

Eric Fryson

From: Dana Rudolf [drudolf@sfflaw.com]
Sent: Monday, July 09, 2012 4:39 PM
To: Filings@psc.state.fl.us
Cc: Martin Friedman
Subject: Docket No. 110200-WU; Application for increase in water rates in Franklin County by Water Management Services, Inc.

Attachments: PSC Clerk 13 (Supplemental Response to Data Request).pdf

- a) Martin S. Friedman, Esquire
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- b) Docket No. 110200-WU
Application for increase in water rates in Franklin County by Water Management Services, Inc.
- c) Water Management Services, Inc.
- d) 3 pages
- e) Supplemental Response to Staff's Third Data Request.

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July 9, 2012

VIA E-FILING

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 110200-WU -In re: Application for increase in water rates in
Franklin County by Water Management Services, Inc.
Our File No. 46023.01

Dear Ms. Cole:

This letter is supplemental to the May 25, 2012 response of Water Management Services, Inc. ("WMSI" or "Utility") to Staff's Third Data Request dated April 25, 2012:

1. In the May 22, 2012 meeting with DEP, which the undersigned participated in via a conference call, Robert Holmden told us that he would consider WMSI's request for subordination and a revised payment schedule when a decision was made by the PSC in the pending rate case. DEP recognizes WMSI's need for an increase in its revenues. DEP's position regarding this has now been confirmed in a letter from Mr. Holmden dated June 15, 2012, a copy of which is attached.
2. The Fidelity Bank loan application is now "on hold" pending a final decision in this rate case. The Bank has indicated that the loan request would have to be denied based upon the current revenues, but that it will be held and reconsidered when and if there is an increase in revenue as a result of a decision in this rate case.
3. The utility is now working with the same mortgage broker who secured the last USDA loan for WMSI. This broker is confident she can find a lender to make the loan for the improvements if Fidelity cannot do so, assuming there is an adequate revenue increase in the pending case.
4. Any lender which makes the loan for the new improvements will require a lien against all utility assets, including all cash flow of the utility. That bank and DEP will necessarily have to work out an intercreditor agreement to define their respective lien positions, and to assure that the debt service

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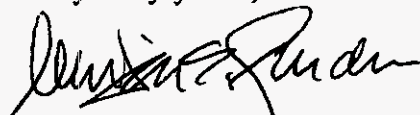
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requirements of both lenders will be satisfied from the utility's cash flow. To facilitate this, WMSI will make the following proposal to the new lender and to DEP as soon as the Utility's annual revenue is established by this case:

- (A) All WMSI utility revenue will be deposited in a WMSI account established at the bank which makes the loan for the new improvements;
- (B) On a set date each month, that lender will debit the account for the monthly P&I payment due that bank;
- (C) On another set date during each month, the bank will transfer from WMSI's account to an escrow account established for the benefit of DEP an amount equal to 1/6 of the semi-annual loan payment due to DEP; and
- (D) WMSI will maintain and operate the utility from the remaining cash flow and other resources available to WMSI.

The Utility is confident that it can secure the necessary financing for the improvements and is actively working toward that goal. The Utility is equally confident that DEP will cooperate with WMSI and the new lender in that regard, although it is understandable that DEP cannot make any firm commitments until a final decision is made regarding rates and service availability charges. DEP and WMSI have the same goal: to see that all necessary improvements are made to the system for the good of the environment and the public, and to assure that the DEP loan is fully repaid within the amortization period established by the loan agreement. The monthly debit and escrow arrangement set forth above will assure that those goals are met.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/der
Enclosure



Florida Department of Environmental Protection

Bob Martinez Center
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

Rick Scott
Governor

Jennifer Carroll
Lt. Governor

Herschel T. Vinyard Jr.
Secretary

June 15, 2012

Mr. Gene Brown
President
Water Management Services, Inc.
250 John Knox Road 4
Tallahassee, Florida 32303

Re: DW190101 - Water Management Services, Inc
Supply, Transmission & Treatment

Dear Mr. Brown:

This is in response to your recent request to issue additional debt, and restructure your existing State Revolving Fund Loan. We understand the need for the additional work you have proposed to be funded by a \$6.2 million loan with Fidelity Bank and guaranteed by USDA. However, we are unable to subordinate our loan to Fidelity Bank at this time. The Department will reassess its position once a decision by the Public Service Commission (PSC) is made regarding the rate case.

Regarding the May 15th payment that was due, we cannot capitalize your payment at this time. Your loan is hereby determined to be in default in accordance with Rule 62-552.430. The Department will delay enforcement of its agreement until a ruling is made by the PSC on your current case. A revised payment schedule will be considered if the rate increase is approved.

Sincerely,

Robert E. Holmden, P.E., Chief
Bureau of Water Facilities Funding

RH/ak