

11/2



JACK SHREVE
PUBLIC COUNSEL

STATE OF FLORIDA
OFFICE OF THE PUBLIC COUNSEL

c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400
904-488-9330

July 11, 1994

ORIGINAL
FILE COPY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Docket No. 940109-WU

Dear Ms. Bayo:

Enclosed for filing in the above-captioned proceedings on behalf of the Citizens of the State of Florida are the original and 15 copies of the Supplemental Testimony of Kimberly H. Dismukes.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Harold McLean
Associate Public Counsel

CK
FA
EP

Enclosures

RECEIVED
Max
EPSC-BUREAU OF RECORDS

Pierson
3 copy

1
NAB Willis
OH

DOCUMENT NUMBER-DATE

06904 JUL 11 94

EPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE
DOCKET NO. 940109-WU

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished
by U.S. Mail or hand-delivery to the following parties on this 11th day of July, 1994.

Robert Pierson, Esq.
Division of Legal Services
Florida Public Service Commission
101 E. Gaines St.
Tallahassee, FL 32301

Gene D. Brown, Esq.
3848 Killearn Court
Tallahassee, FL 32308

Barbara Sanders, Esq.
53 C Avenue
P.O. Box 157
Apalachicola, FL 32320

G. Steven Pfeiffer, Esq.
Apgar, Pelham, Pfeiffer &
Theriaque
909 East Park Avenue
Tallahassee, FL 32301



Harold McLean
Associate Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Interim and)
Permanent Rate Increase in)
Franklin County, Florida by)
ST. GEORGE ISLAND UTILITY)
COMPANY, LTD.)

DOCKET NO. 940109-WU

Filed: July 11, 1994

**ORIGINAL
FILE COPY**

SUPPLEMENTAL TESTIMONY

OF

KIMBERLY H. DISMUKES

Harold McLean
Associat Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Attorney for the Citizens
of the State of Florida

DOCUMENT NUMBER-DATE

05904 JUL 11 94

FPSC-RECORDS/REPORTING

SUPPLEMENTAL TESTIMONY
OF
KIMBERLY H. DISMUKES

On Behalf of the
Florida Office of the Public Counsel

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 940109-WU

1 Q. What is your name and address?

2 A. Kimberly H. Dismukes, 111 West Madison Street, Room 812, Tallahassee,
3 Florida, 32399-1400.

4 Q. Are you the same Kimberly H. Dismukes that prefiled direct testimony in this
5 case on May 25, 1994?

6 Q. Do you have an exhibit in support of your supplemental testimony?

7 A. Yes. Exhibit__(KHD-2) contains 2 schedules which support my supplemental
8 testimony.

9 Q. What is the purpose of your testimony?

10 A. The purpose of my testimony is to provide additional information and evidence
11 concerning the original cost of the water system owned by St. George Island
12 Utility Company, Ltd., (SGU or the Company). Because of discovery disputes,
13 the additional information was not available at the time my prefiled testimony was
14 prepared.

15 Q. What additional information would you like to offer at this time?

16 A. In its first, second, third sets of Production of Documents (PODs) to the
17 Company, the Office of the Public Counsel (OPC) attempted to obtain additional
18 information that it believed was relevant to the issue of the original cost of
19 utility's assets. These POD requests are attached as schedule 1 to my
20 supplemental testimony.

21

22 OPC attempts to obtain additional information on this important subject were met

1 with frustration: first by objections from the Company, and then by the
2 Company's apparent failure to maintain the records requested.

3 Q. What documents did you request for which the Company asserts it has no
4 documents?

5 A. The Citizen's PODs 13, 14, 21, 71, 72, 100, and 101. As shown in schedule 1,
6 POD 13 stated:

7 Provide all correspondence, memos, and documents
8 in the Company's possession, custody or control
9 which address the 1979 IRS Audit and Settlement
10 with the Company.

11 POD 14 stated:

12 Provide a copy of the 1979 IRS Audit.

13 POD 71 stated:

14 Provide any and all documents used by the IRS,
15 which is in the possession of the Company, which
16 set the basis for the IRS's view that the value of the
17 plant and equipment sold to St. George Island was
18 less than \$3.0 million, in 1979.

19 POD 72 stated:

20 Provide any and all documents used by the
21 Company which set the basis for its view that the
22 value of the plant and equipment sold to St. George

1 Island was \$3.0 million, in 1979. (This is with
2 respect to the IRS claim that the value was some
3 \$1.5 million.)

4 As shown in schedule 2 attached to my supplemental testimony, to all of these
5 POD requests, except POD 72, the Company responded that it did not have the
6 documents requested.

7
8 As indicated in my direct testimony, Leisure Properties, Ltd., built the water
9 system from 1976 to 1978. In 1979, Leisure Properties, Ltd., sold the water
10 system to St. George Island Utility Company, Ltd. for \$3,000,000. For tax and
11 book purposes SGU recorded the value of the water system at \$3,000,000. This
12 transaction apparently caused the IRS to audit the tax returns for SGU and
13 Leisure Properties for the tax years 1979 through 1982. The audit resulted in a
14 difference between the claims of SGU/Leisure Properties as to the value of the
15 assets sold and SGU. The IRS claimed the value to be only \$1.5 million while
16 SGU maintained that it was \$3.0 million. In the Company's last rate case, the
17 Commission to some degree relied upon this IRS information in setting the rate
18 base. Specifically, the Commission stated:

19 SGI also produced evidence of the original cost of
20 \$2,657,212, based upon an audit by an independent
21 accounting firm. In addition, SGI produced
22 evidence of an original cost of \$2,200,000 based

1 upon a settlement of litigation with the Internal
2 Revenue Service (IRS). In that case, SGI had
3 claimed a cost of \$3,000,000 while [the] IRS had
4 appraised its value at \$1,550,000. We believe that
5 a reasonable approximation of the original cost
6 would be a value within this range of estimates.

7 [Order No. 21122, p. 7.]

8 OPC requested the information concerning the IRS audit and the Company's
9 claims with respect thereto, to gain a better understanding of exactly what
10 information was presented to the Commission in the last rate case and ascertain
11 its validity, if any, to the instant case. Despite the Company's apparent
12 production of some of this information in the last case, the Company has
13 evidently lost, misplaced, or destroyed the documents since then. Accordingly,
14 as a result of the Company's failure to maintain these records, I was unable to
15 evaluate this information and provide any relevant conclusions to the
16 Commission.

17 **Q.** **What was the Company's response to POD 72?**

18 **A.** In response to POD 72, the Company provided the Promissory Note from St.
19 George Island to Leisure Properties and the Mortgage Deed. These two
20 documents provide absolutely no proof that the value of the plant and equipment
21 sold to St. George Island was \$3.0 million as originally alleged by the Company.

22 **Q.** **What did the remaining POD's request?**

1 A. POD 21 asked for the Company's/Leisure Properties' income tax returns and
2 associated workpapers for the years 1978 through 1986. POD 100 requested
3 Leisure Properties' detailed schedules maintained by the partnership with respect
4 to installment sales and profit/losses on installment sales. POD 101 requested the
5 general ledger of Leisure Properties of the years 1976 through 1980. Each of
6 these documents was requested to attempt to obtain additional contemporaneous
7 documents concerning the original cost of water system at the time it was sold to
8 SGU. Unfortunately, as shown in schedule 2, the Company responded that neither
9 it nor Leisure Properties had the documents requested, except for the 1985 tax
10 return for SGU and the 1986 tax return for Leisure Properties.

11

12 I find it interesting that some of these document were also produced in the
13 Company's last rate case, but have since disappeared. Some of the tax returns are
14 in the possession of Public Counsel through its participation in the last rate case.
15 However, they were requested in the instant case to ensure that there would be
16 no question by the Company as to the veracity, completeness, and legitimacy of
17 the documents.

18

19 The Office of the Public Counsel intends to use the tax returns at the hearings.
20 The other documents requested, which were not maintained, while possibly
21 relevant to the issue of the original cost of the system, can not be used for this
22 purpose.

1 Q. What do you conclude regarding the lack of additional documents concerning
2 the original cost of the Company's water system?

3 A. The Office of the Public Counsel attempted to obtain additional contemporaneous
4 documentation from the Company concerning the original cost of the water plant
5 at the time it was sold to SGU. The Company has not been able to provide this
6 information. As such, I believe that the best contemporaneous documentation
7 concerning the original cost of the water plant is that which is contained in my
8 prefiled direct testimony. Under the circumstances, I do not believe that it would
9 be appropriate for the Commission to rely either upon the rate base that it
10 established in the last case, or on another original cost study, should the utility
11 attempt to present one.

12 Q. Does this complete your supplemental testimony prefiled on July 12, 1994?

13 A. Yes, it does.

14

EXHIBIT
OF
KIMBERLY H. DISMUKES

St. George Island
Docket No. 940109-WU
Kimberly H. Dismukes Exhibit No. ____ (KHD-2)
Schedule 1
Cover Page

St. George Island Utility Company, Ltd.
Office of the Public Counsel's Production of Document Requests to St. George Island Utility Company, Ltd.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Interim and)
Permanent Rate Increase in)
Franklin County, Florida by)
ST. GEORGE ISLAND UTILITY)
COMPANY, LTD.)
_____ /

DOCKET NO. 940109-WU

Filed: February 11, 1994

CITIZENS' FIRST REQUEST FOR PRODUCTION OF DOCUMENTS TO
ST. GEORGE ISLAND UTILITY COMPANY, LTD.

Pursuant to Rule 25-22.34 of the Florida Administrative Code and Rule 1.350 of the Florida Rules of Civil Procedure, the Citizens of the State of Florida ("Citizens"), by and through Jack Shreve, Public Counsel, request St. George Island Utility Company, Ltd. ("Company") and its attorneys 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 March 14, 1994, or at such other time and place as may be mutually agreed upon by counsel.

INSTRUCTIONS

1. If any document is withheld under any claim of privilege, furnish a list identifying each document for which privilege is claimed, together with the following information: date, sender, recipients, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.
2. If you or your attorneys have possession, custody, or control of the originals of the documents requested, identify the originals or a complete copy of the originals and all copies

which are different in any way from the original, whether by interlineation, receipt stamp or notation. If you or your attorneys do not have possession, custody, or control of the originals of the documents requested, produce any copies in the possession, custody, or control, however made, of you or your attorneys.

3. If there is any document or other tangible item described by this request which is no longer in your possession, custody, or control, or is no longer in existence or accessible to you, indicate:

(a) the date and nature of the disposition of such document or other tangible item, including, but not limited to, whether such: (i) is missing or lost, (ii) has been destroyed, or (iii) has been transferred to another person;

(b) the circumstances surrounding such disposition, including any authorization thereof; and

(c) where applicable, the person currently in possession, custody, or control of such document or item.

4. If you object to any discovery requests, in whole or in part, on the basis of confidentiality, strictly follow the provisions of Florida Public Service Commission Rule 25-22.006(5) requiring a motion for a protective order no later than the date the response is otherwise due and urging all parties to seek mutual agreement before bringing a controversy to the Commission.

DEFINITIONS

1. "Document" or "documents" means any written, recorded, filmed or graphic matter, whether produced, reproduced, or on paper, 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, charts, graphs, statements, notebooks, handwritten notes, applications, agreements, books, pamphlets, periodicals, appointment calendars, records and recordings of oral conversations, work papers, and notes, any of which are in your possession, custody, or control.

2. As used herein "you" and "your" means St. George Island Utility Company, Ltd., together with its officers, employees, consultants, agents, representatives, attorneys (unless privileged), and any other person or entity acting on behalf of the Company, and/or any of SGU's predecessors in interest.

3. Words in the past tense include the present, and words in the present tense include the past. Use of the singular includes the plural, and use of the masculine includes the feminine where appropriate, and vice versa.

4. Construe "and" as well as "or" either disjunctively or conjunctively as necessary to bring within the scope of this request for production of documents any document which might otherwise be construed to be outside its scope.

5. For the purposes of these discovery requests the term "affiliate" means a party that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.

6. For the purposes of these discovery requests the term "control" means the

possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a specified party whether through ownership, contract, or otherwise.

7. For the purposes of these discovery requests the term "related party" and "related organization" means the Company, its affiliates, principal owners, management, and members of their immediate families, entities for which investments are accounted for by the equity method, or cost method and any other party with which the Company may deal when one party has the ability to significantly influence the management or operating policies of the other to the extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

8. For the purposes of these discovery requests the term "principal owner" means the owner(s) of record or known beneficial owner(s) of more than 10% of the voting interests of the Company.

9. For the purposes of these discovery requests the term "management" means any person(s) having responsibility for achieving the objectives of the organization and the concomitant authority to establish the policies and make the decisions by which such objectives are to be pursued. It would normally include members of the board of directors, the president, secretary, treasurer, any vice president in charge of principal business function (such as sales, administration, or finance), any other individual person who performs similar policy making functions.

10. The Citizens specifically request the Company to make a review of the files of employees reasonably expected to have information responsive to these discovery requests. Correspondence and notes of meetings, whether typed or handwritten, are specifically requested. If a particular employee is in charge of an area related to a discovery request, the Citizens

request the Company to search the files both of the employee in charge of the area as well as each employee reporting directly or indirectly to such person if their areas of responsibility also include matters reasonably likely to be responsive to the discovery request.

DOCUMENTS REQUESTED

1. For purposes of this request, please refer to the memo written by Mr. Gene Brown to the Florida Public Service Commission in connection with the June 2, 1992 Agenda Conference. Provide a copy of the "business plan" the utility is operating under as referred to on page 3 of this memo.
2. Provide any and all written correspondence terminating the January 8, 1992 agreement between the company and Rhema Business Services.
3. Provide a copy of the company's cash disbursements journal for 1993.
4. Provide a copy of the company's cash receipts journal for 1993.
5. Provide a copy of the company's general ledger and trial balance for 1993.
6. Provide a copy of all developer agreements between the company and developers on St. George Island.
7. Provide a copy of all records documenting the company's collection of CIAC.
8. Provide a copy of all records documenting the company's collection of AFPI.

9. Provide a copy of the journal entries supporting the company's 1992 and 1993 general ledgers.
10. Provide a copy of the corporate income tax returns for Armada Bay company for the years 1990, 1991, 1992 and 1993.
11. Provide a copy of the corporate income tax returns for ABC Management for the years 1990, 1991, 1992 and 1993.
12. Provide a copy of all workpapers, source documents, and calculations supporting the capital structure requested in this rate proceedings.
13. Provide all correspondence, memos, and documents in the company's possession custody or control which address the 1979 IRS Audit and Settlement with the company.
14. Provide a copy of the 1979 IRS Audit.
15. Provide on diskette, in IBM compatible format, the A, B, D, E, and F schedules of the company's MFRs.
16. For the last three years, provide all written financial presentations made to any lending agency.

17. Provide a copy of the company's liability insurance, property insurance, and all other insurance plans along with all documentation of annual premiums.
18. Provide a copy of all responses to audit requests made by the Public Service Commission Staff auditor.
19. Provide the company's income tax returns and associated workpapers for the years 1990, 1991, 1992, and 1993 when available.
20. Provide the company's income tax returns and associated workpapers for the years 1987, 1988, and 1989.
21. Provide the company's/Leisure Properties income tax returns and associated workpapers for the years 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, and 1986.
22. Provide a copy of all workpapers, calculations and source documents supporting each proforma adjustment included in the company's MFRs. If available, provide both a hard copy and a copy of a floppy diskette. Explain what software was used to create the workpapers. (Note, source documents would include such items as the quotes for insurance premiums and like documents relied upon by Mr. Seidman and others to make the test year proforma adjustments.)

23. For each person or company providing the utility with assistance/expertise (including legal) for this rate case, please provide the person or company's estimate or bid submitted to the utility for work to be performed in the instant docket and the company's requested rate case expense.
24. Provide a copy of all contracts with consultants and attorneys hired to assist with the instant rate case.
25. Provide a copy of all correspondence between the company and its consultants dealing with the instant rate case.
26. Provide a copy of the bills rendered to the company for legal, accounting, and engineering services performed in connection with the instant rate case and the rate case that was dismissed. Please indicate which bills refer to which rate cases.
27. Provide a copy of the System Analysis and System Maps and the engineer's estimate of the recommended update period, for which the company requests amortization.
28. Provide any and all documents which substantiate the mileage estimates used to determine the travel expenses for the test year.
29. Provide a copy of all receipts and vouchers for items added to the company's rate base

since 1987.

30. Provide a copy of all agreements between the company and Gene Brown.
31. Provide a copy of all agreements between the company and Armada Bay.
32. Provide a copy of all agreements between the company and any companies with which Mr. Brown is affiliated or associated.
33. Provide a copy of the June 10, 1992 letter referred to on page 12 of Mr. Coloney's testimony.
34. Provide all documents which substantiate the company's statement that DER/P mandated the construction of Well #3 as a back-up.
35. Please refer to page 6, lines 10-24 of Mr. Brown's testimony. Provide the customer survey referred to by Mr. Brown.
36. Please refer to page 13, lines 23-25 of Mr. Brown's testimony. Provide all pleadings and briefs filed in the administrative litigation referred to.
37. Reference page 22, lines 23 through 25 of Mr. Brown's testimony: Provide the

documents which indicate that a local savings and loan association has given preliminary approval for the refinancing.

38. Reference page 28, lines 9 through 11 of Mr. Brown's testimony: Provide a copy of the employee pension and profit sharing plan.
39. Reference page 31, lines 1 through 4 of Mr. Brown's testimony: Provide the agreement between Ms. Withers and the company.
40. Reference page 32, lines 1 through 20 of Mr. Brown's testimony: Provide the retainer agreement, all detailed time records kept by Mr. Brown, and the time records Mr. Brown kept when he and Ms. LaBatt were co-managing the utility.
41. Reference page 33, lines 1 through 17 of Mr. Brown's testimony: Provide a copy of the time records referred to by Mr. Brown.
42. Provide a copy of the price quote referred to on page 34 of Mr. Brown's testimony concerning testing: Provide a copy of any and all documents substantiating the lab costs of \$16,917 and the transport costs of \$9,805.
43. Provide a copy of the contract regarding uniforms referred to on page 34 of Mr. Brown's testimony.

44. Provide a copy of the contract with Eagle Tank Technology referred to on page 35 of Mr. Brown's testimony.
45. Provide any and all documents which support the \$35,040 estimate for cleaning the pipes throughout the Island, as referred to on page 35 of Mr. Brown's testimony.
46. Provide any and all documents which support the \$45,000 estimate for the hydrological study, as referred to on page 35 of Mr. Brown's testimony.
47. Provide a copy of the insurance quotes which support the insurance expense the company is requesting.
48. Provide any and all analyses undertaken by the company to substantiate the requested bad debt expense referred to on page 37 of Mr. Brown's testimony.
49. Provide a copy of the cellular phone bills of Mr. Brown and Mr. Garrett during 1993 and 1994.
50. Reference page 21, lines 17-19 of Mr. Seidman's testimony: Provide all documents and evidence which supports Mr. Seidman's statement that the premium is in line with that for similar coverage for other utilities.

51. Provide all correspondence between the utility and DEP from December 1, 1993 forward.
52. Provide a copy of all documents substantiating the amount of well #3 included in rate base. Provide proof that the company has paid all bills in connection with the cost of well #3.
53. Provide a copy of all documents substantiating the amount of the generator included in rate base: Provide proof that the company has paid all bills in connection with the generator.
54. Provide documents substantiating the unrecorded engineering design fees for the elevated storage tank that the company now claims must be capitalized.
55. Provide all documents substantiating the company's claims that DEP mandated a storage tank maintenance program.
56. Provide all documents substantiating the company's claims that the DEP is requiring the company to preform a complete revised system analysis in 1994: Provide all quotes obtained from engineers to preform this revision.
57. Provide all documents substantiating the company's claims that the DEP is requiring the

company to preform an aerator analysis in 1994: Provide all quotes obtained from engineers to preform this revision.

58. Provide all documents substantiating the company's claims that the NFWMD is requiring the company to preform an hydrological study: Provide all quotes obtained from engineers to preform this study.
59. Provide all documents substantiating the company's initial cost of the system maps and of the annual update costs.
60. Provide all documents substantiating the \$30,000 cost of the fire protection study.

Harold McLean
Associate Public Counsel

5

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FILE COPY

In Re: Petition for Interim and)
Permanent Rate Increase in)
Franklin County, Florida by)
ST. GEORGE ISLAND UTILITY)
COMPANY, LTD.)

DOCKET NO. 940109-WU

Filed March 4, 1994

CITIZENS' SECOND REQUEST FOR PRODUCTION OF DOCUMENTS TO
ST. GEORGE ISLAND UTILITY COMPANY, LTD.

Pursuant to Rule 25-22.34 of the Florida Administrative Code and Rule 1.350 of the Florida Rules of Civil Procedure, the Citizens of the State of Florida ("Citizens"), by and through Jack Shreve, Public Counsel, request St. George Island Utility Company, Ltd. ("Company") and its attorneys 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 April 4, 1994, or at such other time and place as may be mutually agreed upon by counsel.

INSTRUCTIONS

Please follow the instructions furnished with the Citizens first request for production of documents.

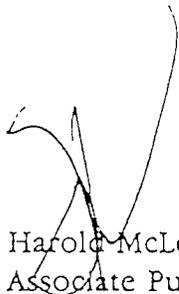
DOCUMENTS REQUESTED

61. Provide a copy of the St. George Island Utility Company, Ltd. partnership agreement.

62. Provide a copy of Leisure Properties, Ltd.'s, income tax returns for the years 1990, 1991, 1992, and 1993.
63. Provide a copy of G. Brown & Company's income tax returns for the years 1990, 1991, 1992, and 1993.
64. Provide a copy of Gene D. Brown, P.A.'s income tax returns for the years 1990, 1991, 1992, and 1993.
65. Provide a copy of Leisure Development's income tax returns for the years 1990, 1991, 1992, and 1993.
66. Provide a copy of Plantation Realty's income tax returns for the years 1990, 1991, 1992, and 1993.
67. Provide a copy of St. George Plantation, Inc.'s income tax returns for the years 1990, 1991, 1992, and 1993.
68. Provide a copy of The Tallahassee Yacht Club, Inc.'s income tax returns for the years 1990, 1991, 1992, and 1993.
69. Provide a copy of Covington Properties, Inc.'s income tax returns for the years 1990, 1991, 1992, and 1993.
70. Provide a copy of Mr. Gene Brown's personal income tax returns for the years 1990, 1991, 1992, and 1993.
71. Provide any and all documents used by the IRS, which is in the possession of the Company, which set the basis for the IRS's view that the value of the plant and equipment sold to St. George Island was less than \$3.0 million, in 1979.
72. Provide any and all documents used by the Company which set the basis for its view that the value of the plant and equipment sold to St. George Island was \$3.0

million, in 1979. (This is with respect to the IRS claim that the value was some \$1.5 million.)

73. Provide any and all surveys, studies, or other documents which substantiate the reasonableness of the management fee charged by Armada Bay.
74. Provide the Company's financial statements, income statement and balance sheet, from 1979 to the present.



Harold McLean
Associate Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FILE COPY

In Re: Petition for Interim and)
Permanent Rate Increase in)
Franklin County, Florida by)
ST. GEORGE ISLAND UTILITY)
COMPANY, LTD.)

DOCKET NO. 940109-W U
Filed March 25, 1994

CITIZENS' THIRD REQUEST FOR PRODUCTION OF DOCUMENTS TO
ST. GEORGE ISLAND UTILITY COMPANY, LTD.

Pursuant to Rule 25-22.34 of the Florida Administrative Code and Rule 1.350 of the Florida Rules of Civil Procedure, the Citizens of the State of Florida ("Citizens"), by and through Jack Shreve, Public Counsel, request St. George Island Utility Company, Ltd. ("Company") and its attorneys 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 April 25, 1994, or at such other time and place as may be mutually agreed upon by counsel.

INSTRUCTIONS

Please follow the instructions furnished with the Citizens first request for production of documents.

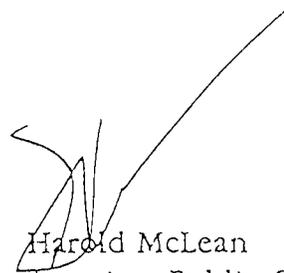
DOCUMENTS REQUESTED

75. Provide all documentation substantiating the Company's claim that DEP has approved the operation of well number 3, as indicated in response to OPC's Interrogatory 20.
76. Provide all documents, like closing statements and canceled checks, substantiating the price paid by the utility for all land included in rate base.
77. Provide all documents substantiating the utility's ownership of all land included in rate base.
78. Provide a copy of all legal bills rendered to the Company by Gene Brown, not in connection with the instant rate case. Provide this information for the years 1992, 1993, and 1994.
79. Provide a copy of all bills for management services rendered by Armada Bay Company to the Company for the years 1992, 1993, and 1994.
80. Please provide a copy of the bills rendered to the Company for legal, accounting, and engineering services performed in connection with the instant rate case. (Note this is an update to OPC's production of document request 26.)
81. Provide a copy of all canceled check for payroll for the year 1994.
82. Provide a copy of all legal bills rendered by Mr. Brown to all of his clients for the years 1992, 1993, and 1994. For purposes of this request, the names of the client and description of the work performed may be redacted from this response.
83. Provide a copy of all correspondence between the Environmental Protection Agency and the Company for the years 1992, 1993 and 1994.
84. Provide a copy of all correspondence between the Health and Rehabilitation Services and the Company for the years 1992, 1993 and 1994.
85. Provide a copy of all memos written to file by Mr. Gene Brown which mention, discuss, or analyze the Company and its operations for the years 1992, 1993, and 1994.

86. Provide for inspection and copying all documents provided to the Staff of the Florida Public Service Commission in response to Audit Request 25-C.
87. Provide a copy of all documents provided to the Staff of the Florida Public Service Commission in response to Audit Request 15 in Docket No. 930770-WU.
88. Provide a copy of all memos or other forms of correspondence written by Gene Brown to any employee, consultant, or account of the utility concerning accounting matters.
89. Provide a copy of all receipts and vouchers for all 1993 miscellaneous expenses.
90. Provide a copy of the January, February, and March 1994 general ledger and all supporting adjusting and standard journal entries.
91. Provide a copy of the leases for the fax and copy machines.
92. Provide a copy of all legal bills rendered to the Company in 1993 and 1994.
93. Provide a copy of all time records maintained by Mr. Brown since March 15, 1994 in connection with his management and legal work for the Company.
94. Provide a copy of all responses to Staff Audit requests provided by the utility after March 15, 1994.
95. Provide a copy of all correspondence between the Company and DEP since March 15, 1994.
96. Provide a copy of the settlement agreement referred to in the Company's December 23, 1993 letter to DEP.
97. Provide a copy of the developers agreement referred to in the Company's December 23, 1993 letter to DEP.
98. Provide a copy of the December 31, 1993 general ledger prior to modification by Mr. Brown. (The utility's accountant produced the general ledger for Mr. Brown's inspection on Friday March 18, 1993. This is the version of the general ledger being requested herein.)
99. Provide invoices for the preparation of income tax returns and financial statement for each company with which Mr. Brown is associated/affiliated.
100. With respect to Leisure Properties, for the years 1976, 1977, 1978, 1979, and 1980,

) please provide all detailed schedule(s) maintained by the partnership with respect to installment sales and profits/losses on installment land sales.

101. With respect to Leisure Properties, for the years 1976, 1977, 1978, 1979, and 1980, please provide the partnership's general ledger.

A handwritten signature in black ink, appearing to read "Harold McLean", is written over the typed name. The signature is stylized with a large, sweeping flourish that extends upwards and to the right.

Harold McLean
Associate Public Counsel

St. George Island
Docket No. 940109-WU
Kimberly H. Dismukes Exhibit No. ____ (KHD-2)
Schedule 2
Cover Page

St. George Island Utility Company, Ltd.
Responses to the Office of the Public Counsel's Production of Document Requests

Re: OPC Document Request No. 13

The company does not have the documents requested.

Re: OPC Document Request No. 14

The company does not have a copy of the audit.

Re: OPC Document Request No. 21

The 1985 return for the company and the 1986 return for Leisure are enclosed. Neither Leisure nor the company has the others.

Re: OPC Document Request No. 71

The company does not have any such documents.

POD # 173

PROMISSORY NOTE

\$2,800,000.00

November 9, 1979

FOR VALUE RECEIVED, St. George Island Utility Company, Ltd., a Florida limited partnership, hereby promises to pay to LEISURE PROPERTIES, LTD, a Florida limited partnership, the Payee, or order, the principal sum of TWO MILLION EIGHT HUNDRED THOUSAND AND NO/100 DOLLARS (\$2,800,000.00), with interest from date at the rate of six percent (6%) per annum on the unpaid balance until paid, payable as follows: 420 monthly installments of \$15,966.00 including principal and interest, payable on the first day of each month following the month in which this note is executed. The Maker may pay all or any part of the unpaid principal at any time before it is due without payment of premium or penalty for such payment.

In the event of a default in payment, the Maker will pay all costs of collection, including a reasonable attorney's fee. Protest is waived.

This promissory note is secured by a real estate mortgage and security agreement of even date herewith, and any default under this note shall constitute a default under said mortgage and security agreement. The Maker of this note shall have no liability for a deficiency judgment in the event of a foreclosure under such mortgage, and the Mortgagee shall look only to the land and improvements thereon for repayment of said note.

ST. GEORGE ISLAND UTILITY COMPANY, LTD.,
a Florida limited partnership

BY: LEISURE PROPERTIES, LTD., a Florida
limited partnership, GENERAL PARTNER

By: John R. Stocks
John R. Stocks, General Partner

Gene D. Brown
Gene D. Brown, General Partner

P00#72

This Mortgage Deed

Executed the 9th day of November A. D. 1979 by

ST. GEORGE ISLAND UTILITY COMPANY, LTD., a Florida limited partnership
hereinafter called the mortgagor, to LEISURE PROPERTIES, LTD., a Florida limited partnership

hereinafter called the mortgagee:

(Wherever used herein the terms "mortgagor" and "mortgagee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations; and the term "note" includes all the notes herein described if more than one.)

Witnesseth, that for good and valuable considerations, and also in consideration of the aggregate sum named in the promissory note of even date herewith, hereinafter described, the mortgagor hereby grants, bargains, sells, aliens, remises, conveys and confirms unto the mortgagee all the certain land of which the mortgagor is now seized and in possession situate in Franklin County, Florida, viz:

Lot 7, Block 1, Eastpoint Addition, as per map or plat thereof recorded in Plat Book 3, Page 4 of the Public Records of Franklin County, Florida.

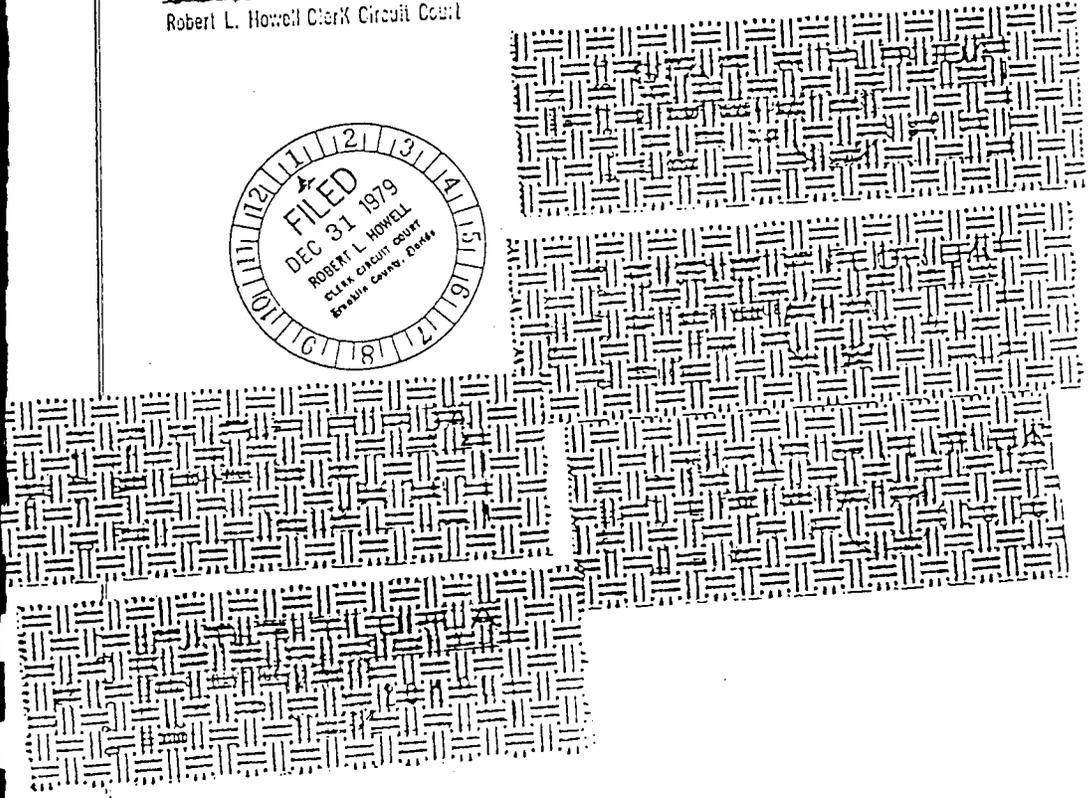
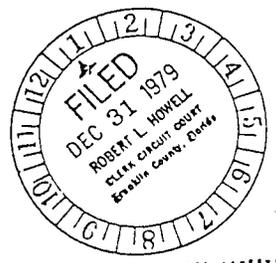
ALSO:

Lots 7, 8, 9 and 10, Block 5 West, St. George Island Gulf Beaches, Unit 1, as per map or plat thereof recorded in Plat Book 2, Page 7 of the Public Records of Franklin County, Florida.

Received \$5600.00 in payment of Taxes due on Class C Intangible Personal Property, pursuant to Chapter 20724, Laws of Florida, Act of 1941.

Recorded O.R. 164 Page 362
Franklin County, Florida

Brenda M. DeLoe Deputy Clerk
Robert L. Howell Clerk Circuit Court



and shall perform, comply with and abide by each and every the agreements, stipulations, conditions and covenants thereof, and of this mortgage, then this mortgage and the estate hereby created, shall cease, determine and be null and void.

Recorded O.R. 164 Page 364
Florida County Leon

And the mortgagor hereby further covenants and agrees to pay promptly when due the principal and interest and other sums of money provided for in said note and this mortgage, or either; to pay all and singular the taxes, assessments, levies, liabilities, obligations, and encumbrances of every nature on said property; to permit, commit or suffer no waste, impairment or deterioration of said land or the improvements thereon at any time; to keep the buildings now or hereafter on said land fully insured in a sum of not less than in a company or companies acceptable to the mortgagee, the policy or policies to be held by, and payable to, said mortgagee, and in the event any sum of money becomes payable by virtue of such insurance the mortgagee shall have the right to receive and apply the same to the indebtedness hereby secured, accounting to the mortgagor for any surplus; to pay all costs, charges, and expenses, including lawyer's fees and title searches, reasonably incurred or paid by the mortgagee because of the failure of the mortgagor to promptly and fully comply with the agreements, stipulations, conditions and covenants of said note and this mortgage, or either; to perform, comply with and abide by each and every the agreements, stipulations, conditions and covenants set forth in said note and this mortgage or either. In the event the mortgagor fails to pay when due any tax, assessment, insurance premium or other sum of money payable by virtue of said note and this mortgage, or either, the mortgagee may pay the same, without waiving or affecting the option to foreclose or any other right hereunder, and all such payments shall bear interest from date thereof at the highest lawful rate then allowed by the laws of the State of Florida.

If any sum of money herein referred to be not promptly paid within _____ days next after the same becomes due, or if each and every the agreements, stipulations, conditions and covenants of said note and this mortgage, or either, are not fully performed, complied with and abided by, then the entire sum mentioned in said note, and this mortgage, or the entire balance unpaid thereon, shall forthwith or thereafter, at the option of the mortgagee, become and be due and payable, anything in said note or herein to the contrary notwithstanding. Failure by the mortgagee to exercise any of the rights or options herein provided shall not constitute a waiver of any rights or options under said note or this mortgage accrued or thereafter accruing.

In Witness Whereof, the said mortgagor has hereunto signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in the presence of:
Barbara L. Witty
Darlene E. Johnson

ST. GEORGE ISLAND UTILITY COMPANY, LTD., A Florida limited partnership
BY: LEISURE PROPERTIES, LTD., a Florida limited partnership, GENERAL PARTNER
By: John R. Stocks, General Partner
By: Gene D. Brown, General Partner

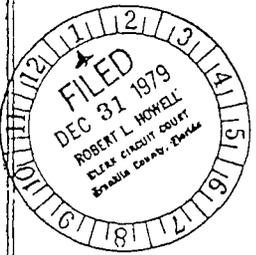
STATE OF FLORIDA,
COUNTY OF LEON

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State aforesaid and in the County aforesaid to take acknowledgments, personally appeared JOHN R. STOCKS and GENE D. BROWN, as General Partners of Leisure Properties, Ltd. a Florida limited partnership, GENERAL PARTNER of ST. GEORGE ISLAND UTILITY CO. LTD. to the known to be the person described in and who executed the foregoing instrument and they acknowledged before me that they executed the same.

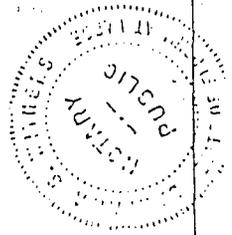
WITNESS my hand and official seal in the County and State last aforesaid this 9th day of November A. D. 1979

Barbara L. Witty
Notary Public

NOTARY PUBLIC STATE OF FLORIDA
COMMISSION EXPIRES JULY 29 1982



FILE NO. 54-816



This Instrument prepared by: A. Eugene Lewis
Address P. O. Box 1109
Tallahassee, Florida 32302

To Have and to Hold the same, together with the tenements, hereditaments and appurtenances thereto belonging, and the rents, issues and profits thereof, unto the mortgagee, in fee simple.

And the mortgagor covenants with the mortgagee that the mortgagor is indefeasibly seized of said land in fee simple; that the mortgagor has good right and lawful authority to convey said land as aforesaid; that the mortgagor will make such further assurances to perfect the fee simple title to said land in the mortgagee as may reasonably be required; that the mortgagor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free and clear of all encumbrances except taxes accruing subsequent to December 31, 1978.

Subject to that certain mortgage executed by LEISURE PROPERTIES, LTD., a Florida limited partnership, to CITIZENS COMMERCIAL BANK OF TALLAHASSEE, a Florida corporation, dated the 17th day of November, 1976, as recorded in Official Records Book 136, Pages 233-280 of the Public Records of Franklin County, Florida and a mortgage dated August 14, 1979, recorded in Official Records Book 161, Pages 209-217 of the Public Records of Franklin County, Florida, which the grantor guarantees to pay.

Recorded O.R. 164 Page 363
Franklin County, Florida

Provided Always, that if said mortgagor shall pay unto said mortgagee the certain promissory note hereinafter substantially copied or identified, to-wit:

PROMISSORY NOTE

\$2,800,000.00

November 9, 1979

FOR VALUE RECEIVED, St. George Island Utility Company, Ltd., a Florida limited partnership, hereby promises to pay to LEISURE PROPERTIES, LTD, a Florida limited partnership, the Payee, or order, the principal sum of TWO MILLION EIGHT HUNDRED THOUSAND AND NO/100 DOLLARS (\$2,800,000.00), with interest from date at the rate of six percent (6%) per annum on the unpaid balance until paid, payable as follows: 420 monthly installments of \$15,966.00 including principal and interest, payable on the first day of each month following the month in which this note is executed. The Maker may pay all or any part of the unpaid principal at any time before it is due without payment of premium or penalty for such payment.

In the event of a default in payment, the Maker will pay all costs of collection, including a reasonable attorney's fee. Protest is waived.

This promissory note is secured by a real estate mortgage and security agreement of even date herewith, and any default under this note shall constitute a default under said mortgage and security agreement. The Maker of this note shall have no liability for a deficiency judgment in the event of a foreclosure under such mortgage, and the Mortgagee shall look only to the land and improvements thereon for repayment of said note.

ST. GEORGE ISLAND UTILITY COMPANY, LTD.,
a Florida limited partnership

BY: LEISURE PROPERTIES, LTD., a Florida
limited partnership, GENERAL PARTNER

By: John R. Stocks
John R. Stocks, General Partner

Gene D. Brown
Gene D. Brown, General Partner

Re: OPC Document Request No. 100

Leisure Properties, Ltd. does not have the documents requested.

Re: OPC Document Request No. 101

Leisure Properties, Ltd. does not have the documents requested.

CERTIFICATE OF SERVICE
DOCKET NO. 940109-WU

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished
by U.S. Mail or hand-delivery to the following parties on this 11th day of July, 1994.

Robert Pierson, Esq.
Division of Legal Services
Florida Public Service Commission
101 E. Gaines St.
Tallahassee, FL 32301

Gene D. Brown, Esq.
3848 Killlearn Court
Tallahassee, FL 32308

Barbara Sanders, Esq.
53 C Avenue
P.O. Box 157
Apalachicola, FL 32320

G. Steven Pfeiffer, Esq.
Apgar, Pelham, Pfeiffer &
Theriaque
909 East Park Avenue
Tallahassee, FL 32301



Harold McLean
Associate Public Counsel