BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 110200-WU

WATER MANAGEMENT SERVICES, INC.

IN RE: APPLICATION FOR INCREASE IN WATER RATES IN FRANKLIN COUNTY BY WATER MANAGEMENT SERVICES, INC.

COM 5
APA 1
ECR 6
GCL 1
RAD 1
SRC
ADM
OPC
CLK Ct Rep

TESTIMONY & EXHIBITS

GENE D. BROWN

TESTIMONY OF GENE D. BROWN

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN DOCKET NO. 110200-WU

REGARDING THE APPLICATION OF

WATER MANAGEMENT SERVICES, INC.

FOR AN INCREASE IN RATES & CHARGES

AND A REVISION OF

SERVICE AVAILABILITY CHARGES

Q. Please state your name and business address.

A. My name is Gene D. Brown. My Business address is 250 John Knox Road, No. 4, Tallahassee, FL 32303.

Q. By whom are you employed and what is your position?

A. I am employed by Water Management Services, Inc. as its president and chief executive officer.

Q. Please describe your duties and responsibilities in that position.

A. I have overall responsibility for all operations of the company.

Q. Please describe your educational background and utility experience.

A. I have a BS degree from Florida State University and a JD degree from the

University of Florida. I started the company in 1974 and have served as its CEO since that time.

Q. What is the size of the Utility?

A. At the end of 2010, we had 1980 service connections, including active and inactive.

Q. What are the numbers as of now?

A. We now have 1,989 total service connections, 1,818 of which are active.

Q. When were your rates last set by the Florida Public Service Commission?

A. On January 3, 2011, the Commission entered a final order in Docket No. 100102-WU, which set our rates.

Q. Why are you filing another case so soon?

A. This Utility cannot survive with the results of that order, which is now on appeal. It actually lowers our rates 20 years after our last prior rate case in 1994, which was based on a 1992 test year. Under the recent order, the Utility cannot properly operate and maintain its system, and it is impossible to pay the debt service on the $6,000,000 loan used to pay for a new water line several years ago. We have now completed the bidding process for the improvements referenced in the last case, and we need increased rates and charges to pay for these improvements. If the

Utility does not get some immediate rate relief, there is no way the Utility can continue to operate at its existing level. While the Utility's revenue has decreased during the last 20 years, the cost of doing business has increased. By allowing shallow wells the Northwest Florida Water Management District has substantially reduced the Utility's water sales but expenses have continued to increase. The Utility has also suffered a loss of active customers because of the economic downturn. All this has resulted in a loss of water sales in excess of 30%. All the while, the system is suffering because of its age, and the regulatory agencies continue to increase the standards that we have to meet.

Q. Can you be more specific about the current financial condition of the company?

A. Yes, as shown by Schedule F-3(c) of our 2009 annual report, our net income for the year ended 12/31/09 was a loss of $331,692. As shown by schedule F-3(c) on the 2010 annual report, our net income for the year ended 12/31/10 was a loss of $504,038. This is all based upon accounting in strict accord with the NARUC system of accounts.

Q. What do your federal income tax returns show?

A. Our 2009 federal income tax return showed a net loss in taxable income of $354,156. Our 2010 return showed a net loss of $426,791. This is all based on standard tax accounting to reflect all income, from all sources.

Q. How has the company stayed in business with those kinds of results?

A. As I testified in the last case, my affiliates and I have been subsidizing this Utility for many years.

Q. In his opening statement at the hearing in the last case, Florida's Public Counsel told the Commissioners, the Commission staff and many of your customers that you and your affiliates had taken $1,200,00 of customer funds out of the Utility. Was that true?

A. No. That was a deliberate and slanderous falsehood designed to incite our customers and to prejudice the Commission and its staff against everything we said or did from that point forward.

Q. How did you handle this at the hearing?

A. I testified that neither I nor any affiliate have ever taken one dollar of ratepayer funds for non-utility purposes. I also stated that I have been subsidizing the operations of the Utility for many years through outside loans, personally endorsed loans within the company, and various other types of subsidies necessary to cover the constant cash operating deficits.

Q. Can you be more specific about that?

A. Yes, after the hearing in the last case, I asked my accountants to perform a cash-flow audit of all operations of Water Management Services, Inc. from the beginning of 2000 through the end of 2010, an 11 year period.

Q. Why did you start in the year 2000?

A. That is the year that the State of Florida began tearing out our water line to the island, which eventually cost the Utility over $7,000,000.

Q. Do you have the results of that audit?

A. Yes, a summary of the audit is attached as Exhibit A.

Q. What does it show?

A. It shows that from the beginning of 2000 through the end of 2010, I have had to come up with $16,237,526 in cash over and above the amount collected from ratepayers, just to keep the Utility in operation to provide water service to St. George Island.

Q. Does that include account 123, entitled Investment in Associated Companies?

A. Yes, but the sixteen million dollar figure is net of Account 123.

Q. How did you raise $16 million in cash over and above the amount that the PSC allowed you to collect from your customers?

A. Primarily through the liquidation of personal resources and substantial loans that I personally endorsed and will have to repay. At the beginning of the year 2000, when the state started tearing out our water line, the total Utility debt was $1,558,957. By the end of last year, 2010, the Utility debt had risen to $8,096,036. The funds from this increasing debt have been used to fund the Utility's cash operating deficits shown by **Exhibit A.**

Q. Are you saying that you personally put sixteen million dollars in the company?

A. No, but I am saying that I had to personally secure these funds, primarily through loans to the Utility, in order to meet its obligations and provide water to the island with no interruption of service. This sixteen million dollar figure is an 11 year total of all the annual cash deficits. Some of this deficit involves the repayment of loan which were then replaced by other loans. But the net total debt grew by almost $7,000,000, which is about what the water line cost. I had this cash flow audit done primarily to show the reality of running this Utility company on a real-world, cash basis. There has never been enough cash from ratepayers to pay the actual operating costs. There is a big difference between theoretical NARUC accounting and the actual cash it takes to run this Utility on a day-to-day basis.

Q. What is the current status of Account 123?

A. We have discontinued using that account as of the end of last year, 2010, because it was causing so much confusion. It was a distraction used by the Office of Public Counsel to discredit me and my management of the Utility.

Q. What is the balance in that account, 123?

A. The balance is $1,175,075, as confirmed by a recent PSC audit.

Q. What does this balance represent?

A. It now represents 100% of the stock ownership of Brown Management Group, Inc., my primary affiliate.

Q. How does the value of Brown Management Group, Inc. compare with the balance in Account 123?

A. The value of the 100% ownership of Brown Management Group, Inc. is in excess of the balance in Account 123. This was documented as part of the PSC audit of Account 123.

Q. Does Brown Management Group, Inc. have any practical, real-world benefit to the Utility?

A. Yes, for example, the cash operating deficit of the Utility last year was $705,265. A large part of that cash came from the sale of assets owned by Brown Management Group, Inc. The investment in Brown Management Group, Inc. has turned out to be a lot better investment than the investment in Water Management Services, Inc.

Q. Do you expect these cash operating deficits to continue?

A. Yes, unless we get substantial rate relief in this case, there is no reason for the cash deficits to stop.

Q. Do you personally have the ability to continue funding these deficits?

A. No, I have exhausted my personal assets, and the last order from the PSC destroyed any possibility of the Utility being able to borrow any more money.

Q. How do you expect to repay over $8 million in Utility debt ?

A. The only possible way is through a substantial increase in service availability charges, which we have requested in this case.

Q. What is the basis for your request for an increase in service availability charges?

A. A water utility in Florida regulated by the PSC should be allowed to collect 75% of the net cost of its plant investment from its ratepayers. That helps make up for the fact that the monthly rates paid by customers do not provide any recovery for the purchase of plant assets, or for principal reductions on loans used to acquire plant assets.

Q. What is the Utility's current ratio of net plant to net CIAC?

A. Our current ratio is 34%. When we complete the necessary improvements described in this filing, our ratio will be 19%.

Q. How does this compare with other similar water utility companies regulated by the PSC?

A. From my review of the records and cases involving other PSC regulated water utilities in Florida, it appears that they are normally allowed to operate at or near the 75% ratio outlined in the PSC rule on this matter. For example, the only other PSC regulated water utility in Franklin County was approved for 75% and has been operating at that level since receiving PSC approval.

Q. Do you understand why Water Management Service, Inc. has not been allowed to collect service availability charges at that 75% level?

A. No. In our 1994 case, the PSC said we were at 76%, so they decreased our plant capacity charge by 32% from $1,245 to $845. When we asked for an increase in our service availability charges in our case filed last year, the PSC again denied any increase, stating that this could result "in an over earnings posture in the immediate future." I frankly do not understand how any reasonable person can look at our books and rate of growth, and then objectively conclude that we are in danger of "over earning."

Q. What, if anything do you intend to do with the money guaranteed from the increased service availability charges requested in this case?

A. I intend to offer the Florida Department of Environmental Protection, which administers our SRF pipeline loan, a loan modification to pay them 100% of all

CIAC collected by the Utility during the next 10 years as a principal reduction on their loan.

Q. Do you believe they will accept that offer?

A. Yes, I do. It is the only reasonable way for them to be fully repaid.

Q. In practical terms, how will that work?

A. The principal balance on our DEP/SRF loan is $5,036,289. The amount of CIAC projected between now and design capacity 10 years from now, is approximately $4,000,000 based upon our application for an increase. That will leave about $1,000,000 on the loan, which can be repaid within the remaining loan amortization period. All the interest will be paid currently from operating revenue. I have found the people at DEP to be reasonable and practical. They just want to be repaid within the new amortization period of 30 years.

Q. Have you reduced any expenses since the last rate case?

A Yes. We have done away with the vehicles driven by Ms. Chase and me so that the Utility does not pay any costs in connection with those two vehicles. Instead, the Utility reimburses us for actual miles driven for utility business, which is a savings for the Utility. We have also reduced the salary expense and other costs related to Mr. Mitchell, Ms. Chase and myself by 5% as well as a 5% reduction in the rent and other costs related to our Tallahassee office.

Q. What is the basis for that?

A. That is my estimate as to the maximum amount of time, based on a 40 hour week, that the three of us spend on Brown Management Group, Inc. and anything else that benefits me personally. As I stated earlier, Brown Management Group, Inc. is now owned 100% by the Utility.

Q. Anything else?

A. Yes. I decreased Mr. Garrett's salary by 25%, from $57,800 to $43,350.

Q. Have you cut the salaries of Ms. Chase or Ms. Molsbee?

A. Ms. Chase's salary expense to the company was cut by 5%, and she is no longer provided with a vehicle. Taken together, this is a substantial reduction in her compensation. I have not cut the salary of Ms. Molsbee. She makes $60,000 per year, which is what I guaranteed her if she got her operator's license and took over full responsibility for all the island operations. She received part of this raise in 2008 when she got her license, and the balance in 2009 when I was able to let my other operator go and turn everything over to her. She and Ms. Chase are my two most important employees, and the Utility cannot afford to lose either one of them.

Q. Have you made any other cuts?

A. Yes, I removed the key man life insurance cost from the Utility, and we discontinued the deferred compensation plan.

Q. **Do you have any incentives for long-term employees?**

A. Yes. We have a provision in our 401(k) plan that provides for increased contributions for long-term employees who meet certain qualifications. This is available to all employees and it provides a great incentive for them to stay with the company. It is fully funded, and it fulfills a promise I made to my key employees when they were hired, or in the case of Mr. Garrett and Ms. Molsbee, when they were rehired.

Q. **Can you make any other cuts?**

A. No. I have considered other options, but I cannot make any deeper cuts without risking a diminution in the level of service that our customers have come to expect.

Q. **How does the level of compensation for personnel at this time compare with the same level 8 years ago?**

A. It has increased by 1% per year, as shown by **Exhibit B** attached.

Q. **How does this compare with the level of increase or decrease in the number of customers, both active and inactive, for the same period of time?**

A. Those customers have increased by 1.2% per year, also as shown by **Exhibit B**.

Q. Why do you include inactive customers in that comparison?

A. Once we accept CIAC from a customer and establish a new service connection, we have a commitment to serve that location at a certain level. That level of capacity is reserved and used in all our "peak day" calculations and ERC planning calculations. All those service locations could be activated at any time and we consider them part of our customer base.

Q. What impact do shallow wells have on your business?

A. In addition to decreasing our revenue substantially, they compound our problems with cross-connection control, which requires more and more personnel time. What we have now is basically a voluntary, or optional water system. But we still provide water flow and pressure for all lots and structures, including those that do not use our water service at all or use it on a limited basis. Nevertheless, we have to stand ready to serve all potential customers, including those who may need service quickly when their well goes dry or has a pollution problem.

Q. Has that ever happened?

A. Yes, many years ago, we had to connect a large number of service locations in a short period of time during a drought on St. George Island.

Q. Does the Utility company get any financial help for the fire protection which you provide?

A. No. The county collects a "fire tax," but we get none of that. In fact, we have to pay part of the tax. All we get from the government is greater regulation and more rules regarding fire protection. In fact, we recently had to expand our capital improvement plan because of a new DEP rule.

Q. What have you done about the plant improvements that were considered in the last case?

A. We had our engineer complete a capacity study and hydraulic analysis to determine exactly what the system needs. Based on that and the work done by PBS&J, we designed new improvements to bring the system up to a high standard of safety and reliability. In addition to the improvements discussed in the last case, we have added a new fifth well and fire flow improvements necessary to meet the demands of the St. George Island Volunteer Fire Department and a new rule adopted by DEP since the last case was filed.

Q. Have these improvements been through a bidding process?

A. Yes, with the exception of the fire flow improvements which were determined to be necessary after the bid process had been completed for the other improvements.

Q. How do you plan to handle these fire flow improvements?

A. By a change order to the contract we will sign with the low bidder for all the other improvements. This is distribution system pipe work, and the change order will be based upon the same type and price of pipe work that was included in the low bid.

Q. Speaking of the distribution system, do you have an opinion as to whether the distribution system is 100% used and useful in the Plantation on the west end of the island?

A. Yes, I believe it is all 100% used and useful. The distribution lines were constructed in the Plantation around 25-35 years ago. At that time, Leisure Properties was the general partner and manager of the Utility company, which was owned by St. George Island Utility Company, Ltd., not Water Management Services, Inc. Also, there was a DRI enforced by the State of Florida which required every structure built in the Plantation to connect to the Utility's water system. That changed a few years ago when the Northwest Florida Water Management District filed an action against the Utility in the First District Court of Appeal which resulted in an order nullifying the DRI. The District now encourages wells throughout the island, including the Plantation, and any customer can put in a well for potable or non-potable uses with no consumptive use permit from the District, and with no notification to the Utility. Of course, those customers still demand fire flow and pressure from the Utility company to help save their structures in the event of a fire. And, of course, they will demand immediate service from the Utility if their well goes dry or has a pollution problem.

Q. When were the distribution lines in the Plantation installed?

A. Most of them were installed between 1975 and 1985 to serve homes scattered throughout the Plantation.

Q. What size lines serve those houses?

A. Substantially all the homes are served by lines less than 8" in diameter. The 8" line is a trunk line along Leisure Lane which serves the subdivisions where the houses and fire hydrants are located.

Q. Do you understand the logic of the recent PSC order which disallowed any return on about 40% of all the lines less than 8" in the Plantation?

A. No, I do not. The homes and the fire hydrants have all been built on those lines, and it was necessary to run all those lines to serve and protect the approximately 570 customers we have scattered throughout the Plantation, which includes most of the buildable lots.

Q. How will the Utility ever get a return on your investment if the used and useful calculation is not changed in this case?

A. We never will unless the calculation is changed soon. In fact, we have already lost most of this. The useful life on these lines is 38 years, so most of the depreciation is already gone with no return. There is no guarantee that we will ever have another customer on those lines. If the used and useful percentage is not changed within 38 years of the in-service date, which is coming up soon, there will be nothing left in plant regarding these smaller lines. Accordingly there will be nothing left to flow down to rate base, which is the only way we can get a return on our investment and cost of debt.

Q. Do you intend to install any more lines in the Plantation if they are not 100% "used and useful"?

A. No, and that is an important point in this case. The volunteer fire department has requested, and a new DEP rule requires, that we make about $500,000 worth of capital improvements necessary to provide adequate flow and pressure in the commercial area and in the Plantation near Bob Sikes Cut at the western tip of the island. Most of those improvements involve the construction of new 6" lines. If these are not 100% "used and useful," they cannot be financed and they will not be built by the Utility company

Q. In the final order issued on January 3 of this year, the PSC stated that you and your affiliates have taken out more cash than you have put into the Utility company, and that you have not adequately managed the Utility's cash. Do you have a response to that?

A. Yes, that part of the order ignores my testimony that I have been subsidizing the Utility for many years. I hope the cash flow audit shown by **Exhibit A** puts that issue to rest in this new case.

Q. How about the statement from the order that the Utility has not adequately managed its cash flow?

A. That statement assumes there is adequate cash flow to manage. The order itself refers to the $723,000 in cumulative net losses shown by our annual reports, which have never been questioned by the PSC or its staff. The Utility's general ledger for 2010 shows a $705,000 cash flow deficit for that year alone. That is the same general ledger that was being constantly examined and scrutinized by the PSC staff and OPC last year as the prior case was being litigated. Our problem is not that we do not know how to manage cash, our problem is that we do not have enough cash to manage.

Q. But the final order refers to imprudence and mismanagement, as if that is a serious concern with this Utility?

A. I think the managers of this Utility should all get gold stars for continuing to provide such a high level of service while losing hundreds of thousand of dollars every year due to inadequate rates set by the PSC. We consistently get almost perfect results for our annual DEP examinations, we remain in compliance with all governmental regulations, and we have virtually no outages or customer complaints. Even after Florida's Public Counsel tried to inflame our customers at the last hearing with his outrageous falsehood, many of them still testified that they were receiving great service from the Utility personnel on the island, and that their salaries should not be cut.

Q. Well, if the Utility has such great management, why is it in such bad financial condition?

A. At the hearing in the last case, I alluded to several structural problems caused by state agencies that are beyond the Utility's control. In the final order, the PSC said it disagreed, so I will try to explain the position of the Utility a little better in this case. The three agencies I am referring to are the Florida Department of Transportation, the Northwest Florida Water Management District, and the Florida Public Service Commission. These agencies have made unilateral decisions beyond our control that have profound impacts on the financial condition of this Utility.

Q. Could you explain those, starting with the State DOT?

A. In the summer of 2000, a man from DOT in Chipley walked into my office and said DOT was going to tear down our water supply main to the island and that I would have to build a new one, all at the expense of the Utility. That decision cost the Utility $7,009,000 in cash, most of which has been furnished by loans that I personally secured and for which I am personally liable. The irony is that this money would have been supplied by the Federal Government and the State if a different box had been checked in the federal bridge application. But we were never consulted.

Q. How about the Water Management District?

A. Several years ago, we notified the District that the Utility personnel had identified several hundred specific wells on St. George Island that had been constructed and were being used in violation of the State DRI and in violation of the permitting requirements of the District. Rather than work with us on this problem, the District filed suit in the First District Court of Appeal and secured an order which nullified the State DRI prohibiting wells in the Plantation. At about the same time, the District changed its rules to allow and "encourage" wells all over St. George Island, with no notice to the Utility and with no permit required of the property owner. In addition to cutting our revenue substantially, this has added great uncertainty to our business because we still have to provide fire protection and stand-by service when there are problems with the wells. It has also increased our expenses because we have to constantly search for shallow wells as part of our cross-connection control program.

Q. How about the Florida Public Service Commission?

A. The only way we have to recover even part of the $7,000,000 for the new supply main is through service availability charges. But the PSC refused to increase those charges in our last case, even though they had been substantially reduced in the 1994 case before the old supply main was torn down.

Q. But didn't you get an increase in a limited proceeding to pay for the new water supply main?

A. Yes, we got an increase in the monthly rates, but that was only a pass-through for the cost of debt, which is only 3%. Getting such a low interest loan saved our ratepayers a great deal of money, but it does not affect the principal balance on the loan for the pipe, which the Utility and I personally have to repay.

Q. How about the depreciation expense included in monthly rates? Doesn't that help?

A. Yes, it helps in theory, and in the early years of a loan, it does provide some added cash flow to help with principal reductions. But depreciation is real, not just an accounting theory, especially on St. George Island. We have some components that have to be replaced 2 and 3 times in the real world as compared with the "useful life" shown by the depreciation schedules. That is the basic problem now. Much of the system has reached the end of its useful life, and there is no money for replacement and there is no money to repay the principal portion of the debt incurred to build that plant. By refusing to increase service availability charges, the PSC has essentially said that the Utility and I, not our customers, will have to pay for most of the cost of the water supply main which the Utility installed for the benefit of its ratepayers to replace the one torn down by the State of Florida. At our current plant/CIAC ratio of 34%, that means the ratepayers will end up paying for only about one third of the cost of the new supply main that was built for their use and benefit. There is no reason that the Utility company investors, including myself, should have to pay two-thirds of the cost of that supply main, especially since we did not make the decision to tear down the old one. I know this is an oversimplification, and I use this rough estimate just to show the basic, structural problem facing the Utility. That is one of the underlying reasons that the Utility's debt has increased over 500% since the State destroyed the old supply main. Someone at the State or Federal level made a decision that the cost of the new supply main should be paid by the ratepayers on St. George Island rather than the taxpayers at large. But the Utility and I should not have to pay more than 25% of that cost, if the law is applied equally and uniformly.

Q. **In the last case, there was a lot of discussion about the transfer of Utility assets to your affiliates, with an implication that you were somehow taking advantage of the Utility company. Could you comment on that?**

A. Yes, I have gone back and reviewed the records, and there was a grand total of three transactions in which Utility assets were sold or transferred to me or one of my affiliates during the 6 years, 2004 through 2009, reviewed by the PSC. Each one of them resulted in a gain to the Utility, and the total gain was $249,739 as shown by the late filed exhibit prepared by our CPA. If I had wanted to take advantage of the Utility company, I would have sold those assets to myself at a loss to the Utility, not a quarter of a million dollar gain to the Utility.

Q. There was also concern expressed by one Commissioner that it was imprudent for you to buy a new vehicle for cash in 2010 when the Utility was suffering such a cash flow shortage. Could you address that concern?

A. Yes, as I testified at the hearing, the vehicle purchased in 2010 was a used 2008 vehicle, the same as the truck I was previously driving, and it was purchased with credit, not cash. This transaction resulted in a gain to the Utility of approximately $1,900, and it reduced the Utility's monthly payment on the vehicle driven by me by $75 per month or $900 per year. I would not have purchased a new vehicle at that time, especially if it required cash or an increased monthly payment.

Q. In the application filed in this case, the Utility is asking for a hearing before an administrative law judge rather than a panel of Public Service Commissioners. Could you explain the basis for that request?

A. I just do not believe that the Utility can get a fair hearing before a panel of Public Service Commissioners. If the PSC was a court or if the Commissioners were judges, we would have filed a motion for recusal. Instead of this pre-filed testimony, the Utility would have filed an affidavit that it does not believe it can receive a fair hearing before the PSC.

Q. Why do you believe you cannot get a fair hearing?

A. This is based upon my past experience with the Commission, especially including the case last year which resulted in the January 3 order.

Q. Can you be more specific?

A. Yes. I do not know when the decision was made in that case, but it was not at the agenda conference or at any other public meeting with notice to the Utility. I attended the agenda conference, and I have read the transcript several times. That meeting was nothing more than a rubber stamp of the decision that had already been made. The Commissioners and staff spent more time trying to make sure they did not deviate from their prior decision rather than time trying to decide the case.

Q. You keep referring to the decision that was already made before the agenda conference. What decision are you talking about?

A. The decision was simply, "keep his rates the same, but make him pay all of his own rate case expenses." The staff did a remarkable job of following this directive. They prepared a 116 page set of recommendations with detailed charts and graphs analyzing millions of dollars of revenue, expenses, depreciation, amortization, used and useful theories, and other complicated accounting matters spread over 51 issues covering 17 years since our last rate case. Then, through some kind of magical math, the staff concluded that the rates should remain exactly the same, to the penny, and that they should be reduced after 4 years so that the Utility would get no rate increase but would have to pay all its own expenses. The base rate before the rate case was $27.50. The base rate in the staff recommendation was still $27.50. A copy of the staff recommended rates is attached as **Exhibit C.** It defies logic and common sense to believe this conclusion was the result of random calculations on the merits of all the numbers spread over 51 issues, and 17 years with no rate increase. This is even more remarkable when you consider that the staff had to first add in about $230,000 of rate case expenses, and then take out exactly the same amount from various other accounts to keep the rates exactly the same in their recommendation.

Q. **What do you believe actually happened in that last case?**

A. I believe the basic decision was made and communicated to the staff before the recommendation was prepared. The staff then worked backwards to reach that $27.50 number rather than working on each issue separately on the merits to let the final rates fall out as the result of all the component parts. After conferring with a statistical expert, and after additional reading regarding the laws of probability, I have formed a firm opinion and belief that this was not a random occurrence. I have not asked a statistician to make the calculations yet, but I can assure you that the bottom number of any probability ratio concerning this matter will be extremely large.

Q. **How was the staff able to hold that $27.50 number while making all the other complicated calculations?**

A. The staff has some pretty sophisticated accounting software such as their "landscape" program, which was used during the agenda conference to keep the

Commissioners on track when their discussions drifted away from the $27.50 number. Schedules using this software were also given to the Commissioners in the days prior to the agenda conference with no notice or copy to the Utility. Basically, once the decision was made to hold the rates exactly the same, $27.50, the staff used their software to "plug" other numbers to see how far they should go without changing the predetermined rate of $27.50.

Q. Do you have examples of this?

A. Yes, I will give you a couple. On the last afternoon of the hearing, the staff asked for a late filed exhibit to show the total gain on sale of all assets by the Utility from 2004 through 2009. A couple of weeks after the hearing, we filed that exhibit showing a total gain of $383,757, including a $193,000 gain on two non-utility investment lots in Tallahassee. In the final order, the Commission stated that they had "calculated" a net gain of $242,040. I would characterize that as a "plug" number.

Q. Why do you call it a "plug" number?

A. Because it was plugged in the final order based on calculations made after the hearing with no backup or detail as to how the number was reached. I think it was just one of several numbers the staff needed to adjust to make the final rates stay exactly the same, with a decrease after 4 years.

Q. What was your other example?

A. After the hearing, the staff pulled up an expense account from our 2009 general ledger that had a balance of over $93,000, primarily for repairs and maintenance. The final order then states that "we reclassified $51,751 to plant" with no detailed breakdown or explanation as to the numbers and items that the three Commissioners used when they said, "we reclassified."

Q. How do you know there was no detail on backup for the $242,000 number or the $51,000 number given to the Commissioner's before their vote on the final order?

A. We filed a Chapter 119 request for this information and it was not produced. So, if it did exist and was shown to the Commissioners, it must have been destroyed. If it never existed, then the Commission entered a final order based on "plug" numbers provided by staff with no real understanding of a basis for their vote.

Q. What is the relevance of all this on the question of whether this current case should be referred on to an administrative law judge?

A. I think the Utility is entitled to a decision making process under which the decision maker will not just accept calculations made after a hearing with no backup as the basis for a final order. In the last case, both the staff and the Public Counsel presented expert accounting testimony at the hearing which indicated no problem with either of the accounts I just mentioned. There was no mention of a

$242,000 reduction or a $51,000 reduction until after the hearing. A judge would require that the testimony with all the calculations be presented at the hearing so that the Utility would have some notice and opportunity to respond. Our company was sandbagged with the numbers plugged into the order after the hearing, and those numbers were inconsistent with testimony presented by staff and OPC at the hearing. Indeed, by plugging in these and other numbers after the hearing, the Commissioners came up with a final revenue requirement for us that was over $132,000 per year less than the revenue requirement proposed by OPC's expert accounting witness who testified at the hearing. It is also $53,000 less than the revenue requirement allowed to the Utility in the limited proceeding filed over 10 years ago.

Q. Did I understand you to say that the rates you got in the last case are based on a revenue requirement that is $132,000 less than the revenue requirement advocated by OPC's expert witness in that case?

A. Yes. Donna Ramos is an expert accounting witness hired by OPC at a cost of $50,000 to advance every possible point on behalf of the ratepayers. She testified that the Utility should have been entitled to an annual revenue increase of $78,419 plus $53,981 for annual rate case amortization, thereby recommending a total revenue increase for the Utility of $132,400 per year.

Q. What does that indicate to you?

A. It just shows the arbitrariness of the staff decision and recommendation to leave rates exactly the same, regardless of the facts and merits of the case. I do not believe the staff made that decision on their own, with no direction from the Commissioners who heard the case.

Q. What is he bottom line on this question of referral out to an administrative law judge?

A. There is an atmosphere of mutual distrust between the Utility and the Commission. I believe their decisions regarding this Utility are based primarily on politics and personal considerations rather than the facts and merits of a particular case. We intend to show that the last order was entered in violation of the Sunshine Law, and is therefore void *ab initio*. This may well involve the taking of depositions and discovery related to this issue. Under those circumstances, I do not believe the Utility can get a fair and objective hearing before a panel of Public Service Commissioners, who will tend to support what they did in the last case. Basically, we are seeking a forum that is more closely tied to the judicial process rather than the legislative or political process.

Q. Does an administrative law judge have the expertise and special knowledge necessary to hear and decide a case like this?

A. Administrative law judges are experienced lawyers who hear complicated cases as part of their everyday job. If the PSC believes that expertise and special knowledge is required in this case, they should present witness testimony and exhibits at the hearing. They can still file a recommended order, but an administrative law judge is not likely to adopt it with no back-up calculations.

Q. Are there any final points you would like to make?

A. Yes. No matter who ends up hearing this case, I would like someone to look at the big picture. This Utility has a plant that has reached the end of its useful life. It is dangerous and subject to catastrophic failure at any time, which will result in St. George Island being without water for an extended period of time. The construction of the necessary capital improvements will require financing, and financing requires one thing above all: cash flow. Bankers are not interested in the complexities of PSC/NARUC accounting. They require proof that you have stable cash flow to cover all costs of operations with enough left over to pay the debt service to all lenders, including a debt service cushion. The lowest cushion I have seen with any USDA guaranteed loan is a 1 to 1.15 ratio. That means we will have to show that all costs of operations are covered with enough cash left over to pay all debt service plus a cushion of 15%. That will require a substantial increase in rates and service availability charges, which must be paid by our customers. I have put all the resources I can into this Utility, and it is time for our customers to help pay for the service they have come to expect. St. George Island is a unique and expensive place, but I cannot continue to subsidize water service for those who have elected to live or own property there.

EXHIBIT A

WATER MANAGEMENT SERVICES, INC.
FINANCIAL SOURCES AND USES
SUMMARY OF YEARS 2000 - 2010

2000	
COSTS OF OPERATIONS OF WMSI	$3,130,455.04
FUNDS FROM RATEPAYERS	$925,647.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	$2,204,808.04

2001	
COSTS OF OPERATIONS OF WMSI	$1,685,202.06
FUNDS FROM RATEPAYERS	$1,034,524.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	$650,678.06

2002	
COSTS OF OPERATIONS OF WMSI	$3,863,314.74
FUNDS FROM RATEPAYERS	$1,032,329.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	$2,830,985.74

2003	
COSTS OF OPERATIONS OF WMSI	$4,616,103.06
FUNDS FROM RATEPAYERS	$1,198,338.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	$3,417,765.06

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

EXHIBIT A

WATER MANAGEMENT SERVICES, INC.
FINANCIAL SOURCES AND USES
SUMMARY OF YEARS 2000 - 2010

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, 2000 - 2010	
COSTS OF OPERATIONS OF WMSI	$30,697,710.36
FUNDS FROM RATEPAYERS	$14,460,181.16
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$16,237,529.20**

WMSI
FINANCIAL SOURCES AND USES
2000

	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
Annual Rpt			
Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	$796,007.00	
W-8(a)	CIAC from Ratepayers	$129,640.00	
W-10(a)	Utility Expenses		$610,076.00
W-3	Utility Taxes & Fees		$71,617.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$243,954.00
	TOTAL FUNDS FROM RATEPAYERS	**$925,647.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$925,647.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P increase) *		$352,980.00
	Citizen's Bank of Perry Payments		$43,232.55
	Transamerica Payments		$1,390,408.53
	Gulf State Bank Payments		$347,694.80
	Farmers & Merchants Bank Payments		$13,510.99
	Capital City Bank Payments		$19,719.29
	N.L.I. Payments		$53,493.79
	Utility Expenses not included on W-10(a) above		$162,203.41
	Cash from third parties	$27,295.77	
	Cash from Loans Secured by GDB/Affiliates	$2,222,097.68	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(44,585.41)	
	Adjustment to convert from accrual to cash basis		(178,435.32)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$2,204,808.04**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$2,204,808.04**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$3,130,455.04
FUNDS FROM RATEPAYERS	$925,647.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,204,808.04**

* Plant additions in 2000 were $596,934. This includes $189,793 C.W.I.P. increase during 2000.

WMSI
FINANCIAL SOURCES AND USES
2001

Annual Rpt Reference	RATEPAYERS SOURCES & USES OF RESOURCES	Debit	Credit
W-9	Billing Revenue from Ratepayers	$910,524.00	
W-8(a)	CIAC from Ratepayers	$124,000.00	
W-10(a)	Utility Expenses		$699,554.00
W-3	Utility Taxes & Fees		$79,511.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$255,459.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,034,524.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,034,524.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$531,519.51
	Citizen's Bank of Perry Payments		$189,366.34
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$71,703.89
	Farmers & Merchants Bank Payments		$20,865.96
	Utility Expenses not included on W-10(a) above		$44,937.30
	Cash from third parties	$26,694.97	
	Cash from Loans Secured by GDB/Affiliates	$707,726.10	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(83,743.01)	
	Adjustment to convert from accrual to cash basis		(215,126.62)
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$650,678.06**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$650,678.06**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$1,685,202.06
FUNDS FROM RATEPAYERS	$1,034,524.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$650,678.06**

* Plant additions in 2001 were $786,979. This includes $487,655 C.W.I.P. increase during 2001.

WMSI
FINANCIAL SOURCES AND USES
2002

Annual Rpt Reference		Debit	Credit
	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
W-9	Billing Revenue from Ratepayers	$914,481.00	
W-8(a)	CIAC from Ratepayers	$117,848.00	
W-10(a)	Utility Expenses		$734,387.00
W-3	Utility Taxes & Fees		$80,975.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$216,967.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,032,329.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,032,329.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		$1,538,008.00
	D.E.P. Loan Payments		$0.00
	Citizen's Bank of Perry Payments		$177,847.97
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$736,444.73
	Farmers & Merchants Bank Payments		$22,210.56
	Utility Expenses not included on W-10(a) above		$129,941.91
	Cash from third parties	$6,532.81	
	Cash from Loans Secured by GDB/Affiliates	$2,757,720.86	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	66,732.07	
	Adjustment to convert from accrual to cash basis		219,120.89
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	**$2,830,985.74**	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$2,830,985.74**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$3,863,314.74
FUNDS FROM RATEPAYERS	$1,032,329.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$2,830,985.74**

* Plant additions in 2002 were $1,754,975. This includes $1,723,648 C.W.I.P. increase during 2002.

WMSI
FINANCIAL SOURCES AND USES
2003

Annual Rpt Reference		Debit	Credit
	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
W-9	Billing Revenue from Ratepayers	$1,057,043.00	
W-8(a)	CIAC from Ratepayers	$141,295.00	
W-10(a)	Utility Expenses		$742,696.00
W-3	Utility Taxes & Fees		$87,153.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		$368,489.00
	TOTAL FUNDS FROM RATEPAYERS	**$1,198,338.00**	
	TOTAL PAID FROM RATEPAYER FUNDS		**$1,198,338.00**
	GENE BROWN, AFFILIATES & 3RD PARTIES		
	SOURCES & USES OF RESOURCES		
	Remainder of Utility Plant Additions (including C.W.I.P Increase) *		$2,483,347.89
	D.E.P. Loan Payments		$290,211.48
	Citizen's Bank of Perry Payments		$156,486.75
	Wachovia Bank Payments		$7,411.68
	Gulf State Bank Payments		$94,404.93
	Farmers & Merchants Bank Payments		$20,114.09
	Utility Expenses not included on W-10(a) above		$37,525.42
	Cash from third parties	$126,209.03	
	Cash from Loans Secured by GDB/Affiliates	$3,377,628.03	
F-1(a), F-12	Net funds to GDB/Affiliates as per Account 145	(86,072.00)	
	Adjustment to convert from accrual to cash basis		328,262.82
	TOTAL FUNDS FROM GDB, AFFILIATES & 3RD PARTIES	$3,417,765.06	
	TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS		**$3,417,765.06**

SUMMARY	
COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	$4,616,103.06
FUNDS FROM RATEPAYERS	$1,198,338.00
DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES	**$3,417,765.06**

* Plant additions in 2003 were $2,851,837. This includes $1,889,314 C.W.I.P. increase during 2003.

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**
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*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

		Debit	Credit
	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

Annual Rpt Reference		Debit	Credit
	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
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**

		Debit	Credit
	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

Annual Rpt Reference		Debit	Credit
	RATEPAYERS		
	SOURCES & USES OF RESOURCES		
		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	

EXHIBIT B

WATER MANAGEMENT SERVICES, INC.
EMPLOYEE STAFFING ANALYSIS

#	NAME	TITLE	2003 ANNUAL PAY	2011 ANNUAL PAY	2011 ANNUAL PAY (Less BMG 5%)	8 Year Increase	Avg Yearly Increase
1	Gene D. Brown	President-Tallahassee	$99,535	$110,000	$104,500	5.0%	0.6%
2	Sandra M. Chase	Vice President-Tallahassee	54,817	70,000	66,500	21.3%	2.7%
3	Bob Mitchell	Controller-Tallahassee	50,021	56,000	53,200	6.4%	0.8%
4	Jessica Blankenship	Office Clerk-Tallahassee	23,182	33,000	33,000	42.4%	5.3%
		Tallahassee Sub-Total	**227,555**	**269,000**	**257,200**	**13.0%**	**1.6%**
		Office Mgr.-Island	27,672				
5	Nita Molsbee	Operations Mgr./Office Mgr.	0	60,000	60,000		
6	Hank Garrett	Operations Mgr.-Island	54,627	43,350	43,350		
		Island Management Sub-Total	**82,299**	**103,350**	**103,350**	**25.6%**	**3.2%**
7	Tech #1	Laborer-Island	32,561	35,552	35,552	9.2%	1.1%
8	Tech #2	Laborer-Island	25,879	28,241	28,241	9.1%	1.1%
	Tech #3	Laborer-Island	25,731	0	0		
		Island Tech Labor Sub-Total	**84,171**	**63,793**	**63,793**	**-24.2%**	**-3.0%**
		GRAND-TOTAL	**$394,025**	**$436,143**	**$424,343**	**7.7%**	**1.0%**
		Number of Customers	1,815	1,989	1,989	**9.6%**	**1.2%**

EXHIBIT B

EXHIBIT C

Water Management Services, Inc.
Water Monthly Service Rates
Test Year Ended 12/31/09

Schedule No. 4
Docket No. 100104-WU

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recomm. Final	4-year Rate Reduction
Residential, GS and Multi-Family					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$27.50	$30.20	$58.42	$27.50	$1.14
3/4"	$41.26	$45.31	$87.64	$41.26	$1.71
1"	$68.78	$75.52	$146.10	$68.78	$2.86
1-1/2"	$137.54	$151.04	$292.16	$137.54	$5.71
2"	$220.08	$241.67	$467.50	$220.08	$9.14
3" Compound	$412.64	$453.12	$876.53	$412.64	$17.14
3" Turbine	$481.42	$528.64	$1,022.64	$481.42	$20.00
4" Compound	$687.74	$755.20	$1,460.90	$687.74	$28.56
4" Turbine	$825.28	$906.24	$1,753.07	$825.28	$34.28
6" Compound	$1,375.46	$1,510.40	$2,921.76	$1,375.46	$57.13
6" Turbine	$1,719.33	$1,888.01	$3,652.21	$1,719.33	$71.41
8" Compound	$2,200.75	$2,440.47	$4,674.85	$2,200.75	$91.41
8" Turbine	$2.475.83	$2,718.72	$5,259.17	$2,475.83	$102.83
10" Compound	$3,163.57	$3,473.93	$6,720.08	$3,049.77	$131.39
10" Turbine	$3.988.85	$4,380.17	$8,473.14	$3,988.85	$165.67
12" Compound	$5,914.50	$6,494.73	$12,563.62	$5,914.50	$245.65
Residential					
Gallonage Charge					
0 - 8,000 Gallons	$3.27	$3.60	$2.99	$3.27	$0.14
8,001 - 15,000 Gallons	$4.08	$4.48	$2.99	$4.08	$0.17
over 15,000 Gallons	$4.91	$5.39	$4.48	$4.91	$0.20
General Service and Multi-Family					
Gallonage Charge, per 1,000 Gallons	$4.65	$5.11	3.30	$4.65	$0.19
		Typical Residential Bills 5/8" x 3/4" Meter			
3,000 Gallons	$37.31	$40.99	$67.39	$37.31	
5,000 Gallons	$43.85	$48.18	$73.37	$43.85	
10,000 Gallons	$61.82	$67.93	$88.32	$61.82	

EXHIBIT C
Prefiled Testimony of Gene D. Brown
Docket 110200-WU