

REQUEST TO ESTABLISH DOCKET

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Date:	7/27/2011	Docket No.:	110237-WS
1. From Division / Staff:	ECR/ Slemkewicz JS		COMMISSION CLERK
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.		<input type="checkbox"/> 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:	<input checked="" type="checkbox"/> Supporting Documentation Attached		<input type="checkbox"/> To be provided with Recommendation
Comments: The attached documents were filed in Docket No. 100104-WU			

- COM _____
- APA _____
- ECR | _____
- GCL _____
- RAD _____
- SSC _____
- ADM _____
- OPC _____
- CLK _____

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

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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

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Attorney for Utility

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"

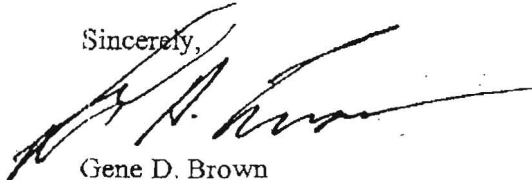
Ms. Debra Dobiac
Page Two
May 20, 2011

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**

	CASH	CASH	CASH
	IN FROM	OUT PER	OPERATING
YEAR	RATEPAYERS	CHECKBOOKS	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	1,881,337.62	(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	897,718.13	779,268.85
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	1,023,144.81	525,207.63
GSB-Constr	318.69	363,282.27
FMB-WMS	447,242.84	133,936.07
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	484,122.23
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	1,602,070.63	1,689,885.25
GSB-Constr	31,937.25	36,218.92
FMB-WMS	380,920.11	316,607.74
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:	\$1,590,696.36	\$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.

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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's 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
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Associate Public Counsel

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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.

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