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LARRY CRETUL
Speaker of the
House of Representatives

August 23, 2010

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

Re: Docket No. 100104-WU

Dear Ms. Cole:

Enclosed for filing, on behalf of the Citizens of the State of Florida, are the original and 15 copies of the Direct Testimony of Donna Ramas.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Joseph A. McGlothlin

Joseph A. McGlothlin
Associate Public Counsel

JAM:bsr

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: August 23, 2010

DIRECT TESTIMONY

OF

DONNA RAMAS

ON BEHALF OF THE CITIZENS OF THE STATE OF FLORIDA

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DIRECT TESTIMONY

OF

DONNA RAMAS

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 100104-WU

I. INTRODUCTION/BACKGROUND/SUMMARY

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Donna Ramas. I am a Certified Public Accountant licensed in the State of Michigan and a senior regulatory analyst at Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES, PLLC.

A. Larkin & Associates, PLLC, is a Certified Public Accounting Firm. The firm performs independent regulatory consulting, primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin & Associates, PLLC has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings.

Q. MS. RAMAS, WOULD YOU PLEASE SUMMARIZE YOUR

REGULATORY EXPERIENCE AND QUALIFICATIONS?

A. I graduated with honors from Oakland University in Rochester, Michigan in 1991. I have been employed by the firm of Larkin & Associates, PLLC, since 1991. As a certified public accountant and regulatory consultant with Larkin & Associates, PLLC, my duties have included the analysis of utility rate cases and regulatory issues, researching accounting and regulatory developments, preparation of computer models and spreadsheets, the preparation of testimony and schedules and testifying in regulatory proceedings. I have submitted testimony in over sixty (60) regulatory proceedings in various jurisdictions in the United States of America, including several proceedings before the Florida Public Service Commission. I have also developed and conducted five training programs on behalf of the Department of Defense - Navy Rate Intervention Office on measuring the financial capabilities of firms bidding on Navy assets and one training program on calculating the revenue requirement for municipal owned water and wastewater utilities. Additionally, I have served as an instructor at the Michigan State University - Institute of Public Utilities as part of their Annual Regulatory Studies programs.

Q. HAVE YOU PREPARED AN EXHIBIT FURTHER DETAILING YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. I have attached Appendix I, which is a summary of my regulatory experience and qualifications.

Q. ON WHOSE BEHALF ARE YOU FILING TESTIMONY IN THIS PROCEEDING?

A. Larkin & Associates, PLLC was retained by the Florida Office of Public Counsel (OPC) to review the rate case filing submitted by Water Management Services, Inc. (WMSI or Company). Accordingly, I am appearing on behalf of the OPC.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am presenting the OPC's overall recommended revenue requirement in this case. I also sponsor adjustments to the Company's proposed rate base and operating income, as well as adjustments to the Company's proposed calculation of its weighted long debt rate.

Q. HAVE YOU PREPARED ANY EXHIBITS IN SUPPORT OF YOUR RECOMMENDATIONS IN THIS CASE?

A. Yes. I have prepared Exhibit__(DR-1), which consists of Schedules A, B, C and D with supporting Schedules B-1 through B-8 and Schedules C-1 through C-5. These schedules present the OPC's overall recommended revenue requirement as well as the supporting calculations and additional information for several of the adjustments that I am recommending within this testimony.

Q. ARE ANY ADDITIONAL WITNESSES SUBMITTING TESTIMONY ON BEHALF OF THE OPC?

A. Yes. Andrew Woodcock is also submitting testimony in this case on behalf of the OPC. I have reflected the impact of Mr. Woodcock's recommendations in my summary schedules presented in Exhibit__(DR-1).

Q. WHAT DOES YOUR SCHEDULE "A" TITLED "CALCULATION OF REVENUE REQUIREMENT" SHOW?

A. Schedule A presents the revenue requirement calculation at this time giving effect to all of the adjustments I am recommending in this testimony, as well as the impacts of the recommendations of OPC witness Andrew Woodcock. The operating income adjustments presented on Schedule A can be found on Schedule B. Schedules B-1 through B-8 provides supporting calculations for my recommended adjustments to net operating income. The adjustments presented on Schedule A which impact rate base can be found on my Schedule C, with supporting calculations provided on Schedules C-1 through C-5. Schedule D presents my recommended overall rate of return in this case.

Q. BASED ON THE OPC'S REVIEW AND ANALYSIS, WHAT IS THE REVENUE REQUIREMENT FOR WMSI?

A. As shown on Schedule A, Column 5, line 1, the OPC's recommended adjustments in this case results in a recommended increase in operating revenues of $78,419. This is approximately $563,000 less than the revenue increase requested by WMSI of $641,629.

Q. HOW WILL THE REMAINDER OF YOUR TESTIMONY BE ORGANIZED?

A. I will first address various problems and concerns with WMSI's affiliated transactions and relationships. I then present my recommended adjustments to WMSI's adjusted test year operating income, followed by my recommended adjustments impacting WMSI's requested rate base. Finally, I address the requested long term debt cost rate presented by WMSI, and recommend several adjustments to the determination of the long term debt cost rate to include in this case.

II. PROBLEMS/CONCERNS WITH AFFILIATED TRANSACTIONS AND RELATIONSHIPS

Q. WOULD YOU PLEASE GIVE A BREIF SUMMARY OF THE RELATIONSHIPS BETWEEN WMSI, BROWN MANAGEMENT GROUP, AND GENE BROWN?

A. Yes. Gene D. Brown is the President and Chief Executive Officer of Water Management Services, Inc. In addition to being the President and CEO of WMSI, he also owns the controlling interest in WMSI and makes all final operating decisions as they pertain to WMSI. Mr. Brown also has effective day-to-day control over WMSI. The Application in this case shows that St. George Island Utility Co., Ltd. owns 85% of WMSI's stock, and an additional 10% is owned by Brown Management Group. Gene D. Brown and Marilyn B. Brown own 54% ownership interest in the various entities that are included in the St. George Island Utility Co., Ltd.

Based on the response to OPC Interrogatory 12, Brown Management Group, Inc. ("BMG") is a corporation that "holds and manages investments of Gene Brown, all of which are passive", and Gene Brown is the sole owner of BMG. Thus, Mr. Brown is in control of both WMSI and BMG.

Q. HAS THE MANAGEMENT OF WMSI BY GENE BROWN BEEN AN

ISSUE IN PAST CASES BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION?

A. Yes, it has. In Order No. PSC-94-1383-FOF-WU, the Commission stated at page 47 that "It appears that Mr. Brown's past actions have contributed to the financial problems of the utility." The Order cites several instances at pages 47 through 50 in which Mr. Brown's actions was a concern, including, but not limiting to, Mr. Brown using utility property as collateral to secure loans for non-utility purposes, the utility not paying ad valorem taxes for a number of years, the utility not being continuously covered for general liability or workers compensation insurance, and problems with getting a well on-line. In that decision, the Commission reduced the amount of management fees from Mr. Brown to be included in rates.

Q. IS THERE REASON TO BE CONCERNED WITH HOW THE UTILITY IS CURRENTLY BEING MANAGED?

A. Yes. During the test year in this case and subsequently, WMSI has been very late in making many of its payments. WMSI was assessed a penalty by the Florida Public Service Commission (FPSC) for not paying its Regulatory Assessment Fee for the period July 1, 2009, through December 31, 2009, by the February 1, 2010 due date. Based on a review of the Company's 2009 general ledger that was provided in response to OPC POD 3, it appears that WMSI did not submit the federal income tax withholdings and FICA and medicare taxes on a timely basis. In fact, the 2009 general ledger shows $3,085.53 booked to account 236.30 – Accrued Taxes – Federal W/H on September 30, 2009, for an "Estimated Tax Penalty – QTR 9/30/09" and an additional $3,500 booked to the account on December 31, 2009, for "IRS 941 Penalty 12/31/09." The accounts payable account in the 2009 general ledger also shows that on October 7, 2009, the Company paid $1,940.97 to the United States Treasure for a "Penalty – 6/30/09". While the penalties have not been booked in above-the-line accounts and are not included in the test year expenses in the Company's filing, it is still a great concern that the Company is incurring many penalties.

Additionally, based on a review of the expenses recorded during the test year and subsequently, coupled with a review of the accounts payable balances, there are long delays in making many payments for utility related services. For example, on September 30, 2009, the company booked an expense for an invoice from Rowe Drilling Company for $14,489.90. The Company's 2010 general ledger shows that $10,000 was paid on this invoice on May 10, 2010, more than seven months after the invoice was received.

During 2009 and 2010, WMSI was also unable to make two of its principal and interest payments on its outstanding loan with the Florida Department of Environmental Protection and resorted to refinancing the loan terms. This will be addressed in further detail later in this testimony.

Q. DID THE COMPANY INCUR ANY NEW COSTS OR COSTS NOT RELATED TO ITS WATER OPERATIONS DURING THIS PERIOD IN WHICH IT WAS APPARENTLY FACING FINANCIAL CONSTRAINTS?

A. Yes. As will be discussed later in this testimony, during the 2009 test year, Gene Brown granted significant increases in the salaries of two of his employees. Mr. Brown also implemented a new executive deferred compensation plan during

2009 with a related expense recorded on the Company's books of $80,000. During 2009, WMSI also filed an Application for authority to provide Wastewater Service to St. George Island, incurring $52,851 of costs that it deferred on its books and now wants to recover from its water customers. Each of these issues will be addressed later in this testimony. These actions are questionable, particularly in consideration of the fact that WMSI has not been paying its bills in a timely manner and is incurring associated penalties and late fees.

Q. DURING THE LAST FEW YEARS, WHAT LEVEL OF CASH TRANSACTIONS OR TRANSFERS OCCURRED BETWEEN WMSI, BGM AND GENE BROWN?

A. In Exhibit__(DR-2) and Exhibit__(DR-3), I am providing a listing of all entries recorded on WMSI's general ledger in its various cash accounts for transactions that identify either Gene D. Brown or Brown Management group for 2009 and 2008, respectively. As is readily apparent from a review of these exhibits, there were numerous entries recorded on WMSI's books for both debits and credits to the various WMSI cash accounts associated with Gene D. Brown and Brown Management Group, Inc. A debit entry in the listing would signify an increase in WMSI's cash account, whereas a credit entry is a decrease in the cash balance. The listing for 2009 provided as Exhibit__(DR-2) is 5 pages long, while the listing for 2008 is 4 pages. As shown on the final page of Exhibit__(DR-2), during 2009 WMSI had a total of $434,775 in cash going out to Gene D. Brown with $50,103 coming in from him in that period, resulting in a net amount going out identified as to Gene D. Brown of $384,672. During that same period, a total of $109,441 is shown as going out to Brown Management Group, while $362,964 is shown as coming in, or debiting WMSI's cash account, from BMG. The net result taking into account both BMG and Gene Brown is that $131,038 more went out of the WMSI cash account than came in from both Gene Brown and BMG combined. This is during a period of apparent financial constraint for WMSI.

Exhibit__(DR-3) shows that during 2008, WMSI had a total of $389,725 in cash going out to Gene D. Brown with $16,250 coming in from him in that period, resulting in a net amount going out identified as to Gene D. Brown of $373,475. During that same period, a total of $103,050 is shown as going out to Brown Management Group, while $215,029 is shown as coming in, or debiting WMSI's cash account, from BMG. The net result taking into account both BMG and Gene Brown is that $261,496 more went out of the WMSI cash account than came in during 2008 from both Gene Brown and BMG combined. Over the two year period, the combined result would be that $392,534 more dollars left the WMSI cash accounts and went to either Gene Brown or BMG. Again, this analysis is based on all of the transactions to the cash accounts listed in WMSI's general ledgers for 2008 and 2009 that were identified as either Gene D. Brown or Brown Management Group.

Q. ARE THERE ANY ADDITIONAL ACCOUNTS ON WMSI'S BOOKS THAT CHANGED DURING THAT PERIOD THAT WOULD CAUSE CONCERN REGARDING THE AFFILIATED RELATIONSHIPS?

A. Yes. On Exhibit__(DR-4) I show the balance recorded on WMSI's books in Account 123.00 – Investment in Associated Companies at various points in time. As shown on this exhibit, the balance of Investment in Associated Company recorded on WMSI's books increased from a January 1, 2008, beginning balance of $924,617 to $1,213,905 as of the December 31, 2009, test year end and $1,262,402 as of June 30, 2010. The Investment in Associated Company recorded on WMSI's books increased by $337,785 over the period January 1, 2008, through June 30, 2010. One must question the prudence of WMSI increasing its investment in affiliated entities during a period in which it was unable to pay many of its bills on time and during the period in which it was unable to pay two principal payments on an outstanding loan with the Florida Department of Environmental Protection.

Also of concern is that on July 21, 2008, $85,000 went out of one of WMSI's cash accounts to "SMC Investment Properties." As part of the same journal entry, Account 123.00 – Investment in Associated Companies was increased by the $85,000, with the transaction description shown as "SMC investment Properties – Loan to SMC." This $85,000 is included in the increase in Investment in Associated Companies referenced above. Based on some research, it appears SMC Investment Properties, Inc. was incorporated by Sandra Chase, who is the Vice President and Secretary of WMSI, in 2006. At the time this testimony is being filed, OPC is in the process of pursuing this transaction further through discovery.

Additionally, as shown on Exhibit__(DR-4), as of the end of the test year, December 31, 2009, WMSI also had a note receivable from an Associated Company balance of $100,000. This also causes prudence concerns in a period in which WMSI is under apparent cash constraints.

Q. ABOVE YOU INDICATE THAT THE INVESTMENT IN ASSOCIATED COMPANIES RECORDED ON WMSI'S BOOKS INCREASED BY $337,785 BETWEEN JANUARY 1, 2008, AND JUNE 30, 2010. DID SIMILAR LEVELS OF INCREASE OCCUR IN PRIOR YEARS?

A. Based on a review of the Annual Reports filed with the Florida Public Service Commission, the balance in Account 123 – Investment in Associated Companies was $0 on December 31, 2004. During 2004, the balance increased from $0 to $110,532. During 2005, the amount of Investment in Associated Companies increased by $535,316 to $645,848. During 2006 and 2007, the balance increased by $127,586 and $151,183, respectively, resulting in a December 31, 2007, balance of $924,617. The amount of WMSI's Investment in Associated Companies over the 5 ½ year period ended June 30, 2010, has increased from $0 to $1,262,402.

Q. ARE THERE ADDITIONAL TRANSACTIONS BETWEEN WMSI AND BMG BEYOND THE APPARENT FREQUENT TRANSFERS OF CASH, NOTE RECEIVABLE FROM BMG AND THE INCREASE IN THE INVESTMENT IN BMG?

A. Yes. There appears to be frequent transfers of assets between WMSI and BMG, particularly in the area of vehicles and transportation equipment. Later in this testimony I will reference several instances in which assets were transferred from WMSI to BMG that are of particular concern, such as those involving a backhoe trailer and a vehicle.

On Exhibit__(DR-5) I provide copies of two exhibits submitted by WMSI in response to OPC interrogatories 8 and 13. OPC Interrogatory 8 asked WMSI to provide a list of all assets that were owned by WMSI that have been sold or transferred to other entities, affiliates, persons or parties for the period December 31, 1992, to date. Based on that response, between 1999 and 2009, three vehicles were sold or traded to ABC (a past affiliated entity), a backhoe trailer was sold to BMG (which will be discussed later in this testimony), the St. George Island apartments above the WMSI island office were sold to Brown Management Group, and lots were sold to "ABC/BMG".

The information provided indicates that the lots that were sold to ABC/BMG on November 1, 2007, were valued at $236,000 on WMSI's books and sold for $454,429 for a gain of $192,752. It does not appear from information that I have seen that this gain on sale of utility assets was ever passed on to WMSI's customers. I recommend that WMSI be required to provide additional information regarding the lot sales to BMG during 2007 to determine if the gain should be passed on to WMSI's customers.

As will also be addressed later in this testimony, WMSI sold its administrative office in Tallahassee in 2005. According to the response to OPC Interrogatory 54, WMSI "...decided to sell its administrative office to produce cash flow needed for operating revenue and it did not have sufficient funds to purchase another office." WMSI is now leasing an administrative office in Tallahassee from Brown Management Group at an annual expense of $18,000.

Later in this testimony I recommend several adjustments pertaining to transactions between WMSI and BMG as well as a recommended allocation of labor and rental costs from WMSI to BMG.

III. ADJUSTMENTS TO OPERATING INCOME

Allocation of Employee Costs to Affiliated Operations

Q. PREVIOUSLY IN THIS TESTIMONY YOU IDENTIFIED CONCERNS YOU HAVE WITH THE AFFILIATE RELATIONSHIPS AND WITH THE TRANSACTIONS OCCURRING BETWEEN WMSI AND BROWN MANAGEMENT GROUP. HAS THE COMPANY ALLOCATED ANY OF THE LABOR RELATED COSTS IN ITS FILING TO ANY OF THE AFFILIATED ENTITIES?

A. No, it has not. The labor costs for all of WMSI's employees are allocated 100% to WMSI's regulated operations. According to the responses to OPC Interrogatory 12, there is no allocation of cost from WMSI to Brown Management Group. In the response, the Company also indicated that Gene D. Brown and Sandra Chase each work approximately two hours per week for all of the various entities owned by Gene Brown and that this two hours is "outside the 40+ hour week that they work for WMSI." The response also indicates that Bob Mitchell, who is WMSI's controller, works approximately two hours per week for Brown Management Group and some of the other entities owned by Mr. Brown. However, the Company has allocated no salary and wage cost to Brown Management Group for these employees.

Q. SHOULD ANY OF THE SALARIES, WAGES AND BENEFIT COSTS FOR THE INDIVIDUALS THAT ALSO PERFORM SERVICES FOR

BROWN MANAGEMENT GROUP BE ALLOCATED TO BROWN MANAGEMENT GROUP AND REMOVED FROM UTILITY OPERATIONS?

A. Yes. WMSI's captive water customers should not be required to subsidize Brown Management Group, Inc.'s operations in any way. It is not reasonable to allocate zero labor costs to Brown Management Group for the WMSI employees who also perform work associated with Brown Management Group, Inc. The response to OPC Interrogatory 12 indicates that Brown Management Group is "A corporation that holds and manages investments of Gene Brown, all of which are passive." Judging by the level of transactions on the Company's books associated with Gene Brown personally and with Brown Management Group, Inc., it is not reasonable to assume that Mr. Brown, Ms. Chase and Mr. Mitchell work only approximately two hours per week for Brown Management Group and that all of these hours are above and beyond a normal full work week. It is also not reasonable to assume that Ms. Chase and Mr. Mitchell are performing services that are benefiting Brown Management Group, Inc. free of charge to Mr. Brown and to Brown Management Group, Inc. Previously in this testimony I discussed the level of cash transactions that occur between WMSI, Brown Management Group, Inc. and Gene Brown which were based on a review of the Company's General Ledgers that were provided in this case. Additionally, I also addressed asset transfers between WMSI and Brown Management Group, Inc. Also discussed is the fact that the amount of investment in associated companies recorded on WMSI's books has increased by $337,785 between the period January 1, 2008, through June 30, 2010, with the June 30, 2010, balance on WMSI's General Ledger being $1,262,402.

Q. WHAT ADJUSTMENT DO YOU RECOMMEND FOR ALLOCATING LABOR RELATED COSTS TO THE AFFILIATE OPERATIONS, OR TO BROWN MANAGEMENT GROUP, INC.?

A. My recommended adjustment is presented on Schedule B-1. This schedule lists the amount included in the adjusted 2009 test year for the salaries, health insurance and 401(k) plan pension expenses for Gene Brown, Sandra Chase and Bob Mitchell. Each of these individuals is also involved in providing services to Brown Management Group. As mentioned previously, the purported function of Brown Management Group, Inc. is to manage the investments of Gene Brown. In this schedule, I have incorporated my recommended adjusted salary for Sandra Chase who is the Vice President and Secretary for WMSI. This adjustment will be addressed later in this testimony. As shown on line 10 of Schedule B-1, the salaries and benefits for these employees in the adjusted test year are $257,752.

While the Company has indicated that Mr. Brown and Ms. Chase, as well as Mr. Mitchell, work only approximately two hours per week on Brown Management Group related matters, this does not appear to be a reasonable estimate of their time. Bob Mitchell is the controller of the Company. Previously as Exhibit __(DR-2) and Exhibit__(DR-3), I provided a listing of the recorded cash transactions between WMSI, Brown Management Group, and Gene D. Brown. This is all of the amounts recorded on WMSI's General Ledger during 2008 and 2009 for cash being transferred between the accounts of these three entities or individual. Given the extensive amount of transfers between the various cash accounts of these entities, it is not realistic to assume that only two hours per week are dedicated by the Company's controller and Mr. Brown associated with the Brown Management Group, or other non-regulated related operations. As shown on Schedule B-1, I recommend that 12.5% of the salary and benefit costs associated with the three employees identified be allocated to affiliates and not be included in WMSI's utility operating expenses. This 12.5% factor was derived assuming that each of these employees would dedicate about five of every 40 hours of their time focused on affiliated and non-regulated matters. As shown on line 14 of Schedule B-1, this results in a recommended reduction to the employee costs of $32,219.

<u>Allocation of Rent to Affiliated Operations</u>

Q. ARE THERE ANY ADDITIONAL EXPENSES RECORDED ON WMSI'S BOOKS DURING THE TEST YEAR THAT YOU RECOMMEND BE ALLOCATED TO AFFILIATED OPERATIONS?

A. Yes. Mr. Brown, Ms. Chase, and Mr. Mitchell all work out of the Company's Tallahassee offices. These offices are owned by Brown Management Group, Inc., and 2009 test year expenses recorded on the Company's books include $18,000 for the payment to Brown Management Group for rental expense on these offices. Consistent with my recommendation that 12.5% of Mr. Brown, Ms. Chase and Mr. Mitchell's salaries being allocated to affiliated operations, I also recommend that 12.5% of the rent expense associated with the Tallahassee office be allocated to affiliated entities. This results in a $2,250 reduction to test your rent expense and is shown on Schedule B-2.

Q. HAS THE COMPANY ALWAYS RENTED THIS FACILITY FROM BROWN MANAGEMENT GROUP?

A. No, it has not. According to the response to OPC Interrogatory 54, WMSI owned its own administrative office until 2005 at which point it sold its administrative office. The Company indicated in their response to 54© that WMSI decided to sell its administrative office to produce cash flow needed for operating revenue and that it did not have sufficient funds to purchase another office. At that same time, the Company entered into an agreement to rent administrative offices from Brown Management Group, Inc. Presumably this would also increase cash flow to Mr. Brown through regular monthly payments now being made to BMG in the form of rent expense. I am not sure of the date in which Brown Management Group acquired the administrative offices that are now being rented to WMSI.

Accounting Services Expense

Q. WMSI'S FILING INCLUDES AN ADJUSTMENT TO INCREASE THE LEVEL OF ACCOUNTING SERVICES COSTS THAT WERE RECORDED DURING THE TEST YEAR. COULD YOU PLEASE DISCUSS THIS ADJUSTMENT?

A. During the 2009 test year the Company recorded accounting fees of $4,225. These include costs associated with tax return preparation and various accounting and bookkeeping assistance. These payments were made to Barbara Withers, CPA. Ms. Withers has prepared the Company's tax returns for many years. It also includes a cost associated with Ms. Withers' preparation of an accounting manual on behalf of the Company that identifies certain accounting policies and procedures. As part of its request in this case, the Company has proposed that the annual account services expense be increased to $18,000 per year, resulting in an increase in the test year expenses of $13,775. According to the direct testimony of Gene Brown, at page 17, the proposed accounting services contract would assure that the Company has priority access to a high level certified public account for an average of 10 hours per month. The contract is set up as a monthly retainer payment of $1,500, which the Company contends is better for its cash flow. Mr. Brown's testimony also indicates that any unused hours are credited to the months during which more hours are required.

In response to OPC POD 34 and 35, the Company provided a copy of the accounting engagement letter that discusses the new retainer arrangement. Based on this letter, the utility would pay Ms. Withers' firm $1,500 per month beginning January 15, 2010. Ms. Withers' would then bill against that retainer at the end of each month and those would be adjusted to the retainer at the end of each calendar year. The difference would be set as a credit for work to be done in the following year or a payment if the actual services exceed the retainer amounts. Based on a review of the 2010 General Ledger as well as invoices provided in response to OPC POD 36, the Company has been booking the $1,500 per month as an expense on its books during 2010; however, it has not been regularly paying those balances. The response to OPC POD 36 shows that as of June 30, 2010, the total retainer billing on a monthly basis would have been $9,000 and the Company had only paid $1,500 as of that period.

Q. HOW DOES THE PROPOSED ANNUAL ACCOUNTING SERVICES EXPENSE REQUESTED BY THE COMPANY OF $18,000 COMPARE TO THE HISTORIC LEVEL OF ACCOUNTING COSTS INCURRED?

A. On Schedule B-3 I provide the annual amount of accounting fees incurred by the Company from outside firms or consultants by year for the period 2005 through

2009. This response shows that the costs have varied in the last five years; however, none have come close to approaching the $18,000 annual cost level requested by the Company. In fact, the highest amount of accounting fees cost incurred by the Company for outside consultants or firms was $10,626 in 2005, and that included fees associated with setting up a new fixed asset and depreciation program. The next highest level was the amount incurred on the Company's books during 2009, which included costs associated with Ms. Withers preparing an accounting manual on behalf of the Company. Over the past five years, the average accounting fees incurred by the Company has been $3,667.

Q. IN YOUR OPINION, HAS THE COMPANY JUSTIFIED THIS SIGNIFICANT PROJECTED COST INCREASE ASSOCIATED WITH OUTSIDE ACCOUNTING FEES AND SERVICES?

A. No, it has not. In fact, the Company has an in house controller whose duties include accounting and bookkeeping activity as well as responsibility for the General Ledger, payroll, payroll tax returns, preparation of financial statements, as well as other accounting type services. The Company also has an office administrator who assists the controller in the day to day accounting functions. The Company has not justified the need for a significant increase in the amount of assistance it will require from an external certified public accounting firm.

Q. WHAT ADJUSTMENT DO YOU RECOMMEND?

A. As shown on Schedule B-3, I recommend that the accounting expenses contained in the Company's adjusted test year be reduced by $14,333 to reflect the five year average cost of $3,667. The Company has not justified a cost above the historic average level. Additionally, as previously mentioned, the historic period I used in deriving the average includes some non-recurring type costs as these costs fluctuate from period to period. As shown on Schedule B-3, the historic costs that were used in deriving the average include costs associated with setting up the new fixed asset and depreciation program, the cost associated with Ms. Withers' preparation of an accounting manual on behalf of the Company, as well as costs associated with a valuation study of the water system that was conducted in 2007. Thus, it is my opinion that using the five-year average level would set a reasonable level going forward. The Company has not justified an amount above this level.

Engineering Services Expense

Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S REQUEST AS IT PERTAINS TO THE INCREASE IN ENGINEERING SERVICES EXPENSES?

A. The Company has proposed that the amount of engineering services expense recorded on its books during the 2009 test year of $27,500 be increased by $20,500 to allow for an annual expense level of $48,000. This amount would be based on paying the engineering firm PBS&J a retainer of $4,000 per month, resulting in an expenditure of $48,000 per year to be used for engineering services. According to Mr. Brown's testimony in this case, at page 15, the Company must have access to high quality engineering services on a consistent basis, and its proposed $48,000 per year annual cost would assure that the Company would have a priority with a firm such as PBS&J in order for them to "continue providing a high level service and maintenance of all of our operations." PBS&J is the firm that recently completed the water system evaluation on behalf of the Company and provided an extensive report on its findings.

Q. IS THE $48,000 REQUESTED ANNUAL EXPENSE LEVEL FOR ENGINEERING SERVICES CONSISTENT WITH THE LEVEL OF COSTS THE COMPANY HAS HISTORICALLY INCURRED FOR THIS TYPE OF SERVICES?

A. No, it is not. In OPC Interrogatory 25, the Company was asked to provide the amount of engineering services cost the Company has incurred for non-capital engineering work for each year from 2005 to date. WMSI responded that "There are no non-capital engineering expenses for 2005 through 2008." As previously mentioned, the Company recorded on its books $27,500 of expense in the 2009 test year for engineering services costs charged to expense.

Q. WHY DID THE COMPANY INCUR SUCH A HIGH ENGINEERING EXPENSE LEVEL IN 2009?

A. The costs recorded by the Company in its books in 2009 are associated with PBS&J conducting the complete water system evaluation on behalf of the Company and making recommendations based on its evaluation. A complete evaluation of this type would be non-recurring in nature. While the evaluation would typically be an expense item, one would expect that the majority of any engineering costs and expenditures incurred by the Company on a regular basis would be capital in nature and would be specific to capital projects, such as the pro forma projects proposed by the Company in this case. Engineering costs associated with projects such as those proposed by the Company would be capitalized as part of the project cost and would not be recorded as an expense on the Company's books.

Q. WHAT ADJUSTMENT SHOULD BE MADE TO THE AMOUNT OF ENGINEERING SERVICE COSTS TO INCLUDE IN EXPENSE IN WMSI'S FILING?

A. Since the engineering service expenses recorded on the Company's books during the historic test year are non-recurring in nature, as they were associated with the complete water system evaluation, I recommend that these non-recurring costs be amortized over a five-year period. This is consistent with Rule 25-30.433(8) which states that "Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified." Thus, I recommend that these non-recurring expenses that fell within the test year in this case be amortized over a period of five years. As a completed evaluation of the water system has recently been completed, future engineering services would likely be of a capital nature and not something that would be recorded as an expense on the Company's books. Based on discussions I have had with OPC's engineering witness, Andrew Woodcock, it would be more typical that engineering expenditures would be capital in nature, particularly as the Company has recently completed the water system evaluation.

Q. WHAT ADJUSTMENT NEEDS TO BE MADE TO THE COMPANY'S FILING TO REFLECT YOUR RECOMMENDATION?

A. As shown on Schedule B-4, the Company's proposed adjusted test year engineering expenses should be reduced by $42,500. This would allow for an annual amortization of $5,500 for the non-recurring engineering service expenses incurred by the Company during the test year.

DEP Refinancing Costs

Q. ON SCHEDULE B YOU HAVE AN ADJUSTMENT TO REMOVE $2,500 FROM TEST YEAR EXPENSES IDENTIFIED AS "REMOVE NON-RECURRING DEP REFINANCING CONSULTING COSTS". COULD YOU PLEASE EXPLAIN WHY YOU ARE REMOVING THESE COSTS?

A. According to the response to OPC Interrogatory 51, test year expenses charged to Account 636-Contractual Services-Other, includes $2,500 paid to Sigma Project Solution LLC on December 14, 2009. The response identifies these costs as "DEP Refinancing Consulting". I recommend that the $2,500 of consulting costs for the DEP Refinancing be removed from test year expenses because these are non-recurring costs and these costs should not be passed onto the Company's customers.

The Company currently has a loan outstanding with the Department of Environmental Protection at a low interest rate of approximately 2.99%. This loan was used at the time that the Company was required to replace the water main that provides service to St. George Island. As part of the Company's response to OPC POD 8, it provided a copy of Amendment No. 3 to its loan agreement under the State Revolving Fund Program. According to this amendment to the loan, Water Management Services, Inc. had requested a restructuring of the loan as a result of "worsening economic conditions." As part of this restructuring, the semi-annual loan payments that were due on November 15, 2009, and on May 15, 2010, were reduced to zero with interest accruing and added to the outstanding balance of the loan due. The refinancing resulted in the semi-annual loan payments resuming beginning on November 15, 2010 at a payment requirement of $147,751 on a semi-annual basis, or twice per year, for remaining loan payment numbers 15 through 60. Apparently, the Company did not have the cash necessary to pay the November 2009 and May 2010 loan payments that were due. The cost incurred by the Company for assistance in refinancing this loan should be removed from the test year and should not be passed on to customers.

Q. WHY SHOULD THEY BE REMOVED FROM THE TEST YEAR?

A. First, they should be non-recurring refinancing costs. Second, the Company's customers should not be harmed through an increase in expenses as a result of the Company being unable to adequately manage its cash flow. As indicated near the beginning of this testimony, there has been a significant level of cash transfers between the WMSI's books, Brown Management Inc. and Gene Brown. As shown in Exhibit __(DR-3), during 2008 the amount of cash going out of the various cash accounts on the Company's General Ledger identified as going to either Gene D. Brown or Brown Management Group exceeded the amount of cash coming into the utility from these two entities by more than $260,000. During 2009 the amount of cash going out to either Gene D. Brown or Brown Management Group exceeded the amount of cash coming in from those entities based on an analysis of the Company's 2009 General Ledger, by approximately $131,000. As shown on Exhibit__(DR-4), the amount recorded on WMSI's

General Ledger in Account 123-Investment and Associated Companies increased by $337,785 between the period January 1, 2008, and June 30, 2010. Additionally, as shown in the same exhibit, as of December 31, 2009, the amount of notes receivable from associated companies recorded on WMSI's books was $100,000. Clearly, it causes the OPC great concern to see the investment in associated companies increasing and to also see that there are notes receivable from associated companies still outstanding during the same period that the Company was unable to pay its debt obligation on the DEP loan. The Company's customers should not be harmed by incurring increased costs as the result of Company management not adequately managing its cash flow and in the decision by the President of the Company, Gene D. Brown, to transfer utility cash funds between WMSI's cash accounts, his personal account and the account of Brown Management Group, Inc.

As will be addressed later in this testimony under the discussion of rate case expense, the Company has deferred additional charges from Sigma Project Solutions, LLC. To the extent that any of these charges are associated with refinancing costs, they should also be excluded from rate case expenses to be recovered from customers.

<u>Contract Labor Costs</u>

Q. **AS PART OF ITS ADJUSTMENTS TO THE SALARIES INCLUDED IN THE 2009 TEST YEAR, WMSI REMOVED SOME CONTRACT LABOR COSTS. WOULD YOU PLEASE DISCUSS THESE ADJUSTMENTS?**

A. Yes. As part of the Company's salary expense adjustment shown on MFR

Schedule B-3, pages 4 and 5, the Company removed $6,000 for contractual services performed by Hank Garrett during 2009. The reason provide was that Mr. Garrett is now a full time employee of WMSI and the Company has added his labor costs on an annualized level in this case. Additionally, the Company removed the contractual service fees paid to Charles Painter for $6,366, as he will not be providing these services in 2010. During the 2009 test period there was a turnover of both employees and contractual labor used by WMSI. The Company's salary and wage adjustment reflects the annual level of salary and wage cost associated with the current employees, and removes the employees that left the Company's services during 2009, as well as removing the contractual services that the Company will no longer be using.

Q. DID THE COMPANY CORRECTLY ADJUST FOR THE CONTRACTUAL LABOR COST IN ITS FILING?

A. Not entirely. In its Adjustment 12g shown on MFR Schedule B-3, page 4 of 5, the Company removed $6,000 for the contractual services performed by Hank Garrett. However, as shown on Company Schedule B-9, the actual amount of payments to Hank Garrett for his services during the test year was $7,250. In response to OPC Interrogatory 50 the Company agrees that its adjustment to remove his fees should have been for $7,250 instead of $6,000. I have reflected the removal of the additional $1,250 of contractual service costs on Schedule B.

<u>Out of Period Costs</u>

Q. IN COMPANY WITNESS FRANK SEIDMAN'S TESTIMONY, AT PAGE 4, HE INDICATES THAT HE MADE MINOR CORRECTIONS TO

EXPENSES FOR "EXPENSES INCURRED DURING THE TEST YEAR BUT NOT BOOKED UNTIL THE FOLLOWING QUARTER." ARE THERE ANY ADDITIONAL ADJUSTMENTS THAT NEED TO BE MADE TO INSURE THAT TEST YEAR COSTS ONLY INCLUDE COSTS ASSOCIATED WITH THE 2009 TEST YEAR?

A. Yes. According to the response to OPC Interrogatory 51, test year expenses include $1,305 charged from Management & Regulatory Consultants, Inc. for the preparation of the 2008 PSC annual report. Additionally, on December 31, 2009, the Company recorded $5,000 for charges from Management & Regulatory Consultants, Inc. for the 2009 annual report. This $5,000 was based on a retainer and according to the Company's 2010 General Ledger the Company received a refund of $1,893 of the $5,000 retainer that was paid. Thus, test year expenses include costs associated with the 2008 annual report as well as costs associated with the 2009 annual report, part of which had been refunded to the Company in the following period. Consequently, an adjustment must be made so that test year expenses only reflect an annual level of costs associated with its annual report preparation.

Q. WHAT ADJUSTMENT SHOULD BE MADE?

A. Test year expenses include a total of $6,305 to Management and Regulatory Consultants, Inc. for the annual report preparation. However, based on the amounts paid during the test year and the subsequent refund for some of those amounts received in 2010, the actual costs for the 2009 annual report preparation would have been $3,107. The expenses recorded in the test year for annual report preparation should be reduced by $3,198 in order that only an annual level of these expenditures are incorporated in the adjusted test year. I have reflected this adjustment to remove $3,198 on Schedule B.

Rate Case Expense

Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO THE PROJECTED RATE CASE EXPENSE INCORPORATED IN THE COMPANY'S FILING?

A. Yes. In its filing, WMSI estimates that the rate case expense associated with this proceeding will be $228,613, and is amortizing this projected cost level over a four-year period. WMSI MFR Schedule B-10 provides a listing of the projected cost that the Company will incur as part of this case. I am recommending that several of the costs included by the Company be removed. WMSI MFR Schedule B-10 shows projected costs associated with the legal counsel retained by the Company in this case, Radey, Thomas, Yon & Clark, P.A., as well as the projected cost for Frank Seidman of M&R Consultants, Inc. for assistance in this case. Frank Seidman has submitted prefiled testimony in this case on behalf of the Company. However, in addition to these legal costs and rate case assistance costs, WMSI also included costs that it has identified as being "preliminary" in nature. The Company included $3,340 of charges from the firm Rose, Sundstrom and Bentley, PA which is identified as "preliminary legal counsel". Also included is $9,348 for the assistance of Robert Nixon of Carlstedt, Jackson, Nixon & Wilson, CPAs, which has been identified as "preliminary rate case evaluation". In other words, WMSI switched legal counsel and accounting assistance that it retained for this case after an initial evaluation was conducted. I recommend that these preliminary costs be removed and not recovered from customers as part of the rate case expenses.

Q. DID YOU INQUIRE WHY THESE PRELIMINARY COSTS WERE INCURRED AND THE NATURE OF THE COSTS?

A. Yes. OPC Interrogatory 56 asked the Company to explain why costs were being included for two separate legal firms, one as preliminary legal counsel and one as the current legal counsel, as well as why costs were included for two rate case consulting firms, one of which was identified as preliminary rate case evaluation. In response to OPC Interrogatory 56(a), the Company stated that "The 'preliminary legal counsel' included a high level analysis of WMSI's position as well as work in trying to find financing for WMSI." The response also indicated that this information was needed for WMSI to make a decision regarding how to proceed with the case. In response to sub-part (b), the Company indicated that Radey, Thomas, Yon & Clark PA had "No special expertise in locating funding sources for a water utility, but was able to work with WMSI on a payment schedule that allowed the Company to proceed with highly qualified legal counsel." The response also indicated the Company's position that there was no overlap or waste of costs. Assisting a Company in finding financing is not a rate case expense. Additionally, as previously mentioned in this testimony, many of the financing problems or concerns for the Company are the result of affiliated transactions and relationships which have left the Company in an oft times precarious financial situation.

Regarding the "preliminary rate case evaluation" assistance from the CPA firm, the Company indicated that "The Carlstedt firm did preliminary work in analysis that was useful to Rose, Sundstrum in their financing efforts and to WMSI in preparing the case for filing." The response also indicated that before the MFRs were prepared, WMSI determined that it would be more cost effective to use M&R Consultants rather than the Carlstedt firm because M&R Consultants had done the Company's annual reports and was familiar with WMSI. However, this explanation does not justify the inclusions of costs for the preliminary work or analysis done by the Carlstedt firm. Ratepayers should not pay for two different accounting firms and two different legal firms to assist in the preparation of a case particularly, when the Company decided to switch firms during the preparation stages. Consequently, I recommend that these preliminary legal costs and preliminary rate case evaluation costs be removed.

Q. HAVE YOU PREPARED A SCHEDULE SHOWING YOUR RECOMMENDED ADJUSTMENTS TO THE COMPANY'S PROPOSED RATE CASE EXPENSE?

A. Yes. My recommended adjustments are shown on Schedule B-5. As shown on lines 2 and 3 of this schedule, I removed the preliminary legal costs of $3,340 and the preliminary rate case evaluation cost of $9,348. The removal of these costs result in an adjusted rate case expense of $215,925 which results in an annual amortization expense of $53,981. This is $3,172 less than the proposed annual amortization incorporated in the Company's filing.

Q. DOES THE FLORIDA PUBLIC SERVICE COMMISSION TYPICALLY ALLOW THE RATE CASE EXPENSES IN RATE CASES TO BE TRUED UP TO ACTUAL COSTS LATER IN THE PROCEEDINGS?

A. In several prior proceedings in which I have been engaged, I have noted that Staff has asked for an update of the rate case expenses incurred as well as the invoices supporting those costs in order to evaluate the level of rate case expense to allow. If that is done as part of this case, certain costs that have been deferred by WMSI as rate case expense on its books should be excluded.

In response to OPC Request for Production of Document No. 49, the Company provided copies of pages from its general ledger listing out all of the rate case costs that have been deferred to date, as well as invoices for the services provided to date. Included in the information provided was a charge of $2,500 from Sigma Project Solutions, LLC, which was recorded on the Company's 2010 General Ledger on February 12, 2010 as part of the deferred rate case costs. There is also a charge from the same firm for $2,056.42 booked on March 12, 2010. The invoices from Sigma Project Solutions, LCC provided with OPC POD 49 merely identify the $2,500 as a "retainer" and identify the $2,056.42 as a "reconciliation in addition to retainer." No further information was provided on the invoices regarding what services were provided by Sigma Project Solutions, LLC, or how those services in anyway pertains to rate case expense. However, based on the Company's response to OPC Interrogatory No. 51, Sigma Project Solutions LLC was the Company's DEP refinancing consultant. Such costs are not related to the rate case expense and should not be amortized as part of rate case expense and recovered from customers. Other charges from this firm have been addressed previously in this testimony. If the Commission does allow a true up of the rate case expense to actual at a later phase of this proceeding, then the cost charged to the deferred rate case expense associated with invoices from Sigma Project Solutions LLC should be excluded from that true up.

Q. IF THE COMMISSION DOES, IN FACT, ALLOW A TRUE UP OF THE RATE CASE EXPENSES AT A LATER PHASE OF THIS CASE, SHOULD ANY ADDITIONAL ADJUSTMENTS BEYOND THE ONE IDENTIFIED ABOVE BE CONSIDERED?

A. Yes. Later in this testimony under the rate base section, I discuss the Company's proposed pro forma plant additions as well as the OPC's recommendation that they be removed at this time due to lack of supporting documentation for proposed cost. To the degree that the Company's failure to provide a reasonable level of support for its pro forma plant additions result in higher rate case expenditures being required, ratepayers should not be harmed by this. The lack of supporting information will be addressed further later in this testimony as well as the testimony of OPC engineering witness Andrew Woodcock. If the Company's failure to provide a reasonable amount of supporting documentation results in it incurring a higher level of rate case expense, those higher level of expenses should not be passed onto the Company's customers. The customers should not be penalized for the inability for the Company to meet a reasonable burden of proof in this case.

Q. DID THE COMPANY REMOVE THE AMORTIZATION EXPENSE ASSOCIATED WITH ITS PRIOR RATE CASE?

A. No, it did not. Test year expenses recorded in Account 666-Regulatory Commission Expense-Rate Case Amortization includes $24,184 associated with the amortization of the prior rate case, which was a limited proceeding. The Company made no adjustment to remove this amount that is imbedded in the historic test year in this case. This amount has now been fully amortized and the outstanding balance is zero. As shown on Schedule B, line 8, I have removed this amortization expense associated with the prior rate case from the 2009 test year expenses. While the Company has indicated in response to OPC Interrogatory 57 that the amortization expense for the prior rate case is "...not included in the requested rate case amortization expense", it has not made an adjustment to remove this amortization that is incorporated in the 2009 historic test year O&M expense amounts. Thus, an adjustment must be made to remove these now fully amortized costs.

<u>Reduction to Salary Expense</u>

Q. YOU PREVIOUSLY DISCUSSED AN ADJUSTMENT TO ALLOCATE CERTAIN EMPLOYEE COSTS TO AFFILIATED OPERATIONS. ARE YOU RECOMMENDING ANY ADDITIONAL ADJUSTMENTS TO THE AMOUNT OF SALARY AND WAGE EXPENSES INCLUDED IN THE COMPANY'S ADJUSTED TEST YEAR?

A. Yes. I am recommending that the salary of two positions be reduced from the test year level to remove excessive percentage wage increases that were granted to these two employees in the test year.

Q. COULD YOU PLEASE ELABORATE?

A. Yes. The Company's Vice President and Secretary, Sandra Chase, was granted a significant increase in salary between 2008 and 2009. During 2008, based on the response to OPC Interrogatory 39, Ms. Chase's base wages were $59,000. In 2009 her base wages were increased by $11,000 to $70,000 per year. This is an increase of 18.6%. When questioned during his August 10, 2010 deposition, WMSI President Gene Brown did not provide adequate justification for this significant wage increase other than his thoughts that she deserved the increase. He indicated that there was no significant change in her job function or responsibility at the time this increase was granted. Additionally, this increase was granted during a time of apparent financial difficulties for WMSI.

Between 2008 and 2009, the base wages of the Company's operations and office manager, Brenda Molsbee, was increased from $45,981 to $60,000. This is an increase of approximately 30% in a one year period. During the deposition of Mr. Brown, he was asked to provide support for this significant increase in her wage. As Late-Filed Exhibit No. 21, Mr. Brown provided what he contended was a comparative salary survey. This consisted of a hand jotted note identifying what Hank Garrett, a WMSI operator, who used to be employed by a different company, made per year at that other company. To this amount he also added on the note the amount of benefits and indicated that these with the mileage reimbursement equated to over $70,000 annually. The note, which is being provided as Exhibit__(DR-6), also indicated that these amounts were per "Nita from Hank". Nita would be Brenda N. Molsbee. No further justification for this 30% wage increase was provided.

Should Mr. Brown choose to grant such significant percentage increases to his employees, such significant increases in salaries and wages should not be passed onto the Company's customers, particularly in a period of apparent financial difficulty for WMSI and considering the economic climate during the period in which these wage increases were granted. Wage increases of 18.6% and 30%

during a period of high unemployment is not reasonable or justified, particularly without a significant expansion of the employee's duties and responsibilities.

Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

A. As shown on Schedule B-6, I recommend that the wage increase for each of these two employees in going from the 2008 salaries to the test year level be limited to an increase of 3% each. Given the economic climate and the high unemployment rate, wage increases of 3% should be more than reasonable for the test year in this case. As shown on Schedule B-6, this results in a recommended reduction to salaries and wages included in the test year of $21,870.

<u>Executive Deferred Compensation Plan Expense</u>

Q. WHAT AMOUNT IS INCLUDED IN THE 2009 TEST YEAR FOR ACCOUNT 604-EMPLOYEE PENSIONS AND BENEFITS?

A. The expenses recorded during the 2009 test year in Account 604-Employee Pensions and Benefits expense totaled $130,569. In the prior year, 2008, the Company recorded $52,751 of employee pension and benefits expense on its books. In other words, the costs increased by $77,818 between 2008 and 2009 with the cost more than doubling during that period.

Q. DID THE COMPANY'S TESTIMONY ADDRESS THIS SIGNIFICANT INCREASE IN EMPLOYEE PENSION AND BENEFIT COSTS IN THE TEST YEAR?

A. No, it did not. In OPC Interrogatory 47, the Company was asked what caused this significant increase. In response the Company indicated that "Gene Brown and

Sandra Chase qualified for WMSI's executive deferred compensation plan in 2009, which increased the employee pension and benefit account." The response to OPC Interrogatory No. 56 shows that the Company recorded $40,000 of expense in the test year for Gene Brown executive deferred compensation plan costs and $40,000 for that same plan for Sandra Chase, resulting in $80,000 being included in the 2009 test year expenses for this new plan. This purported new deferred executive compensation plan was new in 2009.

Q. SHOULD THIS SIGNIFICANT INCREASE IN EMPLOYEE PENSION AND BENEFIT COSTS ASSOCIATED WITH THIS NEW EXECUTIVE DEFERRED COMPENSATION PLAN BE INCLUDED IN RATES THAT ARE RECOVERED FROM CUSTOMERS?

A. No, they should not. As shown on Schedule B-7, I recommend that the entire $80,000 included in the 2009 test year be removed.

Q. PREVIOUSLY IN THIS TESTIMONY YOU RECOMMENDED AN ADJUSTMENT TO THE AMOUNT OF SALARY INCLUDED IN THE CASE FOR SANDRA CHASE. IS THIS $40,000 EXECUTIVE DEFERRED COMPENSATION PLAN EXPENSE ASSOCIATED WITH MS. CHASE IN ADDITION TO THE SALARY YOU HAVE ALREADY ADJUSTED?

A. Yes, it is. This is above and beyond the $70,000 that was included for Ms. Chase in the 2009 test year in this case. If one were to include this executive compensation plan for Ms. Chase, her salary would effectively be $110,000 in the test year, which is clearly a significant increase from her 2008 salary of $59,000.

Q. IS THIS PURPORTED NEW EXECUTIVE DEFERRED COMPENSATION PLAN BEING FUNDED BY THE COMPANY?

A. No, it is not. The Company has not in anyway funded this plan. Rather, it has merely booked the $80,000 in expense on its books.

Q. DID YOU REQUEST A COPY OF THE DOCUMENTS ASSOCIATED WITH THIS NEW EXECUTIVE DEFERRED COMPENSATION PLAN?

A. Yes. The Company provided a copy of the Water Management Services, Inc. executive deferred compensation plan in response to OPC POD 51. I am including a copy of that plan that was provided by the Company as Exhibit __(DR-7). The documentation provided indicates that "The purpose of the plan is to provide deferred compensation to a select group of management and highly compensated employees through an unfunded "top hat" arrangement exempt from fiduciary, funding, vesting, and plan termination insurance provisions of Title I and Title IV of the Employee Retirement Income Security Act ("ERISA")." The document goes on to state that it has adopted this plan "...to provide employees with the opportunity to defer compensation they are unable to defer or receive under the Company's tax qualified cash or deferred compensation plan (WMSI 401(k) Plan), because of the limits on deferrals imposed by Sections 401(k) and 402(g) of the Internal Revenue Code ("Code")." In other words, based on this plan documentation, apparently WMSI is providing Mr. Brown and Ms. Chase $40,000 each of additional compensation that is being deferred. However, this plan is not in anyway being funded by the Company. According to Section 3 of the plan documents, an employee who is eligible for the plan, which would be Mr. Brown and Ms. Chase, can "...elect to defer the receipt of Compensation by completing a deferral election form provided or approved by the Board." It also states that an "...eligible Employee may elect to defer any whole percentage or fixed dollar amount of his or her Compensation." In other words, based on this document, it appears as though Mr. Brown and Ms. Chase have been granted a $40,000 increase in their compensation that they are deferring. The significant increase in compensation for Mr. Brown and Ms. Chase should not be passed on to the Company's customers. The plan document also indicates that the plan is unfunded and that "no eligible employees shall have preference over any general creditor of the Company with the regards to the amount accrued in such employee's accounts." It also indicates that the plant is unsecured and that no trust or similar arrangement is intended or created as a result of the implementation of this new plan.

Q. HOW WAS THE ANNUAL AMOUNT OF $40,000 FOR MR. BROWN AND MS. CHASE DETERMINED BY MR. BROWN?

A. Mr. Brown was asked the question regarding how the amount was derived during his August 10, 2010 deposition. The amount was essentially derived by determining an amount to pay Mr. Brown and Ms. Chase on a monthly basis for the rest of their projected remaining lives upon their retirement. The estimated total payment that apparently Mr. Brown would like to provide for himself and Ms. Chase throughout their retired years were then essentially totaled up and divided by the remaining participating years during which each of them will continue to be employed by WMSI. However, as previously indicated these funds are not being set aside and they are not being invested with an outside party.

Q. SHOULD THESE PROJECTED COSTS BE PASSED ON TO CUSTOMERS?

A. No, they should not. It would not be fair to ask customer to pay what would essentially be a $40,000 increase in both Ms. Chase's salary and Mr. Brown's salary through their utility rates. Additionally, while the Company is requesting from customers this annual level of expense it appears it has no intention of funding this cost. This significant increase in employee benefit expense, which more than doubles the benefit costs recorded by the Company in its books, should be disallowed.

<u>Key Man Life Insurance Expense</u>

Q. ARE THERE ANY ADDITIONAL COSTS INCLUDED IN THE TEST YEAR ASSOCIATED WITH THE PURPORTED EXECUTIVE DEFERRED COMPENSATION PLAN?

A. Yes. Included in Account 659-Insurance-Other Expense in the 2009 test year is $12,015 for a Key Man insurance policy. According to the Company's response to OPC Interrogatory 55, the Company added the Key Man insurance "To help the Company survive if it lost the person who manages and is most knowledgeable about the company." The response also indicated that Gene Brown is the "Key Man" that is insured on the policy. While the response indicates that the purpose of the policy is to help the Company survive if it were to lose Gene Brown, this is not what the funds are to be used for, based on a copy of the policy itself. WMSI provided a copy of the Key Man Life Insurance policy in response to OPC POD 48. The policy itself provides for life insurance on Gene D. Brown totaling $800,000. The beneficiary provision of the policy indicates that the proceeds that would result from the insured's death ". . . will be payable in one sum to Sandra M. Chase, Trustee(s) of the Water Management Services, Inc. Employee benefit trust dated May 21, 2008, or the successor(s) in the trust beneficiary." Thus, the proceeds that would be received under the life insurance policy on the life of Gene Brown would go to the referenced trust. The Company provided a copy of the Water Management Services, Inc. Employee Benefit Trust that was dated May 21, 2008, in its response to Late-Filed Exhibit No. 18. The trust document in Section 5 indicates that the "primary purpose of this trust is to provide additional cash asset to and for the benefit of the plan to insure that it remains actuarially sound to guarantee that all employees of WMSI will receive the benefits provided for the in the successor plan." Thus, the Key Man insurance policy is apparently to cover employee benefit costs upon the death of Mr. Brown and not for the continuing financing of the utility's operations. During his deposition Mr. Brown indicated that the trust will be used to fund the 401(k) plan and deferred compensation plan and that the purpose is to protect its employees. It clearly will not be used to fund the ongoing utility operations, but rather to fund employee retirement deferred compensation plan.

Q. WHAT IS YOUR RECOMMENDATION WITH REGARDS TO THE KEY MAN LIFE INSURANCE POLICY?

A. I recommend that this cost be excluded and not passed onto the Company's customers. I have removed this cost on Schedule B, line 12, reducing test year expenses by $12,015.

Q. YOU MENTION ABOVE THAT WMSI IS NOT FUNDING THIS

DEFERRED COMPENSATION PLAN. DO YOU HAVE ANY CONCERNS OF THE COMPANY'S FUNDING OF ITS 401(K) PLAN?

A. Yes. Based on a review of the Company's 2009 and 2010 General Ledgers, it does not appear that the Company is promptly funding its 401(k) plan pension accruals. Based on a review of the 2009 General Ledger, the Company provided a check to Charles Schwab on September 11, 2009, for all of the 2008 pension accruals. It does not appear based on the review of the 2010 General Ledger that was provided that the Company has funded any of the 2009 pension accruals through June 30, 2010.

Employee Training Costs

Q. ARE THERE ANY ADDITIONAL ADJUSTMENTS YOU ARE RECOMMENDING TO NORMALIZE COSTS THAT ARE INCLUDED IN THE HISTORIC TEST YEAR ENDED DECEMBER 31, 2009?

A. Yes. The amount of employee training costs recorded by the Company during the historic test year ended December 31, 2009, was significantly higher than the level of employee training costs incurred in prior years. As shown on Schedule B-8, the employee training costs were $125 in 2007, $262 in 2008 and $2,822 in the 2009 test year.

Q. WHAT CAUSED THE 2009 EMPLOYEE TRAINING COSTS TO BE SO MUCH HIGHER THAN THE COSTS INCLUDED IN THE PRIOR YEARS?

A. According to the response to OPC Interrogatory No. 48, 2009 employee training costs recorded on the Company's books included $1,903 for costs associated with

Gene Brown traveling to San Francisco to attend a seminar conducted by the American Water Works Association. Additionally, the cost of the seminar was $795. Thus, the test year expenses include $2,698 associated with Mr. Brown's attendance and related travel to this seminar.

Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO NORMALIZE THESE COSTS?

A. Yes. I recommend that the test year employee training costs be adjusted to reflect the average level incurred for the past three years, 2007 through 2009. This would result in an allowed cost level based on the three-year average of $1,070 and a reduction to the 2009 test year expenses of $1,752. While I acknowledge the level of training costs can fluctuate from year to year, the 2009 training costs were greatly impacted by the $1,900 of travel costs for Mr. Brown to travel to San Francisco to attend the seminar.

<u>Removal of Wastewater Certificate Application Costs</u>

Q. ARE ANY ADDITIONAL COSTS INCORPORATED IN THE COMPANY'S FILING ASSOCIATED WITH PRIOR REGULATORY PROCEEDINGS THAT NEED TO BE ADJUSTED?

A. Yes. WMSI deferred $52,851 of costs associated with its Wastewater Certificate Application that was filed with the Commission in Docket No. 090189-SU. In the application, which was filed during the test year on April 15, 2009, WMSI proposed to both install and provide wastewater service to St. George Island. On December 17, 2009, WMSI entered a Notice of Dismissal that was granted by the Commission and it withdrew its request. The Company is now requesting that the cost it incurred associated with that application of $52,851 be recovered from ratepayers over a period of five years. The Company has included the requested amortization expense of $10,570 in its filing, as well as inclusion of the deferred costs as part of its working capital calculations. These costs should be removed and not passed on to the Company's water customers.

Q. WHY DO YOU RECOMMEND THAT THESE COSTS BE REMOVED?

A. The Company's application and proposal to provide wastewater service to St. George Island has nothing to do with its provision of water service to its water customers. These are non-utility costs that should be written-off to non-utility accounts. The Company's water customers should not be forced to pay for the costs associated with Mr. Brown's decision to attempt to expand WMSI's services to include the provision of wastewater services. The application was ultimately withdrawn, and the water customers of the Company should not be burdened with the costs associated with Mr. Brown's decision to attempt to expand his operations into a new area.

Q. WHAT ADJUSTMENTS ARE NECESSARY TO REMOVE THE COST ASSOCIATED WITH THE WASTEWATER CERTIFICATE APPLICATION?

A. As shown on Schedule B, amortization expense should be reduced by $10,570 to remove the Company's proposed amortization of the deferred costs. Additionally, as shown on Schedule C-4, working capital should be reduced by $35,603 to remove the inclusion of the projected unamortized balance of the deferrals from working capital. These are non-utility costs that should not be passed onto the water customers.

IV. ADJUSTMENTS TO RATE BASE

Reversal of Proposed Pro Forma Utility Plant Additions

Q. WMSI HAS REQUESTED A SIGNIFICANT LEVEL OF PRO FORMA PLANT ADDITIONS IN THIS CASE. WOULD YOU PLEASE BRIEFLY DISCUSS THE COMPANY'S REQUEST?

A. Yes. The Company has requested to include post-test year future plant additions totaling $2,202,481 in this case. On Company Schedule A-3, page 2 of 2, it has broken out this requested $2.2 million as follows: $156,156 to relocate a portion of a 12-inch supply main from the bridge to the main island; $272,250 for various water plant process improvements; $450,000 to acquire land for a new storage tank and water treatment; $970,900 to replace the existing ground storage tank and aerators; $330,675 to replace or rehabilitate electrical equipment; and $22,500 to upgrade distribution system components. As part of these various plant addition projects and improvements, the Company has also reflected pro forma plant retirements in its filing totaling $180,409. The net impact on plant in service that is proposed by the Company is an increase in plant in service of $2,022,072.

Of the assets the Company would be required to retire as part of its various plant addition and improvement projects, only $47,742 of that has been depreciated, leaving a net undepreciated balance for these retirements of $132,667. The high portion of undepreciated balance to original cost for many of the assets WMSI is proposing to retire is due to the fact that many of these plant assets were installed in 2004. They have only been depreciated for approximately six years on the Company's books. As part of its filing, the Company is proposing to recover the net undepreciated balance as prudently retired plant resulting in a requested annual amortization of $12,879.

Q. HAS THE COMPANY FULLY SUPPORTED ITS PROPOSED PRO FORMA PLANT ADDITIONS IN THIS CASE?

A. This issue is addressed by OPC engineering witness Andrew Woodcock. As indicated in Mr. Woodcock's testimony, the Company has not provided a reasonable level of support for the cost projections that it has incorporated in this case for its proposed additions. Prior to allowing for pro forma plant additions that go beyond the end of the test year, a reasonable level of support for the estimates associated with those costs should be provided. The Company has provided no bids or detailed analysis of the cost projections associated with each of its proposed plant additions in this case. Again, this is discussed in further detail in the testimony of Mr. Woodcock. As part of the Commission's decision in this case, it should not essentially give the Company a blank check for extremely high level cost projections that it has incorporated in this case for these plant additions. The Company should be required to provide a reasonable level of support for the proposed pro forma plant additions prior to any of them being allowed for inclusion in rate base in this case.

Q. HAVE YOU MADE AN ADJUSTMENT TO REFLECT THE REMOVAL OF THE THESE UNSUPPORTED PRO FORMA PLANT ADDITIONS?

A. Yes. As shown on Schedule C-1, page 1 of 2, I reflect the reversal of each of the

Company's proposed additions to plant in service as well as the reversal of the associated pro forma plant retirements incorporated in this case. Additionally, all of the related adjustments, such as the adjustment for pro forma accumulated depreciation and pro forma depreciation expense are also reversed on Schedule C-1, page 1 of 2.

Q. WHAT ADDITIONAL ADJUSTMENTS ARE NECESSARY TO REVERSE THE COMPANY'S PROPOSED PRO FORMA PLANT ADDITIONS AND TO REMOVE ALL IMPACTS FROM THIS CASE?

A. As shown on Schedule C-1, page 1, line 23, the Company's proposed amortization of prudently retired plant should also be removed at this time. Additionally, the amount included for the projected increase in property taxes associated with the pro forma plant should also be removed. These pro forma plant additions as well as all of the associated adjustments included in the filing by the Company should not be allowed before such time as the cost are fully justified and supported.

Q. DO YOU HAVE ANY CONCERNS WITH THE COMPANY'S CALCULATION OF ITS PROPOSED AMORTIZATION OF THE PLANT TO BE RETIRED?

A. Yes. In calculating its proposed amortization of the plant to be retired, the Company appears to have used the formula required by Rule 25-30.433(9) in determining the amortization period for recovery, with one exception. In calculating the amortization period, the Company used the rate of return of 5.01%, which is based on the "final requested interest rate from limited proceeding Dkt. No. 000694-WU". The Commission's rule states that the amount to be used in the formula calculation is ". . . an amount equal to the rate of return that would have been allowed on the net invested plant that would have been included in rate base before the abandonment or retirement." The early retirements of these plant items that are being proposed by the Company in this case will not occur until the time that the proposed pro forma plant additions are added. If any recovery of this proposed early retired plant is allowed for as part of this proceeding, the rate of return proposed to be used in this calculation by the Company of 5.01% should be replaced with the rate of return that is adopted by the Commission in this case. As will be addressed later in this testimony, the OPC is recommending a rate of return in this case of 3.85%. Using the Company's proposed calculation shown on Schedule B-3, page 5 of 5, if one replaces the 5.01% rate of return used by the Company in its calculation with the OPC's recommended 3.85% rate of return, the impact would be a $1,552 reduction in the proposed amortization.

Q. WHAT IMPACT ON THE REVENUE REQUIREMENT DOES THE REMOVAL OF THE PROPOSED PRO FORMA PLANT ADDITIONS ALONG WITH ALL OF THE RELATED ADJUSTMENTS HAVE IN THIS CASE?

A. On Schedule C-1, page 2 of 2, I have estimated the impact on WMSI's requested revenue requirement that resulted from the removal of the unsupported pro forma plant additions in this case, as well as the related impacts on accumulated depreciation, depreciation expense, amortization of retired plant, and property taxes. In other words, this schedule shows the impact of removing all of the adjustments made by the Company associated with its pro forma plant additions.

that this 2006 sale of the trailer was sold to All Pro Trailers for a price of $5,000. In response to deposition questions as Late-Filed Exhibit No. 5, being provided as Exhibit__(DR-9), Mr. Brown provided a cash deposit slip showing that on March 30, 2006, $5,000 in cash was deposited into one of WMSI's bank accounts for the sale of the Econoline backhoe trailer. During 2006, the $7,007.85 trailer that was purchased in 2005 was removed from the Company's books. The information provided by the Company in Late-Filed Exhibit No. 5 indicates that this $7,007.85 trailer was an Econoline backhoe trailer that was purchased from Stonehenge Trailers.

OPC POD 21 asked the Company to provide all documents that pertain to the sale or transfer of any asset that were previously owned by WMSI that have been sold or transferred to other entities, affiliates or persons since December 31, 1992. As part of that response, WMSI provided a bill of sale indicating that on December 22, 2009, WMSI was selling its rights, interest and title of the 2005 Econoline trailer to Brown Management Group. The response included a copy of the certificate of origin for the vehicle associated with the Econoline trailer that was purchased from Stonehedge Enterprises as well as the value of the backhoe trailer on its books and an associated sale price of $4,005.51. Apparently, based on this document, the Company has shown that it sold the Econoline trailer that was purchased from Stonehenge Enterprises in 2005 to Brown Management Group in 2009. These pages from OPC POD 21 are being provided as Exhibit__(DR-10). As indicated above, on the Company's books it shows that the Econoline trailer that was purchased from Stonehenge was sold and removed from the Company's books in 2006. This is shown on Exhibit__(DR-8), which is an excerpt from

WMSI's response to OPC Interrogatory 1.

Even more perplexing are the transactions that have occurred with the second trailer that was purchased in 2005, specifically the backhoe trailer that was acquired from All Pro Trailers for $16,022.08. The information provided by the Company in response to OPC Interrogatory No. 1, shows that the Company sold this trailer in 2009. The response to OPC Interrogatory No. 8 indicates that this sale in 2009 was made to Brown Management Group. That same response shows the sale price as $4,005.51. This is the same amount that was identified in response to OPC POD-21 associated with a December 22, 2009, sale of the Econoline trailer from WMSI to Brown Management Group, Inc. However, in Late-Filed Exhibit No. 5, WMSI indicated that on December 22, 2009, it sold the backhoe trailer to Brown Management Group for $10,000. However, it appears this trailer was in fact sold by WMSI in 2007.

Q. PLEASE EXPLAIN.

A. During the deposition of Gene Brown on August 10, 2010, the OPC questioned Mr. Brown regarding the backhoe trailers as well as the purchase and sale of those trailers. Mr. Brown agreed to provide a late-filed exhibit addressing the acquisition of a backhoe and the transactions associated with the backhoe trailers. As a result, Mr. Brown provided Late-Filed Exhibit No. 5. I am attaching this late-filed exhibit as Exhibit __(DR-9). As indicated above, the December 22, 2009, sales amount for the backhoe trailer sale to Brown Management Group is identified in that late-filed exhibit as $10,000, and this is inconsistent with amounts the Company booked on its books during 2009. However, based on the information provided at the last page of Late-Filed Exhibit No. 5, apparently Water Management Services, Inc. actually sold this trailer effective March 31, 2007. This sale appears to be signed by Gene Brown as President of Water Management Services, Inc. and is dated March 31, 2007. As shown on the second to last page of the late-filed exhibit, on August 18, 2010 Gene D. Brown as President of Water Management Services, Inc., signed a bill of sale indicating that for the price of $10,000 WMSI transferred a 2006 Imperial trailer to Brown Management Group, Inc. The bill of sale indicates that "This bill of sale is given to document the transfer and three party exchange which occurred on March 31, 2007, simultaneously with the transfer shown by Ex. 'A' attached." The bill of sale also indicates that Mr. Brown is making this effective March 31, 2007, and that it was actually signed on August 18, 2010, which is after the August 10, 2010 deposition of Mr. Brown.

Also with Late-Filed Attachment 5, the Company provided the actual entries that were made on its books at December 22, 2009, to record the sale of the backhoe trailer from WMSI to Brown Management Group. However, the same page provided indicates that a different accounting entry should have been made showing the sale as of March 31, 2007. This purportedly corrected entry is identified as being to record the sale of the backhoe trailer to Brown Management Group. The Company then provided a correcting entry on the same page. The description of the correcting entry states "To record sale of 48KP30HD backhoe trailer to Brown Management Group on 3/31/07 instead of 12/22/09 with gain/loss on sale recognized". The amounts identified as the balance of this trailer in plant in service in the entry and correcting entry is the $16,022.08 backhoe trailer that the Company identified in response to Citizen's POD No. 21 as having been sold on December 22, 2009, to Brown Management Group, Inc. for an amount of $4,005.51.

Clearly, there has been a lot of conflicting information provided by the Company with regard to these trailers, and it is clear that the Company is moving assets in and out of its affiliate, Brown Management Group, Inc. Clearly, it is inappropriate that this trailer stayed on the utility's books through December 22, 2009, when apparently it was sold to a third party in 2007. Additionally, the transfer of the Certificate of Title associated with the trailer that was provided in Late-Filed Exhibit No. 5 identifies Water Management Services, Inc. as the seller, not Brown Management Group, Inc. These transactions further highlight the great concerns the Office of Public Counsel has regarding the level of transactions and the transfer of assets between WMSI and Brown Management Group, Inc.

Q. ARE YOU RECOMMENDING ANY ADJUSTMENT ASSOCIATED WITH THESE TRAILERS?

A. The information provided by the Company in Late-Filed Exhibit No. 5 indicates that this asset should have been written off of WMSI's books as far back as 2007. Also shown in the information is the fact that depreciation expense recorded in the test year on the Company's books included $2,670.35 associated with this trailer that apparently was sold back in 2007. On Schedule C-2, I have made adjustments to remove the amount that was included in plant in service and accumulated depreciation on the Company's books during the test year for the trailer, and have also removed the depreciation expense of $2,670. Clearly, the

Company should not earn a return on this asset that it did apparently did not own during the test year.

Removal of Two Vehicles from Rate Base

Q. WOULD YOU PLEASE PROVIDE A BRIEF SUMMARY OF THE VEHICLE COSTS THAT ARE INCLUDED IN THE TEST YEAR IN THE COMPANY'S FILING?

A. The Company's adjusted test year in this case includes three company owned vehicles that are included in plant in service and two vehicles that the Company is leasing, for a total of five vehicles. Additionally, the Company has also included lease costs associated with a John Deere "Gator" vehicle that the Company has essentially purchased through a lease arrangement. By including this leased John Deere vehicle, the Company has essentially included costs associated with six vehicles for use by its eight employees. In its filing, the Company annualized the impact of two new vehicle leases that it entered into during the test year, as well as the impact of the lease associated with John Deere utility vehicle.

As part of its rate base adjustment shown on MFR Schedule A-3, page 2, the Company removed 50% of the cost included in rate base associated with the 2008 GMC Sierra pickup truck that is used by Gene Brown and a 2007 Chevrolet Tahoe that is used by Sandra Chase. The Company has indicated in its response to OPC Interrogatory 5 that 50% of these two vehicles were used for utility related work.

Q. HAS THE COMPANY JUSTIFIED ITS POSITION THAT 50% OF THE

USAGE OF THE 2008 GMC SIERRA PICKUP TRUCK ASSIGNED TO MR. BROWN AND 50% OF THE USE OF THE 2007 CHEVROLET TAHOE USED BY SANDRA CHASE ARE UTILIZED FOR WMSI WORK PURPOSES?

A. No, it has not. The Company has been unable to provide any mileage records and in fact, does not keep track of such mileage. As justification for the need for Mr. Brown to have a Company owned vehicle, the Company indicated in response to OPC Interrogatory 5 that Mr. Brown averages four trips per month to St. George Island. The response also indicated that the vehicle is used for personal use as needed. There was no detailed discussion of why Mr. Brown needs to have the use of a Company owned vehicle.

With regards to the 2007 Chevrolet Tahoe that is utilized by Sandra Chase, the Company merely indicated, "It is estimated that 50% of the use is for WMSI". The response also indicated that Ms. Chase averages one trip per month to St. George Island. The Company provided no further support or justification for the need of Ms. Chase to have Company owned vehicle.

Q. WHAT IS THE COST ON THE COMPANY'S BOOKS OF THE 2008 GMC SIERRA WHICH WAS UTILIZED BY MR. BROWN DURING THE TEST YEAR?

A. The original cost on WMSI's books on this vehicle that is recorded in plant in service is $41,870, with the unamortized balance in the test year in this case being $26,750, as well as an annual depreciation expense of $6,978. As previously mentioned, the Company removed 50% of these costs from the test year as non-used and useful. On Schedule C, I have removed the remaining 50% balance from plant in service and accumulated depreciation, and on Schedule B I removed the remaining depreciation expense that is incorporated in the Company's adjusted test year. It is my recommendation that all of these costs be disallowed. The provision of the use of this vehicle is an extra perquisite or benefit that is provided to Gene Brown that is not necessary. The Company has not justified the work related mileage or the percentage of work related usage that it has left in this case. This is a personal vehicle that is used by Gene Brown and should not be included on the utility's books.

I would also like to note that according the Company's 2010 General Ledger provided in response to OPC POD 3, on March 10, 2010 this Sierra truck was sold to Brown Management Group. During his August 10, 2010 deposition, Mr. Brown indicated that the sale of this vehicle to Brown Management Group was a management decision. He also indicated that this is no longer his primary vehicle and instead a 2008 Chevrolet Tahoe is his primary vehicle. The 2010 General Ledger shows that on the same day the GMC Sierra was sold to Brown Management Group, WMSI recorded an entry to purchase a 2008 Chevrolet Tahoe for $42,579.52. This vehicle is now being used by Mr. Brown as his primary vehicle. Based on the deposition of Mr. Brown, Brown Management Group still owns the 2008 GMC Sierra. As previously mentioned in my testimony, the Company has indicated in response to OPC Interrogatory that Brown Management Group, Inc. is a corporation that holds and manages the investments of Gene Brown, all of which are passive. Given that all of these investments are passive, I am unsure of the reasons for Brown Management

Group, Inc. buying and retaining the vehicles from WMSI while at the same time WMSI purchasing a new vehicle to be assigned to Gene Brown.

Q. WHAT AMOUNT IS INCLUDED IN THE FILING FOR THE 2007 CHEVROLET TAHOE THAT IS UTILIZED BY SANDRA CHASE?

A. The test year plant in service included on the Company's General Ledger includes $30,413 for this vehicle, with an average test year undepreciated balance of $26,189. The depreciation expense recorded during the test year on this vehicle was $5,069. The Company removed 50% of these amounts on its Schedule A-3, page 2 of 2, as non-used and useful. On Schedule B I have removed the remaining 50% of the amount included in plant in service and in accumulated depreciation, and on Schedule B I removed the remaining depreciation expense from the test year. The Company has not provided any information that would justify Ms. Chase needing a Company owned vehicle for her use on a full time basis. Additionally, based on documentation provided by the Company, this vehicle is not even owned by WMSI. It is titled to Sandra Chase.

Q. WHAT HAS LED YOU TO THE CONCLUSION THAT THIS VEHICLE IS ACTUALLY OWNED BY SANDRA CHASE AND NOT OWNED BY WMSI?

A. OPC POD 27 asked the Company to provide a copy of the invoices for all of the Company owned vehicles. I am attaching the documentation that was provided with the response that pertains to the 2007 Chevrolet Tahoe that is assigned to Sandra Chase as Exhibit__(DR-11). As shown on the last page of this exhibit, the vehicle was purchased by Sandra Chase with a delivery date of June 18, 2008.

She is identified as the owner and purchaser of this vehicle. Also shown on this exhibit is a lien and title information sheet from Envision Credit Union that shows Sandra Chase as the owner of the vehicle, and indicates that a lien was assigned to the vehicle by Envision Credit Union on February 18, 2009. The name of the borrower that is identified is Sandra Chase, with Dan Chase as the co-borrower. This loan is discussed in further detail at the end of this testimony under the section pertaining to long-term debt costs. Also provided was a copy of a fund advance voucher paid to Sandra Chase and Dan Chase on the vehicle from Envision Credit Union on February 18, 2009, at an annual percentage rate of 5.75% for a loan amount of $20,000.

As part of the POD response, the Company also provided a Bill of Sale that was signed by Sandra Chase that states "In consideration of the sum of twenty thousand dollars ($20,000), receipt of which is hereby acknowledged, Sandra M. Chase hereby sells all of her rights, title and interest to Water Management Services, Inc. in the following vehicle." This bill of sale then identifies the 2007 Chevrolet Tahoe and indicates it is subject to the lien in favor of Envision Credit Union. This bill of sale is signed by Sandra Chase and is dated February 18, 2009. While the Company has apparently provided a bill of sale that was signed by Ms. Chase, Mr. Brown agreed in his deposition that the title on the vehicle is still in the name of Ms. Chase. Additionally, the documentation provided shows that the loan on the vehicle was provided to Ms. Chase, not to WMSI. Mr. Brown did indicate in his August 10, 2010 deposition that the Company is making payments on the loan, however, the vehicle was initially acquired by Ms. Chase, is used by Ms. Chase and is still titled to Ms. Chase as well as the loan being shown as being the obligation of Ms. Chase.

Q. HOW IS THIS VEHICLE RECORDED ON THE COMPANY'S BOOKS?

A. The Company's 2008 General Ledger that was provide in response to OPC POD 3, shows that the Company increased its transportation equipment account in plant in service by $30,413 on June 18, 2008, for the used 2007 Chevrolet Tahoe. This is the date that Ms. Chase purchased the vehicle in her own name as shown on the final page of Exhibit __(DR-1). While the Company has purportedly provided a bill of sale indicating that Ms. Chase has sold her rights and interest to WMSI for the vehicle, that bill of sale indicates that those rights were sold for $20,000 on February 19, 2009, not for $30,413 in June of 2008.

This vehicle should be removed fully from this case for several reasons. First, as demonstrated above, the Company does not actually own this vehicle and the lien is not in the Company's name. Additionally, the Company has not justified the need for Ms. Chase to have a Company owned vehicle. Thus, I am recommending that all of the cost be removed from the test year.

Q. DO YOU HAVE ANY ADDITIONAL CONCERNS WITH THE LEVEL OF TRANSPORTATION RELATED COSTS RECORDED DURING THE TEST YEAR?

A. Yes. There were numerous amounts booked by WMSI during the test year associated with the purchase of gas and mileage reimbursements to employees. Since the Company does not keep mileage logs, I was unable as of this time to evaluate the reasonableness of those costs.

Offset to State Park Assets for Transfer of Rental Rights

Q. ARE YOU RECOMMENDING ANY ADDITIONAL ADJUSTMENTS TO THE PLANT IN SERVICE BALANCE IN THIS CASE?

A. Yes. During 2006, the Company increased plant Account 331-Transmission and Distribution Mains by $227,977 for work that was performed by Scruggs Contracting, Inc. ("Scruggs") at the State park on St. George Island. While the total amount owed to Scruggs Contracting, Inc. for the State park project was $227,977, which is the amount the Company booked to plant in service in 2006, the Company actually paid $100,000 less for this project. I recommend the amount included in plant in service in Account 331-Transmission and Distribution Main be reduced by $100,000.

Q. HOW DID IT RESULT THAT THE COMPANY PAID SCRUGGS $100,000 LESS FOR THE PROJECT THAN WHAT IT OWED FOR THE PROJECT WORK?

A. On Exhibit __(DR-12), I am including a copy of relevant documents that were provided by WMSI in response to OPC POD21 regarding this transaction. According to a Memo of Agreement between Water Management Services, Inc. and Scruggs Contracting, Inc. that was made in 2006, WMSI received a $100,000 credit on the bill that was owed to Scruggs as a result of WMSI assigning its rights, title and interest in and to certain leases between WMSI and Nextel as well as WMSI's rights, title and interest in and to any further cell tower leases that may be negotiated for equipment to be placed on the Company's elevated tank site. In other words, in lieu of being required to pay Scruggs $100,000, WMSI assigned all future rental income associated with outside entities attaching assets on

WMSI's elevated tank to Scruggs. This elevated tank is included in rate base and is being paid for by WMSI's water customers. Absent the assignment of these future lease payments and lease rights to Scruggs, ratepayers would have received the benefit of any rental income due to the fact that the rental income is a result of items being attached to utility owned property that is include rate base. Since ratepayers will no longer receive the benefit of current and future rental income associated with the attachments to the elevated tank, at a minimum the benefit of the $100,000 offset to the State park project cost should be reflected as an offset to plant in service in this case. The amount included in plant in service associated with the State Park Project should not exceed the amount that was actually paid by WMSI for that project, particularly as the Company has given up the future rental rights on another utility related asset.

Q. WHAT ADJUSTMENT IS NEEDED TO REFLECT YOUR RECOMMENDATION?

A. As shown on Schedule C-2, I recommend that plant in service be reduced by $100,000. I have also removed the amount included in depreciation expense in the 2009 test year on the $100,000 plant balance, which would be $2,326. Additionally, I have removed the estimated build up of accumulated depreciation on the $100,000 that would have occurred from 2006 through 2009. The net impact is a $93,023 reduction to rate base and a $2,326 reduction to depreciation expense. I also recommend that the Commission require the Company to write-off $100,000 of the balance included in Plant Account 331-Transmission and Distribution Main to insure that the Company does not receive future recovery on these costs.

This would also include reversal of the proposed plant retirements. Using the OPC's recommended rate of return in this case of 3.85%, the impact is a $149,033 reduction to revenue requirement. Each of the impacts of reversing these adjustments has been flowed through my summary schedules, specifically Schedules A, B and C in this case and has been reflected in the OPC's overall revenue requirement in this case. However, I also presented Schedule C-1, page 2 of 2, so that the Commission can see the impact that is specifically related to the reversal of the Company's proposed pro forma plant adjustment.

Remove Affiliate Asset From Utility Plant

Q. YOU PREVIOUSLY MENTIONED IN THIS TESTIMONY THAT YOU HAVE SEVERAL CONCERNS WITH THE TRANSFER OF ASSETS BETWEEN THE UTILITY OPERATIONS AND BROWN MANAGEMENT GROUP, INC. ARE YOU RECOMMENDING ANY SPECIFIC ADJUSTMENTS IN THIS CASE ASSOCIATED WITH ANY ASSETS THAT HAVE BEEN TRANSFERRED?

A. Yes. Several transactions the Company has entered into between with its affiliate, Brown Management Group, and even an outside party with regard to backhoe trailers that were, at one point, on the utility's books and records are highly questionable. The Company's response to OPC Interrogatory 1 shows that during 2005 WMSI purchased two separate backhoe trailers, one for $7,007.85 and one for $16,022.08. The relevant pages are provided as Exhibit__(DR-8).

The same response shows that the Company sold one of these trailers, the one valued at $7,007.85, in 2006. The response to OPC Interrogatory No. 8 indicates

Q. IS THERE AN ALTERNATIVE APPROACH THE COMMISSION COULD TAKE WITH REGARDS TO THIS ISSUE?

A. Yes. The Commission could also consider amortizing the $100,000 associated with WMSI's sale of the rental income rights to ensure that the amounts are flowed to ratepayers over a future period of time. This would compensate them for the lost revenues. This would be an alternative to reducing plant in service by the $100,000.

Q. HOW DID THE COMPANY ACCOUNT FOR THE $100,000 ON ITS BOOKS?

A. In Late-Filed Exhibit No. 16, the Company provided the accounting treatment of the $100,000 offset to the amount it owed Scruggs. When the item was booked on June 30, 2006, the Company debited accounts payable-Scruggs for the $100,000 and credited miscellaneous income by $100,000. The description provided with the entry on the Company's ledger states "To record forgiveness of $100,000 of debt in return for a leasehold interest given Scruggs." The Company should not be permitted to earn a return on this $100,000 that it has included in plant in service in this case.

Working Capital

Q. THE COMPANY'S FILING INCLUDES $181,157 IN RATE BASE FOR WORKING CAPITAL. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO THIS AMOUNT?

A. Yes. I am recommending six separate adjustments to the Company's proposed working capital balance. Each of my adjustments is shown on Schedule C-4.

Q. WOULD YOU PLEASE DESCRIBE EACH OF THE ADJUSTMENTS TO WORKING CAPITAL YOU ARE RECOMMENDING?

A. Yes. As shown on Schedule C-4, I am recommending total reductions to the Company's working capital request of $133,213, resulting in an adjusted working capital for inclusion in rate base of $47,944. Each of my recommended adjustments is presented below:

- As discussed previously in this testimony, the Company's proposed deferred Wastewater Certificate Application cost should be rejected and these should have been written-off as non-utility costs on the Company's books. Consequently, I have removed the $35,603 average test year balance the Company included in working capital in its request.
- The Company's working capital request includes the average unamortized debt discount and expense balance of $112,034. These debt costs are included in the Company's capital structure and in the calculation of the long-term debt rate being applied in this case. As a result, they should not also be included in the working capital request otherwise double recovery of these costs would occur.
- The total balance of the unamortized prior rate case expenses included in working capital of $17,983 should be removed. While the Company has indicated in its response to OPC Interrogatory 64 that this balance should be reduced by $5,891 to a level of $12,092, it is my position that the entire balance should be removed. This amount is fully amortized and working capital should not include both the average costs that are projected for the current rate case and the unamortized balance during the test year of the cost of the prior rate case. Since I have left the average balance of the projected

current rate case expense in working capital, the balance associated with the prior rate case should be excluded.

- As previously discussed in this testimony, I have recommended that the Company's proposed rate case expense in this docket be reduced by $3,172 to remove the costs associated with the preliminary evaluation. Consequently, 50% of this amount should also be reduced from the working capital request. This results in a recommended reduction in the average balance included in working capital for the current rate case of $1,586.
- As discussed previously in this testimony, I have recommended that the cost included in the test year for the Key Man Life Insurance policy of $12,016 be removed and instead be treated as non-utility costs. I have assumed that the prepaid insurance balance included by the Company in working capital would include 50% of this annual expense level reflecting that on average half of the total annual cost would be prepaid during the year. Consequently, I have reduced working capital by $6,008 to remove my estimated prepaid insurance amount from working capital associated with this insurance.
- Finally, the Company has reduced its working capital request by $40,000 identified as operating reserves. This is the average amount the Company would have recorded on its books as the liability for its proposed executive deferred compensation plan costs. As those deferred compensation plan costs should be disallowed, I have also removed the Company's offset to working capital for the average balance, which increases working capital by $40,000.

<u>Non-Used and Useful Plant Adjustment</u>

Q. OPC WITNESS ANDREW WOODCOCK'S TESTIMONY INDICATES

THAT ONLY 54.9% OF THE COMPANY'S DISTRIBUTION SYSTEM IS USED AND USEFUL. HAVE YOU QUANTIFIED THE IMPACT OF HIS FINDINGS?

A. Yes. On Schedule C-5, I have quantified the impact of removing 45.1% of the Transmission and Distribution mains recorded in Account 331.4 as non-used and useful. This is based on the recommendation of OPC witness Woodcock. As shown on Schedule C0-5, plant in service should be reduced by $1,059,878 and accumulated depreciation should be reduced by $472,904 to reflect the impact of Mr. Woodcock's recommendation, resulting in a net reduction to rate base of $586,975. Additionally, depreciation expense should be reduced by $16,912 to remove the non-used and useful portion. In deriving the impacts, I have also taken into consideration the non-used and useful adjustment incorporated in WMSI's filing to Account 331.4.

V. <u>RATE OF RETURN - REVISIONS TO LONG TERM DEBT COST AND RATES</u>

Q. ARE YOU RECOMMENDING ANY REVISIONS TO THE RATE OF RETURN PRESENTED BY WMSI IN THIS CASE?

A. Yes. I am recommending several modifications. WMSI has proposed an overall rate of return of 5.01%, which incorporates an average long term debt rate of 4.99%. I am recommending an overall rate of return for WMSI of 3.81%, which incorporates a long term debt rate of 3.78%. In deriving the long term cost rate of 3.78%, I incorporated three separate modifications to the Company's calculation of its long term debt cost.

Q. WHAT SPECIFIC ADJUSTMENTS DO YOU RECOMMEND?

A. My recommended modifications to the calculation of the long term debt cost rate are presented on page 2 of Schedule D. On this page, I first present the Company's proposed calculation of the long term debt cost rate, followed by my recommended calculations. The first modification I recommend is that the amount included for a loan with Envision Credit Union be disallowed. The Company's calculation included a 13-month average outstanding balance for this loan of $15,711 at a cost rate of 5.75%. The entire amount of this loan should be removed in determining the long term debt rate.

Q. WHY SHOULD THIS LOAN BE REMOVED?

A. This loan is with an employee of WMSI, not WMSI. As indicated previously in this testimony, the Company has included in plant and service the cost associated with a 2007 Chevrolet Tahoe that is actually owned by Sandra Chase. I am providing the long term debt support documentation provided by the Company in response to OPC POD 8 that is specific to this Envision Credit Union loan as Exhibit__(DR-13). Based on the actual loan documentation provided by the Company, the loan with Envision Credit Union is for the 2007 Chevrolet Tahoe that is owned by Sandra Chase and the loan is made out to Sandra Chase, with Dan Chase as co-borrower on the loan. During his August 10 deposition, WMSI President Gene Brown indicated that WMSI is making the payments on this loan. However, it is clear from the documentation that has been provided that the loan has been made to Sandra Chase and is associated with the vehicle that is also owned by Sandra Chase. Consistent with my recommendation previously addressed in this testimony that the entire cost of the 2007 Chevrolet Tahoe be removed from plant in service, the debt cost included by the Company in calculating its long term debt rate should also be removed. This removal is reflected on line 8 of Schedule D, page 2 of 2.

Q. WHAT IS THE NEXT ADJUSTMENT YOU ARE RECOMMENDING TO THE CALCULATION OF THE LONG TERM DEBT COST RATE?

A. As shown on line 9 and in footnote (b) of Schedule D, page 2 of 2, I recommend that the Capital City loan reflected in the Company's schedule be removed. The Company's filing incorporated a 13-month average outstanding balance for the loan of $27,492 at a cost rate of 6.61%. Based on the long term debt loan documentation provided in response to OPC POD 8, this loan is for the 2009 GMC Sierra that was used by Gene Brown during the 2009 test year. As indicated previously in this testimony, I recommend that this vehicle be removed from plant in service. Additionally, I recommend that the associated debt be removed in determining the cost of long term debt to incorporate in the filing. This vehicle, as well as the associated loan, is for the benefit of the President of WMSI and should not be the burden of ratepayers.

Q. WHAT IS THE FINAL ADJUSTMENT YOU ARE RECOMMENDING TO THE CALCULATION OF THE LONG TERM DEBT COST RATE?

A. In its filing at MFR Schedule D-5 Interim, WMSI shows that during the test year it had a loan outstanding with Gulf State Bank with the 13-month average principle amount outstanding during the test year being $2,849,020. To the best of my knowledge, this loan is still in place. The rate on that loan with Gulf State Bank is 4.25%. In its calculation of the proposed long term debt cost rate on

MFR Schedule D-5, the Company has proposed to replace this 4.25% cost rate loan with Gulf State Bank with a loan with Citizen's State Bank of $5 million at a cost rate of 6.65%. According to the direct testimony of WMSI witness Gene Brown, at page 8, this new loan will be used to pay for the proposed pro forma plant additions that are incorporated in this case as well as to refinance ". . . all of the utility's existing debt except the state revolving fund loan administered by DEP which was used for the new supply main." Mr. Brown further indicates that it is ". . . necessary and prudent to refinance all of our existing debt at current market rates, except for the state revolving fund loan which is at 3%." As shown on Schedule D, page 2 of 2, at line 10, I recommend that the proposed Citizen's State Bank loan at a projected cost rate of 6.65% be removed and instead be replaced with the actual test year 13-month average outstanding balance of the loan with Gulf State Bank at a rate of 4.25%. In other words, I am recommending that the currently existing loan should be reflected in the test year cost of debt with the projected new loan removed from the test year.

Q. WHY DO YOU RECOMMEND THAT THIS REVISION BE MADE?

A. I am recommending that the proposed new loan be replaced in determining the long term debt cost rate with the existing loan for several reasons. First, the Company is proposing to refinance the existing loan with a significantly higher cost loan. Thus, I do not understand how the Company can contend that it is prudent to refinance the existing debt at the current market rates, particularly as it is projecting that the current market rates are substantially higher than the existing rate it currently has. Additionally, the Company has not supported the proposed cost rate on the new debt that it has incorporated in its filing.

Q. WHAT INFORMATION HAS THE COMPANY PROVIDED TO SUPPORT THE 6.65% COST RATE INCORPORATED IN ITS CALCULATIONS?

A. The bank loan commitment letter provided by WMSI in response to OPC POD-7 is being provided with this testimony as Exhibit__(DR-14). The Company provided a copy of its "conditional written commitment" from Citizen's State Bank dated May 14, 2010. The document from Citizens State Bank indicates that the bank has agreed to make a $5 million loan to WMSI, provided that certain conditions are met. These conditions include that the Commission grant a rate increase to the Company that will allow it to pay the debt service on the loan in addition to all of the Company's ordinary and reasonable expenses, that the United States Department of Agriculture provide the bank with at least an 80% guarantee for the loan, and that the Florida Department of Environmental Protection agree to subordinate its lien on WMSI's supply main so that Citizens State Bank would have first lien against all of WMSI's assets, including all of its revenue and cash flow. The document indicates that the purpose of the loan would be to provide funds to repay all of WMSI's debt except for the DEP state revolving fund loan and to finance construction of approximately $2.2 million of new capital improvements. In addressing the term and the rate for the loan, Citizens State Bank indicates that "The term and rate for the loan will be based upon market conditions in effect at the time of written commitment after the above-referenced conditions are met." No additional information or elaboration on what the rates or the term on the loan would be was provided in the document. When asked in his August 10, 2010 deposition, Gene Brown said that the bank told him the rate would be no less than 6.25%. However, he had no documentation to confirm this amount. WMSI has provided no support for the 6.65% rate incorporated in its filing. Additionally, the 6.65% rate seems high considering current market conditions.

Q. ARE THERE ANY ADDITIONAL REASONS YOU RECOMMEND REMOVING THE PROJECTED NEW LONG TERM DEBT AND REPLACING IT WITH THE EXISTING DEBT BALANCE OUTSTANDING AND DEBT RATE?

A. Yes. As previously indicated in this testimony and also supported by the testimony of OPC witness Andrew Woodcock, the Company has not provided a reasonable level of support for the pro forma plant additions it has incorporated in this case. The main purpose of the proposed new debt is to finance the construction of the new capital improvements. The OPC has recommended that the plant additions associated with the capital improvements be rejected by the Commission until such time as the Company can provide a reasonable level of support. Consistent with that recommendation, the proposed new debt to finance those plant additions should also be excluded. The test year outstanding debt balance and cost rates should be utilized in determining the overall effective long term debt cost rate to incorporate in this case.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE
DOCKET NO. 100104-WU

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Donna Ramas has been furnished by U.S. Mail to the following parties on this 23rd day of August, 2010.

Ralp Jaeger
Eric Sayler
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Mr. Gene D. Brown
Water Management Services, Inc.
250 John Knox Road, #4
Tallahassee, FL 32303-4234

Lisa C. Scoles
Radey Thomas Yon Clark
Post Office Box 10967
Tallahassee, FL 32302

Joseph A. McGlothlin
Joseph A. McGlothlin

APPENDIX I
<u>QUALIFICATIONS OF DONNA RAMAS</u>

Q. WHAT IS YOUR OCCUPATION?

A. I am a certified public accountant, licensed in the State of Michigan, and senior regulatory consultant in the firm of Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I graduated with honors from Oakland University in Rochester, Michigan in 1991. I have been employed by the firm of Larkin & Associates, PLLC, since 1991.

As a certified public accountant and regulatory consultant with Larkin & Associates, PLLC, my duties have included the analysis of utility rate cases and regulatory issues, researching accounting and regulatory developments, preparation of computer models and spreadsheets, the preparation of testimony and schedules and testifying in regulatory proceedings. I have also developed and conducted five training programs on behalf of the Department of Defense - Navy Rate Intervention Office on measuring the financial capabilities of firms bidding on Navy assets and one training program on calculating the revenue requirement for municipal owned water and wastewater utilities. Additionally, I have served as an instructor at the Michigan State University - Institute of Public Utilities as part of their Annual Regulatory Studies programs.

I have prepared and submitted expert testimony and/or testified in the following cases, most of which were filed under the name of Donna DeRonne:

Arizona: Ms. Ramas prepared testimony on behalf of the Staff of the Arizona Corporation Commission in the following case before the Arizona Corporation Commission: Southwest Gas Corporation (Docket No. G-01551A-00-0309).

California: Ms. Ramas prepared testimony on behalf of the Division of Ratepayer Advocates of the California Public Utilities Commission in the following cases before the California Public Utilities Commission:

San Gabriel Valley Water Company, Fontana Water Division (Docket No. A.05-08-021), Request for Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc., Resulting in Change of Control of California-American Water Company (Application 06-05-025), California Water Services Company (Docket No. 07-07-001*), and Golden State Water Company (Docket No. 08-07-010).

Ms. Ramas also prepared testimony on behalf of the Department of Defense in the following cases before the California Public Utilities Commission: San Diego Gas and Electric Company (Docket No. 98-07-006) and Southern California Edison Company and San Diego Gas & Electric Company (Docket No. 05-11-008*).

Additionally, Ms. Ramas prepared testimony on behalf of the City of Fontana in the following rate case before the California Public Utilities Commission: San Gabriel Valley Water Company, Fontana Water Division (Docket No. A.08-07-009) - Phases 1 and 2.

Connecticut: Ms. Ramas has prepared testimony on behalf of the Connecticut Office of Consumers Counsel in the following cases before the State of Connecticut, Department of Public Utility Control:

Connecticut Light & Power Company (Docket No. 92-11-11), Connecticut Natural Gas Corporation (Docket No. 93-02-04), Connecticut Natural Gas Corporation (Docket No. 95-02-07), Southern Connecticut Gas Company (Docket No. 97-12-21), Connecticut Light & Power Company (Docket No. 98-01-02), Southern Connecticut Gas Company (Docket No. 99-04-18 Phase I), Southern Connecticut Gas Company (Docket No. 99-04-18 Phase II), Connecticut Natural Gas Corporation (Docket No. 99-09-03 Phase I), Connecticut Natural Gas Corporation (Docket No. 99-09-03 Phase II), Connecticut Light & Power Company (Docket No. 00-12-01), Yankee Gas Services Company (Docket No. 01-05-19), United Illuminating Company (Docket No. 01-10-10), Connecticut Light & Power Company (Docket No. 03-07-02), Southern Connecticut Gas Company (Docket No. 03-11-20), Yankee Gas Services Company (Docket No. 04-06-01*), The Southern Connecticut Gas Company (Docket No. 05-03-17PH01), The United Illuminating Company (Docket No. 05-06-04), Connecticut Natural Gas Corporation (Docket No. 06-03-04* Phase I), Yankee Gas Services Company (Docket No. 06-12-02PH01*), Aquarion Water Company of Connecticut (Docket No. 07-05-19), Connecticut Light & Power Company (Docket No. 07-07-01), The United Illuminating Company (Docket No. 08-07-04), Connecticut Light & Power Company (Docket No. 09-12-05).

Ms. Ramas also assisted the Connecticut Office of Consumer Counsel by conducting cross-examination of utility witnesses in the following cases: Southern Connecticut Gas Company (Docket No. 08-12-07) and Connecticut Natural Gas Corporation (Docket No. 08-12-06).

District of Columbia: Ms. Ramas prepared testimony on behalf of the Office of the People's Counsel of the District of Columbia in the following case before the Public Service Commission of the District of Columbia: Washington Gas Light Company (Formal Case No. 1016) and Potomac Electric Power Company (Formal Case No. 1076).

Florida: Ms. Ramas prepared testimony on behalf of the Florida Office of Public Counsel in the following cases before the Florida Public Service Commission:

Southern States Utilities (Docket No. 950495-WS), United Water Florida (Docket No. 960451-WS), Aloha Utilities, Inc. – Seven Springs Water Division (Docket No. 010503-WU), Florida Power Corporation (Docket No. 000824-EI*), Florida Power & Light Company (Docket No. 001148-EI**), Tampa Electric Company d/b/a Peoples Gas System (Docket No. 020384-GU*), The Woodlands of Lake Placid, L.P. (Docket No. 020010-WS), Utilities, Inc. of Florida (Docket No. 020071-WS), Florida Public Utilities Company (Docket No. 030438-EI*), The Woodlands of Lake Placid, L.P. (Docket No. 030102-WS), Florida Power & Light Company (Docket No. 050045-EI*), Progress Energy Florida, Inc. (Docket No. 050078-EI*), and Florida Power & Light Company (Docket No. 060038-EI).

Louisiana: Ms. Ramas prepared testimony on behalf of various consumers in the following case before the Louisiana Public Service Commission: Atmos Energy Corporation d/b/a Trans Louisiana Gas Company (Docket No. U-27703*).

New York: Ms. Ramas prepared testimony on behalf of the New York Consumer Protection Board in the following cases before the New York Public Service Commission:

New York State Electric & Gas Corporation (Case No. 05-E-1222), KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island (Case Nos. 06-G-1185 and 06-G-1186*), Consolidated Edison Company of New York, Inc. (Case No. 06-G-1332*), and Consolidated Edison Company of New York, Inc. (Case No. 07-E-0523).

Nova Scotia: Ms. Ramas prepared testimony on behalf of the Nova Scotia Utility and Review Board – Board Counsel in the following case: Halifax Regional Water Commission (W-HRWC-R-10).

Utah: Ms. Ramas prepared testimony on behalf of the Utah Committee of Consumer Services in the following cases before the Public Service Commission of Utah:

PacifiCorp dba Utah Power & Light Company (Docket No. 99-035-10), PacifiCorp dba Utah Power & Light Company (01-035-01*), PacifiCorp dba Utah Power & Light Company (Docket No. 01-035-23 Interim (Oral testimony)), PacifiCorp dba Utah Power & Light Company (Docket No. 01-035-23**), Questar Gas Company (Docket No. 02-057-02*), PacifiCorp (Docket No. 04-035-42*), PacifiCorp (Docket No. 06-035-21*), Rocky Mountain Power (Docket Nos. 07-035-04, 06-035-163 and 07-035-14), Rocky Mountain Power (Docket No. 07-035-93), Questar Gas

Company (Docket No. 07-057-13*), Rocky Mountain Power (Docket No. 08-035-93*), Rocky Mountain Power (Docket No. 08-035-38*), Rocky Mountain Power Company (Docket No. 09-035-23), Questar Gas Company (Docket No. 09-057-16**), and Rocky Mountain Power Company (Docket No. 10-035-13).

Vermont: Ms. Ramas prepared testimony on behalf of the Vermont Department of Public Service in the following cases before the Vermont Public Service Board: Citizens Utilities Company – Vermont Electric Division (Docket No. 5859), Central Vermont Public Service Corporation (Docket No. 6460*), and Central Vermont Public Service Corporation (Docket No. 6946 & 6988).

Washington: Ms. Ramas prepared testimony on behalf of the Public Counsel Section of the Washington Attorney General's Office in the following case before the Washington Utilities and Transportation Commission: PacifiCorp (Docket No. UE-090205**).

West Virginia: Ms. Ramas has prepared testimony on behalf of the West Virginia Consumer Advocate Division in the following cases before the Public Service Commission of West Virginia: Monongahela Power Company (Case No. 94-0035-E-42T), Potomac Edison Company (Case No. 94-0027-E-42T), Hope Gas, Inc. (Case No. 95-0003-G-42T*), and Mountaineer Gas Company (Case No. 95-0011-G-42T*).

* Case Settled
** Testimony not filed/submitted due to settlement

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Calculation of Revenue Requirement

Docket No. 100104-WU
Exhibit__(DR-1), page 1 of 20
Schedule A

Line No.	(1) Description	(2) Utility Adjusted Test Year	(3) OPC Adjustments	(4) Per OPC Adjusted Balance	(5) Revenue Increase	(6) Annual Revenue Requirement	(7) Column (3) Reference:
1	OPERATING REVENUE	1,301,667		1,301,667	78,419	1,380,086	Schedule B
2	Operation & Maintenance	1,233,105	(241,243)	991,862		991,862	Schedule B
3	Depreciation, Net of CIAC Amort.	225,645	(79,865)	145,780		145,780	Schedule B
4	Amortization	38,066	(23,449)	14,617		14,617	
5	Taxes Other Than Income	109,666	(5,787)	103,879	3,529	107,408	
6	Provision for Income Taxes	-		-		-	
7	OPERATING EXPENSES	1,606,482		1,256,139		1,259,667	
8	NET OPERATING INCOME	(304,815)		45,528		120,418	
9	RATE BASE	6,146,523	(3,018,417)	3,128,106		3,128,106	Schedule C
10	RATE OF RETURN	-4.96%				3.85%	Schedule D

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Schedule of Adjustments to Operating Income

Docket No. 100104-WU
Exhibit__(DR-1), page 2 of 20
Schedule B

Line No.	Description	Amount	
	Adjustments to O&M Expense:		
1	Allocation of Employee Costs to Affiliated Operations	(32,219)	Schedule B-1
2	Allocation of Rent Expense to Affiliated Operations	(2,250)	Schedule B-2
3	Reduction to Accounting Services Costs	(14,333)	Schedule B-3
4	Reduction to Engineering Services Expense	(42,500)	Schedule B-4
5	Remove DEP Refinancing Consulting Costs	(2,500)	Testimony
6	Remove Non-Recurring Contract Labor Costs	(1,250)	Testimony
7	Remove Out of Period PSC Report Preparation Costs	(3,198)	Testimony
8	Remove Amortization of Prior Rate Case (fully amortized)	(24,184)	Testimony, MFR B-5
9	Reduction to Rate Case Expense	(3,172)	Schedule B-5
10	Reduction to Salary Expense	(21,870)	Schedule B-6
11	Remove Executive Deferred Compensation Plan Expense	(80,000)	Schedule B-7
12	Remove Key Man Life Insurance Policy Costs	(12,015)	Testimony Interrog. 55
13	Adjustment to Normalize Employee Training Costs	(1,752)	Schedule B-8
14	Total adjustment to O&M Expense	(241,243)	
	Adjustments to Depreciation:		
15	Reversal Depreciation on ProForma Plant Additions and Related Retirements	(51,934)	Schedule C-1
16	Remove Asset Not Owned by WMSI	(2,670)	Schedule C-2
17	Offset to State Park Assets for Transfer of Rental Rights	(2,326)	Schedule C-3
18	Remove Non-Used & Useful Distribution Plant	(16,912)	Schedule C-5
19	Remove Remainder of Truck Assigned to G. Brown	(3,489)	Testimony, MFR A-3, p.2
20	Remove Remainder of Truck Assigned to S. Chase	(2,535)	Testimony, MFR A-3, p.2
21	Total adjustment to Depreciation Expense	(79,865)	
	Adjustments to Amortization:		
22	Reverse Amortization of Prudently Retired Plant	(12,879)	Schedule C-1
23	Remove Amortization of Wastewater Certificate Application Expense	(10,570)	Testimony
24	Total adjustments to Amortization Expense	(23,449)	
	Adjustments to Taxes Other Than Income		
25	Reversal of Property Taxes on Proforma Plant Additions	(5,787)	Schedule C-1

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Docket No. 100104-WU
Exhibit__(DR-1), page 3 of 20
Schedule B-1

Allocation of Salary and Wages to Affiliated Entities

Line No.	Description		Amount	Reference:
	Gene Brown:			
1	Salary of Gene Brown in Adjusted Test Year		111,100	OPC Interrog. 40
2	Group Insurance Expense for Gene Brown in Adj. Test Year		1,430	OPC Interrog. 45
3	Gene Brown Pension -401(K)- Expense in Test Year		7,092	OPC Interrog. 46
	Sandra Chase:			
4	OPC Adjusted Salary of VP/Secretary - Sandra Chase		60,770	Schedule B-6
5	Group Insurance Expense for Sandra Chase in Adj. Test Year		7,912	OPC Interrog. 45
6	Sandra Chase Pension - 401(K) - Expense in Test Year		3,535	OPC Interrog. 46
	Bob Mitchell:			
7	Salary of Bob Mitchell in Adjusted Test Year		56,560	OPC Interrog. 39
8	Group Insurance Expense for Bob Mitchell in Adj. Test Year		6,525	OPC Interrog. 45
9	Bob Mitchell Pension - 401(K) - Expense in Test Year		2,828	OPC Interrog. 46
10	Total Salaries and Benefits Expense for Employees who Devote Time to Affiliate Operations		257,752	
11	Total Hours - Assumes 42 Hours Total	40		OPC Interrog. 12
12	Hours Applicable to Affiliate Operations	5		OPC Interrog. 12
13	Percentage of Time Dedicated to Affiliate Operations	12.50%	12.50%	
14	Allocation of Employee Costs to Affiliates		(32,219)	

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Allocation of Rent Expense to Affiliated Entities

Docket No. 100104-WU
Exhibit__(DR-1), page 4 of 20
Schedule B-2

Line No.	Description	Amount	Reference:
1	Rent Expense on Administrative Office in Test Year	18,000	OPC Interrog. 54
2	OPC Recommended Percentage Allocation to Affiliates	12.50%	Schedule B-1
3	Allocation of Rent Expense to Affiliated Entities	(2,250)	

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Reduction to Accounting Services Costs

Docket No. 100104-WU
Exhibit__(DR-1), page 5 of 20
Schedule B-3

Line No.	Description	Amount	Reference:
1	2005 Accounting Fees (a)	10,626	OPC Interrog. 31
2	2006 Accounting Fees (tax returns and misc. acctg.)	698	OPC Interrog. 31
3	2007 Accounting Fees (valuation study of water system)	2,250	OPC Interrog. 31
4	2008 Accounting Fees (tax returns)	535	OPC Interrog. 31
5	2009 Accounting Fees (b)	4,225	OPC Interrog. 31
6	5 Year Average Accounting Fees	3,667	
7	Accounting Fees in Adjusted Test Year	18,000	MFR Sch. B-3 & B-9
8	Reduction to Adjusted Test Year Accounting Expense	(14,333)	

Notes:

(a) 2005 accounting costs include fees for setting up new fixed asset and depreciation program assistance with GL posting and monthly financial info, audit and tax work.

(b) 2009 accounting costs include tax return preparation and accounting and bookkeeping assistance.

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Reduction to Engineering Services Expense

Docket No. 100104-WU
Exhibit__(DR-1), page 6 of 20
Schedule B-4

Line No.	Description	Amount	Reference:
1	Non-Recurring Engineering Service Expense in Test Year for Water System Evaluation	27,500	(a)
2	Amortization Period for Non-recurring Expenses	5	years
3	Annual Amortization of Non-Recurring Engineering Expense, per OPC	5,500	
4	Engineering Expense included by WMSI in Adjusted Test Year	48,000	MFR Sch. B-3
5	Reduction to Engineering Expense	(42,500)	

(a) From MFR Sch. B-5, OPC POD 3 (2009 General Ledger) and response to OPC Interrogs. 25 & 26

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Docket No. 100104-WU
Exhibit__(DR-1), page 7 of 20
Schedule B-5

Reduction to Rate Case Expense - Disallow Preliminary Costs

Line No.	Description	Amount
1	Total Estimated Rate Case Expense, per Company	228,613
2	Disallow Prelimary Legal Counsel Costs - Rose, Sundstrom & Bentley, PA	(3,340)
3	Disallow Prelimary Rate Case Evaluation Costs - Carlstedt, Jackson, Nixon & Wilson	(9,348)
4	Revised Estimated Rate Case Expense to Remove Disallowances	215,925
5	Annual Amortization of Revised Amount	53,981
6	Annual Amortization, per WMSI	57,153
7	Reduction to Rate Case Expense Amortization	(3,172)

Source/Notes:
MFR Sch. B-10

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Docket No. 100104-WU
Exhibit__(DR-1), page 8 of 20
Schedule B-6

Reduction to VP/Secretary Salary Expense in Test Year

Line No.	Description	Amount	Reference:
	VP/Secretary: (a)		
1	VP/Secretary Salary - 2008	59,000	OPC Interrog. 39
2	Wage Increase - limit to 3%	3%	
3	OPC Recommended Salary Limitation for Test Year	60,770	
4	Test Year Salary for VP/Secretary	70,000	OPC Interrog. 39
5	Recommended Reduction to Salary Expense - VP/Secretary	(9,230)	
	Operations/Office Manager: (b)		
6	Operations/Office Manager Wages - 2008	45,981	OPC Interrog. 39
7	Wage Increase - limit to 3%	3%	
8	OPC Recommended Salary Limitation for Test Year	47,360	
9	Test Year Wages for Operations/Office Manager	60,000	OPC Interrog. 39
10	Recommended Reduction to Salary Expense - Operations/Office Mgr	(12,640)	
11	Total Reduction to Salaries and Wages	(21,870)	

(a) The salary for this position increased from $59,000 in 2008 to $70,000 in 2009 - an 18.6% increase
(b) The wages for this position increased from $45,981 in 2008 to $60,000 in 2009 - a 30% increase

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Remove Executive Deferred Compensation Plan Costs

Docket No. 100104-WU
Exhibit__(DR-1), page 9 of 20
Schedule B-7

Line No.	Description	Amount	Reference:
1	Remove G. Brown Executive Deferred Comp Plan Expense	(40,000)	OPC Interrog. 46
2	Remove S. Chase Executive Deferred Comp Plan Expense	(40,000)	OPC Interrog. 46
3	Adjustment to Remove Executive Deferred Comp Plan Expense	(80,000)	

WATER MANAGEMENT SERVICES, INC.

Docket No. 100104-WU
Exhibit__(DR-1), page 10 of 20
Schedule B-8

Test Year Ended December 31, 2009

Normalize Employee Training Costs

Line No.	Description	Amount
1	2007 Employee Training Costs	125
2	2008 Employee Training Costs	262
3	2009 Employee Training Costs (Includes $1,903 of travel costs)	2,822
4	3 Year Average Cost Level	1,070
5	2009 Test Year Expense Level	2,822
6	Recommended Reduction to Normalize Employee Training Expense	(1,752)

Source:

Response to OPC Interrogatory 48. 2009 employee training costs include $1,903 of travel costs for Gene Brown to travel to San Francisco to attend a seminar conducted by the American Water Works Association and associated seminar fees of $795.

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Rate Base

Docket No. 100104-WU
Exhibit__(DR-1), page 11 of 20
Schedule C
Page 1 of 2

Line No.	Description	Utility Adjusted Balance (A)	OPC Adjustments	Adjusted Rate Base
1	Utility Plant in Service	10,504,384	(2,138,094)	8,366,290
2	Utility Land & Land Rights	540,994		540,994
3	Less: Non-Used & Useful Plant	(46,325)	(613,443)	(659,768)
4	Construction Work in Progress	-		-
5	Less: Accumulated Depreciation	(3,112,251)	(133,666)	(3,245,917)
6	Less: CIAC	(3,228,165)		(3,228,165)
7	Accumulated Amortization CIAC	1,327,593		1,327,593
8	Acquisition Adjustments			-
9	Accum. Amort. Of Acq. Adjustments			-
11	Advances for Construction	(20,864)		(20,864)
12	Working Capital Allowance	181,157	(133,213)	47,944
13	Total Rate Base	6,146,523	(3,018,417)	3,128,106

Source/Notes:

(A) MFR Schedule A-1(A)

OPC Adjustments are presented on page 2.

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Schedule of Adjustments to Rate Base

Docket No. 100104-WU
Exhibit__(DR-1), page 12 of 20
Schedule C
Page 2 of 2

Line No.	Description	Amount	Reference:
	Adjustments to Plant in Service		
1	Reversal of Post Test Year Plant Additions and Related Retirements	(2,022,072)	Schedule C-1
2	Remove Asset Not Owned by WMSI	(16,022)	Schedule C-2
3	Offset to State Park Assets for Transfer of Rental Rights	(100,000)	Schedule C-3
4	Total Adjustments to Plant in Service	(2,138,094)	
	Adjustments to Non-Used and Useful Plant		
5	Remove Non-Used & Useful Distribution Plant	(586,974)	Schedule C-5
6	Remove Remainder of Truck Assigned to G. Brown - PIS	(20,935)	Testimony, MFR A-3, p.2
7	Remove Remainder of Truck Assigned to G. Brown - Acc Dep	7,560	Testimony, MFR A-3, p.2
8	Remove Remainder of Truck Assigned to S. Chase - PIS	(15,207)	Testimony, MFR A-3, p.2
9	Remove Remainder of Truck Assigned to S. Chase - Acc Dep	2,112	Testimony, MFR A-3, p.2
10	Total Net Non-Used and Useful Adjustment	(613,443)	
	Adjustments to Accumulated Depreciation:		
11	Reversal of Post Test Year Plant Additions and Related Retirements	151,325	Schedule C-1
12	Remove Asset Not Owned by WMSI	(10,682)	Schedule C-2
13	Offset to State Park Assets for Transfer of Rental Rights	(6,977)	Schedule C-3
14	Total Adjustments to Accumulated Depreciation	133,666	
	Adjustments to Working Capital:		
15	Reduction to Working Capital	(133,213)	Schedule C-3
16	Total Adjustments to Working Capital	(133,213)	

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Reversal of Post Test Year Plant Additions and Related Retirements

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Schedule C-1
Page 1 of 2

Line No.	Description	Amount
	Remove Unsupported Proforma Plant Additions:	
1	- Supply Main Extension	(156,156)
2	- Water Plant Process Improvements	(272,250)
3	- Land Required for Building New Tank & WTP	(450,000)
4	- Concrete Ground Storage Tank	(970,900)
5	- Replace/Rehab Electrical System	(330,675)
6	- Upgrade Distribution System	(22,500)
7	- Reverse Proforma Plant Retirements	180,409
8	Total Adjustments to Plant In Service	(2,022,072)
	Remove Proforma Accumulated Depreciation Adjustments:	
9	- Supply Main Extension	(2,231)
10	- Water Plant Process Improvements	(6,188)
11	- Concrete Ground Storage Tank	(12,136)
12	- Replace/Rehab Electrical System	(8,267)
13	- Upgrade Distribution System	(262)
14	- Reverse Proforma Plant Retirements	180,409
15	Total Adjustments to Accumulated Depreciation	151,325
	Remove Proforma Depreciation Expense Adjustments:	
16	- Supply Main Extension	(4,462)
17	- Water Plant Process Improvements	(12,375)
18	- Concrete Ground Storage Tank	(24,273)
19	- Replace/Rehab Electrical System	(16,534)
20	- Upgrade Distribution System	(523)
21	- Reverse Proforma Plant Retirements	6,233
22	Total Adjustments to Depreciation Expense	(51,934)
23	Remove Amortization of Prudently Retired Plant	(12,879)
24	Remove Increase in Property Taxes for Proforma Plant	(5,787)

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Reversal of Post Test Year Plant Additions and Related Retirements
Estimated Revenue Requirement Impact

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Exhibit__(DR-1), page 14 of 20
Schedule C-1
Page 2 of 2

Line No.	Description	Amount
1	Total Adjustments to Plant in Service from page 1	(2,022,072)
2	Total Adjustments to Accumulated Depreciation from page 1	151,325
3	Total Reduction to Rate Base	(1,870,747)
4	Rate of Return, per OPC	3.85%
5	Return on Investment	(72,015)
6	Total Adjustments to Depreciation Expense from page 1	(51,934)
7	Remove Amortization of Prudently Retired Plant	(12,879)
8	Remove Increase in Property Taxes for Proforma Plant	(5,787)
9	Subtotal	(142,615)
10	Impact on Regulatory Assessment Fees	(6,418)
11	Impact on Revenue Requirement from Removal of Proforma Plant Additions and Related Retirements	(149,033)

WATER MANAGEMENT SERVICES, INC.

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Exhibit__(DR-1), page 15 of 20
Schedule C-2

Test Year Ended December 31, 2009

Remove Asset Not Owned by WMSI

Line No.	Description	Amount
1	Reduction to Plant in Service to Remove Backhoe Trailer from Account 341.00 - Transportation Equipment	(16,022)
2	Reduction to Accumulated Depreciation to Remove Backhoe Trailer from Account 108.16 - A/D Transportation Equipment - avg. TY Balance	(10,682)
3	Remove Depreciation Expense on Backhoe Trailer from Test Year Expenses	(2,670)

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Offset to State Park Assets for Transfer to Rental Rights

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Exhibit__(DR-1), page 16 of 20
Schedule C-3

Line No.	Description	Amount
1	2006 Increase in Plant Account 331 - Trans. & Dist. Mains for State Park Project	227,977
2	Amount paid to Contractor for State Park Project	127,977
3	Reduction in Costs Paid by WMSI as Result of Signing Over Future Rental Income on Communications Equipment Attached to Elevated Tanks	(100,000)
4	OPC Recommended Offset to Plant in Service	(100,000)
5	Reduction to Accumulated Depreciation - 2006 through 2009 (b)	(6,977)
6	Reduction to Depreciation Expense (a)	(2,326)

Source/Notes:

Line 1: Response to OPC Interrog. 1 and OPC POD 21.

Line 2: Response to OPC POD 21.

(a) Amount calculated based on 43 year life as identified for Account 331 on MFR Sch. A-3.

(b) Amount calculated as 3 years of accumulated depreciation (Line 6 x 3 years).

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

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Schedule C-4

Adjustment to Working Capital

Line No.	Description	Amount
1	Working Capital, per WMSI	181,157
2	Remove Deferred Wastewater Certificate Application Costs	(35,603)
3	Remove Unamortized Debt Discount and Expense	(112,034)
4	Remove Unamortized Prior Rate Case Expense	(17,983)
5	Remove Operating Reserves Offset	40,000
6	Reduce Deferred Current Rate Case	(1,586)
7	Remove Prepaid Insurance - Key Man Life (a)	(6,008)
8	Adjusted Working Capital, per OPC	47,944
9	Reduction to Working Capital	(133,213)

(a) Amount included in average prepaid balance can not be derived from the general ledger, so assumes 50% of the annual expense is in prepaids.

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

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Schedule C-5

Remove Non-Used & Useful Distribution Plant

Line No.	Description	Amount	
1	Avg Test Year Plant in Service - Account 331.4 - Trans. & Distribution Mains	2,524,926	MFR Sch. A-5
2	Percentage Non-Used & Useful	45.1%	
3	Per OPC Non-Used & Useful Plant in Service	1,138,742	
4	Non-Used & Useful, per Company	78,864	MFR Sch. A-5
5	Additional Non-Used and Useful Reduction to Plant in Service	(1,059,878)	
6	Avg Test Year Accum. Deprec - Trans. & Distribution Mains	1,179,405	MFR Sch. A-9
7	Percentage Non-Used & Useful	45.1%	
8	Per OPC Non-Used & Useful Accumulated Depreciation	531,912	
9	Non-Used & Useful, per Company	59,008	MFR Sch. A-9
10	Additional Non-Used and Useful Reduction to Accumulated Depreciation	(472,904)	
11	Non-Used & Useful Net Plant in Service	(586,974)	
12	Avg Test Year Accum. Deprec - Trans. & Distribution Mains	41,673	MFR Sch. B-13
13	Percentage Non-Used & Useful	45.1%	
14	Per OPC Non-Used & Useful Accumulated Depreciation	18,795	
15	Non-Used & Useful, per Company	1,883	MFR Sch. B-13
16	Additional Non-Used and Useful Reduction to Accumulated Depreciation	(16,912)	

Non-Used and Useful amount provided by OPC Witness Andrew Woodcock

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Rate of Return

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Schedule D
Page 1 of 2

Line No.	Description	Per WMS Reconciled to Rate Base	OPC Adj. to Rate Base	Per OPC Reconciled to Rate Base	Ratio	Cost Rate per OPC	Weighted Cost
		(1)	(2)	(3)	(4)	(5)	(6)
1	Long-Term Debt	$ 6,046,023	$ (3,018,417)	$ 3,027,606	96.79%	3.78%	3.66%
2	Short-Term Debt	$ -					
3	Preferred Stock	$ -					
4	Customer Deposits	$ 100,499		$ 100,499	3.21%	6.00%	0.19%
5	Common Equity	$ -					
6	Total	$ 6,146,522		$ 3,128,105			3.85%

Source/Notes:

Col. (1): MFR Schedule D-1

Col. (2): See Schedule C

Col. (5): See page 2 of 2 for calculation of per OPC long term debt rate.

WATER MANAGEMENT SERVICES, INC.

Test Year Ended December 31, 2009

Rate of Return
Calculation of Long-Term Debt Cost Rate

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Schedule D
Page 2 of 2

Line No.	Description	Coupon Rate	13-Month Avg. Amt. Outstanding	Unamort. Discount (Premium)	Annual Amort. of Discount	Interest	Total Interest Cost	Effective Cost Rate
		(1)	(2)	(3)	(4)	(5) = (1)x(2)	(6)=(4)+(5)	(7)=(6)/((2)-(3))
	Per WMS Amounts							
1	Envision	5.75%	15,711	24	5	903	908	5.79%
2	Capital City Bank	6.61%	27,492	78	27	1,817	1,844	6.73%
3	Citizens State Bank (conditional)	6.65%	5,000,000			332,500	332,500	6.65%
4	Dept. of Envir. Protection	2.99%	4,819,577	84,560	7,047	144,105	151,152	3.19%
5	Florida Commercial C.U.	6.00%	18,369	84	19	1,102	1,121	6.13%
6	Farmers & Merchants Bank	6.85%	38,695	240	268	2,651	2,919	7.59%
7	Total		9,919,844	84,986	7,366	483,079	490,445	4.99%

Source/Notes:
MFR Schedule D-5 Final

Line No.	Description	Coupon Rate	13-Month Avg. Amt. Outstanding (b)	Unamort. Discount (Premium)	Annual Amort. of Discount	Interest	Total Interest Cost	Effective Cost Rate
		(1)	(2)	(3)	(4)	(5) = (1)x(2)	(6)=(4)+(5)	(7)=(6)/((2)-(3))
	Per OPC Amounts							
8	Envision (a)	5.75%	-	-	-	-	-	
9	Capital City Bank (b)	6.61%	-	-	-	-	-	
10	Gulf State Bank (c)	4.25%	2,849,020	17,611	11,741	121,083	132,824	4.69%
11	Dept. of Envir. Protection	2.99%	4,819,577	84,560	7,047	144,105	151,152	3.19%
12	Florida Commercial C.U.	6.00%	18,369	84	19	1,102	1,121	6.13%
13	Farmers & Merchants Bank	6.85%	38,695	240	268	2,651	2,919	7.59%
14	Total		7,725,661	102,495	19,075	268,941	288,016	3.78%

Source/Notes:

(a) Loan for 2007 Chevrolet Tahoe owned by an employee. Loan is to an employee of WMS, not WMS. Additionally, OPC recommends this vehicle be removed from plant in service.

(b) Loan is associated with 2009 GMC Sierra used by Gene Brown. OPC recommends this vehicle be removed from plant and the associated debt be removed from the capital structure.

(c) Replaces the proposed new loan with existing Gulf State Bank loan from MFR Schedule D-5 Interim.

Date	Description	Debit Amt	Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
	131.08 Cash in Checking-GSE						
1/2/2009	Gene D. Brown		2,300.00				2,300.00
1/2/2009	Gene D. Brown		1,500.00				1,500.00
1/5/2009	Gene D. Brown		1,450.00				1,450.00
1/9/2009	Gene D. Brown		2,300.00				2,300.00
1/9/2009	Gene D. Brown		3,000.00				3,000.00
1/12/2009	Gene D. Brown		6,000.00				6,000.00
1/16/2009	Gene D. Brown		2,300.00				2,300.00
1/20/2009	Gene D. Brown		4,800.00				4,800.00
1/21/2009	Gene D. Brown		2,200.00				2,200.00
1/23/2009	Gene D. Brown		2,300.00				2,300.00
1/29/2009	Gene D. Brown		750.00				750.00
1/30/2009	Gene D. Brown		2,300.00				2,300.00
1/31/2009	Gene D. Brown		5,000.00				5,000.00
2/2/2009	Gene D. Brown		3,000.00				3,000.00
2/3/2009	Gene D. Brown		1,000.00				1,000.00
2/4/2009	Gene D. Brown		1,500.00				1,500.00
2/6/2009	Gene D. Brown		2,300.00				2,300.00
2/10/2009	Gene D. Brown		6,000.00				6,000.00
2/11/2009	Gene D. Brown		2,500.00				2,500.00
2/12/2009	Gene D. Brown		1,000.00				1,000.00
2/13/2009	Gene D. Brown		2,300.00				2,300.00
2/17/2009	Gene D. Brown		3,700.00				3,700.00
2/19/2009	Gene D. Brown		700.00				700.00
2/20/2009	Gene D. Brown		2,300.00				2,300.00
2/20/2009	Gene D. Brown		600.00				600.00
2/23/2009	Gene D. Brown		9,000.00				9,000.00
2/24/2009	Gene D. Brown		400.00				400.00
2/25/2009	Gene D. Brown		2,000.00				2,000.00
2/26/2009	Gene D. Brown		800.00				800.00
2/27/2009	Gene D. Brown		2,300.00				2,300.00
2/27/2009	Gene D. Brown		1,000.00				1,000.00
3/2/2009	Gene D. Brown		5,000.00				5,000.00
3/3/2009	Gene D. Brown		500.00				500.00
3/4/2009	Gene D. Brown		1,300.00				1,300.00
3/6/2009	Gene D. Brown		2,300.00				2,300.00
3/6/2009	Gene D. Brown		3,300.00				3,300.00
3/9/2009	Gene D. Brown		14,600.00				14,600.00
3/10/2009	Gene D. Brown		4,000.00				4,000.00
3/11/2009	Gene D. Brown		2,500.00				2,500.00
3/12/2009	Brown Management Group, Inc		1,500.00		1,500.00		
3/12/2009	Gene D. Brown		4,500.00				4,500.00
3/13/2009	Gene D. Brown		2,300.00				2,300.00
3/13/2009	Gene D. Brown		1,000.00				1,000.00
3/16/2009	Gene D. Brown		3,500.00				3,500.00
3/17/2009	Gene D. Brown		3,000.00				3,000.00
3/18/2009	Gene D. Brown		500.00				500.00
3/19/2009	Gene D. Brown		4,000.00				4,000.00
3/20/2009	Gene D. Brown		2,300.00				2,300.00
3/23/2009	Gene D. Brown		2,300.00				2,300.00
3/25/2009	Gene D. Brown		1,500.00				1,500.00
3/27/2009	Gene D. Brown		2,300.00				2,300.00
3/27/2009	Gene D. Brown		850.00				850.00
3/27/2009	Gene D. Brown		3,600.00				3,600.00
3/30/2009	Gene D. Brown		500.00				500.00
3/31/2009	Gene D. Brown		3,000.00				3,000.00
4/1/2009	Gene D. Brown		1,100.00				1,100.00
4/3/2009	Gene D. Brown		2,300.00				2,300.00
4/3/2009	Gene D. Brown		7,000.00				7,000.00
4/6/2009	Brown Management Group, Inc		1,500.00		1,500.00		
4/7/2009	Gene D. Brown		2,100.00				2,100.00
4/8/2009	Gene D. Brown		2,200.00				2,200.00
4/9/2009	Gene D. Brown		7,900.00				7,900.00
4/10/2009	Gene D. Brown		2,300.00				2,300.00
4/13/2009	Gene D. Brown		4,300.00				4,300.00
4/14/2009	Gene D. Brown		1,000.00				1,000.00

Date	Description	Debit Amt	Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
4/16/2009	Gene D. Brown		1,000.00				1,000.00
4/17/2009	Gene D. Brown		2,300.00				2,300.00
4/20/2009	Gene D. Brown		2,500.00				2,500.00
4/21/2009	Gene D. Brown		2,200.00				2,200.00
4/22/2009	Gene D. Brown		2,000.00				2,000.00
4/23/2009	Gene D. Brown		4,850.00				4,850.00
4/24/2009	Gene D. Brown		2,300.00				2,300.00
4/27/2009	Gene D. Brown		3,000.00				3,000.00
4/28/2009	Gene D. Brown		1,000.00				1,000.00
4/29/2009	Gene D. Brown		700.00				700.00
4/30/2009	Gene D. Brown		100.00				100.00
5/1/2009	Gene D. Brown		2,300.00				2,300.00
5/1/2009	Gene D. Brown		3,000.00				3,000.00
5/4/2009	Gene D. Brown		1,500.00				1,500.00
5/5/2009	Gene D. Brown		1,000.00				1,000.00
5/8/2009	Gene D. Brown		2,300.00				2,300.00
5/8/2009	Gene D. Brown		700.00				700.00
5/11/2009	Gene D. Brown		2,100.00				2,100.00
5/11/2009	Gene D. Brown - PA		2,100.00				2,100.00
5/11/2009	Gene D. Brown		300.00				300.00
5/13/2009	Brown Management Group, Inc		1,500.00		1,500.00		
5/13/2009	Gene D. Brown		1,100.00				1,100.00
5/14/2009	Gene D. Brown		1,300.00				1,300.00
5/15/2009	Gene D. Brown		2,300.00				2,300.00
5/15/2009	Gene D. Brown		300.00				300.00
5/18/2009	Gene D. Brown		2,500.00				2,500.00
5/19/2009	Gene D. Brown		4,000.00				4,000.00
5/20/2009	Brown Management Group, Inc		6,800.00		6,800.00		
5/22/2009	Gene D. Brown		2,300.00				2,300.00
5/22/2009	Gene D. Brown		150.00				150.00
5/26/2009	Brown Management Group, Inc		1,200.00		1,200.00		
5/27/2009	Gene D. Brown		4,100.00				4,100.00
5/29/2009	Gene D. Brown		2,300.00				2,300.00
5/29/2009	Gene D. Brown - Personal	398.00				398.00	
5/29/2009	Gene D. Brown - Personal	50.00				50.00	
6/3/2009	Gene D. Brown		2,350.00				2,350.00
6/5/2009	Gene D. Brown		2,300.00				2,300.00
6/8/2009	Gene D. Brown		2,200.00				2,200.00
6/9/2009	Brown Management Group, Inc		1,500.00		1,500.00		
6/9/2009	Gene D. Brown		4,150.00				4,150.00
6/10/2009	Gene D. Brown		1,000.00				1,000.00
6/12/2009	Gene D. Brown		2,300.00				2,300.00
6/16/2009	Brown Management Group, Inc		8,400.00		8,400.00		
6/16/2009	Gene D. Brown		100.00				100.00
6/17/2009	Gene D. Brown		500.00				500.00
6/18/2009	Gene D. Brown		4,300.00				4,300.00
6/19/2009	Gene D. Brown		2,300.00				2,300.00
6/19/2009	Gene D. Brown		300.00				300.00
6/24/2009	Gene D. Brown		500.00				500.00
6/25/2009	Gene D. Brown		700.00				700.00
6/26/2009	Gene D. Brown		2,300.00				2,300.00
6/30/2009	Gene D. Brown		1,800.00				1,800.00
6/30/2009	Gene D. Brown - PA		300.00				300.00
7/1/2009	Gene D. Brown		500.00				500.00
7/2/2009	Gene D. Brown		2,300.00				2,300.00
7/2/2009	Gene D. Brown		400.00				400.00
7/3/2009	Gene D. Brown		500.00				500.00
7/6/2009	Gene D. Brown		1,000.00				1,000.00
7/9/2009	Gene D. Brown		500.00				500.00
7/10/2009	Gene D. Brown		4,500.00				4,500.00
7/13/2009	Gene D. Brown		4,150.00				4,150.00
7/16/2009	Brown Management Group, Inc		650.00		650.00		
7/16/2009	Gene D. Brown		500.00				500.00
7/20/2009	Gene D. Brown		3,400.00				3,400.00
7/22/2009	Gene D. Brown		200.00				200.00
7/23/2009	Gene D. Brown		1,800.00				1,800.00

Date	Description	Debit Amt	Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
7/28/2009	Gene D. Brown		500.00				500.00
7/30/2009	Gene D. Brown		480.00				480.00
7/31/2009	Gene D. Brown		900.00				900.00
8/3/2009	Gene D. Brown		1,300.00				1,300.00
8/4/2009	Gene D. Brown		900.00				900.00
8/5/2009	Gene D. Brown		200.00				200.00
8/6/2009	Gene D. Brown		4,500.00				4,500.00
8/10/2009	Gene D. Brown		750.00				750.00
8/13/2009	Gene D. Brown		1,500.00				1,500.00
8/17/2009	Gene D. Brown		2,700.00				2,700.00
8/20/2009	Gene D. Brown		300.00				300.00
8/25/2009	Gene D. Brown		3,300.00				3,300.00
8/27/2009	Gene D. Brown		650.00				650.00
9/3/2009	Gene D. Brown		175.00				175.00
9/9/2009	Gene D. Brown		2,800.00				2,800.00
9/10/2009	Gene D. Brown		5,000.00				5,000.00
9/11/2009	Gene D. Brown		1,150.00				1,150.00
9/18/2009	Gene D. Brown		1,100.00				1,100.00
9/22/2009	Gene D. Brown		2,000.00				2,000.00
9/24/2009	Gene D. Brown		300.00				300.00
9/28/2009	Gene D. Brown		200.00				200.00
10/2/2009	Gene D. Brown		1,000.00				1,000.00
10/6/2009	Gene D. Brown - Personal	600.00				600.00	
10/9/2009	Gene D. Brown		3,300.00				3,300.00
10/13/2009	Gene D. Brown		2,850.00				2,850.00
10/14/2009	Gene D. Brown		1,600.00				1,600.00
10/16/2009	Gene D. Brown		500.00				500.00
10/19/2009	Gene D. Brown		4,300.00				4,300.00
10/20/2009	Gene D. Brown		300.00				300.00
10/29/2009	Gene D. Brown		55.00				55.00
11/2/2009	Gene D. Brown		500.00				500.00
11/9/2009	Gene D. Brown		4,000.00				4,000.00
11/12/2009	Gene D. Brown		4,500.00				4,500.00
11/16/2009	Gene D. Brown		1,100.00				1,100.00
11/17/2009	Gene D. Brown		3,600.00				3,600.00
12/2/2009	Gene D. Brown		280.00				280.00
12/7/2009	Gene D. Brown		200.00				200.00
12/8/2009	Gene D. Brown		4,500.00				4,500.00
12/10/2009	Gene D. Brown		4,000.00				4,000.00
12/14/2009	Gene D. Brown		100.00				100.00
12/21/2009	Gene D. Brown		1,000.00				1,000.00
12/23/2009	Gene D. Brown		250.00				250.00
12/29/2009	Gene D. Brown		400.00				400.00
12/31/2009	Gene D. Brown		1,400.00				1,400.00
	Subtotal Acct. 131.08	1,048.00	375,690.00	0.00	23,050.00	1,048.00	352,640.00
	131.09 Cash in Checking-FMB						
1/5/2009	Gene D. Brown - Personal	1,450.00				1,450.00	
1/28/2009	Gene D. Brown - Personal	2,000.00				2,000.00	
1/28/2009	Gene D. Brown - Personal	2,900.00				2,900.00	
1/28/2009	Gene D. Brown - Personal	500.00				500.00	
2/2/2009	Brown Management Group		4,500.00		4,500.00		
2/17/2009	Brown Management Group		4,000.00		4,000.00		
2/20/2009	Brown Management Group		2,500.00		2,500.00		
2/20/2009	Brown Management Group		1,700.00		1,700.00		
2/26/2009	Gene D. Brown - Personal	3,500.00				3,500.00	
3/11/2009	Brown Management Group	18,900.00		18,900.00			
3/13/2009	Brown Management Group		3,300.00		3,300.00		
3/26/2009	Brown Management Group	115,114.03		115,114.03			
3/30/2009	Brown Management Group		15,000.00		15,000.00		
3/31/2009	Gene D. Brown		500.00				500.00
4/10/2009	Brown Management Group		600.00		600.00		
4/15/2009	Brown Management Group		1,400.00		1,400.00		
4/22/2009	Gene D. Brown - Personal	4,000.00				4,000.00	
4/22/2009	Gene D. Brown - Personal	9,500.00				9,500.00	
4/30/2009	Gene D. Brown - Personal	1,000.00				1,000.00	

Date	Description	Debit Amt	Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
5/1/2009	Gene D. Brown - Personal	50.00				50.00	
5/22/2009	Brown Management Group	1,500.00		1,500.00			
6/12/2009	Brown Management Group		3,300.00		3,300.00		
6/18/2009	Brown Management Group	600.00		600.00			
7/9/2009	Brown Management Group	2,100.00		2,100.00			
7/15/2009	Brown Management Group		3,510.00		3,510.00		
7/23/2009	Brown Management Group	2,400.00		2,400.00			
8/4/2009	Brown Management Group	950.00		950.00			
8/5/2009	Brown Management Group	900.00		900.00			
8/27/2009	Brown Management Group		900.00		900.00		
9/15/2009	Brown Management Group		3,300.00		3,300.00		
9/22/2009	Brown Management Group		100.00		100.00		
9/25/2009	Brown Management Group		80.00		80.00		
10/9/2009	Brown Management Group		3,800.00		3,800.00		
10/23/2009	Gene D. Brown - Personal	5,500.00				5,500.00	
10/26/2009	Brown Management Group	7,000.00		7,000.00			
11/16/2009	Brown Management Group		3,300.00		3,300.00		
12/11/2009	Brown Management Group		300.00		300.00		
12/14/2009	Brown Management Group		251.00		251.00		
12/29/2009	Gene D. Brown - Law Offices	2,300.00				2,300.00	
12/29/2009	Gene D. Brown - Law Offices	2,200.00				2,200.00	
12/31/2009	Brown Management Group		4,000.00		4,000.00		
	Subtotal Account 131.09	184,364.03	56,341.00	149,464.03	55,841.00	34,900.00	500.00
	131.10 Cash in Checking-SUP						
4/30/2009	Cash Deposit by GDB	100.00				100.00	
7/10/2009	Gene D. Brown		2,300.00				2,300.00
7/13/2009	Brown Management Group		1,500.00		1,500.00		
7/17/2009	Gene D. Brown		2,300.00				2,300.00
7/21/2009	Brown Management Group	2,600.00		2,600.00			
7/24/2009	Gene D. Brown		2,300.00				2,300.00
7/28/2009	Gene D. Brown - Personal	6,000.00				6,000.00	
7/30/2009	Gene D. Brown - Personal	2,500.00				2,500.00	
7/30/2009	Gene D. Brown - Personal	1,500.00				1,500.00	
7/31/2009	Gene D. Brown		2,300.00				2,300.00
8/6/2009	Brown Management Group		1,500.00		1,500.00		
8/7/2009	Gene D. Brown		2,300.00				2,300.00
8/10/2009	Brown Management Group		8,000.00		8,000.00		
8/13/2009	Brown Management Group		500.00		500.00		
8/14/2009	Gene D. Brown		1,900.00				1,900.00
8/21/2009	Gene D. Brown		1,900.00				1,900.00
8/28/2009	Gene D. Brown		1,900.00				1,900.00
9/2/2009	Brown Management Group	3,400.00		3,400.00			
9/4/2009	Gene D. Brown		1,900.00				1,900.00
9/11/2009	Gene D. Brown		1,900.00				1,900.00
9/15/2009	Brown Management Group		1,500.00		1,500.00		
9/15/2009	Brown Management Group		5,000.00		5,000.00		
9/18/2009	Gene D. Brown		1,900.00				1,900.00
9/25/2009	Gene D. Brown		2,050.00				2,050.00
9/29/2009	Gene D. Brown	1,855.00				1,855.00	
10/2/2009	Gene D. Brown		2,050.00				2,050.00
10/9/2009	Gene D. Brown		2,050.00				2,050.00
10/15/2009	Brown Management Group		1,500.00		1,500.00		
10/16/2009	Gene D. Brown		2,050.00				2,050.00
10/23/2009	Gene D. Brown		2,050.00				2,050.00
10/26/2009	Gene D. Brown - Personal	2,200.00				2,200.00	
10/30/2009	Gene D. Brown		2,050.00				2,050.00
11/5/2009	Brown Management Group		1,500.00		1,500.00		
11/6/2009	Gene D. Brown		2,050.00				2,050.00
11/10/2009	Brown Management Group		500.00		500.00		
11/13/2009	Gene D. Brown		2,050.00				2,050.00
11/13/2009	Brown Management Group		4,800.00		4,800.00		
11/16/2009	Brown Management Group		850.00		850.00		
11/17/2009	Brown Management Group		100.00		100.00		

Date	Description	Debit Amt	Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
11/20/2009	Gene D. Brown		2,050.00				2,050.00
11/23/2009	Brown Management Group		750.00		750.00		
11/27/2009	Gene D. Brown		2,050.00				2,050.00
12/4/2009	Gene D. Brown		2,050.00				2,050.00
12/11/2009	Gene D. Brown		2,050.00				2,050.00
12/11/2009	Brown Management Group		1,500.00		1,500.00		
12/18/2009	Gene D. Brown		2,050.00				2,050.00
12/18/2009	Brown Management Group	3,000.00		3,000.00			
12/22/2009	Brown Management Group		1,050.00		1,050.00		
12/22/2009	Brown Management Group	10,000.00		10,000.00			
12/25/2009	Gene D. Brown		2,050.00				2,050.00
	Subtotal Account 131.10	33,155.00	82,150.00	19,000.00	30,550.00	14,155.00	51,600.00
	131.11 Cash in Checking-GSE						
1/26/2009	Gene D. Brown		2,600.00				2,600.00
2/6/2009	Gene D. Brown		1,500.00				1,500.00
5/21/2009	Gene D. Brown		250.00				250.00
8/12/2009	Gene D. Brown		3,500.00				3,500.00
8/21/2009	Gene D. Brown		1,700.00				1,700.00
8/24/2009	Gene D. Brown		2,300.00				2,300.00
9/4/2009	Gene D. Brown		1,800.00				1,800.00
9/22/2009	Gene D. Brown		2,600.00				2,600.00
9/28/2009	Gene D. Brown		300.00				300.00
9/30/2009	Gene D. Brown		400.00				400.00
10/1/2009	Gene D. Brown		500.00				500.00
10/8/2009	Gene D. Brown		320.00				320.00
10/23/2009	Gene D. Brown		3,000.00				3,000.00
10/26/2009	Gene D. Brown		350.00				350.00
10/27/2009	Gene D. Brown		315.00				315.00
11/6/2009	Gene D. Brown		700.00				700.00
11/10/2009	Gene D. Brown		700.00				700.00
11/16/2009	Gene D. Brown		1,200.00				1,200.00
11/24/2009	Gene D. Brown		2,100.00				2,100.00
12/18/2009	Gene D. Brown		1,200.00				1,200.00
	Subtotal Account 131.11		27,335.00				27,335.00
	131.12 Cash in Checking-GSE						
1/1/2009	Initial Deposit - GDB	111.30					
	132.10 Cash in Special Reserve						
5/21/2009	Gene D. Brown		200.00				200.00
6/12/2009	Gene D. Brown		2,500.00				2,500.00
	135.30 Cash in Reserve - FMB						
6/19/2009	Brown Mgmt Group	144,500.00		144,500.00			
6/22/2009	Brown Mgmt Group	50,000.00		50,000.00		Note Receivable Pymt	
	Subtotal Account 135.30	194,500.00		194,500.00			
Total Cash In/Out w/ BMG and G. Brown		413,178.33	544,216.00	362,964.03	109,441.00	50,103.00	434,775.00
Net difference cash out vs. in			(131,037.67)		253,523.03		(384,672.00)

Date	Description	Cash in Debit Amt	Cash out Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
	131.08 Cash in Checking-GSE						
1/4/2008	Gene D. Brown		2,250.00				2,250.00
1/4/2008	Gene D. Brown - Personal	250.00				250.00	
1/7/2008	Brown Management Group, Inc		1,500.00		1,500.00		
1/8/2008	Gene D. Brown		2,000.00				2,000.00
1/9/2008	Gene D. Brown		2,100.00				2,100.00
1/10/2008	Gene D. Brown, PA		1,650.00				1,650.00
1/11/2008	Gene D. Brown		2,250.00				2,250.00
1/14/2008	Gene D. Brown		1,600.00				1,600.00
1/18/2008	Gene D. Brown		2,450.00				2,450.00
1/22/2008	Gene D. Brown		800.00				800.00
1/25/2008	Gene D. Brown		2,300.00				2,300.00
1/25/2008	Gene D. Brown		1,000.00				1,000.00
2/1/2008	Gene D. Brown		2,300.00				2,300.00
2/1/2008	Gene D. Brown		300.00				300.00
2/4/2008	Gene D. Brown		1,000.00				1,000.00
2/4/2008	Brown Management Group, Inc	29,000.00		29,000.00			
2/8/2008	Gene D. Brown		2,300.00				2,300.00
2/11/2008	Gene D. Brown, PA		2,200.00				2,200.00
2/12/2008	Gene D. Brown		2,500.00				2,500.00
2/13/2008	Brown Management Group, Inc		1,500.00		1,500.00		
2/13/2008	Gene D. Brown		2,200.00				2,200.00
2/15/2008	Gene D. Brown		2,300.00				2,300.00
2/19/2008	Gene D. Brown		3,500.00				3,500.00
2/22/2008	Gene D. Brown		2,300.00				2,300.00
2/22/2008	Gene D. Brown		600.00				600.00
2/28/2008	Gene D. Brown		2,100.00				2,100.00
2/29/2008	Gene D. Brown		2,300.00				2,300.00
3/5/2008	Gene D. Brown		600.00				600.00
3/7/2008	Gene D. Brown		2,300.00				2,300.00
3/10/2008	Brown Management Group, Inc		1,500.00		1,500.00		
3/10/2008	Gene D. Brown		2,100.00				2,100.00
3/12/2008	Gene D. Brown, PA		2,000.00				2,000.00
3/14/2008	Gene D. Brown		2,300.00				2,300.00
3/14/2008	Gene D. Brown		3,000.00				3,000.00
3/17/2008	Brown Management Group, Inc		3,000.00		3,000.00		
3/17/2008	Gene D. Brown		1,800.00				1,800.00
3/20/2008	Gene D. Brown		500.00				500.00
3/21/2008	Gene D. Brown		2,300.00				2,300.00
3/24/2008	Gene D. Brown		1,550.00				1,550.00
3/25/2008	Brown Management Group, Inc		550.00		550.00		
3/27/2008	Gene D. Brown		175.00				175.00
3/28/2008	Gene D. Brown		2,300.00				2,300.00
3/31/2008	Gene D. Brown - Personal	1,000.00				1,000.00	
3/31/2008	Gene D. Brown		750.00				750.00
4/4/2008	Gene D. Brown		2,300.00				2,300.00
4/7/2008	Gene D. Brown		1,500.00				1,500.00
4/8/2008	Gene D. Brown, PA		5,000.00				5,000.00
4/10/2008	Gene D. Brown		1,000.00				1,000.00
4/11/2008	Gene D. Brown		2,300.00				2,300.00
4/14/2008	Brown Management Group, Inc		1,500.00		1,500.00		
4/15/2008	Brown Management Group, Inc		800.00		800.00		
4/15/2008	Gene D. Brown		1,800.00				1,800.00
4/17/2008	Gene D. Brown		2,600.00				2,600.00
4/18/2008	Gene D. Brown		2,300.00				2,300.00
4/21/2008	Gene D. Brown		500.00				500.00
4/23/2008	Gene D. Brown		1,200.00				1,200.00
4/25/2008	Gene D. Brown		2,300.00				2,300.00
4/30/2008	Gene D. Brown		500.00				500.00
5/2/2008	Gene D. Brown		2,300.00				2,300.00
5/2/2008	Brown Management Group, Inc		1,500.00		1,500.00		
5/5/2008	Brown Management Group, Inc		3,200.00		3,200.00		
5/7/2008	Gene D. Brown		1,600.00				1,600.00
5/9/2008	Gene D. Brown		2,300.00				2,300.00
5/9/2008	Gene D. Brown		2,300.00				2,300.00
5/12/2008	Brown Management Group, Inc		3,400.00		3,400.00		

Date	Description	Cash in Debit Amt	Cash out Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
5/12/2008	Gene D. Brown, PA		2,100.00				2,100.00
5/13/2008	Brown Management Group, Inc		3,300.00		3,300.00		
5/14/2008	Gene D. Brown		1,700.00				1,700.00
5/16/2008	Gene D. Brown		2,300.00				2,300.00
5/19/2008	Gene D. Brown		2,800.00				2,800.00
5/21/2008	Gene D. Brown		1,000.00				1,000.00
5/23/2008	Gene D. Brown		2,300.00				2,300.00
5/27/2008	Gene D. Brown		500.00				500.00
5/28/2008	Gene D. Brown		4,600.00				4,600.00
5/30/2008	Gene D. Brown		2,300.00				2,300.00
6/2/2008	Gene D. Brown		2,500.00				2,500.00
6/5/2008	Gene D. Brown		1,000.00				1,000.00
6/6/2008	Gene D. Brown		2,300.00				2,300.00
6/9/2008	Gene D. Brown		2,000.00				2,000.00
6/10/2008	Gene D. Brown		2,150.00				2,150.00
6/13/2008	Gene D. Brown		2,300.00				2,300.00
6/17/2008	Gene D. Brown		1,600.00				1,600.00
6/18/2008	Gene D. Brown		2,300.00				2,300.00
6/19/2008	Brown Management Group, Inc		1,500.00		1,500.00		
6/20/2008	Brown Management Group, Inc		2,300.00		2,300.00		
6/20/2008	Gene D. Brown, PA		250.00				250.00
6/25/2008	Gene D. Brown		5,000.00				5,000.00
6/27/2008	Gene D. Brown		2,300.00				2,300.00
7/3/2008	Gene D. Brown		2,300.00				2,300.00
7/8/2008	Gene D. Brown		2,000.00				2,000.00
7/10/2008	Gene D. Brown		1,000.00				1,000.00
7/11/2008	Gene D. Brown		2,300.00				2,300.00
7/11/2008	Brown Management Group, Inc		1,500.00		1,500.00		
7/11/2008	Gene D. Brown		4,000.00				4,000.00
7/16/2008	Gene D. Brown		3,200.00				3,200.00
7/17/2008	Gene D. Brown		2,300.00				2,300.00
7/18/2008	Gene D. Brown		2,300.00				2,300.00
7/18/2008	Gene D. Brown - Personal		750.00				750.00
7/21/2008	Gene D. Brown - Personal		1,000.00				1,000.00
7/23/2008	Gene D. Brown		1,200.00				1,200.00
7/25/2008	Gene D. Brown		2,300.00				2,300.00
7/25/2008	Gene D. Brown		600.00				600.00
7/28/2008	Gene D. Brown		4,000.00				4,000.00
7/30/2008	Brown Management Group, Inc		1,500.00		1,500.00		
8/1/2008	Gene D. Brown		2,300.00				2,300.00
8/1/2008	Gene D. Brown		1,500.00				1,500.00
8/4/2008	Gene D. Brown		3,200.00				3,200.00
8/7/2008	Brown Management Group, Inc		2,000.00		2,000.00		
8/7/2008	Gene D. Brown		1,300.00				1,300.00
8/8/2008	Gene D. Brown		2,300.00				2,300.00
8/8/2008	Brown Management Group, Inc		5,000.00		5,000.00		
8/8/2008	Gene D. Brown		4,000.00				4,000.00
8/8/2008	Gene D. Brown, PA		2,200.00				2,200.00
8/12/2008	Gene D. Brown, PA		300.00				300.00
8/15/2008	Gene D. Brown		2,300.00				2,300.00
8/22/2008	Gene D. Brown		2,300.00				2,300.00
8/28/2008	Gene D. Brown		2,200.00				2,200.00
8/29/2008	Gene D. Brown		2,300.00				2,300.00
9/3/2008	Gene D. Brown		1,900.00				1,900.00
9/5/2008	Gene D. Brown		2,300.00				2,300.00
9/5/2008	Gene D. Brown		1,050.00				1,050.00
9/8/2008	Brown Management Group, Inc		1,500.00		1,500.00		
9/10/2008	Gene D. Brown, PA		2,000.00				2,000.00
9/12/2008	Gene D. Brown		2,300.00				2,300.00
9/15/2008	Brown Management Group, Inc		4,000.00		4,000.00		
9/15/2008	Gene D. Brown		1,250.00				1,250.00
9/18/2008	Gene D. Brown		7,000.00				7,000.00
9/19/2008	Gene D. Brown		2,500.00				2,500.00
9/24/2008	Gene D. Brown		1,750.00				1,750.00
9/26/2008	Gene D. Brown		2,500.00				2,500.00
9/30/2008	Gene D. Brown		600.00				600.00

Date	Description	Cash in Debit Amt	Cash out Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
10/3/2008	Gene D. Brown		2,500.00				2,500.00
10/3/2008	Brown Management Group, Inc	29.05		29.05			
10/6/2008	Gene D. Brown		500.00				500.00
10/8/2008	Gene D. Brown		2,800.00				2,800.00
10/10/2008	Gene D. Brown		2,500.00				2,500.00
10/14/2008	Gene D. Brown		3,300.00				3,300.00
10/17/2008	Gene D. Brown		2,500.00				2,500.00
10/20/2008	Gene D. Brown		2,750.00				2,750.00
10/24/2008	Gene D. Brown		2,500.00				2,500.00
10/27/2008	Gene D. Brown		800.00				800.00
10/31/2008	Gene D. Brown		2,500.00				2,500.00
11/7/2008	Gene D. Brown		2,500.00				2,500.00
11/7/2008	Brown Management Group, Inc		1,500.00		1,500.00		
11/7/2008	Gene D. Brown		5,300.00				5,300.00
11/10/2008	Gene D. Brown, PA		3,150.00				3,150.00
11/12/2008	Gene D. Brown		2,600.00				2,600.00
11/13/2008	Gene D. Brown		6,200.00				6,200.00
11/14/2008	Gene D. Brown		2,500.00				2,500.00
11/18/2008	Gene D. Brown		2,500.00				2,500.00
11/20/2008	Gene D. Brown		650.00				650.00
11/21/2008	Gene D. Brown		2,500.00				2,500.00
11/24/2008	Gene D. Brown		6,700.00				6,700.00
11/26/2008	Gene D. Brown		1,100.00				1,100.00
11/28/2008	Gene D. Brown		2,500.00				2,500.00
12/1/2008	Gene D. Brown		5,000.00				5,000.00
12/5/2008	Gene D. Brown		2,500.00				2,500.00
12/5/2008	Gene D. Brown		1,000.00				1,000.00
12/8/2008	Gene D. Brown		2,000.00				2,000.00
12/11/2008	Gene D. Brown		3,400.00				3,400.00
12/11/2008	Gene D. Brown, PA		2,100.00				2,100.00
12/12/2008	Gene D. Brown		2,500.00				2,500.00
12/12/2008	Gene D. Brown		2,500.00				2,500.00
12/16/2008	Gene D. Brown		1,100.00				1,100.00
12/18/2008	Gene D. Brown		1,000.00				1,000.00
12/19/2008	Gene D. Brown		2,500.00				2,500.00
12/19/2008	Gene D. Brown		1,300.00				1,300.00
12/19/2008	Gene D. Brown		3,000.00				3,000.00
12/26/2008	Gene D. Brown		2,500.00				2,500.00
12/29/2008	Gene D. Brown		2,600.00				2,600.00
12/31/2008	Gene D. Brown		700.00				700.00
	Subtotal Acct. 131.08	30,279.05	360,775.00	29,029.05	42,550.00	1,250.00	318,225.00
	131.09 Cash in Checking-FMB						
1/18/2008	Brown Management Group	8,000.00		8,000.00			
2/25/2008	Brown Management Group	15,000.00		15,000.00			
2/29/2008	Brown Management Group	750.00		750.00			
2/29/2008	Gene D. Brown - Personal	2,000.00				2,000.00	
3/5/2008	Brown Management Group	1,300.00		1,300.00			
3/17/2008	Brown Management Group		500.00		500.00		
3/31/2008	Brown Management Group	3,200.00		3,200.00			
4/23/2008	Brown Management Group	50,000.00		50,000.00			
5/27/2008	Brown Management Group	20,000.00		20,000.00			
6/2/2008	Brown Management Group	20,000.00		20,000.00			
6/13/2008	Brown Management Group		20,000.00		20,000.00		
6/23/2008	Brown Management Group		30,000.00		30,000.00		
11/7/2008	Brown Management Group	45,000.00		45,000.00			
11/25/2008	Brown Management Group	10,000.00		10,000.00			
12/3/2008	Brown Management Group	3,750.00		3,750.00			
12/18/2008	Brown Management Group	6,000.00		6,000.00			
12/22/2008	Brown Management Group	2,200.00		2,200.00			
12/30/2008	Gene D. Brown - Personal	4,000.00				4,000.00	
12/30/2008	Gene D. Brown - Personal	9,000.00				9,000.00	
12/31/2008	Brown Management Group	800.00		800.00			
	Subtotal Account 131.09	201,000.00	50,500.00	186,000.00	50,500.00	15,000.00	0

Date	Description	Cash in Debit Amt	Cash out Credit Amt	BMG Debit	BMG Credit	G. Brown Debit	G. Brown Credit
	131.11 Cash in Checking-GSE						
2/1/2008	Gene D. Brown		2,100.00				2,100.00
12/2/2008	Gene D. Brown		300.00				300.00
12/9/2008	Gene D. Brown		2,000.00				2,000.00
12/24/2008	Gene D. Brown		1,500.00				1,500.00
12/26/2008	Gene D. Brown		600.00				600.00
	Subtotal Account 131.11	0.00	6,500.00			0.00	6,500.00
	132.10 Cash in Special Reserve						
8/11/2008	Gene D. Brown		10,000.00				10,000.00
9/8/2008	Gene D. Brown		50,000.00				50,000.00
10/28/2008	Gene D. Brown		2,500.00				2,500.00
11/3/2008	Gene D. Brown		2,500.00				2,500.00
	Subtotal Account 132.10	0.00	65,000.00			0.00	65,000.00
	135.30 Cash in Reserve - FMB						
8/13/2008	Brown Management Group		10,000.00		10,000.00		
Total Cash In/Out w/ BMG and G. Brown		231,279.05	492,775.00	215,029.05	103,050.00	16,250.00	389,725.00
Net Cash In/Out			(261,495.95)		111,979.05		(373,475.00)

WMSI Investment in Associated Companies and Notes Receivable from Associated Companies

Docket No. 100104-WU
Exhibit__(DR-4), page 1 of 1

	Amount
Account 123.00 - Investment in Associated Company	
January 1, 2008 Balance	924,617
January 1, 2009 Beginning Balance	1,160,703
December 31, 2009 Ending Balance	1,213,905
June 30, 2010 Balance	1,262,402
Increase in Investment in Associated Company During Test Year	53,202
Increase in Investment in Associated Company 1/1/08 - 6/30/10	337,785
Account 146.00 - Notes Receivable Associated Company	
January 1, 2008 Balance	200,000
January 1, 2009 Beginning Balance	150,000
December 31, 2009 Ending Balance	100,000
June 30, 2010 Balance	-
Increase in Investment in Associated Company During Test Year	(50,000)
Increase in Investment in Associated Company 1/1/08 - 6/30/10	(200,000)

Exhibit Relating to Interrogatory No. 8

QUESTION # 8

WATER MANAGMENT SERVICES, INC.

DATE	DESCRIPTION	ASSET ACCT #	ASSET	A/D	NET VALUE	PROCEEDS	ACCT 414.00 GAIN/(LOSS)
92-98	YEARS 1992 THRU YEARS 1998-NONE						
01/19/99	SALE OF FORD TRUCK TO K. SHIVER	341.00	(20,000.00)	3,611.14	16,388.86	16,388.86	0.00
12/31/99	SALE OF TAHOE TO ABC	341.00	(32,953.77)	12,529.44	20,424.33	20,424.33	0.00
12/31/99	PURCHASE OF 99 FORD FROM ABC	341.00	25,895.88	0.00	(25,895.88)	(25,895.88)	0.00
07/05/00	TRADE 98 GMC TRUCK ON 2000 GMC	341.00	(25,225.39)	11,017.80	14,207.59	14,207.59	0.00
11/20/00	TRADE YUKON ON 2001 YUKON	341.00	(31,425.39)	18,426.00	12,999.39	12,999.39	0.00
01/31/01	SALE OF FORD TRUCK TO ABC	341.00	(30,530.61)	5,512.52	25,018.09	25,018.09	0.00
11/18/03	SALE OF BACKHOE TO H. GARRETT	345.00	(52,311.00)	21,216.44	31,094.56	24,000.00	(7,094.56)
08/16/04	TRADE 2001 YUKON ON 2004 YUKON	341.00	(32,479.06)	22,549.12	9,929.94	9,929.94	0.00
07/31/04	RETIRE BACKHOE	345.00	(16,500.00)	10,169.53	6,330.47	0.00	(6,330.47)
12/31/04	TO RETIRE 1993 F700 DUMP TRUCK	341.00	(16,753.89)	16,753.89	0.00	0.00	0.00
01/01/05	1993 DUMP TRUCK SOLD TO SMITH	341.00	(Above)	(Above)	(Above)	4,000.00	4,000.00
03/01/05	KILLEARN CT-LAND	303.00	(15,225.00)	0.00	15,225.00	15,225.00	0.00
03/01/05	KILLEARN CT-OFFICE BLDG	304.00	(89,775.00)	22,217.04	67,557.96	117,226.13	49,668.17
03/01/05	KILLEARN CT-IMPROVEMENTS	304.00	(8,325.15)	1,051.15	7,274.00	7,274.00	0.00
03/01/05	KILLEARN CT-LIGHTING	304.00	(743.22)	90.09	653.13	653.13	0.00
03/01/05	KILLEARN CT-SECURITY SYS	304.00	(2,160.75)	125.51	2,035.24	2,035.24	0.00
	SOLD TO THE FLORIDIAN GROUP		(116,229.12)	23,483.79	92,745.33	142,413.50	49,668.17
06/01/05	RETIRE KILLEARN CT-OFFICE FURN	340.00	(63,092.67)	34,622.18	28,470.49	0.00	(28,470.49)
10/31/05	RETIRE OFFICE SIGN-CRAWFDVLLE	347.00	(3,873.79)	86.08	3,787.71	1,750.00	(2,037.71)
							23,159.97
							12/31/05
03/30/06	SALE OF STONEHENGE TRAILER	341.00	(7,007.85)	875.98	6,131.87	5,000.00	(1,131.87)
	(SOLD TO ALL PRO TRAILERS)						
06/22/06	SALE OF 2002 CHEV SILVERADO	341.00	(18,814.30)	3,135.72	15,678.58	19,500.00	3,821.42
06/22/06	SALE OF GN HITCH-SILVERADO	341.00	(762.66)	127.12	635.54	0.00	(635.54)
06/22/06	SALE OF TOOL BOX-SILVERADO	341.00	(182.51)	30.42	152.09	0.00	(152.09)
06/30/06	SALE OF SGI APARTMENTS	105.7/304	(170,134.12)	0.00	170,134.12	200,000.00	29,865.88
	(SOLD TO BROWN MGMT GROUP)						
12/29/06	SALE OF LAND AROUND WELL 1	303.00	(6,761.58)	0.00	6,761.58	99,264.98	92,503.40
	(SOLD TO GULF STATE BANK)						
							124,271.20
							12/31/06
02/16/07	SALE OF 2005 DUMP TRUCK TO DB	341.00	(51,562.94)	17,187.65	34,375.29	39,500.71	5,125.42
08/14/07	SALE OF 2001 TRUCK TO J. ARNOLD	341.00	(38,059.78)	38,059.78	0.00	12,542.90	12,542.90
09/24/07	TRADE OF 2005 CHEV TAHOE-ABC	341.00	(28,754.26)	4,792.38	23,961.88	24,644.97	
11/01/07	SALE OF LOTS TO ABC/BMG	303.00	(236,000.00)	0.00	236,000.00	454,429.12	192,751.63
11/01/07	LOT IMPROVEMENTS/PERMITTING	105.40	(25,677.49)	0.00	25,677.49		
							210,419.95
							12/31/07
07/17/08	SALE OF 2004 GMC YUKON	341.00	(44,826.74)	28,639.29	16,187.45	15,528.39	(659.06)
	(SOLD TO KYLE SCOTT)						
07/31/08	RETIRE NEOPOST S160 STUFFER	340.00	(985.46)	65.70	919.76	0.00	(919.76)
07/31/08	RETIRE RICOH 1060 COPIER	340.00	(6,585.00)	878.00	5,707.00	0.00	(5,707.00)
			(52,397.20)	29,582.99	22,814.21	15,528.39	(7,285.82)
							12/31/08
06/04/09	SALE EASEMENT-BJ'S PIZZA	N/A	N/A	N/A	0	4,000.00	4,000.00
07/14/09	SALE EASEMENT-ISLE ENDEAVOURS	N/A	N/A	N/A	0	500.00	500.00
11/25/09	TRADE 2000 GMC SIERRA TRUCK	341.00	(29,068.45)	29,068.45	0.00	0.00	0.00
12/31/09	SALE OF BACKHOE TRAILER TO BMG	341.00	(16,022.08)	12,016.57	4,005.51	4,005.51	0.00
							4,500.00
							12/31/09

Exhibit Relating to Interrogatory No. 13

QUESTION # 13

WATER MANAGMENT SERVICES, INC.

Docket No. 100104-WU
Asset Sales
Exhibit_(DR-5), p.4 of 4

DATE	DESCRIPTION	ASSET ACCT #	ASSET	A/D	NET VALUE	PROCEEDS	ACCT 414.00 GAIN/(LOSS)
01/01/05	DUMP TRUCK SOLD TO SMITH	N/A	N/A	N/A	N/A	4,000.00	4,000.00
03/01/05	KILLEARN CT-LAND	303.00	15,225.00	0.00	15,225.00	15,225.00	0.00
03/01/05	KILLEARN CT-OFFICE BLDG	304.00	89,775.00	(22,217.04)	67,557.96	117,226.12	49,668.16
03/01/05	KILLEARN CT-IMPROVEMENTS	304.00	8,325.15	(1,051.15)	7,274.00	7,274.00	0.00
03/01/05	KILLEARN CT-LIGHTING	304.00	743.22	(90.09)	653.13	653.13	0.00
03/01/05	KILLEARN CT-SECURITY SYS	304.00	2,160.75	(125.51)	2,035.24	2,035.24	0.00
	SOLD TO THE FLORIDIAN GROUP		116,229.12	(23,483.79)	92,745.33	142,413.49	49,668.16
06/01/05	RETIRE KILLEARN CT-OFFICE FURN	340.00	63,092.37	(34,622.18)	28,470.19	0.00	(28,470.19)
						12/31/05	25,197.97
03/30/06	SALE OF STONEHENGE TRAILER	341.00	7,007.85	(875.98)	6,131.87	5,000.00	(1,131.87)
	(SOLD TO ALL PRO TRAILERS)						
06/22/06	SALE OF 2002 CHEV SILVERADO	341.00	18,814.30	(3,135.72)	15,678.58	19,500.00	3,821.42
06/22/06	SALE OF GN HITCH-SILVERADO	341.00	762.66	(127.12)	635.54	0.00	(635.54)
06/22/06	SALE OF TOOL BOX-SILVERADO	341.00	182.51	(30.42)	152.09	0.00	(152.09)
06/30/06	SALE OF SGI APARTMENTS	105.7/304	170,134.12	0.00	170,134.12	200,000.00	29,865.88
	(SOLD TO BROWN MGMT GROUP)						
12/29/06	SALE OF LAND AROUND WELL 1	303.00	6,761.58	0.00	6,761.58	99,264.98	92,503.40
	(SOLD TO GULF STATE BANK)						
06/30/06	SALE OF CELL TOWER LEASES		N/A	N/A	N/A	N/A	100,000.00
	(SOLD TO SCRUGGS CONTRACTING)						
							224,271.20
							12/31/06
07/17/08	SALE OF 2004 GMC YUKON	341.00	44,826.74	(28,639.29)	16,187.45	15,528.39	(659.06)
	(SOLD TO KYLE SCOTT)						
07/31/08	RETIRE NEOPOST S160 STUFFER	340.00	985.46	(65.70)	919.76	0.00	(919.76)
07/31/08	RETIRE RICOH 1060 COPIER	340.00	6,585.00	(878.00)	5,707.00	0.00	(5,707.00)
			52,397.20	(29,582.99)	22,814.21	15,528.39	(7,285.82)
							12/31/08
06/04/09	SALE EASEMENT-BJ'S PIZZA	N/A	N/A	N/A	0	4,000.00	4,000.00
07/14/09	SALE EASEMENT-ISLAND ENDEV	N/A	N/A	N/A	0	500.00	500.00
							4,500.00
							12/31/09

Memo

Late filed Exhibit No. 21
Comparative Salary Survey

Eastpoint – 1240 customers – 2009

Hank Garrett – Operator – $68,900 per year

+ 12% state retirement

+ health insurance

+ millage reimbursem

over 70K total

– As per Nita, from Hank –

Memo

Question #51 – Officer Pension Plan

WATER MANAGEMENT SERVICE, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN

The Board of Directors of Water Management Services, Inc., a Florida corporation (WMSI), has adopted this Executive Deferred Compensation Plan (Plan) effective July 1, 2009.

1. Purpose.

The purpose of the plan is to provide deferred compensation to a select group of management and highly compensated employees through an unfunded "top hat" arrangement exempt from the fiduciary, funding, vesting, and plan termination insurance provisions of Title I and Title IV of the Employee Retirement Income Security Act ("ERISA"). More specifically, the Company has adopted this Plan to provide Employees with the opportunity to defer compensation they are unable to defer or receive under the Company's tax qualified cash or deferred compensation plan (WMSI 401(k) Plan), because of the limits on deferrals imposed by Sections 401(k) and 402(g) of the Internal Revenue Code ("Code").

2. Eligibility.

To be eligible to participate in this Plan, an employee must: (1) be highly compensated; (2) be part of a select group of management as determined by the Board of Directors of WMSI.; (3) be at least 55 years of age; and (4) must have worked for WMSI, including its predecessor, for a total of 25 years or more. The Board of Directors of WMSI ("The Board") may, from time to time, designate by name those employees of WMSI who are eligible to participate in this Plan, and the date upon which each such employee's participation may commence. All designated employees shall be notified by the Board of their eligibility to participate.

3. Deferral of Compensation.

An employee who is eligible to participate in the Plan may elect to defer the receipt of Compensation by completing a deferral election form provided or approved by the Board. Pursuant to the deferral election form, an eligible Employee may elect to defer any whole percentage or fixed dollar amount of his or her Compensation. An Employee who elects to participate in the Plan must defer at least ten thousand dollars ($10,000) in Compensation for each Plan Year in which he or she remains eligible to participate. At the time an Employee completes a deferral election form, the Employee must designate in writing the method by which the Compensation is deferred for any Plan Year. An eligible employee must submit his or her deferral election form to the Board within 30 days after the first day of each calendar year; provided, however, that deferral election forms for the 2009 calendar year may be submitted anytime prior to October 1, 2009. If any eligible employee fails to submit a deferral election form for any year after 2009, the Board shall assume that the employee wishes to defer the same amount as deferred during the preceding year, and shall act accordingly.

4. Deferred Compensation Accounts.

The Company (WMSI) shall credit each eligible employee's account with the full amount of compensation deferred in any payroll period, which shall continue to accrue on the Company's books from year to year until it is paid pursuant to the terms of this Plan. This plan is "unfunded," and no eligible employee shall have preference over any general creditor of the Company with regard to the amounts accrued in such employee's account. The Company's obligation to pay deferred compensation under this Plan is unsecured, and no trust or similar arrangement is intended or created by this Plan. To the extent that life insurance proceeds are used to fund any of the Company's obligations under this Plan, whether paid through a trustee or otherwise, those proceeds are the property of the Company until actually paid to the eligible employee and, as such, are subject to the general creditors of the Company.

5. Interest Accrual.

All compensation deferred under this Plan shall accrue interest at 3% per annum. This shall be simple interest, not compounded, and shall accrue on the unpaid, and unfunded, principal balance in each eligible employee's account from the first day of the year following the year during which such compensation was earned.

6. Method and Time of Payment.

(A) Monthly Installments at Retirement.

The deferred compensation in each eligible employee's account shall accrue interest until the date of such employee's retirement. As of the date of retirement, the Company shall calculate the number of years and months that such employee is expected to live according to the actuarial tables in the National Vital Statistic Reports that are in effect as of the date of retirement. The Company will then amortize the amount due the retiring employee by paying the total sum due the employee, including accrued interest, in equal monthly payments over the period of months the retiring employee is expected to live according to the above-referenced actuarial tables. For example, if an employee deferred $40,000 per year for 10 years to date of retirement, the total sum in that employee's account at date of retirement would be $458,555.17, including interest at 3%. Assuming a 10 year life expectancy at date of retirement, that employee would receive $4,417.80 per month for 120 months, which includes interest at 3%.

(B) Alternate Lump Sum Payments.

In lieu of the monthly payments set forth under Section (A) above, the Company shall pay each participant in this Plan a lump sum of $400,000 immediately upon the occurrence of any of the following events:

(1) The death of Gene D. Brown;

(2) The sale or transfer of a majority of the ownership of WMSI; or

(3) The loss of effective control of WMSI by Gene D. Brown.

However, if the balance in the employee's account is more than $400,000, including interest, that total amount shall be paid to the employee in a lump sum.

(C) Disability of Employee.

If an employee who is a participant in this Plan becomes disabled for any reason, physically, mentally or otherwise, so that such employee is unable to continue performing the duties that such employee was performing at the time of disability, that employee shall be paid $400,000, together with interest at 3%, in equal monthly payments over the disabled employee's expected life under the same terms and conditions set forth in paragraph (A) above. However, if the amount in the disabled employee's account exceeds $400,000, that total amount, with 3% interest, shall be amortized and paid over the same period as set forth above. The above-referenced payments are alternates, and shall only be paid one time for each participant.

From any payments made under this Plan, the Company shall withhold any taxes or other amounts which federal, state or local law requires the Company to deduct, withhold and deposit. The Company's determination of the type and amount of taxes to be withheld from any payment shall be final and binding on all persons having or claiming to have an interest in this Plan or in any Account under this Plan.

7. Payment to Beneficiary.

The deferred compensation payments referenced above shall be paid to the beneficiary of any employee participant in this plan if such participant dies without having received all of the payments due under this Plan. All such remaining and unpaid payments shall be paid over the same period of time as if the employee had lived to collect all the payments. The "beneficiary" of a deceased employee participant shall be the surviving spouse of the participant if there is a surviving spouse, or the personal representative of the participant's estate if there is no surviving spouse. If the surviving spouse dies before all the payments are made, remaining payments shall be paid to the estate of the surviving spouse.

8. Definition of Retirement.

For purposes of this Agreement, the term "retirement" shall mean any termination of employment with WMSI, whether voluntary or involuntary. If an employee is discharged by WMSI, or if the employee decides to terminate his or her employment with WMSI prior to an expected date of retirement, that shall be considered "retirement" in either event for purposes of this Agreement. However, nothing in this Plan document shall limit or in any way restrict any rights or remedies such employee may have pursuant to any employment agreement or other similar agreement between the employee and WMSI.

9. Company's General Assets.

Employee understands and agrees that all Compensation deferred under the Plan (a) are the general assets of the Company, (b) may be used in the operation of the Company's business or in any other manner permitted by law, and (c) remain subject to the claims of the Company's general unsecured creditors. Participant agrees, on behalf of Participant and his or her Beneficiary, that (1) title to any amounts deferred under the Plan or credited to a Participant's Account remains in the Company and (2) neither Participant nor his or her Beneficiary has any property interests whatsoever in said amounts, except as general creditors of the Company.

10. Effect on Employee Benefits.

Amounts deferred under this Plan or distributed pursuant to the terms of this Plan are not taken into account in the calculation of an Employee's benefits under any employee pension or welfare benefit program or under any other compensation policy or practice maintained by the Company, except to the extent provided in such program or practice.

11. Funding.

All amounts deferred under this Plan remain or become general assets of the Company. All payments under this Plan shall come from the general assets of the Company. The amounts credited to an Employee's Account are not secured by any specific assets of the Company. This Plan shall not be construed to require the Company to fund any of the benefits provided hereunder or to establish a trust or purchase an insurance policy or other product for such purpose. The Company may make such arrangements as it desires to provide for the payment of benefits. Neither an Employee, Participant or Inactive Participant nor his or her Beneficiary or estate shall have any rights against the Company with respect to any portion of any Account under the plan except as general unsecured creditors. No Employee, Participant, Inactive Participant, Beneficiary or estate has an interest in any Account under this Plan until the Employee, Participant, Inactive Participant, Beneficiary or estate actually receives payment from the Account.

12. Non-alienation of Benefits.

The interest of any Employee, Participant, Inactive Participant or Beneficiary shall not be subject to sale, assignment, transfer, conveyance, hypothecation, encumbrance, garnishment, attachment, anticipation, pledge, alienation or other disposition prior to actual distribution from the Plan; and any attempt to effect such disposition prior to actual distribution from the Plan; and any attempt to effect such disposition shall be void. No portion of any Account shall, prior to receipt thereof, be subject to the debts, contracts, liabilities, or engagements of any Employee, Participant, Inactive Participant or Beneficiary. Nothing in the preceding sentence shall prohibit the Company from recovering from an Employee, Participant, Inactive Participant or Beneficiary an payment to which he or she was not entitled under the Plan.

13. Governing Law and Severability.

This Plan shall be construed in accordance with the laws of the State of Florida to the extent that such laws are not preempted by ERISA or other federal laws. If any provision of this Plan shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of this Plan, which shall be construed as if said illegal or invalid provision had never been included.

14. Status of Participants.

In accordance with Internal Revenue Procedure 92-65 Section 3.01(d), this Plan hereby provides:

(a) Employees, Participants, Inactive Participants and Beneficiaries under this Plan shall have the status of general unsecured creditors of the Company;

(b) This Plan constitutes a mere promise by the Company to make benefit payments in the future;

(c) Any trust to which this Plan refers (i.e. any trust created by the Company and any assets held by the trust to assist the Company in meeting its obligations under the Plan) shall confirm to the terms of the model trust described in Revenue Procedure 92-64; and

(d) It is the intention of the parties that the arrangements under this Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA.

15. WMSI 401(k) Plan.

The rights and benefits under this Plan are in addition to and shall not be affected by any rights and benefits under the WMSI 401(k) Plan. That 401(k) Plan is funded and is a separate and distinct part of the WMSI Employee Benefit Plan which includes this unfunded deferred compensation fund.

In Witness Whereof, the undersigned have executed this deferred compensation plan this 1st day of July, 2009.

WATER MANAGEMENT SERVICES, INC.,
a Florida Corporation

By: ______________________
Gene D. Brown, President and
Chairman of the Board

JOINDER BY ELIGIBLE PARTICIPANTS

As of the date of this document, the WMSI Deferred Compensation Plan has two eligible participants, Gene D. Brown and Sandra M. Chase. Both of these employees have joined in the execution fo this document for the purpose of expressing their understanding and consent to the terms of this Plan.

____
GENE D. BROWN

Sandra M. Chase
____
SANDRA M. CHASE

DEFERRAL ELECTION FORM

Pursuant to paragraph 3 of the Water Management Services, Inc. (WMSI) Deferred Compensation Plan dated July 1, 2009, the following WMSI employee, Gene D. Brown does hereby elect to defer the following amount, $40,000 per yr., of such employee's annual compensation pursuant to the terms and conditions of such plan. The payment of this amount shall be deferred annually until and unless changed in writing by the employee, and shall be paid to the employee by WMSI at such time and under such conditions as are specified in the Plan.

Dated: 7-1-09

EMPLOYEE

DEFERRAL ELECTION FORM

Pursuant to paragraph 3 of the Water Management Services, Inc. (WMSI) Deferred Compensation Plan dated July 1, 2009, the following WMSI employee, Sandra M. Chase does hereby elect to defer the following amount, $40,000.00 yearly of such employee's annual compensation pursuant to the terms and conditions of such plan. The payment of this amount shall be deferred annually until and unless changed in writing by the employee, and shall be paid to the employee by WMSI at such time and under such conditions as are specified in the Plan.

Dated: July 1, 2009

Sandra M. Chase
EMPLOYEE

Exhibit Relating to Interrogatory No. 1

-Partial Response-

WMSI PLANT ACTIVITY - 2006

		Begin	Add		Reclass/Adj. Retirements		End
303.00	Land & Land Rights	97,755.53	236,000.00	A	(6,761.58)	A	326,993.95
304.00	Structures & Improvements	366,435.12	0.00	B	(37,310.00)	B	329,125.12
307.00	Wells & Springs	405,021.00	0.00				405,021.00
309.00	Supply Mains	4,703,844.58	0.00				4,703,844.58
310.00	Power Generation Equipment	113,061.44	0.00				113,061.44
311.00	Pumping Equipment	224,688.83	0.00				224,688.83
320.00	Water Treatment Equipment	73,402.86	0.00				73,402.86
330.00	Dist. Reservoirs & Standpipes	362,073.24	0.00				362,073.24
331.00	Transmission & Dist. Mains	2,296,949.46	227,976.90	C			2,524,926.36
333.00	Services	219,113.49	4,780.93	D			223,894.42
334.00	Meters & Meter Installations	198,083.48	5,823.90	E			203,907.38
335.00	Hydrants	123,558.67	0.00				123,558.67
339.00	Other Plant & Misc. Equip.	0.00	0.00				
340.00	Office Furniture & Fixtures	55,566.26	13,557.37	F			69,123.63
341.00	Transportation Equipment	206,307.31	28,754.26	G	(26,767.32)	G	208,294.25
343.00	Tools, Shop & Garage Equip.	27,240.87	2,193.76	H			29,434.63
345.00	Power Operated Equipment	64,550.57	0.00				64,550.57
347.00	Misc. Equipment	0.00	0.00				0.00
		9,537,652.71	519,087.12		(70,838.90)		9,985,900.93
						ck	9,985,900.93

Explanation	
A - Purchase Commonwealth Land for *New Office Bldg to be constructed*	236,000.00
A - Sell Land around Well #1	(6,761.58)
B - Sell portion of Island 2nd Floor (apts.) considered as non- U/U in last case.	(37,310.00)
C - State Park Assets to PIS	227,976.90
D - Misc Service materials, Acct 333.4	4,780.93
E - Misc. Meter materials, Acct 334.4	5,823.90
F - Misc. Office furnirture, Acct. 340.5	13,557.37
G - Purchase 2005 Chevy Tahoe	28,754.26
G - Sell 2002 Chevy Silverado	(19,759.47)
G - Sell Stonehenge Flatbed Trailer	(7,007.85)
H - Misc, Acct 343.5	2,193.76

WMSI PLANT ACTIVITY - 2009

		Begin	Add		Reclass/Adj. Retirements		End
303.00	Land & Land Rights	90,993.95					90,993.95
304.00	Structures & Improvements	341,190.35	15,138.47	A			356,328.82
307.00	Wells & Springs	405,021.00	0.00				405,021.00
309.00	Supply Mains	3,984,508.07	0.00				3,984,508.07
310.00	Power Generation Equipment	113,061.44	0.00				113,061.44
311.00	Pumping Equipment	224,688.83	0.00				224,688.83
320.00	Water Treatment Equipment	73,402.86	0.00				73,402.86
330.00	Dist. Reservoirs & Standpipes	362,073.24	0.00				362,073.24
331.00	Transmission & Dist. Mains	2,524,926.36	0.00				2,524,926.36
333.00	Services	233,928.03	1,688.33	B			235,616.36
334.00	Meters & Meter Installations	210,691.99	1,321.41	C			212,013.40
335.00	Hydrants	129,639.77					129,639.77
339.00	Other Plant & Misc. Equip.	0.00	0.00				
340.00	Office Furniture & Fixtures	74,070.51	2,596.16	D			76,666.67
341.00	Transportation Equipment	149,017.69	0.00		(45,090.53)	E	103,927.16
343.00	Tools, Shop & Garage Equip.	35,690.48	742.16	F			36,432.64
345.00	Power Operated Equipment	64,550.57	0.00				64,550.57
347.00	Misc. Equipment	0.00	0.00				0.00
		9,017,455.14	21,486.53		(45,090.53)		8,993,851.14
						ck	8,993,851.14

Explanation

A - Well housing improvements	3,027.18
A - Office & tank fencing	10,722.00
A - Building improvements	1,389.29
B - Misc. fittings, saddles, curb stops, etc.	1,688.33
C - Meter additions	1,321.41
D - New Laptop & Upgrade Software	2,596.16
E - Scrap 2000 GMC Sierra	(29,068.45)
E - Sell Backhoe trailer	(16,022.08)
F - Pressure Washer	742.16

Memo

Late Filed Exhibit No. 5
Backhoe Trailers & Backhoe

DATE	DESCRIPTION	AMOUNT
03/04/04	Purchased 410G Backhoe from Nortrax	51,506.97
09/02/05	Purchased Econoline backhoe trailer from Stonehenge Trailers	7,007.85
11/18/05	Purchased larger 48KP30HD backhoe trailer from All Pro Trailers	16,022.08
03/30/06	Sold Econoline backhoe trailer	5,000.00
12/22/09	Sold 48KP30HD backhoe trailer to Brown Management Group	10,000.00

WATER MANAGEMENT SERVICES, INC. 10/97
3848 KILLEARN CT
TALLAHASSEE FL 32309 6170-2013100

7315
63-752/631

DATE 3/19/04

PAY TO THE ORDER OF Nortrax Equip. Co. $ 51,506.97

Fifty One Thousand Five hundred Six 97/100 DOLLARS

Gulf State Community Bank St. George, FL

MEMO 410 John Deere

⑈007315⑈ ⑆063107623⑆ 0500753801⑈ ⑈0005150697⑈

7315 03/04/2004 51,506.97

NORTRAX EQUIPMENT COMPANY (SE) INVOICE

SOLD TO:
Water Management Services
2948 Killearn Court
Tallahassee, FL 32308

Invoice Number: 2013009
Your P/O No:
Date: February 16, 2004

Terms: Net

Ship To:

Salesman: Bob Rainey

QUANTITY	DESCRIPTION	AMOUNT
1	Deere 410G Tractor Loader Backhoe	$51,506.97
	Serial Number: TO410GX930538	

Total Due: $51,506.97

Remit to: 10150 Highland Manor Drive, Suite 100, Tampa, FL 33610

Questions concerning this invoice? Call 813-995-0841

Thank you for your business!

7

60

NORTRAX

-850
476-7556

Deere 410G Backhoe Loader
Commodity Code760-960-110
Florida State Term Contract Number 760-001-03-1

Quote for: Water Management Services
St George Island, FL

Base Unit Backhoe Loader Deere 310G		$32,938.89
Add for upgrade to 410G (Code 9902)		7,200.58
Total Base Price 410G Backhoe Loader		40,239 47
Options Priced On Contract:		
Four Wheel Drive (Code 9902) .... (Includes 12.5/80-16 Front Tires)		4,530.00
Options @ 50% Discount:		
Code 5075 Extendable Dipper Stick	6,463.00	
Code 5480 Five Function Valve for Ext Hoe	402.00	
Code 8475 900# Counter Weight (Required with 5075)	927.00	
Deduct 1.25 Yard Pin on Bucket	(2,000.00)	
Code 7075 Three Function Valve	1,164.00	
Code 7685 1.32 Yd MP Bucket	4,750.00	
Code 4890 21L-24 Tires	1,769.00	
Total List Price for Options	13,475.00	
Less 50% Discount	(6,737.50)	
Net Price for Options		6,737 50
Total Price of 410G with all options:		$51,506.97

1 2 3

Larry - Please order this machine with a 36" bucket
12/19/03 - [signature]

Note: machine will be delivered and serviced by Beard Equipment Co. - Panama City, Fl.
Thank you for the opportunity
Larry E. [signature]
Vice President

Bob Rainey, Governmental Sales Manager
4818 Scarborough Drive Lutz, FL 33558
Phone (813) 995-0841 Fax (813) 995-9810 Cell (813) 990-8698

8454

WATER MANAGEMENT SERVICES, INC. 10/97
3848 KILLEARN CT
TALLAHASSEE FL 32309

63-762/631

DATE 9-1-05

PAY TO THE ORDER OF Stonehenge Trailers $ 7,007.85

Seven Thousand seven + 85/100 DOLLARS

Gulf State Community Bank St. George, FL 32328

MEMO backhoe trailer

⑈008454⑈ ⑆063107623⑆ 0500763801⑈ ⑈0000700785⑈

#8454 9/2/2005 $7,007.85

Stonehenge
~~Econoline~~ Trailers

INVOICE

256363

SOLD TO	SHIP TO
Water Management Service	Mr. Brown
ADDRESS ~~3840 Killearn Ct~~	ADDRESS 30 38-A Crawfordville Hwy
CITY, STATE, ZIP ~~Tallahassee, Fl. 32309~~	CITY, STATE, ZIP Crawfordville 32327

CUSTOMER ORDER NO.	SOLD BY	TERMS	F.O.B.	DATE
				9/1/05

ORDERED	SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT	
		12T Multi-max			6350	-
		Tax 6% + 1			432	00
		20T Pintle w/ Mounting Bracket			213	00
		6.5 Tax			13	85
		ck # 8454			7001	85
		Send plates to Crawfordville address				

5840

To: Gene 926-8049

Docket No. 100104-WU
LFE 5 - Backhoe Trailer Info
Exhibit_(DR-9), p.7 of 12

WMSI Production of Documents 002073

ALL PRO OF YULEE INC. dba ALL PRO TRAILERS

10839 N. MAIN ST.
JACKSONVILLE, FL 32218
PHONE (904) 757-7171 Fax: 904-757-3087

INVOICE 44510

Delivered: mm-dd-yyyy

11/18/05

WATER MANAGEMENT SERVICES,INC
3200 COMMONWEALTH BLVD
TALLAHASSEE, FL 32303
Phone: 850-668-0440
Work: - -
Cell: - -

Phone2 850-577-0441 FAX
Fax: - -

Model: 48KP30HD
Year: 2006
Vin: 1Z9TA30206J213882
Color: BLACK

Warr	Qty	Part Number	Description	Each	Total
1	1	48KP30HD	25+5 TAG AIR BRAKE	13000.00	13000.00
[	1	FET	12 % F.E.T. REQUIRED BY FEDERAL GOVERNMENT ON ALL VEHICLES EXCEEDING 26,000 LBS GVWR	1560.00	1560.00
\	1	TAGNEW	tag, title, document prep fee estimate	225.00	225.00
4	8	TIRD	STATE REQUIRED TIRE FEE DELIVER MON 11/21/05 THANKS LAMAR	1.00	8.00
	1	FRTOUT	DELIVERY/FREIGHT PAYMENT ON CC# 5458 0040 1001 6986 07/06 $12000.00 GENE D BROWN, 3038A CRAWFORDVILLE HWY, CRAWFORD,FL 32327	275.00	275.00

CUSTOMERS RESPONSIBILITY TO CHECK LUG NUTS FOR TIGHTNESS.

NOTE!!! CUSTOMER IS RESPONSIBLE FOR CHECKING AND TIGHTENING LUG-NUTS
NOTE!!! ALL PRO TRAILERS ASSUMES NO RESPONSIBILITY FOR ATTACHING YOUR CAR TO YOUR TRAILER CORRECTLY WITH THE CORRECT BALL AND HITCH SIZE.
NOTE!!! GOOSENECK CAPACITY IS WITH COUPLER FULLY RETRACTED!!!
IT IS BUYER RESPONSIBILITY TO TRANSPORT TRAILER BACK TO MANUFACTURE FOR ANY SERVICE OR WARRANTY WORK AS COVERED BY MANUFACTURES LIMITED WARRANTY.

Warranty Code Information
1 - 1 - LIMITED WARRANTY AS PROVIDED BY MANUFACTURE
4 - 4 - Limited warranty as provided by O.E.Manufacturer
[-

Department	Amount
Manuf. Trailers	13,000.00
TAGS/FREIGHT/MISC.	500.00
TIRE / BATTERY DISPOSAL FEE	8.00
F.E.T. TAX	1,560.00
Shop Supplies	0.00
Discount	0.00
Enviromental fees	0.00
SUB TOTAL	15,068.00
Sales Tax	954.08
TOTAL	16,022.08
BALANCE	4,022.08

Limited Warranty as provided by manufacture of trailer, see seperate document for details of warranty by manufacture of your trailer. Trailer Warranties VOID if manufacture decals are removed from fenders or tounges. All sales are final. No returns or exchanges of any kind. There is no warranty of any kind on paint, rust or wood split

Sale of econoline
Backhoe Trailer
$ 5,000.00

WATER MANAGEMENT SERVICES, INC.
3848 KILLEARN CT.
TALLAHASSEE, FL 32308
PH 850/668-0440

DEPOSIT TICKET

DATE 3-30-06

Farmers & Merchants Bank
3571 Killearn Center Blvd.
Tallahassee, Florida 32308
www.fmbbank.com

CASH	
	5000.00
	1957.00
	251.75
SUB TOTAL	
LESS CASH RECEIVED	
$	7208.75

⑆063101111⑆ 0911802?⑈01131

FMB MONTICELLO, FL
>> 0631-0111-1 <<
03/30/2006 : 0001441870

#0 3/30/2006 $7,208.75

DATE	ENTRY MADE	DR	CR
12/22/09	131.10 - Cash in Checking	10,000.00	
	341.00 - Transportation Equipment		16,022.08
	108.16 - A/D Transportation Equipment	12,016.57	
	123.00 - Investment in Associated Companies		5,994.49
	TO RECORD SALE OF 48KP30HD BACKHOE TRAILER TO		
	BROWN MANAGEMENT GROUP		
	CORRECT ENTRY		
03/31/07	131.10 - Cash in Checking	10,000.00	
	341.00 - Transportation Equipment		16,022.08
	108.16 - A/D Transportation Equipment	4,673.11	
	414.00 - Gain on Sale of Assets	1,348.97	
	TO RECORD SALE OF 48KP30HD BACKHOE TRAILER TO		
	BROWN MANAGEMENT GROUP		
DATE	**DESCRIPTION**	**DR**	**CR**
	CORRECTING ENTRY		
12/22/09	123.00 - Investment in Associated Companies	5,994.49	
	403.00 - Depreciation Expense - 2007		2002.76
	403.00 - Depreciation Expense - 2008		2670.35
	403.00 - Depreciation Expense - 2009		2670.35
	414.00 - Gain on Sale of Assets - 2007	1,348.97	
	TO RECORD SALE OF 48KP30HD BACKHOE TRAILER TO		
	BROWN MANAGEMENT GROUP ON 3/31/07 INSTEAD OF		
	12/22/09 WITH GAIN/LOSS ON SALE RECOGNIZED		

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that Water Management Services, Inc., a Florida corporation of the County of Leon, State of Florida, party of the first part, for and in consideration of the sum of Ten Thousand Dollars ($10,000) lawful money of the United States, paid by Brown Management Group, Inc., party of the second part, the receipt whereof is hereby acknowledged, has granted, bargained, sold, transferred and delivered, and by these presents does administrators and assigns, the following:

2006 Imperial Trailer – Model 48KP30HD

TO HAVE AND TO HOLD the same unto the said party of the second part, its executors administrators and assigns forever.

AND the party of the first part does covenant to and with the said party of the second part, its executors, administrators and assigns, that WMSI is the lawful owner of the said trailer; that it is free from all encumbrances; that the party of the first part has good right to sell the same and that WMSI will warrant and defend the sale of the said trailer unto the party of the second part, its executors, administrators and assigns against the lawful claims and demands of all persons whomsoever. This bill of sale is given to document the transfer and three party exchange which occurred on March 31, 2007, simultaneously with the transfer shown by Ex. "A." attached.

IN WITNESS WHEREOF, the party of the first part has hereunto set his hand and seal to be effective March 31, 2007, actually signed August 18, 2010.

WATER MANAGEMENT SERVICES,
INC., a Florida corporation

By: ______________________
GENE D. BROWN, as its
President

08/18/2010 10:05 8506175137 HSMV PAGE 01/01

TRANS ID 49177795. TITLE_NUMBER 95219914

STATE OF FLORIDA

LIEN SATISFACTION

Mail Lien Satisfaction to: Dept of Highway Safety and Motor Vehicles, Neil Kirkman Building, Tallahassee, FL 32399-0500

T# 491025122
B# 383240

Identification Number	Year	Make	Body	WT-L-BHP	Vessel Regis. No.	Title Number
1Z9PE30236J213257	2006	IMPE	TL	8000		95219914

Registered Owner:

WATER MANAGEMENT SERVICES INC
3200 COMMONWEALTH BLVD
TALLAHASSEE, FL 32303

Date of Issue 03/26/2007

Lien Release
Interest in the described vehicle is hereby released
By
Title
Date

IMPORTANT INFORMATION

1. When ownership of the vehicle described herein is transferred, the seller MUST complete in full the Transfer of Title by Seller section at the bottom of the certificate of title.
2. Upon sale of this vehicle, the seller must complete the notice of sale on the reverse side of this form.
3. Remove your license plate from the vehicle.
4. See the web address below for more information and the appropriate forms required for the purchaser to title and register the vehicle, mobile home or vessel: http://www.hsmv.state.fl.us/html/titlinf.html

Mail To:

WATER MANAGEMENT SERVICES INC
3200 COMMONWEALTH BLVD
TALLAHASSEE, FL 32303

CERTIFICATE OF TITLE

VOID VOID VOID

1Z9PE30236J213257 2006 IMPE TL 8000 95219914

Lien Release
Interest in the described vehicle is hereby released

Prev State | Color | Primary Brand | Secondary Brand | No of | Purchase Date

Date of Issue 03/26/2007 Date

Registered Owner
WATER MANAGEMENT SERVICES
3200 COMMONWEALTH BLVD
TALLAHASSEE, FL 32303

1st Lienholder
NONE

DIVISION OF MOTOR VEHICLES TALLAHASSEE FLORIDA

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

TRANSFER OF TITLE BY SELLER (This section must be completed at the time of sale)

Seller Must Enter Selling Price: EVEN TRADE

Seller Must Enter Date Sold: 03-31-07

I/We state that this [ ] 5 or [ ] 6 digit odometer now reads

[ ] 1. reflects ACTUAL MILEAGE. [ ] 2. is IN EXCESS OF ITS MECHANICAL LIMITS. [X] 3. is NOT THE ACTUAL MILEAGE.

UNDER PENALTIES OF PERJURY, I DECLARE THAT I HAVE READ THE FOREGOING DOCUMENT AND THAT THE FACTS STATED IN IT ARE TRUE.

Seller Sign Here: Water Management Services Inc

Print Here: By: Gene D. Brown

Gene D. Brown

Print Here:

Sign Here: Ring Power Corp

Print Here: Ring Power Corp USED INC

CO-OWNER/SELLER
Sign Here
Print Here

NOTICE: $100.00 PENALTY IS REQUIRED BY LAW IF NOT SUBMITTED FOR TRANSFER WITHIN 30 DAYS AFTER DATE OF PURCHASE

STATE OF FLORIDA

VOID IF ALTERED

Memo

Question #21 – Sale or Transfer of Utility Owned Assets

Documents attached. Also, see Exhibit relating to Request for Production No. 31 containing easements

– Partial Response –

BILL OF SALE

In consideration of the sum of Four Thousand, Five Dollars and fifty-one cents ($4,005.51), receipt of which is hereby acknowledged, on December 22, 2009, WATER MANAGEMENT SERVICES, INC., a Florida corporation, hereby sells all of its right, title and interest to BROWN MANAGEMENT GROUP, INC. in the following::

2005 Econoline Trailer, I.D. 42EDPHE4651000293

WATER MANAGEMENT SERVICES, INC.
a Florida corporation

By: ______________________
GENE D. BROWN, as its President

CERTIFICATE OF ORIGIN FOR A VEHICLE

ECONOLINE TRAILERS, INC.

DATE 11/01/04

INVOICE NO. 8841

VEHICLE IDENTIFICATION NO. 42EDPHE4651000293

YEAR 2005

MAKE Econoline

BODY TYPE Dovetail

SHIPPING WEIGHT 5500

H.P. (S.A.E.)

G.V.W.R. 24,000

NO. CYLS.

SERIES OR MODEL MP1223DE

I, the undersigned authorized representative of the company, firm or corporation named below, hereby certify that the new vehicle described above is the property of the said company, firm or corporation and is transferred on the above date and under the Invoice Number indicated to the following distributor or dealer.

NAME OF DISTRIBUTOR, DEALER, ETC./ OR INDIVIDUAL

Stonehenge Enterprises
95 Bayou Road
Santa Rosa Beach, FL. 32459

It is further certified that this was the first transfer of such new motor vehicle in ordinary trade and commerce.

ECONOLINE TRAILERS, INC.

BY: Raymond Banks
(SIGNATURE OF AUTHORIZED REPRESENTATIVE) (AGENT)

231 COUNTY ROAD 33
DOUBLE SPRINGS, ALABAMA 35553
CITY-STATE

ET 0024419

Sold 12/22/09

Backhoe Trailer	16,022.08
A/D (Depreciation)	<12,016.57>
Sales Price	4,005.51

Memo

Question # 27 – Owned Vehicles

-Partial Response-

BILL OF SALE

In consideration of the sum of Twenty Thousand Dollars ($20,000.00), receipt of which is hereby acknowledged, SANDRA M. CHASE, hereby sells all of her right, title and interest to WATER MANAGEMENT SERVICES, INC. in the following vehicle:

> 2007 Chevrolet Tahoe I.D. No. 1GNFC13J47R156843, subject to the lien in favor of Envison Credit Union.

Dated this 18th day of February 2009.

Sandra Chase

SANDRA M. CHASE

ACCOUNTING COPY.

Teller # Transaction # 736-115

Check # 294718
Date 18FEB09

Payee: SANDRA CHASE and DAN CHASE***
1GNFC13J47R156843 07 CHEVROLET

Amount 20000.00

Fee:

OFAC:

Member # 95098-17

Processed by RICHARD QUACKENBUSH

Received by:

FUNDS ADVANCE VOUCHER

envision
credit union
440 N. Monroe St. Tallahassee, FL 32301 850-942-9000

FUNDS ADVANCE VOUCHER

DATE	TELLER	TRANSCRIPTION DESCRIPTION	ACCOUNT NUMBER	PREVIOUS BALANCE	TRANSACTION AMT.	NEW BALANCE
18FEB09	736-115	NEW LOAN	95098-17	. 0.00	20000.00	20028.75

MINIMUM PERIODIC PAYMENT	PAYMENT DUE DATE	FREQUENCY OF PAYMENT	DAILY PERIODIC RATE	ANNUAL PERCENTAGE RATE
385.00	18MAR09	MONTHLY	0.015753	5.75 %

Payee: SANDRA CHASE and DAN CHASE
Co-borrower: DAN J CHASE
Credit insurance: NO INSURANCE
Collateral: 1GNFC13J47R156843 07 CJEVROLET Summer skip: No

By endorsing the attached check, I give you a security interest in the property (collateral) identified above to secure my obligations with regard to the sub-account noted above in accordance with the minimum payment and security agreement provision of the Disclosure Statement and Agreement. Your rights to this security are governed by that agreement. This collateral also secures any other debt obligation that I may have with you now or in the future.

VERIFY NO. 294718

envision
credit union
440 N. Monroe St. Tallahassee, FL 32301 850-942-9000

63-8233
2631

DATE	CHECK #
18FEB09	294718

AMOUNT
20000.00

PAY TWENTY THOUSAND AND 00/100 DOLLARS***************************************

TO THE ORDER OF SANDRA CHASE and DAN CHASE***
1GNFC13J47R156843 07 CHEVROLET

NON-NEGOTIABLE

AUTHORIZED SIGNATURE

⑈0000294718⑈ ⑆263182558⑆ 490000037⑈

VINtekTIME Reports - Run On: Mon Mar 09 14:12:10 EDT 2009

[redacted]

Account Number	95098-17	VIN	1GNFC13J47R156843
Customer	SANDRA CHASE		
Lien Holder ID	2445	Lien Holder Name	Envision Credit Union
Lien Start	2/18/2009	Lien End	
Original Loan Amount	$0	Lien Balance Amount	$0
Lien Type	Retail	DealerID	

Last ELT Transactions

Sent	NONE	Status	NONE
Received	03/02/2009 22:41 Add Title - Perfection of Lien		

Borrower / Lessee Details

Name1	SANDRA CHASE
CoSigner	DAN J CHASE
Address	4082 ROWELING OAKS COURT TALLAHASSEE, FL 32303

Vehicle Information

Vehicle type		Make	CHEVROLET
Model	TAHOE	Year	2007

Title Information

Title Number	95758092	Title State	FL
Tag Number			
Status	MATCHED 3/2/2009	Match Date	3/2/2009

State Information

Name1	CHASE,SANDRA MARLOW		
CoSigner			
Address	4082 ROWELING OAKS CT TALLAHASSEE, FL 323032183		
Vehicle Type	UTILITY	Make	CHEV
Model		Year	2007
Title State	FL	Title Number	95758092
Brands	UnLaden Gross Vehicle Weight: 5407		

Lien Priority: 1
Media Type:Electronic
Number of Liens: 1

PROCTOR

THE PROCTOR DEALERSHIPS

E-Mail Address

Control Number 117204 Deal Number 29821

Delivery Date 06/18/2008

___ proctorcars.com
___ credit union/internet buying service
___ other ________

S.S. #

Salesperson Name ~~WILLIAM PETER BENEDIC~~ HENRY FRANK SMITH

Purchaser SANDRA MARLOW CHASE D.L. Sex D.O.B. 05/20/1951 Home Phone (850)562-0660

Co-Purchaser D.L. Sex D.O.B. Work Phone (850)668-6103

Address 4082 ROWELING OAKS CT City TALLAHASSEE State FL County LEON Zip Code 32303218[illegible]

Cell Phone (850)566-0915 Fax Phone Other Phone

OFF LEASE • SERVICE RENTAL • NEW • USED • DEMO Year 2007 Make CHEVROLET TRUCK Series T Style WAGON Mileage 46861

Stock No. 8H1516A I.D. No. 1GNFC13J47R156843 Tag No. Decal No. Color Trim

DESCRIPTION OF PRESENT VEHICLE/S

Make Model Type Year
I.D. No. Title No.
Color ACV N/A Appraised By Mileage

Make Model Type Year
I.D. No. Title No.
Color ACV N/A Appraised By Mileage

The seller, Proctor and Proctor, Inc., hereby expressly disclaims all warranties, either express or implied, including any implied warranty of merchantability or fitness for a particular purpose, and Proctor and Proctor, Inc. neither assumes nor authorizes any other person to assume for it any liability in connection with the sale of the vehicle. Nothing contained in this disclaimer provision is intended to affect the warranties imposed upon or offered by the manufacturer.

In accordance with this contract, I do hereby bargain, sell, and deliver unto Proctor and Proctor, Inc. the above described vehicle.

Also, I warrant that the title to said automobile is free from encumbrances and all debts, except N/A due ________ which amount Proctor and Proctor Inc. does assume; that I have good right to sell and deliver the above automobile and, that title and possession thereto I will warrant against the claims of all parties whatsoever, except as above specified.

In the event of increase in price by manufacturer before delivery I agree to pay the difference in price.

The above comprises the entire agreement pertaining to this purchase and no other agreement of any kind, verbal understanding or promise whatsoever, will be recognized.

This order is not valid unless signed and accepted by Dealer and approved by a responsible Finance Company as to any deferred balance.

Buyer's Signature [signature]
Must be accepted by Authorized Manager ________

Information you see on the window form for this vehicle is part of this contract. Information on the window form overrides any contrary provisions in the contract of sale.

motor vehicle is sold "AS IS." The Selling Motor Vehicle Dealer makes no warranties, representation or assurance that the motor vehicle contains only original manufacturer installed or manufacturer rebuilt components, parts or accessories.

I hereby acknowledge that I have agreed to purchase this motor vehicle after having read and considered the above disclosure.

Buyer's Signature ________

CURRENT LIEN INFORMATION

Owed To: Phone:
Address: Good 'Til:
State Zip
Verified by:

NEW LIEN INFORMATION

Date: 06/18/2008
HOLDER:

NOTE:	MARKET VALUE	28220	01
☐ Necessary Cash or Check	ADDITIONS:		N/A
☐ Drivers License			N/A
☐ All Insurance Information			N/A
☐ Tag Receipt			N/A
☐ MSO –or– Title Registration			N/A
☐ Title Application			N/A
☐ Odometer Statement			N/A
☐ Emission Cont. Certification			
☐ Rebate Form	PRICE OF VEHICLE WITH ACCESSORIES	28220	01
☐ All Contracts Signed	TRADE-IN ALLOWANCE		N/A
Trade-In	NET INVESTMENT	28220	01
☐ Title –or– POA Long Form	FLORIDA LAW — WASTE TIRE AND LEAD ACID BATTERY FEE		N/A
☐ ACV Slip	SETTLEMENT AND CLOSING – This charge represents costs and profit to the seller / dealer for items such as inspecting, cleaning and adjusting new and used vehicles and preparing documents related to the sale.	279	99
☐ Odometer Statement	ELECTRONIC TAG FILING (FLORIDA ONLY)	24	00
☐ Emission Form	SUBTOTAL	28524	00
☐ Dup. Title Application	FLORIDA SALES TAX	1711	44
	COUNTY SURTAX	75	00
Used Car Sale	LUXURY TAX		N/A
☐ Sign Title or POA	☐ PURCHASE NEW TAG or ☐ TRANSFER TAG ☐ LICENSE & TITLE	102	85
☐ Odometer Statement	FLORIDA MOTOR VEHICLE WARRANTY ENFORCEMENT ACT		N/A
☐ Emission Form	TOTAL PRICE OF VEHICLE	30413	29
☐ Buyers Guide	PAY-OFF BALANCE		N/A
S.A. Type: Price: N/A N			N/A
Term:			
GAP			
	TOTAL	30413	29

Partial Payment	>	N/A
Cash on Delivery	>	N/A
Rebate	>	N/A

TOTAL DOWN PAYMENT >		N/A
Comm.	BALANCE DUE	30413 29
	TOTAL	30413 29

Memo

Question #21 – Sale or Transfer of Utility Owned Assets

Documents attached. Also, see Exhibit relating to Request for Production No. 31 containing easements

-Partial Response-

WATER MANAGEMENT SERVICES, INC.
3200 Commonwealth Blvd.
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

December 31, 2006

Mr. Charles Scruggs
Scruggs Contracting, Inc.
1119 Rosewood Drive
Tallahassee, FL 32301

Re: Amendment and Clarification of July 1, 2006 Memo Agreement

Dear Mr. Scruggs:

This will amend and clarify our agreement of July 1, 2006 as follows:

1. Our agreement of July 1, 2006 was intended to be, and is, a transfer of a leasehold interest in and to our elevated tank property, described as:

> Lots 21 and 22, Block 5 West, Unit 1, St. George Island Gulf Beaches, a subdivision as per map or plat thereof recorded in Plat Book 2, page 7 of The public records of Franklin County, Florida.

Specifically, for a $100,000 cash credit on our account as of July 1, 2006, we conveyed to Scruggs Contracting, Inc. all of our beneficial and equitable interest involving the right to lease or sublease space on the elevated tank site premises, including the tank itself, to any and all communications companies, such as Nextel, Verizon, Alltel or any others which may wish to secure service on the premises. You have the right to deal and negotiate directly with such companies, and we will cooperate with you in that regard, subject to two basic conditions:

A. that all expenses in connection with leases to such communications companies will be paid by you or the individual companies; and

B. that, while there is no limit to the number of companies which may locate on the premises, nothing will be done to adversely affect the structural integrity of the tank or to interfere with our water service to the public.

2. As of this date, after the above-referenced $100,000 cash credit on July 1, 2006 and the cash payments and credits since that date, we owe Scruggs Contracting a final total of

$4,956.34, a check in that amount is hereby paid to and acknowledged by you as final payment on our contract.

3. Since our agreement of July 1, 2006, we and you have secured the following leases:

A. Verizon Lease dated November 16, 2006; and

B. Alltel Lease dated December 14, 2006.

Pursuant to our agreement, Scruggs Contracting, Inc. is the owner of these leases, and shall receive all of the revenue therefrom. Scruggs Contracting, Inc. shall also be the owner of any and all communications leases on the premises to be secured in the future. Water Management Services, Inc. will do nothing to interfere with your right to negotiate and secure these leases. To the extent that Water Management Services, Inc. collects any proceeds from any of the above-referenced leases, Water Management Services, Inc. is acting only as your agent, not as the owner of any such proceeds.

4. The intent and purpose of our agreement was and is to convey all of Water Management Services, Inc.'s right, title and interest in any and all communications equipment leases to be let on the elevated tank site premises. Scruggs Contracting, Inc. has accepted this conveyance in full payment of $100,000 of the amount owed to Scruggs, whether or not a sum equal to $100,000 is ever received by Scruggs. If Scruggs ever collects more than $100,000, Water Management Services, Inc. specifically acknowledges that it has no ownership or interest in such proceeds, subject only to the rights of third party lenders as in paragraph 1(B) of our July 1, 2006 letter agreement.

Gene D. Brown, as President of
Water Management Services, Inc., a
Florida corporation

Charles B. Scruggs, as President of
Scruggs Contracting, Inc., a Florida
corporation

WATER MANAGEMENT SERVICES, INC.
3200 Commonwealth Blvd.
Tallahassee, FL 32303
(850) 668-0440 Fax (850) 577-0441

MEMO OF AGREEMENT
WATER MANAGEMENT SERVICES, INC. and
SCRUGGS CONTRACTING, INC.

This confirms our agreement entered into as of July 1, 2006 as follows:

1. As of July 1, 2006, Water Management Services, Inc. (WMSI) owed Scruggs, Contracting, Inc. a total of $227,976.90, for the work at the state park on St. George Island, as shown by the attached bill. We paid you $65,000 to be credited to the bill, and WMSI received an additional $100,000 credit on the bill based upon the following:

A. We hereby assign to Scruggs Contracting, Inc. all of WMSI's right, title and interest in and to that certain lease between WMSI and Nextel dated June 15, 2004, including the right to receive all lease payments after July 1, 2006. Lease payments after that date shall continue to be made payable to WMSI but they are the property of Scruggs Contracting, Inc. after the date, and a check for an amount equal to each Nextel lease payment shall immediately be paid to Scruggs Contracting, Inc. as each Nextel lease payment is received by WMSI. This assignment is subject to a collateral assignment previously executed in favor of Gulf State Bank. If the Bank ever exercises its right to take any of the Nextel lease payments as a prior lien holder, WMSI shall still remain liable to pay Scruggs Contracting an amount equal to any lease payments taken by Gulf State Bank.

B. As further consideration for the above referenced $100,000 credit, WMSI does hereby transfer and assign to Scruggs Contracting all of WMSI's right, title and interest in and to any and all further cell phone tower leases that may be negotiated and entered into between WMSI and any other cell phone companies regarding equipment to be placed upon Lots 21 and 22, Block 5 West, Unit 1, Plat Book 2, page 7, Public Records of Franklin County, Florida, where WMSI's elevated tank is located. This includes any and all cell companies with which WMSI may deal regarding the elevated tank property in the future. WMSI shall continue to have full legal title to the real estate, and may enter into leases and any other legal documents as the legal owner of the real property. As the owner of the above-referenced leasehold interest in the elevated water tower, Scruggs Contracting shall have the continuing right on and after July 1, 2006 to negotiate directly with any and all cell phone companies for lease space on the elevated tower owned by WMSI. If WMSI enters into any additional cell phone tower leases, any and all income therefrom shall belong to Scruggs Contracting, which shall receive immediate payment of any and all such lease payment amounts.

2. After application of the payments and other consideration set forth in paragraph 1 above, WMSI, owes Scruggs Contracting, Inc. The sum of $62,976.90, which shall be paid on or before December 31, 2006.

3. If any additional legal documents need to be executed to confirm the intent of this memo agreement, the parties agree to execute those documents in a timely, voluntary manner.

Gene D. Brown, as President of
Water Management Services, Inc., a
Florida corporation

Charles B. Scruggs, as President of
Scruggs Contracting, Inc., a Florida
corporation

SCRUGGS CONTRACTING, INC.
974 Richardson Road
Tallahassee, FL 32301

June 8, 2006

TO: Water Management Services, Inc.
3200 Commonwealth Blvd.
Tallahassee, FL 32303

Re: State Park Project

Installation 9,870 ft. of 6" distribution main @ $16.50	$ 162,855.00
Installation 1,290 ft. of 8" distribution main @ $19.75	25,477.50
Installation of 4 cut-off valves and related connections	10,409.40
Excavation, inspection, testing and repair of 13,420 ft. of 8" distribution main @$1.75	23,485.00
Pressure testing and bacteriological testing of 24,850 ft. of 6" and 8" distribution main	3,500.00
40' road bore	2,250.00
Balance	$ 227,976.90
Less: Paid on account	165,000.00
BALANCE DUE:	$ 62,976.90

CONTRACT

WATER LINE REPAIR AND REPLACEMENT
ST. GEORGE ISLAND WATER SYSTEM

THIS AGREEMENT, made and entered into as of this 24th day of October, 2005 by and between:

WATER MANAGEMENT SERVICES, INC., a Florida corporation, represented by its undersigned officer, hereinafter referred to as "Owner," and

SCRUGGS CONTRACTING, INC., a Florida corporation, represented by its undersigned officer, hereinafter referred to as "Contractor."

WITNESSETH:

WHEREAS, the Owner is responsible for providing water services to St. George Island, Florida; including all of the Park owned by the State of Florida; and

WHEREAS, the Owner needs to repair and/or replace all the 8" water main within the State Park, consisting of approximately 24,500 feet of water main.

NOW, THEREFORE, for the consideration and on the terms and conditions of this contract, the said parties do hereby agree as follows:

ARTICLE I

SCOPE OF THE WORK

All of the 8" water main shown as "w" on the plat attached as Exhibit "A" shall be inspected, repaired or replaced by the Contractor as follows:

(A) New 8" water main (PVC 900) shall be installed within the utility right of way north of the State Park existing road from Point "B" (where the water main goes under the road toward the south) to Point "C" (where the water goes back under the road toward the north). Two new valves shall be installed at Points "B" and "C" to allow the existing water main south of the road to continue to be used in case of emergency.

(B) The existing 8" water main from Point "A" to Point "B" and from Point "C" to Point "D" shall be inspected for leaks by digging a trench adjacent to the line down at 100 foot intervals, and by installing a leak detection listening device at each such 100 foot interval point. If the pipe is more than 4 feet deep, that pipe will be replaced with new 8" PVC 900 pipe. If a leak is detected in pipe that is less than 4 feet from the surface, that leak will be repaired, if practical. Notwithstanding the above, if a line below 4 feet can be raised without damage to the line, the line will be raised and inspected for leaks, and any leaks will be repaired. If repair is not practical, the line will be removed and replaced by new 8" PVC 900 line.

(C) All work will be coordinated with the Owner, and a representative of the Owner will be present whenever the Contractor is performing any work under this contract. If there is any doubt as to whether a line or section of a line should be raised, repaired or replaced, the decision of the Owner's representative shall control. In addition to coordinating and inspecting the Contractor's work under this contract, the Owner's representative shall actively assist the contractor in performing the work.

(D) The primary purpose of this contract is to repair and/or replace the Owner's water line within the State Park so that it will no longer leak. When the work is complete, the parties to this contract will jointly perform a pressure test on the entire State Park water line to determine if it will hold pressure at 150 psi for 2 hours. If it does, the line will be considered leak free, and the Contractor will be entitled to final payment. If the test fails, the Contractor and the Owner's representative will continue to inspect for leaks and repair those leaks until the line is free of leaks as shown by a pressure test. All decisions as to whether the work under this contract has been properly performed and whether this line is leak free, shall be made by the Owner's engineer, Les Thomas, P.E.

ARTICLE II

PAYMENT FOR THE WORK

The Owner will pay the Contractor for the Work under this contract as follows:

(A) For each foot of new 8" PVC 900 pipe that is installed, the Owner will pay the Contractor $17.25. The new line between Point "B" and Point "C" is estimated to be approximately 8,000 feet, which would entitle the Contractor to a total payment for that portion of the work of $138,000. However, actual payment will be made based upon measurement of the length of the new pipe, to be verified by the Owner's representative.

(B) This price of $17.25 per lineal foot shall also apply to any new pipe that is installed between Point "A" and Point "B" or between Point "C" and Point "D." The Contractor will be paid for actual new pipe installed, based upon measurements as verified by the Owner's representative. The Contractor will also be paid $750.00, including all labor and materials, for each valve that is installed in connection with the new pipe. Such valves will be installed as directed by the Owner's representative. If fire hydrants are installed at the direction of the Owner's representative, the Contractor will be paid $2,900 for each such hydrant installed, including all labor and materials.

(C) For all pipe that is inspected, repaired or raised, the Owner will pay the Contractor for the actual Contractor's cost of material used on the job, plus a 15% mark-up for handling and profit, together with $65.00 per hour for each hour that the Contractor and its crew works in inspecting, repairing, raising or backfilling the pipe. An accounting of this time will be maintained by the Contractor, including date and times of day worked, and will be subject to verification by the Owner's representative. The Contractor will be careful to separate the hourly work from the "price per foot" work in laying new pipe.

(E) A weekly, detailed accounting and billing statement of all work performed under this Contract shall be provided by the Contractor to the Owner at or before Noon each Monday. If this accounting and statement is accurate as verified by the Owner's representative, the Owner will pay the Contractor the full amount of the statement at or before Noon of the following Friday, less a 10% retainage which will be held by the Owner until this water line project is completed and the line is certified to be leak free by Les Thomas, P.E., the Owner's engineer. The balance due to the Contractor, including all retainage, shall be paid in full when the line is tested and certified by Les Thomas, P.E. to be free of leaks between Points "A" and "D.".

ARTICLE III

INSURANCE

(a) Contractor's Liability Insurance. The contractor agrees to pay for and keep in force during the entire period of construction such liability insurance as will protect it from claims, under workers' compensation and other employee benefit laws, for bodily injury and death, and for property damages, that may arise out of work under this contract, whether directly or indirectly by the contractor, or directly or indirectly by a subcontractor. The minimum liability limits of such insurance shall not be less than $1,000,000/$2,000,000. Such insurance shall include contractual liability insurance applicable to the contractor's obligations under this contract. Proof of such insurance shall be filed by the contractor with the Owner within ten days after execution of this contract.

(b) Owner's Liability Insurance. The Owner agrees to maintain in force its own liability insurance during the construction on this project, and reserves the right to purchase such additional insurance as in its opinion is necessary to protect it against claims arising out of the contractor's operation, without diminishing contractor's obligation to carry the insurance required by this agreement.

(c) Worker's Compensation Insurance. The Contractor will provide the Owner with proof of workers' compensation insurance coverage in the minimum amounts required by Florida law. If the contractor is exempt from workers' compensation coverage, an exemption certificate will be provided to the Owner in lieu of proof of insurance.

(d) Waiver of Work Site Property Damage Claims to Extent of Insurance Coverage. The Owner and contractor waive all claims against each other for fire damage or damages from other perils covered by insurance provided in subdivision (c) of this section. The contractor agrees to obtain waivers of such claims by all subcontractors.

(e) The Contractor and its insurer shall indemnify and save harmless the Owner and all of its officers, agents, including the Owner's engineer, and employees from all suits, actions or claims of any character, name and description brought for or on account of any injuries or damages received or sustained by any person or persons or property, on account of any negligence of the Contractor, its agents or employees, in the execution of said contract work.

ARTICLE IV

SUBCONTRACTS

The Contractor may subcontract any and all portions of this contract. The Contractor is not required to subcontract to any Disadvantaged Business Enterprise.

ARTICLE V

RIGHTS AND DUTIES OF OWNER

The Owner shall give all instructions to the Contractor through its designated Owner's representative. All decisions as to the scope and direction of the work will be made by the Owner's representative. In case of a disagreement as to technical mattes between the Owner and the Contractor, those differences will be decided and settled by Les Thomas, P.E.

ARTICLE VI

RIGHTS AND DUTIES OF CONTRACTOR

The Contractor's duties and rights in connection with the project are as follows:

(a) Discipline and Employment. The contractor shall maintain at all times strict discipline among its employees, and agrees not to employ for work on the project any person unfit or without sufficient skill to perform the job for which that person was employed.

(b) Furnishing of Labor, Materials, Etc. The Contractor shall provide and pay for all labor and equipment, including tools, construction equipment, and machinery, utilities, including transportation, and all other facilities and services necessary for the proper completion of work on the project in accordance with the Contract Documents, using the materials supplied by the Owner.

(c) Payment of Taxes; procurement of Licenses and Permits. The Contractor shall pay all taxes required by law in connection with work on the project in accordance with this contract including sales, use and similar taxes, and shall secure and pay the fees for all licenses and permits necessary for proper completion of the work.

(d) Compliance with Construction Laws and Regulations. The Contractor shall comply with all laws and ordinances, and the rules, regulations, or orders of all public authorities relating to the performance of the work. If any of the Contract Documents are at variance with any of such requirements, the Contractor shall notify the engineer promptly on discovery of the variance.

(e) Responsibility for Negligence of Employees and Subcontractors. The Contractor agrees to assume full responsibility for acts, negligence, or omissions of all of its employees on the project, for those of its subcontractors and their employees, and for those of all other persons doing work under a contract with it.

(f) Clean-up. The Contractor agrees to keep the work premises and adjoining ways free of waste material and rubbish caused by its work or that of its subcontractors. The Contractor further agrees to remove all waste material and rubbish on termination of the project, together with all its tools, equipment, machinery and surplus materials. It agrees, on terminating its work at the site, to conduct general clean-up operations, including the cleaning of all glass surfaces, paved streets and walks, steps, and interior floors and walls.

(g) Indemnity and Hold Harmless Agreement. The Contractor agrees to indemnify and hold harmless the Owner and engineer, and their agents and employees, from and against all claims, damages, losses, and expenses, including reasonable attorneys' fees in case it shall be necessary to file an action, arising out of performance of the work, which are (1) for bodily injury, illness, or death, or for property damage, including loss of use, and (2) to the extent caused in whole or in part by the Contractor's negligent act or omission, or that of a subcontractor, or that of anyone employed by them or for whose acts the Contractor or subcontractor may be liable.

This agreement to indemnify and hold harmless is not applicable to liability of the engineer, or that of the engineer's agents or employees, arising out of the preparation or approval of reports, opinions, surveys, maps, drawings, designs, or specifications, or out of their giving or failing to give instruction, which giving or failure to give is the primary cause of the injury or damages.

(h) Safety Precautions and Programs. The Contractor has the duty of providing for and overseeing all safety orders, precautions, and programs necessary to the reasonable safety of the work. In this connection, it shall take reasonable precautions for the safety of all work employees and other persons whom the work might effect, all work and materials incorporated in the project, and all property and improvements on the construction site and adjacent to it, complying with all applicable laws, ordinances, rules, regulations and orders.

ARTICLE VII

WARRANTY

Upon completion of the project, the contractor shall furnish the owner with a one year warranty guaranteeing the project has been constructed in a good and workmanlike manner, and that it will not fail under normal use for a period of one year from date of completion.

ARTICLE VIII

FLORIDA LAW

This contract has been executed by both parties in the state of Florida, and shall be governed by Florida law.

EXECUTED AND SIGNED as of the date set forth above.

WATER MANAGEMENT SERVICES, INC.

By: ______________________
Gene D. Brown, as its President

SCRUGGS CONTRACTING, INC.

By: ______________________
Charles B. Scruggs, as its President

Memo

Question # 8 – Long-term Debt

– Partial Response –

ACCOUNTING COPY.

Teller # Transaction # 736-115

Check # 294718
Date 18FEB09

Payee: SANDRA CHASE and DAN CHASE***
1GNFC13J47R156843 07 CHEVROLET

Amount 20000.00

Fee: ____________

Member # 95098-17

OFAC: ____________

Processed by RICHARD QUACKENBUSH

Received by: ____________

FUNDS ADVANCE VOUCHER

envision
credit union
440 N. Monroe St. Tallahassee, FL 32301 850-942-9000

NCUA

FUNDS ADVANCE VOUCHER

DATE	TELLER	TRANSCRIPTION DESCRIPTION	ACCOUNT NUMBER	PREVIOUS BALANCE	TRANSACTION AMT.	NEW BALANCE
18FEB09	736-115	NEW LOAN	95098-17	0.00	20000.00	20028.75

MINIMUM PERIODIC PAYMENT	PAYMENT DUE DATE	FREQUENCY OF PAYMENT	DAILY PERIODIC RATE	ANNUAL PERCENTAGE RATE
385.00	18MAR09	MONTHLY	0.015753	5.75 %

Payee: SANDRA CHASE and DAN CHASE
Co-borrower: DAN J CHASE
Credit insurance: NO INSURANCE
Collateral: 1GNFC13J47R156843 07 CJEVROLET Summer skip: No

By endorsing the attached check, I give you a security interest in the property [collateral] identified above to secure my obligations with regard to the sub-account noted above in accordance with the minimum payment and security agreement provision of the Disclosure Statement and Agreement. Your rights to this security are governed by that agreement. This collateral also secures any other debt obligation that I may have with you now or in the future.

VERIFY NO. 294718

envision
credit union
440 N. Monroe St. Tallahassee, FL 32301 850-942-9000

63-8355
2631

DATE	CHECK #
18FEB09	294718

AMOUNT
20000.00

PAY TWENTY THOUSAND AND 00/100 DOLLARS***

TO THE ORDER OF SANDRA CHASE and DAN CHASE***
1GNFC13J47R156843 07 CHEVROLET

NON-NEGOTIABLE
AUTHORIZED SIGNATURE

⑈0000294718⑈ ⑆263182558⑆ 49000037⑈

VINtekTIME Reports - Run On: Mon Mar 09 14:12:10 EDT 2009

[redacted]

Account Number	95098-17	**VIN**	1GNFC13J47R156843
Customer	SANDRA CHASE		
Lien Holder ID	2445	**Lien Holder Name**	Envision Credit Union
Lien Start	2/18/2009	**Lien End**	
Original Loan Amount	$0	**Lien Balance Amount**	$0
Lien Type	Retail	**DealerID**	

Last ELT Transactions

Sent	NONE	**Status**	NONE
Received	03/02/2009 22:41 Add Title - Perfection of Lien		

Borrower / Lessee Details

Name1	SANDRA CHASE
CoSigner	DAN J CHASE
Address	4082 ROWELING OAKS COURT TALLAHASSEE, FL 32303

Vehicle Information

Vehicle type		**Make**	CHEVROLET
Model	TAHOE	**Year**	2007

Title Information

Title Number	95758092	**Title State**	FL
Tag Number			
Status	MATCHED 3/2/2009	**Match Date**	3/2/2009

State Information

Name1	CHASE,SANDRA MARLOW		
CoSigner			
Address	4082 ROWELING OAKS CT TALLAHASSEE, FL 323032183		
Vehicle Type	UTILITY	**Make**	CHEV
Model		**Year**	2007
Title State	FL	**Title Number**	95758092
Brands	UnLaden Gross Vehicle Weight: 5407 Lien Priority: 1 Media Type:Electronic Number of Liens: 1		

Docket No. 100104-WU
Debt on 2007 Chevy Tahoe
Exhibit_(DR-13), p.4 of 4

PROCTOR
THE PROCTOR DEALERSHIPS

E-Mail Address

Control Number 117204 | Deal Number 29821

Delivery Date 06/18/2008

Purchaser SANDRA MARLOW CHASE | D.L. | Sex F | D.O.B. 05/20/1951

Co-Purchaser | D.L. | Sex | D.O.B.

Address 4082 ROWELING OAKS CT | City TALLAHASSEE | State FL | County LEON

Cell Phone (850)566-0915 | Fax Phone | Other Phone

___ proctorcars.com
___ credit union/internet buying service
___ other ________

S.S. #

Salesperson Name ~~WILLIAM PETER BENEDIC~~ HENRY FRANK SMITH52

Home Phone (850)562-0660

Work Phone (850)668-6103

Zip Code 323032183

OFF LEASE • SERVICE RENTAL XX NEW • USED • DEMO	Year 2007	Make CHEVROLET TRUCK	Series T	Style WAGON	Mileage 46861
Stock No. 8H1516A	I.D. No. 1 G N F C 1 3 J 4 7 R 1 5 6 8 4 3		Tag No.	Decal No.	Color Trim

DESCRIPTION OF PRESENT VEHICLE/S

Make	Model	Type	Year
I.D. No.		Title No.	
Color	ACV N/A	Appraised By	Mileage
Make	Model	Type	Year
I.D. No.		Title No.	
Color	ACV N/A	Appraised By	Mileage

The seller, Proctor and Proctor, Inc., hereby expressly disclaims all warranties, either express or implied, including any implied warranty of merchantability or fitness for a particular purpose, and Proctor and Proctor, Inc. neither assumes nor authorizes any other person to assume for it any liability in connection with the sale of the vehicle. Nothing contained in this disclaimer provision is intended to affect the warranties imposed upon or offered by the manufacturer.

In accordance with this contract, I do hereby bargain, sell, and deliver unto Proctor and Proctor, Inc. he above described vehicle.

Also, I warrant that the title to said automobile is free from encumbrances and all debts, except N/A due ________ which amount Proctor and roctor, Inc. does assume; that I have good right to sell and deliver the above automobile and, that title and ossession thereto I will warrant against the claims of all parties whatsoever, except as above specified.

In the event of increase in price by manufacturer before delivery I agree to pay the difference in price.

The above comprises the entire agreement pertaining to this purchase and no other agreement of any nd, verbal understanding or promise whatsoever, will be recognized.

This order is not valid unless signed and accepted by Dealer and approved by a responsible Finance ompany as to any deferred balance.

yer's Signature Sandra Chase

ust be accepted by thorized Manager ________

information you see on the window form for this vehicle is part of this contract. Information on the dow form overrides any contrary provisions in the contract of sale.

motor vehicle is sold "AS IS." The Selling Motor Vehicle Dealer makes no warranties, representation or rance that the motor vehicle contains only original manufacturer installed or manufacturer rebuilt ponents, parts or accessories.

eby acknowledge that I have agreed to purchase this motor vehicle after having read and considered above disclosure.

r's Signature ________

CURRENT LIEN INFORMATION

Owed To: | Phone:

ess: | Good Til:

State | Zip

\# | Verified by:

NEW LIEN INFORMATION

Date: 06/18/2008

IOLDER:

NOTE:

- [ ] Necessary Cash or Check
- [ ] Drivers License
- [ ] All Insurance Information
- [ ] Tag Receipt
- [ ] MSO –or– Title Registration
- [ ] Title Application
- [ ] Odometer Statement
- [ ] Emission Cont. Certification
- [ ] Rebate Form
- [ ] All Contracts Signed

Trade-In

- [ ] Title –or– POA Long Form
- [ ] ACV Slip
- [ ] Odometer Statement
- [ ] Emission Form
- [ ] Dup. Title Application

Used Car Sale

- [ ] Sign Title or POA
- [ ] Odometer Statement
- [ ] Emission Form
- [ ] Buyers Guide

MARKET VALUE	28220.01
ADDITIONS:	N/A
	N/A
	N/A
	N/A
	N/A
	N/A
	N/A
PRICE OF VEHICLE WITH ACCESSORIES	28220.01
TRADE-IN ALLOWANCE	N/A
NET INVESTMENT	28220.01
FLORIDA LAW — WASTE TIRE AND LEAD ACID BATTERY FEE	N/A
SETTLEMENT AND CLOSING – This charge represents costs and profit to the seller / dealer for items such as inspecting, cleaning and adjusting new and used vehicles and preparing documents related to the sale.	279.99
ELECTRONIC TAG FILING (FLORIDA ONLY)	24.00
SUBTOTAL	28524.00
FLORIDA SALES TAX	1711.44
COUNTY SURTAX	75.00
LUXURY TAX	N/A
[ ] PURCHASE NEW TAG or [ ] TRANSFER TAG [ ] LICENSE & TITLE	102.85
FLORIDA MOTOR VEHICLE WARRANTY ENFORCEMENT ACT	N/A
TOTAL PRICE OF VEHICLE	30413.29
PAY-OFF BALANCE	N/A
S.A. Type: Price: N/A N	N/A
Term:	
GAP	
TOTAL	30413.29

Partial Payment ➤	N/A
Cash on Delivery ➤	N/A
Rebate ➤	N/A

Comm.

TOTAL DOWN PAYMENT ➤	N/A
BALANCE DUE	30413.29
TOTAL	30413.29

Memo

Question # 7 – Bank Loan Commitment

CSB
CITIZENS STATE BANK

(850) 584-4411
FAX (850) 584-8259
P.O. Box 1247
Perry, Florida 32348

ROGER BROOKS
President/CEO

May 14, 2010

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

Dear Mr. Brown:

This will confirm that Citizens State Bank ("Citizens") has agreed to make a $5,000,000 loan to Water Management Services, Inc. ("WMSI" or "Utility"), provided the following conditions are met:

1. That the Florida Public Service Commission ("FPSC") grant a rate increase to WMSI that will enable the utility to pay the debt service on the loan, in addition to all of WMSI's ordinary and reasonable expenses;

2. That the United States Department of Agriculture ("USDA") provide Citizens with at least an 80% guarantee for the loan; and

3. That the Florida Department of Environmental Protection ("FDEP") agrees to subordinate its lien on WMSI's supply main so that Citizens will have a first lien against all of the utility's assets, including all of its revenue and cash flow.

The purpose of this loan is to provide funds to repay all of WMSI's debt except for the FDEP state revolving fund loan, and to finance the construction of approximately $2,200,000 of new capital improvements. This loan will be similar to the USDA guaranteed loan that Citizens made to the utility several years ago, which was repaid when the new supply main on the bridge to St. George Island was under construction.

Citizens has been in touch with the USDA personnel in Gainesville, and is confident that the guarantee can be obtained if WMSI is successful in its rate case. The term and rate for the loan will be based upon market conditions in effect at the time of the written commitment after the above-referenced conditions have been met.

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We look forward to working with you on this matter.

Sincerely,

Roger Brooks
President/CEO
Citizens State Bank