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June 7, 2004
VIA HAND DELIVERY

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

Re: North Peninsula Utilities Corporation
Rate Investigation; PSC Docket No. 030601-SU
Our File No. 26097.04

Dear Troy:

Attached is the information requested in your letter of May 4, 2004. I apologize for the delay in getting this to you. While I have had the documentation in my hands for approximately a week and a half now, I wanted to have a chance to review the information before I submitted it to you. Please keep in mind in reviewing this the following important points:

- The plant improvements for 2003 and 2004 were based on the best estimates and upon available capital and the ability of Wetherell Treatment Systems, Inc. to schedule and perform the needed additions. Because of capital limitations resulting from other repair and operation costs, the actual plant additions during 2003 were slightly less than those anticipated for that year. However, the overall program of repairs totaling approximately \$71,000 is still anticipated to be completed as quickly as is possible, hopefully by the end of 2004. As noted, both needs to utilize capital for repairs rather than for capital additions represent one major reason why the expenditures in 2003 were less than those originally estimated. In addition, the schedule of Wetherell Treatment Systems, Inc., as the primary contractor on such plant additions, has been extremely full over the last year and as such they have had some difficulty getting to the needed plant additions when the capital funds were available to undertake them.
- Invoices related to your questions about increased costs for repairs and maintenance have been supplied in the attached documentation. However, you should be aware, as noted previously, that this Utility's sewage treatment facility is located on a barrier island very close to the

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June 7, 2004
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Atlantic Ocean. As such, because of its age and location, it is susceptible to substantial degradation not normal for most utilities not located in such an environment. The Utility has seen ever increasing repair costs and those are anticipated to continue into the future because of both the environment in which the Utility is located and the age of the treatment facilities.

3. You have asked questions about the increased management fee charged by Peninsula Management to the Utility. After approximately seven years with no increase in the amount of the management fee on a per customer basis the Utility management service provider decided to increase the amount of the management fee by the Commission's leverage formula for the years since it was last adjusted in order to recognize overall inflation in the amount charged to the Utility for such services. That constitutes the major reason for the change in the management services costs charged to the Utility.

I trust that the attached information adequately answers your questions. Should you have any further questions or wish to discuss any of the information provided, please do not hesitate to contact me. We would like to discuss this with the staff before the staff moves forward to a final recommendation if there are still any issues or concerns outstanding with any potential overearnings by the Utility.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

FMD/tms

cc: Blanca S. Bayo
Ms. Jennifer Iwenjiora
Katherine Fleming, Esq.
Mr. Tyree F. Wilson, Jr.
Mr. Robert Hillman

Dictated by Mr. Deterding
but signed in his absence
to avoid delay in mailing.