STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

C/O THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
1-800-342-0222

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

DON GAETZ
President of the Senate

WILL WEATHERFORD
Speaker of the House of Representatives

J.R. Kelly
Public Counsel

RECEIVED-FPSC
12 DEC -7 AM 11:08
COMMISSION CLERK

December 7, 2012

Ms. Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket 110200-WU -- Application for increase in water rates in Franklin County by Water Management Services, Inc.

Dear Ms. Cole:

Enclosed for electronic filing is a REDACTED copy the Citizens' witness Helmut W. Schultz direct testimony and exhibits. The REDACTED testimony was inadvertently omitted in Citizen's filing of testimony and exhibits on December 6, 2012. Please note that also on December 6, 2012 a single electronic copy of Mr. Schultz's testimony and exhibits was filed separately on a confidential basis. The appropriate request for Confidential Classification is going to be submitted by the Utility at some later date. (See transmittal letter for the confidential testimony and exhibits dated December 6, 2012). A small portion of Mr. Schultz's testimony and three exhibits contain Utility discovery responses which are currently subject to the Utility's October 25, 2012, motion for temporary protective order, and as such were as confidential.

Once the Utility reviews the confidential version of testimony and exhibits, and makes a designation of confidentiality, if any, Citizens' will file at that time a redacted or fully public version of Mr. Schultz's testimony and exhibits as warranted.

The Citizens are utilizing this process as matter of expedience, understanding that the Commission staff needs to begin reviewing Mr. Schultz's testimony and exhibits immediately. In doing so, we do not waive any objections we may have to any claim of confidentiality that the Utility may assert.

08022 DEC-7 12
FPSC-COMMISSION CLERK

If you have any questions or concerns, please do not hesitate to contact me. Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office. Thank you for your assistance.

Sincerely,

Erik L. Sayler
Associate Public Counsel

ELS:bsr
Enclosure
cc: Parties of Record

REDACTED

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for increase in rates by Water Management Services, Inc.	)	Docket No. 110200-WU
	)	FILED: December 6, 2012

(REDACTED)

DIRECT TESTIMONY

OF

HELMUTH SCHULTZ III

ON BEHALF OF THE CITIZENS OF THE STATE OF FLORIDA

J. R. Kelly
Public Counsel

Erik L. Sayler
Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400

Attorneys for the Citizens
Of the State of Florida

COM 5
AFD 6
APA 1
ECO 1
ENG 1
GCL 2
IDM
TEL
CLK 1

Reporters File
Exhibits provided to Staff on CD.

DOCUMENT NUMBER-DATE
08022 DEC-7 12
FPSC-COMMISSION CLERK

TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS 1

II. BACKGROUND 2

III. ACCOUNT 123 4

VALUE OF BMG 32

DEP LOAN 37

RECOMMENDATIONS 45

IV. WORKING CAPITAL 50

V. WEIGHTED AVERAGE COST OF CAPITAL 51

VI. CONTRACTUAL SERVICES 52

VII. TRANSPORTATION EXPENSE 53

VIII. UNAMORTIZED GAIN ON SALES 54

INDEX OF EXHIBITS

Exhibit No.	Description
HWS-1	Qualifications of Helmuth W. Schultz, III
HWS-2	NARUC USOA for Class A Water Utilities
HWS-3	Response to the Staff Audit Request No. 9
HWS-4	Staff Reclassification Summarized
HWS-5	Deposition Transcript: Gene Brown
HWS-6	Staff Audit Workpapers - Account 123
HWS-7	Response to Staff Audit Request No. 27- BGM Financial Statements
HWS-8	CONFIDENTIAL - BMG Financials 2007-2011 – OPC POD 14
HWS-9	August 1, 2012 Gene Brown Letter
HWS-10	Transcript of August 2, 2012 Agenda Conference, Excerpts
HWS-11	Commission Staff Audit Report Cash Flow Audit
HWS-12	Staff Audit Workpapers Response to OPC POD 5
HWS-13	Audit Workpapers Indentified for SMC Investment Properties
HWS-14	Deposition Transcript: Bob Mitchell
HWS-15	Amendment 6 to DEP Loan Agreement
HWS-16	Auditing Standards Section 341: Going Concerns
HWS-17	2010 WMSI Annual Report
HWS-18	CONFIDENTIAL – WMSI Financial Statements-Response to OPC POD 4
HWS-19	Commission Staff July 20, 2012 PAA recommendation: Issue 15
HWS-20	BMG General Ledgers – Response to OPC POD 13
HWS-21	CONFIDENTIAL - $40,000 Reclassification - WMSI General Ledger
HWS-22	Nature of WMSI Financial Sources and Uses Document
HWS-23	Staff Audit Report: Rate Case, dated March 12, 2012
HWS-24	Requests for RAF Payment Plans
HWS-25	Objections to Appraisals of BMG & Compelled Response OPC POD 12
HWS-26	DEP Loan and Amendments 1 through 6
HWS-27	Cash Flow Analysis of Damage Settlement
HWS-28	DEP Inquiry and WMSI Response
HWS-29	Gulf State Bank Reserve - 2006 General Ledger
HWS-30	WMSI and DEP Correspondence
HWS-31	WMSI Audited Financial Statements
HWS-32	Accounts Payable Aging Report
HWS-33	DEP Loan Amortization Schedules
HWS-34	Secretary of State - BMG Name Changes 1994 to Present
HWS-35	Excerpt from Principles of Public Utility Rates
HWS-36	Remaining Gain on Sale Balance

DIRECT TESTIMONY

OF

Helmuth Schultz III

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 110200-SU

I. STATEMENT OF QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Helmuth W. Schultz III. My business address is 15728 Farmington Road, Livonia, Michigan 48154.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am a Senior Regulatory Analyst with Larkin & Associates, P.L.L.C.

Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCITES, P.L.L.C.

A. Larkin & Associates, P.L.L.C., performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin & Associates, P.L.L.C., has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings, including water and sewer, gas, electric and telephone utilities.

Q. HAVE YOU PREPARED AN EXHIBIT WHICH DESCRIBES YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE?

A. Yes. Attached as Exhibit No.__(HWS-1), is a summary of my background, experience and qualifications.

Q. BY WHOM WERE YOU RETAINED, AND WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Larkin & Associates, P.L.L.C., was retained by the Florida Office of Public Counsel (OPC) to address issues remaining due to a protest of the Commission's Proposed Agency Action (PAA) decision in the application to increase rates for Water Management Services, Inc. (the Company or WMSI). Accordingly, I am appearing on behalf of the citizens of Florida ("Citizens") who are customers of WMSI.

II. BACKGROUND

Q. PLEASE BRIEFLY DESCRIBE THE ISSUES YOU WILL BE ADDRESSING IN THIS PROCEEDING.

A. I am addressing the appropriateness of the Company's accounting for funds charged and credited to Account 123, the impact that advancing of funds to Mr. Brown and Company affiliates could have on ratepayers. Included within the discussion of Account 123 is a discussion regarding the purported value of the Brown Management Group, Inc. (BMG) stock transfer as it relates to Account 123, how the DEP loan may have been impacted by the Account 123 transactions, a discussion of the Company's compliance with the DEP loan requirements, a discussion as to whether

management's decision to advance these funds over that time period may have impacted the Company's ability to meet its obligations, and some recommendations for the Commission to consider. My testimony will highlight important facts already identified in the Commission staff's July 29, 2011 Cash Flow Audit Report and workpapers for Account 123. Where I have formed an opinion based on the Commission's Cash Flow Audit and workpapers, I will identify it as such for the Commission to evaluate the merits of my recommendation. I am also responding to the Company's protest of various expense determinations made by the Commission including the appropriateness of allowing zero working capital in rate base.

Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

A. My testimony regarding Account 123 will explain the following:

1. The purported accounting by the Company for advances to and from affiliates and others was not in accordance with the 1996 NARUC Uniform Systems of Accounts (USOA) adopted by the National Association of Regulatory Utility Commissioners (NARUC).
2. My review of the Account 123 transactions among WMSI, BMG, Mr. Brown, and other entities determined that BMG was a creditor of WMSI and not an investment made by the Company. My review will show, as the Staff audit did, that Mr. Brown was the primary recipient of advances from WMSI, and because no terms for interest were included with the advancing of funds, that the advances were reclassified by WMSI as an investment. The transfer of BMG stock owned outright by Mr. Brown to WMSI, a company which is

principally owned and controlled by Mr. Brown is, in my opinion, not sufficient to satisfy this obligation. And not only is the undocumented value of BMG not sufficient to satisfy the obligation of Mr. Brown to WMSI, some of the assets of BMG are not necessary for utility operation, therefore the continued ownership by the Utility is not considered appropriate given the Utility's financial position.

3. At the same time WMSI was advancing in excess of $1.5 million to Mr. Brown, WMSI was unable to make payments on the DEP loan that caused WMSI to negotiate amendments to the DEP loan postponing payments, resulting in additional interest on the loan, and, during this time period, the Company was not current with its accounts payable.

4. Absent documented proof that a return was earned, the advances made to Mr. Brown, WMSI affiliates, and others did not provide any benefit to WMSI and/or ratepayers. And that in my opinion, the transactions resulted in a detriment to WMSI and ratepayers.

III. ACCOUNT 123

Q. WHAT IS ACCOUNT 123?

A. Commission Rule 25-30.115, Florida Administrative Code (F.A.C.) requires that water and wastewater utilities shall maintain their accounts and records in conformity with the 1996 NARUC Uniform Systems of Accounts adopted by the NARUC. The USOA for Class A Water Utilities provides an account name and numbering system

that a utility must follow. The USOA establishes several accounts to record transfers of money between a utility and affiliated entities. These accounts are as follows:

- Account 123: Investment in Associated Companies
- Account 125: Other Investments
- Account 145: Accounts Receivable from Associated Companies
- Account 146: Notes Receivable from Associated Companies
- Account 223: Advances from Associated Companies
- Account 233: Accounts Payable to Associated Companies
- Account 234: Notes Payable to Associated Companies

If the utility advances money to an affiliated entity, there are definitions in the USOA describing where it should be recorded. I have attached as Exhibit__ HWS-2, entitled NARUC USOA for Class A Water Utilities, a copy of the definitions for Accounts 123, 125, 145, 146, 223, 233, and 234, as well as the USOA definitions for Associated Companies and the Accounting Instructions for transactions with Associated Companies. The primary difference between the accounts for Associated Companies is based on whether the payment to or from the entity is intended to be repaid in the short term (one year or less). The definition for Account 123, Investment in Associated Companies is as follows:

123. Investment in Associated Companies

> A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company together with full particulars regarding any of such investments that are pledged.

Note A:--Securities and advances of associated companies owned and pledged shall be included in this account, but such securities, if held in special deposits or in special funds, shall be included in the appropriate deposit or fund account. A complete record of securities pledged shall be maintained.

Note B:--Securities of associated companies held as temporary cash investments are includible in account 135 - Temporary Cash Investments.

Note C:--Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 145 - Accounts Receivable from Associated Companies.

Note D:--The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426 – Miscellaneous Nonutility Expenses, or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

Q. IN YOUR REVIEW OF THE FILING, DID YOU FORM AN OPINION AS TO HOW THE COMPANY APPLIED THIS DEFINITION TO THE TRANSACTIONS WHICH WERE RECORDED IN ACCOUNT 123?

A. Yes. In my review, I took notice that the Company selectively relied on parts of the Account 123 definition in classifying the costs they have recorded in the Company's general ledger. The key, in my opinion, is that the Company only applied parts of the definition of what costs are included and how they should be reflected in the

Company's ultimate treatment for the seven years of costs which accumulated in Account 123 from 2004 to 2010.

Q. WHAT DO YOU MEAN THE COMPANY ONLY APPLIED PARTS OF THE DEFINITION?

A. In classifying the costs to Account 123, while relying on the definition for Account 146 Notes Receivable from Associated Companies, the Company failed to recognize two important parts of the definition for Account 146. The definitions for the two accounts that are applicable are as follows:

> **145. Accounts Receivable from Associated Companies**
> See account 146.
>
> **146. Notes Receivable from Associated Companies** These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies.
>
> **Note A:**--On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.
>
> **Note B:**--The face amount of notes receivable discounted, sold or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transaction.

There are two parts of the definition of Account 146 which I would like to highlight for the Commission. First, Account 146 is for money advanced or loaned to an

associated company and that is expected to be paid in full not later than one year from date of issue. This applies to funds advanced that have a due date and/or funds advanced that do not have a due date. The definition further explains that money which has been carried for more than twelve months and is not repaid is to be included in Account 123. Only after that time period has passed should a transaction be recorded in Account 123, and not before.

Second, I would like to highlight Note A which states an offset is permitted against accounts of the same associated company. Based on my review of Account 123 transactions and the Staff Audit findings for Account 123, the Company has not properly accounted for the costs in Account 123. In Response to the Staff Audit Request No. 9 (Exhibit __HWS-3) the Company states that that it has attempted to "resolve the issue of cash advances that were made from WMSI to BMG and Gene D. Brown between January 1, 2004 and December 31, 2010."[1] But, in my opinion, the Company has unintentionally created a new problem for itself. It has attempted to reclassify the net cash advances to Mr. Brown and his associated companies as an investment in BMG. Based on the Company's accounting records and assertions made by the Company, this reclassification should not have been made or recorded on the Company's books in the manner that it has been.

Q. PLEASE EXPLAIN WHY YOU BELIEVE THE COSTS IN ACCOUNT 123 HAVE NOT BEEN ACCOUNTED FOR PROPERLY?

[1] Staff Rate Case Audit ; Docket No. 110200-WU; Volume 1 of 3; Workpaper Page 8-5.

A. The Company's transfer of funds from Account 146 to Account 123 was based on the definition in Account 146 that states that items which are not paid within twelve months shall be transferred to account 123 - Investment in Associated Companies. In reviewing the Account 123 activity, the costs accumulated over a number of years with payments being charged to Account 123 and credits being posted for repayments of money. After initially recording a net amount in Account 123 in 2004 by means of an adjusting journal entry, the Company began charging money into and out of Account 123 in 2005. This was an ongoing process with Account 123. If one applies the proper accounting methodology as prescribed by NARUC, which in my opinion is the appropriate accounting methodology to apply, all the costs recorded by WMSI in Account 123 from 2004 to 2010 would not have been recorded initially in Account 123, because many of the costs had not yet been on the books for twelve months. Some of the costs would have been recorded in Account 123 while others would have been recorded in Account 125-Other Investments, Account 223-Advances from Associated Companies and/or Account 233-Accounts Payable Associated Companies until they were twelve months old. The Company made a decision in 2004 to transfer the payments to and from various associated entities that were previously in five different accounts as a net to Account 123. This entry was in error, because it improperly netted accounts that should not have been netted. After making those journal entries, Account 123 became a smorgasbord of charges and credits from and to various entities for the next seven years, until it was brought to the Commission's attention in the last rate case. WMSI's use of Account 123, in my opinion, is not consistent with the NARUC Uniform System of Accounts.

Q. HOW WAS THE COMPANY'S ACCOUNTING INCONSISTENT WITH THE NARUC UNIFORM SYSTEM OF ACCOUNTS?

A. As noted in the definition of Account 146, any amounts in Account 146 that are more than twelve months old can be transferred to Account 123. The definition for Account 146 also states that any accounts receivable may be set off against accounts payable for the same company. That would allow for balances ultimately transferred to Account 123 from Account 146 to be receivables that are netted against payables of the same company. WMSI took the various affiliate amounts, receivables and payables, and lumped them together into Account 123 without regard to the set off requirement in Note A of the definition of Account 146. To further cause concern is the fact that there does not appear to be some form of subsidiary ledger system that would allow the Company to readily identify the net amounts due from or to the respective affiliates lumped into Account 123. Finally, as I alluded to earlier, it is not appropriate to include in Account 123 any associated companies where WMSI has a payable due to that Company.

Q. WHICH ASSOCIATED COMPANIES SHOULD NOT BE SHOWN IN ACCOUNT 123?

A. As shown on Exhibit No. HWS-4 (Staff Reclassification Summarized), Page 1 of 3, Brown Management Group, Inc., Gene Brown PA, and Equity Management Systems, which are affiliates or associated companies of WMSI as defined by NARUC USOA, should have been recorded in either Account 223, Advances from Associated Companies and/or Account 233, Accounts Payable Associated Companies. Based on

my interpretation of the NARUC Uniform System of Accounts, the remaining affiliate balances should have been in separate sub accounts for Account 123 and advances to non-affiliates should be reflected in Account 125, Other Investments.

Q. DOES YOUR ANALYSIS SHOW THAT ACCOUNT 123 INCLUDES AN AMOUNT THAT WMSI ACTUALLY OWES TO BMG?

A. Yes, according to my analysis, the net $1.175 million Account 123 balance consists of $1,905,922 owed to WMSI by Mr. Brown and WMSI affiliates and $730,847 owed by WMSI to affiliates. Included in the $730,847 owed by WMSI is $334,890 owed to BMG.

Q. IF BROWN MANAGEMENT GROUP IS OWED MONEY, HOW COULD THE TRANSFER OF 100% OF THE STOCK OWNERSHIP IN BMG TO WMSI ADDRESS ANY CONCERNS WITH THE BALANCE IN ACCOUNT 123?

A. I do not know. That appears to be another problem with the Company's accounting for affiliate transactions. I first identified this as a concern when I found that WMSI did not have a balance due from BMG but instead had a payable to BMG. I attempted to reconcile this problem by reviewing the financial statements of BMG but only found more issues.

Q. WHAT ADDITIONAL ISSUES DID YOU DISCOVER IN REVIEWING THE FINANCIAL STATEMENT OF BMG?

A. I initially identified three issues. First, the transfer of BMG stock owned outright by Mr. Brown to WMSI, a company which is principally owned and controlled by Mr. Brown, in my opinion, is not sufficient to repay all the money advanced by WMSI. Second, the payable to BMG does not match the investment in WMSI stock as found on the BMG financials. Third, based on the statements by Mr. Brown in the August 2, 2012 Commission Conference, when he indicated BMG owned 10% of WMSI, I began to question how the common equity of WMSI could be significantly lower than what is reflected as an investment in WMSI in the financial statements of BMG. I tried to rationalize the inconsistency.

I initially thought that some of the advances from BMG could be part of what BMG listed as its investment in WMSI; however, the amount invested by BMG in WMSI did not change significantly from year to year while the balance in Account 123 went from a debit balance to a credit balance for BMG. The following is a comparison between the books of WMSI and the purported financials statements of BMG for 2007 to 2010. These purported financial statements were provided by WMSI to Staff in response to Staff Audit Request No. 27. My comparison below shows the level of WMSI's investment in BMG from 2007 to 2010 as reflected in Account 123 and the value of the purported investment in shares of WMSI stock that BMG owned:

	WMSI Account 123 Balance for BMG[2]		BMG – Water Management Services, Inc. Stock[3]
	2007	$ 126,516	$600,000
	2008	$ 59,942	$600,000
	2009	$ (70,486)	$600,000
	2010	$(268,810)	$606,459

This comparison indicates two significant inconsistencies between the books of BMG and WMSI which simply did not make sense. It shows that BMG became a net investor in WMSI over this time period without any increase in its share of WMSI equity. It also shows that BMG was investing in WMSI and not the other way around as claimed by Mr. Brown in his August 1, 2012 Memo and during his November 7, 2012 deposition. (Pages 28, 44-45 of Brown Deposition transcript, attached as Exhibit __HWS-5).

Q. WERE YOU ABLE TO DETERMINE WHY THE INCONSISTENCIES EXISTED?

A. Yes. In Mr. Brown's November 7, 2012 deposition, he testified that the financial statements provided for BMG were based on fair market value (FMV) (page 33). Specifically, Mr. Brown stated that the investment amount in WMSI stock on the financial statements provided for BMG was based on FMV. The purported financial statements are not statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). These financial statements are simply BMG's best

[2] Select Staff Audit Workpapers of Analysis of Account 123; Exhibit__ HWS-6.
[3] Docket No. 100104-WU, response to Staff Audit Request No. 27; Exhibit__ HWS-7.

estimate of what they believe BMG's net worth to be. The fact that the statements are purported to be FMV statements also explains why the BMG financial statements for 2007 through 2010 provided in response to Staff Audit Request 27 in Docket No. 110200-WU did not match the "confidential" financial statements for 2007 through 2010 for BMG provided in response to OPC's First Request for Production of Documents, No. 14. (Exhibit__HWS-7 contains the non-confidential BMG financial statements provided in response to Staff Audit Request No. 27, and "confidential" Exhibit__HWS-8 contains BMG's financials 2007-2011 provided in response to OPC's First Request for Production of Documents, No. 14).

Q. WHAT ABOUT THE CLAIM THAT THE COMPANY'S PURPORTED INVESTMENT IN BMG IS WORTH MORE THAN THE $1.2 MILLION IN ACCOUNT 123?

A. The claim makes no sense for two reasons. First, based on the general ledger of WMSI, there could not be an investment by WMSI in BMG. As mentioned earlier in my testimony, the general ledger of WMSI indicates that BMG invested in WMSI as reflected by the account payable that WMSI owes BMG as shown on Exhibit__HWS-4, Page 1. The fact that Account 123 does not reflect a debit balance for BMG is indicative that WMSI has not made an investment in BMG. Next, the claim that BMG has a purported net worth of more than the $1.2 million in Account 123 is not documented as Mr. Brown's August 1, 2012 letter claims. I have attached a copy of this letter as Exhibit__HWS-9. As I just stated, the financial statements that purportedly would substantiate this claim are so-called FMV statements based on

what BMG has decided the value is. The purported "confidential" BMG financial statements for 2011 still reflect an investment by BMG in WMSI which is inconsistent with Mr. Brown's statement to the Commission on August 2, 2012 that WMSI's investment in BMG was transferred back to WMSI.[4] The Staff's July 29, 2011 Audit of Account 123 not only shows that BMG was a net "investor" in WMSI, but also that included in the net $1.175 million was $1,547,614 advanced from WMSI to Mr. Brown, $273,308 advanced to associated companies and $395,958 owed to other affiliates.

Q. WHAT WAS THE SOURCE OF THOSE FUNDS WHICH WERE ADVANCED FROM WMSI TO MR. BROWN AND THE ASSOCIATED COMPANIES THROUGH ACCOUNT 123?

A. I was not asked to determine the source of those funds advanced to Mr. Brown and associated companies. Absent documentation that establishes that WMSI actually owes Mr. Brown personally, it would appear that the funds came from utility operational funds, the water main settlement proceeds, and/or from increasing the utility debt obligations.

Q. BASED ON THE ACTIVITY IN ACCOUNT 123, CAN YOU THINK OF ANY WAY THAT THE BMG STOCK COULD BE TRANSFERRED TO WMSI TO OFFSET WHAT WAS ADVANCED TO MR. BROWN AND ASSOCIATED COMPANIES?

[4] Exhibit__HWS-10 is a portion of the transcript from the August 2, 2012 Commission Agenda Conference, pages 106-108 in Docket No. 110200-WU.

A. At the time these transactions were taking place, Mr. Brown owned 100% of BMG. At any time during this period he could transfer his ownership share in BMG to offset the amount he personally owes to WMSI according to WMSI's general ledger. In fact, he did transfer his ownership interest in BMG to WMSI on January 1, 2011, in an attempt to resolve the Commission's concern with Account 123.

Q. IF THAT WAS THE WAY IN WHICH THE TRANSFER TOOK PLACE, TO WHAT ACCOUNT 123 TRANSFER BALANCES SHOULD THE TRANSFER OF BMG STOCK APPLY?

A. The value of BMG should be applied only to what Mr. Brown owes WMSI. As shown on Exhibit__HWS-4, Page 1 of 3 and page 10 of the Staff's July 29, 2011 cash flow audit, he personally owes $1,550,614 to WMSI (A/R-Gene Brown of $2,127,074 less A/P-Gene Brown of $576,460). I have attached a copy of the July 29, 2011 Staff Cash Flow Audit Report as Exhibit__HWS-11. Moreover, the value of BMG which he transferred to the Company should only apply to what Mr. Brown owes and should not be applied to reduce the receivables and payables owed by or to other associated companies. However, even with a transfer, there is not sufficient evidence that BMG has a net worth sufficient to offset Mr. Brown's $1.5 million obligation. Therefore if the Commission were to consider the transfer as a repayment it should only be considered as a partial payment of Mr. Brown's obligation to WMSI.

Q. WHAT IS THE SOURCE OF YOUR INFORMATION ON WHAT WAS INCLUDED IN ACCOUNT 123?

A. I developed my schedules using the Staff workpapers and the WMSI General Ledger that was included in the Staff's workpapers.

Q. ARE YOU IN FULL AGREEMENT WITH THE STAFF SUMMARY OF THE ACCOUNTING IN ACCOUNT 123?

A. I found that the dollar information in the Staff summary was reasonable with one exception. The Staff reclassified part of a $144,500 payment received from BMG and treated $85,000 as a payment from SMC Investments. The workpaper indicated that it was "per GDB." Absent documentation that shows that SMC Investments paid BMG $85,000 prior to BMG paying the $144,500 to WMSI, I believe that the original $85,000 loan to SMC Investments should still be reflected on the books of WMSI in Account 125, Other Investments.

Q. DID YOU ATTEMPT TO DETERMINE IF DOCUMENTATION EXISTED THAT WOULD SUPPORT THE STAFF'S RECLASSIFICATION OF THE $85,000?

A. Yes. OPC's Second Request for Production of Documents No. 5 requested that Staff provide supporting documentation for reclassifying the $85,000 from being paid by BMG to being paid by SMC Investment Properties. The response identified four workpapers as justification for Staff's "per GDB" entry which I have attached as Exhibit__HWS-12, Staff Audit Workpapers Response to OPC POD 5. In addition, I have attached as Exhibit__HWS-13 two other workpapers that show the initial payment to SMC Investment Properties that prompted my concern. In reviewing the

four workpapers identified by Staff in its response to the OPC request, you will not find any documents that show that SMC Investment Properties has repaid the $85,000 to either WMSI or BMG. The workpapers show that BMG, and not SMC Investment Properties, paid WMSI $144,500. The only way that this reclassification would be considered appropriate is if there was an actual document(s) that shows payment of the $85,000 being made to BMG by SMC Investment Properties. Mr. Brown testified in his deposition on pages 50-51 that this documentation exists but counsel for WMSI has indicated that he objects to providing the information as a late-filed deposition exhibit because in his opinion it is an inappropriate discovery method. I have attached a copy of the deposition transcript earlier in my testimony as Exhibit__HWS-5. In addition, during the deposition of Bob Mitchell, the Controller for WMSI, counsel for the Company objected to questions about this transaction as being irrelevant (pages 36-39). I have attached a copy of Mr. Mitchell's deposition transcript as Exhibit__HWS-14. In my opinion, these questions are relevant. An advance of utility funds to an entity that is not an affiliate or an associated company as defined by NARUC USOA is an amount that should be repaid to the utility, and absent actual documentary evidence that this repayment was actually made, the funds advanced to SMC Investments are still due to WMSI.

Q. HOW DID YOU DETERMINE THAT THE STAFF SUMMARY WAS REASONABLE OTHERWISE?

A. The Staff audit was a very comprehensive audit and the workpapers supporting that audit were significantly detailed. I reviewed the documentation from the audit and

found it reasonably sufficient to conclude that the amounts in the summary were classified properly with the one exception. As shown on Exhibit__HWS-4, Page 1, Lines 17-41, I started with the initial summary of transactions listed in the Staff analysis and then reviewed the various reclassifications of entries. The result was the same as the Staff final summary as shown on lines 1-16 of Exhibit__HWS-4, Page 1.

Q. WHAT DID YOU CONCLUDE FROM YOUR REVIEW OF THE COMPANY'S ACCOUNT 123 ENTRIES IN ITS GENERAL LEDGER?

A. The General Ledger of WMSI indicates that the Company has "invested" $1,905,922 in various entities. Of the $1,905,922, $85,100 should be recorded in Account 125, Other Investments. The remaining $1,820,822 consists of nine entities. The two largest amounts advanced by WMSI to related parties or associated companies are $1,547,614 to Gene Brown personally and $197,978 to Land in Florida, Inc. There is a caveat to listing the nine entities as being associated companies because based on the July 29, 2011 Staff Audit Report, I cannot determine whether Land in Florida, Inc. is a related party or not.

Q. WHY ARE YOU PROPOSING SOMETHING DIFFERENT FROM WHAT THE STAFF PROPOSED IN ITS JULY 29, 2011 AUDIT REPORT AS TO THE RECLASSIFICATION OF THE AMOUNTS FROM ACCOUNT 123?

A. First, I believe the Company is correct that the related party advances that are not repaid within twelve month should be recorded in Account 123. Second, instead of setting up different receivables and payables for the same entity, the NARUC

Uniform System of Accounts provides for a netting of the same associated company receivable and payable balances. That netting does not apply, however, to all the different entities being netted into one as WMSI has in effect done. On Exhibit__HWS-4, I have listed what accounts I believe the amounts in Account 123 should be reclassified to. This recommendation comes with a caveat based on Finding No. 1 in the July 29, 2011 Staff Audit Report.

Q. WHY IS THERE A CAVEAT TO YOUR RECOMMENDATION?

A. According to the audit report, four of the entities: Equipment Management Systems, Inc., Real Estate Services of North Florida, Inc., Real Estate Equities of Florida, LLC and Gene Brown PA had been dissolved prior to January 1, 2011. That means that the investments in the two affiliate receivables and the two affiliate payables should be written off as an expense or to income. It is obvious that if these associated companies have been dissolved, repayment will not be made. Therefore, it would not be appropriate to maintain those amounts on the books of WMSI. An alternative to that would be to charge and credit the Gene Brown receivable balance; however, that should only be allowed if adequate documentation exists to support that the respective amounts have been accounted for that way and in that manner on the books of the four entities in question before they were dissolved.

Q. IN HIS AUGUST 1, 2012 MEMO TO THE COMMISSION, MR. BROWN STATES WITH RESPECT TO THE AMOUNTS IN ACCOUNT 123 THAT "THESE INVESTMENTS AND TRANSFERS OF FUNDS AS

CONSOLIDATED UNDER ACCOUNT 123 HAVE BEEN USED FOR THE BENEFIT OF THE UTILITY AND HAVE HELPED KEEP IT SOLVENT WHEN THERE WERE INSUFFICIENT FUNDS FROM THE RATEPAYERS TO COVER THE DAY-TO-DAY CASH OPERATING REQUIREMENTS FOR WMSI...." (Page 2) DO YOU AGREE WITH THAT STATEMENT?

A. No. The Company's statement could be presumed correct with respect to the advances from Brown Management Group, Gene Brown PA, and Equity Management Systems, but I see no basis for that claim with respect to the advances made to the other entities. Funds advanced to WMSI by other entities can provide a benefit to WMSI. However, WMSI's advancing funds to other entities does not provide a benefit to WMSI or ratepayers unless the return earned on those advances reduces the cost of service. I have not seen any evidence where there was a return from these advances that reduced the cost of service. The advances made have already increased costs for WMSI. There is also the possibility that advancing this large amount of money to these Company affiliates could potentially cause harm to ratepayers.

Q. HOW COULD ADVANCES POTENTIALLY CAUSE HARM TO RATEPAYERS?

A. Ratepayers may be harmed when the advances that are made to affiliates reduce the amount of funds available to pay the cost of day-to day operations. That creates a need for additional funds. The additional funds in this case appear to come from two sources. The first is an increase in accounts payable by delaying payment to vendors.

This was also observed by Staff in Finding 2 of the July 29, 2011 audit report. That can cause vendors to be reluctant to perform services and/or not provide material parts to maintain the system. The second source of additional funds is increasing debt.

Q. IN WHAT WAYS HAS WMSI INCREASED DEBT TO GAIN ADDITIONAL FUNDS?

A. The Company appears to have increased its debt to gain a small amount of additional funds by refinancing the debt on a backhoe and by refinancing a vehicle that was paid off. This source of additional funds is quite small when compared with the restructuring of the DEP loan through its various Amendments. Not making the regularly scheduled DEP loan payments was another source of funds. The DEP loan balance has been increased due to capitalized interest resulting from delayed payments and an extension of time from 20 to 30 years to repay the loan. This was identified by Staff in Finding 5 of the July 29, 2011 Audit Report to be the cause of an increase of $928,071 in interest expense over the term of the loan. However, the additional interest identified in Staff's Audit Report is understated because it only included additional interest through December 31, 2010, and not the additional interest through Amendment 6 to the loan, dated September 17, 2012. See Exhibit __HWS-15. The total amount of additional interest added to the DEP loan by these successive restructuring exceeds $1.123 million as of the fifth amendment and will only increase with the sixth amendment.

While the Company argues in Mr. Brown's August 1, 2012 letter that extending the term of the DEP loan is a benefit to ratepayers, it raises other significant concerns because the amount of debt can only continue to increase to a certain point before the Company can no longer renegotiate or extend the terms of its various loans and the debt bubble bursts. If the debt on any of the Company's two major loans is called, the Company will have significant financial problems operating which could very well adversely impact ratepayers. Because of this and the fact that WMSI is highly leveraged in debt, there may be a going concern issue.

Q. WHAT SUGGESTS TO YOU THAT THERE MAY BE A GOING CONCERN ISSUE?

A. The going concern concept is an assumption that financial statements are prepared with the understanding that the business is not about to be liquidated. The auditing standards provide the only formal guidance in this area and state, in part, that "the auditor has a responsibility to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time." (See my Exhibit__HWS-16 for the Auditing Standard.) If there is substantial doubt, an explanatory paragraph should be included in the auditors' report. I have not audited this company, but the documents that I have reviewed would cause me to perform additional audit work to determine whether this company is operating as a going concern. The restructuring of debt, as indicated above, is one indicator that there is a possible going concern issue. In addition, according to the Commission PAA order in Docket No. 110200-WU, and the WMSI 2010 Annual Report, the Company has a

negative equity. My Exhibit__HWS-17 is a copy of the 2010 WMSI Annual Report from the Commission's website. The "complete" 2011 financial statements for WMSI that were provided in response to OPC's First Request for Production of Documents No. 4 are attached for comparison purposes as "confidential" Exhibit__HWS-18. (The Company filed a request that these be maintained as confidential.) According to the PAA Order, the Company has a negative equity of $2,163,302. (Order No. PSC-12-0435-PAA-WU at page 44.) The presence of a substantial amount of negative equity is a key trigger in an audit in whether an auditor would be required to perform additional audit work to evaluate whether a company has a going concern issue. Then there is the fact that the 2010 Annual Report reflects notes payable of $8,096,037 for December 31, 2010, which far exceeds the net plant balance of $5,551,025. This also could raise some concern as to whether the Company is liquid enough to meet its obligations. While I have not audited the financial statements of WMSI to make a definitive determination there appears, in my opinion, to be an indication that without an infusion of equity or some significant increase in revenue that a going concern issue may exist. Regarding the ongoing cash advances by the Utility, Commission staff's July 20, 2012, proposed agency action recommendation called into question the Company's viability as a going concern in its analysis of Issue 15. (See my Exhibit__HWS-19)

Q. HAVE YOU REVIEWED THE 2011 AND 2012 FINANCIAL INFORMATION TO DETERMINE WHETHER THERE HAVE BEEN ANY CHANGES IN THE FINANCIAL CONDITION OF WMSI?

A. A review of the "confidential" 2011 financial statements provided in response to OPC First Request for Production of Documents No. 4 does not indicate any significant change in debt and/or equity when compared to 2010. With respect to 2012, I can offer no opinion because the response to OPC's First Request for Production No. 2, states: **BEGIN CONFIDENTIAL -** [redacted] **- END CONFIDENTIAL**

Q. WHAT ABOUT THE FINANCIAL CONDITION OF BMG WHICH WMSI NOW OWNS?

A. Evaluating BMG only further complicates matters. I was unable to determine how payments to and/or from WMSI were recorded on the books of BMG. OPC requested the general ledgers of BMG. The Company stated in response to OPC's First Request for Production No. 13 that "THERE ARE NO GENERAL LEDGERS FOR BROWN MANAGEMENT FOR 2008, 2009, 2010, 2011 AND 2012." OPC's request and the Company's response are attached as Exhibit__HWS-20. It is not clear to me how any well managed company can produce accurate and reliable financial statements without some form of general ledger. It is also not clear how it can be asserted that BMG is worth more than what is in Account 123 when there is no general ledger that would support the asset costs purportedly recorded on the books of BMG.

Q. MR. BROWN'S AUGUST 1, 2012 MEMO STATES THAT AFTER DECEMBER 31, 2010, WMSI STOPPED USING ACCOUNT 123 AND HAS NOT USED IT SINCE EXCEPT TO CORRECT AN ACCOUNTING ERROR MADE IN 2010 REGARDING $40,000 THAT MR. BROWN LOANED TO WMSI. IS THAT A CORRECT STATEMENT?

A. To some degree, his statement is accurate, with the exception of the reference that the correction was for $40,000 that Mr. Brown loaned WMSI. The 2011 general ledger indicates something different. I have attached a copy of the page from the confidential general ledger as Confidential Exhibit__HWS-21. I believe that this is where a lot of the issues in this case have arisen. Based on my review of information in this case and the previous case, it appears that Mr. Brown views the various activities between the various entities as being between him personally and WMSI. This apparent comingling is further evidenced on page 11 of Mr. Brown's August 1, 2012 memo where he states: "I have subsidized this company financially and otherwise for 38 years." (Brown's August 1, 2012 letter, p. 11, Exhibit HWS-9). However, this statement, based on the Company's general ledger, is not supported by the facts since Mr. Brown owes the Company $1.5 million. If Mr. Brown had in fact personally subsidized the utility to the extent that he has asserted, the Company's financial statements would reflect either more equity or a large payable to Mr. Brown. Neither exists. I would note that the Commission in Docket No. 100104-WU made a similar observation with respect to Mr. Brown's same assertion in that case when the Commission stated that, "there has been no increase in the amount of equity invested in WMSI, no loans or advances from Mr. Brown or any associated company to

WMSI, and no notes or accounts payable to associated companies or Mr. Brown on the books of WMSI."[5]

This is further evidenced in the so-called internal audit attached to the August 1, 2012 Memo depicted as the "WMSI FINANCIAL SOURCES AND USES". In my experience, each entity is a separate entity; thus each entity should be maintaining a separate set of accounting records. It is not appropriate to simply lump all the activities with various entities in one account, as WMSI has done with Account 123, and then arbitrarily decide that they can be netted as a single investment in an entity that according to the financial records of WMSI is actually owed money by WMSI.

Q. DID YOU REVIEW THE "WMSI FINANCIAL SOURCES AND USES" DOCUMENT ATTACHED TO THE AUGUST 1, 2012 MEMO?

A. Yes. For the record, Mr. Brown has referred to the "WMSI FINANCIAL SOURCES AND USES" document as an internal audit in his August 1, 2012 Memo, page 3. However, the document attached to Mr. Brown's August 1, 2012 Memo is not an "audit" of WMSI's cash flow as that term is generally used by auditors. Instead the document is simply a presentation of what Mr. Brown perceives the sources and uses of funds were.

OPC attempted repeatedly to obtain information about this so-called "internal audit" to determine whether this document, as presented, could be considered as reliable

[5] Order No. PSC-11-0010-SC-WU at page 53.

and/or valid through both service of discovery questions and deposing two utility fact witnesses, Mr. Brown and Mr. Mitchell, the controller. However, the Utility objected to providing answers to OPC's interrogatories concerning this purported internal cash flow audit. When OPC deposed WMSI's controller and asked questions concerning this document, the Utility objected over 20 times and instructed the controller not to answer pursuant to Rule 1.310, claiming these questions were irrelevant and the deposition was being conducted in bad faith or in a manner that is unreasonable, to annoy, embarrass, or oppress the deponent or party. See Mitchell deposition transcript Exhibit__HWS-14, p. 20-26, 31-33. OPC ultimately was forced to resort to filing a motion to compel this and other responses to which the Company objected. In my opinion these are legitimate discovery designed to obtain evidence upon which the Commission could base a decision related to the prudence of the Utility's advancing, on a net basis more than $1.2 million to Mr. Brown and associated companies. By Order No. PSC-12-0624-PCO-WU, issued November 20, 2012, the Commission compelled the Company to respond to this and other objected discovery. The compelled response to OPC's First Set of Interrogatories No. 4 confirmed what was suspected. This so-called "internal audit" is "not a compilation, review or audit of WMSI's operations as those terms are commonly used by accountants." I have attached OPC's First Set of Interrogatories No. 4, the Company's objection, and the Company's compelled response as Exhibit__HWS-22, entitled Nature of WMSI Financial Sources and Uses Document.

Q. DO YOU ATTRIBUTE ANY WEIGHT OR RELIABILITY TO THE COMPANY'S "WMSI FINANCIAL SOURCES AND USES" DOCUMENT?

A. None. But it is useful to discuss the deficiencies contained this document and the problems they create.

Q. WHAT PROBLEMS DO THE DEFICIENCIES IN THIS DOCUMENT CREATE?

A. There is the problem with how the "WMSI FINANCIAL SOURCES AND USES" was presented to the Commission. This document suggests that "Gene Brown, Affiliates & 3rd Parties" provided sources of funds to the Company instead of funds being secured with Company assets. There is no evidence that the "Cash from Loans Secured by GDB/Affiliates" is the debt of any entity other than WMSI. The large amount of debt depicted in the schedules under the caption "Gene Brown, Affiliates & 3rd Parties" appears to be WMSI debt secured with WMSI assets. In my opinion, it is not Gene Brown's personal debt and/or affiliate debt. There is no documentation identifying the specifics of what the "Cash from third parties" is, so third party source of cash is unknown.

Q. DO YOU HAVE ANY CONCERNS WITH THE STATEMENT IN MR. BROWN'S MEMO THAT WMSI STOPPED USING ACCOUNT 123?

A. Yes. The statement implies that the Company stopped advancing money to Mr. Brown and associated companies after December 31, 2010. This is simply inaccurate. Instead of recording that activity in Account 123, which had been the

Company's practice for seven years, that activity continued and was simply recorded in other accounts. I have attached the Commission staff's rate case audit report, dated March 12, 2012, as Exhibit__HWS-23. Audit Finding 7 is an update to the July 29, 2011 Staff Audit Cash Flow Audit. According to the referenced Table 3 on page 20, it shows that disbursements continued to be made to Mr. Gene Brown, BMG, etc. as well as deposits from these entities. These advances are presumed to be included as part of the reference to the ongoing cash advances that were noted on page 36 of Staff's recommendation in staff's "going concern" discussion. See Exhibit__HWS-19. Incidentally, Audit Finding 7 also shows that WMSI made disbursements to Gene Brown PA in 2011, which according to the July 29, 2011 Staff Audit report (page 5) was dissolved in 2008. The Company should not be recording disbursements to a dissolved entity. Those disbursements should be reclassified to the appropriate person or entity that received them.

Q. IN YOUR OPINION, IS THERE SUFFICENT EVIDENCE TO SHOW THAT THE SO-CALLED INVESTMENT OF $1.175 MILLION IN ACCOUNT 123 IS PROVIDING A BENEFIT TO RATEPAYERS?

A. No, there is no evidence that the net advance of $1.175 million benefited the ratepayer. As I have stated above, the transactions in Account 123, according to the general ledger, indicate that some entities have advanced money to WMSI that could be a benefit to ratepayers; however, there have been more funds advanced by WMSI to other associated companies that could have actually caused harm to WMSI and to ratepayers. Even though the stock in BMG has been transferred to WMSI in an

attempt to resolve the accounting issue, there is no real evidence that BMG has a net worth equal to or greater than the purported investment of $1.175 million or that the assets are useful to a water utility in providing service to its customers. But more importantly, there is no evidence that BMG has a net worth equal to or greater than the more accurate Account 123 balance of $1.821 million as indicated on Exhibit__HWS-4.

Q. DO YOU BELIEVE THAT THE NET EFFECT OF THESE CASH ADVANCES HAS HARMED THE OPERATION OF THE COMPANY?

A. Yes. Given that this Company, according to its own statements, is struggling to survive, it is tremendously leveraged in debt, and debt greatly exceeds rate base, then in my opinion, the advancing of the net $1.2 million of utility money can only have a detrimental and harmful effect on the operation of the Company. There are several instances that show where the Company has been harmed by the lack of cash generated by these transfers. First, as discussed earlier, the Company has negotiated with DEP to defer three years of payments on its loan. Those were payments 13-18[6]. Second, the Company requested payment plans for both its 2011 Regulatory Assessment Fees to the commission as it did not have the cash to make the payments. I have attached as Exhibit__HWS-24 the two requests for RAF payment plans. That request would probably not have had to be made if the Company had not advanced the $1,547,614 to Mr. Brown and the $358,308 to various other entities. According to Table 3 in Audit Finding 7, Cash Flow Analysis Update, in 2011, while the

[6] Amendment 6 to Loan Agreement DW1901 010, Water Management Services, Inc.; Exhibit__HWS-26

Company was requesting a RAF payment plan from the Commission for 2011 RAFs, the Company made a net advance of $47,288 to Mr. Brown and associated companies. The Commission in Docket No. 100104-WU noted there was no evidence that the alleged loans by Mr. Brown and BMG were incurred for the benefit of the utility that the advances are purported to represent.[7] Ultimately, this Commission will have to determine based on the evidence whether the advances to other entities have harmed the utility, and whether that harm was the result of managerial imprudence.

VALUE OF BMG

Q. COULD YOU ELABRORATE WHY YOU DO NOT AGREE WITH MR. BROWN'S STATEMENT IN HIS AUGUST 1, 2012 LETTER THAT THE VALUE OF BMG IS IN FACT WORTH MORE THAN THE ACCUMULATED $1.2 MILLION BALANCE IN ACCOUNT 123?

A. Yes. According to WMSI's response to Staff Audit Request No. 27 (Exhibit__HWS-7), the purported value (assets minus liabilities) of BMG as of December 31, 2010 was $1.19 million. The assets on BMG's balance sheet totaled $2,033,383 the liabilities totaled $842,156. BMG's assets included the 10% stock ownership of WMSI, which in 2010 BMG valued at $606,459 using a fair market valuation (FMV). Thus, on the date of the transfer of BMG's stock to WMSI, BMG's largest asset was its ownership share of WMSI, which accounted for more than half of BMG's net book value. As noted previously, all the assets on BMG's balance sheet were

[7] Order No. PSC-11-0010-SC-WU, at page 55.

recorded at FMV instead of cost; therefore, the value of those assets might be overstated if recorded at cost. If the value of the WMSI stock were removed from the assets of BMG, the purported FMV of BMG assets would be $1,426,924 ($2,033,383 - $606,459) and the purported net worth would then be only $584,768. That adjusted FMV is significantly less than the $1.2 million in Account 123. There is even more of a significant difference when compared to the $1.5 million in Account 123 due to WMSI from Mr. Brown. Taking the comparison one step further and incorporating a proper accounting, the value of BMG assets should be increased by $334,890 to reflect the money owed to BMG. That would increase the purported FMV of BMG to $919,658. That purported FMV is still less than the $1.5 million due to WMSI from Mr. Brown. The difference could be even greater if it was determined that you could not rely upon the FMV of the other assets as provided by BMG without substantiating documentation such as appraisals.

Q. IS THERE AN ISSUE WITH THE FMV OF BMG ASSETS?

A. In my opinion the estimated FMV is not supported by documented evidence. There is also the problem that the 2007 through 2010 balance sheets of BMG provided to in response to Staff Audit Request No. 27 when compared to the "confidential" 2007 through 2010 balance sheets provided in response to OPC's First Request for Production of Documents No. 14 (Exhibit__HWS-8) are different. When asked about this difference at his deposition, Mr. Brown testified that BMG will occasionally restate BMG's balance sheets, even the prior balance sheets that included the past

FMV of an asset. Page 43 of his deposition (Exhibit__HWS-5) contains the following exchange:

> **Q.** So just to be clear, your adjustments can go back in time, even after the year-end is closed; is that right?
>
> **A.** Yes. In other words, if we provided a financial statement two years ago and we're now asked what was the value of assets, and we know, for example, that the value of an asset has decreased -- for example, like on St. George Island, I'm pretty familiar with lot values down there. People bought lots for a million eight, and then they were selling them two years later for 600,000. So it wouldn't be accurate if you said what's the value, you know, so they are adjusted.

Q. DO YOU AGREE WITH THE PRACTICE OF USING THE FMV OF ASSETS AND THEN RESTATING THE FMV ON HISTORIC BALANCE SHEETS?

A. No. In fact, I have three issues with this practice. The first is the purported use of FMV balance sheet and ignoring a cost based statement. Second, I would take issue with assigning a FMV to assets without supporting documentation. And finally, I do not believe that it is appropriate to restate the financials since the value assigned is supposedly based on the period reflected in the financials not based on subsequent changes in judgment.

Q. WHAT IS THE SIGNIFICANCE OF PLACING A FMV ON THE ASSETS OF BMG?

A. By Order No. PSC-11-0010-SC-WU, issued January 3, 2011, in Docket No. 100104-WU, the Commission stated that Mr. Brown elaborated that the balance in Account 123 did not represent an equity investment in associated companies but was instead an accumulation of advances to repay BMG and himself for debt service.[8] Now, in an attempt to resolve the Commission's justified concerns surrounding Account 123, the Company now considers the funds in Account 123 an investment. If any of the funds are in fact an investment then it must be determined whether the value of the purported investment is at least equivalent to the funds advanced. As discussed earlier that would mean the FMV should exceed the net advance of $1.5 million to Mr. Brown. To determine a proper FMV of the BMG balance sheet there should be an independent documented appraisal made.

Q. HAVE YOU REVIEWED ANY DOCUMENTATION THAT WOULD PROVIDE ANY SUPPORT FOR THE FMV OF BMG ASSETS?

A. No. First, I would note that the Company objected to OPC's Request for Production of Documents No. 12 which requested any independent appraisals and/or valuations by or for WMSI regarding the value of BMG at the time of the transfer. The Company's response to OPC's request, after it was compelled, was: "THERE ARE NO DOCUMENTS RESPONSIVE TO THESE QUESTIONS." I have attached as Exhibit__HWS-25 a copy of the OPC request, the WMSI Objection, and Company's response compelled by Order No. PSC-12-0624-PCO-WU, issued November 20, 2012. According to the Company, there are no documents to support the Company's

[8] Order No. PSC-11-0010-SC-WU at pages 51 and 52.

FMV of BMG assets, and this is problematic. What rational basis does the Company have for the FMV? Some of the assets held by BMG are supposed to be real estate, which at a minimum should have a property appraisal at the time of sale or the tax value assessment appraisal. Such documents would at least provide some support for the FMV of these real estate assets. Since the Company had no responsive documents that would purportedly support the value of BMG assets, I reviewed WMSI's response to Staff' Audit Document Request No. 27.

Q. WHAT DID YOU DETERMINE FROM YOUR REVIEW OF THE RESPONSE TO THE STAFF AUDIT REQUEST?

A. The Staff audit request was for "copies of all supporting documentation used to determine the value of the outstanding capital stock of BMG which is in excess of the net amount invested by WMSI under Account 123 through December 31, 2010." The purported support was a memo from Mr. Gene Brown to Ms. Debra Dobiac. The value of the various assets according to the memo was based on purported past appraisals that were not provided and/or what appears to be simple estimates. In my opinion, a simple explanatory paragraph does not equate to supporting documentation for the FMV of the assets of BMG.

Q. DOES THE FACT THAT WMSI NOW OWNS ALL THE STOCK OF BMG EFFECTIVE JANUARY 1, 2011, CHANGE ANY OF YOUR TESTIMONY REGARDING THE VALUE OF BMG?

A. No. As noted on page 2 of the July 29, 2011 Staff Audit Report, the transfer of the security interest in BMG to WMSI did not change any of the conclusions drawn in the Commission's Cash Flow Audit Report. Similarly, now that WMSI owns all of BMG, it does not change my conclusion that the BMG assets have a fair market value that is less than either the net $1.2 million owed by all affiliated entities to WMSI or the $1.5 million owed to WMSI by Mr. Brown.

DEP LOAN

Q. WHAT DOES THE DEP LOAN HAVE TO DO WITH THE ISSUE RELATING TO ACCOUNT 123?

A. It raises at least two questions, and perhaps more. First, there is the question of whether the advances to Mr. Brown and the associated companies was a direct or indirect cause of the additional interest added to the DEP loan. Second, there is the question of whether the Company's compliance with all the terms of the DEP loan provides any basis for evaluating managerial prudence.

Q. WOULD YOU DISCUSS THE POSSIBLE CONNECTION BETWEEN THE INCREASED INTEREST ON THE DEP LOAN STEMMING FROM THE ADVANCES THROUGH ACCOUNT 123?

A. Audit Finding No. 5 of the Staff Cash Flow Audit Report indicated that the cost of the DEP loan (i.e. interest expense) has been increased and the term extended due to the Company's apparent inability to make scheduled payments. Because of this inability to make the scheduled payments, WMSI renegotiated several additional loan

amendments to defer making those schedule payments. Those amendments are memorialized by Amendments 3 through 6. I have attached the DEP Loan and Amendments 1 through 6 as Exhibit__HWS-26. These documents were provided in response to Staff's First Request for Production of Documents No. 3. The Company's inability to make those payments may be in part due to the advances made to WMSI's president and affiliates as recorded in Account 123. Additionally, I would note that in my opinion, the debt on this loan should be less than what it is because WMSI did not apply additional funds to the DEP loan in a manner that they should have been. Instead, those funds were used to meet operating costs that should have been paid for from rates collected, and the funds in question were used to make advances to affiliates and others.

Q. WHAT ADDITIONAL FUNDS WERE NOT APPLIED TO THE DEBT IN A MANNER THAT YOU BELIEVE THEY SHOULD HAVE BEEN?

A. It is my understanding that the DEP loan was used to finance the construction of a plant and the water main on the new bridge to St. George Island. After the new water main was complete, it was determined that the water main was not coated as it was supposed to be and WMSI received a judgment to compensate for the failure of the supplier to perform the coating. According to the non-confidential general ledger of WMSI, the judgment amount was $760,000 and distributed by WMSI as shown on Exhibit__HWS-27 (Cash Flow Analysis of Damage Settlement). Essentially $190,000 was advanced to affiliates and others and recorded in Account 123, $417,390 was used to make normal DEP debt payments, $30,413 was used to

purchase a vehicle and approximately $122,000 was used to meet day-to-day operating costs. Since the proceeds were to reimburse WMSI for an inferior product, the Company appropriately reduced the cost of the asset, yet instead of applying all the judgment proceeds directly to the debt, the funds were used for other purposes. The $190,000 in advances to the WMSI president and affiliates, in my opinion, were not what the proceeds were intended for and the use of those funds for day to day operating costs was not the appropriate use of those funds.

Q. WHAT IS THE ISSUE WITH USING THE $417,390 OF LITIGATION PROCEEDS RECEIVED TO PAY THE NORMAL DEBT PAYMENTS?

A. The terms of the DEP loan agreement state that the Company is required to have a Loan Payment Reserve Account. This reserve account was supposed to be funded by the rates collected and loan proceeds. I believe that is why the loan agreement in Article V (5.01) makes reference to rate coverage. Following that theory, the scheduled debt payments were to be made from funds derived from utility revenues and not from the litigation proceeds. All of the litigation proceeds, in my opinion, should have been used to reduce the principal on the DEP loan commensurate with the reduction to plant.

Q. WHAT IS THE ISSUE WITH USING THE LITIGATION PROCEEDS TO PAY THE NORMAL OPERATING COSTS?

A. The setting of rates is designed to provide the Company with sufficient revenue to meet its obligations and the normal operating costs. If rates are not sufficient then the

Company's management should apply for a rate increase. It is, therefore, incumbent on the Company to prepare a sufficient request to meet the normal debt obligations and the cost of operations. This was addressed by the Commission Order issued in Docket No. 100104-WU where the Commission stated that, if the utility was incurring net operating losses, it is the Company's burden to file for rate relief.[9]

Q. WHY WOULD THE COMPANY USE THE LITIGATION PROCEEDS IF THE RESERVE HAD BEEN PROPERLY FUNDED?

A. I cannot determine from the information in the Company's filing or obtained in discovery whether the reserve was always properly funded. In reviewing the activity in the general ledger of WMSI, it is not obvious where the reserve funds are maintained because of the various bank accounts utilized by the Company. However, based on the general ledger reference to an account being a reserve account, there appears to be a deficiency in the funding of reserve accounts in 2006, 2007, 2008, 2009 and 2010. An example of how deficiencies existed is a January 18, 2006 inquiry by the DEP regarding WMSI not providing the monthly verifications that $35,000 was deposited to restore the reserve balance. WMSI in a reply to DEP's inquiry, dated February 21, 2006, indicated that payments for December 2005 and January 2006 were made and February 2006 would be made. The DEP inquiry letter and WMSI response are attached as Exhibit__HWS-28. According to the general ledger, there was no payment to this reserve account deposited in December 2005, but $10,000 was deposited in January 2006 and $60,000 was deposited in February 2006,

[9] Order No. PSC-11-0010-SC-WU at page 38.

suggesting that WMSI caught up for December and January as indicated in its letter to the DEP, but the reserve account was still short for February as of February 28, 2006. To add to the deficiency, WMSI did not make payments to that reserve account in either March or April. Instead, WMSI withdrew $69,900 in April. (See the applicable 2006 general ledger pages related to the Gulf State Bank Reserve attached as Exhibit_HWS-29.) Clearly this is not in compliance with the terms of the loan and/or the letter to DEP regarding restoration of the reserve.

Unless the Company can identify where it maintained the required reserve account since the initiation of the loan, then WMSI may have violated Article 6.01, Events of Default Paragraph (1), which states: "Each of the following events is hereby declared an event of default: (1) Failure to fund the Loan Repayment Reserve Account or to make any installment of the Semiannual Loan Payment when it is due and such failure shall continue for a period of 15 days." (Exhibit__HWS-26)

Q. IS THAT YOUR ONLY CONCERN REGARDING POSSIBLE VIOLATIONS OF THE DEP LOAN AGREEMENT?

A. No. Article 2.01, Warranties, Representations and Covenants, Paragraph 12 of the DEP loan requires annual certifications be provided to the DEP regarding pledged revenue collections, the loan payment reserve account, and insurance. In reviewing WMSI's response to Staff First Request Production of Documents No. 3, I was unable to identify the Company satisfying that requirement for each year. The only certifications that were included in the Company's response were one filed on

February 4, 2004 that was due August 15, 2003, one filed September 17, 2008 that was due September 30, 2008 and one filed September 28, 2012 that was due September 30, 2012. The required annual certifications for the other years in between could not be located in the Company's response to Staff's First Request for Production No. 3. I have attached to my testimony as Exhibit__HWS-30 the full response to the request for all written communication between DEP and WMSI from the inception of the loan through the present.

There is also a concern with Article 2.01, paragraph 10, which states that each year until the loan is retired the Project Sponsor (WMSI) shall submit an annual audit report to the Department. It does not appear that the Company has complied with this annual audit report requirement.

Q. WHAT SUGGESTS TO YOU THAT THE COMPANY HAS NOT COMPLIED WITH THIS REQUIREMENT?

A. First, no annual audit reports or audited financials for WMSI were provided in response to OPC's discovery. OPC requested the Company's audited financial statements in OPC's Third Set of Interrogatories No. 37 and Third Request for Production of Documents No. 50, and the Company responded there were no audited financial statements for the Company. See OPC's requests and Company's responses attached as Exhibit__HWS-31. Second, Mr. Brown and Mr. Mitchell, WMSI's controller, both testified that WMSI does not have audited financials. (See Brown deposition, p. 70, Exhibit__HWS-5; Mitchell deposition, p. 15, Exhibit__HWS-14).

Third, no copies of annual financial audit reports complying with Article 2.01, Paragraph 10 were contained in the correspondence between DEP and WMSI provided to Staff Request for Production No. 3. See Exhibit__HWS-30. Fourth, in his deposition, Mr. Brown confirmed no audited statements were performed beyond the initial performance audit. See Exhibit__HWS-5, Brown deposition p. 70. Mr. Brown also stated that he believed that this was no longer a requirement as the result of subsequent amendments to the loan agreement. (Brown deposition p. 84) However, my review of the various amendments to the DEP loan agreement did not identify any such waiver. I would note that a July 1, 2005 letter from DEP requesting the project close out audit indicated that the close out audit was "in addition to any annual audit". Moreover, each of the subsequent loan amendments includes the statement: "All other terms and provisions of the Loan Agreement shall remain in effect." (Exhibit__HWS-26). That suggests to me that this requirement was not waived.

Q. WHOSE RESPONSIBILITY IS IT TO ENSURE THAT WMSI FOLLOWS ALL THE PROVISIONS OF THE DEP LOAN AGREEMENT?

A. Ultimately, it is the responsibility of the President of WMSI, who executed this loan on behalf of the Company, to ensure that the Company is in compliance with all provisions of the DEP loan and subsequent amendments.

Q. HOW IS THE PERCEIVED LACK OF COMPLIANCE WITH THE DEP LOAN PROVISIONS RELEVANT TO THE ISSUES PROTESTED BY OPC?

A. In my opinion, the problems in complying with the DEP loan agreement are symptoms of a greater, more fundamental issue as it relates to the management of this utility. If things are not corrected soon, those issues could continue to grow.

Q. IN YOUR OPINION, DID THE COMPANY'S TRANSFER OF FUNDS RECORDED IN ACCOUNT 123 TO MR. BROWN AND OTHER ASSOCIATED COMPANIES IMPAIR THE UTILITY'S ABILITY TO MEET OTHER OBLIGATIONS?

A. Yes, I believe it does. One indication is the significant increase in accounts payable from 2009 through 2011 as shown on Table 2 of the March 12, 2012 Staff Audit Report. Because of the increases, I reviewed the aged accounts payables in the Staff workpapers and noted that there were a number of balances that were more than 90 days old. (I have attached a copy of the staff audit work papers that show the aged accounts payable as Exhibit__HWS-32). Instead of making advances to affiliates the accounts payables could have been paid in a more timely manner. Earlier, in my testimony, I discussed how nonpayment of vendors could impact utility operations. Further, advancing this much cash out also could have impaired the Utility's ability to meet its DEP loan debt service payments. It could be argued that instead of using cash to make advances, payments could have been made on the DEP loan. Instead the Utility simply negotiated with DEP to miss those payments, which ultimately added over $1.2 million in interest on the loan over its extended term.

RECOMMENDATIONS

Q. WHAT IS YOUR OPINION OF THE STAFF'S PAA RECOMMENDATION FOR ACCOUNT 123 AND ITS RECOMMENDED FINDINGS?

A. After reviewing the Staff's PAA recommendation for Issue 15 regarding Account 123, I would agree for the most part with the recommended findings, which are attached as Exhibit__HWS-19. In my opinion, there is ample evidence to support staff's recommended findings that these transfers impaired the utility. Moreover, the evidence I discuss in my testimony suggests that the transfer of more than $1,547,614 of utility cash to Mr. Brown and $358,308 to Associated Companies and others through Account 123 has impaired the Utility's ability to satisfy its financial obligations during that time period from 2004 to 2010, and this impairment will continue unless the money is repaid to WMSI.

Q. WHAT'S YOUR RECOMMENDATION WITH RESPECT TO WMSI'S REQUEST TO RESTORE THE PRESIDENT'S SALARY REDUCED BY THE PAA ORDER AS IT RELATES TO THE DEP LOAN COSTS?

A. Similar to the reasoning put forward in Staff's PAA Recommendation, I think a salary reduction is appropriate.

Q. DO YOU THINK THAT STAFF'S RECOMMENDED SALARY REDUCTION ADEQUATELY COMPENSATES THE COMPANY AND RATEPAYERS FOR PAST DECISIONS?

A. Not based on the added DEP loan interest cost as of Amendment 5 and not after the added cost from Amendment 6 is factored in. Staff's recommended salary reduction for managerial imprudence does not take into account all the additional interest added to the life of the loan. The incremental interest expense of $928,071 referenced in staff's PAA recommendation is through December 31, 2010. Since then, there have been additional amendments to the DEP loan adding additional interest. As of Amendment 5, the incremental difference in interest between the original loan payment schedule and the Amendment 5 payment schedule is $1,123,060. This is calculated by comparing the original loan payment schedule with the Amendment 5 payment schedule. The salary and benefits reduction should be increased to offset the added additional interest. I have attached to my testimony Exhibit__HWS-33 to demonstrate the changes in the DEP loan amortization schedules.

Q. SHOULD THE COMMISSION INTERVENE IN THE OPERATION OF THIS COMPANY?

A. In my experience, regulatory commissions endeavor to make decisions that are fair and that are best for the utility and ratepayers. In this case the financial viability of the Company could pose a threat to the Company and ratepayers alike. So, in my opinion, I believe that some intervention is necessary. In the last order, the Commission indicated that it generally attempted to avoid "micromanaging" utility business decisions.[10] However, if there is an exception to this general rule, then this utility is the case. If you review the long history of orders entered by this

[10] Order No. PSC-11-0010-SC-FOF at 55.

Commission as it relates to the operation of this water system on St. George Island, you will see how the Commission actively intervened and participated in the operation of the utility to ensure that utility funds were used to pay RAFs,[11] ensure that funds were available for future capital improvements,[12] and to improve the quality of service.[13] By Order No. 23258, issued July 27, 1990, in Docket No. 871177-WU, the Commission ordered the Company to exercise a buy-out provision in a lease agreement to ensure that the Company obtained title to the elevated storage tank which was built with escrowed money but titled in the name of Armada Bay Company, Inc., which is now known as Brown Management Group.[14] See Exhibit__ HWS-34, Secretary of State - BMG name changes from 1994 through present. Because of management decisions which, in my opinion, have adversely impacted utility operations, I believe the Commission should consider taking a more active role with this utility.

Q. WHO SHOULD HAVE TITLE TO BMG'S ASSETS?

A. Because the Utility now owns BMG and all of its assets, the Commission could consider ordering that any revenues or rents from those assets, if any, should be used

[11] Order No. PSC-92-0478-FOF-WU, issued June 9, 1992, in Docket No. 920318-WU, In re: Initiation of proceeding by Florida Public Service Commission to require St. George Island Utility Company, Ltd. in Franklin to escrow funds for payment of regulatory assessment fees (requiring escrowing of RAFs).

[12] Order No. PSC-94-1383-FOF-WU issued November 14, 1994, in Docket No. 940109-WU, In re: . Petition for interim and permanent rate increase in Franklin County by St. George Island Utility Company, LTD., at page 47 (requiring escrowing of service availability charges to ensure funds are available for future capital expenditures).

[13] See various orders issued in Docket No. 871177-WS for this utility. Order No. PSC-92-1284-FOF-WS, referenced prior orders imposing a moratorium against any further connections, ordering the utility to comply with a number of requirements relating to quality of service, including submitting plans for a third well and a new water storage tank.

[14] Order No. 23258, issued July 27, 1990, in Docket No 87177-WU, In re: Application of St. George Island Utility Company, Ltd. for increase rates and service availability charges for water service in Franklin County at page 3 (1990 WL 10548574 (Fla. P.S.C.) at 2).

only for utility operations or debt service payments. In addition, the Commission could consider ordering WMSI to title all of the assets currently being held by BMG in the Company's name. In the short term, any income from any income producing asset owned by BMG, not already fully encumbered, could be placed in escrow to help finance the building of the new ground water storage tank. In the future true-up proceeding for the ground water storage tank, the Commission could impute those revenues to reduce customer rates in a manner consistent with how the Commission imputes utility pole rental revenues.

The Commission could have the cell tower lease rights retitled in the name of WMSI and require that those rights not be sold or assigned absent a Commission order.

Alternatively, the Commission could order a liquidation of those assets and use the proceeds to pay down remaining utility debt.

Q. WHAT IS THE NEXUS BETWEEN OPC'S PROTEST OF ACCOUNT 123 AND REQUIRING THAT BMG ASSETS BE TITLED IN WMSI'S NAME AND THAT ANY PROCEEDS BE USED TO BENEFIT THE UTILITY OPERATIONS?

A. If the Commission is concerned that WMSI assets (e.g., the assets of BMG which WMSI ultimately owns) might not be used for utility purposes, the Commission should take measures to ensure that the alleged benefits of owning BMG, as purported by WMSI, inure to WMSI.

Q. DO YOU BELIEVE THE COMMISSION HAS ENOUGH EVIDENCE TO SUPPORT A FINDING REGARDING MANAGERIAL IMPRUDENCE?

A. Yes. I believe the record being developed for this case, as requested by the Commissioners at the August 2, 2012 Commission Conference,[15] provides the Commission with enough evidence upon which to base a finding. I have provided the Commission with my observation of what the documents and financial information depicts in this case. The Commission should weigh the evidence presented, and make that determination. In my opinion, the evidence suggests that shareholders' lack of investment and management's decision to continue to increase debt has impacted WMSI's current financial position and could put WMSI in a precarious position that could threaten its ability to provide safe and reliable service to ratepayers in the future.

Q. ARE YOU MAKING ANY OTHER RECOMMENDATIONS REGARDING THE ADVANCES TO AFFILIATES THAT CREATED THE CONCERNS WITH ACCOUNT 123?

A. Yes. To avoid any further possible issues developing with respect to affiliate advances, I am recommending that the Commission order WMSI to stop making random advances to Mr. Brown, associated companies, parties, or interests. While this may appear to be micromanaging, the financial condition of WMSI dictates that some safeguard be implemented to provide creditors and ratepayers assurance that debt obligations will be met and that operations will not be impacted due to a lack of

[15] August 2, 2012 transcript for Docket No. 110200-WU at pages 137-139, 146; Exhibit__HWS-10 includes excerpts of the transcript.

funds. If the Company is allowed to continue to use utility cash for non-utility purposes, sometime in the not too distant future, customer service may be adversely affected.

IV. WORKING CAPITAL

Q. IS IT APPROPRIATE THAT THE COMPANY IS REQUESTING A WORKING CAPITAL COMPONENT IN RATE BASE?

A. No. Company witness Allen states that, because any normal viable company requires working capital to pay its current liabilities as they come due, the Company should be entitled to $129,873 of working capital. That argument is only appropriate if the utility uses investor provided funds to operate the company. In WMSI's case, management has used debt and accounts payable to fund operations. Investor's funds do not exist when equity is negative. Investors have not provided interest free debt; therefore, there are no investor loans that can be considered as a source of working capital. Simply put, the Company has not provided any real substantial justification that it is entitled to a working capital allowance in rate base.

Q. WHAT ABOUT MS. ALLEN'S CLAIM THAT, BECAUSE THE COMPANY IS IN A LOSS POSITION, USE OF A ZERO WORKING CAPITAL ALLOWANCE ONLY PERPETUATES THE PROBLEM?

A. The Company controls its finances. If the Company cannot earn a profit in a regulated environment, then there may be a problem with management's inability to either control costs or assemble a filing sufficient to allow regulators to determine a

level of rates that will allow the Company to meet its operating requirements. An investor in a closely held company should determine what is needed to fund operations. If investors fail to sufficiently provide the capital required to meet the working capital requirements of the operations, then ratepayers should not be required to provide the working capital shortfall and a return on that shortfall. According to James C. Bonbright's book, *Principles of Public Utility Rates*, which has been relied as a reference for public utility pricing theories, policies, and the economic concepts supporting rate designs, a working capital allowance is necessary to bridge the gap between the time costs are incurred in providing service and the time the utility is paid for that service.[16] See Exhibit ___HWS-35, Excerpt from Principles of Public Utility Rates. That would substantiate a claim that a working capital allowance should be allowed. However, Bonbright continues his discussion by stating that including the working capital allowance in rate base is appropriate when the funds have come from investor sources.[17] WMSI has not shown that it has issued sufficient equity or debt as a source of investor funds; therefore, WMSI is not entitled to any working capital allowance.

V. WEIGHTED AVERAGE COST OF CAPITAL

Q. DO YOU HAVE AN OPINION AS TO WHETHER MS. ALLEN'S EXPLANATION PROVIDES JUSTIFICATION FOR REVISING THE WEIGHTED COST OF CAPITAL?

[16] *Principles of Public Utility Rates*, Second Edition, Page 242.
[17] *Principles of Public Utility Rates*, Second Edition, Page 243.

A. Yes. Her suggestion that the life insurance cost be included in the cost of debt is not appropriate. What Ms. Allen did not address is why the life insurance was required as part of the loan. Most likely the loan required the insurance as collateral because the Company is so leveraged in debt. The next question would be, is the debt that high because of advances to affiliates? There is no justification for changing the cost of capital upward. However, there could be an argument for lowering the cost of capital.

VI. CONTRACTUAL SERVICES

Q. DOES MS. ALLEN'S RECOMMENDATION FOR ACCOUNTING SERVICES MAKE SENSE?

A. No. First, the calculation presented by Ms. Allen is skewed by the 2010 expense of $18,550. As noted on her exhibit JA-5, the costs for 2005-2009 averaged $3,667, and then suddenly the cost in 2010 is $18,550. There is no explanation for the significant change in cost which is something that should have been addressed by the Company. While the request may be appropriate for an increase in costs, the Company has not met its burden of proof for justifying the change. There is also a concern that based on the aged accounts payable as of December 31, 2011, that I included in my Exhibit__HWS-32, $4,500 of accounting costs for 2010 were still not paid.

Q. WHY WOULD YOU SUGGEST THE REQUEST MAY BE APPROPRIATE?

A. As has been discussed throughout my testimony, this Company has had issues with appropriately accounting for costs. That problem may be the lack of attention that

has occurred and, in the case of Account 123, the lack of understanding the difference between accounting for costs of different entities separately.

VII. TRANSPORTATION EXPENSE

Q. DO YOU AGREE WITH MS. ALLEN'S RECOMMENDATION FOR AN ADJUSTMENT TO TRANSPORTATION EXPENSE?

A. No. Ms. Allen claims that the cost should be increased by $8,916 and then goes on to suggest that the Commission double counted an adjustment for maintenance costs. My review of the Commission adjustment confirms that there was not a double count as claimed by Ms. Allen. Ms. Allen's claim is that, because the Commission adjustment included the net adjustment of $3,177 and $5,739, a double count occurred. This is not correct. The net $3,177 of cost added by the Company did remove the $5,739 when it added $8,916 for mileage. However, as part of its adjustment, the Commission reversed the Company's adjustment by putting the $5,739 back into the cost of service and removing the $8,916 (i.e. the removal of the $3,177). The Commission then made a separate adjustment removing the $5,739 because it was deemed non-utility related.

Q. DID MS. ALLEN PROVIDE JUSTIFICATION FOR MAKING THE $8,916 ADJUSTMENT?

A. No. As her testimony states, the $8,916 represents a mileage estimate for 2010. As the Commission order stated, the Company failed to provide the appropriate supporting mileage logs for the 2010 costs; therefore, the costs were disallowed. The

Company's attempt to offer the log reimbursements for 2011 as a surrogate is an after the fact attempt to correct for past errors. As the order states, the Company was effectively put on notice as to what was required to be compensated for the costs in question and they failed to meet their obligation. Therefore, the Commission's disallowance is appropriate.

VIII. UNAMORTIZED GAIN ON SALES

Q. ARE YOU RECOMMENDING A REVISION TO THE COMMISSION'S ADJUSTMENT FOR THE NET GAIN ON THE SALE OF LAND AND OTHER ASSETS?

A. Yes. Commission PAA Order No. PSC-12-0435-PAA-WU recognized a net gain of $5,794 to be amortized over 5 years resulting in an annual amortization of $1,159. However, the PAA order apparently omitted the gain on sale adjustment from the last rate case. By Order No. PSC-11-0010-SC-WU, the Commission made a determination that there was a gain on sale and ordered the amortization of $242,040 over five years for an annual amortization of $48,408. The OPC believes that the remaining amortization of the gain on sale recognized in the last order should be reflected in the rates approved by the Commission in this docket.

Q. HOW MUCH OF THE $242,040 GAIN ON THE SALE IS LEFT TO BE AMORTIZED?

A. According to my calculation, there remains approximately $153,292 left to be amortized. I have included on Exhibit HWS-36, attached to my testimony, my

calculation of the gain on sale remaining to be amortized from the last rate case until the PAA approved rates went into effect.

Q. HOW QUICKLY SHOULD THE REMAINING BALANCE BE AMORTIZED?

A. The Commission should order that the remaining balance be amortized over a three to four year period.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

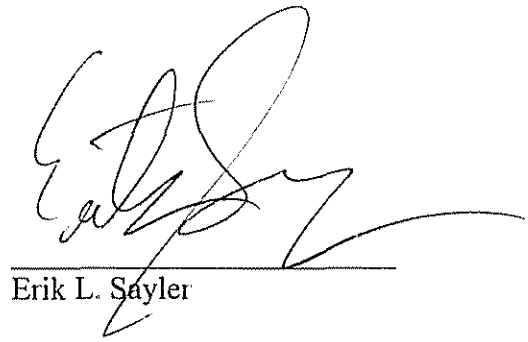
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing CONFIDENTIAL and REDACTED Versions of the Direct Testimony and Exhibits of Helmuth Schultz III have been furnished by electronic mail and/or U.S. Mail to the following parties (unless noted below) on this 6th day of December, 2012, to the following:

Michael Lawson
Martha Barrera
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
(Redacted copy only; Confidential copy on file with Office of Commission Clerk)

Mr. Gene D. Brown
Water Management Services, Inc.
250 John Knox Road, #4
Tallahassee, FL 32303-4234

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



Erik L. Sayler

QUALIFICATIONS OF HELMUTH W. SCHULTZ, III

HWS-1

ATTACHMENT I

QUALIFICATIONS OF HELMUTH W. SCHULTZ, III

Mr. Schultz received a Bachelor of Science in Accounting from Ferris State College in 1975. He maintains extensive continuing professional education in accounting, auditing, and taxation. Mr. Schultz is a member of the Michigan Association of Certified Public Accountants

Mr. Schultz was employed with the firm of Larkin, Chapski & Co., C.P.A.s, as a Junior Accountant, in 1975. He was promoted to Senior Accountant in 1976. As such, he assisted in the supervision and performance of audits and accounting duties of various types of businesses. He has assisted in the implementation and revision of accounting systems for various businesses, including manufacturing, service and sales companies, credit unions and railroads.

In 1978, Mr. Schultz became the audit manager for Larkin, Chapski & Co. His duties included supervision of all audit work done by the firm. Mr. Schultz also represents clients before various state and IRS auditors. He has advised clients on the sale of their businesses and has analyzed the profitability of product lines and made recommendations based upon his analysis. Mr. Schultz has supervised the audit procedures performed in connection with a wide variety of inventories, including railroads, a publications distributor and warehouser for Ford and GM, and various retail establishments.

Mr. Schultz has performed work in the field of utility regulation on behalf of public service commission staffs, state attorney generals and consumer groups concerning regulatory matters before regulatory agencies in Alaska, Arizona, California, Connecticut, Delaware, Florida, Georgia, Kentucky, Kansas, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Nevada, North Dakota, Ohio, Pennsylvania, Rhode Island, Texas, Utah, Vermont and Virginia. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on numerous occasions.

Partial list of utility cases participated in:

U-5331	Consumers Power Co. Michigan Public Service Commission
Docket No. 770491-TP	Winter Park Telephone Co. Florida Public Service Commission

Case Nos. U-5125 and U-5125(R)	Michigan Bell Telephone Co. Michigan Public Service Commission
Case No. 77-554-EL-AIR	Ohio Edison Company Public Utility Commission of Ohio
Case No. 79-231-EL-FAC	Cleveland Electric Illuminating Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Refunds Michigan Public Service Commission
Docket No. 820294-TP	Southern Bell Telephone and Telegraph Co. Florida Public Service Commission
Case No. 8738	Columbia Gas of Kentucky, Inc. Kentucky Public Service Commission
82-165-EL-EFC	Toledo Edison Company Public Utility Commission of Ohio
Case No. 82-168-EL-EFC	Cleveland Electric Illuminating Company, Public Utility Commission of Ohio
Case No. U-6794	Michigan Consolidated Gas Company Phase II, Michigan Public Service Commission
Docket No. 830012-EU	Tampa Electric Company, Florida Public Service Commission
Case No. ER-83-206	Arkansas Power & Light Company, Missouri Public Service Commission
Case No. U-4758	The Detroit Edison Company - (Refunds), Michigan Public Service Commission
Case No. 8836	Kentucky American Water Company, Kentucky Public Service Commission
Case No. 8839	Western Kentucky Gas Company, Kentucky Public Service Commission

Case No. U-7650	Consumers Power Company - Partial and Immediate Michigan Public Service Commission
Case No. U-7650	Consumers Power Company - Final Michigan Public Service Commission
U-4620	Mississippi Power & Light Company Mississippi Public Service Commission
Docket No. R-850021	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. R-860378	Duquesne Light Company Pennsylvania Public Utility Commission
Docket No. 87-01-03	Connecticut Natural Gas State of Connecticut Department of Public Utility Control
Docket No. 87-01-02	Southern New England Telephone State of Connecticut Department of Public Utility Control
Docket No. 3673-U	Georgia Power Company Georgia Public Service Commission
Docket No. U-8747	Anchorage Water and Wastewater Utility Alaska Public Utilities Commission
Docket No. 8363	El Paso Electric Company The Public Utility Commission of Texas
Docket No. 881167-EI	Gulf Power Company Florida Public Service Commission
Docket No. R-891364	Philadelphia Electric Company Pennsylvania Office of the Consumer Advocate

Docket No. 89-08-11	The United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. 9165	El Paso Electric Company The Public Utility Commission of Texas
Case No. U-9372	Consumers Power Company Before the Michigan Public Service Commission
Docket No. 891345-EI	Gulf Power Company Florida Public Service Commission
ER89110912J	Jersey Central Power & Light Company Board of Public Utilities Commissioners
Docket No. 890509-WU	Florida Cities Water Company, Golden Gate Division Florida Public Service Commission
Case No. 90-041	Union Light, Heat and Power Company Kentucky Public Service Commission
Docket No. R-901595	Equitable Gas Company Pennsylvania Consumer Counsel
Docket No. 5428	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 90-10	Artesian Water Company Delaware Public Service Commission
Docket No. 900329-WS	Southern States Utilities, Inc. Florida Public Service Commission
Case No. PUE900034	Commonwealth Gas Services, Inc. Virginia Public Service Commission
Docket No. 90-1037* (DEAA Phase)	Nevada Power Company - Fuel Public Service Commission of Nevada

Docket No. 5491**	Central Vermont Public Service Corporation Vermont Department of Public Service
Docket No. U-1551-89-102	Southwest Gas Corporation - Fuel Before the Arizona Corporation Commission
	Southwest Gas Corporation - Audit of Gas Procurement Practices and Purchased Gas Costs
Docket No. U-1551-90-322	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 176-717-U	United Cities Gas Company Kansas Corporation Commission
Docket No. 5532	Green Mountain Power Corporation Vermont Department of Public Service
Docket No. 910890-EI	Florida Power Corporation Florida Public Service Commission
Docket No. 920324-EI	Tampa Electric Company Florida Public Service Commission
Docket No. 92-06-05	United Illuminating Company The Office of Consumer Counsel and the Attorney General of the State of Connecticut
Docket No. C-913540	Philadelphia Electric Co. Before the Pennsylvania Public Utility Commission
Docket No. 92-47	The Diamond State Telephone Company Before the Public Service Commission of the State of Delaware
Docket No. 92-11-11	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control

Docket No. 93-02-04	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 93-02-04	Connecticut Natural Gas Corporation (Supplemental) State of Connecticut Department of Public Utility Control
Docket No. 93-08-06	SNET America, Inc. State of Connecticut Department of Public Utility Control
Docket No. 93-057-01**	Mountain Fuel Supply Company Before the Public Service Commission of Utah
Docket No. 94-105-EL-EFC	Dayton Power & Light Company Before the Public Utilities Commission of Ohio
Case No. 399-94-297**	Montana-Dakota Utilities Before the North Dakota Public Service Commission
Docket No. G008/C-91-942	Minnegasco Minnesota Department of Public Service
Docket No. R-00932670	Pennsylvania American Water Company Before the Pennsylvania Public Utility Commission
Docket No. 12700	El Paso Electric Company Public Utility Commission of Texas
Case No. 94-E-0334	Consolidated Edison Company Before the New York Department of Public Service
Docket No. 2216	Narragansett Bay Commission On Behalf of the Division of Public Utilities and Carriers, Before the Rhode Island Public Utilities Commission

Case No. PU-314-94-688	U.S. West Application for Transfer of Local Exchanges Before the North Dakota Public Service Commission
Docket No. 95-02-07	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 95-03-01	Southern New England Telephone Company State of Connecticut Department of Public Utility Control
Docket No. U-1933-95-317	Tucson Electric Power Before the Arizona Corporation Commission
Docket No. 5863*	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 96-01-26**	Bridgeport Hydraulic Company State of Connecticut Department of Public Utility Control
Docket Nos. 5841/ 5859	Citizens Utilities Company Before Vermont Public Service Board
Docket No. 5983	Green Mountain Power Corporation Before Vermont Public Service Board
Case No. PUE960296**	Virginia Electric and Power Company Before the Commonwealth of Virginia State Corporation Commission
Docket No. 97-12-21	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 97-035-01	PacifiCorp, dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. G-03493A-98-0705*	Black Mountain Gas Division of Northern States Power Company, Page Operations

	Before the Arizona Corporation Commission
Docket No. 98-10-07	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. 99-01-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-04-18	Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 99-09-03	Connecticut Natural Gas Corporation State of Connecticut Department of Public Utility Control
Docket No. 980007-0013-003	Intercoastal Utilities, Inc. St. John County - Florida
Docket No. 99-035-10	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 6332 **	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket No. G-01551A-00-0309	Southwest Gas Corporation Before the Arizona Corporation Commission
Docket No. 6460**	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 01-035-01*	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 01-05-19 Phase I	Yankee Gas Services Company State of Connecticut Department of Public Utility Control

Docket No. 010949-EI	Gulf Power Company Before the Florida Office of the Public Counsel
Docket No. 2001-0007-0023	Intercoastal Utilities, Inc. St. Johns County - Florida
Docket No. 6596	Citizens Utilities Company - Vermont Electric Division Before the Vermont Public Service Board
Docket Nos. R. 01-09-001 I. 01-09-002	Verizon California Incorporated Before the California Public Utilities Commission
Docket No. 99-02-05	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 99-03-04	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket Nos. 5841/ 5859	Citizens Utilities Company Probation Compliance Before Vermont Public Service Board
Docket No. 6120/6460	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 020384-GU	Tampa Electric Company d/b/a/ Peoples Gas System Before the Florida Public Service Commission
Docket No. 03-07-02	Connecticut Light & Power Company State of Connecticut Department of Public Utility Control
Docket No. 6914	Shoreham Telephone Company Before the Vermont Public Service Board

Docket No. 04-06-01	Yankee Gas Services Company State of Connecticut Department of Public Utility Control
Docket Nos. 6946/6988	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 04-035-42**	PacifiCorp dba Utah Power & Light Company Before the Public Service Commission of Utah
Docket No. 050045-EI**	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 050078-EI**	Progress Energy Florida, Inc. Before the Florida Public Service Commission
Docket No. 05-03-17	The Southern Connecticut Gas Company State of Connecticut Department of Public Utility Control
Docket No. 05-06-04	United Illuminating Company State of Connecticut Department of Public Utility Control
Docket No. A.05-08-021	San Gabriel Valley Water Company, Fontana Water Division Before the California Public Utilities Commission
Docket NO. 7120 **	Vermont Electric Cooperative Before the Vermont Public Service Board
Docket No. 7191 **	Central Vermont Public Service Corporation Before the Vermont Public Service Board
Docket No. 06-035-21 **	PacifiCorp Before the Public Service Commission of Utah
Docket No. 7160	Vermont Gas Systems Before the Vermont Public Service Board

Docket No. 6850/6853 **	Vermont Electric Cooperative/Citizens Communications Company Before the Vermont Public Service Board
Docket No. 06-03-04** Phase 1	Connecticut Natural Gas Corporation Connecticut Department of Public Utility Control
Application 06-05-025	Request for Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc., Resulting in Change of Control of California-American Water Company Before the California Public Utilities Commission
Docket No. 06-12-02PH01**	Yankee Gas Company State of Connecticut Department of Public Utility Control
Case 06-G-1332**	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Case 07-E-0523	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 07-07-01	Connecticut Light & Power Company Connecticut Department of Public Utility Control
Docket No. 07-035-93	Rocky Mountain Power Company Before the Public Service Commission of Utah
Docket No. 07-057-13	Questar Before the Public Service Commission of Utah
Docket No. 08-07-04	United Illuminating Company Connecticut Department of Public Utility Control
Case 08-E-0539	Consolidated Edison Company of New York, Inc. Before the NYS Public Service Commission
Docket No. 080317-EI	Tampa Electric Company Before the Florida Public Service Commission

Docket No. 7488**	Vermont Electric Cooperative, Inc. Before the Vermont Public Service Board
Docket No. 080318-GU	Peoples Gas System Before the Florida Public Service Commission
Docket No. 08-12-07***	Southern Connecticut Gas Company Connecticut Department of Utility Control
Docket No. 08-12-06***	Connecticut National Gas Company Connecticut Department of Utility Control
Docket No. 090079-EI	Progress Energy Florida, Inc. Before the Florida Public Service Commission
Docket No. 7529 **	Burlington Electric Company Before the Vermont Public Service Board
Docket No. 7585****	Green Mountain Power Corporation Alternative Regulation Before the Vermont Public Service Board
Docket No. 7336****	Central Vermont Public Service Company Alternative Regulation Before the Vermont Public Service Board
Docket No. 09-12-05	Connecticut Light & Power Company Connecticut Department of Utility Control
Docket No. 10-02-13	Aquarion Water Company of Connecticut Connecticut Department of Utility Control
Docket No. 10-70	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 10-12-02	Yankee Gas Services Company Connecticut Department of Utility Control
Docket No. 11-01	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities

Case No.9267	Washington Gas Light Company Maryland Public Service Commission
Docket No. 110138-EI	Gulf Power Company Before the Florida Public Service Commission
Case No.9286	Potomac Electric Power Company Maryland Public Service Commission
Docket No. 120015-EI	Florida Power & Light Company Before the Florida Public Service Commission
Docket No. 11-102***	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 8373****	Green Mountain Power Company Alternative Regulation Before the Vermont Public Service Board

* Certain issues stipulated, portion of testimony withdrawn.
** Case settled.
*** Assisted in case and hearings, no testimony presented
**** Annual filings reviewed and reports filed with Board.

NARUC USOA FOR CLASS A WATER UTILITIES

ACCOUNTS 123, 125, 145, 146, 223, 233, AND 234

DEFINITIONS FOR ASSOCIATED COMPANIES

ACCOUNTING INSTRUCTIONS FOR TRANSACTIONS WITH

ASSOCIATED COMPANIES

HWS-2

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

1996

NATIONAL ASSOCIATION OF
REGULATORY UTILITY COMMISSIONERS

1101 Vermont Avenue NW
Washington, D.C. 20005
USA
Tel: (202) 898-2200
Fax: (202) 898-2213
www.naruc.org

$25.00

DEFINITIONS

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.

2. "Actually issued," as applied to securities issued or assumed by the utility, means those which have been sold to bona fide purchasers for a valuable consideration, those issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees of sinking funds.

3. "Actually outstanding," as applied to securities issued or assumed by the utility, means those which have been actually issued and are neither retired nor held by or for the utility; provided, however, that securities held by trustees shall be considered as actually outstanding.

4. "Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

5. A. "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

   B. "Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

6. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

7. "Commission", unless otherwise indicated by the context, means the commission prescribing this system of accounts.

8. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite

not relieve the utility from the responsibility of providing a distribution of the costs of labor or from being able to substantiate its labor charged with sufficient source documents.

12. General - Operating Reserves

Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided, unless the permission of the Commission is first obtained.

13. General - Records for Each Plant

Separate records shall be maintained by utility plant accounts of the book cost of each plant owned including additions by the utility to plant leased from others and of the cost of operating and maintaining each plant owned or operated.

14. General - Accounting for Other Departments

If the utility also operates other utility departments, such as electric, wastewater, gas, etc., it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts as are proper or necessary to reflect the results of operating each other department.

15. General - Transactions with Associated Companies

Each utility shall keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associated companies. The statements may be required to show the general nature of the transactions, the amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions. Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature. Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purposes of recording separately transactions with associated companies.

16. General - Contingent Assets and Liabilities

Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the utility but which are

BALANCE SHEET ACCOUNTS

122. Accumulated Depreciation and Amortization of Nonutility Property

This account shall included the accumulated depreciation and amortization applicable to property other than utility plant.

123. Investment in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company together with full particulars regarding any of such investments that are pledged.

Note A:--Securities and advances of associated companies owned and pledged shall be included in this account, but such securities, if held in special deposits or in special funds, shall be included in the appropriate deposit or fund account. A complete record of securities pledged shall be maintained.

Note B:--Securities of associated companies held as temporary cash investments are includible in account 135 - Temporary Cash Investments.

Note C:--Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 145 - Accounts Receivable from Associated Companies.

Note D:--The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426 - Miscellaneous Nonutility Expenses, or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

BALANCE SHEET ACCOUNTS

124. Utility Investments

This account shall include book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate water service (i.e., source of water supply).

125. Other Investments

A. This account shall include the book cost of investments in securities issued or assumed by nonassociated companies, investment advances to such companies, and any investments not accounted for elsewhere. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account (see also account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock, and account 216 - Reacquired Capital Stock).

C. The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person.

Note A:--Securities owned and pledged shall be included in this account, but securities held in special deposits or in special funds shall be included in appropriate deposit or fund accounts. A complete record of securities pledged shall be maintained.

Note B:--Securities held as temporary cash investments shall not be included in this account.

Note C:--See Note D of account 123.

126. Sinking Funds

This account shall include the amount of cash and book cost of investments held in sinking funds. A separate account, with appropriate title, shall be kept for each sinking fund. Transfers from this account to account 133 - Other Special Deposits, may be made as necessary for the purpose of paying matured sinking-fund obligations, or obligations called for redemption but not presented, or the interest thereon.

BALANCE SHEET ACCOUNTS

143. Accumulated Provision for Uncollectible Accounts--Cr

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 670 - Bad Debt Expense, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

B. This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

Utility Customers
Merchandising, Jobbing and Contract Work
Officers and Employees
Other

Note A:--Accretions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

Note B:--If provisions for uncollectible notes receivable or for uncollectible receivables from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

144. Notes Receivable

This account shall include the book cost, not includible elsewhere, or all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies (See account 135 - Temporary Cash Investments, and account 146 - Notes Receivable from Associated Companies).

Note:--The face amount of notes receivable discounted, sold or transferred, without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

145. Accounts Receivable from Associated Companies

See account 146.

BALANCE SHEET ACCOUNTS

146. Notes Receivable from Associated Companies

These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies.

Note A:--On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

Note B:--The face amount of notes receivable discounted, sold or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transaction.

151. Plant Material and Supplies

A. This account shall include the cost of fuel on hand and materials purchased primarily for use in the utility business for construction, operation and maintenance purposes. It shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such as materials being credited to construction maintenance or accumulated depreciation, respectively, and included herein as follows:

(1) Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known. The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use.

(2) Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained without undue refinement in accounting, shall be included in this account at current prices for such items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.

(3) Scrap and nonusable materials included in this account shall be carried at the estimated net amount realizable therefrom. The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which

BALANCE SHEET ACCOUNTS

222. Reacquired Bonds

A. This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or cancelled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited as appropriate, to account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expenses (See, however, account 181, paragraph E, as to refunding operations).

223. Advances from Associated Companies

A. This account shall include the face value of notes payable to associated companies and the amount of open book accounts representing advances from associated companies. It does not include notes and open accounts, representing indebtedness, subject to current settlement which are includible in account 233 - Accounts Payable to Associated Companies, or account 234 - Notes Payable to Associated Companies.

B. The records supporting the entries to these accounts shall be so kept that the utility can furnish complete information concerning each note and open account.

224. Other Long-Term Debt

A. This account shall include, until maturity, all long-term debt not otherwise provided for. This covers such items as receiver's certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issuance and assumption.

B. Separate subaccounts shall be maintained for each class of obligation, and records shall be maintained to show separately for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

Note:--Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 222 - Reacquired Bonds.

BALANCE SHEET ACCOUNTS

Current and Accrued Liabilities

Current and accrued liabilities are those obligations which have either matured or which become due within one year from the date thereof; except, however, bonds, receiver's certificates and similar obligations which shall be classified as long-term debt until date of maturity; accrued taxes, such as income taxes, which shall be classified as accrued liabilities even though payable more than one year from date; compensation awards, which shall be classified as current liabilities regardless of date due; and minor amounts payable in installments which may be classified as current liabilities. If a liability is due more than one year from date of issuance or assumption by the utility, it shall be credited to a long-term debt account appropriate for the transaction, except, however, the current liabilities previously mentioned.

231. Accounts Payable

This account shall include all amounts payable by the utility within one year, which are not provided for in other accounts.

232. Notes Payable

This account shall include the face value of all notes, drafts, acceptance, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue, to other than associated companies.

233. Accounts Payable to Associated Companies

This account shall include all amounts payable by the utility to associated companies which are not provided for in other accounts.

Note:--Exclude from this account amounts which are includible in account 223 - Advances from Associated Companies.

234. Notes Payable to Associated Companies

This account shall include amounts owing to associated companies on notes, drafts, acceptance, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue or creation.

Note:--Exclude from this account notes which are includible in account 223 - Advances from Associated Companies.

WMSI RESPONSE TO AUDIT REQUEST NO. 9

MINUTES OF JOINT MEETING OF

WATER MANAGEMENT SERVICES, INC AND

BROWN MANAGEMENT GROUP, INC.

HWS-3

MINUTES OF JOINT MEETING OF
THE BOARD OF DIRECTORS OF

WATER MANAGEMENT SERVICES, INC.
AND
BROWN MANAGEMENT GROUP, INC.

@ 12/1/11

Description: Water Management Services, Inc.
Rate Case Audit
Historical Year Ended December 31, 2010
Dkt 110200-WU; ACN 11-319-1-1

A joint meeting of the Board of Directors of Water Management Services, Inc. (WMSI) and the Board of Directors of Brown Management Group, Inc. (BMG) was held on January 3, 2011 at 11:00 a.m. at 250 John Knox Road, Suite 4, Tallahassee, FL 32303.

The purpose of the meeting was to consider and resolve the issue of cash advances that were made from WMSI to BMG and Gene D. Brown between January 1, 2004 and December 31, 2010. These advances were treated as investments in associated companies under account 123 of the NARUC system of accounts, which provides as follows:

123. Investments in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company together with full particulars regarding any of such investments that are pledged.

To resolve this matter for the benefit of all concerned, Gene D. Brown transferred all of his right, title and interest in BMG, consisting of 1,000 shares, to BMG ON January 1, 2011. To further resolve this matter, the Board of Directors of WMSI and the Board of Directors of BMG have agreed to take the following actions, effective immediately:

1. All of the authorized capital stock of BMG, consisting of 100,000 shares, shall be issued to WMSI, which shall become the sole owner of BMG.

2. The President of WMSI is directed to conduct an internal cash flow audit of account 123 and the overall cash flow of WMSI for the past 10 years, i.e., January 1, 2001, through December 31, 2010, to determine the amount of financial resources contributed to WMSI by Gene Brown, his affiliates and other third parties during such 10 year period as compared to the financial resources received from WMSI's ratepayers during the same period. All amounts advanced under Account 123 to Gene Brown or any affiliates other than BMG shall be considered as investments toward the purchase of Gene Brown's stock in BMG, which is a

SOURCE PSC

"sub-s" corporation in which Gene D. Brown was the sole shareholder through year end 2010. All parties recognize that this transfer of stock has the effect of terminating the "sub-s" status, and BMG shall so notify the IRS within the time required by law. The internal audit shall include a "bottom-line" analysis as to the net amount in Account 123 at 12-31-10 that is in excess of the amounts in Account 123 that represent benefits to WMSI.

3. A summary of the above-referenced internal audit shall be filed in the minute books of both WMSI and BMG as soon as such audit is complete. The "bottom-line" net amount in Account 123 at the end of 2010 shall be the consideration for the 100,000 shares of stock in BMG which is being transferred by this Board action.

4. The WMSI Board and the BMG Board have determined and agreed that the value of all the outstanding capital stock of BMG is in excess of the net amount invested by WMSI under Account 123 through December 31, 2010.

5. The controller and the accountant for WMSI shall be notified immediately that Account 123 shall be used only as a fixed, balance sheet account after December 31, 2010. The reference to "Investment in Associated Companies" shall include a notation that it represents the ownership of 100% of the capital stock of BMG.

There being no further business to come before the Board of Directors, the meeting was adjourned.

WATER MANAGEMENT SERVICES, INC.

By: _____
Gene D. Brown, Sole Director

BROWN MANAGEMENT GROUP, INC.

By: _____
Gene D. Brown, Sole Director

_____
Gene D. Brown, individually and as
President of Water Management Services, Inc.
and Brown Management Group, Inc.

Water Management Services, Inc.
Rate Case Audit
Historical Year Ended December 31, 2010
Dkt 110200-WU; ACN 11-319-1-1
Description:

SOURCE

8-5.1

STAFF RECLASSIFICATION SUMMARIZED

HWS-4

WATER MANAGEMENT SERVICES, INC.
Staff Reclassification Summarized

Line No.	Description	Per Staff A/C 145	Per Staff A/C 233	Net	OPC Adjustment	Adjusted Net	A/C
1	Gene Brown	2,124,073.47	(576,459.18)	1,547,614.29		1,547,614.29	123
2	Brown Management Group	458,684.07	(708,573.67)	(249,889.60)	(85,000.00)	(334,889.60)	223
3	Gene Brown PA	62,167.63	(347,519.49)	(285,351.86)		(285,351.86)	223
4	Equity Management Systems	71,605.76	(182,211.45)	(110,605.69)		(110,605.69)	223
5	Real Estate Services of N Florida	5,459.95	(100.00)	5,359.95		5,359.95	123
6	Real Estate Equities of Florida	39,488.75	(20,350.00)	19,138.75		19,138.75	123
7	Reed Brown	2,705.00		2,705.00		2,705.00	123
8	Land In Florida, Inc.	197,978.17		197,978.17		197,978.17	123
9	Leisure Development	150.00		150.00		150.00	123
10	Liesure Properties	6,598.28		6,598.28		6,598.28	123
11	St George Island Utility Company	41,127.38		41,127.38		41,127.38	123
12	St George Plantation	150.00		150.00		150.00	123
13	SMC Investments	85,000.00	(85,000.00)	0.00	85,000.00	85,000.00	125
14	Nancy Alle	100.00		100.00		100.00	125
15							
16		3,095,288.46	(1,920,213.79)	1,175,074.67		1,175,074.67	

		Initial Staff Analysis (a)	Staff Reclass 1	Staff Reclass 2,3,4,5,6,7,8	Staff Reclass 9	Adjusted Staff
17	Gene Brown	1,210,435	160,298	2,337	174,546	1,547,616
18	Brown Management Group	(268,810)		8,442	10,479	(249,889)
19	Gene Brown PA	(272,418)		(12,933)		(285,351)
20	Equity Management Systems	(114,070)		3,464		(110,606)
21	Real Estate Services of N Florida	4,360		1,000		5,360
22	Real Estate Equities of Florida	2,900		16,239		19,139
23	Reed Brown	(966)		3,671		2,705
24	Land In Florida, Inc.	197,978				197,978
25	Leisure Development			150		150
26	Liesure Properties	6,072		527		6,599
27	St George Island Utility Company	36,891	1,710	2,527		41,128
28	St George Plantation			150		150
29	SMC Investments					0
30	Nancy Alle				100	100
31	Audit Reclass	1,274	(1,274)			0
32	AR Trade for Lodging	2,836	(2,836)			0
33	Barbara Withers CPA	1,710	(1,710)			0
34	CBS Loan-CWIP	(23,000)	23,000			0
35	Fl Dept of State	3,642		(3,642)		0
36	G. Brown - other	186,125		(1,000)	(185,125)	0
37	Hancock Bank Res A/C	258,508	(258,508)			0
38	Les Thomas Consulting	85,680	(85,680)			0
39	Wakulla Bank CD	(165,000)	165,000			0
40	First Ins Funding Group	20,931		(20,931)		0
41		1,175,078	0	(1)	(0)	1,175,077

(a) Page 3 of 3

WATER MANAGEMENT SERVICES, INC.
Staff Reclassification Summarized

Line No.	Description	Debit	Credit
	(1)		
1	Gene Brown	160,298	
2	Audit Reclass		1,274
3	AR Trade for Lodging		2,836
4	CBS Loan-CWIP	23,000	
5	Hancock Bank Res A/C		258,508
6	Les Thomas Consulting		85,680
7	Wakulla Bank CD	165,000	
8	St George Island Utility Company	1,710	
9	Barbara Withers CPA		1,710
10	Direct reclassifications by Staff	350,008	350,008
	(2)		
11	Gene Brown	9,210	
12	Brown Management Group	4,514	
13	Equity Management Systems	7,207	
14	First Ins Funding Group		20,931
15	Staff reclassifications of First Insurance Funding	20,931	20,931
	(3)		
16	Brown Management Group	150	
17	Real Estate Equities of Florida	139	
18	Leisure Development	150	
19	Liesure Properties	527	
20	St George Island Utility Company	2,527	
21	St George Plantation	150	
22	Fl Dept of State		3,642
23	Staff reclassifications of Florida Department of State	3,642	3,642
	(4)		
24	Gene Brown		16,100
25	Real Estate Equities of Florida	16,100	
26	Staff reclassifications of Real Estae Equities of Florida	16,100	16,100
	(5)		
27	Gene Brown	12,933	
28	Gene Brown PA		12,933
29	Staff reclassifications of Gene Brown PA	12,933	12,933
	(6)		
30	Brown Management Group	3,743	
31	Equity Management Systems		3,743
32	Staff reclassifications of Equity Mgmt Systems	3,743	3,743
	(7)		
33	Gene Brown		3,706
34	Brown Management Group	35	
35	Reed Brown	3,671	
36	Staff reclassifications of Reed Brown	3,706	3,706
	(8)		
37	Real Estate Services of N Florida	1,000	
38	G. Brown - other		1,000
39	Staff reclassifications of Real Estae Serv of N Florida	1,000	1,000
	(9)		
40	Gene Brown	185,125	10,579
41	Brown Management Group	10,479	
42	G. Brown - other		185,125
43	Nancy Alle	100	
44	Staff reclassifications of BMG and G Brown other	195,704	195,704

WATER MANAGEMENT SERVICES, INC.
Staff Annual Cash Flow Analysis

Line No.	Description	2004	2005	2006	2007	2008	2009	2010	Total
1	Gene Brown PA	(34,326)	(47,643)	(138,400)	(23,939)	(12,810)	(2,100)	(13,200)	(272,418)
2	Gene Brown	(97,357)	248,725	200,660	178,885	240,975	278,983	159,564	1,210,435
3	Land In Florida Inc.	197,978							197,978
4	Liesure Properties	6,072							6,072
5	St George Island Util. Co.	36,891							36,891
6	Audit Reclass	1,274							1,274
7	AR Trade for Lodging		364	332	454	339	1,347		2,836
8	Barbara Withers CPA		285	285	285	285	285	285	1,710
9	Brown Mgmt Group		(11,715)	49,281	88,950	(66,574)	(130,428)	(198,324)	(268,810)
10	CBS Loan-CWIP		(23,000)						(23,000)
11	Fl Dept of State		1,353	500	500	289	500	500	3,642
12	G. Brown - other		189,140	3,369	19,357	(15,312)	(22,574)	12,145	186,125
13	Hancock Bank Res A/C		258,508						258,508
14	Les Thomas Consulting		80,280	3,600	1,800				85,680
15	Real Estate Serv of N FL		4,000	140	(80)		100	200	4,360
16	Reed Brown		20		2,379	(2,900)	(465)		(966)
17	Wakulla Bank CD		(165,000)						(165,000)
18	Equity Mgmt Systems			2,221	(121,416)	1,660	3,465		(114,070)
19	First Ins Funding Group			5,598	4,009	5,135	6,189		20,931
20	SMC Invest Properties					85,000	(85,000)		0
21	Real estae Equities of FL						2,900		2,900
22		110,532	535,317	127,586	151,184	236,087	53,202	(38,830)	1,175,078

DEPOSITION TRANSCRIPT

GENE BROWN

HWS-5

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110200-WU

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.
_____/

DEPOSITION OF:	GENE BROWN
TAKEN ON BEHALF OF:	Office of Public Counsel
DATE:	November 7, 2012
TIME:	Commenced at 10:07 a.m. Concluded at 2:40 p.m.
LOCATION:	2548 Blairstone Pines Drive Tallahassee, Florida
REPORTED BY:	MARY ALLEN NEEL, RPR, FPR Notary Public, State of Florida at Large

ACCURATE STENOTYPE REPORTERS, INC.
2894-A REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
850.878.2221

APPEARANCES:

FOR WATER MANAGEMENT SERVICES:

MARTIN S. FRIEDMAN, ESQUIRE
mfriedman@sfflaw.com
Sundstrom Friedman & Fumero, LLP
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746
Telephone: 407.830.6331

FOR THE CITIZENS OF THE STATE OF FLORIDA:

ERIK L. SAYLER, ESQUIRE
sayler.erik@leg.state.fl.us
Office of Public Counsel
111 West Madison Street, Suite 812
Tallahassee, Florida 32399-1400
Telephone: 850.488.9330

FOR THE COMMISSION STAFF:

MARTHA F. BARRERA, ESQUIRE
mbarrera@psc.state.fl.us
MICHAEL T. LAWSON, ESQUIRE
mlawson@psc.state.fl.us
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone: 850.413.6248

ALSO PRESENT:

SANDY CHASE, WMSI
DENISE VANDIVER, OPC

I N D E X

WITNESS		PAGE
GENE BROWN		
Direct Examination by Mr. Sayler		6
EXHIBITS		
1	08/01/12 Brown letter and memo	10
2	Staff Cash Flow Analysis	12
3	2005 WMSI General Ledger excerpts	17
4	NARUC account descriptions	20
5	(Late-filed) Subsidiary Documents for Account 123 Pursuant to Part B	24
6	BMG Financial Statements	31
7	(Confidential) BMG Financial Statements, 2007 - 2011	40
8	Excerpt from 2009 WMSI General Ledger and Audit Work Papers	50
9	(Late-filed) Support for SMC Investments Transaction	51
10	DEP Construction Loan Agreement	61
11	Amendment 6 to DEP Loan Agreement	69
12	Staff Audit, Docket 110100-WU	72
13	WMSI Statement on Budgets	78
14	(Confidential) WMSI Response for Financial Statements	80
15	(Late-filed) BMG Income Statements	89
16	Staff's Sixth Data Request; WMSI Response, and excerpt from Response to No. 2	93
17	Citizens' First Request to Produce Documents and WMSI Response to Request No. 32	94
18	Citizen's First Request to Produce Documents and WMSI response to Request No. 33	98
19	Citizens' First Request to Produce Documents and WMSI Response	106
20	WMSI Response to Staff's Sixth Data Request	108
CERTIFICATE OF OATH		113
CERTIFICATE OF REPORTER		114

PROCEEDINGS

The following deposition was taken on oral examination, pursuant to notice, for purposes of discovery, for use as evidence, and for such other uses and purposes as may be permitted by the applicable and governing rules. Reading and signing of the deposition transcript by the witness was waived.

* * *

MR. SAYLER: Let's go on the record. My name is Erik Sayler. I'm Associate Public Counsel with the Office of Public Counsel. We'll go head and take appearances. To my right is Denise Vandiver, Office of Public Counsel.

MR. LAWSON: Mike Lawson, Public Service Commission.

MS. BARRERA: Martha Barrera, Public Service Commission.

MS. CHASE: Sandy Chase, Water Management Services.

MR. FRIEDMAN: Marty Friedman, attorney for Water Management Services.

THE WITNESS: Gene Brown, Water Management Services.

MR. SAYLER: And on the phone today?

MR. JAEGER: Ralph Jaeger. Do you want all

the staff members that we previously gave you just before we started?

MR. SAYLER: Yes, if you don't mind.

MR. JAEGER: Marshall is saying why do you need that.

MR. WILLIS: We're not attorneys.

MR. JAEGER: We're not taking appearances.

MR. SAYLER: Well, we historically do appearances of everyone on the phone, both attorneys and non-attorneys.

MR. JAEGER: Okay. Andrew Maurey is here. Go ahead, everybody.

MR. CICCHETTI: Mark Cicchetti, Commission Staff.

MS. DANIEL: Patty Daniel, Commission Staff.

(Inaudible speakers.)

THE REPORTER: I didn't hear the last two.

MR. JAEGER: Okay. Patty Daniel, Lynn Deamer, and Debra Dobiac.

MR. WILLIS: Marshall Willis.

MR. BROWN: Todd Brown.

MS. KING: Laura King.

MR. SPRINGER: Michael Springer.

MR. JAEGER: That's it.

MR. SAYLER: Is Bill Schultz, OPC consultant,

on the line?

MR. SCHULTZ: I am.

MR. SAYLER: All right. We all know our court reporter. Would you be able to swear our witness?

THE REPORTER: Would you raise you right hand, please. Do you swear or affirm that the testimony you give will be the truth, the whole truth, and nothing but the truth?

THE WITNESS: I do.

Thereupon,

GENE BROWN

the witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. SAYLER:

Q. All right. Thank you, Mr. Brown, for appearing today as a fact witness for this deposition. I believe you've been deposed before.

A. Yes, I have.

Q. And are very familiar with the drill?

A. Yes.

Q. All right. I'll dispense with a bunch of my introductory questions that we had yesterday.

And you received a copy of the notice of deposition?

A. Yes, I did.

Q. And would you please state your full name and business address for the record.

A. Gene Brown, 250 John Knox Road, Tallahassee, Florida, 32303.

Q. All right. And by whom are you employed, and in what capacity?

A. Water Management Services, Inc., as president.

Q. All right. And you have previously testified in prior Water Management Services cases; correct?

A. That's correct.

Q. Let's do a few background questions regarding your education.

A. Okay.

Q. Do you have a bachelor's or any post-bachelor's degree?

A. I have a bachelor's from Florida State University.

Q. In what?

A. Political science.

Q. All right. Do you have a J.D.?

A. I have a J.D. from the University of Florida.

Q. Okay. Do you have any other master's level or post-baccalaureate degrees or studies?

A. No.

Q. Do you have any formal training in business accounting or other financial matters?

A. No.

Q. What about informal training?

A. I've been to various seminars with regard to rate structure accounting.

Q. And those seminars are?

A. I went to one that John Guastella conducted, I went to a couple that the PSC conducted, and I went to one recently in San Francisco that the American Water Works put on. I may have been to some others, but I remember those four.

Q. All right. And you are the owner and president of Water Management Services, or just president?

A. I am the president and one of the principal owners of the St. George Island Utility Company, Ltd., which is the majority owner of Water Management Services, Inc.

Q. All right. And when did you assume the position of president?

A. 1974, '75, right in that period. The water company started out as Leisure Properties, Ltd., and I was one of two general partners. And then we sold it to St. George Island Utility Company, Ltd., and I became

president of the general partners of that. And then it was later reorganized into water Management Services, Inc., and I became the president of Water Management Services. So I've been involved as the principal manager since we started the company in '74.

Q. It would be fair to say you're intimately familiar with all the details of the utility operations, both the actual operations and the financial operations and things?

A. As much as anybody.

MR. SAYLER: All right. Off the record for a second.

(Discussion off the record.)

BY MR. SAYLER:

Q. Mr. Brown, this first series of questions relates to an issue that OPC protested. Do you have a copy of the August 1st memo? Or we will be providing you with a copy of the August 1st memo that you provided to the Commission, and this will be identified as Exhibit 1.

A. Okay.

MR. SAYLER: And for those in the room, we will be referring to this memo on and off throughout the deposition, various pages. We will go through it in some detail, but we'll be kind of

jumping back and forth, so I apologize ahead of time. It's not an attempt to confuse you. It's just how the flow of the questions are going.

(Deposition Exhibit Number 1 was marked for identification.)

BY MR. SAYLER:

Q. Mr. Brown, is this a document that you prepared or caused to be prepared?

A. It appears to be.

Q. Subject to check?

A. I have no reason to believe that it's not.

MR. FRIEDMAN: I object to any question subject to check. Either he knows right now or he doesn't know.

BY MR. SAYLER:

Q. Okay. I will just relay to you that the source was the Commission docket file.

A. It appears to be the memo that I filed after I got your memo.

Q. Everything that you stated in your memo that you wrote responding to staff's recommendation about Account 123, you stand behind that?

A. Yes.

Q. As well as the issues on managerial prudence or imprudence? Do you stand behind those statements?

A. Yes.

Q. Do you also stand behind WMSI's internal audit as being a true and accurate reflection of WMSI's financial position for those years?

A. Yes.

MR. FRIEDMAN: I object to --

THE WITNESS: I'm sorry.

MR. FRIEDMAN: You already answered it.

THE WITNESS: Well, I'll try to be a better witness.

MS. CHASE: Strike his answer.

BY MR. SAYLER:

Q. Is there anything in the memo that you would change, modify, recede from, or amend? Are there any inaccuracies from the time you filed it that you believe should have been corrected?

A. Not that I know of.

Q. All right. If you're able to state that, if you're able to say that this memo is true and correct, then that can potentially dispense with quite of the few questions that I may have for you today.

A. I put this memo together in a few hours after I got your memo because it had to be turned in that afternoon. I started doing it about noon. So if it's got some mistakes, they haven't been pointed out to me

yet.

Q. All right. If you'll turn to page 1 of your memo, isn't it true that you state that this account represents accumulated investments in the associated company that are built up in over a 30-year period since you started the utility? Is that an accurate statement in your memo?

A. It says what it says.

Q. Isn't it true that WMSI started using Account 123 to record investments such as these in 2004?

A. Yes, but it carried forward payables that had built up over years. It didn't start with a zero balance. We moved accounts from Account 145 and maybe 146 that had built up over time.

Q. So those accounts over time that had built up were reclassified to Account 123 in about 2004?

A. We reclassified all of the advances to shareholders and those type accounts into an equity account under 123 as of 2004.

MR. SAYLER: All right. We're going to pass out the Commission cash audit of Account 123, and that will be identified as Exhibit Number 2.

(Deposition Exhibit Number 2 was marked for identification.)

MR. SAYLER: For Commission staff, for those

listening, the description is FPSC Staff Cash Flow Analysis, Docket Number 100104-WU, Audit Control Number 11-007-1-2.

BY MR. SAYLER:

Q. Are you familiar with this document, Mr. Brown?

A. Yes, I am.

Q. Would you please turn to page 10 of this document?

A. Okay.

Q. Would you agree that this document reflects how the Commission staff reclassified entries in Account 123?

A. Yes, I would.

Q. Do you disagree or take issue with the accuracy of Commission staff's table regarding these transactions?

A. I don't take issue with the numbers. In fact, I think this audit confirmed our numbers right to the dollar, and I have no reason to believe that these individual calculations are inaccurate. I do disagree with the concept that this should be treated as debt, because I think it was properly transferred to Account 123 as mandated by NARUC, which is the reason we did it.

Q. Okay. Would you agree that the increase in Account 123 was predominantly related to net transfers from WMSI to you, Mr. Brown?

MR. FRIEDMAN: I object to the question. Increased from when to when, and from what number to what number?

MR. SAYLER: From 2004 to 2010, and from zero to the 2,127,074 amount that is reflected on the first line of Table 2. That was the increase in account receivable to Mr. Brown that was later reclassified to Account 145. And then later on, if you scroll down to Account 233, the first entry for Mr. Brown, it shows a credit of 576,460. So if you net those out, it's an approximately a $1.5 million net to Mr. Brown.

A. I have no reason to doubt these numbers. As I said, this audit confirmed our numbers that we had been carrying in the annual reports year after year.

Q. If you'll take a look at the entries for Brown Management Group, the first one, which is a debit, and the second one, which is a credit, would you agree that Brown Management Group was a net contributor of cash to Water Management Services?

A. It appears so.

Q. And those net transfers from Brown Management

Group provided a reduction or an offset to the ultimate balance in Account 123. Would you agree with that?

A. All this was netted out. All these affiliated companies and me were considered as basically me.

Q. Okay.

A. Or a group of affiliates. And as I've said, the numbers speak for themselves.

Q. And when you said treated as basically you, what do you mean by that? By the Commission audit, or by the utility?

A. Both.

Q. Okay.

A. I didn't have any big problem with the basic numbers, just the way they characterized some of the numbers. They confirmed our numbers. They took them right off our general ledgers that we had filed year after year.

Q. So regarding that first Account 145 for Brown Management Group, that $458,684, that shows an amount of cash or money that was contributed by -- excuse me, that was distributed from WMSI to Brown Management Group; correct?

A. Yes.

Q. Were there any other utility moneys distributed to Brown Management Group that don't show up

on this table?

A. I doubt it. Not that I know of.

Q. All right. Now, if Brown Management Group is a net investor into WMSI, then that activity would not be consistent with WMSI investing in Brown Management Group; is that correct?

A. Could you restate that?

Q. If Brown Management Group is a net investor into WMSI, meaning they put in more money than they take out, how would that activity be consistent with Water Management Services making investments in Brown Management Group? Would you agree that it wouldn't be consistent?

A. I think that taken as a whole, the overall investment was a million two to me and my group of affiliated companies, which have been consolidated under Brown Management.

So when you take all the debits and credits over 30 years, it ended up that Water Management had invested in this group of affiliates to the tune of a million two. And Brown Management, as I said, is just the remaining corporation that's kind of a holding company for all these various enterprises over the years.

Q. Okay. In addition to hanging on to your

August 1st letter, I may be referring to the staff cash flow audit in additional questions, so just keep those two handy.

A. Okay.

MR. SAYLER: We're going to be passing out another exhibit. The description is 2005 WMSI general ledger, select pages, pages 15, 16, 20, and 97. I would like to identify this as Exhibit 3. The source of this was a response to Citizens First Request to Produce, staff audit work papers from the prior docket.

(Deposition Exhibit Number 3 was marked for identification.)

BY MR. SAYLER:

Q. And I will represent to you that the yellow highlighting is highlights that our office added that were highlighted when we got the documents. And the two pages to refer to are pages 16 and 97.

Mr. Brown, given that this is from 2005, you may or may not be familiar with the transaction. Are you familiar with this general ledger?

A. Generally.

Q. And do you see where on page 16 there was a reserve account debit amount from Hancock Bank for $258,508?

A. Yes.

Q. And then if you go to page 97 -- excuse me. That one on page 16 is Account 123, investment in associated companies for that amount. And then on 97, you see the corresponding transaction for this, Account 135.50, cash in reserve, Hancock Bank, for the same amount. Do you see that?

A. I see those.

Q. Do you recall what kind of investment was made with that money?

MR. FRIEDMAN: I'm going to object to the question regarding what happened in a 2005 general ledger that's not within the test year we're talking about. I think any questions regarding something that was filed in a prior rate case from 2005 is irrelevant.

MR. SAYLER: All right. And your grounds for the objection is irrelevancy?

MR. FRIEDMAN: Yes.

BY MR. SAYLER:

Q. Mr. Brown, would you answer the question, then?

A. Yes. That was a requirement of the DEP loan. I had to come up with about a quarter of a million dollars real fast, and my recollection is that I had to

go borrow the money or scrounge it up somewhere and put it in a reserve account as a loan condition of the DEP loan. I believe that's what it was. It's been some years ago.

Q. All right. Thank you. I do not believe I'll be asking any additional questions from this document.

A. Okay.

Q. Returning back to your August 1st memo, the letter from Gene Brown to the Commission Clerk, page 2, I'm going to direct your attention to the two major account definitions.

A. All right.

Q. Do you believe that the definition excerpt that you included in that memo supports your position that the amounts in question were properly charged to Account 123 for that period, 2004 to 2010?

A. Yes.

Q. All right. And this is the same account which you rely upon for reporting the net transfer of funds between Water Management Services and various related parties in Account 123; correct?

A. That's the same account, Account 123.

MR. SAYLER: We have another document which I would like identify as Number 4. That is the NARUC Uniform System of Accounts account description for

Account 123 and 146.

(Deposition Exhibit Number 4 was marked for identification.)

BY MR. SAYLER:

Q. Are you familiar with the NARUC Uniform System of Accounts?

A. Generally, yes.

Q. And the excerpt of the definition that you put in your memo, is that the same as what is in this definition here?

MR. FRIEDMAN: I object. Failure to lay a proper predicate for his knowledge of the instrument that you're asking him the question about. You didn't ask him if he's familiar with it or if he has ever seen it before.

MR. SAYLER: I asked him if he was familiar with the NARUC Uniform System of Accounts and whether he was familiar with the definition for Account 123.

A. I'm generally familiar with NARUC, and I specifically looked at this with my controller back in '04, and it appeared to us that it was a mandatory requirement that these advances to shareholders and other items which were not repaid within 12 months should be transferred to Account 123. So we did that

and started using that account after that date.

Q. You would agree that you omitted the remainder of the definition that says "including interest accrued thereon when such interest is not subject to current settlement," as well as, "Include all the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See Account 417 - Interest and Dividend Income)?

A. Where are you reading?

Q. If I may approach?

A. Sure.

Q. Just the remainder -- oh, you're in Account 146. If you'll go back to Account 123, the second page of this document here.

A. Okay.

Q. I was reading the remainder, 123.A, and then there's also 123.B, where it states, "The account shall be maintained in such a manner to show the investment in securities and advances, together with the full particulars regarding any such investments that are pledged."

Is Water Management Services required -- if they're going to make accounting transactions pursuant to Account 123, they're required to comply with both A and B of this definition?

A. I think we're required to comply with NARUC.

Q. But to your knowledge, A and B?

A. We're required to comply with all of NARUC.

Q. All right. With regard to B, which says, "The account shall be maintained in such a manner as to show the investment in securities of, and advances to, each associated company, together with the full particulars regarding any of such investments that are pledged," my question is this: Do you have any subsidiary documents that provide the detail that was required by part B of the NARUC definition of Account 123?

A. My accountant has all kind of details about how he handled this. I do not personally have these ledgers. We lumped everything into 123 that were advances to me and affiliated companies.

Q. So your answer would be "I don't know"?

A. What was your question again?

Q. Does WMSI have any subsidiary documents that provide the detail that is required by part B of the NARUC definition of Account 123?

A. I don't have them handy now. We have documentation regarding the compilation of the general ledger and the tracking of all these accounts. I don't personally do that. I don't know exactly what you mean by subsidiary ledgers.

Q. In yesterday's deposition of Mr. Mitchell, I asked him the same question, and he said that, if my memory is correct, you do not have any subsidiary records relating to Account 123.

A. That's not --

MR. FRIEDMAN: That's a statement. He didn't ask a question. That's a statement.

BY MR. SAYLER:

Q. Do you recall your controller saying that yesterday?

A. I don't remember him saying that. I thought he said that we had some records.

Q. All right. Well, if that is the case, that there are subsidiary documents that provide that detail for Account 123 from 2004 to 2010, may we request a late-filed exhibit?

MR. FRIEDMAN: No. You can request it.

MR. SAYLER: All right. Well, we're requesting it. And if the answer is that there are no responsive documents, that is fine.

MR. FRIEDMAN: We're not going to provide them. That's not the way you discover documents, by asking somebody in a deposition to give them to you. If you want to discover the documents, you can ask for them in the appropriate way.

MR. SAYLER: Well, we served discovery.

THE WITNESS: We'll respond to your discovery.

MR. FRIEDMAN: You don't do document production in a transcript.

THE REPORTER: Do you have a short title for the late-filed?

MR. SAYLER: The late-filed deposition exhibit would be "Subsidiary Documents for Account 123 Pursuant to Part B."

MR. FRIEDMAN: Which we're objecting to providing.

(Late-filed Deposition Exhibit Number 5 was identified for the record.)

BY MR. SAYLER:

Q. I believe you can set aside the NARUC definitions.

A. Okay.

Q. Returning back to your August 1st memo, Mr. Brown, on page 2, last paragraph, I will read the part that I would like you to look at. You say, "Not only was the form of these Account 123 transactions correct, the substance was wise and prudent as well. These investments and transfers of funds as consolidated under Account 123 have been used for the benefit of the utility and have helped keep it solvent when there were

insufficient funds from ratepayers to cover the day-to-day cash operating requirements for WMSI." Is that an accurate statement?

A. Yes.

Q. My question for you is, how can a net $1.2 million of utility operational cash invested in affiliate companies keep Water Management Services solvent?

A. Over time, we invested 1,200,000 in a holding company, a Sub S holding company known as Brown Management Group, the group being all the affiliates. And those assets were used to raise funds, some of which were used to keep Water Management in operation.

Q. Let me ask you a brief question about Brown Management Group. You said it's a holding company.

A. Well, I refer to it as that. It is a Sub S corporation, meaning that all of that depreciation, gains, losses, all of that flows through directly to me for tax purposes. So it provides liability protection, but it is handled for tax purposes pretty much as if it were me personally. And over time, it had resulted in various and sundry other entities being transferred into it and merged into it.

Q. Such as -- would Leisure Development Services be under Brown Management Group?

A. No. I think that's still a separate corporation.

Q. And St. George Island Plantation, Inc. is separate?

A. I think that's separate.

Q. Is that different from the Ltd., St. George Island Utility Company, Ltd.?

A. Yes.

Q. What about Equity Management Services? Was that under Brown Management?

A. No.

Q. Real Estate Services of North Florida?

A. No, not directly, but we -- a lot of things like that, and the expenses of my limited law practice, where I do some legal aid work and stuff like that, all goes through Brown Management.

Q. Was Real Estate Equities of Florida part of Brown Management as well, or is that --

A. Brown Management holds -- we liquidated Equity Management Services, and the residual ownership of that was transferred to Brown Management Group so that we could administratively dissolve Real Estate Equities of Florida and Equity Management.

Q. And similarly with Real Estate Services? Those three entities have been dissolved; correct?

A. That's my recollection, right.

Q. And the proceeds transferred to Brown Management?

A. Well, we had some other partners. The proceeds were distributed to all the partners, basically, except my interest. My interest was transferred to Brown Management, which still holds it. So that's an example of how Brown Management has been used.

Q. Gene Brown, P.A., is that still active, or was it dissolved?

A. I believe that was dissolved. But whenever I have any legal expense -- I'm doing a little bit of legal aid work for Legal Aid Society now, and whenever I -- like I went to the courthouse last week and had to pay for some documents. Brown Management paid for them. And we have subsidiary ledgers that divide different assets within Brown Management Group. So that is just a conglomeration of entities that have been merged or dissolved.

Q. Now that Water Management Services holds all the stock of Brown Management Group, is now Water Management Services a holding company for the holding company?

A. At this point, Water Management owns all the

stock in Brown Management Group.

Q. Is Brown Management Group still a separate entity?

MR. MAUREY: This is staff. With the shuffling of paper, Erik, we haven't able to hear your last two questions.

BY MR. SAYLER:

Q. Okay. The prior question, with the transfer of stock from Brown Management Group to WMSI, is now WMSI a holding company for all the assets that were in Brown Management Group?

A. I wouldn't call it a holding company. I think Brown Management has an investment -- or Water Management has an investment in Brown Management. Brown Management's investment in Water Management dissolved and went away.

Q. But Brown Management Group is still a separate legal entity?

A. It is a separate legal entity owned solely by Water Management Services. But Brown Management Group has various and sundry assets, as it always has.

Q. All right. Returning to page 2, you provided an example of how Brown Management Group helps cover the day-to-day operations of WMSI. You state that during the 2010 test year, Brown Management Group sold assets

at a fire sale for 421,000 cash, which helped cover a 700,000 and change deficit. What were those two assets?

A. I sold two leases for cell phone towers at a fire sale for 421,000 cash around late summer, just before we had the hearing in the first rate case when we were running out of money, Water Management was.

Q. And are those -- when you sell a lease, is that for a term?

A. They're term leases, and I sold the cash flow for the remaining term.

Q. Okay. To whom did you sell those assets?

A. An entity in Memphis, Tennessee -- no, Nashville, Tennessee. I don't remember the name right off the top of my head. I did it in a matter of days because I had to have cash. I made some calls, and they said they would buy them, and I said if we could do it within a certain time frame, I would take -- and we negotiated that price.

Q. Now, that $421,000 cash, was that credited to Account 123 or recorded elsewhere on the books of the utility?

A. Part of it was, I think. The part that I put into the utility company was credited to me or my interest, which were all consolidated, me and all the affiliates, including Brown Management. When we gave

money to the utility company, I got a credit for it. Whenever those entities or I took money out, we were charged for it.

Q. Okay. At the bottom of the page, you write, "During the PSC Account 123 audit, WMSI documented the fact that the value of the 100 percent stock ownership in BMG is greater than the $1.2 million that WMSI paid for that stock."

A. Right.

Q. How did WMSI pay for the stock of BMG?

A. WMSI paid for it by making advances to Brown Management and me over a long period of time in the amount of a million two, and that was all consolidated and documented, and it came to a head at that point when we made that settlement.

Q. All right. In 2004 when you started using Account 123, was the purpose of Account 123 for essentially Brown Management Group to be purchased by those transfers that you just described?

A. No. I'm not even sure if Brown Management existed in 2004. The purpose of doing that was to comply with NARUC. My accountant came to me and said that that's what it requires, and I said, "Okay. Do it."

Q. How did you document that Brown Management

Group was worth more than $1.2 million?

A. I wrote a letter to Debra Dobiac or the PSC staff during the audit to lay out an explanation of the various assets to show that they were worth more than the million two, or at least as much as.

MR. SAYLER: I have another exhibit I would like to identify.

MR. FRIEDMAN: Can we take a few-second comfort break?

MR. SAYLER: Sure, absolutely.

(Recess from 10:49 a.m. to 11:00 a.m.)

(Deposition Exhibit Number 6 was marked for identification.)

BY MR. SAYLER:

Q. Back on the record. Just a little context. Mr. Brown, my last question was how did you document that, the value of the $1.2 million, and then you mentioned providing some information to audit staff. And we passed out a document described as BMG Financial Statements, WMSI Response to Staff Audit Request Number 7, and we identified that as Exhibit 6. Was this the document that you were referencing in your prior testimony?

A. Yes, it appears to be.

MR. FRIEDMAN: Are you sure that's 6?

THE REPORTER: Five was the late-filed.

BY MR. SAYLER:

Q. Just a few background questions before we get on to this. Mr. Brown, you would agree that a regulated utility is subject to the rules and regulations of the PSC; correct?

A. I certainly would.

Q. And pursuant to the Commission's authority, whether it's an audit or a rate case, they have the right to serve data requests on that utility; correct?

A. I agree with that.

Q. And would you agree that the utility always has a duty of candor when responding to staff's requests?

A. Yes, I agree with that.

Q. And that they should be true and accurate to the best of the utility's knowledge at the time they are provided?

A. Yes.

Q. And if new information arises or the utility discovers an error in one of its responses, you would agree that the utility has a duty to supplement that response to the staff data request; correct?

A. I'm not sure I was familiar with that last one. I mean, I haven't -- I mean, I've done hundreds of

data requests, and I don't know that I consciously think about, "Oh, did something change?" Things change every day.

Q. Okay. If you would turn to -- just look at the balance sheet pages of the document.

A. Okay.

MR. FRIEDMAN: At the outset, I'm going to interpose an objection to the staff audit work papers in a prior docket as being irrelevant.

BY MR. SAYLER:

Q. So were these assets recorded at cost or fair market value?

A. Fair market value.

Q. Does Brown Management Group usually record its assets at fair market value?

A. We record them at cost when they're purchased, but we typically adjust that to fair market value when financial statements are prepared.

Q. So that would mean that from year to year, that value could fluctuate; is that correct?

A. Exactly.

Q. If you will turn to the second to last balance sheet, the top says "Brown Management Group, Inc. Balance Sheet, December 31, 2010."

A. Okay.

Q. Under the assets column, it lists Water Management Services, Inc. stock. Do you see that?

A. I see that.

Q. And the value is 606,459?

A. Right.

Q. And at that time, Brown Management Group owned 10 percent of WMSI stock; correct?

A. That's correct.

Q. If Brown Management Group owned 10 percent of the stock, just mathematically, that would mean that the overall value of WMSI was approximately $6 million?

A. No, that's not what it would mean.

Q. All right. How did you arrive at the valuation of 606,459 for the shares of Brown Management?

A. I took the appraised value of Water Management and reduced that appraised value by the outstanding liabilities and took that as a net value, and then I took 10 percent of that net value.

Q. And what was the original appraised value that you based that on?

A. 14,600,000 back in '05. I then updated that. I divided by the number of customers. I updated it by the number of customers at the time of this $606,000 valuation, which added four or five hundred thousand, I believe, so it became around 15 million. And then from

that 15 million, I deducted all of the debt and other liabilities and divided that by 10 percent. So that net was around 6 million, net value.

Q. Okay. In the asset column, as of December 1, 2010, Brown Management Group shows 2 million, 330 -- a little over $2 million in total assets; correct? I'm still on the balance sheet, December 31, 2010.

A. The one I'm looking at says 2,033,000.

Q. Yes, 2,033,383.

A. Right.

Q. And this was the net worth? This was the total assets less the liabilities that provided the net worth that you provided to staff, Commission staff, for the valuation of Brown Management Group?

A. Yes.

Q. And numerically, that is 1.191 million, and that net worth was more than what was initially staff's audit, which was 1.175 million?

A. It appears to be, yes.

Q. And it was using this net worth figure that -- that's how you state that you proved factually to staff that the value of BMG exceeded the remaining balance in Account 123; correct?

A. I don't know that I said I proved factually. I don't know what the staff thought of this. I just

said I documented it, and then I sent them financial statements and a two-page letter explaining the basis for the valuation of these assets.

Q. Okay.

A. Which is in my letter of May 27, '11.

Q. I was referring to the line where you said WMSI documented that fact. That's where I got that question.

MR. FRIEDMAN: That's what he said. You asked him did he prove it, and he said, "No, we documented it."

BY MR. SAYLER:

Q. And that was the fact that you documented?

A. I presented documentation for my statement, is what that means.

Q. Once all the stock of Brown Management Group was transferred to WMSI, wouldn't the asset column for WMSI stock be zeroed out and reduce the total assets by approximately of 600,000?

A. Well, yes and no. The value of that stock would not go away. It would just -- the ownership of that stock transferred to Water Management, so the shareholders who remained increased their equity ownership. So that 10 percent value was still there for Water Management Services, because they then owned it.

In other words, it's like they bought back their own stock.

Q. Okay. But if you bought back your own stock, then you wouldn't consider that an asset on the books anymore, would you?

A. Sure. Treasury stock and -- stock is stock. The value is still there. If it's not outstanding in the -- I mean, corporations buy back their stock all the time. Sometimes they go private. Public corporations buy back stock, and they pay money for it. Water Management paid money for this 10 percent stock, which took the ownership from me personally to the corporation.

Q. So essentially, it's your testimony that a business like Water Management Services can own all the stock of Brown Management Group and essentially own 10 percent of itself; correct?

A. It owns whatever -- it owns 100 percent of itself. But if you have a situation where some other entity owned 10 percent and you buy that stock back, then that is it an asset of value to the buying corporation.

Q. And the --

A. So the value of that 10 percent in Water Management did not evaporate. It just transferred from

me to Water Management.

Q. But as of September 30, 2012, Brown Management Group doesn't own any more WMSI stock; is that correct?

A. No. After the transfer, Brown Management did not own any more stock in Water Management, because Water Management purchased 100 percent of Brown Management.

Q. And --

A. It gobbled it all up, and it owned it.

Q. So what happened to the shares of Water Management Services stock that Brown Management owned? Where did those go?

A. They went pro rata to the remaining shareholders so that where St. George Island Utility Company owned 85 percent and Tommy Bronson owned 5 percent, then the 10 percent went pro rata to those two shareholders so that when the dust settled, St. George Island Utility company owns about 94 percent and Tommy Bronson owns closer to 6 percent than 5 percent.

Q. Okay. When you say pro rata, that remaining 10 percent of the shares, St. George Island got 85 percent and Tommy Bronson got 5 percent?

A. Well, it just -- we gave a calculation in response to a data request the other day. I had Bob

figure it up, and --

Q. That's fine. I'm not going to --

A. It just went pro rata. It didn't evaporate. It went to the benefit of the shareholders of Water Management Services. So basically, they now own what I used to own.

Q. So hypothetically speaking, if we were to see a balance sheet done today, there would not be any more Water Management Services stock showing up on the balance sheet of Brown Management Group; is that correct?

A. That's correct. And in fact, I don't know if it was your request or staff's request, but I remember looking at some updated financial statements recently in which that did go away. We updated financials for all of these years for Brown Management.

MR. SAYLER: We have a confidential document that we're going to circulate. I don't -- well, it's a document that Water Management Services is seeking confidential classification of. It's Brown Management Group financial statements, 2007 to 2011. You can pass it out.

We're reserving the right to maintain our objection, and I only have an extremely limited amount of questions, and I don't plan to get into

any confidential matters.

(Deposition Exhibit Number 7 was marked for identification.)

MR. SAYLER: Before we get into this, let me ask the utility, since most of this was actually provided already publicly in response to Audit Request 27, are you still maintaining confidential treatment of this entire document?

MR. FRIEDMAN: Yes, at this time I am.

MR. SAYLER: Because this is one of those documents that we filed a motion to compel on, but I note you have a lot of for-profit corporation annual reports, which are public record, because they're available on the state website. So because most of this is nonconfidential already, I was just wondering if you wanted to maintain confidentiality for the 2011 financials.

MR. FRIEDMAN: Yes. Obviously, you're right that the stuff at the end doesn't need to be confidential, but the financials don't need to be in the public domain.

MR. SAYLER: What about the 2007 through 2010 sheets that were provided?

MR. FRIEDMAN: Well, I'll need to look back and see how much of this stuff we already blew the

confidentiality on. I haven't done that analysis on 2009 or 2010.

MR. SAYLER: Well, that dovetails nicely into my questions.

BY MR. SAYLER:

Q. If you'll take a look and compare the balance sheets of both documents for 2008, 2009, and 2010.

A. '8, '9, and '10?

Q. Yes, sir. And really, I just want to have you focus on the asset amount, the total assets amount for those years.

A. Okay.

Q. Would you agree that for 2008, that those amounts do not match?

MR. FRIEDMAN: Do not match what?

BY MR. SAYLER:

Q. That they're not identical?

A. Identical with what?

Q. With what was provided in the response to Staff Audit Request 27.

MR. SAYLER: And I apologize to those on staff who don't have access to the confidential document. We couldn't email it to you.

BY MR. SAYLER:

Q. The total assets on Exhibit 6, the Brown

Management Group Balance Sheet 2008, total assets, the nonconfidential document -- Mr. Brown, if you'll refer back to Exhibit 6, this one here.

A. Okay.

Q. The balance sheet for 2008, total assets.

A. Okay.

Q. You would agree that those amounts do not match?

A. I would.

Q. All right. And if you'll look at 2009 total assets, the same question.

A. No, they're not the same either.

Q. For 2010, same question.

A. Okay.

Q. My question is this, and it's not meant to be inflammatory, but why is there one version provided to staff about Brown Management Group assets and a different version provided to Public Counsel in response to discovery?

A. Because these were done at different times, and my accountant and I adjust these values whenever we're requested to provide financials for banks and different people. They're adjusted as to what we know at the time they're prepared. I just went over these a week or two ago with Bob Mitchell, and we made some

adjustments on all these values based upon what we know right now as having been the value.

Q. So just to be clear, your adjustments can go back in time, even after the year-end is closed; is that right?

A. Yes. In other words, if we provided a financial statement two years ago and we're now asked what was the value of assets, and we know, for example, that the value of an asset has decreased -- for example, like on St. George Island, I'm pretty familiar with lot values down there. People bought lots for a million eight, and then they were selling them two years later for 600,000. So it wouldn't be accurate if you said what's the value, you know, so they are adjusted.

Q. Okay. I don't think --

A. They're adjusted up and down, depending on the best knowledge we have.

Q. At this time, I don't think I have any additional questions on Exhibit 7. I might, but if you can pass those back to Ms. Vandiver so that we can make sure those stay confidential. And you may want to hang on to Exhibit 6.

A. This is 6?

Q. Yes, sir.

Let's return back to Exhibit 1, which is your

August 1st letter. At the bottom of page 2, top of page 3, you wrote, "That investment gave WMSI another source of needed cash flow and was not imprudent." We've already established that by that investment, you mean Brown Management Group; correct?

A. No, that investment by Water Management.

Q. I'm sorry?

A. That's what I'm talking about.

Q. I'm sorry. That investment into. The investment was by Water Management into Brown Management Group; correct? That's what I meant to ask.

A. Water Management effectively bought my 10 percent interest in Water Management, and it effectively bought all of the conglomeration of assets in Brown Management; right.

Q. And was that investment by Water Management into Brown Management Group made over time from 2004 to 2010, or just January 1, 2011?

A. As I said, in substance, that investment goes back all the way to 1974, because the books moved forward. And when we decided to transfer it from an account receivable account to an equity investment account pursuant to NARUC, all of the accounts like in 145 were moved into 123, which then became the million two or the million nine, whatever, or million 191.

Q. So for lack of better phraseology, Water Management Services took title to Brown Management Group on January 1, 2011, on the date of the stock transfer?

A. Right.

Q. Okay. And I'm still struggling with the question. Why do you characterize this outflow in 123 as an investment in Brown Management Group when Brown Management Group was a net provider of cash to WMSI?

A. If you construe Brown Management as being me and all the affiliates, there was not a net transfer. The net was a receivable from Gene Brown, Brown Management, and this group of affiliates that was carried as an advance by Water Management to these various entities and me.

Q. Okay.

A. And that's what was documented in 123 year after year.

Q. Returning to page 3, where you state that WMSI is another source of needed cash flow, how does WMSI currently get cash flow from Brown Management Group?

A. Well, various ways. I borrowed $150,000 on the apartments owned by Brown Management, for example.

Q. I'm sorry. What was that dollar amount again? I'm sorry.

A. 150,000. And a few weeks ago I borrowed

100,000 on a cell phone lease owned by Brown Management. Those are just examples that come to mind.

Q. Assets of Brown Management that --

A. And over time, we've sold assets, and Brown Management has borrowed money on various and sundry assets and given the cash to Water Management. It's just a big circle of debt to keep the balls in the air.

Q. Returning again to the transfer of BMG to Water Management Services, actually more likely the timing of that transfer, when the Commission voted in December 2010 to order a cash flow audit of Account 123, was the transfer of the value of BMG stock on January 1st designed to satisfy the $1.2 million balance that was pointed out as being in Account 123, or to just offset the $1.5 million receivable that was in your name on the utility books?

A. It was a combination. It was to settle the whole issue of these advances. Typically corporations like Water Management, small privately held corporations are strapped for cash. They borrow, and they do whatever. And over time, these advances have been made, and you can't continue to carry advances forever. The IRS has rules on that, and the PSC has a 12-month rule.

So it was just a day of reckoning. And when we got the order on January 3rd, that confirmed that

decision that we needed to resolve this, and it just was an appropriate thing to do.

Q. Okay. In addition to the -- I believe you said there was a loan on the Brown Management Group apartments or condos that were owned, and also a loan on the cell phone lease. Does Brown Management Group have any other cash-generating assets or sources of income?

A. Yeah. It has notes receivable, real estate, condos. It has an office condo. It has two residential condos on St. George Island. It has a cell phone lease with AT&T that's probably worth $400,000. It has land, two or three rental houses around Tallahassee that produce income every month.

Q. So that is the --

MR. MAUREY: Excuse me. I apologize for interrupting. We can hear Mr. Brown very consistently and very well, but, Erik, sometimes in your questions, they begin to fade out toward the end. And with the rustling of paper, we're only making out -- we're not making out your questions fully.

MR. SAYLER: Okay. I'm sorry.

MR. MAUREY: All right. Thank you. Sorry for the interruption.

BY MR. SAYLER:

Q. If you'll return to Exhibit 6, which was the BMG financial statements provided in response to Audit Request Number 27.

A. Okay.

Q. If you will look at the balance sheet for 2010, the assets you were just describing to me are listed there for 2010; correct?

A. The attachment to the first page has some assets listed, some notes receivable and some notes payable.

Q. And those would flow through to that balance sheet for 2010; correct? They should be identical?

A. Well, they should be. Total liabilities, 842; notes receivable, 498.

Q. Okay. My question related to cash-generating assets was more -- I believe you stated, for instance, that the cell tower lease, the value of that asset was in the neighborhood of 400,000, but is that --

A. The one that we have left now is, I think, worth $400,000, and it produces money every month.

Q. And that's my question. If any of these assets produce money on a monthly basis, cash, that is then used by WMSI?

A. Well, all of those notes receivable. There are two or three of those. The office condo produces

rent every month. The residential condos produce rent every month. I've got two or three houses that produce rent income every month. I say I. Brown Management, which is now owned by Water Management.

Q. And the monthly income from those notes receivable should be on a steady basis? They don't rise up and down on an annual basis?

A. No. We have very few vacancies, and they're filled within 30 days on all these properties.

Q. All right. Have any of the Brown Management Group assets or notes receivable been retitled in the name of Water Management Services?

A. No, not per se.

Q. Why not?

A. In substance, they -- because the payee on the note is Brown Management Group, Inc., and it's a separate question as to who owns Brown Management Group, Inc. In substance, Water Management arguably does own all of those assets, because it owns all the stock.

MR. SAYLER: Okay. I have another exhibit I would like to identify, Exhibit 8. The deposition exhibit description is "Excerpt from 2009 WMSI General Ledger; Audit Work Paper, Tab: Additional Support, 2008 through 2009; Audit Work Paper Excel File, Tab: AP Other, AR Other, and AP BMG

Adjustment."

(Deposition Exhibit Number 8 was marked for identification.)

BY MR. SAYLER:

Q. I will represent to you that the yellow highlighting was done by our office just to highlight the reference or transaction detail that we have a question about. We asked a series of questions about this yesterday, and I can just cut to the chase. Do you have any --

MR. FRIEDMAN: I'm going to object to any question regarding this exhibit that was presented in the prior rate case as being irrelevant.

BY MR. SAYLER:

Q. Okay. If you will answer my question, the question would be, do you have any documents that can help track down the details of this transaction, such as, is there a note payable or receivable from SMC Investments to Brown Management Group or Water Management Services for $85,000?

A. I'm not sure if we did an official promissory note. It was a short-term loan. She borrowed the money and paid it back, or her corporation did.

Q. So it was borrowed on the front end and then repaid?

A. She borrowed 85,000 and paid back 144,500, or gave us money for 144,500, which covered the 85 and some other settlement items.

Q. Okay. So it is your testimony that the deposit for 144,500 was actually not from Brown Management Group, but from SMC Investment Properties?

A. It was a check from SMC to Brown Management, which was endorsed and put in Brown Management's account, but the source of the funds was SMC.

Q. Do you happen to have that canceled check?

A. I'm sure we do somewhere. I mean, I remember the transaction.

MR. SAYLER: All right. We would like request a late-filed exhibit for either that check or any other documents related to that transaction.

MR. FRIEDMAN: We object to providing any late-filed exhibits. It's an inappropriate discovery method.

MR. SAYLER: Okay. Short title, Support for SMC Investments Transaction, 85,000.

(Late-filed Deposition Exhibit Number 9 was identified for the record.)

MR. SAYLER: I do not think we'll being asking any more questions from Exhibit 8.

Would you guys like a short break?

MR. LAWSON: We're going to need to think about lunch in a little bit, so we ought to think in those terms.

MR. SAYLER: Well, how about I -- off the record.

(Discussion off the record.)

BY MR. SAYLER:

Q. Returning back to your August 1st memo, page 2, the last paragraph.

MR. FRIEDMAN: I'm sorry. What are you on?

MR. SAYLER: It's page 2. This is Exhibit 1, the August 1st letter from Gene Brown to the Commission staff.

MR. FRIEDMAN: We're going back to page 2?

MR. SAYLER: Yes.

BY MR. SAYLER:

Q. You state that the investments and transfers of funds consolidated under Account 123 have been used to benefit the utility and keep it solvent.

A. Right.

Q. Can you explain how transferring this money has been a benefit to the ratepayers?

A. It has helped subsidize the utility, because it has been necessary to make up cash shortages from year to year, and by constantly investing in real estate

and other income-producing properties to be used for loans or sales, that has provided a source of cash.

Q. Okay. And on page 3 of your memo, you discuss mid paragraph that the results in the summary of your internal audit, attached as Composite Exhibit A, shows, paraphrasing, a deficit during that 11-year period of 16.237 million, including all investments under Account 123.

MR. FRIEDMAN: I'm going to object to any questions dealing with what has been referred to as the company's cash flow audit and instruct him not to answer any questions about it because it's irrelevant, and the questions are harassing and not in good faith.

MR. SAYLER: Objection so noted.

BY MR. SAYLER:

Q. But you maintain that that 16.237 million was provided from sources other than ratepayers; correct?

A. Exactly.

Q. And Exhibit A to your August 1st memo summarizes that internal audit for the utility; correct?

MR. FRIEDMAN: I object to the use of the term "audit." The document reflects that it is a financial sources and uses statement. I think the word "audit" has a specific connotation in the

accounting world, and this doesn't reference that it is an audit. It's a sources and uses statement simply.

A. Yes. It's a two-page summary of the years 2000 through 2010, and then there's a year-by-year summary of the transactions each year.

Q. Okay. On page 3 of your memo, you state that you commissioned an internal audit to show the actual cash difference or deficit between the funds obtained from WMSI's customers and the actual cost of operating the utility from 2000 to 2010. The use of the term "internal audit" was drawn from your memo, but I will happily refer to that as a financial sources and uses, and if I accidentally slip up and say cash flow audit, I really mean the financial sources and uses document or internal audit that was attached to your memo. But I agree that the use of the term "audit" has a specific meaning within the accounting world, so we will call it a financial sources and uses document. Can we agree to that?

A. I'll agree to that. My CPAs have pointed that out to me since I wrote this memo.

Q. Okay. When commissioning your financial sources and uses document, did you rely upon any outside accountants or auditors or any other help to provide

help with that sources and uses document?

MR. FRIEDMAN: I'm going to object to any questions relating to the internal sources and uses document. It's irrelevant. They're not relying on it in any way in this proceeding. And I'm going to instruct him not to answer any questions about it. Any questions about that are not made in good faith and are solely for the purpose of harassment.

MR. SAYLER: Objection noted. So the question is, yes or no, you did or didn't rely on accountants or any outside personnel? And that's the objection; correct?

MR. FRIEDMAN: Yes.

BY MR. SAYLER:

Q. Well, hypothetically, if you did rely upon an outside accountant or auditor, I have a number of questions related that, which I suspect will be the same objection.

Who was that outside auditor or firm that assisted in that?

Where they a certified public accountant?

Do you have an engagement letter signed with that person?

Please explain whether the sources and uses document was a compilation of cash flow documents

provided by the utility to a review of those cash flow documents provided by WMSI, or was it an audit of WMSI operations and cash flow within the meaning of the term "audit" used by the CPA?

And my next questions would be, if there was an audit, were there any findings?

Was it a qualified audit?

If no report was attached to this financial sources and uses document, can you explain why no report was attached?

And lastly, does the utility have in its possession any work papers associated with its sources and uses audit that the outside accountant provided?

Those are my questions, and --

MR. FRIEDMAN: And I object on the same basis on all of them as we did yesterday. Those are basically the same questions that you put in discovery form as well that we've objected to.

MR. SAYLER: Certainly.

BY MR. SAYLER:

Q. On page there 3 where you state, "I commissioned an internal audit," or now internal sources and uses document, "to show the actual cash difference, or deficit, between funds obtained from the customers and the actual cost of operating the utility," when that

document was prepared, did WMSI net the fund payouts and receipts to and from Mr. Brown?

MR. FRIEDMAN: I object to questions related to that internal sources and uses statement as being irrelevant and unnecessary to any determination. We're not relying upon it, and I think any questions based upon it are not made in good faith and are solely for the purpose of harassment.

BY MR. SAYLER:

Q. Same question for Brown Management Group. Were those fund payouts netted?

MR. FRIEDMAN: Same objection.

BY MR. SAYLER:

Q. Gene Brown, P.A.?

MR. FRIEDMAN: Same objection.

BY MR. SAYLER:

Q. And any of the other affiliates referenced in the sources and uses document?

MR. FRIEDMAN: Same objection.

BY MR. SAYLER:

Q. When this sources and uses document was prepared, was any consideration given to reconciling the internal audit to Account 123 or any other effective account?

MR. FRIEDMAN: Objection. Same one.

MR. SAYLER: And you're instructing --

MR. FRIEDMAN: I'm instructing him not to answer.

BY MR. SAYLER:

Q. My next line of questions, if you will please refer to Exhibit A in this memo, to the document "WMSI Financial Sources and Uses, 2003."

A. Okay.

MR. SAYLER: For the benefit of those in the room, it's this document, Attachment A. And I'll describe it for the Commission staff. It looks like a spreadsheet that at the top says "Ratepayers, Sources and Uses of Resources," and then goes down to the next box that says "Gene Brown, Affiliates, and Third Parties Sources and Uses, and then at the bottom contains a summary of those sources and uses.

MR. LAWSON: What year are we looking at?

MR. SAYLER: 2003.

MR. LAWSON: Thank you.

BY MR. SAYLER:

Q. Mr. Brown, I would direct you to look at, under "Gene Brown, Affiliates, and Third Parties," the line entitled "Cash from Loans Secured by

GDB/Affiliates."

MR. FRIEDMAN: I'm going to make the same objection to him responding to any questions about the financial sources and uses statement. And in addition, it's from 2003, so it's totally irrelevant. I instruct him not to answer.

BY MR. SAYLER:

Q. There's an amount for 3.377 million. That 3.377 million, is that the second DEP loan that WMSI borrowed from the State Revolving Fund to complete the supply main on the bridge?

MR. FRIEDMAN: I object him to answering questions about the sources and uses statement and instruct him not to answer any of them.

BY MR. SAYLER:

Q. But the source of the loan, that 3.3 million, did that predominantly come from DEP?

MR. FRIEDMAN: You need to rephrase the question so it's not related to the sources and uses statement.

BY MR. SAYLER:

Q. All right. In 2003, did you borrow approximately $3.3 million, with much of that coming from the Department of Environmental Protection loan?

A. I borrowed a total of closer to 6 million from

DEP in two different loans. I think they were about 3 million each.

Q. All right. And the DEP loan that's -- the second DEP loan, or the first DEP loan, who is the borrower of that, the borrower of record, the utility or you personally, Mr. Brown?

A. They call it sponsor. Water Management Services is the primary sponsor or primary borrower.

Q. And for that loan for which WMSI is the sponsor, certain assets of Water Management Services were security for that loan; is that correct?

A. The water line itself is security.

Q. Now, in securing that loan on behalf of the utility, did you have to pledge any of your personal assets?

A. I had to pledge everything that my family and I had and trustees of a trust and everything I could scrounge up. I had to pledge all of that in a series of documents.

Q. To the Department of Environmental Protection?

A. Right, to get the loan. I had to get my wife, Marilyn; Barbara Withers, trustee of a trust; and St. George Island Utility Company, various -- every affiliate that DEP knew about had to sign a whole series of documents. In fact, we have a whole separate file

with all those UCC filings and security agreements.

MR. SAYLER: All right. For my next question for you related to the DEP loan, I'm going to be passing out an exhibit entitled "DEP Construction Loan Agreement." This will be identified as Exhibit 10, DEP Construction Loan Agreement.

MR. LAWSON: Exhibit number, please?

THE REPORTER: Ten.

MR. LAWSON: Thank you.

(Deposition Exhibit Number 10 was marked for identification.)

BY MR. SAYLER:

Q. Would you look through this agreement, sir?

A. Okay.

MR. FRIEDMAN: I am going to object as to relevance. The issue of the DEP loans is not an issue that's subject to the protest of either party.

MR. SAYLER: All right. So noted.

BY MR. SAYLER:

Q. Can you point out anywhere in this loan agreement where you are personally liable for essentially being the grantor for the DEP construction loan?

MR. FRIEDMAN: Grantor or guarantor?

MR. SAYLER: Guarantor.

A. I haven't read this agreement lately, but as I said earlier, there is a simultaneous closing file that has many, many documents in which my family and I and the trustee and every other affiliate had to pledge assets and guarantee this loan. This is not the only document that was required to borrow that money. In fact, we couldn't have borrowed the money without these other guaranties.

Q. And in response to discovery by, I believe, both OPC and Commission staff, we asked for all the documents related to the loan. To your knowledge, are those documents that you referred to that show you being personally liable, along with all the others, would those be contained in those documents produced?

A. Yes. We loaded them up and FedExed them to Mr. Friedman, and I guess they were produced. But I remember that there's a file with the basic documents, and there's a file too that's about an inch thick with all the various documents that had to be signed by my affiliates, my family, the trustee, and everybody else to get this loan. So I think it has been provided.

We wouldn't have gotten the loan without all these additional guaranties and security agreements.

Q. And regarding the approximately 3.377 million

that was secured in 2003, were any of those provided by -- excuse me, secured by Brown Management Group, with the liabilities of Brown Management Group being used as assets to securitize that or to secure that loan?

A. Every entity that I was involved with, as well as my family and me personally had to guarantee it. I do not recall now whether Brown Management had been formed at that time. My recollection is that we changed the name of another corporation at some point, and the original corporation would have been included among those guarantors.

Q. And that would have been either Armada Bay Corporation or ABC Services, Inc.?

A. Probably. I just remember looking through the file, and there was not an entity that didn't have to sign a UCC-1 and pledge its assets.

Q. Would you agree that the loan that Water Management Services secured as the sponsor of the project from the DEP State Revolving Fund, that loan would be listed on the books or general ledgers of WMSI as a loan to -- excuse me. Strike that.

If there were any loans secured by Gene Brown or affiliates related to the DEP loan, would those show up on the general ledger or the books of WMSI as a loan to WMSI?

MR. FRIEDMAN: You said what, now? Loans? Could you rephrase that? I didn't understand it. Are you talking about loans or guaranties?

MR. SAYLER: Loans.

BY MR. SAYLER:

Q. Any loans that were secured by Gene Brown or affiliates and then the proceeds of those loans provided to WMSI for whatever purpose WMSI needed them, would those loans show up on the books of WMSI as loans to WMSI?

A. Are we talking about the DEP loan now or just loans generally?

Q. Loans generally.

A. Those funds would be recorded through Account 123.

Q. And would it say a loan to WMSI?

A. No. It typically would just say a credit or an advance.

Q. Turning now to the DEP loans that are in the name of the utility, those would be listed on the books as a loan or as an obligation, debt obligation to the Department of Environmental Protection?

A. Those DEP loans show as a loan from DEP to Water Management Services on the books of Water Management Services.

Q. All right. If you will turn to page 8 -- excuse me. Not page 8, but to that same Appendix A, Financial Sources and Uses, 2008.

A. Okay.

Q. The dollar amount there is 806,198.

A. The amount where? Where are you looking?

MR. FRIEDMAN: I'm going to object to any questions specifically addressed to this financial sources and uses statement.

MR. SAYLER: For the same reasons previously stated?

MR. FRIEDMAN: Exactly.

BY MR. SAYLER:

Q. The cash from third parties in the amount of $806,189.15, does that include all or some of the cash settlement or the settlement that relates to the bridge water supply main coating lawsuit?

A. I believe it does.

Q. And was that settlement check paid to Water Management Services or to one of the -- to Gene Brown P.A. or one of the affiliates?

A. It was paid to Water Management Services.

Q. And you would agree that the water supply main is currently in rate base as an asset of the utility; correct?

A. Well, yes and no. The amount of that plant item attributable to that settlement was immediately reduced, retired, or deducted from plant in rate base.

Q. That was my next question. But the remainder of the undepreciated portion of that supply main --

MR. FRIEDMAN: Again, I'll object. The value of the main in rate base has got nothing to do with any of the issues that are being contested. You need to focus on what the issues are.

Gene, you've still got to answer it, but I'm just getting frustrated.

MR. SAYLER: Well, he did answer. That was my next question.

MR. FRIEDMAN: Okay.

BY MR. SAYLER:

Q. Was the entire cost of the supply main financed by the DEP loans, or were there other sources for paying for the supply main?

A. There were other sources. The supply main ended up costing $7,009,000, and I think I borrowed about 5 or 6 from DEP. But there were a lot of other costs that I had to come up with personally and through other affiliates.

Q. And DEP is currently an outstanding loan obligation of Water Management Services to repay;

correct?

A. That's correct.

Q. And the utility is earning a return on the water supply main; correct?

A. Yes. The remaining part that's still in plant we are earning a return on.

Q. Since the DEP loan is an obligation of Water Management Services and the plant is in rate base and providing service to ratepayers, wouldn't the funds that relate to the DEP loan be more accurately reflected as funds attributed to WMSI's ratepayers?

A. No, no at all. That would be incorrect.

Q. And just confirming an earlier question I had asked about being a guarantor of the DEP loan, it's correct that you stated you were personally liable for any portions of the DEP loan that aren't paid for by WMSI; is that correct?

A. That's correct.

Q. Related to the water supply main settlement, do you have any documents that would identify how that settlement was distributed or recorded on the books of the utility?

A. The general ledger would show all that cash flow.

Q. But do you have any specific documentation

that shows how that amount was apportioned?

MR. FRIEDMAN: I object. Is there any relevance to these questions? There's no issue that this addresses, not even 123.

A. We keep detailed, accurate general ledger records, and nobody has shown any inaccuracy in it. In fact, a recent audit confirmed it to the dollar after a seven-month audit over seven years. And those funds are shown in the general ledger, in the canceled checks and other documents that are in the files.

MR. SAYLER: Okay. Well, I've reached the end of a particular section of questioning. It's about noon, so why don't we break. How long would you guys prefer? An hour, 45 minutes?

MR. FRIEDMAN: The shorter the better. I've got a long drive.

MS. BARRERA: An hour?

MR. SAYLER: Why don't we do an hour? It's going to take 10 minutes to get wherever and 10 minutes to get back.

THE WITNESS: 1:00?

MR. LAWSON: 1:00 sounds good.

MR. SAYLER: All right. We'll resume at 1:00.

(Recess from 12:03 p.m. to 1:15 p.m.)

BY MR. SAYLER:

Q. Let's go back on the record. Continuing after lunch, it's about 1:15.

If you'll return to Exhibit 1, which is the letter, the August 1st letter to the Commission Clerk.

A. All right.

Q. In the third paragraph, you make a statement, "WMSI has made every payment required by the DEP" --

MR. FRIEDMAN: Whoa, whoas, whoa. Where are you?

MR. SAYLER: Page 4, third paragraph.

BY MR. SAYLER:

Q. It says, "WMSI has made every payment required by the DEP/WMSI loan documents except for the one due May 15, 2012."

A. Right.

MR. SAYLER: We have a copy of Amendment 6, and this will be identified as Number 11.

(Deposition Exhibit Number 11 was marked for identification.)

BY MR. SAYLER:

Q. If you'll take a moment to look that over, Mr. Brown.

A. I saw it.

Q. If you'll turn to the last page.

A. The last page of Amendment 6?

Q. Yes, Exhibit 11, Amendment 6.

For the Commission staff, the document is Amendment 6 to the DEP loan agreement.

And the date at the bottom right-hand corner, September 17, 2012, is that the date that this loan agreement was executed, this amendment to the loan agreement?

A. September 17?

Q. 2012.

A. That's the date that DEP signed it, I believe.

Q. Okay.

A. So that would, I think, be the effective date.

Q. But prior to missing the May 15th payment, had you attempted to renegotiate it or to do a subsequent amendment?

A. Well, I did several amendments, but this is the only amendment between Amendment 5 and Amendment 6.

Q. All right. Some just kind of basic background financial questions regarding Brown Management Group and WMSI. Does WMSI have audited financials?

A. No.

Q. What about Brown Management Group?

A. No.

Q. Since 2000, has WMSI been audited by an outside auditor? What I mean by an audit is balance

sheet, income statement, statement of cash flows, and statement of stockholders' equity.

A. We had an outside audit in connection with the DEP loan.

Q. Was that a full audit or a special purpose?

A. I think it was a special purpose audit to audit the DEP loan proceeds and that entire series of transactions.

Q. And was that audit required for closing on the second DEP loan?

A. It was a condition of them making the loan, that there would be a true-up and an audit. I think the federal law requires that as well. But I knew from the beginning we had to have an outside full audit of that transaction.

Q. Have you had any additional audits related to the DEP loan?

A. No.

Q. Okay. Have any of your lenders required audits or audited financial statements?

A. No, not lately.

Q. When you refinanced the Centennial Bank loan this year, did they require an audit of some kind?

A. No.

Q. And for Brown Management Group, has that been

audited?

A. No.

Q. Within the meaning as we discussed?

A. Right.

Q. According to your August 1st memo, you indicated you stopped using Account 123; is that correct?

A. I stopped using that in 2011.

MR. SAYLER: I'm going to hand you a copy of Commission staff's audit performed in this case, which also includes an update to the Account 123 audit that was performed in the prior rate case. This will be Exhibit 11 -- no, 12.

(Deposition Exhibit Number 12 was marked for identification.)

BY MR. SAYLER:

Q. If you'll take a moment to read it and let me know if you're familiar with it.

A. I've seen it. I don't need to read it again right now.

Q. Okay. I would like to direct you to Table 3 on page 20 of the document.

A. Okay.

MR. SAYLER: Commission staff on the phone, are you following with the description?

MR. MAUREY: Yes, we have the audit. Thank you.

BY MR. SAYLER:

Q. Page 20, Table 3, Comparative Regulated and Non-Regulated Cash Receipts and Disbursements. I would like you to focus on the section marked "Non-Utility Activity." You'll see two headers on the left-hand side, Cash Receipts and Cash Disbursements.

A. Non-Utility Activity.

Q. Yes, sir.

A. Okay.

Q. As classified by the staff auditors.

A. Okay.

Q. Do you see under cash receipts and cash disbursements your name?

A. Yes, I do.

Q. And if you scroll over to the column for 12/31/11, it says under Cash Receipts that -- you would agree that it says that you put into the utility $73,600?

A. I see that figure of 73,600 by my name.

Q. And if you'll go to cash disbursements for your name and scroll over the same column where it says in parentheses $110,212. Do you see that?

A. No, I don't. Where is that?

Q. (Indicating.)

A. Okay. All right.

Q. After WMSI stopped using Account 123, isn't it true that WMSI continued to record transfers of funds in and out to you personally?

A. Yes, I'm sure they did as loans or advances.

Q. Same question for Brown Management Group.

A. Right.

Q. All right. Same question for Gene Brown, P.A.

A. Right.

Q. Earlier in the deposition I asked you about Gene Brown, P.A., and I believe you said it was dissolved; correct?

A. I think the corporation is dissolved, yes.

Q. But you have a recordation here of $36,200 for Gene Brown, P.A.; correct?

A. That's what it says.

Q. If that entity no longer exists, why is it still receiving cash disbursements?

A. He probably characterized that as legal fees or something in connection with legal. I really don't know. I haven't reviewed that in detail.

Q. Okay. With regard to non-utility activity cash receipts, it's your testimony that either you or your affiliates have had to cover shortfalls of revenue

over the years for the utility?

A. Yes.

Q. And you personally have contributed some money for that?

A. Yes.

Q. And all the money that you have personally contributed would be recorded on the books of WMSI?

A. Everything that flowed through one of these accounts.

Q. Were there any -- if you continue on that page where it says "Eight-Year Activity," there's a far right-hand column identified as "Eight-Year Activity, 12/38/2011," and if you scroll down to your name, it shows a net cash receipt of 948,135. Do you see that?

A. Yes, I do.

Q. So over that eight-year period, that's the amount of money that you contributed to the utility; correct?

A. That I contributed?

Q. That you contributed, according to this audit.

A. Well, I haven't analyzed this. It speaks for itself. I don't have any reason to doubt these numbers. I assume they're taken from our general ledgers that were provided to the Commission.

Q. So with regard to any transactions from you or

any of your entities, they would show up on the books of the utility; correct?

A. Yes, direct transfers of cash to the utility would show up on the utility books.

Q. And if you personally secured a debt in your name and then you provided those proceeds to the utility, that would show up on the books of the utility; correct?

A. Yes, the cash going in would show up.

Q. In the last rate case, you provided some prefiled direct testimony where you stated you secured a second mortgage on your home to make up some utility revenue shortfall. Do you recall that?

MR. FRIEDMAN: I object to the question. I think that's totally irrelevant. Whether he has personally borrowed money, we've gone through this. What's the relevance to anything, even to 123?

MR. SAYLER: Objection noted. Mr. Brown?

A. I did testify that I borrowed money years ago on a second mortgage on my house.

Q. All right. And to your knowledge, was that amount $150,000?

A. It was.

Q. Now, where does this second mortgage that you referenced show up on the books of the utility? Would

it show up at that time in Account 123?

A. It would not show up. That was a personal loan. That transaction would not show up on the utility's books.

Q. But when you placed the cash from that transaction into the utility, would that show up on the books?

A. It would at the time it went in, right.

Q. As cash from you?

A. Yes.

Q. Okay. Besides the second mortgage that you secured with personal assets, have you secured any other additional loans with your personal assets where the proceeds have been used to make up a utility shortfall?

MR. FRIEDMAN: Objection. Irrelevant.

A. I've secured loans for the last 38 years, personally and through other businesses, to keep this water company afloat.

Q. And when you secured a loan, it wouldn't show up as -- let me ask you this. Would the entry show up on the books as cash from Gene Brown, detail, loan on X asset, or would it just say cash from Gene Brown and not explain what the source of that cash was?

A. The books of the utility would not normally show the source of the cash. It would just show up as

cash from me or cash from one of the affiliates.

MR. SAYLER: Okay. Earlier I provided a copy of the DEP loan agreement, the DEP construction loan agreement, and that was identified as Exhibit 10. And I've got another exhibit to pass out, which is the response -- the description is WMSI Statement on Budgets. This will be identified as Exhibit 13.

(Deposition Exhibit Number 13 was marked for identification.)

BY MR. SAYLER:

Q. If you'll take a moment to review this, it is our request to produce some documents regarding budgets and the question and the utility's response.

A. I see the questions. I don't see my responses.

MR. FRIEDMAN: The very back, the very last page.

BY MR. SAYLER:

Q. For the record, I'll read our production of documents request. Question number 3 was, "WMSI budget. Please provide a copy of the 2011-2012 annual budgets for WMSI in the most detailed format available. This should include, but not be limited to, the capital expenditure budget, the operating budget, and the cash

flow budget."

The utility responded, "There are no annual budgets for WMSI for 2011 and 2012." Is that statement still accurate today?

A. That is accurate.

Q. Isn't it true that you have stated in documents previously provided to the Commission or in discovery that prior to the PAA rate case increase that was granted back in August, that the revenues of the utility were not sufficient to meet the obligations of the company?

A. Yes.

Q. In the DEP construction loan agreement -- let me direct you to a page. In the DEP loan construction agreement, Exhibit 10, page 4, Article II, page 4.

A. Okay.

Q. I would like to refer you to paragraph 9 of this agreement. And for ease of the deposition transcript, I'll read it. Paragraph 9, "In the event that the anticipated pledged revenues are shown by the project sponsor's annual budget to be insufficient to make the semiannual loan payments for each such fiscal year when due, the project shall include in such budget other legally available funds which will be sufficient, together with the pledged revenues, to make the

semiannual loan payments."

Skipping down a little bit, the next sentence says, "The project sponsor shall notify the Department immediately in writing of any such budgeting of other legally available funds."

My question to you is, when you had these revenue shortfalls, did you notify the Department?

A. Yes, I did. I met with them repeatedly.

Q. And that culminated in the loan amendments, 1 through 6?

A. It culminated in three or four different loan agreements which revised the payment schedule to capitalize interest and extend the loan.

MR. SAYLER: Okay. I have another document to provide. It's described as a confidential document. So, Commission staff, it's WMSI's response to OPC's request for financial statements, response to Citizens' first request to WMSI to produce documents, request number 4, financial statements. And this will be identified as Exhibit 14 for the record.

(Deposition Exhibit Number 14 was marked for identification.)

BY MR. SAYLER:

Q. Would you take a moment to review our question

and your response, Mr. Brown? And I'm not planning to ask you any detailed questions about --

A. What I'm looking at says request for production, not an interrogatory.

Q. Yes. Sorry. Did I say interrogatory? I mean request for production.

A. You said question.

Q. Request for Production of Documents Number 4.

A. Right.

Q. It says, "Please provide a copy of WMSI's financial statements for the two most recent years."

A. Right.

Q. Okay. And what was provided under cover of confidentiality are the financial statements for 2011 and 2012 for --

A. '10.

Q. Excuse me. 2010 for WMSI.

A. Right.

Q. Who prepared these financial statements for you?

A. Bob Mitchell.

Q. And are these complete financial statements?

A. Yes, as far as I know.

Q. And to your knowledge, nothing was omitted from those financial statements?

A. Not that I know of.

Q. As you look over the financial statements, do you see any footnotes?

A. I see no footnotes.

Q. In your experience looking over financial statements, don't financial statements usually contain explanatory footnotes?

A. Audited statements typically contain footnotes. In-house prepared statements do not, in my experience.

Q. Now, does this set of financials include a cash flow statement?

A. No.

Q. And are these financial statements audited?

A. No.

Q. Let's refer back to the DEP loan, same page, page 4, paragraph 10. I won't read the entire paragraph, but I'll read the pertinent parts.

"Beginning with the fiscal year in which the loan agreement is executed and continuing each year thereafter until the loan is retired, the project sponsor shall submit annual reports to the Department."

My question for you, Mr. Brown, did you submit annual reports to the DEP related to this loan?

A. During the first year or two, we submitted --

we filled out a little one-page form that they had. We never submitted audited reports or budgets or anything of that nature.

Q. In the same paragraph, skipping down, it says, "All audits shall address at a minimum the project sponsor's financial condition, accounts of the water system, or other sources generating the pledged revenues, loan disbursements received, and project expenditures, if any, and compliance with the loan covenants." And the last sentence says, "The project sponsor shall cause its auditor to notify the Department immediately if anything comes to the auditor's attention during the annual examination of the project's records that would constitute a default in the loan agreement." Do you see those two sentences?

A. I see that.

Q. So did the utility have an outside auditor provide any annual audit reports to the DEP for this loan?

A. No. Are you suggesting that this is still part of the agreement with DEP?

Q. It is my understanding that it's still part of the agreement. I don't --

A. Well, that's not my understanding.

Q. So it's your testimony that the subsequent

amendments to the loan documents --

A. That's my recollection. I guess you've examined all this. You're not trying to say that's still in effect, are you?

Q. I'm asking you. My question is, if it's still in effect, why weren't those audited financial statement provided to the Department of Environmental Protection?

A. I think they were not provided because that is not still in effect.

Q. Okay.

A. And I have met personally and consistently with DEP to tell them what's going on, so that we're now in full compliance with all the loan documents.

Q. All right.

A. Subject to getting this case over with.

Q. All right. In your opinion, Mr. Brown, having reviewed staff's -- excuse me. Let's pause in place. Let's collect the confidential documents back.

THE WITNESS: Let me take a quick break.

MR. SAYLER: Sure.

(Recess from 1:37 p.m. to 1:39 p.m.)

BY MR. SAYLER:

Q. Back on the record. Mr. Brown, I have just a few general background questions.

In your opinion, does the Commission's audit

of Account 123, both the prior one and the updated audit, if you compare that -- well, does that audit properly show Account 123 and all the cash that flowed in and out of WMSI through that account?

A. I think so. As I read it, it confirmed our original numbers from our annual reports right to the dollar. I have some issues with the characterization of utility activity and non-utility activity and things of that type, which I pointed out in my response, but the numbers seem to be accurate.

Q. Okay. And in your opinion, was the WMSI sources and uses internal audit that you presented, internal non-audit, I should say, that you presented to the Commission in your August 1st memo, did that also properly account for all of WMSI's finances?

A. Yes, it did.

Q. And it also accounted for all the cash flow in and out of WMSI?

A. Yes.

Q. And what is your basis for making that statement? Do you consider yourself an expert on presenting financial cash flow statements?

MR. FRIEDMAN: I object to the question. Number one, we're not relying on what has been colloquially called the cash flow statement for any

purpose in this case. You're the one that brought it up, and you bring it up solely for the purpose of challenging the validity of it, which makes no sense at all to any issue that's in the case. If you don't like their cash flow audit, then just ignore it.

But it's totally irrelevant, and these questions about their internal cash flow report for the purpose of challenging the validity of it is nothing but harassment, and I'm going to instruct him not to answer any more questions about it.

MR. SAYLER: All right.

BY MR. SAYLER:

Q. Your witness in this rate case, Ms. Allen, who is presenting testimony on some of the issues, has she reviewed your sources and uses document?

A. She has looked at it. She has not done any work on it.

Q. Has she formally or informally given you an opinion of it?

A. No.

Q. Some extremely brief tax related questions. WMSI as a corporation files a Form 1120; correct?

I'll repeat the question. Does WMSI as a U.S. corporation file a Form 120? Excuse me. Form 1120.

Sorry.

A. Yes, 1120.

Q. All right. For Brown Management Croup, as an S corporation, it files a Form 1120-S; correct?

A. Well, we did. The last one we filed was as a C corporation. It changed in '11.

Q. It changed from a C corporation to an S corporation?

A. No, vice versa. It changed from an S to a C.

Q. And prior to 2011, those two companies were separate entities which filed separate tax returns; correct?

A. They still are. They were and are separate entities that filed separate tax returns.

Q. All right. Where did the taxes of BMG flow through? Do they flow through to WMSI or to you?

A. Until I transferred all the stock of Brown Management to Water Management, all of the activity flowed through to me for tax purposes. After that, it doesn't flow anywhere. It stops with the C corporation.

Q. Okay. With regard to all your other entities, several of which were dissolved, prior to them being dissolved, were they all considered separate entities filing separate tax returns?

A. Yes, they're all separate entities.

Q. When the company supplied financial statements of Brown Management Group in response to the staff audit request, Audit Request Number 27, why weren't there any income statements included?

A. We don't prepare income statements for Brown Management.

Q. So there are no income statements which I can ask for as late-filed exhibits?

Let me rephrase that question. There are no income statements for Brown Management; correct?

A. We may have required -- we may have prepared one or two income statements for banks when they specifically asked for it on a case-by-case basis, but we don't typically prepare income statements as part of our financial statements.

Q. Do you recall when your most recent income statement was prepared? Within the last five years?

A. Oh, we've prepared one or two or three in the last five years for banks that have loans outstanding to Brown Management whenever a bank specifically asked for it.

MR. SAYLER: Okay. Office of Public Counsel would like to make a late-filed exhibit request for income statements just for the years 2007 through 2011, if there are any.

MR. FRIEDMAN: We object and will not be providing it.

MR. SAYLER: All right. This would be Exhibit 15.

MS. BARRERA: Income statements?

MR. SAYLER: From Brown Management Group.

(Late-filed Deposition Exhibit Number 15 was identified for the record.)

MR. SAYLER: Just for the record, Mr. Friedman, what are the grounds for the objection to providing the late-filed deposition exhibit?

MR. FRIEDMAN: There's no procedural rules for making a witness file an exhibit. There are the discovery rules that disclose how you're supposed to get information from other parties. And whether informally parties in PSC proceedings have agreed to do that, that's all well and good, but there is no real procedure for requiring a deponent to provide a, quote, late-filed exhibit, and we're not going to voluntarily do it.

MR. SAYLER: Pursuant to our discovery Request for Production Number 14, I don't have it in front of me, but I believe it was broad enough to also encompass those income statements, so it appears

that the discovery response to Number 14 should be updated to provide those income statements.

MR. FRIEDMAN: There's not a question.

BY MR. SAYLER:

Q. Would you please update the response to POD 14 related to Brown Management Group's financial statements and please provide the missing income statements?

MR. FRIEDMAN: We'll look at it, and if it's required, we'll provided it. You said you think it's broad enough to incorporate it. When I look at it, it may or may not be broad enough. You may wish it had incorporated it, but it may or may not.

BY MR. SAYLER:

Q. All right. Moving along, earlier in the deposition, Mr. Brown, I asked you about the new stock percentages for stock ownership of WMSI, St. George Island Utility Co. and T.E. Bronson. Do you recall that?

A. I do.

Q. All right. We're not going to pass out a response, but we have a response that states that it's 94.44 percent for St. George Island Utility Co., Ltd., and for Mr. Bronson, 5.56 percent. Is that correct, to your knowledge?

A. That sounds like the answer I gave.

Q. All right. And earlier you testified that that new calculation was a pro rata calculation of the ownership shares; correct?

A. I asked Bob Mitchell to give me a pro rata calculation, and that's what he gave me. I didn't independently do that.

Q. Now, were new stock certificates subsequently delivered to St. George Island Company, Ltd. and also Mr. Bronson with the updated percentage amounts?

A. No.

Q. All right. As a predicate to this question, Mr. Brown, I know you're a businessman, attorney, owner, and general partner in a number of named entities over the years. Hypothetically, if you were to invest in a publicly traded company, how would you make payment to acquire shares of that company?

MR. FRIEDMAN: Object as irrelevant. What bearing does that have on anything?

MR. SAYLER: Objection noted. Mr. Brown?

A. Restate the question.

Q. If you were to go out and buy stock in Apple, Microsoft, or Proctor & Gamble, how would you go about acquiring stock or shares in those companies?

A. I would probably get a broker and place an order and buy the shares.

Q. If a friend or a client of yours came to you and stated they were planning to lend some money to somebody, would you recommend that they get some type of document in writing that provides for some sort of repayment terms?

MR. FRIEDMAN: I object. Totally irrelevant.

MR. SAYLER: Objection noted. Mr. Brown?

A. Yes. Depending on the circumstances, I probably would.

Q. A similar question. If a client or a friend of yours was planning on investing in a small corporation, would you recommend that they get some sort of documentation, like a stock certificate that establishes that they have an ownership share?

MR. FRIEDMAN: Objection. Totally irrelevant.

A. I would suggest they not make such an investment if it were less than 51 percent. I've done that many times.

Q. Not less than 51 percent?

A. I think investing in a small, privately owned corporation as a minority shareholder is folly normally. I would not do that, and I wouldn't advise anybody to do that. And I think a stock certificate from an unaudited, privately held corporation would not be worth a great deal in Florida as a minority shareholder.

MR. SAYLER: Okay. Thank you. Shifting gears, give me a moment while I kind of reshuffle.

Mr. Brown, we are passing out another deposition exhibit, Number 16. For the benefit of staff, the description is Staff's Sixth Data Request dated May 16, 2012; WMSI Response dated May 30, 2012; and then an excerpt from the response to Number 2 regarding payments made to the Radey firm.

(Deposition Exhibit Number 16 was marked for identification.)

BY MR. SAYLER:

Q. I have a series of questions about this response to staff, so if you'll take a moment to review the questions and the response. I will be focusing on your response.

A. Okay.

Q. Referring to your response dated May 30th, have you had a chance to read the eight or nine responses?

A. No, but I'm looking at it now.

Q. Okay.

A. I don't need to read all that.

Q. Okay. My question for you is related to responses 1 through 7. Are there any changes that you would like to make at this time as it relates to any

responses that you have provided?

A. No.

Q. Okay.

A. Well, we may have made another payment. I see a response here, 24,000. We may have paid more at this point. I'm not sure. We probably have.

Q. And that, I'll represent to you, was provided in response to OPC POD Request Number 33, an updated, most recent payment schedule. So that is one thing that has changed?

A. The only thing that may have changed is the amount paid. We're paying $2,000 a month, and I don't know at what point this 24,000 was recorded.

Q. How much are you paying a month?

A. 2,000.

MR. SAYLER: Okay. I have another exhibit to pass out to you. It will be Exhibit 17. I'll identify the exhibit. It is Citizens' First Request for Production of Documents, an excerpt, as well as WMSI's response to Request Number 22. And attached to that response is the engagement letter between WMSI and its former law firm, Radey, Thomas, Yon & Clark.

THE WITNESS: I see that.

(Deposition Exhibit Number 17 was marked for

identification.)

MR. MAUREY: Erik, this is Andrew. I apologize for interrupting. I'm looking at our exhibit, and it does have Number 30, the prior rate case expense, but we don't have a copy of the engagement letter.

MR. SAYLER: Skip to the next document that you received.

MR. MAUREY: Oh, so it's two separate documents?

MR. SAYLER: Yes.

MR. MAUREY: Okay. Thank you. Sorry for the interruption.

BY MR. SAYLER:

Q. To your knowledge, Mr. Brown, is this a true and accurate copy of that engagement letter?

A. Yes.

Q. If you look at the first page of that engagement letter, at the top of the page it's dated January 12, 2009.

A. Okay.

Q. When did you engage the law firm of Radey, Thomas, Yon & Clark to represent you?

A. Probably around January 12, 2010.

Q. So my question for you is, is this an

engagement letter that you had for about a year before you executed it, or --

A. I think that's a mistake on the part of whatever prepared this.

Q. That was my impression as well.

During your 2010 rate case, how was most of your correspondence handled between you and your law firm? Was it by letter, email, phone calls, meetings, all the above?

A. All the above.

Q. All right. Look at the bottom of that first paragraph on the first page.

A. Okay.

Q. Where it discusses the fee arrangement. "Our representation will require a payment of a $4,000 deposit plus 2,000 a month for services rendered." And then it goes on to say that Mr. Brown, president of Water Management Services, further agrees to be personally liable for any fees remaining unpaid by Water Management Services. Do you see that?

A. I see that.

Q. Is it your testimony that that payment arrangement of a $4,000 deposit and $2,000 per month is an agreement to -- that you entered into to make the payments that you're currently making?

A. Yes. Not this agreement.

Q. Oh, okay. Was there a subsequent agreement to this that you entered into with the utility?

A. I am the utility.

Q. Excuse me. With the law firm. I'm sorry.

A. Yes.

Q. Let me direct you back to the response to the staff data request. Number 3 was -- the question was, "If WMSI has not made any payments to the Radey, Thomas, Yon & Clark for legal services rendered in Docket 100104-WU, what, if any, arrangements have been made for payment?"

Your response, or the utility's response, "WMSI has made payments to Radey, Thomas, Yon & Clark for legal services rendered in Docket Number 100104-WU. Also, WMSI has entered into an agreement with Radey, Thomas, Yon & Clark to pay the bill in full with installment payments." Do you see that?

A. I see that. Well, I don't see it, but I remember it.

Q. And you just testified that you entered into a subsequent agreement for making payments to the law firm?

A. That is the subsequent agreement that I'm referring to. The distinction I'm making is that that

2,000 a month and the 4,000 referred to in the January 2010 agreement was not adhered to month to month, but earlier this summer I entered into a subsequent agreement with them to make installment payments until the bill was paid.

Q. Okay. When did you say you made that?

A. I don't remember the exact date. I went down and met with the law firm.

Q. Was that before or after May 30th?

A. Can you refer me to my answer where I said we have an agreement?

Q. Number 3 on the bottom.

A. Well, it was obviously prior to that date.

MR. SAYLER: Okay. I have another exhibit to pass out. It will be Exhibit 18. The description is Citizens' First Request for Production of Documents. It's an excerpt of that request. And then what I'm mainly wanting you to focus upon is WMSI's response to Citizens' First Request to Produce Documents, Number 33, prior rate case expense payments.

(Deposition Exhibit Number 18 was marked for identification.)

BY MR. SAYLER:

Q. If you will look to the utility's response to

OPC POD Number 33, it states --

MR. JAEGER: Erik, we're a little confused. You took out that deposition exhibit description, the excerpt, page 13. Did you identify that as an exhibit?

MR. SAYLER: It's a compilation exhibit, Ralph. The first page is -- I identified it as Exhibit 18.

MR. JAEGER: This would be 19, wouldn't it?

MR. SAYLER: Sixteen, 17, 18.

Okay. Commission staff on the phone, do you have OPC POD Response Number 33 from the utility? I will read the response. It says, "There are no written agreements except" --

MR. MAUREY: Oh, no, no. We have it. We're up to Number 19, and you're calling this one 18. We already have 17 and 18.

MR. SAYLER: I have 18 on this one as well.

MR. MAUREY: Okay. So the engagement letter, which was one set of documents, and then Request Number 30, that's 17?

MS. BARRERA: Right. That's part of 17.

THE WITNESS: So this is 18. Okay.

BY MR. SAYLER:

Q. Just kind of backing up to make certain we're

all on the same page, Commission staff back in the spring asked the utility if they had made any arrangement to make payments, and it's true -- isn't it true, Mr. Brown, that the utility responded that WMSI has entered into an agreement with the law firm to pay the bill in full? And when the Office of Public Counsel asked for a copy of that, the response was POD Number 33, and isn't it true that the utility responded, "There is no written agreement except as noted under Number 32 above"?

A. That's true.

Q. And Number 32, which is found in Exhibit 17, the only response to that is the engagement letter between WMSI and Radey, Thomas, Yon & Clark; is that correct?

A. That is the only written agreement.

Q. And you just testified that this is not the payment arrangement that the utility made with the law firm related to repaying the rate case expense from the last case; is that correct?

A. Right. My testimony is that I made an agreement I think around April of this year with the law firm. It was prior to this May 30 date, in which I referred to that agreement.

Q. My question to you is, then where is that

agreement?

A. It's a verbal agreement. It's a handshake.

Q. You said you entered into an agreement. So you're testifying that you don't have anything in writing with the law firm; is that correct?

A. Right. It's a verbal agreement.

MR. FRIEDMAN: People enter into verbal agreements all day long.

THE WITNESS: It's a handshake.

MR. FRIEDMAN: Geeze.

BY MR. SAYLER:

Q. All right. Earlier I asked you a question about whether if you were going to be entering into an agreement with someone, like a loan agreement, you would get that in writing; correct?

A. I don't remember that question. My --

Q. Let me ask you another hypothetical. If someone owed you money and they offered to do an oral agreement versus a written agreement --

MR. FRIEDMAN: It's totally irrelevant. They don't have a written agreement with the law firm. What difference does it make whether he thinks you should or not? Ask relevant questions so we can get out of here sometime this week.

MR. SAYLER: Objection noted.

BY MR. SAYLER:

Q. What is your answer, Mr. Brown?

MR. FRIEDMAN: What was the question again?

A. I've had a lot better experience with verbal agreements than with written agreements in my 40-something years of practicing law. It depends a lot more on who you're dealing with and the character of the parties.

Q. Okay. Referring back to the engagement with the law firm -- that would be Exhibit 17?

A. Right.

Q. I would direct you to page 2 of 4 of their standard representation agreement, paragraph 6, entitled "Total Fees and Costs."

A. What page is it that on?

Q. Page 2 of 4.

A. Okay. Total Fees and Costs.

Q. If you'll take a moment to review that paragraph.

A. Okay. I've reviewed it.

Q. At the bottom of the paragraph it states, "However, we are aware of the costs of legal services and that no client wishes to incur unnecessary expenses. We encourage you to consider the extent of our efforts as reflected in the monthly billing statement and

discuss any desired adjustments in the firm's prospective efforts."

My question to you, Mr. Brown, did you raise any concerns about the amount of rate case expense being incurred during the last rate case?

A. No.

Q. Any concerns regarding the monthly billing invoices submitted by the law firm?

A. No.

Q. Any concerns about the rate case expense after the Commission voted out its final order?

A. No. As I said in my answer, I did indicate to the law firm that if they were going to press for payment in full immediately, that I would like to discuss a reduction in the bill.

Q. What letter are you referring to?

A. I just said that's in an answer that I gave. If you have the answer, we can -- it speaks for itself. But I don't have any testimony inconsistent with the answer I gave before. If you want to pull it out, we'll read it.

MR. FRIEDMAN: Was that something in writing?

THE WITNESS: It's in writing. I mean, my answer is in writing.

BY MR. SAYLER:

Q. Can you direct me to where that is in your response to staff?

A. I can't direct you to it. I don't have all those documents organized, but I remember answering a similar question.

Q. So your testimony about what you recall is that the utility wanted full payment, and you said --

MR. FRIEDMAN: Not the utility.

BY MR. SAYLER:

Q. I apologize. That the law firm -- if the law firm wanted full payment of all rate case expense, then you would need a reduction in the bill?

A. Let's take a minute and find my answer, and I'll read it again to you.

Q. I'll move on.

MR. FRIEDMAN: Let's move on. You've testified about what it is.

THE WITNESS: My answer is the same as I gave you in writing earlier.

BY MR. SAYLER:

Q. Since January 2010 -- excuse me, 2011, have you met with the utility to offer to settle the legal bill?

A. You're talking about the law firm? I'm the utility.

Q. I'm sorry. Strike that. I'll repeat my question. Since January 1, 2011, have you or the utility met with the legal firm, the law firm to discuss a reduction in the fees owed?

MR. FRIEDMAN: Asked and answered.

A. No, not to discuss a reduction. We have not reduced the amount owed. We have met to discuss the bill.

MR. FRIEDMAN: You answered the question.

THE WITNESS: Okay.

MR. SAYLER: Excuse me while I pause in place. I'm looking for another document.

Why don't we take a five-minute break. I'm trying to get my documents organized.

(Recess from 2:17 p.m. to 2:27 p.m.)

MR. SAYLER: We'll go ahead and just pass out the next document, which -- I don't know. What are we up to now?

THE REPORTER: Nineteen.

MR. SAYLER: All right. Nineteen. The description is Citizens' First Request to Produce Documents, excerpt, page 17, request dated March 14, 2012, with a response to the POD request from -- excuse me. WMSI's response to Citizens' First Request for Production of Documents, excerpt,

page 5. And the response is WMSI's response to Citizens' First Request to Produce Documents, Excerpt Number 40, March 7, 2012 invoice, Radey, Thomas, Yon & Clark. Does everybody have that document?

(Deposition Exhibit Number 19 was marked for identification.)

BY MR. SAYLER:

Q. Have you had a chance to review it, Mr. Brown?

A. I'm looking at it.

Q. You would agree that on or about March 14, last spring, OPC served a Request for Production of Documents during a period in which we had made a request to take this matter to hearing straight away?

A. Well, I remember this request.

Q. All right. POD Request Number 40, I'll read it. "Rate Case Expense. Regarding rate case expense approved by Order No. PSC-11-0010-SC-WU dated January 3, 2012," skipping a little bit, "please provide copies of receipts, canceled checks, bank transfers, or other proof of payment for the rate case expenses approved in the last rate case."

Your response to this request was on April 13th, and if you turn to the next page, the response was, "This document will be produced at a date

and a time agreed by the parties." And one of the documents produced in response to this POD Number 40 was this invoice dated March 7th.

A. Okay.

Q. My question for you is, do you recall what's redacted under here?

A. Do I recall what?

Q. What has been redacted, what has been scribbled out?

A. I have no idea. I didn't personally do that.

Q. And do you recall when WMSI started making payments, started remaking payments to the law firm?

A. After I met with the firm around April of this year, I started making payments of 1,000 a month for a few months, and then I started making payments of 2,000 a month at some point, which I've continued.

Q. So you started making payments to the law firm after we served our first set of discovery; correct?

A. I started remaking payments to the law firm; right.

MR. SAYLER: Okay. The next document we would like to present, which will be identified as Exhibit 20, the description is WMSI's Response to Staff's Sixth Data Request dated May 30th, Excerpt from Response to Number 2, engagement letter and

invoice.

(Deposition Exhibit Number 20 was marked for identification.)

BY MR. SAYLER:

Q. Would you take a minute to review your response and the attached engagement letter?

A. Can you direct me to the part you're interested in? This is kind of a long document.

Q. Sure. There's a letter with the letterhead of Rose, Sundstrom & Bentley, LLP, dated June 19, 2009.

A. Right.

Q. And it goes on for four pages. And the fifth page is an invoice from the same law firm. My question to you is, prior to engaging the Radey Thomas Yon law firm, had you engaged Mr. Deterding to represent you in a rate case before the Florida Public Service Commission?

A. In which rate case before the Public Service Commission?

Q. In a rate case before the Public Service Commission.

A. Yes, I did engage that firm to represent me in a rate case before the Public Service Commission.

Q. And the next page is an invoice from that firm; is that correct?

A. Yes.

Q. For 2,627?

A. Right.

Q. Has that fee been paid?

A. I paid that in advance and then got a refund, as I recall.

Q. So you paid a retainer up front?

A. I paid a retainer in excess of that amount, and they sent me a check for the difference between the retainer and this bill.

Q. I would like to direct you to page 2 of this agreement.

A. Of the Rose Sundstrom agreement?

Q. Yes, sir.

A. Page 2?

Q. Yes, sir.

A. Okay.

Q. There are some headers where it says, "Service Rate Increase, Whether or Not the Item is Required, Proof of Cost, and Reduction in Water Usage." Can you --

MR. FRIEDMAN: I object to the relevancy of any of these questions. None of that stuff deals with any issues that are relevant in this case. And I would like you to say what the relevance of

it is. What issue is it relevant to? I'm at a loss.

MR. SAYLER: Well, I have a few additional questions on that that would establish the relevancy.

BY MR. SAYLER:

Q. Would you agree that Mr. Deterding essentially provided you a road map for how to seek a rate increase before the Florida Public Service Commission or a how-to guide?

A. I think the letter speaks for itself. It says what it says. If that's a road map or a guide, I guess that's your terminology. I didn't study this as a road map or a guide on how to do it.

Q. Did you provide a copy of this to your prior law firm, Radey, Thomas, Yon & Clark, to your knowledge?

A. No, not that I know of.

Q. Well, as you testified, the document speaks for itself, so I will not ask any more questions on it.

The last question: Do you remember in the last rate case there was a discussion of a lack of pension payments being made by the utility?

MR. FRIEDMAN: Object. Irrelevant.

BY MR. SAYLER:

Q. Do you recall that, Mr. Brown? Objection

noted. Do you recall that? It was related to deferred comp.

A. I remember there was an issue in the last case about the funding of the deferred comp plan.

Q. Since that last rate case, have those pension payments been made?

A. We did away --

MR. FRIEDMAN: Objection. Irrelevant.

MR. SAYLER: Noted.

THE WITNESS: No, I don't think we've made payments to that deferred comp plan, the one that was referenced in the prior case.

MR. SAYLER: Okay. All right. Well, thank you, Mr. Brown. Just some closing matters.

MR. FRIEDMAN: You don't want to read, do you?

THE WITNESS: No.

MR. SAYLER: I believe we had Exhibits 1 through 20, and we made a request for three late-filed exhibits and that was 5, 9, and 15. Is the utility maintaining its objection?

MR. FRIEDMAN: Absolutely.

MR. SAYLER: We would request that you still provide those documents or the Rule of Civil Procedure that says you don't have to provide them.

MR. FRIEDMAN: You can do your own legal

research.

MR. SAYLER: And we do appreciate you all coming out.

Does staff have any questions? I know you didn't notice the deposition.

MS. BARRERA: No.

MR. SAYLER: Well, thank you very much for being available today, Mr. Brown. I appreciate it.

(Deposition concluded 2:40 p.m.)

CERTIFICATE OF ADMINISTERING OATH

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter and Notary Public in and for the State of Florida at Large:

DO HEREBY CERTIFY that on the date and place indicated on the title page of this transcript, an oath was duly administered by me to the designated witness before testimony was taken.

DATED THIS 15th of November, 2012.

MARY ALLEN NEEL, RPR, FPR
MaryAllenNeel@gmail.com
ACCURATE STENOTYPE REPORTERS, INC.
2894-A Remington Green Lane
Tallahassee, Florida 32308
Telephone: 850.878.2221



CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that a review of the transcript was not requested; that my shorthand notes were thereafter transcribed under my supervision; and that the foregoing pages numbered 1 through 112 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 15th day of November, 2012.

MARY ALLEN NEEL, RPR, FPR
MaryAllenNeel@gmail.com
ACCURATE STENOTYPE REPORTERS, INC.
2894-A Remington Green Lane
Tallahassee, Florida 32308

STAFF AUDIT WORKPAPERS

DOCKET NO. 100104-WU

ANALYSIS OF ACCOUNT 123

HWS-6

@ 6/10/11

26

WATER MANAGEMENT SERVICES, INC.
Comparative Statements of Investments in Associated Companies

Acct	Description	12/31/2003	Net Change	12/31/2004	Net Change	12/31/2005	Net Change	12/31/2006	Net Change	12/31/2007	Net Change	12/31/2008	Net Change	12/31/2009	Net Change	12/31/2010	Total Period Net Change	
146	Notes Receivable-Associated Companies	-	-	-	-	-	200,000	200,000	-	200,000	(50,000)	150,000	(50,000)	100,000	(100,000)	-	-	
123	Investment in Associated Companies	-	110,532	110,532	535,316	645,848	127,586	773,434	151,183	924,617	236,086	1,160,703	53,202	1,213,905	(38,830)	1,175,075	1,175,075	100.00%
	Brown Management Group		-		(11,715)		54,679		92,959		(61,439)		(124,239)		(198,596)		(248,151)	-21.12%
	Equity Management Systems		-		-		2,221		(121,416)		1,660		3,465		-		(114,070)	-9.71%
	GDB Law Firm		(34,326)		(47,443)		(138,400)		(23,939)		(12,810)		(2,100)		(13,200)		(272,419)	-23.18%
	Gene Brown		(96,883)		589,817		207,961		208,496		226,002		257,755		171,950		1,557,325	132.51%
	Land in Florida, Inc.		197,978		-		-		-		-		-		-		197,978	16.85%
	Leisure Development		-		150		-		-		150		-		-		300	0.03%
	Leisure Properties		6,072		526		-		-		139		-		-		6,737	0.57%
	Real Estate Equities of Florida		-		-		-		-		-		2,900		-		2,900	0.25%
	Real Estate Services of North Florida		-		4,000		140		(80)		-		100		200		4,360	0.37%
	Reed Brown		-		20		-		2,379		(2,900)		(465)		-		(966)	-0.08%
	SMC Investment Properties		-		-		-		-		85,000		(85,000)		-		-	0.00%
	St. George Island Utility Company		36,891		811		785		785		285		785		785		41,127	3.50%
	St. George Plantation		-		150		-		-		-		-		-		150	0.01%
	Total:	-	110,532		535,316		127,586		151,183		236,086		53,202		(38,830)		1,175,075	100.00%

26-1 Pg 2 of 2 | 26-2 Pg 2 of 2 | 26-3 Pg 2 of 2 | 26-4 Pg 2 of 2 | 26-5 Pg 2 of 2 | 26-6 Pg 2 of 2 | 26-7 Pg 2 of 2

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Inv in Assoc Companies

Note: See WP 26.8 series in Col. 5 for all adjustments related to Acct 123 - Inv in Assoc. Co.'s

SOURCE As Referenced

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: INV in Assoc Companies

Water Management Services, Inc.
Cash Flow Analysis
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2004

Account	Description	12/31/2003	Net Change	1/31/2004	Net Change	2/29/2004	Net Change	3/31/2004	Net Change	4/30/2004	Net Change	5/31/2004	Net Change	6/30/2004
123	Investment in Associated Companies	-	-	-	-	-	-	-	-	-	-	-	-	-
	Reclass Investments													
	Audit rec reclass													
	Audit rec reclass													
	Audit rec reclass													
	Audit rec reclass													
	Total:		-		-		-		-		-		-	

Source: WMSI General Ledger
Prepared by audit staff

SOURCE As Referenced

26-1
Pg 1 of 2

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2004

Docket No. 100104-WU
Audit Control No. 11-007-1-2
Audit Manager: Debra Dobiac

Account	Description	Net Change	7/31/2004	Net Change	8/31/2004	Net Change	9/30/2004	Net Change	10/31/2004	Net Change	11/30/2004	Net Change	12/31/2004	Y-T-D Net Change
123	Investment in Associated Companies	-	-	-		-		-		-		110,532	110,532	110,532
	Reclass Investments											109,258		109,258
	Audit rec reclass											397		397
	Audit rec reclass											278		278
	Audit rec reclass											73		73
	Audit rec reclass											526		526
	Total:	-		-		-		-		-		110,532		110,532

Source: WMSI General Ledger
Prepared by audit staff

T-1
26-1.1
26
SOURCE As Referenced

Q 3/7/11

26-2
Pg 1 of 2

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2005

Account	Description	12/31/2004	Net Change	1/31/2005	Net Change	2/28/2005	Net Change	3/31/2005	Net Change	4/30/2005	Net Change	5/31/2005	Net Change	6/30/2005
123	Investment in Associated Companies	110,532	44,273	154,806	42,273	197,079	288,637	485,716	15,501	501,217	24,567	525,784	29,866	555,650
	A/R - Trade for Lodging		33		33		33		33		33			
	Barbara Withers, CPA						26-2.2 285							
	Brown Management Group													
	CBS Loan-CWIP State Park Project													
	FL Dept of State-Annual Reports Assoc Companies								26-2.3 1,353					
	Cash transfers to/from GDB		30,350		35,600		33,700		19,300		21,950		24,350	
	Gene Brown-other activity		4,550		-		(9,379)		(5,225)		(2,456)		(730)	
	Gene D. Brown PA		4,300		1,600		450		(5,000)				1,207	
	Hancock Bank-Reserve Account					26-2.1	2.75 258,508							
	Les Thomas Consulting Engineers		5,040	26-2.4	5,040	26-2.1	5,040	26-2.2	5,040	26-2.3	5,040	26-2.4	5,040	26-2.5
	Real Estate Services of North Florida													
	Reed Brown													
	Wakulla Bank-Certificates of Deposit													
	Total:		44,273		42,273		288,637		15,501		24,567		29,866	

Source: WMSI General Ledger
Prepared by audit staff

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Inc in Assoc Companies

SOURCE As Reported

11/2/11

26-2 Pg 2 of 2

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2005

Docket No. 100104-WU
Audit Control No. 11-007-1-2
Audit Manager: Debra Dobiac

Account	Description	Net Change	7/31/2005	Net Change	8/31/2005	Net Change	9/30/2005	Net Change	10/31/2005	Net Change	11/30/2005	Net Change	12/31/2005	Y-T-D Net Change	
123	Investment in Associated Companies	28,593	584,243	45,997	630,240	48,383	678,623	19,836	698,459	(7,784)	690,675	(44,827)	645,848	535,316	
	A/R - Trade for Lodging	33		33		33		33		33		33		26-2.9 364	10-17
	Barbara Withers, CPA													285	
	Brown Management Group			2,600		(1,987)		(337)		(11,990)				(11,715)	
	CBS Loan-CWIP State Park Project											(23,000)		26-2.9 (23,000)	
	FL Dept of State-Annual Reports Assoc Companies													1,353	
	Cash transfers to/from GDB	6,950		18,125		24,250		15,100		2,850		16,200		248,725	
	Gene Brown-other activity	4,650		184,199		11,307		-		1,323		900		189,140	
	Gene D. Brown PA	(3,200)		1,000								(48,000)		(47,643)	
	Hancock Bank-Reserve Account													258,508	
	Les Thomas Consulting Engineers	20,160	26-2.5	5,040	26-2.6	14,760	26-2.7	5,040	26-2.7			5,040	26-2.8	80,280	10-18
	Real Estate Services of North Florida											4,000	26-2.14	4,000	
	Reed Brown					20	26-2.6							20	
	Wakulla Bank-Certificates of Deposit			(165,000)	26-2.9									(165,000)	
	Total:	28,593		45,997		48,383		19,836		(7,784)		(44,827)		26 535,316	26-2.14

Source: WMSI General Ledger
Prepared by audit staff

SOURCE to Reference

0321/11

26-3 Page 2

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2006

Account	Description	12/31/2005	Net Change	1/31/2006	Net Change	2/28/2006	Net Change	3/31/2006	Net Change	4/30/2006	Net Change	5/31/2006	Net Change	6/30/2006
123	Investment in Associated Companies	645,848	(62,096)	583,753	12,907	596,659	2,049	598,709	30,655	629,364	19,196	648,560	21,542	670,102
	A/R - Trade for Lodging		66		25		25				25		25	
	Barbara Withers, CPA								26-3.3 285					
	Brown Management Group		7,091						3,800		14,400		7,250	
	Equity Management Systems												26-3.4 309	
	First Insurance Funding Corp.													
	FL Dept of State-Annual Reports Assoc Companies				26-3.2 500									
	Cash transfers to/from GDB		17,150		14,650		11,550		26,810		9,050		19,500	
	Gene Brown-other activity		(4,402)		(268)		(526)		-		(279)		(1,992)	
	Gene D. Brown PA		(82,000)		(2,000)		(9,000)		(2,400)		(4,000)		(4,000)	
	Les Thomas Consulting Engineers								26-3.7 2,160				26-3.7 450	
	Real Estate Equities of Florida													
	Real Estate Services of North Florida													
	Total:		(62,096)		12,907		2,049		30,655		19,196		21,542	

Source: WMSI General Ledger
Prepared by audit staff

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Inv in Assoc Companies

SOURCE to Referenced

11/2/11

26-3
9242

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2006

Docket No. 100104-WU
Audit Control No. 11-007-1-2
Audit Manager: Debra Dobiac

Account	Description	Net Change	7/31/2006	Net Change	8/31/2006	Net Change	9/30/2006	Net Change	10/31/2006	Net Change	11/30/2006	Net Change	12/31/2006	Y-T-D Net Change	
123	Investment in Associated Companies	28,013	698,115	15,250	713,365	21,985	735,350	16,266	751,616	(6,908)	744,708	28,726	773,434	127,586	
	A/R - Trade for Lodging	25		50				61				30		26-3.7 332	10-17
	Barbara Withers, CPA													285	
	Brown Management Group	3,100		7,800		1,300		(260)		1,300		3,500		49,281	
	Equity Management Systems		26-3.34.1	3,550	26-3.41.1	1,021		26-3.42.1 800		26-3.45.1 541	26-3.54.1	(4,000)		2,221	
	First Insurance Funding Corp.	26-3.55 5,598	10-24.1											5,598	
	FL Dept of State-Annual Reports Assoc Companies													500	
	Cash transfers to/from GDB	9,800		15,850		3,450		19,650		22,850		30,350		200,660	
	Gene Brown-other activity	-		-		20,074		15		(12,099)		2,846		3,369	
	Gene D. Brown PA	(1,500)		(2,000)		(4,000)		(4,000)		(19,500)		(4,000)		(138,400)	
	Les Thomas Consulting Engineers	26-3.7 990												3,600	10-18
	Real Estate Equities of Florida	26-3.32.1 10,000		26-3.53.1 (10,000)										-	
	Real Estate Services of North Florida				26-3.42 140		26-3.40.1							140	
														-	
	Total:	28,013		15,250		21,985		16,266		(6,908)		28,726		26 127,586	

Source: WMSI General Ledger
Prepared by audit staff

Note: See WP 26-F series in Volume 5 for all adjustments related to Acct 123 - Inv. in Assoc. Co.

SOURCE to Referenced

3/30/11

26-4 Pg 1 of 2

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2007

Account	Description	12/31/2006	Net Change	1/31/2007	Net Change	2/28/2007	Net Change	3/31/2007	Net Change	4/30/2007	Net Change	5/31/2007	Net Change	6/30/2007
123	Investment in Associated Companies	773,434	21,205	794,639	15,611	810,250	36,715	846,965	47,166	894,130	(173,714)	720,416	67,678	788,094
	A/R - Trade for Lodging		34		140		28		28		28		28	
	Barbara Withers, CPA								26-4.2 285					
	Brown Management Group		4,200		2,700				23,500		7,750		18,000	
	Equity Management Systems		26-4.17.3 271		26-4.18.3 271		26-4.23.1 22,826		26-4.27.1 653		26-4.26.1 (175,377)		26-4.34.1 30,000	
	First Insurance Funding Corp.													
	FL Dept of State-Annual Reports Assoc Companies								26-4.2 500					
	Cash transfers to/from GDB		14,400		14,500		16,500		26,200		585		18,650	
	Gene Brown-other activity		-		-		-		-		-		-	
	Gene D. Brown PA		500		(2,000)		(2,639)		(4,000)		(1,700)		(4,000)	
	Les Thomas Consulting Engineers		26-4.7 1,800	26-4.1										
	Real Estate Equities of Florida									26-4.29.2 (5,000)		26-4.36.1 5,000		
	Real Estate Services of North Florida													
	Reed D. Brown													
	Total:		21,205		15,611		36,715		47,166		(173,714)		67,678	

Source: WMSI General Ledger
Prepared by audit staff

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2.
Description: IAC in Assoc Companies

SOURCE As Referenced

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2007

Docket No. 100104-WU
Audit Control No. 11-007-1-2
Audit Manager: Debra Dobiac

Account	Description	Net Change	7/31/2007	Net Change	8/31/2007	Net Change	9/30/2007	Net Change	10/31/2007	Net Change	11/30/2007	Net Change	12/31/2007	Y-T-D Net Change
123	Investment in Associated Companies	20,257	808,351	42,126	850,477	10,928	861,405	20,263	881,668	24,328	905,996	18,621	924,617	151,183
	A/R - Trade for Lodging	28		28		28		28		28		28		454
	Barbara Withers, CPA													285
	Brown Management Group			11,000		(1,750)		10,575		14,975		(2,000)		88,950
	Equity Management Systems			(59)										(121,416)
	First Insurance Funding Corp.	4,009												4,009
	FL Dept of State-Annual Reports Assoc Companies													500
	Cash transfers to/from GDB	20,200		28,860		14,350		10,100		11,000		3,600		178,885
	Gene Brown-other activity	-		357		-		-		-		19,000		19,357
	Gene D. Brown PA	(4,000)		2,000		(1,700)		(700)		(4,000)		(1,700)		(23,939)
	Les Thomas Consulting Engineers													1,800
	Real Estate Equities of Florida													-
	Real Estate Services of North Florida													(80)
	Reed D. Brown													2,379
	Total:	20,257		42,126		10,928		20,263		24,328		18,621		151,183

Source: WMSI General Ledger
Prepared by audit staff

SOURCE As Referenced

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2008

Account	Description	12/31/2007	Net Change	1/31/2008	Net Change	2/29/2008	Net Change	3/31/2008	Net Change	4/30/2008	Net Change	5/31/2008	Net Change	6/30/2008
123	Investment in Associated Companies	924,617	(754)	923,863	(33,970)	889,893	9,903	899,796	10,493	910,289	390	910,679	46,051	956,730
	A/R - Trade for Lodging		28		28		28		28		28		29	
	Barbara Withers, CPA								26-5-2 285					
	Brown Management Group		(6,618)		(44,750)		3,300		547		(10,299)		32,872	
	Equity Management Systems													
	First Insurance Funding Corp.													
	FL Dept of State-Annual Reports								26-5.37.1289					
	Cash transfers to/from GDB		7,500		12,300		10,475		13,100		14,500		14,400	
	Gene Brown-other activity		686		252		(2,000)		(756)		(1,939)		351	
	Gene D. Brown PA		(2,350)		(1,800)		(2,000)		(3,000)		(1,900)		(1,600)	
	Les Thomas Consulting Engineers													
	Real Estate Equities of Florida													
	Real Estate Services of North Florida													
	Reed D. Brown						26-5.30,1100							
	SMC Investment Properties (Sandra Chase)													
	Total:		(754)		(33,970)		9,903		10,493		390		46,051	

Source: WMSI General Ledger
Prepared by audit staff

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: AU in ACCT Contributions

SOURCE

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2008

Docket No. 100104-WU
Audit Control No. 11-007-1-2
Audit Manager: Debra Dobiac

Account	Description	Net Change	7/31/2008	Net Change	8/31/2008	Net Change	9/30/2008	Net Change	10/31/2008	Net Change	11/30/2008	Net Change	12/31/2008	Y-T-D Net Change
123	Investment in Associated Companies	109,149	1,065,878	41,729	1,107,608	57,197	1,164,804	12,309	1,177,113	(21,087)	1,156,026	4,677	1,160,703	236,086
	A/R - Trade for Lodging	29		29		28		29		28		28		339
	Barbara Withers, CPA													285
	Brown Management Group			17,000		3,619		(1,254)		(52,285)		(8,706)		(66,574)
	Equity Management Systems													1,660
	First Insurance Funding Corp.	26-5.56.1 5,135	10-27.1											5,135
	FL Dept of State-Annual Reports													289
	Cash transfers to/from GDB	20,050		22,200		63,550		12,650		27,550		22,700		240,975
	Gene Brown-other activity	(65)		-		(12,000)		125		-		35		(15,312)
	Gene D. Brown PA	(1,000)		2,500		2,000				3,240		(6,900)		(12,810)
	Les Thomas Consulting Engineers													-
	Real Estate Equities of Florida													-
	Real Estate Services of North Florida													-
	Reed D. Brown											(3,000)		(2,900)
	SMC Investment Properties (Sandra Chase)	26-5.52.1 85,000												85,000
														-
	Total:	109,149		41,729		57,197		12,309		(21,087)		4,677		236,086

Source: WMSI General Ledger
Prepared by audit staff

SOURCE

D 5/13/11

26-6 Pg 1 of 2

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2009

Account	Description	12/31/2008	Net Change	1/31/2009	Net Change	2/28/2009	Net Change	3/31/2009	Net Change	4/30/2009	Net Change	5/31/2009	Net Change	6/30/2009
123	Investment in Associated Companies	1,160,703	19,722	1,180,425	18,047	1,198,472	(56,462)	1,142,010	38,968	1,180,978	31,449	1,212,427	(110,519)	1,101,908
	A/R - Trade for Lodging		28		28		226		28		28			
	Barbara Withers, CPA						26-6.2 285							
	Brown Management Group				11,200		(116,872)		2,000		6,500		(48,294)	
	Equity Management Systems		26-6.24.2 520				26-6.41.2 619				26-6.51.2 619		26-6.69.2 1,088	
	First Insurance Funding Corp.													
	FL Dept of State-Annual Reports Assoc Companies								26-6.3 500					
	Cash transfers to/from GDB		20,289		31,200		59,100		31,850		22,002		20,400	
	Gene Brown-other activity		335		(24,481)		180		240		200		952	
	Gene D. Brown PA										2,100		300	
	Les Thomas Consulting Engineers													
	Real Estate Equities of Florida		26-6.18.1 (1,450)						26-6.42.1 4,350					
	Real Estate Services of North Florida				100									
	Reed D. Brown											26-6.60.2 35		
	SMC Investment Properties (Sandra Chase)											26-6.4 (85,000)		
	Total:		19,722		18,047		(56,462)		38,968		31,449		(110,519)	

Source: WMSI General Ledger
Prepared by audit staff

Note: See WP 26-8 series in Wk. 5 for adjustments related to Acct 123 - Inv. in Assoc Co. D

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Inv in Assoc Companies

SOURCE Advanced

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2009

Docket No. 100104-WU
Audit Control No. 11-007-1-2
Audit Manager: Debra Dobiac

Account	Description	Net Change	7/31/2009	Net Change	8/31/2009	Net Change	9/30/2009	Net Change	10/31/2009	Net Change	11/30/2009	Net Change	12/31/2009	Y-T-D Net Change
123	Investment in Associated Companies	17,053	1,118,961	31,145	1,150,106	22,072	1,172,178	6,890	1,179,068	28,700	1,207,768	6,137	1,213,905	53,202
	A/R - Trade for Lodging	1,009												1,347
	Barbara Withers, CPA													285
	Brown Management Group	(2,094)		7,545		5,180		(3,200)		10,300		(2,693)		(130,428)
	Equity Management Systems	619												3,465
	First Insurance Funding Corp.	6,189												6,189
	FL Dept of State-Annual Reports Assoc Companies													500
	Cash transfers to/from GDB	11,830		23,600		16,892		10,090		18,400		13,330		278,983
	Gene Brown-other activity	-		-		-		-		-		-		(22,574)
	Gene D. Brown PA											(4,500)		(2,100)
	Les Thomas Consulting Engineers													-
	Real Estate Equities of Florida													2,900
	Real Estate Services of North Florida													100
	Reed D. Brown	(500)												(465)
	SMC Investment Properties (Sandra Chase)													(85,000)
	Total:	17,053		31,145		22,072		6,890		28,700		6,137		53,202

Source: WMSI General Ledger
Prepared by audit staff

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: SAO in Assoc Companies

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2010

Account	Description	12/31/2009	Net Change	1/31/2010	Net Change	2/28/2010	Net Change	3/31/2010	Net Change	4/30/2010	Net Change	5/31/2010	Net Change	6/30/2010
123	Investment in Associated Companies	1,213,905	12,329	1,226,033	7,145	1,233,198	(19,019)	1,214,178	(5,816)	1,208,363	11,555	1,219,918	15,565	1,235,483
	A/R - Trade (or Ledger													
	Barbara Withers, CPA		(123)		(1,244)		(19,772)		(19,772)		(8,924)		(10,120)	
	Brown Management Group						25,190							
	Equity Management Systems										500		23,950	
	First Insurance Funding Corp.								22,410		19,545		2,035	
	FL Dept of State-Annual Reports Assoc Companies		13,750		8,989		5,600		(7,754)		934		(500)	
	Cash transfers to/from CDB						786		(500)		(500)			
	Gene Brown-other activity		(500)		(500)		(500)							
	Gene D. Brown PA													
	Lee Thomas Consulting Engineers													
	Real Estate Equities of Florida													
	Real Estate Services of North Florida													
	Rural D. Brown													
	SWFC Investment Properties (Sandra Chase)													
	Total:		12,329		7,145		(19,019)		(5,816)		11,555		15,565	

Source: WMSI General Ledger
Prepared by audit staff

26-7.9.1 (1,000)

26-7.27.1 285

26-7.57.1 200

SOURCE to Referenced

26-7
Pg 1 of 2

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2010

Docket No. 100104-WU
Audit Control No. 11-007-1-2
Audit Manager: Debra Dobiac

Account	Description	Net Change	7/31/2010	Net Change	8/31/2010	Net Change	9/30/2010	Net Change	10/31/2010	Net Change	11/30/2010	Net Change	12/31/2010	Y-T-D Net Change
123	Investment in Associated Companies	4,790	1,240,273	(110,489)	1,129,785	20,723	1,150,507	11,428	1,161,935	14,579	1,176,514	(1,439)	1,175,075	(38,830)
	A/R - Trade for Lodging													-
	Barbara Withers, CPA													285
	Brown Management Group	(3,252)		(126,840)		(577)		(1,821)		2,979		(3,243)		(198,324)
	Equity Management Systems													-
	First Insurance Funding Corp.													500
	FL Dept of State-Annual Reports Assoc Companies													159,564
	Cash transfers to/from GDB	250		13,900		17,100		13,550		12,300		9,500		12,145
	Gene Brown-other activity	8,292		2,952		4,699		199				3		(13,200)
	Gene D. Brown PA	(500)		(500)		(500)		(500)		(500)		(7,700)		-
	Les Thomas Consulting Engineers													200
	Real Estate Equities of Florida		26-7	7,74.	1,000									-
	Real Estate Services of North Florida													-
	Reed D. Brown													-
	SMC Investment Properties (Sandra Chase)													
	Total:	4,790		(110,489)		20,723		11,428		14,579		(1,439)		26 (38,830)

Source: WMSI General Ledger
Prepared by audit staff

26-7
9 2062

SOURCE As Referenced

WMSI RESPONSE TO AUDIT REQUEST NO. 27

BMG FINANCIAL STATEMENTS

HWS-7

FLORIDA PUBLIC SERVICE COMMISSION
AUDIT DOCUMENT/RECORD REQUEST
NOTICE OF INTENT

TO: Gene Brown

UTILITY: Water Management Services, Inc.

AUDIT MANAGER: Debra Dobiac

PREPARED BY: Debra Dobiac 850-413-6475
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
ddobiac@psc.state.fl.us

REQUEST NUMBER: WMSI 27

DATE OF REQUEST: 5/13/2011

AUDIT PURPOSE: Cash Flow Analysis Audit; Docket No. 100104-WU; ACN 11-007-1-2

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY: 5/27/2011

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE: ☐ INCIDENT TO AN INQUIRY
x OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION:

1. Please provide a copy of any internal or external audited, reviewed, or compiled financial statements for BMG for the years 2004 through 2010.

2. In response to audit request WMSI 13, you provided Minutes of Joint Meetings of the Board of Directors of WMSI and BMG. With respect to Item 4, please provide copies of all supporting documentation used to determine the value of the outstanding capital stock of BMG which is in excess of the net amount invested by WMSI under Account 123 through December 31, 2010.

Thank you.

Not Attached

TO: AUDIT MANAGER

DATE 5-27-11

THE REQUESTED RECORD OR DOCUMENTATION:

(1) ✓ HAS BEEN PROVIDED TODAY

(2) ☐ CANNOT BE PROVIDED BY THE REQUESTED DATE BUT WILL BE MADE AVAILABLE BY: _____

(3) ☐ AND IN MY OPINION, ITEM(S) _____ IS (ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL. THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE, FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE OFFICE OF THE COMMISSION CLERK. REFER TO RULE 25-22.006, F.A.C.

(4) ☐ THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

(SIGNATURE AND TITLE OF RESPONDENT)

Distribution: Original: Utility (for completion and return to Auditor) Copy: Audit File

Form PSC/AFA 6 (05/95)
SOURCE As Referenced

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

MEMO

TO: Debra Dobiac

FROM: Gene Brown

DATE: May 27, 2011

RE: Audit Request No. 27

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description:

Attached are Brown Management Group statements for 2007, 2008, 2009 and 2010. We do not have statements for 2004-2006.

At December 31, 2020, the balance I Account 123 was $1,175,075, and the net worth of Brown Management Group was $1,191,227, an excess of $16,152. The Brown Management Group net worth value was used as the value of all outstanding stock in Brown Management Group. That value is shown by the 2010 balance sheet which shows the following assets and liabilities:

Cash	$88
Notes Receivable (4) These are all secured performing notes with regular monthly payments so they are included at face value.	$498,836
Water Management Services, Inc. Stock This represents a 10% ownership in WMSI. The value of WMSI is based on a 2005 appraisal by Gerald Hartman of $14,400,000, which has been updated by WMSI management to $14,864,275 as of December 31, 2010.	$606,459

SOURCE PBC

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: SGI Rel 27

Tower Lease Rights $250,000 10-27.7
This is a leasehold interest in the elevated water tank on St. George Island under which BMG has the right to sub-lease space to a cell phone provider, such as AT&T. The value of $250,000 is based upon comparable sales during 2010.

SGI Acreage $50,000
This represents a 50% interest in three acres on St. George Island, which is estimated to have a total value of $100,000.

SGI Condos $288,000
These are two residential condos located above the WMSI offices on St. George Island. They are almost the same size, and are rented for the same amount. One was appraised by Jack B. Hanway on March 4, 2010 for $144,000, so it is estimated that both are worth $288,000.

Investment in Real Estate-Mustang Drive $120,000
This is a 4 bedroom, 2 bath house on 1 acre located off Oak Ridge Road in Leon County. It has a good rental record and is estimated to be worth $120,000.

John Knox Office Condo $220,000
This is the office condo in Tallahassee occupied by WMSI. It was appraised by Paul Cureton on August 20, 2009 for $220,000 and is assumed to have that value at year end 2010.

Notes Payable $842,156

The notes are listed at the full outstanding balances as of December 31, 2010.

SOURCE PBC

10-27.2

BROWN MANAGEMENT GROUP, INC.
BALANCE SHEET
DEC 31, 2007

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description:

ASSETS		
Cash in Bank	$40,143	
Note Receivable-NWFWD	219,953	
Water Management Services, Inc. Stock	600,000	
Commonwealth Commercial Lots	480,000	
Personal Property	67,000	
SGI Condos	450,000	
Investment Property-Mustang Drive	55,811	
Investment Property-Marie Circle	101,841	
Investment Property-Jackson County	32,242	
John Knox Office Condo	221,019	
Leasehold Interest in Tower	360,000	
TOTAL ASSETS		**$2,628,008**
LIABILITIES		
Accounts Payable	$28,701	
Note Payable-E.W. Lawrence	135,615	
Note Payable-Farmers & Merchants Bank	40,667	
Note Payable-Farmers & Merchants Bank	359,188	
Note Payable-Farmers & Merchants Bank	100,650	
Note Payable-SGI Condos	200,000	
Note Payable-Gulf State Bank	91,878	
Note Payable-BB&T	96,000	
Note Payable-John Knox Condo	169,975	
TOTAL LIABILITIES		$1,222,673
NET WORTH		1,405,335
TOTAL LIABILITIES & NET WORTH		**$2,628,008**

SOURCE

BROWN MANAGEMENT GROUP, INC.
BALANCE SHEET
DEC. 31, 2008

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description:

ASSETS		
Cash in Bank	$8,100	
Notes Receivable	302,160	
Water Management Services, Inc. Stock	600,000	
Commonwealth Commercial Lots	480,000	
SGI Acreage	50,000	
SGI Condos	350,000	
Investment Real Estate		
(Mustang Drive, Jackson County, Old Magnolia Road & Blountstown Hwy)	499,055	
John Knox Office Condo	222,756	
Leasehold Interest in Tower	650,000	
TOTAL ASSETS		**$3,162,071**
LIABILITIES		
Note Payable-E.W. Lawrence	118,654	
Notes Payable-Farmers & Merchants Bank	822,563	
Notes Payable-Capital City Bank	161,000	
Note Payable-SGI Condos	150,000	
Note Payable-Gulf State Bank	60,233	
Note Payable-BB&T	95,151	
TOTAL LIABILITIES		$1,407,601
NET WORTH		1,754,470
TOTAL LIABILITIES & NET WORTH		**$3,162,071**

SOURCE

BROWN MANAGEMENT GROUP, INC.
BALANCE SHEET
DECEMBER 31, 2009

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description:

ASSETS		
Cash in Bank	$250	
Notes Receivable (4)	527,223	
Water Management Services, Inc. Stock	600,000	
Commonwealth Commercial Lots	480,000	
SGI Acreage	50,000	
SGI Condos	288,000	
Investment Real Estate		
(Mustang Drive, Jackson County & Blountstown Hwy)	267,000	
John Knox Office Condo	220,000	
Cell Phone Leases	650,000	
TOTAL ASSETS		**$3,082,473**
LIABILITIES		
Notes Payable	1,475,236	
TOTAL LIABILITIES		$1,475,236
NET WORTH		1,607,237
TOTAL LIABILITIES & NET WORTH		**$3,082,473**

SOURCE PEC

BROWN MANAGEMENT GROUP, INC.
BALANCE SHEET
DECEMBER 31, 2009

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description:

INVESTMENT REAL ESTATE

Mustang Dr	120,000
Jackson Cty	32,000
Blountstown Rd	115,000
	267,000

NOTES RECEIVABLE

McCord	103,666
Smalley	172,252
Johns	144,605
Taylor	106,700
	527,223

SOURCE PSC

BROWN MANAGEMENT GROUP, INC
BALANCE SHEET
DECEMBER 31, 2010

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description:

ASSETS		
Cash in Bank		$88
Notes Receivable (4)		498,836
Water Management Services, Inc. Stock		606,459
Tower Lease Rights		250,000
SGI Acreage		50,000
SGI Condos		288,000
Investment Real Estate -Mustang Drive		120,000
John Knox Office Condo		220,000
TOTAL ASSETS		**$2,033,383**
LIABILITIES		
Notes Payable		842,156
TOTAL LIABILITIES		$842,156
NET WORTH		1,191,227
TOTAL LIABILITIES & NET WORTH		**$2,033,383**

OURCE

BROWN MANAGEMENT GROUP, INC.
BALANCE SHEET
DECEMBER 31, 2010

NOTES PAYABLE

CCB-LINE OF CREDIT	$70,314.94
E.W. LAWRENCE	81,250.62
FMB-TALQUIN LOAN	14,999.41
FMB-CONDO LOAN	158,186.17
FMB-WORKING CAPITAL	27,851.40
FMB-OLD MAGNOLIA	120,048.91
BB&T-MUSTANG DRIVE	93,090.81
CITIZEN'S STATE BANK	150,000.00
CCB-COTTON PATCH	80,208.96
REGIONS BANK-FLEXLINES	46,204.56
	$842,155.78

NOTES RECEIVABLE

NFWD	$147,678.20
MCCORD	102,103.38
JOHNS	143,363.47
TAYLOR	105,690.93
	$498,835.98

WMSI RESPONSE TO CITIZENS' FIRST REQUEST FOR

PRODUCTION OF DOCUMENTS NO. 14

REDACTED

BMG FINANCIAL STATEMENTS

2007 – 2011

HWS-8

AUGUST 1, 2012 LETTER

GENE BROWN TO COMMISSION CLERK

HWS-9

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DEPOSITION EXHIBIT

DESCRIPTION:

August 1, 2012 Letter
Gene Brown to Commission Clerk

SOURCE:

Commission Docket File

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

RECEIVED-FPSC
12 AUG -1 PM 4:06
COMMISSION
CLERK

August 1, 2012

HAND DELIVERY

Ms. Ann Cole
Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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

Dear Ms. Cole:

Attached is a copy of a memo which I have delivered to the parties named therein. I would appreciate your filing this in the above-referenced docket.

Sincerely,

Gene D. Brown

Enclosure
cc: Commissioner Eduardo E. Balbis
Commissioner Ronald A. Brise'
Commissioner Julie I. Brown
Commissioner Lisa Polak Edgar
Commissioner Art Graham
Division of Economic Regulation (Brown, Cicchetti, Fletcher, Maurey)
Office of General Counsel (Jaeger, Barrera)
Office of Public Counsel (Kelly, Syler)
Martin S. Friedman, Esq.

DOCUMENT NUMBER-DATE
05177 AUG-1 12
FPSC-COMMISSION CLERK

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

MEMO

HAND DELIVERY

TO: Commissioner Eduardo E. Balbis
Commissioner Ronald A. Brise'
Commissioner Julie I. Brown
Commissioner Lisa Polak Edgar
Commissioner Art Graham

FROM: Gene D. Brown

DATE: August 1, 2012

RE: Response to Erik Sayler's Letter of July 31, 2012 and to Issue 15 of PSC Staff Recommendation dated July 20, 2012

This memo is in response to to the letter from Erik Sayler dated July 31, 2012, with special emphasis on issue 15 of the staff's recommendation dated July 20, 2012, which is set forth as follows:

Issue 15: Have the Utility's cash advances to WMSI's President and associated companies in the amount of $1.2 million, represented by Account 123, affected the Utility's ability to meet its financial and operating responsibilities? If so, what action, if any, should the Commission take?

At the outset, it should be noted that this issue is misstated because it refers to the $1.2 million as "cash advances," or loans, when in fact this Account 123 represents accumulated investments in an associated company that have built up over a 38 year period since I started this utility in 1974. These cumulative investments have been properly and accurately shown in Account 123, year after year, in the annual reports filed with this Commission. The Uniform System of Accounts for Class A Utilities published by the National Association of Regulatory Utility Commissioners (NARUC), which WMSI is required to follow by order of this Commission, defines Account 123 as follows:

DOCUMENT NUMBER-DATE
05177 AUG-1 2
FPSC-COMMISSION CLERK

123. Investment in Associated Companies
A. This account shall include the book cost of investment in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies . . .

WMSI would have been in direct violation of NARUC if it had booked the $1.2 million of advances as a debt receivable under Accounts 145 and 146 rather than as equity under Account 123. Account 145 is entitled: "Accounts Receivable from Associated Companies," and Account 146 is entitled: "Notes Receivable from Associated Companies." The NARUC description under Account 146 is as follows:

146. Notes Receivable from Associated Companies
These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies. (Emphasis added.)

The NARUC description under Account 145 simply says: "See Account 146."

The staff recommendation quotes the prior order of the Commission which authorizes the staff to "recommend an appropriate adjustment for imprudence" as the basis for a $44,441 adjustment to my compensation. The dictionary defines imprudence as "rash" or "indiscreet." It would have been more "rash" or "indiscreet" to have booked these payments into Accounts 145 and 146 in direct violation of NARUC, which WMSI is mandated to follow by order of this Commission. Investments extending over 38 years can hardly be considered "rash." All of the activity in question occurred prior to December 31, 2010, the end of the test year in this case. WMSI stopped using Account 123 at all as of January 1, 2011, and has not used it since then except to correct an accounting error made in 2010 regarding $40,000 that I loaned to WMSI prior to the end of that year.

Not only was the form of these Account 123 transactions correct, the substance was wise and prudent as well. These investments and transfers of funds as consolidated under Account 123 have been used for the benefit of the utility and have helped keep it solvent when there were insufficient funds from the ratepayers to cover the day-to-day cash operating requirements for WMSI. For example, during the 2010 test year, Brown Management Group (BMG) sold two assets at a "fire sale" for $421,000 cash, which was helpful in covering the $705,265 deficit between the ratepayer funds and the operating costs of WMSI which I had to cover. During the PSC Account 123 audit, WMSI documented the fact that the value of the 100% stock ownership in BMG was greater than the $1.2 million that WMSI paid for the stock. That investment gave

WMSI another source of needed cash flow and was not "imprudent."

The wisdom of WMSI's outside investments is implicitly shown by the PSC audit of Account 123 which divided the revenue and expenses into "utility activity" and "non-utility activity." Under "utility activity," the PSC auditor included outside investments to show revenue over and above those revenues obtained from ratepayers. For example, the "utility activity" for 2007 included the sale of two investment lots in Tallahassee which resulted in a $234,000 net profit and a check of $229,000 to WMSI cash at closing. That $229,000 of cash came from BMG and was critical in covering the $554,563 gap, or deficit, which existed between the funds collected from ratepayers and the actual cash required to fund utility operations that year.

Two other points should be made regarding the PSC staff audit of Account 123:

(1) It confirmed that the balance in Account 123 was correct (to the last dollar), which shows the accuracy of WMSI's accounting as reflected in its annual reports filed year after year with this Commission.

(2) It was not based on any analysis of funds supplied by WMSI's ratepayers as compared to funds supplied by third parties, including myself.

Because of that, and because of the OPC assertion that I took $1.2 million of money which belonged to the WMSI customers, I commissioned an internal audit to show the actual cash difference, or deficit, between the funds obtained from WMSI's customers and the actual cost of operating the utility from 2000 through 2010. The results and a summary chart of that internal audit is attached as Composite Exhibit "A." That audit shows that the deficit during that 11 year period was $16,237,529, including all investments under Account 123. If no investments had been made through Account 123, the deficit would still have been in excess of $15,000,000. However, under that scenario, WMSI would not have had the BMG properties available for liquidation to cover deficits as described above. Exhibit "A" was prepared using the cash basis, showing actual cash in and actual cash out. Composite Exhibit "B" is based on the accrual method and contains 3 charts prepared from WMSI's annual reports filed with this Commission. These charts also show that there was never enough revenue to cover basic operating costs and plant additions, so there was never any excess revenue from rates or ratepayers for me to have "taken" $1.2 million of ratepayer funds. These charts also show how WMSI's debt grew from around $1.5 million to over $8 million as a result of the state's decision to tear down our water supply main with no compensation. That debt has to be paid by WMSI and me, not by the ratepayers.

Not only did WMSI not ever transfer any ratepayer funds to affiliates, WMSI never even earned the return from ratepayers to which it was entitled. Attached as Exhibit "C" is part of WMSI's audit response in this case which shows the total (under) earnings from 2000-2010 was $633,506 as shown by WMSI's annual reports filed with this Commission. The PSC audit states that the $1.2 million figure was actually a net of $930,552 when certain other credits were given.

WMSI disagreed in its response, showing the actual inter-company net calculation to be $264,498. See Exhibit "C." In any event, all of these numbers are below the net value of BMG, which is owned 100% by WMSI as a result of the cash invested through Account 123.

In its recommendation regarding issue 15, the staff states that WMSI's rates included funds for debt service and that despite "the availability of these funds through rates, multiple payments on the loan from DEP were not made" during the time that funds were advanced through Account 123. This statement is incorrect for several reasons:

(1) WMSI has made every payment required by the DEP/WMSI loan documents except the one that was due May 15, 2012, almost 1 ½ years after this Commission's order of January 3, 2011 which resulted in a substantial decrease in WMSI rates after 20 years with no general rate relief. May 15, 2012 is not "during the period" from the beginning of the utility through December 31, 2010 when funds were being invested through Account 123.

(2) While it is true that WMSI received a limited increase in rates as part of the limited proceeding involving the bridge supply main, it is not true that those rates ever produced sufficient revenue to cover the DEP debt service.

In addition to the January 3, 2011 order which caused a substantial net decrease in WMSI's revenue, the only support offered by staff for their assertion that WMSI's approved rates covered the DEP debt service is a reference to two preliminary orders from the limited proceeding, one on November 21, 2000 and one on September 8, 2003. Specifically, the staff refers to page 12 of the September 8, 2003 order which "projected" that WMSI would receive $415,977 in additional annual revenue (still less than the annual DEP payment at that time), but which did not include any coverage for certain additional costs necessitated by the new supply main, such as increased insurance costs, increased maintenance costs, or the cost of leasing and storing the maintenance equipment for the new supply main. (Emphasis added.)

The September 8, 2003 order cited in the staff recommendtion approved $33.06 per month as the base facility charge for a standard residential meter, which is the "bread and butter" of WMSI's revenue, especially during the winter months when little water is used. Using the rates from the 2003 order cited by staff, WMSI was able to operate fairly well from 2003 until 2006, when this Commission entered its final order setting rates for WMSI on February 9, 2006. The staff recommendation omits any reference to that order even though it is the one that actually set the rates that the recommendation now says were available and adequate to cover the DEP loan costs.

The February 9, 2006 order, which the staff recommendation ignored, made drastic changes in WMSI's rate structure after WMSI borrowed and spent over $7,000,000 on the bridge project. The $7,000,000 actually spent included well over $500,000 of "soft costs" and other expenses that could not be included in the limited proceeding because of "regulatory lag" according to our consultants in that proceeding. Among other things, the final order on February

9, 2006 cut the standard base facility charge back to $27.50 on a permanent, going forward basis. More importantly, that order put a 50% surcharge on all high volume water use, which meant that WMSI's customers would have to pay $4.98 per thousand gallons for all water use over 15,000 gallons per month. That last minute decision, entered in an order over WMSI's objection after the water line was constructed, lead directly to a tremendous increase in the number of shallow wells on St. George Island. That proliferation of shallow wells resulting from the 2006 order prevented WMSI from actually receiving the cash revenue which was "projected" by the 2003 order which the staff cites as support for their recommendation on issue 15. (Emphasis added.)

It is impossible to know exactly how much revenue WMSI has lost since the February, 2006 order, but it is probably several hundred thousand dollars per year, certainly more than the one $162,000 DEP payment that is past due since May 15, 2012. However, the following facts are known:

(1) In 2006, WMSI personnel began seeing wells going in all over St. George Island, including inside the Plantation, the island's largest development, despite the fact that wells were prohibited there by a County ordinance and a State DRI.

(2) Between 2006 and 2009, WMSI identified approximately 300 shallow wells that were constructed on the island with no consumptive use permit as required by law, including a large number in the Plantation that were placed in service in violation of the County ordinance and the State DRI.

(3) After WMSI tried unsuccessfully to get the County to enforce its ordinance, and after WMSI lost a legal action against the Northwest Florida Water Management District (NWFWMD) to limit wells on the island, the NWFWMD changed its rules so as to allow and "encourage" shallow wells all over the island, with no consumptive use permit for both non-potable and potable uses.

This NWFWMD rule change went into effect on January 4, 2010, the first month of the test year in this case. Since then, the rate of increase in shallow wells has gone up because all the wells are now legal and encouraged by the NWFWMD. WMSI estimates that there are now between 400 and 500 shallow wells on the island, and more are being placed in service each month. These wells have caused a substantial decrease in WMSI's revenue, starting in 2005 when this Commission entered its PAA order No. PSC-05-1156-PAP-WU, which created a tremendous incentive for all of WMSI's customers to put in shallow wells and to use WMSI water only for personal uses and for fire protection. That order was also omitted from the staff recommendation. Exhibit "B-1" is a chart showing how WMSI's operating income started to drop around the '05-'06 time frame when WMSI's rate structure was drastically changed. The investments under Account 123 had absolutely nothing to do with this steady drop in operating income.

To understand the cost of each shallow well to WMSI's revenue, WMSI analyzed the annual water use of 20 of its current customers. If each of those 20 customers put in a shallow well tomorrow so that they no longer have to pay for their water over 15,000 gallons per month, the annual loss to WMSI for just those 20 wells would be $30,950, calculated as follows:

Average water use over 15,000 gallons per month (gpm)
= 26,000 gpm
x $4.96 per k
$128.96 per mo. x 12 months = $1,547.52 x 20 wells = $30,950 Annual Loss

We estimate that there are now 400-500 shallow wells on the island, with more going in every month. If even 250 of those wells are costing WMSI 26,000 gallons per month in water sales, the total lost revenue is $386,880 ($128.96 x 12 x 250), which is more than the $324,024 annual debt service requirement on the DEP loan.

There is no way to quantify WMSI's loss from this increase in shallow wells after this Commission's final order in 2006. As noted above, WMSI was able to survive from the '03 order cited by staff until the '06 order which actually established the rate structure. But as shown by the chart attached s Exhibit "B-1," which is based on WMSI's annual reports, the utility's total operating revenue started to drop steadily from late 2005 through 2010. The problem really became serious in 2008, when it became clear that the NWFWMD was not going to alter its plan to allow unlimited shallow wells on St. George Island for both non-potable and potable water, all with no consumptive use permits. As shown by WMSI's annual reports (F-3(c)), WMSI's net income was minus ($260,464) in 2008, minus ($331,692) in 2009, and minus ($504,038 in 2010. Although these shallow wells save some expense for electricity and chemicals, they also increase the expense of administering WMSI's cross-connection control program because wells are a major hazzard to the system. This Commission should look at these hard numbers based upon actual operations to determine if adequate ratepayer funds were "available" to WMSI to cover all its operating costs. Those historic accounting numbers are much more reliable than "projections" in a 2003 order, especially since that order was not the actual order that established WMSI's rates. (Emphasis added.)

The staff recommendation asserts that my salary should be reduced by 35%, or $33,688 per year, plus an additional reduction in benefits for a total downward adjustment of $44,441, because my "managerial imprudence" cost the ratepayers an additional $928,071 in interest. Specifically, the recommendation explains the basis for the adjustment as follows:

> In the instant case, the amount of the adjustment is based on the additional interest expense on the DEP loan. As noted earlier, had funds collected through rates been used to timely pay debt service payments instead of paid out in the form of cash advances to associated companies, the incremental increase in interest expense of $928,071 would have been avoided. Staff determined the amount necessary to reduce revenue

> requirement to prevent this unnecessary cost from being borne by ratepayers. Such an adjustment represents approximately 35 per cent of the Utility President's salary, plus the applicable adjustments to pensions and benefits expense and payroll taxes.

Two basic points should be made regarding this part of the recommendation:

(1) The $928,071 in interest can never be passed on, or "borne by," WMSI's ratepayers. That interest will have to be paid by me, my family and my associated companies, all of whom have personally endorsed the DEP note. But this debt is not owed by any ratepayer, and this Commission's rate structure process does not allow that $928,071 of interest to be passed on to the ratepayers.

(2) The extension of the DEP amortization from 20 to 30 years had nothing whatsoever to do whether or not debt service payments were timely made to DEP. Instead, the 10 year extension of the DEP amortization was made as a matter of managerial prudence to allow adequate funds for the necessary principal reductions on the DEP loan.

Debt service payments on an amortized loan are made up of two components: principal and interest. There is nothing in the PSC rules or procedures that allows a utility to recover principal payments through rates, except for the depreciation expenses. There is also nothing to allow utilities such as WMSI to require ratepayers to pay the interest on all the debt incurred for utility improvements or any other purpose. Instead, the rules allow the utility to receive a return on its net investment, known as the rate base. For a debt company, such as WMSI, that return is based upon the company's weighted cost of debt. For a company with no debt, that return is based upon an equity calculation as established by this Commission on a year-to-year basis.

Applying these basic concepts to this case, it can be seen that the extension of the DEP amortization did not cost the ratepayers any money. Instead, it actually saved them money as shown by the following examples. Example One shows the cost to WMSI ratepayers based on the 10 year extension which I negotiated. Example Two shows what would have happened if I had left the amortization at 20 years, as suggested by the staff recommendation.

Example One: Extend the DEP amortization from 20 to 30 years:

Cost to WMSI ratepayers for last 10 years:
3% + 6.5% = 9.5% ÷ 2 = 4.75% weighted cost of debt, assuming WMSI's interest rates remain at 3% and 6.5%, assuming the financing is divided equally between the two rates, and assuming that the rate base remains the same as it was at the end of the 2010 test year, $3,759,162.
4.75% x $3,759,162 = $178,562 x 10 years
Total Cost to WMSI ratepayers last ten years = $1,785,602

Example Two: Pay off the DEP Loan in 20 years:

Cost to WMSI ratepayers for last ten years

Scenario A	Scenario B
100% Debt Company	100% Equity Company

Under Scenario A, it is assumed that WMSI is still a 100% debt company during the last 10 years, that the remaining (non-DEP) debt is still at 6.5%, and that the rate base is still at $3,759,162.
6.5% x $3,759,162 = $244,346 x 10 years
Total Cost to WMSI ratepayers last 10 years= $2,443,455

Under Scenario B, it is assumed that WMSI pays off its other debt to become a 100% equity company, and the rate base remains at $3,759,162. Under that scenario, WMSI would be entitled to a return on equity (ROE) of 11.16%, assuming the current leverage formula does not change.
11.16% x $3,759,162 = $419,522 x 10 years
Total Cost to WMSI ratepayers last 10 years= $4,195,225

To summarize, doing it my way will cost the WMSI ratepayers $1,758,602 for the last 10 years. If I had followed the staff recommendation, the WMSI ratepayers would pay $2,443,455 during those last 10 years. But if I was really "prudent" as defined by the staff recommendation and paid off all of WMSI's debt by the end of the DEP 20 year amortization, the WMSI ratepayers would be charged $4,195,225 during those last years. In other words, my decision to extend the DEP amortization saved the WMSI ratepayers somewhere between $657,843 ($2,443,445 - $1,785,602) and $2,409,623 ($4,195,225-$1,785,602) depending upon the mix of debt and equity. Accordingly, I do not see why the ratepayers should complain, and I certainly do not see how this is a case of imprudence or bad management so as to justify a reduction in my compensation of over $40,000 per year. Just like household finance, you always keep your low interest debt and pay off high interest debt first, assuming all debt cannot be paid at once.

The most important reason I extended the DEP amortization was to more evenly match the term of the loan with the depreciable life of the supply main built with the DEP loan proceeds. As I mentioned earlier, there is no way to directly recover the principal portion of a loan used to purchase plant assets. However, it is possible and prudent to use the cash from the depreciation expense charged to ratepayers if you can get that annual depreciation expense on an asset to match the annual principal payments on the loan used to buy that asset. In this case, depreciable life of the supply main was 40 years, but we were able to get the Commission to cut it back to 35 years. However, that was still 15 years longer than the 20 year amortization on the DEP loan. Accordingly, the depreciation expense embedded in our rates was never going to cover the principal portion of the DEP debt service with a 20 year amortization. By extending the DEP amortization to 30 years, there is now only a 5 year difference so that the depreciation

expense included in our rates is almost adequate to cover the principal reductions on the DEP loan. This was a wise and prudent decision in accord with sound utility management principles.

On page 37, the staff states that the reduction of my salary "is consistent with prior Commission decisions wherein the president's salary was reduced for managerial imprudence," citing two cases. However, neither of those cases apply to the facts of this case. One of the decisions involved egregious and willful conduct by the president which resulted in poor water quality and poor quality of service. In this case, WMSI has consistently provided excellent water quality together with prompt and reliable service to all our customers with virtually no complaints. For example, during the most recent storm on the island when electric power was out for five days, we continued to provide prompt, reliable service 24/7 with no outage which afforded consistent fire protection, and which allowed several businesses to stay in operation all for the benefit of our customers. We did this by having our operator stay with the system night and day to make sure our generator did not fail in case of a fire or other major problem. The other Commission order was based upon repeated, willful acts and repeated failures to act in violation of §367.161, Florida Statutes, which authorizes a penalty for a utility that "knowingly refuses to comply with, or willfully violates, any provision of this chapter or any lawful rule or order of the commission." In this case, there has been no violation, willful or otherwise; or any part of Chapter 367 or of any rule or order of this Commission. Indeed, with regard to this Account 123 issue, we have followed the mandates of NARUC to the letter. I would ask these rhetorical questions: If WMSI was not supposed to make investments in associated companies, why is this Account 123 entitled "Investments in Associated Companies" included as a separate, defined account in NARUC? And, if cash payments to the associated company must be treated as debt advances (not equity) years after those advances were made, why does NARUC mandate that all such advances shall be moved to Account 123 and treated as an equity investment after 12 months?

I have just finished reading Mr. Sayler's letter of July 31, 2012, although I have still not received my email copy from Mr. Sayler as shown by his letter. The two Commissioners who were at the final hearing in the last case will recall that Florida's Public Counsel, J. R. Kelly, stood up at the final hearing, pointed toward me, and directly told WMSI's customers that I had taken (stolen) $1.2 million of "your money." He then argued that WMSI would not ever need a rate increase if I had not essentially stolen their money. Among lawyers, this is known as the "Big Lie" strategy. If you don't have the law or the facts on your side, you attack your opponent. If an unscrupulous lawyer tells an outrageous lie, and tells it often and loud, the public will come to believe it over time, especially if it is in their economic interest to believe it. This lie has caused great damage to my professional reputation among the WMSI customers who do not know me, and I had to explain the truth to my first mortgage lender who heard this lie on the radio and read it in the paper.

The "Big Lie" strategy worked very well for OPC in the last rate case. It set a narrative and captured the primary attention of everyone involved in the case. The narrative went like this: Gene Brown is a bad person, he stole $1.2 million from his customers, so he should get no rate

increase at all, despite the fact that OPC had already prefiled testimony from its accounting expert which acknowledged that WMSI was entitled to at least a $132,000 annual revenue increase. Nevertheless, this Commission voted to keep WMSI rates exactly the same, to the penny, after almost 20 years with no general rate relief. The staff did an administrative change after the vote, resulting in an additional $10,000 in annual revenue increase, which still required WMSI to pay $229,000 of rate case expenses out of that $10,000. The bottom line was a substantial rate decrease after 20 years without any general overall rate relief.

With such outstanding "success" in the last case, OPC is now doubling down with an expanded "Big Lie" and new narrative that goes like this: Gene Brown stole $1.2 million from his customers so WMSI is unable to pay its debts and is no longer a "going concern," implying that the company may have to be sold at a forced sale. This new narrative, which is being now repeated by people on St. George Island, is consistent with the publically announced goal of a new group on the island that is trying to buy the water company for less than it's appraised value. That group, which recently helped kill a sale to the City of Carrabelle, just filed documentation with the Department of State for a new "SGI Water Cooperative, Inc." to take title. Their obvious strategy is to force the rates down, trash the management of WMSI, and make it impossible for WMSI to obtain financing and survive as a "going concern" so they can take over the water company for less than it is worth.

The main difference between OPC's narrative in the last case and OPC's narrative in this case is OPC is now actively engaged with its "clients" to make the narrative come true. Through access to the staff data requests in this case, OPC was able to get a copy of the loan application filed by WMSI with Fidelity Bank, the bank WMSI had been working with for over a year to obtain the USDA funds necessary to build the improvements involved in this case. A few weeks go, I received a phone call from the Fidelity loan officer in Orlando in charge of USDA loans who had been working on our file. He asked me: "Who is Erik Sayler"? After I told him, he said Mr. Sayler called him from some official state office in Tallahassee, asking for information about WMSI's pending loan application. The banker told Mr. Sayler that he could not answer his questions or release any information about WMSI's loan because it was against bank policy to release any information about customers. The banker and I continued to talk for well over an hour in a very positive way about how we could modify the loan request to make it work. I told the banker I was expecting a preliminary recommendation from the Commission staff on Friday, July 20, which would give us both an idea as to what funds would be available to service the debt on the new loan, and that I would send him that information as soon as it was received. On Monday morning, July 23, as I was getting ready to send the recommended rate increase numbers to the Orlando banker, he called me and said, basically, that your loan is dead, we cannot do this deal. His tone was entirely different and there was no way to get him to consider anything else I had to say about keeping the deal together. When I asked him, "what happened," he said that Erik Sayler had called him again demanding information about the WMSI loan, and when he still would not give it to him, Erik Sayler had called the Orlando banker's boss in Atlanta. When I asked the banker what Erik Sayler had said to him, the banker replied that Mr. Sayler was "not positive," emphasizing the "not."

From this, it is clear that OPC has successfully sabotaged WMSI's loan with Fidelity, after WMSI worked on it for over a year, and that this was done deliberately just before WMSI would have been able to provide more positive revenue information from the PSC to the bank, which was the only reason Fidelity was considering the loan in the first place. It is also clear that OPC was able to kill this loan by using the loan information they received only because of their status as attorneys in this case.

OPC and their "clients" know that banks do not want to deal with a thief who would steal $1.2 million from his customers. They also know that banks will not likely lend millions of dollars to a company run by a man who has just been fined and penalized for bad management by the regulator having life and death control over that company, especially if the regulators also say the company may not be a "going concern." J. R. Kelly and Erik Sayler also know that a bank would not likely move forward with a deal that starts with an aggressive lawyer from an official sounding state office calling the bank repeatedly to make negative comments about a potential borrower. Banks do not go looking for trouble!

That is why OPC came up with this new narrative involving the "going concern" concept, which was first mentioned in a filing by OPC a couple of months ago and which is still being pressed in OPC's letter filed yesterday. That is also why you will hear a lot of rhetoric tomorrow about the "missing" $1.2 million, both by OPC and the customers. Up to this point, I cannot really blame the customers who are just repeating what their lawyer told them. If my lawyer pointed to a man I did not know and told me that man stole $1.2 million of "your money," I would also have a problem with that man. By this memo, I am suggesting that Mr. Sayler distribute copies of this memo with exhibits to his "clients" so they will know all the facts. To call a man a thief is slander per se, or liable per se in the case of the writings being circulated around St. George Island and Tallahassee. Anyone who continues making these statements about me taking $1.2 million of somebody else's money will be held accountable.

In order to protect the financial integrity of WMSI it will likely have to take legal action against J. R. Kelly and Erik Sayler for tortuous interference with a prospective economic advantage, as defined in Turkey Creek, Inc. V. Londono, 567 So. 2d 943 (Fla. 1st DCA 1990), affirmed in Londono v. Turkey Creek, Inc., 609 So. 2d 14 (Fla. 1992). This suit will seek damages for the losses suffered by WMSI and me as a result of the Fidelity Bank conduct, as well as any similar conduct uncovered during discovery. Anyone found to have engaged in similar conduct will be added to the lawsuit, which will also seek a permanent injunction to prevent Mr. Kelly and Mr. Sayler from trying to interfere with my business relationship with any other lenders or prospective buyers of the system. I will also ask my attorney, Martin Friedman, to request a special order from this Commission to prevent OPC from gaining access to loan applications or other sensitive documents as I move forward in trying to finance the necessary improvements to the St. George Island water system.

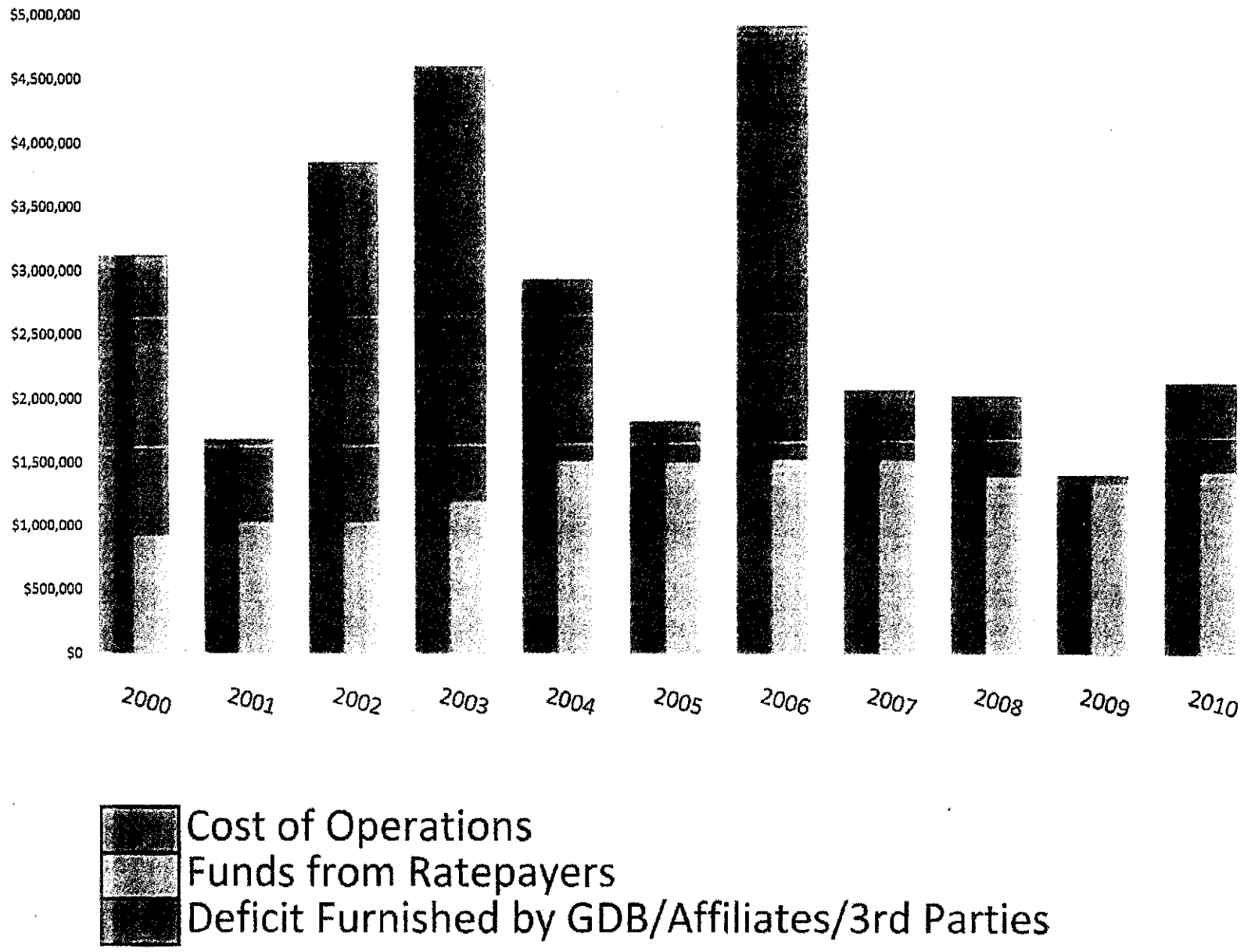
I will end this memo with the same statement that I made during the final hearing in the last case. I have never taken one dollar of ratepayer funds for my own use or the use of any of my affiliates. Instead, I have subsidized this company financially and otherwise for 38 years, which has resulted in an outstanding and reliable water system on St. George Island which I will

continue to maintain and protect. I will be at the agenda conference tomorrow and I encourage each of you to ask me any questions you may have concerning this memo or anything else involving this matter.

cc: via Hand Delivery
Division of Economic Regulation (Brown, Cicchetti, Fletcher, Maurey)
Office of General Counsel (Jaeger, Barrera)
Office of Public Counsel (Kelly, Sayler)
Office of Commission Clerk
Martin S. Friedman, Esq.

COMPOSITE EXHIBIT "A"

Water Management Services, Inc.
Cash Flow Analysis 2000 - 2010



Docket No. 110200-WU
August 1, 2012 Gene Brown Letter
Exhibit HWS-9, Page 16 of 37

WATER MANAGEMENT SERVICES, INC.
FINANCIAL SOURCES AND USES
SUMMARY OF YEARS 2000 - 2010

2000	
COSTS OF OPERATIONS OF WMSI	$3,130,455.04
FUNDS FROM RATEPAYERS	$925,647.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,204,808.04**
2001	
COSTS OF OPERATIONS OF WMSI	$1,685,202.06
FUNDS FROM RATEPAYERS	$1,034,524.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$650,678.06**
2002	
COSTS OF OPERATIONS OF WMSI	$3,863,314.74
FUNDS FROM RATEPAYERS	$1,032,329.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,830,985.74**
2003	
COSTS OF OPERATIONS OF WMSI	$4,616,103.06
FUNDS FROM RATEPAYERS	$1,198,338.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,417,765.06**
2004	
COSTS OF OPERATIONS OF WMSI	$2,950,998.38
FUNDS FROM RATEPAYERS	$1,518,938.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$1,432,060.38**
2005	
COSTS OF OPERATIONS OF WMSI	$1,831,156.68
FUNDS FROM RATEPAYERS	$1,504,774.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$326,382.68**

WATER MANAGEMENT SERVICES, INC.
FINANCIAL SOURCES AND USES
SUMMARY OF YEARS 2000 - 2010

2006	
COSTS OF OPERATIONS OF WMSI	$4,937,082.76
FUNDS FROM RATEPAYERS	$1,525,833.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,411,249.76**
2007	
COSTS OF OPERATIONS OF WMSI	$2,082,031.91
FUNDS FROM RATEPAYERS	$1,527,469.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$554,562.91**
2008	
COSTS OF OPERATIONS OF WMSI	$2,036,491.79
FUNDS FROM RATEPAYERS	$1,404,766.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$631,725.79**
2009	
COSTS OF OPERATIONS OF WMSI	$1,418,542.00
FUNDS FROM RATEPAYERS	$1,346,497.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$72,045.00**
2010	
COSTS OF OPERATIONS OF WMSI	$2,146,331.94
FUNDS FROM RATEPAYERS	$1,441,066.16
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$705,265.78**
TOTAL, 2000 - 2010	
COSTS OF OPERATIONS OF WMSI	$30,697,710.36
FUNDS FROM RATEPAYERS	$14,460,181.16
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$16,237,529.20**

WMSI
FINANCIAL SOURCES AND USES
2000

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$796,007.00	
W-8(a)	CIAC from Ratepayers	$129,640.00	
W-10(a)	Utility Expenses		$610,076.00
W-3	Utility Taxes & Fees		$71,617.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$243,954.00
	TOTAL FUNDS FROM RATEPAYERS	**$925,647.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$925,647.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$352,980.00
	Citizen's Bank of Perry Payments		$43,232.55
	Transamerica Payments		$1,390,408.53
	Gulf State Bank Payments		$347,694.80
	Farmers & Merchants Bank Payments		$13,510.99
	Capital City Bank Payments		$19,719.29
	N.L.I. Payments		$53,493.79
	Utility Expenses not included on W-10(a) above		$162,203.41
	Cash from third parties	$27,295.77	
	Cash from Loans Secured by GDB/Affiliates	$2,222,097.68	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(44,585.41)	
	Adjustment to convert from accrual to cash basis		(178,435.32)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$2,204,808.04**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$2,204,808.04**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$3,130,455.04	
	FUNDS FROM RATEPAYERS	$925,647.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,204,808.04**	
*	Plant additions in 2000 were $596,934. This includes $189,793 C.W.I.P.		
	increase during 2000.		

WMSI
FINANCIAL SOURCES AND USES
2001

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$910,524.00	
W-8(a)	CIAC from Ratepayers	$124,000.00	
W-10(a)	Utility Expenses		$699,554.00
W-3	Utility Taxes & Fees		$79,511.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$255,459.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,034,524.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,034,524.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$531,519.51
	Citizen's Bank of Perry Payments		$189,366.34
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$71,703.89
	Farmers & Merchants Bank Payments		$20,865.96
	Utility Expenses not included on W-10(a) above		$44,937.30
	Cash from third parties	$26,694.97	
	Cash from Loans Secured by GDB/Affiliates	$707,726.10	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(83,743.01)	
	Adjustment to convert from accrual to cash basis		(215,126.62)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$650,678.06**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$650,678.06**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$1,685,202.06	
	FUNDS FROM RATEPAYERS	$1,034,524.00	

	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$650,678.06**	
		==========	
*	Plant additions in 2001 were $786,979. This includes $487,655 C.W.I.P.		
	increase during 2001.		

WMSI
FINANCIAL SOURCES AND USES
2002

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$914,481.00	
W-8(a)	CIAC from Ratepayers	$117,848.00	
W-10(a)	Utility Expenses		$734,387.00
W-3	Utility Taxes & Fees		$80,975.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$216,967.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,032,329.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,032,329.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$1,538,008.00
	D.E.P. Loan Payments		$0.00
	Citizen's Bank of Perry Payments		$177,847.97
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$736,444.73
	Farmers & Merchants Bank Payments		$22,210.56
	Utility Expenses not included on W-10(a) above		$129,941.91
	Cash from third parties	$6,532.81	
	Cash from Loans Secured by GDB/Affiliates	$2,757,720.86	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	66,732.07	
	Adjustment to convert from accrual to cash basis		219,120.89
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$2,830,985.74**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$2,830,985.74**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$3,863,314.74	
	FUNDS FROM RATEPAYERS	$1,032,329.00	

	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,830,985.74**	
		==========	
*	Plant additions in 2002 were $1,754,975. This includes $1,723,648 C.W.I.P. increase during 2002.		

WMSI
FINANCIAL SOURCES AND USES
2003

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,057,043.00	
W-8(a)	CIAC from Ratepayers	$141,295.00	
W-10(a)	Utility Expenses		$742,696.00
W-3	Utility Taxes & Fees		$87,153.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$368,489.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,198,338.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,198,338.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$2,483,347.89
	D.E.P. Loan Payments		$290,211.48
	Citizen's Bank of Perry Payments		$156,486.75
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$94,404.93
	Farmers & Merchants Bank Payments		$20,114.09
	Utility Expenses not included on W-10(a) above		$37,525.42
	Cash from third parties	$126,209.03	
	Cash from Loans Secured by GDB/Affiliates	$3,377,628.03	
F-1(a), F-12	Net funds to GDB/Affiliates as per Account 145	(86,072.00)	
	Adjustment to convert from accrual to cash basis		328,262.82
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$3,417,765.06**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$3,417,765.06**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$4,616,103.06	
	FUNDS FROM RATEPAYERS	$1,198,338.00	

	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,417,765.06**	
		==========	
*	Plant additions in 2003 were $2,851,837. This includes $1,889,314 C.W.I.P.		
	increase during 2003.		

WMSI
FINANCIAL SOURCES AND USES
2004

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,419,587.00	
W-8(a)	CIAC from Ratepayers	$99,351.00	
W-10(a)	Utility Expenses		$791,065.00
W-3	Utility Taxes & Fees		$112,397.00
W-4(a)	Utility Plant Additions (Net of C.W.I.P Decrease) *		$615,476.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,518,938.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,518,938.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Net of C.W.I.P Decrease) *		$78,719.00
	D.E.P. Loan Payments		$418,517.89
	Citizen's Bank of Perry Payments		$142,539.66
	Wachovia Bank Payments		$14,253.42
	Gulf State Bank Payments		$93,230.35
	Farmers & Merchants Bank Payments		$83,635.42
	Envision Payments		$2,624.08
	Utility Expenses not included on W-10(a) above		$320,700.65
	Cash from third parties	$413,956.58	
	Cash from affiliates not shown by Acct. 123		
	Cash from Loans Secured by GDB/Affiliates	$888,329.95	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(110,532.48)	
F-1(a)	Net funds from GDB/Affiliates as per Account 145	240,306.33	
	Adjustment to convert from accrual to cash basis		277,839.91
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$1,432,060.38**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$1,432,060.38**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$2,950,998.38
FUNDS FROM RATEPAYERS	$1,518,938.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$1,432,060.38**

* Plant additions in 2004 were $5,001,428. This included $4,307,233 in C.W.I.P. at the beginning of 2004 for work done from 2000 thru 2003. (See F-7 of 2003 annual report.

WMSI
FINANCIAL SOURCES AND USES
2005

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,427,665.00	
W-8(a)	CIAC from Ratepayers	$77,109.00	
W-10(a)	Utility Expenses		$775,113.00
W-3	Utility Taxes & Fees		$112,431.00
W-4(a)	Utility Plant Additions		$134,740.00
	D.E.P. Loan Payments		$417,389.78
	Citizen's Bank of Perry Payments		$65,100.22
	TOTAL FUNDS FROM RATEPAYERS	**$1,504,774.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,504,774.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Citizen's Bank of Perry Payments		$99,279.65
	Gulf State Bank Payments		$175,808.02
	Farmers & Merchants Bank Payments		$121,274.23
	Capital City Bank Payments		$3,423.54
	Envision Payments		$7,872.24
	Wakulla Bank Payments		$3,128.27
	Hitachi Capital Payments		$3,807.48
	Utility Expenses not included on W-10(a) above		$58,560.82
	Cash from third parties	$151,822.51	
	Cash from Loans Secured by GDB/Affiliates	$709,875.14	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(535,315.97)	
	Adjustment to convert from accrual to cash basis		(146,772.57)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$326,381.68**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$326,381.68**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$1,831,155.68
FUNDS FROM RATEPAYERS	$1,504,774.00

DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$326,381.68**
	==========

WMSI
FINANCIAL SOURCES AND USES
2006

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,487,200.00	
W-8(a)	CIAC from Ratepayers	$38,633.00	
W-10(a)	Utility Expenses		$910,801.00
W-3	Utility Taxes & Fees		$115,195.00
W-4(a)	Utility Plant Additions		$499,837.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,525,833.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,525,833.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
W-4(a)	Remainder of Utility Plant Additions		$19,250.00
	D.E.P. Payment		$417,389.78
	Citizens's Bank of Perry Payments		$1,827,515.00
	Gulf State Bank Payments		$897,301.64
	Farmers & Merchants Bank Payments		$32,552.52
	Capital City Bank Payments		$35,013.03
	Envision Payments		$7,872.24
	Bank of Tallahassee Payments		$18,315.77
	Wakulla Bank Payments		$195,833.85
	Hitachi Capital Payments		$11,422.44
	GMAC Payments		$740.40
	Utility Expenses not included on W-10(a) above		$78,146.14
	Cash from third parties	$129,752.60	
	Cash from affiliates not shown by Acct. 123	$7,000.00	
	Cash from Loans Secured by GDB/Affiliates	$3,402,081.68	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(127,585.52)	
	Adjustment to convert from accrual to cash basis		(130,104.05)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$3,411,248.76**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$3,411,248.76**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$4,937,081.76	
	FUNDS FROM RATEPAYERS	$1,525,833.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,411,248.76**	

WMSI
FINANCIAL SOURCES AND USES
2007

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,501,205.00	
W-8(a)	CIAC from Ratepayers	$26,264.00	
W-10(a)	Utility Expenses		$959,148.00
W-3	Utility Taxes & Fees		$119,309.00
W-4(a)	Utility Plant Additions		$90,527.00
	Partial Payment to D.E.P.		$358,485.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,527,469.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,527,469.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of D.E.P. Payment		$58,904.78
	Gulf State Bank Payments		$290,159.55
	Farmers & Merchants Bank Payments		$27,759.20
	Capital City Bank Payments		$1,536.10
	Envision Payments		$7,872.24
	S.E. Toyota Payments		$1,691.68
	Bank of Tallahassee Payments		$18,657.83
	Wakulla Bank Payments		$4,470.83
	Hitachi Capital Payments		$1,903.74
	GMAC Payments		$6,663.60
	Utility Expenses not included on W-10(a) above		$106,685.91
	Cash from third parties	$302,550.21	
	Cash from affiliates not shown by Acct. 123	$243,722.56	
	Cash from Loans Secured by GDB/Affiliates	$159,472.24	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(151,183.10)	
	Adjustment to convert from accrual to cash basis		28,256.45
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$554,561.91**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$554,561.91**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$2,082,030.91	
	FUNDS FROM RATEPAYERS	$1,527,469.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$554,561.91**	

WMSI
FINANCIAL SOURCES AND USES
2008

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,374,799.00	
W-8(a)	CIAC from Ratepayers	$29,967.00	
W-10(a)	Utility Expenses		$940,311.00
W-3	Utility Taxes & Fees		$108,243.00
W-4(a)	Utility Plant Additions		$96,215.00
	Partial Payment to D.E.P.		$259,997.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,404,766.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,404,766.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of D.E.P. Payment		$157,393.00
	Gulf State Bank Payments		$299,736.00
	Farmers & Merchants Bank Payments		$28,508.00
	Capital City Bank Payments		$9,217.00
	Envision Payments		$4,592.00
	S.E. Toyota Payments		$10,150.00
	Utility Expenses not included on W-10(a) above		$162,791.64
	Cash from third parties	$806,189.15	
	Cash from affiliates not shown by Acct. 123	$61,621.91	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(236,086.27)	
	Adjustment to convert from accrual to cash basis		(40,662.85)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$631,724.79**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$631,724.79**
	SUMMARY		
	COSTS OF OPERATIONS OF WMSI (NOT INCLUDING ACCT. 123	$2,036,490.79	
	FUNDS FROM RATEPAYERS	$1,404,766.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$631,724.79**	

WMSI
FINANCIAL SOURCES AND USES
2009

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,319,558.00	
W-8(a)	CIAC from Ratepayers	$26,939.00	
W-10(a)	Utility Expenses		$1,057,196.00
W-3	Utility Taxes & Fees		$100,197.00
W-4(a)	Utility Plant Additions		$21,487.00
	Partial Contribution to D.E.P. Payment		$167,617.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,346,497.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,346,497.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Balance of D.E.P. Payment		$41,017.00
	Gulf State Bank Payments		$175,359.00
	Farmers & Merchants Bank Payments		$25,872.00
	Capital City Bank Payments		$9,217.00
	Envision Payments		$3,850.00
	Florida Commerce Credit Union Payments		$4,094.00
	Utility Expenses not included on W-10(a) above		$72,174.00
	Cash from third parties	$9,246.00	
	Cash from affiliates not shown by Acct. 123	$58,672.00	
	Cash from Loans Secured by GDB/Affiliates	$57,329.00	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	($53,202.00)	
	Adjustment to convert from accrual to cash basis		($259,538.00)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$72,045.00**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$72,045.00**
	SUMMARY		
	COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)	$1,418,542.00	
	FUNDS FROM RATEPAYERS	$1,346,497.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$72,045.00**	

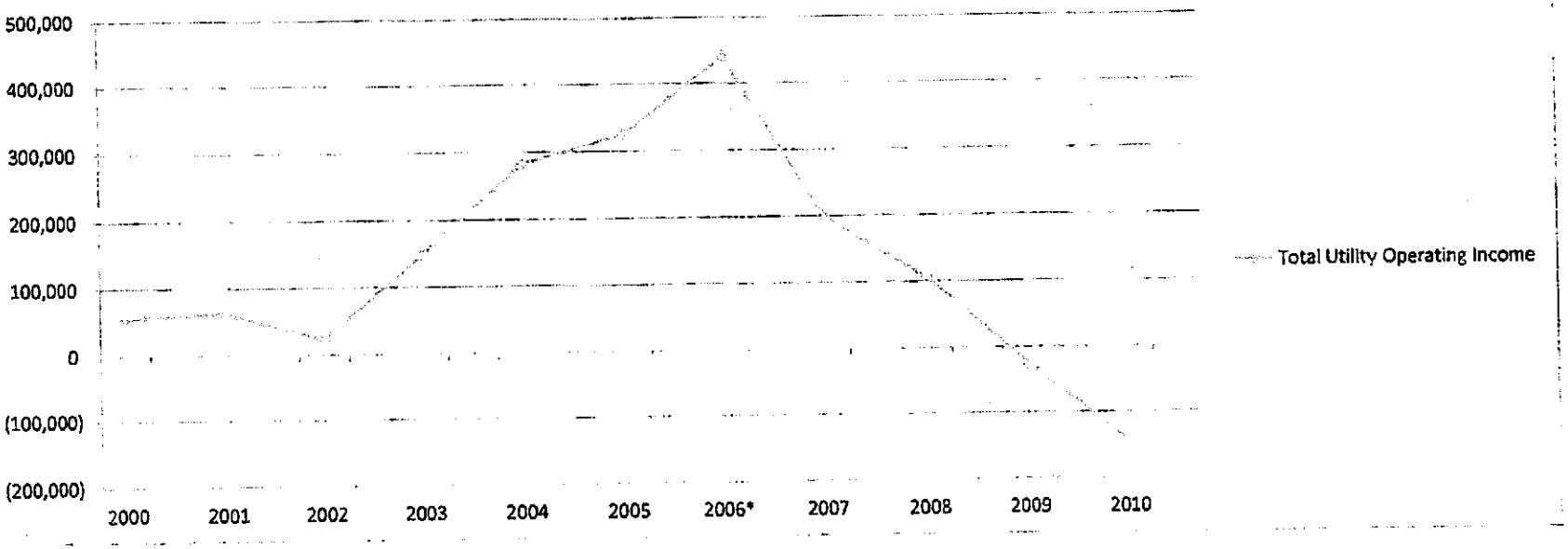
WMSI
FINANCIAL SOURCES AND USES
2010

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,291,957.50	
W-8(a)	CIAC from Ratepayers	$149,108.66	
W-10(a)	Utility Expenses		$1,115,100.17
W-3	Utility Taxes & Fees		$107,671.79
W-4(a)	Utility Plant Additions		$218,294.20
	TOTAL FUNDS FROM RATEPAYERS	**$1,441,066.16**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,441,066.16**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions		$267,208.60
	Gulf State Bank Payments		$160,745.64
	Farmers & Merchants Bank Payments		$22,686.92
	Capital City Bank Payments		$24,029.58
	GMAC Payments		$41,652.62
	Envision Payments		$4,620.00
	Florida Commerce Credit Union Payments		$4,943.16
	Utility Expenses not included on W-10(a) above		$330,080.70
	Cash from third parties	$61,205.49	
	Cash from affiliates not shown by Acct. 123	$102,651.75	
	Cash from Loans Secured by GDB/family and Affiliates	$502,578.36	
F-1(a), F-10	Net funds to/from GDB/Affiliates as per Account 123	$38,830.18	
	Adjustment to convert from accrual to cash basis		($150,701.44)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$705,265.78**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$705,265.78**
	SUMMARY		
	COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)	$2,146,331.94	
	FUNDS FROM RATEPAYERS	$1,441,066.16	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$705,265.78**	

COMPOSITE EXHIBIT "B"

Water Management Services, Inc.

Total Utility Operating Income (1)
For the Years Ended December 31, 2000 - 2010



Source of Information:

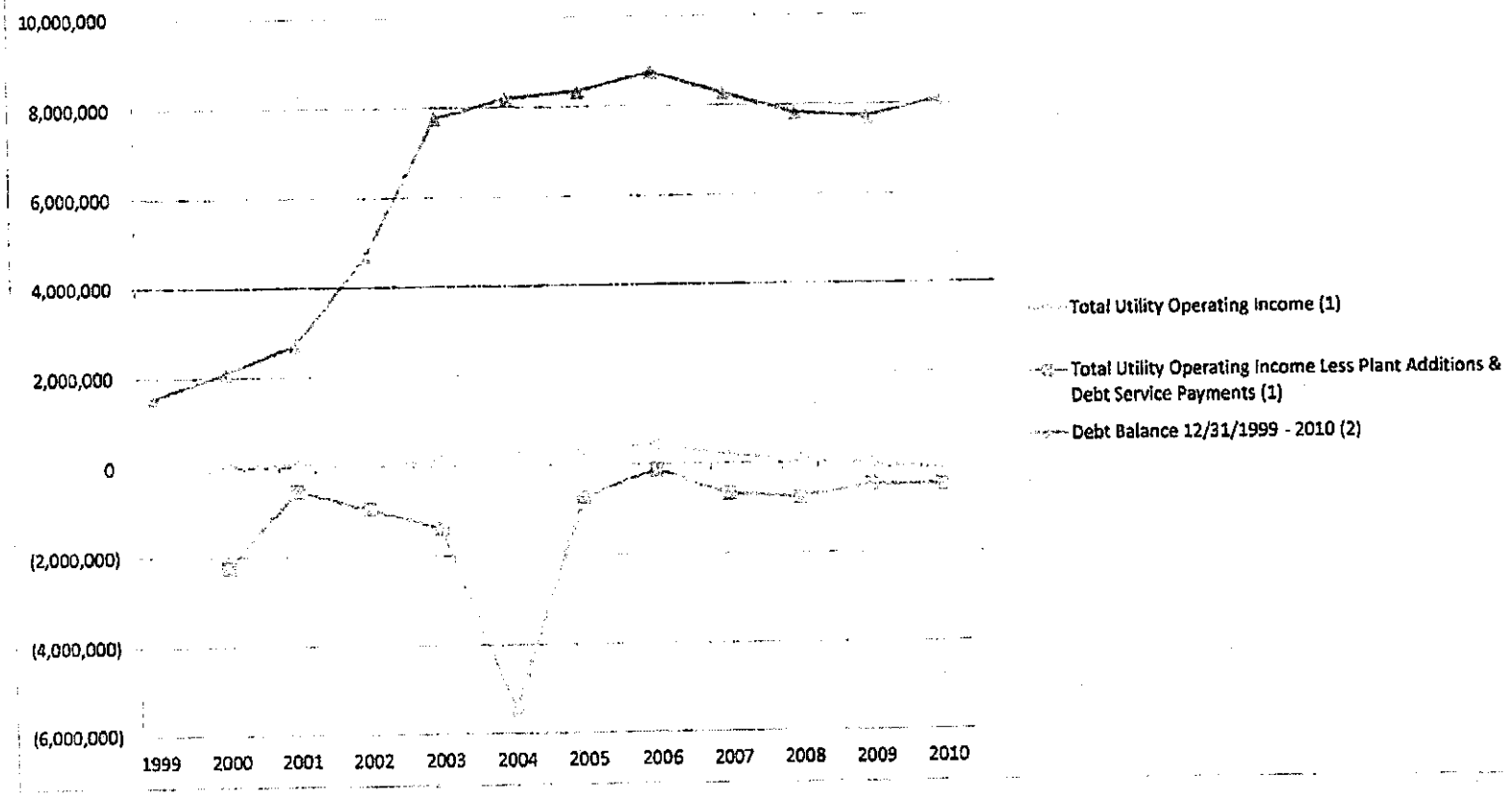
(1) Annual Reports filed with the Florida Public Service Commission, Schedule W-3 Water Operating Statement.

* Fiscal year 2006 includes Gains (losses) From Disposition of Utility Property of $227,098.

EXHIBIT "B-1"

Water Management Services, Inc.

Total Utility Operating Income;
Total Utility Operating Income Less Plant Additions & Debt Service Payments;
and Debt Balances
For the Years Ended December 31, 2000 - 2010



Source of Information:

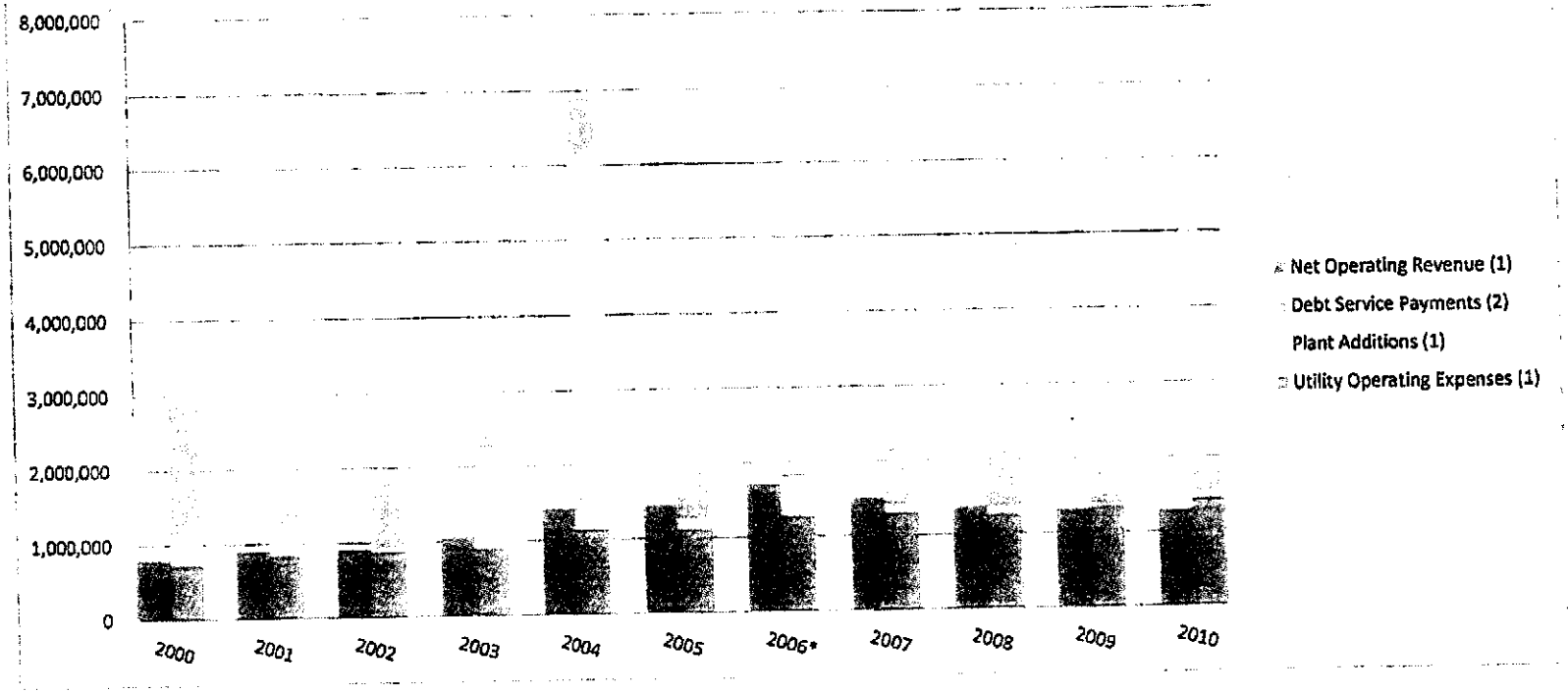
(1) Annual Reports filed with the Florida Public Service Commission, W-3 Water Operating Statement.

(2) Annual Reports filed with the Florida Public Service Commission, Comparative Balance Sheet, Schedule F-2(a), Accounts 224 and 232.

EXHIBIT "B-2"

Water Management Services, Inc.

Net Operating Revenues & Expenses including Plant Additions and Debt Service Payments
For the Years Ended December 31, 2000 - 2010



Source of Information:

(1) Annual Reports filed with the Florida Public Service Commission, Schedules W-3 Water Operating Statement and W-4(a) Column D of Water Utility Plant Account.

(2) Principal and interest payments on outstanding debt.

*Fiscal year 2006 includes Gains (losses) From Disposition of Utility Property of $227,098.

WMSI does not disagree with the auditor's finding regarding this issue, except as discussed in the utility's response to Finding 4 above.

FINDING 7:CASH FLOW ANALYSIS UPDATE

Since this finding does not relate to an issue that is directly before the Commission in this docket, WMSI will provide only a cursory response at this time. If this becomes an issue, WMSI will provide a more complete and detailed response.

The following points are offered at this time:

(1) The PSC audit report confirms the balance in account 123, Investments in Associated Companies, that has consistently been shown by WMSI in its annual reports and general ledgers provided to the Commission. WMSI's numbers were correct, to the exact dollar amount of $1,215,075. This balance includes amounts that were transferred from other accounts in 2004, so it is really a balance of all investments in associated companies since WMSI was formed.

(2) The PSC audit report also confirms the total revenue from WMSI ratepayers as shown by the utility's cash flow audit and general ledgers provided to the PSC staff as part of this audit. The PSC audit report shows $11,639,415 in cash receipts from ratepayers during the 8 year period from 2004-2011, including CIAC. The WMSI audit report and general ledgers provided to the Commission show $11,647,666 in cash receipts during the same 8 year period, including CIAC. The $8,251 difference is in miscellaneous fees and charges included in the WMSI cash flow audit.

(3) The PSC audit report is based upon year end balances allocated into "operating," "investing" and "financing" activities, but it does not show the deficits between ratepayer revenue and cash operating requirements during the 8 year audit period. The WMSI audit report is based on the same raw numbers, but it does show the operating deficits by comparing the total cash operating requirements with the total funds received from ratepayers. Based on that analysis, the cash operating deficit was $7,133,292 for the period 2004-2010, and was $16,237,529 for the period 2000-2010, as shown by the audit reports previously submitted to the PSC.

(4) The PSC audit report does not indicate or suggest that the revenue from ratepayers was ever adequate to cover all utility operating cash requirements, or that any ratepayer funds were ever transferred to Gene Brown or any of his associated companies. That fact was confirmed by the WMSI audits based on the same raw numbers. Not only did WMSI never have sufficient ratepayer revenue to operate, WMSI never received the earnings allowed by the Commission after 2000, when the State began tearing down the utility's supply main to the island. WMSI's loss of PSC authorized earnings totaled ($633,506) between 2000 and 2010, as shown

EXHIBIT "C"

by the numbers in WMSI's annual reports on file with the Commission which are summarized below:

YEAR	RATE BASE	EARNINGS	ACHIEVED RATE OF RETURN	COST OF CAPITAL	ALLOWED EARNINGS	OVER (UNDER) EARNINGS
2000	$657,050	$52,690	8.02%	10.23%	$67,216	($14,526)
2001	751,711	59,601	7.92%	8.95%	67,368	(7,767)
2002	598,176	20,355	3.40%	5.18%	30,986	(10,631)
2003	5,621,735	145,403	2.59%	3.95%	222,059	(76,656)
2004	5,463,876	273,656	5.01%	4.18%	228,390	45,266
2005	5,311,725	301,462	5.68%	4.69%	249,120	52,342
2006	5,387,188	211,704	3.93%	5.38%	289,831	(78,127)
2007	4,943,816	200,468	4.05%	5.00%	247,191	(46,723)
2008	4,047,544	114,730	2.83%	3.56%	144,093	(29,363)
2009	3,877,452	(28,242)	-0.73%	3.85%	149,282	(177,524)
2010	3,759,162	(145,071)	-3.86%	3.85%	144,728	(289,799)
		$1,206,756			$1,840,262	($633,506)

(5) The PSC audit report shows $15,085,524 in cash receipts and $14,614,799 in cash disbursements from "Utility Activity" resulting in $470,725 of "Net cash for Utility Activity." But that should not be taken as any indication that there was ever an excess of $470,725 in "net cash" from the ratepayers. Only $11,722,859 of the $15,085,524 came from ratepayers. The other $3,362,665 came from loans personally secured by Gene Brown, including personal credit cards (which do not have to be repaid by ratepayers) or from other entrepreneurial activities of Gene Brown, such as an $800,000 damage settlement and the sale (and purchase) of certain other assets in which the ratepayers had no interest. These assets included, for example, two investment lots in Tallahassee that had nothing to do with the water company on St. George Island. The lots were purchased for $236,000 in 2006, which included a $220,000 loan personally endorsed by Gene Brown. In 2007, Brown Management Group bought the lots from WMSI for $480,000 by assuming and making the payments on the $220,000 loan and by giving WMSI a check for $229,723 at closing. As with many of the other transactions shown as "Utility Activity" in the PSC audit report, this investment lot transaction was a "Utility Activity" only in the sense that it involved property titled in the name of

the corporate entity, WMSI. It was not a "Utility Activity" in the sense of having anything to do with rate structure or the utility's ratepayers. Accordingly, the PSC audit report should not be interpreted so as to indicate that WMSI ever had a positive cash flow from activities regulated by the PSC under its rate structure policy and procedure, or from revenue funded by the ratepayers as authorized by PSC rate case policy and procedure.

(6) A reader of the PSC audit report should also not assume that the reference to investments in associated companies (Account 123) reflects the net total of all the transactions by, between or among WMSI, Gene Brown and his associated companies. For example, the 123 account does not include the cash from Brown Management Group to WMSI under the $480,00 lot purchase referenced above. It also does not include the $200,000 paid to WMSI by Brown Management Group as referenced in table 2 of the PSC audit report. And it does not include the debt service paid on outside loans used to fund advances to WMSI. It should also be noted that the balance in account 123 did not just build up over the 2004-2011 time period. A balance of $240,306 was brought forward from another account as of 1/1/04, so the final 12/31/11 balance is actually from the inception of WMSI. The following is a more accurate summary of the net funds back and forth between or among WMSI, Gene Brown and his associated companies during the period from 1/1/04 through 12/13/10.

Funds to Associated Companies-Account 123	$ 1,175,075
Less: Misstatement of Beginning Balance-1/1/04	(240,306)
Corrected Change in Account 123 Balance	934,769
Less: Lot Purchase Proceeds	(229,723)
Less: Note Payments	(200,000)
Less: Note Interest Payments	(43,946)
Actual Funds to Associated Companies	**$ 461,100**
Less: Personal Interest Payments on loans for funds advanced to the Utility	(196,602)
Funds to Associated Companies-Adjusted	**$ 264,498**

But whatever the final number may be determined to be after a more comprehensive and complete audit, none of this has had any impact or effect on the rate structure of WMSI or its ratepayers. The company, WMSI, owns all of the outstanding stock of the associated company, Brown Management Group, which has a documented net worth in excess of the $1,215,075 balance in account 123, "Investments in Associated Companies."

(7) In the audit report issued by the PSC auditor on July 29, 2011, the auditor states that the balance in account 123 should be zero, and that all the advances to associated companies over the years should be netted out and put back into

account 145, "Accounts Receivable from Associated Companies" or account 146, "Notes Receivable from Associated Companies." But that would require WMSI to violate the clear mandate of NARUC, which provides in the instructions under account 146 on page 66 as follows:

> Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies. (Emphasis added.) See **Exhibit "K"** attached.

The instruction under account 145 on page 65 says: "See account 146."

The word "shall" is mandatory, and all advances to associated companies have been properly recorded in account 123, including those which were originally carried in accounts 145 and 146, but which were not paid within one year.

The reclassification of the 123 balance back into accounts 145 or 146 would also require WMSI to amend many years of Federal and State tax returns which have treated the funds represented in account 123 as equity, not debt, on the advice of WMSI's tax professionals. This would cause havoc with WMSI's tax accounting and would be unexplainable to the IRS and WMSI's lenders.

SUMMARY

This entire subject of WMSI's cash flow and account 123 is irrelevant to any issue properly before the Commission in this proceeding. Accordingly, WMSI will have nothing else to say on this subject until and unless the Commission enters an order which defines the precise legal issue involved in this docket, and the legal standard which either was or was not violated by WMSI.

AUGUST 1, 2012 LETTER

GENE BROWN TO COMMISSION CLERK

HWS-9

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DEPOSITION EXHIBIT

DESCRIPTION:

August 1, 2012 Letter
Gene Brown to Commission Clerk

SOURCE:

Commission Docket File

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

RECEIVED-FPSC
12 AUG -1 PM 4:06
COMMISSION
CLERK

August 1, 2012

HAND DELIVERY

Ms. Ann Cole
Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

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

Dear Ms. Cole:

Attached is a copy of a memo which I have delivered to the parties named therein. I would appreciate your filing this in the above-referenced docket.

Sincerely,

Gene D. Brown

Enclosure
cc: Commissioner Eduardo E. Balbis
Commissioner Ronald A. Brise'
Commissioner Julie I. Brown
Commissioner Lisa Polak Edgar
Commissioner Art Graham
Division of Economic Regulation (Brown, Cicchetti, Fletcher, Maurey)
Office of General Counsel (Jaeger, Barrera)
Office of Public Counsel (Kelly, Syler)
Martin S. Friedman, Esq.

DOCUMENT NUMBER-DATE
05177 AUG-1 12
FPSC-COMMISSION CLERK

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

MEMO

HAND DELIVERY

TO: Commissioner Eduardo E. Balbis
Commissioner Ronald A. Brise'
Commissioner Julie I. Brown
Commissioner Lisa Polak Edgar
Commissioner Art Graham

FROM: Gene D. Brown

DATE: August 1, 2012

RE: Response to Erik Sayler's Letter of July 31, 2012 and to Issue 15 of PSC Staff Recommendation dated July 20, 2012

This memo is in response to to the letter from Erik Sayler dated July 31, 2012, with special emphasis on issue 15 of the staff's recommendation dated July 20, 2012, which is set forth as follows:

Issue 15: Have the Utility's cash advances to WMSI's President and associated companies in the amount of $1.2 million, represented by Account 123, affected the Utility's ability to meet its financial and operating responsibilities? If so, what action, if any, should the Commission take?

At the outset, it should be noted that this issue is misstated because it refers to the $1.2 million as "cash advances," or loans, when in fact this Account 123 represents accumulated investments in an associated company that have built up over a 38 year period since I started this utility in 1974. These cumulative investments have been properly and accurately shown in Account 123, year after year, in the annual reports filed with this Commission. The Uniform System of Accounts for Class A Utilities published by the National Association of Regulatory Utility Commissioners (NARUC), which WMSI is required to follow by order of this Commission, defines Account 123 as follows:

DOCUMENT NUMBER-DATE
05177 AUG-1 2
FPSC-COMMISSION CLERK

123. Investment in Associated Companies
A. This account shall include the book cost of investment in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies . . .

WMSI would have been in direct violation of NARUC if it had booked the $1.2 million of advances as a debt receivable under Accounts 145 and 146 rather than as equity under Account 123. Account 145 is entitled: "Accounts Receivable from Associated Companies," and Account 146 is entitled: "Notes Receivable from Associated Companies." The NARUC description under Account 146 is as follows:

146. Notes Receivable from Associated Companies
These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies. (Emphasis added.)

The NARUC description under Account 145 simply says: "See Account 146."

The staff recommendation quotes the prior order of the Commission which authorizes the staff to "recommend an appropriate adjustment for imprudence" as the basis for a $44,441 adjustment to my compensation. The dictionary defines imprudence as "rash" or "indiscreet." It would have been more "rash" or "indiscreet" to have booked these payments into Accounts 145 and 146 in direct violation of NARUC, which WMSI is mandated to follow by order of this Commission. Investments extending over 38 years can hardly be considered "rash." All of the activity in question occurred prior to December 31, 2010, the end of the test year in this case. WMSI stopped using Account 123 at all as of January 1, 2011, and has not used it since then except to correct an accounting error made in 2010 regarding $40,000 that I loaned to WMSI prior to the end of that year.

Not only was the form of these Account 123 transactions correct, the substance was wise and prudent as well. These investments and transfers of funds as consolidated under Account 123 have been used for the benefit of the utility and have helped keep it solvent when there were insufficient funds from the ratepayers to cover the day-to-day cash operating requirements for WMSI. For example, during the 2010 test year, Brown Management Group (BMG) sold two assets at a "fire sale" for $421,000 cash, which was helpful in covering the $705,265 deficit between the ratepayer funds and the operating costs of WMSI which I had to cover. During the PSC Account 123 audit, WMSI documented the fact that the value of the 100% stock ownership in BMG was greater than the $1.2 million that WMSI paid for the stock. That investment gave

WMSI another source of needed cash flow and was not "imprudent."

The wisdom of WMSI's outside investments is implicitly shown by the PSC audit of Account 123 which divided the revenue and expenses into "utility activity" and "non-utility activity." Under "utility activity," the PSC auditor included outside investments to show revenue over and above those revenues obtained from ratepayers. For example, the "utility activity" for 2007 included the sale of two investment lots in Tallahassee which resulted in a $234,000 net profit and a check of $229,000 to WMSI cash at closing. That $229,000 of cash came from BMG and was critical in covering the $554,563 gap, or deficit, which existed between the funds collected from ratepayers and the actual cash required to fund utility operations that year.

Two other points should be made regarding the PSC staff audit of Account 123:

(1) It confirmed that the balance in Account 123 was correct (to the last dollar), which shows the accuracy of WMSI's accounting as reflected in its annual reports filed year after year with this Commission.

(2) It was not based on any analysis of funds supplied by WMSI's ratepayers as compared to funds supplied by third parties, including myself.

Because of that, and because of the OPC assertion that I took $1.2 million of money which belonged to the WMSI customers, I commissioned an internal audit to show the actual cash difference, or deficit, between the funds obtained from WMSI's customers and the actual cost of operating the utility from 2000 through 2010. The results and a summary chart of that internal audit is attached as Composite Exhibit "A." That audit shows that the deficit during that 11 year period was $16,237,529, including all investments under Account 123. If no investments had been made through Account 123, the deficit would still have been in excess of $15,000,000. However, under that scenario, WMSI would not have had the BMG properties available for liquidation to cover deficits as described above. Exhibit "A" was prepared using the cash basis, showing actual cash in and actual cash out. Composite Exhibit "B" is based on the accrual method and contains 3 charts prepared from WMSI's annual reports filed with this Commission. These charts also show that there was never enough revenue to cover basic operating costs and plant additions, so there was never any excess revenue from rates or ratepayers for me to have "taken" $1.2 million of ratepayer funds. These charts also show how WMSI's debt grew from around $1.5 million to over $8 million as a result of the state's decision to tear down our water supply main with no compensation. That debt has to be paid by WMSI and me, not by the ratepayers.

Not only did WMSI not ever transfer any ratepayer funds to affiliates, WMSI never even earned the return from ratepayers to which it was entitled. Attached as Exhibit "C" is part of WMSI's audit response in this case which shows the total (under) earnings from 2000-2010 was $633,506 as shown by WMSI's annual reports filed with this Commission. The PSC audit states that the $1.2 million figure was actually a net of $930,552 when certain other credits were given.

WMSI disagreed in its response, showing the actual inter-company net calculation to be $264,498. See Exhibit "C." In any event, all of these numbers are below the net value of BMG, which is owned 100% by WMSI as a result of the cash invested through Account 123.

In its recommendation regarding issue 15, the staff states that WMSI's rates included funds for debt service and that despite "the availability of these funds through rates, multiple payments on the loan from DEP were not made" during the time that funds were advanced through Account 123. This statement is incorrect for several reasons:

(1) WMSI has made every payment required by the DEP/WMSI loan documents except the one that was due May 15, 2012, almost 1 ½ years after this Commission's order of January 3, 2011 which resulted in a substantial decrease in WMSI rates after 20 years with no general rate relief. May 15, 2012 is not "during the period" from the beginning of the utility through December 31, 2010 when funds were being invested through Account 123.

(2) While it is true that WMSI received a limited increase in rates as part of the limited proceeding involving the bridge supply main, it is not true that those rates ever produced sufficient revenue to cover the DEP debt service.

In addition to the January 3, 2011 order which caused a substantial net decrease in WMSI's revenue, the only support offered by staff for their assertion that WMSI's approved rates covered the DEP debt service is a reference to two preliminary orders from the limited proceeding, one on November 21, 2000 and one on September 8, 2003. Specifically, the staff refers to page 12 of the September 8, 2003 order which "projected" that WMSI would receive $415,977 in additional annual revenue (still less than the annual DEP payment at that time), but which did not include any coverage for certain additional costs necessitated by the new supply main, such as increased insurance costs, increased maintenance costs, or the cost of leasing and storing the maintenance equipment for the new supply main. (Emphasis added.)

The September 8, 2003 order cited in the staff recommendtion approved $33.06 per month as the base facility charge for a standard residential meter, which is the "bread and butter" of WMSI's revenue, especially during the winter months when little water is used. Using the rates from the 2003 order cited by staff, WMSI was able to operate fairly well from 2003 until 2006, when this Commission entered its final order setting rates for WMSI on February 9, 2006. The staff recommendation omits any reference to that order even though it is the one that actually set the rates that the recommendation now says were available and adequate to cover the DEP loan costs.

The February 9, 2006 order, which the staff recommendation ignored, made drastic changes in WMSI's rate structure after WMSI borrowed and spent over $7,000,000 on the bridge project. The $7,000,000 actually spent included well over $500,000 of "soft costs" and other expenses that could not be included in the limited proceeding because of "regulatory lag" according to our consultants in that proceeding. Among other things, the final order on February

9, 2006 cut the standard base facility charge back to $27.50 on a permanent, going forward basis. More importantly, that order put a 50% surcharge on all high volume water use, which meant that WMSI's customers would have to pay $4.98 per thousand gallons for all water use over 15,000 gallons per month. That last minute decision, entered in an order over WMSI's objection after the water line was constructed, lead directly to a tremendous increase in the number of shallow wells on St. George Island. That proliferation of shallow wells resulting from the 2006 order prevented WMSI from actually receiving the cash revenue which was "projected" by the 2003 order which the staff cites as support for their recommendation on issue 15. (Emphasis added.)

It is impossible to know exactly how much revenue WMSI has lost since the February, 2006 order, but it is probably several hundred thousand dollars per year, certainly more than the one $162,000 DEP payment that is past due since May 15, 2012. However, the following facts are known:

(1) In 2006, WMSI personnel began seeing wells going in all over St. George Island, including inside the Plantation, the island's largest development, despite the fact that wells were prohibited there by a County ordinance and a State DRI.

(2) Between 2006 and 2009, WMSI identified approximately 300 shallow wells that were constructed on the island with no consumptive use permit as required by law, including a large number in the Plantation that were placed in service in violation of the County ordinance and the State DRI.

(3) After WMSI tried unsuccessfully to get the County to enforce its ordinance, and after WMSI lost a legal action against the Northwest Florida Water Management District (NWFWMD) to limit wells on the island, the NWFWMD changed its rules so as to allow and "encourage" shallow wells all over the island, with no consumptive use permit for both non-potable and potable uses.

This NWFWMD rule change went into effect on January 4, 2010, the first month of the test year in this case. Since then, the rate of increase in shallow wells has gone up because all the wells are now legal and encouraged by the NWFWMD. WMSI estimates that there are now between 400 and 500 shallow wells on the island, and more are being placed in service each month. These wells have caused a substantial decrease in WMSI's revenue, starting in 2005 when this Commission entered its PAA order No. PSC-05-1156-PAP-WU, which created a tremendous incentive for all of WMSI's customers to put in shallow wells and to use WMSI water only for personal uses and for fire protection. That order was also omitted from the staff recommendation. Exhibit "B-1" is a chart showing how WMSI's operating income started to drop around the '05-'06 time frame when WMSI's rate structure was drastically changed. The investments under Account 123 had absolutely nothing to do with this steady drop in operating income.

To understand the cost of each shallow well to WMSI's revenue, WMSI analyzed the annual water use of 20 of its current customers. If each of those 20 customers put in a shallow well tomorrow so that they no longer have to pay for their water over 15,000 gallons per month, the annual loss to WMSI for just those 20 wells would be $30,950, calculated as follows:

Average water use over 15,000 gallons per month (gpm)
= 26,000 gpm
x $4.96 per k
$128.96 per mo. x 12 months = $1,547.52 x 20 wells = $30,950 Annual Loss

We estimate that there are now 400-500 shallow wells on the island, with more going in every month. If even 250 of those wells are costing WMSI 26,000 gallons per month in water sales, the total lost revenue is $386,880 ($128.96 x 12 x 250), which is more than the $324,024 annual debt service requirement on the DEP loan.

There is no way to quantify WMSI's loss from this increase in shallow wells after this Commission's final order in 2006. As noted above, WMSI was able to survive from the '03 order cited by staff until the '06 order which actually established the rate structure. But as shown by the chart attached s Exhibit "B-1," which is based on WMSI's annual reports, the utility's total operating revenue started to drop steadily from late 2005 through 2010. The problem really became serious in 2008, when it became clear that the NWFWMD was not going to alter its plan to allow unlimited shallow wells on St. George Island for both non-potable and potable water, all with no consumptive use permits. As shown by WMSI's annual reports (F-3(c)), WMSI's net income was minus ($260,464) in 2008, minus ($331,692) in 2009, and minus ($504,038 in 2010. Although these shallow wells save some expense for electricity and chemicals, they also increase the expense of administering WMSI's cross-connection control program because wells are a major hazzard to the system. This Commission should look at these hard numbers based upon actual operations to determine if adequate ratepayer funds were "available" to WMSI to cover all its operating costs. Those historic accounting numbers are much more reliable than "projections" in a 2003 order, especially since that order was not the actual order that established WMSI's rates. (Emphasis added.)

The staff recommendation asserts that my salary should be reduced by 35%, or $33,688 per year, plus an additional reduction in benefits for a total downward adjustment of $44,441, because my "managerial imprudence" cost the ratepayers an additional $928,071 in interest. Specifically, the recommendation explains the basis for the adjustment as follows:

> In the instant case, the amount of the adjustment is based on the additional interest expense on the DEP loan. As noted earlier, had funds collected through rates been used to timely pay debt service payments instead of paid out in the form of cash advances to associated companies, the incremental increase in interest expense of $928,071 would have been avoided. Staff determined the amount necessary to reduce revenue

> requirement to prevent this unnecessary cost from being borne by ratepayers. Such an adjustment represents approximately 35 per cent of the Utility President's salary, plus the applicable adjustments to pensions and benefits expense and payroll taxes.

Two basic points should be made regarding this part of the recommendation:

(1) The $928,071 in interest can never be passed on, or "borne by," WMSI's ratepayers. That interest will have to be paid by me, my family and my associated companies, all of whom have personally endorsed the DEP note. But this debt is not owed by any ratepayer, and this Commission's rate structure process does not allow that $928,071 of interest to be passed on to the ratepayers.

(2) The extension of the DEP amortization from 20 to 30 years had nothing whatsoever to do whether or not debt service payments were timely made to DEP. Instead, the 10 year extension of the DEP amortization was made as a matter of managerial prudence to allow adequate funds for the necessary principal reductions on the DEP loan.

Debt service payments on an amortized loan are made up of two components: principal and interest. There is nothing in the PSC rules or procedures that allows a utility to recover principal payments through rates, except for the depreciation expenses. There is also nothing to allow utilities such as WMSI to require ratepayers to pay the interest on all the debt incurred for utility improvements or any other purpose. Instead, the rules allow the utility to receive a return on its net investment, known as the rate base. For a debt company, such as WMSI, that return is based upon the company's weighted cost of debt. For a company with no debt, that return is based upon an equity calculation as established by this Commission on a year-to-year basis.

Applying these basic concepts to this case, it can be seen that the extension of the DEP amortization did not cost the ratepayers any money. Instead, it actually saved them money as shown by the following examples. Example One shows the cost to WMSI ratepayers based on the 10 year extension which I negotiated. Example Two shows what would have happened if I had left the amortization at 20 years, as suggested by the staff recommendation.

Example One: Extend the DEP amortization from 20 to 30 years:

Cost to WMSI ratepayers for last 10 years:
3% + 6.5% = 9.5% ÷ 2 = 4.75% weighted cost of debt, assuming WMSI's interest rates remain at 3% and 6.5%, assuming the financing is divided equally between the two rates, and assuming that the rate base remains the same as it was at the end of the 2010 test year, $3,759,162.
4.75% x $3,759,162 = $178,562 x 10 years
Total Cost to WMSI ratepayers last ten years = $1,785,602

Example Two: Pay off the DEP Loan in 20 years:

Cost to WMSI ratepayers for last ten years

Scenario A	Scenario B
100% Debt Company	100% Equity Company

Under Scenario A, it is assumed that WMSI is still a 100% debt company during the last 10 years, that the remaining (non-DEP) debt is still at 6.5%, and that the rate base is still at $3,759,162.
6.5% x $3,759,162 = $244,346 x 10 years
Total Cost to WMSI ratepayers last 10 years= $2,443,455

Under Scenario B, it is assumed that WMSI pays off its other debt to become a 100% equity company, and the rate base remains at $3,759,162. Under that scenario, WMSI would be entitled to a return on equity (ROE) of 11.16%, assuming the current leverage formula does not change.
11.16% x $3,759,162 = $419,522 x 10 years
Total Cost to WMSI ratepayers last 10 years= $4,195,225

To summarize, doing it my way will cost the WMSI ratepayers $1,758,602 for the last 10 years. If I had followed the staff recommendation, the WMSI ratepayers would pay $2,443,455 during those last 10 years. But if I was really "prudent" as defined by the staff recommendation and paid off all of WMSI's debt by the end of the DEP 20 year amortization, the WMSI ratepayers would be charged $4,195,225 during those last years. In other words, my decision to extend the DEP amortization saved the WMSI ratepayers somewhere between $657,843 ($2,443,445 - $1,785,602) and $2,409,623 ($4,195,225-$1,785,602) depending upon the mix of debt and equity. Accordingly, I do not see why the ratepayers should complain, and I certainly do not see how this is a case of imprudence or bad management so as to justify a reduction in my compensation of over $40,000 per year. Just like household finance, you always keep your low interest debt and pay off high interest debt first, assuming all debt cannot be paid at once.

The most important reason I extended the DEP amortization was to more evenly match the term of the loan with the depreciable life of the supply main built with the DEP loan proceeds. As I mentioned earlier, there is no way to directly recover the principal portion of a loan used to purchase plant assets. However, it is possible and prudent to use the cash from the depreciation expense charged to ratepayers if you can get that annual depreciation expense on an asset to match the annual principal payments on the loan used to buy that asset. In this case, depreciable life of the supply main was 40 years, but we were able to get the Commission to cut it back to 35 years. However, that was still 15 years longer than the 20 year amortization on the DEP loan. Accordingly, the depreciation expense embedded in our rates was never going to cover the principal portion of the DEP debt service with a 20 year amortization. By extending the DEP amortization to 30 years, there is now only a 5 year difference so that the depreciation

expense included in our rates is almost adequate to cover the principal reductions on the DEP loan. This was a wise and prudent decision in accord with sound utility management principles.

On page 37, the staff states that the reduction of my salary "is consistent with prior Commission decisions wherein the president's salary was reduced for managerial imprudence," citing two cases. However, neither of those cases apply to the facts of this case. One of the decisions involved egregious and willful conduct by the president which resulted in poor water quality and poor quality of service. In this case, WMSI has consistently provided excellent water quality together with prompt and reliable service to all our customers with virtually no complaints. For example, during the most recent storm on the island when electric power was out for five days, we continued to provide prompt, reliable service 24/7 with no outage which afforded consistent fire protection, and which allowed several businesses to stay in operation all for the benefit of our customers. We did this by having our operator stay with the system night and day to make sure our generator did not fail in case of a fire or other major problem. The other Commission order was based upon repeated, willful acts and repeated failures to act in violation of §367.161, Florida Statutes, which authorizes a penalty for a utility that "knowingly refuses to comply with, or willfully violates, any provision of this chapter or any lawful rule or order of the commission." In this case, there has been no violation, willful or otherwise; or any part of Chapter 367 or of any rule or order of this Commission. Indeed, with regard to this Account 123 issue, we have followed the mandates of NARUC to the letter. I would ask these rhetorical questions: If WMSI was not supposed to make investments in associated companies, why is this Account 123 entitled "Investments in Associated Companies" included as a separate, defined account in NARUC? And, if cash payments to the associated company must be treated as debt advances (not equity) years after those advances were made, why does NARUC mandate that all such advances shall be moved to Account 123 and treated as an equity investment after 12 months?

I have just finished reading Mr. Sayler's letter of July 31, 2012, although I have still not received my email copy from Mr. Sayler as shown by his letter. The two Commissioners who were at the final hearing in the last case will recall that Florida's Public Counsel, J. R. Kelly, stood up at the final hearing, pointed toward me, and directly told WMSI's customers that I had taken (stolen) $1.2 million of "your money." He then argued that WMSI would not ever need a rate increase if I had not essentially stolen their money. Among lawyers, this is known as the "Big Lie" strategy. If you don't have the law or the facts on your side, you attack your opponent. If an unscrupulous lawyer tells an outrageous lie, and tells it often and loud, the public will come to believe it over time, especially if it is in their economic interest to believe it. This lie has caused great damage to my professional reputation among the WMSI customers who do not know me, and I had to explain the truth to my first mortgage lender who heard this lie on the radio and read it in the paper.

The "Big Lie" strategy worked very well for OPC in the last rate case. It set a narrative and captured the primary attention of everyone involved in the case. The narrative went like this: Gene Brown is a bad person, he stole $1.2 million from his customers, so he should get no rate

increase at all, despite the fact that OPC had already prefiled testimony from its accounting expert which acknowledged that WMSI was entitled to at least a $132,000 annual revenue increase. Nevertheless, this Commission voted to keep WMSI rates exactly the same, to the penny, after almost 20 years with no general rate relief. The staff did an administrative change after the vote, resulting in an additional $10,000 in annual revenue increase, which still required WMSI to pay $229,000 of rate case expenses out of that $10,000. The bottom line was a substantial rate decrease after 20 years without any general overall rate relief.

With such outstanding "success" in the last case, OPC is now doubling down with an expanded "Big Lie" and new narrative that goes like this: Gene Brown stole $1.2 million from his customers so WMSI is unable to pay its debts and is no longer a "going concern," implying that the company may have to be sold at a forced sale. This new narrative, which is being now repeated by people on St. George Island, is consistent with the publically announced goal of a new group on the island that is trying to buy the water company for less than it's appraised value. That group, which recently helped kill a sale to the City of Carrabelle, just filed documentation with the Department of State for a new "SGI Water Cooperative, Inc." to take title. Their obvious strategy is to force the rates down, trash the management of WMSI, and make it impossible for WMSI to obtain financing and survive as a "going concern" so they can take over the water company for less than it is worth.

The main difference between OPC's narrative in the last case and OPC's narrative in this case is OPC is now actively engaged with its "clients" to make the narrative come true. Through access to the staff data requests in this case, OPC was able to get a copy of the loan application filed by WMSI with Fidelity Bank, the bank WMSI had been working with for over a year to obtain the USDA funds necessary to build the improvements involved in this case. A few weeks go, I received a phone call from the Fidelity loan officer in Orlando in charge of USDA loans who had been working on our file. He asked me: "Who is Erik Sayler"? After I told him, he said Mr. Sayler called him from some official state office in Tallahassee, asking for information about WMSI's pending loan application. The banker told Mr. Sayler that he could not answer his questions or release any information about WMSI's loan because it was against bank policy to release any information about customers. The banker and I continued to talk for well over an hour in a very positive way about how we could modify the loan request to make it work. I told the banker I was expecting a preliminary recommendation from the Commission staff on Friday, July 20, which would give us both an idea as to what funds would be available to service the debt on the new loan, and that I would send him that information as soon as it was received. On Monday morning, July 23, as I was getting ready to send the recommended rate increase numbers to the Orlando banker, he called me and said, basically, that your loan is dead, we cannot do this deal. His tone was entirely different and there was no way to get him to consider anything else I had to say about keeping the deal together. When I asked him, "what happened," he said that Erik Sayler had called him again demanding information about the WMSI loan, and when he still would not give it to him, Erik Sayler had called the Orlando banker's boss in Atlanta. When I asked the banker what Erik Sayler had said to him, the banker replied that Mr. Sayler was "not positive," emphasizing the "not."

From this, it is clear that OPC has successfully sabotaged WMSI's loan with Fidelity, after WMSI worked on it for over a year, and that this was done deliberately just before WMSI would have been able to provide more positive revenue information from the PSC to the bank, which was the only reason Fidelity was considering the loan in the first place. It is also clear that OPC was able to kill this loan by using the loan information they received only because of their status as attorneys in this case.

OPC and their "clients" know that banks do not want to deal with a thief who would steal $1.2 million from his customers. They also know that banks will not likely lend millions of dollars to a company run by a man who has just been fined and penalized for bad management by the regulator having life and death control over that company, especially if the regulators also say the company may not be a "going concern." J. R. Kelly and Erik Sayler also know that a bank would not likely move forward with a deal that starts with an aggressive lawyer from an official sounding state office calling the bank repeatedly to make negative comments about a potential borrower. Banks do not go looking for trouble!

That is why OPC came up with this new narrative involving the "going concern" concept, which was first mentioned in a filing by OPC a couple of months ago and which is still being pressed in OPC's letter filed yesterday. That is also why you will hear a lot of rhetoric tomorrow about the "missing" $1.2 million, both by OPC and the customers. Up to this point, I cannot really blame the customers who are just repeating what their lawyer told them. If my lawyer pointed to a man I did not know and told me that man stole $1.2 million of "your money," I would also have a problem with that man. By this memo, I am suggesting that Mr. Sayler distribute copies of this memo with exhibits to his "clients" so they will know all the facts. To call a man a thief is slander per se, or liable per se in the case of the writings being circulated around St. George Island and Tallahassee. Anyone who continues making these statements about me taking $1.2 million of somebody else's money will be held accountable.

In order to protect the financial integrity of WMSI it will likely have to take legal action against J. R. Kelly and Erik Sayler for tortuous interference with a prospective economic advantage, as defined in Turkey Creek, Inc. V. Londono, 567 So. 2d 943 (Fla. 1st DCA 1990), affirmed in Londono v. Turkey Creek, Inc., 609 So. 2d 14 (Fla. 1992). This suit will seek damages for the losses suffered by WMSI and me as a result of the Fidelity Bank conduct, as well as any similar conduct uncovered during discovery. Anyone found to have engaged in similar conduct will be added to the lawsuit, which will also seek a permanent injunction to prevent Mr. Kelly and Mr. Sayler from trying to interfere with my business relationship with any other lenders or prospective buyers of the system. I will also ask my attorney, Martin Friedman, to request a special order from this Commission to prevent OPC from gaining access to loan applications or other sensitive documents as I move forward in trying to finance the necessary improvements to the St. George Island water system.

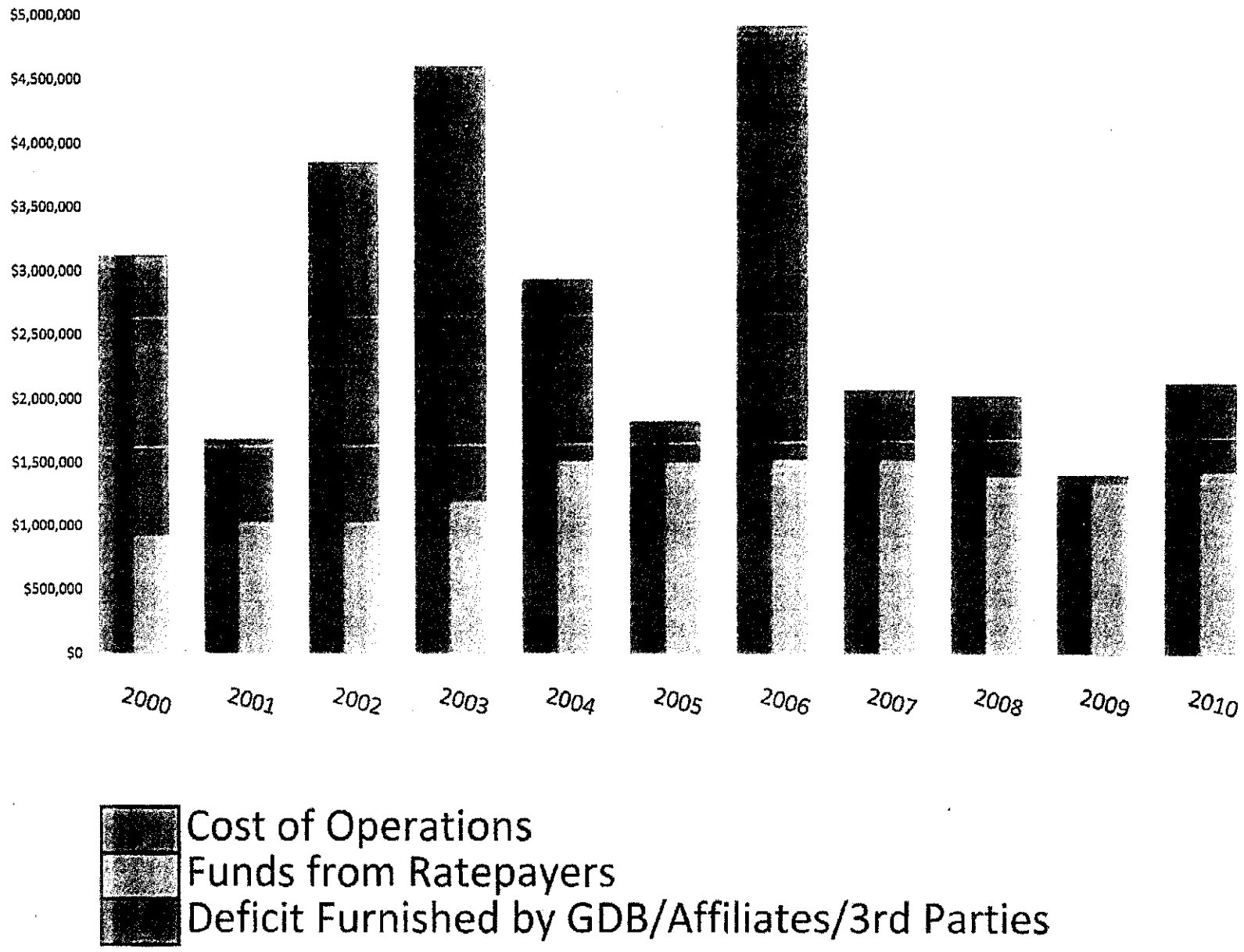
I will end this memo with the same statement that I made during the final hearing in the last case. I have never taken one dollar of ratepayer funds for my own use or the use of any of my affiliates. Instead, I have subsidized this company financially and otherwise for 38 years, which has resulted in an outstanding and reliable water system on St. George Island which I will

continue to maintain and protect. I will be at the agenda conference tomorrow and I encourage each of you to ask me any questions you may have concerning this memo or anything else involving this matter.

cc: via Hand Delivery
Division of Economic Regulation (Brown, Cicchetti, Fletcher, Maurey)
Office of General Counsel (Jaeger, Barrera)
Office of Public Counsel (Kelly, Sayler)
Office of Commission Clerk
Martin S. Friedman, Esq.

COMPOSITE EXHIBIT "A"

Water Management Services, Inc.
Cash Flow Analysis 2000 - 2010



Docket No. 110200-WU
August 1, 2012 Gene Brown Letter
Exhibit HWS-9, Page 16 of 37

WATER MANAGEMENT SERVICES, INC.
FINANCIAL SOURCES AND USES
SUMMARY OF YEARS 2000 - 2010

2000	
COSTS OF OPERATIONS OF WMSI	$3,130,455.04
FUNDS FROM RATEPAYERS	$925,647.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,204,808.04**
2001	
COSTS OF OPERATIONS OF WMSI	$1,685,202.06
FUNDS FROM RATEPAYERS	$1,034,524.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$650,678.06**
2002	
COSTS OF OPERATIONS OF WMSI	$3,863,314.74
FUNDS FROM RATEPAYERS	$1,032,329.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,830,985.74**
2003	
COSTS OF OPERATIONS OF WMSI	$4,616,103.06
FUNDS FROM RATEPAYERS	$1,198,338.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,417,765.06**
2004	
COSTS OF OPERATIONS OF WMSI	$2,950,998.38
FUNDS FROM RATEPAYERS	$1,518,938.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$1,432,060.38**
2005	
COSTS OF OPERATIONS OF WMSI	$1,831,156.68
FUNDS FROM RATEPAYERS	$1,504,774.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$326,382.68**

WATER MANAGEMENT SERVICES, INC.
FINANCIAL SOURCES AND USES
SUMMARY OF YEARS 2000 - 2010

2006	
COSTS OF OPERATIONS OF WMSI	$4,937,082.76
FUNDS FROM RATEPAYERS	$1,525,833.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,411,249.76**
2007	
COSTS OF OPERATIONS OF WMSI	$2,082,031.91
FUNDS FROM RATEPAYERS	$1,527,469.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$554,562.91**
2008	
COSTS OF OPERATIONS OF WMSI	$2,036,491.79
FUNDS FROM RATEPAYERS	$1,404,766.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$631,725.79**
2009	
COSTS OF OPERATIONS OF WMSI	$1,418,542.00
FUNDS FROM RATEPAYERS	$1,346,497.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$72,045.00**
2010	
COSTS OF OPERATIONS OF WMSI	$2,146,331.94
FUNDS FROM RATEPAYERS	$1,441,066.16
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$705,265.78**
TOTAL, 2000 - 2010	
COSTS OF OPERATIONS OF WMSI	$30,697,710.36
FUNDS FROM RATEPAYERS	$14,460,181.16
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$16,237,529.20**

WMSI
FINANCIAL SOURCES AND USES
2000

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$796,007.00	
W-8(a)	CIAC from Ratepayers	$129,640.00	
W-10(a)	Utility Expenses		$610,076.00
W-3	Utility Taxes & Fees		$71,617.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$243,954.00
	TOTAL FUNDS FROM RATEPAYERS	**$925,647.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$925,647.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$352,980.00
	Citizen's Bank of Perry Payments		$43,232.55
	Transamerica Payments		$1,390,408.53
	Gulf State Bank Payments		$347,694.80
	Farmers & Merchants Bank Payments		$13,510.99
	Capital City Bank Payments		$19,719.29
	N.L.I. Payments		$53,493.79
	Utility Expenses not included on W-10(a) above		$162,203.41
	Cash from third parties	$27,295.77	
	Cash from Loans Secured by GDB/Affiliates	$2,222,097.68	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(44,585.41)	
	Adjustment to convert from accrual to cash basis		(178,435.32)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$2,204,808.04**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$2,204,808.04**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$3,130,455.04	
	FUNDS FROM RATEPAYERS	$925,647.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,204,808.04**	
*	Plant additions in 2000 were $596,934. This includes $189,793 C.W.I.P.		
	increase during 2000.		

WMSI
FINANCIAL SOURCES AND USES
2001

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$910,524.00	
W-8(a)	CIAC from Ratepayers	$124,000.00	
W-10(a)	Utility Expenses		$699,554.00
W-3	Utility Taxes & Fees		$79,511.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$255,459.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,034,524.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,034,524.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$531,519.51
	Citizen's Bank of Perry Payments		$189,366.34
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$71,703.89
	Farmers & Merchants Bank Payments		$20,865.96
	Utility Expenses not included on W-10(a) above		$44,937.30
	Cash from third parties	$26,694.97	
	Cash from Loans Secured by GDB/Affiliates	$707,726.10	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(83,743.01)	
	Adjustment to convert from accrual to cash basis		(215,126.62)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$650,678.06**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$650,678.06**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$1,685,202.06	
	FUNDS FROM RATEPAYERS	$1,034,524.00	

	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$650,678.06**	
		==========	
*	Plant additions in 2001 were $786,979. This includes $487,655 C.W.I.P.		
	increase during 2001.		

WMSI
FINANCIAL SOURCES AND USES
2002

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$914,481.00	
W-8(a)	CIAC from Ratepayers	$117,848.00	
W-10(a)	Utility Expenses		$734,387.00
W-3	Utility Taxes & Fees		$80,975.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$216,967.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,032,329.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,032,329.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$1,538,008.00
	D.E.P. Loan Payments		$0.00
	Citizen's Bank of Perry Payments		$177,847.97
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$736,444.73
	Farmers & Merchants Bank Payments		$22,210.56
	Utility Expenses not included on W-10(a) above		$129,941.91
	Cash from third parties	$6,532.81	
	Cash from Loans Secured by GDB/Affiliates	$2,757,720.86	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	66,732.07	
	Adjustment to convert from accrual to cash basis		219,120.89
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$2,830,985.74**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$2,830,985.74**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$3,863,314.74	
	FUNDS FROM RATEPAYERS	$1,032,329.00	

	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,830,985.74**	
		==========	
*	Plant additions in 2002 were $1,754,975. This includes $1,723,648 C.W.I.P. increase during 2002.		

WMSI
FINANCIAL SOURCES AND USES
2003

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,057,043.00	
W-8(a)	CIAC from Ratepayers	$141,295.00	
W-10(a)	Utility Expenses		$742,696.00
W-3	Utility Taxes & Fees		$87,153.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$368,489.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,198,338.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,198,338.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$2,483,347.89
	D.E.P. Loan Payments		$290,211.48
	Citizen's Bank of Perry Payments		$156,486.75
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$94,404.93
	Farmers & Merchants Bank Payments		$20,114.09
	Utility Expenses not included on W-10(a) above		$37,525.42
	Cash from third parties	$126,209.03	
	Cash from Loans Secured by GDB/Affiliates	$3,377,628.03	
F-1(a), F-12	Net funds to GDB/Affiliates as per Account 145	(86,072.00)	
	Adjustment to convert from accrual to cash basis		328,262.82
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$3,417,765.06**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$3,417,765.06**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$4,616,103.06	
	FUNDS FROM RATEPAYERS	$1,198,338.00	

	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,417,765.06**	
		==========	
*	Plant additions in 2003 were $2,851,837. This includes $1,889,314 C.W.I.P.		
	increase during 2003.		

WMSI
FINANCIAL SOURCES AND USES
2004

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,419,587.00	
W-8(a)	CIAC from Ratepayers	$99,351.00	
W-10(a)	Utility Expenses		$791,065.00
W-3	Utility Taxes & Fees		$112,397.00
W-4(a)	Utility Plant Additions (Net of C.W.I.P Decrease) *		$615,476.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,518,938.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,518,938.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Net of C.W.I.P Decrease) *		$78,719.00
	D.E.P. Loan Payments		$418,517.89
	Citizen's Bank of Perry Payments		$142,539.66
	Wachovia Bank Payments		$14,253.42
	Gulf State Bank Payments		$93,230.35
	Farmers & Merchants Bank Payments		$83,635.42
	Envision Payments		$2,624.08
	Utility Expenses not included on W-10(a) above		$320,700.65
	Cash from third parties	$413,956.58	
	Cash from affiliates not shown by Acct. 123		
	Cash from Loans Secured by GDB/Affiliates	$888,329.95	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(110,532.48)	
F-1(a)	Net funds from GDB/Affiliates as per Account 145	240,306.33	
	Adjustment to convert from accrual to cash basis		277,839.91
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$1,432,060.38**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$1,432,060.38**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$2,950,998.38
FUNDS FROM RATEPAYERS	$1,518,938.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$1,432,060.38**

* Plant additions in 2004 were $5,001,428. This included $4,307,233 in C.W.I.P. at the beginning of 2004 for work done from 2000 thru 2003. (See F-7 of 2003 annual report.

WMSI
FINANCIAL SOURCES AND USES
2005

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,427,665.00	
W-8(a)	CIAC from Ratepayers	$77,109.00	
W-10(a)	Utility Expenses		$775,113.00
W-3	Utility Taxes & Fees		$112,431.00
W-4(a)	Utility Plant Additions		$134,740.00
	D.E.P. Loan Payments		$417,389.78
	Citizen's Bank of Perry Payments		$65,100.22
	TOTAL FUNDS FROM RATEPAYERS	**$1,504,774.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,504,774.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Citizen's Bank of Perry Payments		$99,279.65
	Gulf State Bank Payments		$175,808.02
	Farmers & Merchants Bank Payments		$121,274.23
	Capital City Bank Payments		$3,423.54
	Envision Payments		$7,872.24
	Wakulla Bank Payments		$3,128.27
	Hitachi Capital Payments		$3,807.48
	Utility Expenses not included on W-10(a) above		$58,560.82
	Cash from third parties	$151,822.51	
	Cash from Loans Secured by GDB/Affiliates	$709,875.14	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(535,315.97)	
	Adjustment to convert from accrual to cash basis		(146,772.57)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$326,381.68**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$326,381.68**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$1,831,155.68
FUNDS FROM RATEPAYERS	$1,504,774.00

DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$326,381.68**
	==========

WMSI
FINANCIAL SOURCES AND USES
2006

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,487,200.00	
W-8(a)	CIAC from Ratepayers	$38,633.00	
W-10(a)	Utility Expenses		$910,801.00
W-3	Utility Taxes & Fees		$115,195.00
W-4(a)	Utility Plant Additions		$499,837.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,525,833.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,525,833.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
W-4(a)	Remainder of Utility Plant Additions		$19,250.00
	D.E.P. Payment		$417,389.78
	Citizens's Bank of Perry Payments		$1,827,515.00
	Gulf State Bank Payments		$897,301.64
	Farmers & Merchants Bank Payments		$32,552.52
	Capital City Bank Payments		$35,013.03
	Envision Payments		$7,872.24
	Bank of Tallahassee Payments		$18,315.77
	Wakulla Bank Payments		$195,833.85
	Hitachi Capital Payments		$11,422.44
	GMAC Payments		$740.40
	Utility Expenses not included on W-10(a) above		$78,146.14
	Cash from third parties	$129,752.60	
	Cash from affiliates not shown by Acct. 123	$7,000.00	
	Cash from Loans Secured by GDB/Affiliates	$3,402,081.68	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(127,585.52)	
	Adjustment to convert from accrual to cash basis		(130,104.05)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$3,411,248.76**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$3,411,248.76**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$4,937,081.76	
	FUNDS FROM RATEPAYERS	$1,525,833.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,411,248.76**	

WMSI
FINANCIAL SOURCES AND USES
2007

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,501,205.00	
W-8(a)	CIAC from Ratepayers	$26,264.00	
W-10(a)	Utility Expenses		$959,148.00
W-3	Utility Taxes & Fees		$119,309.00
W-4(a)	Utility Plant Additions		$90,527.00
	Partial Payment to D.E.P.		$358,485.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,527,469.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,527,469.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of D.E.P. Payment		$58,904.78
	Gulf State Bank Payments		$290,159.55
	Farmers & Merchants Bank Payments		$27,759.20
	Capital City Bank Payments		$1,536.10
	Envision Payments		$7,872.24
	S.E. Toyota Payments		$1,691.68
	Bank of Tallahassee Payments		$18,657.83
	Wakulla Bank Payments		$4,470.83
	Hitachi Capital Payments		$1,903.74
	GMAC Payments		$6,663.60
	Utility Expenses not included on W-10(a) above		$106,685.91
	Cash from third parties	$302,550.21	
	Cash from affiliates not shown by Acct. 123	$243,722.56	
	Cash from Loans Secured by GDB/Affiliates	$159,472.24	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(151,183.10)	
	Adjustment to convert from accrual to cash basis		28,256.45
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$554,561.91**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$554,561.91**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$2,082,030.91	
	FUNDS FROM RATEPAYERS	$1,527,469.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$554,561.91**	

WMSI
FINANCIAL SOURCES AND USES
2008

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,374,799.00	
W-8(a)	CIAC from Ratepayers	$29,967.00	
W-10(a)	Utility Expenses		$940,311.00
W-3	Utility Taxes & Fees		$108,243.00
W-4(a)	Utility Plant Additions		$96,215.00
	Partial Payment to D.E.P.		$259,997.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,404,766.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,404,766.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of D.E.P. Payment		$157,393.00
	Gulf State Bank Payments		$299,736.00
	Farmers & Merchants Bank Payments		$28,508.00
	Capital City Bank Payments		$9,217.00
	Envision Payments		$4,592.00
	S.E. Toyota Payments		$10,150.00
	Utility Expenses not included on W-10(a) above		$162,791.64
	Cash from third parties	$806,189.15	
	Cash from affiliates not shown by Acct. 123	$61,621.91	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(236,086.27)	
	Adjustment to convert from accrual to cash basis		(40,662.85)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$631,724.79**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$631,724.79**
	SUMMARY		
	COSTS OF OPERATIONS OF WMSI (NOT INCLUDING ACCT. 123	$2,036,490.79	
	FUNDS FROM RATEPAYERS	$1,404,766.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$631,724.79**	

WMSI
FINANCIAL SOURCES AND USES
2009

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,319,558.00	
W-8(a)	CIAC from Ratepayers	$26,939.00	
W-10(a)	Utility Expenses		$1,057,196.00
W-3	Utility Taxes & Fees		$100,197.00
W-4(a)	Utility Plant Additions		$21,487.00
	Partial Contribution to D.E.P. Payment		$167,617.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,346,497.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,346,497.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Balance of D.E.P. Payment		$41,017.00
	Gulf State Bank Payments		$175,359.00
	Farmers & Merchants Bank Payments		$25,872.00
	Capital City Bank Payments		$9,217.00
	Envision Payments		$3,850.00
	Florida Commerce Credit Union Payments		$4,094.00
	Utility Expenses not included on W-10(a) above		$72,174.00
	Cash from third parties	$9,246.00	
	Cash from affiliates not shown by Acct. 123	$58,672.00	
	Cash from Loans Secured by GDB/Affiliates	$57,329.00	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	($53,202.00)	
	Adjustment to convert from accrual to cash basis		($259,538.00)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$72,045.00**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$72,045.00**
	SUMMARY		
	COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)	$1,418,542.00	
	FUNDS FROM RATEPAYERS	$1,346,497.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$72,045.00**	

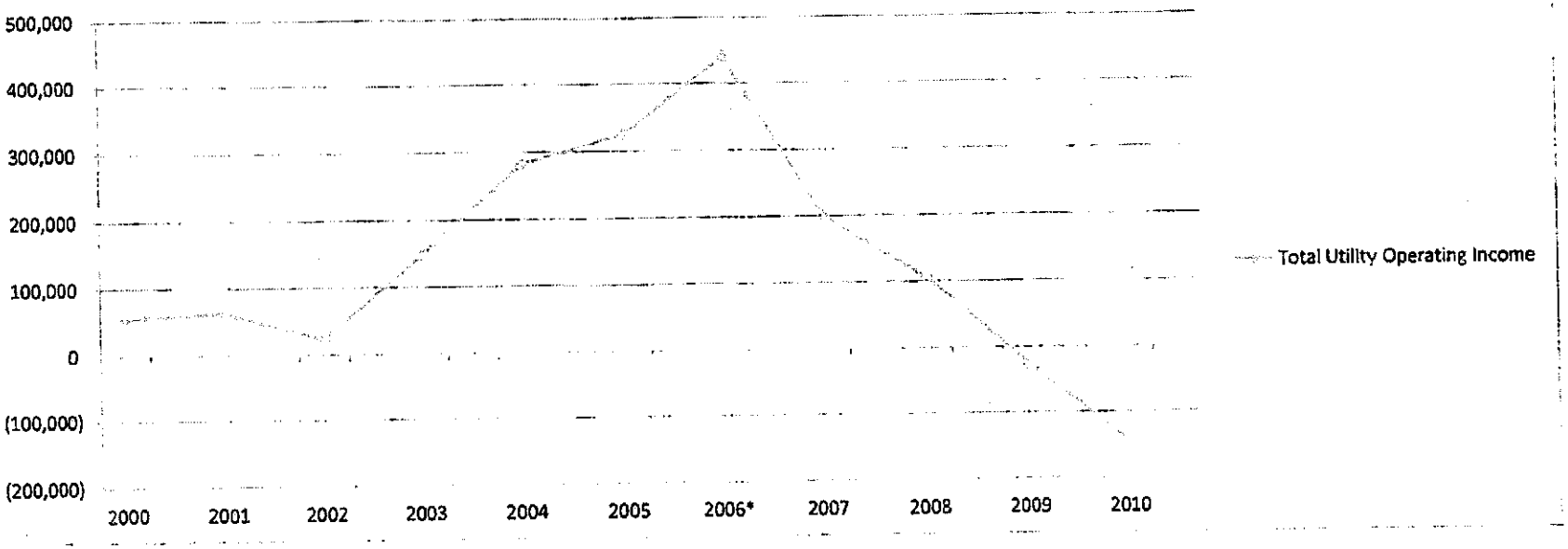
WMSI
FINANCIAL SOURCES AND USES
2010

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		**Debit**	**Credit**
W-9	Billing Revenue from Ratepayers	$1,291,957.50	
W-8(a)	CIAC from Ratepayers	$149,108.66	
W-10(a)	Utility Expenses		$1,115,100.17
W-3	Utility Taxes & Fees		$107,671.79
W-4(a)	Utility Plant Additions		$218,294.20
	TOTAL FUNDS FROM RATEPAYERS	**$1,441,066.16**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,441,066.16**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions		$267,208.60
	Gulf State Bank Payments		$160,745.64
	Farmers & Merchants Bank Payments		$22,686.92
	Capital City Bank Payments		$24,029.58
	GMAC Payments		$41,652.62
	Envision Payments		$4,620.00
	Florida Commerce Credit Union Payments		$4,943.16
	Utility Expenses not included on W-10(a) above		$330,080.70
	Cash from third parties	$61,205.49	
	Cash from affiliates not shown by Acct. 123	$102,651.75	
	Cash from Loans Secured by GDB/family and Affiliates	$502,578.36	
F-1(a), F-10	Net funds to/from GDB/Affiliates as per Account 123	$38,830.18	
	Adjustment to convert from accrual to cash basis		($150,701.44)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$705,265.78**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$705,265.78**
	SUMMARY		
	COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)	$2,146,331.94	
	FUNDS FROM RATEPAYERS	$1,441,066.16	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$705,265.78**	

COMPOSITE EXHIBIT "B"

Water Management Services, Inc.

Total Utility Operating Income (1)
For the Years Ended December 31, 2000 - 2010



Source of Information:

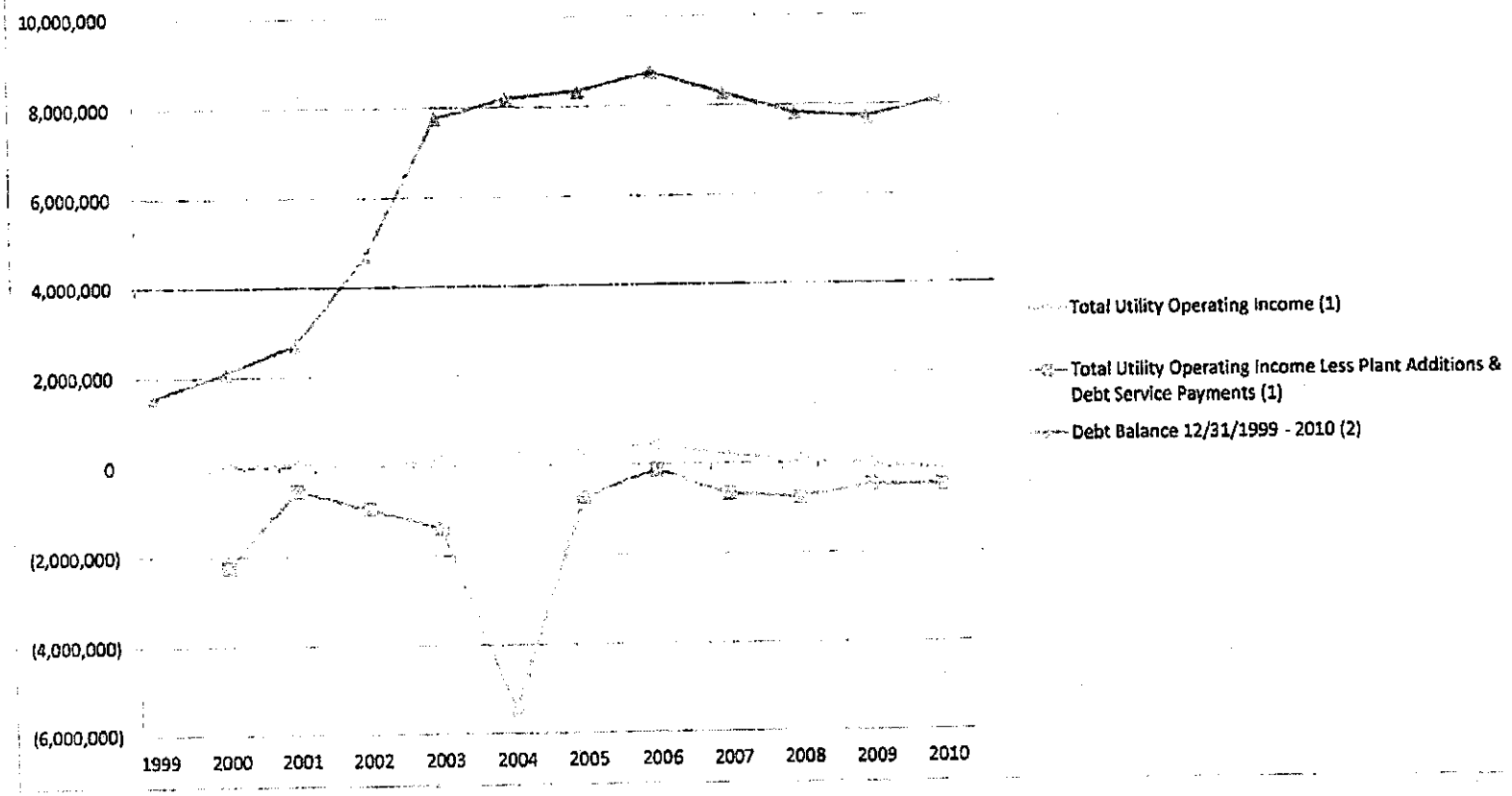
(1) Annual Reports filed with the Florida Public Service Commission, Schedule W-3 Water Operating Statement.

* Fiscal year 2006 includes Gains (losses) From Disposition of Utility Property of $227,098.

EXHIBIT "B-1"

Water Management Services, Inc.

Total Utility Operating Income;
Total Utility Operating Income Less Plant Additions & Debt Service Payments;
and Debt Balances
For the Years Ended December 31, 2000 - 2010



Source of Information:

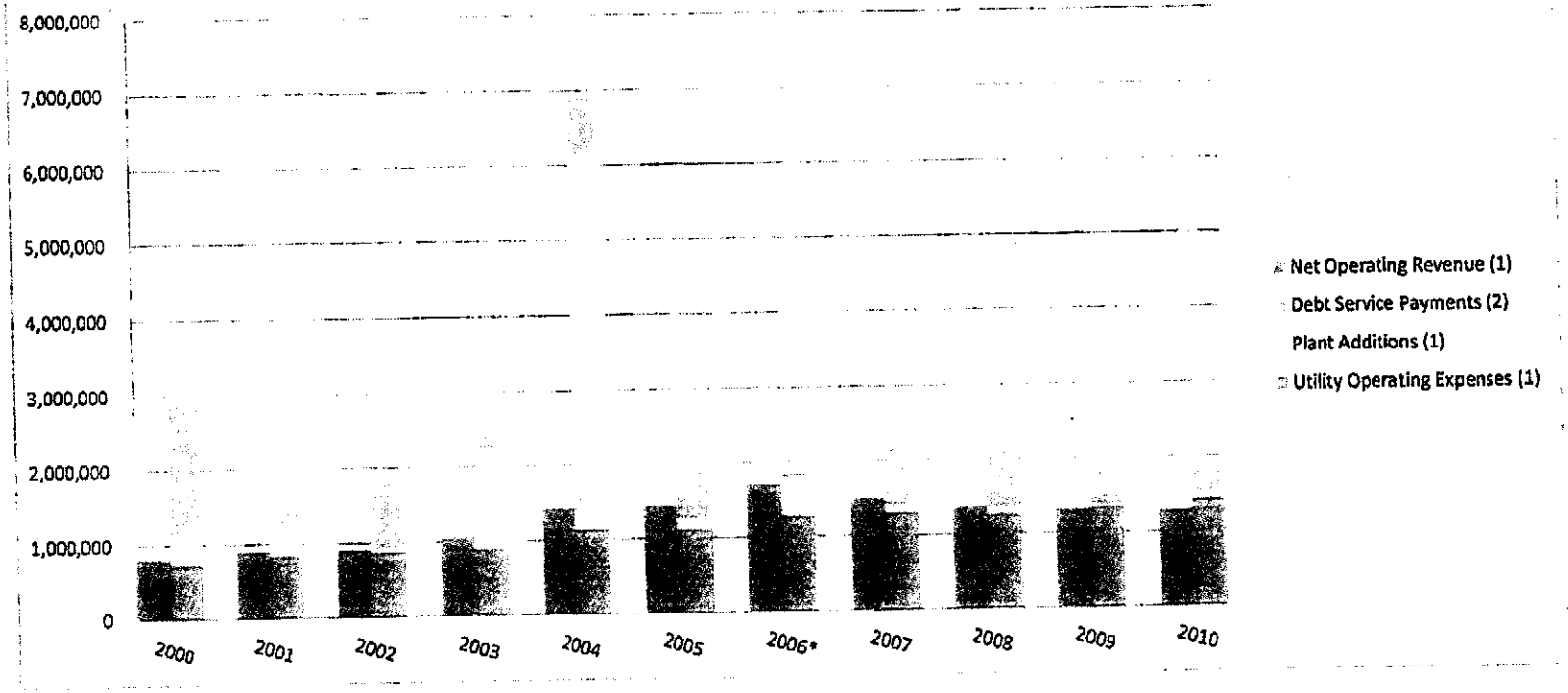
(1) Annual Reports filed with the Florida Public Service Commission, W-3 Water Operating Statement.

(2) Annual Reports filed with the Florida Public Service Commission, Comparative Balance Sheet, Schedule F-2(a), Accounts 224 and 232.

EXHIBIT "B-2"

Water Management Services, Inc.

Net Operating Revenues & Expenses including Plant Additions and Debt Service Payments
For the Years Ended December 31, 2000 - 2010



Source of Information:

(1) Annual Reports filed with the Florida Public Service Commission, Schedules W-3 Water Operating Statement and W-4(a) Column D of Water Utility Plant Account.

(2) Principal and interest payments on outstanding debt.

*Fiscal year 2006 includes Gains (losses) From Disposition of Utility Property of $227,098.

WMSI does not disagree with the auditor's finding regarding this issue, except as discussed in the utility's response to Finding 4 above.

FINDING 7:CASH FLOW ANALYSIS UPDATE

Since this finding does not relate to an issue that is directly before the Commission in this docket, WMSI will provide only a cursory response at this time. If this becomes an issue, WMSI will provide a more complete and detailed response.

The following points are offered at this time:

(1) The PSC audit report confirms the balance in account 123, Investments in Associated Companies, that has consistently been shown by WMSI in its annual reports and general ledgers provided to the Commission. WMSI's numbers were correct, to the exact dollar amount of $1,215,075. This balance includes amounts that were transferred from other accounts in 2004, so it is really a balance of all investments in associated companies since WMSI was formed.

(2) The PSC audit report also confirms the total revenue from WMSI ratepayers as shown by the utility's cash flow audit and general ledgers provided to the PSC staff as part of this audit. The PSC audit report shows $11,639,415 in cash receipts from ratepayers during the 8 year period from 2004-2011, including CIAC. The WMSI audit report and general ledgers provided to the Commission show $11,647,666 in cash receipts during the same 8 year period, including CIAC. The $8,251 difference is in miscellaneous fees and charges included in the WMSI cash flow audit.

(3) The PSC audit report is based upon year end balances allocated into "operating," "investing" and "financing" activities, but it does not show the deficits between ratepayer revenue and cash operating requirements during the 8 year audit period. The WMSI audit report is based on the same raw numbers, but it does show the operating deficits by comparing the total cash operating requirements with the total funds received from ratepayers. Based on that analysis, the cash operating deficit was $7,133,292 for the period 2004-2010, and was $16,237,529 for the period 2000-2010, as shown by the audit reports previously submitted to the PSC.

(4) The PSC audit report does not indicate or suggest that the revenue from ratepayers was ever adequate to cover all utility operating cash requirements, or that any ratepayer funds were ever transferred to Gene Brown or any of his associated companies. That fact was confirmed by the WMSI audits based on the same raw numbers. Not only did WMSI never have sufficient ratepayer revenue to operate, WMSI never received the earnings allowed by the Commission after 2000, when the State began tearing down the utility's supply main to the island. WMSI's loss of PSC authorized earnings totaled ($633,506) between 2000 and 2010, as shown

EXHIBIT "C"

by the numbers in WMSI's annual reports on file with the Commission which are summarized below:

YEAR	RATE BASE	EARNINGS	ACHIEVED RATE OF RETURN	COST OF CAPITAL	ALLOWED EARNINGS	OVER (UNDER) EARNINGS
2000	$657,050	$52,690	8.02%	10.23%	$67,216	($14,526)
2001	751,711	59,601	7.92%	8.95%	67,368	(7,767)
2002	598,176	20,355	3.40%	5.18%	30,986	(10,631)
2003	5,621,735	145,403	2.59%	3.95%	222,059	(76,656)
2004	5,463,876	273,656	5.01%	4.18%	228,390	45,266
2005	5,311,725	301,462	5.68%	4.69%	249,120	52,342
2006	5,387,188	211,704	3.93%	5.38%	289,831	(78,127)
2007	4,943,816	200,468	4.05%	5.00%	247,191	(46,723)
2008	4,047,544	114,730	2.83%	3.56%	144,093	(29,363)
2009	3,877,452	(28,242)	-0.73%	3.85%	149,282	(177,524)
2010	3,759,162	(145,071)	-3.86%	3.85%	144,728	(289,799)
		$1,206,756			$1,840,262	($633,506)

(5) The PSC audit report shows $15,085,524 in cash receipts and $14,614,799 in cash disbursements from "Utility Activity" resulting in $470,725 of "Net cash for Utility Activity." But that should not be taken as any indication that there was ever an excess of $470,725 in "net cash" from the ratepayers. Only $11,722,859 of the $15,085,524 came from ratepayers. The other $3,362,665 came from loans personally secured by Gene Brown, including personal credit cards (which do not have to be repaid by ratepayers) or from other entrepreneurial activities of Gene Brown, such as an $800,000 damage settlement and the sale (and purchase) of certain other assets in which the ratepayers had no interest. These assets included, for example, two investment lots in Tallahassee that had nothing to do with the water company on St. George Island. The lots were purchased for $236,000 in 2006, which included a $220,000 loan personally endorsed by Gene Brown. In 2007, Brown Management Group bought the lots from WMSI for $480,000 by assuming and making the payments on the $220,000 loan and by giving WMSI a check for $229,723 at closing. As with many of the other transactions shown as "Utility Activity" in the PSC audit report, this investment lot transaction was a "Utility Activity" only in the sense that it involved property titled in the name of

the corporate entity, WMSI. It was not a "Utility Activity" in the sense of having anything to do with rate structure or the utility's ratepayers. Accordingly, the PSC audit report should not be interpreted so as to indicate that WMSI ever had a positive cash flow from activities regulated by the PSC under its rate structure policy and procedure, or from revenue funded by the ratepayers as authorized by PSC rate case policy and procedure.

(6) A reader of the PSC audit report should also not assume that the reference to investments in associated companies (Account 123) reflects the net total of all the transactions by, between or among WMSI, Gene Brown and his associated companies. For example, the 123 account does not include the cash from Brown Management Group to WMSI under the $480,00 lot purchase referenced above. It also does not include the $200,000 paid to WMSI by Brown Management Group as referenced in table 2 of the PSC audit report. And it does not include the debt service paid on outside loans used to fund advances to WMSI. It should also be noted that the balance in account 123 did not just build up over the 2004-2011 time period. A balance of $240,306 was brought forward from another account as of 1/1/04, so the final 12/31/11 balance is actually from the inception of WMSI. The following is a more accurate summary of the net funds back and forth between or among WMSI, Gene Brown and his associated companies during the period from 1/1/04 through 12/13/10.

Funds to Associated Companies-Account 123	$ 1,175,075
Less: Misstatement of Beginning Balance-1/1/04	(240,306)
Corrected Change in Account 123 Balance	934,769
Less: Lot Purchase Proceeds	(229,723)
Less: Note Payments	(200,000)
Less: Note Interest Payments	(43,946)
Actual Funds to Associated Companies	**$ 461,100**
Less: Personal Interest Payments on loans for funds advanced to the Utility	(196,602)
Funds to Associated Companies-Adjusted	**$ 264,498**

But whatever the final number may be determined to be after a more comprehensive and complete audit, none of this has had any impact or effect on the rate structure of WMSI or its ratepayers. The company, WMSI, owns all of the outstanding stock of the associated company, Brown Management Group, which has a documented net worth in excess of the $1,215,075 balance in account 123, "Investments in Associated Companies."

(7) In the audit report issued by the PSC auditor on July 29, 2011, the auditor states that the balance in account 123 should be zero, and that all the advances to associated companies over the years should be netted out and put back into

account 145, "Accounts Receivable from Associated Companies" or account 146, "Notes Receivable from Associated Companies." But that would require WMSI to violate the clear mandate of NARUC, which provides in the instructions under account 146 on page 66 as follows:

> Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies. (Emphasis added.) See **Exhibit "K"** attached.

The instruction under account 145 on page 65 says: "See account 146."

The word "shall" is mandatory, and all advances to associated companies have been properly recorded in account 123, including those which were originally carried in accounts 145 and 146, but which were not paid within one year.

The reclassification of the 123 balance back into accounts 145 or 146 would also require WMSI to amend many years of Federal and State tax returns which have treated the funds represented in account 123 as equity, not debt, on the advice of WMSI's tax professionals. This would cause havoc with WMSI's tax accounting and would be unexplainable to the IRS and WMSI's lenders.

SUMMARY

This entire subject of WMSI's cash flow and account 123 is irrelevant to any issue properly before the Commission in this proceeding. Accordingly, WMSI will have nothing else to say on this subject until and unless the Commission enters an order which defines the precise legal issue involved in this docket, and the legal standard which either was or was not violated by WMSI.

TRANSCRIPT OF

AUGUST 2, 2012

COMMISSION AGENDA CONFERENCE

EXCERPTS

HWS-10

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 110200-WU

APPLICATION FOR INCREASE IN WATER RATES IN FRANKLIN COUNTY BY WATER MANAGEMENT SERVICES, INC.

_____/

PROCEEDINGS:	COMMISSION CONFERENCE ITEM NO. 7
COMMISSIONERS PARTICIPATING:	CHAIRMAN RONALD A. BRISÉ COMMISSIONER LISA POLAK EDGAR COMMISSIONER ART GRAHAM COMMISSIONER EDUARDO E. BALBIS COMMISSIONER JULIE I. BROWN
DATE:	Thursday, August 2, 2012
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JANE FAUROT, RPR Official FPSC Reporter (850) 413-6732

DOCUMENT NUMBER-DATE
05672 AUG 17 12
FPSC-COMMISSION CLERK

evidentiary proceeding to really dive into that, so I'm hesitant to stamp management imprudence at this point on this issue. But I would like to hear from other Commissioners.

CHAIRMAN BRISÉ: I think we are going to go back to Mr. Brown. I mean, we were asking questions in this space. I don't think that we are going to complete this issue or the remaining issues prior to 1:00, so I think it would probably be a good time for us to recess for our lunch break and return here at, I guess, 1:15, and then we will continue from there.

Okay. So at this time we will recess until 1:15.

(Lunch recess.)

CHAIRMAN BRISÉ: Good afternoon. We are reconvening now at 1:20, and we are on Docket Number 110200. And we were going to allow Mr. Brown to continue with his comments at this time.

MR. BROWN: Thank you, Mr. Chairman. I hope some of you have the memo that I delivered late yesterday because I'm going to -- I know we don't have time for me to go through that, which is the reason I sent it over yesterday after I got Mr. Sayler's the day before. So I'll just try to highlight some points I made in that, and I would like to encourage you to stop

me and ask questions when you think something is important or you're not following. I know this maybe gets a little confusing and I'd like to clarify a few things.

First of all, as I stated in my memo, I have a bit of a problem with the way this issue is worded because it refers to the utility's cash advances to the president, which is me, and associated companies in the amount of 1.2 represented by Account 123.

Well, let me just give you a little history of this account. As some of the senior staff here knows, I've always invested back and forth. A lot of that's been done to keep the utility afloat, and it's just been my nature. And some of the senior staff, Marshall Willis and some others, will tell you that's just the way we've always done business, and done it through two companies, a water company and Brown Management, which is a conglomerate, a Sub S corporation.

But until 2003 over -- ever since the '70s those were counted under accounts, accounted for under Accounts 145 and 146, which are advances, are cash loan accounts. But in 2004 we started looking a little closer at NARUC, which we're mandated by order of this Commission to follow, and we looked to the part that

said items which do not have a specified date but which have been carried for more than 12 months and items that are not paid within 12 months shall, not may, not if you want to, but shall be transferred to Account 123, investments in associated companies.

So that's a whole different animal; that's an equity investment. And that's the way it was treated, that's the way we've always handled it on our tax returns from that point forward. And it's a little disingenuous, I think, in the staff recommendation to say that this all built up the last few years. In fact, at the end of '03 those dead accounts were transferred as equity. And at this point Water Management, because of these investments, owns 100% of the stock and therefore the ownership, and part of that involved a transfer back of a 10% ownership in Water Management Services. So that became treasury stock and went to the remaining shareholders in Water Management.

The other equity in Brown Management was a series of houses, real estate, different things that have been used over the years to keep this company afloat. For example, in the 2010 test year when we were litigating the last case and we came up $705,000 short in cash, Brown Management sold two assets at a fire sale for $421,000, which helped fund the water

MR. MAUREY: The Commission on its own motion can launch an investigation. If this matter gets protested, I'm sure additional discovery will occur in this docket.

COMMISSIONER BALBIS: Okay. That's all I had at this time.

CHAIRMAN BRISÉ: Commissioner Brown.

COMMISSIONER BROWN: Thank you.

And, Mr. Maurey, you just said exactly what my concerns are, is the utility's ability to secure the necessary financing to make the improvements that are critical. And a finding of managerial imprudence, I do believe, would be detrimental to the utility as well as the customers because ultimately the financing will most likely not be secured.

I don't know if -- my feelings are was this an accounting error, are there accounting errors that have been repeatedly occurring, or is it managerial imprudence? I don't know if we have enough evidence at this stage in the PAA process to support a clear finding of managerial imprudence.

CHAIRMAN BRISÉ: Okay. Mr. Maurey, did you have a comment?

MR. MAUREY: Oh, is there -- I didn't think there was a question there.

CHAIRMAN BRISÉ: Okay. Okay. Okay. That was a period there.

I think that we are in the proper posture for a motion.

Commissioner Edgar.

COMMISSIONER EDGAR: Thank you, Mr. Chairman. I'll put this out there and see if it gets, gets legs. Obviously we've had a lot of discussion on this item. We had the staff recommendation before us, the additional written information, and then further verbal details supplied by both of the parties, much of which focuses on the issues within Issue 15 and those related to it.

As I read the information before us, my understanding is that Issue 15, the way it is presented, has primarily three pieces. The first is looking at the staff recommendation on 15. The first piece of, or what I'm dividing into three parts, the first would be the escrow proposal. And I believe that that was addressed in our decision on Issue 5; is that correct?

MR. MAUREY: That's correct.

COMMISSIONER EDGAR: All right. Then I'm going to consider that first part of the staff recommendation disposed of by our earlier decision.

The second piece is the recommendation of a salary reduction to the utility president with accompanying reductions in benefits and pension related expenses.

And then the third is a finding or a recommendation of a finding of managerial imprudence. I'm going to just take those backwards.

Regarding the finding of managerial imprudence, speaking for myself I am uncomfortable making a finding such as that in a non-evidentiary hearing based on, again, the procedural posture that we are in and the information that we have before us. I do believe that the term "imprudence" in our deliberations is often a term of art and does have legal ramifications that may apply in other, other legal forums, but I do believe has specific meaning in our deliberations and under our statutes and our precedential decisions. Therefore, I'm uncomfortable using that term in the posture that we are now in.

I do, however, believe that there have, as has been pointed out, there have been some missed payments. We have had significant discussion about the DEP loan and how that was handled and the posture that it is in. And I also believe that there has been additional workload on the utility, on many of the

Commissioner Balbis.

COMMISSIONER BALBIS: Thank you. And I would just like to have some discussion on the motion that's before us. I somewhat agree with Commissioner Graham on where the reduction should take place if we find there's a reduction.

I just -- you know, what we have before us is staff, based on an audit report that there's an additional cost to the customers of $208,695 due to the amendment three to the DEP permit or DEP loan. So I just want to make sure that the customers don't pay for any of that additional interest.

And I appreciate the calculations that are presented to us. But, you know, unfortunately in this process I can't base my decisions on a back-of-the-envelope calculation. And, you know, perhaps an evidentiary hearing on this issue would have been -- or can, is warranted. So I'm not that concerned with what account or what person's salary is reduced as long as the customers don't pay for these additional costs. And I think the motion does that. I'm not sure if a percentage of that amount -- you know, my position is these are additional costs identified by staff. The customers shouldn't pay for any that, not a percentage of it. But, you know,

COMMISSION STAFF AUDIT REPORT

CASH FLOW AUDIT

JULY 29, 2011

HWS-11

State of Florida

Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Water Management Services, Inc.
Cash Flow Audit

From January 1, 2004 to December 31, 2010

Docket No. 100104-WU
Audit Control No. 11-007-1-2
July 29, 2011

Debra M. Dobiac
Audit Manager

Lynn M. Deamer
Reviewer

DOCUMENT NUMBER-DATE
05312 JUL 29 =
FPSC-COMMISSION CLERK

Table of Contents

Purpose 1

Objectives and Procedures 2

Audit Findings
1: Associated Companies – General 5
2: Cash – Receipts and Disbursements 7
3: Investments in Associated Companies 9
4: Debt Incurred by Gene Brown and Associated Companies 12
5: Department of Environmental Protection Loan Restructured 13

Exhibits
1: Comparative Statement of Cash Flows 14
2: Comparative Net Change in Debt 16
3: Comparative Cash Receipts and Disbursements 17

Purpose

To: Florida Public Service Commission

We performed the procedures enumerated in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 7, 2011. Audit staff applied these procedures to prepare the accompanying Exhibits 1 through 3 for the period January 1, 2004 to December 31, 2010 for Water Management Services, Inc.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

The audit period is from January 1, 2004 to December 31, 2010.

The Utility or WMSI refers to Water Management Services, Inc., which is a C Corporation for tax purposes.

Gene D. Brown is the President and General Manager of the Utility.

During the Utility's last rate case, Docket No. 100104-WU, an issue was raised concerning the balance in the Utility's Account 123 – Investments in Associated Companies. Order No. PSC-11-0010-SC-WU[1] states:

> Based on the record in this proceeding, it cannot be determined if the level of investment in associated companies is appropriate. However, the amounts in question are not included in rate base and are not considered in the determination of the appropriate rates. That said, based on the circumstances in this case, our staff shall initiate a cash flow audit of the Utility as soon as possible, and, if it is determined that the activity in the account has impaired the Utility's ability to meet its financial and operating responsibilities, our staff shall recommend an appropriate adjustment for imprudence.

Subsequent Events

The Utility provided its own cash flow analysis on May 20, 2011, which we did not audit. The Statement of Cash Flows and the findings in this report are based on audit staff's analysis of the Utility's books and records.

Audit staff was informed that, on January 3, 2011, the security interest in Brown Management Group, Inc. was transferred to the Utility for the value of the balance in Account 123 – Investment in Associated Companies as of December 31, 2010. The Utility now owns 100 percent of Brown Management Group, Inc. This transaction has no effect on the conclusions drawn in this report.

Audit Finding 1 discusses the business relationships between the Utility and the associated companies.

Cash Flow Analysis

Cash

Objectives: The objectives were to determine the beginning and ending balances of cash for each month of the audit period and to compare the cash received for services rendered to the cash

[1] Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc., page 56.

disbursed for utility-related expenses. An additional objective was to determine how the Utility accounted for any cash deficiencies.

Procedures: Audit staff scheduled each of the Utility's 14 cash accounts by month for the audit period and separated cash receipts from disbursements. We determined the disposition of any excess cash or the resolution of any cash shortages. Audit Finding 2 discusses our findings.

Investments in Associated Companies

Objectives: The objectives were to determine the beginning and ending balance recorded in the National Association of Regulatory Utility Commissioners (NARUC) Account 123 – Investments in Associated Companies for each month of the audit period and to verify the movement of funds between the Utility and associated companies.

Procedures: We scheduled the beginning and ending balance for each month of the audit period for Account 123 – Investment in Associated Companies (Account 123). Audit staff documented the transactions that represented cash flows into the Utility from associated companies and cash flows out of the Utility to associated companies.

Objectives: The objectives were to:

- Review all invoices, receipts, and other documentation that verifies amounts paid by Gene Brown and associated companies on behalf of the Utility for the audit period,
- Insure that these amounts are not duplicative of other expenses or investments recorded on the Utility's books and records, and
- Verify how much, if any, of the balance recorded in Account 123 represents amounts due to or from Gene Brown and associated companies for utility-related expenses.

Procedures: Audit staff analyzed all invoices, receipts, and other documentation supporting the 1,368 transactions in Account 123 and determined if the amounts represented security investments or were duplicative of the Utility's expenses. Audit Finding 3 discusses these transactions.

Debt Instruments

Objectives: The objective was to determine how much debt Gene Brown or associated companies incurred on behalf of the Utility over the audit period. In addition, we were to obtain copies of all loan agreements or other documentation that verifies the debt and to prepare a schedule that details the terms and conditions of all identified debt.

Procedures: We scheduled the 17 current and long-term notes payable accounts recorded on the Utility's books, which indicated the beginning and ending balance of debt for each month of the audit period. Audit staff obtained copies of the loan agreements or other documentation that verified the amount of debt incurred by Gene Brown and associated companies used for the Utility's operations. Audit Finding 4 discusses the debt.

Objectives: The objective was to verify the change in interest rate, the amount of the decrease in the annual debt service, and the incremental increase in interest paid over the term of the new

Department of Environmental Protection (DEP) loan compared to the total amount of interest applicable to the original loan.

Procedures: We scheduled the DEP loan and its four amendments noting the parameters listed in the preceding objectives. Audit Finding 5 discusses our results.

Audit Findings

Finding 1: Associated Companies – General

Audit Analysis: The following is NARUC's definition of Associated Companies:

> "Associated Companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.
>
> "Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

The following associated companies identify Gene Brown as an Officer, a Director, and majority owner:

- Brown Management Group, Inc.
- Leisure Development Services, Inc.
- St. George's Plantation, Inc.
- Equity Management Systems, Inc. – dissolved August 6, 2010
- Real Estate Services of North Florida, Inc. – dissolved August 6, 2010
- Gene D. Brown, P.A. – dissolved September 26, 2008

The following partnership identifies Gene Brown as the Managing Partner and majority owner:

- Real Estate Equities of Florida, LLC – dissolved August 6, 2010

The following partnerships identify a company for which Gene Brown is an Officer, a Director, and majority owner as the General Partner:

- Leisure Properties, Ltd.
- St. George Island Utility Co., Ltd.

In addition, Sandra Chase, the Vice President of the Utility, is the President and Director of SMC Investment Properties, Inc., which is also an associated company of the Utility.

Audit staff requested that the Utility provide any contracts, agreements, or other business arrangements between the Utility's officers and directors for professional services for each firm, partnership, or organization with which the director or officer is affiliated. The Utility stated that there are no written documents responsive to this request.

Conclusion: Gene Brown owns, either personally or through various business entities, the controlling interest in the Utility and the associated companies referenced above except for SMC

Investment Properties, Inc. Therefore, all transactions between the Utility and associated companies other than SMC Investment Properties, Inc. are under the absolute control of Gene Brown.

Finding 2: Cash – Receipts and Disbursements

Audit Analysis: We compared the Utility's cash received to the cash spent on utility and non-utility related expenditures. Table-1 summarized the results from the Utility's cash disbursement journal.

Table-1

Water Management Services, Inc.

		UTILITY ACTIVITY			NON-UTILITY ACTIVITY			
For Twelve Months Ending:	Total Cash	Cash Receipts	Cash Disbursements	Net Cash	Cash Receipts	Cash Disbursements	Net Cash	Total Cash
12/31/2003	$ 441,242							
Net Change	$ 7,346	$ 2,299,729	$ (2,632,838)	$ (333,109)	$ 881,792	$ (541,337)	$ 340,455	$ 7,346
12/31/2004	448,588							
Net Change	(274,769)	2,226,978	(1,930,387)	296,591	258,836	(830,196)	(571,360)	(274,769)
12/31/2005	173,819							
Net Change	(103,131)	2,017,197	(1,806,488)	210,709	200,056	(513,896)	(313,840)	(103,131)
12/31/2006	70,688							
Net Change	(60,887)	1,971,529	(1,888,752)	82,777	211,190	(354,854)	(143,664)	(60,887)
12/31/2007	9,801							
Net Change	(28,783)	2,210,356	(2,011,331)	199,025	231,279	(459,087)	(227,808)	(28,783)
12/31/2008	(18,982)							
Net Change	2,639	1,460,251	(1,429,435)	30,816	413,475	(441,652)	(28,177)	2,639
12/31/2009	(16,343)							
Net Change	16,796	1,489,158	(1,533,492)	(44,334)	363,989	(302,859)	61,130	16,796
12/31/2010	453							
Total Period Net Change:	$ (440,789)	$ 13,675,198	$ (13,232,723)	$ 442,475	$ 2,560,617	$ (3,443,881)	$ (883,264)	$ (440,789)

The utility activity cash receipts include utility loan proceeds, cash advances, interest income, proceeds from the sale of assets, proceeds from the Supply Main lawsuit,[2] and cash received for regulated utility services. The utility activity cash disbursements include loan payments, credit card payments, lease payments, and utility-related investment in capitalized assets and operational expenses. As shown in Table-1, cash receipts were greater than cash disbursements in five of the seven years. In two of the years, 2004 and 2010, cash disbursements were greater than cash receipts.

The non-utility activity cash receipts include funds from Gene Brown, associated companies, proceeds from a lease agreement, and cash received from non-utility services. The non-utility activity cash disbursements include funds to Gene Brown, associated companies, payroll tax penalties, bank and credit card fees, and other costs pertaining to non-utility services. In five of the seven years, cash disbursements were greater than cash receipts. In two of the years, 2004 and 2010, cash receipts were greater than cash disbursements.

[2] See Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc., page 12.

In the utility activity cash disbursement totals in Table-1, transactions include a minimal amount of late fees and finance charges, which normally is a non-utility activity. Because the amount is approximately .007 percent of the $13 million, we did not itemize these fees. Audit staff believes that the fees would not have a material impact on Table-1.

We analyzed the Accounts Receivable (A/R) aging reports for the years 2005 through 2010. The Utility did not have a 2004 A/R aging report available. For the six years reviewed, the A/R average aging reports show that 77 percent of the accounts are current, 4 percent are 30-59 days past due, 1 percent are 60-89 days past due, and 18 percent are greater than 90 days past due. Audit staff also analyzed the Accounts Payable (A/P) aging reports for the years 2004 through 2010. For the seven years reviewed, the A/P average aging reports show that 22 percent of the accounts are current, 14 percent are 31-60 days past due, 6 percent are 61-90 days past due, and 58 percent are greater than 91 days past due.

Conclusion: During the audit period, utility activity cash receipts exceeded cash disbursements by $442,475; therefore, cash flow was positive. Non-utility activity cash disbursements exceeded cash receipts by $883,264; therefore, cash flow was negative. Overall, cash disbursements for the Utility exceeded cash receipts by $440,789; therefore, cash flow was negative.

The analysis of the Utility's A/R and A/P aging reports demonstrate that the Utility receives its cash from the ratepayers in a timely manner, but does not pay its operational and financing expenses timely.

Finding 3: Investments in Associated Companies

Audit Analysis: NARUC defines Account 123 – Investment in Associated Companies as follows:

> A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition in Finding 1) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest-bearing investments (See account 419-Interest and Dividend Income).
>
> B. The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company together with full particulars regarding any of such investments that are pledged.

Based on the review of the supporting documentation for the 1,368 transactions (averaging approximately 17 transactions per month) in Account 123 during the audit period, we determined that the transactions were either:

1. Utility cash being used for the benefit of Gene Brown or associated companies, and vice versa, or
2. Utility-related expenses being recorded in a non-cash transaction, e.g. recording legal expense without actually paying Gene Brown for his services or selling a vehicle to Brown Management Group by removing the asset and the corresponding debt without recording cash proceeds.

Audit staff does not believe that these 1,368 transactions recorded during the audit period meet the NARUC definition for Account 123 – Investments in Associated Companies. We reclassified the transactions as shown in Table-2.

Table-2

Account	Description	Debit	Credit
145	A/R-Gene Brown	$2,127,074	
145	A/R-Brown Management Group	$ 458,684	
145	A/R-Gene Brown PA	$ 62,168	
145	A/R-Equity Management Systems	$ 71,606	
145	A/R-Real Estate Services of North Florida	$ 5,460	
145	A/R-Real Estate Equities of Florida	$ 39,489	
145	A/R-Reed Brown	$ 2,705	
145	A/R-Land in Florida, Inc	$ 197,978	
145	A/R-Leisure Development	$ 150	
145	A/R-Leisure Properties	$ 6,598	
145	A/R-St. George Island Utility Company	$ 41,127	
145	A/R-St. George Plantation	$ 150	
145	A/R-SMC Investments	$ 85,000	
145	A/R-Nancy Allee	$ 100	
123	Investments in Associated Companies		$1,175,075
233	A/P-Gene Brown		$ 576,460
233	A/P-Brown Management Group		$ 708,574
233	A/P-Gene Brown PA		$ 347,519
233	A/P-Equity Management Systems		$ 182,211
233	A/P-Real Estate Services of North Florida		$ 100
233	A/R-Real Estate Equities of Florida		$ 20,350
233	A/P-SMC Investments		$ 85,000

Conclusion: Order No. PSC-11-0010-SC-WU[3], with respect to Account 123, states:

> Witness Brown testified that all funds that flowed through this account were used to pay debt service on loans incurred by BMG and himself personally to obtain financing to keep the Utility in operation.

Audit staff's analysis demonstrates that the transactions in Account 123 – Investment in Associated Companies should be zero. The amount of $3,095,289 should be recorded as a receivable from Gene Brown and associated companies. The amount of $1,920,214 should be recorded as a payable to Gene Brown and associated companies. This results in a net receivable from Gene Brown and associated companies of $1,175,075, which is the same amount recorded in Account 123 – Investments in Associated Companies as of December 31, 2010. Table-2 reflects the entries necessary to record the balances described above.

The net receivable of $1,175,075 from Gene Brown and associated companies, as of December 31, 2010, represents funds that have been moved out of the Utility for either Gene Brown's personal use or one of his associated companies.

[3] Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc., page 51.

Finding 4: Debt Incurred by Gene Brown and Associated Companies

Audit Analysis: We scheduled the details of the terms and conditions of the debt and/or loans, which Gene Brown (GDB) claims was incurred by him and Brown Management Group (BMG) on behalf of the Utility. The results are summarized in Table-3.

Table-3

Financial Institution	Borrower	Term	Original Amount	Outstanding Balance 12/31/2010	Interest Rate
(1) ASB[4]	GDB PA	Revolving Credit	$ 20,000	$ 17,869	Variable
(2) ASB	GDB PA	Revolving Credit	$ 30,000	$ 28,335	Variable
(3) ASB	GDB	20 years	$150,000	$148,092	Variable
(4) FMB[5]	BMG	20 years	$360,000	$ -0-	7.50%
(5) FMB	BMG	Three years	$ 50,301	$ 27,851	6.75%
(6) FMB	BMG	Five years	$175,000	$ -0-	6.85%
(7) CSB[6]	BMG	One year	$150,000	$150,000	6.50%
		TOTAL:	$935,301	$372,147	

Debts (1) and (2) are business flexline accounts. Debt (3) is an equity line secured by Gene Brown's home. Debt (4) represents the mortgage for the purchase of two lots on November 1, 2007. Brown Management Group purchased these lots, which were originally purchased by the Utility for $236,000 in 2006. However, the Utility purchased those lots from Brown Management Group for $325,000 on October 15, 2010. Debt (5) is a business loan for working capital and debt (6) was a business loan paid off on August 3, 2010. Finally, debt (7) is a commercial revolving draw, which renews annually.

Conclusion: These funds have been accounted for through the recommended entry in Audit Finding 3 (Table-2) as payables.

[4] ASB – Amsouth Bank
[5] FMB – Farmers and Merchants Bank
[6] CSB – Citizens State Bank

Finding 5: Department of Environmental Protection Loan Restructured

Audit Analysis: The Utility entered into a loan agreement with the Department of Environmental Protection (DEP) on December 20, 2001. The principal amount of the loan was $3,000,000, excluding capitalized interest, with a loan service fee of $58,252 and an interest rate of 3.05 percent per annum. The loan was to be repaid in 40 semiannual payments (20 years) of $104,894 beginning on November 15, 2003.

The Utility entered into Amendment 1 of the loan agreement on December 31, 2002. The additional financing was for $3,080,833, excluding capitalized interest, with another loan service fee of $59,823, an interest rate of 2.93 percent per annum, and with a revised semiannual payment of $209,823.

On September 30, 2004, the Utility entered into Amendment 2, which revised the semiannual payments to $208,695 in order to reflect the capitalized interest and payments made to date.

On December 30, 2009, the Utility entered into Amendment 3, which represented a restructuring of the loan because it missed a payment on November 15, 2009. This amendment deferred the May 15, 2010 payment and extended the term to 60 semiannual payments (30 years) with no change to the interest rates. The revised semiannual payments of $104,751 were to begin November 15, 2010.

The Utility entered into Amendment 4 on February 18, 2011 because of a missed payment on November 15, 2010. The Utility made an interest payment of $73,096 on May 15, 2011. The revised semiannual payments of $152,442 will begin on November 15, 2011. There will be no change to the interest rates or remaining term.

Conclusion: The term of the DEP loan was increased an additional 10 years, which lowered the Utility's annual loan payments by $112,507, however the incremental increase in interest expense over the term of the loan will be $928,071.

Exhibits

Exhibit 1: Comparative Statement of Cash Flows

	12/31/2004		12/31/2005		12/31/2006		12/31/2007		12/31/2008		12/31/2009	12/31/2010	Seven Year Activity 12/31/2010
Cash from Operations													
Income/(Loss) from continuing operations	$ 79,037		$ (61,607)		$ (94,716)		$ (57,770)		$ (260,464)		$ (331,691)	$ (504,038)	$ (1,231,249)
Adjustments to reconcile income to net cash from operations:													
Deprec/Amort	222,243		222,800		233,901		207,664		196,776		175,545	199,395	1,458,323
Loan Fees Amort	403		12,699		29,730		19,073		18,939		18,643	12,103	111,590
(Gain)/Loss on Sale of UPIS	6,330		(23,160)		(227,098)		(210,420)		7,286		(4,500)	(1,500)	(453,061)
PSC Adjustments	-		-		-		-		-		-	222,536	222,536
Accounts Receivable	(11,090)		5,292		(7,754)		17,458		2,235		7,811	(34,505)	(20,554)
Prepaid Expense	(9,466)		(132)		(4,072)		(10,445)		7,224		8,282	31	(8,578)
Interest Receivable	-		(719)		719		-		-		-	-	-
Misc. Deferred Debits	(148,942)		(6,502)		38,113		38,800		38,800		(26,738)	(164,482)	(230,951)
Accounts Payable	(253,815)		(9,264)		(60,822)		5,429		(38,142)		109,682	270,016	23,085
Customer Deposits	2,485		1,738		(6,210)		101,681		(26,414)		(5,146)	32,505	100,639
Accruals	17,054		14,270		(17,350)		357		(25,572)		57,071	(41,088)	4,742
Operating Reserves	-		-		-		-		-		80,000	(80,000)	-
Net Cash Flows from Operations	(95,760)		155,416		(115,559)		111,828		(79,334)		88,958	(89,027)	(23,478)
Cash Flows from Investing													
UPIS	(164,785)		(123,742)	B	(103,038)	C	427,107	E	660,188	F	(12,981)	(211,768)	470,981
Investments in Assoc Co	(110,532)	A	(535,316)		(127,586)		(151,183)		(236,086)		(53,202)	38,830	(1,175,075)
A/R-Assoc Co	240,306	A	-		-		-		-		-	-	240,306
N/R-Assoc Co	-		-		(200,000)	D	-		50,000		50,000	100,000	-
Non-Utility Property	-		-		-		-		-		-	(325,800)	(325,800)
Disallowed Investment in UPIS	(380,773)		-		-		-		-		-	-	(380,773)
Net Cash Flows from Investing	(415,784)		(659,058)		(430,624)		275,924		474,102		(16,183)	(398,738)	(1,170,360)
Cash Flows from Financing													
Advances for Construction	(3,300)		(2,850)		(900)		(1,200)		(300)		(300)	(9,707)	(18,557)
CIAC	99,351		77,109		38,633		26,264		29,967		26,939	149,109	447,372
Notes Payable	50,000		435,982		(328,698)		(172,996)		(2,993)		(202,239)	2,701,532	2,480,587
Long-term Debt	372,837		(281,367)		734,019		(300,707)		(450,225)		105,463	(2,336,372)	(2,156,354)
Net Cash Flows from Financing	518,888		228,873		443,053		(448,639)		(423,551)		(70,138)	504,561	753,048
Increase (decrease) in Cash	7,345		(274,769)		(103,130)		(60,888)		(28,782)		2,638	16,796	(440,791)
Cash, beginning of the year	441,243		448,588		173,819		70,689		9,801		(18,982)	(16,343)	441,243
Cash, end of the year	$ 448,588		$ 173,819		$ 70,689		$ 9,801		$ (18,982)		$ (16,343)	$ 453	$ 453

See Notes on the following page.

NOTES: A Prior to 2004, the Utility recorded their investments in associated companies as receivables/payables. The following journal entry notes the consolidation of those accounts into Account 123:

Acct	Description	Debit	Credit
123.00	Inv in Associated Companies	$ 109,258	
145.30	A/R - Land in Florida, Inc.		$ 197,978
145.50	A/R - Leisure Properties		$ 6,072
145.60	A/R - SGIUC Partners		$ 36,891
233.22	A/P - GDB PA	$ 34,326	
233.26	A/P - GDB	$ 97,357	

B Includes retirement of the land, building, and office furniture from sale of the Tallahassee office building less the purchases of 2002 Silverado, dump truck, and backhoe trailer.

C Includes the state park T&Ds in-service placement, the purchase of two lots in Tallahassee, and the sale of the 2002 Silverado.

D The notes receivable-associated companies was a promissary note from BMG to the Utility for the sale of the apartments in the island office building as per Order No. PSC-05-1156-PAA-WU.

E Includes the sales of the two lots to BMG, the 2005 dump truck, the 2001 GMC pickup, and the purchase of the 2008 GMC Sierra pickup.

F Includes settlement proceeds of $719,337 ($800,000 less $80,663 in legal fees) from Supply Main lawsuit.

Exhibit 2: Comparative Net Change in Debt

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	Seven Year Activity 12/31/2010
Notes Payable								
N/P-Curr-Wachovia / World Omni	$ (6,485)	$ -	$ -	$ 8,271	$ (8,271)	$ -	$ -	$ (6,485)
N/P-Curr-GSB (GMC)	(2,330)	(3,978)	-	-	-	-	-	(6,308)
N/P-Curr-Envision GMC/Chev Loan	5,889	325	424	359	(6,997)	3,704	223	3,927
N/P-Curr-FMB (GMC) / CCB (GMC)	645	(7,578)	-	6,902	477	503	(7,882)	(6,933)
N/P-Curr-Hitachi GMC Loan	-	8,186	675	(8,861)	-	-	-	-
N/P-Curr-Gulf State Bank/Centennial Bank	23,257	(1,618)	(50,845)	42,699	1,702	1,971	2,716,800	2,733,966
N/P-Current-CCB-Chevrolet Loan	-	11,410	(11,410)	-	-	-	-	-
N/P-Curr-Bank of Tallahassee	-	-	220,000	(220,000)	-	-	-	-
N/P-Current-GSB Wcap Loan	-	252,783	(252,783)	-	-	-	-	-
N/P-Curr-GMAC	-	-	6,541	(6,541)	-	-	-	-
N/P-Curr-Wakulla GMC Loan	-	187,183	(180,745)	(6,438)	-	-	-	(0)
N/P-Curr-D.E.P.	4,624	8,622	(2,912)	7,762	7,996	(200,349)	6,249	(168,007)
N/P-Curr- F.C.C.U. (GMC)	-	-	-	-	-	3,957	247	4,204
N/P-Current-Bank of Perry	(6,492)	(17,337)	(43,200)	-	-	-	-	(67,030)
N/P-Current-GSB RAF Loan	8,338	(2,263)	(6,075)	-	-	-	-	-
N/P-Curr-FMB Backhoe Loan	23,580	5,968	(8,369)	2,851	2,100	(12,026)	(14,104)	-
N/P-Curr-FMB-Mortgage	(1,027)	(5,722)	-	-	-	-	-	(6,749)
	50,000	435,982	(328,698)	(172,996)	(2,993)	(202,239)	2,701,532	2,480,587
LT Debt								
N/P-Wachovia / World Omni	(7,161)	-	-	17,145	(17,145)	-	-	(7,161)
N/P-GSB-GMC	(3,971)	-	-	-	-	-	-	(3,971)
N/P-Envision GMC/Chev Loan	32,597	(6,293)	(6,738)	(6,997)	(12,569)	13,397	(3,959)	9,438
N/P-FMB (GMC) / CCB (GMC)	(7,570)	(1,364)	-	31,145	(7,379)	(7,882)	(15,884)	(8,934)
N/P-Hitachi GMC Loan	-	36,230	(8,864)	(27,366)	-	-	-	(0)
N/P-Curr-Gulf State Bank/Centennial Bank	48,492	(58,889)	2,719,848	(56,253)	(113,625)	(54,848)	(2,766,794)	(282,068)
N/P-CCB-Chevrolet Loan	-	22,271	(22,271)	-	-	-	-	-
N/P-GMAC	-	-	22,834	(22,834)	-	-	-	-
N/P-Wakulla GMC Loan	-	-	10,282	(10,282)	-	-	-	-
N/P-FMB-Lot Loan	-	-	-	-	-	-	315,595	315,595
N/P-D.E.P.	329,079	(251,460)	(247,240)	(265,449)	(273,445)	135,598	138,867	(434,050)
N/P- F.C.C.U. (GMC)	-	-	-	-	-	14,271	(4,208)	10,063
N/P-Bank of Perry	(54,910)	83,957	(1,712,744)	-	-	-	-	(1,683,697)
N/P-FMB Backhoe Loan	41,700	(20,612)	(21,088)	40,183	(26,062)	4,926	10	19,057
N/P-FMB Mortgage	(5,419)	(85,208)	-	-	-	-	-	(90,627)
	372,837	(281,367)	734,019	(300,707)	(450,225)	105,463	(2,336,372)	(2,156,354)
Total:	$ 422,837	$ 154,614	$ 405,320	$ (473,704)	$ (453,218)	$ (96,777)	$ 365,160	$ 324,233

Exhibit 3: Comparative Cash Receipts and Disbursements

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	Seven Year Activity 12/31/2010
UTILITY ACTIVITY								
Cash Receipts								
Accounts Receivable	$ 1,497,724	$ 1,491,003	$ 1,495,885	$ 1,659,592	$ 1,365,652	$ 1,345,936	$ 1,471,448	$ 10,327,240
Credit Card Cash Advances	-	30,000	43,200	10,000	44,000	38,000	17,700	182,900
Interest Income	7,022	7,675	6,760	816	2,543	15	10	24,841
Loan Proceeds	794,983	647,317	365,840	66,789	-	72,300	-	1,947,229
Supply Main Lawsuit Proceeds	-	-	-	-	798,161	-	-	798,161
Sales of Assets	-	50,983	105,512	234,332	-	4,000	-	394,827
Subtotal:	2,299,729	2,226,978	2,017,197	1,971,529	2,210,356	1,460,251	1,489,158	13,675,198
Cash Disbursements								
Utility Expenses/Capital	(1,403,185)	(575,659)	(656,115)	(490,636)	(568,613)	(369,000)	(579,285)	(4,642,493)
Payroll	(287,707)	(262,475)	(257,850)	(340,001)	(356,575)	(364,725)	(349,460)	(2,218,793)
Charles Schwab - 401(k) Plan	-	(18,680)	(26,936)	(16,819)	(21,456)	(21,927)	(22,310)	(128,128)
Credit Card Payments	(24,844)	(25,951)	(106,906)	(76,856)	(109,631)	(114,398)	(87,213)	(545,799)
D.E.P. Loan	(418,518)	(417,390)	(208,695)	(417,390)	(417,390)	(208,695)	-	(2,088,078)
Equipment/Vehicle Lease Payments	(44,251)	(56,243)	(39,683)	(6,876)	(15,997)	(14,068)	(40,495)	(217,613)
Loan Payments	(279,523)	(400,343)	(342,409)	(360,336)	(343,006)	(210,723)	(202,803)	(2,139,143)
Payroll Tax Payments	(96,491)	(109,993)	(100,823)	(112,987)	(114,053)	(62,405)	(186,815)	(783,567)
Public Service Commission	(78,319)	(63,653)	(67,071)	(66,851)	(64,610)	(63,494)	(65,111)	(469,109)
Subtotal:	(2,632,838)	(1,930,387)	(1,806,488)	(1,888,752)	(2,011,331)	(1,429,435)	(1,533,492)	(13,232,723)
Net Cash for Utility Activity:	(333,109)	296,591	210,709	82,777	199,025	30,816	(44,334)	442,475
NON-UTILITY ACTIVITY								
Cash Receipts								
Accounts Receivable - Non-utility	396,947	250	-	-	-	-	-	397,197
Lease Agreements	7,355	23,021	21,696	-	-	-	-	52,072
Brown Management Group	-	10,000	360	3,775	215,029	363,261	301,248	893,673
Gene D. Brown	433,250	214,165	71,000	32,415	16,250	45,714	61,741	874,535
Gene D. Brown, PA	42,350	8,900	100,500	-	-	4,500	-	156,250
Other Associated Companies	1,890	2,500	6,500	175,000	-	-	1,000	186,890
Subtotal:	881,792	258,836	200,056	211,190	231,279	413,475	363,989	2,560,617
Cash Disbursements								
Bank Charges	(2,568)	(3,315)	(1,720)	(1,113)	(2,672)	(4,058)	(3,382)	(18,828)
Brown Management Group	-	(61,450)	(40,050)	(82,650)	(100,750)	(108,391)	(62,940)	(456,231)
Cost of Contract Work	(190,936)	-	-	-	-	-	-	(190,936)
Credit Card Fees	(1,742)	(2,245)	(2,461)	(2,314)	(38)	-	-	(8,800)
Gene D. Brown	(293,934)	(739,898)	(431,818)	(192,287)	(246,975)	(317,935)	(227,605)	(2,450,452)
Gene D. Brown, PA	(51,800)	(8,850)	(10,100)	(18,700)	(21,100)	(2,400)	-	(112,950)
Other Associated Companies	(800)	(6,100)	(17,871)	(57,500)	(85,000)	(5,950)	(1,200)	(174,421)
Payroll Tax Penalties	443	(8,338)	(9,876)	(290)	(2,552)	(2,918)	(7,732)	(31,263)
Subtotal:	(541,337)	(830,196)	(513,896)	(354,854)	(459,087)	(441,652)	(302,859)	(3,443,881)
Net Cash For Non-Utility Activity:	340,455	(571,360)	(313,840)	(143,664)	(227,808)	(28,177)	61,130	(883,264)
Cash from WMSI Accounts	2,073,848	791,908	418,739	569,645	1,312,159	323,445	456,656	5,946,400
Cash to WMSI Accounts	(2,073,848)	(791,908)	(418,739)	(569,645)	(1,312,159)	(323,445)	(456,656)	(5,946,400)
Increase (Decrease) in Cash	7,346	(274,769)	(103,131)	(60,887)	(28,783)	2,639	16,796	(440,790)
Cash, Beginning of Year	441,243	448,588	173,819	70,689	9,801	(18,982)	(16,343)	441,243
Cash, End of Year	$ 448,589	$ 173,819	$ 70,688	$ 9,802	$ (18,982)	$ (16,343)	$ 453	$ 453

STAFF AUDIT WORK PAPERS – RESPONSE TO OPC POD NO. 5

PAYMENT TO SMC INVESTMENT PROPERTIES

HWS-12

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.	DOCKET NO. 110200-WU DATED: November 5, 2012

RESPONSE TO CITIZEN'S SECOND
REQUEST FOR PRODUCTION (5)

The staff of the Florida Public Service Commission, pursuant to Rule 1.340 and 1.350, Florida Rules of Civil Procedure, and Rule 28-106.206, Florida Administrative Code, submits the following Response to Citizen's Second Request for Production (No. 5) and states as follows:

1. **Document Request No. 5:** This question concerns transaction "DEP-BMG-6/19/09" which is referenced in both the Utility's general ledger and staff audit workpapers. To aide in answering this question, please refer to the following documents: (1) WMSI-NARUC General Ledger for the Period From January 1, 2009 to December 31, 2009, transaction date 6/19/09, Reference "DEP-BMG-6/19/09", Trans Description "Brown Mgmt Group – DEP-BMG", Credit Amt $144,500.00; (2) Staff Workpaper B11-007-1-2 WP26 Account123, worksheet Additional Support 2008-2009, Reference "DEP-BMG-6/19/09", Trans Description "includes repayment of SMC Investment Properties loan per GDB", Credit Amt $85,000, reclass to A/P-SMC; and (3) Staff Workpaper B11-007-1-2 WP26 Account123 Reclassification, worksheet AP Other Adj, Reference "DEP-BMG-6/19/09", Trans Description "includes repayment of SMC Investment Properties loan per GDB", Credit Amt $85,000, reclass to A/P-SMC. Of the $144,500 referenced in the WMSI-NARUC General Ledger as "DEP-BMG-06/19/09", the audit workpapers reclassified $85,000 to A/P-SMC and $59,500 to A/P-BMG. The Trans Description for this transaction in the staff workpapers states

"includes repayment of SMC Investment Properties loan per GDB." Please provide any documents that support the reclassification of the $85,000 to A/P-SMC as opposed to A/P-BMG. As part of this response, please provide any documents for the "per GDB" reference in the Trans Description column.

Response: The documents applicable to this POD have been previously provided in response to OPC's POD #2. The support for the specific transaction can be found on WPs 26-6.4, 26-6.10, 26-6.15.3, and 26-6.65.1.

RESPECTFULLY SUBMITTED, this 5th day of November 2012:

MARTHA F. BARRERA
Senior Attorney, Office of the General Counsel

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
(850) 413-6199

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.	DOCKET NO. 110200-WU DATED: November 5, 2012

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the Response to Citizen's Second Request for Production (5) has been furnished to the following by electronic mail this 5th day of November 2012.

J. R. Kelly / Erik L. Sayler
Office of the Public Counsel
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400
kelly.jr@leg.state.fl.us
Sayler.Erik@leg.state.fl.us

Martin S. Friedman
Sundstrom, Friedman & Fumero, LLP
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746
mfriedman@sfflaw.com

Water Management Services, Inc.
Mr. Gene D. Brown
250 John Knox Rd., #4
Tallahassee, FL 32303-4234
gdb5@comcast.net

MARTHA F. BARRERA
Senior Attorney, Office of the General Counsel

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
(850) 413-6199

WATER MANAGEMENT SERVICES, INC.
ACCOUNT 123 ANALYSIS
2009

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Inv in Assoc Companies

02/24/11

Number	Date	Account	Acct. #	DR	CR
		for GDB assoc. company			
130	06/12/09	Investment In Assoc. Companies	123.00	26-6.10 35.00	26-6.15.3
		Cash in Checking-GSB	131.08		35.00
		To record WMS payment of GDB personal Sam's Club membership			
135	06/17/09	Investment In Assoc. Companies	123.00	26-6.10 951.87	26-6.15.3
		Cash in Checking-GSB	131.08		951.87
		To record WMS payment of GDB personal Hitachi Capital loan			
140	06/19/09	Cash in Reserve-FMB	135.30	26-6.10 144,500.00	26-6.15.3
		Investment In Assoc. Companies	123.00		144,500.00
		To record receipt from BMG (Includes repayment of $85,000 loan to SMC Investment Properties)			
		26-6 Pg 6 of 7			
143	06/30/09	Investment In Assoc. Companies	123.00	26-6.10 468.87	26-6.15.3
		Cash in Checking-GSB	131.08		468.87
		To record WMS payment of group insurance for GDB assoc. company			
146	06/30/09	Investment In Assoc. Companies	123.00	26-6.10 106.08	26-6.15.3
		Cash in checking-GSB	131.11		106.08
		To record WMS payment of GDB assoc. company repair by R. Gray for electrical work			
147	07/01/09	Investment In Assoc. Companies	123.00	26-6.10 1,227.00	26-6.15.3
		Accounts Payable-First Insurance Funding	231.00		1,227.00
		To record WMS payment of GDB package policy insurance coverage for personal property (Condos & Apts)			
148	07/01/09	Investment In Assoc. Companies	123.00	26-6.10 4,962.00	26-6.15.3
		Accounts Payable-First Insurance Funding	231.00		4,962.00
		To record WMS payment of GDB package policy insurance coverage for personal property (Vehicles)			

SOURCE PBC

26-6.4

WMSI-NARUC
General Ledger
For the Period From Jan 1, 2009 to Dec 31, 2009

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID / Account Descripti	Date	Reference	Jrnl	Trans Description		Debit Am	Credit Amt	Balance
				TO BMG				
	5/20/09	23380	SJ	ACCOUNTS RECEIVABLE - TRADE FOR LODGING-26	116	27.89		
	5/21/09	TRANS-5/21/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	117	250.00		
	5/21/09	TRANS-05/21/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	118	200.00		
	5/22/09	TRANS-5/22/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	119	150.00		
	5/22/09	DEP-BMG-5/22	CRJ	BROWN MGMT GROUP - DEP-BMG	120		1,500.00	
	5/26/09	5613	CDJ	BROWN MANAGEMENT GROUP - BROWN MGMT GROUP-TRANS TO BMG	121	1,200.00		
	5/27/09	TRANS-05/27/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	122	4,100.00		
	5/29/09	DEP-GDB-5/29/	CRJ	GENE D. BROWN-PERSONAL - DEP-GDB	123		398.00	
	5/29/09	DEP2-GDB-5/2	CRJ	GENE D. BROWN-PERSONAL - DEP-GDB	124		50.00	
				Current Period Change		33,446.88	1,998.00	31,448.88
	6/1/09			Beginning Balance				1,212,427.13
	6/1/09	5623	CDJ	VISTA HEALTHPLAN - VISTA HEALTHPLAN-INS PREM (JUN 09)	125	618.99		
	6/3/09	TRANS-6/3/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	126	2,350.00		
	6/8/09	TRANS-6/8/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	127	2,200.00		
	6/9/09	TRANS-6/9/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	128	4,150.00		
	6/10/09	TRANS2-6/10/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	129	1,000.00		
	6/12/09	5662	CDJ	SAM'S CLUB - SAM'S CLUB-MEMBERSHIP DUES 6/24/09 (REED)	130	35.00		
	6/12/09	1387	CDJ	BROWN MANAGEMENT GROUP - BROWN MGMT GROUP-TRANS TO BMG	131	3,300.00		
	6/12/09	TRANS-06/12/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	132	2,500.00		
	6/16/09	5663	CDJ	BROWN MANAGEMENT GROUP - BROWN MGMT GROUP-TRANS TO BMG	133	8,400.00		
	6/16/09	TRANS-6/16/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	134	100.00		
	6/17/09	5665	CDJ	HITACHI CAPITAL AMERICA CORP. - HITACHI CAPITAL AMERICA	135	951.87		
	6/17/09	TRANS-6/17/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	136	500.00		
	6/18/09	TRANS-6/18/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	137	4,300.00		
	6/18/09	DEP-BMG-6/18	CRJ	BROWN MGMT GROUP - DEP-BMG	138		600.00	
	6/19/09	TRANS-6/19/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	139	300.00		
	6/19/09	DEP-BMG-6/19	CRJ	BROWN MGMT GROUP - DEP-BMG	140		144,500.00	
	6/24/09	TRANS-6/24/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	141	500.00		
	6/25/09	TRANS-6/25/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	142	700.00		
	6/30/09	5693	CDJ	VISTA HEALTHPLAN - VISTA HEALTHPLAN-INS PREM (JUL 09)	143	468.87		
	6/30/09	TRANS-6/30/09	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	144	1,800.00		
	6/30/09	TRANS2-6/30/0	CDJ	GENE D. BROWN, PA - TRANS TO GDB, PA-TRANS TO LAW FIRM	145	300.00		
	6/30/09	2335	CDJ	R. GRAY & ASSOCIATES, INC. - R. GRAY & ASSOCIATES-APT REPAIR	146	106.08		
				Current Period Change		34,580.81	145,100.00	-110,519.19
	7/1/09			Beginning Balance				1,101,907.94
	7/1/09	PKG POLICY-7	PJ	FIRST INSURANCE FUNDING CORP. - FIRST INSURANCE FUNDING CORP-PKG INSURANCE POLICY 7/1/09	147	1,227.00		
	7/1/09	PKG POLICY-7	PJ	FIRST INSURANCE FUNDING CORP. - FIRST INSURANCE FUNDING CORP-PKG INSURANCE POLICY 7/1/09	148	4,962.00		
	7/1/09	TRANS-07/01/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	149	500.00		

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Invoices Company Pay

26-6.10

PBC

SOURCE

WATER MANAGEMENT SERVICES, INC.
ACCOUNT 123 ANALYSIS
2008/2009

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Inv to Customers

No.	Date	Account	Acct. #	26-6.3 DR	CR
119	5/13/09	Nita Molsbee Reimbursement	123.00	200.00	
		WMSI RESPONSE-SEE ATTACHED NO. 119			
120	5/20/09	Brown Management Group-Transfer to BMG	123.00	6,800.00	
		WMSI RESPONSE-SEE ATTACHED NO. 120			
121	5/22/09	Brown Mgmt Group-DEP-BMG	123.00		1,500.00
		WMSI RESPONSE-SEE ATTACHED NO. 121			
122	5/26/09	Brown Mangement Group-Transfer to BMG	123.00	1,200.00	
		WMSI RESPONSE-SEE ATTACHED NO. 122			
123	5/29/09	Gene D. Brown Personal-DEP-GDB	123.00		398.00
		WMSI RESPONSE-SEE ATTACHED NO. 123			
124	5/29/09	Gene D. Brown Personal-DEP-GDB	123.00		50.00
		WMSI RESPONSE-SEE ATTACHED NO. 124			
125	6/1/09	Vista Healthplan-Ins. Premium	123.00	618.99	
		WMSI RESPONSE-SEE ATTACHED NO. 125			
126	6/12/09	Sam's Club Membership Dues 6/24/09	123.00	35.00	
		WMSI RESPONSE-SEE ATTACHED NO. 126			
127	6/12/09	Brown Management Group-Transfer to BMG	123.00	3,300.00	
		WMSI RESPONSE-SEE ATTACHED NO. 127			
128	6/16/09	Brown Management Group-Transfer to BMG	123.00	8,400.00	
		WMSI RESPONSE-SEE ATTACHED NO. 128			
129	6/17/09	Hitachi Capital America Corp.	123.00	951.87	
		WMSI RESPONSE-SEE ATTACHED NO. 129			
130	6/18/09	Brown Mgmt Group-DEP-BMG	123.00		600.00
		WMSI RESPONSE-SEE ATTACHED NO. 130			
131	6/19/09	Brown Mgmt Group-DEP-BMG	123.00		144,500.00
		WMSI RESPONSE-SEE ATTACHED NO. 131			
132	6/30/09	Vista Healthplan-Ins. Premium (July 09)	123.00	468.87	
		WMSI RESPONSE-SEE ATTACHED NO. 132			
133	6/30/09	R. Gray & Associates, Inc.-Apt. Repair	123.00	106.08	
		WMSI RESPONSE-SEE ATTACHED NO. 133			
134	7/1/09	First Insurance FundingCorp.	123.00	1,227.00	
		WMSI RESPONSE-SEE ATTACHED NO. 134			
135	7/1/09	First Insurance FundingCorp.	123.00	4,962.00	
		WMSI RESPONSE-SEE ATTACHED NO. 135			

SOURCE PBC

: -- Statement

TRANSACTION TICKET: ☑ CHECKING ACCOUNT ☐ SAVINGS ACCOUNT ☐ LOAN PAYMENT

06 19 09 (MONTH DAY YEAR)

☑ DEPOSIT
☐ WITHDRAWAL

DOLLARS CENTS

CASH 26-6.15.3

NAME: Water Management Service 05 BRANCH OF 053101111

CHECKS 144500 00

TOTAL 144500 00

LESS CASH

X

Farmers & Merchants Bank

BANK USE – TRAN CODE 171

ACCOUNT NUMBER [redacted]

$ 144500.00

[redacted]

#0 6/19/2009 $144,500.00

D 5/6/11

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: INV in Assoc Companies

PBC

SOURCE

26-6.65.1

SELECT STAFF AUDIT WORK PAPERS IDENTIFIED FOR PAYMENT TO SMC INVESTMENT PROPERTIES

HWS-13

WMSI-NARUC
General Ledger
For the Period From Jan 1, 2008 to Dec 31, 2008

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID / Account Descripti	Date	Reference	Jrnl	Trans Description		Debit Am	Credit Amt	Balance
	5/19/08	TRANS-05/19/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	77	2,800.00		
	5/21/08	TRANS-05/21/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	78	1,000.00		
	5/23/08	POS-1-5/23/08	CDJ	APALACHICOLA TIMES - APALACHICOLA TIMES-AD FOR RENTOR FOR APT.	79	17.05		
	5/27/08	TRANS-05/27/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	80	500.00		
	5/27/08	DEP-BMG-5/27	CRJ	BROWN MGMT GROUP - DEP-BMG	81		20,000.00	
	5/28/08	TRANS-05/28/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	82	4,600.00		
	5/31/08	GDB LEGAL	GENJ	GDB LEGAL CHGS (PIPELINE PROBLEM)	83		4,000.00	
	5/31/08	RECLASS RDB	GENJ	TO RECLASS RDB TO GDB	84		1,938.85	
				Current Period Change		26,794.94	26,405.04	389.90
	6/1/08			Beginning Balance				910,678.65
	6/2/08	TRANS2-6/2/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	85	2,500.00		
	6/2/08	DEP-BMG-6/2/	CRJ	BROWN MGMT GROUP - DEP-BMG	86		17,128.09	
	6/5/08	TRANS2-6/5/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	87	1,000.00		
	6/9/08	TRANS-6/9/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	88	2,000.00		
	6/10/08	TRANS-6/10/08	CDJ	GENE D. BROWN, PA - GENE D. BROWN, PA-TRANS TO PA	89	2,150.00		
	6/13/08	1325	CDJ	BROWN MANAGEMENT GROUP - BROWN MGMT GROUP-TRANS TO BMG	90	20,000.00		
	6/17/08	TRANS-6/17/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	91	1,600.00		
	6/18/08	TRANS-6/18/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	92	2,300.00		
	6/20/08	TRANS-6/20/08	CDJ	GENE D. BROWN, PA - GENE D. BROWN, PA-TRANS TO PA	93	250.00		
	6/23/08	1328	CDJ	BROWN MANAGEMENT GROUP - BROWN MGMT GROUP-TRANS TO BMG	94	30,000.00		
	6/25/08	TRANS2-6/25/0	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	95	5,000.00		
	6/27/08	22599	SJ	ACCOUNTS RECEIVABLE - TRADE FOR LODGING-26	96	28.55		
	6/28/08	CHGS-06/28/08	PJ	ALLTEL - ALLTEL-CELL PHONE CHGS 6/28/08	97	65.23		
	6/30/08	GDB LEGAL	GENJ	GDB LEGAL CHGS (PIPELINE PROBLEM)	98		4,000.00	
	6/30/08	CHGS-07/02/08	PJ	U.S. BANK - U.S. BANK-CHGS 7/2/08 (GDB)	99	11.88		
	6/30/08	RDB	GENJ	TO RECLASS RDB RECEIVABLE TO GDB	100	273.69		
				Current Period Change		67,179.35	21,128.09	46,051.26
	7/1/08			Beginning Balance				956,729.91
	7/1/08	PKG-07/01/08	PJ	FIRST INSURANCE FUNDING CORP. - FIRST INSURANCE FUNDING CORP-PKG INS POLICY 7/1/08 (VEHICLES)	101	3,908.00		
	7/1/08	PKG-07/01/08	PJ	FIRST INSURANCE FUNDING CORP. - FIRST INSURANCE FUNDING-PKG POLICY 7/1/08 (CONDO & APTS)	102	1,227.00		
	7/8/08	TRANS-7/8/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	103	2,000.00		
	7/10/08	TRANS-7/10/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	104	1,000.00		
	7/11/08	TRANS-7/11/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	105	4,000.00		
	7/16/08	TRANS-7/16/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	106	3,200.00		
	7/17/08	TRANS-7/17/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	107	2,300.00		
	7/18/08	TRANS-7/18/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	108	750.00		
	7/21/08	TRANS-7/21/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	109	1,000.00		
	7/22/08	TRANS-7/22/08	CDJ	SMC INVESTMENT PROPERTIES - SMC INVESTMENT PROPERTIES-LOAN TO SMC	110	85,000.00		
	7/23/08	TRANS-7/23/08	CDJ	GENE D. BROWN - GENE D. BROWN-TRANS TO GDB	111	1,200.00		

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: [illegible]

SOURCE PBC

Account [redacted] Image

TRANSACTION TICKET: ☑ CHECKING ACCOUNT ☐ SAVINGS ACCOUNT ☐ LOAN PAYMENT

07 22 08 ☑ DEPOSIT ☐ WITHDRAWAL

NAME: Water Management Services, INC.

X

Farmers & Merchants Bank

147 [redacted]

$ 85000.—

26-5.16.2

#9999 7/22/2008 $85,000.00 26-5

Pg 2 of 2

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: [illegible]

SOURCE PBC

26-5.52.1

WATER MANAGEMENT SERVICES, INC.
ACCOUNT 123 ANALYSIS
2008

02/22/11

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Inv in Assoc. Companies

Number	Date	Account	Acct. #	DR	CR
84	05/31/08	Misc. Receivable-Reed D. Brown	142.00	1,938.85	
		Investment In Assoc. Companies	123.00	26-5.12 1,938.85	26-5.16.2
		To reclass amount over w/h from Reed D. Brown paychecks to pay for items paid for his benefit			
96	06/27/08	Investment In Assoc. Companies	123.00	26-5.12 28.55	26-5.9
		Accounts Receivable	141.00		28.55
		To charge GDB with water credit given to customer # 26			
97	06/28/08	Investment In Assoc. Companies	123.00	26-5.12 65.23	26-5.16.2
		Accounts Payable-Alltel	231.00		65.23
		To record WMS payment of GDB Alltel cell phone bill			
99	06/30/08	Investment In Assoc. Companies	123.00	26-5.12 11.88	
		Accounts Payable	231.00		11.88
		To record WMS payment of GDB personal charges on U.S. Bank VISA Card for I-Tunes)			
100	06/30/08	Investment In Assoc. Companies	123.00	26-5.12 273.69	26-5.16.2
		Misc. Receivable-Reed D. Brown	142.00		273.69
		To reclass amount under w/h from Reed D. Brown paychecks to pay for items paid for his benefit			
101	07/01/08	Investment In Assoc. Companies	123.00	26-5.12 3,908.00	26-5.16.2
		Accounts Payable-First Insurance Funding	231.00		3,908.00
		To record WMS payment of GDB package policy insurance coverage for personal property (Vehicles)			
102	07/01/08	Investment In Assoc. Companies	123.00	26-5.12 1,227.00	26-5.16.2
		Accounts Payable-First Insurance Funding	231.00		1,227.00
		To record WMS payment of GDB package policy insurance coverage for personal property (Condos & Apts)			
110	07/22/08	Investment In Assoc. Companies	123.00	26-5.12 85,000.00	26-5.16.2

SOURCE PBC

26-5.4

WATER MANAGEMENT SERVICES, INC.
ACCOUNT 123 ANALYSIS
2008

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2
Description: Inv in Assoc. Companies

@ 2/22/11

Number	Date	Account	Acct. #	DR	CR
		Cash in Reserve-FMB	135.30		85,000.00
		To record loan to SMC Investment Properties			
113	07/25/08	Investment In Assoc. Companies	123.00	26-5.13 28.55	26-5.9
		Accounts Receivable	141.00		28.55
		To charge GDB with water credit given to customer # 26			
115	07/28/08	Investment In Assoc. Companies	123.00	26-5.13 15.01	26-5.16.2
		Accounts Payable-Alltel	231.00		15.01
		To record WMS payment of GDB Alltel cell phone bill			
117	06/30/08	Misc. Receivable-Reed D. Brown	142.00	80.00	
		Investment In Assoc. Companies	123.00	26-5.13 80.00	26-5.16.3
		To reclass amount under w/h from Reed D. Brown paychecks to pay for items paid for his benefit			
128	08/15/08	Investment In Assoc. Companies	123.00	26-5.13 29.22	26-5.9
		Accounts Receivable	141.00		29.22
		To charge GDB with water credit given to customer # 26			
132	09/07/08	Transportation Expense	650.10	236.40	
		Investment In Assoc. Companies	123.00	26-5.13 236.40	26-5.16.3
		To record GDB assoc. company pmt of WMS gas expense			
135	09/14/08	Transportation Expense	650.10	174.00	
		Investment In Assoc. Companies	123.00	26-5.13 174.00	26-5.16.3
		To record GDB assoc. company pmt of WMS gas expense			
139	09/20/08	Investment In Assoc. Companies	123.00	26-5.13 27.89	26-5.9
		Accounts Receivable	141.00		27.89
		To charge GDB with water credit given to customer # 26			

PBC

SOURCE

26-5.5

WATER MANAGEMENT SERVICES, INC.
ACCOUNT 123 ANALYSIS
2008/2009

Water Management Services, Inc.
Cash Flow Analysis
For the Period January 1, 2004 through December 31, 2010
Dkt 100104-WU; ACN 11-007-1-2

Description: From WP 10-12.2

No.	Date	Account	Acct. #	26-5.11 DR	CR
34	5/13/08	Brown Management Group-Transfer to BMG	123.00	3,300.00	
		WMSI RESPONSE-SEE ATTACHED NO. 34		26-5.42.1	
					26-5.3
35	5/16/08	BMG Pmt. Of WMS Alltel Bill	123.00		316.19
		WMSI RESPONSE-SEE ATTACHED NO. 35			26-5.43.1
				26-5.3	
36	5/23/08	Apalachicola Times-Ad for Rentor for Apt.	123.00	17.05	
		WMSI RESPONSE-SEE ATTACHED NO. 36		26-5.44.1	
					26-5.12
37	5/27/08	Brown Mgt. Group-DEP BMG	123.00		20,000.00
		WMSI RESPONSE-SEE ATTACHED NO. 37			26-5.45.1
					26-5.12
38	5/31/08	GDB Legal Chgs (Pipeline Problem)	123.00		4,000.00
		WMSI RESPONSE-SEE ATTACHED NO. 38			26-5.20.1
					26-5.4
39	5/31/08	To Reclass RDB to GDB	123.00		1,938.85
		WMSI RESPONSE-NO DOCUMENTATION			26-5.21.1
					26-5.12
40	6/2/08	Brown Mgt. Group-DEP BMG	123.00		17,128.09
		WMSI RESPONSE-SEE ATTACHED NO. 40			26-5.46.1
				26-5.12	
41	6/13/08	Brown Management Group-Transfer to BMG	123.00	20,000.00	
		WMSI RESPONSE-SEE ATTACHED NO. 41		26-5.47.1	
				26-5.12	
42	6/23/08	Brown Management Group-Transfer to BMG	123.00	30,000.00	
		WMSI RESPONSE-SEE ATTACHED NO. 42		26-5.48.1	
				26-5.4	
43	6/28/08	Alltel Cell Phone Chgs 6/28/08	123.00	65.23	
		WMSI RESPONSE-NO DOCUMENTATION		26-5.49.1	
					26-5.12
44	6/30/08	GDB Legal Chgs (Pipeline Problem)	123.00		4,000.00
		WMSI RESPONSE-SEE ATTACHED NO. 44			26-5.20.1
				26-5.4	
45	6/30/08	To Reclass RDB Receivable to GDB	123.00	273.69	
		WMSI RESPONSE-NO DOCUMENTATION		26-5.21.1	
				26-5.4	
46	7/1/08	First Insurance Funding Corp.	123.00	3,908.00	
		WMSI RESPONSE-SEE ATTACHED NO. 46		26-5.50.1	
				26-5.4	
47	7/1/08	First Insurance Funding Corp.	123.00	1,227.00	
		WMSI RESPONSE-SEE ATTACHED NO. 47		26-5.51.1	
				26-5.4	
48	7/22/08	SMC Investment Properties Loan	123.00	85,000.00	
		WMSI RESPONSE-SEE ATTACHED NO. 48		26-5.52.1	
				26-5.5	
49	7/28/08	Alltel Cell Phone Chgs. 7/25/08	123.00	15.01	
		WMSI RESPONSE-NO DOCUMENTATION		26-5.53.1	
					26-5.13
50	7/31/08	GDB Legal Chgs (Island Well Issue)	123.00		1,000.00
		WMSI RESPONSE-SEE ATTACHED NO. 50			26-5.20.1

SOURCE PBC

26-5.16.2

Docket No. 110200-WU
Staff Audit Work Papers Identified for
Payment to SMC Investment Properties
Exhibit HWS-13, Page 6 of 6

Water Management Services, Inc.
Cash Flow Analysis Audit
Account 123 - Investment in Associated Companies
For 12 months ended December 31, 2008

Docket No. 100104-WU
Audit Control No. 11-007-1-2
Audit Manager: Debra Dobiac

Account	Description	Net Change	7/31/2008	Net Change	8/31/2008	Net Change	9/30/2008	Net Change	10/31/2008	Net Change	11/30/2008	Net Change	12/31/2008	Y-T-D Net Change
123	Investment in Associated Companies	109,149	1,065,878	41,729	1,107,608	57,197	1,164,804	12,309	1,177,113	(21,087)	1,156,026	4,677	1,160,703	236,086
	A/R - Trade for Lodging	29		29		28		29		28		28		339
	Barbara Withers, CPA													285
	Brown Management Group			17,000		3,619		(1,254)		(52,285)		(8,706)		(66,574)
	Equity Management Systems													1,660
	First Insurance Funding Corp.	26-5.50.1 5,135	10-27.1											5,135
	FL Dept of State-Annual Reports													289
	Cash transfers to/from GDB	20,050		22,200		63,550		12,650		27,550		22,700		240,975
	Gene Brown-other activity	(65)		-		(12,000)		125		-		35		(15,312)
	Gene D. Brown PA	(1,000)		2,500		2,000				3,240		(6,900)		(12,810)
	Les Thomas Consulting Engineers													-
	Real Estate Equities of Florida													-
	Real Estate Services of North Florida													-
	Reed D. Brown											(3,000)		(2,900)
	SMC Investment Properties (Sandra Chase)	26-5.52.1 85,000												85,000
														-
	Total:	109,149		41,729		57,197		12,309		(21,087)		4,677		236,086

Source: WMSI General Ledger
Prepared by audit staff

SOURCE

DEPOSITION TRANSCRIPT

BOB MITCHELL

HWS-14

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110200-WU

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.
_____/

DEPOSITION OF:	BOB MITCHELL
TAKEN ON BEHALF OF:	Office of Public Counsel
DATE:	November 6, 2012
TIME:	Commenced at 2:05 p.m. Recessed at 3:32 p.m.
LOCATION:	2548 Blairstone Pines Drive Tallahassee, Florida
REPORTED BY:	MARY ALLEN NEEL, RPR, FPR Notary Public, State of Florida at Large

ACCURATE STENOTYPE REPORTERS, INC.
2894-A REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
850.878.2221

APPEARANCES:

FOR WATER MANAGEMENT SERVICES:

MARTIN S. FRIEDMAN, ESQUIRE
mfriedman@sfflaw.com
Sundstrom Friedman & Fumero, LLP
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746
Telephone: 407.830.6331

FOR THE CITIZENS OF THE STATE OF FLORIDA:

ERIK L. SAYLER, ESQUIRE
sayler.erik@leg.state.fl.us
Office of Public Counsel
111 West Madison Street, Suite 812
Tallahassee, Florida 32399-1400
Telephone: 850.488.9330

FOR THE COMMISSION STAFF:

MARTHA F. BARRERA, ESQUIRE
mbarrera@psc.state.fl.us
MICHAEL T. LAWSON, ESQUIRE
mlawson@psc.state.fl.us
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone: 850.413.6248

ALSO PRESENT:

GENE BROWN, WMSI
SANDY CHASE, WMSI
DENISE VANDIVER, OPC

I N D E X

WITNESS		PAGE
BOB MITCHELL		
Direct Examination by Mr. Sayler		7
EXHIBITS		
1	WMSI Financial Sources and Uses, Summary of Years 2000 - 2010	18
2	Table 2 from Staff Audit, Docket 100104-WU, and backup audit work paper	32
3	Excerpt, 2009 WMSI General Ledger, Account 123	35
4	BMG Financial Statements, WMSI Response to Audit Request 27	51
5	Excerpt, 2010 WMSI Annual Report, and Except, WMSI 2010 Financial Sources and Uses	53
CERTIFICATE OF OATH		61
CERTIFICATE OF REPORTER		62

PROCEEDINGS

The following deposition was taken on oral examination, pursuant to notice, for purposes of discovery, for use as evidence, and for such other uses and purposes as may be permitted by the applicable and governing rules. Reading and signing of the deposition transcript by the witness was waived.

* * *

MR. SAYLER: Good afternoon. My name is Erik Sayler. I'm an associate public counsel for the Office of Public Counsel. Why don't we go ahead and start with appearances, first with those in the room and then those on the telephone. To my right?

MS. VANDIVER: Denise Vandiver, Office of Public Counsel.

MR. LAWSON: Mike Lawson, Public Service Commission.

MS. BARRERA: Martha Barrera, Public Service Commission.

MS. CHASE: Sandy Chase, Water Management Services.

MR. BROWN: Gene Brown, Water Management Services.

MR. FRIEDMAN: Marty Friedman, attorney for Water Management Services.

THE WITNESS: Bob Mitchell, controller for Water Management Services.

MR. SAYLER: All right. And now those on the phone from the Commission.

MS. CRAWFORD: Jennifer Crawford here with the Commission. We've got some staff folks listening in, and also Ralph Jaeger. Do you want us to announce them as well?

MR. SAYLER: If they're in the room with you, sure. If they're listening in on other lines, then no.

MS. DANIEL: Patty Daniel, Commission Staff.

MR. CIICCHETTI: Mark Cicchetti, Commission Staff.

MR. FLETCHER: Bart Fletcher, Commission Staff.

MR. SPRINGER: Michael Springer, Commission Staff.

MR. RIEGER: Stan Rieger, Commission Staff.

MR. JAEGER: And this is Ralph Jaeger, Staff Counsel.

MR. SAYLER: We have an all-star lineup.

MS. BENNETT: And Lisa Bennett, General Counsel's Office.

MS. DOBIAC: Debra Dobiac, audit staff,

Commission audit staff.

(Inaudible speakers.)

MR. SAYLER: Hold on. Can we go back to Debra Dobiac and continue from there?

MR. BROWN: Sure. I was next. Todd Brown, Commission staff.

MR. MAUREY: Andrew Maurey, Commission staff.

MS. KING: Laura King, Commission staff.

MR. BREMAN: Jim Breman, Commission staff.

MS. CRAWFORD: That's it for us.

MR. SAYLER: All right. And then with OPC on the line?

MR. SCHULTZ: Bill Schultz for OPC.

MR. SAYLER: All right. Is there anybody else on the line? There shouldn't be.

All right. Today our court reporter is Ms. Mary Allen Neel with Accurate Stenotype. If you need her phone number, it is 850.878.2221, for purposes of ordering a deposition transcript.

Do we have a notary here for purposes of swearing in the witness?

THE REPORTER: I am the notary.

MR. SAYLER: You are the notary. All right. Well, I'll let you do your magic. Do you need an affidavit, or do you have one of those?

THE REPORTER: I'll do one.

MR. SAYLER: All right.

THE REPORTER: Would you raise you right hand, please. Do you swear or affirm that the testimony you give will be the truth, the whole truth, and nothing but the truth?

THE WITNESS: I do.

Thereupon,

BOB MITCHELL

the witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. SAYLER:

Q. All right. Thank you. Mr. Mitchell, I appreciate your taking time to be here and come answer some questions. I don't know if you've been deposed before, but if you haven't, here's kind of the normal drill.

I will do my best to ask clear and concise questions. When you respond, please speak clearly for the benefit of the court reporter and those listening in. If you don't hear my question clearly or understand it, or if you need a clarification, please let me know.

If your attorney makes an objection or something like that or he needs to speak to you, then

feel free to pause and do that. If at any point during the deposition you need to take a break or consult with your attorney, please let me know.

And there will be times when I ask a series of predominantly yes or no questions, so if you don't mind just answering yes or no first, and if you feel like you need to add an explanation onto that yes or no question, then feel free to do so.

Do you think we can agree to that today?

A. Yes.

Q. All right. For aid in reading the transcript, when I use the terms Water Management Services, Inc. or WMSI or the utility, unless the context dictates otherwise, I'm referring to WMSI or the utility. If I refer to Brown Management Group, Inc. or Brown Management Group or BMG, then I'm referring to BMG, which is now wholly owned by WMSI, unless the context dictates otherwise. If I refer to the Commission, PSC, Florida Public Service Commission, or FPSC, then I'm referring to the Commission, except where the context dictates otherwise. And similarly, for the Office of Public Counsel, Public Counsel, OPC, or Citizens, then I'm referring to our office that is deposing you here today.

Do you have a copy of the notice of

deposition?

A. I received one. I don't have it with me.

Q. All right. Would you please state your full name and business address for the record?

A. Bob Mitchell, 250 John Knox Road, Suite 4, Tallahassee, Florida, 32303.

Q. And have you previously testified on behalf of Water Management Services in any proceedings?

A. No.

MR. SAYLER: All right. Before we get started, any questions or preliminary matters?

(No response.)

BY MR. SAYLER:

Q. Okay. Mr. Mitchell, what is your educational background?

A. Bachelor's degree in accounting from a state college in Georgia, Georgia Southwestern.

Q. Do you have any master's or post-baccalaureate degrees?

A. No.

Q. Okay. Are you a licensed CPA?

A. No.

Q. Before working for Water Management Services, where did you work?

A. I worked with a CPA firm doing audits for

about a year after getting out of college.

Then I went to work as a controller for an agricultural plantation, and I worked there about three years. Then I went to work for Goldkist Corporation, which is the largest co-op, so I learned cooperative accounting from them. They managed pecan farms, so I went from working on a farm to managing farms. I worked there about two years.

Then I became general accounting manager in Bainbridge, Georgia, when I moved there for Amoco Fabrics and Fibers, which is a large manufacturing plant with -- I was over the general accounting, the payroll for 1,750 hourly employees every week, so it was a big accounting job for that, and all the assets and all the accounts payable for that manufacturing plant. And I stayed there about three years.

Then I did workers' comp audits for about four years, and then I went to work for Gene, where I've been working since '98, so that would be like 14 years.

Q. All right. Prior to working for WMSI, any other utility experience?

A. No.

Q. And how did you become the comptroller -- well, let me ask you this. Controller or comptroller?

A. Controller.

Q. Controller. Is there --

A. Comptroller I believe is like for non-profits.

Q. Okay. So how did you find out about the controller position for WMSI?

A. I did for work for Gene on a law case, and he saw how good I did and hired me.

Q. And are you now employed by WMSI?

A. Yes, I am.

Q. What about Brown Management Group? Do you receive a W-2 from them?

A. No.

Q. Independent contractor status or anything with the utility?

A. No.

Q. All right. Do you do any other type of accounting or bookkeeping services work for any other person or entity other than --

A. No.

Q. -- WMSI?

A. No.

Q. Do you do any accounting or bookkeeping work for Brown Management Group?

A. Yes.

Q. What about any of the other affiliates?

A. Yes.

Q. What about SMC Properties, Inc.?

A. No.

Q. Okay. How many people do you supervise in your position as controller?

A. None.

Q. Do you have anybody that reports to you?

A. We have a person who answers the phone, runs errands, and might do some little things for me.

Q. But they don't assist with the substance of your job?

A. Not really.

Q. Okay. Would you describe your duties and what services you provide?

A. I do the general ledger, and I do accounts payable. I do payroll. I used to do the billing, so I'm familiar with it, but I don't anymore. I keep the depreciation records. I do the cash management --

MS. CRAWFORD: This is Jennifer Crawford. I'm so sorry to interrupt. We're having a little bit of difficulty hearing the witness. Could you put the microphone a little closer or speak a little more loudly or clearly?

MR. SAYLER: Okay.

MS. CRAWFORD: Thank you so much.

THE WITNESS: And I work with the CPA on doing

income tax returns. That's about it.

BY MR. SAYLER:

Q. And that CPA is Ms. Withers?

A. Right.

Q. In your job as controller, do you work with any other outside accountants or anything of that nature?

A. Law Redd, they did our MFRs. I worked with them.

Q. And earlier I asked you about maybe doing side jobs, but you testified that you don't have any other -- you don't do any outside work for any other clients?

A. No.

Q. This is your one and only job?

A. Right.

MR. FRIEDMAN: Make sure you speak up a little bit more, Bob.

BY MR. SAYLER:

Q. Since starting to work for Water Management Services, Inc. in 1998, has Water Management Services been audited?

A. No.

Q. All right. What about the Public Service Commission cash flow audit?

A. That wouldn't be an audit of Water Management.

That would be a little limited audit of one account.

Q. How would you define audited, then? I'm an attorney. I don't have as extensive of a background as you do. In your words, what would be an audit?

A. Looking at the detail and developing an understanding of what you're looking at.

Q. And when you say audit, you mean like a full review of all the books, records, ledgers, and things of that nature?

A. For a company, yes.

Q. Do you know if there was ever a special purpose audit for the Department of Environmental Protection?

A. No, not that I know of.

Q. Just for clarity of the record, since starting to come to work in 1998, to your knowledge, there has not been any kind of full audit of the books and records of WMSI?

A. That's correct.

Q. Well, this will probably make a very easy question for you.

Well, let me ask you this, backing up a moment. What about Brown Management Group or its successor entity? Were there any audits of that, to your knowledge?

A. No, none.

Q. All right. Do you know if Water Management Services, Brown Management Group, or any of the affiliates you do accounting services for --

MR. FRIEDMAN: Object to the question until you define what affiliates you're speaking about.

MR. SAYLER: Okay. I'll rephrase.

BY MR. SAYLER:

Q. To your knowledge, does WMSI have audited financials?

A. No.

Q. Brown Management Group?

A. No.

Q. And earlier I asked you if you provided accounting services for some of the affiliates. What are the other affiliates that you provide accounting services for?

A. Only Brown Management.

Q. So really, it's Water Management Services and Brown Management Group; correct?

A. Yes.

Q. What about the St. George Island Utility Co., Ltd.?

A. I don't do any work for them.

Q. Do you know who does that work?

A. There's nothing except an income tax return.

Q. So just an income tax --

A. And an annual report, maybe, and that's all.

Q. An annual report to the PSC?

A. No, to the State of Florida.

Q. Okay. To your knowledge, while you've been at Water Management Services, have any of the investors or shareholders requested an audit?

A. I have no idea.

Q. One thing I probably should have said earlier. If there's a question I ask you that either you don't know or you think that Mr. Brown is in a better position to answer that, if you'll just let me know, then I'll save that question for him for tomorrow during HIS deposition. Is that all right?

A. That's fine.

Q. All right. Who prepares the various financial reports for WMSI?

A. I prepare the income statements, and I guess that's -- and the balance sheet. I guess that's what you would call a financial statement. I also do payroll tax returns and things like that.

Q. What about the PSC annual report?

A. I work on it. The information comes from me.

Q. Okay. Who else works on the PSC annual

report?

A. Whoever we get. Frank Seidman worked on it for a while. He's our person that we depended on.

Q. So for the PSC annual report, you hired somebody from the outside to assist you with that?

A. Right, a former member of the Public Service Commission.

Q. Who is that?

A. Frank Seidman.

Q. Oh, okay. What about financial reports required by banks, if any?

A. They would be something that -- they would give a bank something that I had prepared.

Q. What about financial reports, if any, required by the Department of Environmental Protection?

A. I don't know of any. You're talking about with the DEP loan?

Q. Yes.

A. I don't know if we've given them any.

Q. Do you know if you've given them any in the past?

A. I don't know.

Q. And when you were providing financial reports required by banks, what would that be in conjunction with?

A. Mostly obtaining a loan.

Q. Do any of those banks require annual reports on an ongoing basis, or just for the loan application?

A. I think they want mostly tax returns.

Q. Are there any other financial reports that Water Management Services prepares?

A. No.

Q. A similar line of questions for Brown Management Group. What kind of financial reports would you prepare for Brown Management Group?

A. The regular balance sheet and income statement.

Q. Any other financial reports required by banks?

A. No.

MR. SAYLER: All right. We're going to provide you a document. We'll hand it to you and the parties and give you a moment to look it over.

MR. FRIEDMAN: Is this two of the same thing?

MR. SAYLER: And this is for the court reporter.

(Deposition Exhibit Number 1 was marked for identification.)

BY MR. SAYLER:

Q. Have you taken a moment to flip through it?

A. Uh-huh.

Q. Are you familiar with this document?

A. I prepared it.

Q. And is this the same cash flow audit that --

MS. CRAWFORD: Erik?

MR. SAYLER: Yes.

MS. CRAWFORD: I'm sorry to interrupt. This is Jennifer Crawford. Can you identify the document for those of us --

MR. SAYLER: Oh, sure. My apologies. For the benefit of those dialing in, this is the WMSI internal cash flow audit that was initially provided to staff during the Commission audit staff's audit of WMSI related to Account 123, and it's also the -- I believe it's the same cash flow audit that was attached to the back of Mr. Brown's August 1st letter. That should be the document. The file name that we emailed to staff was BM-1, for Bob Mitchell 1.

Is that good enough for staff?

MS. CRAWFORD: I'm not sure that's how they're labeled on the cover sheet.

MR. SAYLER: Oh, the cover says, "Description: WMSI Financial Sources and Uses, Summary for Years 2000 to 2010."

MS. CRAWFORD: Okay. Thank you.

MS. BARRERA: Is that your cover sheet or --

MR. SAYLER: That's the cover sheet that's on the exhibit.

MS. BARRERA: Did you prepare this cover sheet?

MR. SAYLER: Yes, we prepared this cover sheet. All the documents that we are using today, we have a prepared cover sheet that has a deposition exhibit description.

MS. CRAWFORD: Okay. If you could just refer to IT by that, that would be very helpful. I would appreciate it.

MR. SAYLER: Certainly.

BY MR. SAYLER:

Q. Mr. Mitchell, before we got into this, you had said that you were familiar with it and that you prepared it; is that correct?

A. Yes.

MR. FRIEDMAN: I'm going to object to any questions about this exhibit. The amount in Account 123 is not in dispute. OPC's position is that the effect of these investments in 123 have some financial operating problems. And so the audit itself is irrelevant, because it's not a document that the utility is relying upon in this

proceeding. It was prepared internally in connection with another proceeding, and any questions about it would be irrelevant and unlikely to lead to any discoverable issue. And I'm going to instruct him not to answer any questions about it.

MR. SAYLER: All right. You're familiar with Rule 1.310?

MR. FRIEDMAN: I'm very familiar with it. You're welcome to --

MR. SAYLER: Let's see. Are you objecting on the grounds that this is being conducted in bad faith or in --

MR. FRIEDMAN: Yes.

MR. SAYLER: -- a manner that's unreasonable, to annoy, embarrass, or oppress the deponent or party?

MR. FRIEDMAN: Yes.

MR. SAYLER: All right. Then that objection is so noted for the record. Anytime you have an objection related to this, just continue the objection, and we will bring this to the prehearing officer for resolution sometime at a later date.

MR. FRIEDMAN: Absolutely. And if he needs to come back and answer these questions, I'll make him

available.

MR. SAYLER: Okay.

BY MR. SAYLER:

Q. Well, we did establish that you did prepare in cash flow audit; correct?

A. That's correct.

Q. Did you order that this audit be prepared?

MR. FRIEDMAN: I object.

MR. SAYLER: Same objection?

MR. FRIEDMAN: Yes. I'm going to object to any questions dealing with the cash flow audit.

BY MR. SAYLER:

Q. Is this the same cash flow audit that was attached to the August 1st letter that Mr. Brown produced to the Commission?

MR. FRIEDMAN: I'm going to object to that too.

BY MR. SAYLER:

Q. Is there more than one cash flow audit?

MR. FRIEDMAN: I'm going to object to that as well.

BY MR. SAYLER:

Q. What was the purpose of the cash flow audit?

MR. FRIEDMAN: Object.

BY MR. SAYLER:

Q. Does the utility routinely do internal cash flow audits?

MR. FRIEDMAN: You can answer that one.

A. It's a financial sources. It's not a cash flow audit.

MR. FRIEDMAN: No, he asked you just the generic question, does the utility do --

THE WITNESS: No.

MR. FRIEDMAN: Okay.

BY MR. SAYLER:

Q. So was this the first financial sources cash flow audit that you prepared for the utility?

A. Yes.

Q. And have you prepared any others?

A. No.

Q. In preparing this -- we'll call it the internal audit, did you net the funds payout and the receipts to or from Mr. Brown?

MR. FRIEDMAN: Objection.

MR. SAYLER: Same objection?

MR. FRIEDMAN: Instruct him not to answer. Correct.

BY MR. SAYLER:

Q. Did you net the funds payout or receipts to or from Brown Management Group?

MR. FRIEDMAN: I object and instruct him not to answer.

BY MR. SAYLER:

Q. Gene Brown, P.A.?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. When you or Water Management Services -- excuse me. When you prepared the internal cash flow audit, were any considerations given to reconciling the internal cash flow to Account 123?

MR. FRIEDMAN: I object and instruct him not to answer.

MR. SAYLER: Well, you earlier said this is related to Account 123. How is that --

MR. FRIEDMAN: I don't have to explain to you what my objection is. I've made my objection.

BY MR. SAYLER:

Q. Were any considerations given to reconciling the internal cash flow audit for any other affected accounts?

MR. FRIEDMAN: Object and instruct him not to answer.

BY MR. SAYLER:

Q. When preparing this internal cash flow audit,

did you rely upon any other outside helpers or assistants?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. If there was an outside accountant or auditor that assisted, who was it?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. Did they sign an engagement letter with WMSI?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. For this cash flow audit, was it a compilation of the cash flow documents provided by WMSI?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. Review of the cash flow documents provided by WMSI?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. Was it an audit of WMSI operations and cash

flow within the meaning of the term "audit" as generally used by a CPA?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. Next question. Please explain whether the auditor who performed the cash flow audit provided a report describing the audit.

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. Was it a qualified audit?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. If no report was attached to the cash flow audit, why was no such report attached to the internal cash flow audit?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. If an outside auditor or accountant assisted, does WMSI have possession of those workpapers?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. Are you familiar with the NARUC, National Association of Regulatory Utility Commissioners, the NARUC Uniform System of Accounts?

A. Yes.

Q. Do you have any special training with regards to the NARUC Uniform System of Accounts?

A. No.

Q. Did you take any NARUC accounting classes?

A. I took a PSC-sponsored regulatory class.

Q. What class was that?

A. A regulatory class.

Q. At the Public Service Commission here in town?

A. Yes. They sponsor regulatory classes, I guess, every year.

Q. Are those classes that you've attended once or multiple times?

A. Once.

Q. When was that?

A. Probably in 2003, something like that.

Q. Okay. Have you been to the NARUC rate school or any other NARUC seminars?

A. We might be talking about the same thing.

Q. Okay. Is WMSI regulated under the NARUC rules for Class A utilities?

A. Yes.

Q. When did WMSI go from a Class B to a Class A utility?

A. Probably around 2000, something like that.

Q. Since that occurred under your tenure as the controller, were there any major accounting changes that took place once WMSI became a Class A?

A. The lives of assets changed.

Q. The who?

A. The lives of assets for depreciation.

Q. How did they change?

A. The amount of years is different for an A than it is for a B.

Q. Okay. Did they go up, down?

A. Up.

Q. Okay. When did WMSI start using Account 123?

A. The year 2004.

Q. Were there any journal entries or transactions listed in Account 123 prior to 2004?

A. No.

Q. Why did the activity pick up in Account 123 in 2004?

A. The amounts in Account 145 were transferred to 123.

Q. And why were those amounts in Account 145

transferred to 123?

A. Because the NARUC manual says they should be after they've been there for a year.

Q. Okay. And Account 145 is an account receivable to the utility for an affiliated company?

A. Yes.

Q. All right. And according to that definition, if you know it from memory -- and I can provide you a copy if you need it -- if they're in for a year or more, essentially they should then be transferred into becoming investments?

A. That's what the manual says.

Q. And under the definition of Account 123, those now investments should be earning interest; is that correct?

A. No.

Q. Was any interest recorded in Account 123 on those investments?

A. No.

Q. Prior to using Account 123 in 2004, what account did the utility use to account for these transactions?

A. 145.

Q. Any other accounts?

A. No.

Q. Whose decision was it to start using Account 123 for these transactions?

A. The NARUC manual's.

Q. Did you read the manual and it said do this, or did you and Mr. Brown discuss it and then you decided to do it, or did somebody else advise you that you should start using it?

A. We both looked at it and decided that.

Q. Okay. Are you familiar with the general ledger of WMSI?

A. Yes.

Q. And do all the entries in the general ledger comply with the NARUC System of Accounts for Class A water utilities?

A. As far as I know.

Q. When making entries into the general ledger for WMSI, who makes them?

A. I do.

Q. Does anybody else make those entries?

A. No.

Q. What accounting software program do you use for maintaining the general ledger?

A. Peachtree software.

Q. Is that standard in the utility business?

A. I don't know.

MS. BARRERA: I'm sorry. I didn't hear your answer.

THE WITNESS: There's no standard in the utility business for general ledgers. It's just for business purposes.

BY MR. SAYLER:

Q. Similar to QuickBooks or something like that?

A. It's a step above QuickBooks.

Q. Okay. During the internal cash flow audit that you performed for years 2000 to 2010, did you become familiar with all the charges and credits posted to Account 123?

MR. FRIEDMAN: Object. Instruct him not to answer.

MR. SAYLER: All right. We'll bring it to the prehearing officer.

BY MR. SAYLER:

Q. What about the years 2004 to 2011?

MR. FRIEDMAN: Object. Instruct him not to answer.

MR. SAYLER: I have a series of questions related to an example from the general ledger for Account 123 for 2009. I can pass it out, or if you think you're going continue your objection --

MS. BARRERA: I think the proper format is for

you to ask and him to object, not just pass out a sheet.

MR. SAYLER: All right. That document is -- the description is "Table 2 from Staff Audit: Cash Flow Analysis, Docket No. 100104-WU," along with the staff audit work paper Excel file backup for that. This will be identified as Exhibit 2.

(Deposition Exhibit Number 2 was marked for identification.)

BY MR. SAYLER:

Q. My questions will be focused mainly on Table 2. Are you familiar with it?

MR. FRIEDMAN: I'm going to object to him answering any questions about Exhibit 2. And in addition to the same reasons that I've previously stated, this is a document that is in connection with a prior case and not in this case, and therefore is a document that is not relevant and not likely lead to admissible evidence and would subject the company to undue harassment.

MR. SAYLER: All right. Objection so noted. We firmly disagree, but we will bring our arguments to the prehearing officer for her to decide.

BY MR. SAYLER:

Q. For the years in question, 2004 to 2010, there

are postings in Account 123; is that correct?

MR. FRIEDMAN: He just asked you a generic question.

A. Yes.

Q. And there were postings of cash payments or payments to Mr. Gene Brown personally; is that correct?

MR. FRIEDMAN: Object. Instruct him not to answer.

BY MR. SAYLER:

Q. All right. Hypothetically speaking, if a cash payment was made to a person or an entity, that would be recorded in the general ledger; correct?

A. Yes.

Q. And with regard to Account 123 or Account 145, that would be considered a debit; is that correct?

A. Yes.

Q. All right. And hypothetically speaking, if there were cash payments from a person or an entity that was either posted to Account 123 or Account 145, that would be recorded as a credit; is that correct?

A. Yes.

Q. Here's just kind of an operational question. When a cash payment or transaction takes place and is recorded on the books, such as in 123 or 145, my question is, how does that take place? And let me just

give you the whole spiel, and if I need to break it up and ask individual questions, I can. When there's a debit, does the utility write a check out to that entity? Do they do a bank transfer or petty cash? I mean, how is that performed?

A. Petty cash we don't have. A bank transfer from one account to another, we did that for a time. Now we write checks back and forth.

Q. And when a bank draft, a check is made out to an entity or a person, does that entity or person give a receipt for that payment to WMSI?

A. No.

Q. So the only record of that transaction is the general ledger along with, I guess, the check that is eventually deposited and canceled; correct?

A. And the bank statement it appears on.

Q. Okay. Does WMSI routinely reconcile its bank statements?

A. Yes.

Q. Brown Management Group?

A. Yes.

Q. And are you the person responsible for doing the bank reconciliations?

A. Yes.

Q. Okay. Do you recall postings in Account 123

for cash payments to and from SMC Investment Properties?

MR. FRIEDMAN: Object. Instruct him not to answer.

MR. SAYLER: All right. We have another exhibit, an excerpt from the 2009 WMSI general ledger, Account 123, pages 11 through 16. We'll identify that one as Exhibit 3.

(Deposition Exhibit Number 3 was marked for identification.)

MR. SAYLER: For the Commission staff, the description is "Excerpt, WMSI General Ledger Account 123, pages 14." In addition to that is Audit Work Paper Excel File Name -- it starts off with B 11. I won't read all of it, but the tab is Additional Support 2008-2009. And then there's also another document, Audit Work Paper Excel File Name, same name, Tabs AP Other Adj., AR Other Adj. and AP BMG Adj.

MS. BARRERA: Isn't that the same --

MR. LAWSON: These are identical.

MR. SAYLER: Off the record.

(Discussion off the record.)

MR. SAYLER: Before you is a deposition exhibit as so described before. We would like to have that identified as Exhibit Number 3.

MS. BARRERA: This is the Excerpt 2009 ledger, the same one we just looked at.

MR. SAYLER: It starts off Excerpt 2009, then Audit Work Paper Excel File, and then Audit Work Paper Excel File.

Those dialing in, do you have the right document?

MS. CRAWFORD: Commission staff does. Thank you.

BY MR. SAYLER:

Q. Have you had a chance to review it?

A. Uh-huh.

MR. FRIEDMAN: You've got to speak up. You've got to say yes or no.

THE WITNESS: Yes.

BY MR. SAYLER:

Q. Would you agree that this is an excerpt from the WMSI general ledger?

MR. FRIEDMAN: I object. The document speaks for itself.

BY MR. SAYLER:

Q. Are you familiar with this document?

A. Yes.

Q. And this would be a document that you had prepared in the normal course and scope of your work for

WMSI; correct?

MR. FRIEDMAN: Object to questions relating to this document for the same reasons as before and for the added reason that it's for the years '08 and '09, which are irrelevant to the instant proceeding which has a 2010 test year.

BY MR. SAYLER:

Q. If you look at the first page, page 14, and if you will scroll down to the date June 19, '09, reference number DEP-BMG-6/19/09, does DEP mean deposit?

A. Yes.

Q. BMG means Brown Management Group?

MR. FRIEDMAN: I'm going to object to any questions about this document and instruct him not to answer.

BY MR. SAYLER:

Q. And the amount is for $144,500; is that correct?

MR. FRIEDMAN: And I'm going to object to the question and instruct him not to answer.

BY MR. SAYLER:

Q. All right. If you'll turn to the next page. At the top of the page it says "Staff Audit Work Papers, WP 26 Account 123, Tab 'Additional Support 2008 - 2009.'" Do you see the box on that page about a quarter

of the way down?

A. Yes.

Q. All right. I will represent to you that that box was on the page when it came from staff.

A. It was changed.

MR. FRIEDMAN: He has not asked you a question.

MR. BROWN: Don't volunteer.

BY MR. SAYLER:

Q. Would you agree that the reference number for this transaction here and the transaction I asked you about before are the same?

MR. FRIEDMAN: I'm going to object to him answering questions about this exhibit. It's irrelevant, as I mentioned the before, and I instruct him not to answer.

BY MR. SAYLER:

Q. All right. Would you agree that it says, "Brown Management Group DEP-BMG includes repayment of SMC Investment Properties loan per GDB"?

MR. FRIEDMAN: I object and instruct him not to answer on the additional ground that it says what it says.

BY MR. SAYLER:

Q. All right. And it split that $144.500 payment

into two payments; correct?

MR. FRIEDMAN: I object and instruct him not to answer.

BY MR. SAYLER:

Q. All right. My question for you related to that transaction was really, when it says "per GDB," are you familiar with that?

MR. FRIEDMAN: I object to any question about these exhibits and instruct him not to answer.

BY MR. SAYLER:

Q. Would "per GDB" mean "per Gene Brown"?

MR. FRIEDMAN: Object to the question and instruct him not to answer.

BY MR. SAYLER:

Q. Does the utility possess any records or documents that show that SMC Investment Properties repaid the $85,000 to Brown Management Group or to the utility?

MR. FRIEDMAN: I object to the question. It's irrelevant, and I instruct him not to answer.

BY MR. SAYLER:

Q. Moving on, for Account 123, for periods 2004 to 2010, does or did the utility have or keep any subsidiary records for those accounts?

A. Repeat that again.

Q. Does the utility have or keep subsidiary records for Account 123?

A. I don't understand what you're saying.

Q. Backup to those records, like additional detail as it relates to --

A. The documents you're talking about?

Q. Right.

MR. FRIEDMAN: Well, I don't understand what he's saying.

BY MR. SAYLER:

Q. What portion does it break down from the various entities?

MR. FRIEDMAN: What portion what?

MR. SAYLER: Hold on. Let's go off the record.

(Discussion off the record.)

BY MR. SAYLER:

Q. Back on the record. Mr. Mitchell, earlier I asked you -- I'll repeat the question and repeat the clarification. For Account 123, for the periods 2004 through 2010, does the utility have any subsidiary records showing the cumulative amounts paid to or from each of the affiliate entities, such as do you have a subsidiary record related to Brown Management Group that discusses how much has been paid to or from that

affiliate?

MR. FRIEDMAN: That's just a generic question. Do you understand the question? It's kind of compound, but do you understand it?

THE WITNESS: No.

MR. FRIEDMAN: Don't answer it if you don't understand it.

THE WITNESS: I don't understand it.

BY MR. SAYLER:

Q. My understanding is there's about 1,300 or 1,800 transactions in Account 123, many of them related to Brown Management Group, Mr. Brown, or Gene Brown, P.A., or some of the other entities that used to be entities owned or controlled by Mr. Brown, but have since been, I guess, dissolved.

So you have numerous transactions related to many of those. And if you look at that exhibit that I just handed to you, Exhibit 3, the general ledger for 2009, you'll see many transactions, small dollar amounts, many of them to Gene Brown or Brown Management Group, things of that nature.

And what I mean by subsidiary record is, do you have a summation within either Account 123 or elsewhere saying that this is the sum total that relates to debits and credits for Mr. Brown, sum total of debits

and credits that relate to Brown Management Group, and all those other entities? Do you keep that type of detailed records?

A. No.

Q. Okay. Generically, not just Account 123, but does the utility keep any such similar subsidiary records for any other affiliate or for Brown Management Group?

MR. FRIEDMAN: Are you talking about affiliates, or are you talking about specifically Brown Management Group?

MR. SAYLER: Well, I did say affiliate entities, but my understanding is that there are no affiliate entities now other than Brown Management Group, or maybe St. George Island, Ltd., so let me rephrase the question.

BY MR. SAYLER:

Q. Do you keep any subsidiary records showing cumulative amounts paid to or from Brown Management Group?

A. No.

Q. Okay. Some more hypothetical questions. Under Generally Accepted Accounting Principles or GAAP, is the netting of accounts receivable and accounts payable for different entities with a single account

appropriate?

A. I don't know.

MS. BARRERA: I'm sorry. I didn't hear the answer.

MR. FRIEDMAN: He said he didn't know.

BY MR. SAYLER:

Q. Okay. Mr. Mitchell, when a company is formed, such as a C corporation, is there an investment made by stockholders?

MR. FRIEDMAN: Object. Irrelevant. You can answer it if you know the answer.

A. I don't understand.

Q. If an investment is typically recorded as common stock or possibly as additional paid-in capital -- excuse me. Strike that question.

When an investment is made by stockholders in a company, is that recorded as common stock or additional paid-in capital, yes or no?

A. It seems like you asked an "or" question, not a "yes or no" question.

Q. All right. When there's an investment made by stockholders, is that typically recorded as common stock for that corporation?

A. I guess.

MR. FRIEDMAN: Well, don't guess. It's yes,

no, or I don't know, but don't guess.

THE WITNESS: I don't know.

BY MR. SAYLER:

Q. Would you agree that when there's an investment made by stockholders, it's often or commonly referred to as equity?

A. Yes.

Q. If an investor provides additional sources of funds, would the added funds be reflected on the books of the company as equity?

A. Sometimes.

Q. Would it possibly be recorded as a payable, like an account payable or a note payable?

A. Possibly.

Q. Besides equity or a payable of some sort, how else would additional sources of funds be placed on the books of the utility?

A. There aren't any.

Q. So when it would be recorded on the books of the utility, it would be recorded as equity or some sort of payable?

A. Correct.

Q. Are there any instances when there's a third way something like that would be recorded?

A. I don't know.

Q. In your opinion, is a corporation in a better financial position if there's positive equity in the utility?

MR. FRIEDMAN: Object. There's not a proper predicate laid.

MR. SAYLER: It's a hypothetical question.

MR. FRIEDMAN: You've got to lay a predicate. You can't just ask somebody a question out of the blue without laying a predicate for it.

BY MR. SAYLER:

Q. All right. We're testing your general accounting knowledge, Mr. Mitchell. In your opinion, is a corporation in a better financial position if there's positive equity or negative equity?

MR. FRIEDMAN: I don't think you've established that he's got the qualifications to render that opinion.

BY MR. SAYLER:

Q. Next question. If a company is highly leveraged in debt, would it be good practice to borrow on equipment already paid for?

MR. FRIEDMAN: I object. You can answer the question if you know, but it's irrelevant.

BY MR. SAYLER:

Q. What was your answer, sir?

A. If you need the money, that's a way to get it.

Q. When a corporation purchases equipment, is the title to that equipment in the corporation's name or in the shareholders' name?

A. Either.

Q. Can you explain either? If a corporation incurs debt, is the corporation liable for that debt?

A. Most likely.

Q. What about the shareholders?

A. It's possible.

Q. In a situation where a shareholder might be liable for the debt of a corporation, would that mean that that shareholder would have to be a guarantor of that note?

A. No.

Q. What is your definition of guarantor?

A. Someone legally bound to pay an obligation if someone else doesn't.

Q. Okay. Let me read to you the Black's Law Dictionary definition. "Guarantor. One who makes a guaranty or gives security for debt. While a surety's liability begins with that of the principal, a guarantor's liability does not begin until the principal debtor is in default." Do you agree with that definition of guarantor?

A. Yes.

Q. All right. So hypothetically speaking, if the shareholders were the guarantor of the company's debt, the company would have to go in default first before the person holding the note could go after the guarantors; correct?

MR. FRIEDMAN: I object to the hypothetical question. It's got nothing to do with anything. If there are personal guaranties signed, look at each personal guaranty, and it will tell you what the liability of the guarantor is. If we want to have a general discussion or lecture on what a guaranty is in the abstract, it's irrelevant. Let's don't waste our time on it. You've got the guaranty agreements that were signed. Look at them and make your own determination.

MR. SAYLER: We're moving on.

BY MR. SAYLER:

Q. Are you familiar with the DEP loan and the amendments to the loan?

A. Yes.

Q. All right. Do you know if there's anywhere within the loan documents that identifies Mr. Gene Brown or any of the affiliates of WMSI as being the guarantor of the loan?

A. Can you repeat that?

Q. Is there anywhere within the loan documents that identifies Mr. Gene Brown or any of the affiliates of WMSI as being the guarantor of the loan?

A. Yes.

Q. In your opinion, if a corporation secures debt, should the corporation or individual shareholders be credited for the proceeds of that debt?

MR. FRIEDMAN: I object. He's not qualified. You haven't established his qualifications to render that opinion.

BY MR. SAYLER:

Q. Mr. Mitchell, you stated earlier that you have a bachelor's in accounting; is that correct?

A. That's correct.

Q. And in studying the course of accounting, you would take various financial and business classes such as macro- and microeconomics and financial and cost accounting?

A. Yes.

Q. And along the way working as an accountant, have you taken numerous classes that help you perform in your role as an accountant?

A. No.

Q. When a corporation secures debt, who books

that liability, the corporation or shareholders?

A. Who books it?

Q. Who books it?

A. I don't understand what you're referring to as books, booked.

Q. All right. Is it placed on the general ledger of the corporation as a liability?

A. Yes.

Q. All right. Is it also placed on any affiliate general ledger as a liability?

A. No.

Q. When determining a source and use of funds, is an increase in accounts receivable considered a source of funds?

A. Not on a cash basis.

Q. Is an increase in accounts payable considered a source of funds?

A. Isn't that what you just asked?

Q. I asked about accounts receivable. The second question was accounts payable. Is an increase in accounts payable considered a source of funds?

A. Not on a cash basis.

Q. When you were preparing the internal audit that was presented to the Commission, did you factor in a change in accounts payable when you assisted in the

preparation of that audit?

MR. FRIEDMAN: I object to that question and instruct him not to answer.

BY MR. SAYLER:

Q. Does Brown Management Group have a general ledger?

A. Yes.

Q. Does Brown Management Group use -- or how does Brown Management Group keep its general ledger?

A. I don't understand.

Q. Excuse me. Just for clarification, does Brown Management Group have a general ledger?

A. No.

Q. Okay. How does Brown Management Group keep track of financial records and transactions without a general ledger? Do you use old-fashioned paper copies or a computer program? How do you maintain those records?

A. With Excel.

Q. Excel? And when recording transactions in Brown Management Group's Excel general ledger, do you net out receivables and payables?

MR. FRIEDMAN: I object. He just said he didn't have a general ledger.

BY MR. SAYLER:

Q. Okay. In the computer program, Excel, where you track transactions of Brown Management Group, if there's a payable and receivable, to you net those out against one another?

A. Yes.

Q. Are you familiar with the financial statements or balance sheets that Brown Management Group submitted to the Commission in response to Audit Request Number 27? And we have a document for that.

MR. FRIEDMAN: This is 4?

MR. SAYLER: This will be 4; correct?

THE REPORTER: Yes.

(Deposition Exhibit Number 4 was marked for identification.)

BY MR. SAYLER:

Q. Let me know when you've had an opportunity to review the document.

A. I've reviewed it.

Q. Are you familiar with this document?

A. Yes.

Q. Did you help prepare it?

A. Yes.

Q. If you will look at the memo dated May 27th to Debra Dobiac from Gene Brown re Audit Request Number 27.

A. (Examining documents.)

MR. SAYLER: We're taking a pause off the record for a moment. We've got a leaf blower out here.

(Off the record briefly.)

BY MR. SAYLER:

Q. Again for the record, the description of this document is BMG Financial Statements, Water Management Services' Response to Staff Audit Request Number 27. And this is part of the staff audit work papers for the cash flow audit that staff performed on Account 123. On page 1 it provides the item description. Page 3 is a letter from Brown Management Group or Mr. Brown talking about the assets of Brown Management Group.

Do you know if the assets are recorded on the balance sheet at cost or at fair market value?

A. Fair market value.

Q. Isn't it generally the case that you record assets at cost and footnote the fair market value?

A. Yes.

Q. Yes? Okay.

And why not the income statement?

MR. FRIEDMAN: Why not what the income statement?

BY MR. SAYLER:

Q. Why are there no income statements provided in

response to Staff's Audit Request Number 27?

MR. FRIEDMAN: I object to the question. This is an audit request that was conducted in connection with a prior rate case, and it has no relevance to this case. And how this guy can -- this gentleman, it's not up to him to decide what was provided in that last rate case.

The amount of money in Account 123 is agreed to by everybody. You all haven't protested that amount. It's there.

MR. SAYLER: It's the effect of that amount. Moving on.

MR. FRIEDMAN: And that's the point.

MR. SAYLER: Marty, we're not going to get into this. Moving on. Excuse me, Mr. Friedman.

The next document is an excerpt from the 2010 WMSI Annual Report, as well as an excerpt from the Financial Uses and Sources for 2010. This will be identified as Exhibit 5.

(Deposition Exhibit Number 5 was marked for identification.)

MR. FRIEDMAN: Wait a minute. I don't see any excerpt from Sources and Uses is this exhibit.

MR. LAWSON: I'm not seeing anything either.

MR. FRIEDMAN: This is just annual reports, I

think.

BY MR. SAYLER:

Q. All right. If you will go back to an earlier exhibit we provided to you, Exhibit Number 1, which is the WMSI Financial Sources and Uses Summary for 2000 to 2010, the purpose of this exhibit is to do a comparison between the 2010 WMSI annual report and an excerpt from the WMSI financial services report for 2010. If you want, I can provide to you my copy of it for ease of reference. Or did you find it?

MS. BARRERA: Which document are you referring to? Exhibit 1? Are we looking at --

MS. VANDIVER: Yes.

MR. SAYLER: Yes. One and 5, we're going compare them.

MS. BARRERA: I'm sorry. Did you say what you were going to compare?

MR. SAYLER: The exhibit that we handed out that apparently was missing some things. Exhibit Number 5, that is an except from the utility's annual report.

MS. BARRERA: Okay.

MR. LAWSON: And we're comparing that to?

MR. SAYLER: A portion of Exhibit 1. Let's go off the record while I get this straightened up.

(Discussion off the record.)

MR. SAYLER: All right. On Exhibit 1 that was previously handed out, it would be the last page, where it says "WMSI Financial Sources and Uses 2010" at the very top. And then in the exhibit now marked as Exhibit 5, it is in one of the sideways facing pages identified at the bottom as W-4(a).

BY MR. SAYLER:

Q. Earlier, Mr. Mitchell, you testified that you helped assist in preparing the annual report for the Public Service Commission.

A. I provided Frank Seidman the general ledger to do the annual report.

Q. If you'll look at the annual report page, W-4(a), on that page, if you look at Column D that says "Additions," at the bottom where it says "Total Plant," how much is that amount?

A. 98,094.

Q. And if you look at your Financial Sources and Uses --

MR. FRIEDMAN: Has this got any relevance to any of the issues we're talking about?

MR. SAYLER: Yes, the accuracy of some of these financial statements.

MR. FRIEDMAN: And what issue is the accuracy

of financial statements? I don't remember seeing that issue. What issue is that?

MR. SAYLER: Here's the question, and you can object to it if you wish.

MR. FRIEDMAN: Well, I object. Just think about what you're asking.

BY MR. SAYLER:

Q. The question is, on this page, Financial Sources and Uses, which is supposed to be tied to the annual report, on the left-hand column you see --

MR. FRIEDMAN: You're testifying. You're making a statement. You're here to ask questions, not make statements.

BY MR. SAYLER:

Q. All right. Here's my question. Please look at the Financial Sources and Uses Statement, left-hand column, where it says "Ratepayer sources and uses" on the left-hand side, and if you'll look down to the line that's identified as W-4(a), Utility Plant Additions. And in the credit amount, do you see an amount that says 218,000?

MR. FRIEDMAN: I object as to him answering any questions about that sources and uses audit. I've already objected to it, and I stated the basis for my objection.

BY MR. SAYLER:

Q. And down below, you have the remainder of the utility plant additions as $267,208.

MR. FRIEDMAN: I don't hear a question.

BY MR. SAYLER:

Q. Do you see that?

MR. FRIEDMAN: What are you talking about? Which schedule are you talking about?

MR. SAYLER: All right. Here, that dollar amount, 218,000 and change.

MR. FRIEDMAN: And we objected to that.

MR. SAYLER: And 267, remainder of utility plant additions.

MR. FRIEDMAN: And I object to him answering that question.

BY MR. SAYLER:

Q. How come the dollar amount is different from the annual report?

MR. FRIEDMAN: I've stated my objection and instruct him not to answer. And he has already said he didn't prepare the annual report, so I don't know how you could ask him a question about why the number doesn't balance when he has told you he's not the guy that prepared it.

MR. SAYLER: His testimony earlier was that he

assisted in preparing it.

MR. FRIEDMAN: He said he gave the general ledger to Mr. Seidman, who prepared it, so you need to be asking this question of Mr. Seidman if you want to get the answer to that question. This gentleman didn't prepare the report, and you can't ask him questions about a report he didn't prepare.

BY MR. SAYLER:

Q. With regard to W-4(a), you would agree that 98,094 was reported to the PSC; correct?

A. That's what the annual report states.

MR. FRIEDMAN: As additions to plant?

BY MR. SAYLER:

Q. Yes, plant additions. How do you reconcile the difference between that and your sources and uses?

MR. FRIEDMAN: I object to him answering any questions about sources and uses. We've already talked about the fact that he didn't prepare the annual report, and you haven't set a predicate for him answering a question about a report he didn't prepare.

MR. SAYLER: All right. Well, our deposition is not concluded. We will continue the deposition. We'll take all your objections to the prehearing officer and have the prehearing officer make a

ruling on whether or not these are part and parcel of the issues that OPC protested as it relates to Account 123.

MR. FRIEDMAN: We know the drill. We know the drill.

MR. SAYLER: Does staff have any questions for the witness?

MS. BARRERA: No. Staff is not here in the role of any questions or objections. We are reserving our right to depose Mr. Brown, and possibly -- and I don't know if --

MR. FRIEDMAN: I don't think we'll prefile testimony.

MR. BROWN: So we'll be back here in the morning at nine o'clock for me?

MR. SAYLER: Yes.

MS. BARRERA: Now, let me ask you, are you going to provide a copy of the transcript for the hearing officer, the deposition? That's if you file it.

MR. SAYLER: We can probably go off the record for this.

(Discussion off the record.)

THE REPORTER: So are you ordering the transcript?

MR. SAYLER: Yes.

THE REPORTER: Mr. Friedman, do you want a copy of the transcript?

MR. FRIEDMAN: No, I don't want it.

THE REPORTER: And what about reading and signing?

MR. FRIEDMAN: He'll waive it.

(Deposition recessed at 3:32 p.m.)

CERTIFICATE OF ADMINISTERING OATH

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter and Notary Public in and for the State of Florida at Large:

DO HEREBY CERTIFY that on the date and place indicated on the title page of this transcript, an oath was duly administered by me to the designated witness before testimony was taken.

DATED THIS 15th day of November, 2012.

MARY ALLEN NEEL, RPR, FPR
MaryAllenNeel@gmail.com
ACCURATE STENOTYPE REPORTERS, INC.
2894-A Remington Green Lane
Tallahassee, Florida 32308
Telephone: 850.878.2221

MARY ALLEN NEEL
Commission # EE 023288
Expires October 10, 2014
Bonded Thru Troy Fain Insurance 800-385-7019

CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that a review of the transcript was not requested; that my shorthand notes were thereafter translated under my supervision; and that the foregoing pages numbered 1 through 60 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 15th day of November, 2012.

MARY ALLEN NEEL, RPR, FPR
MaryAllenNeel@gmail.com
ACCURATE STENOTYPE REPORTERS, INC.
2894-A Remington Green Lane
Tallahassee, Florida 32308
Telephone: 850.878.2221

WMSI RESPONSE TO STAFF'S FIRST REQUEST TO

PRODUCE DOCUMENTS NO. 3

AMENDMENT 6 TO THE DEP LOAN AGREEMENT

HWS-15

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 6 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC., (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, as amended; and

WHEREAS, the Project Sponsor has requested a restructuring of the Loan as a result of worsening economic conditions; and

WHEREAS, special conditions are introduced to include the Public Service Commission's requirement that monthly escrow deposits be made.

NOW, THEREFORE, the parties hereto agree as follows:

1. Section 10.05 of the Agreement, as amended, is deleted and replaced as follows:

Semiannual Loan Payment numbers 1 and 2 included principal and interest in the amount of $209,823.00 and were paid on November 15, 2003 and May 15, 2004. Semiannual Loan Payment numbers 3 through 12 included principal and interest in the amount of $208,694.89 and were paid beginning November 15, 2004 and continuing semiannually thereafter through May 15, 2009. Semiannual Loan Payments 13 through 18, due semiannually from November 15, 2009 through May 15, 2012, were not made. Semiannual Loan Payment number 19, due November 15, 2012, shall be in the amount of $40,000.00, to be applied to interest only. Semiannual Loan Payment numbers 20 through 59, beginning May 15, 2013 and continuing semiannually thereafter until November 15, 2032, shall include principal and interest and shall be in the amount of $171,408.35. The last Semiannual Loan Payment, due May 15, 2033, shall include principal and interst and shall be in the amount of $171,408.27.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

2. The first escrow deposit of $28,568.06 will be made on December 15, 2012 and on the 15th of each month thereafter until the Loan is paid in full.

3. A certification that the escrow deposit has been made will be filed by the 20th of each month with the Public Service Commission, with a copy to the Department.

4. All other terms and provisions of the Loan Agreement shall remain in effect.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

This Amendment 6 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Deputy Division Director, and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Deputy Director.

for

WATER MANAGEMENT SERVICES, INC.

President

Attest:

Notary Public

Sandra M. Chase

Name typed or printed

SEAL



for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

SEP 17 2012

Deputy Director
Division of Water Resource Management

Date

AUDITING STANDARDS SECTION 341

HWS-16

PCAOB
Public Company Accounting Oversight Board

Follow @pcaob_news

AU Section 341

The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern

(.01)
(.02 - .04) The Auditor's Responsibility
(.05) Audit Procedures
(.06) Consideration of Conditions and Events
(.07 - .09) Consideration of Management's Plans
(.10 - .11) Consideration of Financial Statement Effects
(.12 - .16) Consideration of the Effects on the Auditor's Report
(.17) Documentation
(.18) Effective Date

(Supersedes section 340)

Source: SAS No. 59; SAS No. 64; SAS No. 77; SAS No. 96.

See section 9341 for interpretations of this section.

Effective for audits of financial statements for periods beginning on or after January 1, 1989, unless otherwise indicated.

.01

This section provides guidance to the auditor in conducting an audit of financial statements in accordance with generally accepted auditing standards with respect to evaluating whether there is substantial doubt about the entity's ability to continue as a going concern. fn 1fn 2 Continuation of an entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Ordinarily, information that significantly contradicts the going concern assumption relates to the entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, externally forced revisions of its operations, or similar actions.

THE AUDITOR'S RESPONSIBILITY

.02

[The following paragraph is effective for audits of fiscal years beginning on or after December 15, 2010. See PCAOB Release No. 2010-004. For audits of fiscal years beginning before December 15, 2010, click here.]

The auditor has a responsibility to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited (hereinafter referred to as a reasonable period of time). The

auditor's evaluation is based on his or her knowledge of relevant conditions and events that exist at or have occurred prior to the date of the auditor's report. Information about such conditions or events is obtained from the application of auditing procedures planned and performed to achieve audit objectives that are related to management's assertions embodied in the financial statements being audited, as described in Auditing Standard No. 15, Audit Evidence.

.03

The auditor should evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time in the following manner:

a. The auditor considers whether the results of his procedures performed in planning, gathering evidential matter relative to the various audit objectives, and completing the audit identify conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. It may be necessary to obtain additional information about such conditions and events, as well as the appropriate evidential matter to support information that mitigates the auditor's doubt.

b. If the auditor believes there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, he should (1) obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and (2) assess the likelihood that such plans can be effectively implemented.

c. After the auditor has evaluated management's plans, he concludes whether he has substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. If the auditor concludes there is substantial doubt, he should (1) consider the adequacy of disclosure about the entity's possible inability to continue as a going concern for a reasonable period of time, and (2) include an explanatory paragraph (following the opinion paragraph) in his audit report to reflect his conclusion. If the auditor concludes that substantial doubt does not exist, he should consider the need for disclosure.

.04

The auditor is not responsible for predicting future conditions or events. The fact that the entity may cease to exist as a going concern subsequent to receiving a report from the auditor that does not refer to substantial doubt, even within one year following the date of the financial statements, does not, in itself, indicate inadequate performance by the auditor. Accordingly, the absence of reference to substantial doubt in an auditor's report should not be viewed as providing assurance as to an entity's ability to continue as a going concern.

AUDIT PROCEDURES

.05

It is not necessary to design audit procedures solely to identify conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The results of auditing procedures designed and performed to achieve other audit objectives should be sufficient for that purpose. The following are examples of procedures that may identify such conditions and events:

- Analytical procedures

- Review of subsequent events
- Review of compliance with the terms of debt and loan agreements
- Reading of minutes of meetings of stockholders, board of directors, and important committees of the board
- Inquiry of an entity's legal counsel about litigation, claims, and assessments
- Confirmation with related and third parties of the details of arrangements to provide or maintain financial support

CONSIDERATION OF CONDITIONS AND EVENTS

.06

In performing audit procedures such as those presented in paragraph .05, the auditor may identify information about certain conditions or events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The significance of such conditions and events will depend on the circumstances, and some may have significance only when viewed in conjunction with others. The following are examples of such conditions and events:

- Negative trends—for example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, adverse key financial ratios
- Other indications of possible financial difficulties—for example, default on loan or similar agreements, arrearages in dividends, denial of usual trade credit from suppliers, restructuring of debt, noncompliance with statutory capital requirements, need to seek new sources or methods of financing or to dispose of substantial assets
- Internal matters—for example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, need to significantly revise operations
- External matters that have occurred—for example, legal proceedings, legislation, or similar matters that might jeopardize an entity's ability to operate; loss of a key franchise, license, or patent; loss of a principal customer or supplier; uninsured or underinsured catastrophe such as a drought, earthquake, or flood

CONSIDERATION OF MANAGEMENT'S PLANS

.07

If, after considering the identified conditions and events in the aggregate, the auditor believes there is substantial doubt about the ability of the entity to continue as a going concern for a reasonable period of time, he should consider management's plans for dealing with the adverse effects of the conditions and events. The auditor should obtain information about the plans and consider whether it is likely the adverse effects will be mitigated for a reasonable period of time and that such plans can be effectively implemented. The auditor's considerations relating to management plans may include the following:

- Plans to dispose of assets
    - Restrictions on disposal of assets, such as covenants limiting such transactions in loan or similar agreements or encumbrances against assets
    - Apparent marketability of assets that management plans to sell
    - Possible direct or indirect effects of disposal of assets
- Plans to borrow money or restructure debt
    - Availability of debt financing, including existing or committed credit arrangements, such as lines of credit or arrangements for factoring receivables or sale-leaseback of assets
    - Existing or committed arrangements to restructure or subordinate debt or to guarantee loans to the entity
    - Possible effects on management's borrowing plans of existing restrictions on additional borrowing or the sufficiency of available collateral
- Plans to reduce or delay expenditures
    - Apparent feasibility of plans to reduce overhead or administrative expenditures, to postpone maintenance or research and development projects, or to lease rather than purchase assets
    - Possible direct or indirect effects of reduced or delayed expenditures
- Plans to increase ownership equity
    - Apparent feasibility of plans to increase ownership equity, including existing or committed arrangements to raise additional capital
    - Existing or committed arrangements to reduce current dividend requirements or to accelerate cash distributions from affiliates or other investors

.08

When evaluating management's plans, the auditor should identify those elements that are particularly significant to overcoming the adverse effects of the conditions and events and should plan and perform auditing procedures to obtain evidential matter about them. For example, the auditor should consider the adequacy of support regarding the ability to obtain additional financing or the planned disposal of assets.

.09

When prospective financial information is particularly significant to management's plans, the auditor should request management to provide that information and should consider the adequacy of support for significant assumptions underlying that information. The auditor should give particular attention to assumptions that are—

- Material to the prospective financial information.
- Especially sensitive or susceptible to change.

- Inconsistent with historical trends.

The auditor's consideration should be based on knowledge of the entity, its business, and its management and should include (a) reading of the prospective financial information and the underlying assumptions and (b) comparing prospective financial information in prior periods with actual results and comparing prospective information for the current period with results achieved to date. If the auditor becomes aware of factors, the effects of which are not reflected in such prospective financial information, he should discuss those factors with management and, if necessary, request revision of the prospective financial information.

CONSIDERATION OF FINANCIAL STATEMENT EFFECTS

.10

When, after considering management's plans, the auditor concludes there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, the auditor should consider the possible effects on the financial statements and the adequacy of the related disclosure. Some of the information that might be disclosed includes—

- Pertinent conditions and events giving rise to the assessment of substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.
- The possible effects of such conditions and events.
- Management's evaluation of the significance of those conditions and events and any mitigating factors.
- Possible discontinuance of operations.
- Management's plans (including relevant prospective financial information). [fn 3]
- Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.

.11

When, primarily because of the auditor's consideration of management's plans, he concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time is alleviated, he should consider the need for disclosure of the principal conditions and events that initially caused him to believe there was substantial doubt. The auditor's consideration of disclosure should include the possible effects of such conditions and events, and any mitigating factors, including management's plans.

CONSIDERATION OF THE EFFECTS ON THE AUDITOR'S REPORT

.12

If, after considering identified conditions and events and management's plans, the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, the audit report should include an explanatory paragraph (following the opinion paragraph) to reflect that conclusion. [fn 4] The auditor's conclusion about the entity's ability to continue as a going

concern should be expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern" [or similar wording that includes the terms substantial doubt and going concern] as illustrated in paragraph .13. [As amended, effective for reports issued after December 31, 1990, by Statement on Auditing Standards No. 64.]

.13

An example follows of an explanatory paragraph (following the opinion paragraph) in the auditor's report describing an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time. fn 5

> The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note X. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

[As amended, effective for reports issued after December 31, 1990, by Statement on Auditing Standards No. 64.]

.14

If the auditor concludes that the entity's disclosures with respect to the entity's ability to continue as a going concern for a reasonable period of time are inadequate, a departure from generally accepted accounting principles exists. This may result in either a qualified (except for) or an adverse opinion. Reporting guidance for such situations is provided in section 508, Reports on Audited Financial Statements.

.15

Substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time that arose in the current period does not imply that a basis for such doubt existed in the prior period and, therefore, should not affect the auditor's report on the financial statements of the prior period that are presented on a comparative basis. When financial statements of one or more prior periods are presented on a comparative basis with financial statements of the current period, reporting guidance is provided in section 508.

.16

If substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time existed at the date of prior period financial statements that are presented on a comparative basis, and that doubt has been removed in the current period, the explanatory paragraph included in the auditor's report (following the opinion paragraph) on the financial statements of the prior period should not be repeated.

DOCUMENTATION

.17

As stated in paragraph .03 of this section, the auditor considers whether the results of the auditing

procedures performed in planning, gathering evidential matter relative to the various audit objectives, and completing the audit identify conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. If, after considering the identified conditions and events in the aggregate, the auditor believes there is substantial doubt about the ability of the entity to continue as a going concern for a reasonable period of time, he or she follows the guidance in paragraphs .07 through .16. In connection with that guidance, the auditor should document all of the following:

a. The conditions or events that led him or her to believe that there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

b. The elements of management's plans that the auditor considered to be particularly significant to overcoming the adverse effects of the conditions or events.

c. The auditing procedures performed and evidence obtained to evaluate the significant elements of management's plans.

d. The auditor's conclusion as to whether substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains or is alleviated. If substantial doubt remains, the auditor also should document the possible effects of the conditions or events on the financial statements and the adequacy of the related disclosures. If substantial doubt is alleviated, the auditor also should document the conclusion as to the need for disclosure of the principal conditions and events that initially caused him or her to believe there was substantial doubt.

e. The auditor's conclusion as to whether he or she should include an explanatory paragraph in the audit report. If disclosures with respect to an entity's ability to continue as a going concern are inadequate, the auditor also should document the conclusion as to whether to express a qualified or adverse opinion for the resultant departure from generally accepted accounting principles.

[Paragraph added, effective for audits of financial statements for periods beginning on or after May 15, 2002, by Statement on Auditing Standards No. 96.]

EFFECTIVE DATE

.18

This section is effective for audits of financial statements for periods beginning on or after January 1, 1989. Early application of the provisions of this section is permissible. [Paragraph renumbered by the issuance of Statement on Auditing Standards No. 96, January 2002.]

Footnotes (AU Section 341 — The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern):

fn 1 This section does not apply to an audit of financial statements based on the assumption of liquidation (for example, when [a] an entity is in the process of liquidation, [b] the owners have decided to commence dissolution or liquidation, or [c] legal proceedings, including bankruptcy, have reached a point at which dissolution or liquidation is probable). See Auditing Interpretation, "Reporting on Financial Statements Prepared on a Liquidation Basis of Accounting" (section 9508.33-.38).

fn 2 The guidance provided in this section applies to audits of financial statements prepared either in accordance with generally accepted accounting principles or in accordance with a comprehensive basis of accounting other than generally accepted accounting principles. References in this section to generally

accepted accounting principles are intended to include a comprehensive basis of accounting other than generally accepted accounting principles (excluding liquidation basis).

~~fn 3~~ It is not intended that such prospective financial information constitute prospective financial statements meeting the minimum presentation guidelines set forth in AT section 301, Financial Forecasts and Projections, nor that the inclusion of such information require any consideration beyond that normally required by generally accepted auditing standards. [Footnote revised, January 2001, to reflect conforming changes necessary due to the issuance of Statement on Standards for Attestation Engagements No. 10.]

~~fn 4~~ The inclusion of an explanatory paragraph (following the opinion paragraph) in the auditor's report contemplated by this section should serve adequately to inform the users of the financial statements. Nothing in this section, however, is intended to preclude an auditor from declining to express an opinion in cases involving uncertainties. If he disclaims an opinion, the uncertainties and their possible effects on the financial statements should be disclosed in an appropriate manner (see paragraph .10), and the auditor's report should give all the substantive reasons for his disclaimer of opinion (see section 508, Reports on Audited Financial Statements).

~~fn 5~~ In a going-concern explanatory paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity's ability to continue as a going concern. Examples of inappropriate wording in the explanatory paragraph would be, "If the Company continues to suffer recurring losses from operations and continues to have a net capital deficiency, there may be substantial doubt about its ability to continue as a going concern" or "The Company has been unable to renegotiate its expiring credit agreements. Unless the Company is able to obtain financial support, there is substantial doubt about its ability to continue as a going concern." [Footnote added, effective for reports issued after December 15, 1995, by Statement on Auditing Standards No. 77.]

Copyright © 1996, 2002, American Institute of Certified Public Accountants, Inc.

© Copyright 2003 - 2012 Public Company Accounting Oversight Board. All Rights Reserved.

2010 WMSI ANNUAL REPORT

FILED WITH THE FLORIDA PUBLIC SERVICE COMMISSION

HWS-17

CLASS "A" OR "B"

WATER AND/OR WASTEWATER UTILITIES
(Gross Revenue of More Than $200,000 Each)

RECEIVED-FPSC
11 JUN -3 PM 2:59
COMMISSION
CLERK

ANNUAL REPORT

OF

WS236-10-AR

OFFICIAL COPY
Public Service Commission
Do Not Remove From This Office

WATER MANAGEMENT SERVICES, INC.

302
Certificate Number(s)

Submitted To The

STATE OF FLORIDA

PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2010

Form PSC/WAW 3 (Rev. 12/99)

GENERAL INSTRUCTIONS

1. Prepare this report in conformity with the 1996 National Association of Regulatory Utility Commissioners Uniform System of Accounts for Water and/or Wastewater Utilities (USOA).

2. Interpret all accounting words and phrases in accordance with the USOA.

3. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.

4. For any question, section, or page which is not applicable to the respondent, enter the words "Not Applicable". Do not omit any pages.

5. Where dates are called for, the month and day should be stated as well as the year.

6. All schedules requiring dollar entries should be rounded to the nearest dollar unless otherwise specifically indicated.

7. Complete this report by means which result in a permanent record, such as by computer or typewriter.

8. If there is not enough room on any schedule, an additional page or pages may be added; provided the format of the added schedule matches the format of the schedule with not enough room. Such a schedule should reference the appropriate schedules, state the name of the utility, and state the year of the report.

9. If it is necessary or desirable to insert additional statements for the purpose of further explanation of schedules, such statement should be made at the bottom of the page or an additional page inserted. Any additional pages should state the name of the utility, the year of the report, and reference the appropriate schedule.

10. For water and wastewater utilities with more than one rate group and/or system, water and wastewater pages should be completed for each rate group and/or system group. These pages should be grouped together and tabbed by rate group and/or system.

11. All other water and wastewater operations not regulated by the Commission and other regulated industries should be reported as "Other than Reporting Systems".

12. Financial information for multiple systems charging rates which are covered under the same tariff should be reported as one system. However, the engineering data must be reported by individual system.

13. For water and wastewater utilities with more than one system, one (1) copy of workpapers showing the consolidation of systems for the operating sections, should be filed with the annual report.

14. The report should be filled out in quadruplicate and the original and two copies returned by March 31, of the year following the date of the report. The report should be returned to:

Florida Public Service Commission
Division of Water and Wastewater
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0873

The fourth copy should be retained by the utility.

TABLE OF CONTENTS

SCHEDULE	PAGE	SCHEDULE	PAGE
EXECUTIVE SUMMARY			
Certification	E-1	Business Contracts with Officers, Directors and Affiliates	E-7
General Information	E-2	Affiliation of Officers & Directors	E-8
Directory of Personnel Who Contact the FPSC	E-3	Businesses which are a Byproduct, Coproduct or Joint Product Result of Providing Service	E-9
Company Profile	E-4	Business Transactions with Related Parties. Part I and II	E-10
Parent / Affiliate Organization Chart	E-5		
Compensation of Officers & Directors	E-6		
FINANCIAL SECTION			
Comparative Balance Sheet - Assets and Other Debits	F-1	Unamortized Debt Discount / Expense / Premium	F-13
Comparative Balance Sheet - Equity Capital and Liabilities	F-2	Extraordinary Property Losses	F-13
Comparative Operating Statement	F-3	Miscellaneous Deferred Debits	F-14
Schedule of Year End Rate Base	F-4	Capital Stock	F-15
Schedule of Year End Capital Structure	F-5	Bonds	F-15
Capital Structure Adjustments	F-6	Statement of Retained Earnings	F-16
Utility Plant	F-7	Advances from Associated Companies	F-17
Utility Plant Acquisition Adjustments	F-7	Long Term Debt	F-17
Accumulated Depreciation	F-8	Notes Payable	F-18
Accumulated Amortization	F-8	Accounts Payable to Associated Companies	F-18
Regulatory Commission Expense - Amortization of Rate Case Expense	F-9	Accrued Interest and Expense	F-19
Nonutility Property	F-9	Misc. Current & Accrued Liabilities	F-20
Special Deposits	F-9	Advances for Construction	F-21
Investments and Special Funds	F-10	Other Deferred Credits	F-21
Accounts and Notes Receivable - Net	F-11	Contributions In Aid of Construction	F-22
Accounts Receivable from Associated Companies	F-12	Accumulated Amortization of CIAC	F-22
Notes Receivable from Associated Companies	F-12	Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	F-23
Miscellaneous Current & Accrued Assets	F-12		

TABLE OF CONTENTS

SCHEDULE	PAGE	SCHEDULE	PAGE
WATER OPERATION SECTION			
Listing of Water System Groups	W-1	CIAC Additions / Amortization	W-8
Schedule of Year End Water Rate Base	W-2	Water Operating Revenue	W-9
Water Operating Statement	W-3	Water Utility Expense Accounts	W-10
Water Utility Plant Accounts	W-4	Pumping and Purchased Water Statistics, Source Supply	W-11
Basis for Water Depreciation Charges	W-5	Water Treatment Plant Information	W-12
Analysis of Entries in Water Depreciation Reserve	W-6	Calculation of ERC's	W-13
Contributions In Aid of Construction	W-7	Other Water System Information	W-14
WASTEWATER OPERATION SECTION			
Listing of Wastewater System Groups	S-1	Contributions In Aid of Construction	S-7
Schedule of Year End Wastewater Rate Base	S-2	CIAC Additions / Amortization	S-8
Wastewater Operating Statement	S-3	Wastewater Utility Expense Accounts	S-9
Wastewater Utility Plant Accounts	S-4	Wastewater Operating Revenue	S-10
Analysis of Entries in Wastewater Depreciation Reserve	S-5	Calculation of ERC's	S-11
Basis for Wastewater Depreciation Charges	S-6	Wastewater Treatment Plant Information	S-12
		Other Wastewater System Information	S-13

EXECUTIVE SUMMARY

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

CERTIFICATION OF ANNUAL REPORT

I HEREBY CERTIFY, to the best of my knowledge and belief:

YES	NO		
X		1.	The utility is in substantial compliance with the Uniform System of Accounts prescribed by the Florida Public Service Commission.
X		2.	The utility is in substantial compliance with all applicable rules and orders of the Florida Public Service Commission, except orders entered in Docket No. 100104-WU which is on appeal.
X		3.	There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the the financial statement of the utility.
X		4.	The annual report fairly represents the financial condition and results of operations of the respondent for the period presented and other information and statements presented in the the report as to the business affairs of the respondent are true, correct and complete for the period for which it represents.

Items Certified

1.	2.	3.	4.
X	X	X	X

(Signature of Chief Executive Officer of the utility) *

1.	2.	3.	4.
X	X	X	X

(Signature of Chief Financial Officer of the utility) *

* Each of the four items must be certified YES or NO. Each item need not be certified by both officers. The items being certified by the officer should be indicated in the appropriate area to the left of the signature.

NOTICE: Section 837.06, Florida Statutes, provides that any person who knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his duty shall be guilty of a misdemeanor of the second degree.

YEAR OF REPORT
December 31, 2010

ANNUAL REPORT OF

Water Management Services, Inc. (Exact Name of Utility)

County: Franklin

List below the exact mailing address of the utility for which normal correspondence should be sent:
250 John Knox Road, #4
Tallahassee, FL 32303

Telephone: (850)668-0440

E Mail Address: gdb5@comcast.net; sandymchase@comcast.net

WEB Site: www.wmsistgeorge.com

Sunshine State One-Call of Florida, Inc. Member Number WM1736

Name and address of person to whom correspondence concerning this report should be addressed:
Gene D. Brown
250 John Knox Road, #4
Tallahassee, FL 32303

Telephone: (850)668-0440

List below the address of where the utility's books and records are located:
250 John Knox Road, #4
Tallahassee, FL 32303

Telephone: (850)668-0440

List below any groups auditing or reviewing the records and operations:

Barbara S. Withers, CPA	Contact information shown on E-3
Frank Seidman, Management & Regulatory Consultants, Inc.	Contact information shown on E-3
Les Thomas, P.E.	Contact information shown on E-3

Date of original organization of the utility: 03/03/1978

Check the appropriate business entity of the utility as filed with the Internal Revenue Service

Individual	Partnership	Sub S Corporation	1120 Corporation
			X

List below every corporation or person owning or holding directly or indirectly 5% or more of the voting securities of the utility:

	Name	Percent Ownership
1.	St. George Island Utility Co., Ltd.	85%
2.	Brown Management Group, Inc.	10%
3.	T. E. Bronson	5%
4.		
5.		
6.		
7.		
8.		
9.		
10.		

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

DIRECTORY OF PERSONNEL WHO CONTACT THE FLORIDA PUBLIC SERVICE COMMISSION

NAME OF COMPANY REPRESENTATIVE (1)	TITLE OR POSITION (2)	ORGANIZATIONAL UNIT TITLE (3)	USUAL PURPOSE FOR CONTACT WITH FPSC
Gene D. Brown	President	General Manager	General Business Legal
Sandra M. Chase	VP & Secretary	Assistant General Manager	General Business
Brenda Molsbee		Operations Manager	General Business
Hank Garrett		Asst. Op. Manager	General Business
Maggie McCall Moody 2940 Kerry Forest Parkway Suite 103 Tallahassee, FL 32309 (850)656-7753, (850) 675-3869 (Fax)	Attorney		Regulatory Matters
Barbara S. Withers 411 Live Oak Plantation Rd. Tallahassee, FL 32312 (850)893-4080	CPA		Accounting and Tax
Frank Seidman Management & Regulatory Consultants, Inc. 18444 Lost Lake Way Jupiter, FL 33458 (561) 743-9510	Consultant		Regulatory Matters
Les Thomas, P.E. 3640 Pointview Circle Gainesville, GA 30506 (678) 677-6420	Engineer		Engineering

(1) Also list appropriate legal counsel, accountants and others who may not be on general payroll.
(2) Provide individual telephone numbers if the person is not normally reached at the company.
(3) Name of company employed by if not on general payroll.

E4Z
UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPANY PROFILE

Provide a brief narrative company profile which covers the following areas:

A. Brief company history.
B. Public services rendered.
C. Major goals and objectives.
D. Major operating divisions and functions.
E. Current and projected growth patterns.
F. Major transactions having a material effect on operations.

St. George Island Utility Company, Ltd. was certificated on March 31, 1978 to provide water service to St. George Island, which is a barrier island located in the Gulf of Mexico in Franklin County, Florida. The Company has 4 wells on the mainland, and water is piped to the island through a 12" supply main attached to the bridge to the island. The Company has a treatment system, a ground storage tank and an elevated storage tank on the island. Although the Company is not required to provide fire protection, the Company does provide limited fire protection through 138 hydrants on the island.

The island population fluctuates widely because it is a vacation/resort area. Accordingly, there are peak demands during summer and other holiday periods, with lower demand the remainder of the year. The utility has sufficient capacity to meet all current demands. Construction of the system commenced in 1974, and many components of the system are near the end of their useful lives. Accordingly, the Company has designed and is planning to construct substantial improvements to the plant to prevent a deterioration of its reliability. These include a new 600,000 gallon ground storage tank, new pumping and control facilities, new electrical facilities, new chlorination facilities, a partial new supply main and a new fifth well. These improvements are being made so that the utility can meet its primary goal and objective, which is to provide safe and reliable water service to its customers on St. George Island.

The utility has an administration and accounting office in Tallahassee, Florida, as well as an operations office on St. George Island. The Tallahassee office has four full-time employees who handle all administrative, legal and accounting functions. The St. George Island office also has four full time employees, including two operators and two field technicians, who are responsible for the day to day operations of the utility.

The utility has been losing substantial sums of money during the past several years due to a general downturn in the economy and a proliferation of shallow wells on St. George Island. To overcome this problem, the utility filed an application with the Florida Public Service Commission in May, 2010, to increase its rates and revenue. However, the Commission denied virtually the utility's entire request for relief in an order dated January 3, 2011. The utility has appealed that order and is planning to file a new petition during 2011 to obtain adequate revenues to continue operations and to finance the capital improvements referenced above.

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

PARENT / AFFILIATE ORGANIZATION CHART

Current as of _____ December 31, 2010

Complete below an organizational chart that show all parents, subsidiaries and affiliates of the utility.
The chart must also show the relationship between the utility and affiliates listed on E-7, E-10(a) and E-10(b).

St. George Island Utility Company, Ltd.
Stockholder

Gene D. Brown, P.A.
Legal Counsel

Brown Management Group, Inc.
Affiliate

E6Z
UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPENSATION OF OFFICERS

For each officer, list the time spent on respondent as an officer compared to time spent on total business activities and the compensation received as an officer from the respondent.

NAME (a)	TITLE (b)	% OF TIME SPENT AS OFFICER OF THE UTILITY (c)	OFFICERS' COMPENSATION (d)
Gene D. Brown	President	95%	$ 115,192
Sandra Chase	Vice President	100%	69,745

COMPENSATION OF DIRECTORS

For each director, list the number of director meetings attended by each director and the compensation received as a director from the respondent.

NAME (a)	TITLE (b)	NUMBER OF DIRECTORS' MEETINGS ATTENDED (c)	DIRECTORS' COMPENSATION (d)
Gene D. Brown	President	1	$ 0

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

BUSINESS CONTRACTS WITH OFFICERS, DIRECTORS AND AFFILIATES

List all contracts, agreements, or other business arrangements* entered into during the calendar year (other than compensation related to position with Respondents) between the Respondent and officer and director listed on page E-6. In addition, provide the same information with respect to professional services for each firm, partnership, or organization with which the officer or director is affiliated.

NAME OF OFFICER, DIRECTOR OR AFFILIATE (a)	IDENTIFICATION OF SERVICE OR PRODUCT (b)	AMOUNT (c)	NAME AND ADDRESS OF AFFILIATED ENTITY (d)
Brown Management Group, Inc.	Office Rental	$ 18,000	BMG, Inc. 250 John Knox Road, #4 Tallahassee, FL 32303

* Business Agreement, for this schedule, shall mean any oral or written business deal which binds the concerned parties for products or services during the reporting year or future years. Although the Respondent and/or other companies will benefit from the arrangement, the officer or director is, however, acting on his behalf or for the benefit of other companies or persons.

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

AFFILIATION OF OFFICERS AND DIRECTORS

For each of the officials listed on page E-6, list the principle occupation or business affiliations or connections with any other business or financial organizations, firms, or partnerships. For purposes of this part, an official will be considered to have an affiliation with any business or financial organization, firm or partnership in which he is an officer, director, trustee, partner, or a person exercising similar functions.

NAME (a)	PRINCIPLE OCCUPATION OR BUSINESS AFFILIATION (b)	AFFILIATION OR CONNECTION (c)	NAME AND ADDRESS OF AFFILIATION OR CONNECTION (d)
Gene D. Brown	Officer/Director	Legal Services	Gene D. Brown, P.A.
Gene D. Brown	Officer/Director of General Partner	President of Corporate General Partners of General Partner	St. George Isl. Utility Co, Lt
Gene D. Brown	Officer/Director of General Partner	President of Corporate General Partners	Leisure Properties, Ltd.
Gene D. Brown	Officer/Director	President	St. George's Plantation, In
Gene D. Brown	Officer/Director	President	Leisure Development Services, Inc.
Gene D. Brown	Officer/Director	President	Brown Management Group, Inc.
			All above located at 250 John Knox Road, #4 Tallahassee, FL 32303

UTILITY NAME:EX Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

BUSINESSES WHICH ARE A BY-PRODUCT, COPRODUCT OR JOINT-PRODUCT RESULT OF PROVIDING WATER OR WASTEWATER SERVICE

Complete the following for any business which is conducted as a byproduct, coproduct, or joint product as a result of providing water and / or wastewater service. This would include any business which requires the use of utility land and facilities. Examples of these types of businesses would be orange groves, nurseries, tree farms, fertilizer manufacturing, etc. This would not include any business for which the assets are properly included in Account 121 - Nonutility Property along with the associated revenue and expenses segregated out as nonutility also.

	ASSETS		REVENUES		EXPENSES	
BUSINESS OR SERVICE CONDUCTED (a)	BOOK COST OF ASSETS (b)	ACCOUNT NUMBER (c)	REVENUES GENERATED (d)	ACCOUNT NUMBER (e)	EXPENSES INCURRED (f)	ACCOUNT NUMBER (g)
NOT APPLICABLE	$		$		$	

Docket No. 110200-WU
2010 WMSI Annual Report Filed with FPSC
Exhibit HWS-17, Page 14 of 61

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

BUSINESS TRANSACTIONS WITH RELATED PARTIES

List each contract, agreement, or other business transaction exceeding a cumulative amount of $500 in any on year, entered into between the Respondent and a business or financial organization, firm, or partnership named on pages E-2 and E-6, identifying the parties, amounts, dates and product, and asset, or service involved.

Part I. Specific Instructions: Services and Products Received or Provided

1. Enter in this part all transactions involving services and products received or provided.

2. Below are some types of transactions to include:
   - -management, legal and accounting services
   - -computer services
   - -engineering & construction services
   - -repairing and servicing of equipment
   - -material and supplies furnished
   - -leasing of structures, land, and equipment
   - -rental transactions
   - -sale, purchase or transfer of various products

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION SERVICE AND/OR NAME OF PRODUCT (b)	CONTRACT OR AGREEMENT EFFECTIVE DATES (c)	ANNUAL CHARGES (P)urchased (S)old (d)	ANNUAL CHARGES AMOUNT (e)
				$
Brown Management Group, Inc.	Office Rental	Jan. 2009		$ 18,000

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

BUSINESS TRANSACTIONS WITH RELATED PARTIES (Cont'd)

Part II. Specific Instructions: Sale, Purchase and Transfer of Assets

1. Enter in this part all transactions relating to the purchase, sale, or transfer of assets.

2 Below are examples of some types of transactions to include:
- -purchase, sale or transfer of equipment
- -purchase, sale or transfer of land and structures
- -purchase, sale or transfer of securities
- -noncash transfers of assets
- -noncash dividends other than stock dividends
- -write-off of bad debts or loans

3. The columnar instructions follow:

(a) Enter name of related party or company.
(b) Describe briefly the type of assets purchased, sold or transferred
(c) Enter the total received or paid. Indicate purchase with "P" and sale with "S".
(d) Enter the net book value for each item reported.
(e) Enter the net profit or loss for each item reported. (column (c) - column (d))
(f) Enter the fair market value for each item reported. In space below or in a supplemental schedule, describe the basis used to calculate fair market value.

NAME OF COMPANY OR RELATED PARTY (a)	DESCRIPTION OF ITEMS (b)	SALE OR PURCHASE PRICE (c)		NET BOOK VALUE (d)	GAIN OR LOSS (e)	FAIR MARKET VALUE (f)
		$		$	$	$
Brown Management Group, Inc	2008 Chevy Tahoe	37,257	S	37,257	0	37,257
Brown Management Group, Inc	2008 GMC Sierra K-250	21,713	S	21,713	0	21,713
Brown Management Group, Inc	Commonwealth Lots	325,000	P	480,000	(155,000)	325,000

FINANCIAL SECTION

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	UTILITY PLANT			
101-106	Utility Plant	F-7	$ 8,993,851	$ 8,964,372
108-110	Less: Accumulated Depreciation and Amortization	F-8	3,362,005	3,413,348
	Net Plant		$ 5,631,846	$ 5,551,025
114-115	Utility Plant Acquisition adjustment (Net)	F-7		
116 *	Other Utility Plant Adjustments			
	Total Net Utility Plant		$ 5,631,846	$ 5,551,025
	OTHER PROPERTY AND INVESTMENTS			
121	Nonutility Property	F-9	$ 858,173	$ 1,136,818
122	Less: Accumulated Depreciation and Amortization		(47,155)	0
	Net Nonutility Property		$ 811,018	$ 1,136,818
123	Investment In Associated Companies	F-10	1,213,905	1,175,075
124	Utility Investments	F-10		
125	Other Investments	F-10		
126-127	Special Funds	F-10		
	Total Other Property & Investments		$ 2,024,923	$ 2,311,893
	CURRENT AND ACCRUED ASSETS			
131	Cash		$ (16,378)	$ (17,751)
132	Special Deposits	F-9	35	18,204
133	Other Special Deposits	F-9		
134	Working Funds		0	0
135	Temporary Cash Investments		0	0
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts	F-11	89,908	124,413
145	Accounts Receivable from Associated Companies	F-12		
146	Notes Receivable from Associated Companies	F-12	100,000	
151-153	Material and Supplies			
161	Stores Expense			
162	Prepayments		32,575	32,543
171	Accrued Interest and Dividends Receivable		0	0
172 *	Rents Receivable			
173 *	Accrued Utility Revenues			
174	Misc. Current and Accrued Assets	F-12		
	Total Current and Accrued Assets		$ 206,139	$ 157,409

* Not Applicable for Class B Utilities

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPARATIVE BALANCE SHEET
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense	F-13	$ 102,597	$ 90,494
182	Extraordinary Property Losses	F-13		
183	Preliminary Survey & Investigation Charges			
184	Clearing Accounts			
185 *	Temporary Facilities			
186	Misc. Deferred Debits	F-14	118,985	283,467
187 *	Research & Development Expenditures			
190	Accumulated Deferred Income Taxes			
	Total Deferred Debits		$ 221,582	$ 373,961
	TOTAL ASSETS AND OTHER DEBITS		$ 8,084,490	$ 8,394,288

* Not Applicable for Class B Utilities

NOTES TO THE BALANCE SHEET

The space below is provided for important notes regarding the balance sheet.

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPARATIVE BALANCE SHEET
EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	EQUITY CAPITAL			
201	Common Stock Issued	F-15	$ 10,000	$ 10,000
204	Preferred Stock Issued	F-15		
202,205 *	Capital Stock Subscribed			
203,206 *	Capital Stock Liability for Conversion			
207 *	Premium on Capital Stock			
209 *	Reduction in Par or Stated Value of Capital Stock			
210 *	Gain on Resale or Cancellation of Reacquired Capital Stock			
211	Other Paid - In Capital		(488,548)	(488,548)
212	Discount On Capital Stock			
213	Capital Stock Expense			
214-215	Retained Earnings	F-16	(1,576,898)	(1,858,400)
216	Reacquired Capital Stock			
218	Proprietary Capital (Proprietorship and Partnership Only)			
	Total Equity Capital		$ (2,055,446)	$ (2,336,948)
	LONG TERM DEBT			
221	Bonds	F-15		
222 *	Reacquired Bonds			
223	Advances from Associated Companies	F-17		
224	Other Long Term Debt	F-17	7,573,280	5,236,908
	Total Long Term Debt		$ 7,573,280	$ 5,236,908
	CURRENT AND ACCRUED LIABILITIES			
231	Accounts Payable		201,615	471,631
232	Notes Payable	F-18	157,596	2,859,129
233	Accounts Payable to Associated Companies	F-18		0
234	Notes Payable to Associated Companies	F-18		
235	Customer Deposits		103,669	136,174
236	Accrued Taxes		104,324	61,269
237	Accrued Interest	F-19	23,386	34,874
238	Accrued Dividends			
239	Matured Long Term Debt			
240	Matured Interest			
241	Miscellaneous Current & Accrued Liabilities	F-20	9,521	
	Total Current & Accrued Liabilities		$ 600,110	$ 3,563,075

* Not Applicable for Class B Utilities

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPARATIVE BALANCE SHEET
EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
	DEFERRED CREDITS			
251	Unamortized Premium On Debt		$	$
252	Advances For Construction	F-20	20,737	11,030
253	Other Deferred Credits	F-21		
255	Accumulated Deferred Investment Tax Credits			
	Total Deferred Credits		$ 20,737	$ 11,030
	OPERATING RESERVES			
261	Property Insurance Reserve		$	$
262	Injuries & Damages Reserve			
263	Pensions and Benefits Reserve		80,000	0
265	Miscellaneous Operating Reserves			
	Total Operating Reserves		$ 80,000	$
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
271	Contributions in Aid of Construction	F-22	$ 3,239,513	$ 3,388,622
272	Accumulated Amortization of Contributions in Aid of Construction	F-22	(1,373,707)	(1,468,402)
	Total Net C.I.A.C.		$ 1,865,806	$ 1,920,220
	ACCUMULATED DEFERRED INCOME TAXES			
281	Accumulated Deferred Income Taxes - Accelerated Depreciation		$	$
282	Accumulated Deferred Income Taxes - Liberalized Depreciation			
283	Accumulated Deferred Income Taxes - Other			
	Total Accumulated Deferred Income Tax		$	$
	TOTAL EQUITY CAPITAL AND LIABILITIES		$ 8,084,490	$ 8,394,288

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
	UTILITY OPERATING INCOME			
400	Operating Revenues	F-3(b)	$ 1,319,558	$ 1,291,958
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)	(246)	(246)
	Net Operating Revenues		$ 1,319,313	$ 1,291,712
401	Operating Expenses	F-3(b)	$ 1,057,196	$ 1,115,100
403	Depreciation Expense:	F-3(b)	$ 267,723	$ 294,090
	Less: Amortization of CIAC	F-22	92,178	94,695
	Net Depreciation Expense		$ 175,545	$ 199,395
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)	14,616	14,616
408	Taxes Other Than Income	W/S-3	100,197	107,672
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
	Utility Operating Expenses		$ 1,347,555	$ 1,436,783
	Net Utility Operating Income		$ (28,242)	$ (145,071)
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	246	246
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property		4,500	1,500
420	Allowance for Funds Used During Construction			
	Total Utility Operating Income [Enter here and on Page F-3(c)]		$ (23,496)	$ (143,325)

* For each account, Column e should agree with Columns f, g and h on F-3(b)

COMPARATIVE OPERATING STATEMENT (Cont'd)

	WATER SCHEDULE W-3 * (f)	WASTEWATER SCHEDULE S-3 * (g)	OTHER THAN REPORTING SYSTEMS (h)
	$ 1,291,958	$	$
	(246)		
	$ 1,291,712	$	$
	$ 1,115,100	$	$
	294,090		
	94,695		
	$ 199,395	$	$
	14,616		
	107,672		
	$ 1,436,783	$	$
	$ (145,071)	$	$
	246		
	1,500		
	$ (143,325)	$	$

* Total of Schedules W-3 / S-3 for all rate groups.

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
Total Utility Operating Income [from page F-3(a)]			$ (23,496)	$ (143,325)
	OTHER INCOME AND DEDUCTIONS			
415	Revenues-Merchandising, Jobbing, and Contract Deductions		$ 0	$ 0
416	Costs & Expenses of Merchandising Jobbing, and Contract Work		0	0
419	Interest and Dividend Income		9,412	3,387
421	Nonutility Income		0	0
426	Miscellaneous Nonutility Expenses		(11,637)	(10,819)
Total Other Income and Deductions			$ (2,225)	$ (7,431)
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income		$	$
409.20	Income Taxes			
410.20	Provision for Deferred Income Taxes			
411.20	Provision for Deferred Income Taxes - Credit			
412.20	Investment Tax Credits - Net			
412.30	Investment Tax Credits Restored to Operating Income			
Total Taxes Applicable To Other Income			$	$
	INTEREST EXPENSE			
427	Interest Expense	F-19	$ 286,863	$ 294,845
428	Amortization of Debt Discount & Expense	F-13	19,107	58,436
429	Amortization of Premium on Debt	F-13		
Total Interest Expense			$ 305,970	$ 353,281
	EXTRAORDINARY ITEMS			
433	Extraordinary Income		$	$
434	Extraordinary Deductions			
409.30	Income Taxes, Extraordinary Items			
Total Extraordinary Items			$	$
NET INCOME			$ (331,692)	$ (504,038)

Explain Extraordinary Income:

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

SCHEDULE OF YEAR END RATE BASE

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	WATER UTILITY (d)	WASTEWATER UTILITY (e)
101	Utility Plant In Service (includes .CWIP)	F-7	$ 8,964,372	$
	Less:			
	Nonused and Useful Plant (1)			
108	Accumulated Depreciation	F-8	3,413,348	
110	Accumulated Amortization	F-8		
271	Contributions In Aid of Construction	F-22	3,388,622	
252	Advances for Construction	F-20	11,030	
	Subtotal		$ 2,151,372	$
	Add:			
272	Accumulated Amortization of Contributions in Aid of Construction	F-22	1,468,402	
	Subtotal		$ 3,619,774	$
	Plus or Minus:			
114	Acquisition Adjustments (2)	F-7		
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7		
	Working Capital Allowance (3)		139,388	
	Other (Specify):			
	RATE BASE		$ 3,759,162	$
	NET UTILITY OPERATING INCOME		$ (145,071)	$
	ACHIEVED RATE OF RETURN (Operating Income / Rate Base)		-3.86%	

NOTES :

(1) Estimate based on the methodology used in the last rate proceeding.

(2) Include only those Acquisition Adjustments that have been approved by the Commission.

(3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method.

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

SCHEDULE OF CURRENT COST OF CAPITAL
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING (1)

CLASS OF CAPITAL (a)	DOLLAR AMOUNT (2) (b)	PERCENTAGE OF CAPITAL (c)	ACTUAL COST RATES (3) (d)	WEIGHTED COST (c x d) (e)
Common Equity	$ 0	0.00%	11.34%	
Preferred Stock				
Long & Short Term Debt	3,654,636	97.22%	3.53%	3.43%
Customer Deposits	104.526	2.78%	6.00%	0.17%
Tax Credits - Zero Cost				
Tax Credits - Weighted Cost				
Deferred Income Taxes				
Other (Explain)				
Total	$ 3,759,162	100.00%		3.60%

(1) If the utility's capital structure is not used, explain which capital structure is used.

NOTE: Debt cost calculated based on effective interest costs applied to 13 mos average balances

(2) Should equal amounts on Schedule F-6, Column (g).

(3) Mid-point of the last authorized Return On Equity or current leverage formula if none has been established.

Must be calculated using the same methodology used in the last rate proceeding using current annual report year end amounts and cost rates.

APPROVED RETURN ON EQUITY

Current Commission Return on Equity:	11.34%
Commission order approving Return on Equity:	PSC-94-1383-FOF-WU

APPROVED AFUDC RATE

COMPLETION ONLY REQUIRED IF AFUDC WAS CHARGED DURING YEAR

Current Commission Approved AFUDC rate:	%
Commission order approving AFUDC rate:	

If any utility capitalized any charge in lieu of AFUDC (such as interest only), state the basis of the charge, an explanation as to why AFUDC was not charged and the percentage capitalized.

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

SCHEDULE OF CAPITAL STRUCTURE ADJUSTMENTS
CONSISTENT WITH THE METHODOLOGY USED IN THE LAST RATE PROCEEDING

CLASS OF CAPITAL (a)	PER BOOK BALANCE (b)	NON-UTILITY ADJUSTMENTS (c)	NON-JURISDICTIONAL ADJUSTMENTS (d)	OTHER (1) ADJUSTMENTS SPECIFIC (e)	OTHER (1) ADJUSTMENTS PRO RATA (f)	CAPITAL STRUCTURE (g)
Common Equity	$ 2,336,948	$	$	$ (2,336,948)	$	$
Preferred Stock						
Long & Short Term Debt	7,831,828				(4,177,192)	3,654,636
Customer Deposits	104,526					104,526
Tax Credits - Zero Cost						
Tax Credits - Weighted Cost						
Deferred Inc. Taxes						
Other (Explain)						
Total	$ 10,273,302	$ 0	$ 0	$ (2,336,948)	$ (4,177,192)	$ 3,759,162

(1) Explain below all adjustments made in Columns (e) and (f):

Column (b) - 13 month average balances of debt and customer deposits.
Column (e) - Equity is negative, set to zero.
Column (f) - Hold customer deposits constant and reconcile to rate base as shown on ScheduleF-4

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

UTILITY PLANT
ACCOUNTS 101 - 106

ACCT. (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
	Plant Accounts:				
101	Utility Plant In Service	$ 8,903,072	$	$	$ 8,903,072
102	Utility Plant Leased to Other				
103	Property Held for Future Use				
104	Utility Plant Purchased or Sold				
105	Construction Work in Progress	61,300			61,300
106	Completed Construction Not Classified				
	Total Utility Plant	$ 8,964,372	$	$	$ 8,964,372

UTILITY PLANT ACQUISITION ADJUSTMENTS
ACCOUNTS 114 AND 115

Report each acquisition adjustment and related accumulated amortization separately.
For any acquisition adjustments approved by the Commission, include the Order Number.

ACCT. (a)	DESCRIPTION (b)	WATER (c)	WASTEWATER (d)	OTHER THAN REPORTING SYSTEMS (e)	TOTAL (f)
114	Acquisition Adjustment	$	$	$	$
	Total Plant Acquisition Adjustments	$	$	$	$
115	Accumulated Amortization	$	$	$	$
	Total Accumulated Amortization	$	$	$	$
	Net Acquisition Adjustments	$	$	$	$ N/A

F9Z
UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

ACCUMULATED DEPRECIATION (ACCT. 108) AND AMORTIZATION (ACCT. 110)

DESCRIPTION (a)	WATER (b)	WASTEWATER (c)	OTHER THAN REPORTING SYSTEMS (d)	TOTAL (e)
ACCUMULATED DEPRECIATION				
Account 108				
Balance first of year	$ 3,362,005	$	$	$ 3,362,005
Credit during year:				
Accruals charged to:				
Account 108.1 (1)	$ 294,090	$	$	$ 294,090
Account 108.2 (2)				
Account 108.3 (2)				
Other Accounts (specify):				
Salvage				
Other Credits (Specify): Corrections Adj. accrued depr. See Sch W-6(b)	(215,936)			(215,936)
Total Credits	$ 78,154	$	$	$ 78,154
Debits during year:				
Book cost of plant retired	(26,811)			(26,811)
Cost of Removal (disposal by sale, net)	0			
Other Debits (specify):				
Total Debits	$ (26,811)	$	$	$ (26,811)
Balance end of year	$ 3,413,348	$	$	$ 3,413,348
ACCUMULATED AMORTIZATION				
Account 110				
Balance first of year	$	$	$	$
Credit during year:				
Accruals charged to:	$	$	$	$
Account 110.2 (2)				
Other Accounts (specify):				
Total credits	$	$	$	$
Debits during year:				
Book cost of plant retired				
Other debits (specify):				
Total Debits	$	$	$	$
Balance end of year	$	$	$	$

(1) Account 108 for Class B utilities.
(2) Not applicable for Class B utilities.
(3) Account 110 for Class B utilities.

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

REGULATORY COMMISSION EXPENSE
AMORTIZATION OF RATE CASE EXPENSE (ACCOUNTS 666 AND 766)

DESCRIPTION OF CASE (DOCKET NO.) (a)	EXPENSE INCURRED DURING YEAR (b)	CHARGED OFF DURING YEAR	
		ACCT. (d)	AMOUNT (e)
Docket No. 000694-WU	$	666.80	$ 63,421
Total	$		$ 63,421

NONUTILITY PROPERTY (ACCOUNT 121)

Report separately each item of property with a book cost of $25,000 or more included in Account 121.
Other Items may be grouped by classes of property.

DESCRIPTION (a)	BEGINNING YEAR (b)	ADDITIONS (c)	REDUCTIONS (d)	ENDING YEAR BALANCE (e)
Disallowed Investment in Plant	$ 858,173	$	$ (47,155)	$ 811,018
Non-Utility Land	0	325,800		325,800
Total Nonutility Property	$ 858,173	$ 325,800	$ (47,155)	$ 1,136,818

SPECIAL DEPOSITS (ACCOUNTS 132 AND 133)

Report hereunder all special deposits carried in Accounts 132 and 133.

DESCRIPTION OF SPECIAL DEPOSITS (a)	YEAR END BOOK COST (b)
SPECIAL DEPOSITS (Account 132):	
Cash in Reserve - CSB (Special)	$ 18,204
Total Special Deposits	$ 18,204
OTHER SPECIAL DEPOSITS (Account 133):	$
Total Other Special Deposits	$

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

INVESTMENTS AND SPECIAL FUNDS
ACCOUNTS 123 - 127

Report hereunder all investments and special funds carried in Accounts 123 through 127.

DESCRIPTION OF SECURITY OR SPECIAL FUND (a)	FACE OR PAR VALUE (b)	YEAR END BOOK COST (c)
INVESTMENT IN ASSOCIATED COMPANIES (Account 123):	$	$ 1,175,075
Total Investment in Associated Companies		$ 1,175,075
UTILITY INVESTMENTS (Account 124): N/A	$	$
Total Utility Investment		$
OTHER INVESTMENTS (Account 125): N/A	$	$
Total Other Investment		$
SPECIAL FUNDS (Class A Utilities: Accounts 126 and 127; Class B Utilities: Account 127): N/A		$
Total Special Funds		$

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

ACCOUNTS AND NOTES RECEIVABLE - NET
ACCOUNTS 141 - 144

Report hereunder all accounts and notes receivable included in Accounts 141, 142, and 144. Amounts included in Amounts included in Accounts 142 and 144 should be listed individually.

DESCRIPTION (a)		TOTAL (b)
CUSTOMER ACCOUNTS RECEIVABLE (Account 141):		
Water	$ 135,172	
Wastewater		
Other		
Total Customer Accounts Receivable		$ 135,172
OTHER ACCOUNTS RECEIVABLE (Account 142):	$ 17,481	
Total Other Accounts Receivable		$ 17,481
NOTES RECEIVABLE (Account 144):		
Notes Receivable	$	
Total Notes Receivable		$
Total Accounts and Notes Receivable		$ 152,653
ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS (Account 143)		
Balance first of year	$ 26,000	
Add: Provision for uncollectibles for current year	$ 2,240	
Collection of accounts previously written off		
Utility Accounts		
Others		
Total Additions	$ 2,240	
Deduct accounts written off during year:		
Utility Accounts		
Others		
Total accounts written off	$ 0	
Balance end of year		$ 28,240
TOTAL ACCOUNTS AND NOTES RECEIVABLE - NET		$ 124,413

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 145

Report each account receivable from associated companies separately.

DESCRIPTION (a)	TOTAL (b)
N/A	$
Total	$

NOTES RECEIVABLE FROM ASSOCIATED COMPANIES
ACCOUNT 146

Report each note receivable from associated companies separately.

DESCRIPTION (a)	INTEREST RATE (b)	TOTAL (c)
N/A	%	$
	%	
	%	
	%	
	%	
	%	
	%	
Total		$

MISCELLANEOUS CURRENT AND ACCRUED ASSETS
ACCOUNT 174

DESCRIPTION - Provide itemized listing (a)	BALANCE END OF YEAR (b)
N/A	$
Total Miscellaneous Current and Accrued Liabilities	$

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

UNAMORTIZED DEBT DISCOUNT AND EXPENSE AND PREMIUM ON DEBT
ACCOUNTS 181 AND 251

Report the net discount and expense or premium separately for each security issue.

DESCRIPTION (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
UNAMORTIZED DEBT DISCOUNT AND EXPENSE (Account 181):		
DEP SRF Loans	$ 1,078	$ 11,859
SRF Associated Fees	5,904	64,941
DEP - Dept. of State	5	53
Envision - Chevy Tahoe	6	18
J. Talley - DEP Loan	60	660
GSB/Centennial	11,740	5,871
FCCU - 2008 GMC	20	64
CCB - 2008 GMC Sierra	78	0
FMB - Backhoe	111	129
FMB - Lot Loan	0	18
Sigma - DEP Refinance	175	6,881
Total Unamortized Debt Discount and Expense	$ 19,177	$ 90,494
UNAMORTIZED PREMIUM ON DEBT (Account 251):		
N/A	$	$
Total Unamortized Premium on Debt	$	$

EXTRAORDINARY PROPERTY LOSSES
ACCOUNT 182

Report each item separately.

DESCRIPTION (a)	TOTAL (b)
N/A	$
Total Extraordinary Property Losses	$

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

MISCELLANEOUS DEFERRED DEBITS
ACCOUNT 186

DESCRIPTION - Provide itemized listing (a)	AMOUNT WRITTEN OFF DURING YEAR (b)	YEAR END BALANCE (c)
DEFERRED RATE CASE EXPENSE (Class A Utilities: Account 186.1)		
186.05 Deferred Limited Proceeding	$ 0	$ 7,200
186.07 Deferred 2009 Rate Case	0	187,086
Total Deferred Rate Case Expense	$	$ 194,286
OTHER DEFERRED DEBITS (Class A Utilities: Account 186.2):		
186.20 Deferred Loss on Bridge Supply Main	$ 14,616	$ 38,830
Total Other Deferred Debits	$ 14,616	$ 38,830
REGULATORY ASSETS (Class A Utilities: Account. 186.3):		
186.30 Deferred Wastewater Certificate Application	$ 0	$ 50,351
Total Regulatory Assets	$	$ 50,351
TOTAL MISCELLANEOUS DEFERRED DEBITS	$ 14,616	$ 283,467

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

CAPITAL STOCK
ACCOUNTS 201 AND 204*

DESCRIPTION (a)	RATE (b)	TOTAL (c)
COMMON STOCK		
Par or stated value per share		$0.10
Shares authorized		100,000
Shares issued and outstanding		100,000
Total par value of stock issued		0
Dividends declared per share for year		0
PREFERRED STOCK		
Par or stated value per share		
Shares authorized		
Shares issued and outstanding		
Total par value of stock issued		
Dividends declared per share for year		

* Account 204 not applicable for Class B utilities.

BONDS
ACCOUNT 221

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
N/A			
	%		
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total			

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

STATEMENT OF RETAINED EARNINGS

1. Dividends should be shown for each class and series of capital stock. Show amounts as dividends per share.
2. Show separately the state and federal income tax effect of items shown in Account No. 439.

ACCT. NO. (a)	DESCRIPTION (b)	AMOUNTS (c)
215	Unappropriated Retained Earnings:	
	Balance Beginning of Year	$ (1,576,898)
	Changes to Account:	
439	Adjustments to Retained Earnings (requires Commission approval prior to use):	
	Credits: Reclass Sigma Loan to Loan Fee - DEP Loan	$ 2,500
	To Remove 2009 Pension Program	80,000
	To Correct PSC 1992 Audit Adjustment	140,733
	To Reclass PBS&J System Evaluation to CWIP	27,500
	To Correct Dep. Expense re 1992 PSC Audit Adjustment	67,063
	Total Credits:	$ 317,796
	Debits: Net Adjustment for Tower Lease Rights	$ (91,860)
	PSC Adjustment for Gain on Sale of Commomnwealth Lots	(3,400)
	Total Debits:	$ (95,260)
435	Balance Transferred from Income	$ (504,038)
436	Appropriations of Retained Earnings:	
	Total Appropriations of Retained Earnings	$
	Dividends Declared:	
437	Preferred Stock Dividends Declared	
438	Common Stock Dividends Declared	
	Total Dividends Declared	$
215	Year end Balance	$
214	Appropriated Retained Earnings (state balance and purpose of each appropriated amount at year end):	
214	Total Appropriated Retained Earnings	$
Total Retained Earnings		$ (1,858,400)

Notes to Statement of Retained Earnings:

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

ADVANCES FROM ASSOCIATED COMPANIES
ACCOUNT 223

Report each advance separately.

DESCRIPTION (a)	TOTAL (b)
N/A	$ 0
Total	$ 0

OTHER LONG-TERM DEBT
ACCOUNT 224

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST		PRINCIPAL AMOUNT PER BALANCE SHEET (d)
	ANNUAL RATE (b)	FIXED OR VARIABLE * (c)	
224.17 Envision - Chevy	5.75%	Fixed	$ 9,438
224.18 CCB (GMC)	6.61%	Fixed	0
224.20 GSB/Centennial	4.25%	Prime + 1	0
224.25 FMB (Lot)	7.50%	Fixed	315,595
224.32 DEP	2.99%	Fixed	4,882,755
224.33 FCUU	6.00%	Fixed	10,063
224.37 FMB - Backhoe	6.85%	Fixed	19,057
Total			$ 5,236,908

* For variable rate obligations, provide the basis for the rate. (i.e., prime + 2%, etc.)

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

NOTES PAYABLE
ACCOUNTS 232 AND 234

DESCRIPTION OF OBLIGATION (INCLUDING DATE OF ISSUE AND DATE OF MATURITY) (a)	INTEREST ANNUAL RATE (b)	INTEREST FIXED OR VARIABLE * (c)	PRINCIPAL AMOUNT PER BALANCE SHEET (d)
NOTES PAYABLE (Account 232):			
232.17 Envision - Chevy	5.75%	Fixed	3,927
232.18 CCB (GMC)	6.61%	Fixed	0
232.20 GSB/Centennial	4.25%	Prime + 1	2,771,653
232.25 FMB (Lot)	7.50%	Fixed	0
232.32 DEP	2.99%	Fixed	79,345
232.33 FCUU	6.00%	Fixed	4,204
232.37 FMB - Backhoe	6.85%	Fixed	0
Total Account 232			$ 2,859,129
NOTES PAYABLE TO ASSOC. COMPANIES (Account 234):			
N/A	%		$
	%		
	%		
	%		
	%		
	%		
	%		
	%		
Total Account 234			$ 0

* For variable rate obligations, provide the basis for the rate. (i.e.. prime + 2%, etc.)

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES
ACCOUNT 233

Report each account payable separately.

DESCRIPTION (a)	TOTAL (b)
N/A	$
Total	$ 0

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

ACCRUED INTEREST AND EXPENSE
ACCOUNTS 237 AND 427

DESCRIPTION OF DEBIT (a)		BALANCE BEGINNING OF YEAR (b)	INTEREST ACCRUED DURING YEAR ACCT. DEBIT (c)	INTEREST ACCRUED DURING YEAR AMOUNT (d)	INTEREST PAID DURING YEAR (e)	BALANCE END OF YEAR (f)
ACCOUNT NO. 237.1 - Accrued Interest on Long Term Debt						
CCB	237.18	$ 95	427.3	$ 287	$ 381	$ 0
GMAC	237.21	0	427.3	2,520	2,520	
FMB	237.25	0	427.3	5,092	4,242	850
FCCU	237.33	90	427.3	965	982	73
Envision	237.34	36	427.3	876	884	28
FMB	237.41	164	427.3	1,799	1,869	94
DEP	237.6	18,005	427	145,385	145,116	18,274
GSB/Centennial	237.65	4,997	427.3	120,450	110,752	14,695
	Total Account 237.1	$ 23,386		$ 277,375	266,746	$ 34,015
ACCOUNT NO. 237.2 - Accrued Interest on Other Liabilities						
Customer Deposits		$ 0	427.4	$ 5,846	$ 5,846	$ 0
Vendors		0	427.5	11,624	11,624	0
Note: Items marked with an * were expensed but not accrued. They are included only to show the total interest expensed in Acct. 427.						
Total Account 237.2		$ 0		$ 17,470	17,470	$ 0
Total Account 237 (1)		$ 23,386		$ 294,845	284,216	$ 34,015
INTEREST EXPENSED:						
Total accrual Account 237.1			237.1	$ 277,375		
* The actual ending balance of accounts 237 is $107,692. The difference from $106,833 is $859.22 which is the amount recorded in Account 237.25 in October as the cost of lot purchased.						
Net Interest Expensed to Account No. 427 (2)				$ 294,845		

(1) Must agree to F-2 (a), Beginning and Ending Balance of Accrued Interest.

(2) Must agree to F-3 (c), Current Year Interest Expense

WATER OPERATION SECTION

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

WATER LISTING OF SYSTEM GROUPS

List below the name of each reporting system and its certificate number. Those systems which have been consolidated under the same tariff should be assigned a group number. Each individual system which has not been consolidated should be assigned its own group number.
The water financial schedules (W-2 through W-10) should be filed for the group in total.
The water engineering schedules (W-11 through W-15) must be filed for each system in the group.
All of the following water pages (W-2 through W-15) should be completed for each group and arranged by group number.

SYSTEM NAME / COUNTY		CERTIFICATE NUMBER	GROUP NUMBER
Water Management Services, Inc./	Franklin	302-W	N/A

There is only one reporting system.

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

SCHEDULE OF YEAR END WATER RATE BASE

ACCT. NO. (a)	ACCOUNT NAME (b)	REFERENCE PAGE (c)	WATER UTILITY (d)
101	Utility Plant In Service (includes CWIP)	W-4(b)	$ 8,964,372
	Less:		
	Nonused and Useful Plant (1)		
108	Accumulated Depreciation	W-6(b)	3,413,348
110	Accumulated Amortization		
271	Contributions In Aid of Construction	W-7	3,388,622
252	Advances for Construction	F-20	11,030
	Subtotal		$ 2,151,372
272	Add: Accumulated Amortization of Contributions in Aid of Construction	W-8(a)	$ 1,468,402
	Subtotal		$ 3,619,774
	Plus or Minus:		
114	Acquisition Adjustments (2)	F-7	
115	Accumulated Amortization of Acquisition Adjustments (2)	F-7	
	Working Capital Allowance (3)		139,388
	Other (Specify):		
	WATER RATE BASE		$ 3,759,162
	WATER OPERATING INCOME	W-3	$ (145,071)
	ACHIEVED RATE OF RETURN (Water Operating Income / Water Rate Base)		-3.86%

NOTES :

(1) Estimate based on the methodology used in the last rate proceeding.

(2) Include only those Acquisition Adjustments that have been approved by the Commission.

(3) Calculation consistent with last rate proceeding.
In absence of a rate proceeding, Class A utilities will use the Balance Sheet Method and Class B Utilities will use the One-eighth Operating and Maintenance Expense Method.

YEAR OF REPORT
December 31, 2010
Revised : 6/7/06

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

WATER OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REFERENCE PAGE (c)	CURRENT YEAR (d)
	UTILITY OPERATING INCOME		
400	Operating Revenues	W-9	$ 1,291,958
469	Less: Guaranteed Revenue and AFPI	W-9	(246)
	Net Operating Revenues		$ 1,291,712
401	Operating Expenses	W-10(a)	$ 1,115,100
403	Depreciation Expense	W-6(a)	294,090
	Less: Amortization of CIAC	W-8(a)	94,695
	Net Depreciation Expense		$ 199,395
406	Amortization of Utility Plant Acquisition Adjustment	F-7	
407	Amortization Expense (Def. Prop. loss, Acct. 186.1)		14,616
	Taxes Other Than Income		
408.10	Utility Regulatory Assessment Fee		58,138
408.11	Property Taxes		11,826
408.12	Payroll Taxes		34,895
408.13	Other Taxes and Licenses		2,812
408	Total Taxes Other Than Income		$ 107,672
409.1	Income Taxes		
410.10	Deferred Federal Income Taxes		
410.11	Deferred State Income Taxes		
411.10	Provision for Deferred Income Taxes - Credit		
412.10	Investment Tax Credits Deferred to Future Periods		
412.11	Investment Tax Credits Restored to Operating Income		
	Utility Operating Expenses		$ 1,436,783
	Utility Operating Income		$ (145,071)
	Add Back:		
469	Guaranteed Revenue (and AFPI)	W-9	$ 246
413	Income From Utility Plant Leased to Others		
414	Gains (losses) From Disposition of Utility Property		0
420	Allowance for Funds Used During Construction		
	Total Utility Operating Income		$ (144,825)

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

SYSTEM NAME / COUNTY :

WATER UTILITY PLANT ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	PREVIOUS YEAR (c)	ADDITIONS (d)	ADJ/RECLASS (d1)	RETIREMENTS (e)
301	Organization	$	$		$
302	Franchises				
303	Land and Land Rights	90,994		(3,400)	
304	Structures and Improvements	356,329			
305	Collecting and Impounding Reservoirs				
306	Lake, River and Other Intakes				
307	Wells and Springs	405,021			
308	Infiltration Galleries and Tunnels				
309	Supply Mains	3,984,508			
310	Power Generation Equipment	113,061			
311	Pumping Equipment	224,689			
320	Water Treatment Equipment	73,403	4,641		
330	Distribution Reservoirs and Standpipes	362,073			
331	Transmission and Distribution Mains	2,524,926		(99,074) A	
333	Services	235,616	3,835		
334	Meters and Meter Installations	212,013	1,352		
335	Hydrants	129,640	40,493	(617) A	
336	Backflow Prevention Devices				
339	Other Plant Miscellaneous Equipment	0	0		
340	Office Furniture and Equipment	76,667	4,883		
341	Transportation Equipment	103,927	42,580		(85,781)
342	Stores Equipment				
343	Tools, Shop and Garage Equipment	36,433	310		
344	Laboratory Equipment				
345	Power Operated Equipment	64,551			
346	Communication Equipment	0			
347	Miscellaneous Equipment				
348	Other Tangible Plant				
	TOTAL WATER PLANT	$ 8,993,851	$ 98,094	$ (103,091)	$ (85,781)

NOTE: Any adjustments made to reclassify property from one account to another must be footnoted.
A - Reclassify to Mains from Hydrants & Supplies

Docket No. 110200-WU
2010 WMSI Annual Report Filed with FPSC
Exhibit HWS-17, Page 45 of 61

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

YEAR OF REPORT
December 31, 2010

WATER UTILITY PLANT MATRIX

ACCT. NO. (a)	ACCOUNT NAME (b)	CURRENT YEAR * (c)	.1 INTANGIBLE PLANT (d)	.2 SOURCE OF SUPPLY AND PUMPING PLANT (e)	.3 WATER TREATMENT PLANT (f)	.4 TRANSMISSION AND DISTRIBUTION PLANT (g)	.5 GENERAL PLANT (h)
301	Organization	$ 0	$	$	$	$	$
302	Franchises						
303	Land and Land Rights	87,594		67,443		20,151	0
304	Structures and Improvements	356,329		73,471	134,122		148,735
305	Collecting and Impounding Reservoirs						
306	Lake, River and Other Intakes						
307	Wells and Springs	405,021		405,021			
308	Infiltration Galleries and Tunnels						
309	Supply Mains	3,984,508		3,984,508			
310	Power Generation Equipment	113,061		113,061			
311	Pumping Equipment	224,689		224,689			
320	Water Treatment Equipment	78,043			78,043		
330	Distribution Reservoirs and Standpipes	362,073				362,073	
331	Transmission and Distribution Mains	2,425,852				2,425,852	
333	Services	239,451				239,451	
334	Meters and Meter Installations	213,366				213,366	
335	Hydrants	169,516				169,516	
336	Backflow Prevention Devices						
339	Other Plant Miscellaneous Equipment	0				0	
340	Office Furniture and Equipment	81,550					81,550
341	Transportation Equipment	60,725					60,725
342	Stores Equipment						
343	Tools, Shop and Garage Equipment	36,743					36,743
344	Laboratory Equipment						
345	Power Operated Equipment	64,551					64,551
346	Communication Equipment						
347	Miscellaneous Equipment	0					0
348	Other Tangible Plant						
	TOTAL WATER PLANT	$ 8,903,072	$	$ 4,868,194	$ 212,166	$ 3,430,409	$ 392,304

W-4(b)
GROUP _____

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

BASIS FOR WATER DEPRECIATION CHARGES

ACCT. NO. (a)	ACCOUNT NAME (b)	AVERAGE SERVICE LIFE IN YEARS (c)	AVERAGE NET SALVAGE IN PERCENT (d)	DEPRECIATION RATE APPLIED IN PERCENT (100% - d) / c (e)
304	Structures and Improvements	33		3.03%
305	Collecting and Impounding Reservoirs			
306	Lake, River and Other Intakes			
307	Wells and Springs	30		3.33%
308	Infiltration Galleries and Tunnels			
309	Supply Mains	35		2.86%
310	Power Generation Equipment	20		5.00%
311	Pumping Equipment	20		5.00%
320	Water Treatment Equipment	22		4.55%
330	Distribution Reservoirs and Standpipes	37		2.70%
331	Transmission and Distribution Mains	43		2.33%
333	Services	40		2.50%
334	Meters and Meter Installations	20		5.00%
335	Hydrants	45		2.22%
336	Backflow Prevention Devices			
339	Other Plant Miscellaneous Equipment	25		4.00%
340	Office Furniture and Equipment	15		6.67%
341	Transportation Equipment	6		16.67%
342	Stores Equipment			
343	Tools, Shop and Garage Equipment	16		6.25%
344	Laboratory Equipment			
345	Power Operated Equipment	12		8.33%
346	Communication Equipment			
347	Miscellaneous Equipment	15		6.67%
348	Other Tangible Plant			
	Water Plant Composite Depreciation Rate *			

* If depreciation rates prescribed by this Commission are on a total composite basis, entries should be made on this line only.

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

SYSTEM NAME / COUNTY : Franklin

ANALYSIS OF ENTRIES IN WATER ACCUMULATED DEPRECIATION

ACCT. NO. (a)	ACCOUNT NAME (b)	BALANCE AT BEGINNING OF YEAR (c)	ACCRUALS (d)	OTHER CREDITS * (e)	TOTAL CREDITS (d + e) (f)
304	Structures and Improvements	$ 106,858	$ 9,642	$	$ 9,642
305	Collecting and Impounding Reservoirs				
306	Lake, River and Other Intakes				
307	Wells and Springs	190,293	12,712		12,712
308	Infiltration Galleries and Tunnels				
309	Supply Mains	863,306	128,282		128,282
310	Power Generation Equipment	82,567	2,305		2,305
311	Pumping Equipment	157,079	10,048		10,048
320	Water Treatment Equipment	40,980	1,730		1,730
330	Distribution Reservoirs and Standpipes	242,272	9,296		9,296
331	Transmission and Distribution Mains	1,200,241	59,275	(215,936) A	(156,660)
333	Services	145,068	6,234		6,234
334	Meters and Meter Installations	153,734	5,271		5,271
335	Hydrants	70,997	3,546		3,546
336	Backflow Prevention Devices				
339	Other Plant Miscellaneous Equipment				
340	Office Furniture and Equipment	26,579	19,107		19,107
341	Transportation Equipment	33,070	19,026		19,026
342	Stores Equipment				
343	Tools, Shop and Garage Equipment	17,022	2,177		2,177
344	Laboratory Equipment				
345	Power Operated Equipment	31,939	5,439		5,439
346	Communication Equipment				
347	Miscellaneous Equipment				0
348	Other Tangible Plant				
TOTAL WATER ACCUMULATED DEPRECIATION		$ 3,362,005	$ 294,090	$ (215,936)	$ 78,154

* Specify nature of transaction
Use ( ) to denote reversal entries.

A - Adjust to correct for 1992 PSC audit & other PSC adjustment.

Docket No. 110200-WU
2010 WMSI Annual Report Filed with FPSC
Exhibit HWS-17, Page 48 of 61

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

SYSTEM NAME / COUNTY : _____

ANALYSIS OF ENTRIES IN WATER ACCUMULATED DEPRECIATION (CONT'D)

ACCT. NO. (a)	ACCOUNT NAME (b)	PLANT RETIRED (g)	SALVAGE AND INSURANCE (h)	COST OF REMOVAL AND OTHER CHARGES (i)	TOTAL CHARGES (g-h+i) (j)	BALANCE AT END OF YEAR (c+f-k) (l)
304	Structures and Improvements	$	$	$	$	$ 116,500
305	Collecting and Impounding Reservoirs					
306	Lake, River and Other Intakes					
307	Wells and Springs					203,005
308	Infiltration Galleries and Tunnels					
309	Supply Mains					991,588
310	Power Generation Equipment					84,873
311	Pumping Equipment					167,127
320	Water Treatment Equipment					42,709
330	Distribution Reservoirs and Standpipes					251,569
331	Transmission and Distribution Mains					1,043,581
333	Services					151,302
334	Meters and Meter Installations					159,005
335	Hydrants					74,543
336	Backflow Prevention Devices					
339	Other Plant Miscellaneous Equipment					
340	Office Furniture and Equipment					45,685
341	Transportation Equipment	(26,811)			(26,811)	25,285
342	Stores Equipment					
343	Tools, Shop and Garage Equipment					19,199
344	Laboratory Equipment					
345	Power Operated Equipment					37,377
346	Communication Equipment					
347	Miscellaneous Equipment					
348	Other Tangible Plant					
TOTAL WATER ACCUMULATED DEPRECIATION		$ (26,811)	$	$	$ (26,811)	$ 3,413,348

Docket No. 110200-WU
2010 WMSI Annual Report Filed with FPSC
Exhibit HWS-17, Page 49 of 61

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

CONTRIBUTIONS IN AID OF CONSTRUCTION
ACCOUNT 271

DESCRIPTION (a)	REFERENCE (b)	WATER (c)
Balance first of year		$ 3,239,514
Add credits during year: Contributions received from Capacity, Main Extension and Customer Connection Charges	W-8(a)	$ 149,109
Contributions received from Developer or Contractor Agreements in cash or property	W-8(b)	
Total Credits		$ 149,109
Less debits charged during the year (All debits charged during the year must be explained below)		$
Total Contributions In Aid of Construction		$ 3,388,622

If any prepaid CIAC has been collected, provide a supporting schedule showing how the amount is determined.

Explain all debits charged to Account 271 during the year below:

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

WATER CIAC SCHEDULE "A"

ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY, MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
Plant Capacity	3	$ 845	$ 2,535
Plant Capacity		various	37,806
Meter Installation	10	250	2,500
Meter Installation		various	307
Main Extension	3	525	1,575
Main Extension		various	25,336
Fire Hydrants			77,300
Sprinkler Systems			1,750
Total Credits			$ 149,109

ACCUMULATED AMORTIZATION OF WATER CONTRIBUTIONS IN AID OF CONSTRUCTION

DESCRIPTION (a)	WATER (b)
Balance first of year	$ 1,373,707
Debits during the year:	
Accruals charged to Account 272	$ 94,695
Other debits (specify) :	
Total debits	$ 94,695
Credits during the year (specify) :	$
Total credits	$
Balance end of year	$ 1,468,402

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

WATER CIAC SCHEDULE "B"

ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION
RECEIVED FROM ALL DEVELOPERS OR CONTRACTORS AGREEMENTS
WHICH CASH OR PROPERTY WAS RECEIVED DURING THE YEAR

DESCRIPTION (a)	INDICATE CASH OR PROPERTY (b)	AMOUNT (c)
None		$
Total Credits		$

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : _____

WATER OPERATING REVENUE

ACCT. NO. (a)	DESCRIPTION (b)	BEGINNING YEAR NO. CUSTOMERS * (c)	YEAR END NUMBER OF CUSTOMERS (d)	AMOUNT (e)
	Water Sales:			
460	Unmetered Water Revenue	0	0	$
	Metered Water Revenue:			
461.1	Sales to Residential Customers	1,697	1,687	1,045,116
461.2	Sales to Commercial Customers	88	86	145,077
461.3	Sales to Industrial Customers			
461.4	Sales to Public Authorities	3	2	43,033
461.5	Sales Multiple Family Dwellings	30	33	53,231
	Total Metered Sales	1,818	1,808	$ 1,286,456
	Fire Protection Revenue:			
462.1	Public Fire Protection			
462.2	Private Fire Protection			
	Total Fire Protection Revenue			$
464	Other Sales To Public Authorities			
465	Sales To Irrigation Customers			
466	Sales For Resale			
467	Interdepartmental Sales			
	Total Water Sales	1,818	1,808	$ 1,286,456
	Other Water Revenues:			
469	Guaranteed Revenues (Including Allowance for Funds Prudently Invested or AFPI)			$ 246
470	Forfeited Discounts			
471	Miscellaneous Service Revenues			5,256
472	Rents From Water Property			0
473	Interdepartmental Rents			
474	Other Water Revenues			
	Total Other Water Revenues			$ 5,501
	Total Water Operating Revenues			$ 1,291,958

* Customer is defined by Rule 25-30.210(1), Florida Administrative Code.

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

WATER UTILITY EXPENSE ACCOUNTS

ACCT. NO. (a)	ACCOUNT NAME (b)	CURRENT YEAR (c)	.1 SOURCE OF SUPPLY AND EXPENSES - OPERATIONS (d)	.2 SOURCE OF SUPPLY AND EXPENSES - MAINTENANCE (e)
601	Salaries and Wages - Employees	$ 341,206	$ 28,598	$ 8,585
603	Salaries and Wages - Officers, Directors and Majority Stockholders	115,192		
604	Employee Pensions and Benefits	111,432	2,353	1,188
610	Purchased Water			[redacted]
615	Purchased Power	62,127	18,000	
616	Fuel for Power Purchased	0	0	
618	Chemicals	12,879		
620	Materials and Supplies	18,661	303	3,034
631	Contractual Services-Engineering	22,680	6,667	
632	Contractual Services - Accounting	18,550		
633	Contractual Services - Legal	6,000		
634	Contractual Services - Mgt. Fees	600	120	
635	Contractual Services - Testing	4,490	2,245	
636	Contractual Services - Other	91,572		
641	Rental of Building/Real Property	22,014		
642	Rental of Equipment	34,322		
650	Transportation Expenses	37,533	5,044	5,044
656	Insurance - Vehicle	11,331	1,330	1,330
657	Insurance - General Liability	24,221	2,500	2,500
658	Insurance - Workman's Comp.	3,864	324	97
659	Insurance - Other	16,849	806	806
660	Advertising Expense	600	[redacted]	[redacted]
666	Regulatory Commission Expenses - Amortization of Rate Case Expense	63,421		
667	Regulatory Commission Exp.-Other			
668	Water Resource Conservation Exp.			[redacted]
670	Bad Debt Expense	2,240	[redacted]	
675	Miscellaneous Expenses	93,318	1,650	6,247
	Total Water Utility Expenses	$ 1,115,100	$ 69,940	$ 28,830

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : _____

WATER EXPENSE ACCOUNT MATRIX

.3 WATER TREATMENT EXPENSES - OPERATIONS (f)	.4 WATER TREATMENT EXPENSES - MAINTENANCE (g)	.5 TRANSMISSION & DISTRIBUTION EXPENSES - OPERATIONS (h)	.6 TRANSMISSION & DISTRIBUTION EXPENSES - MAINTENANCE (i)	.7 CUSTOMER ACCOUNTS EXPENSE (j)	.8 ADMIN. & GENERAL EXPENSES (k)
$ 35,591	$ 8,585	$ 29,993	$ 37,332	$ 51,480	$ 141,043
					115,192
3,508	1,188	1,139	5,311	17,991	78,755
41,771		157			2,199
12,879					
303	910	303	7,282	2,936	3,588
6,667		6,667			2,680
					18,550
					6,000
90		390			
2,245					
	41,978		41,978		7,615
					22,014
				17,378	16,945
5,044	5,044	5,044	5,044	3,633	3,633
1,330	1,330	1,330	1,330	1,676	1,676
2,500	2,500	2,500	2,500	4,610	4,610
403	97	340	423	583	1,597
806	806	806	806		12,015
					600
					63,421
				2,240	
2,229	331	4,366	44,046	10,761	23,687
$ 115,366	$ 62,768	$ 53,034	$ 146,052	$ 113,289	$ 525,820

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

PUMPING AND PURCHASED WATER STATISTICS

MONTH (a)	WATER PURCHASED FOR RESALE (Omit 000's) (b)	FINISHED WATER PUMPED FROM WELLS (Omit 000's) (c)	WATER USED FOR LINE FLUSHING, FIGHTING FIRES, ETC. (d)	TOTAL WATER PUMPED AND PURCHASED (Omit 000's) [(b)+(c)-(d)] (e)	WATER SOLD TO CUSTOMERS (Omit 000's) (f)
January	0	11,227,000	1,940,000	9,287,000	8,344,500
February	0	9,129,000	1,341,000	7,788,000	7,259,500
March	0	11,702,000	2,639,000	9,063,000	7,927,000
April	0	14,669,000	874,000	13,795,000	13,394,300
May	0	15,676,000	2,470,000	13,206,000	10,895,900
June	0	20,347,000	1,895,000	18,452,000	16,613,800
July	0	21,330,000	539,000	20,791,000	22,868,000
August	0	15,563,000	990,000	14,573,000	13,232,600
September	0	14,362,000	1,539,000	12,823,000	11,324,200
October	0	14,687,000	465,000	14,222,000	13,570,200
November	0	11,613,000	2,348,000	9,265,000	8,311,400
December	0	12,134,000	358,000	11,776,000	11,384,000
Total for Year	0	172,439,000	17,398,000	155,041,000	145,125,400

If water is purchased for resale, indicate the following:
Vendor N/A
Point of delivery

If water is sold to other water utilities for redistribution, list names of such utilities below:
N/A

List for each source of supply:	24 Hour CAPACITY OF WELL	GALLONS PER DAY FROM SOURCE	TYPE OF SOURCE
Well No. 1 (1975)	360,000 gpd	360,000	Floridan Aquifer
Well No. 2 (1985)	360,000 gpd	360,000	Floridan Aquifer
Well No. 3 (1993)	720,000 gpd	720,000	Floridan Aquifer
Well No. 4 (2000)	720,000 gpd	720,000	Floridan Aquifer
		2,160,000	

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

WATER TREATMENT PLANT INFORMATION

Provide a separate sheet for each water treatment facility

Permitted Capacity of Plant (GPD):	1,240,000 (NWFWMD Permitted max day withdrawal)
Location of measurement of capacity (i.e. Wellhead, Storage Tank):	Storage Tank
Type of treatment (reverse osmosis, (sedimentation, chemical, aerated, etc.):	Aeration and Chlorination, Ground & Elevated Storage Tanks

LIME TREATMENT

Unit rating (i.e., GPM, pounds per gallon):	Not Applicable	Manufacturer:	Not Applicable

FILTRATION

Type and size of area:			
Pressure (in square feet):	Not Applicable	Manufacturer:	Not Applicable
Gravity (in GPM/square feet):	Not Applicable	Manufacturer:	Not Applicable

YEAR OF REPORT
December 31, 2010

UTILITY NAME: Water Management Services, Inc.

SYSTEM NAME / COUNTY : Franklin

CALCULATION OF THE WATER SYSTEM METER EQUIVALENTS

METER SIZE (a)	TYPE OF METER (b)	EQUIVALENT FACTOR (c)	NUMBER OF METERS (d)	TOTAL NUMBER OF METER EQUIVALENTS (c x d) (e)
All Residential		1.0	1,687	1,687
5/8"	Displacement	1.0	71	71
3/4"	Displacement	1.5	3	5
1"	Displacement	2.5	28	70
1 1/2"	Displacement or Turbine	5.0	10	50
2"	Displacement, Compound or Turbine	8.0	5	40
3"	Displacement	15.0		
3"	Compound	16.0	2	32
3"	Turbine	17.5		
4"	Displacement or Compound	25.0	1	25
4"	Turbine	30.0		
6"	Displacement or Compound	50.0	0	
6"	Turbine	62.5	1	63
8"	Compound	80.0		
8"	Turbine	90.0		
10"	Compound	115.0		
10"	Turbine	145.0		
12"	Turbine	215.0		
			1,808	
		Total Water System Meter Equivalents		2,042

CALCULATION OF THE WATER SYSTEM EQUIVALENT RESIDENTIAL CONNECTIONS

Provide a calculation used to determine the value of one water equivalent residential connection (ERC).
Use one of the following methods:

(a) If actual flow data are available from the preceding 12 months, divide the total annual single family residence (SFR) gallons sold by the average number of single family residence customers for the same period and divide the result by 365 days.

(b) If no historical flow data are available, use:
ERC = (Total SFR gallons sold (Omit 000) / 365 days / 350 gallons per day)

ERC Calculation:

145,125,400 total gallons / 365/350 GPD/ERC = 1,136 ERCs

W10BW10B
UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

SYSTEM NAME / COUNTY : Franklin

OTHER WATER SYSTEM INFORMATION

Furnish information below for each system. A separate page should be supplied where necessary.

1. Present ERC's * the system can efficiently serve.	2,100
2. Maximum number of ERCs * which can be served.	2,100
3. Present system connection capacity (in ERCs *) using existing lines.	2,100
4. Future connection capacity (in ERCs *) upon service area buildout.	3,389
5. Estimated annual increase in ERCs *. minus 17, last three years	56 *
6. Is the utility required to have fire flow capacity?	No
If so, how much capacity is required?	N/A

7. Attach a description of the fire fighting facilities - Ground storage, pumping, looped mains, 138 fire hydrants, high pressure pumps, looped water lines, cut-ff valves.
8. Describe any plans and estimated completion dates for any enlargements or improvements of this system. New 600,000 gallon ground storage tank, new 12" supply main, new electrical equipment, pumping equipment, chlorine facilities and generator; new 5th well with related piping and appertanances. Est. completion date - 12/31/2012.

9. When did the company last file a capacity analysis report with the DEP? September 24, 1999

10. If the present system does not meet the requirements of DEP rules: Not Applicable

a. Attach a description of the plant upgrade necessary to meet the DEP rules.

b. Have these plans been approved by DEP? _____

c. When will construction begin? _____

d. Attach plans for funding the required upgrading.

e. Is this system under any Consent Order with DEP? _____

11. Department of Environmental Protection ID #	1190789
12. Water Management District Consumptive Use Permit #	830074
a. Is the system in compliance with the requirements of the CUP?	Yes
b. If not, what are the utility's plans to gain compliance?	Not applicable

* This is an average based upon historical records and WMSI's estimate as to growth expected within the next 25 years, when buildout is expected. WMSI does not expect a substantial number of new connections within the next several years.

WASTEWATER OPERATION SECTION

This is a water only utility.

Reconciliation of Revenue to Regulatory Assessment Fee Revenue

Water Operations

Class A & B

Company:

For the Year Ended December 31, 2010

(a) Accounts	(b) Gross Water Revenues Per Sch. W-9	(c) Gross Water Revenues Per RAF Return	(d) Difference (b) - (c)
Gross Revenue:			
Unmetered Water Revenues (460)	$	$	$
Total Metered Sales (461.1 - 461.5)	1,286,456	1,286,456	-0-
Total Fire Protection Revenue (462.1 - 462.2)			
Other Sales to Public Authorities (464)			
Sales to Irrigation Customers (465)			
Sales for Resale (466)			
Interdepartmental Sales (467)			
Total Other Water Revenues (469 - 474)	5,502	5,502	-0-
Total Water Operating Revenue	$ 1,291,958	$ 1,291,958	$ -0-
LESS: Expense for Purchased Water from FPSC-Regulated Utility			
Net Water Operating Revenues	$ 1,291,958	$ 1,291,958	$ -0-

Explanations:

Instructions:

For the current year, reconcile the gross water revenues reported on Schedule W-9 with the gross water revenues reported on the company's regulatory assessment fee return. Explain any differences reported in column (d).

WMSI RESPONSE TO CITIZENS' FIRST REQUEST FOR

PRODUCTION OF DOCUMENTS NO. 4

WMSI FINANCIAL STATEMENTS

REDACTED

HWS-18

COMMISSION STAFF JULY 20, 2012

PAA RECOMMENDATION: ISSUE 15

DOCKET NO. 100200-WS

HWS-19

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

RECEIVED-FPSC
12 JUL 20 PM 12:56
COMMISSION CLERK

DATE: July 20, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Accounting and Finance (T. Brown, Cicchetti, Fletcher, Maurey)
Division of Economics (King, Draper, Kummer, Stallcup)
Division of Engineering (Rieger, Ballinger)
Office of the General Counsel (Jaeger, Barrera)

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

AGENDA: 08/02/12 – Regular Agenda – Proposed Agency Action Except for Issue Nos. 26 & 27 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: 5-Month Effective Date Waived Through 08/02/12

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\110200.RCM.DOC

DOCUMENT NUMBER-DATE
04859 JUL 20 12
FPSC-COMMISSION CLERK

Docket No. 110200-WU
Date: July 20, 2012

Issue 15: Have the Utility's cash advances to WMSI's President and associated companies in the amount of $1.2 million, represented by Account 123, affected the Utility's ability to meet its financial and operating responsibilities? If so, what action, if any, should the Commission take?

Recommendation: Yes. The Utility's cash advances to WMSI's President and associated companies in the amount of $1.2 million have impaired the Utility's ability to meet its financial and operating responsibilities. The Commission should accept the Utility's proposal to escrow, on a monthly basis, the amount necessary to pay its annual debt service as described in the staff analysis. In conjunction with this payment arrangement, staff also recommends that WMSI be required to file an affidavit with the Commission signed by a representative of the Utility attesting that the payment has been made within 5 working days of each payment. Finally, staff recommends the Utility President's salary be reduced for managerial imprudence. The amount of the salary reduction should be $33,688 per year. As part of this adjustment, pensions and benefits expense should be reduced by $8,176 and payroll taxes should be reduced by $2,577. The total adjustment is $44,441 ($33,688 + $8,176 + $2,577). (Maurey, Cicchetti, Fletcher)

Staff Analysis: The Utility's last rate case, Docket No. 100104-WU, included Issue 50A: "Is the Utility's level of investment in associated companies appropriate? If not, what action should the Commission take?" Regarding Issue 50A, Order No. PSC-11-0010-SC-WU concluded:

> Based on the record in this proceeding, it cannot be determined if the level of investment in associated companies is appropriate. However, the amounts in question are not included in rate base and are not considered in the determination of appropriate rates. That said, based on the circumstances in this case, our staff shall initiate a cash flow audit of the Utility as soon as possible, and, if it is determined that the activity in the account has impaired the Utility's ability to meet its financial and operating responsibilities, our staff shall recommend an appropriate adjustment for imprudence.[53]

Staff initiated a cash flow audit which was released July 29, 2011. Regarding Account 123, the staff cash flow audit concluded:

> The net receivable of $1,175,075 from Gene Brown and associated companies, as of December 31, 2010, represents funds that have been moved out of the Utility for either Gene Brown's personal use or one of the associated companies.[54]

According to the Utility's 2011 annual report, as of December 31, 2011, the amount in Account 123 was $1,215,075, an increase of $40,000 from December 31, 2010.

Based on the staff cash flow audit and the Utility's financial statements, it is clear that, on net, as of December 31, 2011, approximately $1.2 million in cash has been taken out of the Utility for non-utility purposes since 2003. In Docket No. 100104-WU, the Utility argued that all of the funds that flowed through this account were used to pay debt service on loans incurred

[53] See Order No. PSC-11-0010-SC-WU, p. 56.
[54] See Document No. 05312-11, Auditor's Report, WMSI Cash Flow Audit in Docket No. 100104-WU, Audit Control No. 11-007-1-2, dated July 29, 2011, p. 11.

by associated company Brown Management Group and WMSI's President personally to obtain financing to keep the Utility in operation.[55] However, there is no evidence that funds have been provided to the Utility in an amount greater than the amount that has been taken out of the Utility. While cash has moved in and out of Account 123 over time, as the cash flow audit demonstrates, approximately $1.2 million more in cash has flowed out of the Utility than was invested in the Utility through this account since 2003 when the balance in Account 123 was last at zero.

WMSI's approved rates include funds for debt service costs.[56] Despite the availability of these funds through rates, multiple payments on the loan from DEP were not made by the Utility. During the period when debt service payments were missed, cash was being advanced to the President and associated companies. On December 30, 2009, the Utility entered into Amendment 3 to the loan agreement with DEP to restructure the 20-year loan because of a missed payment of $208,695 on November 15, 2009. The term of the DEP loan was increased an additional 10 years, which lowered the Utility's annual loan payments; however the incremental increase in interest expense over the term of the loan will be $928,071.[57]

By letter dated June 15, 2012, from DEP to WMSI, DEP stated that WMSI's "loan is hereby determined to be in default in accordance with Rule 62-552.430."[58] DEP is delaying enforcement action pending the Commission's decision in this docket. In order to fund the approximately $4 million in plant additions requested in this docket, which includes replacing the water storage tank that has been described by the Utility and others as on the verge of catastrophic collapse, the Utility's bank is requiring that DEP subordinate its claim on the Utility's assets. Whether financing can be arranged for the proposed plant additions is not known at this time.

The Utility's ongoing cash advances to WMSI's President and associated companies calls into question the Utility's viability as a "going concern." A firm is a going concern if it is expected to continue in operation for the foreseeable future and will be able to maintain assets and discharge liabilities in the normal course of operations. By advancing cash to WMSI's President and associated companies in lieu of making required debt service payments and needed capital improvements, staff is concerned about the viability of the Utility as a going concern. Major concerns for utilities in financial distress include safety and quality of service. Although the Utility has not had specific safety or quality of service issues, it is noted that repairs and replacements of critical infrastructure have been delayed.

---

[55] See Document No. 08650-10, Transcript Vol. 4, in Docket No. 100104-WU, p. 572.
[56] See Order Nos. PSC-00-2227-PAA-WU, issued November 21, 2000, in Docket Nos. 940109-WU and 000694-WU, In re: Petition for interim and permanent rate increase in Franklin County by St. George Island Utility Company, Ltd. and In re: Petition by Water Management Services, Inc. for limited proceeding to increase water rates in Franklin County, p. 13; PSC-03-1005-PAA-WU, issued September 8, 2003, in Docket No. 000694-WU, In re: Petition by Water Management Services, Inc. for limited proceeding to increase water rates in Franklin County, p. 12; and PSC-11-0010-SC-WU, issued January 3, 2011, in Docket No. 100104-WU, In re: Application for increase in water rates in Franklin County by Water Management Services, Inc., p. 15.
[57] See Document No. 05312-11, Auditor's Report, WMSI Cash Flow Audit in Docket No. 100104-WU, p. 13.
[58] See Document No. 04560-12, DEP letter dated June 15, 2012, p. 3.

Given the mismanagement concerns expressed above, staff recommends that the Utility President's salary be reduced by approximately 35 percent, which results in a reduction of $33,688. Accordingly, corresponding adjustments should be made to reduce pensions and benefits expense and payroll taxes by $8,176 and $2,577, respectively, for a total adjustment of $44,441. This recommended adjustment is consistent with prior Commission decisions wherein the president's salary was reduced for managerial imprudence.[59] In the instant case, the amount of the adjustment is based on the additional interest expense on the DEP loan. As noted earlier, had funds collected through rates been used to timely pay debt service payments instead of paid out in the form of cash advances to associated companies, the incremental increase in interest expense of $928,071 would have been avoided. Staff determined the amount necessary to reduce revenue requirement to prevent this unnecessary cost from being borne by ratepayers. Such an adjustment represents approximately 35 percent of the Utility President's salary, plus the applicable adjustments to pensions and benefits expense and payroll taxes.

In a letter dated July 9, 2012, from WMSI to the Commission, the Utility expressed confidence that it can secure the required financing for the necessary improvements. To this end, WMSI indicated that it will make the following proposal to the new lender and to DEP as soon as the Utility's annual revenue requirement is established in this case. To facilitate this, WMSI will make the following proposal to the new lender and to DEP:

(1) all WMSI utility revenue will be deposited in a WMSI account established at the bank which makes the loan for the new improvements;

(2) on a set date each month, that lender will debit the account for the monthly P&I payment due that bank;

(3) on another set date during each month, the bank will transfer from WMSI's account to an escrow account established for the benefit of DEP an amount equal to 1/6 of the semi-annual loan payment due to DEP; and

(4) WMSI will maintain and operate the utility from the remaining cash flow and other resources available to WMSI.[60]

The Utility closes the letter by stating that the monthly debit and escrow arrangement set forth above will ensure that all necessary improvements are made to the Utility's system and the DEP loan will be repaid in accordance with the terms of the loan agreement.

Staff agrees with the Utility that escrowing its debt service requirements will be seen as a positive sign by the banks and DEP. Staff believes that the proposal by the Utility outlined above appears reasonable. However, to track the debt service payments, staff recommends the

[59] See Order Nos. PSC-02-0593-FOF-WU, issued April 30, 2002, in Docket No. 010503-WU, In re: Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc., pp. 30-31 and PSC-01-1162-PAA-WU, issued May 22, 2001, In re: Application for staff assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Sunrise Water Company), p. 28.
[60] See Document No. 04560-12, WMSI letter dated July, 9, 2012, p. 2.

Commission require WMSI to file an affidavit with the Commission within 5 working days of each payment.

Conclusion

Staff recommends the Commission accept the Utility's proposal to escrow, on a monthly basis, the amount necessary to pay its annual debt service as described above. In conjunction with this payment arrangement, staff also recommends that WMSI be required to file an affidavit with the Commission signed by a representative of the Utility attesting that the payment has been made within 5 working days of each payment. Finally, staff recommends that the Utility President's salary be reduced approximately 35 percent for managerial imprudence. The amount of the salary reduction should be $33,688 per year. As part of this adjustment, pensions and benefits expense should be reduced by $8,176 and payroll taxes should be reduced by $2,577. The total adjustment is $44,441 ($33,688 + $8,176 + $2,577).

BMG GENERAL LEDGERS

WMSI RESPONSE TO CITIZENS' FIRST REQUEST FOR

PRODUCTION OF DOCUMENTS NO. 13

HWS-20

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Application For Increase in Water Rates In Franklin County by Water Management Services, Inc.	))))	Docket No. 110200-WU Filed: October 5, 2012

CITIZENS' FIRST REQUEST TO PRODUCE DOCUMENTS TO WATER MANAGEMENT SERVICES, INC. (Nos. 1 – 36)

Pursuant to § 350.0611(1), Fla. Stat. (2004), Fla. Admin. Code R. 28-106.206, and Fla. R. Civ. P.1.350, Florida's Citizens ("Citizens" or "OPC") request Water Management Services, Inc. ("WMSI") to produce the following documents for inspection and copying at the Office of Public Counsel, Claude Pepper Building, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, on or before 20 days from the date of service as set forth by procedural Order No. 12-0526-PCO-WU, issued October 3, 2012, or at such other time and place as may be mutually agreed upon by counsel. **In lieu of hard copy responses, OPC requests that WMSI provide the responses to these requests for production of documents electronically as described below in the Instructions.** This First Request for Production of Documents supersedes and replaces all prior Requests for Production of Documents served by OPC in this Docket.

DEFINITIONS

1. The terms "document" or "documents" are meant to have the broadest possible meaning under applicable law and includes, but is not necessarily limited to, any written, recorded, filmed or graphic matter, whether produced, reproduced, or on paper, e-mail, cards, tapes, film, electronic facsimile, computer storage device or any other media, including, but not

13. Account 123. Please provide a copy of Brown Management Group, Inc.'s detailed General Ledgers for each of the years ended December 31, 2008, 2009, 2010, and 2011 and for 2012 year-to-date.

14. Account 123. Please provide a complete copy of Brown Management Group, Inc.'s Annual Reports and financial statements for the five most recent fiscal years.

15. Account 123. Please provide a complete copy of all existing vehicle leases for Brown Management Group, Inc.

16. Account 123. Please provide a copy of the W-2's for each of Brown Management Group, Inc.'s employees for 2009, 2010 and 2011.

OPC- POD NO. 13

THERE ARE NO GENERAL LEDGERS FOR BROWN MANAGEMENT FOR 2008, 2009, 2010, 2011 AND 2012.

WMSI GENERAL LEDGER

JANUARY 1, 2011 TO DECEMBER 31, 2011

$40,000 RECLASSIFICATION

REDACTED

HWS-21

CITIZENS' FIRST REQUEST FOR PRODUCTION

OF DOCUMENTS NO. 4

WMSI OBJECTIONS

WMSI COMPELLED RESPONSE

NATURE OF WMSI FINANCIAL SOURCES AND USES DOCUMENT

HWS-22

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Application For Increase in Water Rates In Franklin County by Water Management Services, Inc.	))))	Docket No. 110200-WU Filed: October 5, 2012

CITIZENS' FIRST SET OF INTERROGATORIES TO WATER MANAGEMENT SERVICES, INC. (Nos. 1 – 16)

Pursuant to § 350.0611(1), F.S., Fla. Admin. Code R. 28-106.206, and Fla. R. Civ. P. 1.340, Florida's Citizens ("Citizens" or "OPC") propound the following Interrogatories to Water Management Services, Inc. ("WMSI") to be answered on or before 20 days from the date of service as set forth by procedural Order No. 12-0526-PCO-WU, issued October 3, 2012, or at such other time and place as may be mutually agreed upon by counsel. **In lieu of hard copy responses, OPC requests that WMSI provide the responses to these interrogatories electronically as described below in the Instructions.** This First Set of Interrogatories supersedes and replaces all prior Sets of Interrogatories served by OPC in this Docket.

DEFINITIONS

As used herein, the following words shall have the meanings indicated:

1. "WMSI" or "the company" means Water Management Services, Inc.
2. The terms "WMSI" and "company" encompass Water Management Services, Inc., together with the officers, employees, consultants, agents, representatives, attorneys, and any other person or entity acting on behalf of Water Management Services, Inc.
3. As used herein the terms "you," "your," and "company" refer to WMSI, as defined in the previous paragraph, together with the officers, employees, consultants, agents,

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;

   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.

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;

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.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.	DOCKET NO. 110200-WU

WATER MANAGEMENT SERVICES, INC.'S SUPPLEMENTAL RESPONSES TO OFFICE OF PUBLIC COUNSEL'S FIRST SET OF INTERROGATORIES (NOS. 1-16)

WATER MANAGEMENT SERVICES, INC. ("WMSI"), by and through its undersigned attorneys and in compliance with the ORDER GRANTING IN PART AND DENYING IN PART THE OFFICE OF PUBLIC COUNSEL'S FIRST AND SECOND MOTIONS TO COMPEL; FIRST ORDER REVISING ORDER ESTABLISHING PROCEDURE (Order No.: PSC-12-0624-PCO-WU), hereby supplements its responses to Office of Public Counsel's First Set of Interrogatories (Nos. 1-16).

Respectfully submitted this 25th day of October, 2012, to:

SUNDSTROM, FRIEDMAN & FUMERO, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746
PHONE: (407) 830-6331
mfriedman@sfflaw.com

Bridget M. Smiley for
MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm

#2538

SUPPLEMENTAL RESPONSES TO OPC'S FIRST SET OF INTERROGATORIES

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);

ANSWER: WMSI's outside CPA, Barbara S. Withers, assisted the utility in preparing a format for the cash flow analysis for all of WMSI's operations from the beginning of 2000 to the end of 2010. This cash flow analysis was prepared by Bob Mitchell, WMSI's full time controller/accountant based upon the format prepared by Ms. Withers.

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;

ANSWER: There is no signed engagement letter between either Ms. Withers or Mr. Mitchell regarding the cash flow analysis.

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;

ANSWER: The cash flow analysis described above was not a compilation, review or audit of WMSI's operations as those terms are commonly used by accountants.

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);

ANSWER: There is no written report describing the above-referenced cash flow analysis. The cash flow analysis itself is the report.

f. Please describe whether WMSI has possession of the audit work papers which supports WMSI's cash flow audit.

ANSWER: WMSI is in possession of the books and records which support the cash flow analysis referenced above.

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.

ANSWER: This question is substantially the same as question no. 4 of Staff's Data Request No. 7, which was answered by WMSI on July 18, 2012. Attached as Exhibit "A" is another copy of the response previously provided.

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."

b. Account 123. On what date did WMSI acquire all the shares or 100% interest in Brown Management Group, Inc.?

ANSWER: January 1, 2011

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.

ANSWER: See Exhibit "B" attached hereto.

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.

ANSWER: See Exhibit "B" attached hereto.

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.

ANSWER: See Exhibit "C" attached hereto.

GENE BROWN

AFFIDAVIT

STATE OF FLORIDA

COUNTY OF LEON

BEFORE ME, the undersigned authority, personally appeared GENE BROWN, who deposed and stated that he provided the Supplemental Answers to OPC's First Set of Interrogatories and that the responses are true and correct to the best of his information and belief.

SWORN TO AND SUBSCRIBED to before me this 26th day of November, 2012.

NOTARY PUBLIC – State of Florida

CAMELIA SAVEREM
MY COMMISSION # EE 213347
EXPIRES: July 2, 2016
Bonded Thru Notary Public Underwriters

Printed Name: Camelia Saverem

My Commission Expires: 7/2/2016

COMMISSION STAFF AUDIT REPORT

RATE CASE AUDIT

MARCH 12, 2012

HWS-23

State of Florida

Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Water Management Services, Inc.
Rate Case Audit

Twelve Months Ended December 31, 2010

Docket No. 110200-WU
Audit Control No. 11-319-1-1
March 12, 2012

Debra M. Dobiac
Audit Manager

Lynn M. Deamer
Reviewer

Table of Contents

Purpose 1

Objectives and Procedures 2

Audit Findings
1: Capitalized Items from Prior Rate Case 6
2: Accumulated Depreciation 8
3: Working Capital 10
4: Operations and Maintenance Expense 12
5: Depreciation Expense 15
6: Taxes Other Than Income 16
7: Cash Flow Analysis Update 17

Exhibits
1: Rate Base 22
2: Net Operating Income 23
3: Capital Structure 24

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated November 15, 2011. We have applied these procedures to the attached schedules prepared by Water Management Services, Inc. in support of its filing for rate relief in Docket No. 110200-WU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

The historical test year ended December 31, 2010 is the audit period.

The Utility or WMSI refers to Water Management Services, Inc., which is a C Corporation for tax purposes. WMSI is a Class A water utility providing service to approximately 1,805 water customers in Franklin County. The Utility does not provide wastewater service, and all amounts in this report refer to water service only. The Utility's last rate case order PSC-11-0010-SC-WU[1] was issued January 3, 2011 in Docket No. 100104-WU.

Order No. PSC-11-0010-SC-WU[2] required staff to complete a cash flow audit for the seven years ended December 31, 2010. This report was issued July 29, 2011 in Docket No. 100104-WU.

Rate Base

Objectives: Our objective was to determine that the Utility's adjustments to rate base were correct and supported by adequate audit evidence.

Procedures: We obtained supporting documentation for the adjustments to rate base and verified the assumptions used. We traced any test year data used to the test year general ledger.

Utility Plant in Service

Objectives: Our objectives were to: 1) Determine that property exists and is owned by the Utility, 2) Determine that plant additions are authentic, recorded at cost, and properly classified in compliance with Commission rules and the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA), 3) Verify that the proper retirements of plant were made when a replacement item was put into service, and 4) Verify that the adjustments made by the Commission to plant in service in the Utility's last rate proceeding were recorded in the Utility's general ledger.

Procedures: We determined the plant balances as of December 31, 2009 that were established in Docket 100104-WU. We tested additions to the plant for the period January 1, 2010 to December 31, 2010 to verify the Utility's plant balances for this proceeding. We ensured that retirements were made when a capital item was removed or replaced. Findings 1 and 4 discuss plant in service adjustments.

[1] Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc.
[2] Ibid.

Land & Land Rights

Objectives: Our objectives were to: 1) Determine that Utility land is recorded at original cost and is owned or secured under a long-term lease, and 2) Verify that the adjustments to land in the Utility's last rate proceeding were recorded in its general ledger.

Procedures: We determined the land balances as of December 31, 2009 that were established in Docket 100104-WU. There were no land additions since the last rate case.

Contributions-in-Aid-of-Construction

Objectives: Our objectives were to: 1) Determine that additions to Contributions-in-Aid-of-Construction (CIAC) are properly recorded in compliance with Commission rules and the NARUC USOA, 2) Verify that donated property is properly accounted for and recorded as CIAC, and 3) Verify that the adjustments to CIAC in the Utility's last rate proceeding were recorded in its general ledger.

Procedures: We determined the CIAC balances as of December 31, 2009 that were established in Docket 100104-WU. We tested additions to CIAC for the period January 1, 2010 to December 31, 2010 to verify the Utility's CIAC balances for this proceeding. The audit staff reviewed the Utility's authorized tariff to determine the type and amount, if any, of service availability fees for new customer additions, and inquired if the Utility had any special agreements or developer agreements, and whether it has received any donated property as CIAC. We also reviewed the 2010 Income Tax return for unrecorded cash or property contributions. No exceptions were noted.

Advances for Construction

Objectives: Our objectives were to: 1) Verify that advances for construction is properly stated in accordance with the Commission approved agreements and prior orders, and 2) Verify that the adjustments to advances for construction in the Utility's last rate proceeding were recorded in the general ledger.

Procedures: We determined the advances for construction balances as of December 31, 2009 that were established in Docket 100104-WU. We tested additions to the advances for construction for the period January 1, 2010 to December 31, 2010 to verify the Utility's advances for construction balances for this proceeding. No exceptions were noted.

Accumulated Depreciation

Objectives: Our objectives were to: 1) Verify that the adjustments to accumulated depreciation in the Utility's last rate proceeding were recorded in the general ledger, 2) Determine that accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the NARUC USOA, 3) Verify that depreciation expense accruals are calculated using the Commission's authorized rates, and 4) Verify that retirements are properly recorded.

Procedures: We determined the accumulated depreciation balances as of December 31, 2009 that were established in Docket 100104-WU. We tested additions to accumulated depreciation for the period January 1, 2010 to December 31, 2010 to verify the Utility's accumulated depreciation balances for this proceeding. We ensured that retirements to accumulated

depreciation were properly recorded. Findings 1, 2, and 4 discuss adjustments to accumulated depreciation.

Accumulated Amortization of CIAC

Objectives: Our objectives were to: 1) Determine accruals to accumulated amortization of CIAC are reflective of the depreciation rates and are properly recorded in compliance with Commission rules and the NARUC USOA, and 2) Verify that the adjustments to accumulated amortization of CIAC in the Utility's last rate proceeding were recorded in the general ledger.

Procedures: We determined the accumulated amortization of CIAC balances as of December 31, 2009 that were established in Docket 100104-WU. We tested additions to accumulated amortization of CIAC for the period January 1, 2010 to December 31, 2010 to verify the Utility's accumulated amortization of CIAC balances for this proceeding. No exceptions were noted.

Working Capital

Objectives: Our objective was to determine that the Utility's working capital balance is properly calculated in compliance with Commission rules.

Procedures: We verified the Utility's calculation of working capital balances as of December 31, 2010 using the balance sheet approach and traced the components to the general ledger. Finding 3 discusses working capital.

Net Operating Income

Operating Revenue

Objectives: Our objective was to determine that utility revenues are properly recorded in compliance with Commission rules and are based on the Utility's Commission approved tariff rates.

Procedures: We verified the Utility's revenues for the 12-month period ending December 31, 2010, by tracing them to the Utility's general ledger and billing register. We tested the reasonableness of the utility revenue by multiplying the average consumption times the number of customers in each class of service and compared it to the amount recorded by the Utility. We selected a judgmental sample of customer bills and recalculated the bills using the authorized rates. No material variances were noted.

Operation and Maintenance Expense

Objectives: Our objective was to determine that operation and maintenance (O&M) expenses are properly recorded in compliance with NARUC USOA and Commission rules, and are representative of ongoing utility operations.

Procedures: We verified O&M expenses for the 12-month period ending December 31, 2010 by tracing amounts recorded in the Utility's general ledger to the original source documentation. We reviewed invoices for proper amount, period, classification, NARUC account, and recurring nature. We reviewed the Utility's methodology for proper allocation of expenses for water operations. Finding 4 discusses O&M Expense.

Depreciation and CIAC Amortization Expense

Objectives: Our objective was to determine that depreciation is properly recorded in compliance with Commission rules and that it accurately represents the depreciation of utility plant in service and the amortization of utility CIAC assets for ongoing utility operations.

Procedures: The audit staff reviewed depreciation and amortization expense recorded on the Utility's books and records. We calculated depreciation expense on the plant in service balances and amortization expense on the CIAC balances for the test year ending December 31, 2010. Findings 1, 4, and 5 discuss depreciation expense.

Taxes Other than Income

Objectives: Our objective was to determine that taxes other than income (TOTI) are recorded in compliance with Commission rules and are representative of ongoing utility operations.

Procedures: We verified TOTI expense for the 12-month period ending December 31, 2010 by tracing invoiced taxes to original source documentation. We also reviewed the 2010 regulatory assessment fee returns, payroll taxes, and other components of TOTI. Finding 6 discusses taxes other than income.

Capital Structure

Objectives: Our objective was to determine the appropriate components and cost rates of the Utility's capital structure were used to arrive at the overall weighted cost of capital. Our objective was to determine that these components are properly presented in compliance with Commission requirements.

Procedures: We reviewed the Utility's cost of capital components and traced amounts to the general ledger as of December 31, 2010. We verified debt to the loan agreements. We determined that the Utility is collecting and accounting for customer deposits as authorized in its Commission approved tariff and verified that the Utility is calculating and remitting interest on customer deposits per Rule 25-30.311, Florida Administrative Code. No exceptions were noted.

Other

Cash Flow Analysis

Objectives: The objective was to update the WMSI Cash Flow Audit, completed in Docket No. 100104-WU, through December 31, 2011.

Procedures: We scheduled each of the Utility's cash accounts by month for the 12-months ended December 31, 2011 and separated cash receipts from disbursements. We also reviewed Account 123 – Investment in Associated Companies for any activity. Finding 7 discusses the updated balances.

Audit Findings

Finding 1: Capitalized Items from Prior Rate Case

Audit Analysis: In the Utility's last rate proceeding, Docket No. 100104-WU, the Commission required the Utility to capitalize $51,751 of miscellaneous expenses to plant-in-service ($2,865 to Account 304.2 and $48,886 to Account 311.2). The Order also required the Utility to decrease plant-in-service by $35,387 ($2,149 to Account 304.2 and $33,238 to Account 311.2) to reflect the retirement costs for replaced plant items, which is 75 % of $47,183. The remaining $4,568 ($51,571 - $47,183) of capital improvements were costs the Utility incurred to rebuild a pump motor, not to replace it, therefore, no retirement was ordered.

The Utility recorded the adjustments related to the Commission Order in its general ledger in January 2011 (after the 2010 test year used in the current docket). However, the Utility incorrectly retired $38,813, which includes 75% of 4,568 or $3,426 (instead of $35,387) and incorrectly classified all the capitalized items ($51,751) to Account 311.2 (instead of Account 304.2 and Account 311.2). The Utility also incorrectly calculated the 2010 depreciation expense of $2,588, which was recorded in January 2011, on the capitalized items of $51,751 using the 5% rate for Account 311.2. The Utility should have calculated the 2010 depreciation expense of $22 on $716 ($2,865 - $2,149) using the 3.03% rate for Account 304.2. The Utility should have also calculated $782 on $15,648 ($48,886 - $33,238) using the 5% rate for Account 311.2. Thus, depreciation expense was overstated by $1,784 ($2,588 - $804).

The Utility did adjust its 2010 rate base in the Minimum Filing Requirements (MFR) Schedule A-3 to reflect the Commission ordered adjustments. However, the Utility used the same incorrect amounts and account distribution discussed above that was used to record the January 2011 general ledger entry. In addition, the Utility did not report in the MFRs the 2010 depreciation expense applicable to the net plant-in-service adjustment of $16,364 ($716 + $15,648).

Prior Commission Ordered Adjustments

Effect on Current MFR Schedules

2010 Test Year

		Audit Balance 13-mo Average		Utility MFR Balance 13-mo Average		Variance	
Acct	Description	Debit	Credit	Debit	Credit	Debit	Credit
101	Plant in Service	$ 51,751		$ 51,751		$ -	
108	Accumulated Depreciation	$ 35,387		$ 38,813		$ (3,426)	
101	Plant in Service		$ 35,387		$ 38,813		$ (3,426)
108	Accumulated Depreciation		$ 582		$ 2,588		$ (2,006)
403	Depreciation Expense	$ 804		$ -		$ 804	

Effect on the General Ledger: The following general ledger entries are needed to correct the Utility's general ledger balances as of December 31, 2010.

NARUC Acct. No.	Description	Debit	Credit
101-311.2	Plant In Service	$3,426	
108-311.2	Accumulated Depreciation		$3,426
To reverse Utility's incorrect additional retirement			
101-304.2	Plant In Service	$716	
101-311.2	Plant In Service		$716
To redistribute balance of Account 311.2 to 311.2 and 304.2 per Commission order			
108	Accumulated Depreciation	$1,784	
403	Depreciation Expense		$1,784
To adjust Depreciation Expense to reflect 2010 depreciation expense for the net Plant in Service Adjustment of $16,364			

Effect on the Filing: The Account 101 – Plant in service 13-month average balance should be increased by $3,426, Account 108 - Accumulated Depreciation 13-month average balance should be increased by $1,420 ($3,426 - $2,006), and Account 403 - Depreciation Expense should be increased by $804.

Finding 2: Accumulated Depreciation

Audit Analysis: In the Utility's 2010 general ledger, three transactions were recorded as follows:

	Date	Acct. No.	Description	Debit	Credit
(A)	1/2/2010	108	Accumulated Depreciation	$140,733	
	1/2/2010	215	Retained Earnings		$140,733
(A)	12/31/2010	108	Accumulated Depreciation	$67,063	
	12/31/2010	215	Retained Earnings		$67,063
(B)	12/31/2010	403	Depreciation Expense	$14,064	
	12/31/2010	108	Accumulated Depreciation		$14,064

The Utility recorded the (A) transactions to correct what it believed to be a PSC accounting error in Order No. PSC-94-1383-FOF-WU,[3] issued in Docket No. 940109-WU. In Docket No. 940109-WU, the original cost of plant in service was revisited from the prior rate case proceeding in Docket No. 871177-WU, and based on new evidence presented, rate base was adjusted in Schedule No. 1-C. The Transmission and Distribution (T&D) Main asset account was decreased $430,289 from $1,368,508 to $938,219. The T&D Main accumulated depreciation account was not adjusted.

In January 2010, the Utility decreased the T&D Main accumulated depreciation account by $140,733. The Utility also recorded an adjustment of $67,063 in December 2010, which the Utility believed reflects the additional depreciation accumulated from 1993 to 2010. Furthermore, the Utility made a 13-month average adjustment to rate base on the MFR Schedule A-3, Adjustments to Rate Base, by decreasing accumulated depreciation by $72,730. These adjustments precede the current docket, but affect this proceeding as they are reflected in the MFR Schedule A-9, Schedule of Accumulated Depreciation.

In support of its adjustment, the Utility provided a 10-page document, which reflects the T&D Main asset account and the related accumulated depreciation balances from 1987 and 1992 and includes the adjustments noted above. However, no auditable support was provided. The information provided by the Utility did not provide sufficient detail for audit staff to determine the validity of these adjustments.

Audit staff used the beginning balances for the T&D Main asset and accumulated depreciation accounts that were established in Order No. PSC-11-0010-SC-WU[4] as of December 31, 2009 to determine the balances for accumulated depreciation in the current case. We traced the 2010 additions to original source documents and calculated the related accumulated depreciation in

[3] Order No. PSC-94-1383-FOF-WU, issued November 14, 1994, Docket No. 940109-WU, In Re: Petition for interim and permanent rate increase in Franklin County by St. George Island Utility Company, Ltd.
[4] Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

order to determine the December 31, 2010 balances as required within the scope of the current rate proceeding.

Transaction **(B)** is an adjustment to the Office Furniture and Equipment accumulated depreciation account when the Utility changed the asset life for computers from 15 years to 6 years as noted in the following schedule.

In-Service Year	Computers Balance	Dkt 100104-WU Accumulated Depreciation 12/31/2009 Balance	Dkt 110200-WU Accumulated Depreciation 12/31/2009 Balance	Dkt 110200-WU Accumulated Depreciation 2010 Additions
2001	$ 2,536	$ 1,462	$ 2,536	$ -
2002	7,935	4,123	7,935	-
2003	10,071	4,427	10,071	-
2004	2,268	802	2,079	189
2005	1,606	482	1,204	268
2006	1,800	420	1,050	300
2007	-	-	-	-
2008	3,032	101	758	505
2009	2,596	87	216	433
2010	4,708	-	-	392
	$ 36,553	$ 11,904	$ 25,851	$ 2,087

According to Rule 25-30.140(2a), Florida Administrative Code (F.A.C.), the service life for computers in Account 340 is 6 years. However, in (3c) it states, "If guideline depreciation rates have been implemented, the rates shall not be changed unless approved by the Commission."

Should the Commission agree to change the service life for computers, audit staff calculated accumulated depreciation using the shorter life and noted an immaterial variance from the balance for Account 340.5 – Office Furniture and Equipment on the MFR Schedule A-9, Schedule of Accumulated Depreciation as of December 31, 2010. However, in recalculating the 13-month average, we noted that the audited balance was $12,981 greater than the MFR 13-month average balance for the same account, which represents the cumulative effect of the accounting change prior to 2010. The Utility did not include an adjustment to Accumulated Depreciation on the MFR Schedule A-3, Adjustments to Rate Base. Audit staff discusses the associated depreciation expense in Finding 4.

Effect on the General Ledger: None.

Effect on the Filing: The Analyst should address this issue's effect on the filing and revenue requirement.

Finding 3: Working Capital

Audit Analysis: On the MFR Schedule A-17, Working Capital Allowance Calculation, the deferred rate case expense 13-month average is $85,399. The Utility included an adjustment of $143,781 for deferred rate case expense in the 13-month average working capital calculation. This total amount of $229,180 ($85,399 + $143,781) was the approved rate case expense from Order No. PSC-11-0010-SC-WU.[5] In addition, the Utility included the annual amortized amount of $57,295 in rate case expense on the MFR Schedule B-5, O&M Expenses by Month. The unamortized amount of rate expense will be much less than the $229,180 since the new rates went into effect February 22, 2011.

Audit staff scheduled deferred rate case expense as follows:

Date	Deferred Rate Case Expense Balance	Amortized Rate Case Expense
12/31/2010	$ 229,180	
	$ (57,295)	$ 57,295
12/31/2011	$ 171,885	
	$ (57,295)	$ 57,295
12/31/2012	$ 114,590	
	$ (57,295)	$ 57,295
12/31/2013	$ 57,295	
	$ (57,295)	$ 57,295
12/31/2014	$ -	

The Analyst should address this issue's effect on the filing and revenue requirement.

Also included in the 13-month working capital allowance calculation is $12,715 of deposits held by Progress Energy, the Utility's electricity provider. These deposits earned $724 of interest, which the Utility recorded below the line in Account 419 - Interest and Dividend Income. If the deposits are included in the working capital allowance calculation, then the interest income should be recorded above the line.

In addition, the Utility included a liability of $7,685, which is the 13-month average balance for the interim rates that were ordered to be refunded. However, this liability should be removed from the working capital allowance since it should not affect any subsequent rates. Therefore, we increased the 13-month average for the working capital allowance by $7,685.

[5] Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

Effect on the General Ledger: None.

Effect on the Filing: The working capital allowance 13-month average balance should be increased by $7,685. The Analyst should address deferred rate case expense and interest on deposits in the working capital allowance calculation.

Finding 4: Operations and Maintenance Expense

Audit Analysis: Audit staff reviewed the supporting documentation for O&M expenses and for the adjustments to net operating income, and verified the assumptions used. We noted the following.

Description	Account	Balance per MFR, Schedule B-5	Utility Adjustments	Balance per MFR, Schedule B-7	Audit Adjustments		Balance per Audit 12/31/2010
		A	B (C-A)	C	D (E-C)		E
Salaries & Wages - Employees	601	$ 341,206	$ (10,283)	$ 330,923	$ (9,332)	A	$ 321,591
Salaries & Wages - Officers, Etc.	603	115,192	(10,692)	104,500	(8,250)	A	96,250
Employee Pension & Benefits	604	111,432	(738)	110,694	(9,285)	A	101,409
Purchased Water	610	-	-	-	-		-
Purchased Power	615	62,127	-	62,127	(29)	B	62,098
Fuel for Power Purchased	616	-	2,275	2,275	-		2,275
Chemicals	618	12,879	(26)	12,853	-		12,853
Materials & Supplies	620	18,661	26	18,687	(1,302)	C	17,385
Contractual Services - Engineering	631	22,680	4,920	27,600	(7,600)	D	20,000
Contractual Services - Acct.	632	18,550	(9,000)	9,550	-		9,550
Contractual Services - Legal	633	6,000	-	6,000	-		6,000
Contractual Services - Mgmt. Fees	634	600	(600)	-	-		-
Contractual Services - Testing	635	4,490	668	5,158	(668)	E	4,490
Contractual Services - Other	636	91,572	526	92,098	(731)	F	91,367
Rental of Building/Real Property	641	22,014	(900)	21,114	(1,350)	A	19,764
Rental of Equipment	642	34,322	(721)	33,601	-		33,601
Transportation Expenses	650	37,533	3,177	40,710	(9,160)	G	31,550
Insurance - Vehicle	656	11,331	(3,351)	7,980	(2,380)	G	5,600
Insurance - General Liability	657	24,221	-	24,221	-		24,221
Insurance - Worker's Comp.	658	3,864	2,312	6,176	-		6,176
Insurance - Other	659	16,849	(12,015)	4,834	-		4,834
Advertising Expense	660	600	-	600	-		600
Reg. Comm. Exp. - Rate Case Amort.	666	63,421	(6,126)	57,295	-		57,295
Reg. Comm. Exp. - Other	667	-	-	-	-		-
Water Resource Conservation Exp.	668	-	-	-	-		-
Bad Debt Expense	670	2,240	-	2,240	-		2,240
Miscellaneous Expenses	675	93,318	-	93,318	(12,070)	H	81,248
Total		$ 1,115,102	$ (40,548)	$ 1,074,554	$ (62,157)		$ 1,012,397

(A) Audit staff decreased the Utility's adjusted balance for Accounts 601/603 - Salaries & Wages by $17,852 ($9,332 + $8,250), Account 604 - Employee Pension & Benefits by $9,285, and Account 641 - Rental of Building/Real Property by $1,350 to allocate 12.5% to affiliates as per Order No. PSC-11-0010-SC-WU.[6] The Utility maintains an administrative and accounting office in Tallahassee that is used for regulated and non-regulated operations. The Utility allocated 5% of the applicable salaries, benefits, and rent to affiliates. The adjustment above reflects the increase in the allocation to affiliates by 7.5% (12.5% - 5%).

(B) We decreased Account 615 - Purchased Power by $29 to remove a late fee.

[6] Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

(C) We decreased Account 620 - Materials and Supplies by $1,302 ($27 + $1,200 + $75). We removed $27 of out of period (2009) and $1,200 of non-regulated expenses (bulk purchases of Gatorade, candy, and snacks, etc.). We also removed $75 of expenses with insufficient support.

(D) Audit staff noted three adjustments to Account 631 - Contractual Services-Engineering on the MFR Schedule B-3, Adjustments to Operating Income. The Utility decreased the account by $2,680, which is applicable to a 2009 expense and was disallowed in the last rate proceeding. Audit staff agrees with this adjustment.

The account was increased by $4,000 for the estimated engineering expense of $2,000 per month, which includes the Northwest Florida Water Management District (NWFWMD), the Department of Environmental Protection (DEP), and all of the other engineering services that the Utility needs on an ongoing basis. However, there was no supporting documentation for these amounts.

Exhibit A of the pre-filed testimony of Les Thomas, Document No. 08222, shows a hydraulic analysis and capacity study, which the Utility had requested done at an hourly rate but not to exceed $36,000. The capacity study includes a design period of 10 years, and the cost will be amortized at $3,600 per year. However, there was no supporting documentation of billable hours or expenses incurred by the engineer for this project. Based on the above, we decreased the Utility's adjusted balance for Account 631 - Contractual Services-Engineering by $7,600 ($4,000 + $3,600).

(E) The Utility increased Account 635 - Contractual Services-Testing by $668, which is the amortized amount for the lead, copper, and organic testing required every three years. Again, no invoices were provided as support for the calculation. Audit staff decreased the Utility's adjusted balance for Account 635 - Contractual Services-Testing by $668.

(F) The Utility increased Account 636 - Contractual Services-Other by $526 for the Annual Report preparation cost. Based on the actual invoice, the account should be increased by an additional $1,063 for a total of $1,589. However, audit staff also decreased the account by $1,794 for expenses with insufficient support. Therefore, we decreased the Utility's adjusted balance for Account 636 - Contractual Services-Other by $731 ($1,063 - $1,794).

(G) The Utility increased Account 650 - Transportation Expense by $3,177, which represents mileage reimbursement for Gene Brown and Sandy Chase. We removed this amount because no mileage logs or expense reports were provided to audit staff to support these numbers as required by Order No. PSC-11-0010-SC-WU.[7] An additional $5,739 of expenses was recorded in this account for their vehicles for repairs, maintenance, and gasoline purchases. Audit staff removed this amount because we could not discern the amount applicable to utility business from the Utility provided support for these amounts (credit card statements, not receipts). Audit staff also removed an additional $244 of expenses because of insufficient support provided. The total decrease to Account 650 - Transportation Expense is $9,160 ($3,177 + $5,739 + $244).

Since the vehicles for Gene Brown and Sandy Chase were removed from plant in service, the Utility decreased Account 656 - Insurance-Vehicle by $3,351, which represents the amortized insurance expense for the two vehicles. The remaining balance of $7,980 in this account is the

[7] Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

amortized expense for the remaining three vehicles owned or leased by the Utility. However, audit staff calculated $5,600 of actual insurance expense for these vehicles based on details in the actual policies. Therefore, we decreased the Utility's adjusted balance for Account 656 - Insurance-Vehicle by $2,380 ($7,980 - $5,600).

(H) Audit staff decreased Account 675 - Miscellaneous Expense by $12,070 ($8,405 + $3,665). We reclassified $8,405 to plant in service for a split case pump and removed the following:

Account Description	Expense	Explanation
Bank Charges Total	$ (310)	Support Insufficient to determine regulated vs non regulated
Postage Total	(16)	Support Insufficient to determine regulated vs non regulated
Travel Expense Total	(243)	Support Insufficient to determine regulated vs non regulated
Insufficient support	(569)	Support Insufficient to determine regulated vs non regulated
Bank Charges Total	(635)	Non Regulated expense
Dues & Subscriptions Total	(736)	Non Regulated expense
Travel Expense Total	(1,400)	Non Regulated expense
Non Regulatory	(2,771)	Non Regulated expense
Repairs & Maintenance	(325)	Out of Period (2009)
Total	$ (3,665)	

Effect on the General Ledger: The following general ledger entries are needed to correct the Utility's general ledger balances as of December 31, 2010.

NARUC Acct. No.	Description	Debit	Credit
311	Pumping Equipment	$8,405	
403	Depreciation Expense	$210	
108	Accumulated Depreciation		$210
675	Miscellaneous Expense		$8,405

Effect on the Filing: The Account 101 - Plant in Service 13-month average balance should be increased by $6,465, Account 108 - Accumulated Depreciation 13-month average balance should be increased by $148, Account 403 - Depreciation Expense should be increased by $323, and Account 401 - Operation and Maintenance Expenses should be decreased by $62,157.

Finding 5: Depreciation Expense

Audit Analysis: In 2010, the Utility implemented the Peachtree Fixed Asset Software to calculate the depreciation expense and accumulated depreciation. However, the adjustments recorded to true-up the accumulated depreciation balances caused depreciation expense to be misstated for the test year as shown in the following schedule.

Description	MFR Schedule B-13 12/313/10	Audit Adjustments		Audited Balances 12/31/2010
301 Organization	-	-		-
302 Franchises	-	-		-
303 Land	-	-		-
304 Structures & Improvements	$ 9,642	$ 22	(A)	$ 9,664
305 Collecting & Impounding	-	-		-
306 Lake, River & Other	-	-		-
307 Wells & Springs	12,712	(763)		11,949
308 Infiltration Galleries and Tunnels	-	-		-
309 Supply Mains	128,282	-		128,282
310 Power Generation Equip.	2,305	1,944		4,249
311 Pumping Equip.	10,048	782	(A)	10,830
320 Water Treatment Equip.	1,730	509		2,239
330 Distribution Reservoirs	9,296	1,433		10,729
331 Transmission and Distribution Mains	59,275	11		59,286
333 Services	6,234	302		6,536
334 Meters and Meter Install.	5,271	-		5,271
335 Hydrants	3,546	21		3,567
336 Backflow Prevention Devices	-	-		-
339 Other Plant And Misc.	-	-		-
340 Office Furniture & Equip.	2,959	-		2,959
340 Office Furniture & Equip.-Computers	16,148	(14,061)	(B)	2,087
341 Trans. Equip.	19,026	(13,974)	(C)	5,052
342 Stores Equip.	-	-		-
343 Tools, Shop and Garage Equip.	2,177	23		2,200
344 Lab Equip	-	-		-
345 Power Operated Equip.	5,439	(60)		5,379
346 Communication Equip.	-	-		-
347 Misc. Equip.	-	-		-
348 Other Tangible Plant	-	-		-
Water Plant	$ 294,090	$ (23,811)		$ 270,279

(A) The recommended disposition of these amounts is addressed in Finding 1. If the commission accepts the recommendation in this finding (Finding 5), then the amount adjusted should be $24,615 so as not to double count $22 and $782.

(B) This amount is due to changing the asset life for computers from 15 years to 6 years. See discussion in Finding 2.

(C) This adjustment is to remove the depreciation expense applicable to the Gene Brown and Sandy Chase vehicles.

Effect on the General Ledger: None.

Effect on the Filing: The Account 403 - Depreciation Expense should be decreased by $24,615.

Finding 6: Taxes Other Than Income

Audit Analysis: We noted the following adjustments to TOTI.

Description	Balance per Utiltiy 12/31/2010	Utility Adjustments		Balance per MFR Schedule B-15	Audit Adjustments	Balance per Audit 12/31/2010
Regulatory Assessment Fees (RAFs)	$ 58,138	$ 613		$ 58,751	$ -	$ 58,751
Payroll Taxes	34,895	(1,605)		33,290	(549)	32,741
Real Estate & Personal Property Taxes	11,826	12,972	(A)	24,798	(829)	23,969
Other	2,812	-		2,812	(269)	2,543
	$ 107,671	$ 11,980		$ 119,651	$ (1,647)	$ 118,004

(A) The Utility adjusted Property Taxes by $12,972, which relates to proforma additions to plant. This issue's effect on the filing and revenue requirement should be addressed by the Analyst.

Based on actual payroll tax returns, audit staff increased payroll tax expense by $796. However, we decreased payroll tax expense by $1,345 based on the Salaries and Wages Expense adjustments from Finding 4. The net effect decreases the Utility's adjusted payroll taxes by $549 ($796 - $1,345).

Audit staff decreased Real Estate and Personal Property Taxes by $829 ($621 + $208), which includes the removal of $621 for property taxes applicable to non-utility land and the removal of $208 for discounts not taken due to late payments.

We also decreased TOTI-Other by $269, which relates to removing the registration cost of $159 for Gene Brown's vehicle. The registration cost for Sandy Chase's vehicle was not included in the Utility's balance. We also removed accrued payroll taxes of $110, which were classified to the incorrect account. The audited payroll tax balance of $32,741 includes the actual amount applicable to the accrual recorded in this account.

Effect on the General Ledger: None.

Effect on the Filing: Account 408 - Taxes Other Than Income should be decreased by $1,647.

Finding 7: Cash Flow Analysis Update

Audit Analysis: According to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 230 – Statement of Cash Flows,

> A statement of cash flows specifies the amount of net cash provided or used by an enterprise during a period from (a) operating activities, (b) investing activities, and (c) financing activities ... A reconciliation of beginning and ending cash and cash equivalents is included in the statement of cash flows.[8]

As required by Order No. PSC-11-0010-SC-WU,[9] audit staff created statements of cash flows from 2004 through 2010. The specific audit steps and objectives are contained in the audit report that was issued July 29, 2011. Audit staff was asked to update these statements for 2011.

As such, audit staff updated the statement of cash flows for 2011. Cash flow can be presented using the direct or the indirect methods. The direct method reflects the principle components of cash receipts and cash payments for operating, investing, and financing activities (excluding non-cash transactions). Our results are summarized in Table 1.

ASC 230 also requires that a reconciliation of net income to net cash flow be provided in conjunction with the statement of cash flow, regardless of whether an enterprise uses the direct or the indirect method. Hence, audit staff updated the statement of cash flows for 2011 using the indirect method, which reconciles net income to net cash flows from operating activities. The adjustments necessary to complete this reconciliation are made to net income to remove the effects of all deferrals (non-cash), all accruals (non-cash), and all items classified as investing or financing cash flows. Our results are summarized in Table 2.

Furthermore, we analyzed the data separating cash receipts and cash disbursements into utility and non-utility activity for regulatory purposes. Our results are summarized in Table 3.

During the eight-year period reviewed, WMSI had an overall decrease in cash of $459,828 with an ending negative cash balance of $18,585 as shown in all three statements. However, there was a $470,725 increase of cash for utility activity. The cash decrease of $930,552 represents non-utility activity, which includes cash to and from the Utility's affiliates.

[8] Jan R. Williams et al., GAAP Guide Volume I, CCH, Chicago, 2011, p. 7002
[9] Order No. PSC-11-0010-SC-WU, issued January 3, 2011, Docket No. 100104-WU, In Re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

Table 1 - Comparative Statement of Cash Flows - Direct Method

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	Eight Year Activity 12/31/2011
Operating Activities									
Cash received from									
Customers	$1,401,642	$1,409,993	$1,467,704	$1,518,663	$1,377,033	$1,327,369	$1,311,317	$1,356,055	$11,169,776
Contract work/plumbing	396,947	250	-	140	-	-	-	-	397,337
Interest	7,079	6,690	13,706	15,838	14,892	9,412	3,387	781	71,785
Rents	6,855	22,964	11,742	-	-	-	-	-	41,561
Customer Deposits	2,486	1,738	-	101,681	-	-		12,884	118,789
Cash paid for									
General operating and admin expenses	(829,969)	(426,867)	(569,474)	(457,852)	(460,813)	(325,515)	(379,103)	(423,591)	(3,873,184)
Contract work/plumbing	(265,579)	(100)	-	(100)	-	-	-	-	(265,779)
Wage expenses	(393,125)	(395,237)	(387,890)	(482,078)	(490,554)	(586,060)	(577,350)	(533,984)	(3,846,278)
Interest	(312,943)	(362,538)	(521,570)	(469,420)	(357,655)	(287,453)	(290,432)	(316,349)	(2,918,360)
Taxes other than income	(109,153)	(101,477)	(123,567)	(115,045)	(135,822)	(43,649)	(150,727)	(89,091)	(868,530)
Customer Deposits	-	-	(6,210)	-	(26,414)	(5,146)	(6,120)	-	(43,890)
Net Cash Flows from operations	(95,760)	155,416	(115,559)	111,828	(79,334)	88,958	(89,027)	6,705	(16,773)
Investing Activites									
Cash receipts from									
Sale of property and equipment	-	71,615	227,098	475,090	-	4,500	1,500	541	780,344
Proceeds from Supply Main Lawsuit	-	-	-	-	719,337	-	-	-	719,337
Collecton of principle on loans	240,306	-	-	-	50,000	50,000	138,830	3,621	482,757
Cash paid for									
Purchase of property and equipment	(164,785)	(195,357)	(330,136)	(47,983)	(59,149)	(17,481)	(213,268)	(110,811)	(1,138,970)
Making loans to other entities	(491,305)	(535,316)	(327,586)	(151,183)	(236,086)	(53,202)	(325,800)	(44,348)	(2,164,825)
Net Cash Flows from Investing	(415,784)	(659,058)	(430,624)	275,924	474,102	(16,183)	(398,738)	(150,997)	(1,321,357)
Financing Activities									
Cash receipts from									
Contributions in Aid of Constuction	99,351	77,109	38,633	26,264	29,967	26,939	149,109	22,268	469,639
Borrowing	422,837	435,982	734,019	-	-	105,463	2,701,532	103,286	4,503,118
Cash paid for									
Advances for Construction	(3,300)	(2,850)	(900)	(1,200)	(300)	(300)	(9,707)	(300)	(18,857)
Repayments of loans	-	(281,367)	(328,698)	(473,703)	(453,218)	(202,239)	(2,336,372)	-	(4,075,598)
Net Cash Flows from Financing	518,888	228,873	443,053	(448,639)	(423,551)	(70,137)	504,561	125,254	878,302
Increase (decrease) In Cash	7,345	(274,769)	(103,130)	(60,888)	(28,783)	2,638	16,796	(19,038)	(459,828)
Cash, beginning of the year	441,243	448,588	173,819	70,689	9,801	(18,982)	(16,343)	453	441,243
Cash, end of the year	$ 448,588	$ 173,819	$ 70,689	$ 9,801	$ (18,982)	$ (16,343)	$ 453	$ (18,585)	$ (18,585)

Table 2 - Comparative Statement of Cash Flows - Indirect Method

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	Eight Year Activity 12/31/2011
Cash from Operations									
Income/(Loss) from continuing operations	$ 79,037	$ (61,607)	$ (94,716)	$ (57,770)	$ (260,464)	$ (331,691)	$ (504,038)	$ (348,540)	(1,579,789)
Adjustments to reconcile income to net cash from operations:									
Deprec/Amort	222,243	222,800	233,901	207,664	196,776	175,545	199,395	171,419	1,629,743
Loan Fees Amort	403	12,699	29,730	19,073	18,939	18,643	12,103	19,239	130,828
(Gain)/Loss on Sale of UPIS	6,330	(23,160)	(227,098)	(210,420)	7,286	(4,500)	(1,500)	(541)	(453,602)
PSC Adjustments	-	-	-	-	-	-	222,536	43,378	265,914
Accounts Receivable	(11,090)	5,292	(7,754)	17,458	2,235	7,811	(34,505)	27,391	6,837
Prepaid Expense	(9,466)	(132)	(4,072)	(10,445)	7,224	8,282	31	817	(7,761)
Interest Receivable	-	(719)	719	-	-	-	-	-	-
Misc. Deferred Debits	(148,942)	(6,502)	38,113	38,800	38,800	(26,738)	(164,482)	(57,609)	(288,560)
Accounts Payable	(253,815)	(9,264)	(60,822)	5,429	(38,142)	109,682	270,016	152,917	176,001
Customer Deposits	2,485	1,738	(6,210)	101,681	(26,414)	(5,146)	32,505	(25,740)	74,899
Accruals	17,054	14,270	(17,350)	357	(25,572)	57,071	(41,088)	23,975	28,718
Operating Reserves	-	-	-	-	-	80,000	(80,000)	-	-
Net Cash Flows from Operations	(95,760)	155,416	(115,559)	111,828	(79,334)	88,958	(89,027)	6,705	(16,773)
Cash Flows from Investing									
UPIS	(164,785)	(123,742)	(103,038)	427,107	660,188	(12,981)	(211,768)	(110,270)	360,711
Investments in Assoc Co	(110,532)	(535,316)	(127,586)	(151,183)	(236,086)	(53,202)	38,830	(40,000)	(1,215,075)
A/R-A/P-Assoc Co	240,306	-	-	-	-	-	-	3,621	243,928
N/R-Assoc Co	-	-	(200,000)	-	50,000	50,000	100,000	-	-
Non-Utility Property	-	-	-	-	-	-	(325,800)	-	(325,800)
Disallowed Investment in UPIS	(380,773)	-	-	-	-	-	-	(4,348)	(385,121)
Net Cash Flows from Investing	(415,784)	(659,058)	(430,624)	275,924	474,102	(16,183)	(398,738)	(150,997)	(1,321,357)
Cash Flows from Financing									
Advances for Construction	(3,300)	(2,850)	(900)	(1,200)	(300)	(300)	(9,707)	(300)	(18,857)
CIAC	99,351	77,109	38,633	26,264	29,967	26,939	149,109	22,268	469,640
Notes Payable	50,000	435,982	(328,698)	(172,996)	(2,993)	(202,239)	2,701,532	75,168	2,555,754
Long-term Debt	372,837	(281,367)	734,019	(300,707)	(450,225)	105,463	(2,336,372)	28,118	(2,128,235)
Net Cash Flows from Financing	518,888	228,873	443,053	(448,639)	(423,551)	(70,138)	504,561	125,254	878,302
Increase (decrease) in Cash	7,345	(274,769)	(103,130)	(60,888)	(28,782)	2,638	16,796	(19,037)	(459,828)
Cash, beginning of the year	441,243	448,588	173,819	70,689	9,801	(18,982)	(16,343)	453	441,243
Cash, end of the year	$ 448,588	$ 173,819	$ 70,689	$ 9,801	$ (18,982)	$ (16,343)	$ 453	$ (18,585)	$ (18,585)

Table 3 – Comparative Regulated and Non-Regulated Cash Receipts and Disbursements

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	Eight Year Activity 12/31/2011
UTILITY ACTIVITY									
Cash Receipts									
Accounts Receivable	$ 1,497,724	$ 1,491,003	$ 1,495,885	$ 1,659,592	$ 1,365,652	$ 1,345,936	$ 1,471,448	$ 1,395,619	$ 11,722,859
Credit Card Cash Advances	-	30,000	43,200	10,000	44,000	38,000	17,700	1,200	184,100
Interest Income	7,022	7,675	6,760	816	2,543	15	10	57	24,898
Insurance Claim Proceeds	-	-	-	-	-	-	-	12,950	12,950
Loan Proceeds	794,983	647,317	365,840	66,789	-	72,300	-	-	1,947,229
Supply Main Lawsuit Proceed:	-	-	-	-	798,161	-	-	-	798,161
Sales of Assets	-	50,983	105,512	234,332	-	4,000	-	500	395,327
Subtotal:	2,299,729	2,226,978	2,017,197	1,971,529	2,210,356	1,460,251	1,489,158	1,410,326	15,085,524
Cash Disbursements									
Utility Expenses/Capital	(1,403,185)	(575,659)	(656,115)	(490,636)	(568,613)	(369,000)	(579,285)	(467,793)	(5,110,286)
Payroll	(287,707)	(262,475)	(257,850)	(340,001)	(356,575)	(364,725)	(349,460)	(338,236)	(2,557,029)
Charles Schwab - 401(k) Plan	-	(18,680)	(26,936)	(16,819)	(21,456)	(21,927)	(22,310)	(82,919)	(211,047)
Credit Card Payments	(24,844)	(25,951)	(106,906)	(76,856)	(109,631)	(114,398)	(87,213)	(55,546)	(601,345)
D.E.P. Loan	(418,518)	(417,390)	(208,695)	(417,390)	(417,390)	(208,695)	-	-	(2,088,078)
Equip/Vehicle Lease Payment:	(44,251)	(56,243)	(39,683)	(6,876)	(15,997)	(14,068)	(40,495)	(59,365)	(276,978)
Loan Payments	(279,523)	(400,343)	(342,409)	(360,336)	(343,006)	(210,723)	(202,803)	(179,327)	(2,318,470)
PR Tax Payments	(96,491)	(109,993)	(100,823)	(112,987)	(114,053)	(62,405)	(186,815)	(127,756)	(911,323)
Public Service Commission	(78,319)	(63,653)	(67,071)	(66,851)	(64,610)	(63,494)	(65,111)	(71,134)	(540,243)
Subtotal:	(2,632,838)	(1,930,387)	(1,806,488)	(1,888,752)	(2,011,331)	(1,429,435)	(1,533,492)	(1,382,076)	(14,614,799)
Net Cash for Utility Activity:	**(333,109)**	**296,591**	**210,709**	**82,777**	**199,025**	**30,816**	**(44,334)**	**28,250**	**470,725**
NON-UTILITY ACTIVITY									
Cash Receipts									
A/R - Non-utility	396,947	250	-	-	-	-	-	-	397,197
Lease Agreements	7,355	23,021	21,696	-	-	-	-	-	52,072
Brown Management Group	-	10,000	360	3,775	215,029	363,261	301,248	38,534	932,207
Gene D. Brown	433,250	214,165	71,000	32,415	16,250	45,714	61,741	73,600	948,135
Gene D. Brown, PA	42,350	8,900	100,500	-	-	4,500	-	-	156,250
Other Associated Companies	1,890	2,500	6,500	175,000	-	-	1,000	-	186,890
Subtotal:	881,792	258,836	200,056	211,190	231,279	413,475	363,989	112,134	2,672,751
Cash Disbursements									
Bank Charges	(2,568)	(3,315)	(1,720)	(1,113)	(2,672)	(4,058)	(3,382)	(4,599)	(23,427)
Brown Management Group	-	(61,450)	(40,050)	(82,650)	(100,750)	(108,391)	(62,940)	(8,411)	(464,642)
Cost of Contract Work	(190,936)	-	-	-	-	-	-	-	(190,936)
Credit Card Fees	(1,742)	(2,245)	(2,461)	(2,314)	(38)	-	-	-	(8,800)
Gene D. Brown	(293,934)	(739,898)	(431,818)	(192,287)	(246,975)	(317,935)	(227,605)	(110,212)	(2,560,664)
Gene D. Brown, PA	(51,800)	(8,850)	(10,100)	(18,700)	(21,100)	(2,400)	-	(36,200)	(149,150)
Other Associated Companies	(800)	(6,100)	(17,871)	(57,500)	(85,000)	(5,950)	(1,200)	-	(174,421)
Payroll Tax Penalties	443	(8,338)	(9,876)	(290)	(2,552)	(2,918)	(7,732)	-	(31,263)
Subtotal:	(541,337)	(830,196)	(513,896)	(354,854)	(459,087)	(441,652)	(302,859)	(159,422)	(3,603,303)
Net Cash For Non-Utility Activity:	**340,455**	**(571,360)**	**(313,840)**	**(143,664)**	**(227,808)**	**(28,177)**	**61,130**	**(47,288)**	**(930,552)**
Cash from WMSI Accounts	2,073,848	791,908	418,739	569,645	1,312,159	323,445	456,656	194,802	6,141,202
Cash to WMSI Accounts	(2,073,848)	(791,908)	(418,739)	(569,645)	(1,312,159)	(323,445)	(456,656)	(194,802)	(6,141,202)
Increase (Decrease) in Cash	**7,346**	**(274,769)**	**(103,131)**	**(60,887)**	**(28,783)**	**2,639**	**16,796**	**(19,038)**	**(459,828)**
Cash, Beginning of the Year	441,243	448,588	173,819	70,689	9,801	(18,982)	(16,343)	453	441,243
Cash, End of the Year	$ 448,589	$ 173,819	$ 70,688	$ 9,802	$ (18,982)	$ (16,343)	$ 453	$ (18,585)	$ (18,585)

Effect on the General Ledger: This finding is included for informational purposes only.

Effect on the Filing: This finding is included for informational purposes only.

Exhibits

Exhibit 1: Rate Base

Schedule of Water Rate Base

Florida Public Service Commissio

Company: Water Management Services, Inc.
Docket No.: 110200-WU
Schedule Year Ended: December 31, 2010
Interim [ ] Final [X]
Historic [X] Projected [ ]

Schedule: A-1
Page 1 of 1
Preparer: J. Allen

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use. If method other than formula approach (1/8 O&M) is used to determine working capital, provide additional schedule showing detail calculation.

Line No.	(1) Description	(2) 13 Mo Avg Per Books	(3) A-3 Utility Adjustments		(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	$ 8,840,469	$ 3,353,442	(A)	$ 12,193,911	A-3, A-5
2	Utility Land & Land Rights	87,856	501,238	(B)	589,094	A-3, A-5
3	Less: Non-Used & Useful Plant	-	-		-	
4	Construction Work in Progress	48,946	(48,946)	(C)	-	A-3, A-18
5	Less: Accumulated Depreciation	(3,345,867)	182,184	(D)	(3,163,683)	A-3, A-9
6	Less: CIAC	(3,322,830)	-		(3,322,830)	A-12
7	Accumulated Amortization of CIAC	1,420,734	-		1,420,734	A-14
8	Acquisition Adjustments	-	-		-	-
9	Accum. Amort. of Acq. Adjustments	-	-		-	-
10	Advances For Construction	(12,019)	712	(E)	(11,307)	A-3, A-16
11	Working Capital Allowance	39,885	-	(F)	39,885	A-3, A-17
12	Total Rate Base	$ 3,757,174	$ 3,988,630		$ 7,745,805	

Exhibit 2: Net Operating Income

Schedule of Water Net Operating Income

2/14/2012 REVISION

Florida Public Service Commission

Company: Water Management Services, Inc.
Docket No.: 110200-WU
Test Year Ended: December 31, 2010
Interim [ ] Final [X]
Historic [X] or Projected [ ]

Schedule: B-1
Page 1 of 1
Preparer: J. Allen

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments		(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment		(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES	$ 1,291,712	$ 13,875	(A)	$ 1,305,587	$ 714,035	(F)	$ 2,019,622	B-4, E-2
2	Operation & Maintenance	1,115,100	(40,548)	(B)	1,074,552	55,000	(G)	1,129,552	B-5, B-3
3	Depreciation, net of CIAC Amort	199,395	52,841	(C)	252,236	-		252,236	B-13, B-3
4	Amortization	14,616	9,784	(D)	24,400	-		24,400	B-3
5	Taxes Other Than Income	107,672	11,981	(E)	119,652	32,132	(H)	151,784	B-15, B-3
6	Provision for Income Taxes	-	-		-	-	(I)	-	C-1, B-3
7	OPERATING EXPENSES	1,436,783	34,057		1,470,840	87,132		1,557,972	
8	NET OPERATING INCOME	$ (145,071)	$ (20,182)		$ (165,254)	$ 626,904		$ 461,650	
9	RATE BASE	$ 3,757,174			$ 7,745,805			$ 7,745,805	
10	RATE OF RETURN	(3.86) %			(2.13) %			5.96 %	

Exhibit 3: Capital Structure

Schedule of Requested Cost of Capital (Final Rates)
13 Month Average

Florida Public Service Commission

Company: Water Management Services, Inc.
Docket No.: 110200-WU
Test Year Ended: December 31, 2010
Schedule Year Ended: December 31, 2010
Historic [X] or Projected [ ]

Schedule: D-1
Page 1 of 1
Preparer: J. Allen

Subsidiary [ ] or Consolidated [X]

Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.		(1) Reconciled To Requested Rate Base	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	7,641,281	98.65 %	5.96 %	5.88 %
2	Short-Term Debt		%	0.00 %	%
3	Preferred Stock	-			
4	Customer Deposits	104,524	1.35 %	6.00 %	0.08 %
5	Common Equity	-	%	11.16 %	0.00 %
6	Tax Credits - Zero Cost	-			
7	Accumulated Deferred Income Tax	-	$ %	0.00 %	%
8	Other (Explain)	-			
9	Total	7,745,806	100.00 %		5.96 %

Note: Cost of Equity based on Order No. PSC-11-0287-PAA-WS: 7.13% + 1.610/Equity Ratio, where
Equity ratio = Common Equity/(Common Equity + Preferred + Long & Short Term Debt) = 0.00 %

WMSI REQUESTS FOR RAF PAYMENT PLANS

DOCKET NOS. 110237-WU AND 120031-WU

HWS-24

RECEIVED-FPSC
12 JAN 25 AM 9:30
COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by Water Management Services, Inc. to pay regulatory assessment fees in installment payments.	Docket No. 120031-WS Date: January 18, 2012

MOTION TO ALLOW INSTALLMENT PAYMENT OF REGULATORY ASSESSMENT FEE

The utility, Water Management Services, Inc., moves this Commission for an order allowing the utility to pay its Regulatory Assessment Fee due in January, 2012 in five monthly installments beginning February 29, 2012, and as grounds for this motion would show the Commission as follows:

1. The utility is suffering severe financial hardship and will be unable to pay the fee in full in January, 2012.

2. Specifically, the utility lost over $500,000 in 2010, as shown by its 2010 annual report. See exhibit "A." Such losses are have continued at approximately the same level since 2010.

3. The utility requests that it be allowed to pay the fee in five approximately equal installments in February, March, April, May and June 2012, with specific amounts to be calculated by the Commission as in Order No. PSC-11-0440-FOF-WS, which amounts were paid timely by the utility.

WHEREFORE, the Utility requests that this Commission enter its Order permitting payment of the Utility's Regulatory Assessment Fee currently due in full in January, 2012 in five installments as referenced above.

RECEIVED
JAN 20 2012
FLORIDA PUBLIC SERVICE COMMISSION
OFFICE OF THE GENERAL COUNSEL

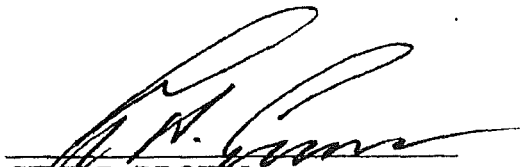
DOCUMENT NUMBER-DATE
00510 JAN 25 12
FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I certify that a copy of this document was delivered by U.S. Mail to the persons listed below on January 18, 2012.

Ralph R. Jaeger
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
On behalf of the Florida Public Service Commission (Staff)

Martin S. Friedman
Sundstrom, Friedman & Fumero, LLP
766 North Sun Drive
Lake Mary, FL 32746



GENE D. BROWN
Water Management Services, Inc.
250 John Knox Road, Suite 4
Tallahassee, FL 32303
(850)668-0440
gdb5@comcast.net

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
Total Utility Operating Income [from page F-3(a)]			$ (23,496)	$ (143,325)
	OTHER INCOME AND DEDUCTIONS			
415	Revenues-Merchandising, Jobbing, and Contract Deductions		$ 0	$ 0
416	Costs & Expenses of Merchandising Jobbing, and Contract Work		0	0
419	Interest and Dividend Income		9,412	3,387
421	Nonutility Income		0	0
426	Miscellaneous Nonutility Expenses		(11,637)	(10,819)
Total Other Income and Deductions			$ (2,225)	$ (7,431)
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income		$	$
409.20	Income Taxes			
410.20	Provision for Deferred Income Taxes			
411.20	Provision for Deferred Income Taxes - Credit			
412.20	Investment Tax Credits - Net			
412.30	Investment Tax Credits Restored to Operating Income			
Total Taxes Applicable To Other Income			$	$
	INTEREST EXPENSE			
427	Interest Expense	F-19	$ 286,863	$ 294,845
428	Amortization of Debt Discount & Expense	F-13	19,107	58,436
429	Amortization of Premium on Debt	F-13		
Total Interest Expense			$ 305,970	$ 353,281
	EXTRAORDINARY ITEMS			
433	Extraordinary Income		$	$
434	Extraordinary Deductions			
409.30	Income Taxes, Extraordinary Items			
Total Extraordinary Items			$	$
NET INCOME			$ (331,692)	$ (504,038)

Explain Extraordinary Income:

EXHIBIT "A"

REQUEST TO ESTABLISH DOCKET

RECEIVED-FPSC
11 JUL 27 PM 4:08
COMMISSION CLERK

(Please type or print. File original *plus* 1 copy with CLK.)

Date:	7/27/2011	**Docket No.:**	110237-WS
1. From Division / Staff:	ECR/ Slemkewicz JS		
2. OPR:	ECR		
3. OCR:	LEG		
4. Suggested Docket Title:	Request for Regulatory Assessment Fee installment payment plan by Water Management Services, Inc.		
5. Program/Module/Submodule Assignment:		A10	

6. Suggested Docket Mail List.

a. Provide NAMES/ACRONYMS, if registered company. ☐ **Provided as an Attachment**

Company Code, if applicable:	Parties (include address, if different from MCD):	Representatives (name and address):
WS236	Office of Public Counsel	

b. Provide COMPLETE NAME AND ADDRESS for all others. (match representatives to companies)

Company Code, if applicable:	Interested persons, if any, (include address, if different from MCD):	Representatives (name and address):

7. Check one:	☒ **Supporting Documentation Attached**	☐ **To be provided with Recommendation**

Comments: The attached documents were filed in Docket No. 100104-WU

COM
APA
ECR 1
GCL
RAD
SSC
ADM
OPC
CLK

PSC\CLK 010-C (Rev. 11/10)

DOCUMENT NUMBER-DATE
05230 JUL 27 =
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Increase in Water Rates in Franklin County by Water Management Services, Inc.	)	Docket No. 100104-WU Date: June 7, 2011

MOTION TO ALLOW INSTALLMENT PAYMENT OF REGULATORY ASSESSMENT FEE

The utility, Water Management Services, Inc. or "WMSI" moves this Commission for an order allowing the utility to pay its Regulatory Assessment Fee due in July, 2011 in five equal installments of 20% each beginning August 31, 2011, and as grounds for this motion would show the Commission as follows:

1. The utility is suffering severe financial hardship and will be unable to pay the fee in full in July, 2011.

2. Specifically, the utility lost over $500,000 in 2010, as shown by its 2010 annual report. See exhibit "A." Such losses are continuing at approximately the same level during 2011.

3. The management and affiliates of the utility have been subsidizing the operations of the utility for the benefit of its ratepayers for many years, as shown by the general ledgers filed with the Commission's audit staff in this docket, which are incorporated herein by reference, and by the annual reports on file with this Commission. The extent of this subsidy is shown by an audit response filed by the utility as part of an audit of the utility now being conducted in this docket. See exhibit "B." The schedules included as part of this response are summaries of the financial facts shown by the above-referenced general ledgers and annual reports on file with this Commission. The utility's management and affiliates cannot continue to subsidize this deficit at the same level, but will be able to make the five installment payments from its monthly revenue from customers.

DOCUMENT NUMBER-DATE
03960 JUN-8 =
FPSC-COMMISSION CLERK

WHEREFORE, the Utility requests this Commission enter its Order permitting payment of the Utility's Regulatory Assessment Fee currently due in full in July 2011 in the following installments: 20% on or before August 31, 2011; 20% on or before September 30, 2011; 20% on or before October 31, 2011; 20% on or before November 30, 2011; and 20% on or before December 31, 2011.

CERTIFICATE OF SERVICE

I certify that a copy of this document was delivered by U.S. Mail to the persons listed below on June 2011.

J.R. Kelly, Public Counsel
Joseph A. McGlothlin, Office of Public Counsel
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400
On behalf of the Citizens of the State of Florida (OPC)

Ralph R. Jaeger
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
On behalf of the Florida Public Service Commission (Staff)

Rosanne Gervasi
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
On behalf of the Florida Public Service Commission (Staff)

Gene D. Brown
250 John Knox Road, No. 4
Tallahassee, FL 32303
On behalf of Water Management Services, Inc. (Utility)

Respectfully submitted,

By: _____

Maggie McCall Moody
McCall Moody Law Firm
Florida Bar No. 760500
2940 Kerry Forest Parkway, Suite 103
Tallahassee, FL 32309
Tel. (850)656-7753
Fax (866)675-3869
email: mmoody@mcallmoodylaw.com
Attorney for Utility

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR (e)
Total Utility Operating Income [from page F-3(a)]			$ (23,496)	$ (143,325)
	OTHER INCOME AND DEDUCTIONS			
415	Revenues-Merchandising, Jobbing, and Contract Deductions		$ 0	$ 0
416	Costs & Expenses of Merchandising Jobbing, and Contract Work		0	0
419	Interest and Dividend Income		9,412	3,387
421	Nonutility Income		0	0
426	Miscellaneous Nonutility Expenses		(11,637)	(10,819)
Total Other Income and Deductions			$ (2,225)	$ (7,431)
	TAXES APPLICABLE TO OTHER INCOME			
408.20	Taxes Other Than Income		$	$
409.20	Income Taxes			
410.20	Provision for Deferred Income Taxes			
411.20	Provision for Deferred Income Taxes - Credit			
412.20	Investment Tax Credits - Net			
412.30	Investment Tax Credits Restored to Operating Income			
Total Taxes Applicable To Other Income			$	$
	INTEREST EXPENSE			
427	Interest Expense	F-19	$ 286,863	$ 294,845
428	Amortization of Debt Discount & Expense	F-13	19,107	58,436
429	Amortization of Premium on Debt	F-13		
Total Interest Expense			$ 305,970	$ 353,281
	EXTRAORDINARY ITEMS			
433	Extraordinary Income		$	$
434	Extraordinary Deductions			
409.30	Income Taxes, Extraordinary Items			
Total Extraordinary Items			$	$
NET INCOME			$ (331,692)	$ (504,038)

Explain Extraordinary Income:

EXHIBIT "A"

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

May 20, 2011

HAND DELIVERY

Ms. Debra Dobiac
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket NO. 100104-WU
Audit Request No. 3

Dear Ms. Dobiac:

As stated in my letter of January 18, 2011 regarding audit request number 3, Water Management's accountant was asked to prepare a cash flow analysis of all the funds that flowed into and out of Water Management Services, Inc. (WMSI) during the years 2004 through 2010. A copy of this cash flow analysis is attached as composite exhibit "A." The accountant is working on the years 2000 through 2003, which will be provided as a further supplement to this response before your audit is completed in June. Attached as composite exhibit "B" is a simple cash flow statement showing the actual cash in and out of the WMSI bank accounts during 2000 through 2010.

These cash flow schedules confirm my testimony during the hearing in this case:

(1) That no ratepayer funds have ever been used to pay out any money through Account 123; and

(2) That during all the years involved in this audit, my affiliates and I have been subsidizing the operations of WMSI, not vice versa.

EXHIBIT "B"

At the hearing, I also testified that some of the funds paid out under Account 123 were used to pay debt service on loans incurred by me and my affiliates to subsidize the operations of WMSI by covering the cash deficit year after year. With limited staff and resources, we have not been able to document every one of these personal loans for all of the years in question. However, we have prepared a representative schedule of such costs during the last 3 years; 2008, 2009 and 2010. This schedule, attached as exhibit "C," shows that I spent an average in excess of $100,000 per year during those years outside of WMSI, just to service the debt and pay other expenses for the benefit of WMSI. This additional cost to me is not shown on the WMSI books. This type of subsidy of WMSI by my affiliates and me has been going on at least since 2000.

As you can see from exhibit "A," the operating deficit for WMSI from 2004 through 2010 was $7,133,288, net of account 123. The average cash operating deficit of WMSI has been over $1,000,000 per year beginning in 2000, when the State started tearing down WMSI's supply main with no compensation to the utility. Please note that the subsidy shown by exhibit "C" is in addition to the subsidies shown by exhibit "A."

We are providing copies of the debt instruments that have been located in response to audit request number 3. Although this is not complete, I would like to point out that all of the cash deficit needed to operate WMSI from January 1, 2004 through December 31, 2010 is shown by the general ledgers and annual reports which you have. All of this cash deficit came from me, my affiliates or from 3rd parties, including lenders. I personally secured these loans, I personally endorsed these loans, and I am personally responsible for the repayment of these loans. No part of this deficit came from ratepayers, and the ratepayers do not have to repay any part of the principal balance of the loans I secured to cover the WMSI cash shortage. I make these points to put your audit of account 123 in context. This audit cannot be viewed independent of the overall cash deficit that I had to cover during the seven years covered by your audit. In any event, WMSI's ratepayers have never subsidized any non-utility activities, as that term is used in Section 367.121(1)(i) of the Florida Statutes.

Sincerely,

Gene D. Brown

GDB:smc
Enclosures

WMSI
FINANCIAL SOURCES AND USES

2004	
COSTS OF OPERATIONS OF WMSI	$2,950,998.38
FUNDS FROM RATEPAYERS	$1,518,938.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$1,432,060.38**
2005	
COSTS OF OPERATIONS OF WMSI	$1,831,156.68
FUNDS FROM RATEPAYERS	$1,504,774.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$326,382.68**
2006	
COSTS OF OPERATIONS OF WMSI	$4,937,082.76
FUNDS FROM RATEPAYERS	$1,525,833.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,411,249.76**
2007	
COSTS OF OPERATIONS OF WMSI	$2,082,031.91
FUNDS FROM RATEPAYERS	$1,527,469.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$554,562.91**
2008	
COSTS OF OPERATIONS OF WMSI	$2,036,491.79
FUNDS FROM RATEPAYERS	$1,404,766.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$631,725.79**
2009	
COSTS OF OPERATIONS OF WMSI	$1,418,542.00
FUNDS FROM RATEPAYERS	$1,346,497.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$72,045.00**
2010	
COSTS OF OPERATIONS OF WMSI	$2,146,331.94
FUNDS FROM RATEPAYERS	$1,441,066.16
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$705,265.78**
TOTAL - 2004 - 2010	
COSTS OF OPERATIONS OF WMSI	$17,402,631.00
FUNDS FROM RATEPAYERS	$10,269,343.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$7,133,292.30**

Composite Exhibit "A"

WMSI
FINANCIAL SOURCES AND USES
2004

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,419,587.00	
W-8(a)	CIAC from Ratepayers	$99,351.00	
W-10(a)	Utility Expenses		$791,065.00
W-3	Utility Taxes & Fees		$112,397.00
W-4(a)	Utility Plant Additions (Net of C.W.I.P Decrease) *		$615,476.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,518,938.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,518,938.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Net of C.W.I.P Decrease) *		$78,719.00
	D.E.P. Loan Payments		$418,517.89
	Citizen's Bank of Perry Payments		$142,539.66
	Wachovia Bank Payments		$14,253.42
	Gulf State Bank Payments		$93,230.35
	Farmers & Merchants Bank Payments		$83,635.42
	Envision Payments		$2,624.08
	Utility Expenses not included on W-10(a) above		$320,700.65
	Cash from third parties	$413,956.58	
	Cash from affiliates not shown by Acct. 123		
	Cash from Loans Secured by GDB/Affiliates	$888,329.95	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(110,532.48)	
F-1(a)	Net funds from GDB/Affiliates as per Account 145	240,306.33	
	Adjustment to convert from accrual to cash basis		277,839.91
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$1,432,060.38**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$1,432,060.38**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$2,950,998.38
FUNDS FROM RATEPAYERS	$1,518,938.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$1,432,060.38**

* Plant additions in 2004 were $5,001,428. This included $4,307,233 in C.W.I.P. at the beginning of 2004 for work done from 2000 thru 2003. (See F-7 of 2003 annual report.

WMSI
FINANCIAL SOURCES AND USES
2005

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,427,665.00	
W-8(a)	CIAC from Ratepayers	$77,109.00	
W-10(a)	Utility Expenses		$775,113.00
W-3	Utility Taxes & Fees		$112,431.00
W-4(a)	Utility Plant Additions		$134,740.00
	D.E.P. Loan Payments		$417,389.78
	Citizen's Bank of Perry Payments		$65,100.22
	TOTAL FUNDS FROM RATEPAYERS	**$1,504,774.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,504,774.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Citizen's Bank of Perry Payments		$99,279.65
	Gulf State Bank Payments		$175,808.02
	Farmers & Merchants Bank Payments		$121,274.23
	Capital City Bank Payments		$3,423.54
	Envision Payments		$7,872.24
	Wakulla Bank Payments		$3,128.27
	Hitachi Capital Payments		$3,807.48
	Utility Expenses not included on W-10(a) above		$58,560.82
	Cash from third parties	$151,822.51	
	Cash from Loans Secured by GDB/Affiliates	$709,875.14	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(535,315.97)	
	Adjustment to convert from accrual to cash basis		(146,772.57)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$326,381.68**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$326,381.68**
	SUMMARY		
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$1,831,155.68	
	FUNDS FROM RATEPAYERS	$1,504,774.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$326,381.68**	

WMSI
FINANCIAL SOURCES AND USES
2006

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,487,200.00	
W-8(a)	CIAC from Ratepayers	$38,633.00	
W-10(a)	Utility Expenses		$910,801.00
W-3	Utility Taxes & Fees		$115,195.00
W-4(a)	Utility Plant Additions		$499,837.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,525,833.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,525,833.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
W-4(a)	Remainder of Utility Plant Additions		$19,250.00
	D.E.P. Payment		$417,389.78
	Citizens's Bank of Perry Payments		$1,827,515.00
	Gulf State Bank Payments		$897,301.64
	Farmers & Merchants Bank Payments		$32,552.52
	Capital City Bank Payments		$35,013.03
	Envision Payments		$7,872.24
	Bank of Tallahassee Payments		$18,315.77
	Wakulla Bank Payments		$195,833.85
	Hitachi Capital Payments		$11,422.44
	GMAC Payments		$740.40
	Utility Expenses not included on W-10(a) above		$78,146.14
	Cash from third parties	$129,752.60	
	Cash from affiliates not shown by Acct. 123	$7,000.00	
	Cash from Loans Secured by GDB/Affiliates	$3,402,081.68	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(127,585.52)	
	Adjustment to convert from accrual to cash basis		(130,104.05)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$3,411,248.76**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$3,411,248.76**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$4,937,081.76
FUNDS FROM RATEPAYERS	$1,525,833.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,411,248.76**

WMSI
FINANCIAL SOURCES AND USES
2007

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,501,205.00	
W-8(a)	CIAC from Ratepayers	$26,264.00	
W-10(a)	Utility Expenses		$959,148.00
W-3	Utility Taxes & Fees		$119,309.00
W-4(a)	Utility Plant Additions		$90,527.00
	Partial Payment to D.E.P.		$358,485.00
	TOTAL FUNDS FROM RATEPAYERS	$1,527,469.00	
	TOTAL PAID FROM RATEPAYER FUNDS		$1,527,469.00
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of D.E.P. Payment		$58,904.78
	Gulf State Bank Payments		$290,159.55
	Farmers & Merchants Bank Payments		$27,759.20
	Capital City Bank Payments		$1,536.10
	Envision Payments		$7,872.24
	S.E. Toyota Payments		$1,691.68
	Bank of Tallahassee Payments		$18,657.83
	Wakulla Bank Payments		$4,470.83
	Hitachi Capital Payments		$1,903.74
	GMAC Payments		$6,663.60
	Utility Expenses not included on W-10(a) above		$106,685.91
	Cash from third parties	$302,550.21	
	Cash from affiliates not shown by Acct. 123	$243,722.56	
	Cash from Loans Secured by GDB/Affiliates	$159,472.24	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(151,183.10)	
	Adjustment to convert from accrual to cash basis		28,256.45
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	$554,561.91	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		$554,561.91

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)	$2,082,030.91
FUNDS FROM RATEPAYERS	$1,527,469.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	$554,561.91

WMSI
FINANCIAL SOURCES AND USES
2008

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,374,799.00	
W-8(a)	CIAC from Ratepayers	$29,967.00	
W-10(a)	Utility Expenses		$940,311.00
W-3	Utility Taxes & Fees		$108,243.00
W-4(a)	Utility Plant Additions		$96,215.00
	Partial Payment to D.E.P.		$259,997.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,404,766.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,404,766.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of D.E.P. Payment		$157,393.00
	Gulf State Bank Payments		$299,736.00
	Farmers & Merchants Bank Payments		$28,508.00
	Capital City Bank Payments		$9,217.00
	Envision Payments		$4,592.00
	S.E. Toyota Payments		$10,150.00
	Utility Expenses not included on W-10(a) above		$162,791.64
	Cash from third parties	$806,189.15	
	Cash from affiliates not shown by Acct. 123	$61,621.91	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(236,086.27)	
	Adjustment to convert from accrual to cash basis		(40,662.85)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$631,724.79**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$631,724.79**
	SUMMARY		
	COSTS OF OPERATIONS OF WMSI (NOT INCLUDING ACCT. 123	$2,036,490.79	
	FUNDS FROM RATEPAYERS	$1,404,766.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$631,724.79**	
		==========	

WMSI
FINANCIAL SOURCES AND USES
2009

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,319,558.00	
W-8(a)	CIAC from Ratepayers	$26,939.00	
W-10(a)	Utility Expenses		$1,057,196.00
W-3	Utility Taxes & Fees		$100,197.00
W-4(a)	Utility Plant Additions		$21,487.00
	Partial Contribution to D.E.P. Payment		$167,617.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,346,497.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,346,497.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Balance of D.E.P. Payment		$41,017.00
	Gulf State Bank Payments		$175,359.00
	Farmers & Merchants Bank Payments		$25,872.00
	Capital City Bank Payments		$9,217.00
	Envision Payments		$3,850.00
	Florida Commerce Credit Union Payments		$4,094.00
	Utility Expenses not included on W-10(a) above		$72,174.00
	Cash from third parties	$9,246.00	
	Cash from affiliates not shown by Acct. 123	$58,672.00	
	Cash from Loans Secured by GDB/Affiliates	$57,329.00	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	($53,202.00)	
	Adjustment to convert from accrual to cash basis		($259,538.00)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$72,045.00**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$72,045.00**
	SUMMARY		
	COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)	$1,418,542.00	
	FUNDS FROM RATEPAYERS	$1,346,497.00	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	$72,045.00	

WMSI
FINANCIAL SOURCES AND USES
2010

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$1,291,957.50	
W-8(a)	CIAC from Ratepayers	$149,108.66	
W-10(a)	Utility Expenses		$1,115,100.17
W-3	Utility Taxes & Fees		$107,671.79
W-4(a)	Utility Plant Additions		$218,294.20
	TOTAL FUNDS FROM RATEPAYERS	**$1,441,066.16**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,441,066.16**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions		$267,208.60
	Gulf State Bank Payments		$160,745.64
	Farmers & Merchants Bank Payments		$22,686.92
	Capital City Bank Payments		$24,029.58
	GMAC Payments		$41,652.62
	Envision Payments		$4,620.00
	Florida Commerce Credit Union Payments		$4,943.16
	Utility Expenses not included on W-10(a) above		$330,080.70
	Cash from third parties	$61,205.49	
	Cash from affiliates not shown by Acct. 123	$102,651.75	
	Cash from Loans Secured by GDB/family and Affiliates	$502,578.36	
F-1(a), F-10	Net funds to/from GDB/Affiliates as per Account 123	$38,830.18	
	Adjustment to convert from accrual to cash basis		($150,701.44)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$705,265.78**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$705,265.78**
	SUMMARY		
	COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)	$2,146,331.94	
	FUNDS FROM RATEPAYERS	$1,441,066.16	
	DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	$705,265.78	
		==========	

Water Management Services, Inc
Cash Flow Deficit

YEAR	CASH IN FROM RATEPAYERS	CASH OUT PER CHECKBOOKS	CASH OPERATING DEFICIT
2000	925,647.00	1,432,523.16	(506,876.16)
2001	1,034,524.00	1,864,187.35	(829,663.35)
2002	1,032,329.00	3,335,639.91	(2,303,310.91)
2003	1,198,338.00	5,422,340.97	(4,224,002.97)
2004	1,518,938.00	2,963,767.11	(1,444,829.11)
2005	1,504,774.00	2,344,209.66	(839,435.66)
2006	1,525,833.00	1,970,087.29	(444,254.29)
2007	1,527,469.00	2,042,711.91	(515,242.91)
2008	1,404,766.00	2,596,316.36	(1,191,550.36)
2009	1,346,497.00	1,681,337.62	(334,840.62)
2010	1,441,066.16	1,902,050.19	(460,984.03)
TOTALS:	14,460,181.16	27,555,171.53	(13,094,990.37)

Composite Exhibit "B"

Water Management Services
Cash Flow

Bank Account	Deposits 2000	Checks 2000
GSB-WMS	406,950.64	1,327,624.68
FMB-WMS	897718.13	77926.85
Peoples-WMS	149,361.31	26,971.63
Total:	$1,454,030.08	$1,432,523.16

Bank Account	Deposits 2001	Checks 2001
GSB-WMS	992,459.52	1,745,089.11
FMB-WMS	858,272.87	119,098.24
Total:	$1,850,732.39	$1,864,187.35

Bank Account	Deposits 2002	Checks 2002
GSB-WMS	794,150.92	3,116,828.24
FMB-WMS	2,532,039.11	218,811.67
Total:	$3,326,190.03	$3,335,639.91

Bank Account	Deposits 2003	Checks 2003
GSB-WMS	1023144.81	5252076.63
GSB-Constr	3180.69	36328.27
FMB-WMS	4472421.84	133936.07
Total:	$5,498,747.34	$5,422,340.97

Bank Account	Deposits 2004	Checks 2004
GSB-WMS	967,142.46	2,703,936.14
GSB-Constr	1,836.00	1,380.00
FMB-WMS	2,070,059.95	258,450.97
Total:	$3,039,038.41	$2,963,767.11

Water Management Services
Cash Flow

Bank Account	Deposits 2005	Checks 2005
GSB-WMS	1,521,977.45	1,996,342.09
GSB-Constr	350	12,317.03
FMB-WMS	569,037.73	48412.23
Wakulla - WMS	272,141.09	287,138.31
Total:	$2,363,506.27	$2,344,209.66

Bank Account	Deposits 2006	Checks 2006
GSB-WMS	1,596,920.08	1,817,640.29
GSB-Constr	1,480.00	61,537.13
FMB-WMS	119,317.60	55,336.55
Wakulla - WMS	88,720.54	35,573.32
Total:	$1,806,438.22	$1,970,087.29

Bank Account	Deposits 2007	Checks 2007
GSB-WMS	1602070.63	1689885.25
GSB-Constr	31937.25	36218.92
FMB-WMS	380,920.11	316607.74
Total:	$2,014,927.99	$2,042,711.91

Bank Account	Deposits 2008	Checks 2008
GSB-WMS	1,330,110.21	1,688,486.91
GSB-Constr	82,584.93	68,028.03
FMB-WMS	1,123,045.17	839,801.42
Total:	$2,535,740.31	$2,596,316.36

Bank Account	Deposits 2009	Checks 2009
GSB-WMS	747,994.19	992,451.39
GSB-Constr	96,739.03	76,259.87
Superior-WMS	524,703.12	544,514.65
FMB-WMS	321,260.02	68,111.71
Total:	$1,690,696.36	$1,681,337.62

Water Management Services
Cash Flow

Bank Account	Deposits 2010	Checks 2010
GSB-WMS	1,279,542.90	1,614,725.39
GSB-Constr	123,647.18	112,264.65
Superior-WMS	62,946.76	48,135.97
FMB-WMS	443,792.01	126,924.18
Total:	$1,909,928.85	$1,902,050.19

GENE D. BROWN/BROWN MANAGEMENT GROUP COST RELATED TO ADVANCES AND PAYMENTS FOR BENEFIT OF WMSI
(Not Included on WMSI Financial Records)

	2008	2009	2010
Interest on $150,000 Home Equity Loan	4,875.00	4,875.00	4,875.00
Interest on $50,000 Flex-lines	3,625.00	3,625.00	3,625.00
Interest on Credit Card Advances (est.)	2,800.00	2,800.00	2,800.00
Debt Service on $360,000 Loan	40,350.00	40,350.00	33,623.00
Related Costs of $360,000 Loan	2,795.00	2,855.00	2,981.00
Interest on $50,000 Loan		1,687.00	3,750.00
Interest on $175,000 Loan	11,987.00	11,987.00	5,994.00
Interest on $150,000 Loan			7,500.00
Interest on $25,000 Loan		844.00	
Life Insurance Premiums	32,714.00	39,258.00	38,165.00
TOTALS	$99,146.00	$108,281.00	$103,313.00

Exhibit "C"

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.	)))	Docket No. 100104-WU Filed: June 17, 2011

OPC'S RESPONSE TO WMSI'S MOTION TO ALLOW INSTALLMENT PAYMENT OF REGULATORY ASSESSMENT FEE

Pursuant to Rule 28-106.204, F.A.C., the Citizens of the State of Florida, through the Office of Public Counsel, hereby respond to Water Management Services, Inc's (WMSI) Motion To Allow Installment Payment of Regulatory Assessment Fee.

On June 8, 2011, WMSI filed its Motion To Allow Installment Payment of Regulatory Assessment Fee ("Motion"). WMSI filed the Motion in the docket that was opened to process and consider WMSI's most recent revenue requirements proceeding. In its final order in this docket, the Commission directed its Staff to conduct a cash flow audit to determine whether the levels of balances in Account 123, "Investments in Associated Companies," are appropriate or whether, as OPC contended at the evidentiary hearing, WMSI has been and is subsidizing the President of WMSI and his unregulated businesses. See Order No. PSC-11-0010-SC-WU, at page 51.[1]

Under normal circumstances, OPC likely would not respond to a request for leave to extend the deadline for payment of regulatory assessment fees. However, in this instance WMSI is attempting to support its Motion with schedules that are related directly to the cash flow audit that the Commission ordered in the rate case, which in turn stems from an issue in which OPC

[1] The evidence proved that WMSI's Account 123 showed a net outflow of advancements to unregulated entities of $1.2 million during time frames in which WMSI has claimed financial hardship and difficulty in borrowing funds for operations. WMSI has not received interest or a return on these advances. OPC's position in the case was that the Commission should place WMSI on notice that the Commission would impute earnings on advances remaining in WMSI's next revenue requirements case and offset any calculated revenue deficiency by the amount of imputed earnings. WMSI countered by claiming that, notwithstanding the balance of Account 123, its President and an unregulated affiliate have been subsidizing the utility over time. The Commission declined to adopt OPC's position. Instead, it directed its Staff to perform a cash flow audit that would establish definitively, in a way that would inform the Commission as to appropriate next steps, the nature and extent of cash transfers between WMSI, on the one hand, and its President and/or the President's unregulated businesses, on the other.

DOCUMENT NUMBER-DATE
04182 JUN 17 =
FPSC-COMMISSION CLERK

was heavily engaged during the proceeding. Moreover, even a preliminary review of the schedules reveals that they support neither WMSI's contention regarding its financial position nor its claim that the nonutility entities to which WMSI has advanced more than $1.2 million (net outstanding balance calculated during the rate case hearing) have been subsidizing the utility. If anything, the attachments to WMSI's motion contain red flags signaling that they need to be scrutinized and investigated carefully during the course of the Commission Staff's cash flow audit. Examples of issues and concerns that become apparent after an initial review include the following:

Assertion that the Utility Lost Over $500,000 in 2010 is Misleading

The Motion asserts, under item 2, that "...the utility lost over $500,000 in 2010, as shown by its 2010 annual report." WMSI then refers to an Exhibit "A", which provides a single page from its 2010 Annual Report filed with the Commission. While the single page that was provided shows Net Income for 2010 of ($504,038), when entries on other pages are reviewed it becomes clear that the net income shown on this single page is misleading. The $504,038 loss shown on the page provided is not a cash flow statement. The purported loss includes several non-cash items, such as $199,395 of net depreciation expense (shown on the prior page of the full Annual Report) and $58,436 for the amortization of debt discount and expense.

Also included would be several expense items that were disallowed in the rate case decision in Docket No. 100104-WU. For example, the amount includes $115,192 for the compensation of Gene Brown and $69,745 for the compensation of Sandra Chase. The recent order disallowed part of Ms. Chase' salary and allocated part of Mr. Brown and Ms. Chase's salaries to affiliates. The purported loss amount would also include depreciation expense and interest expense on vehicles that were fully or partially disallowed by the Commission.

Also included in the $504,038 net loss on the income statement is $294,845 of interest expense. The 2010 Annual Report filed with the Commission, at page F-17, shows total long term debt of $5,236,908 and outstanding Notes Payable of $2,859,129 resulting in combined debt outstanding of $8,096,037. As was pointed out in the recent WMSI rate case, the amount of debt on the utility's books far exceeds the amount of rate base. Schedule No. 1-A in Docket No. 100104-WU shows the Commission-allowed rate base was $3.74 million. The same exhibit shows total allowed plant in service of $8.8 million and Contribution in Aid of Construction of $3.2 million. This would result in net plant not funded through contributions of $5.6 million ($8.8M - $3.2M). Clearly, the amount of debt on WMSI's books far exceeds the rate base and the amount it has invested in plant assets, and results in inordinately high levels of interest expense. One objective of the cash flow audit ordered by the Commission should be to gauge whether WMSI advanced funds to unregulated businesses that could and should have been used to pay down debt, thereby lowering interest expense and increasing net income.

The Contention that WMSI Management and Affiliates have been Subsidizing the Operations of the Utility for Many Years is not Supported by the Information Provided in the Motion

The Motion contends, under item 3, that "The management and affiliates of the utility have been subsidizing the operations of the utility for the benefit of its ratepayers for many years, as shown by the general ledgers filed with the Commission's audit staff in this docket...and by the annual reports on file with this Commission." Attached to the Motion is Exhibit "B", which WMSI asserts shows the "extent of this subsidy." WMSI claims that the exhibit consists of "summaries of the financial facts." OPC disagrees that the information provided by WMSI in Exhibit B demonstrates that "management and affiliates" have been subsidizing the operations of the utility. While OPC has not conducted an audit of the financial information and accounting records used by WMSI in preparing the various items in Exhibit B, OPC does have many

concerns with the limited information that was provided in the exhibit. Here are a few examples of problems, questions or concerns with the information provided in Exhibit B:

WMSI Financial Sources and Uses 2010

- This document is not a cash flow statement and should not be interpreted as being a cash flow statement.
- This document shows "Utility Plant Additions" purportedly funded by ratepayers of $218,294 and "Remainder of Utility Plant Additions" of $267,209, resulting in combined utility plant additions in 2010 of $485,503. The 2010 Annual Report filed with the Commission, at pages W-4(a) and W-4(b), shows a net decrease in plant between 2009 and 2010, and page W-4(a) identifies utility plant additions of only $98,094. The Balance Sheet, at page F-1(a) of the Annual Report does show that Nonutility Property increased by $278,645 between 2009 and 2010; however, this is *Nonutility Property*, not utility assets. Page F-9 of the annual report shows the addition of $325,800 of Non-Utility Land. One must question why the purchase of non-utility property or non-utility assets is included in the "Financial Sources and Uses" analysis presented in Exhibit B of the Motion.
- There is no indication of how the $150,701 adjustment to "convert from accrual to cash basis" was determined by WMSI. It is clear that non-cash items are included in prior lines of the analysis, but no explanation of this conversion adjustment is provided.
- Included is $330,080.70 identified as "Utility Expenses not included on W-10(a) above." The Utility Expenses shown for page W-10(a) are $1,115,100 and tie exactly into the Utility Operating Expenses on page F-3(a) and page W-10(a) of the annual report. WMSI does not identify, much less support, the specific expenses it wishes to add to Utility Expenses already reported as utility operating expenses in the Annual Report to the Commission. The interest payments and tax expenses are already separately included in the analysis, and expenses such as depreciation are non-cash items.
- The analysis identifies cash received from third parties, with no indication of what that cash is for, how it was determined, or from whom it was received.

Water Management Services, Inc. – Cash Flow Deficit (Composite Exhibit "B")

- This is a high level comparison showing what is claimed to be all "Cash in from Ratepayers" and all "Cash Out per Checkbooks," resulting in purported cash operating deficit amounts by year for the period 2000 through 2010. This is not representative of a complete or accurate cash flow analysis.
- It is clear from the record of the rate case that WMSI, Gene Brown and Brown Management Group have extensively intermingled funds with constant cash inflows and outflows between WMSI, Mr. Brown and Brown Management Group.

- The "Cash Flow Deficit" does not reflect other cash coming in, such as the net cash received as a result of the settlement relating to the failure of the paint coating on the water supply main attached to the bridge to St. George Island and the proceeds received as part of the loan for the bridge from the DEP.

Water Management Services – Cash Flow

- This appears to merely show the total deposits and total checks written from the various bank accounts. As previously noted, it would include the impact of the extensive intermingling of funds between WMSI, Gene Brown and Brown Management Group.

The above listed items are merely a few examples of the concerns or problems with the purported analysis presented by WMSI in its Exhibit B attached to the Motion. A complete and thorough evaluation of WMSI's cash flow and intermingling of cash and investments between WMSI, Mr. Brown and Brown Management Group and potentially other affiliates should entail a detailed analysis of not only WMSI's general ledgers, but also of WMSI's bank statements and the bank statements, general ledger and finances of Mr. Brown, Brown Management Group and any other affiliates from which cash has flowed into or out of WMSI over a historic period. Only such a detailed analysis can assess Mr. Brown's claim that the proceeds of personal loans have been used to pay the utility's financial obligations in amounts that exceed the net advances to unregulated entities recorded in Account 123. Page 2 of the letter provided with Exhibit B, dated May 20, 2011, indicates that WMSI has not been able to document all of the personal loans of Mr. Brown and WMSI's affiliates that were used to purportedly subsidize the utility operations.[2] Given the extensive intermingling of funds and assets, as well as the frequent transfers of funds and assets, coupled with Mr. Brown's contention that his has been unable to document all of the personal loans, very little reliance should be placed on the information

[2] OPC notes that it is one thing to demonstrate that a personal loan was obtained; it is quite another to demonstrate, through appropriate documentation, that the proceeds of the personal loan were used to defray costs or expenses of the utility operation. That is one of the subjects of the cash flow audit.

provided by WMSI in Exhibit B in support of its Motion. Rather, a detailed and comprehensive analysis of the books of WMSI, Gene Brown, and Brown Management should be undertaken.

CONCLUSION

OPC takes no position on WMSI's request to pay regulatory assessment fees over five months, *per se*. However, OPC disputes WMSI's assertion that its request is supported by the attachments to its Motion. If in its discretion the Commission authorizes the installment payments requested by WMSI, it should make clear in its order granting the Motion that it does so without relying on the attached schedules. In addition, the Commission should not accept the schedules as satisfying the purposes of the cash flow audit that it ordered in Order No. PSC-11-0010-SC-WU, and should direct its Staff to perform all tests and conduct all analyses necessary to assess the schedules and independently determine the nature and extent of cash flows between WMSI and unregulated entities.

J. R. Kelly
Public Counsel

s/ Joseph A. McGlothlin
Joseph A. McGlothlin
Associate Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
(850) 488-9330

Attorneys for the Citizens
of the State of Florida

CERTIFICATE OF SERVICE
DOCKET NO. 100104-WU

I HEREBY CERTIFY that a true and correct copy of the foregoing OPC's Response to WMSI's Motion to Allow Installment Payment of Regulatory Assessment Fee has been furnished by electronic mail and/or U.S. Mail to the following parties on this 17th day of June, 2011.

Ralph Jaeger
Rosanne Gervasi
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Maggie McCall Moody
McCall Moody Law Firm
2940 Kerry Forest Parkway, Suite 103
Tallahassee, FL 32309

Mr. Gene D. Brown
Water Management Services, Inc.
250 John Knox Road, #4
Tallahassee, FL 32303-4234

s/ Joseph A. McGlothlin
Joseph A. McGlothlin

CITIZENS' FIRST REQUEST FOR PRODUCTION

OF DOCUMENTS NO. 12

WMSI OBJECTIONS TO APPRAISALS

WMSI COMPELLED RESPONSE

HWS-25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Application For Increase in Water Rates In Franklin County by Water Management Services, Inc.	))))	Docket No. 110200-WU Filed: October 5, 2012

CITIZENS' FIRST REQUEST TO PRODUCE DOCUMENTS TO WATER MANAGEMENT SERVICES, INC. (Nos. 1 – 36)

Pursuant to § 350.0611(1), Fla. Stat. (2004), Fla. Admin. Code R. 28-106.206, and Fla. R. Civ. P.1.350, Florida's Citizens ("Citizens" or "OPC") request Water Management Services, Inc. ("WMSI") to produce the following documents for inspection and copying at the Office of Public Counsel, Claude Pepper Building, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, on or before 20 days from the date of service as set forth by procedural Order No. 12-0526-PCO-WU, issued October 3, 2012, or at such other time and place as may be mutually agreed upon by counsel. **In lieu of hard copy responses, OPC requests that WMSI provide the responses to these requests for production of documents electronically as described below in the Instructions.** This First Request for Production of Documents supersedes and replaces all prior Requests for Production of Documents served by OPC in this Docket.

DEFINITIONS

1. The terms "document" or "documents" are meant to have the broadest possible meaning under applicable law and includes, but is not necessarily limited to, any written, recorded, filmed or graphic matter, whether produced, reproduced, or on paper, e-mail, cards, tapes, film, electronic facsimile, computer storage device or any other media, including, but not

12. Account 123. Please refer to page 5 of withdrawn testimony provided by Mr. Brown where he asserts that the value of the 100% ownership of Brown Management Group, Inc. (BMG) is in excess of the balance in Account 123. Please provide a copy of the following:

a. all journal entries made on both WMSI's and Brown Management Group, Inc.'s books at the time the ownership of Brown Management Group, Inc. was transferred to WMSI,

b. any business appraisals and/or valuations conducted by or for WMSI regarding the value of Brown Management Group, Inc. at the time of transfer,

c. any *independent* business appraisals and/or valuations conducted by or for WMSI regarding the value of Brown Management Group, Inc. at the time of transfer,

d. copies of any documents including the minutes of meetings where the transfer of Brown Management Group, Inc. to WMSI was approved,

e. copies of any documents including the minutes of meetings with St. George Island Utility Co., Ltd. where the transfer of Brown Management Group, Inc. to WMSI was approved,

f. copies of any documents including the minutes of meetings with T.E. Bronson where the transfer of Brown Management Group, Inc. to WMSI was approved,

g. copies of any documents submitted to St. George Island Utility Co., Ltd. or T.E. Bronson explaining or describing the reason or purpose of transfer of Brown Management Group, Inc. to WMSI,

h. a copy of the report attached to WMSI's cash flow audit attached as Exhibit A to Mr. Brown's withdrawn testimony.

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
OBJECTIONS TO CITIZENS' FIRST REQUEST TO PRODUCE

WATER MANAGEMENT SERVICES, INC. ("WMSI"), by and through its undersigned attorneys, files this objection to Citizens' First Request to Produce which was unprofessionally served at 4:48 p.m., on Friday afternoon, October 5, 2012, 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. 1.350. 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.

7. Please provide a copy of all bank statements for each of WMSI's bank accounts for the period January 1, 2010 through the most recent date available.

Objection. This request is overly broad, onerous and made solely for harassment. Further, this request 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. There certainly can be no relevance to post-test year bank statements.

8. Please provide a copy of any bank reconciliations done by or for WMSI for the period January 1, 2010 through the most recent date available.

Objection. This request is overly broad, onerous, and made solely for harassment. Further, this request 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. There certainly can be no relevance to post-test year bank reconciliations.

11. Capital Resources. Please refer to page 5 of withdrawn testimony provided by Mr. Brown where he that he has liquidated personal resources and personally endorsed substantial loans 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. For each of these loans, please provide a copy of the debt agreement.

Objection. By its specific terms, the documents requested refer to testimony that has been withdrawn and therefore is not relevant to this proceeding. This request is made solely for the purpose of harassment and to pry into the personal finances of Mr. Brown which are not relevant to this proceeding. Further, this request 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. Account 123. Please refer to page 5 of withdrawn testimony provided by Mr. Brown where he asserts that the value of the 100% ownership of Brown Management Group, Inc. (BMG) is in excess of the balance in Account 123. Please provide a copy of the following:

a. all journal entries made on both WMSI's and Brown Management Group, Inc.'s books at the time the ownership of Brown Management Group, Inc. was transferred to WMSI,

b. any business appraisals and/or valuations conducted by or for WMSI regarding the value of Brown Management Group, Inc. at the time of transfer,

c. any *independent* business appraisals and/or valuations conducted by or for WMSI regarding the value of Brown Management Group, Inc. at the time of transfer,

d. copies of any documents including the minutes of meetings where the transfer of Brown Management Group, Inc. to WMSI was approved,

e. copies of any documents including the minutes of meetings with St. George Island Utility Co., Ltd. where the transfer of Brown Management Group, Inc. to WMSI was approved,

f. copies of any documents including the minutes of meetings with T.E. Bronson where the transfer of Brown Management Group, Inc. to WMSI was approved,

g. copies of any documents submitted to St. George Island Utility Co., Ltd. or T.E. Bronson explaining or describing the reason or purpose of transfer of Brown Management Group, Inc. to WMSI,

h. a copy of the report attached to WMSI's cash flow audit attached as Exhibit A to Mr. Brown's withdrawn testimony.

Objection. By its specific terms, the documents requested refer to testimony that has been withdrawn and therefore is not relevant to this proceeding. This request is made solely for the purpose of harassment. Further, this request 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.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.	DOCKET NO. 110200-WU

WATER MANAGEMENT SERVICES, INC.'S SUPPLEMENTAL RESPONSE TO OFFICE OF PUBLIC COUNSEL'S FIRST REQUESTFOR PRODUCTION OF DOCUMENTS (NOS. 1-36)

WATER MANAGEMENT SERVICES, INC. ("WMSI"), by and through its undersigned attorneys and in compliance with the ORDER GRANTING IN PART AND DENYING IN PART THE OFFICE OF PUBLIC COUNSEL'S FIRST AND SECOND MOTIONS TO COMPEL; FIRST ORDER REVISING ORDER ESTABLISHING PROCEDURE (Order No.: PSC-12-0624-PCO-WU), hereby provides the following supplemental responses to OPC's First Request for Production of Documents (Nos. 1-36):

Any and all documents responsive to the applicable Requests are attached hereto.

Respectfully submitted this 26th day of November, 2012,

SUNDSTROM, FRIEDMAN & FUMERO, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746
PHONE: (407) 830-6331
mfriedman@sfflaw.com

Bridget M. Grimsley for
MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm
20538

OPC - POD No. 12 a, b and c.

THERE ARE NO DOCUMENTS RESPONSIVE TO THESE QUESTIONS.

WMSI RESPONSE TO STAFF'S FIRST REQUEST TO

PRODUCE DOCUMENTS NO. 3

DEP LOAN AND AMENDMENTS 1 THROUGH 6

HWS-26

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in *Franklin County by Water Management* Services, Inc.	DOCKET NO. 110200-WU

WATER MANAGEMENT SERVICES, INC.'S RESPONSE TO STAFF'S FIRST REQUEST FOR PRODUCTION OF DOCUMENTS (NOS. 1-4)

WATER MANAGEMENT SERVICES, INC. ("WMSI"), by and through its undersigned attorneys and pursuant to Rule 28-106.206, Florida Administrative Code, and Rile 1.350, Florida Rules of Civil Procedure, hereby responds to the Florida Public Service Commission Staff's First Request for Production of Documents (Nos. 1-4), as follows:

1. Paragraph 2 of WMSI's Motion to Allow Withdrawals from Escrow (Motion) discusses a contract to purchase 24 bank-owned lots with a purchase price of $190,000. Please provide copies of all documentation associated with the purchase of the lots from Centennial Bank.

RESPONSE: This documentation is being provided to Staff simultaneously herewith.

2. Paragraph 3 of the Motion states "the seller bank has agreed to allow WMSI to pay $15,000 per month to extend the closing date until after a final order is entered, not to exceed one year." Please provide documentation, including documents from the seller bank, in support of the requested $15,000 per month for the option to extend the closing date.

RESPONSE: This documentation is being provided to Staff Simultaneously herewith.

3. On June 15, 2012, the Department of Environmental Protection (DEP) informed WMSI that the Utility was in default on its loan with the agency. Please provide copies of all documentation related to the loan and any instances of the default, including but not limited to copies of all written communications between WMSI and DEP from the inception of the loan through the present.

RESPONSE: This documentation is being provided to Staff simultaneously herewith.

4. During the informal meeting held on October 9, 2012, involving WMSI, OPC, and staff, a discussion was held regarding how the Utility envisioned using the new lots for purposes of completing the pro forma project approved in Order No. PSC-12-0435-PAA-WU. Please provide copies of all documents supporting the plan to use the new lots. For purposes of this Request, please provide the following:

a. a copy of the Public Records map identifying the lots to be used;

RESPONSE: This documentation is being provided to Staff simultaneously herewith. At the aforementioned informal meeting the Utility provided Staff with a color map.

b. copies of any preliminary estimates of the cost to connect the new storage tank to be built on these lots to the Utility's existing system; and

RESPONSE: This documentation is being provided to Staff simultaneously herewith.

c. copies of any other preliminary estimates of the cost of the project that may differ from the estimates relied upon in the Commission's decision approving the pro forma project in Order No. PSC-12-0435-PAA-WU.

RESPONSE: The Utility has no documents responsive to this request.

Respectfully submitted this 22nd day of October, 2012, to:

SUNDSTROM, FRIEDMAN & FUMERO, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746
PHONE: (407) 830-6331
mfriedman@sfflaw.com

MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Water Management Services, Inc.'s Responses to Staff's First Request for Production of Documents (Nos. 1-4) has been furnished by E-Mail and U.S. Mail this 2nd day of October, 2012, to:

LISA C. BENNETT, Senior Attorney
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

J. R. Kelly / Erik L. Sayler
Office of the Public Counsel
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400

MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

AND

WATER MANAGEMENT SERVICES, INC., FLORIDA

DRINKING WATER STATE REVOLVING FUND
CONSTRUCTION LOAN AGREEMENT
DW1901 010

Florida Department of Environmental Protection
Bureau of Water Facilities Funding
Twin Towers Office Building
2600 Blair Stone Road, MS 3505
Tallahassee, Florida 32399-2400

DRINKING WATER STATE REVOLVING FUND CONSTRUCTION LOAN AGREEMENT

CONTENTS PAGE

ARTICLE I - DEFINITIONS 1
1.01. WORDS AND TERMS. 1
1.02. CORRELATIVE WORDS. 3

ARTICLE II - WARRANTIES, REPRESENTATIONS AND COVENANTS 3
2.01. WARRANTIES, REPRESENTATIONS AND COVENANTS. 3
2.02. LEGAL AUTHORIZATION. 5

ARTICLE III - RESERVE ACCOUNT 5
3.01. LOAN REPAYMENT RESERVE ACCOUNT. 5
3.02. LOAN REPAYMENT RESERVE WITHDRAWALS. 5
3.03. RESTORATION OF LOAN REPAYMENT RESERVE ACCOUNT. 6
3.04. ASSETS HELD IN TRUST. 6

ARTICLE IV - PROJECT INFORMATION 6
4.01. PROJECT CHANGES. 6
4.02. TITLE TO PROJECT SITE. 6
4.03. PERMITS AND APPROVALS. 6
4.04. ENGINEERING SERVICES. 6
4.05. PROHIBITION AGAINST ENCUMBRANCES. 7
4.06. COMPLETION MONEYS. 7
4.07. CLOSE-OUT. 7
4.08. LOAN DISBURSEMENTS. 7

ARTICLE V - RATES AND USE OF THE WATER SYSTEM 8
5.01. RATE COVERAGE. 8
5.02. NO FREE SERVICE. 8
5.03. NO COMPETING SERVICE. 8
5.04. MAINTENANCE OF THE WATER SYSTEM. 8
5.05. ADDITIONS AND MODIFICATIONS. 8
5.06. COLLECTION OF REVENUES. 8

ARTICLE VI - DEFAULTS AND REMEDIES 9
6.01. EVENTS OF DEFAULT. 9
6.02. REMEDIES. 9
6.03. DELAY AND WAIVER. 10

ARTICLE VII - THE PLEDGED REVENUES 10
7.01. SUPERIORITY OF THE PLEDGE TO THE DEPARTMENT. 10

ARTICLE VIII - GENERAL PROVISIONS 10
8.01. DISCHARGE OF OBLIGATIONS. 10
8.02. PROJECT RECORDS AND STATEMENTS. 11
8.03. ACCESS TO PROJECT SITE. 11
8.04. ASSIGNMENT OF RIGHTS UNDER AGREEMENT. 11

DRINKING WATER STATE REVOLVING FUND CONSTRUCTION LOAN AGREEMENT

CONTENTS PAGE

8.05. AMENDMENT OF AGREEMENT. 11
8.06. ANNULMENT OF AGREEMENT. 11
8.07. SEVERABILITY CLAUSE. 11

ARTICLE IX - CONSTRUCTION CONTRACTS AND INSURANCE 12
9.01. AUTHORIZATION TO AWARD CONSTRUCTION CONTRACTS. 12
9.02. SUBMITTAL OF CONSTRUCTION CONTRACT DOCUMENTS. 12
9.03. INSURANCE REQUIRED. 12

ARTICLE X - DETAILS OF FINANCING 13
10.01. PRINCIPAL AMOUNT OF LOAN. 13
10.02. LOAN SERVICE FEE. 13
10.03. INTEREST RATE. 13
10.04. LOAN TERM. 13
10.05. REPAYMENT SCHEDULE. 13
10.06. PROJECT COSTS. 14
10.07. PROJECT. 15
10.08. SPECIAL CONDITIONS. 15

ARTICLE XI - EXECUTION OF AGREEMENT 16

ATTACHMENT A 17

ATTACHMENT B 18

DRINKING WATER STATE REVOLVING FUND

CONSTRUCTION LOAN AGREEMENT

DW1901 010

THIS AGREEMENT is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC. (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, pursuant to Section 403.8532, Florida Statutes, the Department is authorized to make loans to finance or refinance the construction of public Water Systems, the planning and design of which have been reviewed by the Department; and

WHEREAS, the Project Sponsor has made application for the financing of the Project, and the Department has determined that such Project meets all requirements for a loan.

NOW, THEREFORE, in consideration of the Department loaning money to the Project Sponsor, in the principal amount and pursuant to the covenants hereinafter set forth, it is agreed as follows:

ARTICLE I - DEFINITIONS

1.01. WORDS AND TERMS.

Words and terms used herein shall have the meanings set forth below:

(1) "Agreement" or "Loan Agreement" shall mean this construction loan agreement.

(2) "Authorized Representative" shall mean the officer of the Project Sponsor authorized to sign documents associated with the Loan.

(3) "Capitalized Interest" shall mean the interest accruing on Loan proceeds from the time of disbursement until six months before the first Semiannual Loan Payment is due. Capitalized Interest is financed as part of the Loan principal.

(4) "Depository" shall mean a bank or trust company, having a combined capital and unimpaired surplus of not less than $50 million, authorized to transact commercial banking or savings and loan business in the State of Florida and insured by the Federal Deposit Insurance Corporation.

(5) "Gross Revenues" shall mean all income or earnings received by the Project Sponsor from the ownership or operation of its Water System, including investment income, all as calculated in accordance with generally accepted accounting principles. Gross Revenues shall not include proceeds from the sale or other disposition of any part of the Water System, condemnation awards or proceeds of insurance, except use and occupancy or business interruption insurance, received with respect to the Water System.

(6) "Intercreditor Agreement" shall mean the agreement between the Department and The Citizens Bank of Perry.

(7) "Loan" shall mean the amount of money to be loaned pursuant to this Agreement and subsequent amendments.

(8) "Loan Application" shall mean the completed form which provides all information required to support obtaining construction loan financial assistance.

(9) "Loan Repayment Reserve Account" or "Loan Repayment Reserve" shall mean the escrowed account into which will be deposited the amount set aside to pay temporary and unexpected deficiencies, if any, in the Semiannual Loan Payment.

(10) "Loan Service Fee" shall mean an origination fee which shall be paid to the Department by the Project Sponsor.

(11) "Operation and Maintenance Expense" shall mean the costs of operating and maintaining the Water System determined pursuant to generally accepted accounting principles, exclusive of interest on any debt payable from Gross Revenues, depreciation, and any other items not requiring the expenditure of cash.

(12) "Pledged Revenues" shall mean the specific revenues pledged as security for repayment of the Loan and shall be the Gross Revenues derived yearly from the operation of the Water System after payment of the Operation and Maintenance Expense and the satisfaction of all yearly payment obligations on account of the Senior Revenue Obligations.

(13) "Project" shall mean the works financed by this Loan and shall consist of furnishing all labor, materials, and equipment to construct the water main and water treatment plant improvements in accordance with the plans and specifications accepted by the Department for the following contracts:

(a) Water System Improvements (WSI 1) Water Plant and Non-Bridge Water Main.

(b) Water System Improvements (WSI-2) New 12-inch Ductile Iron Raw Water Main on New DOT Bridge.

The Project also includes the purchase of land.

The Project is in agreement with the St. George Island Water Facilities Plan, dated September 15, 2001. Approval of this Project is provided by the Florida Categorical Exclusion Notification dated November 22, 2000. The Project is an Equivalency Project as defined in Chapter 62-552, Florida Administrative Code.

(14) "Semiannual Loan Payment" shall mean the payment due from the Project Sponsor to the Department at six-month intervals, and it is comprised of principal and interest. In addition, the Loan Service Fee and all associated interest are deducted from the first two payments.

(15) "Senior Revenue Obligations" shall mean The Citizens Bank of Perry, Florida, term loan in the amount of $1,900,000, dated September 20, 2000.

(16) "Water System" shall mean all facilities owned, operated or leased by the Project Sponsor or any of its affiliated entities for supplying and distributing water for residential, commercial, industrial, and governmental use.

1.02. CORRELATIVE WORDS.

Words of the masculine gender shall be understood to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the singular shall include the plural and the word "person" shall include corporations and associations, including public bodies, as well as natural persons.

ARTICLE II - WARRANTIES, REPRESENTATIONS AND COVENANTS

2.01. WARRANTIES, REPRESENTATIONS AND COVENANTS.

The Project Sponsor warrants, represents and covenants that:

(1) The Project Sponsor has full power and authority to enter into this Agreement and to comply with the provisions hereof.

(2) The Project Sponsor currently is not the subject of bankruptcy, insolvency, or reorganization proceedings and is not in default of, or otherwise subject to, any agreement or any law, administrative regulation, judgment, decree, note, resolution, charter or ordinance which would currently restrain or enjoin it from entering into, or complying with, this Agreement.

(3) There is no material action, suit, proceeding, inquiry or investigation, at law or in equity, before any court or public body, pending or, to the best of the Project Sponsor's knowledge, threatened, which seeks to restrain or enjoin the Project Sponsor from entering into or complying with this Agreement.

(4) All permits, real property interests, and approvals required as of the date of this Agreement have been obtained for construction and use of the Project. The Project Sponsor knows of no reason why any future required permits or approvals are not obtainable.

(5) The Project Sponsor shall undertake the Project on its own responsibility, to the extent permitted by law.

(6) To the extent permitted by law, the Project Sponsor shall release and hold harmless the State, its officers, members, and employees from any claim arising in connection with the Project Sponsor's actions or omissions in its planning, engineering, administrative, and construction activities financed by this Loan or its operation of the Project.

(7) All Project Sponsor representations to the Department, pursuant to the Loan Application and Agreement, were true and accurate as of the date such representations were made. The financial information delivered by the Project Sponsor to the Department was current and correct as of the date such information was delivered. The Project Sponsor shall comply with Chapter 62-552, Florida Administrative Code, and all applicable State and Federal laws, rules, and regulations which are identified in the Loan Application or Agreement. Minority and Women's Business Enterprise goals as stated in the plans and specifications apply to this Project. To the extent that any assurance,

representation, or covenant requires a future action, the Project Sponsor shall take such action as is necessary for compliance.

(8) The Project Sponsor shall maintain records using Generally Accepted Accounting Principles established by the Financial Accounting Standards Board. As part of its bookkeeping system, the Project Sponsor shall keep accounts of the Water System separate from all other accounts and it shall keep accurate records of all revenues, expenses, and expenditures relating to the Water System, and of the Pledged Revenues, Loan disbursement receipts, and Loan Repayment Reserve Account.

(9) In the event the anticipated Pledged Revenues are shown by the Project Sponsor's annual budget to be insufficient to make the Semiannual Loan Payments for such Fiscal Year when due, the Project Sponsor shall include in such budget other legally available funds which will be sufficient, together with the Pledged Revenues, to make the Semiannual Loan Payments. Such other legally available funds shall be budgeted in the regular annual budget and designated for the purpose provided by this Subsection, and the Project Sponsor shall collect such funds for application as provided herein. The Project Sponsor shall notify the Department immediately in writing of any such budgeting of other legally available funds. Nothing in this covenant shall be construed as creating a pledge, lien, or charge upon any such other legally available funds or preventing the Project Sponsor from pledging to the payment of any bonds or other obligations all or any part of such other legally available funds.

(10) Beginning with the Fiscal Year in which the Loan Agreement is executed and continuing for each year thereafter until the Loan is retired, the Project Sponsor shall submit annual audit reports to the Department. The audits shall be conducted under the Office of Management and Budget Circular A-133 if expenditures, during the fiscal year, of all Federal awards total $300,000 or more. (Federal funds for this Loan are provided by the U.S. Department of Environmental Protection Agency's Capitalization Grants for the Drinking Water State Revolving Fund, CFDA No. 66.468.) If Circular A-133 is not applicable, the audit shall be conducted in accordance with generally accepted auditing standards. All audits shall address at a minimum the Project Sponsor's financial condition, accounts of the Water System or other sources generating the Pledged Revenues, Loan disbursements received and Project expenditures (if any), and compliance with the Loan Agreement covenants. Beginning with the Fiscal Year of the first Semiannual Loan Payment, the scope of audits shall encompass the Loan Debt Service Account and Loan Repayment Reserve Account. The Project Sponsor shall cause its auditor to notify the Department immediately if anything comes to the auditor's attention during the annual examination of the Project Sponsor's records that would constitute a default under the Loan Agreement.

(11) Within 12 months of the amendment establishing final Project costs, the Project Sponsor shall submit to the Department a separate audit, by an independent certified public accountant, of the Project revenues, including receipt of disbursements under financial assistance agreements, and expenditures. The audit shall be conducted in accordance with generally accepted auditing standards. The audit shall address whether the Project Sponsor complied with requirements set forth in the Loan Agreement, including applicable State and Federal laws and regulations referenced in Subsection (7) above. The audit findings shall set aside or question any costs that are unallowable under Chapter 62-552, Florida Administrative Code. A final determination of the allowability of such costs shall be made by the Department.

(12) Each year, beginning three months before the first Semiannual Loan Payment and ending with the year during which the final Loan repayment is made, the Project Sponsor's Authorized Representative or its chief financial officer shall submit, pursuant to the schedule established in Section 10.07, a certification that: (a) Pledged Revenue collections satisfy the rate coverage requirement;

(b) the Loan Repayment Reserve Account contains the funds required; and (c) insurance in effect for the facilities generating the Pledged Revenues adequately covers the customary risks to the extent that such insurance is available.

(13) Pursuant to Section 216.347 of the Florida Statutes, the Project Sponsor shall not use the Loan proceeds for the purpose of lobbying the Florida Legislature, the Judicial Branch, or a State agency.

(14) The Project Sponsor agrees to construct the Project in accordance with the Project schedule. Delays incident to strikes, riots, acts of God, and other events beyond the reasonable control of the Project Sponsor are excepted. If for any reason construction is not completed as scheduled, there shall be no resulting diminution or delay in the Semiannual Loan Payment or funding of the Loan Repayment Reserve Account.

(15) The Project Sponsor covenants that this Agreement is entered into for the purpose of constructing the Project which will in all events serve a public purpose. The Project Sponsor covenants that it will, under all conditions, complete and operate the Project to fulfill the public need.

(16) The Project Sponsor shall not, during the life of this Agreement, cause or permit voluntary dissolution of its corporation, merge, or consolidate with any other entity, without obtaining the prior written consent of the Department.

2.02. LEGAL AUTHORIZATION.

Upon signing this Agreement, the Project Sponsor's legal counsel covenants that:

(1) This Agreement has been duly authorized by the Project Sponsor and shall constitute a valid and legal obligation of the Project Sponsor in accordance with its terms upon execution by both parties; and

(2) This Agreement specifies the revenues pledged for repayment of the Loan, and the pledge is valid and enforceable.

ARTICLE III - RESERVE ACCOUNT

3.01. LOAN REPAYMENT RESERVE ACCOUNT.

A Loan Repayment Reserve Account shall be established with a Depository. The Project Sponsor shall deposit into the account the reserve amount identified in Section 10.07 by the date set forth therein. Loan proceeds are provided for a portion of the deposit. In addition, the Project Sponsor shall use its own funds to deposit an amount equal to one Semiannual Loan Payment in lieu of maintaining a debt service account. The Loan Repayment Reserve Account shall be set up as an interest bearing account or invested in certificates of deposit, and all interest earnings shall accrue to the account.

3.02. LOAN REPAYMENT RESERVE WITHDRAWALS.

Withdrawals from the Loan Repayment Reserve Account shall be made only with the written consent of the Department and shall be used to cure a temporary and unexpected deficiency in any Semiannual Loan Payment. Any unused portion of the reserve account shall be used for the final

Semiannual Loan Payment(s) or for discharging the Project Sponsor's obligations pursuant to Section 8.01.

At the time the Loan Repayment Reserve Account is established, the Project Sponsor shall assign the account to the Department by letter to the Depository, substantially in the form presented in Attachment A.

3.03. RESTORATION OF LOAN REPAYMENT RESERVE ACCOUNT.

A default causing the Project Sponsor to use the Loan Repayment Reserve Account or the use of the account to prevent default shall result in the Project Sponsor being responsible for making special deposits to restore the account. Special restoration deposits shall be made from the first moneys legally available to the Project Sponsor for such purpose.

3.04. ASSETS HELD IN TRUST.

The assets in the Loan Repayment Reserve Account shall be held in trust for the purposes provided herein and used only for the purposes and in the manner prescribed in this Agreement; and, pending such use, said assets shall be subject to a lien and charge in favor of the Department.

ARTICLE IV - PROJECT INFORMATION

4.01. PROJECT CHANGES.

Project changes prior to bid opening shall be made by addendum to plans and specifications. Changes after bid opening shall be made by change order. The Project Sponsor shall submit all addenda and all change orders to the Department. All change orders require an eligibility determination by the Department. After execution of all construction, equipment and materials contracts, the Project contingency may be reduced.

4.02. TITLE TO PROJECT SITE.

The Project Sponsor shall have an interest in real property sufficient for the construction and location of the Project free and clear of liens and encumbrances which would impair the usefulness of such sites for the intended use.

4.03. PERMITS AND APPROVALS.

The Project Sponsor shall have obtained, prior to the Department's authorization to award construction contracts, all permits and approvals required for construction of the Project or portion of the Project funded under this Agreement.

4.04. ENGINEERING SERVICES.

A professional engineer, registered in the State of Florida, shall be employed by, or under contract with, the Project Sponsor to oversee construction.

4.05. PROHIBITION AGAINST ENCUMBRANCES.

The Project Sponsor is prohibited from selling, leasing or disposing of any part of the Water System which would materially reduce operational integrity or Gross Revenues so long as this Agreement, including any amendments thereto, is in effect unless the written consent of the Department is first secured.

4.06. COMPLETION MONEYS.

In addition to the proceeds of this Loan, the Project Sponsor covenants that it has obtained, or will obtain, sufficient moneys from other sources to complete construction and place the Project in operation on, or prior to, the date specified in Article X. Failure of the Department to approve additional financing shall not constitute a waiver of the Project Sponsor's covenants to complete and place the Project in operation.

4.07. CLOSE-OUT.

The Department shall conduct a final inspection of the Project and Project records. Following the inspection, deadlines for submitting additional disbursement requests, if any, shall be established, along with deadlines for uncompleted Loan requirements, if any. Deadlines shall be incorporated into the Loan Agreement by amendment. The Loan principal shall be reduced by any excess over the amount required to pay all approved costs. As a result of such adjustment, the Semiannual Loan Payment shall be reduced accordingly, as addressed in Section 10.05.

4.08. LOAN DISBURSEMENTS.

Disbursements shall be made only by the State Comptroller and only when the requests for such disbursements are accompanied by a Department certification that such withdrawals are proper expenditures. Disbursements shall be made directly to the Project Sponsor for engineering and administration allowances, reimbursement of the incurred construction costs and related services and establishing a Loan Repayment Reserve Account. Disbursement of the allowances shall be made upon the Department's receipt of a disbursement request form. Disbursements for materials, labor, or services shall be made upon receipt of the following:

(1) A completed disbursement request form signed by the Authorized Representative. Such requests must be accompanied by sufficiently itemized summaries of the materials, labor, or services to identify the nature of the work performed; the cost or charges for such work; and the person providing the service or performing the work.

(2) A certification signed by the Authorized Representative as to the current estimated costs of the Project; that the materials, labor, or services represented by the invoice have been satisfactorily purchased, performed, or received and applied to the project; that all funds received to date have been applied toward completing the Project; and that under the terms and provisions of the contracts, the Project Sponsor is required to make such payments.

(3) A certification by the engineer responsible for overseeing construction stating that equipment, materials, labor and services represented by the construction invoices have been satisfactorily purchased, or received, and applied to the Project in accordance with construction contract documents; stating that payment is in accordance with construction contract provisions; stating that construction, up to the point of the requisition, is in compliance with the contract documents; and identifying all additions

or deletions to the Project which have altered the Project's performance standards, scope, or purpose since the issue of the Department construction permit.

(4) Such other certificates or documents by engineers, attorneys, accountants, contractors, or suppliers as may reasonably be required by the Department.

ARTICLE V - RATES AND USE OF THE WATER SYSTEM

5.01. RATE COVERAGE.

The Project Sponsor shall maintain rates and charges for the services furnished by the Water System which will be sufficient to provide, in each Fiscal Year, Pledged Revenues equal to or exceeding 1.15 times the sum of the Semiannual Loan Payments due in such Fiscal Year. In addition, the Project Sponsor shall satisfy the coverage requirements of all senior and parity debt obligations.

5.02. NO FREE SERVICE.

The Project Sponsor shall not permit connections to, or furnish any services afforded by, the Water System without making a charge therefor based on the Project Sponsor's uniform schedule of rates, fees, and charges.

5.03. NO COMPETING SERVICE.

The Project Sponsor shall not allow any person to provide any services which would compete with the Water System so as to adversely affect Gross Revenues.

5.04. MAINTENANCE OF THE WATER SYSTEM.

The Project Sponsor shall operate and maintain the Water System in a proper, sound and economical manner and shall make all necessary repairs, renewals and replacements.

5.05. ADDITIONS AND MODIFICATIONS.

The Project Sponsor may make any additions, modifications or improvements to the Water System which it deems desirable and which do not materially reduce the operational integrity of any part of the Water System. All such renewals, replacements, additions, modifications and improvements shall become part of the Water System.

5.06. COLLECTION OF REVENUES.

The Project Sponsor shall use its best efforts to collect all rates, fees and other charges due to it. The Project Sponsor shall establish liens on premises served by the Water System for the amount of all delinquent rates, fees and other charges where such action is permitted by law. The Project Sponsor shall, to the full extent permitted by law, cause to discontinue the services of the Water System and use its best efforts to shut off water service furnished to persons who are delinquent beyond customary grace periods in the payment of Water System rates, fees and other charges.

ARTICLE VI - DEFAULTS AND REMEDIES

6.01. EVENTS OF DEFAULT.

Each of the following events is hereby declared an event of default:

(1) Failure to fund the Loan Repayment Reserve Account or to make any installment of the Semiannual Loan Payment when it is due and such failure shall continue for a period of 15 days.

(2) Except as provided in Subsections 6.01(1) and 6.01(7), failure to comply with the provisions of this Agreement or failure in the performance or observance of any of the covenants or actions required by this Agreement and such failure shall continue for a period of 60 days after written notice thereof to the Project Sponsor by the Department.

(3) Any warranty, representation or other statement by, or on behalf of, the Project Sponsor contained in this Agreement or in any information furnished in compliance with, or in reference to, this Agreement, which is false or misleading.

(4) An order or decree entered, with the acquiescence of the Project Sponsor, appointing a receiver of any part of the Water System or Gross Revenues thereof; or if such order or decree, having been entered without the consent or acquiescence of the Project Sponsor, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof.

(5) Any proceeding instituted, with the acquiescence of the Project Sponsor, for the purpose of effecting a composition between the Project Sponsor and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are payable from Gross Revenues of the Water System.

(6) Any bankruptcy, insolvency or other similar proceeding instituted by, or against, the Project Sponsor under federal or state bankruptcy or insolvency law now or hereafter in effect and, if instituted against the Project Sponsor, is not dismissed within 60 days after filing.

(7) Failure of the Project Sponsor to give immediate written notice of default to the Department and such failure shall continue for a period of 30 days.

6.02. REMEDIES.

Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights by any of the following remedies:

(1) By mandamus or other proceeding at law or in equity, cause to establish rates and collect fees and charges for use of the Water System, and to require the Project Sponsor to fulfill this Agreement.

(2) By action or suit in equity, require the Project Sponsor to account for all moneys received from the Department or from the ownership of the Water System and to account for the receipt, use, application, or disposition of the Pledged Revenues.

(3) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Department.

(4) By applying to a court of competent jurisdiction, cause to appoint a receiver to manage the Water System, establish and collect fees and charges, and apply the revenues to the reduction of the obligations under this Agreement.

(5) By charging a six percent penalty, expressed as an annual interest rate, on any delinquent repayment amount due to the Department. Penalty interest shall accrue on any amount due and payable beginning on the 30th day following the date upon which payment is due.

(6) By notifying financial market credit rating agencies and creditors.

(7) By suing for payment of amounts due, or becoming due, with interest on overdue payments together with all costs of collection, including attorneys' fees.

(8) By accelerating the repayment schedule or increasing the interest rate on the unpaid principal of the Loan to as much as 1.667 times the Loan interest rate for a default under Subsection 6.01(1).

6.03. DELAY AND WAIVER.

No delay or omission by the Department to exercise any right or power accruing upon event of default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient. No waiver or any default under this Agreement shall extend to or affect any subsequent event of default, whether of the same or different provision of this Agreement, or shall impair consequent rights or remedies.

ARTICLE VII - THE PLEDGED REVENUES

7.01. SUPERIORITY OF THE PLEDGE TO THE DEPARTMENT.

From and after the effective date of this Agreement, the Department shall have a lien on the Pledged Revenues under this Agreement, which lien is second to the lien of The Citizens Bank of Perry according to the terms and conditions of the Intercreditor Agreement. Any of the Pledged Revenues may be released from the lien on such Pledged Revenues in favor of the Department if the Department makes a determination, based upon facts deemed sufficient by the Department, that the remaining Pledged Revenues will, in each Fiscal Year, equal or exceed 1.15 times the debt service coming due in each Fiscal Year under the terms of this Agreement.

ARTICLE VIII - GENERAL PROVISIONS

8.01. DISCHARGE OF OBLIGATIONS.

All payments required to be made under this Agreement shall be cumulative and any deficiencies in any Fiscal Year shall be added to the payments due in the succeeding year and all years thereafter until fully paid. Payments shall continue to be secured by this Agreement until all of the payments required shall be fully paid to the Department. If at any time the Project Sponsor shall have paid, or shall have made provision for the timely payment of, the entire principal amount of the Loan and interest, the pledge of, and lien on, the Pledged Revenues to the Department shall be no longer in effect. Deposit of

sufficient cash, securities, or investments, authorized by law from time to time, may be made to effect defeasance of this Loan. However, the deposit shall be made in irrevocable trust with a banking institution or trust company for the sole benefit of the Department. There shall be no penalty imposed by the Department for early retirement of this Loan.

8.02. PROJECT RECORDS AND STATEMENTS.

Books, records, reports, engineering documents, contract documents, and papers shall be available to the authorized representatives of the Department and the U.S. Environmental Protection Agency's Inspector General for inspection at any reasonable time after the Project Sponsor has received a disbursement and before three years have elapsed after the Department's final Project disbursement to the Project Sponsor.

8.03. ACCESS TO PROJECT SITE.

The Project Sponsor shall provide access to Project sites and administrative offices to authorized representatives of the Department at any reasonable time. The Project Sponsor shall cause its engineers and contractors to cooperate during Project inspections, including making available working copies of plans and specifications and supplementary materials.

8.04. ASSIGNMENT OF RIGHTS UNDER AGREEMENT.

The Department may assign any part of its rights under this Agreement after notification to the Project Sponsor. The Project Sponsor shall not assign rights created by this Agreement without the written consent of the Department.

8.05. AMENDMENT OF AGREEMENT.

This Agreement may be amended in writing, except that no amendment shall be permitted which is inconsistent with the Intercreditor Agreement, statutes, rules, regulations, executive orders, or written agreements between the Department and the U.S. Environmental Protection Agency. This Agreement may be amended after all construction contracts are executed to re-establish the Project cost, Loan amount, Project schedule, and Semiannual Loan Payment amount. A final amendment establishing the final Project costs shall be completed after the Department's final inspection of the Project records.

8.06. ANNULMENT OF AGREEMENT.

The Department may unilaterally annul this Agreement if the Project Sponsor has not drawn any of the Loan proceeds within eighteen months after the effective date of this Agreement. If the Department unilaterally annuls this Agreement, the Department will provide written notification to the Project Sponsor.

8.07. SEVERABILITY CLAUSE.

If any provision of this Agreement shall be held invalid or unenforceable, the remaining provisions shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

ARTICLE IX - CONSTRUCTION CONTRACTS AND INSURANCE

9.01. AUTHORIZATION TO AWARD CONSTRUCTION CONTRACTS.

The following documentation is required to receive the Department's authorization to award construction contracts:

(1) Proof of advertising.

(2) Award recommendation, bid proposal, and bid tabulation (certified by the responsible engineer).

(3) Certified copy of the Project Sponsor's tentative award resolution.

(4) Certification of compliance with the conditions of the Department's approval of competitively or non-competitively negotiated procurement, if applicable.

(5) Certification by the Authorized Representative that affirmative steps were taken to encourage Minority and Women's Business Enterprises participation in Project construction.

(6) Current certifications for Minority and Women's Business Enterprises participating in the contract. If the goals as stated in the plans and specifications are not met, documentation of actions taken shall be submitted.

9.02. SUBMITTAL OF CONSTRUCTION CONTRACT DOCUMENTS.

After the Department's authorization to award construction contracts has been received, the Project Sponsor shall submit contractor insurance certifications and notices to proceed with construction.

9.03. INSURANCE REQUIRED.

The Project Sponsor shall cause the Project, as each part thereof is certified by the engineer responsible for overseeing construction as completed, and the Water System (hereafter referred to as "Revenue Producing Facilities") to be insured by an insurance company or companies licensed to do business in the State of Florida against such damage and destruction risks as are customary for the operation of Revenue Producing Facilities of like size, type and location to the extent such insurance is obtainable from time to time against any one or more of such risks.

The proceeds of insurance policies received as a result of damage to, or destruction of, the Project or the other Revenue Producing Facilities, shall be used to restore or replace damaged portions of the facilities. If such proceeds are insufficient, the Project Sponsor shall provide additional funds to restore or replace the damaged portions of the facilities. Repair, construction or replacement shall be promptly completed.

ARTICLE X - DETAILS OF FINANCING

10.01. PRINCIPAL AMOUNT OF LOAN.

The estimated principal amount of the Loan is $3,063,000, which consists of $3,000,000 to be disbursed to the Project Sponsor and $63,000 of Capitalized Interest.

Capitalized interest is not disbursed to the Project Sponsor, but is amortized via periodic loan repayments to the Department as if it were actually disbursed. Capitalized interest is computed at the interest rate, or rates, set for the Loan. It accrues and is compounded annually from the time when disbursements are made until six months before the first Semiannual Loan Payment is due. Capitalized Interest is estimated prior to establishing the schedule of actual disbursements.

This project is a Segmented Project. Additional State Revolving Fund financing for the Project is dependent upon the availability of additional funds. The current funding limitations and future funding priority entitlement for Segmented Projects are set forth in the Chapter 62-552 of the Florida Administrative Code.

10.02. LOAN SERVICE FEE.

The Loan Service Fee is $58,252 for the Loan amount authorized to date. The fee represents two percent of the Loan amount excluding the Loan Repayment Reserve and Capitalized Interest amounts; that is, two percent of $2,912,621. An additional Loan Service Fee amount will be assessed for any additional funding provided by amendment to this Agreement. The fee shall be adjusted downward if adjustment of Project costs results in a Loan decrease, provided that the decrease amendment is executed before the first Semiannual Loan Payment due date.

Interest shall accrue on the Loan Service Fee at the rate, or rates, set for the Loan until the fee is paid. Loan Service Fee interest shall be compounded annually from the effective date of the Loan until six months before the first Semiannual Loan Payment is due at which time it is capitalized. The estimated Loan Service Fee capitalized interest is $2,470.

10.03. INTEREST RATE.

The rate of interest on the unpaid principal of the Loan amount specified in Section 10.01 is 3.05 percent per annum; however, if this Agreement is not executed by the Project Sponsor and returned to the Department before January 1, 2002, the interest rate may be adjusted. A separate interest rate shall be established for any funds provided by amendment to this Agreement.

10.04. LOAN TERM.

The Loan shall be repaid in 40 Semiannual Loan Payments.

10.05. REPAYMENT SCHEDULE.

The Semiannual Loan Payment shall be computed based upon the principal amount of the Loan plus the Loan Service Fee and Loan Service Fee capitalized interest and the principle of level debt service. The Department will deduct the Loan Service Fee and all associated interest from the first two payments. The Semiannual Loan Payment amount may be adjusted, by amendment of this Agreement, based upon revised information. After the final disbursement of Loan proceeds, the Semiannual Loan

Payment shall be based upon the actual Project costs and actual dates and amounts of disbursements, taking into consideration any previous payments. Actual Project costs shall be established after the Department's inspection of the completed Project and associated records.

Each Semiannual Loan Payment shall be in the amount of $104,894 until the payment amount is adjusted by amendment. The interest portion of each Semiannual Loan Payment shall be computed on the unpaid balance of the principal amount of the Loan, including Capitalized Interest. Interest also shall be computed on the unpaid balance of the Loan Service Fee and Loan Service Fee capitalized interest. Interest shall be computed as of the due date of each Semiannual Loan Payment.

Semiannual Loan Payments shall be received by the Department beginning on November 15, 2003 and semiannually thereafter on May 15 and November 15 of each year until all amounts due hereunder have been fully paid. Funds transfer shall be made by electronic means.

The Semiannual Loan Payment amount is based on the total amount owed of $3,123,722, which consists of the Loan principal plus the Loan Service Fee with its capitalized interest.

10.06. PROJECT COSTS.

The Project Sponsor and the Department acknowledge that the actual Project costs have not been determined as of the effective date of this Agreement. Project cost adjustments may be made as a result of construction bidding or mutually agreed upon Project changes. An additional Loan Repayment Reserve Account deposit will be required for any additional funding provided by amendment to this Agreement. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. If the Project Sponsor receives other governmental financial assistance for this Project, the costs funded by such other governmental assistance will not be financed by this Loan. The Department shall establish the final costs after its final inspection of the Project records. Changes in Project costs may also occur as a result of the Project Sponsor's Project audit or a Department audit. The Project Sponsor agrees to the following estimates of Project costs:

PROJECT COSTS

CATEGORY	COST($)	AUTHORIZED LOAN AMOUNT($) TO DATE
(1) Administrative Allowance	34,002	
(2) Engineering Allowance	375,000	*Line items*
(3) Construction and Demolition	4,978,238	*may vary*
(4) Contingencies	499,824	*based on*
(5) Technical Services After Bid Opening	191,000	*actual*
(6) Land	20,000	*Disbursements*
SUBTOTAL	6,098,064	2,912,621
(7) Loan Repayment Reserve (Loan Proceeds)*	182,942	87,379
SUBTOTAL(Disbursable Amount)	6,281,006	3,000,000
(8) Capitalized Interest	63,000	63,000
TOTAL (Loan Principal Amount)	6,344,006	3,063,000

* Loan proceeds for deposit in the Loan Repayment Reserve represent three percent of the Loan amount excluding the Capitalized Interest and the Loan Repayment Reserve portions of the Loan; three percent of $2,912,621 equals $87,379 for the Loan amount authorized to date.

10.07. PROJECT.

The Project Sponsor agrees by execution hereof:

(1) Initiation of Project construction began June 4, 2001.

(2) Completion of Project construction is scheduled for May 15, 2003.

(3) The Loan Debt Service Account shall be established and Monthly Loan Deposits shall begin no later than May 15, 2003.

(4) The Loan Repayment Reserve Account shall be established and $192,273 shall be deposited no later than May 15, 2003. Loan proceeds are provided in the amount of $87,379; the Project Sponsor shall use its own funds to deposit $104,894 (equals one Semiannual Loan Payment) in the reserve for a total deposit amount of $192,273.

(5) No later than June 15, 2003, the Project Sponsor shall submit to the Department a copy of the letter assigning the Loan Repayment Reserve Account to the Department, as required under Section 3.02, and documentation that the account has been established.

(6) The initial annual certification required under Subsection 2.01(12) of this Agreement shall be due August 15, 2003. Thereafter, until the final Semiannual Loan Repayment is made, the certification shall be submitted each year at the time the annual audit report is submitted under Subsection 2.01(10).

(7) The first Semiannual Loan Payment in the amount of $104,894 shall be due November 15, 2003.

10.08. SPECIAL CONDITIONS.

(1) The Project Sponsor shall use its own funds to deposit an amount approximately equal to one Semiannual Loan Payment into the Loan Repayment Reserve Account. Monthly deposits into a Loan debt service account under an escrow agreement with the Depository is not required. The Loan Repayment Reserve Account must be assigned to the Department and requires the Department's written consent for withdrawals.

(2) The Project Sponsor shall apply any proceeds from the pending settlement with the Department of Transportation to the principal balance of The Citizens Bank of Perry loan. Any remaining proceeds will then be used to reduce the principal balance of this Loan.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.

ARTICLE XI - EXECUTION OF AGREEMENT

This Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument. This Agreement incorporates Attachment A and Attachment B hereto.

IN WITNESS WHEREOF, the Department has caused this Agreement to be executed on its behalf by the Secretary of the Department and the Project Sponsor has caused this Agreement to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this Agreement shall be as set forth below by the Secretary of the Department.

Florida documentary tax required by law in the amount of $10,720.50 has been paid or will be paid to the Department of Revenue.

for
WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest:

Notary Public

Sandra M. Chase
(Name typed, printed or stamped)

SEAL
Sandra M. Chase
MY COMMISSION # CC862002 EXPIRES
November 17, 2003
BONDED THRU TROY FAIN INSURANCE, INC.

I attest to the covenants of Section 2.02, entitled Legal Authorization, and as to form and legal sufficiency.

Attorney for Water Management Services Inc.

JEFFERY J. TALLEY
Name typed or printed

for
STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Secretary

DEC 2 0 2001
Date

ATTACHMENT A

Addressee: (*Depository*)

Re: Account # (or Certificate of Deposit #)

Dear _____:

This account is to be known as the State Loan Repayment Reserve Account. It has been pledged by WATER MANAGEMENT SERVICES, INC. as security for repayment of Loan DW1901 010 from the State Revolving Fund. This account shall be assigned to the Department of Environmental Protection, Bureau of Water Facilities Funding, (the Department). The principal amount and accrued interest should be disbursed only with the prior written consent of the Department, or its successor. This assignment of the account shall not be revoked without the written concurrence of the Department.

By:_____ Date:_____
Gene D. Brown, President
WATER MANAGEMENT SERVICES, INC.

Acceptance By Depository (*Bank Name)*:

By:_____ Date:_____
Signature

_____
Title

Attachment B

PROMISSORY NOTE
(Business Purpose)
Florida Department of Environmental Protection

---

1. DATE AND PARTIES. The date of this Promissory Note (Note) is December _____, 2001. This Note evidences a loan, which includes all extensions, renewals, modifications and substitutions of the loan (the "Loan"). The parties to this Note and to the Loan are:

BORROWER:	LENDER:
WATER MANAGEMENT SERVICES, INC. a FLORIDA corporation 3848 KILLEARN COURT TALLAHASSEE, FLORIDA 32308 Tax I.D. # 59-3449317	FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION a FLORIDA state agency 2600 Blair Stone Road, M.S. 3505 Tallahassee, Florida 32399-2400

2. PROMISE TO PAY. For Value Received, Water Management Services ("Borrower"), promises to pay to Florida Department of Environmental Protection (the "Department") the aggregate principal amount outstanding on Borrower's Loan in the sum of three Million Dollars ($3,000,000), or so much thereof as may, from time to time, be advanced to Borrower hereunder, plus interest from the date of disbursement on the unpaid principal balance, as shown on The Department's records, which shall at all times be conclusive and govern. Interest shall accrue on unpaid principal installments at an annual rate equal to 3.05%. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement executed on even date herewith and the terms of which are incorporated herein by reference (the "Loan Agreement").

   The Department and Borrower have established specific instructions and procedures by which disbursements can be made pursuant to the terms and conditions of the Loan Agreement, but nothing contained herein shall create a duty on the part of The Department to make said disbursement if Borrower is in default of the terms of this Note or the terms of the Loan Agreement. In no event shall the Borrower be entitled to total disbursements hereunder exceeding $3,000,000, or such lesser amount as may determined in accordance with the Loan Agreement.

3. EFFECT OF PRE-PAYMENT. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty. Absent a default under this Note or the Loan Agreement, any payments received by the Borrower shall be applied according to the terms and conditions of the Loan Agreement. No partial prepayment shall excuse or defer Borrower's subsequent payments or entitle Borrower to a release of any collateral. Interest shall cease to accrue on the amounts prepaid on the day actually credited by the Department.

4. LATE CHARGE. If any payment of interest and/or principal is not received by the Department when such payment is due, the Borrower agrees to pay the Department a late charge as provided in Article VI of the Loan Agreement.

5. EVENTS OF DEFAULT. Borrower shall be in default upon the occurrence of default in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or condition exists which constitutes a default or authorizes the acceleration of the maturity hereof under the Loan Agreement.

6. DEFAULT RATE OF INTEREST. Upon the acceleration of this Note pursuant to its terms or the terms of the Loan Agreement, Borrower agrees that the rate of interest to be charged on unpaid principal and accrued interest shall be as provided in Article VI of the Loan Agreement.

7. REMEDIES ON DEFAULT. Upon or after an event of default, all or any part of the principal and accrued interest on this Note shall become immediately due and payable at the option of the Department, without presentment or demand or any notice to Borrower or any other person obligated hereon. The Department may exercise all rights and remedies provided by law, equity, this Note and the Loan Agreement. Time is of the essence with regard to all obligations in this Note and in the Loan Agreement. Failure to exercise any remedy or right under the Loan Agreement or hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

8. ATTORNEY'S FEES. In the event the Department utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to the Department, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statue, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

9. NO DUTY BY THE DEPARTMENT. The Department is under no duty to preserve or protect any Collateral until the Department is in actual or constructive possession of the Collateral. For purposes of this paragraph, The Department shall only be considered to be in "actual" possession of Collateral when the Department has physical, immediate and exclusive control over the Collateral and has affirmatively accepted such control. The Department shall only be considered to be in "constructive" possession of the Collateral when the Department has both the power and the intent to exercise control over the Collateral.

10. WAIVER AND CONSENT BY BORROWER AND OTHER SIGNERS. Regarding this Note, to the extent not prohibited by law, Borrower and all and any other signers waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

11. AMENDMENT. The provisions contained in this Note may not be amended, except through written amendment which is signed by Borrower and the Department.

12. INTEGRATION CLAUSE. This written Note and all documents executed concurrently herewith, represent the entire understanding of the parties as to the obligations and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

13. FURTHER ASSURANCES. Borrower agrees, upon request of the Department and within the time the Department specifies to provide any information and to execute any, acknowledge and deliver and record or file such further instruments or documents as may be required by the Department to secure this Note or confirm any lien.

14. GOVERNING LAW. This Note shall be governed by the laws of the state of Florida.

15. FORUM AND VENUE. In the event of litigation pertaining to this Note, the exclusive forum, venue and place of jurisdiction shall be in the state of Florida, in the state court in the county of Leon.

16. DEFINITIONS. The Terms used in this Note, if not defined herein, shall have their meanings as defined in the Loan Agreement or other documents executed contemporaneously herewith.

17. ENFORCEABILITY. If any provision of this Note shall be held unenforceable or void then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Note.

18. NOTICE. All notices under this Note must be in writing.

BORROWER:

WATER MANAGEMENT SERVICES, INC.
a FLORIDA corporation

By: _____
Gene D. Brown, President

(*Corporate seal may be affixed, but failure to affix shall not affect validity or reliance.)

LENDER:

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
a state of FLORIDA agency

By: _____
Secretary

State of Florida's Documentary Stamp Tax is not required on this Note.

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 1 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC., (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, authorizing a Loan amount of $3,000,000, excluding Capitalized Interest; and

WHEREAS, the Project Sponsor is entitled to additional financing of $3,080,883, excluding Capitalized Interest; and

WHEREAS, an interest rate must be established for the additional financing amount awarded in this amendment; and

WHEREAS, a Loan Service Fee must be assessed for the additional financing; and

WHEREAS, the Loan Repayment Reserve Account deposit and the Semiannual Loan Payment amount need revision to reflect adjustment in the Loan amount; and

WHEREAS, the Project costs need adjustment to reflect revised estimates; and

WHEREAS, revised provisions for audit and monitoring along with related changes to the Project schedule are needed.

NOW, THEREFORE, the parties hereto agree as follows:

1. Subsections 2.01(10) and 2.01(11) of the Agreement are deleted and replaced by Section 2.03 AUDIT AND MONITORING REQUIREMENTS.

The Project Sponsor agrees to the following audit and monitoring requirements.

(1) Audits.

Within 12 months of the amendment establishing final Project costs, the Project Sponsor shall have an audit conducted by an independent certified public accountant of the Project revenues, including receipt of disbursements under financial assistance agreements, and expenditures. The audit shall be conducted in accordance with generally accepted auditing standards. The audit shall address whether the Project Sponsor complied with requirements set forth in the Loan Agreement, including applicable State and Federal laws and regulations referenced in Subsection 2.02(7). The audit findings shall set aside or question any costs that are unallowable under Chapter 62-552, Florida Administrative Code. A final determination of the allowability of such costs shall be made by the Department.

(2) Report Submission.

Copies of the audit report prepared in accordance with Subsection 2.03(1) of this Agreement shall be submitted by or on behalf of the Project Sponsor directly to the Department of Environmental Protection at each of the following addresses:

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road, MS 3505
Tallahassee, Florida 32399-2400

Joe Aita, Audit Director
Office of the Inspector General
Florida Department of Environmental Protection
2600 Blair Stone Road, MS 40
Tallahassee, Florida 32399-2400

(3) Record Retention.

The Project Sponsor shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period of five years from the date the audit report is issued, and shall allow the Department of Environmental Protection, or its designee, Comptroller, or Auditor General access to such records upon request. The Project Sponsor shall ensure that audit working papers are made available to the Department of Environmental Protection, or its designee, Comptroller, or Auditor General upon request for a period of three years from the date the audit report is issued, unless extended in writing by the Department of Environmental Protection.

(4) Monitoring.

In addition to reviews of audits conducted in accordance with this Agreement, monitoring procedures may include, but not be limited to, on-site visits by Department staff, additional audits, and/or other procedures. By entering into this Agreement, the Project Sponsor agrees to comply and cooperate with any monitoring procedures/processes deemed appropriate by the Department of Environmental Protection. In the event the Department of Environmental Protection determines that an additional audit of the Project Sponsor is appropriate, the Project Sponsor agrees to comply with any additional instructions provided by the Department to the Project Sponsor regarding such audit. The Project Sponsor further agrees to comply and cooperate with any inspections, reviews, investigations, or audits deemed necessary by the Comptroller or Auditor General.

2. Additional financing in the amount of $3,080,883, excluding Capitalized Interest, is hereby awarded to the Project Sponsor.

3. An interest rate of 2.93 percent per annum is established for the additional financing amount awarded in this amendment; however, if this amendment is not executed by the Project Sponsor and returned to the Department before January 1, 2003, the interest rate may be adjusted.

4. The estimated principal amount of the Loan is hereby revised to $6,161,683, which consists of $6,080,883 authorized for disbursement to the Project Sponsor and $80,800 of Capitalized Interest. This total consists of the following:

(a) $3,064,100, including $3,000,000 authorized for disbursement to the Project Sponsor and $64,100 of Capitalized Interest, at an interest rate of 3.05 percent per annum; and

(b) $3,097,583, including $3,080,883 authorized for disbursement to the Project Sponsor and $16,700 of Capitalized Interest, at an interest rate of 2.93 percent per annum.

An additional Loan Service Fee in the amount of $59,823, for a total of $118,075, is hereby assessed. The fee represents two percent of the Loan amount excluding the Loan Repayment Reserve and Capitalized Interest amounts; that is, two percent of $5,903,770. Estimated Loan Service Fee capitalized interest for the fee amount assessed to date is $3,160.

5. The Semiannual Loan Payment amount is hereby revised and shall be in the amount of $209,823. Such payments shall be received by the Department on November 15, 2003 and semiannually thereafter on May 15 and November 15 of each year until all amounts due hereunder have been fully paid. Until this Agreement is further amended, each Semiannual Loan Payment will be proportionally applied, after deduction of the Loan Service Fee is complete, toward repayment of the amounts owed on each incremental Loan amount at the date such payment is due.

The Semiannual Loan Payment amount is based on the total amount owed of $6,282,918, which consists of the Loan principal plus the Loan Service Fee with its capitalized interest (if any).

6. The Project Sponsor and the Department acknowledge that the actual cost of the Project has not been determined. Project cost adjustments may be made as a result of mutually agreed upon Project changes. An additional Loan Repayment Reserve deposit amount will be required for any additional financing. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. If the Project Sponsor receives other governmental financial assistance for this Project, the costs funded by such other governmental assistance will not be financed by this Loan. The Department shall establish the final Project costs after its final inspection of the Project records. Changes in Project costs may also occur as a result of the Project Sponsor's Project audit or a Department audit.

Funds disbursed in accordance with Section 4.08 of this Agreement shall be disbursed in the order in which they have been obligated without respect to budgetary line item estimates. All disbursements shall be made from the original Loan amount until that amount has been disbursed; the interest rate established for the original Loan amount shall apply to such disbursements for the purpose of determining the associated Capitalized Interest and repayment amount. The interest rate established for any additional increment of Loan financing shall be used to determine the Capitalized Interest and repayment amount associated with the funds disbursed from that increment.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

The estimated Project costs are revised as follows:

CATEGORY	COST($)
(1) Administrative Allowance	32,850
(2) Engineering Allowance	375,000
(3) Construction and Demolition	4,865,638
(4) Contingencies	244,282
(5) Technical Services After Bid Opening	366,000
(6) Land	20,000
SUBTOTAL	5,903,770
(7) Loan Repayment Reserve (Loan Proceeds) *	177,113
SUBTOTAL (Disbursable Amount)	6,080,883
(8) Capitalized Interest	80,800
TOTAL (Loan Principal Amount)	6,161,683

* Loan proceeds for deposit in the Loan Repayment Reserve Account represent three percent of the Loan amount excluding the Loan Repayment Reserve (Loan proceeds) and Capitalized Interest amounts; three percent of $5,903,770 is $177,113 for the Loan amount authorized to date. In addition, the Project Sponsor shall use its own funds to deposit $209,785 in the reserve for a total deposit amount of $386,898.

7. The amount to be deposited in the Loan Repayment Reserve Account as scheduled in Section 10.07 of the Loan Agreement is hereby revised; an additional $194,625 shall be deposited for a total deposit requirement of $386,898. The Project Sponsor shall deposit the total amount into the Loan Repayment Reserve Account no later than May 15, 2003. Loan proceeds are authorized for a portion of the deposit. The Project Sponsor shall use its own funds for the remainder of the deposit. A breakdown of the deposit requirements follows:

	Loan Repayment Reserve Deposit Requirements ($)		
Source of Funds	Total	Amount Required Prior to this Amendment	Increment Associated with this Amendment
Loan Proceeds	177,113	87,379	89,734
Project Sponsor	209,785	104,894	104,891
Total	386,898	192,273	194,625

8. Section 10.07 PROJECT SCHEDULE is amended as follows:

(6) The initial annual certification required under Subsection 2.01(12) of this Agreement shall be due August 15, 2003. Thereafter the certification shall be submitted no later than September 30 of each year until the final Semiannual Loan Payment is made.

9. All other terms and provisions of the Loan Agreement shall remain in effect.

This Amendment 1 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Secretary of the Department and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Secretary of the Department.

Florida documentary tax required by law in the amount of $10,841.60 has been paid or will be paid to the Department of Revenue for the incremental Loan principal provided by this amendment.

for
WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest

Clara W. Jump
Notary Public

Clara W. Jump
Name typed or printed

SEAL

CLARA W. JUMP
MY COMMISSION # DD 027197
EXPIRES: July 8, 2005
Bonded Thru Notary Public Underwriters

I attest that this amendment complies with Section 2.02 of the Agreement and as to form and legality.

Attorney for Water Management Services, Inc.

JEFFERY J. TALLEY
Name typed or printed

for
STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Secretary

DEC 31 2002
Date

Attachment A

PROMISSORY NOTE
(Business Purpose)
Florida Department of Environmental Protection

---

1. DATE AND PARTIES. The date of this Promissory Note (Note) is December 31, 2002. This Note evidences a loan, which includes all extensions, renewals, modifications and substitutions of the loan (the "Loan"). The parties to this Note and to the Loan are:

BORROWER:	LENDER:
WATER MANAGEMENT SERVICES, INC. a FLORIDA corporation 3848 KILLEARN COURT TALLAHASSEE, FLORIDA 32308 Tax I.D. # 59-3449317	FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION a FLORIDA state agency 2600 Blair Stone Road, M.S. 3505 Tallahassee, Florida 32399-2400

2. PROMISE TO PAY. For Value Received, Water Management Services ("Borrower"), promises to pay to Florida Department of Environmental Protection (the "Department") the aggregate principal amount outstanding on Borrower's Loan in the sum of $6,080,883, or so much thereof as may, from time to time, be advanced to Borrower hereunder, plus interest from the date of disbursement on the unpaid principal balance, as shown on The Department's records, which shall at all times be conclusive and govern. Interest shall accrue on unpaid principal installments at an annual rate equal to 3.05% on the first $3,000,000, and 2.93% on the remaining $3,080,883. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement executed on even date herewith and the terms of which are incorporated herein by reference (the "Loan Agreement").

   The Department and Borrower have established specific instructions and procedures by which disbursements can be made pursuant to the terms and conditions of the Loan Agreement, but nothing contained herein shall create a duty on the part of The Department to make said disbursement if Borrower is in default of the terms of this Note or the terms of the Loan Agreement. In no event shall the Borrower be entitled to total disbursements hereunder exceeding $6,080,883, or such lesser amount as may determined in accordance with the Loan Agreement.

3. EFFECT OF PRE-PAYMENT. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty. Absent a default under this Note or the Loan Agreement, any payments received by the Borrower shall be applied according to the terms and conditions of the Loan Agreement. No partial prepayment shall excuse or defer Borrower's subsequent payments or entitle Borrower to a release of any collateral. Interest shall cease to accrue on the amounts prepaid on the day actually credited by the Department.

4. LATE CHARGE. If any payment of interest and/or principal is not received by the Department when such payment is due, the Borrower agrees to pay the Department a late charge as provided in Article VI of the Loan Agreement.

5. EVENTS OF DEFAULT. Borrower shall be in default upon the occurrence of default in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or

condition exists which constitutes a default or authorizes the acceleration of the maturity hereof under the Loan Agreement.

6. DEFAULT RATE OF INTEREST. Upon the acceleration of this Note pursuant to its terms or the terms of the Loan Agreement, Borrower agrees that the rate of interest to be charged on unpaid principal and accrued interest shall be as provided in Article VI of the Loan Agreement.

7. REMEDIES ON DEFAULT. Upon or after an event of default, all or any part of the principal and accrued interest on this Note shall become immediately due and payable at the option of the Department, without presentment or demand or any notice to Borrower or any other person obligated hereon. The Department may exercise all rights and remedies provided by law, equity, this Note and the Loan Agreement. Time is of the essence with regard to all obligations in this Note and in the Loan Agreement. Failure to exercise any remedy or right under the Loan Agreement or hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

8. ATTORNEY'S FEES. In the event the Department utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to the Department, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statue, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

9. NO DUTY BY THE DEPARTMENT. The Department is under no duty to preserve or protect any Collateral until the Department is in actual or constructive possession of the Collateral. For purposes of this paragraph, The Department shall only be considered to be in "actual" possession of Collateral when the Department has physical, immediate and exclusive control over the Collateral and has affirmatively accepted such control. The Department shall only be considered to be in "constructive" possession of the Collateral when the Department has both the power and the intent to exercise control over the Collateral.

10. WAIVER AND CONSENT BY BORROWER AND OTHER SIGNERS. Regarding this Note, to the extent not prohibited by law, Borrower and all and any other signers waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

11. AMENDMENT. The provisions contained in this Note may not be amended, except through written amendment which is signed by Borrower and the Department.

12. INTEGRATION CLAUSE. This written Note and all documents executed concurrently herewith, represent the entire understanding of the parties as to the obligations and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

13. FURTHER ASSURANCES. Borrower agrees, upon request of the Department and within the time the Department specifies to provide any information and to execute any, acknowledge and deliver and record or file such further instruments or documents as may be required by the Department to secure this Note or confirm any lien.

14. GOVERNING LAW. This Note shall be governed by the laws of the state of Florida.

15. FORUM AND VENUE. In the event of litigation pertaining to this Note, the exclusive forum, venue and place of jurisdiction shall be in the state of Florida, in the state court in the county of Leon.

16. DEFINITIONS. The Terms used in this Note, if not defined herein, shall have their meanings as defined in the Loan Agreement or other documents executed contemporaneously herewith.

17. ENFORCEABILITY. If any provision of this Note shall be held unenforceable or void then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Note.

18. NOTICE. All notices under this Note must be in writing.

BORROWER:

WATER MANAGEMENT SERVICES, INC.
a FLORIDA corporation

By: _____
Gene D. Brown, President

(*Corporate seal may be affixed, but failure to affix shall not affect validity or reliance.)

LENDER:

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
a state of FLORIDA agency

By: _____
Secretary

State of Florida's Documentary Stamp Tax is not required on this Note.

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 1 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC., (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, authorizing a Loan amount of $3,000,000, excluding Capitalized Interest; and

WHEREAS, the Project Sponsor is entitled to additional financing of $3,080,883, excluding Capitalized Interest; and

WHEREAS, an interest rate must be established for the additional financing amount awarded in this amendment; and

WHEREAS, a Loan Service Fee must be assessed for the additional financing; and

WHEREAS, the Loan Repayment Reserve Account deposit and the Semiannual Loan Payment amount need revision to reflect adjustment in the Loan amount; and

WHEREAS, the Project costs need adjustment to reflect revised estimates; and

WHEREAS, revised provisions for audit and monitoring along with related changes to the Project schedule are needed.

NOW, THEREFORE, the parties hereto agree as follows:

1. Subsections 2.01(10) and 2.01(11) of the Agreement are deleted and replaced by Section 2.03 AUDIT AND MONITORING REQUIREMENTS.

The Project Sponsor agrees to the following audit and monitoring requirements.

(1) Audits.

Within 12 months of the amendment establishing final Project costs, the Project Sponsor shall have an audit conducted by an independent certified public accountant of the Project revenues, including receipt of disbursements under financial assistance agreements, and expenditures. The audit shall be conducted in accordance with generally accepted auditing standards. The audit shall address whether the Project Sponsor complied with requirements set forth in the Loan Agreement, including applicable State and Federal laws and regulations referenced in Subsection 2.02(7). The audit findings shall set aside or question any costs that are unallowable under Chapter 62-552, Florida Administrative Code. A final determination of the allowability of such costs shall be made by the Department.

(2) Report Submission.

Copies of the audit report prepared in accordance with Subsection 2.03(1) of this Agreement shall be submitted by or on behalf of the Project Sponsor directly to the Department of Environmental Protection at each of the following addresses:

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road, MS 3505
Tallahassee, Florida 32399-2400

Joe Aita, Audit Director
Office of the Inspector General
Florida Department of Environmental Protection
2600 Blair Stone Road, MS 40
Tallahassee, Florida 32399-2400

(3) Record Retention.

The Project Sponsor shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period of five years from the date the audit report is issued, and shall allow the Department of Environmental Protection, or its designee, Comptroller, or Auditor General access to such records upon request. The Project Sponsor shall ensure that audit working papers are made available to the Department of Environmental Protection, or its designee, Comptroller, or Auditor General upon request for a period of three years from the date the audit report is issued, unless extended in writing by the Department of Environmental Protection.

(4) Monitoring.

In addition to reviews of audits conducted in accordance with this Agreement, monitoring procedures may include, but not be limited to, on-site visits by Department staff, additional audits, and/or other procedures. By entering into this Agreement, the Project Sponsor agrees to comply and cooperate with any monitoring procedures/processes deemed appropriate by the Department of Environmental Protection. In the event the Department of Environmental Protection determines that an additional audit of the Project Sponsor is appropriate, the Project Sponsor agrees to comply with any additional instructions provided by the Department to the Project Sponsor regarding such audit. The Project Sponsor further agrees to comply and cooperate with any inspections, reviews, investigations, or audits deemed necessary by the Comptroller or Auditor General.

2. Additional financing in the amount of $3,080,883, excluding Capitalized Interest, is hereby awarded to the Project Sponsor.

3. An interest rate of 2.93 percent per annum is established for the additional financing amount awarded in this amendment; however, if this amendment is not executed by the Project Sponsor and returned to the Department before January 1, 2003, the interest rate may be adjusted.

4. The estimated principal amount of the Loan is hereby revised to $6,161,683, which consists of $6,080,883 authorized for disbursement to the Project Sponsor and $80,800 of Capitalized Interest. This total consists of the following:

(a) $3,064,100, including $3,000,000 authorized for disbursement to the Project Sponsor and $64,100 of Capitalized Interest, at an interest rate of 3.05 percent per annum; and

(b) $3,097,583, including $3,080,883 authorized for disbursement to the Project Sponsor and $16,700 of Capitalized Interest, at an interest rate of 2.93 percent per annum.

An additional Loan Service Fee in the amount of $59,823, for a total of $118,075, is hereby assessed. The fee represents two percent of the Loan amount excluding the Loan Repayment Reserve and Capitalized Interest amounts; that is, two percent of $5,903,770. Estimated Loan Service Fee capitalized interest for the fee amount assessed to date is $3,160.

5. The Semiannual Loan Payment amount is hereby revised and shall be in the amount of $209,823. Such payments shall be received by the Department on November 15, 2003 and semiannually thereafter on May 15 and November 15 of each year until all amounts due hereunder have been fully paid. Until this Agreement is further amended, each Semiannual Loan Payment will be proportionally applied, after deduction of the Loan Service Fee is complete, toward repayment of the amounts owed on each incremental Loan amount at the date such payment is due.

The Semiannual Loan Payment amount is based on the total amount owed of $6,282,918, which consists of the Loan principal plus the Loan Service Fee with its capitalized interest (if any).

6. The Project Sponsor and the Department acknowledge that the actual cost of the Project has not been determined. Project cost adjustments may be made as a result of mutually agreed upon Project changes. An additional Loan Repayment Reserve deposit amount will be required for any additional financing. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. If the Project Sponsor receives other governmental financial assistance for this Project, the costs funded by such other governmental assistance will not be financed by this Loan. The Department shall establish the final Project costs after its final inspection of the Project records. Changes in Project costs may also occur as a result of the Project Sponsor's Project audit or a Department audit.

Funds disbursed in accordance with Section 4.08 of this Agreement shall be disbursed in the order in which they have been obligated without respect to budgetary line item estimates. All disbursements shall be made from the original Loan amount until that amount has been disbursed; the interest rate established for the original Loan amount shall apply to such disbursements for the purpose of determining the associated Capitalized Interest and repayment amount. The interest rate established for any additional increment of Loan financing shall be used to determine the Capitalized Interest and repayment amount associated with the funds disbursed from that increment.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

The estimated Project costs are revised as follows:

CATEGORY	COST($)
(1) Administrative Allowance	32,850
(2) Engineering Allowance	375,000
(3) Construction and Demolition	4,865,638
(4) Contingencies	244,282
(5) Technical Services After Bid Opening	366,000
(6) Land	20,000
SUBTOTAL	5,903,770
(7) Loan Repayment Reserve (Loan Proceeds) *	177,113
SUBTOTAL (Disbursable Amount)	6,080,883
(8) Capitalized Interest	80,800
TOTAL (Loan Principal Amount)	6,161,683

* Loan proceeds for deposit in the Loan Repayment Reserve Account represent three percent of the Loan amount excluding the Loan Repayment Reserve (Loan proceeds) and Capitalized Interest amounts; three percent of $5,903,770 is $177,113 for the Loan amount authorized to date. In addition, the Project Sponsor shall use its own funds to deposit $209,785 in the reserve for a total deposit amount of $386,898.

7. The amount to be deposited in the Loan Repayment Reserve Account as scheduled in Section 10.07 of the Loan Agreement is hereby revised; an additional $194,625 shall be deposited for a total deposit requirement of $386,898. The Project Sponsor shall deposit the total amount into the Loan Repayment Reserve Account no later than May 15, 2003. Loan proceeds are authorized for a portion of the deposit. The Project Sponsor shall use its own funds for the remainder of the deposit. A breakdown of the deposit requirements follows:

	Loan Repayment Reserve Deposit Requirements ($)		
Source of Funds	Total	Amount Required Prior to this Amendment	Increment Associated with this Amendment
Loan Proceeds	177,113	87,379	89,734
Project Sponsor	209,785	104,894	104,891
Total	386,898	192,273	194,625

8. Section 10.07 PROJECT SCHEDULE is amended as follows:

(6) The initial annual certification required under Subsection 2.01(12) of this Agreement shall be due August 15, 2003. Thereafter the certification shall be submitted no later than September 30 of each year until the final Semiannual Loan Payment is made.

9. All other terms and provisions of the Loan Agreement shall remain in effect.

This Amendment 1 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Secretary of the Department and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Secretary of the Department.

Florida documentary tax required by law in the amount of $10,841.60 has been paid or will be paid to the Department of Revenue for the incremental Loan principal provided by this amendment.

for
WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest

Clara W. Jump
Notary Public

Clara W. Jump
Name typed or printed

SEAL

CLARA W. JUMP
MY COMMISSION # DD 027197
EXPIRES: July 8, 2005
Bonded Thru Notary Public Underwriters

I attest that this amendment complies with Section 2.02 of the Agreement and as to form and legality.

Attorney for Water Management Services, Inc.

JEFFERY J. TALLEY
Name typed or printed

for
STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Secretary

Date

Attachment A

PROMISSORY NOTE
(Business Purpose)
Florida Department of Environmental Protection

---

1. DATE AND PARTIES. The date of this Promissory Note (Note) is December _____, 2002. This Note evidences a loan, which includes all extensions, renewals, modifications and substitutions of the loan (the "Loan"). The parties to this Note and to the Loan are:

BORROWER:	LENDER:
WATER MANAGEMENT SERVICES, INC. a FLORIDA corporation 3848 KILLEARN COURT TALLAHASSEE, FLORIDA 32308 Tax I.D. # 59-3449317	FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION a FLORIDA state agency 2600 Blair Stone Road, M.S. 3505 Tallahassee, Florida 32399-2400

2. PROMISE TO PAY. For Value Received, Water Management Services ("Borrower"), promises to pay to Florida Department of Environmental Protection (the "Department") the aggregate principal amount outstanding on Borrower's Loan in the sum of $6,080,883, or so much thereof as may, from time to time, be advanced to Borrower hereunder, plus interest from the date of disbursement on the unpaid principal balance, as shown on The Department's records, which shall at all times be conclusive and govern. Interest shall accrue on unpaid principal installments at an annual rate equal to 3.05% on the first $3,000,000, and 2.93% on the remaining $3,080,883. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement executed on even date herewith and the terms of which are incorporated herein by reference (the "Loan Agreement").

   The Department and Borrower have established specific instructions and procedures by which disbursements can be made pursuant to the terms and conditions of the Loan Agreement, but nothing contained herein shall create a duty on the part of The Department to make said disbursement if Borrower is in default of the terms of this Note or the terms of the Loan Agreement. In no event shall the Borrower be entitled to total disbursements hereunder exceeding $6,080,883, or such lesser amount as may determined in accordance with the Loan Agreement.

3. EFFECT OF PRE-PAYMENT. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty. Absent a default under this Note or the Loan Agreement, any payments received by the Borrower shall be applied according to the terms and conditions of the Loan Agreement. No partial prepayment shall excuse or defer Borrower's subsequent payments or entitle Borrower to a release of any collateral. Interest shall cease to accrue on the amounts prepaid on the day actually credited by the Department.

4. LATE CHARGE. If any payment of interest and/or principal is not received by the Department when such payment is due, the Borrower agrees to pay the Department a late charge as provided in Article VI of the Loan Agreement.

5. EVENTS OF DEFAULT. Borrower shall be in default upon the occurrence of default in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or

condition exists which constitutes a default or authorizes the acceleration of the maturity hereof under the Loan Agreement.

6. DEFAULT RATE OF INTEREST. Upon the acceleration of this Note pursuant to its terms or the terms of the Loan Agreement, Borrower agrees that the rate of interest to be charged on unpaid principal and accrued interest shall be as provided in Article VI of the Loan Agreement.

7. REMEDIES ON DEFAULT. Upon or after an event of default, all or any part of the principal and accrued interest on this Note shall become immediately due and payable at the option of the Department, without presentment or demand or any notice to Borrower or any other person obligated hereon. The Department may exercise all rights and remedies provided by law, equity, this Note and the Loan Agreement. Time is of the essence with regard to all obligations in this Note and in the Loan Agreement. Failure to exercise any remedy or right under the Loan Agreement or hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

8. ATTORNEY'S FEES. In the event the Department utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to the Department, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statue, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

9. NO DUTY BY THE DEPARTMENT. The Department is under no duty to preserve or protect any Collateral until the Department is in actual or constructive possession of the Collateral. For purposes of this paragraph, The Department shall only be considered to be in "actual" possession of Collateral when the Department has physical, immediate and exclusive control over the Collateral and has affirmatively accepted such control. The Department shall only be considered to be in "constructive" possession of the Collateral when the Department has both the power and the intent to exercise control over the Collateral.

10. WAIVER AND CONSENT BY BORROWER AND OTHER SIGNERS. Regarding this Note, to the extent not prohibited by law, Borrower and all and any other signers waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

11. AMENDMENT. The provisions contained in this Note may not be amended, except through written amendment which is signed by Borrower and the Department.

12. INTEGRATION CLAUSE. This written Note and all documents executed concurrently herewith, represent the entire understanding of the parties as to the obligations and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

13. FURTHER ASSURANCES. Borrower agrees, upon request of the Department and within the time the Department specifies to provide any information and to execute any, acknowledge and deliver and record or file such further instruments or documents as may be required by the Department to secure this Note or confirm any lien.

14. GOVERNING LAW. This Note shall be governed by the laws of the state of Florida.

15. FORUM AND VENUE. In the event of litigation pertaining to this Note, the exclusive forum, venue and place of jurisdiction shall be in the state of Florida, in the state court in the county of Leon.

16. DEFINITIONS. The Terms used in this Note, if not defined herein, shall have their meanings as defined in the Loan Agreement or other documents executed contemporaneously herewith.

17. ENFORCEABILITY. If any provision of this Note shall be held unenforceable or void then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Note.

18. NOTICE. All notices under this Note must be in writing.

BORROWER:

WATER MANAGEMENT SERVICES, INC.
a FLORIDA corporation

By: _____
Gene D. Brown, President

(*Corporate seal may be affixed, but failure to affix shall not affect validity or reliance.)

LENDER:

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
a state of FLORIDA agency

By: _____
Secretary

State of Florida's Documentary Stamp Tax is not required on this Note.

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 2 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC., (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, as amended, authorizing a Loan amount of $6,080,883, excluding Capitalized Interest; and

WHEREAS, the Semiannual Loan Payment amount needs revision to reflect adjustment of the Capitalized Interest and account for payments made to date.

NOW, THEREFORE, the parties hereto agree as follows:

1. The total disbursed Loan amount is $6,080,883.

2. The Loan Service Fee is $118,075.00, and capitalized Loan Service Fee interest is $3,157.34. The Loan Service Fee and capitalized interest were collected in the November 15, 2003 payment.

3. The total principal amount of the Loan was $6,157,504.25, which consisted of $6,080,883.00 disbursed to the Project Sponsor and $76,621.25 of accrued Capitalized Interest.

4. The unpaid principal balance of the Loan is $6,016,606.36, which amount accounts for the Department's receipt of two Semiannual Loan Payments and consists of the following:

(a) Initial agreement unpaid balance of $3,014,865.35 at an interest rate of 3.05 percent per annum.

(b) Amendment 1 unpaid balance of $3,001,741.01 at an interest rate of 2.93 percent per annum.

5. The Semiannual Loan Payment amount, adjusted to account for repayments received to date, is hereby revised and shall be in the amount of $208,694.89. Such payments shall be received by the Department on November 15, 2004 and semiannually thereafter on May 15 and November 15 of each year until all amounts due hereunder have been fully paid.

6. The closeout audit required under Subsection 2.03(1) of the amended Agreement shall be submitted within twelve months after the effective date of this amendment.

7. The Project Sponsor and the Department acknowledge that changes in Project costs may occur as a result of the Project Sponsor's Project audit or a Department audit pursuant to Chapter 62-552 of the Florida Administrative Code. Unless this Agreement is amended subsequent to an audit, the following Project disbursements shall be final.

CATEGORY	DISBURSED($)
Administrative Allowance	32,850.00
Engineering Allowance	375,000.00
Construction and Demolition*	5,109,920.00
Land	20,000.00
Technical Services During Construction	366,000.00
SUBTOTAL	5,903,770.00
Loan Repayment Reserve (Loan Proceeds)**	177,113.00
SUBTOTAL (Total Disbursed)	6,080,883.00
Capitalized Interest	76,621.25
TOTAL (Loan Principal Amount)	6,157,504.25

* Owner Purchased Materials in the amount of $1,195,593 is included in the Construction and Demolition total.

** The Loan Repayment Reserve line item reflects an amount set by Amendment 1. In addition, the Project Sponsor was required to deposit $209,785 of its own funds into the Loan Repayment Reserve for a total deposit amount of $386,898.

8. All other terms and provisions of the Loan Agreement shall remain in effect.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

This Amendment 2 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Secretary of the Department, and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Secretary of the Department.

for

WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest

Notary Public

Sandra Chase

Name typed or printed

SEAL

Sandra M. Chase
MY COMMISSION # DD241897 EXPIRES
November 17, 2007
BONDED THRU TROY FAIN INSURANCE, INC.

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Secretary

SEP 30 2004

Date

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 3 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC. (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, as amended; and

WHEREAS, the Project Sponsor has requested a restructuring of the Loan as a result of worsening economic conditions; and

WHEREAS, various provisions need to be revised.

NOW, THEREFORE, the parties hereto agree as follows:

1. Subsection 2.03(3) of the Agreement is deleted and replaced as follows:

(3) Record Retention.

The Project Sponsor shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period of five years from the date the audit report is issued, and shall allow the Department, or its designee, Chief Financial Officer, or Auditor General access to such records upon request. The Project Sponsor shall ensure that audit working papers are made available to the Department, or its designee, Chief Financial Officer, or Auditor General upon request for a period of five years from the date the audit report is issued, unless extended in writing by the Department.

3. Section 10.04 of the Agreement is deleted and replaced as follows:

The Loan shall be repaid in 60 Semiannual Loan Payments.

4. The Semiannual Loan Payment, as established in Section 10.05 of the Agreement and revised in Amendment 2, Section 5, is amended to include the following:

Semiannual Loan Payments number 13 and 14, due November 15, 2009 and May 15, 2010, shall be zero with the interest accruing and added to the outstanding balance. Semiannual Loan Payments number 15-60, beginning November 15, 2010 and continuing semiannually thereafter on May 15 and November 15 of each year until all amounts due hereunder have been fully paid, shall include principal and interest and shall be in the amount of $147,751.47. Funds transfer shall be made by electronic means.

5. The Project Sponsor shall execute a Promissory Note on even date herewith evidencing the extended Loan authorized by this Amendment 3.

6. All other terms and provisions of the Loan Agreement shall remain in effect.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

This Amendment 3 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Deputy Director and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Deputy Director.

No additional Florida documentary tax is required for this Amendment 3.

for

WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest

Notary Public

Sandra M. Chase

Name typed or printed

SEAL

SANDRA M. CHASE
Commission DD 698660
Expires November 17, 2011
Bonded Thru Troy Fain Insurance 800-385-7019

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

DEC 3 0 2009

Deputy Director
Division of Water Resource Management

Date

Florida Department of Environmental Protection
Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard, Jr.
Secretary

FEB 28 2011

FED-EX DELIVERY - SIGNATURE REQUIRED

Mr. Gene D. Brown, President
Water Management Services, Inc.
250 John Knox Road, # 4
Tallahassee, Florida 32303 - 4235

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Enclosed is one original of Amendment 4 to your loan agreement under the State Revolving Fund program. The amendment provides an interest only May 2011 payment and re-amortizes the loan.

Sincerely,

Phil Coram, P.E.,
Deputy Director
Division of Water Resource Management

PC/tw

Enclosure

cc: Cliff Butler - Gulf State Community Bank

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 4 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC. (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, as amended; and

WHEREAS, the Project Sponsor has requested a restructuring of the Loan as a result of worsening economic conditions.

NOW, THEREFORE, the parties hereto agree as follows:

1. The Semiannual Loan Payment, as established in Section 10.05 of the Agreement and revised in Amendment 3, Section 4, is amended to include the following:

Semiannual Loan Payment number 15 due November 15, 2010, shall be zero with the interest accruing and added to the outstanding balance. Semiannual Loan Payment number 16 due May 15, 2011 shall be interest only in the amount of $73,096.49. Semiannual Loan Payments number 17-60, beginning November 15, 2011 and continuing semiannually thereafter on May 15 and November 15 of each year until all amounts due hereunder have been fully paid, shall include principal and interest and shall be in the amount of $152,441.63. Funds transfer shall be made by electronic means.

2. All other terms and provisions of the Loan Agreement shall remain in effect.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

This Amendment 4 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Deputy Director and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Deputy Director.

No additional Florida documentary tax is required for this Amendment 4.

for

WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest

Notary Public

Sandra M. Chase

Name typed or printed

SEAL

SANDRA M. CHASE
Commission DD 698660
Expires November 17, 2011
Bonded Thru Troy Fain Insurance 800-385-7019

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

FEB 18 2011

Deputy Director
Division of Water Resource Management

Date

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 5 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC. (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, as amended; and

WHEREAS, the Project Sponsor has requested a restructuring of the Loan as a result of worsening economic conditions.

NOW, THEREFORE, the parties hereto agree as follows:

1. The Semiannual Loan Payment, as established in Section 10.05 of the Agreement and revised in Amendment 3, Section 4 and Amendment 4, is amended to include the following:

Semiannual Loan Payment number 16 which was due May 15, 2011, and Semiannual Loan Payment number 17 shall be zero with the interest accruing and added to the outstanding balance. Semiannual Loan Payments number 18-60, beginning May 15, 2012 and continuing semiannually thereafter on November 15 and May 15 of each year until all amounts due hereunder have been fully paid, shall include principal and interest and shall be in the amount of $162,012.03. Funds transfer shall be made by electronic means.

2. All other terms and provisions of the Loan Agreement shall remain in effect.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

This Amendment 5 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Deputy Director and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Deputy Director.

No additional Florida documentary tax is required for this Amendment 5.

for

WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest

Sandra M. Chase

Notary Public

Sandra M. Chase

Name typed or printed

SEAL

SANDRA M. CHASE
Commission DD 698660
Expires November 17, 2011
Bonded Thru Troy Fain Insurance 800-385-7019

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

JUN 15 2011

Deputy Director
Division of Water Resource Management

Date

DW1901 010

Water Management Services, Inc.

COMBINED AGREEMENT

Escrow Payment 162,012.03

Pmt	Date	Payment	SF & SF Int	Escrow	Principal	Interest	Balance
	5/15/2003						5,417,289.25
1	11/15/2003	209,823.00	123,044.85	-	16,549.93	70,228.22	5,400,739.32
2	5/15/2004	209,823.00	-	-	124,347.96	85,475.04	6,004,275.36
3	11/15/2004	208,694.89	-	-	118,747.14	89,947.75	5,897,859.22
4	5/15/2005	208,694.89	-	-	120,517.82	88,177.07	5,777,341.40
5	11/15/2005	208,694.89	-	-	122,319.43	86,375.46	5,655,021.96
6	5/15/2006	208,694.89	-	-	124,147.99	84,546.90	5,530,873.97
7	11/15/2006	208,694.89	-	-	126,003.90	82,690.99	5,404,870.08
8	5/15/2007	208,694.89	-	-	127,887.55	80,807.34	5,276,982.52
9	11/15/2007	208,694.89	-	-	129,799.38	78,895.51	5,147,183.14
10	5/15/2008	208,694.89	-	-	131,739.81	76,955.08	5,015,443.33
11	11/15/2008	208,694.89	-	-	133,709.25	74,985.64	4,881,734.09
12	5/15/2009	208,694.89	-	-	135,708.14	72,986.75	4,746,025.95
13	11/15/2009	-	-	-	-	70,957.96	4,816,983.90
14	5/15/2010	-	-	-	-	72,019.28	4,889,003.18
15	11/15/2010	-	-	-	-	73,096.48	4,962,099.69
16	5/15/2011	-	-	-	-	74,189.80	5,036,289.49
17	11/15/2011	-	-	-	-	75,299.48	5,111,588.97
18	5/15/2012	162,012.03	-	-	85,586.26	76,425.77	5,026,002.71
19	11/15/2012	162,012.03	-	-	66,865.73	75,146.30	4,939,136.98
20	5/15/2013	162,012.03	-	-	88,164.33	73,847.70	4,850,972.65
21	11/15/2013	162,012.03	-	-	89,482.35	72,529.68	4,761,490.31
22	5/15/2014	162,012.03	-	-	90,820.08	71,191.95	4,670,670.23
23	11/15/2014	162,012.03	-	-	92,177.82	69,834.21	4,578,492.42
24	5/15/2015	162,012.03	-	-	93,555.86	68,456.17	4,484,936.56
25	11/15/2015	162,012.03	-	-	94,954.51	67,057.52	4,389,982.04
26	5/15/2016	162,012.03	-	-	96,374.09	65,637.94	4,293,607.95
27	11/15/2016	162,012.03	-	-	97,814.89	64,197.14	4,195,793.06
28	5/15/2017	162,012.03	-	-	99,277.24	62,734.79	4,096,515.82
29	11/15/2017	162,012.03	-	-	100,761.47	61,250.56	3,995,754.35
30	5/15/2018	162,012.03	-	-	102,267.89	59,744.14	3,893,486.46
31	11/15/2018	162,012.03	-	-	103,796.84	58,215.19	3,789,689.62
32	5/15/2019	162,012.03	-	-	105,348.66	56,663.37	3,684,340.96
33	11/15/2019	162,012.03	-	-	106,923.69	55,088.34	3,577,417.26
34	5/15/2020	162,012.03	-	-	108,522.28	53,489.75	3,468,894.98
35	11/15/2020	162,012.03	-	-	110,144.78	51,867.25	3,358,750.20
36	5/15/2021	162,012.03	-	-	111,791.54	50,220.49	3,246,958.66
37	11/15/2021	162,012.03	-	-	113,462.94	48,549.09	3,133,495.72
38	5/15/2022	162,012.03	-	-	115,159.34	46,852.69	3,018,336.38
39	11/15/2022	162,012.03	-	-	116,881.10	45,130.93	2,901,455.28
40	5/15/2023	162,012.03	-	-	118,628.62	43,383 41	2,782,826.65
41	11/15/2023	162,012.03	-	-	120,402.28	41,609.75	2,662,424.37
42	5/15/2024	162,012.03	-	-	122,202.47	39,809.56	2,540,221.90
43	11/15/2024	162,012.03	-	-	124,029.59	37,982.44	2,416,192.31
44	5/15/2025	162,012.03	-	-	125,884.03	36,128.00	2,290,308.29
45	11/15/2025	162,012.03	-	-	127,766.21	34,245.82	2,162,542.07
46	5/15/2026	162,012.03	-	-	129,676.55	32,335.48	2,032,865.53
47	11/15/2026	162,012.03	-	-	131,615.45	30,396.58	1,901,250.07
48	5/15/2027	162,012.03	-	-	133,583.37	28,428.66	1,767,666.71
49	11/15/2027	162,012.03	-	-	135,580.71	26,431.32	1,632,085.99
50	5/15/2028	162,012.03	-	-	137,607.94	24,404.09	1,494,478.06
51	11/15/2028	162,012.03	-	-	139,665.48	22,346.55	1,354,812.57
52	5/15/2029	162,012.03	-	-	141,753.81	20,258.22	1,213,058.76
53	11/15/2029	162,012.03	-	-	143,873.37	18,138.66	1,069,185.39
54	5/15/2030	162,012.03	-	-	146,024.64	15,987.39	923,160.75
55	11/15/2030	162,012.03	-	-	148,208.09	13,803.94	774,952.66
56	5/15/2031	162,012.03	-	-	150,424.20	11,587.83	624,528.47
57	11/15/2031	162,012.03	-	-	152,673.46	9,338.57	471,855.01
58	5/15/2032	162,012.03	-	-	154,956.36	7,055.67	316,898.65
59	11/15/2032	162,012.03	-	-	157,273.42	4,738.61	159,625.23
60	5/15/2033	162,012.13	-	-	159,625.23	2,386.90	(0.00)

Interest Rate: 3.05%

Escrow Payment 81,875.21

Original Agreement

Pmt	Date	Payment	SF & SF Int	Escrow	Principal	Interest	Balance
	5/15/2003						3,075,628.72
1	11/15/2003	111,069.76	61,687.65	0.00	2,475.72	46,906.39	3,073,353.00
2	5/15/2004	105,356.28	0.00	0.00	58,487.65	46,868.63	3,014,865.35
3	11/15/2004	105,121.82	0.00	0.00	59,145.12	45,976.70	2,955,720.23
4	5/15/2005	105,121.82	0.00	0.00	60,047.09	45,074.73	2,895,673.14
5	11/15/2005	105,121.82	0.00	0.00	60,962.80	44,159.02	2,834,710.34
6	5/15/2006	105,121.82	0.00	0.00	61,892.49	43,229.33	2,772,817.85
7	11/15/2006	105,121.82	0.00	0.00	62,836.35	42,285.47	2,709,981.50
8	5/15/2007	105,121.82	0.00	0.00	63,794.60	41,327.22	2,646,186.90
9	11/15/2007	105,121.82	0.00	0.00	64,767.47	40,354.35	2,581,419.43
10	5/15/2008	105,121.82	0.00	0.00	65,755.17	39,366.65	2,515,664.26
11	11/15/2008	105,121.82	0.00	0.00	66,757.94	38,363.88	2,448,906.32
12	5/15/2009	105,121.82	0.00	0.00	67,776.00	37,345.82	2,381,130.32
13	11/15/2009	-	0.00	0.00	0.00	36,312.24	2,417,442.56
14	5/15/2010	-	0.00	0.00	0.00	36,866.00	2,454,308.56
15	11/15/2010	-	0.00	0.00	0.00	37,428.21	2,491,736.77
16	5/15/2011	-	0.00	0.00	0.00	37,998.99	2,529,735.76
17	11/15/2011	-	0.00	0.00	0.00	38,578.47	2,568,314.23
18	5/15/2012	81,875.21	0.00	0.00	42,708.42	39,166.79	2,525,605.81
19	11/15/2012	81,875.21	0.00	0.00	43,359.72	38,515.49	2,482,246.09
20	5/15/2013	81,875.21	0.00	0.00	44,020.96	37,854.25	2,438,225.13
21	11/15/2013	81,875.21	0.00	0.00	44,692.28	37,182.93	2,393,532.85
22	5/15/2014	81,875.21	0.00	0.00	45,373.83	36,501.38	2,348,159.02
23	11/15/2014	81,875.21	0.00	0.00	46,065.78	35,809.43	2,302,093.24
24	5/15/2015	81,875.21	0.00	0.00	46,768.29	35,106.92	2,255,324.95
25	11/15/2015	81,875.21	0.00	0.00	47,481.50	34,393.71	2,207,843.44
26	5/15/2016	81,875.21	0.00	0.00	48,205.60	33,669.61	2,159,637.84
27	11/15/2016	81,875.21	0.00	0.00	48,940.73	32,934.48	2,110,697.11
28	5/15/2017	81,875.21	0.00	0.00	49,687.08	32,188.13	2,061,010.03
29	11/15/2017	81,875.21	0.00	0.00	50,444.81	31,430.40	2,010,565.23
30	5/15/2018	81,875.21	0.00	0.00	51,214.09	30,661.12	1,959,351.14
31	11/15/2018	81,875.21	0.00	0.00	51,995.11	29,880.10	1,907,356.03
32	5/15/2019	81,875.21	0.00	0.00	52,788.03	29,087.18	1,854,568.00
33	11/15/2019	81,875.21	0.00	0.00	53,593.05	28,282.16	1,800,974.95
34	5/15/2020	81,875.21	0.00	0.00	54,410.34	27,464.87	1,746,564.61
35	11/15/2020	81,875.21	0.00	0.00	55,240.10	26,635.11	1,691,324.51
36	5/15/2021	81,875.21	0.00	0.00	56,082.51	25,792.70	1,635,242.00
37	11/15/2021	81,875.21	0.00	0.00	56,937.77	24,937.44	1,578,304.23
38	5/15/2022	81,875.21	0.00	0.00	57,806.07	24,069.14	1,520,498.16
39	11/15/2022	81,875.21	0.00	0.00	58,687.61	23,187.60	1,461,810.55
40	5/15/2023	81,875.21	0.00	0.00	59,582.60	22,292.61	1,402,227.95
41	11/15/2023	81,875.21	0.00	0.00	60,491.23	21,383.98	1,341,736.71
42	5/15/2024	81,875.21	0.00	0.00	61,413.73	20,461.48	1,280,322.99
43	11/15/2024	81,875.21	0.00	0.00	62,350.28	19,524.93	1,217,972.70
44	5/15/2025	81,875.21	0.00	0.00	63,301.13	18,574.08	1,154,671.58
45	11/15/2025	81,875.21	0.00	0.00	64,266.47	17,608.74	1,090,405.11
46	5/15/2026	81,875.21	0.00	0.00	65,246.53	16,628.68	1,025,158.58
47	11/15/2026	81,875.21	0.00	0.00	66,241.54	15,633.67	958,917.03
48	5/15/2027	81,875.21	0.00	0.00	67,251.73	14,623.48	891,665.31
49	11/15/2027	81,875.21	0.00	0.00	68,277.31	13,597.90	823,388.00
50	5/15/2028	81,875.21	0.00	0.00	69,318.54	12,556.67	754,069.45
51	11/15/2028	81,875.21	0.00	0.00	70,375.65	11,499.56	683,693.80
52	5/15/2029	81,875.21	0.00	0.00	71,448.88	10,426.33	612,244.92
53	11/15/2029	81,875.21	0.00	0.00	72,538.47	9,336.74	539,706.45
54	5/15/2030	81,875.21	0.00	0.00	73,644.69	8,230.52	466,061.76
55	11/15/2030	81,875.21	0.00	0.00	74,767.77	7,107.44	391,293.99
56	5/15/2031	81,875.21	0.00	0.00	75,907.98	5,967.23	315,386.02
57	11/15/2031	81,875.21	0.00	0.00	77,065.57	4,809.64	238,320.44
58	5/15/2032	81,875.21	0.00	0.00	78,240.82	3,634.39	160,079.62
59	11/15/2032	81,875.21	0.00	0.00	79,434.00	2,441.21	80,645.62
60	5/15/2033	81,875.47	0.00	0.00	80,645.62	1,229.85	(0.00)

Interest Rate: 2.93%

Escrow Payment 80,136.82

Amendment 1

Pmt	Date	Payment	SF & SF Int	Escrow	Principal	Interest	Balance
	5/15/2003						2,341,460.53
1	11/15/2003	98,753.24	61,357.20	0.00	14,074.21	23,321.63	2,327,386.32
2	5/15/2004	104,466.72	0.00	0.00	65,860.31	38,606.41	2,989,410.01
3	11/15/2004	103,573.07	0.00	0.00	59,602.02	43,971.05	2,942,138.99
4	5/15/2005	103,573.07	0.00	0.00	60,470.73	43,102.34	2,881,668.26
5	11/15/2005	103,573.07	0.00	0.00	61,356.63	42,216.44	2,820,311.63
6	5/15/2006	103,573.07	0.00	0.00	62,255.50	41,317.57	2,758,056.12
7	11/15/2006	103,573.07	0.00	0.00	63,167.55	40,405.52	2,694,888.57
8	5/15/2007	103,573.07	0.00	0.00	64,092.95	39,480.12	2,630,795.62
9	11/15/2007	103,573.07	0.00	0.00	65,031.91	38,541.16	2,565,763.71
10	5/15/2008	103,573.07	0.00	0.00	65,984.63	37,588.44	2,499,779.08
11	11/15/2008	103,573.07	0.00	0.00	66,951.31	36,621.76	2,432,827.77
12	5/15/2009	103,573.07	0.00	0.00	67,932.14	35,640.93	2,364,895.63
13	11/15/2009	-	0.00	0.00	0.00	34,645.72	2,399,541.35
14	5/15/2010	-	0.00	0.00	0.00	35,153.28	2,434,694.63
15	11/15/2010	-	0.00	0.00	0.00	35,668.28	2,470,362.91
16	5/15/2011	-	0.00	0.00	0.00	36,190.82	2,506,553.73
17	11/15/2011	-	0.00	0.00	0.00	36,721.01	2,543,274.74
18	5/15/2012	80,136.82	0.00	0.00	42,877.85	37,258.97	2,500,396.90
19	11/15/2012	80,136.82	0.00	0.00	43,506.01	36,630.81	2,456,890.89
20	5/15/2013	80,136.82	0.00	0.00	44,143.37	35,993.45	2,412,747.52
21	11/15/2013	80,136.82	0.00	0.00	44,790.07	35,346.75	2,367,957.45
22	5/15/2014	80,136.82	0.00	0.00	45,446.24	34,690.58	2,322,511.21
23	11/15/2014	80,136.82	0.00	0.00	46,112.03	34,024.79	2,276,399.18
24	5/15/2015	80,136.82	0.00	0.00	46,787.57	33,349.25	2,229,611.61
25	11/15/2015	80,136.82	0.00	0.00	47,473.01	32,663.81	2,182,138.60
26	5/15/2016	80,136.82	0.00	0.00	48,168.49	31,968.33	2,133,970.11
27	11/15/2016	80,136.82	0.00	0.00	48,874.16	31,262.66	2,085,095.95
28	5/15/2017	80,136.82	0.00	0.00	49,590.16	30,546.66	2,035,505.79
29	11/15/2017	80,136.82	0.00	0.00	50,316.66	29,820.16	1,985,189.13
30	5/15/2018	80,136.82	0.00	0.00	51,053.80	29,083.02	1,934,135.33
31	11/15/2018	80,136.82	0.00	0.00	51,801.74	28,335.08	1,882,333.59
32	5/15/2019	80,136.82	0.00	0.00	52,560.63	27,576.19	1,829,772.96
33	11/15/2019	80,136.82	0.00	0.00	53,330.65	26,806.17	1,776,442.31
34	5/15/2020	80,136.82	0.00	0.00	54,111.94	26,024.88	1,722,330.37
35	11/15/2020	80,136.82	0.00	0.00	54,904.68	25,232.14	1,667,425.69
36	5/15/2021	80,136.82	0.00	0.00	55,709.03	24,427.79	1,611,716.66
37	11/15/2021	80,136.82	0.00	0.00	56,525.17	23,611.65	1,555,191.49
38	5/15/2022	80,136.82	0.00	0.00	57,353.26	22,783.56	1,497,838.22
39	11/15/2022	80,136.82	0.00	0.00	58,193.49	21,943.33	1,439,644.73
40	5/15/2023	80,136.82	0.00	0.00	59,046.02	21,090.80	1,380,598.71
41	11/15/2023	80,136.82	0.00	0.00	59,911.05	20,225.77	1,320,687.66
42	5/15/2024	80,136.82	0.00	0.00	60,788.75	19,348.07	1,259,898.91
43	11/15/2024	80,136.82	0.00	0.00	61,679.30	18,457.52	1,198,219.61
44	5/15/2025	80,136.82	0.00	0.00	62,582.90	17,553.92	1,135,636.71
45	11/15/2025	80,136.82	0.00	0.00	63,499.74	16,637.08	1,072,136.97
46	5/15/2026	80,136.82	0.00	0.00	64,430.01	15,706.81	1,007,706.95
47	11/15/2026	80,136.82	0.00	0.00	65,373.91	14,762.91	942,333.04
48	5/15/2027	80,136.82	0.00	0.00	66,331.64	13,805.18	876,001.40
49	11/15/2027	80,136.82	0.00	0.00	67,303.40	12,833.42	808,698.00
50	5/15/2028	80,136.82	0.00	0.00	68,289.39	11,847.43	740,408.60
51	11/15/2028	80,136.82	0.00	0.00	69,289.83	10,846.99	671,118.77
52	5/15/2029	80,136.82	0.00	0.00	70,304.93	9,831.89	600,813.84
53	11/15/2029	80,136.82	0.00	0.00	71,334.90	8,801.92	529,478.94
54	5/15/2030	80,136.82	0.00	0.00	72,379.95	7,756.87	457,098.99
55	11/15/2030	80,136.82	0.00	0.00	73,440.32	6,696.50	383,658.67
56	5/15/2031	80,136.82	0.00	0.00	74,516.22	5,620.60	309,142.45
57	11/15/2031	80,136.82	0.00	0.00	75,607.88	4,528.94	233,534.57
58	5/15/2032	80,136.82	0.00	0.00	76,715.54	3,421.28	156,819.03
59	11/15/2032	80,136.82	0.00	0.00	77,839.42	2,297.40	78,979.61
60	5/15/2033	80,136.66	0.00	0.00	78,979.61	1,157.05	(0.00)

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 6 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC., (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, as amended; and

WHEREAS, the Project Sponsor has requested a restructuring of the Loan as a result of worsening economic conditions; and

WHEREAS, special conditions are introduced to include the Public Service Commission's requirement that monthly escrow deposits be made.

NOW, THEREFORE, the parties hereto agree as follows:

1. Section 10.05 of the Agreement, as amended, is deleted and replaced as follows:

Semiannual Loan Payment numbers 1 and 2 included principal and interest in the amount of $209,823.00 and were paid on November 15, 2003 and May 15, 2004. Semiannual Loan Payment numbers 3 through 12 included principal and interest in the amount of $208,694.89 and were paid beginning November 15, 2004 and continuing semiannually thereafter through May 15, 2009. Semiannual Loan Payments 13 through 18, due semiannually from November 15, 2009 through May 15, 2012, were not made. Semiannual Loan Payment number 19, due November 15, 2012, shall be in the amount of $40,000.00, to be applied to interest only. Semiannual Loan Payment numbers 20 through 59, beginning May 15, 2013 and continuing semiannually thereafter until November 15, 2032, shall include principal and interest and shall be in the amount of $171,408.35. The last Semiannual Loan Payment, due May 15, 2033, shall include principal and interst and shall be in the amount of $171,408.27.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

2. The first escrow deposit of $28,568.06 will be made on December 15, 2012 and on the 15th of each month thereafter until the Loan is paid in full.

3. A certification that the escrow deposit has been made will be filed by the 20th of each month with the Public Service Commission, with a copy to the Department.

4. All other terms and provisions of the Loan Agreement shall remain in effect.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

This Amendment 6 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Deputy Division Director, and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Deputy Director.

for

WATER MANAGEMENT SERVICES, INC.

President

Attest:

Notary Public

Sandra M. Chase

Name typed or printed

SEAL

SANDRA M. CHASE
Commission # EE 113266
Expires November 17, 2015
Bonded Thru Troy Fain Insurance 800-385-7019

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Deputy Director
Division of Water Resource Management

SEP 17 2012

Date

CASH FLOW ANALYSIS OF DAMAGE SETTLEMENT

HWS-27

WATER MANAGEMENT SERVICES, INC.
Cash Flow Analysis of Damage Settlement

Line No.	Date	Description	FMB Checking A/C 131.09	FMB Reserve A/C 135.30	GSB Reserve A/C 132.10	GSB Checking A/C 131.08	Payroll Taxes A/C 236.30 A/C 236.40	A/C 309 A/C 341	A/C 123	DEP Paid A/C 224.32 A/C 237.60
1	06/01/08	Balance	(14,703.13)							
2		Accounts receivable	3,319.90							
3	06/03/08	FMB	(4,414.39)				4,414.39			
4	06/10/08		(50,000.00)			50,000.00				
5	06/10/08	Coppins, Monroe PA	460,000.00					(460,000.00)		
6	06/10/08	DEP	(208,694.89)							208,694.89
7	06/12/08	FMB	(8,991.44)				8,991.44			
8	06/18/08	FMB	(6,834.50)				6,834.50			
9	06/18/08	Proctors	(30,413.29)					30,413.29		
10	06/20/08	Coppins, Monroe PA	300,000.00					(300,000.00)		
11	06/20/08	FMB Reserve	(400,000.00)	400,000.00						
12		Bank Charges	(9.53)							
13	06/23/08	BMG	(30,000.00)						30,000.00	
14	06/25/08	FMB	(2,379.55)				2,379.55			
15	06/27/08	GSB	(4,000.00)			4,000.00				
16		Interest Income		248.08						
17	07/01/08	Balance	2,879.18	400,248.08	2,113.16		22,619.88			
18	07/16/08	GSB		(193,000.00)	193,000.00					
19	07/22/08	SMC Investment Prop.		(85,000.00)					85,000.00	
20	08/01/08	GSB			(25,000.00)	25,000.00				
21	08/08/08	GSB			(15,000.00)	15,000.00				
22	08/11/08	Gene Brown			(10,000.00)				10,000.00	
23	08/13/08	BMG		(10,000.00)					10,000.00	
24	09/04/08	GSB			(20,000.00)	20,000.00				
25	09/08/08	Gene Brown			(50,000.00)				50,000.00	
26	09/09/08	GSB			(3,000.00)	3,000.00				
27	09/10/08	GSB			(7,000.00)	7,000.00				
28	09/11/08	GSB			(28,000.00)	28,000.00				
29	10/28/08	Gene Brown			(2,500.00)				2,500.00	
30	10/30/08	GSB			(2,500.00)	2,500.00				
31	11/03/08	Gene Brown			(2,500.00)				2,500.00	
32	11/05/08	GSB			(5,000.00)	5,000.00				
33	11/06/08	GSB		(112,500.00)	112,500.00					
34	11/07/08	GSB			(7,000.00)	7,000.00				
35	11/13/08	GSB			78,000.00	(78,000.00)				
36	11/14/08	DEP			(208,694.89)					208,694.89
37		Interest Income		1,342.45	932.67					
38		Bank Charges		(30.00)	(15.00)					
39	12/01/08	Balance		1,060.53	335.94	88,500.00	22,619.88	(729,586.71)	190,000.00	417,389.78

		Summary	
40		Account 123	190,000.00
41		Normal DEP Payment	417,389.78
42		Asset	30,413.29
43		Operating Cost 131.08	88,500.00
44		Payroll Taxes	22,619.88
45		Other Operating Costs	11,077.05
46			760,000.00

WMSI RESPONSE TO STAFF'S FIRST REQUEST TO

PRODUCE DOCUMENTS NO. 3

PORTIONS OF CORRESPONDENCE FILE

DEP INQUIRY LETTER AND WMSI RESPONSE

HWS-28

Department of
Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Jeb Bush
Governor

Colleen M. Castille
Secretary

January 18, 2006

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.

Dear Mr. Brown:

Our letter of November 16, 2005 approved your request to use Loan Repayment Reserve funds to alleviate a temporary deficiency for your November 15th loan payment. Under conditions of that approval we requested monthly verification of deposits and balances of the reserve account. To date we have not received these verifications nor answers to our concerns regarding the implementation of the rate inerease, sufficiency of the rate structure and whether you will revisit the rate issue with the PSC in the near future.

Please provide us with the requested information and continue to submit the requested information until the reserve account is fully funded. If you have any questions regarding this information, please call Tommy Williams or Al Bishop at 850/245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/tw

cc: Les Thomas - Les Thomas Consulting Engineers

WATER MANAGEMENT SERVICES, INC.
3200 Commonwealth Blvd.
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

February 21, 2006

Mr. Don W. Berryhill, P.E.
Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399

Re: DW1901 010-Water Management Services, Inc.

Dear Mr. Berryhill:

Thank you for your letter of January 18, 2006 regarding the above-referenced loan.

We have reestablished the loan payment reserve account at Gulf State Community Bank under account number 0315515715. We have deposited $35,000 for December 2005; $35,000 for January, 2006; and I will deposit $35,000 for February 2006 as well as the remaining months through May so that at least $210,000 will be in the account in May of this year when the next payment is due. Please let me know if you need any other verification or documentation regarding this account.

Regarding the three questions or concerns referenced in your letter of January 18, 2006, my response is as follows:

- Has the rate increase already gone into effect?
  Yes. Attached is a copy of the final PSC order entered on February 9, 2006, which establishes our final rates. This includes the 10% rate reduction of $136,880 for the first 12 months.
- Given the unexpected changes in cash flow, is your rate structure sufficient to sustain daily operations?
  Yes. We have sufficient cash flow to sustain our daily operations and to pay the debt service on the above-referenced DEP loan, assuming that we can continue to use the reserve account temporarily for the next two payments until our cash flow increases substantially by May of 2007. In the meantime, our other lenders are working with us to accept "interest only" payments on all of our debt except the DEP loan which has an extremely high principal reduction allocation.

- Do you anticipate revisiting the rate issue with the PSC in the near future?
  No. We made all of our arguments regarding cash flow during the recently completed rate case, most of which fell on deaf ears. Accordingly, we are going to work with our lenders, including your department, to get through our cash flow problems which will be alleviated by May of 2007 when our permanent rate increase goes into effect.

We very much appreciate the confidence you and your staff have shown by working with us in this regard.

Sincerely,

Gene D. Brown

GDB:smc
Enclosure
cc: Les Thomas

STAFF AUDIT WORK PAPERS

CASH FLOW AUDIT

GULF STATE BANK RESERVE – 2006 GENERAL LEDGER

HWS-29

WMSI-NARUC
General Ledger
For the Period From Jan 1, 2006 to Dec 31, 2006

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
131.12	Cash in Checking-Wakulla Bank	1/31/06	NEXTEL-01/3	CRJ	NEXTEL LEASE	1,957.00		
131.12	Cash in Checking-Wakulla Bank	1/31/06	WBNKCHG-1	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change	84,277.55	72,843.00	11,434.55
131.12	Cash in Checking-Wakulla Bank	2/1/06			Beginning Balance			11,437.33
131.12	Cash in Checking-Wakulla Bank	2/3/06	CDINT-2/3/06	CRJ	WAKULLA BANK-INT INCOME	320.55		
131.12	Cash in Checking-Wakulla Bank	2/6/06	1022	CDJ	GENE D. BROWN		10,000.00	
131.12	Cash in Checking-Wakulla Bank	2/7/06	1023	CDJ	RANDY McDANIEL		900.00	
131.12	Cash in Checking-Wakulla Bank	2/17/06	1024	CRJ	WAKULLA BANK-BANK ACCT - TRANS FROM WAKULLA BANK TO GS		800.00	
131.12	Cash in Checking-Wakulla Bank	2/28/06	WBNKCHG-2	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change	320.55	11,706.00	-11,385.45
131.12	Cash in Checking-Wakulla Bank	3/1/06			Beginning Balance			51.88
131.12	Cash in Checking-Wakulla Bank	3/31/06	WBNKCHG-3	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change		6.00	-6.00
131.12	Cash in Checking-Wakulla Bank	4/1/06			Beginning Balance			45.88
131.12	Cash in Checking-Wakulla Bank	4/3/06	WAKULLA IN	CRJ	WAKULLA BANK-INT INCOME	320.54		
131.12	Cash in Checking-Wakulla Bank	4/4/06	1025	CRJ	WAKULLA BANK-BANK ACCT - TRANS FROM WAKULLA TO FMB		350.00	
131.12	Cash in Checking-Wakulla Bank	4/30/06	WBNKCHG-4	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change	320.54	356.00	-35.46
131.12	Cash in Checking-Wakulla Bank	5/1/06			Beginning Balance			10.42
131.12	Cash in Checking-Wakulla Bank	5/2/06	WAKINT-5/2/(	CRJ	WAKULLA BANK-INT INCOME	320.55		
131.12	Cash in Checking-Wakulla Bank	5/31/06	WBNKCHG-5	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change	320.55	6.00	314.55
131.12	Cash in Checking-Wakulla Bank	6/1/06			Beginning Balance			324.97
131.12	Cash in Checking-Wakulla Bank	6/15/06	INT-EMS-6/1!	CRJ	WAKULLA BANK-INT INCOME	652.38		
131.12	Cash in Checking-Wakulla Bank	6/15/06	1026	CDJ	WAKULLA BANK		961.32	
131.12	Cash in Checking-Wakulla Bank	6/30/06	WBNKCHG-6	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change	652.38	967.32	-314.94
131.12	Cash in Checking-Wakulla Bank	7/1/06			Beginning Balance			10.03
131.12	Cash in Checking-Wakulla Bank	7/28/06	NEXTEL-7/28	CRJ	NEXTEL LEASE	1,957.00		
131.12	Cash in Checking-Wakulla Bank	7/31/06	WBNKCHG-7	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change	1,957.00	6.00	1,951.00
131.12	Cash in Checking-Wakulla Bank	8/1/06			Beginning Balance			1,961.03
131.12	Cash in Checking-Wakulla Bank	8/1/06	1027	CDJ	EQUITY MANAGEMENT SYSTEMS, INC		1,300.00	
131.12	Cash in Checking-Wakulla Bank	8/23/06	1028	CDJ	EQUITY MANAGEMENT SYSTEMS, INC		500.00	
131.12	Cash in Checking-Wakulla Bank	8/31/06	WBNKCHG-8	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change		1,806.00	-1,806.00
131.12	Cash in Checking-Wakulla Bank	9/1/06			Beginning Balance			155.03
131.12	Cash in Checking-Wakulla Bank	9/5/06	DELAGE-REF	CRJ	REFUND FROM A/P VENDOR	871.97		
131.12	Cash in Checking-Wakulla Bank	9/29/06	1029	CDJ	EQUITY MANAGEMENT SYSTEMS		1,021.00	
131.12	Cash in Checking-Wakulla Bank	9/30/06	WBNKCHG-9	CDJ	WAKULLA BANK-BANK CHGS		6.00	
131.12	Cash in Checking-Wakulla Bank				Current Period Change	871.97	1,027.00	-155.03
131.12	Cash in Checking-Wakulla Bank	10/1/06			Beginning Balance			
131.12	Cash in Checking-Wakulla Bank	11/1/06			Beginning Balance			
131.12	Cash in Checking-Wakulla Bank	12/1/06			Beginning Balance			
		12/31/06			Ending Balance			
132.10	Cash in Special Reserve-GSB	1/1/06			Beginning Balance			
132.10	Cash in Special Reserve-GSB	1/31/06	1704	CDJ	GULF STATE BANK-RESERVE ACCT. - GULF STATE BAI	10,000.00		
132.10	Cash in Special Reserve-GSB				Current Period Change	10,000.00		10,000.00
132.10	Cash in Special Reserve-GSB	2/1/06			Beginning Balance			10,000.00
132.10	Cash in Special Reserve-GSB	2/6/06	GSB RESER\	GENJ	GDB DEPOSIT INTO GSB RESERVE	10,000.00		
132.10	Cash in Special Reserve-GSB	2/21/06	WCAP-02/21/	CRJ	GULF STATE BANK-WCAP	50,000.00		

Docket No. 110200-WU
Gulf State Bank Reserve - 2006 General Ledger
Exhibit HWS-29, Page 1 of 2

WMSI-NARUC
General Ledger
For the Period From Jan 1, 2006 to Dec 31, 2006

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
132.10	Cash in Special Reserve-GSB				Current Period Change	60,000.00		60,000.00
132.10	Cash in Special Reserve-GSB	3/1/06			Beginning Balance			70,000.00
132.10	Cash in Special Reserve-GSB	4/1/06			Beginning Balance			70,000.00
132.10	Cash in Special Reserve-GSB	4/5/06	RTRAN-4/5/0(	CRJ	GSB RESERVE ACCOUNT - TRANS FROM GSB RESERVE TO GSB-OI		20,000.00	
132.10	Cash in Special Reserve-GSB	4/17/06	RTRAN-4/17/(	CRJ	GSB RESERVE ACCOUNT - TRANS FROM GSB-RESERVE		10,000.00	
132.10	Cash in Special Reserve-GSB	4/19/06	RTRAN-4/19/(	CRJ	GSB RESERVE ACCOUNT - TRANS FROM GSB RESERVE ACCT.		10,000.00	
132.10	Cash in Special Reserve-GSB	4/21/06	RTRAN-04/21	CRJ	GSB RESERVE ACCOUNT - TRANS FROM GSB RESERVE		20,000.00	
132.10	Cash in Special Reserve-GSB	4/26/06	RTRAN-4/26/(	CRJ	GSB RESERVE ACCOUNT - TRANS FROM GSB-RESERVE		9,900.00	
132.10	Cash in Special Reserve-GSB				Current Period Change		69,900.00	-69,900.00
132.10	Cash in Special Reserve-GSB	5/1/06			Beginning Balance			100.00
132.10	Cash in Special Reserve-GSB	5/31/06	GRBNKCHG-	CDJ	GULF STATE BANK-BANK CHGS		5.00	
132.10	Cash in Special Reserve-GSB				Current Period Change		5.00	-5.00
132.10	Cash in Special Reserve-GSB	6/1/06			Beginning Balance			95.00
132.10	Cash in Special Reserve-GSB	6/20/06	REFINANCE-	GENJ	REFINANCING-GSB-6/20/06-GSB RESERVE	210,000.00		
132.10	Cash in Special Reserve-GSB				Current Period Change	210,000.00		210,000.00
132.10	Cash in Special Reserve-GSB	7/1/06			Beginning Balance			210,095.00
132.10	Cash in Special Reserve-GSB	7/31/06	INTEREST-G	GENJ	INTEREST INCOME-GSB RESERVE	574.16		
132.10	Cash in Special Reserve-GSB				Current Period Change	574.16		574.16
132.10	Cash in Special Reserve-GSB	8/1/06			Beginning Balance			210,669.16
132.10	Cash in Special Reserve-GSB	8/18/06	TRANS-8/18/(	CDJ	GULF STATE BANK-RESERVE ACCT. - TRANS TO GSB-I	25,000.00		
132.10	Cash in Special Reserve-GSB	8/31/06	RESINT-8/31/	CRJ	GULF STATE BANK-INT INCOME	895.44		
132.10	Cash in Special Reserve-GSB				Current Period Change	25,895.44		25,895.44
132.10	Cash in Special Reserve-GSB	9/1/06			Beginning Balance			236,564.60
132.10	Cash in Special Reserve-GSB	9/6/06	TRANS-9/6/0(	CRJ	GSB-CONSTRUCTION LOAN - TRANS FROM GSB-RESERVE		25,000.00	
132.10	Cash in Special Reserve-GSB	9/30/06	GSBINT-9/30/	CRJ	GULF STATE BANK-INT INCOME	869.77		
132.10	Cash in Special Reserve-GSB				Current Period Change	869.77	25,000.00	-24,130.23
132.10	Cash in Special Reserve-GSB	10/1/06			Beginning Balance			212,434.37
132.10	Cash in Special Reserve-GSB	10/31/06	INT-10/31/06	CRJ	GULF STATE BANK-INT INCOME	829.37		
132.10	Cash in Special Reserve-GSB				Current Period Change	829.37		829.37
132.10	Cash in Special Reserve-GSB	11/1/06			Beginning Balance			213,263.74
132.10	Cash in Special Reserve-GSB	11/10/06	ADVANCE-11	PJ	CHASE CARD SERVICES - DEP-CHASE CARD ADVANCE	24,000.00		
132.10	Cash in Special Reserve-GSB	11/10/06	ADVANCE-11	PJ	HSBC CARD SERVICES - DEP-DIRECT MERCHANTS AD	6,000.00		
132.10	Cash in Special Reserve-GSB	11/10/06	AMSOUTH	GENJ	DEP-AMSOUTH FLEXLINE 2 ADVANCE	7,500.00		
132.10	Cash in Special Reserve-GSB	11/10/06	AMSOUTH	GENJ	DEP-AMSOUTH HM EQUITY ADVANCE	11,000.00		
132.10	Cash in Special Reserve-GSB	11/10/06	AMSOUTH	GENJ	DEP-AMSOUTH FLEXLINE 1 ADVANCE	8,000.00		
132.10	Cash in Special Reserve-GSB	11/10/06	AMSOUTH	GENJ	DEP-AMSOUTH VISA ADVANCE	8,000.00		
132.10	Cash in Special Reserve-GSB	11/17/06	WIRE-11/17/(	CDJ	DEPT. OF ENVIRONMENTAL PROTECT		208,694.89	
132.10	Cash in Special Reserve-GSB	11/17/06	WIREFEE-11/	CDJ	GULF STATE BANK-BANK CHGS		15.00	
132.10	Cash in Special Reserve-GSB	11/20/06	TRANS-11/20	CRJ	GSB RESERVE ACCOUNT - TRANS FROM GSB-RESERVE TO GSB-W		19,000.00	
132.10	Cash in Special Reserve-GSB	11/30/06	INT-11/30/06	CRJ	GULF STATE BANK-INT INCOME	564.73		
132.10	Cash in Special Reserve-GSB				Current Period Change	65,064.73	227,709.89	-162,645.16
132.10	Cash in Special Reserve-GSB	12/1/06			Beginning Balance			50,618.58
132.10	Cash in Special Reserve-GSB	12/4/06	TRANS-RESE	CRJ	GULF STATE BANK-RESERVE ACCT. - TRANS FROM GSB-RESERVE		15,000.00	
132.10	Cash in Special Reserve-GSB	12/15/06	TRANS-12/15	CRJ	GULF STATE BANK-RESERVE ACCT. - TRANS FROM GSB-RESERVE		6,000.00	
132.10	Cash in Special Reserve-GSB	12/20/06	TRANS-12/20	CRJ	GULF STATE BANK-RESERVE ACCT. - TRANS FROM GSB-RESERVE		28,000.00	
132.10	Cash in Special Reserve-GSB	12/29/06	LAND SALE	GENJ	SALE OF LAND AROUND WELL # 1	99,177.91		
132.10	Cash in Special Reserve-GSB	12/29/06	TRANS2-12/2	CRJ	GULF STATE BANK-RESERVE ACCT. - TRANS FROM GSB-RESERVE		25,000.00	
132.10	Cash in Special Reserve-GSB	12/31/06	RESINT-12/3'	CRJ	GULF STATE BANK-INT INCOME	91.92		
132.10	Cash in Special Reserve-GSB				Current Period Change	99,269.83	74,000.00	25,269.83
		12/31/06			**Ending Balance**			75,888.41
132.20	Cash in Special Reserve-DEP	1/1/06			Beginning Balance			165,618.70

WMSI RESPONSE TO STAFF'S FIRST REQUEST TO

PRODUCE DOCUMENTS NO. 3

WMSI AND DEP CORRESPONDENCE

ARRANGED CHRONOLOGICALLY BY OPC,

WITH DIVIDER PAGES

HWS-30

1999

Florida Department of Transportation

JEB BUSH
GOVERNOR

THOMAS F. BARRY, JR.
SECRETARY

Post Office Box 607
Chipley, Florida 32428-0607

May 5, 1999

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

RE: St. George Island Water Line

Dear Mr. Brown:

We are in receipt of your letter, dated April 20, 1999, concerning the subject facility as it relates to the scheduled replacement of the St. George Island Bridge in Franklin County.

Chapter 337.403 of the Florida Statutes requires that utility owners relocate at their own expense when located on Florida Department of Transportation (FDOT) right-of-way.

The Design Build Firm for this project is Boh Brothers Construction Company. This firm will be responsible for all coordination and agreements. They will ensure that the relocation will be conducted in a manner that avoids interruption of service. This firm will accommodate current and planned utilities through the design and construction of the new structure.

The utility owner will be responsible for the total relocation cost pursuant to F.S. 337.403. The actual work relocation may be performed by Boh Brothers Construction Company or the utility owner. This will require an agreement, between the contractor and the utility company, defining the work and determining costs to be reimbursed by the utility owner.

If you have any questions or need additional assistance, please do not hesitate to contact me at (850)638-0250, extension 200.

Sincerely,

H. E. Prescott, P.E.
District Secretary

cc: Mr. Gene Martin, P.E., District Director of Production, FDOT District 3
Mr. Brian Blanchard, P.E., District Design Engineer, FDOT District 3
Mr. John Duncan, Assistant District Right-of-Way Administrator, FDOT District 3
Mr. Bob Deal, District General Counsel, FDOT District 3
Mr. Tommie Speights, District Public Information Director, FDOT District 3
Mr. Greg Vickery, Administration, FDOT District 3

Exhibit A

quest for Inclusion on the Priority List for Drinking Water Facilities

o. Estimated Project Cost (Grant or Loan Assistance) Based on Water Facilities Plan Data if Available:

Post-allowance Project Activities	Cost ($1,000's)
a. Construction, demolition and related procurement	$ 5,200
b. Contingency (10% of construction and land)	$ 520
c. Technical services after bid opening	$ 168
d Other (explain) - note that the eligible costs of capacity purchase and acquiring land and existing facilities are excluded from Subitem e below in establishing allowances .	$ 0
e. Sum of Items a. through d. (adjusted post-allowance project costs)	$ 5,888
f. Administrative allowance [see Rule 62-552.420(1), F.A.C.]	$ 100
g. Engineering allowance [see Rule 62-552.420(2), F.A.C.]	$ 225
h. Sum of Items e. through g.	$ 6,213
i. Loan repayment reserve **for loan projects only** (ordinarily 3% of Item h.)	$ 186
j. Total post-allowance project cost (sum of Items h. And i.) **for loan projects only**	$ 6,399

Pre-construction Activities	Cost ($1,000's)
k. Administrative allowance [see Rule 62-552.420(1), F.A.C.]	$
l. Engineering allowance [see Rule 62-552.420(2), F.A.C.]	$
m. Planning allowance [see Rule 62-552.420(3), F.A.C.]	$
n. Total for allowances (sum of Items k. through m.) to be identified on priority list for a pre-construction grant	$
o. Loan repayment reserve **for loan projects only** (ordinarily 3% of Item n.)	$
p. Total pre-construction loan cost (sum of Items n. and o.), excluding capitalized interest	$

9. Loan Service Fee: A loan service fee is assessed on each loan. (There is no grant service fee to be paid by the grantee.) The fee is not part of the loan. It may be paid at the time of loan agreement execution or it may be paid along with capitalized interest thereon no later than by the time that the second semiannual loan repayment is due. The fee percentage is established each fiscal year in accordance with Rule 62-552.400(1), F.A.C. The authorized fee minimum is 2% and maximum is 4% of Subitem 8.h or 8.n above. Please check with Bureau of Water Facilities Funding personnel to establish the current year's loan service fee.percentage and to obtain more information on how the fee may be paid.

   The estimated amount of the loan service fee is $ 128,000.00

10. Estimated Project Costs: Identify project components (comprising Item 8.e above) for which a distinct baseline priority Tier (from Item 6 above) may be assigned (non-construction costs, such as for engineering should be prorated). This information shall be used to establish the project's overall baseline priority score under Rule 62-552.650(2), F.A.C.

quest for Inclusion on the Priority List for Drinking Water Facilities

Facilities Category	Cost ($1000's)
Tier I - Acute Public Health (800 Priority Points)	$_____
Tier II - Potential Acute Public Health (700 Priority Points)	$_____
Tier III - Chronic Public Health (600 Priority Points)	$_____
Tier IV - Potential Chronic Public Health (500 Priority Points)	$_____
Tier V - Compliance with the Safe Drinking Water Act (300 Priority Points)	$_____
Tier VI - Other (100 Priority Points)	$ 5,888
TOTAL (must match Item 8.e)	$ 5,888

11. Affordability Score: The priority points assigned as a result of project affordability depend on the characteristics of the community to be served by the project. Accordingly, provide a sketch or map showing the boundaries of the planning area evaluated by the project sponsor, the service area for the proposed project, the total area throughout which the project sponsor has responsibility for serving the public with drinking water, and the census tracts encompassing the project service area.

a. The median household income for the proposed project service area is $ 15895 .

Is the median household income reported based on the most recently available decennial census data? ☐ No ☒ Yes

If "No," attach an explanation as to how the data has been established.

b. The population of the proposed project service area is 1650 .

Is the population reported based on the most recently available decennial census data? ☐ No ☒ Yes

If "No," attach an explanation as to how the data has been established.

c. The number of public water systems serving 500 or fewer persons and that are being consolidated or regionalized by the proposed project is 0 .

12. Project Priority Score:

a. Baseline Priority Score:

i. Construction Loans: Establish the highest baseline priority score for that part of the project that represents at least 50% of the costs. The baseline priority scores are identified as 800 points for Tier I; 700 points for Tier II; 600 points for Tier III, 500 points for Tier IV; 300 points for Tier V; and 100 points for Tier VI. Item 6 of this form associates the Tier designations with the characteristics of various facility needs comprising the project. Item 10 identifies the costs by Tier designation. Note that costs for facilities with a higher priority Tier designation may be included with those having a lower priority score designation ***at the lower priority score designation*** for purposes of generating at least 50% of the project costs. (For example when a project includes Tier II facilities representing 20% of the project cost, Tier IV facilities representing 35% of the project cost, and Tier VI facilities representing 45% of the project costs, the highest justified baseline priority score is 500 points since the combination of Tier II and Tier IV costs is necessary to generate at least 50% of the total costs. Alternatively, the project could be subdivided into two or three smaller projects, each with its own characteristic baseline priority score.)

The baseline priority score is 100 points.

2000

Department of Environmental Protection

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

PERMITTEE:

Gene Brown

I.D. Number: 1190789
Permit/Certification Number: 0160827-001-WC/20
Date of Issue: MAR 10 2000

Expiration Date: March 1, 2001
County: Franklin
Latitude/Longitude: 29°45'0"N/84°52'50"W
Section/Township/Range: 30/8S/6W
Project: New Potable Water Supply Well

This permit is issued under the provisions of Section 403.861, Florida Statutes, and Florida Administrative Code Rules 62-4, 62-550, 62-555, 62-560, and 62-602. The above named applicant, hereinafter called Permittee, is hereby authorized to perform the work or operate the facility shown on the application and approved drawing(s), plans, and other documents attached hereto or on file with the Department and made a part hereof and specifically described as follows:

To construct a new potable water supply well (Well #4) to be added to the public water system owned and operated by Water Management Services, Inc. (PWS ID No. 1190789) and known as the St. George Island Utility Company. Also included are approximately 17,840 L.F. of 8-inch PVC water transmission mains and other necessary valves, fittings, appurtenances and all associated controls.

The new well is to be equipped with a vertical turbine pump that can deliver 500 gallons per minute. The new well shall be cased with approximately 200 feet of 18-inch diameter outer casing into the Floridan Aquifer. Casing material shall be steel. Total depth of the well is approximately 320 feet.

All construction shall be in accordance with the plans and specifications prepared and submitted by Les M. Thomas, P.E., C.V.S., dated September 24, 1999 and additional information submitted on January 18, 2000.

WEP/Bridge loan 6/2/00

Draft FY 2001 Fundable List

Project Sponsor	Project Number	Description	Asst. Type	Target Date	Priority Score	Estimated Project Cost	Authorized Grant Amount	Authorized Loan Amount	Original Year Funded
Miami-Dade County	130001	Treatment	CL	11/15/00	304.00	$27,017,077	$0	$4,000,000	19982
Cross City	150101	Treatment and Distribution	CL/G	11/15/00	835.50	$4,147,272	$637,500	$112,500	19984
Green Cove Springs	100101	Treatment and Distribution	CG	11/15/00	789.50	$4,210,266	$750,000	$0	19984
Jefferson Communities Water System, Inc.	330001	Treatment and Distribution	CG	11/15/00	830.80	$2,403,000	$750,000	$0	19992
Lee	400201	Treatment and Distribution	CL/G	11/15/00	811.70	$1,262,050	$332,778	$15,183	19992
Sopchoppy	651501	Supply, Treatment & Distribution	PG	11/15/00	867.60	$202,023	$99,245	$0	20001
Alachua	011501	Treatment	PG	11/15/00	824.50	$75,718	$75,718	$0	20001
Lake City	120201	Treatment	PG	11/15/00	784.80	$204,000	$204,000	$0	20001
Davenport	531201	Distribution	PG	11/15/00	652.40	$47,489	$47,489	$0	20001
South Walton Utility Company, Inc.	660001	Treatment, Storage, & Distribution	CL	11/15/00	525.00	$10,446,081	$0	$4,000,000	20001
Orange Park	100301	Treatment, Supply & Distribution	CL	11/15/00	340.50	$3,184,614	$0	$504,956	20001
Charlotte County	081701	Distribution	CL	11/15/00	210.80	$4,065,731	$0	$1,386,073	20001
Sarasota County	581601	Storage and Distribution	CL	11/15/00	100.00	$3,567,000	$0	$887,342	20001
Lake Alfred	532101	Supply, Storage, and Transmission Mains	PG	11/15/00	910.90	$200,449	$200,449	$0	20011
Inglis	380501	Treatment, Storage & Distribution	CL/G	11/15/00	734.00	$1,068,993	$269,141	$47,495	20011
Alligator Point	190001	Transmission, Supply & Storage	CL	11/15/00	438.00	$1,158,368	$0	$1,158,368	20011
					Totals:	$63,260,131	$3,366,320	$12,111,917	

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

June 26, 2000

Mr. Gene Brown
President
St. George Island Water Authority
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 St. George Island
Supply, Transmission & Treatment

Dear Mr. Brown:

Thank you for submitting the Request for Inclusion (RFI) on the Fiscal Year 2002 priority list for Drinking Water projects. In order to assign a valid priority score for your project, further clarification of the items listed below is required.

1. Item 8, Project Cost: We have re-calculated the project cost and allowances based on the requirements in Rule 62-552, F.A.C. A copy of the revised cost calculations is enclosed for your review. If there is any discrepancy, please contact us immediately.
2. Item 11, Affordability: A map or sketch showing the boundaries of the planning area evaluated by the sponsor, the service area for the proposed project, and the census tracts encompassing the project area are required. These data will help us verify the population and median household income data for the project area.
3. Item 13, Small Community Designation: Please indicate (Yes or No) whether consideration for funding from the small community set-aside is desired.
4. Item 14, Project Schedule: The funding cycle for which this RFI is targeted is FY2002. The hearing to determine priorities for FY2002 will not be held before June, 2001 with a target date for completing the loan application process of September 30, 2001. The Project Schedule included in the RFI should be revised to reflect those time tables. Please note that any construction costs incurred before an authorization to incur costs is granted by the department may not be eligible for reimbursement. Please note also that a certification of availability of all project sites over the useful life of the project is required.

Your project will be added to the planning portion of the priority list based on the information provided. Incomplete data will receive the minimum score. As further information is received your priority score will be updated. If you have questions, please feel free to contact Al Bishop at (850) 488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

Enclosure

"Low Bridge App. Caches

(1) of 4

Department of Environmental Protection

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

September 26, 2000

Mr. Gene Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

RE: Notification of Use of General Permit
Notice No. 0175057-001-DSGP/01

Dear Mr. Brown:

In response to your request, this letter is to advise you that the Department has received your notice of intent to use a general permit as provided in Florida Administrative Code Rule 62-555.540 to construct an extension to the St. George Island Water System potable water distribution system to replace/relocate raw water main in Franklin County, and does not object to your use of such general permit. Please be advised that you are required to abide by all conditions in Florida Administrative Code Rules 62-4.510 through 62-4.540, the general requirements for general permits.

If you have any questions, please contact me at 850/595-8300.

Sincerely,

J. A. Kintz, P.E.
Potable Water Section Supervisor

JAK:jkr
Enclosure:
Instructions for Clearance of a Permit

cc: Les M. Thomas, P.E., C.V.S.
Franklin County Department of Health
Cliff McKeown, Tallahassee Branch Office

2/4

Department of
Environmental Protection

Application for a Public Drinking Water Facility Construction Permit

INSTRUCTIONS: This form shall be completed and submitted by persons proposing to construct new, or alter existing, public drinking water facilities unless such proposed construction or alteration is permitted under the "General Permit for Construction of an Extension to a Public Drinking Water Distribution System," in which case Form 62-555.900(7) is to be completed and submitted. Complete this form and submit it in quadruplicate to the appropriate district office of the Department or the appropriate Approved County Public Health Unit (ACPHU) along with a check for the proper application processing fee and the following supporting documents: a signed and sealed engineering report (including design data); signed and sealed engineering plans and specifications; a certificate that the project has been approved by the governing body of the applicant (city commissioners, corporation, board, etc.); and, for each project involving the construction of a new drinking water treatment plant in a county regulated by the Florida Public Service Commission (PSC), a copy of the PSC certificate authorizing the applicant to provide service or a copy of the PSC order exempting the applicant from PSC regulation. All supporting documents, as well as this form, shall be submitted in quadruplicate. All information provided on this form shall be typed or printed in ink. Complete Parts I, II, IV, V, and VI.A of this form for all projects, and complete Parts III and VI.B through VI.E of this form when applicable. A signature page or cover letter for engineering reports, each sheet of engineering plans, and a cover or index sheet for engineering specifications shall be signed, dated, and sealed with an impression-type metal seal by the professional engineer(s) in responsible charge of the documents. Also, engineering plans and specifications shall be those intended for construction and shall not be stamped otherwise (e.g., "For Permitting Only," "For Review Only," etc.). Application processing fees are listed in Rule 62-4.050, Florida Administrative Code (F.A.C.). Checks for application processing fees shall be made payable to the Department of Environmental Protection or to the appropriate ACPHU. NOTE THAT A SEPARATE APPLICATION AND A SEPARATE PROCESSING FEE ARE REQUIRED FOR EACH NON-CONTIGUOUS PUBLIC DRINKING WATER DISTRIBUTION SYSTEM PROJECT.

I. NAME, DESCRIPTION, AND LOCATION OF PROJECT; APPLICANT; ETC.

≤Project Name: Raw Water Main

≤Project Description: Relocate 4,900 feet of existing 8" raw water main with a new 12" water main.

≤Project Location

County: Franklin Section: 31 Township: 8s Range: 6w

Latitude and Longitude of Each New Treatment Plant and Each New Raw Water Source (attach additional sheets if necessary): N/A

Name of New Treatment Plant or Raw Water Source	Latitude			Longitude		
	°	'	"N	°	'	"W
	°	'	"N	°	'	"W
	°	'	"N	°	'	"W

≤Applicant

Utility/Company Name: WATER MANAGEMENT SERVICES, INC Telephone No.: 668-6103
Address: 3848 Killearn Ct.
City: Tallahasse State: Fl Zip Code: 32308

≤Public Water System Supplying Water for Project (complete for distribution system projects) N/A

System Name: PWS Identification No.:
System Owner: Telephone No.:
Address:
City: State: Zip Code:

2001

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

January 8, 2001

Mr. Gene Brown
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 St. George Island
Transmission & Treatment

Dear Mr. Brown:

This is to provide you with documentation of the acceptance, effective January 5, 2001, of the following documents:

1. St. George Island Water Facilities Plan, September 15, 2001.
2. Public Hearing and Dedicated Revenue Hearing Documentation.
3. Adopting Statement

These documents are in conformance with the requirements set forth in Chapter 62-552, Florida Administrative Code.

This acceptance covers only the construction of the following facilities:

1. Installation of new 10-inch water line from well 4 to well 2 and new 12-inch water main from well 2 to well 3 and to the water treatment plant. The water main to the treatment plant is to be secured to the new bridge being constructed by the Department of Transportation from East Point to St. George Island.
2. A new aerator to be constructed atop the existing ground storage tank.
3. A third high service pump installed at the water treatment plant.

One copy of each of the accepted documents (under separate cover) is being returned to you for your permanent records. These documents bear the "acceptance stamp" of the Bureau and should be kept in your possession for future reference.

In addition, this letter will serve as your authorization to incur costs, effective January 5, 2001 until such time as a loan agreement can be signed. This authorization covers only the above listed project components.

If you have any questions or need further information, please call Al Bishop, the Bureau's Project Manager, at 850/488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab
cc: Mr. Les Thomas

01-09-01 14:00 TO:WATER MANAGEMENT FROM 5092733395 P01

FRANKLIN COUNTY

REPLY TO ☐

BOARD OF COUNTY COMMISSIONERS
33 MARKET STREET, SUITE 203
APALACHICOLA, FL 32320
(850) 653-8861, EXT. 100
FAX (850) 653-2261

REPLY TO ☐

PLANNING & BUILDING DEPT.
33 COMMERCE STREET
APALACHICOLA, FL 32320
(850) 653-9783
FAX (850) 653-9799

January 9, 2001

Mr. Hal Bishop
Florida Dept. of Environmental Protection
2600 Blair Stone Road MS 7505
Tallahassee, Fl 32301

Dear Mr. Bishop:

The Franklin County Board of County Commissioners voted to send this letter of support for the St. George Island Water Management Service's request for funding from the State Revolving Loan Program for improvements to the water system on St. George Island. It is the Board's understanding that the Department could fund at least some of the improvements at a lower interest rate, thereby saving money for the customers of the water system.

If you have any questions, please feel free to contact Mr. Alan C. Pierce, Director of Administrative Services, at 850-653-9783.

Sincerely,

Eddie Creamer /acp

Eddie Creamer,
Chairman
Franklin County
Board of County Commissioners

EC/acp

EDDIE CREAMER
District One

CHERYL SANDERS
District Two

CLARENCE WILLIAMS
District Three

JIMMY G. MOSCONIS
District Four

BEVIN PUTNAL
District Five

P.01 ID=8509273395 SERVICES WATER MANAGEMENT

Department of
Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Jeb Bush
Governor

David B. Struhs
Secretary

January 16, 2001

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 St. George Island
Transmission & Treatment

Dear Mr. Brown:

The plans and specifications for Contract "Water System Improvements #2001" are in conformance with the requirements set forth in Chapter 62-552, Florida Administrative Code. These plans and specifications are accepted effective January 16, 2001.

Our review of your plans and specifications was performed only to verify conformance with the administrative requirements of the Drinking Water State Revolving Fund loan program. We did not review the technical aspects of your plans and specifications in order to avoid duplicating the review performed, or that may be performed, by the permitting agency or agencies. Accordingly, our review does not substitute for any required permitting review(s).

An authorization to incur construction costs prior to executing a loan agreement has been issued for your project. Our acceptance of your plans and specifications represents one of the requirements that you have satisfied with respect to this Contract. You will be advised as to the appropriate time to submit the completed loan application to the Bureau.

When you proceed with procurement and after bid opening and evaluation, please submit the bidding information to the Bureau for review. Do not award any contract until the Bureau concurs with your award recommendations. Note that improper or unauthorized procurement may result in the disqualification of contract costs for funding.

One copy of the accepted documents is being returned to you (under separate cover) for your permanent project records. These documents bear the "acceptance stamp" of the Bureau and should be kept in your possession. Duplicate copies should be made available for bidding and for use at the project site. If it is necessary to make changes to the accepted plans and

specifications prior to bid opening, the changes are to be made by addendum. Changes made after bid opening are to be accomplished by change order. All addenda and change orders must be submitted to this Bureau for review.

If you have any questions or need further information, please call the Bureau's Project Manager, Al Bishop at 850/488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Les Thomas, P.E.

4/4

Department of Environmental Protection

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

February 6, 2001

Mr. Gene Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

RE: NOTIFICATION OF PERMIT CLEARANCE NORTH END
Replace/Relocate Raw Water Main
Permit No. 0175057-001-DSGP/01
Issued September 26, 2000
St. George Island Water System

Dear Mr. Brown:

This acknowledges receipt of Certification that the Replace/Relocate Raw Water Main has been fully completed, in accordance with the plans and related materials reviewed by this agency, and approved on permit number 0175057-001-DSGP/01 issued September 26, 2000.

Based on this certification, satisfactory water quality results, and compliance with specific conditions of the permit, we are approving these facilities for service. Your continued cooperation in our water supply program is appreciated.

If you have any questions, please contact Mr. Scott Grubbs at (850) 595-8300, extension 1144, (or e-mail at l.scott.grubbs@dep.state.fl.us).

Sincerely,

J. A. Kintz, P.E.
Potable Water Section Supervisor

JAK: sgs

cc: Les M. Thomas, P.E., C.V.S.
Cliff McKeown, Tallahassee Branch Office
Franklin County Department of Health

PLANT & BRIDGE

Department of Environmental Protection

Plant To Bridge

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

PERMITTEE:

Gene Brown

I.D. Number: 1190789
Permit/Certification Number: 0175057-002-WC/MA
Date of Issue: February 8, 2001

Expiration Date: March 1, 2002
County: Franklin
Latitude/Longitude: N/A
Section/Township/Range: 6/9S/6W
Project: Water System Improvements

This permit is issued under the provisions of Section 403.861, Florida Statutes, and Florida Administrative Code Rules 62-4, 62-550, 62-555, 62-560 and 62-602. The above named applicant, hereinafter called Permittee, is hereby authorized to perform the work or operate the facility shown on the application and approved drawing(s), plans, and other documents attached hereto or on file with the Department and made a part hereof and specifically described as follows:

For a permit for construction of improvements for St. George Island Utility Company, Ltd in Franklin County. The project involvements are the replacement of 1,289 L.F. of 8-inch raw water main with a new 12-inch PVC raw water main; construct a 21,615 L.F. ductile iron raw water main on the new (under construction) bridge; provide an additional 840 gpm aerator; provide a third high service pump and provide a "jockey" pump to improve the operation and maintenance of the water system.

All construction shall be in accordance with the plans and specifications prepared and submitted by Les M. Thomas, P.E., C.V.S. dated November 14, 2000 and additional information submitted on December 29, 2000 and January 9, 2001.

DIVISIONS OF FLORIDA DEPARTMENT OF STATE
Office of the Secretary
Office of International Relations
Division of Elections
Division of Corporations
Division of Cultural Affairs
Division of Historical Resources
Division of Library and Information Services
Division of Licensing
Division of Administrative Services

MEMBER OF THE FLORIDA CABINET
State Board of Education
Trustees of the Internal Improvement Trust Fund
Administration Commission
Florida Land and Water Adjudication Commission
Siting Board
Division of Bond Finance
Department of Revenue
Department of Law Enforcement
Department of Highway Safety and Motor Vehicles
Department of Veterans' Affairs

FLORIDA DEPARTMENT OF STATE
Katherine Harris
Secretary of State
DIVISION OF HISTORICAL RESOURCES

Ms. Mimi Drew
Florida Department of Environmental Protection
Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

February 16, 2001

RE: DHR Project File No. 2000-10992B
Florida Categorical Exclusion Notification
Re-evaluation of DW1901 010 – St. George Island Water System
St. George Island, Franklin County, Florida

Dear Ms Drew:

Our office received and reviewed additional information for the above referenced project in accordance with the provisions contained in Chapter 403, *Florida Statutes*, as well Section 106 of the *National Historic Preservation Act of 1966* (Public Law 89-665), as amended in 1992, and *36 C.F.R., Part 800: Protection of Historic Properties*, the implementing regulations.

This office received additional information by Mr. Les Thomas of Les Thomas Consulting Engineers on February 15, 2001. Based on the additional information provided, it is the opinion of this office that no historic properties will be affected by this undertaking (this includes the original route and the alternative through the sprayfield).

If you have any questions concerning our comments, please contact Scott Edwards, Historic Preservation Planner, by electronic mail sedwards@mail.dos.state.fl.us, or at 850-487-2333 or 800 847-7278.

Sincerely,

Frederick P. Gaske, Deputy SHPO

Janet Snyder Matthews, Ph.D., Director
Division of Historical Resources
State Historic Preservation Officer

JSM/Ese

xc: Les Thomas

Department of Environmental Protection

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

February 16, 2001

Mr. Gene Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

RE: NOTIFICATION OF PERMIT CLEARANCE - SOUTH END
Replace/Relocate Raw Water Main
Permit No. 0175057-001-DSGP/01
Issued September 26, 2000
St. George Island Water System

Dear Mr. Brown:

This acknowledges receipt of Certification that the Replace/Relocate Raw Water Main has been fully completed, in accordance with the plans and related materials reviewed by this agency, and approved on permit number 0175057-001-DSGP/01 issued September 26, 2000.

Based on this certification, satisfactory water quality results, and compliance with specific conditions of the permit, we are approving these facilities for service. Your continued cooperation in our water supply program is appreciated.

If you have any questions, please contact Mr. Scott Grubbs at (850) 595-8300, extension 1144, (or e-mail at l.scott.grubbs@dep.state.fl.us).

Sincerely,

J. A. Kintz, P.E.
Potable Water Section Supervisor

JAK: sgs

cc: Les M. Thomas, P.E., C.V.S.
Cliff McKeown, Tallahassee Branch Office
Franklin County Department of Health

Department of
Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Jeb Bush
Governor

David B. Struhs
Secretary

March 13, 2001

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 St. George Island
Transmission & Treatment

Dear Mr. Brown:

The plans and specifications for Contract "Water System Improvements (WSI 1)" are in conformance with the requirements set forth in Chapter 62-552, Florida Administrative Code. Work included under these plans and specifications encompasses the new water line necessary to interconnect the existing wells at East Point as well as improvements at the existing water treatment plant on St. George Island. These plans and specifications are accepted effective March 13, 2001.

Our review of your plans and specifications was performed only to verify conformance with the administrative requirements of the Drinking Water State Revolving Fund loan program. We did not review the technical aspects of your plans and specifications in order to avoid duplicating the review performed, or that may be performed, by the permitting agency or agencies. Accordingly, our review does not substitute for any required permitting review(s).

An authorization to incur construction costs prior to executing a loan agreement has been issued for your project. Our acceptance of your plans and specifications represents one of the requirements that you have satisfied with respect to this Contract. You will be advised as to the appropriate time to submit the completed loan application to the Bureau.

When you proceed with procurement and after bid opening and evaluation, please submit the bidding information to the Bureau for review. Do not award any contract until the Bureau concurs with your award recommendations. Note that improper or unauthorized procurement may result in the disqualification of contract costs for funding.

One copy of the accepted documents is being returned to you (under separate cover) for your permanent project records. These documents bear the "acceptance stamp" of the Bureau and

should be kept in your possession. Duplicate copies should be made available for bidding and for use at the project site. If it is necessary to make changes to the accepted plans and specifications prior to bid opening, the changes are to be made by addendum. Changes made after bid opening are to be accomplished by change order. All addenda and change orders must be submitted to this Bureau for review.

If you have any questions or need further information, please call the Bureau's Project Manager, Al Bishop at 850/488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Les Thomas, P.E.

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

May 7, 2001

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 St. George Island
Transmission & Treatment

Dear Mr. Brown:

This is to provide you with documentation of the acceptance, effective April 20, 2001, of Addenda 1, 2, & 3 to your plans and specifications entitled "St. George Island Water System Improvements."

One copy of the accepted documents is being returned to you for your permanent records. These documents should be kept in your possession for future reference. Duplicate copies should be made available for use at the project sites.

If you have any questions regarding this acceptance, please call Al Bishop, the Bureau's Project Manager, at (850) 488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Mr. Les M. Thomas, P.E., Les Thomas Consulting Engineers

CERTIFICATION OF CONTRACTOR'S INSURANCE AND BONDING

Project Sponsor: Water Management Services, Inc. Project: DW1901 010

I certify that BOH Brothers Company, general contractor for
(Name of Contractor)

Bridge Pipeline (Contract #2), has obtained, and will be required
(Contract Description)

to maintain, insurance as is customary during construction, including workers' compensation, comprehensive general liability, contractors' indemnification obligations, vehicle liability, and property. Builder's risk or similar types of insurance in the amount of full replacement cost of the project, or portion thereof, being constructed under the contract has also been obtained, and will be maintained, by the contractor to the extent that such insurance is obtainable. Flood insurance, if applicable, has also been obtained and will be maintained by the contractor.

I also certify that the contractor has submitted a payment and performance bond or bonds as described below:

Type of Bond	Amount of Bond	Surety

(Signature) (Date)

(Typed Name and Title of Project Sponsor's Authorized Representative)

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

May 15, 2001

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 St. George Island
Transmission & Treatment

Dear Mr. Brown:

We have reviewed the bidding information for the St. George Island Transmission & Treatment contract. The selection of the bidder identified below is acceptable.

Contractor	Contract Amount	Eligible Contract Amount
Blankenship Contracting, Inc.	$367,218.13	$367,218.13

This letter is your authorization to award the contract. As noted in our March 13 letter, continued compliance with loan program requirements will be necessary to obtain a revolving fund loan. Please refer to that letter so that this procurement approval will be understood in the context of all loan program requirements.

Please submit the attached certification of contractor's insurance and bonding after the contract is executed. Note that all change orders must be submitted for our review. Please advise Al Bishop of this Bureau of the date for your pre-construction conference so he may attend. If we may be of further assistance, please call Mary Patt Talton at (850) 488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/mpt

Enclosure

cc: Les Thomas – Les Thomas Consulting Engineers

CERTIFICATION OF CONTRACTOR'S INSURANCE AND BONDING

Project Sponsor: St. George Island; Water Management Services, Inc. Project: DW1901-010

I certify that Blankenship Contracting, Inc. (Name of Contractor), general contractor for Transmission & Treatment (Contract Description), has obtained, and will be required to maintain, insurance as is customary during construction, including workers' compensation, comprehensive general liability, contractors' indemnification obligations, vehicle liability, and property. Builder's risk or similar types of insurance in the amount of full replacement cost of the project, or portion thereof, being constructed under the contract has also been obtained, and will be maintained, by the contractor to the extent that such insurance is obtainable. Flood insurance, if applicable, has also been obtained and will be maintained by the contractor.

I also certify that the contractor has submitted a payment and performance bond or bonds as described below:

Type of Bond	Amount of Bond	Surety

(Signature) (Date)

(Typed Name and Title of Project Sponsor's Authorized Representative)

May 15, 2001

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 St. George Island
Transmission & Treatment

Dear Mr. Brown:

We have reviewed the bidding information for the St. George Island Transmission & Treatment contract. The selection of the bidder identified below is acceptable.

Contractor	Contract Amount	Eligible Contract Amount
Blankenship Contracting, Inc.	$367,218.13	$367,218.13

This letter is your authorization to award the contract. As noted in our March 13 letter, continued compliance with loan program requirements will be necessary to obtain a revolving fund loan. Please refer to that letter so that this procurement approval will be understood in the context of all loan program requirements.

Please submit the attached certification of contractor's insurance and bonding after the contract is executed. Note that all change orders must be submitted for our review. Please advise Al Bishop of this Bureau of the date for your pre-construction conference so he may attend. If we may be of further assistance, please call Mary Patt Talton at (850) 488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/mpt

Enclosure

cc: Les Thomas – Les Thomas Consulting Engineers

HOPPING GREEN SAMS & SMITH
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS
123 SOUTH CALHOUN STREET
POST OFFICE BOX 6526
TALLAHASSEE, FLORIDA 32314
(850) 222-7500
FAX (850) 224-8551
FAX (850) 425-3415
www.hgss.com

JAMES S. ALVES
BRIAN H. BIBEAU
ROCHELLE A. BIRNBAUM
RICHARD S. BRIGHTMAN
KEVIN B. COVINGTON
BRIAN A. CRUMBAKER
PETER C. CUNNINGHAM
RALPH A. DEMEO
JODY L. FINKLEA
WILLIAM H. GREEN
WADE L. HOPPING
GARY K. HUNTER, JR.
JONATHAN T. JOHNSON
ROBERT A. MANNING
FRANK E. MATTHEWS
RICHARD D. MELSON
ANGELA R. MORRISON
SHANNON L. NOVEY

ERIC T. OLSEN
GARY V. PERKO
MICHAEL P. PETROVICH
DAVID L. POWELL
CAROLYN S. RAEPPLE
DOUGLAS S. ROBERTS
O. KENT SAFRIET
GARY P. SAMS
TIMOTHY G. SCHOENWALDER
ROBERT P. SMITH
DAN R. STENGLE
CHERYL G. STUART

OF COUNSEL
ELIZABETH C. BOWMAN

Writer's Direct Dial No.
(850) 425-2313

August 30, 2001

Department of Environmental Protection
Bureau of Water Facilities Funding
2600 Blair Stone Road
Tallahassee, FL 32399

Re: Water Management Services, Inc. Loan Application

Ladies and Gentlemen:

We are special counsel to Water Management Services, Inc. (the "Company") in connection with proceedings before the Florida Public Service Commission (the "Commission") to recover through rates and charges the costs associated with the construction of a water transmission main to be attached to a new bridge connecting St. George Island to the mainland (the "Project"). We have been asked to give this opinion in connection with the Company's application (the "Application") for a loan in the approximate amount of $6,417,066 from the State Revolving Fund (the "SRF Loan") to finance the costs of the Project.

In connection with this opinion we have reviewed such records, certificates and other documents as we have considered necessary or appropriate, including the Application; Chapter 367, Florida Statutes; applicable orders of the Commission; the relevant resolutions adopted by the Board of Directors of the Company; a certificate of an officer of the Company (the "Officer's Certificate"); the financial projections prepared by consultants for the Company and included at page 9 of the Application (the "Projections"); certain documentation in connection with a $1,900,000 original principal amount mortgage loan to the Company from The Citizens Bank of Perry, which is secured by an assignment of all rents, income and profits from the Company's existing water system (the "Citizens Bank Loan"); and certain documentation in connection with a $700,000 maximum principal amount construction mortgage loan to the Company from Gulf State Community Bank, which is secured by an assignment of all rents, issues and profits from the existing water system the ("Gulf State Loan"). The Gulf State Loan, which has a current balance of $440,903.78, was obtained to pay part of the cost of installing a new 10-inch water line from well 4 to well 2, and a new 12-inch water main from well 2 to well 3 and to the water

treatment plant, not including that portion of the water main to be plced on the new bridge. Except for the Application and relevant resolutions, we have not been asked to review any documentation in connection with the SRF Loan. We have relied as to factual matters that affect our opinion solely on the Officer's Certificate and Projections and have made no independent verification of the facts contained in those documents.

The Company is a water utility subject to rate regulation by the Commission pursuant to Chapter 367, Florida Statutes. Under Section 367.081(1), Florida Statutes, the Company may only charge rates and charges that have been approved by the Commission. Under Section 367.081(2), Florida Statutes, and Commission precedent, the Company is entitled to receive just, reasonable and compensatory rates that are sufficient to cover the prudently-incurred cost of providing service, including interest on debt, operating and maintenance expenses, depreciation, and taxes on property that is used and useful in the public service, and the opportunity to earn a fair return on the Company's prudently-invested property that is used and useful in the public service.

In June, 2000, the Company filed a Petition for Limited Proceeding with the Commission asking it to approve a three-phase increase in rates to cover the cost of the Project. In Order No. PSC-00-2227-PAA-WU (the "Order") in Docket No. 000694-WU, the Commission took the following action:

(a) it determined that 100% of the prudently-incurred costs of the Project shall be recovered through a rate or charge mechanism to be determined at a subsequent date;

(b) it approved a temporary rate increase designed to cover the additional debt service associated with the Project costs estimated to be incurred through June 30, 2002 ("Phase I"); and

(c) it retained jurisdiction to process additional increases in rates or charges needed to recover the cost of the Project through the on-going limited proceeding docket effective in mid-2002 ("Phase II") and after construction of the Project is complete ("Phase III").

This Order is significant because it determines that the Project is 100% used and useful for ratemaking purposes. Accordingly, the Commission has determined that Company will be entitled to recover 100% of the prudently-incurred costs of the Project (including debt interest and capital recovery through depreciation) through a rate or charge mechanism to be determined by the Commission in Phase III of the proceeding.

Based on the foregoing, and subject to the qualifications and limitations stated in this letter, we are of the opinion that:

1. Although the Company's currently authorized rates and charges are not sufficient to repay the Loan, the on-going limited proceeding under Chapter 367 should provide revenues from rates and other charges sufficient to repay the Loan based on the ratemaking assumptions reflected in the Projections. The Commission has previously determined that the Company will be entitled to recover 100% of the prudently-incurred costs of the Project through a rate or charge mechanism to be determined in Phase III of the on-going limited proceeding. The specific level of rates and charges the Company will be permitted to recover cannot be predicted with certainty until that proceeding is complete. The revenues produced by the finally approved rates and charges will depend on actual levels of consumption and customer growth.

2. The Company's right to increase rates and charges is subject to approval by the Commission applying the standards set forth in Chapter 367, Florida Statutes. The specific level of rates and charges the Company can charge is subject to change by the Commission from time to time in future rate proceedings conducted in accordance with Chapter 367. The revenues produced by such rates and charges will depend on actual levels of consumption and customer growth.

3. The lien of the State Revolving Fund on revenues from the water system will be subordinate to the interest of The Citizens Bank of Perry in rents, income and profits under the Citizens Bank Loan.

4. The Company intends to repay the Gulf State Loan with the proceeds of the Loan. To the extent the Gulf State Loan is not repaid in full with such proceeds, the lien of the State Revolving Fund on revenues from the water system will be subordinate to the interest of Gulf State Community Bank in the rents, issues and profits under the Gulf State Loan.

The opinions in Paragraphs 1 and 2 are based on the provisions of Chapter 367 in effect on the date hereof and on existing Commission and judicial precedent.

This opinion is furnished solely for your use in evaluation of the Company's Application. It may not be relied upon by any other person without our prior written consent.

HOPPING GREEN SAMS & SMITH, P.A.

By: Richard D. Melson

Richard D. Melson

RDM/mee

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 4
ATLANTA FEDERAL CENTER
61 FORSYTH STREET
ATLANTA, GEORGIA 30303-8960

SEP 12 2001

Ms. Angela Knecht
Government Operations Commission
Department of Environmental Protection
Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Re: Title VI Compliance Report

Dear Ms. Knecht:

The Title VI Compliance Report for the following project is approved.

APPLICANT NAME, CITY, STATE	EPA PROJECT NO.
St. George Island Water Management Services, Inc. Tallahassee, FL	DW 1901 010

Please find the approved report enclosed for your file. Should you need additional information feel free to call me at (404) 562-9738.

Sincerely,

Freda M. Lockhart

Freda M. Lockhart
Equal Employment Opportunity Officer

FL/eam

Enclosure

cc: File
President

EPA	United States Environmental Protection Agency Washington, DC 20460 Preaward Compliance Review Report for All Applicants Requesting Federal Financial Assistance	Form Approved OMB No. 2090-0014

Note: Read instructions on reverse side before completing form.

I. A. Applicant (Name, City, State)	B. Recipient (Name, City, State)	C. EPA Request No.
Water Management Services, Inc. (WMSI)	WMSI-St. George Isl. Water System	

II. Brief description of proposed project, program or activity.
Raw Water Supply and Water Treatment 139 West Gulf Beach Dr St. George Island, Fl.

III. Are any civil rights lawsuits or complaints pending against applicant and/or recipient? ☐ Yes ☒ No
If "Yes", list those complaints and the disposition of each complaint. 32328

IV. Have any civil rights compliance reviews of the applicant and/or recipient been conducted by any Federal agency during the two years prior to this application for activities which would receive EPA assistance? ☐ Yes ☒ No
If "Yes", list those compliance reviews and status of each review..

V. Is any other Federal financial assistance being applied for or is any other Federal financial assistance being applied to any portion of this project, program or activity? ☐ Yes ☒ No
If "Yes", list the other Federal Agency(s), describe the associated work and the dollar amount of assistance.

VI. If entire community under the applicants jurisdiction is not served the existing facilities/services or will not be served under the proposed plan, give reasons why.

VII. Population Characteristics	Number of People
1. A. Population of Entire Service Area	5,113
B. Minority Population of Entire Service Area	486
2. A. Population Currently Being Served	5,113
B. Minority Population Currently Being Served	486
3. A. Population to be Served by Project, Program or Activity	5,113
B. Minority Population to be Served by Project, Program or Activity	486
4. A. Population to Remain Without Service	0
B. Minority Population to Remain Without Service	0

VIII. Will all new facilities or alterations to existing facilities financed by these funds be designed and constructed to be readily accessible to and usable by handicapped persons? ☒ Yes ☐ No
If "No", explain how a regulatory exception *(40 CFR 7.70)* applies.

IX. Give the schedule for future projects, programs or activities (or of future plans) by which service will be provided to all beneficiaries within applicants jurisdiction. If there is no schedule, explain why.
No future project planned. This program will complete service to all beneficiaries in jurisdiction

X. I certify that the statements I have made on this form and all attachments thereto are true, accurate and complete. I acknowledge that any knowingly false or misleading statement may be punishable by fine or imprisonment or both under applicable law.

A. Signature of Authorized Official	B. Title of Authorized Official	C. Date
	President	8/28/01

For the U.S. Environmental Protection Agency

☒ Approved ☐ Disapproved	Authorized EPA Official, Freda Lockhart, EEO Officer Freda M Lockhart	Date

EPA Form 4700-4 (Rev. 1/90) Previous editions are obsolete.

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308
(850) 668-0440 • FAX (850) 668-0441

MEMO

TO: Angela
Fax 921-2769

FROM: Gene Brown

DATE: 9/13/01

NO. OF PAGES INCLUDING COVER: 5

Here are the two construction loan notes payable to Gulf State Community Bank. The total balance due on these notes is $440,903.78.

Please let me know if you need any additional information or documentation.

WATER MANAGEMENT SERVICES, INC. GENE D. BROWN 3848 KILLEARN COURT ST GEORGE ISLAND, FL 32328 BORROWER'S NAME AND ADDRESS "I" includes each borrower above, joint and severally.	GULF STATE COMMUNITY BANK 73 AVENUE E P O BOX 488 APALACHICOLA, FL 32329-0488 COPY LENDER'S NAME AND ADDRESS "You" means the lender, its successors and assigns.	Loan Number 0500763863 Date 03-07-2001 Maturity Date 03-07-2002 Loan Amount $ 343,893.88 Renewal Of LO/LP 59-3559317 (BOARD/MMM)

For value received, I promise to pay to you, or your order, at your address listed above the PRINCIPAL sum of THREE HUNDRED FORTY THREE THOUSAND EIGHT HUNDRED NINETY THREE AND 88/100 Dollars $ 343,893.88

☐ Single Advance: I will receive all of this principal sum on _____. No additional advances are contemplated under this note.

☒ Multiple Advance: The principal sum shown above is the maximum amount of principal I can borrow under this note. On 03-07-2001 I will receive the amount of $ 7,622.25 and future principal advances are contemplated.

Conditions: The conditions for future advances are BY MY WRITTEN OR VERBAL REQUEST, OR AT THE BANK'S DISCRETION TO CLEAR CHECKS PRESENTED FOR PAYMENT ON MY ACCOUNT AGAINST UNCOLLECTED OR INSUFFICEINT FUNDS

☐ Open End Credit: You and I agree that I may borrow up to the maximum amount of principal more than one time. This feature is subject to all other conditions and expires on _____.

☒ Closed End Credit: You and I agree that I may borrow up to the maximum only one time (and subject to all other conditions).

INTEREST: I agree to pay interest on the outstanding principal balance from 03-07-2001 at the rate of 9.500 % per year until 03-02-2001.

☒ Variable Rate: This rate may then change as stated below.

☐ Index Rate: The future rate will be _____ the following index rate: _____

☒ No Index: The future rate will not be subject to any internal or external index. It will be entirely in your control.

☒ Frequency and Timing: The rate on this note may change as often as EVERY DAY BEGINNING 03-02-2001.
A change in the interest rate will take effect ON THE SAME DAY.

☒ Limitations: During the term of this loan, the applicable annual interest rate will not be more than 17.750% or less than 6.000 %. The rate may not change more than _____% each _____.

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:

☒ The amount of each scheduled payment will change. ☒ The amount of the final payment will change.

☐ _____.

ACCRUAL METHOD: Interest will be calculated on a ACTUAL/360 basis.

POST MATURITY RATE: I agree to pay interest on the unpaid balance of this note owing after maturity, and until paid in full, as stated below:

☐ on the same fixed or variable rate basis in effect before maturity (as indicated above).

☒ at a rate equal to THE MAXIMUM LEGAL RATE.

☒ LATE CHARGE: If a payment is made more than 10 days after it is due, I agree to pay a late charge of 5.000% OF THE LATE AMOUNT WITH A MAX OF $100.00.

☒ ADDITIONAL CHARGES: In addition to interest, I agree to pay the following charges which ☒ are ☐ are not included in the principal amount above: SEE DISBURSEMENT AUTHORIZATION.

PAYMENTS: I agree to pay this note as follows:

MONTHLY PAYMENTS OF ACCRUED INTEREST CALCULATED ON THE AMOUNT OF CREDIT OUTSTANDING BEGINNING ON 04-07-2001 AND PRINCIPAL DUE ON 03-07-2002.

ADDITIONAL TERMS: REAL ESTATE MORTGAGE DATED THIS DATE TOGETHER WITH ALL IMPROVEMENTS LOCATED THEREON, FRANKLIN COUNTY, FLORIDA.

PER SECURITY AGREEMENTS DATED THIS DATE: WELL #1, 2,3, 4, ELEVATED TANK, GROUND STORAGE TANK AND ISLAND OFFICE: TEN PERCENT (10%) PARTNERSHIP INTEREST IN ST. GEORGE ISLAND UTILITY COMPANY, LTD.: 85, 000 SHARES OF THE OUTSTANDING STOCK OF WATER MANAGEMENT SERVICES, INC., A FLORIDA CORPORATION: FORTY-NINE AND ONE-HALF PERCENT (49 1/2 %) PARTNERSHIP INTERST IN ST. GEORGE ISLAND UTILITY COMPANY, LTD.

☐ SECURITY: This note is separately secured by (describe separate document by type and date):

PURPOSE: The purpose of this loan is CONSTRUCT WATERLINE.

DEFINITIONS: As used on page 1, "☒ " means the terms that apply to this loan. "I," "me" or "my" means each Borrower who signs this note and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this note (together referred to as "us"). "You" or "your" means the Lender and its successors and assigns.

APPLICABLE LAW: The law of the state of Florida will govern this note. Any term of this note which is contrary to applicable law will not be effective, unless the law permits you and me to agree to such a variation. If any provision of this agreement cannot be enforced according to its terms, this fact will not affect the enforceability of the remainder of this agreement. No modification of this agreement may be made without your express written consent. Time is of the essence in this agreement.

PAYMENTS: Each payment I make on this note will first reduce the amount I owe you for charges which are neither interest nor principal. The remainder of each payment will then reduce accrued unpaid interest, and then unpaid principal. If you and I agree to a different application of payments, we will describe our agreement on this note. I may prepay a part of, or the entire balance of this loan without penalty, unless we specify to the contrary on this note. Any partial prepayment will not excuse or reduce any later scheduled payment until this note is paid in full. (unless, when I make the prepayment, you and I agree in writing to the contrary).

INTEREST: Interest accrues on the principal remaining unpaid from time to time, until paid in full. If I receive the principal in more than one advance, each advance will start to earn interest only when I receive the advance. The interest rate in effect on this note at any given time will apply to the entire principal advanced at that time. Notwithstanding anything to the contrary, I do not agree to pay and you do not intend to charge any rate of interest that is higher than the maximum rate of interest you could charge under applicable law for the extension of credit that is agreed to here (either before or after maturity). If any notice of interest accrual is sent and is in error, we mutually agree to correct it, and if you actually collect more interest than allowed by law and this agreement, you agree to refund it to me.

INDEX RATE: The index will serve only as a device for setting the rate on this note. You do not guarantee by selecting this index, or the margin, that the rate on this note will be the same rate you charge on any other loans or class of loans to me or other borrowers.

ACCRUAL METHOD: The amount of interest that I will pay on this loan will be calculated using the interest rate and accrual method stated on page 1 of this note. For the purpose of interest calculation, the accrual method will determine the number of days in a "year." If no accrual method is stated, then you may use any reasonable accrual method for calculating interest.

POST MATURITY RATE: For purposes of deciding when the "Post Maturity Rate" (shown on page 1) applies, the term "maturity" means the date of the last scheduled payment indicated on page 1 of this note or the date you accelerate payment on the note, whichever is earlier.

SINGLE ADVANCE LOANS: If this is a single advance loan, you and I expect that you will make only one advance of principal. However, you may add other amounts to the principal if you make any payments described in the "PAYMENTS BY LENDER" paragraph below.

MULTIPLE ADVANCE LOANS: If this is a multiple advance loan, you and I expect that you will make more than one advance of principal. If this is closed end credit, repaying a part of the principal will not entitle me to additional credit.

PAYMENTS BY LENDER: If you are authorized to pay, on my behalf, charges I am obligated to pay (such as property insurance premiums), then you may treat those payments made by you as advances and add them to the unpaid principal under this note, or you may demand immediate payment of the charges.

SET-OFF: I agree that you may set off any amount due and payable under this note against any right I have to receive money from you.

"Right to receive money from you" means:

(1) any deposit account balance I have with you;

(2) any money owed to me on an item presented to you or in your possession for collection or exchange; and

(3) any repurchase agreement or other nondeposit obligation.

"Any amount due and payable under this note" means the total amount of which you are entitled to demand payment under the terms of this note at the time you set off. This total includes any balance the due date for which you properly accelerate under this note.

If my right to receive money from you is also owned by someone who has not agreed to pay this note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement. Your right of set-off does not apply to an account or other obligation where my rights are only as a representative. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set off this debt against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

REAL ESTATE OR RESIDENCE SECURITY: If this note is secured by real estate or a residence that is personal property, the existence of a default and your remedies for such a default will be determined by applicable law, by the terms of any separate instrument creating the security interest and, to the extent not prohibited by law and not contrary to the terms of the separate security instrument, by the "Default" and "Remedies" paragraphs herein.

DEFAULT: I will be in default if any one or more of the following occu
(1) I fail to make a payment on time or in the amount due; (2) I fail t
keep the property insured, if required; (3) I fail to pay, or keep ar
promise, on any debt or agreement I have with you; (4) any other creditc
of mine attempts to collect any debt I owe him through court prc
ceedings; (5) I die, am declared incompetent, make an assignment for th
benefit of creditors, or become insolvent (either because my liabilities e)
ceed my assets or I am unable to pay my debts as they become due); (6
I make any written statement or provide any financial information that i
untrue or inaccurate at the time it was provided; (7) I do or fail to d
something which causes you to believe that you will have difficult
collecting the amount I owe you; (8) any collateral securing this note i
used in a manner or for a purpose which threatens confiscation by a lega
authority; (9) I change my name or assume an additional name withou
first notifying you before making such a change; (10) I fail to plant, culti
vate and harvest crops in due season; (11) any loan proceeds are usec
for a purpose that will contribute to excessive erosion of highly erodibl
land or to the conversion of wetlands to produce an agricultural commod
ity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

REMEDIES: If I am in default on this note you have, but are not limited to the following remedies:

(1) You may demand immediate payment of all I owe you under this note (principal, accrued unpaid interest and other accrued charges).

(2) You may set off this debt against any right I have to the payment of money from you, subject to the terms of the "Set-off" paragraph herein.

(3) You may demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy.

(4) You may refuse to make advances to me or allow purchases on credit by me.

(5) You may use any remedy you have under state or federal law.

By selecting any one or more of these remedies you do not give up your right to later use any other remedy. By waiving your right to declare an event to be a default, you do not waive your right to later consider the event as a default if it continues or happens again.

COLLECTION COSTS AND ATTORNEY'S FEES: I agree to pay all costs of collection, replevin or any other or similar type of cost if I am in default. In addition, if you hire an attorney to collect this note, I also agree to pay any reasonable fee you incur with such attorney plus court costs (except where prohibited by law). I agree that reasonable attorneys' fees shall be construed to mean 10% of the principal sum named in this note, or such larger fee that the court may determine to be reasonable and just. To the extent permitted by the United States Bankruptcy Code, I also agree to pay the reasonable attorney's fees and costs you incur to collect this debt as awarded by any court exercising jurisdiction under the Bankruptcy Code.

WAIVER: I give up my rights to require you to do certain things. I will not require you to:

(1) demand payment of amounts due (presentment);

(2) obtain official certification of nonpayment (protest); or

(3) give notice that amounts due have not been paid (notice of dishonor).

I waive any defenses I have based on suretyship or impairment of collateral.

To the extent permitted by law, I also waive my right to a trial by jury in respect to any litigation arising from this note and any other agreement executed in conjunction with this credit transaction.

OBLIGATIONS INDEPENDENT: I understand that I must pay this note even if someone else has also agreed to pay it (by, for example, signing this form or a separate guarantee or endorsement). You may sue me alone, or anyone else who is obligated on this note, or any number of us together, to collect this note. You may do so without any notice that it has not been paid (notice of dishonor). You may without notice release any party to this agreement without releasing any other party. If you give up any of your rights, with or without notice, it will not affect my duty to pay this note. Any extension of new credit to any of us, or renewal of this note by all or less than all of us will not release me from my duty to pay it. (Of course, you are entitled to only one payment in full.) I agree that you may at your option extend this note or the debt represented by this note, or any portion of the note or debt, from time to time without limit or notice and for any term without affecting my liability for payment of the note. I will not assign my obligation under this agreement without your prior written approval.

CREDIT INFORMATION: I agree and authorize you to obtain credit information about me from time to time (for example, by requesting a credit report) and to report to others your credit experience with me (such as a credit reporting agency). I agree to provide you, upon request, any financial statement or information you may deem necessary. I warrant that the financial statements and information I provide to you are or will be accurate, correct and complete.

NOTICE: Unless otherwise required by law, any notice to me shall be given by delivering it or by mailing it by first class mail addressed to me at my last known address. My current address is on page 1. I agree to inform you in writing of any change in my address. I will give any notice to you by mailing it first class to your address stated on page 1 of this agreement, or to any other address that you have designated.

DATE OF

WATER MANAGEMENT SERVICES, INC. AND GENE D BROWN 3848 KILLEARN COURT ST GEORGE ISLAND, FL 32328 BORROWER'S NAME AND ADDRESS "I" includes each borrower above, joint and severally.	GULF STATE COMMUNITY BANK 73 AVENUE E P O BOX 488 APALACHICOLA, FL 32329-0488 COPY LENDER'S NAME AND ADDRESS "You" means the lender, its successors and assigns.	TIN: 59-3559317 Loan Number 0500783884 Date 07-13-2001 Maturity Date 03-07-2002 Loan Amount $ 318,641.27 Renewal Of LO/LP BOARD/BA

For value received, I promise to pay to you, or your order, at your address listed above the PRINCIPAL sum of THREE HUNDRED EIGHTEEN THOUSAND SIX HUNDRED FORTY ONE AND 27/100 Dollars $ 318,641.27

☐ Single Advance: I will receive all of this principal sum on _____. No additional advances are contemplated under this note.

☒ Multiple Advance: The principal sum shown above is the maximum amount of principal I can borrow under this note. On 07-13-2001 _____ I will receive the amount of $ 6,695.14 and future principal advances are contemplated.

Conditions: The conditions for future advances are BY MY WRITTEN OR VERBAL REQUEST OR AT THE BANK'S DISCRETION TO CLEAR CHECKS PRESENTED FOR PAYMENT ON MY ACCOUNT AGAINST UNCOLLECTED OR INSUFFICIENT FUNDS

☐ Open End Credit: You and I agree that I may borrow up to the maximum amount of principal more than one time. This feature is subject to all other conditions and expires on _____.

☒ Closed End Credit: You and I agree that I may borrow up to the maximum only one time (and subject to all other conditions).

INTEREST: I agree to pay interest on the outstanding principal balance from 07-13-2001 at the rate of 9.500 % per year until 07-13-2001.

☒ Variable Rate: This rate may then change as stated below.

☐ Index Rate: The future rate will be _____ the following index rate: _____

☒ No Index: The future rate will not be subject to any internal or external index. It will be entirely in your control.

☒ Frequency and Timing: The rate on this note may change as often as EVERY DAY BEGINNING 07-13-2001.
A change in the interest rate will take effect ON THE SAME DAY.

☒ Limitations: During the term of this loan, the applicable annual interest rate will not be more than 17.750% or less than 0.000 %. The rate may not change more than _____ % each _____.

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:

☒ The amount of each scheduled payment will change. ☒ The amount of the final payment will change.

☐ _____.

ACCRUAL METHOD: Interest will be calculated on a ACTUAL/360 basis.

POST MATURITY RATE: I agree to pay interest on the unpaid balance of this note owing after maturity, and until paid in full, as stated below:

☐ on the same fixed or variable rate basis in effect before maturity (as indicated above).

☒ at a rate equal to THE MAXIMUM LEGAL RATE.

☒ LATE CHARGE: If a payment is made more than 10 days after it is due, I agree to pay a late charge of 5.000% OF THE LATE AMOUNT WITH A MAX OF $100.00.

☒ ADDITIONAL CHARGES: In addition to interest, I agree to pay the following charges which ☒ are ☐ are not included in the principal amount above: _____.

PAYMENTS: I agree to pay this note as follows:

MONTHLY PAYMENTS OF ACCRUED INTEREST CALCULATED ON THE AMOUNT OF CREDIT OUTSTANDING BEGINNING ON 08-07-2001 AND PRINCIPAL DUE ON 03-07-2002.

ADDITIONAL TERMS: REAL ESTATE MORTGAGE DATED MARCH 7, 2001 AS RECORDED IN OFFICIAL RECORDS BOOK 660 PAGE(S) 372-377 AND RE-RECORDED ON JUNE 21, 2001 IN OFFICIAL RECORDS BOOK 668 PAGE(S) 134-140 TOGETHER WITH ALL IMPROVMENTS LOCATED THEREON, FRANKLIN COUNTY, FLORIDA. ALSO SECURED BY SECURITY AGREEMENT DATED MARCH 6, 2001; UCC FINANCING STATEMENT RECORDED WITH THE FRANKLIN COUNTY CLERK OF COURT IN ORB 660 PAGE 364 AND THE SECRETARY OF STATE BEARING ON 06/27/01FILE #200100140860; 03/19/01 FILE #200100107051; 03/19/01 FILE #200100059044; AND 03/19/01 FILE #200100059048

☐ SECURITY: This note is separately secured by (describe separate document by type and date):

PURPOSE: The purpose of this loan is COMPLETE WATERLINE.

DEFINITIONS: As used on page 1, "☒" means the terms that apply to this loan. "I," "me" or "my" means each Borrower who signs this note and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this note (together referred to as "us"). "You" or "your" means the Lender and its successors and assigns.

APPLICABLE LAW: The law of the state of Florida will govern this note. Any term of this note which is contrary to applicable law will not be effective, unless the law permits you and me to agree to such a variation. If any provision of this agreement cannot be enforced according to its terms, this fact will not affect the enforceability of the remainder of this agreement. No modification of this agreement may be made without your express written consent. Time is of the essence in this agreement.

PAYMENTS: Each payment I make on this note will first reduce the amount I owe you for charges which are neither interest nor principal. The remainder of each payment will then reduce accrued unpaid interest, and then unpaid principal. If you and I agree to a different application of payments, we will describe our agreement on this note. I may prepay a part of, or the entire balance of this loan without penalty, unless we specify to the contrary on this note. Any partial prepayment will not excuse or reduce any later scheduled payment until this note is paid in full (unless, when I make the prepayment, you and I agree in writing to the contrary).

INTEREST: Interest accrues on the principal remaining unpaid from time to time, until paid in full. If I receive the principal in more than one advance, each advance will start to earn interest only when I receive the advance. The interest rate in effect on this note at any given time will apply to the entire principal advanced at that time. Notwithstanding anything to the contrary, I do not agree to pay and you do not intend to charge any rate of interest that is higher than the maximum rate of interest you could charge under applicable law for the extension of credit that is agreed to here (either before or after maturity). If any notice of interest accrual is sent and is in error, we mutually agree to correct it, and if you actually collect more interest than allowed by law and this agreement, you agree to refund it to me.

INDEX RATE: The index will serve only as a device for setting the rate on this note. You do not guarantee by selecting this index, or the margin, that the rate on this note will be the same rate you charge on any other loans or class of loans to me or other borrowers.

ACCRUAL METHOD: The amount of interest that I will pay on this loan will be calculated using the interest rate and accrual method stated on page 1 of this note. For the purpose of interest calculation, the accrual method will determine the number of days in a "year." If no accrual method is stated, then you may use any reasonable accrual method for calculating interest.

POST MATURITY RATE: For purposes of deciding when the "Post Maturity Rate" (shown on page 1) applies, the term "maturity" means the date of the last scheduled payment indicated on page 1 of this note or the date you accelerate payment on the note, whichever is earlier.

SINGLE ADVANCE LOANS: If this is a single advance loan, you and I expect that you will make only one advance of principal. However, you may add other amounts to the principal if you make any payments described in the "PAYMENTS BY LENDER" paragraph below.

MULTIPLE ADVANCE LOANS: If this is a multiple advance loan, you and I expect that you will make more than one advance of principal. If this is closed end credit, repaying a part of the principal will not entitle me to additional credit.

PAYMENTS BY LENDER: If you are authorized to pay, on my behalf, charges I am obligated to pay (such as property insurance premiums), then you may treat those payments made by you as advances and add them to the unpaid principal under this note, or you may demand immediate payment of the charges.

SET-OFF: I agree that you may set off any amount due and payable under this note against any right I have to receive money from you.

"Right to receive money from you" means:

(1) any deposit account balance I have with you;

(2) any money owed to me on an item presented to you or in your possession for collection or exchange; and

(3) any repurchase agreement or other nondeposit obligation.

"Any amount due and payable under this note" means the total amount of which you are entitled to demand payment under the terms of this note at the time you set off. This total includes any balance the due date for which you properly accelerate under this note.

If my right to receive money from you is also owned by someone who has not agreed to pay this note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement. Your right of set-off does not apply to an account or other obligation where my rights are only as a representative. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set off this debt against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

REAL ESTATE OR RESIDENCE SECURITY: If this note is secured by real estate or a residence that is personal property, the existence of a default and your remedies for such a default will be determined by applicable law, by the terms of any separate instrument creating the security interest and, to the extent not prohibited by law and not contrary to the terms of the separate security instrument, by the "Default" and "Remedies" paragraphs herein.

DEFAULT: I will be in default if any one or more of the following occur: (1) I fail to make a payment on time or in the amount due; (2) I fail to keep the property insured, if required; (3) I fail to pay, or keep any promise, on any debt or agreement I have with you; (4) any other creditor of mine attempts to collect any debt I owe him through court proceedings; (5) I die, am declared incompetent, make an assignment for the benefit of creditors, or become insolvent (either because my liabilities exceed my assets or I am unable to pay my debts as they become due); (6) I make any written statement or provide any financial information that is untrue or inaccurate at the time it was provided; (7) I do or fail to do something which causes you to believe that you will have difficulty collecting the amount I owe you; (8) any collateral securing this note is used in a manner or for a purpose which threatens confiscation by a legal authority; (9) I change my name or assume an additional name without first notifying you before making such a change; (10) I fail to plant, cultivate and harvest crops in due season; (11) any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

REMEDIES: If I am in default on this note you have, but are not limited to, the following remedies:

(1) You may demand immediate payment of all I owe you under this note (principal, accrued unpaid interest and other accrued charges).

(2) You may set off this debt against any right I have to the payment of money from you, subject to the terms of the "Set-off" paragraph herein.

(3) You may demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy.

(4) You may refuse to make advances to me or allow purchases on credit by me.

(5) You may use any remedy you have under state or federal law.

By selecting any one or more of these remedies you do not give up your right to later use any other remedy. By waiving your right to declare an event to be a default, you do not waive your right to later consider the event as a default if it continues or happens again.

COLLECTION COSTS AND ATTORNEY'S FEES: I agree to pay all costs of collection, replevin or any other or similar type of cost if I am in default. In addition, if you hire an attorney to collect this note, I also agree to pay any reasonable fee you incur with such attorney plus court costs (except where prohibited by law). I agree that reasonable attorneys' fees shall be construed to mean 10% of the principal sum named in this note, or such larger fee that the court may determine to be reasonable and just. To the extent permitted by the United States Bankruptcy Code, I also agree to pay the reasonable attorney's fees and costs you incur to collect this debt as awarded by any court exercising jurisdiction under the Bankruptcy Code.

WAIVER: I give up my rights to require you to do certain things. I will not require you to:

(1) demand payment of amounts due (presentment);

(2) obtain official certification of nonpayment (protest); or

(3) give notice that amounts due have not been paid (notice of dishonor).

I waive any defenses I have based on suretyship or impairment of collateral.

To the extent permitted by law, I also waive my right to a trial by jury in respect to any litigation arising from this note and any other agreement executed in conjunction with this credit transaction.

OBLIGATIONS INDEPENDENT: I understand that I must pay this note even if someone else has also agreed to pay it (by, for example, signing this form or a separate guarantee or endorsement). You may sue me alone, or anyone else who is obligated on this note, or any number of us together, to collect this note. You may do so without any notice that it has not been paid (notice of dishonor). You may without notice release any party to this agreement without releasing any other party. If you give up any of your rights, with or without notice, it will not affect my duty to pay this note. Any extension of new credit to any of us, or renewal of this note by all or less than all of us will not release me from my duty to pay it. (Of course, you are entitled to only one payment in full.) I agree that you may at your option extend this note or the debt represented by this note, or any portion of the note or debt, from time to time without limit or notice and for any term without affecting my liability for payment of the note. I will not assign my obligation under this agreement without your prior written approval.

CREDIT INFORMATION: I agree and authorize you to obtain credit information about me from time to time (for example, by requesting a credit report) and to report to others your credit experience with me (such as a credit reporting agency). I agree to provide you, upon request, any financial statement or information you may deem necessary. I warrant that the financial statements and information I provide to you are or will be accurate, correct and complete.

NOTICE: Unless otherwise required by law, any notice to me shall be given by delivering it or by mailing it by first class mail addressed to me at my last known address. My current address is on page 1. I agree to inform you in writing of any change in my address. I will give any notice to you by mailing it first class to your address stated on page 1 of this agreement, or to any other address that you have designated.

DATE OF	PRINCIPAL	BORROWER'S	PRINCIPAL				

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

September 14, 2001

Mr. Gene Brown, General Manager
Water Management Systems, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901_010 St. George Island Water Authority
Supply, Transmission & Treatment

Dear Mr. Brown:

Change Order Number 1 to the St. George Island Bridge Contract Number 1, with related procurement documentation, is approved. The effective date of this administrative approval is September 14, 2001. Please ensure the validity of the supporting documentation, including the corresponding cost and pricing data, in order to avoid a re-determination of the allowable cost upon audit. This record of approval is to be kept with other approved documents in your possession.

This change order modifies eight (8) items which increase the eligible contract price by $384,080.88. The contract price after this addition is $751,299.01. The eligible contract time for final completion is also extended by 90 days.

It is our understanding that the construction schedule for the St. George Island Bridge, which is administered under separate contract by the Florida Department of Transportation (FDOT), has proceeded into the deck building phase and it is necessary to complete the purchase and installation of the pipe hangers and hanger inserts and perform other related work in order to keep the FDOT contract on schedule. The costs associated with this change order were not included in the original bid documents for this phase of the loan project, but were included in the approved Water Facilities Plan for the project.

Approval of this change order does not imply any change in your loan amount. Contingency funds were included in your loan agreement to cover the project changes. Once these funds are exhausted, any additional changes are totally funded with your own resources. The State of Florida's current revolving fund program rule, Chapter 62-552, allows for amending loan agreements to obtain additional completion money, but such funding must be scheduled on the

annual project priority list. You are encouraged to become familiar with this rule and how it may affect your loan.

If you have any questions, please call Al Bishop, the Bureau's Project Manager, at (850) 488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

cc: Les Thomas, P.E., Les Thomas Consulting Engineers

BEFORE THE STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

IN RE:

Drinking Water State Revolving Fund Program: Adoption and Management of the Fiscal Year 2002 State Revolving Fund Priority List for Drinking Water Grant Projects	))))	Case No.: DW000830/FERC

FINAL ORDER

On August 30, 2001, the Environmental Regulation Commission (ERC) held a public hearing in Tallahassee, Florida. Mr. Tim Banks, P.E. Administrator of the Drinking Water Funding Section, presented staff recommendations on issues involving the adoption and management of the Fiscal Year (FY) 2002 Priority List.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Notice of the public hearing and its purpose was published in the *Florida Administrative Weekly*, Volume 27, Number 30, dated July 27, 2001. A memorandum concerning the issues and recommendations to be considered by the ERC at the hearing was mailed to the Chairman and Members of the ERC on August 21, 2001. In addition, a memorandum containing information concerning projects and available funds was mailed to approximately 150 interested parties on July 27, 2001.

2. Five construction and five preconstruction project sponsors submitted timely documentation and were qualified to be added to the fundable portion of the priority list for grants. Mr. Banks stated that $2,699,269 was available for grants and recommended adding the following projects to the fundable portion of the FY 2002 list for grants:

ORDERED:

- The recommendations presented in the Findings of Fact and Conclusions of Law are adopted.
- The FY 2002 Drinking Water Priority List Fundable and Contingency Portions is included herein as Exhibits 1 and 2 respectively.

NOTICE OF RIGHTS

This order will become final unless a timely petition for an administrative hearing is filed under sections 120.569 and 120.57 of the Florida Statutes before the deadline for filing a petition. The procedures for petitioning for a hearing are set forth below.

A person whose substantial interests are affected by the Department's proposed agency action may petition for an administrative proceeding (hearing) under sections 120.569 and 120.57 of the Florida Statutes. The petition must contain the information set forth below and must be filed (received) in the Office of General Counsel of the Department at 3900 Commonwealth Boulevard, Mail Station 35, Tallahassee, Florida 32399-3000. Petitions filed by any of the parties listed below must be filed within 21 days of receipt of this written notice.

The failure of any person to file a petition within the appropriate time period shall constitute a waiver of that person's right to request an administrative determination (hearing) under sections 120.569 and 120.57 of the Florida Statutes, or to intervene in this proceeding and participate as a party to it. Any subsequent intervention (in a proceeding initiated by another party) will only be at the discretion of the presiding officer upon the filing of a motion in compliance with rule 28-106.205 of the Florida Administrative Code.

A petition that disputes the material facts on which the Department's action is based must contain the following information:

the clerk of the Department in the Office of General Counsel, Mail Station 35, 3900 Commonwealth Boulevard, Tallahassee, Florida 32399-3000, and by filing a copy of the notice of appeal accompanied by the applicable filing fees with the appropriate district court of appeal. The notice must be filed within thirty days after this order is filed with the clerk of the Department.

DONE AND ORDERED on this 20th day of September 2001, in Tallahassee, Florida.

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Allan Bedwell
Deputy Secretary
3900 Commonwealth Boulevard
Tallahassee, Florida 32399-3000
Telephone 850/488-1554

CERTIFICATE OF SERVICE

The undersigned duly designated agency clerk hereby certifies that this FINAL ORDER and all copies were mailed to interested parties on the bureau's mailing list as of this date.

FILING AND ACKNOWLEDGMENT

FILED on this date, under section 120.52(7) of the Florida Statutes, with the designated Department Clerk, receipt of which is hereby acknowledged.

[CLERK] 9/28/01 [DATE]

Copies Furnished: Interested and Affected Parties

EXHIBIT 2

Drinking Water State Revolving Fund

FY 2002 Contingency List

Project Sponsor	Project Number	Short Description	Assit Type	Priority Score	Estimated Project Cost	Grant Balance	Loan Balance	Funding Year
Miami-Dade County	130001	Treatment	L	304.0	$39,491,343	$0	$14,823,684	19982
Cross City	150101	Treatment and Distribution	L/G	836.0	$6,851,749	$1,972,896	$378,853	19984
Lake Alfred	532101	Supply, Storage, and Transmission Main	L/G	710.1	$1,919,277	$551,132	$417,696	20021
Fairpoint Regional Utility System, Inc	570101	Supply, Storage & Transmission	L	624.0	$16,536,850	$0	$12,136,850	20021
St. George Island Water Authority	190101	Supply, Transmission & Treatment	L	232.3	$6,500,000	$0	$3,500,000	20021
Quincy	200601	Supply and Transmission	L	141.4	$6,539,524	$0	$2,739,524	20021
Palatka	541901	Treatment	G	748.7	$204,000	$172,462	$0	20022
Gretna	202101	Supply, Treatment and Transmission	G	726.0	$60,805	$60,805	$0	20022

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 43 of 247

CLIENT'S COPY

Watson & Withers, CPAs, PA
4826-A Kerry Forest Parkway
Tallahassee, Florida 32308
(850) 893-4080/(850)894-2508
Fax (850)893-6375/894-3140

CERTIFIED PUBLIC ACCOUNTANTS
M. Jacqueline Watson, Certified Public Accountant
Barbara Sheehan Withers, Certified Public Accountant

October 2, 2001

Ms. Angela Knecht
Bureau of Water Facilities Funding
Department of Environmental Protection
Twin Towers Office Building MS 3505
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Re: DEP Revolving Loan Fund-Water Management Services, Inc.

Dear Ms. Knecht:

Based upon my review of the billing records and other books and records of Water Management Services, Inc., I hereby certify the following:

1. The total number of metered and billed service locations for the month ending 12/31/00 is 1,461.

2. The total number of metered and billed service locations between the water plant on St. George Island and the state park for the month ending 12/31/00 is 589.

3. The total number of metered and billed service locations for the month ending 5/31/01 is 1,498.

4. The total number of metered and billed service locations between the water plant on St. George Island and the state park for the month ending 5/31/00 is 605.

Please let me know if you need additional information.

Sincerely,

Barbara S. Withers

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

October 4, 2001

Fax with hard copy to follow

Roger Brooks, President/CEO
The Citizens Bank of Perry
2000 South Byron Butler Parkway
Perry, Florida 32347-5512

Dear Mr. Brooks:

This letter is in response to your fax dated September 28, 2001. As I stated in a follow-up telephone call with you that same day, there are some issues in your letter that needed clarification.

The statement that DEP has approved a loan for Mr. Brown is incorrect. We are currently in the process of reviewing the loan application and gathering information. An important consideration for our approval of the loan is negotiating a more favorable position in regard to our lien holder status with Citizen's Bank. We are aware of your first lien position and USDA's loan guarantee. Although Mr. Brown indicated to you that DEP would accept a second mortgage, I am not aware of DEP making such a commitment.

As I mentioned to you, we in the Bureau of Water Facilities Funding discussed Water Management Services' loan application and the lien issue with our Division Director, Mimi Drew. This is one reason for the delay in getting back to you. In our conversation following the above referenced fax, I indicated that I would be meeting with our attorney on the afternoon of Wednesday, October 3. When we called your office yesterday, your secretary informed us that you had been called away to an appointment. We have scheduled a teleconference with you this afternoon at 2:30. I look forward to speaking with you then to see if we can negotiate a mutually agreeable arrangement.

Sincerely,

Angela Knecht – ph. 245-8407

Angela Knecht
Government Operations Consultant

AK/k

cc: Mr. Gene Brown – Water Management Services, Inc.

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

October 10, 2001

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 St. George Island
Transmission & Treatment

Dear Mr. Brown:

The plans and specifications for Contract "Water System Improvements (WSI-2) New 12-inch Ductile Iron Raw Water Main on New DOT Bridge" are in conformance with the requirements set forth in Chapter 62-552, Florida Administrative Code. Work included under these plans and specifications encompasses the new water line and appurtenances to be attached to the new bridge being constructed under contract to the Florida Department of Transportation. These plans and specifications are accepted effective October 10, 2001 and replace the plans and specifications approved on January 16, 2001.

Our review of your plans and specifications was performed only to verify conformance with the administrative requirements of the Drinking Water State Revolving Fund loan program. We did not review the technical aspects of your plans and specifications in order to avoid duplicating the review performed, or that may be performed, by the permitting agency or agencies. Accordingly, our review does not substitute for any required permitting review(s).

An authorization to incur construction costs prior to executing a loan agreement has been issued for your project. Our acceptance of your plans and specifications represents one of the requirements that you have satisfied with respect to this Contract. Please be advised that successful completion of the loan application process is required in order to be eligible for reimbursement of costs associated with this project.

When you proceed with procurement and after bid opening and evaluation, please submit the bidding information to the Bureau for review. Do not award any contract until the Bureau concurs with your award recommendations. Note that improper or unauthorized procurement may result in the disqualification of contract costs for funding.

If it is necessary to make changes to the accepted plans and specifications prior to bid opening, the changes are to be made by addendum. Changes made after bid opening are to be accomplished by change order. All addenda and change orders must be submitted to this Bureau for review.

If you have any questions or need further information, please call the Bureau's Project Manager, Al Bishop at 850/488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Les Thomas, P.E., Les Thomas Consulting Engineers

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308
(850) 668-0440 • FAX (850) 668-0441

MEMO

TO: Bob

FROM: Gene

DATE: 11/7/01

Please review the attached list of machinery and equipment and add anything that is not included. We need to complete this for DEP on Thursday.

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

PANAFAX TRANSMITTAL FORM

FAX # 850 – 921 -2769

(SUNCOM) 291-2769

TO: Mr. Brown LOCATION _____

MACHINE PHONE # 668-0441

CONFIRMATION # _____

NO. PAGES 4 (INCLUDING COVER SHEET)

COMMENTS: Please update + return to me.

FROM: Angela Knecht LOCATION: FDEP

PHONE # 921-9910

DATE: 11-7-01 TIME: 4:10

If there are problems with this transmittal,
please call the person listed above.

Printed on recycled paper.

Page 1 of 1
Date 03/31/2000 Time 4:08:56 PM
From Jackie Watson To Fax:8506414411

WMSI
State Park System
Date construction completed 7/28/80

Item	Cost	Allocate Soft Costs	Original Cost	Years	5/12 yr 1980	18 yrs 1981-1998	1 yr 1999	acc depr 12/31/99
68,750 ga Ground Storage Tank	68,750	15,640	84,390	35	1,005	43,401	2,411	46,817
9,285 ga Hydropacumatic Tank	18,570	4,225	22,795	35	271	11,723	651	12,646
High Serv Pumps & Motors	22,500	5,119	27,619	20	575	24,857	1,381	26,813
Chlorinator	1,500	341	1,841	10	77	3,314	184	3,575
Chlorine Scales & Alarm Sys	2,300	523	2,823	10	118	5,082	282	5,482
8" PVC Pipe	178,200	40,540	218,740	45	2,025	87,496	4,861	94,382
6" PVC Pipe	32,130	7,309	39,439	45	365	15,776	876	17,017
2" PVC Pipe	3,400	773	4,173	45	39	1,669	93	1,801
Fire Hydrants & Valves	1,700	387	2,087	45	19	835	46	900
6" Gate Valves	1,320	300	1,620	25	27	1,167	65	1,258
8" Gate Valves	3,000	682	3,682	25	61	2,651	147	2,860
	333,370	75,840	409,210		4,583	197,970	10,998	213,551
			net book value		404,627	206,657	195,659	

Soft Costs:	
Engineering	20,000
Adminstration	11,670
Surveying	11,670
Inspection	32,500
	75,840

we put on books at 200,000

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 50 of 247

SCHEDULE OF
MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES
OWNED BY

WATER MANAGEMENT SERVICES, INC.

Qty	Description	Manufacturer	Model No.	Serial No.
1	4 x 8 Table			
3	Office Chairs			
2	Filing Cabinets	HON		
1	Sharp Calculator	Sharp	EL-1611	
1	Answering Machine	Phone Mate	2550	
1	Chlorinator Pump	Goulds	HB707	JAS08433
1	Chlorinator Pump	Goulds	HB707	19601708
1	50 HP Motor H.S.	Toshiba	B0504f1f3ush	93410513
1	4x2 Pump H.S.	Peerless	T1-22803	493194
1	50 HP Motor H.S.	Marathon Electric	4026PB-W	01-91717-6
1	5 x 4 Pump H.S.	Aurora	411 BF	940715D
1	Homelite Mud Hog		3 TP	
1	Chlorine Scales	Wallace & Tiernan		
1	Chlorine Scales	Wallace & Tiernan		
1	Generator Set	Caterpillar	3208	5WF01044
1	50 HP Motor	General Electric		
1	20 HP Motor & Pump	Peerless	6310-T123	6207-22-JK
1	Hand Truck			
1	Window Air Conditioner	Whirlpool	Coolerator	
1	Transfer Switch	Zenith		164452
2	Variable Frequency Drives	Allen Bradley	1336	
1	Three Phase Transformer	General Signal	T2H455	LW779-8
1	Credenza			
1	Chlorine Gas Detector	Wallace & Tiernan	50-135	
1	Auto Pacing System	Foxcroft	FX8000	
1	Vacuum Cleaner	Eureka	Victory	

SCHEDULE OF
MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES
OWNED BY

WATER MANAGEMENT SERVICES, INC

Qty	Description	Manufacturer	Model No.	Serial No
1	Computer	NEC	9010	
2	Computer	UP & Running		
1	Monitor	NEC	9010	
1	Monitor	NEC	XV17	
1	Monitor	CTX		
1	Laser Printer	Panasonic	KX-P4410	
1	Laser Printer	Epson	Acrion 1100	
1	Laser Printer	Okidata	OL 1200	
1	Dot Matrix Printer	Seikosha	BP 5780	
1	Dot Matrix Printer	Panasonic	KX-P1180	
1	Power Cell	APC		
1	Typewriter	IBM	Selectric II	
1	Dictating Station	Lanier		
1	Portable Recorder	Lanier	P-165	
3	Large Desk w/workstation			
2	Large Desk			
4	Desk Chair			
1	Large Wood Conference Table			
3	Large Wood credenza			
1	Wood/Glass Display Case			
7	Bookshelves			
10	Metal Filing Cabinets			
13	Leather Chairs			
2	End Tables			
1	Metal Safe	Schwab		
3	Desk			

Gene D. Brown, President

SCHEDULE OF
MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES
OWNED BY

WATER MANAGEMENT SERVICES, INC.

Qty	Description	Manufacturer	Model No.	Serial No.
1	Pump Controller	Master Level Controls	15870	15870
3	Master Units	Wallace & Tiernan	V-100	
6	Cylinder Units	Wallace & Tiernan	23909	
1	Calculator	Unisonic	XL1149	
1	Telephone	Universal	TEL4520	RJ-11
1	Weed Eater	Craftsman	358798470	95075n0496
1	Generator Set	Kohler	60ROCJ01	301261
1	Transfer Switch	Kohler	KI663343225	K48252
1	50 HP Well Motor	General Electric	623250	
1	40 HP Well Motor	Hitachi	689976E	
1	30 HP Well Motor	Franklin Electric	2366069020	

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308
(850) 668-0440 • FAX (850) 668-0441

MEMO
VIA FAX 921-2769

TO: Angela Knecht

FROM: Gene Brown

DATE: 11/8/01

RE: Equipment Update

Included herewith is an amendment updating our equipment, etc. Please let me know if you need anything additional.

FIRST ADDENDUM TO SCHEDULE OF MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES OWNED BY WATER MANAGEMENT SERVICES, INC.

Quantity	Description
1	Monitoring Well
1	Peerless Horizontal Pump
1	Air Conditioner-Island Office
1	Air Conditioner-Pump Room
1	Mini Refrigerator-Island Office
1	Strobe Light
4	Mobile Phones
1	Econometrics Auto Switchover System
1	Television-Island Office
1	4-Drawer File Cabinet-Island Office
1	File Cabinet
1	Computer Desk-Tallahassee Office
2	Ecometrics Auto Switchover System
1	Probe for Ground Storage Tank
2	Lateral File-4 Drawer
1	File Cabinet-Tallahassee Office
1	Wall Unit-Bookshelves
1	Computer Network Server-Tallahassee Office
1	15" Computer Monitor

State of Florida

UNIFORM COMMERCIAL CODE **FINANCING STATEMENT** FORM UCC-1 (REV.2001)

This Financing Statement is presented to a filing officer pursuant to the Uniform Commercial Code:

1. Debtor (Last Name First if an individual)		1a. Date of Birth or FEI#
Water Management Services, Inc.		59-3449317
1b. Mailing Address	1c. City, State	1d. Zip Code
3848 Killearn Court	Tallahassee, FL	32308
2. Additional Debtor or Trade Name (Last Name First if an Individual)		2a. Date of Birth of FEI#
Leisure Properties, Ltd.		
2b. Mailing Address	2c. City, State	2d. Zip Code
3848 Killearn Court	Tallahassee, FL	32308
3. Secured Party (Last Name First if an individual)		
Florida Department of Environmental Protection		
3a. Mailing Address	3b. City, State	3c. Zip Code
2600 Blair Stone Road, M.S. 3505	Tallahassee, FL	32399
4. Assignee of Secured Party (Last Name First if an individual)		
4a. Mailing Address	4b. City, State	4c. Zip Code

5. This Financing Statement covers the following types or items or property [Include description of real property on which located and owner of record when required. If more space is required, attach additional sheet(s)].
Ten percent (10%) partnership interest in St. George Island Utility Company, Ltd.

6. Check only if Applicable: ☐ Products of collateral are also covered. ☒ Proceeds of collateral are also covered ☒ Debtor is transmitting utility.

7. Check appropriate box; ☒ All documentary stamps due and payable or to become due and payable pursuant to s. 201.22 F.S., have been paid.
(one box must be marked) ☐ Florida Documentary Stamp Tax is not required.

8. In accordance with s. 679.402(2) F.S., this statement is filed without the Debtor's signature to perfect a security interest in collateral:

☐ already subject to a security interest in another jurisdiction when it was brought into this state or debtor's location changed to this state.

☐ which is proceeds of the original collateral described above in which a security interest was perfected.

☐ as to which the filing has lasped. Dated filed _____ and previous.
UCC-1 file number _____.

☐ acquired after a change of name, identity, or corporate structure of the debtor.

9. Number of additional sheets presented: _____

This Space for Use of Filing Officer

FLORIDA SECURED TRANSACTION REGISTRY

FILED
2001 Dec 24 AM 12:00
****** 200190629892 ******

10. Signature(s) of Debtor(s)
Water Management Services, Inc.
By: _____
Gene D. Brown, President

Additional Debtor: Leisure Properties, Ltd.
By: Leisure Development Services, Inc. &
St. George's Plantation, Inc. General Partners
By: _____
Gene D. Brown, President

11. Signature(s) of Secured Party or if Assigned, by Assignee(s)
Florida Department of Environmental Protection
By: Troy M. Mullis

12. Return Copy to:
Name: Angela Knecht
Address: Department of Environmental Protection
Address: 2600 Blair Stone Road, M.S. 3505
City, State, Zip: Tallahassee, Florida 32399

STANDARD FORM – FORM UCC-1 Approved by Secretary of State, State of Florida

State of Florida

UNIFORM COMMERCIAL CODE **FINANCING STATEMENT** FORM UCC-1 (REV.2001)

This Financing Statement is presented to a filing officer pursuant to the Uniform Commercial Code:

1. Debtor (Last Name First if an individual) Water Management Services, Inc.		1a. Date of Birth or FEI# 59-3449317
1b. Mailing Address 3848 Killearn Court	1c. City, State Tallahassee, FL	1d. Zip Code 32308
2. Additional Debtor or Trade Name (Last Name First if an Individual) Withers, Barbara, as Trustee of the Brown Children's Trust		2a. Date of Birth of FEI#
2b. Mailing Address 3848 Killearn Court	2c. City, State Tallahassee, FL	2d. Zip Code 32308
3. Secured Party (Last Name First if an individual) Florida Department of Environmental Protection		
3a. Mailing Address 2600 Blair Stone Road, M.S. 3505	3b. City, State Tallahassee, FL	3c. Zip Code 32399
4. Assignee of Secured Party (Last Name First if an individual)		
4a. Mailing Address	4b. City, State	4c. Zip Code

5. This Financing Statement covers the following types or items or property [include description of real property on which located and owner of record when required. If more space is required, attach additional sheet(s)].
Forty-Nine and One-Half percent (49.5%) partnership interest in St. George Island Utility Company, Ltd.

6. Check only if Applicable: ☐ Products of collateral are also covered. ☒ Proceeds of collateral are also covered ☒ Debtor is transmitting utility.

7. Check appropriate box: ☒ All documentary stamps due and payable or to become due and payable pursuant to s. 201.22 F.S., have been paid.
(one box must be marked) ☐ Florida Documentary Stamp Tax is not required.

8. In accordance with s. 679.402(2) F.S., this statement is filed without the Debtor's signature to perfect a security interest in collateral:

☐ already subject to a security interest in another jurisdiction when it was brought into this state or debtor's location changed to this state.

☐ which is proceeds of the original collateral described above in which a security interest was perfected.

☐ as to which the filing has lasped. Dated filed _____ and previous.
UCC-1 file number_____.

☐ acquired after a change of name, identity, or corporate structure of the debtor.

9. Number of additional sheets presented: _____

This Space for Use of Filing Officer

FLORIDA SECURED TRANSACTION REGISTRY

FILED

2001 Dec 24 AM 12:00

****** 200190629906 ******

10. Signature(s) of Debtor(s)
Water Management Services, Inc.
By: _____
Gene D. Brown, President

Signature of Additional Debtor
Barbara J. Withers as trustee
Barabara Withers, as Trustee of The Brown Children's Trust

11. Signature(s) of Secured Party or if Assigned, by Assignee(s)
Florida Department of Environmental Protection
By: Tray M. Mullis

12. Return Copy to:
Name: Angela Knecht
Address: Department of Environmental Protection
Address: 2600 Blair Stone Road, M.S. 3505
City, State, Zip: Tallahassee, Florida 32399

STANDARD FORM – FORM UCC-1 Approved by Secretary of State, State of Florida

State of Florida

UNIFORM COMMERCIAL CODE **FINANCING STATEMENT** FORM UCC-1 (REV.2001)

This Financing Statement is presented to a filing officer pursuant to the Uniform Commercial Code:

1. Debtor (Last Name First if an individual) Water Management Services, Inc.		1a. Date of Birth or FEI# 59-3449317
1b. Mailing Address 3848 Killearn Court	1c. City, State Tallahassee, FL	1d. Zip Code 32308
2. Additional Debtor or Trade Name (Last Name First if an Individual)		2a. Date of Birth of FEI#
2b. Mailing Address 3848 Killearn Court	2c. City, State Tallahassee, FL	2d. Zip Code 32308
3. Secured Party (Last Name First if an individual) Florida Department of Environmental Protection		
3a. Mailing Address 2600 Blair Stone Road, M.S. 3505	3b. City, State Tallahassee, FL	3c. Zip Code 32399
4. Assignee of Secured Party (Last Name First if an individual)		
4a. Mailing Address	4b. City, State	4c. Zip Code

5. This Financing Statement covers the following types or items or property (include description of real property on which located and owner of record when required. If more space is required, attach additional sheet(s)).
See attached Exhibit "A", Exhibit "B" and Exhibit "C", which is attached hereto and by reference made a part thereof

6. Check only if Applicable: ☒ Products of collateral are also covered. ☒ Proceeds of collateral are also covered ☒ Debtor is transmitting utility.

7. Check appropriate box: ☒ All documentary stamps due and payable or to become due and payable pursuant to s. 201.22 F.S., have been paid.
(one box must be marked) ☐ Florida Documentary Stamp Tax is not required.

8. In accordance with s. 679.402(2) F.S., this statement is filed without the Debtor's signature to perfect a security interest in collateral:

☐ already subject to a security interest in another jurisdiction when it was brought into this state or debtor's location changed to this state.

☐ which is proceeds of the original collateral described above in which a security interest was perfected.

☐ as to which the filing has lasped. Dated filed _____ and previous.
UCC-1 file number_____.

☐ acquired after a change of name, identity, or corporate structure of the debtor.

9. Number of additional sheets presented: _____

This Space for Use of Filing Officer

FLORIDA SECURED TRANSACTION REGISTRY

FILED

2001 Dec 24 AM 12:00

****** 200190629914 ******

10. Signature(s) of Debtor(s)
Water Management Services, Inc.
By: _____
Gene D. Brown, President

11. Signature(s) of Secured Party or if Assigned, by Assignee(s)
Florida Department of Environmental Protection
By: _____

12. Return Copy to:
Name: Angela Knecht
Address: Department of Environmental Protection
Address: 2600 Blair Stone Road, M.S. 3505
City, State, Zip: Tallahassee, Florida 32399

STANDARD FORM – FORM UCC-1 Approved by Secretary of State, State of Florida

"EXHIBIT A"

WELL NO. 1

Lot 7, Block 1, DAVID H. BROWN ESTATES ADDITION TO EASTPOINT, FLORIDA, a subdivision as per map or plat thereof recorded in Plat Book 3, Page 4 of the Public Records of Franklin County, Florida.

WELL NO. 2

Commence at the Southwest corner of the Northwest Quarter of Fractional Section 31, Township 8 South, Range 6 West, Franklin County, Florida, and thence run North 407.50 feet to the Intersection of the West Line of said Fractional Section 31 with the Northerly right-of-way boundary of State Road No. 30 (U.S. Highway No. 98), thence run North 86 degrees 53 minutes East 800.00 feet, thence run North 00 degrees 00 minutes 54 seconds West 200.00 feet, thence run North 86 degrees 53 minutes East 318.10 feet to the POINT OF BEGINNING. From said POINT OF BEGINNING continue North 86 degrees 53 minutes East 75.00 feet, thence run South 00 degrees 05 minutes 58 seconds West 75.00 feet, thence run South 86 degrees 53 minutes West 75.00 feet, thence run North 00 degrees 00 minutes 54 seconds West 75.00 feet to the POINT OF BEGINNING containing 0.13 of an acre, more or less.

WELL NO. 3

Lot 1, Block 9, DAVID H. BROWN ESTATES ADDITION TO EASTPOINT, FLORIDA, a subdivision as per map or plat thereof recorded in Plat Book 3, Page 4 of the Public Records of Franklin County, Florida.

WELL SITE NO. 4

Commence at a concrete monument marking the Northeast corner of Section 30, Township 8 South, Range 6 West, Franklin County, Florida and thence run South 656.64 feet, thence run West 2640 feet to an iron pipe on the Southerly right-of-way boundary of Twin Lakes Road, thence run South 00 degrees 04 minutes 34 seconds West 1980.32 feet to an iron pipe, thence run North 89 degrees 54 minutes 30 seconds West 560.61 feet to the POINT OF BEGINNING. From said Point of Beginning continue North 89 degrees 54 minutes 30 seconds West 100 feet to an iron pipe, thence run North 00 degrees 04 minutes 59 second East 100 feet, thence run South 89 degrees 54 minutes 30 second East 100 feet, thence run South 00 degrees 04 minutes 59 seconds West 100 feet to the POINT OF BEGINNING containing 0.23 of an acre, more or less.

Together with a non-exclusive easement for ingress and egress, utilities and purposes commonly associated with access ways over, across and within: Commence at a concrete monument marking the Northeast corner of Section 30, Township 8 South, Range 6 West, Franklin County, Florida and thence run South 656.64 feet, thence run West 2640.00 feet to an iron pipe on the Southerly right-of-way boundary of Twin Lakes Road for the POINT OF BEGINNING. From said POINT OF BEGINNING continue West 40 feet, thence run South 00 degrees 04 minutes 34 second West 1648.85 feet, thence run East 40 feet, thence run North 00 degrees 04 minutes 34 second East 1648.85 feet to the POINT OF BEGINNING containing 1.51 acres, more or less.

ELEVATED TANK

Lots 21 and 22, Block 5, West, Unit 1, ST. GEORGE ISLAND GULF BEACHES, a subdivision as per map or plat thereof recorded in Plat Book 2, Page 7, of the Public Records of Franklin County, Florida.

GROUND STORGAGE TANK AND ISLAND OFFICE

Lots 6, 7, 8, 9 and 10, Block 5, West, Unit 1, ST. GEORGE ISLAND GULF BEACHES, a subdivision as per map or plat thereof recorded in Plat Book 2, Page 7, of the Public Records of Franklin County, Florida.

"EXHIBIT B"

All personal property, rights and interests listed below together with any other property, rights or interests listed in any mortgage from the Debtor to the Secured Party encumbering the property described in "Exhibit A" (the "Property") including, but not limited to, the following:

1. All buildings and improvements of every kind and description now or hereafter erected or placed on the Property and all materials intended for construction, reconstruction, alteration and repair of such improvements now or hereafter erected thereon; all fixtures and equipment now or hereafter owned by Debtor and attached to or contained in and used in connection with the Property, including but not limited to all apparatus, machinery, motors, elevators, fittings, radiators, gas ranges, mechanical refrigerators, awnings, shades, screens, venetian blinds, all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air-conditioning, hot water heating and sprinkler equipment and fixtures and appurtenances thereto; all built-in equipment and built-in furniture; and all renewls or replacements thereof or articles in substitution therefor, whether or not the same are or shall be attached to the Property or building or buildings in any manner.
2. All right, title and interest of Debtor in and to the minerals, soil, flowers, shrubs, crops, trees, timber and other emblements now or hereafter on the Property or under or above the same or any part or parcel thereof.
3. All contracts and contract rights and accounts of Debtor now or hereafter arising from contracts now or hereafter entered into in connection with the development, construction upon or operation of the Property (including, without limitation, all deposits held by or on behalf of the Debtor, and all management, franchise, and service agreements related to the business now or hereafter conducted by the Debtor on the Property).
4. All of Debtor's interest in all utility security deposits or bonds on the Property or any part or parcel thereof.
5. All property and hazard insurance covering the above Property and collateral, together with any and all extensions and replacements thereof, and any and all rights thereunder; and any and all rights of subrogation provided by any mortgage from the Debtor to Secured Party covering the Property.
6. Any monies in any escrow accounts established or accrued pursuant to any mortgage from the Debtor to the Secured Party.
7. Any damages awarded pursuant to condemnation or eminent domain proceedings with respect to the Property.
8. All of Debtor's right, title and interest as lessor in and to all leases or rental arrangements of the Property, or any part thereof, heretofore made and entered into, and in and to all leases or rental arrangements hereafter made and entered into by or on behalf of Debtor, together with all rents and payments in lieu of rents, together with any and all guarantees of such leases or rental arrangements and including all present and future security deposits and advance rentals.
9. All of Debtor's right, title and interest as seller in and to all agreements for the sale of the Property, or any part thereof, heretofore made and entered into, and in and to all sale agreements hereafter made and entered into, by or on behalf of Debtor, together with all deposits and payments in connection therewith.

"EXHIBIT C"

1. All water wells, pumps, controls and related equipment and appurtenances located on any parcel described in the foregoing "Exhibit A".
2. 1998 John Deere 310 E VIN# 310EX852750
3. 1998 Biltrite Trailer VIN# 4NDP2322W1002404
4. 1993 Ford Truck VIN# FDNF70J7PVA18722
5. All machinery, equipment, hand tools, furniture, fixtures, inventory, accounts receivables, deposits, general intangibles, contract rights and books and records pertaining thereto, and all renewals and replacements thereof, including but not limited to the items of personal property attached hereto.

"Exhibit C" (continued)

SCHEDULE OF MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES
OWNED BY: WATER MANAGEMENT SERVICES, INC.

Qty.	Description	Manufacturer	Model No.	Serial No.
1	Computer	NEC	9010	
2	Computer	Up & Running		
1	Monitor	NEC	9010	
1	Monitor	NEC	XV17	
1	Monitor	CTX		
1	Laser Printer	Panasonic	KX-P4410	
1	Laser Printer	Epson	Action 1100	
1	Laser Printer	Okidata	OL 1200	
1	Dot Matrix Printer	Seikosha	BP 5780	
1	Dot Matrix Printer	Panasonic	KX-P1180	
1	Power Cell	APC		
1	Typewriter	IBM	Selectric II	
1	Dictating Station	Lanier		
1	Portable Recorder	Lanier	P-165	
3	Large Desk with workstation			
2	Large Desk			
4	Desk Chair			
1	Large Wood Conference Table			
3	Large Wood Credenza			
1	Wood/Glass Display Case			
7	Bookshelves			
10	Metal Filing Cabinets			
13	Leather Chairs			
2	End Tables			
1	Metal Safe	Schwab		
3	Desk			
1	4 x 8 Table			
3	Office Chairs			
2	Filing Cabinets	HON		
1	Sharp Calculator	Sharp	EL-1611	
1	Answering Machine	Phone Mate	2550	
1	Chlorinator Pump	Goulds	HB707	JAS08433
1	Chlorinator Pump	Goulds	HB707	19401708
1	50 HP Motor H.S.	Toshiba	B0504flf3ush	93410513
1	4 x 2 Pump H.S.	Peerless	TL-22803	493194
1	50 HP Motor H.S.	Marathon Electric	4026PB-W	01-91717-6
1	5 x 4 Pump H.S.	Aurora	411 BF	940715D
1	Homelite Mud Hog		3 TP	
1	Chlorine Scales	Wallace & Tiernan		
1	Chlorine Scales	Wallace & Tiernan		
1	Generator Set	Caterpillar	3208	Sufol064
1	50 HP Motor	General Electric		
1	20 HP Motor & Pump	Peerless	6310-J123	6207-22-JKS
1	Hand Truck			

"Exhibit C" (continued)				Page 2 of 2
1	Window Air Conditioner	Whirlpool	Coolerator	
1	Transfer Switch	Zenith		164452
2	Variable Frequency Drives	Allen Bradley	1336	
1	Three Phase Transformer	General Signal	T2H455	LW779-8
1	Credenza			
1	Chlorine Gas Detector	Wallace & Tiernan	50-135	
1	Auto Pacing System	Foxcroft	FX8000	
1	Vacuum Cleaner	Eureka	Victory	
1	Pump Controller	Master Level Controls	15870	15870
3	Master Units	Wallace & Tiernan	V-100	
6	Cylinder Units	Wallace & Tiernan	23909	
1	Calculator	Unisonic	XL1149	
1	Telephone	Universal	TEL4520	RJ-11
1	Weed Eater	Craftsman	358798470	95075n04961
1	Generator Set	Kohler	60R0CJ01	301261
1	Transfer Switch	Kohler	K1663343225	K48252
1	50 HP Well Motor	General Electric	623250	
1	40 HP Well Motor	Hiatachi	689976E	
1	30 HP Well Motor	Franklin Electric	2366069020	
1	Monitoring Well			
1	Peerless Horizontal Pump			
1	Air Conditioner – Island Office			
1	Air Conditioner – Pump Room			
1	Mini Refrigerator – Island Office			
1	Strobe Light			
4	Mobile Phones			
1	Econometrics Auto Switchover System			
1	Television – Island Office			
1	4-Drawer File Cabinet – Island Office			
1	File Cabinet			
1	Computer Desk – Tallahassee Office			
2	Ecometrics Auto Switchover System			
1	Probe for Ground Storage Tank			
2	Lateral File – 4 Drawer			
1	File Cabinet – Tallahassee Office			
1	Wall Unit - Bookshelves			
1	Computer Network Server – Tallahassee Office			
1	15" Computer Monitor			

Genc D. Brown, President

2002

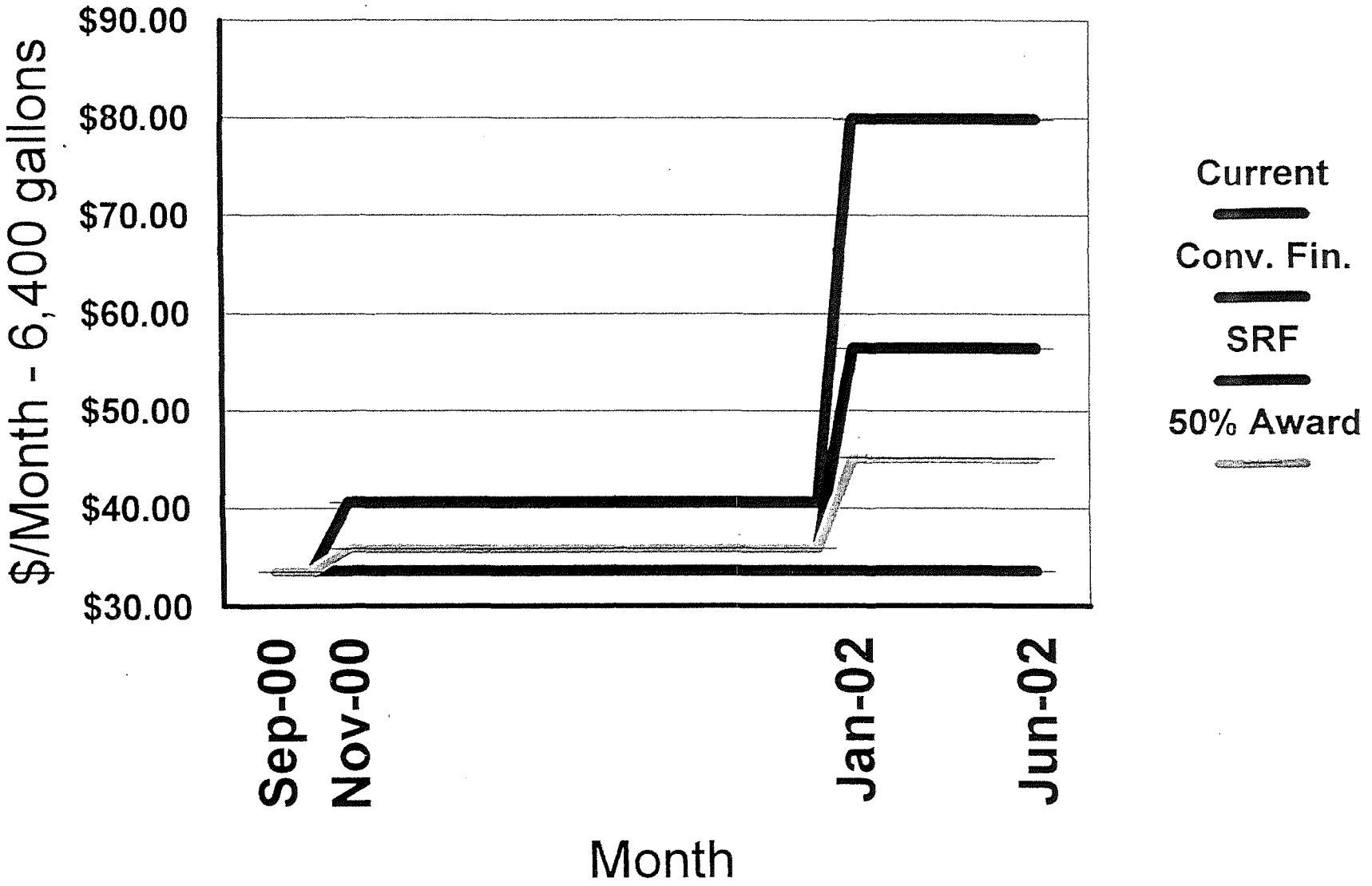
COMPARISON OF AVERAGE MONTHLY RATES *
IN YEAR 2002

	$/Mo.	Pct. Increase
Current Rate	$33.57	
Conventional Financing	79.83	137.80%
State Revolving Fund	56.44	68.13%
SRF and 50% Award	45.10	34.35%

* Based on monthly consumption of 6,400 gallons per month

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 65 of 247

COMPARISON OF MONTHLY RATES



Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 66 of 247

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

JAN 10 2002

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - St. George Island
Supply, Treatment, and Transmission

Dear Mr. Brown:

We are pleased to provide State Revolving Fund financial assistance for construction of your St. George Island water system improvements project. One copy of the fully executed loan agreement is enclosed. To draw money under the agreement, please call Sheri Garcia at 850/488-8163 for assistance in completing a disbursement request.

We congratulate you and your staff on your efforts and are pleased that we can work with you on this project.

Sincerely,

Allan F. Bedwell
Deputy Secretary

AFB/ak/k

Enclosure

cc: Les Thomas - Les Thomas Consulting Engineers
Richard Lott - Central District Office

Department of Environmental Protection

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

February 5, 2002

Mr. Gene Brown, Manager
Waste Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

RE: NOTIFICATION OF PERMIT CLEARANCE & CORRECTION
WMS - Well No. 4
Permit No. 0160827-001-WC/20
Issued March 10, 2000
St. George Island Utility Company

Dear Mr. Brown:

This acknowledges receipt of Certification that the WMS - Well No. 4 has been fully completed, in accordance with the plans and related materials reviewed by this agency, and approved on permit number 0160827-001-WC/20 issued March 10, 2000.

Based on this certification, satisfactory water quality results, and compliance with specific conditions of the permit, we are approving these facilities for service. Your continued cooperation in our water supply program is appreciated.

On a related matter, a letter dated January 30, 2002, from this office, inadvertently cleared Permit Number 175057-002-WC/MA in place of the Well 4 Permit, 0160827-001-WC/20. We would like to take this opportunity to correct the record, as such, 175057-002-WC/MA is still considered "not cleared", however, the WMS - Well No. 4 Project was considered cleared as of January 30. We apologize for any confusion this may have created.

If you have any questions, please contact Mr. Scott Grubbs at (850) 595-8300, extension 1144, (or e-mail at l.scott.grubbs@dep.state.fl.us).

Sincerely,

J. A. Kintz, P.E.
Potable Water Section Supervisor

JAK: sgs

cc: Les M. Thomas, P.E., C.V.S.
Cliff McKeown
Franklin County Department of Health

http://www.dep.state.fl.us/nwd/potabl

Department of
Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Jeb Bush
Governor

David B. Struhs
Secretary

February 28, 2002

Mr. Gene Brown, General Manager
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901_010 St. George Island
Supply, Transmission & Treatment

Dear Mr. Brown:

Change Order Number 2 to the St. George Island Bridge Contract Number 1, with related procurement documentation, is approved. The effective date of this administrative approval is February 28, 2002. Please ensure the validity of the supporting documentation, including the corresponding cost and pricing data, in order to avoid a re-determination of the allowable cost upon audit. This record of approval is to be kept with other approved documents in your possession.

This change order increases the eligible contract price by $477,445.50. The contract price after this addition is $1,228,744.51. There is no extension of the eligible contract time for final completion. This change order is necessitated by a public exigency which will not permit a delay incident to competitive procurement. The bridge deck is currently under a separate construction contract funded by the Florida Department of Transportation. It is our understanding that the installation of the water transmission pipeline must be completed, pressure tested, bacteriologically tested and approved by the Department of Environmental Protection for use within 30 days of the bridge construction being completed or Water Management Services, Inc. will be charged substantial penalties. The cost per foot of installation is significantly less than the engineer's original estimate of construction costs and can, if continued for the remainder of the pipeline construction, result in a savings of approximately $1,785,000.

Approval of this change order does not imply any change in your loan amount. Contingency funds were included in your agreement to cover the project changes. Once these funds are exhausted, any additional changes are totally funded with your own resources. The State of Florida's current drinking water state revolving fund program rule, Chapter 62-552, Florida Administrative Code, allows for amending agreements to obtain additional completion money, but such funding must be scheduled on the annual project priority list. You are encouraged to become familiar with this rule and how it may affect your loan.

If you have any questions, please call Al Bishop, the Bureau's Project Manager, at (850) 488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Les M. Thomas, P.E.

Department of Environmental Protection

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

March 26, 2002

Mr Gene Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

RE: NOTIFICATION OF PERMIT CLEARANCE
St. George Island Utility Company, Ltd. System Improvements - - Partial Clearance
(excludes new line on bridge)
Permit No. 0175057-002-WC/MA
Issued February 8, 2001
St. George Island Utility Company, Ltd.

Dear Mr Brown:

This acknowledges receipt of Certification that the St. George Island Utility Company, Ltd. System Improvements has been partially completed, in accordance with the plans and related materials reviewed by this agency, and approved on permit number 0175057-002-WC/MA issued February 8, 2001.

Based on this certification, satisfactory water quality results, and compliance with specific conditions of the permit, we are approving these facilities for service. Your continued cooperation in our water supply program is appreciated.

If you have any questions, please contact Mr. Scott Grubbs at (850) 595-8300, extension 1144, (or e-mail at l.scott.grubbs@dep.state.fl.us).

Sincerely,

for J. A. Kintz, P. E.
Potable Water Section Supervisor

JAK: sgs

cc: Les M. Thomas, P.E., C.V.S.
Cliff McKeown
Franklin County Department of Health

Department of
Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Jeb Bush
Governor

David B. Struhs
Secretary

May 31, 2002

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

The plans and specifications for Contract Number 2, "New 12" Ductile Iron Raw Water Main on New DOT Bridge" dated April 25, 2002 are in conformance with the requirements set forth in Chapter 62-552, Florida Administrative Code. These plans and specifications are accepted effective May 31, 2002 and replace the plans and specifications previously approved on October 10, 2001.

Our review of your plans and specifications was performed only to verify conformance with the administrative requirements of the Drinking Water State Revolving Fund loan program. We did not review the technical aspects of your plans and specifications in order to avoid duplicating the review performed, or that may be performed, by the permitting agency or agencies. Accordingly, our review does not substitute for any required permitting review(s).

An authorization to incur construction costs prior to executing a loan agreement has previously been issued for your project. There are a number of loan program requirements that you must satisfy to ensure continued allowability of the project costs for financing/ refinancing. Our acceptance of your plans and specifications represents one of the requirements that you have satisfied with respect to this contract. You are advised to review the status of your efforts to satisfy the remainder of these requirements before you proceed with procurement actions related to the accepted plans and specifications.

When you proceed with procurement and after bid opening and evaluation, please submit the bidding information to the Bureau for review. Do not award any contract until the Bureau concurs with your award recommendations. Note that improper or unauthorized procurement may result in the disqualification of contract costs for funding.

Duplicate copies of these plans and specifications should be made available for bidding and for use at the project site. If it is necessary to make changes to the accepted plans and specifications prior to bid opening, the changes are to be made by addendum. Changes made after bid opening are to be accomplished by change order. All addenda and change orders must be submitted to this Bureau for review.

If you have any questions or need further information, please call the Bureau's Project Manager, Al Bishop at 850/488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

Cc: Les Thomas, Les Thomas Consulting Engineers, Inc.

Department of Environmental Protection

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

PERMITTEE:

Gene Brown

I.D. Number: 1190789
Permit/Certification Number: 0080020-002-DS/C
Date of Issue: June 27, 2002

Expiration Date: July 1, 2003
County: Franklin
Latitude/Longitude: N/A
Section/Township/Range: 6/9S/6W
Project: Water System Improvements

This permit is issued under the provisions of Section 403.861, Florida Statutes, and Florida Administrative Code Rules 62-4, 62-550, 62-555, 62-560 and 62-602. The above named applicant, hereinafter called Permittee, is hereby authorized to perform the work or operate the facility shown on the application and approved drawing(s), plans, and other documents attached hereto or on file with the Department and made a part hereof and specifically described as follows:

To construct water system improvements for St. George Island Utilities, Inc. in Franklin County. The project involves the construction of 21,615 L.F. of ductile iron raw water main on the new (under-construction) bridge, the replacement of the existing 840 gpm aerator service with a new 840 aerator, the installation of 20,975 L.F. of new mains to reinforce the system hydraulics (not for new services), the installation of 76 fire hydrants, relocation of the existing electrical controls and variable speed drives to a new electrical dry room, replacement of the existing chlorinators with new chlorinators and scales and a flow proportional control system including the new flow meter.

All construction shall be in accordance with the plans and specifications prepared and submitted by Les M. Thomas, P.E., C.V.S. dated May 24, 2002.

LES THOMAS CONSULTING ENGINEERS

10017 Leafwood Dr. *Tallahassee, Fl.*
850-562-1810 *LThomasPE@AOL.COM* *fax 850-562-9741*

Mr. Al Bishop, P.E. July 10, 2002
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, Fl.

RE: DW1901-010 St. George Island Water System Transmission & Treatment Improvements
Contractor and materials selection
Water Management Services Inc. (WMSI)

Dear Mr. Bishop:

Water Management Services, Inc. has solicited proposals for the new 12" water main materials and installation.

Water Management Services, Inc was successful in negotiating a price with BOH BROS Company, the State of Florida Department of Transportation's bridge constructor for the installation of the water main at a cost of $1,233,664.00. Additionally, Water Management Services, Inc was able to solicit quotations for the materials as follows:

Item	
12" DI pipe	$ 402,192.35
Pipe Coating	$ 96,618.60
Hangers	$ 551,000.00
Air Release Valves	$ 2,360.00
Expansion Joints	$ 79,040.00
Butterfly Valves	$ 3,660.00
	$1,134,870.90
Installation by BOH BROS	$1,233,664.00
Total Cost	$2,368534.90
Sales Tax	165,797.44
Total with tax	$ 2,534,332.30

Please note that the project was publically bid and the low bid was $ 3,185,156.69. Therefore the savings is $650,824.30. We believe that by having the bridge contractor install the pipeline, we will also save by not having to expose ourselves to the potential of the extreme liquidated damages as BOH BROS will now be completely responsible for completing the work on time.

If you have any questions or if we may be of assistance, please do not hesitate to call.

Sincerely,

Les M. Thomas, P.E., C.V.S.
cc: Mr. Gene Brown, General Manager, W.M.S. Inc.

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

July 16, 2002

Mr. Gene Brown, General Manager
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 – St. George Island
Supply, Treatment & Transmission

Dear Mr. Brown:

We understand that Water Management Services, Inc. has made extensive efforts to competitively bid this project, but the time and monetary constraints necessitated by the Florida Department of Transportation bridge construction schedule (including significant liquidated damages if delays result from pipeline construction) have made this type of procurement impossible. Since this is a matter of public exigency and it is in the best interest of public health and welfare, an alternative to competitive procurement is warranted.

Your request, dated July 2, 2002, to use competitive negotiation to procure approximately 16,524 linear feet of Ductile Iron Pipe, stainless steel hangers and inserts, expansion joints, and air release valves and other associated materials is approved. Please identify the negotiated prices in the construction contract bid forms. Please note the following:

1. You are to obtain from the selected supplier/vendor certifications that their material production, storage, and transportation facilities are not included on the U.S. Environmental Protection Agency's list of Violating Facilities under Section 306 of the Clean Air Act, Section 508 of the Clean Water Act, and Executive Order 11738 and certifications that neither the corporations nor their principals are presently debarred or suspended from, proposed for debarment from, declared ineligible for, or voluntarily excluded from participation in Federal assistance programs under Executive Order 12549. The certification of compliance must be submitted to this Bureau together with your request for contract award endorsement.

2. You are to maintain, in your permanent project files, full documentation of the negotiations including a summary of how the price was achieved.

In addition, your request to use competitive negotiation to procure the Contractor for the installation of the above referenced material for this project is approved. Please identify the contractor selected through the competitive negotiation process in the contract document. Please note the following:

1. You are to obtain from the selected contractor certifications that neither the corporations nor their principals are presently debarred or suspended from, proposed for debarment from, declared ineligible for, or voluntarily excluded from participation in Federal assistance programs

under Executive Order 12549. The certification of compliance must be submitted to this Bureau together with your request for contract award endorsement.

2. You are to maintain, in your permanent project files, full documentation of the negotiations including a summary of how the contractor was selected.

If you have any questions or need further information, please call Al Bishop, the Bureau's Project Manager, at 850/488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Les Thomas, Les Thomas Consulting Engineers

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

July 16, 2002

Mr. Gene Brown, General Manager
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901-010 – St. George Island
Supply, Treatment & Transmission

Dear Mr. Brown:

We understand that Water Management Services, Inc. has made extensive efforts to competitively bid this project, but the time and monetary constraints necessitated by the Florida Department of Transportation bridge construction schedule (including significant liquidated damages if delays result from pipeline construction) have made this type of procurement impossible. Since this is a matter of public exigency and it is in the best interest of public health and welfare, an alternative to competitive procurement is warranted.

Your request, dated July 2, 2002, to use competitive negotiation to procure approximately 16,524 linear feet of Ductile Iron Pipe, stainless steel hangers and inserts, expansion joints, and air release valves and other associated materials is approved. Please identify the negotiated prices in the construction contract bid forms. Please note the following:

1. You are to obtain from the selected supplier/vendor certifications that their material production, storage, and transportation facilities are not included on the U.S. Environmental Protection Agency's list of Violating Facilities under Section 306 of the Clean Air Act, Section 508 of the Clean Water Act, and Executive Order 11738 and certifications that neither the corporations nor their principals are presently debarred or suspended from, proposed for debarment from, declared ineligible for, or voluntarily excluded from participation in Federal assistance programs under Executive Order 12549. The certification of compliance must be submitted to this Bureau together with your request for contract award endorsement.

2. You are to maintain, in your permanent project files, full documentation of the negotiations including a summary of how the price was achieved.

In addition, your request to use competitive negotiation to procure the Contractor for the installation of the above referenced material for this project is approved. Please identify the contractor selected through the competitive negotiation process in the contract document. Please note the following:

1. You are to obtain from the selected contractor certifications that neither the corporations nor their principals are presently debarred or suspended from, proposed for debarment from, declared ineligible for, or voluntarily excluded from participation in Federal assistance programs

under Executive Order 12549. The certification of compliance must be submitted to this Bureau together with your request for contract award endorsement.

2. You are to maintain, in your permanent project files, full documentation of the negotiations including a summary of how the contractor was selected.

If you have any questions or need further information, please call Al Bishop, the Bureau's Project Manager, at 850/488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Les Thomas, Les Thomas Consulting Engineers

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

August 5, 2002

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

We have reviewed the procurement information for the Bridge Pipeline (Contract #2). This negotiated procurement is acceptable, and we approve the award of this contract to BOH Brothers Company in the amount of $1,233,664 for installation only. This letter is your authorization to award the contract. Please submit the attached certification of contractor's insurance and bonding after the contract is executed to: DEP Bureau of Water Facilities Funding, 2600 Blair Stone Road M.S. 3505, Tallahassee, Florida 32399-2400. Note that all change orders must be submitted for our review.

We also approve the separate purchase of materials by Water Management Services, Inc. in the amount of $1,300,668.34. We understand that both the installation and materials costs do not exceed the price of these items in the lowest bid received for this project.

Please assure that the records retention requirements in our letter of July 16 are met for the contract and materials purchases, and that all invoices are submitted with your disbursement requests.

If we may be of assistance, please call Mary Patt Talton at (850)488-8163.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/mpt

Enclosure

cc: Les Thomas - Les Thomas Consulting Engineers

Financial Statement for Auditors

Through September 30, 2002

Project Sponsor: Water Management Services, Inc. **FEID Number:** 59-3449317

Project Number: DW1901 010 **CFDA Number:** 66.468

For the purposes of the Single Audit Act, disbursements for this loan ARE considered federal funds under a grant from the Environmental Protection Agency, CFDA 66.468, Capitalization Grants for Drinking Water State Revolving Fund.

Assistance Award Recap

Increment	Award Date	Loan Amount	Int Rate
Initial Award	12/20/2001	3,000,000	3.05

Amount Disbursed Through 9/30/02:	2,238,518	
Amount Disbursed 10/1/01-9/30/02:	2,238,518	
Service Fees Assessed Through 9/30/02:	58,252	
Service Fees Assessed 10/1/01-9/30/02:	58,252	
Capitalized Interest Through 9/30/02:	27,138.31	
Service Fee Cap Int Through 9/30/02:	1,382.41	
Principal Paid Through 9/30/02:	0	
Principal Paid 10/1/01-9/30/02:	0	
S. F. Charges Paid Through 9/30/02:	0	
S. F. Charges Paid 10/1/01-9/30/02:	0	
Interest Paid Through 9/30/02:	0	
Interest Paid 10/1/01-9/30/02:	0	
Unpaid Principal As Of 9/30/02:	2,265,656.31	
Unpaid S. F. Charges As Of 9/30/02:	59,634.41	
Interest Due As Of 9/30/02:	0	
S. F. Interest Due As Of 9/30/02:	0	
Total Due As Of 9/30/02:	2,325,290.72	
Repayments Made As Of 9/30/02:	0	
Repayments Remaining As Of 9/30/02:	40	
Present Repayment Amount:	104,894.00	
Semiannual Repayment Dates:	May 15	& November 15

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

November 15, 2002

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

Our records indicate that you received funds from the State Revolving Fund program during your FY 2002. The Federal Single Audit Act requires that you submit an annual audit report if you received $300,000 or more in total funding from federal sources during your fiscal year. The audit requirements are contained in OMB Circular A-133. This document is available on the Office of Management and Budget website (http://www.whitehouse.gov/omb/circulars/a133/a133.html). If this new requirement was not in your loan agreement, it will be incorporated in your next loan amendment.

Attached is a statement containing the information that your auditor will need to perform an audit. If your auditor determines that you must submit an audit, please send a copy to the address below as soon as it is available:

ATTN: Mary Patt Talton
Bureau of Water Facilities Funding
Department of Environmental Protection
2600 Blair Stone Road, MS #3505
Tallahassee, Florida 32399-2400

If you have any questions, please call me at (850) 245-8358.

Sincerely,

Mary Patt Talton
Government Operations Consultant
Bureau of Water Facilities Funding

mpt

Enclosure

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

December 20, 2002

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

Enclosed are three original copies of proposed Amendment 1 to your State Revolving Fund loan agreement. The amendment provides an additional $3,080,883 for this project.

The incremental loan principal of $3,097,583, which includes estimated capitalized interest, is subject to State documentary stamp tax at the rate of $0.35 per $100 or fraction thereof. Please write a check in the amount of $10,841.60 payable to the Department of Revenue and send it to me with the signed amendments.

Please sign and have the appropriate officials **sign and notorize** the enclosed three copies and return them to us within three weeks at 2600 Blair Stone Road, Mail Station 3505, Tallahassee, Florida, 32399-2400. We will arrange for the Department Secretary to sign the document and mail a fully executed copy to you. If the signed amendment is not received by us before January 1, 2003, this additional loan may be subject to a higher interest rate.

If you have any questions, please call Angela Knecht at (850) 245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ak

Enclosures

cc: Les Thomas - Les Thomas Consulting Engineers

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32309
(850) 668-0440 • FAX (850) 668-0441

December 31, 2002

HAND DELIVERY

Mr. Don W. Berryhill, P.E.
Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399

Re: DW1901010-Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Berryhill:

Enclosed are three signed and notarized copies of proposed Amendment I to our State Revolving Fund loan agreement. Also enclosed is our check in the amount of $10,841.60 for the state documentary stamp tax.

Please let me know if you anything additional.

Sincerely,

Gene D. Brown

GDB:smc
Enclosures

2003

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

JAN 16 2003

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

We are pleased to provide additional financing under the State Revolving Fund program for construction of your potable water project. Enclosed is one copy of Amendment 1 to your loan. The amendment is now in effect.

We congratulate you and your staff on your efforts and are pleased that we can continue working with you on this project.

If we may be of further assistance, please contact Angela Knecht at 850/245-8358, or write to Ms. Knecht, MS 3505, at the letterhead address.

Sincerely,

Allan F. Bedwell
Deputy Secretary

AFB/ak/k

Enclosure

cc: Les Thomas - Les Thomas Consulting Engineers
John Kintz - Northwest District Office

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

March 14, 2003

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

This is to remind you to establish the Loan Debt Service Account (also referred to as the "Monthly Escrow Account" in some older loan agreements) and the Loan Repayment Reserve Account in accordance with the loan agreement, as amended, for your project. These accounts should be either a separate account or a separate general ledger account where the funds are maintained in a pooled or liquid account. The date by which the monthly loan debt service deposits are to begin and the repayment reserve established is May 15, 2003.

Loan proceeds in the amount of $177,113 are available for the deposit. The project sponsor must contribute the remaining $209,785 for the balance of the deposit requirement in accordance with Subsection 10.07 (7) of Amendment 1. The total deposit requirement to your loan repayment reserve account is $386,898.

You may include $117,113 on your next disbursement request. Please allow time for our review and for the State Comptroller to issue to warrant.

For more information please consult your loan agreement. If you have any questions, please call Cindy Doyle at 850/245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/cd

5173

WATER MANAGEMENT SERVICES, INC.
3848 KILLEARN CT.
TALLAHASSEE, FL 32308

63-762/631

DATE 01/02/03

PAY TO THE ORDER OF Department of Revenue $ 10841 60/xx

Ten thousand eight hundred forty one 60/100 DOLLARS

Gulf State Community BANK
St. George Island, FL 32328

FOR [redacted]

MP

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

April 18, 2003

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

Change Order Number 2 to the Boh Brothers Construction Company Contract (Contract No.2), with related procurement documentation, is approved. The effective date of this administrative approval is April 18, 2003. The items included in this change order are those previously approved in the Project Revision Memorandum issued on November 8, 2002, and subsequently modified by your request of December 19, 2002. Please ensure the validity of the supporting documentation, including the corresponding cost and pricing data, in order to avoid a re-determination of the allowable cost upon audit. This record of approval is to be kept with other approved documents in your possession.

This change order modifies 4 items which increase the eligible contract price by $1,150,829. The contract price after this addition is $2,454,104.

Approval of this change order does not imply any change in your loan amount. Contingency funds were included in your loan to cover the project changes. Once these funds are exhausted, any additional changes are totally funded with your own resources. The State of Florida's current revolving fund program rule, Chapter 62-552, F.A.C., allows for amending loan agreements to obtain additional completion money, but such funding must be scheduled on the annual project priority list. You are encouraged to become familiar with this rule and how it may affect your loan.

If you have any questions, please call Al Bishop, the Bureau's Project Manager, at (850) 245-8393.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

May 2, 2003

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Dear Mr. Brown:

I would like to extend a personal invitation to you to attend our annual Florida Engineering Society/DEP Water Facility State Revolving Fund (SRF) Workshop. The workshop will be held on June 11 and 12 at the University Center Club in the Stadium at Florida State University in Tallahassee. You will hear about available funding opportunities for your water, wastewater, and stormwater infrastructure and nonpoint source projects as well as discussions on a number of changes in the program. We will also have presentations about asset management, decentralized systems, and contract operations. Please visit our web site at www.dep.state.fl.us/water/wff for an agenda, map, hotel information, and registration form.

I hope that you and your associates will take advantage of this opportunity to participate in our workshop. If you have questions about the workshop, or do not have Internet access, please contact me or Anita Contreras at (850) 245-8358 (Anita.Contreras@dep.state.fl.us). I look forward to seeing you at the workshop.

Very truly yours,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/alc

REGISTRATION FORM

The 2003 Water Facility State Revolving Fund (SRF) Workshop

June 11 & 12, 2003
University Center Club
at Doak Campbell Stadium, Florida State University
Tallahassee, Florida

Name _____ First Name for Badge Gene ☐PE ☐PLS ☐EI

Firm Water Management Services Address 3848 Killearn Ct.

City/State Talla. FL Zip 32309 Phone (850) _____ FAX # _____

E-mail address: gbrown@ista1.com

Registration Fees: (Includes one luncheon, two breaks, and one reception.) ☐ $125 Gov Rate ☐ $249 FES/FICE Member ☒ $349 Non-Members

Pre-Registration Required – Only registration forms with full payment will be accepted (VISA, MC, or check in advance will be accepted as full payment).

Payment Deadline - May 29, 2003. After May 29, registration will be accepted on a space available basis **plus a $50 late fee.** ***Please call for availability (800-277-0086).***

Confirmation letter is **proof** of your registration. If you have not received one within 10 business days of your registration, please call 800-277-0086.

Cancellation Policy – Requests for registration cancellation must be received in writing before 5:00pm, May 27, 2003. The **cancellation fee is $50**. No refunds will be issued for cancellations after May 27. Substitutions are permitted at any time. However, if non-members take the place of members, a full non-member registration fee will be charged. Please be prepared to pay at the registration desk.

Tax Deductibility -- Registration fees may or may not be tax deductible. Check with your accountant.

Continuing Education Credit: Participants will earn up to 4 PDHs of technical engineering credit that can be used for Florida PE License renewal.

Charge to: ☐ Master Card ☐ VISA Card Number: _____ Exp. Date: _____

Amount $ _____ Name on Card _____

Signature _____

Three Convenient Ways to Register Please make **checks payable to Florida Engineering Society**

Mail form & payment to **SRF Workshop**, PO Box 750, Tallahassee, FL 32302-0750

Web site registrations with credit card information – www.fleng.org.seminars.cfm (Open 24/7)

FAX Registration Form & Credit Card number to 850-222-4349 (Open 24/7)

Questions? Call FES 850-224-7121 or 800-277-0086 E-mail: gfield@fleng.org

(Check here _____ "Speaker – No Registration Fee", if applicable.)

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

May 23, 2003

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.

Dear Mr. Brown:

Section 10.08(1) and Attachment A of the above mentioned State Revolving Fund loan agreement states that the loan repayment reserve account must be assigned to the Department. Attachment A of the loan agreement permits the assignment of the account to be revoked with the written concurrence of the Department. Please accept this letter as the Department's waiver of the requirement to assign the account.

In lieu of assigning the account, the Department will require a copy of the most recent bank statement for the loan repayment reserve account at the time the annual certification is due. According to the loan agreement, the initial annual certification is due August 15, 2003. Thereafter, the certification shall be submitted no later than September 30 of each year until the final payment is made.

If you have any questions regarding this information, please call Angela Knecht at 850/245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ak

cc: Les Thomas - Les Thomas Consulting Engineers
Matthew Granger - Guaranty National Bank

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

July 11, 2003

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901010—Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

The State Revolving Loan Rules and your loan agreement require an annual certification by the authorized representative or chief financial officer regarding pledged revenue collections, the escrow account for loan repayments, the loan repayment reserve account, and insurance. The certification for your loan is due August 15. Enclosed is a form to assist you in providing the certification. If you have any questions, please call me at (850) 245-8358.

Sincerely,

Mary Patt Talton
Bureau of Water Facilities Funding

Enclosure

mpt

ANNUAL CERTIFICATION FOR STATE REVOLVING FUND LOAN

This certification is required annually until the loan has been fully paid. The first certification must be submitted by the due date specified in the most recent loan agreement or amendment. Thereafter, it may be submitted either with the annual audit or by the end of the Project Sponsor's fiscal year.

I, _____ , _____ , on behalf of
(Name)* (Title)

Water Management Services, Inc., do hereby certify, with respect to Loan DW1901010, that

1. Pledged revenue collections satisfy, on a pro rata basis, the rate coverage requirement specified in Article V of the loan agreement.

2. A Monthly Escrow Account is being maintained for repayment of the loan and that account contains funds in the amount required under Article III of the loan agreement;

3. A Loan Repayment Reserve Account is being maintained in accordance with Article III of the loan agreement

4. Insurance, if applicable, including that issued through the National Flood Insurance Program authorized under 42 U.S.C., secs. 4001-4128. This insurance, which adequately covers the customary risks to the extent that such insurance is available, is in effect for the described Project and the other Revenue Producing Facilities in accordance with Article IX of the loan agreement. The risks covered are those customarily insured against in connection with the operation of revenue producing facilities of like size, type and location to the extent that such insurance is obtainable at this date.

_____ _____
(Signature) (Date)

*The Project Sponsor's Chief Financial Officer or the Authorized Representative designated in the agreement is to sign this certification.

State Revolving Fund Loan Payment Reminder Notice

October 13, 2003

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Florida Department of Environmental Protection

Sponsor	Project No.	Payment No.	Date Due	Amount Due
Water Management Services, Inc.	1901010	1	11/15/03	$209,823.00

ELECTRONIC TRANSFER ADDRESS: FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
Bank of America, N.A.
ABA: 063100277
Account: 001000004444
Account Name: STATE TREASURER'S CONCENTRATION ACCOUNT
Memorandum Field: DEP 245-2456 DWSRF 190101

NOTE: The loan agreement requires electonic transfer of funds if your banking institution has that capability. If your bank is unable to transfer payment electronically call Sheri Garcia at (850) 245-8377.

Please call Linda Chitty at (850) 245-2456 when you transmit your payment for prompt crediting of your account.

If you have any questions regarding this notice or your loan account balance, contact one of our loan repayment staff directly: Carleen Pruyn at (850) 245-8395 or David Courson (850) 245-8391.

2004

ANNUAL CERTIFICATION FOR STATE REVOLVING FUND LOAN

This certification is required annually until the loan has been fully paid. The first certification must be submitted by the due date specified in the most recent loan agreement or amendment. Thereafter, it may be submitted either with the annual audit or by the end of the Project Sponsor's fiscal year.

I, Gene D. Brown (Name)*, President (Title), on behalf of

Water Management Services, Inc., do hereby certify, with respect to Loan DW1901010, that

1. Pledged revenue collections satisfy, on a pro rata basis, the rate coverage requirement specified in Article V of the loan agreement.

2. A Monthly Escrow Account is being maintained for repayment of the loan and that account contains funds in the amount required under Article III of the loan agreement;

3. A Loan Repayment Reserve Account is being maintained in accordance with Article III of the loan agreement

4. Insurance, if applicable, including that issued through the National Flood Insurance Program authorized under 42 U.S.C., secs. 4001-4128. This insurance, which adequately covers the customary risks to the extent that such insurance is available, is in effect for the described Project and the other Revenue Producing Facilities in accordance with Article IX of the loan agreement. The risks covered are those customarily insured against in connection with the operation of revenue producing facilities of like size, type and location to the extent that such insurance is obtainable at this date.

(Signature) 2-2-04 (Date)

*The Project Sponsor's Chief Financial Officer or the Authorized Representative designated in the agreement is to sign this certification.

RECEIVED

FEB 04 2004

DEPT. OF ENVIRONMENTAL PROTECTION
BUREAU OF WATER FACILITIES FUNDING

ANNUAL CERTIFICATION FOR STATE REVOLVING FUND LOAN

This certification is required annually until the loan has been fully paid. The first certification must be submitted by the due date specified in the most recent loan agreement or amendment. Thereafter, it may be submitted either with the annual audit or by the end of the Project Sponsor's fiscal year.

I, Gene D. Brown (Name)*, President (Title), on behalf of

Water Management Services, Inc., do hereby certify, with respect to Loan DW1901010, that

1. Pledged revenue collections satisfy, on a pro rata basis, the rate coverage requirement specified in Article V of the loan agreement.

2. A Monthly Escrow Account is being maintained for repayment of the loan and that account contains funds in the amount required under Article III of the loan agreement;

3. A Loan Repayment Reserve Account is being maintained in accordance with Article III of the loan agreement

4. Insurance, if applicable, including that issued through the National Flood Insurance Program authorized under 42 U.S.C., secs. 4001-4128. This insurance, which adequately covers the customary risks to the extent that such insurance is available, is in effect for the described Project and the other Revenue Producing Facilities in accordance with Article IX of the loan agreement. The risks covered are those customarily insured against in connection with the operation of revenue producing facilities of like size, type and location to the extent that such insurance is obtainable at this date.

(Signature) 2-2-04 (Date)

*The Project Sponsor's Chief Financial Officer or the Authorized Representative designated in the agreement is to sign this certification.

RECEIVED

FEB 04 2004

DEPT. OF ENVIRONMENTAL PROTECTION
BUREAU OF WATER FACILITIES FUNDING

Department of Environmental Protection

Jeb Bush
Governor

Northwest District
160 Governmental Center
Pensacola, Florida 32501-5794

David B. Struhs
Secretary

February 17, 2004

Mr. Gene Brown
Water Management Services, Inc.
3848 Killiam Court
Tallahassee, Florida 32308

Dear Mr. Brown:

This acknowledges receipt of the certification of completion, received by this office on February 4, 2004, that the *WMSI Upgrade DOT Bridge Line* project has been partially completed (*21,615 feet on the new bridge, a new aerator, and all plant work)*, in accordance with the plans and related materials reviewed by this agency, and approved on permit number 0080020-002-DG/S issued June 27, 2002.

Based on this certification, satisfactory water quality results, and compliance with specific conditions of the permit, we are approving these facilities for service from St. George Island Utilities, Inc. (PWS ID No. 1190789).

If you have any questions, please contact Scott Grubbs at (850) 595-8300, extension 1144, (or e-mail at scott.grubbs@floridadep.net).

Sincerely,

John H. Pope
Potable Water Section Supervisor

JHP: sg

cc: Les M. ThomAS, P.E.
Cliff McKeown
Franklin County Department of Health

1670 - 10:18 AM
Franklin

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

David B. Struhs
Secretary

March 1, 2004

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

We have reviewed the annual certification regarding pledged revenue collections, escrow account balances, loan repayment reserve account, and insurance coverage for your State Revolving Fund loan.

The certification is accepted.

Sincerely,

Mary Patt Talton

Mary Patt Talton, Operations and Management Consultant
Bureau of Water Facilities Funding

MPT/ch

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

April 14, 2004

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

Change Order Numbers 3, 4, 5, 7 and 9 to the Boh Brothers Construction Company Contract (Contract No.2), with related procurement documentation, are approved. The effective date of this administrative approval is April 14, 2003. The items included in this change order are those previously approved in the Project Revision Memorandum issued on November 8, 2002, and subsequently modified by your request of December 19, 2002. Please ensure the validity of the supporting documentation, including the corresponding cost and pricing data, in order to avoid a re-determination of the allowable cost upon audit. This record of approval is to be kept with other approved documents in your possession.

These change orders increase the eligible contract price by $166,854.01. The contract price after this addition is $2,620,958.01.

Approval of these change orders does not imply any change in your loan amount. Contingency funds were included in your loan to cover the project changes. Once these funds are exhausted, any additional changes are totally funded with your own resources. The State of Florida's current revolving fund program rule, Chapter 62-552, F.A.C., allows for amending loan agreements to obtain additional completion money, but such funding must be scheduled on the annual project priority list. You are encouraged to become familiar with this rule and how it may affect your loan.

If you have any questions, please call Al Bishop, the Bureau's Project Manager, at (850) 245-8393.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Les Thomas, P.E.

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

April 14, 2004

Mr. Gene Brown, General Manager
Water Management Systems, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901_010 Water Management Services, Inc.
Supply, Transmission & Treatment

Dear Mr. Brown:

Change Order Number 4 to the St. George Island Bridge Contract Number 1 (Blankenship Contracting, Inc.), with related procurement documentation, is approved. The effective date of this administrative approval is April 14, 2004. Please ensure the validity of the supporting documentation, including the corresponding cost and pricing data, in order to avoid a re-determination of the allowable cost upon audit. This record of approval is to be kept with other approved documents in your possession.

This change order decreases the eligible contract price by $67,755.78. The contract price after this decrease is $1,241,730.83. The eligible contract time for final completion is not affected by this decrease.

Approval of this change order does not imply any change in your loan amount. Contingency funds were included in your loan agreement to cover the project changes. Once these funds are exhausted, any additional changes are totally funded with your own resources. The State of Florida's current revolving fund program rule, Chapter 62-552, allows for amending loan agreements to obtain additional completion money, but such funding must be scheduled on the annual project priority list. You are encouraged to become familiar with this rule and how it may affect your loan.

If you have any questions, please call Al Bishop, the Bureau's Project Manager, at (850) 245-8393.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

cc: Les Thomas, P.E.

Final Repayment Calculation

Project Sponsor: Water Management Services, Inc. Project Number 190101

Last Repayment Date: 5/15/2004

Number of Repayments Remaining 38

Initial Loan			Rate: 3.05%			Semiannual Repayment Amount
Date	Bal. Fwd.	Disbs/SFs	Interest	Total Owed At 11/15/2004	Present Value* At 5/15/2004	
5/15/2004	3,014,865.35		45,976.70	3,060,842.05		
Subtotals	3,014,865.35	0	45,976.70	3,060,842.05	3,014,865.35	105,121.82

Amendment 1			Rate: 2.93%			Semiannual Repayment Amount
Date	Bal. Fwd.	Disbs/SFs	Interest	Total Owed At 11/15/2004	Present Value* At 5/15/2004	
5/15/2004	2,989,410.01		43,794.86	3,033,204.87		
5/21/2004		12,331	176.19	12,507.19		
Subtotals	2,989,410.01	12,331	43,971.05	3,045,712.06	3,001,736.62	103,573.07
Totals	6,004,275.36	12,331	89,947.75	6,106,554.11	6,016,601.97	208,694.89

*The present value is the amount owed at the repayment date divided by (1+(interest rate)/2).

Amortization Schedule

Project Sponsor: Water Management Services, Inc. Project Number: DW1901010

Initial Loan Rate: 3.05%

Date	No.	Payment	Serv. Fee	SF Interest	Interest	Principal	Amount to be Repaid
5/15/2003							3,136,589.76
11/15/2003	1	111,069.76	60,761.04	926.61	46,906.39	2,475.72	3,073,353.00
5/15/2004	2	105,356.28			46,868.63	58,487.65	3,014,865.35
11/15/2004	3	105,121.82			45,976.70	59,145.12	2,955,720.23
5/15/2005	4	105,121.82			45,074.73	60,047.09	2,895,673.14
11/15/2005	5	105,121.82			44,159.02	60,962.80	2,834,710.34
5/15/2006	6	105,121.82			43,229.33	61,892.49	2,772,817.85
11/15/2006	7	105,121.82			42,285.47	62,836.35	2,709,981.50
5/15/2007	8	105,121.82			41,327.22	63,794.60	2,646,186.90
11/15/2007	9	105,121.82			40,354.35	64,767.47	2,581,419.43
5/15/2008	10	105,121.82			39,366.65	65,755.17	2,515,664.26
11/15/2008	11	105,121.82			38,363.88	66,757.94	2,448,906.32
5/15/2009	12	105,121.82			37,345.82	67,776.00	2,381,130.32
11/15/2009	13	105,121.82			36,312.24	68,809.58	2,312,320.74
5/15/2010	14	105,121.82			35,262.89	69,858.93	2,242,461.81
11/15/2010	15	105,121.82			34,197.54	70,924.28	2,171,537.53
5/15/2011	16	105,121.82			33,115.95	72,005.87	2,099,531.66
11/15/2011	17	105,121.82			32,017.86	73,103.96	2,026,427.70
5/15/2012	18	105,121.82			30,903.02	74,218.80	1,952,208.90
11/15/2012	19	105,121.82			29,771.19	75,350.63	1,876,858.27
5/15/2013	20	105,121.82			28,622.09	76,499.73	1,800,358.54
11/15/2013	21	105,121.82			27,455.47	77,666.35	1,722,692.19
5/15/2014	22	105,121.82			26,271.06	78,850.76	1,643,841.43
11/15/2014	23	105,121.82			25,068.58	80,053.24	1,563,788.19
5/15/2015	24	105,121.82			23,847.77	81,274.05	1,482,514.14
11/15/2015	25	105,121.82			22,608.34	82,513.48	1,400,000.66
5/15/2016	26	105,121.82			21,350.01	83,771.81	1,316,228.85
11/15/2016	27	105,121.82			20,072.49	85,049.33	1,231,179.52
5/15/2017	28	105,121.82			18,775.49	86,346.33	1,144,833.19
11/15/2017	29	105,121.82			17,458.71	87,663.11	1,057,170.08
5/15/2018	30	105,121.82			16,121.84	88,999.98	968,170.10
11/15/2018	31	105,121.82			14,764.59	90,357.23	877,812.87
5/15/2019	32	105,121.82			13,386.65	91,735.17	786,077.70
11/15/2019	33	105,121.82			11,987.68	93,134.14	692,943.56
5/15/2020	34	105,121.82			10,567.39	94,554.43	598,389.13
11/15/2020	35	105,121.82			9,125.43	95,996.39	502,392.74
5/15/2021	36	105,121.82			7,661.49	97,460.33	404,932.41
11/15/2021	37	105,121.82			6,175.22	98,946.60	305,985.81
5/15/2022	38	105,121.82			4,666.28	100,455.54	205,530.27
11/15/2022	39	105,121.82			3,134.34	101,987.48	103,542.79
5/15/2023	40	105,121.82			1,579.03	103,542.79	0.00
Subtotals		4,211,055.20	60,761.04	926.61	1,073,538.83	3,075,828.72	

Amortization Schedule

Project Sponsor: Water Management Services, Inc. Project Number: DW1901010

Amendment 1 Rate: 2.93%

Date	No.	Payment	Serv. Fee	SF Interest	Interest	Principal	Amount to be Repaid
5/15/2003							2,401,931.83
11/15/2003	1	98,753.24	60,471.30	885.90	23,321.83	14,074.21	2,327,386.32
5/15/2004	2	104,466.72			38,606.41	65,860.31	2,989,410.01
11/15/2004	3	103,573.07			43,971.05	59,602.02	2,942,138.99
5/15/2005	4	103,573.07			43,102.34	60,470.73	2,881,668.26
11/15/2005	5	103,573.07			42,216.44	61,356.63	2,820,311.63
5/15/2006	6	103,573.07			41,317.57	62,255.50	2,758,056.13
11/15/2006	7	103,573.07			40,405.52	63,167.55	2,694,888.58
5/15/2007	8	103,573.07			39,480.12	64,092.95	2,630,795.63
11/15/2007	9	103,573.07			38,541.16	65,031.91	2,565,763.72
5/15/2008	10	103,573.07			37,588.44	65,984.63	2,499,779.09
11/15/2008	11	103,573.07			36,621.76	66,951.31	2,432,827.78
5/15/2009	12	103,573.07			35,640.93	67,932.14	2,364,895.64
11/15/2009	13	103,573.07			34,645.72	68,927.35	2,295,968.29
5/15/2010	14	103,573.07			33,635.94	69,937.13	2,226,031.16
11/15/2010	15	103,573.07			32,611.36	70,961.71	2,155,069.45
5/15/2011	16	103,573.07			31,571.77	72,001.30	2,083,068.15
11/15/2011	17	103,573.07			30,516.95	73,056.12	2,010,012.03
5/15/2012	18	103,573.07			29,446.68	74,126.39	1,935,885.64
11/15/2012	19	103,573.07			28,360.72	75,212.35	1,860,673.29
5/15/2013	20	103,573.07			27,258.86	76,314.21	1,784,359.08
11/15/2013	21	103,573.07			26,140.86	77,432.21	1,706,926.87
5/15/2014	22	103,573.07			25,006.48	78,566.59	1,628,360.28
11/15/2014	23	103,573.07			23,855.48	79,717.59	1,548,642.69
5/15/2015	24	103,573.07			22,687.62	80,885.45	1,467,757.24
11/15/2015	25	103,573.07			21,502.64	82,070.43	1,385,686.81
5/15/2016	26	103,573.07			20,300.31	83,272.76	1,302,414.05
11/15/2016	27	103,573.07			19,080.37	84,492.70	1,217,921.35
5/15/2017	28	103,573.07			17,842.55	85,730.52	1,132,190.83
11/15/2017	29	103,573.07			16,586.60	86,986.47	1,045,204.36
5/15/2018	30	103,573.07			15,312.24	88,260.83	956,943.53
11/15/2018	31	103,573.07			14,019.22	89,553.85	867,389.68
5/15/2019	32	103,573.07			12,707.26	90,865.81	776,523.87
11/15/2019	33	103,573.07			11,376.07	92,197.00	684,326.87
5/15/2020	34	103,573.07			10,025.39	93,547.68	590,779.19
11/15/2020	35	103,573.07			8,654.92	94,918.15	495,861.04
5/15/2021	36	103,573.07			7,264.36	96,308.71	399,552.33
11/15/2021	37	103,573.07			5,853.44	97,719.63	301,832.70
5/15/2022	38	103,573.07			4,421.85	99,151.22	202,681.48
11/15/2022	39	103,573.07			2,969.28	100,603.79	102,077.69
5/15/2023	40	103,573.13			1,495.44	102,077.69	0.00
Subtotals		4,138,996.68	60,471.30	885.90	995,963.95	3,081,675.53	

Amortization Schedule

Project Sponsor: Water Management Services, Inc. Project Number: DW1901010

All Increments Combined

Date	No.	Payment	Serv. Fee	SF Interest	Interest	Principal	Amount to be Repaid
5/15/2003							5,538,521.59
11/15/2003	1	209,823.00	121,232.34	1,812.51	70,228.22	16,549.93	5,400,739.32
5/15/2004	2	209,823.00			85,475.04	124,347.96	6,004,275.36
11/15/2004	3	208,694.89			89,947.75	118,747.14	5,897,859.22
5/15/2005	4	208,694.89			88,177.07	120,517.82	5,777,341.40
11/15/2005	5	208,694.89			86,375.46	122,319.43	5,655,021.97
5/15/2006	6	208,694.89			84,546.90	124,147.99	5,530,873.98
11/15/2006	7	208,694.89			82,690.99	126,003.90	5,404,870.08
5/15/2007	8	208,694.89			80,807.34	127,887.55	5,276,982.53
11/15/2007	9	208,694.89			78,895.51	129,799.38	5,147,183.15
5/15/2008	10	208,694.89			76,955.09	131,739.80	5,015,443.35
11/15/2008	11	208,694.89			74,985.64	133,709.25	4,881,734.10
5/15/2009	12	208,694.89			72,986.75	135,708.14	4,746,025.96
11/15/2009	13	208,694.89			70,957.96	137,736.93	4,608,289.03
5/15/2010	14	208,694.89			68,898.83	139,796.06	4,468,492.97
11/15/2010	15	208,694.89			66,808.90	141,885.99	4,326,606.98
5/15/2011	16	208,694.89			64,687.72	144,007.17	4,182,599.81
11/15/2011	17	208,694.89			62,534.81	146,160.08	4,036,439.73
5/15/2012	18	208,694.89			60,349.70	148,345.19	3,888,094.54
11/15/2012	19	208,694.89			58,131.91	150,562.98	3,737,531.56
5/15/2013	20	208,694.89			55,880.95	152,813.94	3,584,717.62
11/15/2013	21	208,694.89			53,596.33	155,098.56	3,429,619.06
5/15/2014	22	208,694.89			51,277.54	157,417.35	3,272,201.71
11/15/2014	23	208,694.89			48,924.06	159,770.83	3,112,430.88
5/15/2015	24	208,694.89			46,535.39	162,159.50	2,950,271.38
11/15/2015	25	208,694.89			44,110.98	164,583.91	2,785,687.47
5/15/2016	26	208,694.89			41,650.32	167,044.57	2,618,642.90
11/15/2016	27	208,694.89			39,152.86	169,542.03	2,449,100.87
5/15/2017	28	208,694.89			36,618.04	172,076.85	2,277,024.02
11/15/2017	29	208,694.89			34,045.31	174,649.58	2,102,374.44
5/15/2018	30	208,694.89			31,434.08	177,260.81	1,925,113.63
11/15/2018	31	208,694.89			28,783.81	179,911.08	1,745,202.55
5/15/2019	32	208,694.89			26,093.91	182,600.98	1,562,601.57
11/15/2019	33	208,694.89			23,363.75	185,331.14	1,377,270.43
5/15/2020	34	208,694.89			20,592.78	188,102.11	1,189,168.32
11/15/2020	35	208,694.89			17,780.35	190,914.54	998,253.78
5/15/2021	36	208,694.89			14,925.85	193,769.04	804,484.74
11/15/2021	37	208,694.89			12,028.66	196,666.23	607,818.51
5/15/2022	38	208,694.89			9,088.13	199,606.76	408,211.75
11/15/2022	39	208,694.89			6,103.62	202,591.27	205,620.48
5/15/2023	40	208,694.95			3,074.47	205,620.48	0.00
Totals		8,350,051.88	121,232.34	1,812.51	2,069,502.78	6,157,504.25	

Loan Statement

Project Sponsor: Water Management Services, Inc. **Project Number:** DW1901010

Beginning of Repayment Period: 5/15/2003 **Payment Number:** 1 of 40

Original Loan Date	Service Fee	Interest Rate: 3.05% SF Cap. Int.	SF+Cap. Int.	SF Interest at 11/15/2003	Disbursement	Cap. Int.	Principal	Interest at 11/15/2003	Total Owed at 11/15/2003
12/20/2001	58,252	2,509.04	60,761.04	926.61	0				61,687.65
1/17/2002					670,118	27,247.68	697,365.68	10,634.83	708,000.51
1/17/2002					100,374	4,081.31	104,455.31	1,592.94	106,048.25
2/15/2002					278,830	10,641.22	289,471.22	4,414.44	293,885.66
2/25/2002					20,000	746.05	20,746.05	316.38	21,062.43
3/18/2002					10,080	357.78	10,437.78	159.18	10,596.96
4/29/2002					140,756	4,486.99	145,242.99	2,214.96	147,457.95
5/10/2002					10,080	311.78	10,391.78	158.47	10,550.25
6/12/2002					92,245	2,597.64	94,842.64	1,446.35	96,288.99
7/10/2002					216,344	5,586.12	221,930.12	3,384.43	225,314.55
8/15/2002					111,341	2,539.95	113,880.95	1,736.68	115,617.63
9/9/2002					12,960	268.57	13,228.57	201.74	13,430.31
10/2/2002					575,390	10,818.12	586,208.12	8,939.67	595,147.79
10/28/2002					67,941	1,129.78	69,070.78	1,053.33	70,124.11
11/22/2002					50,177	729.56	50,906.56	776.33	51,682.89
12/30/2002					18,655	212.00	18,867.00	287.72	19,154.72
1/29/2003					218,646	1,936.66	220,582.66	3,363.89	223,946.55
2/27/2003					215,279	1,385.16	216,664.16	3,304.13	219,968.29
3/19/2003					134,081	638.63	134,719.63	2,054.47	136,774.10
4/21/2003					56,703	113.72	56,816.72	866.45	57,683.17
SubTotals	58,252	2,509.04	60,761.04	926.61	3,000,000	75,828.72	3,075,828.72	46,906.39	3,184,422.76
Payment			(60,761.04)	(926.61)			(2,475.72)	(46,906.39)	(111,069.76)
Balance			0.00	0.00			3,073,353.00	0.00	3,073,353.00

Amendment 1 Date	Service Fee	Interest Rate: 2.93% SF Cap. Int.	SF+Cap. Int.	SF Interest at 11/15/2003	Disbursement	Cap. Int.	Principal	Interest at 11/15/2003	Total Owed at 11/15/2003
12/31/2002	59,823	648.30	60,471.30	885.90	0				61,357.20
4/21/2003					355,810	685.49	356,495.49	5,222.66	361,718.15
5/12/2003					444,496	107.04	444,603.04	6,513.43	451,116.47
6/16/2003					161,330		161,330.00	1,968.49	163,298.49
7/21/2003					684,327		684,327.00	6,427.24	690,754.24
8/13/2003					317,848		317,848.00	2,398.40	320,246.40
9/17/2003					74,487		74,487.00	352.78	74,839.78
10/17/2003					184,439		184,439.00	429.36	184,868.36

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 107 of 247

Loan Statement

Project Sponsor: Water Management Services, Inc. **Project Number:** DW1901010

Beginning of Repayment Period: 5/15/2003 **Payment Number:** 2 of 40

Original Loan

Interest Rate: 3.05%

Date	Serv FeeCharge Bal Forward	Serv Fees	Serv Fee Charge At 5/15/2004	Serv Fee Interest	Principal Bal Forward	Disbs	Principal At 5/15/2004	Interest	Total Owed At 5/15/2004
11/15/2003					3,073,353.00		3,073,353.00	46,868.63	3,120,221.63
Subtotals							3,073,353.00	46,868.63	3,120,221.63
Payment							(58,487.65)	(46,868.63)	(105,356.28)
Balance							3,014,865.35	0	3,014,865.35

Amendment 1

Interest Rate: 2.93%

Date	Serv FeeCharge Bal Forward	Serv Fees	Serv Fee Charge At 5/15/2004	Serv Fee Interest	Principal Bal Forward	Disbs	Principal At 5/15/2004	Interest	Total Owed At 5/15/2004
1/27/2004						47,493	47,493.00	415.56	47,908.56
11/15/2003					2,327,386.32		2,327,386.32	34,096.21	2,361,482.53
12/16/2003						161,624	161,624.00	1,959.10	163,583.10
2/24/2004						148,058	148,058.00	962.70	149,020.70
3/10/2004						141,490	141,490.00	749.63	142,239.63
4/22/2004						229,219	229,219.00	423.21	229,642.21
Subtotals							3,055,270.32	38,606.41	3,093,876.73
Payment							(65,860.31)	(38,606.41)	(104,466.72)
Balance							2,989,410.01	0	2,989,410.01
Totals							6,128,623.32	85,475.04	6,214,098.36
Payment							(124,347.96)	(85,475.04)	(209,823.00)
Balance							6,004,275.36	0	6,004,275.36

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 108 of 247

11/14/2003					117,931		117,931.00	9.47	117,940.47
SubTotals	59,823	648.30	60,471.30	885.90	2,340,668	792.53	2,341,460.53	23,321.83	2,426,139.56
Payment			(60,471.30)	(885.90)			(14,074.21)	(23,321.83)	(98,753.24)
Balance			0.00	0.00			2,327,386.32	0.00	2,327,386.32
Totals	118,075	3,157.34	121,232.34	1,812.51	5,340,668	76,621.25	5,417,289.25	70,228.22	5,610,562.32
Payment			(121,232.34)	(1,812.51)			(16,549.93)	(70,228.22)	(209,823.00)
Balance			0.00	0.00			5,400,739.32	0.00	5,400,739.32

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 109 of 247

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

May 26, 2004

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

A final construction inspection of the above-referenced project has been scheduled for June 2, 2004. At that time, we will also conduct the final administrative closeout inspection. This inspection is the onsite administrative action taken by the Department to document project completion, and commence project closeout activities. All project costs incurred after this inspection are not allowable for SRF funding.

During the final administrative closeout inspection, your project records from the date of the loan agreement to the date of the inspection will be reviewed. Documentation for all costs to be claimed should be available during the inspection to be considered for reimbursement. You should begin reviewing your project records to ensure that these records are current and accurate to support costs incurred. The loan agreement should be reviewed to ensure that all loan conditions have been satisfied (or will be) by the time of the loan closeout.

The primary purpose of this inspection is to work with your representatives to determine the total eligible project costs. The secondary purpose is to ensure the project records are complete, well organized and ready for future audits. Attached is a copy of the Administrative Closeout Inspection Checklist for guidance in the preparation of the inspection.

If you have any questions, please feel free to contact Al Bishop, the Bureau's project engineer, at 850/245-8393.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ab

cc: Les Thomas, P.E.

Attachment

ADMINISTRATIVE CLOSEOUT INSPECTION CHECKLIST

This checklist is used when conducting the administrative closeout inspection. The closeout inspection is an administrative review conducted in the loan/grant recipient's work place. It will not require a project site visit unless there were deficiencies noted at the final construction inspection that need to be rechecked. This checklist serves as a final report summarizing construction, operation, and administrative aspects of the project.

Loan/Grant Recipient: _____ Project #: _____
Project Description: _____

_____

_____

Contract Number(s) and/or Name: _____

_____

_____

_____

Point of Contact: _____ Phone No.: _____

Persons present at inspection:

NAME	TITLE	ORGANIZATION

SECTION A - PROJECT ADMINISTRATION

1. Are all costs to be claimed supported by receipts or certified contractor invoices?

   [ ]Yes [ ]No

2. Are accounting records current and in adequate condition to permit a timely audit?

   [ ]Yes [ ]No

3. Are the following loan/grant recipient records readily accessible?
   a. Orderly project files.
      [ ]Yes [ ]No
   b. Documentation supporting construction related actions, copies of letters sent and/or received (letters, instructions, contracts, change orders, etc.).
      [ ]Yes [ ]No
   c. Financial receipts and disbursement records and back-up documentation (canceled checks, etc).
      [ ]Yes [ ]No
   d. Force account records (if applicable, that is properly documented).
      [ ]Yes [ ]No [ ]N/A

4. Has the loan/grant recipient been advised that all records must be available during the audit and retained for five (5) years?
   [ ]Yes [ ]No*
5. Was there any evidence of waste, fraud, or misuse of public funds discovered while reviewing the loan/grant recipient's project files?
   [ ]Yes [ ]No

   If yes, explain: _____
   _____

Note: Asterisk (*) denotes that response is not acceptable and it needs to be discussed with Project Manager and/or Section Administrator.

SECTION B - CONSTRUCTION OF THE FACILITIES

1. Is construction of the facilities complete (including punchlist items generated by the owner/engineer for the contractor to complete before payment is authorized)?
   [ ]Yes [ ]No

   If no, explain: _____
   _____
2. How long have the facilities been operating at the time of the project closeout inspection?
   Number of months: _____
3. Is a set of "as built" or record drawings available to operating personnel?
   [ ]Yes [ ]No

   If no, explain: _____
   _____
4. Is there any unused, abandoned, or inoperable facilities or portions thereof that were part of the DWSRF funded project?
   [ ]Yes [ ]No

   If yes, explain: _____
   _____
5. Recommendations:
   _____
   _____
   _____
   _____

_____ _____

Project Engineer's Signature Date

7/20/04

DEPARTMENT OF ENVIRONMENTAL PROTECTION
FLORIDA

MR. BROWN -

PER AL BISHOP, THE ATTACHED PAGES REFLECT REVISED DISBURSEMENT AMOUNTS. ALSO, "OWNER PURCHASED EQUIPMENT" HAS BEEN CHANGED TO "OWNER PURCHASED MATERIALS." PLEASE REPLACE PAGE 2 OF THE FINAL AMENDMENT SENT TO YOU IN AUGUST WITH THE ATTACHED REVISED PAGE 2. SHOULD YOU HAVE ANY QUESTIONS, PLEASE CALL EITHER ME OR AL BISHOP.

THANKS,

Melissa Partacher

245-8389

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

August 4, 2004

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Enclosed are three original copies of proposed Amendment 2 to your State Revolving Fund loan agreement. The amendment adjusts the project costs and reduces the semiannual loan payment. The adjustments are final unless further revisions become necessary as a result of an audit. A loan statement showing the calculation of the final payment amount and an amortization schedule are also enclosed. Also included are revised loan statements for the first two payments.

Please sign, have a Notary Public **sign and seal** the enclosed three copies, and return them to us within three weeks at 2600 Blair Stone Road, Mail Station 3505, Tallahassee, Florida, 32399-2400. We will arrange for the Department Secretary to sign the document and mail a fully executed copy to you.

If you have any questions, please call Melissa Dockstader at (850) 245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/md

Enclosures

cc: Les Thomas - Les Thomas Consulting Engineer
Matthew Granger – Guaranty National Bank

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308
(850) 668-0440 • FAX (850) 668-0441

MEMO

TO: Melissa Dockstader

FROM: Gene D. Brown

DATE: 9/30/04

RE: Drinking Water State Revolving Fund Amendment 2 to Loan Agreement
DW 1901 010

Enclosed are three copies of the 2nd amendment. Please send me a copy for my file after it has been fully executed.

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road, M.S. 3505
Tallahassee, Florida 32399-2400

Colleen Castille
Secretary

FAX TRANSMITTAL FORM
FAX # 850-245-8411
(SUNCOM)205-8411

To: SANDY CHASE Location: WATER MGMT SERVICES

Machine Phone: # 668-0441

Confirmation: #

No. Pages: 9 (Including Cover Sheet)

From: MELISSA DICKSTADT Location:

Phone: # 245-8389

Date: 10/11/04 Time: 2:55

COMMENTS:

AMENDMENT 1

If there are problems with this transmittal, please call the person listed above.

Attachment A

PROMISSORY NOTE
(Business Purpose)
Florida Department of Environmental Protection

1. DATE AND PARTIES. The date of this Promissory Note (Note) is December 31, 2002. This Note evidences a loan, which includes all extensions, renewals, modifications and substitutions of the loan (the "Loan"). The parties to this Note and to the Loan are:

BORROWER:	LENDER:
WATER MANAGEMENT SERVICES, INC. a FLORIDA corporation 3848 KILLEARN COURT TALLAHASSEE, FLORIDA 32308 Tax I.D. # 59-3449317	FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION a FLORIDA state agency 2600 Blair Stone Road, M.S. 3505 Tallahassee, Florida 32399-2400

2. PROMISE TO PAY. For Value Received, Water Management Services ("Borrower"), promises to pay to Florida Department of Environmental Protection (the "Department") the aggregate principal amount outstanding on Borrower's Loan in the sum of $6,080,883, or so much thereof as may, from time to time, be advanced to Borrower hereunder, plus interest from the date of disbursement on the unpaid principal balance, as shown on The Department's records, which shall at all times be conclusive and govern. Interest shall accrue on unpaid principal installments at an annual rate equal to 3.05% on the first $3,000,000, and 2.93% on the remaining $3,080,883. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement executed on even date herewith and the terms of which are incorporated herein by reference (the "Loan Agreement").

   The Department and Borrower have established specific instructions and procedures by which disbursements can be made pursuant to the terms and conditions of the Loan Agreement, but nothing contained herein shall create a duty on the part of The Department to make said disbursement if Borrower is in default of the terms of this Note or the terms of the Loan Agreement. In no event shall the Borrower be entitled to total disbursements hereunder exceeding $6,080,883, or such lesser amount as may determined in accordance with the Loan Agreement.

3. EFFECT OF PRE-PAYMENT. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty. Absent a default under this Note or the Loan Agreement, any payments received by the Borrower shall be applied according to the terms and conditions of the Loan Agreement. No partial prepayment shall excuse or defer Borrower's subsequent payments or entitle Borrower to a release of any collateral. Interest shall cease to accrue on the amounts prepaid on the day actually credited by the Department.

4. LATE CHARGE. If any payment of interest and/or principal is not received by the Department when such payment is due, the Borrower agrees to pay the Department a late charge as provided in Article VI of the Loan Agreement.

5. EVENTS OF DEFAULT. Borrower shall be in default upon the occurrence of default in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or

condition exists which constitutes a default or authorizes the acceleration of the maturity hereof under the Loan Agreement.

6. DEFAULT RATE OF INTEREST. Upon the acceleration of this Note pursuant to its terms or the terms of the Loan Agreement, Borrower agrees that the rate of interest to be charged on unpaid principal and accrued interest shall be as provided in Article VI of the Loan Agreement.

7. REMEDIES ON DEFAULT. Upon or after an event of default, all or any part of the principal and accrued interest on this Note shall become immediately due and payable at the option of the Department, without presentment or demand or any notice to Borrower or any other person obligated hereon. The Department may exercise all rights and remedies provided by law, equity, this Note and the Loan Agreement. Time is of the essence with regard to all obligations in this Note and in the Loan Agreement. Failure to exercise any remedy or right under the Loan Agreement or hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

8. ATTORNEY'S FEES. In the event the Department utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to the Department, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statue, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

9. NO DUTY BY THE DEPARTMENT. The Department is under no duty to preserve or protect any Collateral until the Department is in actual or constructive possession of the Collateral. For purposes of this paragraph, The Department shall only be considered to be in "actual" possession of Collateral when the Department has physical, immediate and exclusive control over the Collateral and has affirmatively accepted such control. The Department shall only be considered to be in "constructive" possession of the Collateral when the Department has both the power and the intent to exercise control over the Collateral.

10. WAIVER AND CONSENT BY BORROWER AND OTHER SIGNERS. Regarding this Note, to the extent not prohibited by law, Borrower and all and any other signers waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

11. AMENDMENT. The provisions contained in this Note may not be amended, except through written amendment which is signed by Borrower and the Department.

12. INTEGRATION CLAUSE. This written Note and all documents executed concurrently herewith, represent the entire understanding of the parties as to the obligations and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

13. FURTHER ASSURANCES. Borrower agrees, upon request of the Department and within the time the Department specifies to provide any information and to execute any, acknowledge and deliver and record or file such further instruments or documents as may be required by the Department to secure this Note or confirm any lien.

14. GOVERNING LAW. This Note shall be governed by the laws of the state of Florida.

15. FORUM AND VENUE. In the event of litigation pertaining to this Note, the exclusive forum, venue and place of jurisdiction shall be in the state of Florida, in the state court in the county of Leon.

16. DEFINITIONS. The Terms used in this Note, if not defined herein, shall have their meanings as defined in the Loan Agreement or other documents executed contemporaneously herewith.

17. ENFORCEABILITY. If any provision of this Note shall be held unenforceable or void then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Note.

18. NOTICE. All notices under this Note must be in writing.

BORROWER:

WATER MANAGEMENT SERVICES, INC.
a FLORIDA corporation

By: _____
Gene D. Brown, President

(*Corporate seal may be affixed, but failure to affix shall not affect validity or reliance.)

LENDER:

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
a state of FLORIDA agency

By: _____
Secretary

State of Florida's Documentary Stamp Tax is not required on this Note.

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 1 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC., (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, authorizing a Loan amount of $3,000,000, excluding Capitalized Interest; and

WHEREAS, the Project Sponsor is entitled to additional financing of $3,080,883, excluding Capitalized Interest; and

WHEREAS, an interest rate must be established for the additional financing amount awarded in this amendment; and

WHEREAS, a Loan Service Fee must be assessed for the additional financing; and

WHEREAS, the Loan Repayment Reserve Account deposit and the Semiannual Loan Payment amount need revision to reflect adjustment in the Loan amount; and

WHEREAS, the Project costs need adjustment to reflect revised estimates; and

WHEREAS, revised provisions for audit and monitoring along with related changes to the Project schedule are needed.

NOW, THEREFORE, the parties hereto agree as follows:

1. Subsections 2.01(10) and 2.01(11) of the Agreement are deleted and replaced by Section 2.03 AUDIT AND MONITORING REQUIREMENTS.

The Project Sponsor agrees to the following audit and monitoring requirements.

(1) Audits.

Within 12 months of the amendment establishing final Project costs, the Project Sponsor shall have an audit conducted by an independent certified public accountant of the Project revenues, including receipt of disbursements under financial assistance agreements, and expenditures. The audit shall be conducted in accordance with generally accepted auditing standards. The audit shall address whether the Project Sponsor complied with requirements set forth in the Loan Agreement, including applicable State and Federal laws and regulations referenced in Subsection 2.02(7). The audit findings shall set aside or question any costs that are unallowable under Chapter 62-552, Florida Administrative Code. A final determination of the allowability of such costs shall be made by the Department.

(2) Report Submission.

Copies of the audit report prepared in accordance with Subsection 2.03(1) of this Agreement shall be submitted by or on behalf of the Project Sponsor directly to the Department of Environmental Protection at each of the following addresses:

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road, MS 3505
Tallahassee, Florida 32399-2400

Joe Aita, Audit Director
Office of the Inspector General
Florida Department of Environmental Protection
2600 Blair Stone Road, MS 40
Tallahassee, Florida 32399-2400

(3) Record Retention.

The Project Sponsor shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period of five years from the date the audit report is issued, and shall allow the Department of Environmental Protection, or its designee, Comptroller, or Auditor General access to such records upon request. The Project Sponsor shall ensure that audit working papers are made available to the Department of Environmental Protection, or its designee, Comptroller, or Auditor General upon request for a period of three years from the date the audit report is issued, unless extended in writing by the Department of Environmental Protection.

(4) Monitoring.

In addition to reviews of audits conducted in accordance with this Agreement, monitoring procedures may include, but not be limited to, on-site visits by Department staff, additional audits, and/or other procedures. By entering into this Agreement, the Project Sponsor agrees to comply and cooperate with any monitoring procedures/processes deemed appropriate by the Department of Environmental Protection. In the event the Department of Environmental Protection determines that an additional audit of the Project Sponsor is appropriate, the Project Sponsor agrees to comply with any additional instructions provided by the Department to the Project Sponsor regarding such audit. The Project Sponsor further agrees to comply and cooperate with any inspections, reviews, investigations, or audits deemed necessary by the Comptroller or Auditor General.

2. Additional financing in the amount of $3,080,883, excluding Capitalized Interest, is hereby awarded to the Project Sponsor.

3. An interest rate of 2.93 percent per annum is established for the additional financing amount awarded in this amendment; however, if this amendment is not executed by the Project Sponsor and returned to the Department before January 1, 2003, the interest rate may be adjusted.

4. The estimated principal amount of the Loan is hereby revised to $6,161,683, which consists of $6,080,883 authorized for disbursement to the Project Sponsor and $80,800 of Capitalized Interest. This total consists of the following:

(a) $3,064,100, including $3,000,000 authorized for disbursement to the Project Sponsor and $64,100 of Capitalized Interest, at an interest rate of 3.05 percent per annum; and

(b) $3,097,583, including $3,080,883 authorized for disbursement to the Project Sponsor and $16,700 of Capitalized Interest, at an interest rate of 2.93 percent per annum.

An additional Loan Service Fee in the amount of $59,823, for a total of $118,075, is hereby assessed. The fee represents two percent of the Loan amount excluding the Loan Repayment Reserve and Capitalized Interest amounts; that is, two percent of $5,903,770. Estimated Loan Service Fee capitalized interest for the fee amount assessed to date is $3,160.

5. The Semiannual Loan Payment amount is hereby revised and shall be in the amount of $209,823. Such payments shall be received by the Department on November 15, 2003 and semiannually thereafter on May 15 and November 15 of each year until all amounts due hereunder have been fully paid. Until this Agreement is further amended, each Semiannual Loan Payment will be proportionally applied, after deduction of the Loan Service Fee is complete, toward repayment of the amounts owed on each incremental Loan amount at the date such payment is due.

The Semiannual Loan Payment amount is based on the total amount owed of $6,282,918, which consists of the Loan principal plus the Loan Service Fee with its capitalized interest (if any).

6. The Project Sponsor and the Department acknowledge that the actual cost of the Project has not been determined. Project cost adjustments may be made as a result of mutually agreed upon Project changes. An additional Loan Repayment Reserve deposit amount will be required for any additional financing. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. If the Project Sponsor receives other governmental financial assistance for this Project, the costs funded by such other governmental assistance will not be financed by this Loan. The Department shall establish the final Project costs after its final inspection of the Project records. Changes in Project costs may also occur as a result of the Project Sponsor's Project audit or a Department audit.

Funds disbursed in accordance with Section 4.08 of this Agreement shall be disbursed in the order in which they have been obligated without respect to budgetary line item estimates. All disbursements shall be made from the original Loan amount until that amount has been disbursed; the interest rate established for the original Loan amount shall apply to such disbursements for the purpose of determining the associated Capitalized Interest and repayment amount. The interest rate established for any additional increment of Loan financing shall be used to determine the Capitalized Interest and repayment amount associated with the funds disbursed from that increment.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

The estimated Project costs are revised as follows:

CATEGORY	COST($)
(1) Administrative Allowance	32,850
(2) Engineering Allowance	375,000
(3) Construction and Demolition	4,865,638
(4) Contingencies	244,282
(5) Technical Services After Bid Opening	366,000
(6) Land	20,000
SUBTOTAL	5,903,770
(7) Loan Repayment Reserve (Loan Proceeds) *	177,113
SUBTOTAL (Disbursable Amount)	6,080,883
(8) Capitalized Interest	80,800
TOTAL (Loan Principal Amount)	6,161,683

* Loan proceeds for deposit in the Loan Repayment Reserve Account represent three percent of the Loan amount excluding the Loan Repayment Reserve (Loan proceeds) and Capitalized Interest amounts; three percent of $5,903,770 is $177,113 for the Loan amount authorized to date. In addition, the Project Sponsor shall use its own funds to deposit $209,785 in the reserve for a total deposit amount of $386,898.

7. The amount to be deposited in the Loan Repayment Reserve Account as scheduled in Section 10.07 of the Loan Agreement is hereby revised; an additional $194,625 shall be deposited for a total deposit requirement of $386,898. The Project Sponsor shall deposit the total amount into the Loan Repayment Reserve Account no later than May 15, 2003. Loan proceeds are authorized for a portion of the deposit. The Project Sponsor shall use its own funds for the remainder of the deposit. A breakdown of the deposit requirements follows:

	Loan Repayment Reserve Deposit Requirements ($)		
Source of Funds	Total	Amount Required Prior to this Amendment	Increment Associated with this Amendment
Loan Proceeds	177,113	87,379	89,734
Project Sponsor	209,785	104,894	104,891
Total	386,898	192,273	194,625

8. Section 10.07 PROJECT SCHEDULE is amended as follows:

(6) The initial annual certification required under Subsection 2.01(12) of this Agreement shall be due August 15, 2003. Thereafter the certification shall be submitted no later than September 30 of each year until the final Semiannual Loan Payment is made.

9. All other terms and provisions of the Loan Agreement shall remain in effect.

This Amendment 1 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Secretary of the Department and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Secretary of the Department.

Florida documentary tax required by law in the amount of $10,841.60 has been paid or will be paid to the Department of Revenue for the incremental Loan principal provided by this amendment.

for
WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest

Clara W. Jump
Notary Public

Clara W. Jump
Name typed or printed

I attest that this amendment complies with Section 2.02 of the Agreement and as to form and legality.

Attorney for Water Management Services, Inc.

JEFFERY J. TALLEY
Name typed or printed

SEAL

CLARA W. JUMP
MY COMMISSION # DD 027197
EXPIRES: July 8, 2005
Bonded Thru Notary Public Underwriters

for
STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Secretary

DEC 31 2002
Date

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road, M.S. 3505
Tallahassee, Florida 32399-2400

Colleen Castille
Secretary

FAX TRANSMITTAL FORM
FAX # 850-245-8411
(SUNCOM)205-8411

To: SANDY CHASE Location: WATER MANAGEMENT SVCS, INC

Machine Phone: # 668-0441

Confirmation: #

No. Pages: 4 (Including Cover Sheet)

From: MELISSA DOCKSTADER Location: PROGRAM MGMT SECTION

Phone: # 245-8389

Date: 10/18/04 Time: 9:18AM

COMMENTS:

1 @ SIGNED COPY OF AMENDMENT 2 FOLLOWS. THE ORIGINAL WILL BE SENT VIA CERTIFIED MAIL.

THANKS,
Melissa Dockstader

If there are problems with this transmittal, please call the person listed above.

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

OCT 18 2004

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Enclosed is one copy of Amendment 2 to your loan agreement under the State Revolving Fund program. The amendment is now in effect and no further amendments are expected. Please note that the final amendment requires a separate project close-out audit to be submitted to the Department within one year of the amendment's effective date.

We congratulate you and your staff on your efforts and are pleased that we can work with you on this project.

Sincerely,

Allan F. Bedwell
Deputy Secretary

AFB/wff/md

Enclosure

cc: Les Thomas - Les Thomas Consulting Engineers
John Kintz - Department of Environmental Protection

2005

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308
(850) 668-0440 • FAX (850) 668-0441

April 26, 2005

HAND DELIVERY

Mr. Don W. Berryhill, P.E.
Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399

Re: DW1901010-Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Berryhill:

Citizens Bank of Perry has approved a $120,000 future advance on our mortgage with them to provide the necessary funding for some additional improvements we need to make at the water plant on St. George Island. Our loan agreement requires that FDEP approve any such advance so long as our loan is outstanding. Accordingly, I would like to request that you write a letter either to Citizens Bank or to Water Management Services stating that you have no objection to this future advance in the amount of $120,000.

Please feel free to call me if you have any questions or if we need to discuss this matter further at this time.

Sincerely,

Gene D. Brown

GDB:smc

FOWLER WHITE BOGGS BANKER
ATTORNEYS AT LAW
ESTABLISHED 1943

Fax

Please deliver the following pages immediately to:

Name: Gene Brown

Firm:

Fax: 668-~~0411~~ 0441

Total Number of Pages 9 (including this cover page)

From: Thomas G. Pelham

Date: April 28, 2005

File:

File No.:

Message:

I received the attached from DEP this afternoon. Please call after you have had a chance to review it.

The information contained in this transmission is attorney privileged and confidential. It is intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution, or copy of this communication is strictly prohibited. In addition, unauthorized use of information in this transmission may violate federal securities laws. If you have received this communication in error, please notify us immediately by telephone, collect, and return the original message to us at the address below via the United States Postal Service. We will reimburse you for postage. Thank you.

Tom Pelham

From Sheri Garcia 245-8377

DRINKING WATER SRF AWARDED PROJECTS

4/28/2005 — DWSRF Preconstruction Projects — Page 1 of 8

Sponsor	Proj No / Date	#	Action	Grant Amt	Loan Amt	Assistance Amount
Alachua	011501		Transmission/Distribution			15,759
	2/12/2001	0	Award	75,718		
	8/5/2003	1	Final	(59,959)		
Campbellton	320301		Storage/Distribution			333,272
	3/11/1999	0	Award	43,655 &	14,389 @ 2.99 /30 Yr.	
	1/23/2001	1	Other			
	12/19/2001	2	Rollover	185,127 &	92,429 @ 2.99 /30 Yr.	
	4/12/2002	3	Final	(1,514) &	(814) /30 Yr.	
Chiefland	383101		Supply, Storage and Transmission			204,000
	9/13/2001	0	Award	204,000		
	12/12/2003	1	Other			
	1/10/2005	2	Other			
Cross City	150101		Treatment/Distribution			6,387,700
	3/24/1999	0	Award	114,750 &	27,563 @ 2.99 /30 Yr.	
	3/17/2000	1	Rollover	1,797,750 &	309,937 @ 2.99 /30 Yr.	
	8/18/2000	2	Increase	1,275,000 &	225,000 @ 2.99 /30 Yr.	
	2/6/2002	3	Increase	637,500 &	112,500 @ 2.99 /30 Yr.	
	9/19/2002	4	Increase	531,000 &	93,700 @ 2.99 /30 Yr.	
	10/3/2003	5	Increase	436,050 &	76,950 @ 2.67 /30 Yr.	
	1/24/2005	6	Increase	637,500 &	112,500 @ 2.81 /30 Yr.	
Davenport	531201		Distribution			154,822
	8/14/2000	0	Award	47,489		
	11/5/2001	1	Rollover		116,980 @ 3.05 /30 Yr.	
	3/29/2002	2	Final		(9,647) /30 Yr.	
Flagler Beach	180101		Source, Transmission and Treatment			204,000
	9/29/2003	0	Award	204,000		
Green Cove Springs	100101		Treatment/Distribution			4,210,266
	11/6/1998	0	Award	114,750		
	9/20/1999	1	Rollover	2,135,250		
	6/26/2000	2	Increase	750,000		
	8/18/2000	3	Increase	750,000		
	11/26/2001	4	Increase	460,266		
Gretna	202101		Supply, Treatment and Transmission			767,591
	9/30/2002	0	Award	60,805		
	10/11/2004	1	Rollover	436,050 &	76,950 @ 2.81 /30 Yr.	
	3/14/2005	2	Increase	157,869 &	35,917 @ 2.70 /30 Yr.	
Highland Beach	502901		Supply/Treatment			7,367,200
	8/24/2000	0	Award		247,200 @ 3.52	
	6/24/2002	1	Other			
	11/1/2002	2	Rollover		4,120,000 @ 2.93	
	10/23/2003	3	Increase		3,000,000 @ 2.96	
Horseshoe Beach	150001		Supply, Treatment, Storage and Distribution			204,000
	2/1/2002	0	Award	204,000		
Inglis	380501		Storage, Treatment and Distribution			1,076,526
	12/2/1999	0	Award	111,385		
	3/21/2001	1	Rollover	614,134 &	108,376 @ 3.27 /30 Yr.	

(Continued)

NOTE: IF FINAL IT IS NOT ACTIVE

04/28/2005 10:12 FAX 850 681 0998 FOLEY WHITE

Sponsor	Proj No / Date	#	Action	Project Description / Grant Amt	Loan Amt	Assistance Amount
	11/20/2001	2	Increase	184,264 &	50,718 @ 3.05 /30 Yr.	
	10/20/2003	3	Increase	15,000		
	3/23/2004	4	Final	(4,299) &	(3,052) /30 Yr.	
Jefferson Communities Water System, Inc.	330001			Treatment/Distribution		2,403,000
	8/24/1998	0	Award	153,000		
	8/3/2000	1	Rollover	2,250,000		
La Belle	260201			Treatment		17,850
	5/18/1999	0	Award	35,700		
	8/16/2000	1	Final	(17,850)		
Lake Alfred	532101			Supply, Storage and Transmission		1,575,149
	11/6/2000	0	Award	200,449		
	10/4/2001	1	Rollover	487,500 &	262,500 @ 3.16 /30 Yr.	
	10/1/2002	2	Increase	531,000 &	93,700 @ 3.09 /30 Yr.	
	2/5/2003	3	Other	(124,945) &	124,945 @ 2.93 /30 Yr.	
Lake City	120201			New Water Treatment Plant		204,000
	1/8/2001	0	Award	204,000		
	12/12/2003	1	Other			
Lake Placid	280101			Transmission and Distribution		204,000
	2/13/2004	0	Award	204,000		
Lee	400201			Treatment/Distribution		1,065,361
	1/6/1999	0	Award	114,750		
	8/28/2000	1	Rollover	1,043,926 &	103,383 @ 3.52	
	4/25/2002	2	Other			
	5/7/2004	3	Final	(101,962) &	(94,736)	
Lemon Bluff Water Association	640001			Supply, Treatment and Distribution		169,217
	10/25/1999	0	Award		49,440 @ 3.34	
	11/19/2001	1	Rollover		155,258 @ 3.05	
	4/28/2003	2	Final		(35,481)	
Liberty County	391501			Rock Bluff Area; New Wells, Storage and Dist		1,127,385
	9/1/1999	0	Award	114,750		
	12/17/2001	1	Other			
	1/13/2003	2	Rollover	624,700		
	10/1/2003	3	Increase	239,786		
	4/14/2004	4	Increase	98,149		
	1/31/2005	5	Increase	14,792		
	3/14/2005	6	Increase	35,208		
Madison	400301			Distribution		83,058
	12/11/1998	0	Award	35,700		
	1/31/2000	1	Rollover	91,975		
	10/25/2002	2	Final	(44,617)		
Natura, Inc.	063501			Distribution		1,030,673
	1/29/2002	0	Award	101,090		
	2/11/2004	1	Rollover		929,583 @ 2.86	
Ocean City Utilities, Inc.	180301			Supply/Transmission		1,028,604
	12/18/1998	0	Award	98,412		
	9/20/1999	1	Rollover	771,650 &	158,542 @ 3.12	
	7/24/2000	2	Final			
	1/19/2005	3	Other			

(Continued)

FDEP/WATER FACILITIES Fax:850-245-8411 HPF 28 2005 15:14

4/28/2005 DWSRF Preconstruction Projects Page 3 of 8

Sponsor	Proj No / Date	#	Action	Project Description / Grant Amt		Loan Amt			Assistance Amount
Palatka	541901			Treatment/Distribution					204,000
	12/3/2001	0	Award	31,538					
	5/7/2002	1	Increase	104,287					
	12/2/2002	2	Increase	68,175					
	2/2/2004	3	Other						
	11/23/2004	4	Other						
Sebring	280201			Supply, Treatment, Transmission and Distribu					204,000
	2/17/2004	0	Award	204,000					
Sopchoppy	651501			Supply, Treatment and Distribution					2,089,723
	5/3/2000	0	Award	102,778					
	8/25/2000	1	Increase	99,245					
	3/21/2003	2	Rollover	531,000	&	93,700	@	2.95 /30 Yr.	
	10/16/2003	3	Increase	436,050	&	76,950	@	2.67 /30 Yr.	
	1/25/2005	4	Increase	148,342	&	601,658	@	2.70 /30 Yr.	
St. Johns Harbor Water Association	540001			Treatment, Storage and Supply					1,168,571
	12/15/1998	0	Award	43,765					
	11/20/2001	1	Increase			93,354	@	3.05	
	11/18/2002	2	Rollover	624,700	&	(93,354)			
	9/25/2003	3	Increase	348,265					
	12/28/2004	4	Increase	151,841					
Starke	042101			Supply/Treatment					213,954
	8/28/2000	0	Award	97,098					
	11/7/2002	1	Rollover	99,321					
	10/2/2003	2	Increase	17,535					
	7/9/2004	3	Final						
Steinhatchee Water Association, Inc.	620001			Waterwells, Storage, Treatment and Transmiss					2,947,538
	9/1/1998	0	Award	114,750					
	9/16/1999	1	Rollover	1,800,803	&	334,447	@	3.12 /30 Yr.	
	7/31/2000	2	Increase	54,353	&	16,815	@	3.52 /30 Yr.	
	10/31/2001	3	Other						
	8/4/2003	4	Other						
	8/23/2004	5	Other						
	11/8/2004	6	Increase	532,415	&	93,955	@	2.81 /30 Yr.	
Sunshine Utilities of Central Florida, Inc.	420102			Treatment, Storage and Distribution					184,500
	12/28/1998	0	Award	153,000	&	31,500	@	3.05	
	8/13/2001	1	Other						
	1/2/2002	2	Other						
	12/12/2003	3	Other						
Suwannee Water and Sewer District	150501			Supply, Treatment and Distribution					1,130,615
	3/11/2002	0	Award	204,000					
	7/2/2004	1	Rollover	436,050					
	2/28/2005	2	Increase	490,565					
White Springs	240301			Treatment, Storage and Distribution					2,804,036
	4/15/1999	0	Award	114,750					
	12/27/1999	1	Rollover	1,797,750	&	337,500	@	3.34	
	9/7/2000	2	Increase	72,908	&	16,579	@	3.52	
	12/3/2001	3	Other						
	10/21/2002	4	Increase	531,000	&	93,700	@	3.09	
	2/21/2005	5	Other	284,249	&	(444,400)			

(Continued)

Sponsor	Proj No / Date	Project Description #	Action	Grant Amt	Loan Amt	Assistance Amount
Yankeetown	380601	Storage/Treatment				203,571
	4/14/2004	0	Award	203,571		
				Preconstruction Assistance Total		40,983,941

(Continued)

4/28/2005 — DWSRF Construction Projects — Page 5 of 8

Sponsor	Proj No / Date	#	Action	Grant Amt	Loan Amt		Assistance Amount
* Alligator Point Water Resources District	190001		Supply, Transmission and Storage				1,885,625
	10/24/2000	0	Award		1,909,753	@ 3.33	
	7/7/2003	1	Final		(24,128)		
Belle Glade	500101		Treatment/Transmission				3,619,966
	8/15/2002	0	Award		753,454	@ 3.09	
	10/24/2002	1	Increase	624,700 &	1,718,274	@ 3.09	
	9/25/2003	2	Increase	300,666			
	1/26/2005	3	Increase	58,204 &	164,668	@ 2.81	
Belleview	420301		Supply, Storage and Transmission				0
		0	Award				
Charlotte County	081701		Distribution				1,728,664
	5/24/2000	0	Award		2,679,658	@ 3.57	
	8/23/2000	1	Increase		1,386,073	@ 3.52	
	5/13/2002	2	Final		(2,337,067)		
Charlotte County	081702		Distribution				1,790,811
	11/16/2001	0	Award		2,613,927	@ 3.05	
	3/27/2003	1	Decrease		(465,457)		
	3/23/2005	2	Final		(357,659)		
Charlotte County	081703		South Gulf Cove - Phase IV				2,266,634
	9/26/2003	0	Award		2,266,634	@ 2.67	
Charlotte County	081704		Water Distribution Line Improvement - Phase				1,098,000
	12/20/2004	0	Award		1,098,000	@ 2.81	
Cocoa	051701		Transmission				5,214,833
	3/9/2001	0	Award		4,000,000	@ 3.27	
	11/13/2001	1	Increase		1,214,833	@ 3.05	
	3/27/2003	2	Final				
Cocoa	051702		Transmission				4,291,234
	12/4/2002	0	Award		4,120,000	@ 2.93	
	9/29/2003	1	Increase		518,634	@ 2.67	
	7/8/2004	2	Decrease		(314,800)		
	12/6/2004	3	Final		(32,600)		
Cocoa	051703		Transmission				6,375,000
	12/17/2003	0	Award		665,000	@ 2.96	
	3/3/2004	1	Increase		2,335,000	@ 2.86	
	12/3/2004	2	Increase		3,375,000	@ 2.81	
Deerfield Beach	060601		Water Treatment Facilities Improvement				19,806,000
	3/9/1999	0	Award		2,558,000	@ 2.99	
	9/10/1999	1	Increase		16,528,000	@ 3.12	
	6/22/2000	2	Increase		720,000	@ 3.57	
Destin Water Users, Inc.	460101		Storage/Transmission				6,375,000
	5/24/2004	0	Award		3,000,000	@ 2.71	
	12/14/2004	1	Increase		3,375,000	@ 2.81	
Fairpoint Regional Utility System, Inc.	570101		Supply/Transmission				14,620,000
	3/29/2002	0	Award		4,400,000	@ 3.07	
	9/24/2002	1	Increase		4,120,000	@ 3.09	
	2/18/2004	2	Increase		3,000,000	@ 2.96	
	1/10/2005	3	Increase		3,100,000	@ 2.81	

*Small Community

(Continued)

Apr 28 2005 15:15 P.05
FDEP/WATER FACILITIES Fax:850-245-8411

Sponsor	Proj No / Date	#	Action	Grant Amt	Loan Amt		Assistance Amount
* Florida Governmental Utility Authority (G	112701		Treatment/Disinfection				1,855,921
	2/23/2004	0	Award		1,352,921	@ 2.86	
	11/24/2004	1	Increase		503,000	@ 2.81	
Hollywood	061001		Treatment Plant, Supply, Transmission and Re				13,244,000
	11/22/1999	0	Award		13,244,000	@ 3.34	
Hollywood	061002		Storage, Transmission and Treatment				4,979,581
	1/24/2003	0	Award		4,020,000	@ 2.95	
	9/29/2003	1	Increase		959,581	@ 2.67	
Hollywood	061003		Treatment				1,248,147
	5/5/2003	0	Award		100,000	@ 2.90	
	9/29/2003	1	Increase		1,148,147	@ 2.67	
* Lake Helen	640601		Storage/Distribution				1,603,157
	6/14/2000	0	Award		1,293,300	@ 3.57	
	12/21/2000	1	Increase		127,075	@ 3.33	
	12/6/2001	2	Increase		188,625	@ 3.05	
	7/12/2002	3	Final		(5,843)		
Manalapan	500501		Two Floridian Aquifer Wells and Reverse Os				2,880,000
	11/22/2004	0	Award		2,880,000	@ 2.81	
* Mexico Beach	031401		Water Transmission Main				2,583,284
	4/27/2001	0	Award		2,823,776	@ 3.08	
	8/13/2004	1	Final		(240,492)		
Miami-Dade County	130001		Water Treatment Facilities				35,162,659
	12/23/1998	0	Award		12,086,000	@ 3.05	
	12/29/1999	1	Increase		1,502,000	@ 3.34	
	6/29/2000	2	Increase		2,679,659	@ 3.57	
	9/18/2000	3	Increase		4,000,000	@ 3.52	
	12/24/2001	4	Increase		4,400,000	@ 3.05	
	9/6/2002	5	Increase		4,120,000	@ 3.09	
	10/20/2003	6	Increase		3,000,000	@ 2.67	
	2/14/2005	7	Increase		3,375,000	@ 2.70	
Miami-Dade County	130008		Transmission Upgrade				4,691,165
	12/10/1999	0	Award		5,498,000	@ 3.34	
	4/28/2003	1	Final		(806,835)		
Naples	110201		Water Treatment Plant Upgrade				2,303,000
	4/26/2001	0	Award		2,303,000	@ 3.08	
	6/6/2003	1	Final				
* Neptune Beach	161901		Distribution				174,183
	7/21/2000	0	Award		300,121	@ 3.52	
	1/2/2002	1	Final		(125,938)		
* Neptune Beach	161902		Distribution				1,740,925
	5/7/2001	0	Award		211,033	@ 3.08	
	10/29/2001	1	Increase		2,943,685	@ 3.05	
	6/3/2002	2	Decrease		(1,243,933)		
	5/21/2004	3	Final		(169,860)		
Nettles Island, Inc.	430101		Distribution				4,266,285
	11/12/2003	0	Award		1,352,921	@ 2.96	
	10/29/2004	1	Increase		2,913,364	@ 2.81	

*Small Community

(Continued)

4/28/2005 — DWSRF Construction Projects —

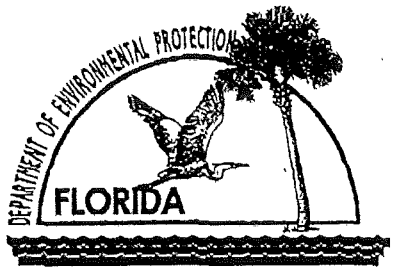
Sponsor	Proj No / Date	#	Action	Project Description / Grant Amt	Loan Amt		Assistance Amount
* Oldsmar	521401			Storage/Transmission			2,370,856
	12/24/2001	0	Award		2,923,298	@ 3.05	
	1/28/2003	1	Decrease		(417,439)		
	7/15/2004	2	Final		(135,283)		
* Orange Park	100301			Supply, Transmission, Distribution and Treat			3,480,858
	9/7/2000	0	Award		3,480,858	@ 3.52	
		1					
Port Orange	641301			Treatment, Distribution and Appurtenances			9,056,766
	12/23/1999	0	Award		7,000,000	@ 3.34	
	6/23/2000	1	Increase		1,827,821	@ 3.57	
	1/25/2002	2	Increase		228,945	@ 3.05	
	10/14/2002	3	Final				
Port Orange	641302			Transmission			1,265,632
	10/9/2002	0	Award		1,181,410	@ 3.09	
	10/31/2003	1	Increase		186,508	@ 2.67	
	3/15/2004	2	Final		(102,286)		
* Quincy	200601			Supply			6,106,050
	1/23/2002	0	Award		4,400,000	@ 3.07	
	10/4/2002	1	Increase		1,877,772	@ 2.33	
	2/23/2005	2	Final		(171,722)		
* Residential Water Systems, Inc.	421501			Storage/Transmission			199,319
	1/24/2000	0	Award		199,319	@ 3.55	
	10/27/2000	1	Final				
Sanford	590601			Distribution			8,069,030
	3/6/2000	0	Award		7,000,000	@ 3.55	
	6/8/2000	1	Increase		1,069,030	@ 3.57	
Sarasota County	581601			Distribution Line and Storage Facility Improv			3,498,974
	12/29/2000	0	Award		3,498,974	@ 3.52	
* Service Management Systems, Inc.	050101			Water Storage Tank			173,845
	8/18/1999	0	Award		164,285	@ 3.12	
	2/7/2000	1	Increase		9,560	@ 3.55	
	4/12/2000	2	Final				
* Silver Springs Regional Water & Sewer, In	421601			Distribution			336,854
	8/18/2003	0	Award		336,854	@ 2.67	
* South Brevard Water Co-op	050001			Treatment			731,000
	12/18/2000	0	Award		731,000	@ 3.33	
South Walton Utility Company, Inc.	660001			Treatment, Storage and Distribution			7,488,004
	9/13/2000	0	Award		6,679,659	@ 3.52	
	10/25/2001	1	Increase		1,251,087	@ 3.05	
	5/1/2002	2	Final		(442,742)		
* South Walton Utility Company, Inc.	660002			Storage/Transmission			3,000,000
	12/15/2003	0	Award		3,000,000	@ 2.96	
* Steinhatchee Water Association, Inc.	620002			Treatment/Distribution			1,352,921
	9/29/2003	0	Award		1,352,921	@ 2.67 /30 Yr.	
Tampa	290201			Treatment			16,393,062
	11/6/1998	0	Award		12,086,000	@ 3.05	

*Small Community

(Continued)

Sponsor	Proj No / Date	#	Action	Grant Amt	Loan Amt		Assistance Amount
	12/23/1999	1	Increase		4,312,000	@ 3.34	
	8/5/2002	2	Final		(4,938)		
* Tradewinds Utilities, Inc.	420001		Distribution/Storage				590,851
	10/26/1998	0	Award		491,000	@ 3.05	
	2/10/1999	1	Increase		129,000	@ 2.99	
	1/25/2000	2	Final		(29,149)		
* Water Management Services, Inc.	190101		Supply, Treatment and Transmission				6,080,883
	12/20/2001	0	Award		3,000,000	@ 3.05	
	12/31/2002	1	Increase		3,080,883	@ 2.93	
	9/30/2004	2	Final				
Welaka	540501		Transmission/Treatment				0
		0	Award				
Winter Garden	480101		Supply/Storage				2,026,869
	9/22/2003	0	Award		2,037,963	@ 2.67	
	8/25/2004	1	Final		(11,094)		
					Construction Assistance Total		218,025,568
					Grand Total		**259,009,509**

*Small Community



FAX COVERSHEET

Department of Environmental Protection

Bureau of Water Facilities Funding
Twin Towers Office Building
2600 Blair Stone Road, Mail Station 3505
Tallahassee, Florida 32399-2400

DATE: 5/3/05 # OF PAGES: 1

TO: Mr. Gene Brown FAX: 850-668-0441
PHONE: 850-668-0440

FROM: Angela Knecht PHONE: 850-245-8407
EMAIL: Angela.Knecht@dep.state.fl.us FAX: 850-245-8411

RE: Future advance from Citizens Bank of Perry

Message

Mr. Brown,

In order to provide approval for the future advance of $120,000 from the Citizens Bank of Perry, we will need a demonstration from you that you will be able to maintain 1.15 coverage as required in the loan agreement. Please provide financial statements as backup for the demonstration.

Please feel free to contact me if you have any questions.

Angela

Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308
(850) 668-0440 • FAX (850) 668-0441

MEMO

VIA FAX 245-8411

TO: Ms. Angela Knecht
Department of Environmental Protection
Bureau of Water Facilities Funding

FROM: Gene D. Brown

DATE: May 4, 2005

RE: Future Advance from Citizens Bank of Perry

NO. OF PAGES: 4

Enclosed is a schedule to demonstrate that we will be able to maintain the1.15 coverage as required in the loan agreement. I am also enclosing a copy of our 2004 income statement as backup for this schedule.

Please let me know if you need anything else from me to process this request.

Enclosures

SCHEDULE OF ACTUAL REVENUES AND DEBT COVERAGE FOR RATE-BASED SYSTEM PLEDGED REVENUE

	FY 2004 (ACTUAL)	FY 2005 (BUDGET)	FY 2006 (BUDGET)	FY 2007 (BUDGET)
(a) Water Operating Revenue	1,405,832	1,520,163	1,636,759	1,721,647
(b) Other Operating Revenue	4,936	5,000	5,000	5,000
(c) Interest Income	7,079	5,122	3,039	3,140
(d) Other Income or Revenue (Identify)				
1. Contract Work	131,369	500	500	500
2. Office Rental Income	0	0	50,000	50,000
3. Tower Rental Income	6,855	22,971	23,660	24,370
4. AFPI	1,964	1,964	1,964	1,964
5. Connection fees, etc	99,351	100,000	100,000	100,000
(e) Total Revenue	1,657,386	1,655,720	1,820,922	1,906,621
(f) Operating Expenses (excluding interest on debt, depreciation, ond other non-cash items) *	930,493	897,317	1,095,149	1,149,906
(g) Net Revenues (g = e - f)	726,893	758,403	725,773	756,715
(h) Revenue (including coverage) pledged to debt service, excluding SRF loans	157,881	176,323	182,073	182,073
(i) Revenue (including coverage) pledged to outstanding SRF loans	0	0	0	0
(j) Revenue Available for this SRF loan (j = g - h -i)	569,012	582,081	543,700	574,643
SRF Loan debt service requirements	416,646	416,646	416,646	416,646
Annual excess (shortage) over req.	152,366	165,435	127,054	157,997
Debt Coverage Percentage	136.57%	139.71%	130.49%	137.92%

Water Management Services, Inc.
Income Statement
For the Twelve Months Ending December 31, 2004

		Year to Date	
Water Revenues			
461.10	Metered Sales-Residential	1,219,168.42	(a)
461.20	Metered Sales-Commercial	119,705.70	
461.40	Metered Sales-Public Auth	66,957.76	
469.00	Guaranteed Revenue-AFPI	1,964.32	(d-4)
471.00	Misc Service Revenue	4,936.00	(B)
472.10	Rental Income-Tower Lease	6,854.84	(d-3)
473.00	CIAC Revenue	99,350.80	(d-5)
	Total Revenues	**1,518,937.84**	
Water Operations Expenses			
	Salaries & Wages - Oper.	174,143.95	
604.10	Employee Pensions & Benefits	17,498.40	
615.10	Purchased Power	45,480.00	
616.10	Purchased Fuel for Power Prod	1,119.16	
618.10	Chemicals	8,949.16	
620.10	Materials and Supplies	9,354.33	
631.10	Contractual Services-Eng	38,870.00	
636.10	Contractual Services-Other	8,771.99	
635.10	Contractual Services-Testing	2,303.00	
642.10	Rental of Equipment	2,125.30	
650.10	Transportation Expenses	21,380.52	
657.10	Insurance-General	18,112.00	
658.10	Insurance-Workman's Comp	6,176.68	
659.10	Insurance-Flood	3,496.83	
675.10	Misc. Expense	42.40	
675.11	Continuing Education	448.83	
675.12	Dues & Subscriptions	618.05	
675.13	Repairs & Maintenance	33,121.12	
675.14	Telephone	12,991.04	
675.15	Postage	123.80	
675.16	Uniforms	3,566.89	
675.19	Travel Expense	153.35	
	Total Water Operations Expense	**408,846.80**	(f)
Administrative Expenses			
	Salaries & Wages - Admin.	178,239.65	
604.80	Employee Pensions & Benefits	24,802.66	
620.80	Materials and Supplies	5,843.15	
632.80	Contractual Services-Acctg	12,511.28	
633.80	Contractual Services-Legal	44,000.00	
636.80	Contractual Services-Other	13,569.34	
641.80	Rental of Bldg/Real Property	1,212.60	
642.80	Rental of Equipment	15,389.99	
650.80	Transportation Expenses	12,838.12	
657.80	Insurance-General	10,188.35	
658.80	Insurance-Workman's Comp	2,373.50	
659.80	Insurance-Key Man Life Ins.	12,376.00	
660.80	Advertising Expense	204.04	
670.80	Bad Debt Expense	2,730.00	
675.80	Misc. Expense	9.84	
675.81	Continuing Education	394.95	
675.82	Dues & Subscriptions	4,326.97	
675.83	Repairs & Maintenance	13,709.81	
675.84	Telephone	6,388.28	
675.85	Postage	14,232.61	
675.86	Bank Charges	2,816.02	
675.87	Utilities	2,892.53	

Water Management Services, Inc.
Income Statement
For the Twelve Months Ending December 31, 2004

		Year to Date	
675.89	Travel Expenses	1,168.63	
	Total Administrative Expense	**382,218.32**	(F)
	Total Operating Expenses	**791,065.12**	
Depreciation & Amortization			
403.00	Depreciation Expense	304,607.65	
407.20	Amort.-Propert Losses	6,081.00	
407.30	Amort.-Bridge/Main	12,180.20	
	Net Depreciation & Amortization	**322,868.85**	
Taxes Other Than Income			
408.10	Utility Reg. Assessment Fees	63,882.00	
408.11	Other Taxes- Property	21,561.29	
408.12	Other Taxes- Payroll	26,394.31	
408.13	Other Taxes and Licenses	559.89	
	Total Non-Income Taxes	**112,397.49**	(F)
	Utility Operating Income	**292,606.38**	
Other Income & Expenses			
414.00	Gain/Loss-Sale of Utility Prop	6,330.47	
415.10	Revenue-Contract Work	(395,111.31)	(d-1)
415.20	Revenue-Plumbing	(1,836.00)	(d-1)
416.10	Cost of Contract Work	264,693.12	(d-1)
416.20	Cost of Contract Work-Plumbing	885.60	(d-1)
419.00	Int. & Dividend Income	(7,079.33)	(c)
426.10	Non-Utility Exp-Penalties/Fine	3,104.20	(F)
	Net Other Income	**(129,013.25)**	
Interest Expense			
427.00	Interest- D.E.P.	175,233.80	
427.20	Interest- Short-Term Debt	5,345.91	
427.30	Interest- Long-Term Debt	121,090.84	
427.40	Interest- Customer Deposits	1,963.40	(f)
427.50	Interest- Vendors	6,882.40	(f)
428.40	Amort of Loan Fees	15,080.15	(f)
	Total Interest Expense	**325,596.50**	
	Taxable Income	**96,023.13**	
Income Taxes			
	Total Income Tax Expense	**0.00**	
	Net Income	**$ 96,023.13**	

Department of
Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

May 6, 2005

Mr. Gene D. Brown
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 – Water Management Services, Inc.
State Revolving Fund Loan

Dear Mr. Brown:

Thank you for your April 26 letter requesting consent for a $120,000 future advance on your mortgage with Citizens Bank of Perry. The financial information you provided via fax indicates that Water Management Services water revenues will provide 115 percent coverage of its loan debt service, as required under the terms of the State Revolving Fund Loan Agreement.

In accordance with the Intercreditor Agreement between the Department and Citizens Bank of Perry, the Department gives its consent for the issuance of the future advance listed above.

If we may be of further assistance, please call Angela Knecht at (850) 245-8358.

Sincerely;

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/ak

cc: Roger Brooks – Citizens Bank of Perry

State Revolving Fund Loan Payment Statement

May 22, 2005

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Florida Department of
Environmental Protection

Payment in the amount of $208,694.89 has been received and credited to your State Revolving Fund loan account.

Enclosed is a statement of your account.

If you have any questions regarding this notice please contact Carleen Pruyn at 850/245-8395.

Loan Statement

Project Sponsor: Water Management Services, Inc. **Project Number:** DW1901010

Beginning of Repayment Period: 5/15/2003 **Payment Number:** 4 of 40

Original Loan **Interest Rate:** 3.05%

Date	Serv FeeCharge Bal Forward	Serv Fees	Serv Fee Charge At 5/15/2005	Serv Fee Interest	Principal Bal Forward	Disbs	Principal At 5/15/2005	Interest	Total Owed At 5/15/2005
11/15/2004					2,955,720.23		2,955,720.23	45,074.73	3,000,794.96
Subtotals							2,955,720.23	45,074.73	3,000,794.96
Payment							(60,047.09)	(45,074.73)	(105,121.82)
Balance							2,895,673.14	0	2,895,673.14

Amendment 1 **Interest Rate:** 2.93%

Date	Serv FeeCharge Bal Forward	Serv Fees	Serv Fee Charge At 5/15/2005	Serv Fee Interest	Principal Bal Forward	Disbs	Principal At 5/15/2005	Interest	Total Owed At 5/15/2005
11/15/2004					2,942,138.99		2,942,138.99	43,102.34	2,985,241.33
Subtotals							2,942,138.99	43,102.34	2,985,241.33
Payment							(60,470.73)	(43,102.34)	(103,573.07)
Balance							2,881,668.26	0	2,881,668.26
Totals							5,897,859.22	88,177.07	5,986,036.29
Payment							(120,517.82)	(88,177.07)	(208,694.89)
Balance							5,777,341.40	0	5,777,341.40

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 145 of 247

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

July 1, 2005

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Chapter 403.1835, Florida Statutes, and your loan agreement require a separate closeout audit of this project. This audit is in addition to any annual audit and must include the entire loan period.

We have not received this separate audit, which is due no later than September 30, 2005. If the auditor questions any project costs or raises other concerns, please include your response.

If you have any questions, you may call me at 850/245-8358, fax 850 245-8411 or email carol.l.hall@dep.state.fl.us.

Sincerely,

Carol Hall

Carol L. Hall
Bureau of Water Facilities Funding

STANDARD FORM TO CONFIRM ACCOUNT BALANCE INFORMATION WITH FINANCIAL INSTITUTIONS

ORIGINAL
To be mailed to accountant

Water Management Services, Inc.
CUSTOMER NAME

Financial Institution's Name and Address
[Guaranty National Bank
P.O. Box 5767
Tallahassee, FL 32314]

We have provided to our accountants the following information as of the close of business on July 31, 2005 regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below.* Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if during the process of completing confirmation additional information about other deposit and loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return the form directly to our accountants.

1. At the close of business on the date listed above, our records indicate the following deposit balance(s):

ACCOUNT NAME	ACCOUNT NO.	INTEREST RATE	BALANCE*
Water Management Services, Inc.; State of Florida-Department of Environmental Protection	5505000597		

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

ACCOUNT NO./ DESCRIPTION	BALANCE	DATE DUE	INTEREST RATE	DATE THROUGH WHICH INTEREST IS PAID	DESCRIPTION OF COLLATERAL

(Customers Authorized Signature)

8/23/05
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention except as noted below.

(Financial Institution Authorized Signature)

(Date)

(Title)

EXCEPTIONS AND/OR COMMENTS
Please provide a copy of the authorized signatures on this account (i.e. a copy of the completed consumer time deposit signature card).

Please return this form directly to our accountants:

[LAW, REDD, CRONA & MUNROE, P.A.
2727 Apalachee Parkway
Tallahassee, FL 32301]

* Ordinarily, balances are intentionally left blank if they are not available at the time the form is prepared.

Approved 1990 by American Bankers Association, American Institute of Certified Public Accountants, and Bank Administration Institute.
Additional forms available from: AICPA-Order Department, P. O. Box 2209, Jersey City, NJ 07303-2209

0 451 5951

WATER MANAGEMENT SERVICES

3038-A Crawfordville Highway
Crawfordville, FL 32327
(850) 926-8009 • Fax (850) 926-8049

September 30, 2005

Mr. Don W. Berryhill, P.E.
Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399

Re: DW1901010-Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Berryhill:

Enclosed is the project close-out audit required under Amendment 2 to our loan agreement.

Sincerely,

Sandra M. Chase

Sandra M. Chase

Enclosure



Law, Redd, Crona & Munroe, P.A.

Water Management Services, Inc.
Tallahassee, Florida

Special-Purpose Statement of
Loan Proceeds and Expenditures – Budget and Actual

January 5, 2001 through July 9, 2004
With Report of Independent Auditors

Table of Contents

Financial Section

Report of Independent Auditors 1

Special-Purpose Statement of Loan Proceeds and Expenditures – Budget and Actual 3

Notes to Special-Purpose Statement of Loan Proceeds and Expenditures – Budget and Actual 4

Internal Control and Compliance Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards* 6

Schedule of Findings and Questioned Costs 8



Law, Redd, Crona & Munroe, P.A.
Certified Public Accountants

Report of Independent Auditors

August 26, 2005

Water Management Services, Inc.
Tallahassee, Florida

We have audited the accompanying special-purpose statement of loan proceeds and expenditures – budget and actual of Water Management Services, Inc., Florida Department of Environmental Protection Loan No. DW1901 010 for the period January 5, 2001 (date of authorization to incur costs) through July 9, 2004. This special-purpose statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this special-purpose financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose statement of loan proceeds and expenditures – budget and actual is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and principles used and significant estimates made by the Corporation, as well as evaluating the overall presentation of the special-purpose statement of loan proceeds and expenditures – budget and actual. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose statement was prepared to present the loan proceeds and expenditures – budget and actual pursuant to the rules and regulations of the Florida Department of Environmental Protection as discussed in Note 1, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose statement of loan proceeds and expenditures – budget and actual referred to above presents fairly, in all material respects, the loan proceeds and expenditures – budget and actual of Water Management Services, Inc., Florida Department of Environmental Protection Loan No. DW1901 010 for the period January 5, 2001 (date of authorization to incur costs) through July 9, 2004 on the basis of accounting described in Note 2.

2727 Apalachee Parkway • Tallahassee, Florida 32301 • Telephone (850) 878-6189 • Fax (850) 942-5301
Members: American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the management of Water Management Services, Inc. and the Florida Department of Environmental Protection, and is not intended to be and should not be used by anyone other than these specified parties.

Law, Redd, Crona & Munroe, P.A.

Law, Redd, Crona & Munroe, P.A.

Water Management Services, Inc.
Florida Department of Environmental Protection
Loan No. DW1901 010
Special-Purpose Statement of Loan Proceeds
and Expenditures – Budget and Actual
For the Period January 5, 2001 (Date of Authorization to Incur Costs)
Through July 9, 2004

	Budget*	Actual
Florida Department of Environmental Protection Loan Proceeds	$ 6,157,504	$ 6,157,504
Expenditures		
Administrative Allowance	32,850	32,850
Engineering Allowance	375,000	375,000
Construction and Demolition	5,109,920	5,109,920
Technical Services After Bid Opening	366,000	366,000
Land	20,000	20,000
Loan Repayment Reserve	177,113	177,113
Capitalized Interest	76,621	76,621
Total Expenditures	6,157,504	6,157,504
Excess of Revenues over Expenditures	$ 0	$ 0

* Source: Amendment No. 2 to Loan Agreement.

See accompanying notes to special-purpose statement of loan proceeds and expenditures – budget and actual.

Water Management Services, Inc.
Florida Department of Environmental Protection
Loan No. DW1901 010
Notes to Special-Purpose Statement of Loan
Proceeds and Expenditures – Budget and Actual
For the Period January 5, 2001 (Date of Authorization to Incur Costs)
Through July 9, 2004

NOTE 1 – NATURE OF ACTIVITIES

Water Management Services, Inc. (WMS) is a for-profit corporation under the Laws of the State of Florida. WMS holds a franchise to operate a water system and water treatment plant servicing approximately 1,900 customers on St. George Island, Florida.

Loan No. DW1901 010

WMS has completed two projects to construct improvements to the water plant and non-bridge water main (WSI 1), as well as a new 12-inch ductile iron raw water main on the new Florida Department of Transportation (DOT) bridge (WSI 2) in agreement with the St. George Island Water Facilities Plan dated September 15, 2001. These projects were funded by a loan agreement with the Florida Department of Environmental Protection (DEP) dated December 20, 2001.

NOTE 2 – BASIS OF ACCOUNTING

This special-purpose statement of loan proceeds and expenditures – budget and actual is prepared on the basis of accounting prescribed by DEP in order to comply with the loan agreement described above between WMS and DEP. Under this basis, loan proceeds are recognized when monies are received. Expenditures are recognized when incurred. This special purpose statement of loan proceeds and expenditures – budget and actual covers only the project described in the loan agreement and is not representative of WMS taken as a whole.

NOTE 3 – LOAN REPAYMENT RESERVE

WMS used loan proceeds totaling $177,113 and added their own funds of $15,160 to establish a Loan Repayment Reserve in the amount of $192,273 on May 14, 2003. Funds are held in a local commercial bank in a twelve-month, automatic renewal certificate of deposit. Interest at the rate of 2.96% as of July 31, 2005 is capitalized to the certificate on a monthly basis. As of July 31, 2005, the account balance was $200,397. The loan repayment reserve represents monies required to be set aside to pay unexpected and temporary deficiencies in the semiannual loan payment.

Water Management Services, Inc.
Florida Department of Environmental Protection
Loan No. DW1901 010
Notes to Special-Purpose Statement of Loan
Proceeds and Expenditures – Budget and Actual
For the Period January 5, 2001 (Date of Authorization to Incur Costs)
Through July 9, 2004

NOTE 4 – CAPITALIZED INTEREST

Capitalized interest represents interest cost that accrues from the time loan disbursements are made through six months prior to when the first semiannual loan payment is due. Capitalized interest is financed as part of the loan principal.

NOTE 5 – CONTINGENCY

The loan proceeds from DEP are subject to audit and adjustment. If any expenditures are disallowed by the DEP as a result of such an audit, any claim for reimbursement to the DEP would become a liability of WMS. In the opinion of management, all loan expenditures are in compliance with the terms of the loan agreement and Chapter 62-503, *Florida Administrative Code.*



Law, Redd, Crona & Munroe, P.A.
Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*

August 26, 2005

Water Management Services, Inc.
Tallahassee, Florida

We have audited the special-purpose statement of loan proceeds and expenditures – budget and actual of Water Management Services, Inc., for the period January 5, 2001 (date of authorization to incur costs) through July 9, 2004, and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and any amendments thereto, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Water Management Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

2727 Apalachee Parkway • Tallahassee, Florida 32301 • Telephone (850) 878-6189 • Fax (850) 942-5301
Members: American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Water Management Services, Inc., Florida Department of Environmental Protection's special-purpose statement of loan proceeds and expenditures – budget and actual is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of special-purpose statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2, and 2004-3.

This report is intended solely for the information and use of management of Water Management Services, Inc. and the Florida Department of Environmental Protection and is not intended to be and should not be used by anyone other than these specified parties.

Law, Redd, Crona & Munroe, P.A.

Law, Redd, Crona & Munroe, P.A.

Water Management Services, Inc.
Florida Department of Environmental Protection
Loan No. DW1901 010
Schedule of Findings and Questioned Costs
For the Period January 5, 2001 (Date of Authorization to Incur Costs)
Through July 9, 2004

Finding 2004-1 Loan Repayment Reserve Account

Criteria: Amendment 1, Section 6, of the above-named loan agreement, which amends Section 10.07 of the original Loan Agreement, states that the amount to be deposited into the Loan Repayment Reserve Account is $386,898. This reserve shall be funded by loan proceeds of $177,113, the remaining $209,785 shall be paid from WMS's own funds, no later than May 15, 2003.

Condition: On May 14, 2003, WMS deposited $192,273 into a time certificate deposit. The deposit consisted of $177,113 of loan proceeds and $15,160 of WMS's own funds. An additional deposit of $194,625 is needed to bring the account into compliance with loan agreement requirements.

Finding 2004-2 Loan Repayment Reserve Account Assignment to DEP

Criteria: Sections 3.02 and 10.07 (5), of the above-named loan agreement, require that WMS will assign the Loan Repayment Reserve Account to DEP by June 15, 2003, by a letter to the Depository, in accordance with the form provided in Attachment A of the agreement.

Condition: The assignment has not been completed. However, the account was established in the name of WMS and DEP and requires two authorized signatures for a withdrawal. To date the bank has not acquired an authorized signer from DEP.

Finding 2004-3 Annual Certification to DEP

Criteria: Sections 2.01(12) and 10.07 (5), of the above-named loan agreement, as amended by Amendment 1, Section 8, require an annual certification to be submitted by WMS to DEP beginning on August 15, 2003 and then by September 30 each year thereafter until the loan is paid in full.

Condition: WMS submitted its first certification on February 2, 2004, but has not submitted a certification since that date.

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

October 12, 2005

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

We reviewed your closeout audit report for this project. There were no questioned costs or other findings requiring resolution.

The audit is accepted. Your compliance with this requirement is appreciated.

Sincerely,

Carol L. Hall
Bureau of Water Facilities Funding

cc: Sandra M. Chase - Water Management Services, Inc.

Department of
Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Jeb Bush
Governor

Colleen M. Castille
Secretary

October 12, 2005

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

We reviewed your closeout audit report for this project. There were no questioned costs or other findings requiring resolution.

The audit is accepted. Your compliance with this requirement is appreciated.

Sincerely,

Carol L. Hall
Bureau of Water Facilities Funding

cc: Sandra M. Chase - Water Management Services, Inc.

State Revolving Fund Loan Payment Reminder Notice

October 28, 2005

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Florida Department of Environmental Protection

Sponsor	Project No.	Payment No.	Date Due	Amount Due
Water Management Services, Inc.	1901010	5	11/15/2005	$208,694.89

Transmit loan repayment electronically to:

Bank Name:	Bank of America, N.A. 301 North Calhoun Street Tallahassee, FL 32301
ABA(wire transfers):	026009593
ABA(ACH transfers):	063100277
Account:	001000004444
Account Name:	CHIEF FINANCIAL OFFICE OF FLORIDA
Memorandum Field:	DEP 245-2456 DWSRF 190101

All questions regarding this notice should be directed to Carleen Pruyn 850-245-8395, David Courson 850-245-8391, or Sheri Garcia 850-245-8377.

Department of Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Jeb Bush
Governor

Colleen M. Castille
Secretary

NOV 16 2005

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

We have received your November 11, 2005, letter requesting approval from the Department to use Loan Repayment Reserve funds to alleviate a temporary deficiency. This letter will serve as our formal approval.

Your proposal for restoration of the Loan Repayment Reserve account by depositing $34,000 each month beginning on or before December 15, 2005, until the withdrawn funds are restored is also acceptable to the Department. These funds are in addition to the funds you normally set aside for the next loan payment. As a condition for the above approvals I request that you send us monthly verification of the deposits and balances to the reserve account.

Lastly, I would also request that you clarify the PSC rate reduction issue. Specifically we have the following concerns:

- Has the rate increase already gone into effect?
- Given the unexpected changes in cash flow, is your rate structure sufficient to sustain daily operations?
- Do you anticipate revisiting the rate issue with the PSC in the near future?

If you have any questions, please call Al Bishop or Tommy Williams at (850) 245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/tw

cc: Les Thomas - Les Thomas Consulting Engineers

Department of Environmental Protection

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Jeb Bush
Governor

Colleen M. Castille
Secretary

NOV 16 2005

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

We have received your November 11, 2005, letter requesting approval from the Department to use Loan Repayment Reserve funds to alleviate a temporary deficiency. This letter will serve as our formal approval.

Your proposal for restoration of the Loan Repayment Reserve account by depositing $34,000 each month beginning on or before December 15, 2005, until the withdrawn funds are restored is also acceptable to the Department. These funds are in addition to the funds you normally set aside for the next loan payment. As a condition for the above approvals I request that you send us monthly verification of the deposits and balances to the reserve account.

Lastly, I would also request that you clarify the PSC rate reduction issue. Specifically we have the following concerns:

- Has the rate increase already gone into effect?
- Given the unexpected changes in cash flow, is your rate structure sufficient to sustain daily operations?
- Do you anticipate revisiting the rate issue with the PSC in the near future?

If you have any questions, please call Al Bishop or Tommy Williams at (850) 245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/tw

cc: Les Thomas - Les Thomas Consulting Engineers

WATER MANAGEMENT SERVICES, INC.
3200 Commonwealth Blvd.
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

November 11, 2005

HAND DELIVERY

Mr. Don W. Berryhill, P.E.
Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399

Re: DW1901010-Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Berryhill:

Pursuant to sections 3.02 and 3.03 of our loan agreement, Water Management Services hereby requests written approval from the Department to allow us to use $200,000 from our Loan Repayment Reserve Account to pay the semiannual loan payment due in November. We have experienced a temporary and unexpected deficiency in our cash flow caused by the following events:

1. Hurricane Dennis. This hurricane caused substantial damage to our facilities, including over 90 service locations and our 8" water line inside the state park. We have repaired all of the service locations and we are still working on the line in the park. That line was completely destroyed in several places, and significant leak damage was experienced throughout the line. We have spent substantial sums to repair and replace these facilities, all of which had to come from our monthly cash flow.

2. Reduced Revenue. Because of the damage to the state park water line, we have been unable to bill the park for monthly standby fees or water use which normally produces approximately $40,000 per year. Our general billing is also down since the hurricane because so many houses were damaged and were not usable for several months.

3. PSC Rate Reduction. Our PSC rate case was delayed for 5 months, causing us to spend additional and unexpected sums for lawyers, accountants and consultants. Also, at the final hearing on our rate case, the PSC voted to impose a first year surcharge of $136,880 against our rates. In other words, our billing revenue was temporarily and unexpectedly reduced by $136,880 for an initial 12 month period.

4. Shortfall in Cost Reimbursement. The final, audited cost figures produced as part of our PSC rate case show that we spent over $7,000,000 for the new water line and related improvements made necessary by the destruction of the St. George Island bridge. Of this total, $726,984 was not funded by the State Revolving Loan program and had to be paid from our cash flow and other separate sources. We paid the balance of these costs this summer, prior to our final hearing before the PSC.

All of this has caused a temporary and unexpected deficiency in our cash flow, and we need to withdraw $200,000 from the Loan Payment Reserve to make the November payment. We recognize our obligation under section 3.03 to make special deposits to restore the account from the first moneys legally available to us for that purpose. Accordingly, we hereby pledge to deposit into the reserve account the sum of $34,000 each month from the first moneys received by us after our monthly billing. This sum of $34,000 will be deposited into the account on or before December 15, 2005, and on or before the 15th of each month thereafter until the sum of $200,000 has been restored to the account.

Please call me or Sandra Chase at 668-0440 if you have any questions regarding this request, or is there are any details that need to be worked out. You may reach us via fax at 577-0441, or email to gdb5@comcast.net. Please let me hear from you as soon as possible.

Sincerely,

Gene D. Brown

GDB:smc

BEFORE THE STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

IN RE:

Drinking Water State Revolving Fund Program:)
Adoption of the Fiscal Year 2006 Priority)
List for Drinking Water Loan and Grant Projects)
)

File No.: 051026/FDEP

NOTICE OF FINAL AGENCY ACTION

On October 26, 2005, the Department of Environmental Protection (Department) held a public hearing in Tallahassee, Florida. Don Berryhill, P.E., Chief, Bureau of Water Facilities Funding, served as Hearing Officer, and Craig Diltz, P.E., Administrator of the Drinking Water Funding Section, presented staff recommendations on issues involving the adoption of the Fiscal Year 2006 Drinking Water State Revolving Fund (DWSRF) Priority List for drinking water facilities loans and grants.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Notice of the public hearing and its purpose was published on the Department's Internet site on September 23, 2005. Notice was also mailed to approximately 125 persons on the Interested Parties mailing list.

2. Mr. Diltz began his remarks by noting the funds available for FY 2006 total $57,750,570 for construction loans and grants. Mr. Diltz further stated that the segment cap for loan/grant combination projects would be $750,000, and for construction projects, the segment cap was set at $6,000,000.

3. Eleven projects identified on prior years' priority lists are now eligible for increases. Mr. Diltz recommended funding for these projects as follows:

Project Sponsor	Project Number	Grant Fundable Listing Amount	Loan Fundable Listing Amount	Project Status
Miami-Dade County	130001	$0	$ 5,320,703	Final Segment
Deerfield Beach	060601	$0	$ 200,173	Final Segment
Steinhatchee Water Association	620001	$ 5,378	$ 0	Final Segment
Cross City	150101	$637,500	$ 112,500	Continuing Segment
Fairpoint Regional Utility System, Inc.	570101	$0	$ 771,641	Final Segment
St. Johns Harbor Water Association	540001	$ 50,000	$ 0	Final Segment
Highland Beach	502901	$ 0	$ 458,446	Final Segment
Cocoa	051703	$ 0	$ 3,570,439	Final Segment
Lake City	120201	$ 0	$ 6,000,000	Continuing Segment
Flagler Beach	180101	$ 0	$ 3,158,750	Final Segment
Lee County	361001	$ 0	$ 6,000,000	Continuing Segment

4. In addition, there are five projects that have now met all readiness to proceed requirements to qualify for placement on the fundable portion of the Priority List. Mr. Diltz recommended listing these projects on the fundable portion of the List according to their priority score after the previously funded projects. These projects are as follows:

Project Sponsor	Priority Score	Project Number	Grant Fundable Listing Amount	Loan Fundable Listing Amount	Project Status
Citrus County	812	090101	$ 0	$3,414,449	Funding to Complete
Park Water Co., Inc.	405.9	530001	$ 0	$2,467,338	Funding to Complete
Dania Beach	360.6	060402	$ 0	$ 440,000	First Segment
Port Orange	304.2	641303	$ 0	$4,365,000	Funding to Complete
Midway Water Systems	300	570201	$ 0	$3,316,587	Funding to Complete

5. Mr. Diltz further recommended that projects that must be segmented due to the segment cap be added to the contingency portion of the Priority List in rank order following those projects already listed, as follows:

Project Sponsor	Priority Score	Project Number	Estimated Project Cost	Additional Grant Required	Additional Loan Required
Cross City	836.0	150101	$ 7,497,733	$ 306,023	$ 54,010
Palatka	748.7	541901	$ 7,149,272	$ 4,112,573	$ 2,832,699
Horseshoe Beach	837.7	150001	$ 2,458,920	$ 0	$ 1,060,258
Yankeetown	600.0	380601	$ 204,000	$ 429	$ 0
Lake City	784.8	120201	$12,465,367	$ 0	$ 3,090,367
Lee County	600.0	361001	$19,942,497	$ 0	$10,567,497
Dania Beach	360.6	060402	$ 664,638	$ 0	$ 224,638

6. There being no further comment, Mr. Berryhill accepted Mr. Diltz's recommendations for adoption of the FY 2006 fundable and contingency portions of the Priority List by adding the loan and grant projects as indicated in Items 3, 4, and 5 above and on the attachments.

Having considered the foregoing findings of fact and conclusions of law, it is

ORDERED:

- The recommendations presented in the Findings of Fact and Conclusions of Law are adopted.
- The FY 2006 Drinking Water Priority List fundable portion, as adopted, is attached hereto as Exhibit 1.
- The FY 2006 Drinking Water Priority List contingency portion, as adopted, is attached hereto as Exhibit 2.

NOTICE OF RIGHTS

This order will become final unless a timely petition for an administrative hearing is filed under Sections 120.569 and 120.57, F.S., before the deadline for filing a petition. The procedures for petitioning for a hearing are set forth below.

A person whose substantial interests are affected by the Department's proposed agency

action may petition for an administrative proceeding (hearing) under Sections 120.569 and 120.57, F.S. The petition must contain the information set forth below and must be filed (received) in the Office of General Counsel of the Department at 3900 Commonwealth Boulevard, Mail Station 35, Tallahassee, Florida 32399-3000. Petitions filed by any of the parties listed below must be filed within 21 days of receipt of this written notice.

The failure of any person to file a petition within the appropriate time period shall constitute a waiver of that person's right to request an administrative determination (hearing) under Sections 120.569 and 120.57, F.S., or to intervene in this proceeding and participate as a party to it. Any subsequent intervention (in a proceeding initiated by another party) will only be at the discretion of the presiding officer upon the filing of a motion in compliance with Rule 28-106.205, F.A.C.

A petition that disputes the material facts on which the Department's action is based must contain the following information:

(a) The name, address, and telephone number of each petitioner; the name, address, and telephone number of the petitioner's representative, if any; the Department case, identification number, or description of action;

(b) A statement of when and how each petitioner received notice of the Department action;

(c) A statement of how each petitioner's substantial interests are affected by the Department action;

(d) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;

(e) A statement of facts that the petitioner contends warrant reversal or modification of the Department action;

(f) A concise statement of the ultimate facts alleged, as well as the rules and statutes which entitle the petitioner to relief; and

(g) Demand for relief (sought by the petitioner, stating precisely the action that the petitioner wants the Department to take).

A petition that does not dispute the material facts on which the Department's action is based shall state that no such facts are in dispute and otherwise contain the same information as set forth above, as required by Rule 28-106.301, F.A.C.

Because the administrative hearing process is designed to formulate final agency action, the filing of a petition means that the Department final action may be different from the position taken by it in this notice. Persons whose substantial interests will be affected by any such final decision of the Department on the petitions have the right to petition to become a party to the proceeding, in accordance with the requirements set forth above.

Mediation is not available for this proceeding.

A party to this order has the right to seek judicial review of it under Section 120.68, F.S., by filing a notice of appeal under Rule 9.110 of the Florida Rules of Appellate Procedure with the clerk of the Department in the Office of General Counsel, Mail Station 35, 3900 Commonwealth Boulevard, Tallahassee, Florida 32399-3000, and by filing a copy of the notice of appeal accompanied by the applicable filing fees with the appropriate district court of appeal. The notice must be filed within thirty days after this order is filed with the clerk of the Department.

DONE AND ORDERED on this 9th day of December 2005,

in Tallahassee, Florida.

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Mimi Drew

Mimi Drew
Director
Division of Water Resource Management
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

EXHIBIT 1

Drinking Water State Revolving Fund

FY 2006 Fundable List

Totals: $162,067,425.00 $692,878.00 $39,596,026.00

Project Sponsor	Proj. #	Short Description	Project Type	Assit. Type	Pop.	Priority Score	Est. Project Cost	Grant Amount	Loan Amount	Hearing Number
Miami-Dade County	130001	Treatment	C	L	1937094	304	$40,483,362	$0	$5,320,703	19982
Deerfield Beach	060601	Treatment	C	L	48520	501.4	$20,006,173	$0	$200,173	19983
Steinhatchee Water Association	620001	Supply and Distribution	C	L/G	1719	948.3	$2,950,234	$5,378	$0	19984
Cross City	150101	Treatment and Distribution	C	L/G	2004	835.5	$7,497,733	$637,500	$112,500	19984
Fairpoint Regional Utility System, Inc.	570101	Supply, Storage & Transmission	C	L	25986	624	$15,391,641	$0	$771,641	20021
St. Johns Harbor Water Association	540001	Treatment, Storage and Supply	C	G	327	703.7	$1,218,571	$50,000	$0	20023
Highland Beach	502901	New Wells and Treatment	C	L	3176	646.8	$11,200,646	$0	$458,446	20031
Cocoa	051703	Transmission	C	L	172000	100	$9,945,439	$0	$3,570,439	20041
Lake City	120201	Treatment	C	L	9626	784.8	$12,465,367	$0	$6,000,000	20051
Flagler Beach	180101	Source, Transmission and Treatment	C	L	4954	649	$6,737,750	$0	$3,158,750	20051
Lee County	361001	Treatment	C	L	335113	600	$19,942,497	$0	$6,000,000	20051
Citrus County	090101	Transmission and Distribution	C	L	1170	812	$3,414,449	$0	$3,414,449	20061
Park Water Co., Inc.	530001	Transmission and Distribution	C	L	1900	405.9	$2,467,338	$0	$2,467,338	20061
Dania Beach	060402	12" Water Main	C	L	0	360.6	$664,638	$0	$440,000	20061
Port Orange	641303	Transmission	C	L	45823	304.2	$4,365,000	$0	$4,365,000	20061
Midway Water Systems	570201	Storage	C	L	12161	300	$3,316,587	$0	$3,316,587	20061

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 172 of 247

Drinking Water State Revolving Fund

FY 2006 Contingency List

Project Sponsor	Project Number	Short Description	Assit Type	Priority Score	Estimated Project Cost	Grant Balance	Loan Balance	Hearing Number
Cross City	150101	Treatment and Distribution	L/G	836.0	$7,497,733	$306,023	$54,010	19984
Palatka	541901	Tre atment	G	748.7	$7,149,272	$4,112,573	$2,832,699	20022
Horseshoe Beach	150001	Supply, Treatment, Storage and Distribu	L/G	837.7	$2,458,920	$0	$1,060,258	20041
Yankeetown	380601	Treatment and Storage	G	600.0	$204,000	$429	$0	20041
Lake City	120201	Treatment	L	784.8	$12,465,367	$0	$3,090,367	20051
Lee County	361001	Treatment	L	600.0	$19,942,497	$0	$10,567,497	20051
Dania Beach	60402	12" Water Main	L	360.6	$664,638	$0	$224,638	20061

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 173 of 247

2006

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

January 18, 2006

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.

Dear Mr. Brown:

Our letter of November 16, 2005 approved your request to use Loan Repayment Reserve funds to alleviate a temporary deficiency for your November 15th loan payment. Under conditions of that approval we requested monthly verification of deposits and balances of the reserve account. To date we have not received these verifications nor answers to our concerns regarding the implementation of the rate increase, sufficiency of the rate structure and whether you will revisit the rate issue with the PSC in the near future.

Please provide us with the requested information and continue to submit the requested information until the reserve account is fully funded. If you have any questions regarding this information, please call Tommy Williams or Al Bishop at 850/245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/tw

cc: Les Thomas - Les Thomas Consulting Engineers

WATER MANAGEMENT SERVICES, INC.
3200 Commonwealth Blvd.
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

February 21, 2006

Mr. Don W. Berryhill, P.E.
Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399

Re: DW1901 010-Water Management Services, Inc.

Dear Mr. Berryhill:

Thank you for your letter of January 18, 2006 regarding the above-referenced loan.

We have reestablished the loan payment reserve account at Gulf State Community Bank under account number 0315515715. We have deposited $35,000 for December 2005; $35,000 for January, 2006; and I will deposit $35,000 for February 2006 as well as the remaining months through May so that at least $210,000 will be in the account in May of this year when the next payment is due. Please let me know if you need any other verification or documentation regarding this account.

Regarding the three questions or concerns referenced in your letter of January 18, 2006, my response is as follows:

- Has the rate increase already gone into effect?
  Yes. Attached is a copy of the final PSC order entered on February 9, 2006, which establishes our final rates. This includes the 10% rate reduction of $136,880 for the first 12 months.
- Given the unexpected changes in cash flow, is your rate structure sufficient to sustain daily operations?
  Yes. We have sufficient cash flow to sustain our daily operations and to pay the debt service on the above-referenced DEP loan, assuming that we can continue to use the reserve account temporarily for the next two payments until our cash flow increases substantially by May of 2007. In the meantime, our other lenders are working with us to accept "interest only" payments on all of our debt except the DEP loan which has an extremely high principal reduction allocation.

- Do you anticipate revisiting the rate issue with the PSC in the near future?
  No. We made all of our arguments regarding cash flow during the recently completed rate case, most of which fell on deaf ears. Accordingly, we are going to work with our lenders, including your department, to get through our cash flow problems which will be alleviated by May of 2007 when our permanent rate increase goes into effect.

We very much appreciate the confidence you and your staff have shown by working with us in this regard.

Sincerely,

Gene D. Brown

GDB:smc
Enclosure
cc: Les Thomas

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition by Water Management Services, Inc. for limited proceeding to increase water rates in Franklin County.	DOCKET NO. 000694-WU ORDER NO. PSC-06-0092-AS-WU ISSUED: February 9, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
J. TERRY DEASON
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW

FINAL ORDER APPROVING SETTLEMENT AGREEMENT AND CONSUMMATING ORDER NO. PSC-05-1156-PAA-WU AS MODIFIED BY SETTLEMENT AGREEMENT

BY THE COMMISSION:

Background

Water Management Services, Inc. (WMSI or utility) is a Class A water utility providing service to approximately 1,776 water customers in Franklin County. For the year ended December 31, 2004, the utility reported in its annual report operating revenues of $1,419,587, and utility operating income of $269,290. The utility's water rates were last established in a rate case by Order No. PSC-94-1383-FOF-WU, issued November 14, 1994, in Docket No. 940109-WU, In re: Petition for interim and permanent rate increase in Franklin County by St. George Island Utility Company, Ltd.

On June 6, 2000, WMSI filed an application pursuant to Section 367.0822, Florida Statutes, for a limited proceeding to increase its water rates to recover the cost of building a new water transmission main to connect its wells on the mainland to its service territory on St. George Island. In its petition, the utility stated that it was notified by the Florida Department of Transportation (DOT) that the existing bridge to St. George Island, to which WMSI's water main was attached, was to be demolished and replaced by a new bridge with an expected in-service date of March 2003. Upon completion of the new bridge, WMSI would have to make alternative arrangements to provide service to its certificated service area. The utility's petition set forth its plan to construct a new main to be attached to the new bridge, along with ancillary modifications to its system, and requested an increase in its rates to provide funding for the proposed construction.

A customer meeting was held at the Franklin County Courthouse in Apalachicola on September 12, 2000, in order to allow the utility's customers the opportunity to comment on WMSI's petition. More than 100 customers attended, and 13 customers made statements. In

DOCUMENT NUMBER-DATE
01144 FEB-9 06
FPSC-COMMISSION CLERK

general, the speakers believed that the projected cost of the project was excessive and that the utility should have planned for this contingency in such a way as to avoid such a large rate increase. There was also great concern over the utility's ability to provide fire protection.

WMSI originally requested that this Commission approve two tiers of temporary increases, to be approved concurrently, described as Phase 1 and Phase 2, in our initial consideration of this matter. Phase 1 was to cover preliminary costs and Phase 2 was to cover estimated total costs of the project. The utility then proposed a true-up, described as Phase 3, to set final rates after the project was complete and all costs were verified.

By Order No. PSC-00-2227-PAA-WU, issued November 21, 2000, and consummated by Order No. PSC-00-2405-CO-WU, issued December 14, 2000, we found that construction of the new water transmission main was justified, and that the prudent costs to be incurred by WMSI for this project should be recovered through a three phase mechanism. Further, we found that replacement of the existing 8-inch main with a 12-inch water main was prudent, and that the used and useful percentage for the new main should be 100 percent. We also found it prudent for the utility to construct a new line from Well No. 1 to Well No. 4 in connection with the replacement project. In addition, we approved a Phase 1 increase and deferred consideration of a temporary Phase 2 increase until the utility filed more complete and detailed cost information. The approved Phase 1 increase was 11.3 percent, or an annual revenue increase of $82,707.

On May 14, 2003, WMSI filed a Supplemental Petition for Limited Proceeding (supplemental petition), requesting revised rates for the Phase 2 rate increase. In its supplemental petition, the utility stated that numerous changes had occurred since the filing of the original petition. First, the projected bridge in-service date was changed from March 2003 to October 2003. Second, the estimated capital cost of the new transmission main and the other approved work on the mainland had decreased. Third, WMSI had obtained financial support from the State Revolving Fund (SRF) loan program administrated by the Department of Environmental Protection (DEP). Finally, an eminent domain case filed by WMSI in an attempt to receive compensation from DOT for the old main was unsuccessful.

Since the net effect of those changes substantially reduced the total project cost, WMSI requested the inclusion of fire flow protection improvement measures in its supplemental petition. The utility stated that fire flow protection is an issue of great importance to the utility's customers, as communicated at the customer meeting. The overall rate increase requested in the supplemental petition was designed to generate annual Phase 2 revenue of $568,657 above the expected revenue from the previously approved Phase 1 rates, or an additional increase of 50.2 percent.

By Order No. PSC-03-1005-PAA-WU, issued September 8, 2003, we approved a Phase 2 revenue requirement of $490,959, or an increase of 42.1 percent in base facility and gallonage charges. We also approved the utility's request to include the cost of improved fire flow protection in this proceeding, and established a depreciable life of 35 years for the portion of WMSI's transmission main attached to the new bridge.

The Office of Public Counsel (OPC) and the utility both filed Petitions on Proposed Agency Action. OPC objected to that portion of the utility's plan which called for removing the existing 150,000 gallon elevated water storage tank and replacing it with a new 200,000 gallon tank. WMSI stated that its petition was in response to its understanding that OPC was also filing a protest. WMSI's petition addressed the rate case expense that would be incurred as a result of a formal hearing. On May 28, 2004, WMSI and OPC filed a Joint Motion Requesting Commission Approval of Settlement Agreement to address both parties' protests. The substance of the settlement agreement was that, in lieu of replacing the storage tank, the utility would complete the looping of the water mains that serve the service territory from Bob Sikes Cut to the state park. By Order No. PSC-04-0791-AS-WU, issued August 12, 2004 (Settlement Agreement Order), we approved the settlement agreement.

On October 14, 2004, the utility filed its Petition for Approval of Phase 3 Final Rates. By Order No. PSC-05-1156-PAA-WU, issued November 21, 2005, (Phase 3 PAA Order), we approved a Phase 3 revenue requirement of $1,368,807. We also approved a three-tier inclining block rate structure designed to recover 50 percent of the revenue requirement through base facility charges (BFCs) and 50 percent through consumption charges. Further, we approved a rate reduction of approximately 10 percent for the first twelve months that the rates are in effect, as a true-up for over-collection of rates during Phases 1 and 2 of this proceeding.

On December 12, 2005, OPC and WMSI timely filed a Joint Petition and Request to Approve Settlement Agreement (Joint Petition) and a Settlement Agreement. (Attachment A to this Order.) In the Joint Petition, OPC and WMSI jointly protest the Phase 3 PAA Order. OPC and the utility also state that they have agreed to settle this case. Further, the parties state that if this Commission accepts the Settlement Agreement and issues a final order adopting the terms of the Settlement Agreement, the joint protest shall be deemed to be withdrawn.

We have jurisdiction pursuant to Sections 367.081 and 367.121, Florida Statutes.

Settlement Agreement

OPC's protest reflects its belief that the staff audit did not adequately verify the work done, amounts spent, and prudence of the expenditures claimed by WMSI in the final petition. OPC protests "all of the expenditures to be recovered from ratepayers in the Phase 3 Final Rates, until such time as the details and reasonableness of the transactions can be tested at a formal evidentiary hearing." Specifically, OPC states that it believes that many of the expenditures related to the water plant/office building were outside of the scope of work authorized to be recovered in this proceeding.

WMSI states that it reserves the right to protest any and all proposed determinations in the Phase 3 PAA Order, including, but not limited to:

(a) the final revenue requirement;

(b) the determination regarding improvements to the office building;

(c) the determination regarding depreciation expense for the retired supply main;

(d) the determination concerning rate case expense, and WMSI would specifically request recovery of all prudently incurred rate case expense through the conclusion of this proceeding, including, but not limited to, the final hearing, posthearing briefs, motions for reconsideration and appeals;

(e) the reduction in rates for the first year to return alleged over-collection of revenue;

(f) the determination of the utility's rate structure, including any and all issues and proposed determinations relevant to or utilized in the Phase 3 PAA Order to develop or determine the proposed rate structure; and

(g) the determination of final rates.

Further, WMSI states that, should this Commission not approve the Settlement Agreement, the above determinations and issues should be resolved in favor of the utility and consistent with positions previously provided by WMSI to this Commission and/or staff. WMSI maintains that it should recover its full Phase 3 final revenue requirement, that there should be no reduction in rates for the first year, and that WMSI should maintain its existing rate structure.

As previously discussed, OPC and WMSI also filed a Settlement Agreement. In the Joint Petition, the parties assert that the Settlement Agreement avoids the time, expense and uncertainty associated with adversarial litigation. The parties further assert that the Settlement Agreement is in keeping with this Commission's long-standing policy and practice of encouraging parties in protested proceedings to settle issues whenever possible.

In the Settlement Agreement, WMSI and OPC agree that the Phase 3 PAA Order would become final except that the Total Project Cost provided by the Phase 3 PAA Order would be reduced by an additional $71,000 in plant-in-service. The parties state that this would reduce the annual revenue requirement approved in the Phase 3 PAA Order by $5,635, with rates to be reduced on a *pro rata* basis to reflect the decrease in revenue requirement. The rate structure approved in the Phase 3 PAA Order would remain unchanged.

We have reviewed the Settlement Agreement, including verification of the calculated impact of the reduction in Total Project Cost on revenue requirement, and find that it is a reasonable resolution to the OPC and WMSI's protests. Further, we find that it is in the public interest to approve the Settlement Agreement in its entirety. Therefore, we hereby approve the Settlement Agreement in its entirety, and by its terms, the joint protest shall be deemed withdrawn.

Water Rates

Based upon our approval of the Settlement Agreement, monthly rates as shown on Attachment B to this Order shall be effective as permanent rates for service rendered as of the stamped approval date on the tariff sheets, provided customers have received notice as required by Rule 25-30.475, Florida Administrative Code. The utility shall file an affidavit with this Commission of the date notice was given to the customers within ten days after the date of the customer notice.

We note that WMSI and OPC are the only parties of record in this docket. Any person whose substantial interests were affected by the Phase 3 PAA Order was given a point of entry to file a protest and no other protests were filed. Thus, our action herein approving the Settlement Agreement, resolving the protests of WMSI and OPC, and thus finalizing the undisputed issues in the PAA Order, constitutes our final agency action on the matter.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Settlement Agreement entered into by and between Water Management Services, Inc. and the Office of Public Counsel on December 12, 2005, is hereby approved in its entirety. By its terms, the Office of Public Counsel and Water Management Services, Inc.'s joint protest of Order No. PSC-05-1156-PAA-WU is deemed to be withdrawn. It is further

ORDERED that Attachments A and B to this Order are incorporated herein by reference. It is further

ORDERED that monthly rates as shown on Attachment B to this Order shall be effective as permanent rates for service rendered as of the stamped approval date on the tariff sheets, provided customers have received notice as required by Rule 25-30.475, Florida Administrative Code. Water Management Services, Inc. shall file an affidavit with this Commission of the date notice was given to the customers within ten days after the date of the customer notice. It is further

ORDERED that Order No. PSC-05-1156-PAA-WU is effective and final, as modified by the Settlement Agreement approved herein. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 9th day of February, 2006.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(SEAL)

RG

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT A

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Water Management Services, Inc For a Limited Proceeding to Increase Water Rates In Franklin County.

Docket No. 000694-WU
Filed: December 12, 2005

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into this 12th day of December, 2005, by and between the Citizens of the State of Florida ("Citizens") through the Office of Public Counsel ("OPC") and Water Management Services, Inc. ("Water Management" or "Utility").

WITNESSETH

WHEREAS, On November 21, 2005, the Commission issued Order No. PSC-05-1156-PAA-WU ("PAA Order"); and

WHEREAS, OPC and Water Management have timely filed a Joint Petition Protesting the PAA Order; and

WHEREAS, notwithstanding the above Joint Petition protesting the PAA Order, OPC and Water Management desire to enter into this Settlement Agreement in order to avoid the time, expense and uncertainty associated with adversarial litigation, and in keeping with this Commission's long-standing policy and practice of encouraging parties in protested proceedings to settle issues whenever possible;

NOW THEREFORE, for and in consideration of the mutual covenants set forth below, OPC and Water Management agree as follows:

DOCUMENT NUMBER-DATE
11588 DEC 12 05
FPSC-COMMISSION CLERK

ATTACHMENT A

1. The PAA Order shall become a Final Order, except that the Total Project Cost provided by the PAA Order shall be reduced by an additional $71,000 in plant in service. This reduction of $71,000 shall result in a reduction of $5,635 to the annual revenue requirement approved in the PAA Order. While the rate structure will remain the same, rates will be reduced on a pro rata basis to reflect the $5,635 reduction in the annual revenue requirement.

2. If the Commission accepts this Settlement Agreement and issues a Final Order adopting the reduced Total Project Cost, reduced annual revenue requirement and resulting reduction in rates, the Joint Protest shall be deemed to be withdrawn.

3. The submission of this Settlement Agreement by the Parties is in the nature of an offer to settle. Consequently, if this Settlement Agreement is not accepted and approved without modification by Commission Order, then this Settlement Agreement is rejected and shall be considered null and void and neither Party may use the attempted agreement in this or any other proceeding.

4. The Parties have evidenced their acceptance and agreement with the provisions of this Settlement Agreement by their signatures.

5. The undersigned personally represent that they have authority to execute this Settlement Agreement on behalf of their respective Parties.

CITIZENS OF THE STATE OF FLORIDA,
OFFICE OF PUBLIC COUNSEL

By: _____
Stephen C. Reilly
Associate Public Counsel

WATER MANAGEMENT SERVICES, INC.

By: _____
Kenneth A. Hoffman
Counsel for Water Management Services, Inc.

ORDER NO. PSC-06-0092-AS-WU
DOCKET NO. 000694-WU
PAGE 9

ATTACHMENT B

Attachment B

Water Management Services, Inc.
Water Monthly Service Rates

	Rates Prior to Filing	Commission Approved Phase 2	Utility Requested Final	Comm. Approved Final	12-month True-Up Rates	4-year Rate Reduction
Residential and General Service						
Base Facility Charge by Meter Size:						
5/8" x 3/4"	$20.90	$33.06	$34.68	$27.89	$25.09	$0.39
3/4"	N/A	N/A	N/A	$41.84	$37.64	$0.58
1"	$52.25	$82.66	$86.71	$69.74	$62.74	$0.96
1 1/2"	$104.51	$165.34	$173.45	$139.47	$125.47	$1.93
2"	$167.20	$264.52	$277.50	$223.16	$200.76	$3.08
3" Compound	$334.40	$529.03	$554.98	$418.42	$376.42	$5.78
3" Turbine	$365.77	$578.67	$607.06	$488.16	$439.16	$6.74
4" Compound	$522.52	$826.50	$867.04	$697.37	$627.37	$9.63
4" Turbine	$627.02	$991.98	$1,040.64	$836.84	$752.84	$11.56
6" Compound	$1,045.03	$1,653.00	$1,734.09	$1,394.73	$1,254.74	$19.27
6" Turbine	$1,306.30	$2,066.64	$2,168.02	$1,743.42	$1,568.42	$24.09
8" Compound	$1,672.05	$2,644.80	$2,774.40	$2,231.58	$2,007.58	$30.83
8" Turbine	$1,881.06	$2,975.40	$3,121.20	$2,510.52	$2,258.53	$34.69
10" Compound	$2,403.58	$3,801.90	$3,988.20	$3,207.89	$2,885.90	$44.32
10" Turbine	$3,030.59	$4,793.70	$5,028.60	$4,044.73	$3,638.74	$55.88
12" Compound	$4,493.65	$6,281.40	$7,456.20	$5,997.36	$5,395.38	$82.86
Gallonage Charge, per 1,000 gallons						
Current and Requested, Residential	$1.98	$3.13	$3.28	N/A	N/A	N/A
Residential						
0 - 8 kgal	N/A	N/A	N/A	$3.32	$2.98	$0.05
8 - 15 kgal	N/A	N/A	N/A	$4.14	$3.73	$0.06
Over 15 kgal	N/A	N/A	N/A	$4.98	$4.48	$0.07
General Service	$1.98	$3.13	$3.28	$4.72	$4.25	$0.07
	Typical Residential Bills 5/8" x 3/4" Meter					
3,000 Gallons	$26.84	$42.45	$44.52	$37.85	$34.03	
8,000 Gallons	$36.74	$58.10	$60.92	$54.45	$48.93	
10,000 Gallons	$40.70	$64.36	$67.48	$62.73	$56.39	

WATER MANAGEMENT SERVICES, INC.
3200 Commonwealth Blvd.
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

MEMO

VIA FAX AND U.S. MAIL 245-8411

TO: Ms. Angela Knecht
Department of Environmental Protection
Bureau of Water Facilities Funding

FROM: Gene D. Brown

DATE: May 8, 2006

RE: Proposed Agreement with Gulf State Bank

NO. OF PAGES: 6

As you requested, I am sending a schedule to demonstrate that we will be able to maintain the 1.15 coverage as required by the Loan Agreement if Gulf State makes the loan we discussed last Friday. This assumes the Gulf State loan will allow interest only for one year with a 30-year amortization thereafter. That is the primary reason our debt service (aside from the SRF debt service) will decrease from $326,831 in '05 to $293,964 in '06. I am enclosing a copy of our '05 income statement together with a copy of our '06-'11 cash flow budget as support for this schedule.

Please let me know if you need anything else from me before your department makes a decision on the agreement proposed by Gulf State Bank.

cc: Cliff Butler
Jack Davis

SCHEDULE OF ACTUAL REVENUES AND DEBT COVERAGE FOR RATE-BASED SYSTEM PLEDGED REVENUE

	FY 2005 (ACTUAL)	FY 2006 (BUDGET)	FY 2007 (BUDGET)	FY 2008 BUDGET
(a) Water Operating Revenue	1,399,070	1,387,380	1,543,421	1,592,837
(b) Other Operating Revenue	4,895	5,000	5,000	5,000
(c) Interest Income	7,409	16,000	16,000	16,000
(d) Other Income or Revenue (Identify)				
1. Contract Work	150	0	0	0
2. Rental Income	0	36,000	36,000	36,000
3. Tower Rental Income	22,964	23,660	72,370	74,541
4. AFPI	737	1,964	1,964	1,964
5. Connection fees, etc	77,109	100,000	100,000	100,000
(e) Total Revenue	1,512,333	1,570,004	1,774,755	1,826,342
(f) Operating Expenses (Excluding interest on debt, depreciation, and other non-cash items)*	937,079	776,994	862,586	880,175
(g) Net revenues (g=e - f)	575,254	793,010	912,169	946,167
(h) Revenue (including coverage) pledged to debt service. excluding SRF Loans.	326,831	293,964	308,818	308,818
(i) Revenue (including coverage) pledged to outstanding SRF Loans				
(j) Revenue Available for this SRF loan (j = g-h-i)	248,423	499,046	603,351	637,349
SRFLoan debt service requirements	417,390	417,390	417,390	417,390
Annual excess (shortage) over req.	(168,967)	81,656	185,961	219,959
Debt Coverage Percentage	59.52%	119.56%	144.55%	152.70%

Water Management Services, Inc.
Income Statement
For the Twelve Months Ending December 31, 2005

		Year to Date
Water Revenues		
461.10	Metered Sales-Residential	1,197,537.53
461.20	Metered Sales-Commercial	130,986.01
461.40	Metered Sales-Public Auth	45,839.76
461.50	Metered Sales-Multi Family	24,706.77
469.00	Guaranteed Revenue-AFPI	736.62
471.00	Misc Service Revenue	4,894.93
472.10	Rental Income-Tower Lease	22,963.64
473.00	CIAC Revenue	77,108.70
	Total Revenues	1,504,773.96
Water Operations Expenses		
	Salaries & Wages - Oper.	179,793.01
604.10	Employee Pensions & Benefits	15,193.02
615.10	Purchased Power	52,595.58
616.10	Purchased Fuel for Power Prod	4,215.61
618.10	Chemicals	10,751.60
620.10	Materials and Supplies	8,469.07
634.10	Contractual Services-Mgmt	20,136.18
636.10	Contractual Services-Other	10,857.79
635.10	Contractual Services-Testing	4,276.00
642.10	Rental of Equipment	10,842.35
650.10	Transportation Expenses	13,360.24
657.10	Insurance-General	13,003.00
658.10	Insurance-Workman's Comp	3,008.94
659.10	Insurance-Flood	3,627.68
675.12	Dues & Subscriptions	591.46
675.13	Repairs & Maintenance	25,348.88
675.14	Telephone	9,844.83
675.15	Postage	5,688.31
675.16	Uniforms	3,053.35
675.19	Travel Expense	109.11
	Total Water Operations Expense	394,766.01
Administrative Expenses		
	Salaries & Wages - Admin.	171,015.96
604.80	Employee Pensions & Benefits	29,417.33
620.80	Materials and Supplies	6,865.39
632.80	Contractual Services-Acctg	10,626.30
633.80	Contractual Services-Legal	43,572.10
636.80	Contractual Services-Other	21,823.92
641.80	Rental of Bldg/Real Property	21,472.74
642.80	Rental of Equipment	10,216.85
650.80	Transportation Expenses	10,581.29
657.80	Insurance-General	10,940.15
658.80	Insurance-Workman's Comp	1,920.00
659.80	Insurance-Key Man Life Ins.	12,376.00
660.80	Advertising Expense	794.01
670.80	Bad Debt Expense	725.00
675.82	Dues & Subscriptions	3,143.03
675.83	Repairs & Maintenance	5,369.97
675.84	Telephone	5,295.31
675.85	Postage	7,974.64
675.86	Bank Charges	3,168.86
675.87	Utilities	1,109.28
675.89	Travel Expenses	1,938.40
	Total Administrative Expense	380,346.53

(a) (b) (d-4) (d-3) (d-5) (f) (f)

Water Management Services, Inc.
Income Statement
For the Twelve Months Ending December 31, 2005

		Year to Date	
	Total Operating Expenses	775,112.54	
Depreciation & Amortization			
403.00	Depreciation Expense	306,813.80	
407.20	Amort.-Propert Losses	506.81	
407.30	Amort.-Bridge/Main	14,616.24	
	Net Depreciation & Amortization	321,936.85	
Taxes Other Than Income			
408.10	Utility Reg. Assessment Fees	64,245.00	
408.11	Other Taxes- Property	20,596.11	
408.12	Other Taxes- Payroll	26,579.94	
408.13	Other Taxes and Licenses	1,010.41	
	Total Non-Income Taxes	112,431.46	(f)
	Utility Operating Income	295,293.11	
Other Income & Expenses			
414.00	Gain/Loss-Sale of Utility Prop	(23,159.97)	
415.20	Revenue-Plumbing	(250.00)	(d-1)
416.20	Cost of Contract Work-Plumbing	100.00	
419.00	Int. & Dividend Income	(7,409.01)	(c)
426.10	Non-Utility Exp-Penalties/Fine	16,153.63	(f)
	Net Other Income	(14,565.35)	
Interest Expense			
427.00	Interest- D.E.P.	173,637.53	
427.20	Interest- Short-Term Debt	16,614.37	
427.30	Interest- Long-Term Debt	154,737.83	
427.40	Interest- Customer Deposits	2,133.82	(f)
427.50	Interest- Vendors	12,077.72	
428.20	Amort of Loan Fees	19,169.56	
	Total Interest Expense	378,370.83	
	Taxable Income	(68,512.37)	
Income Taxes			
	Total Income Tax Expense	0.00	
	Net Income	$ (68,512.37)	

WATER MANAGEMENT SERVICE
CASH FLOW-BUDGET
6 YEAR PROJECTION

ACCT #	DESCRIPTION	2006	2007	2008	2009	2010	2011
WATER REVENUES/RECEIPTS							
461.10	METERED SALES-RESIDENTIAL	1,197,538.00	1,223,216.00	1,253,056.00	1,276,451.00	1,302,422.00	1,327,083.00
461.20	METERED SALES-COMMERCIAL	130,988.00	137,795.00	142,986.00	149,605.00	156,051.00	162,986.00
461.40	METERED SALES-PUBLIC AUTH	78,000.00	82,222.00	84,000.00	90,814.00	94,890.00	100,000.00
461.50	METERED SALES-MULTI FAMILY	24,707.00	26,007.00	27,207.00	28,568.00	29,904.00	31,207.00
461.10	FINAL RATE INCREASE	43,614.00	47,579.00	47,579.00	47,579.00	47,579.00	47,579.00
461.10	ONE YEAR PSC ADJUSTMENT	(125,474.00)	(11,407.00)	0.00	0.00	0.00	0.00
461.10	60 CUSTOMER GROWTH FACTOR	38,009.00	38,009.00	38,009.00	38,009.00	36,009.00	36,009.00
	TOTAL WATER SALES	1,387,380.00	1,543,421.00	1,592,837.00	1,630,846.00	1,668,855.00	1,706,864.00
469.00	GUARANTEED REVENUE-A.F.P.I.	1,964.32	1,964.32	1,964.32	1,964.32	1,964.32	1,964.32
471.00	MISC. SERVICE REVENUE	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
472.10	RENTAL INCOME-TOWER LEASES	23,660.13	72,369.93	74,541.03	76,777.26	79,080.58	81,453.00
472.20	RENTAL INCOME-APARTMENTS	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00	36,000.00
271.XX	NEW CUSTOMER TAP FEES	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
	TOTAL RECEIPTS	1,554,004.45	1,758,755.25	1,810,342.35	1,850,587.58	1,890,899.90	1,931,281.32
LABOR & LABOR RELATED COSTS							
601.10	WAGES-EMPLOYEE (OPER)	103,500.00	106,500.00	109,500.00	113,500.00	118,500.00	121,500.00
	BONUS EXPENSE	1,035.00	1,065.00	1,095.00	1,135.00	1,185.00	1,215.00
603.10	WAGES-OFFICERS (OPER)	23,775.00	54,000.00	56,000.00	58,000.00	60,000.00	62,000.00
	BONUS EXPENSE	475.00	540.00	560.00	580.00	600.00	580.00
601.80	WAGES-EMPLOYEE (G & A)	136,000.00	139,000.00	142,000.00	145,000.00	148,000.00	151,000.00
	BONUS EXPENSE	1,360.00	1,390.00	1,420.00	1,450.00	1,480.00	1,510.00
603.80	WAGES-OFFICERS (G & A)	23,775.00	54,000.00	56,000.00	58,000.00	60,000.00	62,000.00
	BONUS EXPENSE	475.00	540.00	560.00	580.00	600.00	620.00
408.12	OTHER TAXES-PAYROLL	20,000.00	21,000.00	22,000.00	23,000.00	24,000.00	25,000.00
604.10	EMPL PENSION/BENEFITS (OPER)	12,000.00	12,580.00	13,000.00	13,420.00	13,850.00	14,250.00
604.80	EMPL PENSION/BENEFITS (G & A)	27,720.00	30,525.00	30,880.00	31,155.00	31,450.00	31,750.00
658.10	INSURANCE-W. COMP (OPER)	6,800.00	7,100.00	7,400.00	7,700.00	8,000.00	8,300.00
658.80	INSURANCE-W. COMP (G & A)	1,200.00	1,300.00	1,400.00	1,600.00	1,800.00	2,000.00
650.10	TRANSPORTATION EXP (OPER)	8,400.00	8,400.00	8,400.00	8,400.00	8,400.00	8,400.00
650.80	TRANSPORTATION EXP (G & A)	9,600.00	10,200.00	10,200.00	10,200.00	10,200.00	10,200.00
675.16	UNIFORMS (OPER)	2,520.00	2,700.00	2,760.00	2,820.00	2,880.00	2,940.00
	TOTAL LABOR & RELATED COSTS	378,635.00	450,840.00	463,175.00	476,540.00	490,945.00	503,265.00
OPERATIONS EXPENSES							
615.10	PURCHASED POWER	48,270.95	49,880.00	50,980.00	52,280.00	53,580.00	54,880.00
616.10	PURCHASED FUEL FOR POWER	1,200.00	1,400.00	1,600.00	1,800.00	2,000.00	2,200.00
618.10	CHEMICALS	9,300.00	9,386.00	9,474.00	9,562.00	9,650.00	9,750.00
620.10	MATERIAL & SUPPLIES (OPER)	9,362.31	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00
631.10	CONTRACTUAL SERVICES-ENG	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
634.10	CONTRACTUAL SERVICES-MGMT	26,000.00	26,000.00	26,000.00	26,000.00	26,000.00	26,000.00
635.10	CONTRACTUAL SERVICES-TESTING	2,303.00	2,330.00	2,400.00	2,470.00	2,550.00	2,630.00
636.10	CONTRACTUAL SERVICES-OTHER	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00	9,600.00
642.10	RENTAL OF EQUIPMENT (OPER)	10,500.00	10,500.00	10,500.00	10,500.00	10,500.00	10,500.00
657.10	INSURANCE-GENERAL (OPER)	23,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00
659.10	INSURANCE-OTHER (FLOOD) (OPER)	3,762.77	3,745.00	3,745.00	3,745.00	3,745.00	3,745.00
675.13	REPAIRS/MAINT (OPER)	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00
675.14	TELEPHONE (OPER)	9,180.00	9,300.00	9,600.00	9,900.00	10,200.00	10,500.00
675.15	POSTAGE (OPER)	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
	TOTAL OPERATIONS EXPENSE	194,479.03	197,541.00	199,499.00	201,457.00	203,425.00	205,405.00

(a) (d-4) (b) (d-3) (d-2) (d-5) (f) (f)

WATER MANAGEMENT SERVICE
CASH FLOW-BUDGET
6 YEAR PROJECTION

ACCT #	DESCRIPTION	2006	2007	2008	2009	2010	2011	
ADMINISTRATIVE EXPENSES								
620.80	MATERIAL & SUPPLIES (G & A)	5,760.00	6,000.00	6,240.00	6,500.00	6,750.00	7,000.00	
631.80	CONTRACTUAL SERVICES-ACCTNG	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	
636.80	CONTRACTUAL SERVICES-OTHER	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	
641.80	RENTAL OF BLDG/REAL PROP	32,400.00	32,400.00	32,400.00	32,400.00	32,400.00	32,400.00	
642.80	RENTAL OF EQUIPMENT (G & A)	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	
657.80	INSURANCE-GENERAL (G & A)	25,436.00	26,000.00	26,850.00	27,300.00	28,000.00	28,700.00	
659.80	INSURANCE-OTHER (LIFE) G&A	12,376.00	12,376.00	12,376.00	12,376.00	12,376.00	12,376.00	
670.80	BAD DEBT EXPENSE	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	
675.80	MISC EXPENSE (G & A)	300.00	300.00	300.00	300.00	300.00	300.00	
675.82	DUES & SUB (G & A)	4,300.00	4,325.00	4,350.00	4,375.00	4,400.00	4,425.00	
675.83	REPAIRS/MAINT (G & A)	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00	
675.84	TELEPHONE (G &A)	4,896.00	5,040.00	5,100.00	5,150.00	5,200.00	5,250.00	
675.85	POSTAGE (G &A)	600.00	600.00	600.00	600.00	600.00	600.00	
675.86	BANK CHARGES (G & A)	3,700.00	3,840.00	3,840.00	3,840.00	3,840.00	3,840.00	
675.87	UTILITIES (G & A)	0.00	0.00	0.00	0.00	0.00	0.00	
675.89	TRAVEL EXPENSES (G & A)	1,600.00	1,600.00	1,600.00	1,600.00	1,600.00	1,600.00	
	TOTAL ADMINISTRATIVE EXPENSE	106,370.00	107,481.00	108,456.00	109,441.00	110,466.00	111,491.00	(f)
TAXES OTHER THAN INCOME								
408.10	UTILITY REG ASSESSMENT FEE	65,430.24	74,644.25	76,965.25	78,776.24	80,590.25	82,407.25	
408.11	OTHER TAXES-PROPERTY	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	
408.13	OTHER TAXES AND LICENSES	480.00	480.00	480.00	480.00	480.00	480.00	
	TOTAL NON-INCOME TAXES	90,910.24	100,124.25	102,445.25	104,256.24	106,070.25	107,887.25	(f)
	UTILITY OPERATING CASHFLOW	783,610.18	902,769.00	936,767.10	958,893.34	979,993.65	1,003,233.07	
OTHER INCOME & EXPENSES								
419.00	INTEREST & DIVIDEND INCOME	(16,000.00)	(16,000.00)	(16,000.00)	(16,000.00)	(16,000.00)	(16,000.00)	(c)
427.40	INTEREST-CUSTOMER DEPOSITS	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	(f)
427.50	INTEREST-VENDORS	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	(f)
	NET OTHER	(9,400.00)	(9,400.00)	(9,400.00)	(9,400.00)	(9,400.00)	(9,400.00)	
LOAN PAYMENTS								
	D.E.P. LOAN PAYMENTS	417,390.00	417,390.00	417,390.00	417,390.00	417,390.00	417,390.00	
	OTHER LOANS	48,845.00	48,845.00	48,845.00	48,845.00	48,845.00	48,845.00	
	GSB CONSOLIDATED LOAN	245,119.00	259,973.00	259,973.00	259,973.00	259,973.00	259,973.00	
	TOTAL LOAN PAYMENTS	711,354.00	726,208.00	726,208.00	726,208.00	726,208.00	726,208.00	
	* CASH REMAINING *	81,656.18	185,961.00	219,959.10	242,085.34	263,185.65	286,425.07	

Docket No. 110200-WU
WMSI and DEP Correspondence
Exhibit HWS-30, Page 192 of 247

Department of Environmental Protection

Jeb Bush
Governor

Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Colleen M. Castille
Secretary

May 10, 2006

Mr. Gene D. Brown, President
Water Management Services, Inc.
3848 Killearn Court
Tallahassee, Florida 32308

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

Staff has reviewed the projected financial information provided in your May 8, 2006 letter. Based on this review, the system revenues appear to be sufficient to satisfy the coverage set forth in Section 7.01 of State Revolving Fund Loan Agreement DW1901 010.

Additionally, the Department (DEP) provides its tentative consent, for the reassignment of existing bank loan(s) with regard to Water Management Services, Inc. and the Citizens Bank of Perry to be assigned and modified with the Gulf State Community Bank (Gulf State). Formal approval will be evidenced by the execution of an Intercreditor Agreement between DEP and Gulf State. The terms of the draft Intercreditor Agreement provided at the May 5, 2006 meeting between staff of DEP, Gulf State and Mr. Brown are viewed as acceptable.

Lastly, DEP provided its consent in November 2005 for the use of Loan Repayment Reserve Account funds specified under Section 10.08 of the Loan Agreement to satisfy a temporary deficiency. As a condition, the account was to be replenished over the following six months. Evidence of the restoration and reassignment, if applicable, must be provided in unison with the Intercreditor Agreement.

If we may be of further assistance, please call me or Tommy Williams at (850) 245-8358.

Sincerely,

Don W. Berryhill, P.E., Chief
Bureau of Water Facilities Funding

DWB/tw

cc: Cliff Butler – Gulf State Community Bank
Jack Davis – Gulf State Community Bank

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT, made and entered into as of this 16th day of June, 2006, by and between the Gulf State Community Bank, a banking corporation existing under the laws of the State of Florida, ("Gulf State"), and the Florida Department of Environmental Protection, ("DEP"), in regard to Water Management Services Inc., ("WMS" or "Borrower").

WITNESSETH:

WHEREAS, the Citizens Bank of Perry entered into a term loan with WMS in the amount of ONE MILLION NINE HUNDRED THOUSAND AND NO/100 DOLLARS ($1,900,000.00) on September 20, 2000, secured by all the assets of the corporation plus the guarantees of the owners and related entities (the "Citizens Loan"), and

WHEREAS, the Bureau of Water Facilities Funding of the DEP loaned SIX MILLION FOUR HUNDRED THOUSAND AND NO/100 DOLLARS ($6,400,000.00) to Water Management Services, Inc., for the construction cost of a new pipeline under the new bridge to St. George Island residents (the "DEP Loan"), and

WHEREAS, Gulf State has agreed to loan WMS sufficient funds to pay off the Citizens Loan, to pay off certain loans previously made by Gulf State for the purpose of making certain repairs to the water pipeline located on St. George Island and to advance certain additional funds for further repairs and improvements to the St. George Island pipeline, all of which may total up to a maximum of Three Million Dollars ($3,000,000) and all of which are secured by all the assets of the corporation plus the guarantees of the owners and related entities (the "Gulf State Loan").

WHEREAS, the parties have executed this Intercreditor Agreement to further define the participation of both parties in regard to the credits with WMS.

NOW THEREFORE, for and in consideration of the mutual benefits to the parties, and in consideration of the covenants, promises and agreements herein contained, and in consideration of the premises, Gulf State and DEP hereby agree with each other as follows:

1. Gulf State has a first lien position on all assets of WMS, except that Gulf State agrees to continue to subordinate its first lien position to that of DEP as to the NEW PIPELINE (ONLY) being constructed under the new bridge to St. George Island, and such first lien position shall extend to all sums advanced under the Gulf State Loan, up to $3,000,000. DEP further agrees that DEP shall continue to have a second lien position to Gulf State on the remaining assets of WMS.

2. The parties agree that no advances in excess of Three Million Dollars ($3,000,000) shall be made directly to WMS on the Gulf State Loan and no further advances shall be made on the DEP Loan without the concurrence of both parties unless such advances are necessary to protect the collateral position of the lenders. These advances may be for the payment of ad valorem and non-ad valorem taxes, insurance and etc. for the protections of the

collateral position of the lenders. The lender making such advances shall be entitled to reimbursement from the other lender for a prorata portion of the expense based upon the outstanding balances on the Gulf State Loan and the DEP Loan at the time of the advances

3. In the event of a default of WMS the lenders agree to the following stipulations:

A. Default with one lender becomes a default with both lenders.

B. Each lender agrees to appoint a representative to function as a management team to operate the company and handle the foreclosure. The foreclosure cost will be shared equal between the lenders.

C. The parties agree to share on a prorata basis, based upon the outstanding balances of the Gulf State Loan and the DEP Loan, any cash infusion necessary to operate the company and any distribution of the operating revenues for the debt service.

IN WITNESS WHEREOF, the Gulf State Community Bank and the DEP, have entered into this Agreement and have caused it to be executed by their duly authorized officers for and in behalf of the parties to this Agreement.

Witnesses:

Deborah Raffield
Print Name

Lula Jane Robison
Print Name

Gulf State Community Bank

John C. Butler, President/CEO

STATE OF FLORIDA
COUNTY OF Franklin

THE FOREGOING INSTRUMENT was acknowledged before me this 4th day of ~~September~~ October, 2006, by John C. Butler, President of GULF STATE COMMUNITY BANK, on behalf of the Corporation. He is personally known to me X or has produced _____ as identification.

(SEAL)

Kerrie Stancil
Notary Public
Print Name: Kerrie Stancil
My Commission Expires: 3-30-10

KERRIE L. STANCIL
Notary Public - State of Florida
My Commission Expires Mar 30, 2010
Commission # DD 534942
Bonded By National Notary Assn.

Witnesses:

Carla Gaskin
Print Name

Laura L. Owens-Ashley
Print Name

Department of Environmental Protection

Deputy Secretary

STATE OF FLORIDA
COUNTY OF LEON

THE FOREGOING INSTRUMENT was acknowledged before me this the 13th day of September, 2006, by [illegible] Deputy Secretary of the DEPARTMENT OF ENVIRONMENTAL PROTECTION, on behalf of the Agency. She/He is personally known to me ✓ or has produced _____ as identification.

(SEAL)

Notary Public State of Florida
Sherry H Andrews
My Commission DD789608
Expires 03/20/2011

Notary Public
Print Name:
My Commission Expires:

2007

OPC notes that it appears that no correspondence

for 2007 was provided in the response

2008

Florida Department of Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Charlie Crist
Governor

Jeff Kottkamp
Lt. Governor

Michael W. Sole
Secretary

August 28, 2008

Mr. Gene D. Brown, President
Water Management Services, Inc.
3200 Commonwealth Boulevard
Tallahassee, Florida 32303-3173

Re: DW1901010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Per our files, we have not received the annual certification for this loan. Attached is a copy of the form for your convenience. Please sign and return it by September 30th. It may be faxed if you prefer this method of transmittal.

If you have any questions, you may call me at 850 245-8365, fax 850 245-8411 or email lucinda.bonds@dep.state.fl.us.

Thank you in advance for your quick response.

Sincerely,

Cindy Bonds
Operations Analyst II
Bureau of Water Facilities Funding

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

September 17, 2008

VIA FAX (850)245-8411 AND U.S. MAIL

on 11/6/08, I called + left message.
Note: Tim Banks @ 245-8360, ext. 8360 is the expert on DEP funding for water + sewer.

Ms. Cindy Bonds
Operations Analyst II
Bureau of Water Facilities Funding
Florida Dept. of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Re: DW 1901010

Dear Ms. Bonds:

Enclosed is an executed copy of the annual certification for our loan. Please let me know if you need anything additional at this time.

Sincerely,

Gene D. Brown

GDB:smc
Enclosure

ANNUAL CERTIFICATION FOR STATE REVOLVING FUND LOAN

This certification is required annually until the loan has been fully paid. The first certification must be submitted by the due date specified in the most recent loan agreement or amendment. Thereafter, it may be submitted either with the annual audit or by the end of the Project Sponsor's fiscal year.

I, Gene D. Brown (Name)*, President (Title), on behalf of

Water Management Services, Inc., do hereby certify, with respect to Loan DW1901010, that

1. Pledged revenue collections satisfy, on a pro rata basis, the rate coverage requirement specified in Article V of the loan agreement.

2. A Monthly Escrow Account is being maintained for repayment of the loan and that account contains funds in the amount required under Article III of the loan agreement;

3. If required, a Loan Repayment Reserve Account is being maintained in accordance with Article III of the loan agreement

4. Insurance, if applicable, including that issued through the National Flood Insurance Program authorized under 42 U.S.C., secs. 4001-4128. This insurance, which adequately covers the customary risks to the extent that such insurance is available, is in effect for the described Project and the other Revenue Producing Facilities in accordance with Article IX of the loan agreement. The risks covered are those customarily insured against in connection with the operation of revenue producing facilities of like size, type and location to the extent that such insurance is obtainable at this date.

(Signature) Sept. 17, '08 (Date)

*The Project Sponsor's Chief Financial Officer or the Authorized Representative designated in the agreement is to sign this certification.

2009

State Revolving Fund Loan Payment Reminder Notice

10/29/2009

Mr. Gene Brown
President
Water Management Services, Inc.
250 John Knox Road
Tallahassee, FL 32303

Florida Department of
Environmental Protection

Sponsor	Funding No.	Payment No.	Date Due	Amount Due
Water Management Services, Inc	190101	13	11/15/2009	$208,694.89

Transmit loan repayment electronically to:

Bank Name :	**Bank of America, N.A.** **3430 Thomasville Road** **Tallahassee, Florida 32308**
ABA (wire transfers) :	**026009593**
ABA (ACH transfers) :	**063100277**
Account :	**0001009069611**
Account Name :	STATE OF FLORIDA (DFS) CHIEF FINANCIAL OFFICER OF FLORIDA (DEP)
Memorandum Field :	**DWSRF 190101**

$208,694.89 is the total payment amount.

Any questions regarding this notice should be directed to:
David Courson at (850) 245-8358 or Sandy Waters at (850) 245-8382.

State Revolving Fund Loan Payment Reminder Notice

10/29/2009

Mr. Gene Brown
President
Water Management Services, Inc.
250 John Knox Road
Tallahassee, FL 32303

Florida Department of
Environmental Protection

Sponsor	Funding No.	Payment No.	Date Due	Amount Due
Water Management Services, Inc	190101	13	11/15/2009	$208,694.89

Transmit loan repayment electronically to:

Bank Name :	**Bank of America, N.A.** **3430 Thomasville Road** **Tallahassee, Florida 32308**
ABA (wire transfers) :	**026009593**
ABA (ACH transfers) :	**063100277**
Account :	**0001009069611**
Account Name :	STATE OF FLORIDA (DFS) CHIEF FINANCIAL OFFICER OF FLORIDA (DEP)
Memorandum Field :	**DWSRF 190101**

$208,694.89 is the total payment amount.

Any questions regarding this notice should be directed to:
David Courson at (850) 245-8358 or Sandy Waters at (850) 245-8382.

ater Management Services, Inc DW1901010 Wednesday, December 16, 2009 12:10:09 PM

From: Angela.Knecht@dep.state.fl.us
To: cliff.butler@gscb.com
Cc: Thomas.E.Williams@dep.state.fl.us; Robert.Holmden@dep.state.fl.us; sandymchase@comcast.net

Mr. Butler,

Per our conversation yesterday, and since the Department and Gulf State Bank are parties to an Intercreditor agreement, this email is to inform you that Water Management Services (WMS) drinking water SRF loan is currently late for their November 15 payment. Gene Brown and Sandy Chase of WMS met with myself and our bureau chief, Bob Holmden to discuss options and to inform us of the financial hardship they are facing due to foreclosures on the island and other circumstances affecting their revenues. They requested for us to evaluate if the loan would qualify for a 30 year amortization and to capitalize the interest for the next two payments. We have determined that this loan does qualify for a 30 year term and we will be preparing an amendment to the loan to adjust the term and to capitalize the interest for the next two payments so that the next payment due will be on November 15, 2010.

Please let me know if you have any concerns that have not been addressed in this email.

Thanks for your time yesterday,

Angela

Angela Knecht, Administrator
Program Management Section
`epartment of Environmental Protection
.00 Blair Stone Road, MS 3505
Tallahassee, FL 32399
850-245-8407
850-245-8411 fax

'ater Management Services, Inc DW1901010 Wednesday, December 16, 2009 12:10:09 PM

From: Angela.Knecht@dep.state.fl.us
To: cliff.butler@gscb.com
Cc: Thomas.E.Williams@dep.state.fl.us; Robert.Holmden@dep.state.fl.us; sandymchase@comcast.net

Mr. Butler,

Per our conversation yesterday, and since the Department and Gulf State Bank are parties to an Intercreditor agreement, this email is to inform you that Water Management Services (WMS) drinking water SRF loan is currently late for their November 15 payment. Gene Brown and Sandy Chase of WMS met with myself and our bureau chief, Bob Holmden to discuss options and to inform us of the financial hardship they are facing due to foreclosures on the island and other circumstances affecting their revenues. They requested for us to evaluate if the loan would qualify for a 30 year amortization and to capitalize the interest for the next two payments. We have determined that this loan does qualify for a 30 year term and we will be preparing an amendment to the loan to adjust the term and to capitalize the interest for the next two payments so that the next payment due will be on November 15, 2010.

Please let me know if you have any concerns that have not been addressed in this email.

Thanks for your time yesterday,

Angela

Angela Knecht, Administrator
Program Management Section
Department of Environmental Protection
500 Blair Stone Road, MS 3505
Tallahassee, FL 32399
850-245-8407
850-245-8411 fax

Florida Department of Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Charlie Crist
Governor

Jeff Kottkamp
Lt. Governor

Michael W. Sole
Secretary

December 22, 2009

Mr. Gene D. Brown, President
Water Management Services, Inc.
250 John Knox Road, # 4
Tallahassee, Florida 32303 - 4235

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Enclosed are three original copies of proposed Amendment 3 to your State Revolving Fund loan agreement. The amendment adjusts the semiannual loan payments and term of the loan. An amortization schedule is also enclosed.

Please sign, have a Notary Public **sign and seal** the enclosed three copies, and return them to us within three weeks at 2600 Blair Stone Road, Mail Station 3505, Tallahassee, Florida, 32399-2400. We will arrange for the Deputy Director to sign the document and mail a fully executed original to you.

If you have any questions, please call Tommy Williams at (850) 245-8358.

Sincerely,

Angela Knecht

for Robert E. Holmden, P.E., Chief
Bureau of Water Facilities Funding

RH/tw

cc: Cliff Butler – Gulf State Community Bank

Enclosures

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

December 29, 2009

Ms. Angela Knecht
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Ms. Knecht:

Enclosed are three signed and notarized copies of Amendment 3 to our loan agreement. We very much appreciate the courtesy and professionalism which you and your department have shown in response to our request.

Please let me know if there is anything else I need to do at this time.

Sincerely,

Gene D. Brown

GDB:smc
Enclosures
cc: Cliff Butler, Gulf State Community Bank

2010

Florida Department of
Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Charlie Crist
Governor

Jeff Kottkamp
Lt. Governor

Michael W. Sole
Secretary

FED-EX DELIVERY - SIGNATURE REQUIRED

JAN 12 2010

Mr. Gene D. Brown, President
Water Management Services, Inc.
250 John Knox Road, # 4
Tallahassee, Florida 32303 - 4235

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Enclosed is one original of Amendment 3 to your loan agreement under the State Revolving Fund program. The amendment adjusts the semiannual loan payments and term of the loan and is now in effect.

We congratulate you and your staff on your efforts and are pleased that we can work with you on this project.

Sincerely,

Phil Coram, P.E.,
Deputy Director
Division of Water Resource Management

PC/es

Enclosure

cc: Cliff Butler - Gulf State Community Bank
John Pope - Department of Environmental Protection, Northwest District

State Revolving Fund Loan Payment Reminder Notice

October 27, 2010

Mr. Gene Brown
President
Water Management Services, Inc.
250 John Knox Road
Tallahassee, FL 32303

Florida Department of
Environmental Protection

Sponsor	Funding No.	Payment No.	Date Due	Amount Due
Water Management Services, Inc	190101	15	11/15/2010	$147,751.47

Transmit loan repayment electronically to:

Bank Name :	**Bank of America, N.A.** **3430 Thomasville Road** **Tallahassee, Florida 32308**
ABA (wire transfers) :	**026009593**
ABA (ACH transfers) :	**063100277**
Account :	**0001009069611**
Account Name :	STATE OF FLORIDA (DFS) CHIEF FINANCIAL OFFICER OF FLORIDA (DEP)
Memorandum Field :	**DWSRF 190101**

$147,751.47 is the total payment amount.

Any questions regarding this notice should be directed to:
David Courson at (850) 245-8358 or Sandy Waters at (850) 245-8382.

11/15/10 - told Sandy Waters we could not make the payment now but that was working on A loan - she said, if it will be anytime soon, we could just let it sit but if it would be awhile

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

MEMO TO FILE

FROM: Gene Brown

DATE: December 2, 2010

RE: Request for DEP Loan Extension
Waive November 2010 and May 2011 Payments and
Capitalize Interest for twelve months

This is a request from Water Management Services (WMS) for DEP, Bureau of Water Facilities Funding, to capitalize the interest on our loan for the next two payments so that the next payment will be due November 15, 2011. We regret having to make this request, but we have no choice based on our current circumstances.

Immediately after we met last year, we hired a law firm and a rate consultant to process a rate increase through the Florida Public Service Commission (PSC). Our plan was to file the case early this year and to secure a substantial interim rate increase by May or June so that we could build up a reserve for the November payment. However, because of the details required by the PSC, we were unable to file the case until May 25th. Then the Office of Public Counsel intervened, which further delayed the case. The final hearing was held on October 5th and 6th. The PSC is scheduled to vote on our case on December 14, with a written order 30 days after that.

In our filing with the PSC, we requested a rate increase of $641,629 per year, with approximately 50% to cover the debt service and other costs related to $2,200,000 of new capital improvements, and 50% to make up the shortfall for our decreased revenue and increased expenses. However, the PSC has indicated that it will delay consideration of the increase related to the capital improvements until we have the final bid documents, and the remainder of the increase will not be as great as we requested. We requested an interim increase of $27,292 per month, and they only gave us $9,102.33 per month, which started three months ago, but which had to be placed in escrow pending the final order which we will have in January. We also requested an increase in our basic connection fee, or "tap fee" from $1,620 to $4,800. We expect that increase to be granted, which will help a great deal as soon as growth resumes on the island.

We are working on the final bid documents and expect to be back before the PSC for a decision on the remainder of our request by May or early June. We are also working with Citizens State Bank in Perry on a USDA guaranteed loan for $5,000,000 to pay all of WMS's

existing long and short term debt, except the DEP loan. That loan will include funds for all the new capital improvements. Our Citizens/USDA loan application included a request for working capital to cover the November, 2010 DEP payment as well as the May, 2011 payment. However, Citizens Bank recently advised WMS that they cannot make a loan at this time, but that the Bank is still very interested in making the loan when they can be satisfied as to two basic points:

(1) That the PSC grants sufficient rates to WMS to provide a 1.25 debt coverage for the Citizens/USDA loan; and

(2) That the loan include all funds necessary to provide for all of the capital improvement needs of WMS for the next ten years.

Attached is a copy of the conditional approval letter from Citizens. The bank president, Roger Brooks, is available at (850)584-4411 to explain the bank's involvement in this matter.

At this point, WMS is waiting for a decision by the PSC which is expected on December 14th. We will then prepare a revised loan package for Citizens and USDA. We will also file the necessary paperwork for the PSC to grant a second tier rate increase to cover the essential capital improvements which will total approximately $1,500,000. This will include a request for an additional increase based upon reduced revenues for 2010.

We expect our revenue to stabilize or begin to increase by the spring of 2011 based upon recent transfers of some of the many foreclosed properties on St. George Island. We are confident that we can secure a loan from Citizens or some other lender to pay off all of our short and long term debt except the DEP loan, and that we can start setting aside funds next spring and summer for a reserve to cover the November 2011 DEP payment.

In any event, whatever the final rates from the PSC, we will cut expenses by an amount that will leave adequate funds to pay all of our debt service, including the semi-annual DEP payment. Attached is a revised amortization schedule which shows that the new payment would be $157,034 every six months for the remainder of the 30 year amortization. This 30 year term will not be extended by this request, and we are committed to paying this loan in full, including all interest charges.

We need some relief during this period of financial distress, which has been extended due to factors beyond our control. Attached is a 2009 financial statement together with a year-to-day statement and comparison with 2009. We are also attaching a copy of our 2009 federal tax return. We continue to lose over $300,000 per year and it is simply impossible to make the November, 2010 or the May, 2011 payment on schedule. We must have the PSC rate relief described above before we can set aside funds for the DEP payment.

We hope you can work with us on this request, and we stand ready to answer any questions or concerns you may have.

2011

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

MEMO

HAND DELIVERY

TO: Ms. Angela Knecht
Department of Environmental Protection
Bureau of Water Facilities Funding

FROM: Gene D. Brown

DATE: February 18, 2011

RE: Amendment 4 to Loan Agreement DW 1901 010

Enclosed are three signed and notarized copies of the above-referenced amendment. Thank you for the courtesies extended regarding this loan.

Please mail a copy to me after the Deputy Director has signed.

Florida Department of Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

June 7, 2011

Mr. Gene D. Brown, President
Water Management Services, Inc.
250 John Knox Road, # 4
Tallahassee, Florida 32303 - 4235

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Enclosed are three original copies of proposed Amendment 5 to your State Revolving Fund loan agreement. The amendment extends the May 15, 2011 and November 15, 2011 payments. The loan is then re-amortized for the balance of the 60 payments. An amortization schedule is also enclosed.

Please sign, have a Notary Public **sign and seal** the enclosed three copies, and return them to us within three weeks at 2600 Blair Stone Road, Mail Station 3505, Tallahassee, Florida, 32399-2400. We will arrange for the Deputy Director to sign the document and mail a fully executed original to you.

If you have any questions, please call Tommy Williams at (850) 245-8358.

Sincerely,

Robert E. Holmden

Robert E. Holmden, P.E., Chief
Bureau of Water Facilities Funding

RH/tw

cc: Donnie Gay - Centennial Bank
Les Thomas - E Value Engineering

Enclosures

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

June 10, 2011

Mr. Robert E. Holmden, P.E.
Chief
Bureau of Water Facilities Funding
Florida Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Holmden:

Enclosed are the three original copies of proposed Amendment 5 which I have signed and which have been notarized. Please send me a signed original when it has been executed by the Deputy Director of DEP.

I really appreciate your understanding and assistance in this matter. We are doing all we can to make this work for everyone's benefit.

Sincerely,

Gene D. Brown

GDB:smc
Enclosures

Florida Department of
Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

JUN 24 2011

FED-EX DELIVERY - SIGNATURE REQUIRED

Mr. Gene D. Brown, President
Water Management Services, Inc.
250 John Knox Road, # 4
Tallahassee, Florida 32303 - 4235

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Enclosed is one original of Amendment 5 to your loan agreement under the State Revolving Fund program. The amendment re-amortizes the loan.

Sincerely,

Phil Coram, P.E.,
Deputy Director
Division of Water Resource Management

PC/tw

Enclosure

cc: Donnie Gay - Centennial Bank (w/enc)
Les Thomas - E Value Engineering

2012

3-300

Florida Department of Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

April 20, 2012

Mr. Daniel W. Hartman
City Attorney
City of Carrabelle
P. O. Box 10910
Tallahassee, Florida 32302

Re: Carrabelle Request for Inclusion for DWSRF funding (DW 19041)

Dear Mr. Hartman:

We have received the Request for Inclusion (RFI) submitted on behalf of the City of Carrabelle. This RFI is in support of a funding request for the purchase of the existing water system owned by Water Management Services, Inc. on St. George Island.

The RFI has been accepted by the Bureau as complete and we will place the project on our planning list. Please refer to the project number listed above when communicating about this project. The next step in the funding process is to complete the necessary planning documents before placing the project on the priority list for funding. These planning documents consist of the following:

1) Water Facilities Plan – While most Water Facilities Plans contain information on alternatives analysis and environmental impacts, this planning document should focus on the technical, administrative and financial aspects of a system purchase. A Water Facilities Plan was prepared by Water Management Services, Inc. when new wells and transmission facilities were constructed several years ago. The City of Carrabelle has also recently completed a Facilities Plan for DWSRF funding. There is no need to repeat the information already submitted in those reports. Please refer to Rule 62-552.700(4), FAC for the required information to be submitted. We are particularly interested in the implementability issues from legal, institutional, financial, technical, and management perspectives. Public participation and identification of local wellhead protection and source water protection programs are vital components of the planning documentation. Bureau staff is ready to assist in developing a plan of action to generate the necessary documentation.

2) Permits - Any permits for acquisition of a private system from the Public Service Commission, or transfer of permit responsibility required by the Department of Environmental Protection must be identified in the planning documentation. Bureau staff will consider the timing of the permit issuance when placing the project on the fundable portion of the priority list.

We are pleased to be able to assist in this system acquisition and look forward to working with you in the funding process. This project has been assigned to Venkata Panchakarla for coordination and you may reach him directly at (850) 245-8366. If you have any questions or wish to schedule a meeting with staff, please feel free to call.

Sincerely,

Robert E. Holmden

Robert E. Holmden, P.E., Chief
Bureau of Water Facilities Funding

REH/vsp

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

May 17, 2011

HAND DELIVERY

Mr. Robert E. Holmden, P.E.
Chief, Bureau of Water Facilities Funding
Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Dear Mr. Holmden:

As you know, the City of Carrabelle is considering the purchase of our water system on St. George Island. If that happens, our SRF loan from DEP will be paid in full.

In the meantime, and assuming the Carrabelle deal does not happen, we are proceeding with our plans for extensive capital improvements, including a new ground storage facility. We plan to finance these improvements with a new USDA guaranteed loan from Fidelity Bank in Jacksonville. That loan will pay off the existing first mortgage of approximately $2.7 million at Centennial Bank (formerly Gulf State Bank) and provide approximately $3.5 million in new funds for the improvements.

However, Fidelity is only willing to make this loan if they have a superior lien on all of the utility's operating assets, including the supply main across the bridge. Accordingly, I need to know if DEP is willing to subordinate its lien on the supply main so that Fidelity will have a superior security interest in all our assets, including the supply main. Without this subordination, I do not know of any realistic way to finance and construct these improvements.

On a related matter, I need to know whether DEP is willing to modify the debt service requirements on our existing SRF loan for the next 10 years to allow WMSI to pay interest only each 6 months with periodic payments of principal equal to all tap fees (CIAC) collected by the utility during that 10-year period. We have a pending request with the PSC to raise our tap fees to $10,000 per equivalent residential connection (ERC). That request is based on the statute and PSC rule which allows the utility to set tap fees, or "service availability charges," at a rate which will allow the utility to recover 75% of the cost of new capital improvements, such as the new supply main across the bridge, from its customers. The tap fees were never increased after the main was constructed with the DEP/SRF loan in 2003. Nevertheless, the utility has reduced the

principal balance on the SRF loan by almost $1,000,000 without any increase in tap fees. We are confident that the PSC will increase these tap fees as required by law so that the customers who benefit from the supply main will pay 75% of the cost of that line.

Based upon the 10 year planning document filed by our engineer, Les Thomas, we project 408 new connections on the island by the end of 2021. At $10,000 each, that would provide an additional $4,080,000 in principal reductions on the SRF loan. At that point, the SRF loan will still have over 10 years left on the existing 30 year amortization. At that time, WMSI and DEP can reestablish a payment plan based upon the next 10 year plan from our engineer and the rates and charges then in effect.

Realistically, this plan or a similar plan is the only way WMSI can repay the principal portion of the SRF loan. Our water line was destroyed by State action without our consent, and the new line cost approximately $6,000,000, at least 75% of which should be paid by the water customers who benefitted from the line. Even if the PSC gives us all the increased monthly rates that we have requested, there is still not sufficient cash flow to amortize the SRF loan in full without a substantial increase in tap fees. Some level of tap fees will be paid because there is still so much growth potential on the island. But there is no way to accurately predict when these fees will be paid for the purpose of establishing firm annual principal loan payments. In our 10 year capacity study, we project an increase in connections back to our historical average of 56 new connections per year. If you would like to review this 10 year engineering study, let me know and I will send you a copy.

Assuming that we are successful in our pending PSC case for increased monthly charges, and assuming that the PSC approves our request for increased tap fees, I am confident that WMSI can repay the SRF loan with no problem. But we are at the mercy of the State of Florida in this entire matter. The State DOT destroyed our water main forcing us to spend over $6,000,000. The State PSC has total control over the rates and fees we can charge and collect to pay for this huge capital expense. I now need help from the State DEP to work with out a plan to repay this loan with interest only, and with the payment of all tap fees collected as referenced above.

My PSC attorney, Marty Friedman, and I will be happy to answer any questions you may have regarding this matter when we meet with you next Tuesday.

Sincerely,

Gene D. Brown

cc: Martin S. Friedman, Esq.

FLORIDA DEPARTMENT OF
ENVIRONMENTAL PROTECTION

PAUL J. BRANDL, P.E.
P. E. ADMINISTRATOR

2600 Blair Stone Rd., MS 3505
TALLAHASSEE, FL 32399-2400

Drinking Water Funding Section
Bureau of Water Facilities Funding

Phone: 850-245-8373
FAX: 850-245-8595
Paul.Brandl@dep.state.fl.us

Printed on Recycled Paper. www.dep.state.fl.us

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

May 17, 2011

HAND DELIVERY

Mr. Robert E. Holmden, P.E.
Chief, Bureau of Water Facilities Funding
Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Dear Mr. Holmden:

As you know, the City of Carrabelle is considering the purchase of our water system on St. George Island. If that happens, our SRF loan from DEP will be paid in full.

In the meantime, and assuming the Carrabelle deal does not happen, we are proceeding with our plans for extensive capital improvements, including a new ground storage facility. We plan to finance these improvements with a new USDA guaranteed loan from Fidelity Bank in Jacksonville. That loan will pay off the existing first mortgage of approximately $2.7 million at Centennial Bank (formerly Gulf State Bank) and provide approximately $3.5 million in new funds for the improvements.

However, Fidelity is only willing to make this loan if they have a superior lien on all of the utility's operating assets, including the supply main across the bridge. Accordingly, I need to know if DEP is willing to subordinate its lien on the supply main so that Fidelity will have a superior security interest in all our assets, including the supply main. Without this subordination, I do not know of any realistic way to finance and construct these improvements.

On a related matter, I need to know whether DEP is willing to modify the debt service requirements on our existing SRF loan for the next 10 years to allow WMSI to pay interest only each 6 months with periodic payments of principal equal to all tap fees (CIAC) collected by the utility during that 10-year period. We have a pending request with the PSC to raise our tap fees to $10,000 per equivalent residential connection (ERC). That request is based on the statute and PSC rule which allows the utility to set tap fees, or "service availability charges," at a rate which will allow the utility to recover 75% of the cost of new capital improvements, such as the new supply main across the bridge, from its customers. The tap fees were never increased after the main was constructed with the DEP/SRF loan in 2003. Nevertheless, the utility has reduced the

principal balance on the SRF loan by almost $1,000,000 without any increase in tap fees. We are confident that the PSC will increase these tap fees as required by law so that the customers who benefit from the supply main will pay 75% of the cost of that line.

Based upon the 10 year planning document filed by our engineer, Les Thomas, we project 408 new connections on the island by the end of 2021. At $10,000 each, that would provide an additional $4,080,000 in principal reductions on the SRF loan. At that point, the SRF loan will still have over 10 years left on the existing 30 year amortization. At that time, WMSI and DEP can reestablish a payment plan based upon the next 10 year plan from our engineer and the rates and charges then in effect.

Realistically, this plan or a similar plan is the only way WMSI can repay the principal portion of the SRF loan. Our water line was destroyed by State action without our consent, and the new line cost approximately $6,000,000, at least 75% of which should be paid by the water customers who benefitted from the line. Even if the PSC gives us all the increased monthly rates that we have requested, there is still not sufficient cash flow to amortize the SRF loan in full without a substantial increase in tap fees. Some level of tap fees will be paid because there is still so much growth potential on the island. But there is no way to accurately predict when these fees will be paid for the purpose of establishing firm annual principal loan payments. In our 10 year capacity study, we project an increase in connections back to our historical average of 56 new connections per year. If you would like to review this 10 year engineering study, let me know and I will send you a copy.

Assuming that we are successful in our pending PSC case for increased monthly charges, and assuming that the PSC approves our request for increased tap fees, I am confident that WMSI can repay the SRF loan with no problem. But we are at the mercy of the State of Florida in this entire matter. The State DOT destroyed our water main forcing us to spend over $6,000,000. The State PSC has total control over the rates and fees we can charge and collect to pay for this huge capital expense. I now need help from the State DEP to work with out a plan to repay this loan with interest only, and with the payment of all tap fees collected as referenced above.

My PSC attorney, Marty Friedman, and I will be happy to answer any questions you may have regarding this matter when we meet with you next Tuesday.

Sincerely,

Gene D. Brown

cc: Martin S. Friedman, Esq.

Florida Department of
Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

June 15, 2012

Mr. Gene Brown
President
Water Management Services, Inc.
250 John Knox Road 4
Tallahassee, Florida 32303

Re: DW190101 - Water Management Services, Inc
Supply, Transmission & Treatment

Dear Mr. Brown:

This is in response to your recent request to issue additional debt, and restructure your existing State Revolving Fund Loan. We understand the need for the additional work you have proposed to be funded by a $6.2 million loan with Fidelity Bank and guaranteed by USDA. However, we are unable to subordinate our loan to Fidelity Bank at this time. The Department will reassess its position once a decision by the Public Service Commission (PSC) is made regarding the rate case.

Regarding the May 15th payment that was due, we cannot capitalize your payment at this time. Your loan is hereby determined to be in default in accordance with Rule 62-552.430. The Department will delay enforcement of its agreement until a ruling is made by the PSC on your current case. A revised payment schedule will be considered if the rate increase is approved.

Sincerely,

Robert E. Holmden

Robert E. Holmden, P.E., Chief
Bureau of Water Facilities Funding

RH/ak

Florida Department of Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

July 18, 2012

Mr. Donnie Gay, Market President
Centennial Bank
22 Avenue E
Apalachicola, Florida 32320

Re: DW1901 010 - Water Management Services, Inc.

Dear Mr. Gay:

This letter is notification that Water Management Services, Inc. (WMS) is in default of its obligation to make payments on the above referenced State Revolving Fund loan. According to the terms of the Intercreditor Agreement dated December 11, 2001, number 4(A) states that in the event of a default of WMS, the lenders agree that the default with one lender becomes a default with both lenders.

The semiannual payment amount of $162,012.03 was past due as of May 15, 2012. This default occurred after the loan had already been restructured. In a June 15, 2012 letter to Mr. Brown, he was denied authority to subordinate this debt and was notified of being in default. At this time, WMS has petitioned the Public Service Commission (PSC) for a rate increase. The Department will delay action on any foreclosure proceedings until a ruling by the PSC on the proposed increase.

Barring a rate increase to reduce debt, the Department cannot continue to modify this debt and legal proceedings may be the next step. I will advise you on the outcome of the rate petition and if you have any questions, please call me at 850-245-8394.

Sincerely,

Robert E. Holmden

Robert E. Holmden, P.E., Chief
Bureau of Water Facilities Funding

RH/tw

cc: Gene D. Brown – Water Management Services, Inc.

State Revolving Fund Loan Payment Reminder Notice

August 14, 2012

Mr. Gene Brown
President
Water Management Services, Inc.
250 John Knox Road
Tallahassee, FL 32303

Florida Department of Environmental Protection

Sponsor	Funding No.	Payment No.	Date Due	Amount Due
Water Management Services, Inc	190101	18	05/15/2012	$162,012.03

Transmit loan repayment electronically to:

Bank Name :	**Bank of America, N.A.** **3430 Thomasville Road** **Tallahassee, Florida 32308**
ABA (wire transfers) :	**026009593**
ABA (ACH transfers) :	**063100277**
Account :	**0001009069611**
Account Name :	STATE OF FLORIDA (DFS) CHIEF FINANCIAL OFFICER OF FLORIDA (DEP)
Memorandum Field :	**DWSRF 190101**

$162,012.03 is the total payment amount.

Any questions regarding this notice should be directed to:
David Courson at (850) 245-8358 or Sandy Waters at (850) 245-8382.

Florida Department of Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

August 15, 2012

CERTIFIED MAIL

Mr. Gene D. Brown, President
Water Management Services, Inc.
250 John Knox Road, Suite 4
Tallahassee, Florida 32303-4235

Re: DW190101 - Water Management Services, Inc.

Dear Mr. Brown:

Your immediate attention is required on State Revolving Fund loan DW190101. According to our records the loan is in default for failure to make the payment that was due to the Department on May 15, 2012, in the amount of $162,012.03. A copy of the loan payment reminder notice is enclosed.

Failure to fund the Loan Repayment Reserve Account or to make any Monthly Loan Deposit or to make any installment of the Semiannual Loan Payment when it is due and such failure shall continue for a period of 15 days, is defined as default according to Article VI, Section 6.01, Subsection 6.01(1) of the Loan Agreement.

Please provide a revised payment plan to the Department no later than August 31, 2012. Failure to act shall be cause for the Department to enforce any and all available remedies.

Sincerely,

Robert E. Holmden

Robert E. Holmden, P.E., Chief
Bureau of Water Facilities Funding

RH/sw

Enclosure

cc: Donnie Gray-Centennial Bank

XFINITY Connect

gdb5@comcast.net

± Font Size -

srf info

From : Angela Knecht <Angela.Knecht@dep.state.fl.us>

Thu, Aug 23, 2012 05:10 PM

Subject : srf info

1 attachment

To : gdb5@comcast.net

Gene, attached you will find a loan application that contains the pages Bob requested your complete and submit. He's looking for Part V, the 3 schedules. Let me know if you have any questions.

Thanks,
Angela

Please take a few minutes to share your comments on the service you received from the department by clicking on this link Copy the url below to a web browser to complete the DEP survey: http://survey.dep.state.fl.us/?refemail=Angela.Knecht@dep.state.fl.us

62-503_900(3).docx
159 KB

Florida Department of Environmental Protection
Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard, Jr.
Secretary

FED-EX DELIVERY – SIGNATURE REQUIRED

Mr. Gene D. Brown
President
Water Management Services, Inc.
250 John Knox Road, # 4
Tallahassee, Florida 32303

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment, and Transmission

Dear Mr. Brown:

Enclosed is one original of Amendment 6 to Water Management Services, Inc.'s State Revolving Fund loan agreement. The amendment re-amortizes the loan.

Sincerely,

Christine M. Klena, Deputy Director
Division of Water Resource Management

PC/dw

Enclosure

cc: Donnie Gay - Centennial Bank

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

August 23, 2012

HAND DELIVERY

Mr. Robert E. Holmden, P.E.
Chief, Bureau of Water Facilities Funding
Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Re: SRF Loan DW 190101

Dear Mr. Holmden:

Yesterday the PSC entered an order increasing the annual revenue of WMSI by 38.76%. Our revenue will increase by $506,061 per year, for a total of $1,811,648 per year. The PSC order requires WMSI to make a monthly escrow deposit to insure that the debt service on the above-referenced SRF loan is promptly paid. That is consistent with the commitment I made to you, i.e., that payment of the DEP loan debt service would become our top priority as soon as we obtained a rate increase from the PSC.

WMSI will not protest the order, and we will start collecting the new rates as soon as the revised tariff sheets are approved by the PSC staff, and as soon as the required written notice is given to all our customers. All of that can be done in 45-60 days, so we will be able to start charging the new rates by the end of October. The first full month at the new rates will be November, which will be billed on December 1.

My proposal is that we reamortize the SRF loan starting November 15, 2012 with semi-annual payments to still be due on May 15 and November 15 of each year, so that it still pays out within the current 30 year amortization. The final payment will be due May 15, 2033. This will require semi-annual payments of $172,720.38, as shown by the attached amortization schedule. In accord with the PSC order and my commitment to you, WMSI will make an escrow deposit by

the 15th of each month equal to 1/6 of the semi-annual payment, which will be $28,786.73 per month. A certification that the escrow deposit has been made will be filed by the 20th of each month with the PSC, with a copy to your department. Under this proposal, the first escrow deposit of $28,786.73 will be made on December 15, 2012 and on the 15th of each month thereafter until the loan is paid in full. That will assure that the funds are available for the May 15, 2013 payment, as well as all of the other payments until the loan is paid in full. If this is acceptable, please prepare the necessary documentation for me to sign.

We are working with Centennial Bank on a $5 million USDA guaranteed loan to finance the construction of the new ground storage tank and related improvements. For that loan to work, it will be necessary for DEP and Centennial to reach an agreement regarding the relative lien positions of both lenders. WMSI will agree to whatever is worked out between you and Centennial.

This proposal is in the best interests of all parties because:

A. It will insure that the SRF/DEP loan is paid in full, including all principal and interest, within the agreed amortization period of 30 years; and

B. It will allow WMSI to move forward immediately with the financing and construction of the new ground storage tank and related improvements to avoid any possible system failure.

I appreciate the forbearance your Department has shown to WMSI during the past couple of years, and I look forward to working with you in a positive manner for the benefit of our customers and all other parties.

Sincerely,

Gene D. Brown

Enclosure
cc: Donnie Gay, Centennial Bank

AMORTIZATION SCHEDULE
COMBINED

PMT #	DATE	TOTAL PAYMENT	2.93/3.05 INT RATE	# DAYS	INTEREST CHG	ACCUM UNPAID INTEREST	INTEREST PMT	PRINCIPAL PMT	O/S BALANCE
BEG BAL	05/15/09								4,746,025.96
13	11/15/09	0.00	2.93/3.05	180	70,957.96	70,957.96	0.00	0.00	4,746,025.96
	CAPINT	0.00	2.93/3.05	0	0.00	0.00	70,957.96	(70,957.96)	4,816,983.92
14	05/15/10	0.00	2.93/3.05	180	72,019.28	72,019.28	0.00	0.00	4,816,983.92
	CAPINT	0.00	2.93/3.05	0	0.00	0.00	72,019.28	(72,019.28)	4,889,003.20
15	11/15/10	0.00	2.93/3.05	180	73,096.48	73,096.48	0.00	0.00	4,889,003.20
	CAPINT	0.00	2.93/3.05	0	0.00	0.00	73,096.48	(73,096.49)	4,962,099.69
16	05/15/11	0.00	2.93/3.05	180	74,189.81	74,189.81	0.00	0.00	4,962,099.69
	CAPINT	0.00	2.93/3.05	0	0.00	0.00	74,189.81	(74,189.81)	5,036,289.50
17	11/15/11	0.00	2.93/3.05	180	75,299.48	75,299.48	0.00	0.00	5,036,289.50
	CAPINT	0.00	2.93/3.05	0	0.00	0.00	75,299.48	(75,299.48)	5,111,588.98
18	05/15/12	0.00	2.93/3.05	180	76,425.77	76,425.77	0.00	0.00	5,111,588.98
	CAPINT	0.00	2.93/3.05	0	0.00	0.00	76,425.77	(76,425.77)	5,188,014.75
19	11/15/12	0.00	2.93/3.05	180	77,568.90	77,568.90	0.00	0.00	5,188,014.75
	CAPINT	0.00	2.93/3.05	0	0.00	0.00	77,568.90	(77,568.90)	5,265,583.65
20	05/15/13	172,720.38	2.93/3.05	180	78,729.15	0.00	78,729.15	93,991.23	5,171,592.42
21	11/15/13	172,720.38	2.93/3.05	180	77,324.00	0.00	77,324.00	95,396.38	5,076,196.04
22	05/15/14	172,720.38	2.93/3.05	180	75,897.85	0.00	75,897.85	96,822.53	4,979,373.51
23	11/15/14	172,720.38	2.93/3.05	180	74,450.37	0.00	74,450.37	98,270.01	4,881,103.50
24	05/15/15	172,720.38	2.93/3.05	180	72,981.24	0.00	72,981.24	99,739.14	4,781,364.36
25	11/15/15	172,720.38	2.93/3.05	180	71,490.13	0.00	71,490.13	101,230.25	4,680,134.11
26	05/15/16	172,720.38	2.93/3.05	180	69,976.73	0.00	69,976.73	102,743.65	4,577,390.46
27	11/15/16	172,720.38	2.93/3.05	180	68,440.69	0.00	68,440.69	104,279.69	4,473,110.77
28	05/15/17	172,720.38	2.93/3.05	180	66,881.67	0.00	66,881.67	105,838.71	4,367,272.06
29	11/15/17	172,720.38	2.93/3.05	180	65,299.34	0.00	65,299.34	107,421.04	4,259,851.02
30	05/15/18	172,720.38	2.93/3.05	180	63,693.34	0.00	63,693.34	109,027.04	4,150,823.98
31	11/15/18	172,720.38	2.93/3.05	180	62,063.32	0.00	62,063.32	110,657.06	4,040,166.92
32	05/15/19	172,720.38	2.93/3.05	180	60,408.93	0.00	60,408.93	112,311.45	3,927,855.47
33	11/15/19	172,720.38	2.93/3.05	180	58,729.79	0.00	58,729.79	113,990.59	3,813,864.88
34	05/15/20	172,720.38	2.93/3.05	180	57,025.53	0.00	57,025.53	115,694.85	3,698,170.03
35	11/15/20	172,720.38	2.93/3.05	180	55,295.79	0.00	55,295.79	117,424.59	3,580,745.44
36	05/15/21	172,720.38	2.93/3.05	180	53,540.17	0.00	53,540.17	119,180.21	3,461,565.23
37	11/15/21	172,720.38	2.93/3.05	180	51,758.29	0.00	51,758.29	120,962.09	3,340,603.14
38	05/15/22	172,720.38	2.93/3.05	180	49,949.76	0.00	49,949.76	122,770.62	3,217,832.52
39	11/15/22	172,720.38	2.93/3.05	180	48,114.19	0.00	48,114.19	124,606.19	3,093,226.33
40	05/15/23	172,720.38	2.93/3.05	180	46,251.15	0.00	46,251.15	126,469.23	2,966,757.10
41	11/15/23	172,720.38	2.93/3.05	180	44,360.25	0.00	44,360.25	128,360.13	2,838,396.97
42	05/15/24	172,720.38	2.93/3.05	180	42,441.07	0.00	42,441.07	130,279.31	2,708,117.66
43	11/15/24	172,720.38	2.93/3.05	180	40,493.18	0.00	40,493.18	132,227.20	2,575,890.46
44	05/15/25	172,720.38	2.93/3.05	180	38,516.16	0.00	38,516.16	134,204.22	2,441,686.24
45	11/15/25	172,720.38	2.93/3.05	180	36,509.56	0.00	36,509.56	136,210.82	2,305,475.42
46	05/15/26	172,720.38	2.93/3.05	180	34,472.95	0.00	34,472.95	138,247.43	2,167,227.99
47	11/15/26	172,720.38	2.93/3.05	180	32,405.87	0.00	32,405.87	140,314.51	2,026,913.48
48	05/15/27	172,720.38	2.93/3.05	180	30,307.88	0.00	30,307.88	142,412.50	1,884,500.98
49	11/15/27	172,720.38	2.93/3.05	180	28,178.51	0.00	28,178.51	144,541.87	1,739,959.11
50	05/15/28	172,720.38	2.93/3.05	180	26,017.27	0.00	26,017.27	146,703.11	1,593,256.00
51	11/15/28	172,720.38	2.93/3.05	180	23,823.72	0.00	23,823.72	148,896.66	1,444,359.34
52	05/15/29	172,720.38	2.93/3.05	180	21,597.35	0.00	21,597.35	151,123.03	1,293,236.31
53	11/15/29	172,720.38	2.93/3.05	180	19,337.68	0.00	19,337.68	153,382.70	1,139,853.61
54	05/15/30	172,720.38	2.93/3.05	180	17,044.20	0.00	17,044.20	155,676.18	984,177.43
55	11/15/30	172,720.38	2.93/3.05	180	14,716.43	0.00	14,716.43	158,003.95	826,173.48
56	05/15/31	172,720.38	2.93/3.05	180	12,353.82	0.00	12,353.82	160,366.56	665,806.92
57	11/15/31	172,720.38	2.93/3.05	180	9,955.88	0.00	9,955.88	162,764.50	503,042.42
58	05/15/32	172,720.38	2.93/3.05	180	7,522.07	0.00	7,522.07	165,198.31	337,844.11
59	11/15/32	172,720.38	2.93/3.05	180	5,051.85	0.00	5,051.85	167,668.53	170,175.58
60	05/15/33	172,720.38	2.93/3.05	180	2,544.80	0.00	2,544.80	170,175.58	0.00
		7,081,535.58		8,640	2,335,509.61		2,335,509.61	4,746,025.96	

AMORTIZATION SCHEDULE
AMENDMENT 1

			2.93%			ACCUM			
		TOTAL	INT	#	INTEREST	UNPAID	INTEREST	PRINCIPAL	O/S
PMT #	DATE	PAYMENT	RATE	DAYS	CHG	INTEREST	PMT	PMT	BALANCE
BEG BAL	05/15/09								2,364,895.64
13	11/15/09	0.00	2.93%	180	34,645.72	34,645.72	0.00	0.00	2,364,895.64
	CAPINT	0.00	2.93%	0	0.00	0.00	34,645.72	(34,645.72)	2,399,541.36
14	05/15/10	0.00	2.93%	180	35,153.28	35,153.28	0.00	0.00	2,399,541.36
	CAPINT	0.00	2.93%	0	0.00	0.00	35,153.28	(35,153.28)	2,434,694.64
15	11/15/10	0.00	2.93%	180	35,668.28	35,668.28	0.00	0.00	2,434,694.64
	CAPINT	0.00	2.93%	0	0.00	(0.00)	35,668.28	(35,668.28)	2,470,362.92
16	05/15/11	0.00	2.93%	180	36,190.82	36,190.82	0.00	0.00	2,470,362.92
	CAPINT	0.00	2.93%	0	0.00	(0.00)	36,190.82	(36,190.82)	2,506,553.74
17	11/15/11	0.00	2.93%	180	36,721.01	36,721.01	0.00	0.00	2,506,553.74
	CAPINT	0.00	2.93%	0	0.00	0.00	36,721.01	(36,721.01)	2,543,274.75
18	05/15/12	0.00	2.93%	180	37,258.98	37,258.98	0.00	0.00	2,543,274.75
	CAPINT	0.00	2.93%	0	0.00	(0.00)	37,258.98	(37,258.98)	2,580,533.73
19	11/15/12	0.00	2.93%	180	37,804.82	37,804.82	0.00	0.00	2,580,533.73
	CAPINT	0.00	2.93%	0	0.00	0.00	37,804.82	(37,804.82)	2,618,338.55
20	05/15/13	85,402.78	2.93%	180	38,358.66	0.00	38,358.66	47,044.12	2,571,294.43
21	11/15/13	85,402.78	2.93%	180	37,669.46	0.00	37,669.46	47,733.32	2,523,561.11
22	05/15/14	85,402.78	2.93%	180	36,970.17	0.00	36,970.17	48,432.61	2,475,128.51
23	11/15/14	85,402.78	2.93%	180	36,260.63	0.00	36,260.63	49,142.15	2,425,986.36
24	05/15/15	85,402.78	2.93%	180	35,540.70	0.00	35,540.70	49,862.08	2,376,124.28
25	11/15/15	85,402.78	2.93%	180	34,810.22	0.00	34,810.22	50,592.56	2,325,531.72
26	05/15/16	85,402.78	2.93%	180	34,069.04	0.00	34,069.04	51,333.74	2,274,197.98
27	11/15/16	85,402.78	2.93%	180	33,317.00	0.00	33,317.00	52,085.78	2,222,112.20
28	05/15/17	85,402.78	2.93%	180	32,553.94	0.00	32,553.94	52,848.84	2,169,263.36
29	11/15/17	85,402.78	2.93%	180	31,779.71	0.00	31,779.71	53,623.07	2,115,640.29
30	05/15/18	85,402.78	2.93%	180	30,994.13	0.00	30,994.13	54,408.65	2,061,231.64
31	11/15/18	85,402.78	2.93%	180	30,197.04	0.00	30,197.04	55,205.74	2,006,025.90
32	05/15/19	85,402.78	2.93%	180	29,388.28	0.00	29,388.28	56,014.50	1,950,011.40
33	11/15/19	85,402.78	2.93%	180	28,567.67	0.00	28,567.67	56,835.11	1,893,176.29
34	05/15/20	85,402.78	2.93%	180	27,735.03	0.00	27,735.03	57,667.75	1,835,508.54
35	11/15/20	85,402.78	2.93%	180	26,890.20	0.00	26,890.20	58,512.58	1,776,995.96
36	05/15/21	85,402.78	2.93%	180	26,032.99	0.00	26,032.99	59,369.79	1,717,626.17
37	11/15/21	85,402.78	2.93%	180	25,163.22	0.00	25,163.22	60,239.56	1,657,386.62
38	05/15/22	85,402.78	2.93%	180	24,280.71	0.00	24,280.71	61,122.07	1,596,264.55
39	11/15/22	85,402.78	2.93%	180	23,385.28	0.00	23,385.28	62,017.50	1,534,247.05
40	05/15/23	85,402.78	2.93%	180	22,476.72	0.00	22,476.72	62,926.06	1,471,320.99
41	11/15/23	85,402.78	2.93%	180	21,554.85	0.00	21,554.85	63,847.93	1,407,473.06
42	05/15/24	85,402.78	2.93%	180	20,619.48	0.00	20,619.48	64,783.30	1,342,689.76
43	11/15/24	85,402.78	2.93%	180	19,670.40	0.00	19,670.40	65,732.38	1,276,957.38
44	05/15/25	85,402.78	2.93%	180	18,707.43	0.00	18,707.43	66,695.35	1,210,262.03
45	11/15/25	85,402.78	2.93%	180	17,730.34	0.00	17,730.34	67,672.44	1,142,589.59
46	05/15/26	85,402.78	2.93%	180	16,738.94	0.00	16,738.94	68,663.84	1,073,925.75
47	11/15/26	85,402.78	2.93%	180	15,733.01	0.00	15,733.01	69,669.77	1,004,255.98
48	05/15/27	85,402.78	2.93%	180	14,712.35	0.00	14,712.35	70,690.43	933,565.55
49	11/15/27	85,402.78	2.93%	180	13,676.74	0.00	13,676.74	71,726.04	861,839.50
50	05/15/28	85,402.78	2.93%	180	12,625.95	0.00	12,625.95	72,776.83	789,062.67
51	11/15/28	85,402.78	2.93%	180	11,559.77	0.00	11,559.77	73,843.01	715,219.66
52	05/15/29	85,402.78	2.93%	180	10,477.97	0.00	10,477.97	74,924.81	640,294.85
53	11/15/29	85,402.78	2.93%	180	9,380.32	0.00	9,380.32	76,022.46	564,272.39
54	05/15/30	85,402.78	2.93%	180	8,266.59	0.00	8,266.59	77,136.19	487,136.20
55	11/15/30	85,402.78	2.93%	180	7,136.55	0.00	7,136.55	78,266.23	408,869.96
56	05/15/31	85,402.78	2.93%	180	5,989.94	0.00	5,989.94	79,412.84	329,457.13
57	11/15/31	85,402.78	2.93%	180	4,826.55	0.00	4,826.55	80,576.23	248,880.90
58	05/15/32	85,402.78	2.93%	180	3,646.11	0.00	3,646.11	81,756.67	167,124.22
59	11/15/32	85,402.78	2.93%	180	2,448.37	0.00	2,448.37	82,954.41	84,169.81
60	05/15/33	85,402.78	2.93%	180	1,232.97	0.00	1,232.97	84,169.81	(0.00)
		3,501,513.98		8640	1,136,618.33		1,136,618.34	2,364,895.64	

AMORTIZATION SCHEDULE
ORIGINAL

			3.05%			ACCUM			
		TOTAL	INT	#	INTEREST	UNPAID	INTEREST	PRINCIPAL	O/S
PMT #	DATE	PAYMENT	RATE	DAYS	CHG	INTEREST	PMT	PMT	BALANCE
BEG BAL	05/15/09								2,381,130.32
13	11/15/09	0.00	3.05%	180	36,312.24	36,312.24	0.00	0.00	2,381,130.32
	CAPINT	0.00	3.05%	0	0.00	(0.00)	36,312.24	(36,312.24)	2,417,442.56
14	05/15/10	0.00	3.05%	180	36,866.00	36,866.00	0.00	0.00	2,417,442.56
	CAPINT	0.00	3.05%	0	0.00	(0.00)	36,866.00	(36,866.00)	2,454,308.56
15	11/15/10	0.00	3.05%	180	37,428.21	37,428.20	0.00	0.00	2,454,308.56
	CAPINT	0.00	3.05%	0	0.00	0.00	37,428.20	(37,428.20)	2,491,736.76
16	05/15/11	0.00	3.05%	180	37,998.99	37,998.99	0.00	0.00	2,491,736.76
	CAPINT	0.00	3.05%	0	0.00	(0.00)	37,998.99	(37,998.99)	2,529,735.75
17	11/15/11	0.00	3.05%	180	38,578.47	38,578.47	0.00	0.00	2,529,735.75
	CAPINT	0.00	3.05%	0	0.00	(0.00)	38,578.47	(38,578.47)	2,568,314.22
18	05/15/12	0.00	3.05%	180	39,166.79	39,166.79	0.00	0.00	2,568,314.22
	CAPINT	0.00	3.05%	0	0.00	(0.00)	39,166.79	(39,166.79)	2,607,481.01
19	11/15/12	0.00	3.05%	180	39,764.09	39,764.08	0.00	0.00	2,607,481.01
	CAPINT	0.00	3.05%	0	0.00	0.00	39,764.08	(39,764.08)	2,647,245.09
20	05/15/13	87,317.60	3.05%	180	40,370.49	0.00	40,370.49	46,947.11	2,600,297.98
21	11/15/13	87,317.60	3.05%	180	39,654.54	0.00	39,654.54	47,663.06	2,552,634.93
22	05/15/14	87,317.60	3.05%	180	38,927.68	0.00	38,927.68	48,389.92	2,504,245.01
23	11/15/14	87,317.60	3.05%	180	38,189.74	0.00	38,189.74	49,127.86	2,455,117.15
24	05/15/15	87,317.60	3.05%	180	37,440.54	0.00	37,440.54	49,877.06	2,405,240.08
25	11/15/15	87,317.60	3.05%	180	36,679.91	0.00	36,679.91	50,637.69	2,354,602.39
26	05/15/16	87,317.60	3.05%	180	35,907.69	0.00	35,907.69	51,409.91	2,303,192.48
27	11/15/16	87,317.60	3.05%	180	35,123.69	0.00	35,123.69	52,193.91	2,250,998.57
28	05/15/17	87,317.60	3.05%	180	34,327.73	0.00	34,327.73	52,989.87	2,198,008.69
29	11/15/17	87,317.60	3.05%	180	33,519.63	0.00	33,519.63	53,797.97	2,144,210.73
30	05/15/18	87,317.60	3.05%	180	32,699.21	0.00	32,699.21	54,618.39	2,089,592.34
31	11/15/18	87,317.60	3.05%	180	31,866.28	0.00	31,866.28	55,451.32	2,034,141.02
32	05/15/19	87,317.60	3.05%	180	31,020.65	0.00	31,020.65	56,296.95	1,977,844.07
33	11/15/19	87,317.60	3.05%	180	30,162.12	0.00	30,162.12	57,155.48	1,920,688.60
34	05/15/20	87,317.60	3.05%	180	29,290.50	0.00	29,290.50	58,027.10	1,862,661.50
35	11/15/20	87,317.60	3.05%	180	28,405.59	0.00	28,405.59	58,912.01	1,803,749.48
36	05/15/21	87,317.60	3.05%	180	27,507.18	0.00	27,507.18	59,810.42	1,743,939.06
37	11/15/21	87,317.60	3.05%	180	26,595.07	0.00	26,595.07	60,722.53	1,683,216.53
38	05/15/22	87,317.60	3.05%	180	25,669.05	0.00	25,669.05	61,648.55	1,621,567.99
39	11/15/22	87,317.60	3.05%	180	24,728.91	0.00	24,728.91	62,588.69	1,558,979.30
40	05/15/23	87,317.60	3.05%	180	23,774.43	0.00	23,774.43	63,543.17	1,495,436.13
41	11/15/23	87,317.60	3.05%	180	22,805.40	0.00	22,805.40	64,512.20	1,430,923.93
42	05/15/24	87,317.60	3.05%	180	21,821.59	0.00	21,821.59	65,496.01	1,365,427.92
43	11/15/24	87,317.60	3.05%	180	20,822.78	0.00	20,822.78	66,494.82	1,298,933.10
44	05/15/25	87,317.60	3.05%	180	19,808.73	0.00	19,808.73	67,508.87	1,231,424.23
45	11/15/25	87,317.60	3.05%	180	18,779.22	0.00	18,779.22	68,538.38	1,162,885.85
46	05/15/26	87,317.60	3.05%	180	17,734.01	0.00	17,734.01	69,583.59	1,093,302.26
47	11/15/26	87,317.60	3.05%	180	16,672.86	0.00	16,672.86	70,644.74	1,022,657.52
48	05/15/27	87,317.60	3.05%	180	15,595.53	0.00	15,595.53	71,722.07	950,935.45
49	11/15/27	87,317.60	3.05%	180	14,501.77	0.00	14,501.77	72,815.83	878,119.61
50	05/15/28	87,317.60	3.05%	180	13,391.32	0.00	13,391.32	73,926.28	804,193.33
51	11/15/28	87,317.60	3.05%	180	12,263.95	0.00	12,263.95	75,053.65	729,139.68
52	05/15/29	87,317.60	3.05%	180	11,119.38	0.00	11,119.38	76,198.22	652,941.46
53	11/15/29	87,317.60	3.05%	180	9,957.36	0.00	9,957.36	77,360.24	575,581.22
54	05/15/30	87,317.60	3.05%	180	8,777.61	0.00	8,777.61	78,539.99	497,041.23
55	11/15/30	87,317.60	3.05%	180	7,579.88	0.00	7,579.88	79,737.72	417,303.51
56	05/15/31	87,317.60	3.05%	180	6,363.88	0.00	6,363.88	80,953.72	336,349.79
57	11/15/31	87,317.60	3.05%	180	5,129.33	0.00	5,129.33	82,188.27	254,161.53
58	05/15/32	87,317.60	3.05%	180	3,875.96	0.00	3,875.96	83,441.64	170,719.89
59	11/15/32	87,317.60	3.05%	180	2,603.48	0.00	2,603.48	84,714.12	86,005.77
60	05/15/33	87,317.60	3.05%	180	1,311.83	0.00	1,311.83	86,005.77	(0.00)
		3,580,021.60		8640	1,198,891.28		1,198,891.28	2,381,130.32	

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

August 29, 2012

HAND DELIVERY

Mr. Robert E. Holmden, P.E.
Chief, Bureau of Water Facilities Funding
Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Re: SRF Loan DW 190101

Dear Mr. Holmden:

As requested by Angela, I am enclosing the three schedules from Part V of the SRF application. The numbers for 2012 are based upon actual results for the first 6 months with an estimate for the last 6 months. The year 2013 is based upon our projections, assuming that we pay the SRF loan "off the top" through the PSC mandated escrow procedure, with sufficient funds remaining to cover all operations.

Please let me know if you need anything else in this regard.

Sincerely,

Gene D. Brown

Enclosures

PART V – SUPPLEMENTARY INFORMATION

SCHEDULE OF PRIOR AND PARITY LIENS

List the combined annual multi-year debt service and long-term lease payments beginning two years before the anticipated loan agreement date and project estimates for at least one additional year. Use additional pages as necessary.

	#1	#2	#3	
Identify Each Obligation	D.E.P. Loan	Centennial BanK	FCCU - Truck Loan	
Year	**Annual Payments (Including Long-Term Interest)** #1	#2	#3	**Total Annual Payments**
2003	$	$	$	$
2004	$	$	$	$
2005	$	$	$	$
2006	$	$	$	$
2007	$	$	$	$
2008	$	$	$	$
2009	$	$	$	$
2010	$ 417,390	$ 175,359	$ 4943	$ 597,692
2011	$ 304,883	$ 175,359	$ 4943	$ 485,185
2012	$ 324,024	$ 199,760	$ 4943	$ 528,727
2013	$ 345,441	$ 378,056	$ 4943	$ 728,440
2014	$	$	$	$
2015	$	$	$	$
2016	$	$	$	$
2017	$	$	$	$

PART V – SUPPLEMENTARY INFORMATION

SCHEDULE OF ACTUAL ECONOMIC DATA

(Provide information for the two fiscal years preceding the anticipated date of the SRF loan agreement.)

		Year 2010	Year 2011
(a)	Operating Revenue	1,291,958	1,384,769
(b)	Operating Expense	(1,890,691)	(1,837,982)
(c)	Net Operating Income [(c) = (a) – (b)]	(598,733)	(453,213)
(d)	Other Income (Identify) CIAC/Tap Fees	149,109	21,681
(e)	Depreciation	294,090	268,884
(f)	Interest	257,197	269,401
(g)	Income Tax		
(h)	~~Payroll Tax~~ Amortization	97,215	84,962
(i)	Owner Withdrawals	-0-	-0-
(j)	Available Funds [(j) = (c) + (d) + (e) + (f) – (g) – (h) – (i)]	198,878	191,715
(k)	Multi-Year Debt Service	597,692	485,185
(l)	Long-Term (Capital) Lease	-0-	-0-
(m)	Total Long-Term Obligations [(m) = (k) + (l)]	597,692	485,185
(n)	Coverage Ratio [(n) = (j)/(m)]	.3327	.3951

Coverage ratio means the calculated value that has as its numerator the net operations income plus non-operating income plus depreciation plus interest on term debt (multi-year debt) minus payroll and income taxes minus owner withdrawals and the ratio shall have as its denominator the annual scheduled payments on term debt and long-term leases.

Attach audited annual financial report(s), or pages thereof, or other documentation necessary to support the above information (*Attachment #*_____).

PART V – SUPPLEMENTARY INFORMATION

SCHEDULE OF PROJECTED ECONOMIC DATA

Begin with the fiscal year preceding first anticipated semiannual loan payment and continuing for at least one additional year.

		Year 2012	Year 2013
(a)	Operating Revenue	1,438,495	1,993,131
(b)	Operating Expense	(1,666,506)	(2,042,813)
(c)	Net Operating Income [(c) = (a) – (b)]	(228,011)	(49,682)
(d)	Other Income (Identify)		
	CIAC/Tap Fees	44,113	63,720
(e)	Depreciation	265,825	264,672
(f)	Interest on Multi-year Debt	300,332	486,731
(g)	Income Tax		
(h)	~~Payroll Tax~~ Amortization	110,898	111,772
(i)	Owner Withdrawals	-0-	-0-
(j)	Available Funds [(j) = (c) + (d) + (e) + (f) – (g) – (h) – (i)]	493,157	877,213
(k)	Multi-Year Debt Service (excluding proposed SRF Loan)	204,703	382,999
(l)	Long-Term (Capital) Lease	-0-	-0-
(m)	Proposed SRF Loan Debt Service	324,024	345,441
(n)	Total Long-Term Obligations [(n) = (k) + (l) + (m)]	528,727	728,440
(o)	Coverage Ratio [(o) = (j)/(n)]	.9327	1.2042

Coverage ratio means the calculated value that has as its numerator the net operations income plus non-operating income plus depreciation plus interest on term debt (multi-year debt) minus payroll and income taxes minus owner withdrawals and the ratio shall have as its denominator the annual scheduled payments on term debt and long-term leases.

Identify the source of the above information and explain methods used to develop the projections (*Attachment #_____*). Include an explanation of any revenue and expense growth or other adjustments; for example, expense adjustments reflecting the cost of operating additional facilities, or other considerations.

Florida Department of
Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

September 12, 2012

Mr. Gene D. Brown
President
Water Management Services, Inc.
250 John Knox Road, # 4
Tallahassee, Florida 32303

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Brown:

Enclosed are three original copies of proposed Amendment 6 to Water Management Services, Inc.'s State Revolving Fund loan agreement. A revised amortization schedule is also included. The amendment restructures the loan and adjusts the Semiannual loan payments.

Please sign, have a Notary Public **sign and seal** the enclosed three copies, and return them to us within three weeks at 2600 Blair Stone Road, Mail Station 3505, Tallahassee, Florida, 32399-2400. We will arrange for the Deputy Division Director to sign the documents and mail you a fully executed original.

If you have any questions, please call Dawn Walker at (850) 245-8358.

Sincerely,

for Robert E. Holmden, P.E., Chief
Bureau of Water Facilities Funding

RH/dw

Enclosures

cc: Donnie Gay - Centennial Bank

WATER MANAGEMENT SERVICES, INC.
250 John Knox Rd. # 4
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

September 17, 2012

HAND DELIVERY

Mr. Robert E. Holmden, P.E.
Chief, Bureau of Water Facilities Funding
Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Re: DW1901 010 - Water Management Services, Inc.
Supply, Treatment and Transmission

Dear Mr. Holmden:

Enclosed are three signed originals of Amendment 6 to Water Management Services, Inc.'s State Revolving Fund loan agreement. Please return one original to me when it has been executed by your Department.

Sincerely,

Gene D. Brown

Enclosures
cc: Donnie Gay (without enclosures)

XFINITY Connect gdb5@comcast.net

± Font Size -

Fwd: Request for annual certification 2012

From : Gene Brown <gdb5@comcast.net> Tue, Sep 25, 2012 06:11 PM
Subject : Fwd: Request for annual certification 2012 1 attachment
To : gdb5@comcast.net

Sent from my iPhone

Begin forwarded message:

From: "Bonds, Lucinda" <Lucinda.Bonds@dep.state.fl.us>
Date: September 25, 2012 12:08:16 PM EDT
To: "gdb5@comcast.net" <gdb5@comcast.net>
Subject: Request for annual certification 2012

Hi Gene,

DW190101

The State Revolving Loan Rules and your loan agreement require an annual certification by the authorized representative or chief financial officer regarding pledged revenue collections, the escrow account for loan repayments, the loan repayment reserve account, and insurance. The certification(s) for your loan is/are due no later than, **September 30, 2012.**

Enclosed is a form to assist you in providing the certification(s), please fill in the name of the authorized representative along with their title, the City/Town and the loan number(s) provided in this email. Please email or fax the form back to us, no original needed.

If you have any questions you may call Cindy at 850-245-8365, fax 850 245-8411 or email Lucinda.bonds@dep.state.fl.us.

Lucinda "Cindy" Bonds
Operations Analyst II
Department of Environmental Protection
Bureau of Water Facilities Funding
2600 Blair Stone Road MS3505
Tallahassee, Florida 32399-2400
850-245-8365
Lucinda.Bonds@dep.state.fl.us

Please take a few minutes to share your comments on the service you received from the department by clicking on this link DEP Customer Survey.

Certform.doc
31 KB

XFINITY Connect gdb5@comcast.net

± Font Size -

DEP Annual Certification

From : gdb5@comcast.net
Subject : DEP Annual Certification
To : . <Lucinda.bonds@dep.state.fl.us>

Fri, Sep 28, 2012 02:42 PM
1 attachment

Cindy,

Here is the Certification which we discussed earlier this week. Please let me know if you need anything else at this time.

Thanks, Gene.

DEP Annual Certification.pdf
68 KB

ANNUAL CERTIFICATION FOR STATE REVOLVING FUND LOAN(S)

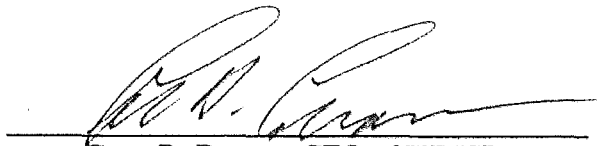
Re: DW1901 010

I, Gene D. Brown, as Chief Financial Officer of Water Management Services, Inc., do hereby certify, with respect to Loan DW1901 010, that:

1. Water Management Services, Inc. (WMSI) received a 38.76% rate increase in a PAA order issued by the Florida Public Service Commission (PSC) on August 22, 2012. These new rates are expected to become effective on October 17, 2012, so that our billing for water use after that date will be at the increased rates. All of the 38.76% increase will be escrowed, including a monthly amount of $28,568.06 for the DEP payment, beginning December 15, 2012, so that funds will be funds available to make the May 15, 2013 payment in the amount of $171,408.35, and all the other semiannual payments until the loan is paid in full. Florida's Office of Public Counsel (OPC) has protested certain aspects of the PAA order, and a final hearing on that protest will be held early next year. However, we do not expect the protest to have any impact on WMSI's ability to escrow the $28,568.06 per month, or to make the payment due on May 15, 2013. We will have a final order by that date, and that final order is expected to continue the DEP escrow requirement so that the necessary funds are set aside on a monthly basis to make all of the semiannual payments as required by Amendment 6 to our loan agreement which was signed by WMSI and DEP as of September 17, 2012.

2. Water Management Services, Inc plans to make the $40,000 payment due November 15, 2012 from the existing interim rate escrow account. Because of the OPC protest filed September 12, 2012, these funds have not been released. However, WMSI has a pending motion before the PSC to release $40,000 from the account for the November 15th payment. We expect that motion to be granted on October 16th, 2012.

3. Insurance, if applicable, including that issued through the National Flood Insurance Program authorized under 42 U.S.C., secs. 4001-4128, which adequately covers the customary risks to the extent that such insurance is available, is in effect for the described Project and the other Revenue Producing Facilities in accordance with Article IX of the loan agreement. The risks covered are those customarily insured against in connection with the operation of revenue producing facilities of like size, type and location to the extent that such insurance is obtainable at this date.



Gene D. Brown, CFO of WMSI

9-28-12

Date

WMSI RESPONSE TO CITIZENS'

THIRD SET OF INTERROGATORIES NO. 37

THIRD REQUEST FOR PRODUCTION OF DOCUMENTS NO. 50

WMSI AUDITED FINANCIAL STATEMENTS

HWS-31

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Application For Increase in Water Rates In Franklin County by Water Management Services, Inc.	))))	Docket No. 110200-WU Filed: October 18, 2012

CITIZENS' THIRD SET OF INTERROGATORIES TO WATER MANAGEMENT SERVICES, INC. (Nos. 25 - 42)

Pursuant to § 350.0611(1), F.S., Fla. Admin. Code R. 28-106.206, and Fla. R. Civ. P. 1.340, Florida's Citizens ("Citizens" or "OPC") propound the following Interrogatories to Water Management Services, Inc. ("WMSI") to be answered on or before 20 days from the date of service as set forth by procedural Order No. 12-0526-PCO-WU, issued October 3, 2012, or at such other time and place as may be mutually agreed upon by counsel. **In lieu of hard copy responses, OPC requests that WMSI provide the responses to these interrogatories electronically as described below in the Instructions.**

DEFINITIONS

As used herein, the following words shall have the meanings indicated:

1. "WMSI" or "the company" means Water Management Services, Inc.
2. The terms "WMSI" and "company" encompass Water Management Services, Inc., together with the officers, employees, consultants, agents, representatives, attorneys, and any other person or entity acting on behalf of Water Management Services, Inc.
3. As used herein the terms "you," "your," and "company" refer to WMSI, as defined in the previous paragraph, together with the officers, employees, consultants, agents, representatives, and attorneys of WMSI, as well as any other person or entity acting on behalf of WMSI.

36. Account 123. In reviewing the 2010 General Ledger for WMSI, the Staff Audit work papers noted that two sales of vehicles occurred in 2010. On March 10, 2010, the utility recorded the sale of a 2008 Sierra Pick-UP and on December 31, 2010, the utility recorded the sale of a 2008 Chevrolet Tahoe. Please explain to whom each vehicle was sold and why the 2010 income tax return does not include a Form 4797 reflecting any sale of an asset.

37. Account 123. Are Water Management Services Inc., financial statements audited and if so by whom?

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 RESPONSES TO CITIZENS' THIRD SET OF INTERROGATORIES (Nos. 25 - 42)

WATER MANAGEMENT SERVICES, INC., by and through its undersigned attorneys and pursuant to Rule 1.340, Florida Rules of Civil Procedure, hereby responds to the Office of Public Counsel's Third Set of Interrogatories (Nos. 25-42) served upon it on or about October 18, 2012.

Respectfully submitted this 13 day of November, 2012, by:

SUNDSTROM, FRIEDMAN & FUMERO, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746
PHONE: (407) 830-6331
mfriedman@sfflaw.com

MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm

recorded the sale of a 2008 Sierra Pick-UP and on December 31, 2010, the utility recorded the sale of a 2008 Chevrolet Tahoe. Please explain to whom each vehicle was sold and why the 2010 income tax return does not include a Form 4797 reflecting any sale of an asset.

ANSWER: The 2008 Sierra Pick-up was sold to Reed Brown and the 2008 Chevrolet Tahoe was sold to Brown Management Group, Inc. Both of these transactions were booked at cost with no gain or loss on sale, so there was no reason to file a Form 4797.

37. Account 123. Are Water Management Services Inc., financial statements audited and if so by whom?

ANSWER: There are no Water Management Services, Inc. audited statements.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Application For Increase in Water Rates In Franklin County by Water Management Services, Inc.	))))	Docket No. 110200-WU Filed: October 18, 2012

CITIZENS' THIRD REQUEST TO PRODUCE DOCUMENTS TO WATER MANAGEMENT SERVICES, INC. (Nos. 43 – 50)

Pursuant to § 350.0611(1), Fla. Stat. (2004), Fla. Admin. Code R. 28-106.206, and Fla. R. Civ. P.1.350, Florida's Citizens ("Citizens" or "OPC") request Water Management Services, Inc. ("WMSI") to produce the following documents for inspection and copying at the Office of Public Counsel, Claude Pepper Building, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, on or before 20 days from the date of service as set forth by procedural Order No. 12-0526-PCO-WU, issued October 3, 2012, or at such other time and place as may be mutually agreed upon by counsel. **In lieu of hard copy responses, OPC requests that WMSI provide the responses to these requests for production of documents electronically as described below in the Instructions.**

DEFINITIONS

1. The terms "document" or "documents" are meant to have the broadest possible meaning under applicable law and includes, but is not necessarily limited to, any written, recorded, filmed or graphic matter, whether produced, reproduced, or on paper, e-mail, cards, tapes, film, electronic facsimile, computer storage device or any other media, including, but not limited to, memoranda, notes, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies,

49. Cost of Debt. Please refer to the testimony of Jeanne Clark Allen at pages 3-4 where she discusses the weighted average cost of capital and the Centennial Bank Loan. Please provide copies of all work papers and documentation showing the calculation of the totals and amortization of the specific costs related to the life insurance policies and closing costs on the Centennial Bank Loan. Please include any schedules showing the application of this amortization and how it increases the debt cost from 6.5% to 8.46%.

50. Account 123. Please refer to the Utility's response to Interrogatory No. 37 and provide any responsive documents related to audited financial statements.

J.R. Kelly
Public Counsel

s/ Erik L. Sayler
Erik L. Sayler
Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
(850) 488-9330

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 SERVICE'S, INC.'S RESPONSE TO CITIZENS' THIRD REQUEST TO PRODUCE (Nos. 43 – 50)

WATER MANAGEMENT SERVICES, INC. ("WMSI"), by and through its undersigned attorneys and pursuant to Rule 28-106.206, Florida Administrative Code, and Rule 1.350, Florida Rules of Civil Procedure, hereby responds to the Office of Public Counsel's Third Request to Produce (Nos. 43-50), as follows:

All documents not objected to are being provided with this Response.

Respectfully submitted this 13 day of November, 2012, by:

SUNDSTROM, FRIEDMAN & FUMERO, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746
PHONE: (407) 830-6331
mfriedman@sfflaw.com

MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm

OPC-POD NO. 50.
AUDITED FINANCIAL STATEMENTS.

THERE ARE NONE.

STAFF AUDIT WORK PAPERS

ACCOUNTS PAYABLE AGING REPORT AS OF DECEMBER 31, 2011

HWS-32

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
AMEX	CHGS-12/23/11	269.17				269.17	12/23/11	#
AMERICAN EXPRESS								
1-800-492-3344								
AMEX		**269.17**				**269.17**		
AMERICAN EXPRESS								
ARAMARK	SERV-12/01/11	65.29				65.29	12/1/11	#
ARAMARK UNIFORM SERVIC	SERV-12/08/11	65.29				65.29	12/8/11	#
	SERV-12/15/11	173.95				173.95	12/15/11	#
	SERV-12/22/11	55.29				55.29	12/22/11	#
	SERV-12/29/11	55.29				55.29	12/29/11	#
ARAMARK		**415.11**				**415.11**		
ARAMARK UNIFORM SERVICES								
AWWA	DUES-11/01/11		354.00			354.00	11/1/11	#
AMERICAN WATER WORKS ASSOC.								
AWWA			**354.00**			**354.00**		
AMERICAN WATER WORKS ASSOC.								
BELL	1347816-04-09/06/11				6.85	6.85	9/6/11	#
BELL SUPPLY CO., INC.	1348811-01-09/06/11				392.58	392.58	9/6/11	#
	1349084-01-09/12/11				379.58	379.58	9/12/11	#
334-793-4500	1523006-01-09/12/11				-74.04	-74.04	9/12/11	#
	1349084-02-09/19/11				24.42	24.42	9/19/11	#
	1349088-01-09/19/11				170.95	170.95	9/19/11	#
	1349570-01-09/20/11				222.95	222.95	9/20/11	#
	1349597-01-09/20/11				259.72	259.72	9/20/11	#
	1349570-02-09/26/11				390.34	390.34	9/26/11	#
	1349851-01-09/26/11				56.09	56.09	9/26/11	#
	1347877-01-10/05/11			2,771.64		2,771.64	10/5/11	#
	1349084-09-10/10/11			303.52		303.52	10/10/11	#
	1350707-01-10/10/11			860.59		860.59	10/10/11	#
	1523160-01-10/14/11			-264.07		-264.07	10/14/11	#
	1349084-04-10/17/11			244.54		244.54	10/17/11	#
	1350731-01-10/17/11			251.41		251.41	10/17/11	#
	1351151-01-10/17/11			139.93		139.93	10/17/11	#
	1351151-02-10/26/11			139.93		139.93	10/26/11	#
	1352393-01-11/07/11		323.56			323.56	11/7/11	#
	1353195-01-11/21/11		222.66			222.66	11/21/11	#
	1353477-01-11/28/11		100.39			100.39	11/28/11	#
	1353195-02-12/05/11	5.33				5.33	12/5/11	#
	1353744-01-12/05/11	90.51				90.51	12/5/11	#
	1354942-01-12/27/11	50.02				50.02	12/27/11	#
BELL		**145.86**	**646.61**	**4,447.49**	**1,829.44**	**7,069.40**		
BELL SUPPLY CO., INC.								

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
CARLSTEDT	CHGS-08/31/09				2,439.59	2,439.59	8/31/09	#
CARLSTEDT, JACKSON, NIXO	CHGS-09/30/09				1,020.00	1,020.00	9/30/09	#
	CHGS-10/31/09				5,651.50	5,651.50	10/31/09	#
727-791-4020	CHGS-11/30/09				1,606.99	1,606.99	11/30/09	#
	DISCOUNT-12/31/09				-4,287.23	-4,287.23	12/31/09	#
CARLSTEDT					**6,430.85**	**6,430.85**		
CARLSTEDT, JACKSON, NIXON & WILSON, CPA								
CCB-VISA	PBS&J-12/9/10				400.00	400.00	12/9/10	#
CARDMEMBER SERVICE	FINCHG-12/09/10				23.52	23.52	12/9/10	#
	FINCHG-01/10/11				182.36	182.36	1/10/11	#
	PBS&J-01/18/11				500.00	500.00	1/18/11	#
	MAINLINE-01/26/11				1,180.02	1,180.02	1/26/11	#
	FINCHG-02/08/11				159.44	159.44	2/8/11	#
	PBS&J-02/15/11				500.00	500.00	2/15/11	#
	FINCHG-03/09/11				197.25	197.25	3/9/11	#
	PBS&J-03/15/11				500.00	500.00	3/15/11	#
	FINCHG-04/08/11				199.43	199.43	4/8/11	#
	PBS&J-04/15/11				500.00	500.00	4/15/11	#
	FINCHG-05/10/11				192.32	192.32	5/10/11	#
	PBS&J-05/16/11				500.00	500.00	5/16/11	#
	FINCHG-06/10/11				232.65	232.65	6/10/11	#
	PBS&J-06/16/11				500.00	500.00	6/16/11	#
	FINCHG-07/11/11				200.80	200.80	7/11/11	#
	ATKINS-07/16/11				500.00	500.00	7/16/11	#
	FINCHG-08/09/11				179.61	179.61	8/9/11	#
	ATKINS-08/16/11				500.00	500.00	8/16/11	#
	FINCHG-09/09/11				188.83	188.83	9/9/11	#
	ATKINS-09/16/11				500.00	500.00	9/16/11	#
	FINCHG-10/11/11			249.84		249.84	10/11/11	#
	ATKINS-10/17/11			500.00		500.00	10/17/11	#
	FINCHG-11/08/11		190.31			190.31	11/8/11	#
	ATKINS-11/16/11		500.00			500.00	11/16/11	#
	FINCHG-12/09/11	211.41				211.41	12/9/11	#
	ATKINS-12/15/11	500.00				500.00	12/15/11	#
CCB-VISA		**711.41**	**690.31**	**749.84**	**7,836.23**	**9,987.79**		
CARDMEMBER SERVICE								
CENTURYLINK	CHGS-12/16/11	144.14				144.14	12/16/11	#
CENTURYLINK								
877-436-2277								
CENTURYLINK		**144.14**				**144.14**		
CENTURYLINK								
CERTIFIED	S1264794-12/05/11	26.79				26.79	12/5/11	#
CERTIFIED PLUMBING & ELECTRIC								
386-362-6114								
CERTIFIED		**26.79**				**26.79**		

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
CERTIFIED PLUMBING & ELECTRIC								
CITYTALL CITY OF TALLAHASSEE (850) 891-0901	CHGS-12/20/11	144.52				144.52	12/20/11	#
CITYTALL **CITY OF TALLAHASSEE**		**144.52**				**144.52**		
CRSPR-ISLE	WATER-12/14/11	15.07				15.07	12/14/11	#
CRYSTAL SPRINGS	WATER-12/28/11	12.56				12.56	12/28/11	#
CRSPR-ISLE **CRYSTAL SPRINGS**		**27.63**				**27.63**		
DEP	1875-EAST END				150.00	150.00	1/7/05	#
DEPT. OF ENVIRONMENTAL I	1879-EAST END				150.00	150.00	1/18/05	#
GLORIA HODGE	1882-EAST END				150.00	150.00	2/2/05	#
850-487-2309	1883-EAST END				150.00	150.00	2/8/05	#
	1884 EAST END				150.00	150.00	3/9/05	#
	1564-EAST END				150.00	150.00	3/23/05	#
	1885-EAST END				150.00	150.00	3/31/05	#
	1895-EAST END				150.00	150.00	5/4/05	#
	1898-EAST END				150.00	150.00	5/9/05	#
	1901-EAST END				150.00	150.00	6/17/05	#
	1902-EAST END				150.00	150.00	6/17/05	#
	1903-EAST END				150.00	150.00	6/21/05	#
	1904-EAST END				150.00	150.00	6/21/05	#
	1907-EAST END				150.00	150.00	6/27/05	#
	1908-EAST END				150.00	150.00	6/27/05	#
	1920-EAST END				150.00	150.00	7/29/05	#
	1921-EAST END				150.00	150.00	8/11/05	#
	1924-EAST END				150.00	150.00	9/29/05	#
	1927-EAST END				150.00	150.00	12/14/05	#
	1928-EAST END				150.00	150.00	2/8/06	#
	1933-EAST END				150.00	150.00	3/16/06	#
	1936-EAST END				150.00	150.00	3/28/06	#
	1943-EASTEND				150.00	150.00	6/20/06	#
	1944-EASTEND				150.00	150.00	6/20/06	#
	1945-EASTEND				150.00	150.00	7/5/06	#
	1955-EAST END				150.00	150.00	2/6/07	#
	1957-EAST END				150.00	150.00	5/2/07	#
	1960-EAST END				150.00	150.00	8/4/07	#
	1961-EAST END				150.00	150.00	8/5/07	#
	1962-EAST END				150.00	150.00	10/17/07	#
	1964-EAST END				150.00	150.00	11/9/07	#
	1965-EAST END				150.00	150.00	11/13/07	#
	1966-EAST END				150.00	150.00	12/13/07	#
	1969-EAST END				150.00	150.00	4/16/08	#
	1972-EAST END				150.00	150.00	7/15/08	#
	1976-EAST END				150.00	150.00	3/19/09	#
	1977-EAST END				150.00	150.00	8/25/09	#

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
	PSC-ADJ				9,257.10	9,257.10	1/1/10	#
	1007-EASTEND				150.00	150.00	6/15/10	#
	1326-EASTEND				150.00	150.00	8/23/10	#
	1155-EASTEND				150.00	150.00	10/4/10	#
	1983-EASTEND				150.00	150.00	5/11/11	#
	1984-EASTEND				150.00	150.00	5/12/11	#
DEP					**15,557.10**	**15,557.10**		
DEPT. OF ENVIRONMENTAL PROTECTION								
DIRECT MERCHANTS	LEWIS-SMITH-05/25/11				4,715.44	4,715.44	5/25/11	#
HSBC CARD SERVICES	FINCHG-05/26/11				172.17	172.17	5/26/11	#
	FINCHG-06/26/11				269.90	269.90	6/26/11	#
1-800-379-7999	FINCHG-07/27/11				259.80	259.80	7/27/11	#
	ANNFEE-08/01/11				29.00	29.00	8/1/11	#
	FINCHG-08/26/11				236.14	236.14	8/26/11	#
	FINCHG-09/26/11				225.87	225.87	9/26/11	#
	FINCHG-10/27/11			208.03		208.03	10/27/11	#
	HDSUPPLY-10/31/11			1,641.38		1,641.38	10/31/11	#
	LEWIS-SMITH-10/31/11			2,569.37		2,569.37	10/31/11	#
	FINCHG-11/25/11		261.78			261.78	11/25/11	#
	FINCHG-12/27/11	280.81				280.81	12/27/11	#
DIRECT MERCHANTS		**280.81**	261.78	4,418.78	**5,908.32**	**10,869.69**		
HSBC CARD SERVICES								
FLATIRON	PKGPREM-7/1/11				13,403.10	13,403.10	7/1/11	#
FLATIRON CAPITAL								
(800) 800-2767								
FLATIRON					**13,403.10**	**13,403.10**		
FLATIRON CAPITAL								
GDB-REIMB	REIMB-11/30/11		499.20			499.20	11/30/11	#
GENE D. BROWN	REIMB-12/31/11	402.00				402.00	12/31/11	#
GDB-REIMB		**402.00**	**499.20**			**901.20**		
GENE D. BROWN								
GREATAMERICAN	FINCHG-12/29/11	37.47				37.47	12/29/11	#
GREATAMERICAN LEASING CORP.								
GREATAMERICAN		37.47				37.47		
GREATAMERICAN LEASING CORP.								

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
HARTMAN-DAN	627-11/04/08				636.22	636.22	11/4/08		#
HARTMAN CURTIN, LLC	643-12/1/08				3,795.00	3,795.00	11/30/08		#
	567-10/1/08 RECLASS				-460.00	-460.00	1/30/09		#
(850) 386-4242									
HARTMAN-DAN					**3,971.22**	**3,971.22**			
HARTMAN CURTIN, LLC									
HARTMAN-FIRM	567-10/1/08				460.00	460.00	1/27/09		#
HARTMAN LAW FIRM PA	38-1/28/09				720.00	720.00	1/28/09		#
	72-02/26/09				80.00	80.00	2/26/09		#
	174-07/08/09				100.00	100.00	7/8/09		#
HARTMAN-FIRM					**1,360.00**	**1,360.00**			
HARTMAN LAW FIRM PA									
HD	3622539-09/12/11				3,351.24	3,351.24	9/12/11		#
HD SUPPLY WATERWORKS , I	SERCHG-11/23/11		50.27			50.27	11/23/11		#
	SERCHG-12/23/11	50.27				50.27	12/23/11		#
850-576-3617									
HD		**50.27**	**50.27**		**3,351.24**	**3,451.78**			
HD SUPPLY WATERWORKS , LTD.									
JESSICA-REIMB	REIMB-12/31/11	121.54				121.54	12/31/11		#
JESSICA BLANKENSHIP									
JESSICA-REIMB		**121.54**				**121.54**			
JESSICA BLANKENSHIP									
LAW, REDD, CRONA	ANNREP-2011				1,000.00	1,000.00	3/31/11		#
LAW, REDD, CRONA & MUNR	ANNUALREP-2011				1,000.00	1,000.00	6/30/11		#
	CHGS-08/31/11				3,480.00	3,480.00	8/31/11		#
850--878-6189	CHGS-09/30/11				14,243.00	14,243.00	9/30/11		#
	ANNUALRPT-2011				1,000.00	1,000.00	9/30/11		#
	CHGS-10/31/11			15,429.00		15,429.00	10/31/11		#
	CHGS-11/30/11		8,481.00			8,481.00	11/30/11		#
	CHGS-12/31/11	814.00				814.00	12/31/11		#
	ANNREPORT-2011	1,000.00				1,000.00	12/31/11		#
LAW, REDD, CRONA		**1,814.00**	**8,481.00**	**15,429.00**	**20,723.00**	**46,447.00**			
LAW, REDD, CRONA & MUNROE, PA									
LES THOMAS	CHGS-04/29/11				500.00	500.00	4/29/11		#
LES THOMAS CONSULTING E	CHGS-05/06/11				4,625.00	4,625.00	5/6/11		#
	CHGS-05/13/11				5,000.00	5,000.00	5/13/11		#

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
770-718-9054	CHGS-05/20/11				5,000.00	5,000.00	5/20/11	#
	CHGS-05/27/11				5,000.00	5,000.00	5/27/11	#
	CHGS-06/03/11				5,000.00	5,000.00	6/3/11	#
	CHGS-06/10/11				500.00	500.00	6/10/11	#
	CHGS-06/17/11				5,000.00	5,000.00	6/17/11	#
	CHGS-06/24/11				5,000.00	5,000.00	6/24/11	#
	CHGS-07/01/11				5,000.00	5,000.00	7/1/11	#
	CHGS-07/08/11				3,750.00	3,750.00	7/8/11	#
	CHGS-07/15/11				3,750.00	3,750.00	7/15/11	#
	CHGS-07/22/11				3,750.00	3,750.00	7/22/11	#
	CHGS-07/29/11				3,750.00	3,750.00	7/29/11	#
	CHGS-08/05/11				3,750.00	3,750.00	8/5/11	#
	CHGS-08/12/11				3,750.00	3,750.00	8/12/11	#
	CHGS-08/19/11				5,000.00	5,000.00	8/19/11	#
	CHGS-08/26/11				3,750.00	3,750.00	8/26/11	#
	CHGS-09/09/11				500.00	500.00	9/9/11	#
	CHGS-09/23/11				1,000.00	1,000.00	9/23/11	#
	CHGS-10/07/11			1,000.00		1,000.00	10/7/11	#
	CHGS-10/14/11			5,000.00		5,000.00	10/14/11	#
	CHGS-10/21/11			1,000.00		1,000.00	10/21/11	#
	CHGS-10/28/11			5,000.00		5,000.00	10/28/11	#
	CHGS-11/04/11		5,000.00			5,000.00	11/4/11	#
LES THOMAS **LES THOMAS CONSULTING ENGINEERS**			**5,000.00**	**12,000.00**	**73,375.00**	**90,375.00**		
LEWIS-SMITH SUPPLY	1231267-01-07/25/11				467.30	467.30	7/25/11	#
LEWIS-SMITH SUPPLY	1226571-01-08/04/11				539.01	539.01	8/4/11	#
	1233642-01-08/15/11				293.33	293.33	8/15/11	#
334-793-5088	1231274-01-08/22/11				539.01	539.01	8/22/11	#
	1235393-01-08/29/11				300.51	300.51	8/29/11	#
	SERCHG-09/25/11				32.69	32.69	9/25/11	#
	1234438-01-10/24/11			539.01		539.01	10/24/11	#
	FINCHG-10/25/11			53.26		53.26	10/25/11	#
	1559859-01-11/03/11		-539.01			-539.01	11/3/11	#
	1559950-01-11/16/11		-229.76			-229.76	11/16/11	#
	1234437-01-11/23/11		359.34			359.34	11/23/11	#
	FINCHG-11/25/11		20.56			20.56	11/25/11	#
	FINCHG-12/25/11	28.64				28.64	12/25/11	#
LEWIS-SMITH SUPPLY **LEWIS-SMITH SUPPLY**		**28.64**	**-388.87**	**592.27**	**2,171.85**	**2,403.89**		
LOCURTO	CHGS-10/31/11			125.00		125.00	10/31/11	#
C. VINCENT LOCURTO	CHGS-11/30/11		3,625.00			3,625.00	11/30/11	#
	CHGS-12/14/11	18,950.00				18,950.00	12/14/11	#
LOCURTO **C. VINCENT LOCURTO**		**18,950.00**	**3,625.00**	**125.00**		**22,700.00**		
MCCALL MOODY MCCALL MOODY LAW FIRM	CHGS-12/15/11	475.00				475.00	12/15/11	#
850-656-7753								

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
MCCALL MOODY		**475.00**				**475.00**			
MCCALL MOODY LAW FIRM									
MITCHELL-REIMB	REIMB-12/31/11	101.40				101.40	12/31/11		#
BOB MITCHELL									
MITCHELL-REIMB		**101.40**				**101.40**			
BOB MITCHELL									
MRCI	20031.91-02/28/10				916.06	916.06	2/28/10		#
MGMT & REG CONSULTANTS	20031.91-03/31/10				2,512.50	2,512.50	3/31/10		#
	20031.91-04/30/10				6,459.86	6,459.86	4/30/10		#
850-566-9296	30031.91-06/07/10				6,545.99	6,545.99	5/31/10		#
	20031.91-06/30/10				2,287.50	2,287.50	6/30/10		#
	20031.91-07/31/10				1,644.68	1,644.68	7/31/10		#
	20031.91-08/31/10				5,700.00	5,700.00	8/31/10		#
	20031.91-09/30/10				10,650.00	10,650.00	9/30/10		#
	20031.91-10/31/10				7,200.00	7,200.00	10/31/10		#
	2010-ANNUALREPT				526.14	526.14	5/31/11		#
MRCI					**44,442.73**	**44,442.73**			
MGMT & REG CONSULTANTS, INC.									
MSC	2857969-11/22/11		2,245.93			2,245.93	11/22/11		#
MSC WATERWORKS PANAMA CITY									
704-788-9800									
MSC			**2,245.93**			**2,245.93**			
MSC WATERWORKS PANAMA CITY									
MUNICIPAL	114601-08/10/11		1,653.15			1,653.15	11/15/11		#
MUNICIPAL WATER WORKS	14947-12/22/11	3,409.92				3,409.92	12/22/11		#
	14976-12/29/11	373.84				373.84	12/29/11		#
(407) 295-2400									
MUNICIPAL		**3,783.76**	**1,653.15**			**5,436.91**			
MUNICIPAL WATER WORKS									
NITA MOLSBEE (REIMB)	INS-07/11				146.25	146.25	7/1/11		#
NITA MOLSBEE	INS-08/11				146.25	146.25	8/1/11		#
	INS-09/11				146.25	146.25	9/1/11		#
	INS-10/11				146.25	146.25	10/1/11		#
	INS-11/11		146.25			146.25	11/1/11		#
	INS-12/11	146.25				146.25	12/1/11		#

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
NITA MOLSBEE (REIMB)		**146.25**	**146.25**		**585.00**	**877.50**			
NITA MOLSBEE									
OFFBUS	6000SMAINT-6/30/11				200.57	200.57	6/30/11		#
OFFICE BUSINESS SYSTEMS	6000SMAINT-7/31/11				97.94	97.94	7/31/11		#
	6000SMAINT-8/31/11				97.94	97.94	8/31/11		#
(850) 385-1230	LATECHG-8/31/11				1.85	1.85	8/31/11		#
	FINCHG-8/31/11				3.01	3.01	8/31/11		#
	6000SMAINT-9/30/11				97.94	97.94	9/30/11		#
	6000SMAINT-10/31/11			97.94		97.94	10/31/11		#
	15631A-11/04/11		97.83			97.83	11/4/11		#
	FINCHG-11/30/11		1.47			1.47	11/30/11		#
	15757A-12/06/11	97.83				97.83	12/6/11		#
	6000SMAINT-12/30/11	97.94				97.94	12/30/11		#
	FINCHG-12/30/11	29.74				29.74	12/30/11		#
OFFBUS		**225.51**	**99.30**	**97.94**	**499.25**	**922.00**			
OFFICE BUSINESS SYSTEMS									
PEDDIE	410006360-11/09/11		1,591.16			1,591.16	11/9/11		#
PEDDIE CHEMICAL CO., INC.	410006361-11/09/11		-450.00			-450.00	11/9/11		#
	410006910-12/13/11	1,414.36				1,414.36	12/13/11		#
	410006911-12/13/11	-400.00				-400.00	12/13/11		#
PEDDIE		**1,014.36**	**1,141.16**			**2,155.52**			
PEDDIE CHEMICAL CO., INC.									
PITBOWES-ISLE-MAIL	FINCHG-11/06/11		38.52			38.52	11/6/11		#
PITNEY BOWES GLOBAL FINANCIAL SERV, LLC									
1-800-732-7222									
PITBOWES-ISLE-MAIL			**38.52**			**38.52**			
PITNEY BOWES GLOBAL FINANCIAL SERV, LLC									
POSTBUCK	CHG11-06/07/10				3,500.00	3,500.00	6/7/10		#
ATKINS N AMERICA, INC.	CHG12-07/07/10				3,500.00	3,500.00	7/7/10		#
	CHG02-09/07/10				4,000.00	4,000.00	9/7/10		#
	CHG03-10/07/10				4,000.00	4,000.00	10/7/10		#
	CHG04-11/07/10				4,000.00	4,000.00	11/7/10		#
	CHG05-12/07/10				4,000.00	4,000.00	12/7/10		#
POSTBUCK					**23,000.00**	**23,000.00**			
ATKINS N AMERICA, INC.									
PROFORMA	914003954-12/16/11	253.96				253.96	12/16/11		#
PROFORMA PRINT SOURCE U	914003955-12/16/11	240.75				240.75	12/16/11		#
	0914003948-12/20/11	684.50				684.50	12/20/11		#
(850) 926-6070									

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
PROFORMA		**1,179.21**				**1,179.21**			
PROFORMA PRINT SOURCE UNLIMITED									
PROGRESS	55407-11/29/11		12.85			12.85	11/29/11		#
PROGRESS ENERGY FLORIDA	01094-12/01/11		3,224.95			3,224.95	11/30/11		#
	84208-12/15/11	63.53				63.53	12/15/11		#
	75457-12/15/11	27.88				27.88	12/15/11		#
	51320-12/15/11	143.92				143.92	12/15/11		#
	66093-12/16/11	647.75				647.75	12/16/11		#
	55407-12/30/11	12.85				12.85	12/30/11		#
	01094-12/31/11	3,079.76				3,079.76	12/31/11		#
PROGRESS		**3,975.69**	**3,237.80**			**7,213.49**			
PROGRESS ENERGY FLORIDA, INC.									
PRUETT	16144-06/12/11				3,012.00	3,012.00	6/12/11		#
PRUETT AIR CONDITIONING									
(850) 670-9000									
PRUETT					**3,012.00**	**3,012.00**			
PRUETT AIR CONDITIONING									
PURCH	REFILL-06/06/11				272.73	272.73	6/6/11		#
PITNEY BOWES PURCHASE P	REFILL-06/24/11				600.00	600.00	6/24/11		#
	FINCHG-06/24/11				82.45	82.45	6/24/11		#
	FINCHG-07/21/11				112.83	112.83	7/21/11		#
	REFILL-07/29/11				600.00	600.00	7/29/11		#
	FINCHG-08/21/11				87.15	87.15	8/21/11		#
	REFILL-08/26/11				222.00	222.00	8/26/11		#
	572130-08/31/11				203.81	203.81	8/31/11		#
	FINCHG-09/25/11				94.68	94.68	9/25/11		#
	REFILL-09/30/11				525.00	525.00	9/30/11		#
	FINCHG-10/21/11			80.80		80.80	10/21/11		#
	REFILL-10/28/11			525.00		525.00	10/28/11		#
	FINCHG-11/21/11		80.79			80.79	11/21/11		#
	LATECHG-11/21/11		87.69			87.69	11/21/11		#
	REFILL-11/22/11		525.00			525.00	11/22/11		#
	FINCHG-12/26/11	97.28				97.28	12/26/11		#
	REFILL-12/29/11	425.00				425.00	12/29/11		#
PURCH		**522.28**	**693.48**	**605.80**	**2,800.65**	**4,622.21**			
PITNEY BOWES PURCHASE POWER									
QUILL	8400294-12/01/11	131.15				131.15	12/1/11		#
QUILL CORPORATION									
QUILL		**131.15**				**131.15**			
QUILL CORPORATION									

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
RADEY-THOMAS	CHGS-04/30/10				4,007.33	4,007.33	4/30/10	#
RADEY, THOMAS, YON & CL/	CHGS-05/31/10				11,357.06	11,357.06	5/31/10	#
	CHGS-06/30/10				7,583.79	7,583.79	6/30/10	#
(850) 425-6654	CHGS-07/31/10				19,679.00	19,679.00	7/31/10	#
	CHGS-08/31/10				21,554.87	21,554.87	8/31/10	#
	CHGS-09/30/10				33,475.96	33,475.96	9/30/10	#
	CHGS-12/31/10				45,594.02	45,594.02	12/31/10	#
	CHGS-01/31/11				3,147.75	3,147.75	1/31/11	#
RADEY-THOMAS					146,399.78	146,399.78		
RADEY, THOMAS, YON & CLARK, PA								
RUTLEDGE	CHGS-05/31/09				3,482.61	3,482.61	5/31/09	#
RUTLEDGE, ECENIA & PURNI	CHGS-06/30/09				2,626.15	2,626.15	6/30/09	#
	CHGS-11/30/09				1,111.50	1,111.50	11/30/09	#
850-681-6788	CHGS-12/31/09				1,465.04	1,465.04	12/31/09	#
RUTLEDGE					**8,685.30**	**8,685.30**		
RUTLEDGE, ECENIA & PURNELL, P.A.								
SANDY-REIMB	REIMB-12/31/11	478.02				478.02	12/31/11	#
SANDRA M. CHASE								
SANDY-REIMB		**478.02**				**478.02**		
SANDRA M. CHASE								
SCHWAB-PENSION	PENSION-01/11				6,526.09	6,526.09	1/31/11	#
CHARLES SCHWAB	PENSION-02/11				6,412.53	6,412.53	2/28/11	#
	PENSION-03/11				6,469.05	6,469.05	3/31/11	#
	PENSION-04/11				6,910.34	6,910.34	4/30/11	#
	PENSION-05/11				6,488.70	6,488.70	5/31/11	#
	PENSION-06/11				6,532.24	6,532.24	6/30/11	#
	PENSION-07/11				6,863.58	6,863.58	7/31/11	#
	PENSION-08/11				6,913.67	6,913.67	8/31/11	#
	PENSION-09/11				6,490.79	6,490.79	9/30/11	#
	PENSION-10/11			6,503.24		6,503.24	10/31/11	#
	PENSION-11/11		6,934.59			6,934.59	11/30/11	#
	PENSION-12/11	6,509.39				6,509.39	12/31/11	#
SCHWAB-PENSION		**6,509.39**	**6,934.59**	**6,503.24**	**59,606.99**	**79,554.21**		
CHARLES SCHWAB								
SE-WATER	7561-08/17/11				2,484.90	2,484.90	8/17/11	#
SOUTHEAST WATER SYSTEM	7598-09/29/11				600.00	600.00	9/29/11	#
334-899-5141								

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
SE-WATER					**3,084.90**	**3,084.90**			
SOUTHEAST WATER SYSTEMS									
SUPERIOR	CHGS-09/01/10				1,580.00	1,580.00	9/1/10		#
SUPERIOR TANK COMPANY,	CHGS-10/01/10				1,580.00	1,580.00	10/1/10		#
	CHGS-11/01/10				1,580.00	1,580.00	11/1/10		#
(270) 821-1000	CHGS-12/01/10				1,580.00	1,580.00	12/1/10		#
	CHGS-01/01/11				1,580.00	1,580.00	1/1/11		#
	CHGS-02/01/11				1,580.00	1,580.00	2/1/11		#
	CHGS-03/01/11				1,580.00	1,580.00	3/1/11		#
	CHGS-04/01/11				1,580.00	1,580.00	4/1/11		#
	CHGS-05/01/11				1,580.00	1,580.00	5/1/11		#
	CHGS-06/01/11				1,580.00	1,580.00	6/1/11		#
	CHGS-07/01/11				1,580.00	1,580.00	7/1/11		#
	CHGS-08/01/11				1,580.00	1,580.00	8/1/11		#
	CHGS-09/01/11				1,580.00	1,580.00	9/1/11		#
	CHGS-10/01/11				1,580.00	1,580.00	10/1/11		#
	CHGS-11/01/11		1,580.00			1,580.00	11/1/11		#
	CHGS-12/01/11	1,580.00				1,580.00	12/1/11		#
SUPERIOR		**1,580.00**	**1,580.00**		**22,120.00**	**25,280.00**			
SUPERIOR TANK COMPANY, INC.									
TERMINEX	SERV-12/02/11	88.81				88.81	12/2/11		#
TERMINIX INTERNATIONAL									
850-872-8118									
TERMINEX		**88.81**				**88.81**			
TERMINIX INTERNATIONAL									
U.S. BANK	2754140-02/15/11				1,727.42	1,727.42	2/15/11		#
U.S. BANK	CHGS-03/03/11				70.84	70.84	2/22/11		#
	FINCHG-03/03/11				36.41	36.41	3/3/11		#
1-866-485-4545	CHGS-04/04/11				229.23	229.23	3/31/11		#
	FINCHG-04/04/11				75.07	75.07	3/31/11		#
	FINCHG-05/03/11				69.02	69.02	5/3/11		#
	FINCHG-06/02/11				85.91	85.91	6/2/11		#
	CHGS-07/05/11				40.34	40.34	6/30/11		#
	FINCHG-07/05/11				88.52	88.52	7/5/11		#
	FINCHG-08/03/11				69.35	69.35	8/3/11		#
	FINCHG-09/03/11				140.35	140.35	9/3/11		#
	FINCHG-10/04/11			57.13		57.13	10/4/11		#
	ADV-11/01/11		1,200.00			1,200.00	11/1/11		#
	ADVFEE-11/2/11		48.00			48.00	11/2/11		#
	FINCHG-11/02/11		20.17			20.17	11/2/11		#
	CHGS-12/2/11		55.02			55.02	11/9/11		#
	FINCHG-12/2/11	21.83				21.83	12/2/11		#
U.S. BANK		**21.83**	**1,323.19**	**57.13**	**2,632.46**	**4,034.61**			
U.S. BANK									

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
UPS UNITED PARCEL SERVICE	SHIP-12/17/11	111.15				111.15	12/17/11	#
UPS **UNITED PARCEL SERVICE**		**111.15**				**111.15**		
USABLUEBOOK U.S.A. BLUEBOOK	564557-12/30/11	320.48				320.48	12/30/11	#
USABLUEBOOK **U.S.A. BLUEBOOK**		**320.48**				**320.48**		
VERIZON-ISLE VERIZON WIRELESS	CHGS-12/08/11	235.93				235.93	12/8/11	#
VERIZON-ISLE **VERIZON WIRELESS**		**235.93**				**235.93**		
WALLPUMP WALLACE PUMP & SUPPLY, INC.	834068-11/29/11		92.83			92.83	11/29/11	#
WALLPUMP **WALLACE PUMP & SUPPLY, INC.**			**92.83**			**92.83**		
WATSPIG	11-8614-11/30/11		180.00			180.00	11/30/11	#
THE WATER SPIGOT, INC.	11-047-12/27/11	180.00				180.00	12/27/11	#
850-871-1900								
WATSPIG **THE WATER SPIGOT, INC.**		**180.00**	**180.00**			**360.00**		
WITHERS	CHGS-10/01/10				1,500.00	1,500.00	10/1/10	#
BARBARA S. WITHERS, CPA	CHGS-11/01/10				1,500.00	1,500.00	11/1/10	#
	CHGS-12/01/10				1,500.00	1,500.00	12/1/10	#
850-893-4080								
WITHERS **BARBARA S. WITHERS, CPA**					**4,500.00**	**4,500.00**		

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
WITHERS-BEN	CHGS-04/01/11				9,500.00	9,500.00	4/1/11	#
WITHERS COASTAL MARINE	CHGS-07/01/11				1,500.00	1,500.00	7/1/11	#
	CHGS-08/01/11				1,500.00	1,500.00	8/1/11	#
	CHGS-09/01/11				1,500.00	1,500.00	9/1/11	#
	CHGS-10/01/11				1,500.00	1,500.00	10/1/11	#
	CHGS-11/01/11		1,500.00			1,500.00	11/1/11	#
	CHGS-12/01/11	1,500.00				1,500.00	12/1/11	#
WITHERS-BEN		**1,500.00**	**1,500.00**		**15,500.00**	**18,500.00**		
WITHERS COASTAL MARINE CONSTRUCTION								
Report Total		**46,149.58**	**40,085.50**	**45,026.49**	**492,786.41**	**624,047.98**		

STAFF AUDIT WORK PAPERS

ACCOUNTS PAYABLE AGING REPORT AS OF DECEMBER 31, 2011

HWS-32

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
AMEX	CHGS-12/23/11	269.17				269.17	12/23/11	#
AMERICAN EXPRESS								
1-800-492-3344								
AMEX		**269.17**				**269.17**		
AMERICAN EXPRESS								
ARAMARK	SERV-12/01/11	65.29				65.29	12/1/11	#
ARAMARK UNIFORM SERVIC	SERV-12/08/11	65.29				65.29	12/8/11	#
	SERV-12/15/11	173.95				173.95	12/15/11	#
	SERV-12/22/11	55.29				55.29	12/22/11	#
	SERV-12/29/11	55.29				55.29	12/29/11	#
ARAMARK		**415.11**				**415.11**		
ARAMARK UNIFORM SERVICES								
AWWA	DUES-11/01/11		354.00			354.00	11/1/11	#
AMERICAN WATER WORKS ASSOC.								
AWWA			**354.00**			**354.00**		
AMERICAN WATER WORKS ASSOC.								
BELL	1347816-04-09/06/11				6.85	6.85	9/6/11	#
BELL SUPPLY CO., INC.	1348811-01-09/06/11				392.58	392.58	9/6/11	#
	1349084-01-09/12/11				379.58	379.58	9/12/11	#
334-793-4500	1523006-01-09/12/11				-74.04	-74.04	9/12/11	#
	1349084-02-09/19/11				24.42	24.42	9/19/11	#
	1349088-01-09/19/11				170.95	170.95	9/19/11	#
	1349570-01-09/20/11				222.95	222.95	9/20/11	#
	1349597-01-09/20/11				259.72	259.72	9/20/11	#
	1349570-02-09/26/11				390.34	390.34	9/26/11	#
	1349851-01-09/26/11				56.09	56.09	9/26/11	#
	1347877-01-10/05/11			2,771.64		2,771.64	10/5/11	#
	1349084-09-10/10/11			303.52		303.52	10/10/11	#
	1350707-01-10/10/11			860.59		860.59	10/10/11	#
	1523160-01-10/14/11			-264.07		-264.07	10/14/11	#
	1349084-04-10/17/11			244.54		244.54	10/17/11	#
	1350731-01-10/17/11			251.41		251.41	10/17/11	#
	1351151-01-10/17/11			139.93		139.93	10/17/11	#
	1351151-02-10/26/11			139.93		139.93	10/26/11	#
	1352393-01-11/07/11		323.56			323.56	11/7/11	#
	1353195-01-11/21/11		222.66			222.66	11/21/11	#
	1353477-01-11/28/11		100.39			100.39	11/28/11	#
	1353195-02-12/05/11	5.33				5.33	12/5/11	#
	1353744-01-12/05/11	90.51				90.51	12/5/11	#
	1354942-01-12/27/11	50.02				50.02	12/27/11	#
BELL		**145.86**	**646.61**	**4,447.49**	**1,829.44**	**7,069.40**		
BELL SUPPLY CO., INC.								

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
CARLSTEDT	CHGS-08/31/09				2,439.59	2,439.59	8/31/09	#
CARLSTEDT, JACKSON, NIXO	CHGS-09/30/09				1,020.00	1,020.00	9/30/09	#
	CHGS-10/31/09				5,651.50	5,651.50	10/31/09	#
727-791-4020	CHGS-11/30/09				1,606.99	1,606.99	11/30/09	#
	DISCOUNT-12/31/09				-4,287.23	-4,287.23	12/31/09	#
CARLSTEDT					**6,430.85**	**6,430.85**		
CARLSTEDT, JACKSON, NIXON & WILSON, CPA								
CCB-VISA	PBS&J-12/9/10				400.00	400.00	12/9/10	#
CARDMEMBER SERVICE	FINCHG-12/09/10				23.52	23.52	12/9/10	#
	FINCHG-01/10/11				182.36	182.36	1/10/11	#
	PBS&J-01/18/11				500.00	500.00	1/18/11	#
	MAINLINE-01/26/11				1,180.02	1,180.02	1/26/11	#
	FINCHG-02/08/11				159.44	159.44	2/8/11	#
	PBS&J-02/15/11				500.00	500.00	2/15/11	#
	FINCHG-03/09/11				197.25	197.25	3/9/11	#
	PBS&J-03/15/11				500.00	500.00	3/15/11	#
	FINCHG-04/08/11				199.43	199.43	4/8/11	#
	PBS&J-04/15/11				500.00	500.00	4/15/11	#
	FINCHG-05/10/11				192.32	192.32	5/10/11	#
	PBS&J-05/16/11				500.00	500.00	5/16/11	#
	FINCHG-06/10/11				232.65	232.65	6/10/11	#
	PBS&J-06/16/11				500.00	500.00	6/16/11	#
	FINCHG-07/11/11				200.80	200.80	7/11/11	#
	ATKINS-07/16/11				500.00	500.00	7/16/11	#
	FINCHG-08/09/11				179.61	179.61	8/9/11	#
	ATKINS-08/16/11				500.00	500.00	8/16/11	#
	FINCHG-09/09/11				188.83	188.83	9/9/11	#
	ATKINS-09/16/11				500.00	500.00	9/16/11	#
	FINCHG-10/11/11			249.84		249.84	10/11/11	#
	ATKINS-10/17/11			500.00		500.00	10/17/11	#
	FINCHG-11/08/11		190.31			190.31	11/8/11	#
	ATKINS-11/16/11		500.00			500.00	11/16/11	#
	FINCHG-12/09/11	211.41				211.41	12/9/11	#
	ATKINS-12/15/11	500.00				500.00	12/15/11	#
CCB-VISA		**711.41**	**690.31**	**749.84**	**7,836.23**	**9,987.79**		
CARDMEMBER SERVICE								
CENTURYLINK	CHGS-12/16/11	144.14				144.14	12/16/11	#
CENTURYLINK								
877-436-2277								
CENTURYLINK		**144.14**				**144.14**		
CENTURYLINK								
CERTIFIED	S1264794-12/05/11	26.79				26.79	12/5/11	#
CERTIFIED PLUMBING & ELECTRIC								
386-362-6114								
CERTIFIED		**26.79**				**26.79**		

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
CERTIFIED PLUMBING & ELECTRIC								
CITYTALL CITY OF TALLAHASSEE (850) 891-0901	CHGS-12/20/11	144.52				144.52	12/20/11	#
CITYTALL **CITY OF TALLAHASSEE**		**144.52**				**144.52**		
CRSPR-ISLE	WATER-12/14/11	15.07				15.07	12/14/11	#
CRYSTAL SPRINGS	WATER-12/28/11	12.56				12.56	12/28/11	#
CRSPR-ISLE **CRYSTAL SPRINGS**		**27.63**				**27.63**		
DEP	1875-EAST END				150.00	150.00	1/7/05	#
DEPT. OF ENVIRONMENTAL I	1879-EAST END				150.00	150.00	1/18/05	#
GLORIA HODGE	1882-EAST END				150.00	150.00	2/2/05	#
850-487-2309	1883-EAST END				150.00	150.00	2/8/05	#
	1884 EAST END				150.00	150.00	3/9/05	#
	1564-EAST END				150.00	150.00	3/23/05	#
	1885-EAST END				150.00	150.00	3/31/05	#
	1895-EAST END				150.00	150.00	5/4/05	#
	1898-EAST END				150.00	150.00	5/9/05	#
	1901-EAST END				150.00	150.00	6/17/05	#
	1902-EAST END				150.00	150.00	6/17/05	#
	1903-EAST END				150.00	150.00	6/21/05	#
	1904-EAST END				150.00	150.00	6/21/05	#
	1907-EAST END				150.00	150.00	6/27/05	#
	1908-EAST END				150.00	150.00	6/27/05	#
	1920-EAST END				150.00	150.00	7/29/05	#
	1921-EAST END				150.00	150.00	8/11/05	#
	1924-EAST END				150.00	150.00	9/29/05	#
	1927-EAST END				150.00	150.00	12/14/05	#
	1928-EAST END				150.00	150.00	2/8/06	#
	1933-EAST END				150.00	150.00	3/16/06	#
	1936-EAST END				150.00	150.00	3/28/06	#
	1943-EASTEND				150.00	150.00	6/20/06	#
	1944-EASTEND				150.00	150.00	6/20/06	#
	1945-EASTEND				150.00	150.00	7/5/06	#
	1955-EAST END				150.00	150.00	2/6/07	#
	1957-EAST END				150.00	150.00	5/2/07	#
	1960-EAST END				150.00	150.00	8/4/07	#
	1961-EAST END				150.00	150.00	8/5/07	#
	1962-EAST END				150.00	150.00	10/17/07	#
	1964-EAST END				150.00	150.00	11/9/07	#
	1965-EAST END				150.00	150.00	11/13/07	#
	1966-EAST END				150.00	150.00	12/13/07	#
	1969-EAST END				150.00	150.00	4/16/08	#
	1972-EAST END				150.00	150.00	7/15/08	#
	1976-EAST END				150.00	150.00	3/19/09	#
	1977-EAST END				150.00	150.00	8/25/09	#

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
	PSC-ADJ				9,257.10	9,257.10	1/1/10	#
	1007-EASTEND				150.00	150.00	6/15/10	#
	1326-EASTEND				150.00	150.00	8/23/10	#
	1155-EASTEND				150.00	150.00	10/4/10	#
	1983-EASTEND				150.00	150.00	5/11/11	#
	1984-EASTEND				150.00	150.00	5/12/11	#
DEP					**15,557.10**	**15,557.10**		
DEPT. OF ENVIRONMENTAL PROTECTION								
DIRECT MERCHANTS	LEWIS-SMITH-05/25/11				4,715.44	4,715.44	5/25/11	#
HSBC CARD SERVICES	FINCHG-05/26/11				172.17	172.17	5/26/11	#
	FINCHG-06/26/11				269.90	269.90	6/26/11	#
1-800-379-7999	FINCHG-07/27/11				259.80	259.80	7/27/11	#
	ANNFEE-08/01/11				29.00	29.00	8/1/11	#
	FINCHG-08/26/11				236.14	236.14	8/26/11	#
	FINCHG-09/26/11				225.87	225.87	9/26/11	#
	FINCHG-10/27/11			208.03		208.03	10/27/11	#
	HDSUPPLY-10/31/11			1,641.38		1,641.38	10/31/11	#
	LEWIS-SMITH-10/31/11			2,569.37		2,569.37	10/31/11	#
	FINCHG-11/25/11		261.78			261.78	11/25/11	#
	FINCHG-12/27/11	280.81				280.81	12/27/11	#
DIRECT MERCHANTS		**280.81**	261.78	4,418.78	**5,908.32**	**10,869.69**		
HSBC CARD SERVICES								
FLATIRON	PKGPREM-7/1/11				13,403.10	13,403.10	7/1/11	#
FLATIRON CAPITAL								
(800) 800-2767								
FLATIRON					**13,403.10**	**13,403.10**		
FLATIRON CAPITAL								
GDB-REIMB	REIMB-11/30/11		499.20			499.20	11/30/11	#
GENE D. BROWN	REIMB-12/31/11	402.00				402.00	12/31/11	#
GDB-REIMB		**402.00**	**499.20**			**901.20**		
GENE D. BROWN								
GREATAMERICAN	FINCHG-12/29/11	37.47				37.47	12/29/11	#
GREATAMERICAN LEASING CORP.								
GREATAMERICAN		37.47				37.47		
GREATAMERICAN LEASING CORP.								

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
HARTMAN-DAN	627-11/04/08				636.22	636.22	11/4/08		#
HARTMAN CURTIN, LLC	643-12/1/08				3,795.00	3,795.00	11/30/08		#
	567-10/1/08 RECLASS				-460.00	-460.00	1/30/09		#
(850) 386-4242									
HARTMAN-DAN					**3,971.22**	**3,971.22**			
HARTMAN CURTIN, LLC									
HARTMAN-FIRM	567-10/1/08				460.00	460.00	1/27/09		#
HARTMAN LAW FIRM PA	38-1/28/09				720.00	720.00	1/28/09		#
	72-02/26/09				80.00	80.00	2/26/09		#
	174-07/08/09				100.00	100.00	7/8/09		#
HARTMAN-FIRM					**1,360.00**	**1,360.00**			
HARTMAN LAW FIRM PA									
HD	3622539-09/12/11				3,351.24	3,351.24	9/12/11		#
HD SUPPLY WATERWORKS , I	SERCHG-11/23/11		50.27			50.27	11/23/11		#
	SERCHG-12/23/11	50.27				50.27	12/23/11		#
850-576-3617									
HD		**50.27**	**50.27**		**3,351.24**	**3,451.78**			
HD SUPPLY WATERWORKS , LTD.									
JESSICA-REIMB	REIMB-12/31/11	121.54				121.54	12/31/11		#
JESSICA BLANKENSHIP									
JESSICA-REIMB		**121.54**				**121.54**			
JESSICA BLANKENSHIP									
LAW, REDD, CRONA	ANNREP-2011				1,000.00	1,000.00	3/31/11		#
LAW, REDD, CRONA & MUNR	ANNUALREP-2011				1,000.00	1,000.00	6/30/11		#
	CHGS-08/31/11				3,480.00	3,480.00	8/31/11		#
850--878-6189	CHGS-09/30/11				14,243.00	14,243.00	9/30/11		#
	ANNUALRPT-2011				1,000.00	1,000.00	9/30/11		#
	CHGS-10/31/11			15,429.00		15,429.00	10/31/11		#
	CHGS-11/30/11		8,481.00			8,481.00	11/30/11		#
	CHGS-12/31/11	814.00				814.00	12/31/11		#
	ANNREPORT-2011	1,000.00				1,000.00	12/31/11		#
LAW, REDD, CRONA		**1,814.00**	**8,481.00**	**15,429.00**	**20,723.00**	**46,447.00**			
LAW, REDD, CRONA & MUNROE, PA									
LES THOMAS	CHGS-04/29/11				500.00	500.00	4/29/11		#
LES THOMAS CONSULTING E	CHGS-05/06/11				4,625.00	4,625.00	5/6/11		#
	CHGS-05/13/11				5,000.00	5,000.00	5/13/11		#

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
770-718-9054	CHGS-05/20/11				5,000.00	5,000.00	5/20/11	#
	CHGS-05/27/11				5,000.00	5,000.00	5/27/11	#
	CHGS-06/03/11				5,000.00	5,000.00	6/3/11	#
	CHGS-06/10/11				500.00	500.00	6/10/11	#
	CHGS-06/17/11				5,000.00	5,000.00	6/17/11	#
	CHGS-06/24/11				5,000.00	5,000.00	6/24/11	#
	CHGS-07/01/11				5,000.00	5,000.00	7/1/11	#
	CHGS-07/08/11				3,750.00	3,750.00	7/8/11	#
	CHGS-07/15/11				3,750.00	3,750.00	7/15/11	#
	CHGS-07/22/11				3,750.00	3,750.00	7/22/11	#
	CHGS-07/29/11				3,750.00	3,750.00	7/29/11	#
	CHGS-08/05/11				3,750.00	3,750.00	8/5/11	#
	CHGS-08/12/11				3,750.00	3,750.00	8/12/11	#
	CHGS-08/19/11				5,000.00	5,000.00	8/19/11	#
	CHGS-08/26/11				3,750.00	3,750.00	8/26/11	#
	CHGS-09/09/11				500.00	500.00	9/9/11	#
	CHGS-09/23/11				1,000.00	1,000.00	9/23/11	#
	CHGS-10/07/11			1,000.00		1,000.00	10/7/11	#
	CHGS-10/14/11			5,000.00		5,000.00	10/14/11	#
	CHGS-10/21/11			1,000.00		1,000.00	10/21/11	#
	CHGS-10/28/11			5,000.00		5,000.00	10/28/11	#
	CHGS-11/04/11		5,000.00			5,000.00	11/4/11	#
LES THOMAS **LES THOMAS CONSULTING ENGINEERS**			**5,000.00**	**12,000.00**	**73,375.00**	**90,375.00**		
LEWIS-SMITH SUPPLY	1231267-01-07/25/11				467.30	467.30	7/25/11	#
LEWIS-SMITH SUPPLY	1226571-01-08/04/11				539.01	539.01	8/4/11	#
	1233642-01-08/15/11				293.33	293.33	8/15/11	#
334-793-5088	1231274-01-08/22/11				539.01	539.01	8/22/11	#
	1235393-01-08/29/11				300.51	300.51	8/29/11	#
	SERCHG-09/25/11				32.69	32.69	9/25/11	#
	1234438-01-10/24/11			539.01		539.01	10/24/11	#
	FINCHG-10/25/11			53.26		53.26	10/25/11	#
	1559859-01-11/03/11		-539.01			-539.01	11/3/11	#
	1559950-01-11/16/11		-229.76			-229.76	11/16/11	#
	1234437-01-11/23/11		359.34			359.34	11/23/11	#
	FINCHG-11/25/11		20.56			20.56	11/25/11	#
	FINCHG-12/25/11	28.64				28.64	12/25/11	#
LEWIS-SMITH SUPPLY **LEWIS-SMITH SUPPLY**		**28.64**	**-388.87**	**592.27**	**2,171.85**	**2,403.89**		
LOCURTO	CHGS-10/31/11			125.00		125.00	10/31/11	#
C. VINCENT LOCURTO	CHGS-11/30/11		3,625.00			3,625.00	11/30/11	#
	CHGS-12/14/11	18,950.00				18,950.00	12/14/11	#
LOCURTO **C. VINCENT LOCURTO**		**18,950.00**	**3,625.00**	**125.00**		**22,700.00**		
MCCALL MOODY MCCALL MOODY LAW FIRM	CHGS-12/15/11	475.00				475.00	12/15/11	#
850-656-7753								

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
MCCALL MOODY		**475.00**				**475.00**			
MCCALL MOODY LAW FIRM									
MITCHELL-REIMB	REIMB-12/31/11	101.40				101.40	12/31/11		#
BOB MITCHELL									
MITCHELL-REIMB		**101.40**				**101.40**			
BOB MITCHELL									
MRCI	20031.91-02/28/10				916.06	916.06	2/28/10		#
MGMT & REG CONSULTANTS	20031.91-03/31/10				2,512.50	2,512.50	3/31/10		#
	20031.91-04/30/10				6,459.86	6,459.86	4/30/10		#
850-566-9296	30031.91-06/07/10				6,545.99	6,545.99	5/31/10		#
	20031.91-06/30/10				2,287.50	2,287.50	6/30/10		#
	20031.91-07/31/10				1,644.68	1,644.68	7/31/10		#
	20031.91-08/31/10				5,700.00	5,700.00	8/31/10		#
	20031.91-09/30/10				10,650.00	10,650.00	9/30/10		#
	20031.91-10/31/10				7,200.00	7,200.00	10/31/10		#
	2010-ANNUALREPT				526.14	526.14	5/31/11		#
MRCI					**44,442.73**	**44,442.73**			
MGMT & REG CONSULTANTS, INC.									
MSC	2857969-11/22/11		2,245.93			2,245.93	11/22/11		#
MSC WATERWORKS PANAMA CITY									
704-788-9800									
MSC			**2,245.93**			**2,245.93**			
MSC WATERWORKS PANAMA CITY									
MUNICIPAL	114601-08/10/11		1,653.15			1,653.15	11/15/11		#
MUNICIPAL WATER WORKS	14947-12/22/11	3,409.92				3,409.92	12/22/11		#
	14976-12/29/11	373.84				373.84	12/29/11		#
(407) 295-2400									
MUNICIPAL		**3,783.76**	**1,653.15**			**5,436.91**			
MUNICIPAL WATER WORKS									
NITA MOLSBEE (REIMB)	INS-07/11				146.25	146.25	7/1/11		#
NITA MOLSBEE	INS-08/11				146.25	146.25	8/1/11		#
	INS-09/11				146.25	146.25	9/1/11		#
	INS-10/11				146.25	146.25	10/1/11		#
	INS-11/11		146.25			146.25	11/1/11		#
	INS-12/11	146.25				146.25	12/1/11		#

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
NITA MOLSBEE (REIMB)		**146.25**	**146.25**		**585.00**	**877.50**			
NITA MOLSBEE									
OFFBUS	6000SMAINT-6/30/11				200.57	200.57	6/30/11		#
OFFICE BUSINESS SYSTEMS	6000SMAINT-7/31/11				97.94	97.94	7/31/11		#
	6000SMAINT-8/31/11				97.94	97.94	8/31/11		#
(850) 385-1230	LATECHG-8/31/11				1.85	1.85	8/31/11		#
	FINCHG-8/31/11				3.01	3.01	8/31/11		#
	6000SMAINT-9/30/11				97.94	97.94	9/30/11		#
	6000SMAINT-10/31/11			97.94		97.94	10/31/11		#
	15631A-11/04/11		97.83			97.83	11/4/11		#
	FINCHG-11/30/11		1.47			1.47	11/30/11		#
	15757A-12/06/11	97.83				97.83	12/6/11		#
	6000SMAINT-12/30/11	97.94				97.94	12/30/11		#
	FINCHG-12/30/11	29.74				29.74	12/30/11		#
OFFBUS		**225.51**	**99.30**	**97.94**	**499.25**	**922.00**			
OFFICE BUSINESS SYSTEMS									
PEDDIE	410006360-11/09/11		1,591.16			1,591.16	11/9/11		#
PEDDIE CHEMICAL CO., INC.	410006361-11/09/11		-450.00			-450.00	11/9/11		#
	410006910-12/13/11	1,414.36				1,414.36	12/13/11		#
	410006911-12/13/11	-400.00				-400.00	12/13/11		#
PEDDIE		**1,014.36**	**1,141.16**			**2,155.52**			
PEDDIE CHEMICAL CO., INC.									
PITBOWES-ISLE-MAIL	FINCHG-11/06/11		38.52			38.52	11/6/11		#
PITNEY BOWES GLOBAL FINANCIAL SERV, LLC									
1-800-732-7222									
PITBOWES-ISLE-MAIL			**38.52**			**38.52**			
PITNEY BOWES GLOBAL FINANCIAL SERV, LLC									
POSTBUCK	CHG11-06/07/10				3,500.00	3,500.00	6/7/10		#
ATKINS N AMERICA, INC.	CHG12-07/07/10				3,500.00	3,500.00	7/7/10		#
	CHG02-09/07/10				4,000.00	4,000.00	9/7/10		#
	CHG03-10/07/10				4,000.00	4,000.00	10/7/10		#
	CHG04-11/07/10				4,000.00	4,000.00	11/7/10		#
	CHG05-12/07/10				4,000.00	4,000.00	12/7/10		#
POSTBUCK					**23,000.00**	**23,000.00**			
ATKINS N AMERICA, INC.									
PROFORMA	914003954-12/16/11	253.96				253.96	12/16/11		#
PROFORMA PRINT SOURCE U	914003955-12/16/11	240.75				240.75	12/16/11		#
	0914003948-12/20/11	684.50				684.50	12/20/11		#
(850) 926-6070									

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
PROFORMA		**1,179.21**				**1,179.21**			
PROFORMA PRINT SOURCE UNLIMITED									
PROGRESS	55407-11/29/11		12.85			12.85	11/29/11		#
PROGRESS ENERGY FLORIDA	01094-12/01/11		3,224.95			3,224.95	11/30/11		#
	84208-12/15/11	63.53				63.53	12/15/11		#
	75457-12/15/11	27.88				27.88	12/15/11		#
	51320-12/15/11	143.92				143.92	12/15/11		#
	66093-12/16/11	647.75				647.75	12/16/11		#
	55407-12/30/11	12.85				12.85	12/30/11		#
	01094-12/31/11	3,079.76				3,079.76	12/31/11		#
PROGRESS		**3,975.69**	**3,237.80**			**7,213.49**			
PROGRESS ENERGY FLORIDA, INC.									
PRUETT	16144-06/12/11				3,012.00	3,012.00	6/12/11		#
PRUETT AIR CONDITIONING									
(850) 670-9000									
PRUETT					**3,012.00**	**3,012.00**			
PRUETT AIR CONDITIONING									
PURCH	REFILL-06/06/11				272.73	272.73	6/6/11		#
PITNEY BOWES PURCHASE P	REFILL-06/24/11				600.00	600.00	6/24/11		#
	FINCHG-06/24/11				82.45	82.45	6/24/11		#
	FINCHG-07/21/11				112.83	112.83	7/21/11		#
	REFILL-07/29/11				600.00	600.00	7/29/11		#
	FINCHG-08/21/11				87.15	87.15	8/21/11		#
	REFILL-08/26/11				222.00	222.00	8/26/11		#
	572130-08/31/11				203.81	203.81	8/31/11		#
	FINCHG-09/25/11				94.68	94.68	9/25/11		#
	REFILL-09/30/11				525.00	525.00	9/30/11		#
	FINCHG-10/21/11			80.80		80.80	10/21/11		#
	REFILL-10/28/11			525.00		525.00	10/28/11		#
	FINCHG-11/21/11		80.79			80.79	11/21/11		#
	LATECHG-11/21/11		87.69			87.69	11/21/11		#
	REFILL-11/22/11		525.00			525.00	11/22/11		#
	FINCHG-12/26/11	97.28				97.28	12/26/11		#
	REFILL-12/29/11	425.00				425.00	12/29/11		#
PURCH		**522.28**	**693.48**	**605.80**	**2,800.65**	**4,622.21**			
PITNEY BOWES PURCHASE POWER									
QUILL	8400294-12/01/11	131.15				131.15	12/1/11		#
QUILL CORPORATION									
QUILL		**131.15**				**131.15**			
QUILL CORPORATION									

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
RADEY-THOMAS	CHGS-04/30/10				4,007.33	4,007.33	4/30/10	#
RADEY, THOMAS, YON & CL/	CHGS-05/31/10				11,357.06	11,357.06	5/31/10	#
	CHGS-06/30/10				7,583.79	7,583.79	6/30/10	#
(850) 425-6654	CHGS-07/31/10				19,679.00	19,679.00	7/31/10	#
	CHGS-08/31/10				21,554.87	21,554.87	8/31/10	#
	CHGS-09/30/10				33,475.96	33,475.96	9/30/10	#
	CHGS-12/31/10				45,594.02	45,594.02	12/31/10	#
	CHGS-01/31/11				3,147.75	3,147.75	1/31/11	#
RADEY-THOMAS					146,399.78	146,399.78		
RADEY, THOMAS, YON & CLARK, PA								
RUTLEDGE	CHGS-05/31/09				3,482.61	3,482.61	5/31/09	#
RUTLEDGE, ECENIA & PURNI	CHGS-06/30/09				2,626.15	2,626.15	6/30/09	#
	CHGS-11/30/09				1,111.50	1,111.50	11/30/09	#
850-681-6788	CHGS-12/31/09				1,465.04	1,465.04	12/31/09	#
RUTLEDGE					**8,685.30**	**8,685.30**		
RUTLEDGE, ECENIA & PURNELL, P.A.								
SANDY-REIMB	REIMB-12/31/11	478.02				478.02	12/31/11	#
SANDRA M. CHASE								
SANDY-REIMB		**478.02**				**478.02**		
SANDRA M. CHASE								
SCHWAB-PENSION	PENSION-01/11				6,526.09	6,526.09	1/31/11	#
CHARLES SCHWAB	PENSION-02/11				6,412.53	6,412.53	2/28/11	#
	PENSION-03/11				6,469.05	6,469.05	3/31/11	#
	PENSION-04/11				6,910.34	6,910.34	4/30/11	#
	PENSION-05/11				6,488.70	6,488.70	5/31/11	#
	PENSION-06/11				6,532.24	6,532.24	6/30/11	#
	PENSION-07/11				6,863.58	6,863.58	7/31/11	#
	PENSION-08/11				6,913.67	6,913.67	8/31/11	#
	PENSION-09/11				6,490.79	6,490.79	9/30/11	#
	PENSION-10/11			6,503.24		6,503.24	10/31/11	#
	PENSION-11/11		6,934.59			6,934.59	11/30/11	#
	PENSION-12/11	6,509.39				6,509.39	12/31/11	#
SCHWAB-PENSION		**6,509.39**	**6,934.59**	**6,503.24**	**59,606.99**	**79,554.21**		
CHARLES SCHWAB								
SE-WATER	7561-08/17/11				2,484.90	2,484.90	8/17/11	#
SOUTHEAST WATER SYSTEM	7598-09/29/11				600.00	600.00	9/29/11	#
334-899-5141								

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due	
SE-WATER					**3,084.90**	**3,084.90**			
SOUTHEAST WATER SYSTEMS									
SUPERIOR	CHGS-09/01/10				1,580.00	1,580.00	9/1/10		#
SUPERIOR TANK COMPANY,	CHGS-10/01/10				1,580.00	1,580.00	10/1/10		#
	CHGS-11/01/10				1,580.00	1,580.00	11/1/10		#
(270) 821-1000	CHGS-12/01/10				1,580.00	1,580.00	12/1/10		#
	CHGS-01/01/11				1,580.00	1,580.00	1/1/11		#
	CHGS-02/01/11				1,580.00	1,580.00	2/1/11		#
	CHGS-03/01/11				1,580.00	1,580.00	3/1/11		#
	CHGS-04/01/11				1,580.00	1,580.00	4/1/11		#
	CHGS-05/01/11				1,580.00	1,580.00	5/1/11		#
	CHGS-06/01/11				1,580.00	1,580.00	6/1/11		#
	CHGS-07/01/11				1,580.00	1,580.00	7/1/11		#
	CHGS-08/01/11				1,580.00	1,580.00	8/1/11		#
	CHGS-09/01/11				1,580.00	1,580.00	9/1/11		#
	CHGS-10/01/11				1,580.00	1,580.00	10/1/11		#
	CHGS-11/01/11		1,580.00			1,580.00	11/1/11		#
	CHGS-12/01/11	1,580.00				1,580.00	12/1/11		#
SUPERIOR		**1,580.00**	**1,580.00**		**22,120.00**	**25,280.00**			
SUPERIOR TANK COMPANY, INC.									
TERMINEX	SERV-12/02/11	88.81				88.81	12/2/11		#
TERMINIX INTERNATIONAL									
850-872-8118									
TERMINEX		**88.81**				**88.81**			
TERMINIX INTERNATIONAL									
U.S. BANK	2754140-02/15/11				1,727.42	1,727.42	2/15/11		#
U.S. BANK	CHGS-03/03/11				70.84	70.84	2/22/11		#
	FINCHG-03/03/11				36.41	36.41	3/3/11		#
1-866-485-4545	CHGS-04/04/11				229.23	229.23	3/31/11		#
	FINCHG-04/04/11				75.07	75.07	3/31/11		#
	FINCHG-05/03/11				69.02	69.02	5/3/11		#
	FINCHG-06/02/11				85.91	85.91	6/2/11		#
	CHGS-07/05/11				40.34	40.34	6/30/11		#
	FINCHG-07/05/11				88.52	88.52	7/5/11		#
	FINCHG-08/03/11				69.35	69.35	8/3/11		#
	FINCHG-09/03/11				140.35	140.35	9/3/11		#
	FINCHG-10/04/11			57.13		57.13	10/4/11		#
	ADV-11/01/11		1,200.00			1,200.00	11/1/11		#
	ADVFEE-11/2/11		48.00			48.00	11/2/11		#
	FINCHG-11/02/11		20.17			20.17	11/2/11		#
	CHGS-12/2/11		55.02			55.02	11/9/11		#
	FINCHG-12/2/11	21.83				21.83	12/2/11		#
U.S. BANK		**21.83**	**1,323.19**	**57.13**	**2,632.46**	**4,034.61**			
U.S. BANK									

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
UPS UNITED PARCEL SERVICE	SHIP-12/17/11	111.15				111.15	12/17/11	#
UPS **UNITED PARCEL SERVICE**		**111.15**				**111.15**		
USABLUEBOOK U.S.A. BLUEBOOK	564557-12/30/11	320.48				320.48	12/30/11	#
USABLUEBOOK **U.S.A. BLUEBOOK**		**320.48**				**320.48**		
VERIZON-ISLE VERIZON WIRELESS	CHGS-12/08/11	235.93				235.93	12/8/11	#
VERIZON-ISLE **VERIZON WIRELESS**		**235.93**				**235.93**		
WALLPUMP WALLACE PUMP & SUPPLY, INC.	834068-11/29/11		92.83			92.83	11/29/11	#
WALLPUMP **WALLACE PUMP & SUPPLY, INC.**			**92.83**			**92.83**		
WATSPIG	11-8614-11/30/11		180.00			180.00	11/30/11	#
THE WATER SPIGOT, INC.	11-047-12/27/11	180.00				180.00	12/27/11	#
850-871-1900								
WATSPIG **THE WATER SPIGOT, INC.**		**180.00**	**180.00**			**360.00**		
WITHERS	CHGS-10/01/10				1,500.00	1,500.00	10/1/10	#
BARBARA S. WITHERS, CPA	CHGS-11/01/10				1,500.00	1,500.00	11/1/10	#
	CHGS-12/01/10				1,500.00	1,500.00	12/1/10	#
850-893-4080								
WITHERS **BARBARA S. WITHERS, CPA**					**4,500.00**	**4,500.00**		

WMSI-NARUC
Aged Payables
As of Dec 31, 2011

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Vendor ID / Vendor / Contact / Telephone 1	Invoice/CM #	0 - 30	31 - 60	61 - 90	Over 90 days	Amount Due	Date	Date Due
WITHERS-BEN	CHGS-04/01/11				9,500.00	9,500.00	4/1/11	#
WITHERS COASTAL MARINE	CHGS-07/01/11				1,500.00	1,500.00	7/1/11	#
	CHGS-08/01/11				1,500.00	1,500.00	8/1/11	#
	CHGS-09/01/11				1,500.00	1,500.00	9/1/11	#
	CHGS-10/01/11				1,500.00	1,500.00	10/1/11	#
	CHGS-11/01/11		1,500.00			1,500.00	11/1/11	#
	CHGS-12/01/11	1,500.00				1,500.00	12/1/11	#
WITHERS-BEN		**1,500.00**	**1,500.00**		**15,500.00**	**18,500.00**		
WITHERS COASTAL MARINE CONSTRUCTION								
Report Total		**46,149.58**	**40,085.50**	**45,026.49**	**492,786.41**	**624,047.98**		

WMSI RESPONSE TO STAFF'S FIRST REQUEST TO PRODUCE DOCUMENTS NO. 3

WMSI RESPONSE TO CITIZENS' SECOND SET OF INTERROGATORIES NO. 42

DEP LOAN AMORTIZATION SCHEDULES

HWS-33

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.	DOCKET NO. 110200-WU

WATER MANAGEMENT SERVICES, INC.'S RESPONSE TO STAFF'S FIRST REQUEST FOR PRODUCTION OF DOCUMENTS (NOS. 1-4)

WATER MANAGEMENT SERVICES, INC. ("WMSI"), by and through its undersigned attorneys and pursuant to Rule 28-106.206, Florida Administrative Code, and Rile 1.350, Florida Rules of Civil Procedure, hereby responds to the Florida Public Service Commission Staff's First Request for Production of Documents (Nos. 1-4), as follows:

1. Paragraph 2 of WMSI's Motion to Allow Withdrawals from Escrow (Motion) discusses a contract to purchase 24 bank-owned lots with a purchase price of $190,000. Please provide copies of all documentation associated with the purchase of the lots from Centennial Bank.

RESPONSE: This documentation is being provided to Staff simultaneously herewith.

2. Paragraph 3 of the Motion states "the seller bank has agreed to allow WMSI to pay $15,000 per month to extend the closing date until after a final order is entered, not to exceed one year." Please provide documentation, including documents from the seller bank, in support of the requested $15,000 per month for the option to extend the closing date.

RESPONSE: This documentation is being provided to Staff Simultaneously herewith.

3. On June 15, 2012, the Department of Environmental Protection (DEP) informed WMSI that the Utility was in default on its loan with the agency. Please provide copies of all documentation related to the loan and any instances of the default, including but not limited to copies of all written communications between WMSI and DEP from the inception of the loan through the present.

RESPONSE: This documentation is being provided to Staff simultaneously herewith.

4. During the informal meeting held on October 9, 2012, involving WMSI, OPC, and staff, a discussion was held regarding how the Utility envisioned using the new lots for purposes of completing the pro forma project approved in Order No. PSC-12-0435-PAA-WU. Please provide copies of all documents supporting the plan to use the new lots. For purposes of this Request, please provide the following:

a. a copy of the Public Records map identifying the lots to be used;

RESPONSE: This documentation is being provided to Staff simultaneously herewith. At the aforementioned informal meeting the Utility provided Staff with a color map.

b. copies of any preliminary estimates of the cost to connect the new storage tank to be built on these lots to the Utility's existing system; and

RESPONSE: This documentation is being provided to Staff simultaneously herewith.

Amortization Schedule

Project Sponsor: Water Management Services, Inc. **Project Number:** DW1901010

All Increments Combined

Date	No.	Payment	Serv. Fee	SF Interest	Interest	Principal	Amount to be Repaid
5/15/2003							5,538,521.59
11/15/2003	1	209,823.00	121,232.34	1,812.51	70,228.22	16,549.93	5,400,739.32
5/15/2004	2	209,823.00			85,475.04	124,347.96	6,004,275.36
11/15/2004	3	208,694.89			89,947.75	118,747.14	5,897,859.22
5/15/2005	4	208,694.89			88,177.07	120,517.82	5,777,341.40
11/15/2005	5	208,694.89			86,375.46	122,319.43	5,655,021.97
5/15/2006	6	208,694.89			84,546.90	124,147.99	5,530,873.98
11/15/2006	7	208,694.89			82,690.99	126,003.90	5,404,870.08
5/15/2007	8	208,694.89			80,807.34	127,887.55	5,276,982.53
11/15/2007	9	208,694.89			78,895.51	129,799.38	5,147,183.15
5/15/2008	10	208,694.89			76,955.09	131,739.80	5,015,443.35
11/15/2008	11	208,694.89			74,985.64	133,709.25	4,881,734.10
5/15/2009	12	208,694.89			72,986.75	135,708.14	4,746,025.96
11/15/2009	13	208,694.89			70,957.96	137,736.93	4,608,289.03
5/15/2010	14	208,694.89			68,898.83	139,796.06	4,468,492.97
11/15/2010	15	208,694.89			66,808.90	141,885.99	4,326,606.98
5/15/2011	16	208,694.89			64,687.72	144,007.17	4,182,599.81
11/15/2011	17	208,694.89			62,534.81	146,160.08	4,036,439.73
5/15/2012	18	208,694.89			60,349.70	148,345.19	3,888,094.54
11/15/2012	19	208,694.89			58,131.91	150,562.98	3,737,531.56
5/15/2013	20	208,694.89			55,880.95	152,813.94	3,584,717.62
11/15/2013	21	208,694.89			53,596.33	155,098.56	3,429,619.06
5/15/2014	22	208,694.89			51,277.54	157,417.35	3,272,201.71
11/15/2014	23	208,694.89			48,924.06	159,770.83	3,112,430.88
5/15/2015	24	208,694.89			46,535.39	162,159.50	2,950,271.38
11/15/2015	25	208,694.89			44,110.98	164,583.91	2,785,687.47
5/15/2016	26	208,694.89			41,650.32	167,044.57	2,618,642.90
11/15/2016	27	208,694.89			39,152.86	169,542.03	2,449,100.87
5/15/2017	28	208,694.89			36,618.04	172,076.85	2,277,024.02
11/15/2017	29	208,694.89			34,045.31	174,649.58	2,102,374.44
5/15/2018	30	208,694.89			31,434.08	177,260.81	1,925,113.63
11/15/2018	31	208,694.89			28,783.81	179,911.08	1,745,202.55
5/15/2019	32	208,694.89			26,093.91	182,600.98	1,562,601.57
11/15/2019	33	208,694.89			23,363.75	185,331.14	1,377,270.43
5/15/2020	34	208,694.89			20,592.78	188,102.11	1,189,168.32
11/15/2020	35	208,694.89			17,780.35	190,914.54	998,253.78
5/15/2021	36	208,694.89			14,925.85	193,769.04	804,484.74
11/15/2021	37	208,694.89			12,028.66	196,666.23	607,818.51
5/15/2022	38	208,694.89			9,088.13	199,606.76	408,211.75
11/15/2022	39	208,694.89			6,103.62	202,591.27	205,620.48
5/15/2023	40	208,694.95			3,074.47	205,620.48	0.00
Totals		8,350,051.88	121,232.34	1,812.51	2,069,502.78	6,157,504.25	

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Application For Increase in Water Rates In Franklin County by Water Management Services, Inc.	))))	Docket No. 110200-WU Filed: October 12, 2012

CITIZENS' SECOND REQUEST TO PRODUCE DOCUMENTS TO WATER MANAGEMENT SERVICES, INC. (Nos. 37 – 42)

Pursuant to § 350.0611(1), Fla. Stat. (2004), Fla. Admin. Code R. 28-106.206, and Fla. R. Civ. P.1.350, Florida's Citizens ("Citizens" or "OPC") request Water Management Services, Inc. ("WMSI") to produce the following documents for inspection and copying at the Office of Public Counsel, Claude Pepper Building, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, on or before 20 days from the date of service as set forth by procedural Order No. 12-0526-PCO-WU, issued October 3, 2012, or at such other time and place as may be mutually agreed upon by counsel. **In lieu of hard copy responses, OPC requests that WMSI provide the responses to these requests for production of documents electronically as described below in the Instructions.**

DEFINITIONS

1. The terms "document" or "documents" are meant to have the broadest possible meaning under applicable law and includes, but is not necessarily limited to, any written, recorded, filmed or graphic matter, whether produced, reproduced, or on paper, e-mail, cards, tapes, film, electronic facsimile, computer storage device or any other media, including, but not limited to, memoranda, notes, minutes, records, photographs, correspondence, telegrams, diaries, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies,

41. Rate Case Expense. Please provide copies of all engagement letters, payment arrangements, and payments made to date with the engineering consultant(s) and accounting firm(s) the Utility engaged for the current rate case from the date the test-year letter was filed through October 31, 2012.

42. DEP loan. Please provide a copy of the DEP Loan agreement, including all loan covenants, modifications, and amendments to the loan agreement.

J.R. Kelly
Public Counsel

Erik L. Sayler
Associate Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
(850) 488-9330

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.	DOCKET NO. 110200-WU

WATER MANAGEMENT SERVICES, INC.'S RESPONSE TO OFFICE OF PUBLIC COUNSEL'S SECOND REQUEST FOR PRODUCTION OF DOCUMENTS (NOS. 37-42)

WATER MANAGEMENT SERVICES, INC. ("WMSI"), by and through its undersigned attorneys and pursuant to Rule 28-106.206, Florida Administrative Code, and Rule 1.350, Florida Rules of Civil Procedure, hereby responds to the Office of Public Counsel's Second Request for Production of Documents (Nos. 37-42), as follows:

All documents not objected to are being provided by electronic mail to the parties.

Respectfully submitted this 1st day of November, 2012,

SUNDSTROM, FRIEDMAN & FUMERO, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746
PHONE: (407) 830-6331
mfriedman@sfflaw.com

MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm

OPC-POD NO. 42
DEP LOAN DOCUMENTS

SEE ATTACHED.

DRINKING WATER STATE REVOLVING FUND
AMENDMENT 5 TO LOAN AGREEMENT DW1901 010
WATER MANAGEMENT SERVICES, INC.

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC. (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

WITNESSETH:

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, as amended; and

WHEREAS, the Project Sponsor has requested a restructuring of the Loan as a result of worsening economic conditions.

NOW, THEREFORE, the parties hereto agree as follows:

1. The Semiannual Loan Payment, as established in Section 10.05 of the Agreement and revised in Amendment 3, Section 4 and Amendment 4, is amended to include the following:

Semiannual Loan Payment number 16 which was due May 15, 2011, and Semiannual Loan Payment number 17 shall be zero with the interest accruing and added to the outstanding balance. Semiannual Loan Payments number 18-60, beginning May 15, 2012 and continuing semiannually thereafter on November 15 and May 15 of each year until all amounts due hereunder have been fully paid, shall include principal and interest and shall be in the amount of $162,012.03. Funds transfer shall be made by electronic means.

2. All other terms and provisions of the Loan Agreement shall remain in effect.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

This Amendment 5 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Deputy Director and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Deputy Director.

No additional Florida documentary tax is required for this Amendment 5.

for

WATER MANAGEMENT SERVICES, INC.

Gene D. Brown, President

Attest

Notary Public

Sandra M. Chase

Name typed or printed

SEAL

SANDRA M. CHASE
Commission DD 698660
Expires November 17, 2011
Bonded Thru Troy Fain Insurance 800-385-7019

for

STATE OF FLORIDA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

JUN 15 2011

Deputy Director
Division of Water Resource Management

Date

DW1901 010

Water Management Services, Inc.

COMBINED AGREEMENT

Escrow Payment 162,012.03

Pmt	Date	Payment	SF & SF Int	Escrow	Principal	Interest	Balance
	5/15/2003						5,417,289.25
1	11/15/2003	209,823.00	123,044.85	-	16,549.93	70,228.22	5,400,739.32
2	5/15/2004	209,823.00	-	-	124,347.96	85,475.04	6,004,275.36
3	11/15/2004	208,694.89	-	-	118,747.14	89,947.75	5,897,859.22
4	5/15/2005	208,694.89	-	-	120,517.82	88,177.07	5,777,341.40
5	11/15/2005	208,694.89	-	-	122,319.43	86,375.46	5,655,021.96
6	5/15/2006	208,694.89	-	-	124,147.99	84,546.90	5,530,873.97
7	11/15/2006	208,694.89	-	-	126,003.90	82,690.99	5,404,870.08
8	5/15/2007	208,694.89	-	-	127,887.55	80,807.34	5,276,982.52
9	11/15/2007	208,694.89	-	-	129,799.38	78,895.51	5,147,183.14
10	5/15/2008	208,694.89	-	-	131,739.81	76,955.08	5,015,443.33
11	11/15/2008	208,694.89	-	-	133,709.25	74,985.64	4,881,734.09
12	5/15/2009	208,694.89	-	-	135,708.14	72,986.75	4,746,025.95
13	11/15/2009	-	-	-	-	70,957.96	4,816,983.90
14	5/15/2010	-	-	-	-	72,019.28	4,889,003.18
15	11/15/2010	-	-	-	-	73,096.48	4,962,099.69
16	5/15/2011	-	-	-	-	74,189.80	5,036,289.49
17	11/15/2011	-	-	-	-	75,299.46	5,111,588.97
18	5/15/2012	162,012.03	-	-	85,586.26	76,425.77	5,026,002.71
19	11/15/2012	162,012.03	-	-	86,865.73	75,146.30	4,939,136.98
20	5/15/2013	162,012.03	-	-	88,164.33	73,847.70	4,850,972.65
21	11/15/2013	162,012.03	-	-	89,482.35	72,529.68	4,761,490.31
22	5/15/2014	162,012.03	-	-	90,820.08	71,191.95	4,670,670.23
23	11/15/2014	162,012.03	-	-	92,177.82	69,834.21	4,578,492.42
24	5/15/2015	162,012.03	-	-	93,555.86	68,456.17	4,484,936.56
25	11/15/2015	162,012.03	-	-	94,954.51	67,057.52	4,389,982.04
26	5/15/2016	162,012.03	-	-	96,374.09	65,637.94	4,293,607.95
27	11/15/2016	162,012.03	-	-	97,814.89	64,197.14	4,195,793.06
28	5/15/2017	162,012.03	-	-	99,277.24	62,734.79	4,096,515.82
29	11/15/2017	162,012.03	-	-	100,761.47	61,250.56	3,995,754.35
30	5/15/2018	162,012.03	-	-	102,267.89	59,744.14	3,893,486.46
31	11/15/2018	162,012.03	-	-	103,796.84	58,215.19	3,789,689.62
32	5/15/2019	162,012.03	-	-	105,348.66	56,663.37	3,684,340.96
33	11/15/2019	162,012.03	-	-	106,923.69	55,088.34	3,577,417.26
34	5/15/2020	162,012.03	-	-	108,522.28	53,489.75	3,468,894.98
35	11/15/2020	162,012.03	-	-	110,144.78	51,867.25	3,358,750.20
36	5/15/2021	162,012.03	-	-	111,791.54	50,220.49	3,246,958.66
37	11/15/2021	162,012.03	-	-	113,462.94	48,549.09	3,133,495.72
38	5/15/2022	162,012.03	-	-	115,159.34	46,852.69	3,018,336.38
39	11/15/2022	162,012.03	-	-	116,881.10	45,130.93	2,901,455.28
40	5/15/2023	162,012.03	-	-	118,628.62	43,383.41	2,782,826.65
41	11/15/2023	162,012.03	-	-	120,402.28	41,609.75	2,662,424.37
42	5/15/2024	162,012.03	-	-	122,202.47	39,809.56	2,540,221.90
43	11/15/2024	162,012.03	-	-	124,029.59	37,982.44	2,416,192.31
44	5/15/2025	162,012.03	-	-	125,884.03	36,128.00	2,290,308.29
45	11/15/2025	162,012.03	-	-	127,766.21	34,245.82	2,162,542.07
46	5/15/2026	162,012.03	-	-	129,676.55	32,335.48	2,032,865.53
47	11/15/2026	162,012.03	-	-	131,615.45	30,396.58	1,901,250.07
48	5/15/2027	162,012.03	-	-	133,583.37	28,428.66	1,767,666.71
49	11/15/2027	162,012.03	-	-	135,580.71	26,431.32	1,632,085.99
50	5/15/2028	162,012.03	-	-	137,607.94	24,404.09	1,494,478.06
51	11/15/2028	162,012.03	-	-	139,665.48	22,346.55	1,354,812.57
52	5/15/2029	162,012.03	-	-	141,753.81	20,258.22	1,213,058.76
53	11/15/2029	162,012.03	-	-	143,873.37	18,138.66	1,069,185.39
54	5/15/2030	162,012.03	-	-	146,024.64	15,987.39	923,160.75
55	11/15/2030	162,012.03	-	-	148,208.09	13,803.94	774,952.66
56	5/15/2031	162,012.03	-	-	150,424.20	11,587.83	624,528.47
57	11/15/2031	162,012.03	-	-	152,673.46	9,338.57	471,855.01
58	5/15/2032	162,012.03	-	-	154,956.36	7,055.67	316,898.65
59	11/15/2032	162,012.03	-	-	157,273.42	4,738.61	159,625.23
60	5/15/2033	162,012.13	-	-	159,625.23	2,386.90	(0.00)

DW1901 010

Water Management Services, Inc.

COMBINED AGREEMENT

Escrow Payment 162,012.03

Pmt	Date	Payment	SF & SF Int	Escrow	Principal	Interest	Balance
	5/15/2003						5,417,289.25
1	11/15/2003	209,823.00	123,044.85	-	16,549.93	70,228.22	5,400,739.32
2	5/15/2004	209,823.00	-	-	124,347.96	85,475.04	6,004,275.36
3	11/15/2004	208,694.89	-	-	118,747.14	89,947.75	5,897,859.22
4	5/15/2005	208,694.89	-	-	120,517.82	88,177.07	5,777,341.40
5	11/15/2005	208,694.89	-	-	122,319.43	86,375.46	5,655,021.96
6	5/15/2006	208,694.89	-	-	124,147.99	84,546.90	5,530,873.97
7	11/15/2006	208,694.89	-	-	126,003.90	82,690.99	5,404,870.08
8	5/15/2007	208,694.89	-	-	127,887.55	80,807.34	5,276,982.52
9	11/15/2007	208,694.89	-	-	129,799.38	78,895.51	5,147,183.14
10	5/15/2008	208,694.89	-	-	131,739.81	76,955.08	5,015,443.33
11	11/15/2008	208,694.89	-	-	133,709.25	74,985.64	4,881,734.09
12	5/15/2009	208,694.89	-	-	135,708.14	72,986.75	4,746,025.95
13	11/15/2009	-	-	-	-	70,957.96	4,816,983.90
14	5/15/2010	-	-	-	-	72,019.28	4,889,003.18
15	11/15/2010	-	-	-	-	73,096.48	4,962,099.69
16	5/15/2011	-	-	-	-	74,189.80	5,036,289.49
17	11/15/2011	-	-	-	-	75,299.48	5,111,588.97
18	5/15/2012	162,012.03	-	-	85,586.26	76,425.77	5,026,002.71
19	11/15/2012	162,012.03	-	-	86,865.73	75,146.30	4,939,136.98
20	5/15/2013	162,012.03	-	-	88,164.33	73,847.70	4,850,972.65
21	11/15/2013	162,012.03	-	-	89,482.35	72,529.68	4,761,490.31
22	5/15/2014	162,012.03	-	-	90,820.08	71,191.95	4,670,670.23
23	11/15/2014	162,012.03	-	-	92,177.82	69,834.21	4,578,492.42
24	5/15/2015	162,012.03	-	-	93,555.86	68,456.17	4,484,936.56
25	11/15/2015	162,012.03	-	-	94,954.51	67,057.52	4,389,982.04
26	5/15/2016	162,012.03	-	-	96,374.09	65,637.94	4,293,607.95
27	11/15/2016	162,012.03	-	-	97,814.89	64,197.14	4,195,793.06
28	5/15/2017	162,012.03	-	-	99,277.24	62,734.79	4,096,515.82
29	11/15/2017	162,012.03	-	-	100,761.47	61,250.56	3,995,754.35
30	5/15/2018	162,012.03	-	-	102,267.89	59,744.14	3,893,486.46
31	11/15/2018	162,012.03	-	-	103,796.84	58,215.19	3,789,689.62
32	5/15/2019	162,012.03	-	-	105,348.66	56,663.37	3,684,340.96
33	11/15/2019	162,012.03	-	-	106,923.69	55,088.34	3,577,417.26
34	5/15/2020	162,012.03	-	-	108,522.28	53,489.75	3,468,894.98
35	11/15/2020	162,012.03	-	-	110,144.78	51,867.25	3,358,750.20
36	5/15/2021	162,012.03	-	-	111,791.54	50,220.49	3,246,958.66
37	11/15/2021	162,012.03	-	-	113,462.94	48,549.09	3,133,495.72
38	5/15/2022	162,012.03	-	-	115,159.34	46,852.69	3,018,336.38
39	11/15/2022	162,012.03	-	-	116,881.10	45,130.93	2,901,455.28
40	5/15/2023	162,012.03	-	-	118,628.62	43,383.41	2,782,826.65
41	11/15/2023	162,012.03	-	-	120,402.28	41,609.75	2,662,424.37
42	5/15/2024	162,012.03	-	-	122,202.47	39,809.56	2,540,221.90
43	11/15/2024	162,012.03	-	-	124,029.59	37,982.44	2,416,192.31
44	5/15/2025	162,012.03	-	-	125,884.03	36,128.00	2,290,308.29
45	11/15/2025	162,012.03	-	-	127,766.21	34,245.82	2,162,542.07
46	5/15/2026	162,012.03	-	-	129,676.55	32,335.48	2,032,865.53
47	11/15/2026	162,012.03	-	-	131,615.45	30,396.58	1,901,250.07
48	5/15/2027	162,012.03	-	-	133,583.37	28,428.66	1,767,666.71
49	11/15/2027	162,012.03	-	-	135,580.71	26,431.32	1,632,085.99
50	5/15/2028	162,012.03	-	-	137,607.94	24,404.09	1,494,478.06
51	11/15/2028	162,012.03	-	-	139,665.48	22,346.55	1,354,812.57
52	5/15/2029	162,012.03	-	-	141,753.81	20,258.22	1,213,058.76
53	11/15/2029	162,012.03	-	-	143,873.37	18,138.66	1,069,185.39
54	5/15/2030	162,012.03	-	-	146,024.64	15,987.39	923,160.75
55	11/15/2030	162,012.03	-	-	148,208.09	13,803.94	774,952.66
56	5/15/2031	162,012.03	-	-	150,424.20	11,587.83	624,528.47
57	11/15/2031	162,012.03	-	-	152,673.46	9,338.57	471,855.01
58	5/15/2032	162,012.03	-	-	154,956.36	7,055.67	316,898.65
59	11/15/2032	162,012.03	-	-	157,273.42	4,738.61	159,625.23
60	5/15/2033	162,012.13	-	-	159,625.23	2,386.90	(0.00)

Total Payments = $9,473,112.29

OPC calculated the totals for 60 payments and interest shown.

Total Interest = $3,192,563.17

SECRETARY OF STATE RECORDS

BMG NAME CHANGES FROM 1994 THROUGH PRESENT

HWS-34

L43229

Aandra Clay
Requestor's Name

3848 Killearn Ct.
Address

Tallahassee FL 32308
City/State/Zip

Phone # 668-6103

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. ABC Services Inc.
(Corporation Name) (Document #)

2. _____
(Corporation Name) (Document #)

3. _____
(Corporation Name) (Document #)

4. _____
(Corporation Name) (Document #)

FILED
98 OCT 27 PM 1:08
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

☐ Walk-in ☐ Pick up time _____ ☐ Certified Copy

☑ Mail out ☐ Will wait ☐ Photocopy ☐ Certificate of Status

	NEW FILINGS
	Profit
	NonProfit
	Limited Liability
	Domestication
	Other

	AMENDMENTS
X	Amendment N/C
	Resignation of R.A., Officer/Director
	Change of Registered Agent
	Dissolution/Withdrawal
	Merger

400002656874--0
-10/21/98--01035--001
*****35.00 *****35.00

	OTHER FILINGS
	Annual Report
	Fictitious Name
	Name Reservation

	REGISTRATION/ QUALIFICATION
	Foreign
	Limited Partnership
	Reinstatement
	Trademark
	Other

Call when Ready

DEPARTMENT OF STATE
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

98 OCT 21 AM 10:43

RECEIVED

Examiner's Initials	

10/27

CR2E031(1/95)

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

October 21, 1998

SANDRA CHASE

TALLAHASSEE, FL

SUBJECT: ARMADA BAY COMPANY
Ref. Number: L43229

We have received your document for ARMADA BAY COMPANY and your check(s) totaling $35.00. However, the enclosed document has not been filed and is being returned for the following correction(s):

The name designated in your document is unavailable since it is the same as, or it is not distinguishable from the name of an existing entity. Simply adding "of Florida" or "Florida" to the end of a name is not acceptable. Please select a new name and make the correction in all appropriate places. One or more words may be added to make the name distinguishable from the one presently on file.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 487-6908.

Teresa Brown
Corporate Specialist

Letter Number: 098A00051983

Call when Ready
mail - Copy
Please

FILED
98 OCT 27 AM 10:29
DEPARTMENT OF STATE
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

RECEIVED

FILED
98 OCT 27 PM 1:08
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

ARTICLES OF AMENDMENT
TO ARTICLES OF INCORPORATION
OF
ARMADA BAY COMPANY

Pursuant to the provision of section 607.1006, Florida Statutes, this corporation adoptes the following articles of amendment to its articles of incorporation:

FIRST: Amendment adopted:

ARTICLE I - NAME. The name of the corporation is changed to ABC Industries, Inc.

SECOND: The date of the adoption of First amendment is October 20, 1998.

THIRD: The amendment was approved by unanimous vote of all the directors and shareholders.

Signed this 22nd day of October, 1998.

GENE D. BROWN
President and Director

L43229

Requestor's Name

3848 Killearn Ct.

Address

Talla. Fl 668-6103

City/State/Zip Phone #

FILED
00 JAN 11 PM 2:16
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. ABC (Corporation Name) (Document #)
2. Name Change (Corporation Name) (Document #)
3. & amend (Corporation Name) (Document #)
4. (Corporation Name) (Document #)

500000309465--0
-01/11/00--01083--004
*****35.00 *****35.00

☒ Walk in ☐ Pick up time _____ ☐ Certified Copy

☐ Mail out ☐ Will wait ☐ Photocopy ☐ Certificate of Status

	NEW FILINGS
	Profit
	NonProfit
	Limited Liability
	Domestication
	Other

	AMENDMENTS
X	Amendment
	Resignation of R.A., Officer/Director
	Change of Registered Agent
	Dissolution/Withdrawal
	Merger

	OTHER FILINGS
	Annual Report
	Fictitious Name
	Name Reservation

	REGISTRATION/ QUALIFICATION
	Foreign
	Limited Partnership
	Reinstatement
	Trademark
	Other

RECEIVED
00 JAN 11 PM 1:57
DEPARTMENT OF STATE
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

MAIL out

Examiner's Initials	AJR 1/12/00

CR2E031(1/95)

FILED
00 JAN 11 PM 2:17
SECRETARY OF STATE
TALLAHASSEE FLORIDA

AMENDMENT TO ARTICLES OF INCORPORATION
OF ABC INDUSTRIES, INC.
PURSUANT TO SECTION 607.181(3), F.S.

At a special meeting of the stockholders and directors of ABC INDUSTRIES INC., held at 3848 Killearn Court, Tallahassee, FL 32308 on December 16, 1999, by unanimous vote of the directors and stockholders of the corporation an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name. The name of this corporation shall be LAND IN FLA., INC.

Article VIII. Name of Director, President and Secretary. The name and street address of the president, secretary and director is: Gene D. Brown, 3848 Killearn Court, Tallahassee, FL 32308.

Article XII. Resident Agent. The name and street address of the corporation's resident agent is: Gene D. Brown, 3848 Killearn Court, Tallahassee, FL 32308.

Dated this 10th day of January, 2000.

Gene D. Brown
President, Secretary, Director

L43229

(Requestor's Name)

(Address)

(Address)

(City/State/Zip/Phone #)

☐ PICK-UP ☒ WAIT ☐ MAIL

(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only

700048842617

Name Change

03/28/05--01001--019 **35.00

FILED
05 MAR 25 PM 3:15
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

RECEIVED
05 MAR 25 PM 3:11
OFFICE OF SECRETARY OF STATE
TALLAHASSEE, FLORIDA

AOR
3/25/05

Sandra Chase
Requester's Name

7848 Killearn Ct.
Address

Talla. FL 32309
City/State/Zip / Phone #

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. Lawd in Fla.
(Corporation Name) (Document #)

2. _____
(Corporation Name) (Document #)

3. _____
(Corporation Name) (Document #)

4. _____
(Corporation Name) (Document #)

☑ Walk in ☐ Pick up time _____ ☐ Certified Copy
☐ Mail out ☐ Will wait ☐ Photocopy ☐ Certificate of Status

NEW FILINGS

- ☐ Profit
- ☐ Not for Profit
- ☐ Limited Liability
- ☐ Domestication
- ☐ Other

AMENDMENTS

- ☑ Amendment
- ☐ Resignation of R.A., Officer/Director
- ☐ Change of Registered Agent
- ☐ Dissolution/Withdrawal
- ☐ Merger

OTHER FILINGS

- ☐ Annual Report
- ☐ Fictitious Name

REGISTRATION/QUALIFICATION

- ☐ Foreign
- ☐ Limited Partnership
- ☐ Reinstatement
- ☐ Trademark
- ☐ Other

Examiner's Initials

CR2E031(7/97)

AMENDMENT TO ARTICLES OF INCORPORATION
OF LAND IN FLA., INC.

05 FILED
MAR 25 PM 3:15
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

At a special meeting of the stockholders and directors of Land in Fla., Inc. held at 3848 Killearn Court, Tallahassee, FL 32309, on March 25, 2005, by unanimous vote of the directors and stockholders of the corporation, an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name. The name of the corporation is changed to BROWN MANAGEMENT GROUP, INC.

Dated this 25th day of March, 2005.

GENE D. BROWN
President

L43229

Gene Brown
(Requestor's Name)

3038-A Crawfordville Hwy
(Address)

Crawfordville, Fla. 32327
(Address)

(City/State/Zip/Phone #)

☐ PICK-UP ☑ WAIT ☐ MAIL

Brown Mfg. Group, Inc.
(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only

300056594843

06/29/05--01027--009 **35.00

RECEIVED
05 JUN 29 AM 10:41
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

FILED
05 JUN 29 PM 3:42
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

6291

AMENDMENT TO ARTICLES OF INCORPORATION
OF BROWN MANAGEMENT GROUP, INC.

FILED
05 JUN 29 PM 3:42
SECRETARY OF STATE
TALLAHASSEE FLORIDA

At a special meeting of the stockholders and directors of Brown Management Group, Inc., held at 3038-A Crawfordville Highway, Crawfordville, FL 32327, on June 27, 2005, by unanimous vote of the directors and stockholders of the corporation, an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name> the name of the corporation is changed to COASTAL PAVING ~~ENTERPRISES~~, INC.

Dated this 27th day of June, 2005.

GENE D. BROWN
President

L43229

Sandy Chase
(Requestor's Name)

3038-A Crawfordville Hwy
(Address)

(Address)

Crawfordville FL
(City/State/Zip/Phone #)

PICK-UP ☒ WAIT ☐ MAIL

(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only

800059602348

09/15/05--01002--022 **35.00

FILED
05 SEP 15 AM 11:43
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

RECEIVED
05 SEP 15 AM 11:38
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

N.C.

C. Coulliette SEP 15 2005

AMENDMENT TO ARTICLES OF INCORPORATION
OF COASTAL PAVING, INC.

At a special meeting of the stockholders and directors of Coastal Paving, Inc., held at 3038-A Crawfordville Highway, Crawfordville, FL 32327, on September 13, 2005, by unanimous vote of the directors and stockholders of the corporation, an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name. The name of the corporation is changed to J. STEELE CONSTRUCTION, INC.

Dated this 13th day of September, 2005.

GENE D. BROWN
President

FILED
05 SEP 15 AM 11:43
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

L43229

(Requestor's Name)

(Address)

(Address)

(City/State/Zip/Phone #)

☐ PICK-UP ☒ WAIT ☐ MAIL

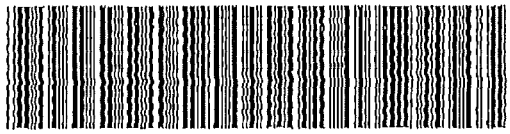
(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only



900060524939

10/18/05--01013--008 **70.00

Name Change Amend

FILED
05 OCT 18 AM 08:49
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

AOK
10/18/05

Sandy Chase
Requester's Name
3038-A Crawfordville Hwy
Address
Crawfordville FL 32327
City/State/Zip
Phone # (850)926-6104

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. John Abbott
(Corporation Name) (Document #)

2. _____
(Corporation Name) (Document #)

3. _____
(Corporation Name) (Document #)

4. _____
(Corporation Name) (Document #)

☑ Walk in ☐ Pick up time _____ ☐ Certified Copy
☐ Mail out ☑ Will wait ☐ Photocopy ☐ Certificate of Status

NEW FILINGS

- ☐ Profit
- ☐ Not for Profit
- ☐ Limited Liability
- ☐ Domestication
- ☐ Other

AMENDMENTS

- ☑ Amendment
- ☐ Resignation of R.A., Officer/Director
- ☐ Change of Registered Agent
- ☐ Dissolution/Withdrawal
- ☐ Merger

OTHER FILINGS

- ☐ Annual Report
- ☐ Fictitious Name

REGISTRATION/QUALIFICATION

- ☐ Foreign
- ☐ Limited Partnership
- ☐ Reinstatement
- ☐ Trademark
- ☐ Other

Examiner's Initials

CR2E031(7/97)

FILED
05 OCT 18 AM 10:03
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

AMENDMENT TO ARTICLES OF INCORPORATION
OF
J. STEELE CONSTRUCTION, INC.

At a special meeting of the stockholders and directors of J. Steele Construction, Inc., held at 3038-A Crawfordville Highway, Crawfordville, FL 32327, by unanimous vote of the directors and stockholders of the corporation, an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name. The name of the corporation is changed to BROWN MANAGEMENT GROUP, INC.

Dated this 18th day of October, 2005.

GENE D. BROWN
As its President

SECRETARY OF STATE RECORDS

BMG NAME CHANGES FROM 1994 THROUGH PRESENT

HWS-34

L43229

Aandra Clay
Requestor's Name

3848 Killearn Ct.
Address

Tallahassee FL 32308
City/State/Zip

Phone # 668-6103

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. ABC Services Inc.
(Corporation Name) (Document #)

2. _____
(Corporation Name) (Document #)

3. _____
(Corporation Name) (Document #)

4. _____
(Corporation Name) (Document #)

FILED
98 OCT 27 PM 1:08
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

☐ Walk-in ☐ Pick up time _____ ☐ Certified Copy

☑ Mail out ☐ Will wait ☐ Photocopy ☐ Certificate of Status

	NEW FILINGS
	Profit
	NonProfit
	Limited Liability
	Domestication
	Other

	AMENDMENTS
X	Amendment N/C
	Resignation of R.A., Officer/Director
	Change of Registered Agent
	Dissolution/Withdrawal
	Merger

400002656874--0
-10/21/98--01035--001
*****35.00 *****35.00

	OTHER FILINGS
	Annual Report
	Fictitious Name
	Name Reservation

	REGISTRATION/ QUALIFICATION
	Foreign
	Limited Partnership
	Reinstatement
	Trademark
	Other

Call when Ready

DEPARTMENT OF STATE
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

98 OCT 21 AM 10:43

RECEIVED

Examiner's Initials	

10/27

CR2E031(1/95)

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

October 21, 1998

SANDRA CHASE

TALLAHASSEE, FL

SUBJECT: ARMADA BAY COMPANY
Ref. Number: L43229

We have received your document for ARMADA BAY COMPANY and your check(s) totaling $35.00. However, the enclosed document has not been filed and is being returned for the following correction(s):

The name designated in your document is unavailable since it is the same as, or it is not distinguishable from the name of an existing entity. Simply adding "of Florida" or "Florida" to the end of a name is not acceptable. Please select a new name and make the correction in all appropriate places. One or more words may be added to make the name distinguishable from the one presently on file.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 487-6908.

Teresa Brown
Corporate Specialist

Letter Number: 098A00051983

Call when Ready
mail - Copy
Please

FILED
98 OCT 27 AM 10:29
DEPARTMENT OF STATE
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

RECEIVED

FILED
98 OCT 27 PM 1:08
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

ARTICLES OF AMENDMENT
TO ARTICLES OF INCORPORATION
OF
ARMADA BAY COMPANY

Pursuant to the provision of section 607.1006, Florida Statutes, this corporation adoptes the following articles of amendment to its articles of incorporation:

FIRST: Amendment adopted:

ARTICLE I - NAME. The name of the corporation is changed to ABC Industries, Inc.

SECOND: The date of the adoption of First amendment is October 20, 1998.

THIRD: The amendment was approved by unanimous vote of all the directors and shareholders.

Signed this 22nd day of October, 1998.

GENE D. BROWN
President and Director

L43229

Requestor's Name

3848 Killearn Ct.

Address

Talla. Fl 668-6103

City/State/Zip Phone #

FILED
00 JAN 11 PM 2:16
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. ABC (Corporation Name) (Document #)
2. Name Change (Corporation Name) (Document #)
3. & amend (Corporation Name) (Document #)
4. (Corporation Name) (Document #)

500000309465--0
-01/11/00--01083--004
*****35.00 *****35.00

☒ Walk in ☐ Pick up time _____ ☐ Certified Copy

☐ Mail out ☐ Will wait ☐ Photocopy ☐ Certificate of Status

	NEW FILINGS
	Profit
	NonProfit
	Limited Liability
	Domestication
	Other

	AMENDMENTS
X	Amendment
	Resignation of R.A., Officer/Director
	Change of Registered Agent
	Dissolution/Withdrawal
	Merger

	OTHER FILINGS
	Annual Report
	Fictitious Name
	Name Reservation

	REGISTRATION/ QUALIFICATION
	Foreign
	Limited Partnership
	Reinstatement
	Trademark
	Other

RECEIVED
00 JAN 11 PM 1:57
DEPARTMENT OF STATE
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

MAIL out

Examiner's Initials	AJR 1/12/00

CR2E031(1/95)

FILED
00 JAN 11 PM 2:17
SECRETARY OF STATE
TALLAHASSEE FLORIDA

AMENDMENT TO ARTICLES OF INCORPORATION
OF ABC INDUSTRIES, INC.
PURSUANT TO SECTION 607.181(3), F.S.

At a special meeting of the stockholders and directors of ABC INDUSTRIES INC., held at 3848 Killearn Court, Tallahassee, FL 32308 on December 16, 1999, by unanimous vote of the directors and stockholders of the corporation an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name. The name of this corporation shall be LAND IN FLA., INC.

Article VIII. Name of Director, President and Secretary. The name and street address of the president, secretary and director is: Gene D. Brown, 3848 Killearn Court, Tallahassee, FL 32308.

Article XII. Resident Agent. The name and street address of the corporation's resident agent is: Gene D. Brown, 3848 Killearn Court, Tallahassee, FL 32308.

Dated this 10th day of January, 2000.

Gene D. Brown
President, Secretary, Director

L43229

(Requestor's Name)

(Address)

(Address)

(City/State/Zip/Phone #)

☐ PICK-UP ☒ WAIT ☐ MAIL

(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only

700048842617

Name Change

03/28/05--01001--019 **35.00

FILED
05 MAR 25 PM 3:15
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

RECEIVED
05 MAR 25 PM 3:11
OFFICE OF SECRETARY OF STATE
TALLAHASSEE, FLORIDA

AOR
3/25/05

Sandra Chase
Requester's Name

7848 Killearn Ct.
Address

Talla. FL 32309
City/State/Zip / Phone #

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. Lawd in Fla.
(Corporation Name) (Document #)

2. _____
(Corporation Name) (Document #)

3. _____
(Corporation Name) (Document #)

4. _____
(Corporation Name) (Document #)

☑ Walk in ☐ Pick up time _____ ☐ Certified Copy
☐ Mail out ☐ Will wait ☐ Photocopy ☐ Certificate of Status

NEW FILINGS

- ☐ Profit
- ☐ Not for Profit
- ☐ Limited Liability
- ☐ Domestication
- ☐ Other

AMENDMENTS

- ☑ Amendment
- ☐ Resignation of R.A., Officer/Director
- ☐ Change of Registered Agent
- ☐ Dissolution/Withdrawal
- ☐ Merger

OTHER FILINGS

- ☐ Annual Report
- ☐ Fictitious Name

REGISTRATION/QUALIFICATION

- ☐ Foreign
- ☐ Limited Partnership
- ☐ Reinstatement
- ☐ Trademark
- ☐ Other

Examiner's Initials

CR2E031(7/97)

AMENDMENT TO ARTICLES OF INCORPORATION
OF LAND IN FLA., INC.

05 FILED
MAR 25 PM 3:15
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

At a special meeting of the stockholders and directors of Land in Fla., Inc. held at 3848 Killearn Court, Tallahassee, FL 32309, on March 25, 2005, by unanimous vote of the directors and stockholders of the corporation, an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name. The name of the corporation is changed to BROWN MANAGEMENT GROUP, INC.

Dated this 25th day of March, 2005.

GENE D. BROWN
President

L43229

Gene Brown
(Requestor's Name)

3038-A Crawfordville Hwy
(Address)

Crawfordville, Fla. 32327
(Address)

(City/State/Zip/Phone #)

☐ PICK-UP ☑ WAIT ☐ MAIL

Brown Mfg. Group, Inc.
(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only

300056594843

06/29/05--01027--009 **35.00

RECEIVED
05 JUN 29 AM 10:41
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

FILED
05 JUN 29 PM 3:42
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

6291

AMENDMENT TO ARTICLES OF INCORPORATION
OF BROWN MANAGEMENT GROUP, INC.

FILED
05 JUN 29 PM 3:42
SECRETARY OF STATE
TALLAHASSEE FLORIDA

At a special meeting of the stockholders and directors of Brown Management Group, Inc., held at 3038-A Crawfordville Highway, Crawfordville, FL 32327, on June 27, 2005, by unanimous vote of the directors and stockholders of the corporation, an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name> the name of the corporation is changed to COASTAL PAVING ~~ENTERPRISES~~, INC.

Dated this 27th day of June, 2005.

GENE D. BROWN
President

L43229

Sandy Chase
(Requestor's Name)

3038-A Crawfordville Hwy
(Address)

(Address)

Crawfordville FL
(City/State/Zip/Phone #)

PICK-UP ☒ WAIT ☐ MAIL

(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only

800059602348

09/15/05--01002--022 **35.00

FILED
05 SEP 15 AM 11:43
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

RECEIVED
05 SEP 15 AM 11:38
DIVISION OF CORPORATIONS
TALLAHASSEE, FLORIDA

N.C.

C. Coulliette SEP 15 2005

AMENDMENT TO ARTICLES OF INCORPORATION
OF COASTAL PAVING, INC.

At a special meeting of the stockholders and directors of Coastal Paving, Inc., held at 3038-A Crawfordville Highway, Crawfordville, FL 32327, on September 13, 2005, by unanimous vote of the directors and stockholders of the corporation, an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name. The name of the corporation is changed to J. STEELE CONSTRUCTION, INC.

Dated this 13th day of September, 2005.

GENE D. BROWN
President

FILED
05 SEP 15 AM 11:43
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

L43229

(Requestor's Name)

(Address)

(Address)

(City/State/Zip/Phone #)

☐ PICK-UP ☒ WAIT ☐ MAIL

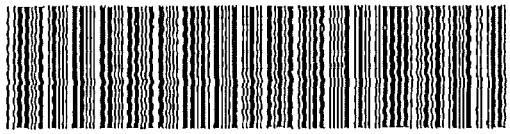
(Business Entity Name)

(Document Number)

Certified Copies _____ Certificates of Status _____

Special Instructions to Filing Officer:

Office Use Only



900060524939

10/18/05--01013--008 **70.00

Name Change Amend

FILED
05 OCT 18 AM 08:49
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

AOK
10/18/05

Sandy Chase
Requester's Name
3038-A Crawfordville Hwy
Address
Crawfordville FL 32327
City/State/Zip
Phone # (850)926-6104

Office Use Only

CORPORATION NAME(S) & DOCUMENT NUMBER(S), (if known):

1. John Abbott
(Corporation Name) (Document #)

2. _____
(Corporation Name) (Document #)

3. _____
(Corporation Name) (Document #)

4. _____
(Corporation Name) (Document #)

☑ Walk in ☐ Pick up time _____ ☐ Certified Copy
☐ Mail out ☑ Will wait ☐ Photocopy ☐ Certificate of Status

NEW FILINGS

- ☐ Profit
- ☐ Not for Profit
- ☐ Limited Liability
- ☐ Domestication
- ☐ Other

AMENDMENTS

- ☑ Amendment
- ☐ Resignation of R.A., Officer/Director
- ☐ Change of Registered Agent
- ☐ Dissolution/Withdrawal
- ☐ Merger

OTHER FILINGS

- ☐ Annual Report
- ☐ Fictitious Name

REGISTRATION/QUALIFICATION

- ☐ Foreign
- ☐ Limited Partnership
- ☐ Reinstatement
- ☐ Trademark
- ☐ Other

Examiner's Initials

CR2E031(7/97)

FILED
05 OCT 18 AM 10:03
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

AMENDMENT TO ARTICLES OF INCORPORATION
OF
J. STEELE CONSTRUCTION, INC.

At a special meeting of the stockholders and directors of J. Steele Construction, Inc., held at 3038-A Crawfordville Highway, Crawfordville, FL 32327, by unanimous vote of the directors and stockholders of the corporation, an amendment to the Articles of Incorporation was adopted as follows:

Article I. Name. The name of the corporation is changed to BROWN MANAGEMENT GROUP, INC.

Dated this 18th day of October, 2005.

GENE D. BROWN
As its President

EXCERPT FROM

PRINCIPLES OF PUBLIC UTILITY RATES

BY JAMES C. BONBRIGHT

HWS-35

Principles of Public Utility Rates

JAMES C. BONBRIGHT
ALBERT L. DANIELSEN
DAVID R. KAMERSCHEN

Public Utilities Reports, Inc.

Docket No. 110200-WU
Excerpt From Principles of Public Utility Rates
Exhibit HWS-35, Page 2 of 3

17, 1980 pp.52-55). While some states are rather liberal on this matter, others place definite time limits on the plan for utilization.

Quasi-Digression: Diversification. A number of the accounting practices that prevail in the regulated sector were prompted by the Public Utility Holding Company Act of 1935 that itself was at least in part spawned by the "Great Depression" syndrome perception that excessive diversification by gas and electric holding companies was harmful. However, the economic situation has changed dramatically in recent years as the annual growth in demand for electric companies fell from about 7 percent in the 1960s-early 1970s to about 2 percent in the late 1970s and early 1980s.

There is no question that the present rate of diversification, on an extended basis from the modest levels — e.g., electric companies and gas companies sold appliances, telephone equipment, etc. — that occurred prior to the 1980s, had its costs and benefits (Faber, 1986). Electric companies are moving toward a more competitive milieu that makes diversification attractive. If successful, diversification can improve the utility's credit ratings, cash flow, and profits level and stability. If unsuccessful, it can be a disaster. At this point in time, we see little that would encourage us about utility diversification. But the beat goes on.

Diversification by utilities presents several issues that must be resolved by regulators (O'Connor, Bussa, and Olson, 1986): (1) the organizational structure of the utility and nonutility segments must be hermetically sealed; (2) no cross subsidization is permitted; and (3) the cost of capital specific to only the utilities activities should be used in rate setting. As the utilities become riskier and less stable, diversification may provide some insulation from the chilling winds of enhanced utility competition — especially in the generation of electricity.

Working Capital

In the previous section we mentioned that the rate base, however measured, includes working capital. Working capital, as it applies to a regulated utility, can be described as the average amount of capital in excess of that used to finance net utility plant, (and other separately identified rate base components) necessary to operate the utility business.

The working capital allowance is necessary to bridge the gap between the time when costs are incurred in providing service and the time the utility is paid for that service. In general, the components

Docket No. 110200-WU
Excerpt From Principles of Public Utility Rates
Exhibit HWS-35, Page 3 of 3

represented are invested capital used to support inventories, petty cash funds, prepayments, minimum bank balances, and costs of providing services. When these funds have come from investor sources (debt and equity securities issued or earnings retained in the business), they are legitimate investments to provide service and thus, should be included in rate base. Inclusion of an allowance for working capital in rate base is an appropriate method of compensating investors for the cost of capital which they have provided for these purposes. Since a utility's sales price is set by the Commission rather than by competition, the cost of the capital needed to finance the utility's working capital must be included in the revenue requirements if the investors are to be compensated for the capital they have devoted to the business.

Working capital as the term is used in the utility industry is different from the term as it is used in the ordinary business or accounting sense. Working capital, as applied to commercial enterprises and as used in evaluating the financial standing of commercial enterprises, means current assets less current liabilities. The concept is used for purposes of evaluating the liquidity of a commercial business at points in time. Working capital is important to all economic entities, utilities, and other commercial enterprises. However, the utility ratemaking process must focus on the measurement of the *average amount* of investor-financed working capital. It is this objective that makes the utility working capital computation more complex than the mechanical *point-in-time* computation generally associated with defining the working capital of commercial enterprises.

Methods of Computation. Utility companies, just as other businesses, have day-to-day expenses which have to be met, and as a result they are required to have a source of funds (working capital) in order to pay these obligations. Working capital for a regulated utility is supplied by investors, ratepayers and other sources. It is the investor-supplied portion that should be included in rate base. There are several methods for determining this working capital allowance. These include a lead-lag study, the formulistic (45-day rule) approach, the balance sheet approach, the modified balance sheet approach, the rate base synchronization method and the proposed FERC method.

None of the methods for calculating the working capital allowance will produce a result that is precisely correct. The purpose of the calculation should be to arrive at an amount that is reasonable and contains no obvious defects, and which is not so time-consuming to compute that the cost exceeds the benefit. To determine working capital in a retail rate case, a utility may combine cash working capital

GAIN ON SALE FROM THE LAST RATE CASE

REMAINING GAIN ON SALE BALANCE

HWS-36

WATER MANAGEMENT SERVICES, INC.
Gain on Sale From the Last Rate Case
Remaining Gain on Sale Balance

Line No.	Description		Balance
	Assumptions Ordered		
1	Gain	$242,040	
2	5-Year Amortization	$48,408	
3	Monthly Amortization	$4,034	
4	Beginning Amount		$242,040
5	Jan-11		$238,006
6	Feb-11		$233,972
7	Mar-11		$229,938
8	Apr-11		$225,904
9	May-11		$221,870
10	Jun-11		$217,836
11	Jul-11		$213,802
12	Aug-11		$209,768
13	Sep-11		$205,734
14	Oct-11		$201,700
15	Nov-11		$197,666
16	Dec-11		$193,632
17	Jan-12		$189,598
18	Feb-12		$185,564
19	Mar-12		$181,530
20	Apr-12		$177,496
21	May-12		$173,462
22	Jun-12		$169,428
23	Jul-12		$165,394
24	Aug-12		$161,360
25	Sep-12		$157,326
26	Oct-12		$153,292
27	Nov-12		$149,258