

September 26, 2016

Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL. 32399

RE: Utility response to staff's second data request in Docket # 150257-WS.

Dear Commission Clerk:

Following is the utilities response to staff's second data request.

Please refer to the lease agreement entered into by the parties on July 5, 2015. Commission Order PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 01 0869-WS, which was the last rate case proceeding that set rates, states that the maximum lease amount should be the annual rate of return times the original cost of the land when placed in service. For rate setting purposes, the utility was allowed an annual rent amount of \$405 for water and \$582 for wastewater.

- a. Please provide details and support documentation on the cost of the lease payments.

Company response. Please see enclosed spreadsheet.

- b. Please explain why the utility is not paying land lease amount established in Commission Order PSC-02-1168-P AA-WS.

Company response. If East Marion Utilities, LLC where to pay the amount granted by the commission, the utility would be in default of the lease. The Lessor is not willing to accept the commission determined amount.

- c. The difference in land lease payments in 2015, \$7,491, and what has been approved by the Commission, \$987, is \$6,504. Please explain why customers should be responsible for this additional cost.

Company response. The customers should be responsible for this additional cost because the customers are receiving the direct benefit at a reasonable cost, with superior management and ownership .Please remember, previous Commission orders reflected an adjustment because it was perceived that there was a related party relationship between the Lessor and lessee. That is not the case here, as East Marion Utilities, LLC or its Sole managing member, Michael Smallridge, is in no way affiliated with the previous Lessee or Lessor. The lease payment and associated real estate taxes should be made part of the rate structure in this docket because this is an arm's length transaction and it will be imperative for the utility to maintain a solid financial footing and make the repairs that are requested in this docket, not to mention required maintenance and repairs going forward.

As you stated, the 2015 land lease payment was \$7, 491. This equates to an annual cost per customer of \$73.44 and a monthly cost of \$6.12 per customer.

The 2016, adjust lease rate is \$732.00 per month which equates an annual cost per customer of \$85.06 or a monthly cost of \$7.09

2. Please provide a detailed description regarding the need for the planned replacement of the hydro-pneumatic tank and flow meter.

Company Response: When I first purchased the utility, I engaged Florida Rural Water to test the flow meter. FRWA tests showed the flow meter to be border line accurate and they advised me it would fail sooner than later and recommended it be replaced. I thought this rate case would be the correct time.

When I first purchased the utility, the 5 year tank inspection was year's over-due. I had the tank inspected and the results where the tank failed its inspection and should be replaced.

3. Please state whether or not the Utility obtained additional quotes for the above system components, other than from Aqua Pure? If .so, please provide the quotes and the names of the companies from which they were obtained.

Company Response: Please see enclosed quotes.

4. Please provide an estimated date for when the current tank was installed.

Company Response: Best I can tell the current tank was installed when the system was constructed.

On behalf of the utility,



Mike Smallridge

East Marion Utilities, LLC Custom Transaction Detail Report

All Transactions

Type	Date	Num	Name	Memo	Account	Clr	Split	Amount	Balance
Bill	02/05/2015	02.2015.01	North Trust	1st Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	02/05/2015	1002	North Trust	1st Payment on Land Lease	231 - Accounts Payable		131.1 - Checking - CenterState	-681.00	0.00
Bill	03/06/2015	03.2015.02	North Trust	2nd Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	03/06/2015	1008	North Trust	2nd Payment on Land Lease	231 - Accounts Payable		131.1 - Checking - CenterState	-681.00	0.00
Bill	04/06/2015	04.2015.03	North Trust	3rd Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	04/12/2015	1024	North Trust	3rd Payment on Land Lease	231 - Accounts Payable		131.1 - Checking - CenterState	-681.00	0.00
Bill Pmt -Check	04/30/2015	1034	North Trust	4th Payment on Land Lease	231 - Accounts Payable		131.1 - Checking - CenterState	-681.00	-681.00
Bill	05/04/2015	05.2015.04	North Trust	4th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	0.00
Bill Pmt -Check	05/27/2015	1040	North Trust	5th Payment on Land Lease	231 - Accounts Payable		131.1 - Checking - CenterState	-681.00	-681.00
Bill	06/01/2015	06.2015.05	North Trust	5th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	0.00
Bill	07/01/2015	07.2015.06	North Trust	6th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	07/01/2015	1056	North Trust	6th Payment on Land Lease	231 - Accounts Payable		131.1 - Checking - CenterState	-681.00	0.00
Bill	08/01/2015	08.2015.07	North Trust	7th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	08/05/2015	1102	North Trust	7th Payment on Land Lease	231 - Accounts Payable		131.1 - Checking - CenterState	-681.00	0.00
Bill	09/01/2015	09012015.08	North Trust	8th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	09/03/2015	1004	North Trust	8th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-681.00	0.00
Bill	10/01/2015	10.09.2015.09	North Trust	9th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	10/05/2015	1014	North Trust	9th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-681.00	0.00
Bill	11/01/2015	11.09.2015.10	North Trust	10th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	11/02/2015	1026	North Trust	10th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-681.00	0.00
Bill	12/01/2015	12.09.2015.11	North Trust	11th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	12/03/2015	1035	North Trust	11th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-681.00	0.00
Bill	01/01/2016	01.09.2016.12	North Trust	12th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	01/03/2016	1043	North Trust	12th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-681.00	0.00
Bill	02/01/2016	02.09.2016.13	North Trust	13th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	681.00	681.00
Bill Pmt -Check	02/04/2016	1055	North Trust	13th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-681.00	0.00
Bill	03/01/2016	03.09.2016.14	North Trust	14th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	723.70	723.70
Bill Pmt -Check	03/03/2016	1062	North Trust	14th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-723.70	0.00
Bill	04/01/2016	04.09.2016.15	North Trust	15th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	723.70	723.70
Bill Pmt -Check	04/05/2016	1077	North Trust	15th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-723.70	0.00
Bill	05/01/2016	05.09.2016.16	North Trust	16th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	723.70	723.70
Bill Pmt -Check	05/03/2016	1091	North Trust	16th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-723.70	0.00
Bill	06/01/2016	06.09.2016.17	North Trust	17th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	723.70	723.70
Bill Pmt -Check	06/05/2016	1112	North Trust	17th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-723.70	0.00
Bill	07/01/2016	07.09.2016.18	North Trust	18th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	723.70	723.70
Bill Pmt -Check	07/05/2016	1124	North Trust	18th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-723.70	0.00
Bill	08/01/2016	08.09.2016.19	North Trust	19th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	723.70	723.70
Bill Pmt -Check	08/03/2016	1138	North Trust	19th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-723.70	0.00
Bill	09/01/2016	09.09.2016.20	North Trust	20th Payment on Land Lease	231 - Accounts Payable		-SPLIT-	723.70	723.70
Bill Pmt -Check	09/05/2016	1044	North Trust	20th Payment on Land Lease	231 - Accounts Payable		131.5 - Iberia Bank Operating	-723.70	0.00
Total								0.00	0.00

$$\begin{array}{r} \$ 681.00 \\ \times 13 \\ \hline \$ 8,853.00 \end{array}$$

$$\begin{array}{r} \$ 723.70 \\ \times 7 \\ \hline \$ 5,065.90 \end{array}$$

$$\begin{array}{r} \swarrow \\ \searrow \\ \hline \hline \$ 13,918.90 \end{array}$$

MODERN WELDING COMPANY OF FLORIDA, INC.

P.O. BOX 568678, ORLANDO, FL, 32856

Tel.: (407) 843-1270 - Fax: (407) 423-8187

Emailed: 9/20/2016

FABRICATORS OF METAL PRODUCTS

To: East Marion Utilities, Inc.
3336 Grand Blvd.
Holiday, FL 34690

Date: 22-Sep-16

From: Greg Caton

Attn: Mike Smallridge
Email: michaelsmallridge@gmail.com
Phone: 352-302-7406
Fax:

E-Mail: gcaton@modweldco.com

No. of Pages: 1

(Including this cover sheet)

We propose to quote as below:

QUOTE# 9.20.16-2

(1) 6,000 gallon - 72" diameter x 28'-0 shell length -
horizontal - aboveground - hydropneumatic tank - carbon steel material -
100 P.S.I. design pressure @ 200° F design temperature -
Fabrication in accordance to the ASME Boiler and Pressure Vessel Code, Section VIII, Division 1 -
(Tank shall not have third party inspection and therefore will not have the ASME "U" stamp label) -
interior surfaces: blast + Interline Interseal 670 HS Epoxy (NSF 61 approved) -
exterior surfaces: blast + universal primer -
(1) 14" x 18" elliptical manway -
(2) 4" dia. - 150# RFSO nozzles -
(1) 2 1/2" dia. - 150# RFSO nozzle -
(2) 1" dia. - 3000# CPLG's -
(2) 3/4" dia. - 3000# CPLG's -
(2) Plate saddles x 12" high, welded to the tank -
tank weight {empty}: 9,500 lbs. (includes weight of saddles)

Price EACH tank (taxes not included) ... \$ 22,130.00
(Includes freight cost)

F.O.B. truck our plant - Orlando, FL. Freight prepaid to - Marion Co., FL

{Modern Welding Company of Florida, Inc. is hereafter referred to as MWCF}

MWCF warrants all new equipment, if installed and operated properly, against
defects in workmanship and material for one year from date of invoicing.

Fabrication lead time approximately (12 to 14 weeks) after
MWCF receives signed approval drawings and deposit.

Price and lead time is subject to review at time of order placement due to material availability and backlog .
Special fabrication will require a deposit prior to fabrication and/or ordering special material .
MWCF does not supply any appurtenances, anchor bolts, valves, piping or accessories.
All sales are subject to MWCF standard "Terms and Conditions".
MWCF does not provide offloading or installation services.

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Email: michaelsmallridge@gmail.com
Phone: 352-302-7406
Fax:

E-Mail: gcaton@modweldco.com

No. of Pages: 1

(Including this cover sheet)

We propose to quote as below:

QUOTE# 9.20.16-1

(1) 4,500 gallon - 72" diameter x 20'-0 shell length -
horizontal - aboveground - hydropneumatic tank - carbon steel material -
100 P.S.I. design pressure @ 200° F design temperature -
Fabrication in accordance to the ASME Boiler and Pressure Vessel Code, Section VIII, Division 1 -
(Tank shall not have third party inspection and therefore will not have the ASME "U" stamp label) -
interior surfaces: blast + Interline Interseal 670 HS Epoxy (NSF 61 approved) -
exterior surfaces: blast + universal primer -
(1) 14" x 18" elliptical manway -
(2) 4" dia. - 150# RFSO nozzles -
(1) 2 1/2" dia. - 150# RFSO nozzle -
(2) 1" dia. - 3000# CPLG's -
(2) 3/4" dia. - 3000# CPLG's -
(2) Plate saddles x 12" high, welded to the tank -
tank weight {empty}: 7,400 lbs. (includes weight of saddles)

Price EACH tank (taxes not included) ... \$ 18,919.00
(Includes freight cost)

F.O.B. truck our plant - Orlando, FL. Freight prepaid to - Marion Co., FL

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