219,357	\$ (73,529)	\$ 145,828	\$ 28,063	(D)	\$ 173,891
Operation & Maintenance	120,644		120,644	5,568	(A)	126,212
Depreciation, net of CIAC Amort.	2,105		2,105	6,500	(B)	8,605
Amortization (Contributed Taxes) (1)	-		-			-
Taxes Other Than Income	18,972	(3,309)	15,663	1,263	(C)	16,926
Provision for Income Taxes (2)	-	-	-	-		-
OPERATING EXPENSES	<u>141,721</u>	<u>(3,309)</u>	<u>138,412</u>	<u>13,331</u>		<u>151,743</u>
NET OPERATING INCOME	<u>\$ 77,636</u>	<u>\$ (70,220)</u>	<u>\$ 7,416</u>	<u>\$ 14,732</u>		<u>\$ 22,148</u>
 RATE BASE	 <u>\$ 145,689</u>		 <u>\$ 145,689</u>			 <u>\$ 351,549</u>
 RATE OF RETURN	 <u>53.29</u> %		 <u>5.09</u> %			 <u>6.30</u> %

Residential Water Systems  
Adjustments to Operating Income  
12/31/2003

Description	Water
<u>(A) Operations &amp; Maintenance (O &amp; M) Expenses</u>	
(1) Cost of Health insurance premiums (4th data request # 50 I-6)	\$ 5,967
(2) Remove health insurance deductible (4th data request # 50 I-6)	<u>(399) \$ 5,568</u>
<u>(B) Depreciation Expense</u>	
(1) Proforma depreciation Full year depreciation expense on proforma additions D-2 Full year amortization expense on proforma additions D-3	6,559 <u>(59) \$ 6,500</u>
<u>(C) Taxes Other Than Income</u>	
(1) Regulatory Assessment Fees Utility revenue requirement RAF rate	\$ 28,063 <u>4.50% \$ 1,263</u>
<u>(D) Operating Revenue</u>	
Increase in Staff revenue requirement to realize a 6.30% rate of return	<u>\$ 28,063</u>

Florida Public Service Commission

Schedule: D-1

Residential Water Systems  
 Schedule of Cost of Capital  
 12/1/2003

<u>Description</u>	<u>Total Capital</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
<b>Long-Term Debt</b>				
Bobcat & Kubota of Ocala	\$ 23,335	6.64	3.90 %	0.26 %
N/P State of Florida	211,766	60.24	3.55	2.14
<b>Short-Term Debt</b>				
<b>Preferred Stock</b>				
Customer Deposits	3,953	1.12	6.00	0.07
Common Equity	112,495	32.00	11.96	3.83
	-			
<b>Total</b>	<u>\$ 351,549</u>	<u>100.00</u> %		<u>6.30</u> %

Residential Water Systems  
Reconciliation of Capital to Rate Base  
12/31/2003

Class of Capital	Balance per Staff	Utility Adj to Staff Bal	Balance per Utility	Reconciliation Adjustments			Reconciled To Requested Rate Base
				Specific	Prorata %	Prorata Amount	
<b>Long-Term Debt</b>							
Bobcat & Kubota of	\$ 20,226	\$ (302)	\$ 19,924		6.64	\$ 3,411	\$ 23,335
Wachovia Bank	84,065	(84,065)	-				
N/P State of Florida	186,648	(5,838)	180,810		60.24	25,118	211,766
<b>Short-Term Debt</b>							
<b>Common Equity</b>							
Common Stock	100		100				
Paid in Capital	400	124,235	124,635				
Retained Earnings	(43,247)	14,562	(28,685)	-			
<b>Total</b>	<b>(42,747)</b>	<b>138,797</b>	<b>96,050</b>	<b>-</b>	<b>32.00</b>	<b>155,242</b>	<b>112,495</b>
<b>Customer Deposits</b>	<b>3,015</b>	<b>360</b>	<b>3,375</b>		<b>1.1244</b>	<b>938</b>	<b>3,953</b>
<b>Total</b>	<b>\$ 251,207</b>	<b>\$ 48,952</b>	<b>300,159</b>	<b>\$ -</b>	<b>100.00</b>	<b>% \$ 184,709</b>	<b>\$ 351,549</b>

Description

Amount

Long Term Debt

(Calculated difference between Analyst amounts shown above and Demenzes workpaper E-1)	
Record payments through 9/30/03 for backhoe loan (\$19,924 less \$20,226)	\$ (302)
Record payments through 9/30/03 for N/P State of Florida (\$180,810 less 186,648)	(5,838)
Record payoff of debt by C. deMenzes (balance of \$84,065)	(84,065)

Common Equity

Record contribution by shareholder for repayment of debt and to fund capital improvements E-1	124,235
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Retained Earnings

(Based on the adjustments to net operating income)	
Net adjustments from Schedule of Water Operating Income; Utility Revenue Adjustment;	
Net Operating Income	14,562

Customer Deposits

(Calculated difference between Analyst amounts shown above and Demenzes workpaper E-1)	
Net customer deposits 1/1/03 - 9/30/03 (\$3,375 less \$3,015)	360
	<u>\$ 48,952</u>

**Residential Water Systems, Inc.**  
**CJNW recalculation**  
**Calculation of New Rates based on Staff Draft with changes that reflect RWS requirements**

Factored ERCs = 9,576 Gallons = 84,777

Account Title	<u>Balance</u>	<u>BFC</u>	<u>Gals</u>	<u>Cost</u>	<u>Comp</u>	<u>Factored</u>	<u>Comp</u>
(601) S & L - Employees	\$ 30,028	55%	45%	\$ 16,515	1.72	\$ 13,513	0.16
(603) S & L - Officers	45,248	55%	45%	24,886	2.60	20,362	0.24
(604) Empl Pensions & Benefits	10,034	55%	45%	5,519	0.58	4,515	0.05
(615) Purch Power	7,119	0%	100%	-	-	7,119	0.08
(618) Chemicals	1,038	0%	100%	-	-	1,038	0.01
(631) Cont Serv - Prof	5,030	50%	50%	2,515	0.26	2,515	0.03
(635) Cont Serv - Testing	1,744	50%	50%	872	0.09	872	0.01
(636) Cont Serv - Other	29,374	50%	50%	14,687	1.53	14,687	0.17
(650) Trans Expense	1,548	50%	50%	774	0.08	774	0.01
(655) Insurance	687	100%	0%	687	0.07	-	-
(675) Misc Expense	<u>3,000</u>	50%	50%	<u>1,500</u>	<u>0.16</u>	<u>1,500</u>	<u>0.02</u>
Total O & M Expenses	<u>134,850</u>			<u>67,956</u>	<u>7.10</u>	<u>66,895</u>	<u>0.79</u>
Depreciation	<u>8,605</u>	100%	0	<u>8,605</u>	<u>0.90</u>		
Reg Assessment Fee	8,255	48%	52%	3,962	0.41	4,293	0.05
Prop Taxes & Other	<u>9,483</u>	50%	50%	<u>4,742</u>	<u>0.50</u>	<u>4,742</u>	<u>0.06</u>
	<u>17,738</u>			<u>8,704</u>	<u>0.91</u>	<u>9,034</u>	<u>0.11</u>
Operating Income	<u>22,245</u>		100%			<u>22,245</u>	<u>0.26</u>
Revenue Requirements	183,438			85,264	8.90	98,174	1.16
Misc Service Chgs	<u>(4,035)</u>	100%		<u>(4,035)</u>	<u>(0.42)</u>	<u>-</u>	<u>-</u>
Adj Revenue Requirements	<u>\$ 179,403</u>			<u>\$ 81,229</u>	<u>\$ 8.48</u>	<u>\$ 98,174</u>	<u>\$ 1.16</u>
Current Rates					<u>\$ 9.85</u>		<u>\$ 1.38</u>



**Residential Water Systems, Inc.**  
**CJNW recalculation**  
**Detail of Expenses - 2003 Test Year**

<u>OPERATION &amp; MAINTENANCE</u>	<u>COMMENTS</u>	
(601) SALARIES - EMPLOYEES	\$ 30,028	PER REVISED STAFF MEMORANDUM
(603) SALARIES - OFFICERS	45,248	PER REVISED STAFF MEMORANDUM
(604) PENSIONS & BENEFITS	4,114	DILLON HEALTH INSURANCE PER STAFF MEMO
	<u>5,920</u>	OFFICER KEY MAN LIFE INSURANCE
	<u>10,034</u>	
(615) PURCH POWER	7,119	PER CLIENT CALC. OF NEW RATES
(618) CHEMICALS	1,038	PER CLIENT CALC. OF NEW RATES
(631) CONTRACT SERVICES - PROFESSIONAL	1,530	PER STAFF MEMO
	2,000	PROFORMA ROUTINE LEGAL
	<u>1,500</u>	PROFORMA REGULATORY ACCOUNTING -CJNW
	<u>5,030</u>	
(635) CONTRACT SERVICES - TESTING	1,744	PER STAFF MEMO
(636) CONTRACT SERV.- OTHER	29,374	PER STAFF
(650) TRANSPORTATION EXPENSE	1,548	PER STAFF
(655) INSURANCE	687	PROPERTY INSURANCE PER STAFF - NOTE
		OFFICER LIFE IN ACCOUNT 604
(675) MISCELLANEOUS	<u>3,000</u>	BANK CHARGES & PAYROLL SERVICE CHARGES
<b>TOTAL O&amp;M</b>	<b>\$ 134,850</b>	
<b>DEPRECIATION</b>	<b>\$ 8,605</b>	PER CJNW ANALYSIS OF RATE BASE & ROR
<b>TAXES OTHER THAN INCOME:</b>		
REGULATORY ASSESSMENT FEES	<u>\$ 8,255</u>	COMPUTED REVENUE REQUIREMENT (\$183,438 X 4.5%)
<b>OTHER TAXES:</b>		
PROPERTY TAX	3,280	PER 2003 TAX BILLS
REAL ESTATE TAX	305	PER 2003 TAX BILLS
CORPORATE TAX	159	PER STAFF MEMO
PAYROLL TAXES	<u>5,759</u>	TOTAL SALARIES \$75,288 X 7.65%
	<u>9,483</u>	
<b>TOTAL TAXES OTHER THAN INCOME</b>	<b>\$ 17,738</b>	
<b>OPERATING INCOME</b>	<b>\$ 22,245</b>	PER CJNW ANALYSIS OF RATE BASE TOTALING \$351,549 X 6.30%
<b>FACTORED ERCS</b>	<b>\$ 9,576</b>	PER REVISED 2003 STAFF MEMO / CALCULATIONS
<b>2003 GALLONS SOLD</b>	<b>\$ 84,777</b>	PER REVISED 2003 STAFF MEMO / CALCULATIONS

**RESIDENTIAL WATER SYSTEMS, INC. 59-2393057  
PROFIT/LOSS STATEMENT AS OF 10/31/2003 UNAUDITED**

**400000 WATER OPERATING REVENUES**

404611 RESIDENTIAL WATER REVENUES	18,006.05	172,514.25	
474000 OTHER WATER REVENUES	703.38	5,199.04	
475000 REGULATORY COMMISSION EXP (4.5%)	-810.27	-7,767.14	
<b>TOTAL WATER OPERATING REVENUES</b>	<b>17,899.16</b>	<b>169,946.15</b>	<b>100.00</b>

\*\*\*\*\*

**600000 WATER OPERATING EXPENSE**

602000 SALARIES & WAGES OFFICERS	6,000.00	52,800.00	31.07
603000 SALARIES AND WAGES EMPLOYEES	5,000.00	44,000.00	25.89
615000 PURCHASED POWER	909.73	6,044.86	3.56
618000 CHEMICALS	144.00	865.40	0.51
631000 CONTRACTUAL SERVICES PROP - PROP (ACCTNG, LGAL, ENG)	7,483.25	12,955.46	7.62
635000 CONTRACTUAL SERVICES - TESTING	0.00	150.00	0.09
636000 CONTRACTUAL EXPENSE - OTHER (MIRA)	1,750.00	15,050.00	8.86
636001 CONTRACTUAL SERVICES - AQUA PURE	420.00	5,360.00	3.15
636002 CONTRACTUAL SERVICES BLZZBY PLUMBING, INC.	0.00	2,576.82	1.52
640000 RENT	500.00	4,300.00	2.53
650000 TRANSPORTATION EXPENSE	529.21	5,292.10	3.11
655000 INSURANCE	1,403.40	7,083.60	4.17
675000 MISC EXPENSE	715.95	9,885.40	5.82
675002 BANK SERVICE CHARGES	233.44	2,509.42	1.48
675005 MAINTENANCE EXPENSE	2,375.10	3,259.47	1.92
675007 COUNTY/DEP PERMIT FEES	0.00	730.00	0.43
676000 PAYROLL TAX	841.50	7,895.20	4.65
<b>TOTAL WATER OPERATING EXPENSE</b>	<b>28,385.58</b>	<b>180,757.73</b>	<b>106.36</b>

**800000 OTHER INCOME & EXPENSE**

800403 DEPRECIATION EXPENSE	2,000.00	20,000.00	11.77
800406 AMORTIZATION CIAC	-1,430.00	-14,300.00	-8.40
800427 INTEREST EXPENSE	607.01	10,755.40	6.33
800501 TAXES OTHER THAN INCOME	224.00	2,240.00	1.32
<b>TOTAL OTHER INCOME &amp; EXPENSE</b>	<b>1,401.01</b>	<b>18,695.40</b>	<b>11.00</b>

**899999 NON-UTILITY INCOME/EXPENSES**

950000 INTEREST INCOME	-112.50	-1,154.18	-0.67
<b>TOTAL NON-UTILITY INCOME/EXPENSES</b>	<b>-112.50</b>	<b>-1,154.18</b>	<b>-0.67</b>

**980000 CURRENT PROFIT/LOSS**

989999 CURRENT PROFIT/LOSS	-11,774.93	-28,352.80	-16.67
<b>TOTAL CURRENT PROFIT/LOSS</b>	<b>-11,774.93</b>	<b>-28,352.80</b>	<b>-16.67</b>

**NOTICE OF AD VALOREM TAXES AND NON-AD VALOREM ASSESSMENTS**

ACCOUNT NUMBER	ESCROW CD	ASSESSED VALUE	EXEMPTIONS	TAXABLE VALUE	MILLAGE CODE
P831196		178,835	0	178,835	9001

SEE INSERT FOR  
IMPORTANT INFORMATION

5 - 154927  
P831196

RESIDENTIAL WATER SYSTEMS INC  
PO BOX 5220  
OCALA FL 34478-5220

HIGH POINTE SUB 2-16-2  
WATER SYSTEMS HIGH POINTE & SUN  
TREE S/D



AD VALOREM TAXES				
TAXING AUTHORITY	MILLAGE RATE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
CCNT COUNTY				
010 GEN COUNTY	4.0700			727.87
020 FINE/FORFEITURE	1.2400			221.76
040 PARKS	.1800			32.19
060 COUNTY HEALTH	.1500			26.82
SSCH SCHOOL				
070 SCHOOL L.R.E.	5.7170			1,022.40
080 SCH I & S	.6300			112.67
090 SCHOOL DISC	.7180			128.40
095 SCH CAP IMPR-BLG	2.0000			357.67
X140 ST JOHNS MANAGEMENT DISTRICT	.4620			82.62
X320 MSTU LAW	3.4200			611.62
X330 MSTU EMS	.4000			71.53
ALL TAXES BECOME DELINQUENT APRIL 1ST.				
TOTAL MILLAGE		18.9870	AD VALOREM TAXES	\$3,395.55

NON-AD VALOREM ASSESSMENTS		
LEVYING AUTHORITY	RATE	AMOUNT
ALL TAXES BECOME DELINQUENT APRIL 1ST.		
NON-AD VALOREM ASSESSMENTS		\$ .00

COMBINED TAXES AND ASSESSMENTS      \$3,395.55      See reverse side for important information.

Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30
3,259.73	3,293.68	3,327.64	3,361.59	3,395.55	3,448.48

**NOTICE OF AD VALOREM TAXES AND NON-AD VALOREM ASSESSMENTS**

ACCOUNT NUMBER	ESCROW CD	ASSESSED VALUE	EXEMPTIONS	TAXABLE VALUE	MILLAGE CODE
P831196		178,835	0	178,835	9001

HIGH POINTE SUB 2-16-2  
WATER SYSTEMS HIGH POINTE & SUN  
TREE S/D

RESIDENTIAL WATER SYSTEMS INC  
PO BOX 5220  
OCALA FL 34478-5220

PLEASE RETURN  
THIS  
PORTION  
WITH  
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PLEASE PAY IN U.S. FUNDS TO THOMAS "MAC" OLSON, TAX COLLECTOR • PO BOX 970 • OCALA, FL 34478

Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30
3,259.73	3,293.68	3,327.64	3,361.59	3,395.55	3,448.48

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Please Retain this Portion for your Records.

RETURN WITH PAYMENT.

← PAID BY

THOMAS "MAC" OLSON  
MARION COUNTY, FLORIDA

2003 REAL ESTATE  
NOTICE OF AD VALOREM TAXES AND NON-AD VALOREM ASSESSMENTS

1513905.0000

ACCOUNT NUMBER	ESCROW CD	ASSESSED VALUE	EXEMPTIONS	TAXABLE VALUE	MILLAGE CODE
R3581-000-001		11,319	0	11,319	9001

R

SEE INSERT FOR  
IMPORTANT INFORMATION

R3581-000-001

RESIDENTIAL WATER SYSTEMS INC  
PO BOX 5220  
OCALA FL 34478-5220

.67 ACRES  
SEC 02 TWP 16 RGE 22  
PLAT BOOK W PAGE 032 HIGH POINTE  
TRACT A EX S 42 FT

TAXING AUTHORITY	MILLAGE RATE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
CCNT COUNTY				
010 GEN COUNTY	4.0700			46.08
020 FINE/FORFEITURE	1.2400			14.04
040 PARKS	.1800			2.04
060 COUNTY HEALTH	.1500			1.69
SSCH SCHOOL				
070 SCHOOL L.R.E.	5.7170			64.71
080 SCH I & S	.6300			7.13
090 SCHOOL DISC	.7180			8.13
09B SCH CAP IMPR-BLG	2.0000			22.64
X140 ST JOHNS MANAGEMENT DISTRICT	.4620			5.23
X320 MSTU LAW	3.4200			38.71
X330 MSTU EMS	.4000			4.69
ALL TAXES BECOME DELINQUENT APRIL 1ST.				
TOTAL MILLAGE		18.9870	AD VALOREM TAXES	\$214.93

LEVYING AUTHORITY	RATE	AMOUNT
X530 COUNTY WIDE FIRE - LAND		5.91
X560 CNTY WIDE STORMWATER		15.00
ALL TAXES BECOME DELINQUENT APRIL 1ST.		
NON-AD VALOREM ASSESSMENTS		\$20.91

COMBINED TAXES AND ASSESSMENTS \$235.84 See reverse side for important information.

Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30
226.41	228.76	231.12	233.48	235.84	242.92

Please Retain this Portion for your Records.

THOMAS "MAC" OLSON 2003 REAL ESTATE 1513905.0000  
MARION COUNTY TAX COLLECTOR NOTICE OF AD VALOREM TAXES AND NON-AD VALOREM ASSESSMENTS

ACCOUNT NUMBER	ESCROW CD	ASSESSED VALUE	EXEMPTIONS	TAXABLE VALUE	MILLAGE CODE
R3581-000-001		11,319	0	11,319	9001

RETURN WITH PAYMENT.

RESIDENTIAL WATER SYSTEMS INC  
PO BOX 5220  
OCALA FL 34478-5220

.67 ACRES  
SEC 02 TWP 16 RGE 22  
PLAT BOOK W PAGE 032 HIGH POINTE  
TRACT A EX S 42 FT

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PLEASE PAY IN U.S. FUNDS TO THOMAS "MAC" OLSON, TAX COLLECTOR • PO BOX 970 • OCALA, FL 34478

Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30
226.41	228.76	231.12	233.48	235.84	242.92

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THOMAS "MAC" OLSON  
MARION COUNTY, FLORIDA

2003 REAL ESTATE

1518150.0000

**NOTICE OF AD VALOREM TAXES AND NON-AD VALOREM ASSESSMENTS**

ACCOUNT NUMBER	ESCROW CD	ASSESSED VALUE	EXEMPTIONS	TAXABLE VALUE	MILLAGE CODE
R35818-000-01		3,257	0	3,257	9001

R

SEE INSERT FOR  
IMPORTANT INFORMATION

R35818-000-01

RESIDENTIAL WATER SYSTEMS INC  
PO BOX 5220  
OCALA FL 34478-5220

.75 ACRES  
SEC 02 TWP 16 RGE 22  
PLAT BOOK X PAGE 003 SUN TREE  
TRACT A

TAXING AUTHORITY	MILLAGE RATE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
<b>AD VALOREM TAXES</b>				
CCNT COUNTY				
010 GEN COUNTY	4.0700			13.26
020 FINE/FORFEITURE	1.2400			4.04
040 PARKS	.1800			.59
060 COUNTY HEALTH	.1500			.49
SSCH SCHOOL				
070 SCHOOL L.R.E.	5.7170			18.62
080 SCH I & S	.6300			2.05
090 SCHOOL DISC	.7180			2.34
095 SCH CAP IMPR-BLG	2.0000			6.51
X140 ST JOHNS MANAGEMENT DISTRICT	.4620			1.50
X320 MSTU LAW	3.4200			11.14
X330 MSTU EMS	.4000			1.30
ALL TAXES BECOME DELINQUENT APRIL 1ST.				
TOTAL MILLAGE		18.9870	AD VALOREM TAXES	\$81.84

LEVYING AUTHORITY	RATE	AMOUNT
<b>NON-AD VALOREM ASSESSMENTS</b>		
X530 COUNTY WIDE FIRE - LAND		5.91
X560 CNTY WIDE STORMWATER		15.00
ALL TAXES BECOME DELINQUENT APRIL 1ST.		
NON-AD VALOREM ASSESSMENTS		\$20.91

<b>COMBINED TAXES AND ASSESSMENTS</b>		\$82.75	See reverse side for important information.			
Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30	
79.44	80.27	81.09	81.92	82.75	85.23	← IF PAID

THOMAS "MAC" OLSON  
MARION COUNTY TAX COLLECTOR

2003 REAL ESTATE

1518150.0000

**NOTICE OF AD VALOREM TAXES AND NON-AD VALOREM ASSESSMENTS**

ACCOUNT NUMBER	ESCROW CD	ASSESSED VALUE	EXEMPTIONS	TAXABLE VALUE	MILLAGE CODE
R35818-000-01		3,257	0	3,257	9001

RETURN WITH PAYMENT.

RESIDENTIAL WATER SYSTEMS INC  
PO BOX 5220  
OCALA FL 34478-5220

.75 ACRES  
SEC 02 TWP 16 RGE 22  
PLAT BOOK X PAGE 003 SUN TREE  
TRACT A

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Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30	← IF PAID
79.44	80.27	81.09	81.92	82.75	85.23	

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LAW OFFICES

**ROSE, SUNDBSTROM & BENTLEY, LLP**

2548 BLAIRSTONE PINES DRIVE  
TALLAHASSEE, FLORIDA 32301

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DAVID F. CHESTER  
F. MARSHALL DETERDING  
JOHN R. JENKINS, P.A.  
STEVEN T. MINDLIN, P.A.  
DAREN L. SHIPPY  
WILLIAM E. SUNDBSTROM, P.A.  
DIANE D. TREMOR, P.A.  
JOHN L. WHARTON

ROBERT M. C. ROSE, *OF COUNSEL*  
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CENTRAL FLORIDA OFFICE  
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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)

October 9, 2003

**VIA HAND DELIVERY**

**Mr. Troy Rendell**  
**Division of Economic Regulation**  
**Florida Public Service Commission**  
**2540 Shumard Oak Boulevard**  
**Tallahassee, FL 32399-0850**

**RE: Investigation into 2002 Earnings of Residential Water Systems, Inc. of Marion County; PSC Docket No. 030423-WU**

Dear Troy:

Attached is a copy of the information relative to the rate case expenses incurred by Residential Water Services and an estimate to complete. The attached schedules also calculate the annual expense that should be recognized in rate setting. It is imperative that you recognize these costs in establishing final rates for the Utility.

If you have any questions in this regard or need any further information in order to recognize these costs, please do not hesitate to contact me.

Sincerely,

  
F. MARSHALL DETERDING  
For the Firm

FMD/tms  
cc: Charles de Menzes  
Robert C. Nixon, CPA

residential Water Systems/3rendell.ltr

04 FEB 16 AM 10:22  
ECONOMIC REGULATION

ACTUAL LEGAL FEES AND COSTS INCURRED  
RESIDENTIAL WATER SYSTEMS, INC.  
Rate Case Fees and Costs

LEGAL FEES

<u>Invoice Date</u>	<u>Hours</u>	<u>Fees</u>	<u>Costs</u>	<u>Discount</u>	<u>Total</u>
07/03	7.60	\$ 1,330.00	\$ 23.96	\$	\$ 1,353.96
10/03	1.70	297.50	15.75		313.25
11/03	20.40	3,915.00	227.75		4,142.75
12/03	18.30	3,797.50	86.99	1,250.00	2,634.49
01/04	<u>8.60</u>	<u>1,650.00</u>	<u>19.25</u>		<u>1,669.25</u>
Total	<u>56.60</u>	<u>\$10,990.00</u>	<u>\$ 373.70</u>	<u>\$1,250.00</u>	<u>8,759.74</u>

ACCOUNTING FEES

<u>Invoice Date</u>	<u>Hours</u>	<u>Fees</u>	<u>Costs</u>	<u>Discount</u>	<u>Total</u>
01/04	100.00	\$10,000.00	\$ 102.90	\$4,640.00	<u>\$10,102.90</u>

Total Expenses Related to the Rate Base Audit: \$18,862.64

Estimate to Complete \$ 5,037.50

Total Rate Case Costs \$23,900.14

÷ 4

Annual Rate Case Expense \$ 5,975.04

RESIDENTIAL WATER SYSTEMS, INC.

PSC Docket No. 030423-WU

Estimate of Attorney's Fees and Costs From December, 2003 to Completion of Case

Intra-office conferences in preparation for meeting; review correspondence and issues; meet with the staff; return and prepare memo to client; and conference call with the client and Nixon

4.0 hours at \$225/hour = \$900

Obtain and review staff recommendation for final decision on case; telephone conferences w/Nixon and Demenzes; organize additional information and prepare additional documents to provide to staff

4.0 hours at \$225/hour = \$900

Prepare for and attend agenda conference on case; telephone conferences and meetings with clients and accountants in preparation for same; draft letter to client as to outcome and Commission decision

5.0 hours at \$225/hour = \$1,125

Review Final Order; review file and compare to staff recommendation; work with client in preparation of final customer notice and tariffs and compliance with Order requirements

5.0 hours at \$225/hour = \$1,125

Work with client re: rate reductions and refund; file additional information with Commission re: same

3.5 hours at \$225/hour = \$787.50

Costs - Fed Ex, copying, telephone - \$200

<u>Fees</u>	<u>Costs</u>	<u>Total</u>
\$4,837.50	\$200	\$5,037.50
Total Estimated to Complete:	\$5,037.50	.



LAW OFFICES

**ROSE, SUNDBSTROM & BENTLEY, LLP**

P. O. BOX 1567  
TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

PLEASE REFER TO INVOICE NUMBER  
WHEN REMITTING

F.E.I. # 59-2783536

RESIDENTIAL WATER SYSTEMS, INC  
CHARLES DEMENZES  
P O BOX 5220  
OCALA, FL 34478-5220

INVOICE # 27197  
JULY 16, 2003  
FILE # 38029-0001

PAGE 1

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MATTER			
	PSC OVERTURNINGS INVESTIGATION		
06/23/03	TELEPHONE CONFERENCE CALL WITH DEMENZES; REVIEW DOCUMENTS, ORDERS.	1.50	
06/24/03	RESEARCH; REVIEW DOCUMENTS; TELEPHONE CONFERENCE CALL WITH DEMENZES; CONFERENCE WITH F. SEIDMAN; CONFERENCE WITH M. DETERDING; TELEPHONE CONFERENCE WITH PSC STAFF; PREPARE DRAFT ESCROW AGREEMENT.	4.00	
06/25/03	REVIEW/TRANSMIT EMAIL FROM PSC STAFF; EXCHANGE EMAIL WITH C. DEMENZES; TELEPHONE CONFERENCE WITH C. DEMENZES.	0.70	
06/27/03	REVIEW EMAIL FROM C. DEMANZES; RESEARCH; TELEPHONE CONFERENCES WITH C. DEMENZEZ, PSC STAFF.	1.10	
06/30/03	TELEPHONE CONFERENCE WITH PSC STAFF, C. DEMENZES.	0.30	
		7.60	1,330.00
	ENTERTAINMENT/MEAL	23.96	
	TOTAL COSTS ADVANCED		23.9
	TOTAL STATEMENT		\$1,353.9

PLEASE REFER TO INVOICE # WHEN REMITTING

LAW OFFICES

**ROSE, SUNDBSTROM & BENTLEY, LLP**

P. O. BOX 1567  
TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

PLEASE REFER TO INVOICE NUMBER  
WHEN REMITTING

F.E.I. # 59-2783536

RESIDENTIAL WATER SYSTEMS, INC  
CHARLES DEMENZES  
P O BOX 5220  
OCALA, FL 34478-5220

INVOICE # 27671  
OCTOBER 15, 2003  
FILE # 38029-0001

PAGE 1

MATTER

PSC OVERTURNINGS INVESTIGATION

09/29/03	TELEPHONE CONFERENCES WITH C. DEMENZES; REVIEW ASC STAFF DATA REQUEST; RESEARCH.	0.70	
09/30/03	REVIEW PSC STAFF AUDIT REPORT IN EARNINGS DOCKET; MONITOR DOCKET; VOICE MAIL AND EMAIL WITH C. DEMENZES; PREPARE MEMO TO PSC CLERK.	1.00	
		1.70	297.5
	LONG DISTANCE CALLS	6.75	
	TELECOPIER	9.00	
	TOTAL COSTS ADVANCED		15.7
	TOTAL STATEMENT		\$313.2

PLEASE REFER TO INVOICE # WHEN REMITTING

LAW OFFICES

**ROSE, SUNDBSTROM & BENTLEY, LLP**

P. O. BOX 1567  
TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

PLEASE REFER TO INVOICE NUMBER  
WHEN REMITTING

FE.I. # 59-2783536  
RESIDENTIAL WATER SYSTEMS, INC  
CHARLES DEMENZES  
P O BOX 5220  
OCALA, FL 34478-5220

INVOICE # 27804  
NOVEMBER 17, 2003  
FILE # 38029-0001

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MATTER	PSC OVERTURNINGS INVESTIGATION	
10/03/03	REVIEW DRAFT LETTER TO PSC; REVIEW TRANSFER AUDIT; TELEPHONE CONFERENCE WITH AND EMAIL TO C. DEMENZES.	1.60
10/06/03	RESEARCH; TELEPHONE CONFERENCES WITH PSC STAFF; G. MORSE, C. DEMENZES; REVIEW DOCUMENTS; PREPARE EMAIL.	2.30
10/07/03	MEETING WITH WAYNE; INTRA-OFFICE CONFERENCE RE: ISSUES RELATED TO OVERTURNINGS QUESTION RAISED BY PSC.	0.40
10/07/03	REVIEW REVISED DRAFT LETTER TO PSC STAFF; TELEPHONE CONFERENCE WITH C. DEMENZES.	0.40
10/08/03	REVIEW PSC STAFF'S SECOND DATA REQUEST; REVIEW DRAFT RESPONSE; TELEPHONE CONFERENCES WITH C. DEMENZES.	0.70
10/09/03	REVIEW AND FILE RWSI RESPONSES TO PSC STAFF DATA REQUESTS; TELEPHONE CONFERENCES WITH C. DEMENZES; PREPARE NOTICE OF APPEARANCE; INTRA-OFFICE CONFERENCE; PREPARE LETTER TO PSC STAFF.	1.30
10/13/03	TELEPHONE CONFERENCES WITH PSC STAFF; EMAIL; INTRA-OFFICE CONFERENCE.	0.80
10/22/03	TELEPHONE CONFERENCE WITH PSC STAFF; MONITOR DOCKET; REVIEW DOCUMENTS; TELEPHONE CONFERENCE WITH C. DEMENZES; INTRA-OFFICE CONFERENCE.	2.00
10/23/03	BEGIN REVIEW OF DOCUMENTS AND MEETINGS WITH WAYNE SCHIEFELBEIN RE: ISSUES ON RATE INVESTIGATION.	1.30
10/23/03	INTRA-OFFICE CONFERENCE; PREPARE FOR CONFERENCE CALL, AND CONFERENCE AT PSC.	2.80
10/24/03	CONTINUE REVIEW OF DOCUMENTS AND MEETING WITH SCHIEFELBEIN; PREPARE FOR CONFERENCE CALL WITH CLIENT; REVIEW DOCUMENTS; TELEPHONE CONFERENCE WITH	2.60

Continue

FMD 1552.50  
WLS 2362.50

LAW OFFICES

**ROSE, SUNDBSTROM & BENTLEY, LLP**

P. O. BOX 1567  
TALLAHASSEE, FLORIDA 32302-1567

(850) 877-6555

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F.E.I. # 59-2783536  
RESIDENTIAL WATER SYSTEMS, INC

INVOICE # 27804  
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10/24/03	DEMEZES; TELEPHONE CONFERENCE WITH NIXON; TELEPHONE CONFERENCE WITH STAFF RE: FOLLOW UP; REVIEW STAFF SCHEDULES.	0.00	
10/24/03	TELEPHONE CONFERENCE WITH C. DEMENZES, F.M. DETERDING; REVIEW FAX.	1.00	
10/27/03	GO TO PSC; PARTICIAPTE IN MEETING RE: OVEREARNINGS INVESTIGATION; BEGIN REVIEW OF SCHEDULES; RETURN; REVIEW SCHEDULES; TELEPHONE CONFERENCE WITH DEMENZES RE: OUTCOME OF MEETING; TELEPHONE CONFERENCE WITH NIXON RE: SAME.	2.60	
10/27/03	INTRA-OFFICE CONFERENCE; TELEPHONE CONFERENCE WITH C. DEMENZES; (ALSO ATTEND CONFERENCE AT PSC - NO CHARGE).	0.40	
10/29/03	TELEPHONE CONFERENCE WITH C. DEMENZES; INTRA-OFFICE CONFERENCE.	0.20	
		20.40	3,915.00
	LONG DISTANCE CALLS	41.75	
	TELECOPIER	21.00	
	PHOTOCOPIES	7.25	
	COPIES FROM PSC	157.75	
	TOTAL COSTS ADVANCED		227.75
	TOTAL STATEMENT		\$4,142.75

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RESIDENTIAL WATER SYSTEMS, INC  
CHARLES DEMENZES  
P O BOX 5220  
OCALA, FL 34478-5220

INVOICE # 27968  
DECEMBER 15, 2003  
FILE # 38029-0001

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MATTER . PSC OVERTURNINGS INVESTIGATION

11/04/03	TELEPHONE CONFERENCE WITH NIXON AND DECHARIO RE: ISSUES; TELEPHONE CONFERENCE WITH STAFF RE: NEED FOR WORKPAPERS FOR TWO CASES.	1.20
11/06/03	INTRA-OFFICE CONFERENCE RE: ISSUES AND DELAYS; TELEPHONE CONFERENCE WITH NIXON'S OFFICE RE: ISSUE; TELEPHONE CONFERENCE WITH RENDELL RE: STATUS.	1.90
11/06/03	MONITOR DOCKET; INTRA-OFFICE CONFERENCE; REVIEW STAFF'S THIRD DATA REQUEST.	0.70
11/07/03	TELEPHONE CONFERENCE WITH NIXON RE: ISSUES; REVIEW ANNUAL REPORT; OBTAIN AND SEND WORKPAPERS FROM AUDITS TO NIXON AND ANNUAL REPORT.	1.30
11/12/03	TELEPHONE CONFERENCE WITH C. DEMENZES.	0.20
11/13/03	REVIEW NIXON'S SCHEDULES RE: RECALCULATION OF RATE BASE AND EARNINGS; TELEPHONE CONFERENCE WITH STAFF AND NIXON RE: ALL.	1.60
11/14/03	TELEPHONE CONFERENCE WITH C. DEMENZES; REVIEW RESPONSES TO STAFF DATA REQUESTS; PREPARE LETTER TO PSC.	1.00
11/17/03	REVIEW NIXON SCHEDULES; REVIEW ADDITIONAL EMAILS; INTRA-OFFICE CONFERENCES RE: SAME.	0.90
11/17/03	FILE RESPOSNES TO STAFF DATA REQUESTS; REVIEW DOCUMENT; DRAFT LETTER TO PSC.	0.40
11/18/03	CONTINUE REVIEW OF SCHEDULES; INTRA-OFFICE CONFERENCE RE: SET UP AND PARTICIPATION IN CONFERENCE CALL; DRAFT LETTER TO PSC; TELEPHONE CONFERENCE WITH RENDELL RE: SAME AND REVISE AND FINALIZE LETTER TO RENDELL AND SEND; TELEPHONE CONFERENCE WITH RENDELL RE: SAME.	4.30
11/18/03		0.00

FMD 1802.50  
WLS 745.00

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DECEMBER 15, 2003  
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	DEMENZES, B. NIXON; REVIEW FAXES AND EMAILS; FILE RESPONSE TO STAFF DATA REQUESTS; REVIEW DOCUMENT; EDIT DRAFT LETTER.		
11/19/03	REVIEW EMAILS RE: STATUS OF CASE AND STAFF INTENT WITH REGARD TO ADDITIONAL STAFF RECOMMENDATION.	0.20	
11/19/03	TELEPHONE CONFERENCE WITH PSC STAFF; EMAIL.	0.40	
11/20/03	REVIEW STAFF RECOMMENDATION; INTRA-OFFICE CONFERENCE WITH SCHIEFELBEIN RE: STAFF RECOMMENDATION AND RE: CONVERSATION WITH CLIENT.	0.50	
11/20/03	REVIEW AND TRANSMIT PSC STAFF RECOMMENDATION; TELEPHONE. CONFERENCES WITH C. DEMENZES, PSC STAFF.	0.80	
		18.30	3,797.
	LONG DISTANCE CALLS	30.00	
	FEDERAL EXPRESS	19.49	
	TELECOPIER	30.00	
	PHOTOCOPIES	2.50	
	LEXIS SERVICE	5.00	
	TOTAL COSTS ADVANCED		86.
	TOTAL STATEMENT		\$3,884.
	Good Client Discount		-1,250.
	Balance Due		2,634.

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F.E.I. # 59-2783536

RESIDENTIAL WATER SYSTEMS, INC  
CHARLES DEMENZES  
P O BOX 5220  
OCALA, FL 34478-5220

INVOICE # 28065  
JANUARY 21, 2004  
FILE # 38029-0001

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MATTER	PSC OVERTHEARNINGS INVESTIGATION		
12/01/03	INTRA-OFFICE CONFERENCES; TELEPHONE CONFERENCE WITH C. DEMENZES; TELEPHONE CONFERENCE WITH PSC STAFF.	0.50	
12/02/03	PREPARE FOR AND ATTEND AGENDA CONFERENCE RE: MONEY HELD SUBJECT TO REFUND; REVIEW NIXON EMAIL RE: SAME AND RE: QUESTIONS TO STAFF.	1.50	
12/02/03	MONITOR PSC VOTE AND EMAIL.	0.50	
12/08/03	TELEPHONE CONFERENCES WITH PSC STAFF, C. DEMENZES.	0.30	
12/09/03	TELEPHONE CONFERENCE WITH C. DEMENZES; REVIEW AND TRANSMIT REVISED CASR.	0.30	
12/11/03	REVIEW NIXON RESPONSE TO STAFF.	0.30	
12/12/03	EMAIL.	0.10	
12/15/03	REVIEW ORDER; PREPARE MEMO.	0.50	
12/16/03	TELEPHONE CONFERENCES WITH C. DEMENZES; PSC STAFF; RESEARCH; EMAIL (NO CHARGE).	1.20	
12/17/03	TELEPHONE CONFERENCES WITH C. DEMENZES; PSC STAFF; EMAIL; REVIEW DOCUMENTS; DRAFT LETTER.	1.40	
12/18/03	REVIEW NIXON LETTER AND ANALYSIS; TELEPHONE CONFERENCE WITH NIXON RE: SAME.	1.10	
12/18/03	REVIEW DRAFT CORRESPONDENCE.	0.30	
12/19/03	FINALIZE AND FILE LETTER TO PSC CLERK WITH ESCROW REPORT.	0.30	
12/30/03	REVIEW DRAFT CORRESPONDENCE; TELEPHONE CONFERENCE WITH C. DEMENZES.	0.30	
		8.60	1,650.00
	LONG DISTANCE CALLS	10.25	
	TELECOPIER	9.00	

TOTAL COSTS ADVANCED

19..  
Continu.

LAW OFFICES

**ROSE, SUNDBROM & BENTLEY, LLP**

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TOTAL STATEMENT \$1,669.11

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

JAMES I. 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. VOITTEIN, 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@cjnw.net

January 9, 2004

Mr. Charles deMenzes, President  
 Residential Water Systems, Inc.  
 1410 Northeast Eighth Avenue  
 Ocala, Florida 34470-4250

#709

INVOICE

For professional services rendered during November and December, 2003  
 as follows:

1. Review Staff audit, audit workpapers, prior audit and PSC Orders.

P. DeChario	7.50 hours @ \$115	\$ 862.50	
R. Nixon	6.00 hours @ \$175	<u>1,050.00</u>	
Total		<u>\$ 1,912.50</u>	\$ 1,912.50

2. Prepare schedules of rate base, accumulated depreciation, CIAC and accumulated amortization.

P. DeChario	17.75 hours @ \$115	\$ 2,041.25	
R. Nixon	20.50 hours @ \$175	<u>3,587.50</u>	
		<u>\$ 5,628.75</u>	5,628.75

3. Prepare revised schedule of revenue requirements and rates using Mr. deMenzes' e-mailed template.

R. Nixon	11.00 hours @ \$180		1,980.00
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4. Revise schedules of depreciation, amortization and operating income based on Staff's revised workpapers.

P. DeChario	20.50 hours @ \$115		2,357.50
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5. Prepare letter and supporting documentation responding to Staff review of information previously prepared and submitted.

R. Nixon	12.00 hours @ \$180	\$ 2,160.00	
Clerical	1.75 hours @ \$35	<u>61.25</u>	
		<u>\$ 2,221.25</u>	2,221.25

Mr. Charles deMenzes  
 Residential Water Systems, Inc.  
 January 9, 2004  
 Page Two

6. Conference at our office with Mr. deMenzes.

R. Nixon	3.00 hours @ \$180	540.00
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7. Telephone, postage, copies and Federal Express charges.

102.90

14,742.90

Write off of charges to a flat fee of \$10,000 plus out-of-pocket expenses

(4,640.00)

Total fees through 12/31/03

10,102.90

Less retainer paid

(3,500.00)

Total

\$ 6,602.90