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MARSHALL WILLIS, DIRECTOR
DIVISION OF ECONOMIC REGULATION
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Public Service Commission

April 25, 2012

STAFF'S THIRD DATA REQUEST

Mr. Martin S. Friedman
Sundstrom, Friedman & Fumero, LLP
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746

Re: Docket No. 110200-WU – In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

Dear Mr. Friedman:

Staff needs the following information to complete its review of the application filed by Water Management Services, Inc. (WMSI or Utility).

1. In WMSI's response to Staff's First Data Request, Item 15, the Utility responded that "the bank has told the Utility they are getting close to having the paperwork ready" and provided a series of emails. Please provide an update regarding the status of the financing with Centennial Bank and all supporting documentation.
2. In WMSI's response to Staff's First Data Request, Item 16(c), the Utility said that it would "actively pursue" both the USDA and SRF/DEP loans during the PAA process.
 - (a) Has WMSI obtained USDA or SRF/DEP loan decisions since its January 19, 2012, response to staff?
 - (b) If the answer to Question 2(a) above is "yes", when was each loan decision received and when is each loan expected close? Please provide loan approval documents.
 - (c) If the answer to Question 2(a) above is "no", what are the current anticipated approval dates for both loans? Please provide the status of the USDA and SRF/DEP loans. This should include, but is not limited to, the application submittal date(s), key dates/due dates, and documentation associated with the approval process.
 - (d) If no loan applications have been submitted for the USDA or SRF/DEP loans at this time, when will WMSI submit loan applications for both loans?

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- (e) If no loan applications have been completed by WMSI for the USDA or SRF/DEP loans at this time, why has there been a delay?
3. WMSI stated that the proposed USDA loan will require the Utility to receive approval from DEP to subordinate its loan.
- (a) Is the subordination an "official" requirement of the USDA loan?
- (b) Has DEP indicated in writing that it is willing to subordinate its debt to the proposed USDA loan?
- (c) If the answer to Question 3(b) above is "yes", please provide a copy of the document.
- (d) If the answer to Question 3(b) above is "no", when did WMSI ask DEP in writing to subordinate the debt? When is an answer expected? Please provide a copy of the document.
4. In the pro forma land and additional expenses documents provided to staff on April 13, 2012, (d) states:

The company looked seriously at two other sites, but decided on the site referenced in the MFR's because of price and proximity to the existing plant. The company also investigated the value of the property, including a conference with an appraiser who had reviewed the value of the property to be acquired.

The following questions address the island property:

- (a) For each of the other properties considered for the location of the new plant, provide the location, lot size(s), listing price, and distance from the current plant.
- (b) In addition to using an appraiser, please explain (in detail) what steps WMSI took when "investigating" the value of the island property.
- (c) When did the conference with the appraiser take place?
- (d) When was a formal appraisal of the property to be acquired conducted?
- (e) What value did the appraiser assign the property to be acquired? Please provide a copy of the property appraisal/report and any additional documentation used to determine or support the current value of the property.
- (f) What was the asking price for each parcel of property to be acquired for the new plant?

- (g) Was there any discount or other consideration given (i.e. credit towards closing costs) for purchasing all seven parcels as a group?
 - (h) How long has the property to be acquired been for sale?
5. According to the St. George Island Water System Evaluation Addendum (PBS&J, dated 9/12/10), the cost of property for the new plant has decreased. The addendum states, "as a result of the economic downturn the cost to acquire the adjacent property to the water plant has dropped from \$450,000 to \$300,000, a value provided by our client." Since that addendum was filed in September 2010, has the asking price of these seven parcels increased, decreased, or stayed the same?
 6. Regarding the seven lots addressed in the Contract of Sale, dated March 14, 2012, does Dean Development, LLC, Lafayette Properties Partnership, LLP, or TCPCO, LLC hold any financial stake in the utility, its holding company, or any one of the companies or entities held by Mr. Brown?
 7. Regarding the seven lots addressed in the Contract of Sale, dated March 14, 2012, do any of the directors or officers associated with Dean Development, LLC, Lafayette Properties Partnership, LLP, or TCPCO, LLC hold any financial stake in the utility, its holding company, or any one of the companies or entities held by Mr. Brown?
 8. In the pro forma land and additional expenses documents provided to staff on April 13, 2012, (d) also states: "regarding the well site, the company negotiated with the owner of the land, and reached the lowest price possible for the one acre tract."
 - (a) What was the asking price of the proposed well site in Eastpoint?
 - (b) Has a formal appraisal of the property to be acquired for the well site been conducted?
 - (c) If the answer to Question 8(b) above is "yes", when was the appraisal conducted? Please provide a copy of the appraisal.
 - (d) If the answer to Question 8(b) above is "no", how was the value of the well site parcel determined?
 - (e) If an appraisal has not already been conducted, when will an appraisal of the well site parcel be completed?
 9. Other than the parcel that the NFWFMD did not approve of, were other parcels considered for the well site? Please provide the location, parcel size, and the listing price of each property.
 10. Regarding the Contract of Sale, dated April 18, 2012, is Ben Watson a partner, related person, related party or hold some sort of financial stake in the utility, its holding company, or any one of the companies or entities held by Mr. Brown?

11. For the following questions, please refer to the W-4(a) pages from WMSI's 2006 and 2007 Annual Reports which are attached.

- (a) Is it correct that WMSI's 2006 Annual Report, page W-4(a), shows a \$236,000 addition to Acct. No. 303, Land and Land Rights, for the purchase of the Commonwealth lots?
- (b) Is it correct that WMSI's 2007 Annual Report, page W-4(a), shows a \$236,000 retirement to Acct. No. 303, Land and Land Rights, for the sale of the Commonwealth lots?
- (c) Based on the information above, is it correct that for earnings surveillance purposes, the \$236,000 was included in WMSI's rate base?

12. The following items relate to WMSI's requested rate case expense.

- (d) For each individual person, in each firm providing consulting services to the applicant pertaining to this docket, provide the billing rate, and an itemized description of work performed. Please provide detail of hours worked associated with each activity. Also provide a description and associated cost for all expenses incurred to date.
- (e) For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
- (f) If rate consultant invoices are not broken down by hour, please provide reports that detail by hour, a description of actual duties performed, and amount incurred to date.
- (g) Please provide an estimate of costs to complete the case by hour for each consultant or employee, including a description of estimated work to be performed, and detail of the estimated remaining expense to be incurred through the PAA process.
- (h) Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

Mr. Martin S. Friedman
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Please submit the above information to the Office of Commission Clerk by May 25, 2012. If you have any questions, please contact Todd Brown by phone at (850) 413-6550 or by e-mail at tbrown@psc.state.fl.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Todd M. Brown', with a long horizontal flourish extending to the right.

Todd M. Brown
Regulatory Analyst IV

cc: Division of Economic Regulation (Maurey, Fletcher, Beeler, Cicchetti, Springer, Daniel, Reiger, Stallcup)
Office of the General Counsel (Barrera, Jaeger)
Office of Commission Clerk (Docket No. 110200-WU)
Office of Public Counsel

YEAR OF REPORT
 December 31, 2006

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : _____

WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	ADJ/RECLASS (d1)	RETIREMENTS (e)	CURRENT YEAR (f)
301	Organization	\$ _____	\$ _____		\$ _____	\$ _____
302	Franchises					
303	Land and Land Rights	97,756	236,000		(6,762)	326,994
304	Structures and Improvements	366,435	0		(37,310)	329,125
305	Collecting and Impounding Reservoirs					
306	Lake, River and Other Intakes					
307	Wells and Springs	405,021	0		0	405,021
308	Infiltration Galleries and Tunnels					
309	Supply Mains	4,703,845	0		0	4,703,845
310	Power Generation Equipment	113,061	0		0	113,061
311	Pumping Equipment	224,689	0		0	224,689
320	Water Treatment Equipment	73,403	0		0	73,403
330	Distribution Reservoirs and Standpipes	362,073	0		0	362,073
331	Transmission and Distribution Mains	2,296,949	227,977		0	2,524,926
333	Services	219,113	4,781		0	223,894
334	Meters and Meter Installations	198,083	5,824		0	203,907
335	Hydrants	123,559	0		0	123,559
336	Backflow Prevention Devices					
339	Other Plant Miscellaneous Equipment	0	0		0	0
340	Office Furniture and Equipment	55,566	13,557		0	69,124
341	Transportation Equipment	206,307	28,754		(26,767)	208,294
342	Stores Equipment					
343	Tools, Shop and Garage Equipment	27,241	2,194		0	29,435
344	Laboratory Equipment					
345	Power Operated Equipment	64,551	0		0	64,551
346	Communication Equipment					
347	Miscellaneous Equipment	0	0		0	0
348	Other Tangible Plant					
TOTAL WATER PLANT		\$ <u>9,537,653</u>	\$ <u>519,087</u>	\$ _____	\$ <u>(70,839)</u>	\$ <u>9,985,901</u>

NOTE: Any adjustments made to reclassify property from one account to another must be footnoted.

UTILITY NAME:

Water Management Services, Inc.

YEAR OF REPORT

December 31, 2007

SYSTEM NAME / COUNTY :

WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	ADJ/RECLASS (d1)	RETIREMENTS (e)	CURRENT YEAR (f)
301	Organization	\$	\$		\$	\$
302	Franchises					
303	Land and Land Rights	326,994	0		(236,000)	90,994
304	Structures and Improvements	329,125	4,437		0	333,562
305	Collecting and Impounding Reservoirs					
306	Lake, River and Other Intakes					
307	Wells and Springs	405,021	0		0	405,021
308	Infiltration Galleries and Tunnels					
309	Supply Mains	4,703,845	0		0	4,703,845
310	Power Generation Equipment	113,061	0		0	113,061
311	Pumping Equipment	224,689	0		0	224,689
320	Water Treatment Equipment	73,403	0		0	73,403
330	Distribution Reservoirs and Standpipes	362,073	0		0	362,073
331	Transmission and Distribution Mains	2,524,926	0		0	2,524,926
333	Services	223,894	4,251		0	228,145
334	Meters and Meter Installations	203,907	3,623	(820)		206,710
335	Hydrants	123,559	2,020		0	125,578
336	Backflow Prevention Devices					
339	Other Plant Miscellaneous Equipment	0	0		0	0
340	Office Furniture and Equipment	69,124	6,791		0	75,914
341	Transportation Equipment	208,294	69,406		(118,377)	159,323
342	Stores Equipment					
343	Tools, Shop and Garage Equipment	29,435	0		0	29,435
344	Laboratory Equipment					
345	Power Operated Equipment	64,551	0		0	64,551
346	Communication Equipment					
347	Miscellaneous Equipment	0	0		0	0
348	Other Tangible Plant					
TOTAL WATER PLANT		\$ 9,985,901	\$ 90,527	\$ (820)	\$ (354,377)	\$ 9,721,231

NOTE: Any adjustments made to reclassify property from one account to another must be footnoted.
 Acct 334: Reclass from plant to O&M (repairs).

W-4(a)
 GROUP _____