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Public Service Commission

March 29, 2011

Mr. Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, Florida 32746

Re: Docket No. 110061-WS, Application for authority to transfer assets and Certificate Nos. 517-W and 450-S of Service Management Systems, Inc. to Aquarina Utilities, Inc., in Brevard County

Dear Mr. Friedman:

The above referenced application has been received and reviewed by my staff. Please complete the following deficiencies and provide the requested additional information to clarify the application.

Deficiencies

1. Address of Seller. Rule 25-30.037(2)(a), Florida Administrative Code (F.A.C.), requires the application to contain the complete name and address of the seller. The address provided in the application matches the Service Management Systems, Inc. (SMS) receiver's address that is on file with the Florida Public Service Commission (PSC or Commission), but not the address of the seller, FL-Service Management, LLC, as shown on page 8 of the Purchase and Sale Agreement (Agreement). Also, a Regulatory Assessment Fee (RAF) notice that was mailed by the PSC to the receiver's 826 Creel Street address in Melbourne, Florida in February 2011, was returned to the PSC as undeliverable and unable to forward.
 - A. Please provide the current name and address of the seller.
 - B. Please provide the current name and address of the receiver.
2. Financing of the Purchase and Additional Funding. Rule 25-30.037(2)(i), F.A.C., requires the application to contain a statement describing the financing of the purchase. Further, Rule 25-30.037(2)(k), F.A.C., requires the application to contain a list of all entities upon which the applicant is relying to provide funding to the buyer, and an explanation of the manner and amount of such funding, which shall include their financial statements and copies of any financial agreements with the utility. This requirement shall

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not apply to any person or entity holding less than 10 percent ownership interest in the utility. The application only states that the purchase will be financed with a combination of debt and equity.

- A. Please provide more specific information about the debt and equity, such as the sources and amounts of debt acquired and equity used for the purchase.
 - B. Please indicate whether the buyer is relying on other entities for funding, and if so, please provide the required additional information.
3. **Financial Ability.** Rule 25-30.037(2)(j), F.A.C., requires in part that the application include a showing of the buyer's financial ability to provide service. The application indicates that a proforma balance sheet of the buyer will be filed as Late Filed Exhibit B and that the personal financial statement of the majority shareholders of the buyer will be provided upon request. Please provide financial information to demonstrate that the buyer has the financial ability to provide service.
 4. **Federal Income Tax Returns.** Rule 25-30.037(2)(o), F.A.C., requires the application to contain a statement from the buyer that it has obtained or will obtain copies of all of the federal income tax returns of the seller from the date the utility was first established, or rate base was last established by the Commission or, if the tax returns have not been obtained, a statement from the buyer detailing the steps taken to obtain the returns. Please provide the required information.
 5. **Regulatory Assessment Fees.** Pursuant to Rule 25-30.037(2)(r), F.A.C., the application contains a statement that there are no outstanding RAFs due, and that the seller will be responsible for all RAFs through closing. However, as of the date of this letter, the Commission's records show that SMS is delinquent on paying its 2010 RAFs that were due on January 31, 2011. Please provide additional information regarding payment of the 2010 and 2011 RAFs due through the closing date, including when the 2010 RAFs will be paid, whether the seller or receiver is responsible for submitting the payment, and whether the seller would be willing to pay the 2011 RAFs owed through closing at this time rather than waiting until the July 30, 2011 due date.

Additional Information

1. **Contract for Sale – Debt of Utility.** Rule 25-30.037(2)(h), F.A.C., requires that the contract for sale shall provide for the disposition, where applicable, of certain items including debt of the utility. Although the application contains a statement that there is no debt of the seller that must be disposed of in association with the transfer, the Agreement includes reference to a loan that SMS obtained from the Florida Department of Environmental Protection (DEP) State Revolving Fund (SRF) (Agreement, Item 3 – Assumption of Obligations, page 3). Please provide an update on the status of the DEP SRF loan, including the status of the utility upgrades or improvements being financed through that loan.

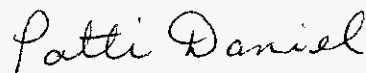
2. Condition of Systems. Pursuant to Rule 25-30.037(2)(p), F.A.C., the application includes a statement that after reasonable investigation, the buyer has determined that the systems being acquired appear to be in satisfactory condition and in substantial compliance with all applicable standards set by the DEP. However, in January 2011, the DEP issued a letter regarding the recent Compliance Sampling Inspection for the wastewater facility. This letter noted that at the time of the inspection, two blowers located at the aeration basin, and the clarifier drive skimmer unit were not installed or operational at the facility. The letter also stated that these deficiencies were noted in the previous Noncompliance Letter OCD-C-WW-10-0028 dated January 28, 2010. Please verify if the noted equipment has been repaired/installed, and if so, give the date of completion. If not, please provide an update on the status of the repairs and expected completion date.
3. Notice of Application. Pursuant to Section 367.045(1)(a), Florida Statutes, and Rule 25-30.030, F.A.C., the application contains an affidavit that the actual notice of the application was given to the entities on the list provided by the Commission. However, Exhibit E of the application does not include the list of entities that were mailed a notice. Please provide the list of entities referenced in the affidavit in Exhibit E.

The **original and four copies** of the response to the information requested in this letter should be filed with the Commission on or before **April 29, 2011**. When filing the response, please be sure to refer to the docket number and to direct the response to:

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Should you have any questions concerning the information in this letter, please contact Anna Williams at (850) 413-6076 for legal questions, or my staff members, Martha Golden at (850) 413-7015 or Jay Williams at (850) 413-6447 for technical questions.

Sincerely,



Patti Daniel
Public Utilities Supervisor
Bureau of Certification, Economics & Tariffs

pd/mg

cc: Division of Economic Regulation (Davis, Golden, Kaproth, Slemkewicz, Williams)
Office of the General Counsel (Williams)
Office of Commission Clerk