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Public Service Commission

December 12, 2011

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Mr. C. Vincent LoCurto, Esq.
LoCurto Law Firm, LLC
2804 Remington Green Circle, First Floor
Tallahassee, Florida 32308

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

Dear Mr. LoCurto:

Staff needs the following information to complete our review of the application filed by Water Management Services, Inc. (WMSI or Utility).

1. The following items relate to all pro forma plant additions reflected on MFR Schedule A-3, page 2 of 2.

For each addition, provide the following:
 - (a) a statement why each addition is necessary;
 - (b) a copy of all invoices and other support documentation if the plant addition has been completed or in process;
 - (c) a copy of the signed contract or any bids, if the plant addition has not been completed;
 - (d) a status of the engineering and permitting efforts, if the plant addition has not been through the bidding processing;
 - (e) the projected in-service date for each outstanding plant addition, and
 - (f) all documentation (i.e. invoices) for the original cost of any corresponding retirements.
2. The following item relates to all adjustments reflected on MFR Schedule B-3, page 2 of 4 and page 3 of 4. Please provide all of the Utility's calculations, basis, workpapers, and support documentation for all of these adjustments. If any calculations, basis, and/or workpapers exist in electronic format, please provide them in electronic format in the Utility's response to this request.
3. The following items relate to WMSI's requested rate case expense.

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- (a) For each individual person, in each firm providing consulting services to the applicant pertaining to this docket, provide the billing rate, and an itemized description of work performed. Please provide detail of hours worked associated with each activity. Also provide a description and associated cost for all expenses incurred to date.
 - (b) For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
 - (c) If rate consultant invoices are not broken down by hour, please provide reports that detail by hour, a description of actual duties performed, and amount incurred to date.
 - (d) Please provide an estimate of costs to complete the case by hour for each consultant or employee, including a description of estimated work to be performed, and detail of the estimated remaining expense to be incurred through the PAA process.
 - (e) Please provide an itemized list of all other costs estimated to be incurred through the PAA process.
4. According to MFR Schedule B-5, Contractual Services - Testing increased substantially in November 2010 when compared to previous months. Please provide all of the Utility's calculations, basis, workpapers, and support documentation for the above increase in Contractual Services - Testing.
5. According to MFR Schedule B-5, Contractual Services – Other increased substantially in January, April, July, and October 2010 when compared to other months. Please provide all of the Utility's calculations, basis, workpapers, and support documentation for the above increase in Contractual Services – Other.
6. According to MFR Schedule B-5, Miscellaneous Expenses increased substantially in March and December 2010 when compared to other months. Please provide all of the Utility's calculations, basis, workpapers, and support documentation for the above increase in Miscellaneous Expenses.
7. According to MFR Schedule B-5, Bad Debt Expense increased substantially in December 2010 when compared to other months. Please provide all of the Utility's calculations, basis, workpapers, and support documentation for the above increase in Bad Debt Expense. In WMSI's response to this request, please provide the Utility's bad debt expense or accounts receivable write-off policy or procedure and provide the Utility's bad debt expense amounts per month from January 2011 to October 2011.
8. The following items relate to WMSI's requested increase of its meter installation fee from \$250 to \$400.
 - (a) Is it correct that WMSI did not request an increase in its current meter installation fee of \$250 in Docket No. 100104-WU?
 - (b) Has the Utility begun incurring \$400 to install meters? If so, please state when it began incurring this \$400 cost and state how many meters have been installed at the \$400

amount, as well as whether the meter installed was to replace an existing meter or to establish a customer record at a specific location never previously served by the Utility.

(c) For each meter installed at the \$400 amount that replaced an existing meter, did WMSI charge the customer of record a

(d) Please explain why the Utility did not request an increase in its meter installation fee in Docket No. 100104-WU.

9. The following items relate to WMSI's request for a Late Payment Charge.

(a) For calendar year 2008, please provide the number of customer payments that were late which would have been assessed a late payment charge had the Utility had an authorized late payment charge during this period.

(b) For calendar year 2009, please provide the number of customer payments that would have been assessed a late payment charge had the Utility an authorized late payment charge at that time.

(c) For calendar year 2010, please provide the number of customer payments that would have been assessed a late payment charge had the Utility an authorized late payment charge at that time.

(d) For January 2011 through October 2011, please provide the number of customer payments that would have been assessed a late payment charge had the Utility an authorized late payment charge at that time.

(e) Please state why WMSI did not request a Late Payment Charge in Docket No. 100104-WU.

10. The following items relate to WMSI's request for NSF Check Charges.

(a) For calendar year 2008, please provide the number of returned customer checks that would have been assessed a NSF Check Charges had the Utility had an authorized NSF Check Charges at that time.

(b) For calendar year 2009, please provide the number of returned customer checks that would have been assessed a NSF Check Charges had the Utility an authorized NSF Check Charge at that time.

(c) For calendar year 2010, please provide the number of returned customer checks that would have been assessed a NSF Check Charges had the Utility an authorized NSF Check Charges at that time.

(d) For January 2011 through October 2011, please provide the number of returned customer checks that would have been assessed a NSF Check Charges had the Utility an authorized NSF Check Charges at that time.

(e) Please state why WMSI did not request NSF Check Charge in Docket No. 100104-WU.

11. The following items relate to the Utility's requested Service Availability Charges in Docket No. 100104-WU.

(a) Were WMSI's requested Service Availability Charges in Docket No. 100104-WU based on the estimated costs of the pro forma plant items reflected on MFR Schedule A-3 of that same docket?

(b) Were the estimated costs of the pro forma plant items reflected on MFR Schedule A-3 of Docket No. 100104-WU based on the Water System Evaluation Final Report performed by the engineering firm, PBS&J?

(c) Please refer to the deposition of Mr. Gene Brown dated August 10, 2010, Page 136, Line 11 through Page 137, Line 25, in Docket No. 100104-WU. Is it correct that Mr. Brown testified that the additional engineering, among other things, and the bidding process for the proposed improvements in its last case would have cost approximately \$220,000?

(d) In the deposition of Mr. Gene Brown dated August 10, 2010, Page 147, Lines 12 through 19, in Docket No. 100104-WU, is it correct that Mr. Brown testified that the actual costs of plant improvements could probably cost less than the engineering estimate, and he specifically stated that "you normally try to build those improvements for less than those estimates"?

(e) In the deposition of Mr. Gene Brown dated August 10, 2010, Page 147, Lines 13 through 21, in Docket No. 100104-WU, is it correct that Mr. Brown testified that the utility can usually build improvements less than the engineering estimates?

(f) In the deposition of Mr. Gene Brown dated August 10, 2010, Page 147, Lines 12 through 14, in Docket No. 100104-WU, is it correct that Mr. Brown testified that the utility achieved actual cost differential of approximately one million dollars from the original estimates on the installation of a line across the bridge?

(g) If the answer to Question 11(f) above is "yes", wasn't the awarded bid for the line across the bridge less than the Utility's initial engineering estimate amount?

(h) If the answer to Question 11 (g) above is "yes", please state the dollar amount of the difference was between the awarded bid amount and the Utility's initial engineering estimate amount.

(i) If the Commission granted the Utility's requested service availability charges in Docket No. 100104-WU and if the actual costs of the pro forma plant improvements were materially less than the estimate provided in the Utility's last case, wouldn't WMSI exceed the 75 percent maximum net CIAC ratio pursuant to Rule 25-30.580, F.A.C.?

(j) If the answer to Question 11(i) above is "yes", would WMSI agree that the Utility's rate base would be less under that scenario than if the service availability charges were set based on a competitive bid estimate that was less than the initial engineering estimate?

(k) If the answer to Question 11(f) above is "no", please explain why.

12. By Order No. PSC-11-0010-SC-WU, issued January 3, 2011, on Page 64, the Commission required WMSI to "submit a quarterly general ledger and canceled checks verifying that the Utility is paying the pro forma expenses allowed in this rate proceeding for a period of two years from the date of this Order." The following items relate to this Commission-ordered requirement.

(a) Is it correct that WMSI did not file a motion for stay in connectin with the above requirement pursuant to Rule 25-22.061, Florida Administrative Code, which is entitled Stay Pending Judicial Review?

(b) Based on the above Order's issuance date of January 3, 2011, the Utility was required to submit WMSI's general ledger through at least the third quarter of 2011 and any canceled checks verifying the payment of the pro forma expenses that were allowed in Docket No. 100104-WU. Please explain why the Utility has failed to submit this required information.

(c) Please provide a copy of WMSI's general ledger through at least the third quarter of 2011 and any canceled checks verifying the payment of the pro forma expenses allowed in Docket No. 100104-WU.

13. Assume the following hypothetical example: A regulated-water utility has only one asset which has a depreciable life of 10 years. This asset was financed through a loan with a term of 5 years. The utility's capital structure consists of 100 percent debt. Over the term of the loan under this hypothetical example, would you agree, all other things being equal, that the utility would not be able to meet its principal and interest payments soley from revenues generated by its authorized rates and charges?

14. On MFR Schedule D-5, the Utility reflects a proposed \$4,066,936 loan. Provide the basis for the estimate of debt costs associated with this proposed loan.

15. On MFR Schedule D-6, the Utility stated that the Centennial Bank debt is in the process of being refinanced for one year at a fixed rate of 6.5 percent. Please provide an update and all documentation regarding the status of this refinancing.

16. On MFR Schedule D-6, the Utility stated that WMSI plans to refinance the existing debt, plus the funds required for the new improvements, with a fixed rate USDA loan with a 5-year ballon payment.

(a) Does "USDA" stand for U.S. Department of Agriculture?

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(b) According to MFR Schedule A-3, the depreciable lives for the proposed pro forma plant improvements range from 10 to 43 years. Please explain why the Utility is seeking debt with a term far less than the depreciable lives of its proposed pro forma plant improvements?

(c) Please provide an update and all documentation regarding the status of the USDA loan. Your response should include: (1) a statement of whether the proposed USDA loan will require the Utility to receive approval from DEP to subordinate its loan, and, if so, whether DEP has agreed to subordinate its debt to the proposed USDA loan; (2) the application and all other documents for the proposed USDA loan; and (3) if the application for the proposed USDA loan has not been made, provide an explanation of why it has not been, state all required information and documentation to include with the USDA loan application, and state when the Utility anticipates filing the USDA loan application.

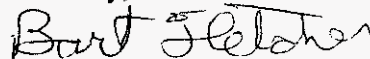
17. By Order No. PSC-11-0010-SC-WU, issued January 3, 2011, on Pages 50 and 64, the Commission required WMSI to "provide proof, within 90 days of this order, that the adjustments for all the applicable NARUC USOA primary accounts have been made." The following items relate to this Commission-ordered requirement.

(a) Is it correct that WMSI did not file a motion for stay in connectin with the above requirement pursuant to Rule 25-22.061, Florida Administrative Code, which is entitled Stay Pending Judicial Review?

(b) Based on the above Order's issuance date of January 3, 2011, the Utility was required to submit WMSI's proof of Commission-ordered adjustments by April 4, 2011. Please explain why the Utility has failed to submit this required information.

Please submit the above information to the Office of Commission Clerk by January 12, 2012. If you have any questions, please contact me by phone at (850) 413-7017 or by e-mail at bart.fletcher@psc.state.fl.us.

Sincerely,



Bart Fletcher
Public Utilities Supervisor

cc: Division of Economic Regulation (Maurey, Daniel, Reiger, Stallcup, Walden, Thompson)
Office of the General Counsel (Barrera, Jaeger)
Office of Commission Clerk (Docket No. 10200-wu)
Office of Public Counsel