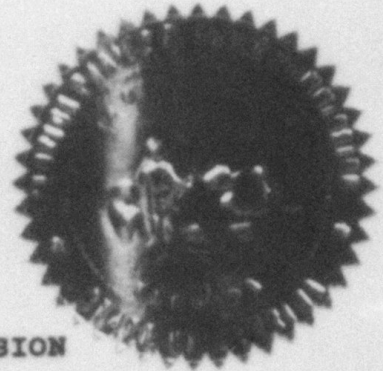


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of : DOCKET NO. 960451-WS
: Application for rate :
: increase in Duval, :
: Nassau and St. Johns :
: Counties by United :
: Water Florida, Inc. :



FIRST DAY - MORNING SESSION

VOLUME 1

Pages 1 through 91

PROCEEDINGS:

HEARING

BEFORE:

CHAIRMAN JULIA L. JOHNSON
COMMISSIONER J. TERRY DEASON
COMMISSIONER SUSAN F. CLARK
COMMISSIONER DIANE K. KIESLING
COMMISSIONER JOE GARCIA

DATE:

Monday, January 27, 1997

TIME:

Commenced at 10:00 a.m.

PLACE:

Prime Osborn Convention Center
1000 Water Street
Jacksonville, Florida

REPORTED BY:

JOY KELLY CSR, RPR
Chief, Bureau of Reporting
ROWENA NASH
H. RUTHE POTAMI, CSR, RPR
Official Commission Reporters

FLORIDA PUBLIC SERVICE COMMISSION

DOCUMENT NUMBER - DATE

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FPSC-RECORDS/REPORTING

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1 APPEARANCES:

2 JAMES L. ADE, and SCOTT G. SCHILDBERG,
3 Martin, Ade, Birchfield & Mickler, P. A., Post Office
4 Box 59, Jacksonville, Florida 32202, appearing on
5 behalf of United Water Florida Inc.

6 HAROLD McLEAN, Associate Public Counsel,
7 Office of Public Counsel, 111 West Madison Street,
8 Room 812, Tallahassee, Florida 32399-1400, appearing
9 on behalf of the Citizens of the State of Florida.

10 ROSANNE CAPELESS and BOBBIE L. REYES,
11 Florida Public Service Commission, Division of Legal
12 Services, 2540 Shumard Oak Boulevard, Tallahassee,
13 Florida 32399-0870, appearing on behalf of the
14 Commission Staff.

15

16 ALSO PRESENT:

17 MARSHALL WILLIS, Florida Public Service
18 Commission, Division of Water and Wastewater, 2540
19 Shumard Oak Boulevard, Tallahassee, Florida
20 32399-0870, appearing on behalf of the Commission
21 Staff.

22

23

24

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P R O C E E D I N G S

(Hearing convened at 1:00 p.m.)

CHAIRMAN JOHNSON: Ladies and gentlemen, we're going to call the hearing to order at this point in time. Counsel, could you read the notice?

MS. CAPELESS: Yes, ma'am. Pursuant to notice, this time and place has been designated for hearing in Docket 960451-WS, application of United Water Florida, Inc. for a rate increase in Duval, Nassau and St. Johns Counties.

CHAIRMAN JOHNSON: Take appearances.

MR. ADE: James L. Ade of the firm of Martin, Ade, Birchfield & Mickler representing United Water Florida and with me is Mr. Scott G. Schildberg of our firm.

CHAIRMAN JOHNSON: And for the purpose of our witness knowing who is speaking, if you could, after you've announced yourself, could you stand and turn around and let them see who you represent and who you are.

Public Counsel?

MR. SHREVE: Harold McLean and Jack Shreve, Office of Public Counsel, Claude Pepper Building, Tallahassee, Florida, representing the customers, the Citizens of the state of Florida, in opposition to the

1 rate increase.

2 MS. CAPELESS: Rosanne Capeless and Bobbie
3 Reyes representing the Florida Public Service
4 Commission Staff.

5 CHAIRMAN JOHNSON: Good morning, ladies and
6 gentlemen. My name is Julia Johnson. I'm the
7 Chairperson for the Florida Public Service Commission,
8 and with me we have our full Commission.

9 To my left, to my far left, is Commissioner
10 Joe Garcia; next to him, Commissioner Susan Clark; to
11 my right, Commissioner Terry Deason, and my far right
12 Commissioner Diane Kiesling.

13 If you had an opportunity to -- when you
14 came in there was a green packet that tells you a
15 little bit more about the proceeding, the application
16 for the rate increase, and it also tells you more
17 about the Commissioners and the Commission.

18 The proceeding today will really be broken
19 into two separate sessions. Our first will be the
20 customer testimony session. I will use that and we
21 will use that as an opportunity to hear from the
22 customers that would like to testify. That
23 information will become an official part of our
24 record. We will use that and can use that to base our
25 final decision on.

1 To the extent that you don't want to
2 actually provide testimony, there is a fold-out sheet
3 on the green document that you can provide to the
4 Commission or mail in to the Commission any written
5 comments that you might like for us to consider, and
6 we will make that a part of the correspondence side of
7 the record.

8 There are several Staff members here to
9 assist you if you have questions and you don't feel
10 like testifying and coming up before the full
11 Commission here but you have questions like you'd like
12 for Staff members to entertain.

13 Let me introduce those Staff members to you,
14 and as I call your name, if you could stand and let
15 our customers know who you are. Our legal
16 representatives have already introduced themselves.
17 From the Division of Water and Wastewater we have
18 Marshall Willis, Troy Rendell, Jeanne Clark, Eric
19 Groom, Barry Davis, Jenny Lingo.

20 They're all from the Division of Water and
21 Wastewater; accountants engineers, economists. And to
22 the extent that you have a specific question, you
23 could either bring that here or you could address any
24 of those Staff members and they will be able to assist
25 you. I would direct you mainly to the bureau chief,

1 Marshall Willis, and he can assist you with getting
2 with any of his Staff members that might be able to
3 assist you.

4 We also have Sandy Simmons. I think she's
5 in the back there. Ruthe, our court reporter here up
6 front, and Rowena Nash, another court reporter. And
7 from the office of public information, the young lady
8 that greeted you today was Melinda Pace. She can
9 assist you if you'd like to sign up, and if you've
10 decided that you'd like to testify, she has those
11 yellow slips and she will forward that to Mr. Jack
12 Shreve.

13 Let me give you a little background
14 information on the case. For those of you who have
15 your sheets, you can kind of follow along there, but
16 let me just summarize what the case is all about. On
17 July 30th, 1996 the Utility filed an application for
18 interim and permanent rate increases pursuant to
19 Florida Statutes.

20 The Utility's interim increase was designed
21 to increase annual revenues by \$1,148,966, or 16.77%
22 and annual wastewater revenues by \$1,073,950, or
23 7.87%. The Utility's permanent rate increase is
24 designed to increase annual water revenues by 3.3
25 million, or 46%, and annual wastewater revenues of 5.1

1 million, or 33%.

2 On November 19th the Commission issued an
3 order in this docket. The order suspended the
4 Company's proposed permanent rights and approved
5 interim increases for annual revenues of \$725,015 for
6 an increase of 10.47% for water, and \$238,030 for an
7 increase of 1.69 for wastewater. Those rates were
8 issued subject to refund with interest.

9 We are here today to hear your comments with
10 respect to the rate increases, and we're also here to
11 hear any questions or comments that you might have
12 with respect to the quality of service. That is an
13 issue in this case. I believe it's one of our first
14 issues. We look forward to hearing any testimony that
15 you might have in that regard.

16 Now, as a part of this proceeding, in order
17 to make this official, I have to swear each and every
18 one of you in, but we'll do that as a group. It's a
19 process that's necessary in order to ensure that our
20 evidence is official and that it's a part of the
21 record. It's not meant to intimidate or to stop you
22 from testifying in any way. We'd like to hear from
23 you and hear your comments on the pending issues.

24 After I've sworn the witnesses in, Public
25 Counsel will call you up one at a time. At that point

1 in time if you could repeat again your name for the
2 record and your address and also if you could spell
3 your name, that would assist our court reporter.

4 At this point in time then, if those who
5 would like to testify, if you could stand and raise
6 your right hand.

7 (Witnesses collectively sworn)

8 CHAIRMAN JOHNSON: Public Counsel, you may
9 call your first witness.

10 MR. SHREVE: Thank you. Mr. Paul Hudgins.

11 - - - - -

12 PAUL HUDGINS

13 appeared as a witness and, having been duly sworn,
14 testified as follows:

15 DIRECT STATEMENT

16 Good morning. My name is Paul Hudgins, 6331
17 Anvil Road, Jacksonville, 32277. I have a --

18 COMMISSIONER KIESLING: Excuse me, sir.
19 Could you repeat your name, because I couldn't hear
20 it?

21 WITNESS HUDGINS: Paul Hudgins,
22 H-U-D-G-I-N-S. In order to be as succinct as
23 possible, I have prepared a statement. May I read
24 that into the record? Is that acceptable?

25 CHAIRMAN JOHNSON: Yes, sir, you may do

1 that, and if you could --

2 WITNESS HUDGINS: I have copies to give
3 to --

4 CHAIRMAN JOHNSON: Very well.

5 WITNESS HUDGINS: This letter is addressed
6 to the Director of the Division of Records and
7 Reporting. As a 40-year customer of United Water of
8 Florida and its two predecessors, I have received data
9 concerning the proposed rate increases now before this
10 body.

11 Upon review of this data I have a number of
12 questions which I would like to address to both PSC
13 and to the Company management. These concerns are a
14 reflection of how these proposed changes may affect me
15 as an individual customer, as well as the impact on
16 thousands of residential, commercial and institutional
17 entities.

18 I have two different types of concerns. One
19 is outlining the data. My first concern is, the
20 amount of the increase is excessive. The request for
21 the combined water and sewer charges will provide a
22 40% increase, amounting to about \$8.4 million per
23 year. (Pause)

24 Would it possible for the secretary or
25 someone to read this letter?

1 CHAIRMAN JOHNSON: I'm sorry? You'd like
2 for someone else to read this letter?

3 WITNESS HUDGINS: Yes, please.

4 CHAIRMAN JOHNSON: We will put it in the
5 record on the correspondence side and have this in our
6 record, if you would like, or are you requesting
7 something --

8 WITNESS HUDGINS: No, that's fine. I just
9 wanted to get it into the records.

10 CHAIRMAN JOHNSON: Mr. Shreve, is it okay
11 that we put this in the correspondence side of the
12 record?

13 MR. SHREVE: That would be fine, if
14 Mr. Hudgins would like that. Certainly.

15 COMMISSIONER GARCIA: If you just want to
16 make comments and highlight what you have in here,
17 that's absolutely fine. You don't necessarily have to
18 read the whole thing, but if there are points that you
19 want to highlight that's absolutely fine, also.

20 WITNESS HUDGINS: Most of them are sort of
21 the technical things. That's why I put it down in
22 writing, because it's in tabular form, and it has to
23 do with the rates themselves, and it's --

24 COMMISSIONER GARCIA: Do you want any
25 specific responses? You said you have several

1 questions to ask, and obviously I was going through it
2 as you were reading it. Is there any questions you
3 want us to get back to you, to have Staff or the
4 Company respond to you? Is that included in this?

5 WITNESS HUDGINS: Yes. I have outlined
6 specific questions that I have.

7 COMMISSIONER GARCIA: All right. Then Staff
8 will get together with him and find an answer to his
9 questions?

10 MS. CAPELESS: Yes, sir, we certainly can.

11 WITNESS HUDGINS: Thank you.

12 MR. SHREVE: Thank you, Mr. Hudgins.

13 CHAIRMAN JOHNSON: Thank you, sir. And,
14 sir, we will have this as a part of the record, but if
15 you want to get with Mr. Willis, he may be able to
16 help you walk through any questions you'd like to
17 extract and have Public Counsel or someone ask during
18 this proceeding. Thank you very much, sir.

19 MR. SHREVE: Mr. Ed Holland.
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1 ED HOLLAND

2 appeared as a witness and, having been duly sworn,
3 testified as follows:

4 DIRECT STATEMENT

5 WITNESS HOLLAND: Good morning. I'm Ed
6 Holland. My address is 2837 Oak Cove Lane --

7 CHAIRMAN JOHNSON: Sir, I'm sorry. This is
8 a pretty poor sound system. You're going to have to
9 get a lot closer to the microphone and speak right
10 into it.

11 WITNESS HOLLAND: I'm sorry.

12 CHAIRMAN JOHNSON: Thank you.

13 WITNESS HOLLAND: My name is Ed Holland. My
14 address is 2837 Oak Cove Lane, 32277, Jacksonville,
15 Florida.

16 I would like to ask you ladies and gentlemen
17 one question. How much has your salary increased in
18 the last 10 to 13 years? I'm quite certain none of us
19 has had 67, 70 or 100% increase. My water bill and
20 wastewater bill with this Company has exceeded 100%
21 the last 10 to 13 years. I think this is extravagant.

22 Someone somewhere along the line is not
23 doing proper planning with this company to cover their
24 future expenses. It appears to me that every time
25 something comes up, they want to go before the

1 Commission and ask for a higher rate increase.

2 I just wonder if these gentlemen are setting
3 aside a certain amount of their income each year to
4 offset these costs that they're encountered with,
5 because a lot of the people in my area are retired
6 people and they cannot afford such expensive
7 increases. They are making excessive money off their
8 wastewater for water that does not even go into the
9 sewage. There are people in my neighborhood that
10 cannot water their lawns because they can't afford to.

11 I think it is high time that this thing is
12 curtailed and it's curtailed drastically. If they do
13 get an increase, let them get what the retired people
14 get, 2.6. I'm sorry, but, gentlemen, that's the way I
15 feel about it, and I think someone in your Company
16 should get out his pencil and start figuring closer
17 the other way around the tree, because people cannot
18 afford being raised every year; and I've had a rate
19 increase every year I've been at my home. It's
20 absolutely ridiculous.

21 We small people get tired of getting where
22 we can save a dollar and here comes someone else going
23 to take another dollar out of our pocket. We can't
24 afford it no more.

25 Now, there is certain limits that the

1 Company can do to cover these expenses, but it strikes
2 us when something comes up, you run to the Public
3 Service Commission wanting a rate increase. I hate to
4 sound repetitious, but this disturbs me, because I see
5 what the outcome puts on people. And I thank you for
6 your time.

7 CHAIRMAN JOHNSON: Any questions? Is it
8 Mr. Holland or Hollins?

9 WITNESS HOLLAND: Holland, H-O-L-L-A-N-D.

10 CHAIRMAN JOHNSON: Do you have any comments
11 on the quality of water?

12 WITNESS HOLLAND: At times the quality has
13 been good. At times the chlorine would be so strong
14 you couldn't hardly drink it. To be honest with you.
15 I have a deep well on my property, and I prefer
16 drinking water from it than get it from these people
17 at times.

18 COMMISSIONER GARCIA: Is it a lack of
19 consistency, or is it -- does it vary up and down or
20 is it just bad all the time or --

21 WITNESS HOLLAND: No, sir, it's periodic.
22 I'll give the devil his due. As a general rule, the
23 quality is pretty fair, but there are times comes up
24 that the chlorine is excessive.

25 CHAIRMAN JOHNSON: Any further questions?

1 (No response.) Thank you, Mr. Holland.

2 MR. SHREVE: Thank you, Mr. Holland.

3 Mr. Coyle.

4 - - - - -

5 JOHN COYLE

6 appeared as a witness and, having been duly sworn,
7 testified as follows:

8 DIRECT STATEMENT

9 WITNESS COYLE: My name is John Coyle,
10 C-O-Y-L-E. I represent myself as a homeowner. I
11 represent, as president of the Homeowners association
12 of Paloma Point, Jacksonville, 23 individual
13 homeowners. I'm on the board of directors for the
14 Villages of San Jose, representing 400 homeowners. I
15 have and will leave with you the schedule of
16 homeowners for your review. I also have a graph
17 showing the comparison of three additional water
18 companies in the area.

19 I will leave that for you for your review,
20 and in general it shows the percentages of increase
21 that's being requested compared to that that's already
22 in effect in the adjacent areas. The current rate in
23 some areas is 151% against 118%. These records are
24 for your information for making the decision.

25 I have additional information. I'm somewhat

1 questioning it. It's relative to the dividends that
2 are being paid various water companies, owners. There
3 is one comment made -- and I'm not sure of it being
4 correct -- that United Water Resources has merged with
5 a company up north and has not had successful return
6 on their investment. We believe there could be a
7 cross-reference to their moneys being paid by us as
8 rate users.

9 We are not in favor of the rate increase as
10 proposed. As suggested at one point, because of the
11 fixed income of most of the people in our area, we
12 concur with the 026% cost of living index increase; no
13 more. No high dividends for the owners of this
14 equipment. I'm quite sure that other people will
15 dwell on other portions of it. I'd like to leave
16 these three items for your file and review.

17 There was a comment or a second portion
18 regarding water quality. I believe that the system
19 that's being served to our area has a high solid
20 content in it, primarily calcium. It's impossible.
21 That's the extent of my comments. The evidence is
22 here for your review.

23 CHAIRMAN JOHNSON: Any questions?

24 MS. CAPELESS: Staff has a question.

25 Mr. Coyle, we understand that the customers of this

1 Utility, that you're being billed on a quarterly
2 basis; is that right?

3 WITNESS COYLE: Correct. That's their
4 standard.

5 MS. CAPELESS: We're wondering whether you
6 would prefer to be billed on a monthly basis rather
7 than quarterly. Do you have a preference in that
8 regard?

9 WITNESS COYLE: I don't believe at this
10 point I can address that, but quarterly has been
11 acceptable in most industry today.

12 You have to remember that being in business,
13 which I was, the post office is demanding their
14 moneys. So I can see a savings by the water house to
15 go -- to remain with their quarters. I would favor
16 that, but I wouldn't favor a monthly. It would be too
17 expensive, simply too expensive.

18 MS. CAPELESS: Thank you, sir.

19 COMMISSIONER GARCIA: Mr. Coyle, we will
20 look at the documents you submitted, but for my own
21 edification right now, you said there a comparison of
22 three other water companies --

23 WITNESS HOLLAND: Correct.

24 COMMISSIONER GARCIA: -- and their rates.
25 Could you tell me which those are?

1 WITNESS COYLE: St. Johns County and Clay
2 County.

3 COMMISSIONER GARCIA: Okay. Thank you.

4 CHAIRMAN JOHNSON: Any other questions for
5 the witness?

6 MR. ADE: Yes. I did not get Mr. Coyle's
7 address. Could you give us your address, please?

8 WITNESS COYLE: My address -- and I'll give
9 you a card to support it -- is 4175 Paloma Point
10 Court, Jacksonville, Florida, 32217; and I'll give you
11 a card to reinforce it.

12 MR. ADE: Could you spell for me the first
13 name of the -- name of the street?

14 WITNESS COYLE: Paloma, P-A-L-O-M-A.

15 MR. ADE: Thank you, sir.

16 CHAIRMAN JOHNSON: Any other questions? (No
17 response.) And, sir, if you would leave the
18 information there with our court reporter, we'll have
19 that filed in the correspondence side of the record.

20 WITNESS COYLE: Appreciate the opportunity.

21 CHAIRMAN JOHNSON: Thank you very much, sir.

22 MR. SHREVE: Mr. James Wood.

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24

25

1 JAMES WOOD

2 appeared as a witness and, having been duly sworn,
3 testified as follows:

4 DIRECT STATEMENT

5 WITNESS WOOD: Good morning. Can you hear
6 me okay?

7 CHAIRMAN JOHNSON: Yes, sir.

8 WITNESS WOOD: My name is James Wood. I
9 reside at 4834 Marsh Hammock Drive West, Jacksonville,
10 Florida, 32224. My neighborhood is comprised of 82
11 homes and is in an area which has been served by
12 United Water of Florida since 1992. I am speaking for
13 the homeowners association of our neighborhood.

14 In 1992 United Water, then Jacksonville
15 Suburban Utilities, took over the private utility
16 serving our neighborhood. During the course of the
17 transfer, they sought a rate increase to bring our
18 rates in line with the rates of their other customers.
19 Although we did not object vociferously to paying the
20 increased rates, we did request that any rate increase
21 be incremented.

22 The Florida Public Service Commission opted
23 to approve the rate increase, and it was applied in
24 three increments on October 15th, 1992, 1993 and 1994,
25 the last increase synchronizing our rates with those

1 of all the other United Water of Florida customers.

2 It should be noted that in addition to
3 desiring a uniform rate structure, United Water also
4 justified their rate increase at that time by saying
5 that the water plant and sewer treatment facility
6 needed upgrading.

7 As of this date there is still no apparent
8 significant improvement in our water service.
9 Pressure remains intermittently low and United Water
10 Florida is slow to respond to problems and/or customer
11 complaints.

12 Case in point: It took almost a month to
13 get a water leak repaired in the water main side of
14 the service connection at 4847 Marsh Hammock Drive
15 East and 14372 Marsh Hammock Drive South despite
16 almost daily calls to United Water of Florida. Then
17 it took the better part of another month to get them
18 to repair the street and areas they had excavated.

19 The water pressure at my meter was measured
20 by United Water -- as measured by United Water of
21 Florida fluctuates between less than 30 PSI and
22 slightly more than 60 PSI. While our association is
23 concerned about fluctuating pressures into our homes,
24 we are deeply concerned about pressure fluctuations in
25 fire hydrants in our neighborhood.

1 Now United Water of Florida comes forth with
2 an exorbitant increase in their rates because, quote,
3 its present rates do not provide sufficient revenues
4 to permit it an opportunity to earn a fair share of
5 return on its investment and facilities used and
6 useful in furnishing water and wastewater service to
7 the public, end quote. This despite their having
8 taken in July of 1995 a 2.17% adjustment in water
9 rates and a 2.32% plus one penny adjustment in
10 wastewater rates. Then again in June of 1996 a 1.54%
11 plus one cent adjustment in water rates and a 1.03%
12 adjustment in wastewater rates. These were index and
13 pass-through adjustments.

14 A comparison of United Water Florida rates
15 with those of the City of Jacksonville reveals that my
16 last bill for the period 8/13/96 to 11/13/96 showing a
17 usage of 2,700 cubic feet at a cost of \$123.46 plus
18 tax would have cost me \$129.51 plus tax if provided by
19 the City of Jacksonville, \$137.46 plus tax if provided
20 by the City of Jacksonville Beach, and \$144.90 plus
21 tax if provided by Normandy Village Utilities, as a
22 private utility.

23 At the interim rate granted by the PSC in
24 November, 1966 (sic), my bill would have been \$127.11
25 plus tax, and at the final rate requested by United

1 Water of Florida, the bill would have been \$166.76,
2 making United Water of Florida number one on the list
3 of most expensive utility providers of those compared.

4 An article in the Wall Street Journal of
5 Wednesday, December the 4th, 1996 which compared sewer
6 rates and water rates in 10 Florida cities, Fort
7 Lauderdale, Gainesville, Jacksonville, Miami, Naples,
8 Orlando, Panama City, Tallahassee, Tampa and West Palm
9 Beach showed that the City of Jacksonville was second
10 only to Tampa in the cost to the customer of water and
11 sewer per thousand gallons, with Tampa being at \$4.91
12 per thousand and Jacksonville being at \$4.65 per
13 thousand.

14 Those rates requested by United Water of
15 Florida would cost the consumer a whopping \$5.43,
16 which clearly ranks them at the top of the list,
17 surpassing Tampa and Jacksonville; and this doesn't
18 even include the huge increase requested in water and
19 sewer base facility charges. Is this exorbitant or
20 what?

21 United Water Florida and its predecessors
22 claim their last formal rate hike was in 1992.
23 However, they have regularly taken the index and
24 pass-through adjustments authorized by the Florida
25 Public Service Commission and State Legislature. Now

1 they claim they aren't earning a fair return on their
2 investment, and in talking with their management
3 people, that repairs and upgrades are needed.

4 We question what they have done since 1992
5 when they claim they needed to increase our rates to
6 upgrade our water treatment facility and wastewater
7 treatment facility.

8 While we can't address specifically the
9 quality of water coming into our homes, certainly our
10 service hasn't improved significantly. When the
11 service is interrupted for whatever reason and a
12 customer calls in a problem, there's an apparent lack
13 of concern and responsiveness on the part of United
14 Water of Florida. They act as if the customer
15 couldn't possibly know that there is no water coming
16 out of their tap.

17 Although there's some people at United Water
18 who appear responsive to customer needs and are
19 concerned about complaints, all we have to judge them
20 by are results; and at this point results are slow in
21 coming.

22 We firmly believe that no business can
23 succeed if it consistently losses money. However, not
24 making as much as they would like seems to be poor
25 justification for exorbitant rate increases. It

1 appears that the interim rate increase authorized by
2 the Florida Public Service Commission in November of
3 1996 allows United Water of Florida the opportunity to
4 earn the minimum of the range of its rate of return as
5 described in Section 367.082, Florida Statutes.

6 If United Water is losing money, why don't
7 they put the Utility up for sale? We suspect that the
8 desire for more money rather than any planned
9 upgrading is the driving force behind the requested
10 rate increase. We believe that if United Water is
11 granted any additional increases above the interim
12 increase granted in November, 1996, it should be
13 minimal and certainly not one that would put them at
14 the top of the most expensive list.

15 Additionally, they should be required to
16 respond to customer complaints in a timely fashion.
17 There are approximately 10 residents in our
18 neighborhood whose lawn sprinkler systems use water
19 provided by United Water of Florida. A comparison of
20 the utility bills for these residents against the
21 bills of residents who do not use water from United
22 Water Florida for their sprinklers reveals that the
23 consumption of those with sprinkler bills -- or
24 sprinkler systems is roughly twice that of those
25 without them.

1 Based on the previously mentioned 2,700
2 cubic feet bill, this would mean that they would be
3 charged wastewater quantity charges on an additional
4 1,300 cubic feet as there is a maximum of 4,000 --
5 40,000 cubic feet, or an additional \$29.38 based on
6 the interim rates approved by the Commission for
7 gallonage that United Water Florida does not have to
8 process. That equates to approximately \$293.80 from
9 our neighborhood alone per quarter.

10 Since estimates on the number of homes
11 serviced by United Water of Florida is 25,000 in the
12 Jacksonville area, this seems to equate to \$734,500
13 per quarter, assuming that same ratio of using
14 sprinklers as our neighborhood, that consumers are
15 being charged for wastewater treatment that United
16 Water Florida doesn't have to provide. This doesn't
17 even include water that is used to wash, cars, boats
18 and other vehicles. These numbers would seem to
19 equate to \$2,938,000 clear profit per year on this one
20 item.

21 That concludes my prepared statement. I
22 would like to say, since this letter has been written
23 I have met with Mr. Sambamurthi and his staff, and the
24 service in our neighborhood has improved slightly.
25 However, it is not yet what we would like. Thank you.

1 CHAIRMAN JOHNSON: Thank you, sir. Any
2 questions?

3 MS. CAPELESS: Yes. Mr. Wood, do you have
4 an opinion as to whether the Utility should switch
5 from quarterly to monthly billing?

6 WITNESS WOOD: No, ma'am. It makes no
7 difference to us. It's the same amount of money.

8 MS. CAPELESS: Thank you, sir.

9 CHAIRMAN JOHNSON: Any questions?

10 COMMISSIONER DEASON: Yes, I have one
11 question. Sir, at the beginning of your statement you
12 made some references and comparisons with rates with
13 City of Jacksonville and Jacksonville Beach.

14 WITNESS WOOD: That's correct.

15 COMMISSIONER DEASON: The current interim
16 rate is lower than those rates that are currently
17 being charged by Jacksonville and --

18 WITNESS WOOD: Yes. My bill would have been
19 about approximately \$2.00 less with the interim rates
20 as compared to the City of Jacksonville Beach.

21 COMMISSIONER DEASON: But the requested
22 increase, if it were granted in its entirety, would
23 put this Utility's rates higher than any --

24 WITNESS WOOD: Higher than any I've been
25 able to find except for Palm Coast.

1 COMMISSIONER DEASON: Thank you, sir.

2 CHAIRMAN JOHNSON: Any other questions?

3 MS. CAPELESS: One other quick question,

4 Mr. Wood, and that is, what subdivision or
5 neighborhood do you live in?

6 WITNESS WOOD: The name of my subdivision is
7 the Hammocks of Oak Landing. It's located at San
8 Pablo Road and Butler Boulevard, and we are on the
9 tail end of the distribution system from United Water
10 in that area.

11 COMMISSIONER GARCIA: I'm sorry. I didn't
12 hear what you said.

13 CHAIRMAN JOHNSON: The Hammocks of what?

14 WITNESS WOOD: The Hammocks of Oak Landing.

15 It's at the corner of San Pablo Road and Butler
16 Boulevard, and we're on the end of the distribution
17 system of United Water in that area.

18 MS. CAPELESS: Thank you.

19 CHAIRMAN JOHNSON: And, sir, I thought I
20 noticed that you gave a copy of your --

21 WITNESS WOOD: Yes, ma'am, there were three
22 copies that I provided for you folks.

23 CHAIRMAN JOHNSON: Very well. We'll have
24 those on the correspondence side of our record.

25 WITNESS WOOD: Thank you. There also is a

1 letter, should be in the correspondence side, that I
2 wrote to Mr. Doug Martin at the Public Service
3 Commission back in December, and I requested in that
4 letter that it be made a part of this record.

5 COMMISSIONER GARCIA: Let me ask you, going
6 back to the service problems, you said you met with
7 the Company and Mr. Murphy, you stated --

8 WITNESS WOOD: Mr. Sambamurthi, yes. He's
9 the vice-president and general manager, as I --

10 COMMISSIONER GARCIA: And you said there has
11 been some improvement. Could you give me an idea of
12 what the problems have been and what they've done to
13 correct them and what you require to be done to meet
14 your --

15 WITNESS WOOD: I have --

16 COMMISSIONER GARCIA: And also tell me if
17 you've called the Public Service Commission on some of
18 these complaints.

19 WITNESS WOOD: Yes. I talked to Mr. Doug
20 Martin at the Public Service Commission, and he sent
21 an inquiry to United Water of Florida.

22 COMMISSIONER GARCIA: All right.

23 WITNESS WOOD: Generally speaking, the
24 problem that we have had has been intermittently low
25 water pressure. It seems to be a supply and demand

1 type problem; that is, during peak hours it's low. I
2 just checked the pressure gauges this morning before I
3 left and it was upwards of 60 PSI, which is more than
4 adequate. However, at times it drops down to 30 PSI
5 or lower.

6 They have been out and recorded the pressure
7 at my water meter on the main side several times, and
8 their figures are the same as mine. It fluctuates
9 between 30 and 60.

10 To my knowledge, several valves have been
11 replaced. The water service pressure has increased
12 slightly. I think now it fluctuates between 40 and 60
13 PSI, and they have assured me that they're continuing
14 to work on it; and as far as that problems goes, I
15 personally am satisfied with the action they've taken.

16 COMMISSIONER GARCIA: Quality of water?

17 WITNESS WOOD: The quality of the water I
18 can't specifically address. I have a filter on my
19 inlet side and I change it about every 30 days. It
20 appears to be clogged with some sort of solid matter,
21 which I don't know what it is; but as far as odor and
22 taste, I have no problem with that.

23 COMMISSIONER GARCIA: Thank you.

24 CHAIRMAN JOHNSON: Any further questions?

25 (No response.) Thank you very much, Mr. Wood.

1 MR. SHREVE: Thank you, Mr. Wood. Mr. Frank
2 De Hof.

3 COMMISSIONER GARCIA: Before Mr. De Hof
4 goes, could I have the copy of the statement that
5 Mr. Wood submitted? Oh, here it is.

6 - - - - -

7 FRANK DE HOF

8 appeared as a witness and, having been duly sworn,
9 testified as follows:

10 DIRECT STATEMENT

11 WITNESS DE HOF: My name is Frank De Hof. I
12 live at 8138 Fresca Street, Jacksonville, 32217. I'm
13 74 years old, and there's my wife and I and a disabled
14 daughter living at my home. We live on a fairly tight
15 budget, and what extra money we try to set aside, we
16 have to to take care of this daughter.

17 Obviously, since she's 40 and I'm quite a
18 bit older, I'm not going to be here for all of her
19 life, and I have to see that she's got money to take
20 care of her after my wife and I are gone. This
21 increase bites into any extra money that we might
22 accumulate rather deeply.

23 It may be \$50.00 over a quarter doesn't
24 sound like a whole lot to some people, but it sounds
25 like a lot to me, so I would like to see them stop

1 this proposed increase. There must be some other
2 figure, as some of these people have figured out, that
3 would be more appropriate.

4 I also would like to see them go to a
5 monthly billing. The last bill that I had was dated
6 December the 3rd. It was past due on December the
7 26th for \$144.00. That's a nasty bill to get right
8 the day after Christmas.

9 It would be a lot easier as it was in the
10 old days when I first came home from the war. Why, my
11 wife and I had some little envelopes and we had so
12 much went in for the rent, and that went into one
13 envelope, and another envelope was for groceries,
14 another for something else. And I don't have any
15 envelope left to come up with another batch of money
16 for these people.

17 So we got out yesterday after we saw the
18 announcement in the paper and walked the neighborhood
19 and made up a little petition and got about 100 people
20 in our neighborhood to sign, all of whom voiced an
21 objection to the amount of the increase rather
22 vociferously.

23 With regards to the quality, we have a small
24 water filter that goes on the sink, in the kitchen
25 sink, and use it for water that we are going to make

1 for our ice tea and coffee and so forth, because it
2 used to be when you opened up the top part of the
3 refrigerator, the odor from the water that was used to
4 make the ice cubes was very unpleasant.

5 Since we've put in this little, bitty
6 filter, why, that has stopped. But it would seem to
7 me that they certainly ought to be able to do
8 something about improving the quality of the water.
9 Thank you very much.

10 CHAIRMAN JOHNSON: Any questions?
11 Commissioners, any questions? (No response.)

12 Thank you very much. And we did get a copy
13 of that petition and that will be put in the
14 correspondence side of the record.

15 WITNESS DE HOF: Okay. She has it.

16 CHAIRMAN JOHNSON: Yes, sir, we do.

17 MR. SHREVE: Mr. Martin Mittelacher.
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MARTIN MITTELACHER

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2 appeared as a witness and, having been duly sworn,
3 testified as follows:

DIRECT STATEMENT

4
5 **WITNESS MITTELACHER:** My name is Martin
6 Mittelacher. I live at 2450 Lorraine Court --

7 **COMMISSIONER GARCIA:** Sir, could you repeat
8 your last name? I didn't get it. Martin --

9 **WITNESS MITTELACHER:** Mittelacher; spelled
10 M-I-T-T-E-L-A-C-H-E-R. I live at 2450 Lorraine Court
11 South in the Ponte Vedra area. I'm a residential
12 customer of United Water Florida.

13 I respectfully ask the honorable members of
14 the Florida Public Service Commission to deny the
15 Utility's request for an increase in the residential
16 rate of 40.8% for water and 33% for wastewater service
17 for the following reasons: My wife and I are retired,
18 advanced in age, live on a limited income, and need to
19 save to avoid becoming welfare cases one of these
20 days. We have no money to spare to improve the
21 financial well-being of this Utility.

22 We were customers of Jacksonville Suburban
23 Utility Corporation when it was bought up in 1995 by
24 United Water Florida, or rather by its parent company
25 in New Jersey, United Waterworks, Incorporated.

1 Regarding this transaction, the question in my mind
2 is, the New Jersey business people had to take over
3 this Utility. Were they compelled by a higher
4 authority to make this deal? Not very likely. It
5 obviously was their business decision to do so.

6 Now they claim they are not making the kind
7 of money they expected and, under the circumstances,
8 they should not be allowed to force their captive
9 customers to make up for what the Utility owners
10 consider less than ideal returns from their
11 speculative venture.

12 Looking into the documentation provided by
13 the Utility, specifically the synopsis of the
14 application for rate adjustment and the application
15 itself, I am amazed at the extraordinary increase in
16 the rate bases or capital invested for water and
17 wastewater operations from the base year 1995 to the
18 test year 1997.

19 This rate base for wastewater operations,
20 for example, goes up by more than 55% from \$38,655,631
21 in 1995 to \$60,077,777 projected for 1997. No
22 explanation is given in the synopsis for this enormous
23 increase in capital to be invested. Only in the
24 Company's application document itself is there a brief
25 reference to such a thing as plant addition.

1 Now, plant addition to me, and perhaps
2 others, means additional facilities for servicing new
3 accounts. Utilities, including United Water Florida,
4 collect availability charges from any new accounts to
5 defray the cost of facility additions.

6 So in view of the just mentioned enormous
7 increase in capital to be invested for plant addition
8 in 1997, and considering also United Water's claims
9 that it will not make a decent profit in 1997, would
10 it not be logical to expect the Utility to also
11 increase these availability charges on new accounts in
12 tune with this other enormous rate increase request?
13 But now they are left untouched so that, for example,
14 service additions for developers and owners of upscale
15 new homes are, in effect, to be subsidized by
16 economically less advantaged customers of the Utility.

17 In summary, I respectfully urge the
18 honorable Commission members to deny the high rate
19 increase requested by United Water Florida for the
20 following reasons: Number one, they create an unfair
21 and unreasonable extra burden on the economically
22 disadvantaged.

23 Number two, they would reward poor business
24 judgment on the part of the applicant and would
25 unfairly penalize Utility customers for what the New

1 Jersey company considers less than ideal performance
2 of its speculative venture.

3 Number three, United Water Florida intends
4 to raise the rates for existing customers but fails to
5 also increase availability charges on new accounts.
6 This inequity should not be allowed. And,
7 furthermore, not raising the availability charges
8 means that United Water's need for added revenue is
9 not as critical as it tries to demonstrate to the
10 honorable members of the Public Service Commission.

11 Thank you for your attention.

12 CHAIRMAN JOHNSON: Thank you. Any
13 questions?

14 MS. CAPELESS: Yes; the same question. We
15 have the same question for you, Mr. Mittelacher, that
16 we had for some of the other customers, which is, do
17 you have a preference for the Company to switch from
18 quarterly to monthly billings?

19 WITNESS MITTELACHER: No. No; negative.

20 MS. CAPELESS: Thank you.

21 COMMISSIONER GARCIA: Let me ask you about
22 the water quality. How do you feel? Do you think
23 you're getting quality? Do you think you're not?

24 WITNESS MITTELACHER: Well, I have no
25 complaints as far as the operations are concerned.

1 Only problem I have is -- and I can't help it -- our
2 house is 30 feet away from a separate lift station,
3 and then on stagnant air situations, we get some odors
4 that are not very pleasant.

5 Furthermore, there is a pretty heavy duty
6 motor attached to the pump, and it comes on sometimes
7 every 20 minutes and it can be heard in our major
8 bedroom in the evenings, et cetera. But at this point
9 I don't see where I would want to make -- take any
10 action regarding these matters.

11 CHAIRMAN JOHNSON: Any further questions?

12 MR. SHREVE: Mr. Mittelacher, Jack Shreve
13 here. I received a letter from you. With your
14 permission, I'll put it on the correspondence side of
15 the record, the letter that you had written earlier.

16 WITNESS MITTELACHER: Right.

17 CHAIRMAN JOHNSON: Thank you very much, sir.

18 MR. SHREVE: Mr. Robert LaBelle.
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1 ROBERT H. LaBELLE

2 appeared as a witness and, having been duly sworn,
3 testified as follows:

4 DIRECT STATEMENT

5 WITNESS LaBELLE: Thank you for this
6 opportunity. I have a copy of my statement that I
7 will put in the file. It's lengthy. It contains
8 facts, so please bear with me as I go through it.
9 It's addressed to Ms. Blanca Bayo, which I think is
10 the name of the person that was given in the
11 literature.

12 COMMISSIONER GARCIA: Mr. LaBelle, before
13 you --

14 WITNESS LaBELLE: My name is Robert H.
15 LaBelle, 2944 Madrid Avenue East, Jacksonville,
16 Florida, 32217.

17 I own my own home, and for over 29 years
18 have been a residential customer United Water Florida,
19 previously known as Jacksonville Suburban Utilities
20 and Southern Utilities.

21 This is the first time I have ever testified
22 at a public hearing of any kind. I am not a activist.
23 However, when I saw the magnitude of UWF's base rate
24 increase request, I felt compelled to investigate the
25 validity of UWF's petition.

1 My concern was based not only on the
2 magnitude of the request, but also on my
3 dissatisfaction with the quality of UWF's product,
4 water, and service as personally experienced by me and
5 shared by my neighbors and others whom I know
6 personally and are customers of UWF.

7 Upon asking other customers about the
8 proposed rate increase, I discovered a high level of
9 apathy. The belief most commonly expressed is that
10 the rate increase is already a done deal and that the
11 hearing and other processes are perfunctory; that the
12 Florida PSC will grant the increase no matter what.

13 This apathy and attitude has been nurtured
14 by the numerous times UWF was granted COLA increases,
15 cost of living, routinely and automatically.

16 I hope that this apathy can be dispelled by
17 the Commission giving my testimony very careful
18 consideration, listening to the facts I will present,
19 and concluding, as I have, that UWF is way off the
20 mark in its effort to raise its base rates by over
21 40%, which would make UWF one of the more or most
22 expensive water utilities in the state and among the
23 more profitable private corporations, utility or
24 otherwise, in the country.

25 Before giving you the facts just referred

1 to, I must admit to my lack of knowledge as to what
2 exactly will spark the Commission's interest in
3 considering the right decision.

4 For example, I don't know if it matters to
5 the Commission that none of the UWF customers I know
6 will drink their tap water because of its foul taste.
7 All of my neighbors whom I know personally either have
8 felt it necessary to install a home water filtering
9 system, or pay the added expense of buying bottled
10 drinking water, or both.

11 Nor do I know if it matters to the
12 Commission that over the past several years UWF has
13 paid tens of thousands of dollars in fines and
14 attorneys' fees for violations of state and/or federal
15 regulations. One lawsuit in particular filed by the
16 Natural Resources Defense Counsel, Inc. and settled by
17 a consent decree cost UWF tens of thousands of dollars
18 alone, money which could have gone for capital
19 improvements or certainly, if avoided by prudent
20 management, would have been reduced -- would have
21 reduced operating costs.

22 Nor do I know if it matters to the
23 Commission that I have personally experienced two
24 major sewage backups into my home since 1985 caused by
25 UWF. I find it plausible that other customers may

1 have been similarly affected but that their experience
2 may be hidden in the mounds of data provided for this
3 rate increase petition or not reported at all.

4 Nor do I know if it matters to the
5 Commission to ask and get answers to the question "Who
6 is ultimately profiting from UWF's business?" It
7 seems more than strange that since 1995 there have
8 been at least ten corporate names involved in the
9 ownership and/or management of UWF, and that this
10 convoluted string of corporate musical chairs has the
11 appearance of a corporate shell game designed to
12 conceal something.

13 Lastly, and before I get into some numbers
14 and facts relevant to UWF's rate increase filing. It
15 is noteworthy that I visited UWF's main office on
16 Millcoie Road twice and spent many hours going through
17 the extensive data provided for public inspection.

18 While going through the data several times I
19 hit dead-ends, because in some cases the information I
20 needed was either contradictory or was in a combined
21 format instead of broken out by category or separate
22 plants and so forth. It occurred to me that surely
23 the Commission would have spotted the same problems
24 and requested from UWF clarification or more
25 information.

1 I am not referring to small stuff. There
2 was enough bad information that UWF would have had to
3 publish almost a whole syllabus regarding what I
4 perceived as deficiencies in UWF meeting the basic
5 reporting requirements for a rate filing. It appears
6 that customers wanting to get the full picture may
7 have been deprived by UWF not satisfying the
8 requirement of full disclosure. With that said, I
9 will now present facts and analyses relevant to UWF's
10 rate hike request.

11 UWF is requesting a water rate increase of
12 40.4% for their quarterly water charges for all
13 residential meter sizes. This increase supposedly is
14 linked to an inexplicable return on equity of 9.89%.
15 The 40.4% rate hike will result in a typical household
16 quarterly water and wastewater billing of about
17 \$200.00.

18 That amount would be 60% higher than the
19 rates currently charged to customers of the City of
20 Jacksonville and be among the highest in the state,
21 based on a recent article in the Florida Times Union
22 comparing rates among major Florida cities.

23 It is worth noting that the City of
24 Jacksonville rather than raising rates is seeking ways
25 to reduce or hold rates by placing the Public Utility

1 Works Department under the Jacksonville Electric
2 Authority. Moreover the City of Jacksonville, per a
3 January 22nd, 1997 Florida Times Union article and per
4 City utility officials, James Chansler, director, and
5 John Jolly, scuttled a rate increase slated for this
6 April because of a combination of cost-cutting moves
7 and revenue growth.

8 They said, quote, "It is noteworthy that the
9 City of Jacksonville's Public Utility Department is
10 funded by customer revenues rather than City taxes."
11 The lesson here is that if an agency of local
12 government usually tagged for bureaucratic
13 inefficiency can cut costs and hold the line on rates,
14 why can't a private utility do it, too, and do it
15 better?

16 Let's now look at the 9.89 return on equity,
17 which appears to be the main driving force behind the
18 magnitude of UWF's rate hike petition. It is
19 befuddling as to how a monopoly, UWF, should be
20 guaranteed a return on equity higher than the average
21 Fortune 500 company which has to operate in highly
22 competitive markets. UWF has no competition. We
23 customers have no place to go to get water to our
24 homes and wastewater out. The 9.89% figure is way out
25 of line with what a monopolistic company should be

1 guaranteed.

2 A question which begs to be asked is, "Whose
3 equity is it?" Frank McGuire in his testimony said
4 that the rate of return of 9.89% is based on the
5 consolidated capital structure of United Waterworks
6 Inc., parent company of UWF. That statement is
7 invalid in the competitive corporate world. The
8 profitability, or rate of return on equity, is
9 consistently based on the capital structure of the
10 subsidiary, not the parent company.

11 In the case of UWF, its equity came
12 primarily from the pockets of its customers. Over the
13 years our dollars have gone into growing the capital
14 base of UWF. Now we customers are being told that UWF
15 wants more of our money so that UWF can grow its
16 equity base more, then charge us higher rates because
17 UWF has more of our money.

18 It does not work that way in a competitive
19 world. It must not be allowed to work that way in a
20 monopolistic world. I implore the Commission to view
21 the rate hike request as it is, a way to reap
22 excessive windfall profits at the expense of captive
23 customers. The answer to the question "Whose equity
24 is it?" is painfully apparent. Even though the
25 balance sheet of UWF says it belongs to the Company,

1 the money came from the pockets of the captive
2 customers. It is our money, our equity, that UWF
3 wants more of.

4 But if the Commission agrees with
5 Mr. McGuire's position of basing UWF's return on the
6 capital structure of its parent company, then the
7 Commission must follow that line of thinking through
8 to its logical end, which is, as of December 31st,
9 '95, per Schedule A-19, Page 1 Line 5, the total
10 equity capital of UWF was \$65,244,106. From that
11 amount one must deduct the long-term debt of UWF's
12 parent company.

13 Normally that amount would be 50% of total
14 equity, which means that UWF's common equity would be
15 about \$26.5 million as of 12/31/95. Even granting an
16 excessive 9.89% return on revenue per year, well below
17 UWF's request for 1996 increase of 5.2 and 8.5 million
18 in '97 -- I'm sorry. Let me restate that.

19 Even granting an excessive 9.89% return on
20 revenue per year -- even granting an excessive 9.89%
21 return on UWFs' common equity as estimated, the math
22 would produce 2.6 million of increased revenue per
23 year, well below UWF's request for a 1996 increase of
24 5.2 million and 8.5 million in '97. UWF and
25 Mr. McGuire cannot have it both ways.

1 If Mr. McGuire's testimony is accepted by
2 the Commission as the basis for an increase, and the
3 Commission agrees with an arbitrary 9.89% figure, then
4 the common equity figure of 26.5 million must be used
5 for the baseline, and UWF would gain 2.6 million in
6 revenues annually. I urge the Commission to reject
7 Mr. McGuire's rationalization of the 9.89% number. It
8 does not hold water.

9 I also implore the Commission to look at the
10 long-term consequences to UWF's customers of agreeing
11 to UWF's request for this excessive rate increase.
12 The projected operating revenue increase to UWF of
13 8.5 million in 1997 won't stop in 1997. Total revenue
14 will continue to grow and grow, as will total equity
15 and value of net plant service, which will be about
16 \$165 million by year-end 1997.

17 Five or ten years down the road we can all
18 bank on UWF coming back for another large increase in
19 its base rates. UWF will once again say that they are
20 not achieving a fair return based on total capital
21 investment and/or equity, and the UWF customer will
22 once again be the target for paying out more money, a
23 vicious circle that appears to have no end.

24 The Commission can do its duty of reaching a
25 decision that is fair to the Utility and to the

1 citizens you also represent, a decision that does not
2 penalize the customers of UWF for being caught up in a
3 monopolistic, increasingly expensive, financial
4 squirrel cage.

5 Here are some alternatives which should be
6 considered. Number one: Deny the rate increase
7 request of UWF and require UWF to better manage its
8 business, thereby enabling it to fund its capital
9 improvements through normal revenues and by use of a
10 capital reserve account, which I could not find. By
11 better managing its business, I mean for UWF to get
12 serious about cost cutting and cost containment, and I
13 will give you a few specific examples in a minute.
14 Better managing its business could also include
15 floating a bond issue to fund specific capital
16 projects. It's done every day by other private
17 corporations. Why not UWF?

18 Now here are a few specific examples where
19 costs could be reduced or are presented in the data
20 from UWF to appear greater than they may be in
21 reality. Frank McGuire's testimony, Number 398 under
22 "Miscellaneous Equipment," the expense jumps from
23 \$44,809 in '95 to \$817,509 in '97, an increase of
24 1,824% in just two years. This expense item cries out
25 for investigation. I managed a multimillion-dollar

1 operation. Miscellaneous equipment means a new
2 screwdriver or toilet seat. \$817,509 will buy enough
3 of those to supply all of Jacksonville.

4 MFR, B-3, Page 116, Schedule G-23,
5 "Post-Retirement Benefits," jumped from \$15,607 in '95
6 to \$539.00 -- \$663,000 (sic) in '97, an increase of
7 3,458%. If this expense is an ERISA, E-R-I-S-A,
8 requirement, it could be a one-time expense to make up
9 for a funding deficit that UWF's management failed to
10 consider. If it is a one-time expense, it should be
11 factored out of any permanent rate structure.

12 I will depart from my written comments for
13 just a minute. I am puzzled by the term
14 "post-retirement benefits". Benefits are either
15 pre-retirement or retirement. To me, post-retirement
16 means somebody has died. Why should they be funding
17 benefits for people who are dead?

18 MFR, B-3 -- and again I'm back to my written
19 comments -- MFR, B-3, Page 116, Schedules G-23,
20 "Outside Services," jumped from \$321,110 in '95 to
21 \$554,396 in '97, an increase of 67.4% in two years.
22 This item needs more careful scrutiny.

23 MFR, B-3, Page 116, Schedule G-23,
24 "Transportation," jumps from \$39,170 in '95 to
25 514,000 -- excuse me. I missed a number. It's

1 390,000 (sic) plus in '95 to 514,031 in '97, an
2 increase of 51.6% in two years. This item also needs
3 more careful scrutiny as to reasonableness,
4 extravagance, or a short-term jump in an expense that
5 does not belong in a permanent rate base.

6 I could list more examples, but my intention
7 is to not pick every expense item apart; rather my
8 intention is to alert the Commission that some or many
9 of the expenses of UWF appear to be questionably
10 expensive or one-time, and may reflect a track record
11 of a business managed in a way that gives only lip
12 service to being seriously cost conscious.

13 Number two: The Commission could grant a
14 one-year increase in base rates for the purpose of
15 funding only the capital needs to replace the Monterey
16 Wastewater and Ponte Vedra plants. This option should
17 only be considered if the plants must be replaced now
18 and UWF cannot possibly raise the necessary capital
19 through a bond issue dedicated for these projects.

20 Frankly, it is more likely than not that
21 replacement could be delayed until a bond offering
22 could be completed. All other capital requirements
23 should be funded through normal revenue growth and
24 cost-reduction/containment and good management.

25 Alternative three: Grant a modest rate

1 increase to achieve a return on equity of no more than
2 5% of UWF's common equity; that is to say, the total
3 equity capital of UWF minus their pro rata portion of
4 the long-term debt of the parent company. The 5%
5 figure is the approximate rate of return to
6 stockholders, owners, of private publicly traded
7 utility corporations.

8 This rate increase would generate an
9 additional \$1.3 million. Coupled with cost-reduction
10 containment programs that UWF management should
11 already have in place, UWF should be able to meet its
12 present and future service responsibilities and earn a
13 reasonable return.

14 Lastly, UWF has requested the implementation
15 of a late charge of \$3.00 for accounts past due by 21
16 days. I request that the 21-day deadline be extended
17 to 30 days, and here is why. On December 23rd I
18 mailed my check for the previous quarter's water and
19 wastewater usage. On January 3rd I received an urgent
20 late notice from UWF. I called my bank on January 3rd
21 and learned that my check had not cleared. Later that
22 week my check cleared.

23 Upon receiving my monthly bank statement, I
24 looked on the back of my canceled check to determine
25 where it was for over two weeks. I don't know how it

1 got to Delaware, but that is where my check was
2 deposited, in the Wilmington Trust Bank of Delaware on
3 January the 6th. Then on January the 7th my check was
4 transferred to the Core State Bank of Philadelphia, as
5 a collection bank. I am unable to determine where my
6 check when from there, but my account at UWF was
7 finally credited.

8 As mentioned earlier, with at least 10
9 corporations involved in the ownership and/or
10 management of this private utility since 1995, and
11 customer payments traveling up and down the east coast
12 of the country before being accredited to an account
13 billed out of Jacksonville, a 21-day grace period is
14 insufficient. It is no wonder that 40% of the
15 customer payments are late, per the testimony of UWF.

16 In closing, I appreciate the opportunity to
17 participate in this public hearing. This whole
18 experience has been eye opening, but it also has left
19 me with the nagging feeling that there's a whole lot
20 more underneath the surface that cries for further
21 investigation.

22 It bothers me a lot that I cannot find out
23 who really owns UWF and who finally benefits from the
24 gain in equity that has occurred and will continue to
25 occur at an accelerated rate. I do not have the

1 resources to undertake such an investigation, but
2 maybe someone does and will investigate UWF in depth.

3 I have a copy of my statement made today and
4 would like it to be entered into the official record
5 of this hearing in its entirety. Thank you.

6 CHAIRMAN JOHNSON: Thank you. Any questions
7 for the witness?

8 MS. CAPELESS: We have a few. Mr. LaBelle,
9 do you know which one of United Water's Service areas
10 you receive your service from?

11 WITNESS LABELLE: The San Jose plant -- I
12 have always lived about four blocks from the San Jose
13 plant.

14 MS. CAPELESS: Thank you. And do you have a
15 preference for the Utility to switch from quarterly to
16 monthly billing?

17 WITNESS LABELLE: Yes, ma'am. I definitely
18 do have a preference. If you switch to a monthly
19 rate -- excuse me -- a monthly billing cycle, it will
20 definitely increase the costs to the customer. You'll
21 have to have people coming out and reading our meters
22 once a month. The billing cycle alone, the cost of
23 the accounting will accelerate the costs, and it will
24 give UWF another reason to raise our rates. It will
25 also increase the delinquency -- quantity of

1 delinquency payments.

2 MS. CAPELESS: Thank you, sir.

3 CHAIRMAN JOHNSON: Any further questions?

4 MR. SHILDBERG: No, thank you.

5 CHAIRMAN JOHNSON: Commissioners?

6 COMMISSIONER GARCIA: Well, Mr. Ade, I'd
7 like for you to answer on a late-filed exhibit the
8 questions that were asked in this document. There
9 were several questions directly posed to the Company
10 which you wanted explanations to. Could I ask you to
11 submit a late-filed exhibit to those questions
12 contained in this document?

13 MR. ADE: Yes, Commissioner. What we are
14 going to propose at the conclusion of the customer
15 testimony is that the Company file a late-filed
16 exhibit responding to each of the customers who have
17 made specific requests; and with that, of course, we
18 would expect the Commission to allow the other parties
19 to respond to that late-filed exhibit in writing also,
20 all to be considered by Commission. That is a
21 procedure we followed in previous rate cases.

22 COMMISSIONER GARCIA: And procedurally he
23 had some questions in term of some of the accounting
24 that was going on. Will someone from Staff sit down
25 with him and explain how we deal with some of the

1 issues he brought up?

2 MS. CAPELESS: Yes, sir.

3 CHAIRMAN JOHNSON: And, Mr. LaBelle, did you
4 pass those written comments to our court reporter?

5 WITNESS LABELLE: Yes, I did.

6 CHAIRMAN JOHNSON: Thank you very much.
7 Those will be included in the correspondence side of
8 our record. Appreciate your comments, sir.

9 MR. SHREVE: Mr. Richard Engel.

10 - - - - -

11 RICHARD ENGEL

12 appeared as a witness and, having been duly sworn,
13 testified as follows:

14 DIRECT STATEMENT

15 WITNESS ENGEL: My name is Richard, Engel,
16 E-N-G-E-L. I'm a resident at 11048 Raley Creek Drive
17 South, Jacksonville, 32225. I've only been a resident
18 of Jacksonville for one year. I moved here from the
19 eastern shore of Maryland. This is the first time in
20 my entire life -- and I'm 51 years old -- that I've
21 ever had to pay a water bill or a sewer bill, so I'm
22 coming from that kind of a background.

23 I would echo everything that Mr. LaBelle has
24 already said, but I have a few comments to make
25 myself, perhaps more from the emotional side of this

1 issue.

2 When I first learned of this proposed
3 increase, I addressed a letter to the Public Service
4 Commission on October the 25th, 1996. I did receive a
5 card of response on November the 21st, 1996, but I
6 also, at the direction of the information, sent copies
7 of that letter to United Water Florida and to the
8 attorneys.

9 I received no response from them whatsoever.
10 In my letter I opposed the outrageous increase for
11 several reasons.

12 Number one, I'm already receiving an
13 inferior product to my home. I cannot drink the water
14 from my tap without filtering it. It is distasteful.
15 It is also as hard as nails, leaving scum on tile and
16 shower glass and vanities and surfaces and everything
17 that is washed in the home, as well as my vehicles
18 outside the home; and those things alone increase the
19 cost of water, because I have to pay for filtering it
20 or have to pay for softening it.

21 In light of my letter and no response, I
22 went to the offices of United Water on November the
23 14th for the purpose of discussing with someone
24 documentation about this request.

25 I was ushered into a rather plush board room

1 and was shown a cardboard box approximately one
2 foot -- two feet long by one foot wide by one and a
3 half feet tall, containing all kinds of paperwork, and
4 I was flabbergasted; and I asked to speak with a human
5 being who could tell me some of what was in that
6 documentation.

7 And that's when Mr. Sambamurthi was ushered
8 in, and I spent some time with him. He was very
9 pleasant in explaining to me that United Water was a
10 part of a 150-year-old company. He talked about their
11 background and about their paying dividends for the
12 past years in excess of 9%, and I suggested to him
13 perhaps that some of that dividend revenue needed to
14 be considered for the customer and not for the
15 stockholders.

16 He did tell me that no rate increase has
17 been requested since 1982, but that United Water had
18 received their COLA increases over the years. But I
19 received little satisfaction regarding the reason for
20 the increase that is requested. There were no
21 specific explanations other than funding was needed to
22 improve facilities.

23 I looked at the notes from their 1995 annual
24 report, which he did give to me, and I noticed there
25 that in August of 1995 United Water of Florida did

1 secure a \$20 million tax exempt bonds issue through
2 the City of Jacksonville, Florida to fund capital
3 improvements; and I wonder what that went for if
4 they're now requesting this kind of funding. I
5 noticed also that other United Water increases were
6 substantially lower than -- requests were lower than
7 this 40 plus%.

8 In New Jersey there was an 8.8 request of
9 the Board of Public Utilities, and in New York, in New
10 Rochelle, there was a 15.2%; and of course both of
11 those are substantially lower than what is being
12 requested here.

13 I personally think this is an outrageous
14 increase. I believe it unjustified. I don't know of
15 any other business that can ask for this kind of an
16 increase and stay in business without some special
17 explanations. I personally am a pastor, and that's
18 what brought me to Jacksonville, my profession. I
19 deal with people all the time. People are important,
20 and I believe as a customer, that makes me important
21 to United Water.

22 I feel, I believe, and I am convinced that
23 such an increase is -- has not been substantiated and
24 is unwarranted, and in my opinion is taking advantage
25 of the 25,000 customers who are locked in who have no

1 recourse, who have no alternatives, who have no
2 options but to bow to United Water and to thank them
3 for a 40% increase. Thank you for listening.

4 CHAIRMAN JOHNSON: Thank you, sir. Any
5 questions for the witness?

6 MS. CAPELESS: Yes. Mr. Engel, would you
7 prefer that the Utility switch to monthly billing?

8 WITNESS ENGEL: No, I would not, for the
9 same reason Mr. LaBelle stated.

10 MS. CAPELESS: Thank you.

11 MR. SHILDBERG: No questions from the
12 Utility.

13 MR. SHREVE: Thank you, sir.

14 CHAIRMAN JOHNSON: Thank you.

15 MR. SHREVE: Suzuki Richardson.

16 CHAIRMAN JOHNSON: Were you sworn?

17 WITNESS RICHARSON: Pardon me? Yes.

18

19

20

21

22

23

24

25

SUZUKI RICHARDSON

1
2 appeared as a witness and, having been duly sworn,
3 testified as follows:

4 DIRECT STATEMENT

5 WITNESS RICHARSON: My first name is
6 spelled, S-U-Z-U-K-I. My last name is Richardson. I
7 live at 14339 Cedar Island Road. That's in the Isle
8 of Palms subdivision off San Pablo Road. I've only
9 been a customer of United Water for one year.

10 And to answer Mr. Garcia's questions, I'm
11 extremely unhappy with the quality of the water. I've
12 never had to request service from them except for them
13 to come turn off my main due to a slab leak that I
14 had. But the water is very hard. It tears up my
15 clothes and it does leave a film on everything, and my
16 drinking water has to be filtered.

17 To answer the PSC Staff questions, I also
18 would not go for the once a month billing due to
19 additional paperwork. However, I would like them to
20 consider automatic payments being withdrawn out of
21 ACH.

22 The reason I came today is because we are,
23 as several other people have said, captive customers.
24 We don't have a choice. If we're unhappy, we can't
25 say, well, I'm not going to use you anymore, I'm going

1 to go to another water company. We are stuck with
2 United Water.

3 And our water does have to be filtered due
4 to the quality, and that's the main reason that I'm
5 here is that the quality of the water to me is not
6 acceptable. It has to be filtered.

7 CHAIRMAN JOHNSON: Thank you. Any questions
8 for the witness? (No response.) You seem to have
9 anticipated and answered all of our questions.
10 Commissioners? (No response.) Thank you very much.

11 WITNESS RICHARSON: Thank you.

12 MR. SHREVE: Thank you. Mr. Paul
13 J. Kekevian.

14 - - - - -

15 PAUL J. KEKEVIAN

16 appeared as a witness and, having been duly sworn,
17 testified as follows:

18 DIRECT STATEMENT

19 WITNESS KEKEVIAN: Good morning. I want to
20 congratulate the gentleman that spoke my name. Very
21 few people get that one right. Anyway, it is Paul J.
22 Kekevian. It's K-E-K-E-V-I-A-N. I reside with my
23 wife at 2442 Lorraine Court North in Ponte Vedra
24 Beach, Florida. We've been residents there now for
25 some six years. And first let me address --

1 COMMISSIONER GARCIA: Even with the spelling
2 of your name, I missed it. Could you repeat it for me
3 real quickly?

4 WITNESS KEKEVIAN: It's K-E-K-E-V-I-A-N,
5 Kekevian. We are retired residents of Florida for
6 these last six years.

7 First, addressing the quality of the water,
8 I guess we were blessed having come from the great
9 state of New York, and the water there is fantastic.
10 I mean, here we have to have a filter, we have to have
11 a water softener, and we have to put lemon in our
12 water in order to even consider drinking it. We never
13 have it in mixed drinks. It ruins the booze. It
14 really does.

15 Anyway, regarding the rate increase, I have
16 written a letter to the Public Service Commission with
17 a copy to the attorney back on November 13th. It was
18 a short letter. I'd like to read it to you.

19 "I am writing to take complete objection to
20 the requested adjustment of service rates, both the
21 proposed interim rates and the proposed final rates
22 being requested by UWF described in their 10/23/96
23 notice to customers in St. Johns County.

24 I discussed this huge increase with a
25 gentleman from United Water recently, and he suggested

1 I write to you. They are looking for a 36 to a 40%
2 increase, which I consider ludicrous. The present
3 inflation rate is under 3%. That was what my last
4 raise was from social security. So that's about nine
5 times the inflation rate.

6 My wife and I are both on retired living on
7 a fixed income, and with everything else going up, we
8 really don't need this huge increase at this time. I
9 would expect your office, PSC, who are the watchdogs
10 over this, to fight this unconscionable increase
11 vehemently on behalf of the citizens.

12 Please keep me apprised of your
13 developments."

14 Well, I got some responses in the form of a
15 card. I'm going to try to be brief here, but all I
16 can say is 40% is outlandish. I've worked for 40
17 years in the insurance business. I have yet to
18 receive a 40% increase in salary at any one time. It
19 would have been nice, but it never happened. And I
20 believe strongly that the 11% interim increase is more
21 than adequate.

22 As a matter of fact, as far as I'm
23 concerned, with the way the water quality is I think
24 it's time to consider going back to a rate reduction.

25 As I said, we're living on a fixed income.

1 It would be -- (pause) -- I'm trying to see when my
2 next point is here.

3 My next point is, it's -- I believe strongly
4 that the Public Service Commission, if they see fit
5 any need to approve an increase, that it be kept at a
6 reasonable, intelligent level, keeping in mind that a
7 lot of citizens here in Florida are retirees in much
8 the same situation I find myself in with fixed
9 incomes. Nothing seems to be going up as far as
10 salary is concerned. Everything else seems to be
11 going up as far as costs are concerned.

12 So please keep that in mind in your
13 determinations. I appreciate what you folks are
14 doing, and I just wonder whether maybe I should have
15 bought the stock.

16 That's about all I have to say, and I thank
17 you. And I totally disagree with going on a monthly
18 basis. I think that defeats all good economic issues.
19 And I'm here to answer questions.

20 CHAIRMAN JOHNSON: Thank you. Any
21 questions?

22 MR. SCHILDBERG: No questions.

23 MR. SHREVE: Thank you very much, sir.

24 Delores Christensen? (No response.) Don Brown.

25 UNIDENTIFIED SPEAKER: Do you mean Don

1 Bruno?

2 MR. SHREVE: Yes, sir.

3 - - - - -

4 DON BRUNO

5 appeared as a witness and, having been duly sworn,
6 testified as follows:

7 DIRECT STATEMENT

8 WITNESS BRUNO: My name is Don Bruno. I
9 reside at 3919 Sierra Madre Drive, Jacksonville.

10 COMMISSIONER GARCIA: Repeat your last name
11 for me real quick.

12 WITNESS BRUNO: Bruno, B-R-U-N-O. I have
13 lived in Jacksonville for 30 years in the same house,
14 which I own with just my wife and I, two people.

15 First of all, I have had over the years many
16 problems. I get -- it's a two-pronged problem; the
17 quality of the water and the lift station, which is
18 behind my house about 30 feet from the end of my
19 property.

20 Over the years, the odor from that lift
21 station has been horrible. They have been called time
22 and time again without result. I normally have to go
23 to the environmental people in order to get a
24 correction made. The most recent thing they've done,
25 I take it, is cover the odor with another kind of

1 chemical which smells just as bad as the sewer odor.
2 That is not correcting a problem, in my estimation. I
3 think Glidden in town has done the same thing.

4 Talk about the quality of the water. The
5 drinking water and water that we use for cooking has
6 been filtered for years and it is not palatable and
7 not drinkable.

8 The chlorine -- that odor that comes out of
9 that water smells worse than the chlorine that I have
10 to clean my pool with. In fact, there is no odor from
11 my pool at all, which is kept clean; but the water
12 coming out of the faucets has more of a chlorine odor
13 than the pool does.

14 The other problem I've had over the years
15 with this company was the result of a leak that I had
16 in the pool. I asked them to consider relieving me of
17 the sewer charge on that bill based on the loss of
18 water, which is probably my fault. I realize that,
19 but I don't like paying for sewer water out of my
20 drinking water facility.

21 For instance, the bill I got this past
22 November -- no, October to the end of December --
23 \$31.00 for the water -- what they call water quality
24 charge. Or quantity, I'm sorry. That's a Freudian
25 slip. The other thing being an \$89.00 charge for

1 sewer quantity charge. Now, that doesn't make much
2 sense to me, since I don't -- it's not really sewer
3 water that I'm using, and I know it's because of the
4 leak I have. And I asked them if they wouldn't adjust
5 my account accordingly.

6 They know what my normal water usage is, and
7 during that period of time when I had the problem with
8 the pool, I got no satisfaction, not even sympathy
9 from anyone that I talked to locally. They are not
10 very customer oriented. I'll tell you that.

11 As far as an increase in the cost of
12 operations -- I assume that's what they're looking
13 for -- the system that they have bought from the
14 previous owner -- I forgot exactly how long ago that
15 was -- but the sewer system was bad then, and if they
16 knew it then, they should have realized that it was
17 bad and fixed it at the time they bought the property
18 instead of waiting over the years to nitpick and get
19 the money to fix it later on.

20 40% increase, I'm sure that's not what they
21 really want. They will get 20% or so and they'll be
22 very happy about it which, I think, is even too much
23 at that.

24 A little tidbit on the side. I visited
25 France a couple of years ago and had the opportunity

1 to go through the sewer system in France, which is a
2 hell of a thing, I know, but I did. And that's been
3 in operation for 400 years, and it's still
4 operational, and I'm sure it's not that -- hasn't been
5 fixed up as much as our sewer system that this local
6 company has bought. I don't know how long ago it was,
7 but I'm sure it's not that -- it hasn't been that bad.
8 But their system is still functional and it's still
9 operational and it costs them a hell of a lot less
10 than it does ours.

11 Needless to say, I don't think they deserve
12 5%, much less 40%. I do agree with every gentleman
13 and lady that spoke here prior to my discussion, and I
14 have the same feeling about everything they did say,
15 especially about the cost of the bills that we get
16 from this company.

17 I own a house in south Ponte Vedra Beach
18 also with the same company. The property owners there
19 have done the same thing we're doing here. They have
20 asked in a letter to United Water to reconsider what
21 they're looking for and why they're looking for it.

22 There isn't much more I can add to what's
23 already been said. I thank you very much ladies and
24 gentlemen. Thank you.

25 COMMISSIONER CLARK: I have a question.

1 Mr. Brown, can I ask you about the leak in your pool?
2 You evidently detected a leak in your pool and had it
3 fixed?

4 WITNESS BROWN: Yes, finally. It was an
5 awful chore for the pool company to finally find the
6 leak. It's been a terrible thing. It's been about
7 two years, and you can imagine how high my bills have
8 been that time. And I don't mind paying for the
9 water, but the portion that they charge for sewage is
10 outrageous, and I don't think they should be charging
11 it.

12 COMMISSIONER CLARK: Do you know what the
13 difference was between your regular, normal bill when
14 you didn't have a leak in the pool and what it was
15 when you did?

16 WITNESS BRUNO: Yes, sure. I have -- I've
17 got a stack of my bills here. I can tell you that.
18 Well, 1994 it was 125. Another one, '93 water bill,
19 water quantity charge was nine, twenty-three and the
20 sewer charge was twenty-seven, fifty-six. That's
21 probably about the average.

22 COMMISSIONER CLARK: 1994?

23 WITNESS BRUNO: Yeah, and I'm going back
24 to --

25 COMMISSIONER CLARK: Does it show the

1 gallonage --

2 WITNESS BROWN: The leak I had was one that
3 increased over the period of time, so it got worse in
4 the last few years.

5 COMMISSIONER CLARK: And do you have a
6 subsequent bill that indicates --

7 WITNESS BROWN: Pardon?

8 COMMISSIONER CLARK: After you got it
9 fixed -- can you tell me what your gallonage was for
10 water right before you got it fixed and after you got
11 it fixed? Do you have that?

12 WITNESS BRUNO: Yes. Well -- yes. I just
13 had it fixed the end of this month, the end of
14 December, rather. So the last quarter of December
15 that bill was 169 -- the total bill was 169 and the
16 water quantity charge was \$31.00.

17 COMMISSIONER CLARK: Do I take it you
18 haven't had a bill since the leak has been fixed?
19 Have you had a bill from the Company since your --

20 WITNESS BRUNO: No, I haven't.

21 CHAIRMAN JOHNSON: Any further questions?

22 WITNESS BRUNO: We're only two people,
23 ma'am. And come to think of it, that would be a lot
24 of sewage for two people to pay that much money --

25 COMMISSIONER CLARK: Let me ask you a

1 question --

2 WITNESS BROWN: -- on a monthly basis.

3 COMMISSIONER CLARK: Does your bill show a
4 gallonage charge? I mean, does your bill show how
5 many gallons you've used, or is it just a gallonage
6 charge?

7 WITNESS BRUNO: No, it doesn't show a
8 gallonage.

9 COMMISSIONER CLARK: Okay. Thank you.

10 CHAIRMAN JOHNSON: Any further questions?

11 MS. CAPELESS: Mr. Bruno, which subdivision
12 do you live in? What's the name of your subdivision
13 or neighborhood?

14 WITNESS BRUNO: I really don't know if it
15 has a name to it. I've been there 30 years. It's
16 32217 right behind -- on Sierra Madre Drive. You have
17 the pump station or -- yeah. You have the pump
18 station on Conga, Conga Street. I'd sure like to have
19 something done about that.

20 MS. CAPELESS: Okay. Thank you. Do you
21 have a preference for the company to go to monthly --

22 WITNESS BRUNO: Anything but what we have.

23 MS. CAPELESS: Pardon me, sir?

24 WITNESS BRUNO: Anything but what we have,
25 and I realize it's a monopoly.

1 MS. CAPELESS: Do you have a preference for
2 the Company to go to monthly billing instead of
3 getting a bill on a quarterly basis? Would you rather
4 get one --

5 WITNESS BRUNO: As one gentleman pointed
6 out, if you want to be efficient, you sure as heck
7 wouldn't go to a 30-day billing.

8 MS. CAPELESS: Thank you, sir.

9 MR. SCHILDBERG: Mr. Bruno, Mr. Sambamurthi
10 has expressed his interest in meeting --

11 WITNESS BRUNO: Pardon?

12 MR. SCHILDBERG: Mr. Sambamurthi, the
13 vice-president and general manager --

14 WITNESS BROWN: Yes, sir.

15 MR. SCHILDBERG: -- the gentleman on my
16 right has expressed his interest in talking to you at
17 the next break. United Water Florida does have a
18 policy about making adjustments for these type of
19 leaks, and he would like to see the documentation that
20 you have --

21 WITNESS BRUNO: Well, I appreciate that sir,
22 but why couldn't your people tell me that two years
23 ago when I called them several times and -- almost
24 weekly and monthly. I do appreciate it. Thank you.

25 CHAIRMAN JOHNSON: Thank you very much. Are

1 there any other witnesses?

2 MR. SHREVE: Yes. Commissioner, we have two
3 of them, one short statement by a witness. We have
4 two more witnesses, and then the Staff sent us a
5 letter. They received a very short statement they
6 wanted read into the record.

7 CHAIRMAN JOHNSON: Very well.

8 MR. SHREVE: Liz Palmer.

9 CHAIRMAN JOHNSON: And, ma'am, have you been
10 sworn?

11 UNIDENTIFIED SPEAKER: Pardon?

12 CHAIRMAN JOHNSON: Were you here when I
13 swore in the witnesses?

14 UNIDENTIFIED SPEAKER: No.

15 CHAIRMAN JOHNSON: And I think we have one
16 more witness that needs to be sworn. Mr. Shreve, the
17 other witness I'm going to go ahead and swear Ms. --
18 is it Palmer?

19 WITNESS PALMER: Yes.

20 CHAIRMAN JOHNSON: And was there another
21 witness?

22 MR. SHREVE: Claire Bee.

23 CHAIRMAN JOHNSON: Very well. If you could
24 stand and raise your right hand.

25 (Witnesses collectively sworn.)

1 CHAIRMAN JOHNSON: If you start by stating
2 your name and spelling your last name and your address
3 for the record.

4 - - - - -

5 ELIZABETH PALMER

6 appeared as a witness and, having been duly sworn,
7 testified as follows:

8 DIRECT STATEMENT

9 WITNESS PALMER: My name is Elizabeth
10 Palmer, P-A-L-M-E-R. I live at 7063 Salamanca Avenue,
11 S-A-L-A-M-A-N-C-A in San Jose, 32217.

12 My husband and I bought our home there four
13 years ago, and during that time I have had a lot of
14 water problems. But my background is as a nurse, and
15 I'm not as old a nurse as my hair would indicate.
16 I've been a nurse 20 years this December.

17 When I was in nursing school I worked in the
18 microbiology lab doing transfer of cultures and that
19 sort of thing, and maintained an interest in infection
20 control. And my primary, first concern with United
21 Water has to do with an incident that occurred at my
22 house that shows their lack of concern for public
23 health, and it really was an outstanding incident, to
24 me, in that example.

25 On a Friday afternoon I was at home and had

1 my washing machine running, and all of a sudden I
2 realized it was trying to pump water, and there was no
3 water coming in, so I turned off the washing machine
4 and turned on the faucet in my laundry room sink, the
5 cold water faucet. Well, when the water came back on,
6 I was astounded because my laundry room sink had an
7 inch deep sediment in it.

8 We had received a notice the week before
9 that there was going to be a water cut-off the
10 following week, and we were not to drink our water for
11 approximately two days and we would receive a notice
12 from Public Health when our water was cleared to
13 drink; this late Friday afternoon. And I called
14 United Water, and I can attest to their lack of
15 service.

16 I couldn't find out anything, and finally
17 someone said, well, we do have this cut-off coming
18 next week and we just wanted to be sure it would work,
19 that they could close the valve -- open the valve and
20 close it again. And I said, well, it is Friday
21 afternoon late. My neighbors and I have had no
22 notification that you were going to do that, and if
23 our water would be unsafe to drink after the cut-off
24 next week, it is certainly unsafe to drink now.

25 I called Public Health. Everyone had gone

1 home except one person, and they helped me with this.
2 It shows a total disregard for public health. And I
3 didn't drink my water until after the following week
4 when the cut-off occurred and Public Health cleared
5 the water to drink. But no one in my neighborhood was
6 advised of that, and I'm sure that they felt once
7 their water cleared, it was safe to drink the water.
8 And only because of my background as a nurse would I
9 have that information.

10 Other times I've called United Water. Just
11 this morning I called to find out about the hearing,
12 and it took about five minutes sitting on the phone to
13 find out when and where this hearing was. Certainly
14 their people should know when and where the hearing
15 was this morning.

16 I apologize for not having my card to know
17 when and where it was, but the last two weeks my
18 sister-in-law has been in CCU, and I'm the only
19 nursing professional in a large family, and have been
20 tied up with that.

21 In addition, I agree that we should not have
22 more than quarterly billing, because it's not
23 cost-effective. I also am concerned about this
24 outrageous increase because I'm a widow as of August.
25 I have two widows on one side of me and a divorcee on

1 the other side, and I understand from her that there
2 are several single women on our street.

3 I'd like to ask a question, had I not been
4 tied up the last two weeks I would have asked in
5 advance.

6 Does United Water have a sewer charge for
7 each toilet in the house? Does that affect your sewer
8 rate? A neighbor told me they thought you had a
9 charge based on the number of toilets in a home.

10 MR. SAMBAMURTHI: No, ma'am.

11 WITNESS PALMER: That's not correct? Good.
12 It's based on water usage?

13 MR. SAMBAMURTHI: (Nodding head.)

14 WITNESS PALMER: A 40% increase will be a
15 real hardship on, I know, two of us on the street, and
16 I assume on -- for several other people on the street.

17 Another comment I'd like to make before I
18 finish is that when we first moved into this house the
19 sewers were torn up on Almars Drive for it seemed like
20 over a year. We would walk -- excuse me. I'm sorry.
21 I forget I speak very softly.

22 We -- my husband and I used to walk down
23 Almars Street from our street. It dissects our
24 street. And on these expensive waterfront homes the
25 sewer and the whole street was torn up for what seemed

1 to me like over a year from the time I moved there.
2 I'm not sure how long the total time was that that
3 street was torn up, but if I lived on Almars, I would
4 have been here this morning complaining about that
5 part of their service, because it's certainly
6 inconvenienced the entire neighborhood.

7 Anyway, thank you for listening to me, and I
8 definitely am concerned about the public health issue
9 and the amount of the rate increase. Thank you.

10 CHAIRMAN JOHNSON: Thank you very much. Any
11 questions?

12 COMMISSIONER GARCIA: Ma'am, was your
13 washing machine hurt by the -- is that why --

14 WITNESS PALMER: Thank you for asking that.
15 Because we had just re-piped our house. Our house had
16 been on a well, and we had two brand new water
17 heaters, and I had to drain one of the water heaters,
18 the one that serviced the laundry room.

19 However, my washing machine wasn't hurt
20 because I cut it off immediately and didn't cut it on
21 until the water was clear. I did run water in my
22 bathtub because it was closer to the incoming water
23 supply. Once I saw what had happened in the laundry
24 room sink, which was the other end of the house, that
25 bathtub was filled with this black, gritty mess that

1 came out. My laundry room was filled with it. The
2 toilet off the laundry room was filled with it.
3 Fortunately, the washing machine was not damaged.

4 But I had another incident after that that
5 was similar. It was not as drastic, but it was
6 similar, and we had not been alerted at all not to
7 drink the water.

8 COMMISSIONER GARCIA: Now maybe I missed it,
9 but what happened when you called the water company on
10 this issue?

11 WITNESS PALMER: Well, there wasn't anyone
12 who could answer a question for me for a while, and
13 then they called me back and told me that they were
14 just opening the valve to be sure that they could
15 carry off what they were going to do the following
16 week.

17 It was late Friday afternoon, and of course
18 no one was available in the usual places to help, the
19 usual governmental agencies. I did get one person who
20 happened to be late at Public Health, and someone
21 called me from home from Public Health.

22 COMMISSIONER GARCIA: But the Company said
23 there was nothing they could do? Or, I mean, they --

24 WITNESS PALMER: Pardon?

25 COMMISSIONER GARCIA: What did the Company

1 just say to you when you had this problem? They just
2 said they were testing something and --

3 WITNESS PALMER: Yeah, and I mean there was
4 no concern about it. There was no concern about it
5 all, and there was no concern about the health issue.
6 To my way of thinking, they should have warned the
7 neighbors. They should have alerted people that the
8 water was unsafe to drink.

9 COMMISSIONER GARCIA: Ma'am, in the
10 future -- and I guess this goes for the rest of the
11 persons who are here -- when you do have a problem
12 with the water company and you don't feel they're
13 being responsive, there is a 1-800 number you can
14 call, which is on this green sheet that you have, and
15 you can -- after you've spoken with the Company, you
16 can call us, and we've got a procedure whereby the
17 Company -- we get into that procedure. And the
18 Company has to respond to us within a certain time
19 frame, and it's filed and logged, and it's important
20 to have that.

21 WITNESS PALMER: Thank you. I appreciate
22 it.

23 COMMISSIONER KIESLING: But I also think
24 it's important to point out that our phones are not
25 answered after 5:00 on Friday either, so that was the

1 reason that you got no help in that one instance.

2 Calling us would not have helped either.

3 WITNESS PALMER: There have been several
4 occasions when the water -- something has happened to
5 the water at 5:00 on Friday, and that was one of my
6 points.

7 COMMISSIONER GARCIA: Well, thank you for
8 that clarification, Commissioner Kiesling, but whether
9 it be at 5:00 or whether it be the following Monday,
10 if you feel you didn't get proper attention from the
11 Company, all you need to do is give us a call and we
12 handle it from there in terms of finding out what the
13 Company did in terms of getting a formal response.

14 WITNESS PALMER: In the future I'll do that.
15 During this time I've had seven deaths in the family
16 or people close to my family, and being the only
17 health care person, it's been overwhelming to me. So
18 I didn't do some of the things I would have done
19 otherwise. Thank you.

20 CHAIRMAN JOHNSON: Thank you very much,
21 Ms. Palmer.

22 MR. SCHILDBERG: Excuse me.

23 CHAIRMAN JOHNSON: Ms. Palmer, there may be
24 a question.

25 MR. SCHILDBERG: Can you tell me when this

1 event occurred?

2 WITNESS PALMER: No. I didn't have time to
3 go look up the dates. I can find out when.

4 MR. SCHILDBERG: Was it -- can you tell me
5 what year it occurred in?

6 WITNESS PALMER: Pardon?

7 MR. SCHILDBERG: Can you tell me what year
8 or month?

9 WITNESS PALMER: I would think that it was
10 within the last year. I'm not sure. I'll have to
11 look up when we re-piped the house. It was shortly
12 after we re-piped the house.

13 CHAIRMAN JOHNSON: Any further questions?

14 (No response.)

15 COMMISSIONER CLARK: Ms. Palmer, it was
16 certainly within the last two years; right?

17 WITNESS PALMER: Oh, yes.

18 COMMISSIONER CLARK: Because you just moved
19 in --

20 WITNESS PALMER: We moved in four years ago,
21 but we didn't re-pipe the house until within the last
22 two years, yes.

23 MR. SHREVE: Thank you. Claire Bee.

24

25

1 CLAIRE BEE

2 appeared as a witness and, having been duly sworn,
3 testified as follows:

4 DIRECT STATEMENT

5 WITNESS BEE: Good morning. My name is
6 Claire Bee, and I want to thank you for listening to
7 what I have to say.

8 COMMISSIONER KIESLING: I'm sorry. You're
9 going to have to start over and talk right into the
10 mike like I am.

11 WITNESS BEE: Okay. Hello. My name is
12 Claire Bee, and I want to thank you for listening to
13 what I have to say. My address is 4823 Marsh Hammock
14 Drive East, and that's Jacksonville. I'm a resident
15 user. I'm also the vice-president of the Hammocks of
16 Oak Landing where Mr. Walt Wood spoke of previously.
17 He's my neighbor. I don't want to reiterate any
18 points this Mr. LaBelle had. He was very eloquent in
19 speaking on a number of issues.

20 As far as the quality of the water, I do
21 filter my drinking water and, also, I find the water
22 to be corrosive. Although I don't personally have
23 current plumbing problems, my friend's had to replace
24 all her plumbing in her house within 10 years of it
25 being built, and she lives three doors away.

1 Coincidentally, she is also the resident in
2 our neighborhood that had the massive leak which was
3 then fixed -- I think it was about two or three months
4 ago.

5 I prefer the quarterly billing system,
6 because I know that it is more cost-effective. I
7 understand currently that we do have the second
8 highest rates of any city in Florida, and with the new
9 rate increase, we would be the highest.

10 And, interestingly, I did note the article
11 in the paper that stated that the JEA is expecting to
12 be able to put a five-year cap on the rates to the
13 City, which are fairly commensurate with the interim
14 rates of the United Water at this point.

15 I'm also very aware from the growth that's
16 going on in the city, and particularly in our area
17 we're expecting the population to triple; and I'm just
18 thinking that with these factors in mind, that United
19 Water should be able to provide services at a more
20 efficient cost to the consumer. And that's about all
21 I have to say. Thank you very much for your time.

22 CHAIRMAN JOHNSON: Thank you.

23 COMMISSIONER KIESLING: Would you spell your
24 last name, please?

25 WITNESS BEE: It's B-E-E.

1 COMMISSIONER KIESLING: Thank you.

2 CHAIRMAN JOHNSON: Any questions?

3 MR. SHREVE: Thank you.

4 CHAIRMAN JOHNSON: Public Counsel, you
5 stated that there was one witness who wanted --

6 MR. SHREVE: The Staff received a letter
7 from a gentleman who is unable to attend the hearing
8 because of disability and request that we -- it's a
9 very short note and -- requested we read it into the
10 record.

11 This is from Mr. Keith Moffett. "I wish to
12 have this letter read into the record at the hearing,
13 Docket No. 960451-WS, on Monday, January 27th
14 regarding proposed rate increases by United Water
15 Florida Inc. I am disabled and cannot attend this
16 meeting. The current water and sewer rates are
17 substantially higher than the national average. Any
18 increases should be justified only after United Water
19 Florida, Inc. limits salary increases of its hourly
20 salary and executive personnel.

21 If the Company finds -- if the Company is --
22 finds there is need for more funds, then they should
23 cut costs first before passing on rate increases to
24 their customers or find additional ways to finance
25 improvements, like assessments on new construction.

1 The level of service in the Fruit Cove and
2 the northwest St. Johns County area has been marginal
3 with water pumping station outages three or more times
4 in the last year. Keith Moffett."

5 Mr. LaBelle has requested the opportunity to
6 make one other very short comment:

7 WITNESS LABELLE: Do I need to restate my
8 name and address and so forth?

9 CHAIRMAN JOHNSON: Yes.

10 - - - - -

11 ROBERT H. LABELLE

12 reappeared as a witness and, having been duly sworn,
13 testified as follows:

14 DIRECT STATEMENT

15 WITNESS LABELLE: My name is Robert H.
16 LaBelle. I live at 2944 Madrid Avenue East,
17 Jacksonville, Florida, 32217. I'm a resident customer
18 of United Water.

19 The testimony that was previously given
20 perked my interest. It has to do with filling water
21 in a leaky pool. I had two incidents last year where
22 my pool leaked. In the winter of 1996 I developed a
23 leak in the pool. The water temperature was 56
24 degrees. I didn't feel like climbing in and finding
25 it until it warmed up.

1 When I finally was able to find it, I had to
2 put in 14,000 gallons of water. I wrote a letter to
3 United Water and explained the situation. They gave
4 me a credit, which was roughly equal to what I had to
5 put in the pool.

6 Later that summer I developed another leak
7 in the pool. It was during the middle of the summer.
8 It happened while my wife and I were away for about a
9 month. When I came back, I had to put another 14,000
10 gallons of water in the pool after I found the leak.

11 I called United Water and wrote them a
12 letter to find out how much credit I would get. I was
13 told that I would get no credit because my total
14 consumption for that quarter was roughly equivalent to
15 what my normal consumption had been. I asked them if
16 that was a regulation or if that was company policy.
17 I was told it was company policy.

18 I think that it's only fair that if I have
19 to put water in my pool because of a leak, that United
20 Water give me credit no matter what my normal
21 consumption rate is. I think there's no relationship
22 whatsoever to my normal consumption rate and a leak in
23 my pool.

24 I would ask the Commission to somehow
25 require United Water to send out a representative to

1 verify the leak and the quantity of water that needs
2 to go in, and give a credit for that amount. And that
3 ends my comment. Thank you.

4 CHAIRMAN JOHNSON: Any questions?

5 MR. SCHILDBERG: No. Thank you.

6 CHAIRMAN JOHNSON: Thank you very much.

7 Mr. LaBelle, if you have any direct questions as to
8 how that issue might be handled -- I'm sure you'll be
9 meeting with the Company -- but Staff is here to
10 assist you also.

11 Are there any other witnesses?

12 MR. SHREVE: That's the last witness that's
13 signed up.

14 CHAIRMAN JOHNSON: Are there any other
15 customers that are here that would like to testify but
16 did not sign up today? (No response.)

17 Seeing none, first I'd like to thank you all
18 for coming out. The testimony was very succinct, very
19 organized, and I appreciated all of those comments.
20 To the extent that you've provided the written
21 comments, indeed, we will have those as a part of the
22 correspondence side of the record, and all the
23 comments will be duly noted.

24 Again, I want to thank you and compliment
25 you all on a job well done. I think you've done a lot

1 to further our education as to the issues facing you
2 on this particular case.

3 With that, I think we will adjourn this
4 portion of our customer hearing. We will reconvene
5 the customer hearings tonight at 6:30, and again we
6 will have customer hearings tomorrow night at 6:30.
7 I'm going to adjourn this and --

8 UNIDENTIFIED SPEAKER: One question.

9 CHAIRMAN JOHNSON: Yes, sir. You will have
10 to come forward again and state your name and address.

11 WITNESS COYLE: My name is John Coyle, 4175
12 Paloma Point Court, Jacksonville. My question and
13 comment: You make reference to an 800 number. In the
14 modern vernacular, is that number monitored after
15 closing hours with some recording?

16 COMMISSIONER GARCIA: No. No -- in fact, I
17 take that back. We may have a recording system, but
18 it's not monitored until people come back later.

19 WITNESS COYLE: Thank you. Become more up
20 to date, please.

21 CHAIRMAN JOHNSON: Thank you for your
22 comment. With that, we will adjourn this portion of
23 the hearing and reconvene at 1:00 for our technical
24 portion of the hearing. Thank you very much.

25 - - - - -

1 (Transcript continues in sequence in
2 Volume 2.)
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