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MARSHALL WILLIS, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

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Public Service Commission

August 12, 2011

Mr. Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
766 N. Sun Drive, Suite 4030
Lake Mary, Florida 32746

Re: Docket No. 110061-WS, Application for authority to transfer assets and Certificate Nos. 517-W and 450-S of Service Management Systems, Inc. to Aquarina Utilities, Inc., in Brevard County

Dear Mr. Friedman:

Staff has reviewed Aquarina Utilities, Inc.'s (Buyer) April 27, 2011 deficiency response and has determined that the application is still deficient with respect to the Buyer's financial ability. Please provide the following information to correct the outstanding deficiencies and provide additional information about the application.

Deficiencies

1. Financing of the Purchase and Additional Funding. Rule 25-30.037(2)(i), F.A.C., requires the application to contain a statement describing the financing of the purchase. Further, Rule 25-30.037(2)(k), F.A.C., requires the application to contain a list of all entities upon which the applicant is relying to provide funding to the buyer, and an explanation of the manner and amount of such funding, which shall include their financial statements and copies of any financial agreements with the utility. This requirement shall not apply to any person or entity holding less than 10 percent ownership interest in the utility.

The Buyer's April 27, 2011 deficiency response only indicates that the "purchase price was paid in cash with equity from the shareholders" and "all funding is by contributions of shareholders." The Buyer's response lacks sufficient detail to comply with the above rule requirements. Please provide the following information.

- A. Please provide a list of all the shareholders who contributed to the purchase of the utility, the dollar amount that each contributed to the purchase, and the percentage each shareholder's ownership interest in the utility.

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- B. Please provide the financial statements of each shareholder holding 10 percent or more ownership interest in the utility. Please note that Item 10 on page 3 of the application states that “The Personal Financial Statement of the majority shareholders of Buyer will be provided upon request.”
 - C. Please provide copies of all financial agreements between the utility and each shareholder who has agreed to provide funding to the utility. If no formal agreements were prepared, please describe the amount of funding that each shareholder has agreed to provide and the manner in which funding will be contributed (e.g., will all shareholders contribute equally when a financial need arises or is there a specified order in which each shareholder will be expected to contribute).
2. Financial Ability. Rule 25-30.037(2)(j), F.A.C., requires in part that the application include a showing of the buyer’s financial ability to provide service. The Buyer’s April 27, 2011 deficiency response includes a proforma financial statement for the utility and indicates that the “Buyer’s shareholders maintain sufficient funds for provision of repairs and maintenance service.” However, the proforma financial statement provided by the Buyer indicates that the utility is expected to show a loss and require a rate proceeding by 2013. The information provided does not sufficiently demonstrate that the Buyer has the financial ability to provide service. Please provide the personal financial statements of each shareholder who will provide funding for utility operations.

Additional Information

1. Special Warranty Deed. Item 16 on page 4 of the application states that “a copy of the recorded Special Warranty Deed will be filed upon return from recordation in the Public Records of Brevard County, Florida.” Please provide a copy of the recorded Special Warranty Deed. If it is not yet available, please indicate when you anticipate it will be available.
2. Contract for Sale. Rule 25-30.037(2)(g)(2), F.A.C., requires in part that the application contain a copy of the contract for sale and all auxiliary or supplemental agreements, which shall include, if applicable, a list of and the dollar amount of the assets purchased. Although the contract provided in the application contains a general list of assets included in the purchase, it does not provide any information regarding the utility’s wells. Did the purchase include any of the utility’s wells? If yes, please describe the location and capacity of each well purchased, and provide documentation to support that the wells were included in the purchase.
3. Condition of Systems. The Buyer’s April 27, 2011 deficiency response listed two repair items that were scheduled to be completed in May of 2011. Please provide an update to the status of the skimmer arm (Item c.) and R/O plant auto-call system (Item g.) projects.

4. Status of Service Management Systems, Inc.'s (SMS) Receivership. Please provide the following information regarding the status of SMS's receivership.
 - A. Has the Buyer obtained all of the utility's books and records from the SMS Receiver? If not, please describe which records have not yet been turned over by the Receiver, and when the Buyer anticipates obtaining those records.
 - B. Has the Buyer received any information from the SMS Receiver regarding the status of the utility's delinquent 2010 Annual Report and regulatory assessment fees?
 - C. Has the SMS Receiver officially been released from receivership duties?

Please file the **original and four copies** of the requested information by **September 12, 2011**. When filing the response, please be sure to refer to the docket number and to direct the response to:

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Should you have any questions concerning the information in this letter, please contact Anna Norris at (850) 413-6076 for legal questions, or my staff members, Martha Golden at (850) 413-7015 or Jay Williams at (850) 413-6447 for technical questions.

Sincerely,



Patti Daniel
Public Utilities Supervisor
Bureau of Certification, Economics & Tariffs

pd/mg

cc: Mr. Bruce May
Mr. Dennis Basile
Mr. James I. Minnes
Mr. Stephen C. Reilly, Office of Public Counsel
Division of Economic Regulation (Davis, Golden, Kaproth, Slemkewicz, Williams)
Office of the General Counsel (Norris)
Office of Commission Clerk