

Eric Fryson

From: Dana Rudolf [drudolf@sfflaw.com]
Sent: Monday, December 17, 2012 5:00 PM
To: Filings@psc.state.fl.us
Cc: Martin Friedman; SAYLER.ERIK@leg.state.fl.us; Martha Barrera
Subject: Docket No. 110200-WU; Application for increase in water rates in Franklin County by Water Management Services, Inc.

Attachments: Prehearing Statement.pdf

- a) Martin S. Friedman, Esquire
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- b) Docket No. 110200-WU
Application for increase in water rates in Franklin County by Water Management Services, Inc.
- c) Water Management Services, Inc.
- d) 8 pages
- e) Prehearing Statement

DOCUMENT NUMBER / DATE

08195 DEC 17 2012

FPSC-COMMISSION CLERK

12/18/2012

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

PREHEARING STATEMENT OF WATER MANAGEMENT SERVICES, INC.

Pursuant to the Order Establishing Procedure issued October 3, 2012, Water Management Services, Inc. ("WMSI" or the "Company"), by and through its undersigned counsel, files its Prehearing Statement as follows:

A. All Known Witnesses

WMSI relies on the prefiled testimony of and intends to call the following witnesses in its direct case:

<u>Witness Name</u>	<u>Subject</u>
Jeanne Allen	All issues except Account 123, and SAC
John Guastella	Working capital, President's salary, SAC, and Account 123
Gene Brown	All issues except SAC

WMSI reserves the right to present additional witnesses to address issues which have not been previously raised by the parties, the Commission Staff, or the Commission.

B. All Known Exhibits

WMSI has identified and intends to sponsor the following exhibits in its direct case:

<u>Exhibit No.</u>	<u>Description</u>	<u>Person Sponsoring</u>
JA-1	Summary of Professional Experience	Jeanne Allen

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JA-2	Affected MFR Schedules	Jeanne Allen
JA-3	Service Availability Charges	Jeanne Allen
JA-4	Working Capital Allowance	Jeanne Allen
JA-5	Contractual Service-5 Year Avg.	Jeanne Allen
JA-6	Transportation Expense	Jeanne Allen
JA-7	Miscellaneous Expense Documentation	Jeanne Allen
JA-8	Rate Case Expense	Jeanne Allen
JG-1	Qualification and Experience	John Guastella
GB-1	Summary of Revenues from Ratepayers	Gene Brown
GB-2	Aug. 1, 2012 Letter to Commissioners	Gene Brown
GB-3	Financial Sources and Uses	Gene Brown
GB-4	GB/Affiliates Resources & Loans to WMSI	Gene Brown
GB-5	Rate Case Receipts/Paid/Incurred	Gene Brown
GB-6	Personal Guarantee Documents	Gene Brown
GB-7	Pledges of Personal Non-Utility Assets	Gene Brown
GB-8	OPC E-Mails on Efforts to Kill Financing	Gene Brown
GB-9	OPC Smear Campaign E-mail	Gene Brown
GB-10	Amendment 1 to DEP Loan Agreement	Gene Brown
GB-11	Memo to PSC Audit Staff re: BMG valuation	Gene Brown
GB-12	SMG Repayment Documentation	Gene Brown

WMSI may utilize other documents as exhibits at the time of hearing, either during cross examination or as further impeachment or rebuttal exhibits, and the precise identification of such documents cannot be determined at this time.

C. Statement of WMSI's Basic Position

WMSI is entitled to annual revenues in accordance with PAA Order as modified by its issues set forth in its Cross-Petition. PAA Order reductions to the following expenses are

unsupported, and the Company is entitled to additional rate case expense resulting from OPC's Protest:

- (a) The weighted cost of capital.
- (b) Transportation expenses.
- (c) The President's salary.
- (d) Working capital allowance.
- (e) Miscellaneous Expenses.
- (f) Accounting services expenses.
- (g) Service availability charges.

D. Questions of Fact that WMSI Considers at Issue, the Position on Each, and the Witness Testifying on Each Issue

RATE BASE:

Issue 1: What is the appropriate working capital allowance?

Position: WMSI is entitled to a working capital allowance of \$139,388 based upon 1/8 of operating and maintenance expenses. (Allen, Guastella, Brown)

Issue 2: What is the appropriate rate base for the test year ended December 31, 2010?

Position: This is a fall-out calculation issue subject to the resolution of other protested issues.

COST OF CAPITAL:

Issue 3: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2010?

Position: The appropriate weighted cost of capital is 5.96%. (Allen, Brown)

NET OPERATING INCOME:

Issue 4: Should any adjustments be made to contractual services – accounting expense?

Position: Yes. Accounting expenses should be increased by \$1,548 over the PAA Order amount to reflect a five-year average. (Allen, Brown).

Issue 5: Should any adjustments be made to transportation expense?

Position: Yes. Transportation expense should be increased by \$8,916 over the PAA Order amount to reflect business usage of Mr. Brown's and Ms. Chase's vehicles. (Allen, Brown)

Issue 6: Should an adjustment be made to rate case expense previously authorized by Order No. PSC-11-0010-SC-WU, currently being amortized in customer rates, and if so, in what amount?

Position: No. This Commission has determined the reasonableness of the rate case expense and it is being paid by WMSI. (Allen, Brown).

Issue 7: What is the appropriate amount of additional rate case expense associated with the protest of Order No. PSC-12-0435-PAA-WU?

Position: Based upon actual and estimated rate case expense, WMSI should recover \$105,364 in rate case expense amortized over 4 years. (Allen, Brown).

Issue 8: Should any adjustments be made to miscellaneous expense?

Position: Yes. Miscellaneous expenses should be increased by \$8,754 over the PAA Order amount. (Allen, Brown)

Issue 9: How should the net gain on sale of land and other assets be treated?

Position: No further gain on sale adjustments to those made in the PAA Order are justified. The Commission in the last rate case should never have given the customers the benefit on the gain on sale of the Tallahassee lots that were never in rate base. Further, the lots in Tallahassee were sold in 2007, and any gain has been fully amortized. (Allen, Brown)

Issue 10: Have the Utility's investments in associated companies had any adverse impact on the utility or its ratepayers, and if so, what action, if any, should the Commission take?

Position: The Utility's advances to its President and associated companies have had no impact on rates charged to ratepayers, or any adverse impact on the Utility. The Commission should continue to reject OPC's continued efforts to have this Commission micro-manage the Utility. (Brown, Guastella)

Issue 10(a): Should any adjustment be made to the WMSI President's salary?

Position: Yes. The salary and benefits for the President should be increased by \$19,046 over the PAA Order amount. (Allen, Brown, Guastella)

REVENUE REQUIREMENT:

Issue 11: What is the appropriate revenue requirement?

Position: This is a fall-out calculation issue subject to the resolution of other protested issues.

RATES:

Issue 12: Is a repression adjustment appropriate in this case, and, if so, what is the appropriate adjustment to make for this Utility?

Position: Yes. This was not a protested issue and a repression adjustment should be made consistent with the PAA Order. The amount is a fall-out calculation issue subject to the resolution of other protested issues.

Issue 13: What are the appropriate water rates for the Utility?

Position: This is a fall-out calculation issue subject to the resolution of other protested issues.

Issue 14: Should the Utility be authorized to revise certain service availability charges, and, if so, what are the appropriate charges?

Position: Yes, The Utility should be authorized to impose a service availability charge in the amount of \$10,004. (Allen, Brown)

OTHER:

Issue 15: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Position: This is a fall-out calculation issue subject to the resolution of other protested issues.

Issue 16: In determining whether any portion of the implemented PAA rates should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Position: This is a fall-out calculation issue subject to the resolution of other protested issues.

Issue 17: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Position: This is a fall-out calculation issue subject to the resolution of other protested issues.

Issue 18: Should this docket be closed?

Position: Yes.

Questions of Law that WMSI Considers at Issue, the Position on Each, and the Witness Testifying on Each Issue

WMSI is not aware of any questions of law not subsumed in the issues above.

Questions of Policy that WMSI Considers at Issue, the Position on Each, and the Witness Testifying on Each Issue

WMSI is not aware of any questions of policy not subsumed in the issues above.

E. Stipulated Issues

WMSI knows of no Stipulated Issues other than those in the PAA Order that were not protested.

F. Pending Motions And Other Open Matters

WMSI will be filing a Request for Protective Order with regard to certain documents which OPC has included in Pre-Filed Exhibits.

G. Statement Identifying Pending Requests for Confidentiality

WMSI will be filing a Request for Protective Order with regard to certain documents which OPC has included in Pre-Filed Exhibits.

H. Objections to Qualifications of Witnesses

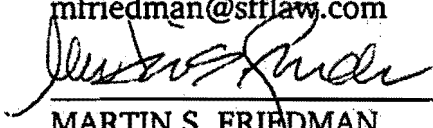
While WMSI does not object to the qualifications of the witnesses, it reserves the right to object to any opinions rendered that are beyond the expertise of such witness.

I. Reasons For Non-Compliance With Order (if any)

None known at this time.

Respectfully submitted this 17th day of
December, 2012, by:

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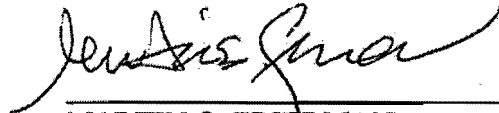
MARTIN S. FRIEDMAN
Florida Bar No.: 0199060
For the Firm

CERTIFICATE OF SERVICE
DOCKET NO. 110200-WU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been sent to
furnished by U.S. Mail and E-Mail to the following parties this 17th day of December, 2012:

Erik Sayler, Associate Public Counsel
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c/o The Florida Legislature
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Office of General Counsel
Florida Public Service Commission
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