

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-

---

**DATE:** April 2, 2015

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Accounting and Finance (T. Brown, Fletcher, Norris)  
Division of Engineering (Rieger) *SDR*  
Office of the General Counsel (Barrera) *JSC MPB TS*

**RE:** Docket No. 110200-WU – Application for increase in water rates in Franklin County by Water Management Services, Inc. *ALM*

**AGENDA:** 04/16/15 – Regular Agenda – ~~Proposed Agency Action~~ – Interested Persons May Participate *CS*

**COMMISSIONERS ASSIGNED:** Edgar, Brown, Patronis

**PREHEARING OFFICER:** Brown

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

---

### Case Background

Water Management Services, Inc. (WMSI or Utility) is a Class A utility providing service to approximately 1,854 water customers in Franklin County. For the year ended December 31, 2013, the Utility reported operating revenues of \$1,872,121 and net operating income of \$336,976.

On November 7, 2011, the Utility filed its application for a proposed agency action (PAA) rate increase. The Office of Public Counsel (OPC) intervened in this docket, and an order acknowledging OPC's intervention was issued on January 23, 2012.<sup>1</sup>

---

<sup>1</sup> See Order No. PSC-12-0034-PCO-WU, issued January 23, 2012, in Docket No. 110200-WU, In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

By Order No. PSC-12-0435-PAA-WU (PAA Order), issued August 22, 2012, the Commission approved rates designed to generate a total water revenue requirement of \$1,811,648.<sup>2</sup> The Commission also approved certain pro forma plant projects proposed by the Utility and provided that WMSI should secure financing and complete the pro forma plant projects within 18 months of issuance of the Consummating Order. Additionally, the PAA Order also provided that within 12 months of completion of the pro forma projects, the Utility should submit data, such as final invoices and cancelled checks, enabling the Commission to perform a true-up of all prudently incurred investments and costs associated with the pro forma plant projects.

On September 12, 2012, OPC timely filed a protest of portions of the PAA Order. The pro forma adjustments and requirements were not disputed and became final with the Final Order. By letter dated September 13, 2012, WMSI gave notice that it elected to put the rates approved in the PAA Order into effect during the pendency of the administrative hearing pursuant to Section 367.081(8), Florida Statutes (F.S.). On September 19, 2012, WMSI filed a timely cross-petition. The technical hearing was held on January 16 and 17, 2013, on St. George Island. The Commission issued its Final Order on the matter on May 16, 2013.<sup>3</sup> The Commission approved rates designed to generate a total water revenue requirement of \$1,905,203.<sup>4</sup> The issuance of the Final Order became the commencement date of the 18-month deadline for securing financing and completing the pro forma plant projects. The 18-month period ended on November 16, 2014, which established the deadline for filing pro forma plant documentation of November 16, 2015.

On September 22, 2014, the Utility filed a motion for extension of time to complete financing and construction requirements of pro forma plant projects due to unforeseen delays in securing financing. A noticed informal meeting was held between Commission staff and interested persons to discuss the motion on October 14, 2014. According to WMSI's motion, the Utility had commenced construction within the constraints of its cash flow and escrowed funds. Additionally, the Utility added that the property has been acquired and the permitting is in place.

On December 22, 2014, the Utility filed an amended motion for extension of time to complete financing and construction requirements of pro forma plant projects that included a scheduled closing date for a loan with Ameris Bank. The Utility closed on its loan with Ameris Bank on March 12, 2015, and provided support documentation of said closing.

This recommendation addresses the amended motion for extension of time to complete the financing and construction requirements requested by the Utility. The Commission has the authority to consider this matter pursuant to Section 367.081, F.S.

---

<sup>2</sup> See Order No. PSC-12-0435-PAA-WU, issued August 22, 2012, in Docket No. 110200-WU, In re: Application for increase in water rates in Franklin County by Water Management Services, Inc., pp. 29, 45.

<sup>3</sup> See Order No. PSC-13-0197-FOF-WU, issued May 16, 2013, in Docket No. 110200-WU, In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.

<sup>4</sup> See Order No. PSC-13-0197-FOF-WU, pp. 34, 51.

### **Discussion of Issues**

**Issue 1:** Should the Utility's request for an extension of time to complete the pro forma plant projects be approved?

**Recommendation:** Yes. The Utility's request for an extension of time to complete the previously approved pro forma plant projects should be approved. WMSI should have the plant projects completed no later than December 31, 2015. (T. Brown, Norris, Rieger)

**Staff Analysis:** On September 22, 2014, WMSI notified the Commission in writing that it would be unable to meet the November 16, 2014 deadline and filed a motion requesting an extension of time to complete the financing and construction of its pro forma plant projects due to unforeseen delays in securing financing. An amended motion for extension of time, which included specific details regarding the completion of financing, was filed on December 22, 2014. For various reasons, the closing on the construction loan has been repeatedly rescheduled.

According to the Utility, it has commenced construction within the constraints of WMSI's cash flow and the funds escrowed for construction. The property has been acquired, the permitting is in place, and work has commenced as set forth in the documentation supporting the three draws from the escrow account. WMSI also asserted that construction will be accelerated immediately after closing on its construction loan. Given the condition of the existing water storage infrastructure, staff encourages the Utility to move expeditiously with its plan to accelerate construction. The Utility closed on its loan with Ameris Bank on March 12, 2015, and provided support documentation of said closing on March 24, 2015.<sup>5</sup>

In response to staff's request, the Utility provided a construction timeline to support its requested deadline extension (Attachment 1). Staff believes that the extension will provide WMSI with enough time to complete the previously-approved pro forma plant projects and to accommodate any additional unforeseen construction delays. As such, staff believes the Utility's proposed deadline is an appropriate extension of time due to the delay in securing the construction loan. Therefore, staff recommends that the extension be granted through December 31, 2015.

---

<sup>5</sup> See Document No. 01650-15.

**Issue 2:** Should WMSI be required to submit support documentation for its pro forma plant projects within 60 days of the Florida Department of Environmental Protection's letter of clearance?

**Recommendation:** Yes. The Utility should provide support documentation for its pro forma plant projects to the Commission within 60 days of the issuance of the letter of clearance from the Florida Department of Environmental Protection (FDEP). (T. Brown, Norris)

**Staff Analysis:** As discussed previously, Order No. PSC-12-0435-PAA-WU provided that within 12 months of completion of the pro forma plant projects, the Utility shall submit data, such as final invoices and cancelled checks, to allow the Commission to perform a true-up of all prudently incurred investments and costs associated with the pro forma plant projects. Had the project been completed on time, the 12-month deadline for filing the true-up data would have been November 16, 2015. However, given WMSI's amended motion for extension of time, the Utility could take until December 2016 to file data for the true-up calculation.

Based on staff's recommendation in Issue 1 to grant an extension for completion of pro forma plant projects through December 2015, staff recommends that the timeframe for the Utility to submit support documentation for pro forma plant projects be reduced. In its amended motion, filed December 22, 2014, WMSI disclosed that the property has been acquired, the permitting is in place, and work has commenced as set forth in the documentation supporting the three draws from the escrow account.<sup>6</sup> As such, some of the support documentation is already in the Utility's possession. When the project is ultimately placed into service, staff believes that most of the supporting documentation would be in the Utility's possession or would be received shortly thereafter. Accordingly, staff recommends that the Utility provide support documentation for its pro forma plant projects to the Commission within 60 days of the issuance of the letter of clearance from the FDEP.

---

<sup>6</sup> An additional draw of \$80,676 was requested from the escrow account on March 12, 2015. See Document No. 01403-15. This draw request was approved on March 13, 2015. See Document No. 01424-15.

**Issue 3:** Should this docket be closed?

**Recommendation:** No. This docket should remain open for staff to verify that the approved pro forma plant projects have been completed, and to complete the true-up analysis of the pro forma plant costs. Once these actions are complete, this docket should be closed administratively. (Barrera)

**Staff Analysis:** This docket should remain open for staff to verify that the approved pro forma plant projects have been completed, and to complete the true-up analysis of the pro forma plant costs. Once these actions are complete, this docket should be closed administratively.

\_\_\_\_\_ **WATER MANAGEMENT SERVICES, INC.** \_\_\_\_\_

250 John Knox Rd. # 4  
Tallahassee, FL 32303  
(850) 668-0440 Fax (850) 577-0441

**ESTIMATED CONSTRUCTION COMPLETION DATES  
ST. GEORGE ISLAND IMPROVEMENTS**

- May 15, 2015 - All fire flow improvements including 19,000 linear feet of supply main and distribution system piping
- June 15, 2015 - Water treatment, pumping and equipment storage facility
- July 15, 2015 - 600,000 gallon ground storage tank, including all connecting pipes and appurtenances
- August 15, 2015 - Installation of high service pumps, electronic controls, VFD's, SCADA system, chlorination system and generators
- September 15, 2015 - Final interconnection and testing of all improvements
- October 15, 2015 - Transfer of water storage, treatment and pumping facilities to new system