

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Application for Increase in Water Rates in
Franklin County by Water Management
Services, Inc.

Docket No.: 110200-WU

WATER MANAGEMENT SERVICES, INC.'S
OBJECTION TO CITIZENS' FIRST SET OF INTERROGATORIES

WATER MANAGEMENT SERVICES, INC. ("WMSI"), by and through its undersigned attorneys, files this Objection to Citizens' First Set of Interrogatories, and states as follows:

At the outset, WMSI would point out that the "Instructions" will be ignored to the extent they exceed the requirements of Fla. R. Civ. P. 1.340. To the extent any Interrogatory response requires the production of documents, WMSI objects to providing electronic data responses with formulae, links, and cells, formatting, metadata and other original features intact. Production in such format would result in the disclosure of attorney work product and would tempt OPC's counsel to be unethical and unprofessional (again) by obtaining confidential information including metadata. Further, it is a breach of duty to a client for the undersigned to provide documents containing metadata. *See*, Professional Ethics of The Florida Bar, Opinion 06-2 (Sept. 15, 2006). Unfortunately, as is made clear in OPC's discovery, this case has taken on a personal aspect with OPC.

4. Cash Flow Audit. Please refer to page 4 of Mr. Brown's withdrawn testimony where he states his accountants performed a "cash flow audit" of all WMSI's operations from the beginning of 2000 through end of 2010.

- a. Please identify who (or which accounting firm) performed the cash flow audit and whether the auditor was a Certified Public Accountant (CPA);
- b. Please identify whether there is a signed engagement letter between WMSI and the person/firm which performed the cash flow audit and describe the terms and scope of the cash flow audit;

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- c. Please explain whether the cash flow audit referenced by Mr. Brown and attached as Exhibit A to Mr. Brown's withdrawn testimony was 1) a *compilation* of the cash flow documents provided by WMSI, 2) a *review* of the cash flow documents provided by WMSI, or 3) an *audit* of WMSI operations and cash flow within the meaning of the term "audit" as used by a CPA;
- d. Please explain whether the auditor(s) who performed the cash flow audit provided a report describing the audit and whether it was qualified or not (i.e., had audit findings);
- e. If no report was attached to WMSI's cash flow audit attached as Exhibit A to Mr. Brown's withdrawn testimony, please explain or describe why no such report was attached; and
- f. Please describe whether WMSI has possession of the audit work papers which supports WMSI's cash flow audit.

Response: By its specific terms, the question refers to testimony that has been withdrawn and therefore is not relevant to this proceeding. The cash flow audit prepared by WMSI is not at issue in this action. This question is made solely for the purpose of harassment. Further, this question seeks documents that are neither relevant to the issues in dispute in this action nor reasonably calculated to lead to the discovery of admissible evidence.

5. Capital Resources. Please refer to page 5 of withdrawn testimony provided by Mr. Brown where he states that he has liquidated personal resources and incurred substantial loans, personally endorsed by him, to keep the Utility in operation and provide water service to St. George Island. Please provide an itemized listing of all personal resources Mr. Brown has liquidated in order to keep the Utility in operation and provide water service to St. George Island. In order to facilitate a comprehensive response for each of the personal resources liquidated, the response should include the following information:

- The original cost of the resource to Mr. Brown;
- The original date of acquisition of the resource;
- The amount of debt owned on the resource at the time of liquidation;
- The amount received in the liquidation (please break the amount out between cash receipts, dissolution of debt, other form of payment, etc.);
- The amount of gain (loss) realized by Mr. Brown at the time of liquidation;
- The date of liquidation; and
- Identification of who or what entity the resource was sold to in the liquidation.

Response: By its specific terms, the question refers to testimony that has been withdrawn and therefore is not relevant to this proceeding. The cash flow audit prepared by WMSI is not at issue in this action. This question is made solely for the purpose of harassment. Further, this question seeks documents that are neither relevant to the issues in dispute in this action nor reasonably calculated to lead to the discovery of admissible evidence.

6. Capital Resources. Please refer to page 5 of withdrawn testimony provided by Mr. Brown where he states that he has liquidated personal resources and incurred substantial loans, personally endorsed by him, to keep the Utility in operation and provide water service to St. George Island. Please provide an itemized listing of all loans Mr. Brown has personally endorsed in order to keep the Utility in operation and provide water service to St. George Island. In order to facilitate a comprehensive response, the response should include the following information for each of these loans:

- The amount of the loan proceeds;
- What amount of proceeds were turned over to WMSI;
- What was done with any proceeds that were not turned over to WMSI;
- What entity the loan was from;
- Terms of the loan (i.e., interest rate, term of loan, whether balloon payments are required, etc.);
- Date the loan was entered into;
- What assets are designated in the loan as collateral, if any;
- Current status of the loan and current outstanding balance; and
- Whether or not the loan has been refinanced.

Response: By its specific terms, the question refers to testimony that has been withdrawn and therefore is not relevant to this proceeding. The cash flow audit prepared by WMSI is not at issue in this action. This question is made solely for the purpose of harassment. Further, this question seeks documents that are neither relevant to the issues in dispute in this action nor reasonably calculated to lead to the discovery of admissible evidence.

7. Account 123. Please refer to page 7 of withdrawn testimony provided by Mr. Brown where he asserts that “[t]he value of the 100% ownership of Brown Management Group, Inc. is in excess of the balance in Account 123. This was documented as part of the PSC audit of Account 123.”

- a. Please identify where in the PSC's cash flow audit, issued July 29, 2011, the Commission audit states that the "value of the 100% ownership of Brown Management Group, Inc. is in excess of the balance in Account 123."
- b. Account 123. On what date did WMSI acquire all the shares or 100% interest in Brown Management Group, Inc.?
- c. Please provide a detailed listing of all assets owned by Brown Management Group, Inc. at the time it was transferred to WMSI. As part of this list identify when the asset was originally acquired by Brown Management Group, Inc., the original cost of the asset, the net book value of the asset at the time of transfer, and the fair market value of the asset at the time of transfer.
- d. Please provide a detailed listing of all assets bought and all assets sold by Brown Management Group, Inc. from the time of the transfer to WMSI to date.
- e. Please provide a detailed listing of all debt owed by Brown Management Group, Inc. at the time it was transferred to WMSI, as well as the terms of the debt and the outstanding balance of the debt.
- f. Please provide a detailed listing of all debt dissolved, all new debt entered into, and all debt that has been refinanced by Brown Management Group, Inc. from the time of the transfer to WMSI to date.

Response: By its specific terms, the question refers to testimony that has been withdrawn and therefore is not relevant to this proceeding. The cash flow audit prepared by WMSI is not at issue in this action. This question is made solely for the purpose of harassment. Further, this question seeks documents that are neither relevant to the issues in dispute in this action nor reasonably calculated to lead to the discovery of admissible evidence.

8. Account 123. Please refer to page 7 of withdrawn testimony provided by Mr. Brown where he states that "[a] large part of cash for the utility came from the sale of assets owned by Brown Management Group, Inc." Please provide a detailed listing of all assets sold by Brown Management Group, Inc during the period addressed in Mr. Brown's statement. In order to facilitate a comprehensive response, the response should include the following information for each sales:

- The original cost of the asset;

- The original date of acquisition of the asset;
- The amount of debt owned on the asset at the time of liquidation;
- The amount received in the sale of the asset (please break the amount out between cash receipts, dissolution of debt, other form of payment, etc.);
- The amount of gain (loss) realized at the time of sale;
- The date of sale; and
- Identification of who or what entity the asset was sold to or transferred.

Response: By its specific terms, the question refers to testimony that has been withdrawn and therefore is not relevant to this proceeding. The cash flow audit prepared by WMSI is not at issue in this action. This question is made solely for the purpose of harassment. Further, this question seeks documents that are neither relevant to the issues in dispute in this action nor reasonably calculated to lead to the discovery of admissible evidence.

9. Account 123. Regarding the value of the 100% ownership of Brown Management Group, Inc. transferred to WMSI for the value of the balance of Account 123, please explain or describe:

- c. Whether St. George Island Utility Co., Ltd. was consulted prior to the transfer, and if so, please describe how and when that consultation took place;
- d. Whether the various holders of security interests in St. George Island Utility Co. Ltd. (i.e., owners, shareholders, partners, limited partners, etc.) were consulted prior to the transfer, and if so, please describe how and when that consultation took place;
- e. Whether T.E. Bronson was consulted prior to the transfer, and if so, please describe how and when that consultation took place;

Response: These questions relate to the matters that are confidential business matters. Further, this question is made solely for the purpose of harassment. Further, this question seeks documents that are neither relevant to the issues in dispute in this action nor reasonably calculated to lead to the discovery of admissible evidence.

12. Adjustments. Regarding the Commission adjustments ordered by Order No. PSC-11-0010-SC-WU, dated January 3, 2010 in Docket No. 100104-WU:

- a. Please describe whether all the Commission adjustments have been made
- b. Please explain if the utility made any adjustments to the amounts ordered by the Commission order.
- c. Please describe when these adjustments were made and where they are reflected.
- d. If any of these adjustments were not made, please explain why.

Response: This question seeks documents that are neither relevant to the issues in dispute in this action nor reasonably calculated to lead to the discovery of admissible evidence.

Respectfully submitted this 15th day of October,
2012, by:

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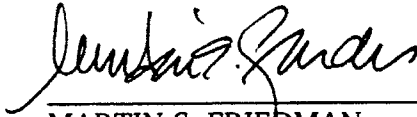
CERTIFICATE OF SERVICE
DOCKET NO. 110200-WU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by

U.S. Mail and E-Mail to the following parties this 15th day of October 2012:

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