

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. :

SECOND DAY - EVENING SESSION

VOLUME 7

Pages 890 through 989

PROCEEDINGS: HEARING

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

DATE: Tuesday, January 28, 1997

TIME: Commenced at 9:00 a.m.

PLACE: Prime Osborn Convention Center
1000 Water Street
Jacksonville, Florida

REPORTED BY: JOY KELLY, CSR, RPR
Chief, Bureau of Reporting

APPEARANCES:

(As heretofore noted.)

DOCUMENT NUMBER - DATE

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FPSC-RECORDS/REPORTING

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P R O C E E D I N G S

(Transcript follows in sequence from
Volume 6.)

CHAIRMAN JOHNSON: Mr. Buckley.

- - - - -

MICHAEL E. BUCKLEY

was called as a witness on behalf of the Staff of the
Florida Public Service Commission and, having been
duly sworn, testified as follows:

D I R E C T E X A M I N A T I O N

BY MS. CAPELESS:

Q Mr. Buckley, would you please state your
name for the record?

A I'm Michael E. Buckley.

Q Mr. Buckley, would you please speak directly
into the microphone? You'll have to put your face
real close up to the microphone so that everybody can
hear you, okay?

Are you the same Michael E. Buckley who
prefiled or caused to be prefiled direct testimony in
this docket consisting of 11 pages?

A Yes, I am.

Q Do you have any changes or corrections to
make to your testimony?

A Yes, I do.

1 Q Would you please make those changes now?

2 A On Page 3 of my testimony, Line 17, I would
3 like to change the word "many" to "several".

4 Q Do you have any further changes to your
5 testimony?

6 A Yes, I do. On Page 6 of my testimony,
7 Line 14, I would like to change the interest rate to
8 8.81%.

9 Q So you're changing the figure 8.18% to
10 8.81%?

11 A Yes, I am.

12 Q Do you have any other changes to make?

13 A Yes, I do. Page 7, I'm changing on Line 23,
14 interest rate 9.69 should be changed to 10.03%.

15 Q Do you have any other changes to make to
16 your testimony?

17 A Yes. On Exhibit MEB-1.

18 Q Just to the testimony right now,
19 Mr. Buckley, we'll get to the exhibits in a minute.

20 A Okay.

21 Q Do you have any other changes to make to the
22 testimony itself?

23 A No, I don't.

24 Q Okay. Thank you. If I were to ask you the
25 same questions as posed in your testimony, with the

1 corrections that you just made, would your answers be
2 the same today?

3 A Yes, they would.

4 MS. CAPELESS: Madam Chairman, we would
5 propose to have Mr. Buckley's testimony inserted into
6 the record as though read.

7 CHAIRMAN JOHNSON: It will be inserted as
8 though read.

9 MS. CAPELESS: Thank you.

10 Q (By Ms. Capeless) Now, Mr. Buckley with
11 regard to your exhibits, did you also prefiled
12 Exhibits MEB-1, MEB-2 and MEB-3 along with your
13 testimony?

14 A Yes, I did.

15 Q Do you have any corrections or changes to
16 make to those exhibits?

17 A Yes. In Exhibit MEB-1, Page 9 of 19, under
18 the "United Water Florida," the top line, long-term
19 debt cost rate should be "8.81" instead of "8.18."

20 CHAIRMAN JOHNSON: Where was that?

21 WITNESS BUCKLEY: At the top of the page
22 where it says, "Long-term debt under capital
23 components," the cost rate 8.18 should be 8.81; and
24 then the weighted cost would be 4.61. And also down
25 to investment tax, the cost rate would be 10.03 and

1 the weighted cost .21. And then the total, under
2 weighted cost, 9.87. And then down in the next
3 section of the paper under "Long-term debt," the cost
4 rate 8.18 would change to 8.81 and the weighted cost
5 to 4.79. And the total to 10.03.

6 Q Thank you, Mr. Buckley. Do you have any
7 other changes to make to any of you prefiled exhibits?

8 A No, I don't.

9 MS. CAPELESS: Madam Chairman, with those
10 corrections, may we please have Exhibits MEB-1 through
11 MEB-3 identified? And we can make that a composite
12 exhibit, if you'd like, identified with the next
13 available exhibit number.

14 CHAIRMAN JOHNSON: The next available
15 exhibit number is 54. And we'll call this "Buckley's
16 Composite Exhibit."

17 MS. CAPELESS: Thank you.

18 (Exhibit 54 marked for identification.)
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DIRECT TESTIMONY OF MICHAEL E. BUCKLEY

1 |
2 | Q. Please state your name and business address.

3 | A. My name is Michael E. Buckley and my business address is 2540 Shumard
4 | Oak Blvd. Tallahassee, Florida.

5 | Q. By whom are you presently employed and in what capacity?

6 | A. I am employed by the Florida Public Service Commission as a Regulatory
7 | Analyst IV in the Division of Auditing and Financial Analysis.

8 | Q. How long have you been employed by the Commission?

9 | A. I have been employed by the Florida Public Service Commission for
10 | approximately seven years and nine months.

11 | Q. Briefly review your educational and professional background.

12 | A. I have a Bachelor of Business Administration degree with a major in
13 | accounting from Oklahoma University. I was hired as a Regulatory Analyst I
14 | by the Florida Public Service Commission in July 1989.

15 | Q. Please describe your current responsibilities.

16 | A. Currently, I am a Regulatory Analyst IV with the responsibilities of
17 | planning and directing the more complicated financial, program, special and
18 | investigative audits, including audits of affiliate transactions. I am also
19 | responsible for creating audit work programs to meet a specific audit purpose
20 | and integrating EDP applications into these programs. I also direct and
21 | control assigned staff work as well as participate as a staff auditor and
22 | audit manager.

23 | Q. What is the purpose of your testimony today?

24 | A. The purpose of my testimony is to sponsor the staff audit report of
25 | United Water Florida. Docket No. 960451-WS. The audit report is filed with

1 my testimony and is identified as MEB-1.

2 Q. Was this audit report prepared by you?

3 A. Yes. I was the audit manager in charge of this audit.

4 Q. Please review the audit exceptions in the audit report.

5 A. Audit Exceptions disclose substantial non-compliance with the Uniform
6 System of Accounts, a Commission rule or order, Staff Advisory Bulletins, and
7 formal company policy. Audit Exceptions also disclose company exhibits that
8 do not represent company books and records and company failure to provide
9 underlying records or documentation to support the general ledger or exhibits.

10 Audit Exception No. 1 discusses the NARUC uniform System of Accounts.
11 Commission Rule 25-30.115(1), Florida Administrative Code, requires that
12 "Water and wastewater utilities shall, effective January 1, 1986, maintain its
13 accounts and records in conformity with the 1984 NARUC Uniform Systems of
14 Accounts adopted by the National Association of Regulatory Utility
15 Commissioners." The utility uses its own chart of accounts for its record
16 keeping. However, it cross-references these accounts to the NARUC Uniform
17 Systems of Accounts (USOA). ^{Several} ~~Many~~ of these cross-references are incorrect.
18 For instance, in the balance sheet accounts, the utility included Completed
19 Construction Not Classified (USOA account 106), Property Held For Future Use
20 (USOA account 103), and CWIP (USOA account 105) in its account 101. It also
21 incorrectly cross-referenced Accumulated Amortization of Acquisition
22 Adjustments, Other Accounts Receivable (Employees), and Accumulated Provision
23 for Uncollectible Accounts. I believe that these errors in cross-referencing
24 are significant enough to be considered a violation of the rule requiring the
25 USOA.

1 Audit Exception No. 2 discusses continuing property records. The
2 utility Policy Number 120 directs that:

3 "each company maintain separate Continuing Property Records (CPR)
4 ... (and) when properly established will provide: a) an inventory
5 of property records which may be readily spot checked for proof
6 of existence, b) the association of costs with such property units
7 to assure accurate accounting of retirements..."

8 The NARUC USOA also requires that "all property shall be considered as
9 consisting of (1) retirement units and (2) minor items of property." The USOA
10 also goes on to require that when retirement units are retired from utility
11 plant in service, the book cost shall be credited to the utility plant
12 account. Without CPR records, this entry cannot be accomplished.

13 Also, as the utility's own policy points out, CPR records also serve
14 as a method of spot checking for proof of existence. A utility should keep
15 track of all the property that is owned and make sure that it continues to be
16 properly recorded and that none of the property has been lost, stolen or
17 damaged.

18 I recommend that the utility be directed to comply with the NARUC USOA
19 and its own company policy and maintain continuing property records.

20 Audit Exception No. 3 discusses the Allowance for Funds used During
21 Construction (AFUDC). Commission rule 25-30.116(3), Florida Administrative
22 Code, states "a discounted monthly AFUDC rate, calculated to six decimal
23 places, shall be employed to ensure that the annual AFUDC charged does not
24 exceed authorized levels." Subsection (5) further states that "no utility may
25 charge or change its AFUDC rate without prior Commission approval."

1 Commission order 21492, dated June 30, 1989, established an AFUDC rate of
 2 11.12% for this utility. Beginning January 1, 1995, the utility used an AFUDC
 3 rate of 14.83%. The audit estimates that the capitalized AFUDC for 1995
 4 should be reduced by \$94,515 to reflect the discounted rate approved in Order
 5 No. 21492. Exhibit MEB-2 attached to my testimony is the set of work papers
 6 which detail this adjustment. The 1996 rate base and depreciation expense
 7 should also be reduced consistent with the adjustment for 1995.

8 Audit Exception No. 4 discusses numerous errors in the MFR pages for the
 9 capital structure. The first five adjustments are to the capital structure
 10 of United Waterworks Inc. The first adjustment is to the preferred stock.
 11 MFR Schedule D-2 Page 3 of 9 reflects a 13-month average for preferred stock.
 12 Following are the thirteen balances from the general ledger. These result in
 13 an increase to the MFR average of \$4,631.

14	December 1994	\$824,500
15	January 1995	820,000
16	February 1995	815,700
17	March 1995	815,700
18	April 1995	815,700
19	May 1995	815,700
20	June 1995	815,700
21	July 1995	815,700
22	August 1995	815,700
23	September 1995	815,700
24	October 1995	815,700
25	November 1995	815,700

December 1995 801.700

The second adjustment is to short-term debt. Schedule D-4 of the MFRs indicates a thirteen-month average for short-term debt. For most of the months, the utility has calculated a daily average for each month in order to accurately calculate effective interest rates. However, three months reflect incorrect daily averages. December 1994 should be changed to \$6,411,290. April 1995 should be changed to \$235,000. June 1995 should be changed to \$5,870,000. These changes result in a decrease to short-term debt of \$655,595.

The third adjustment is to the long-term debt cost rate. The utility has numerous issues of long-term debt. One coupon rate was entered incorrectly when listing the debt issues and coupon rates in the schedules supporting the MFRs. Account 221-053 should have a coupon rate of 6.35% which results in a new long-term debt rate of 8.1⁹¹%.

The fourth adjustment is to the short-term debt cost rate. The auditors recalculated the monthly interest expense for short-term debt and found errors in the calculations. The correct monthly balances are listed below. When these interest amounts are compared to the corrected short-term debt balances, the resulting effective interest rate is 6.41%.

December 1994	\$35,384
January 1995	43,712
February 1995	2,809
April 1995	1,236
May 1995	11,960
June 1995	30,921

1 July 1995 9.647

2 The fifth adjustment is to the common equity cost rate. After making
3 the previous adjustments to the balances for debt and equity, the cost rate
4 for equity should be adjusted to reflect the revised ratios. This results in
5 a new rate of 11.57%.

6 The next four adjustments are to the capital structure items from United
7 Water Florida. The first adjustment is to the deferred income tax average.
8 In calculating the thirteen-month average for deferred income taxes, the
9 utility used a December 1995 balance of \$231,044. However, the actual balance
10 was \$917,179. Substituting the correct balance and recalculating the average
11 results in an increase to the average deferred income tax of \$52,779.

12 The second adjustment is to the average balance for investment tax
13 credits (ITCs). Schedule D-2 Page 2 of 9 reflects the thirteen monthly
14 balances for ITCs. The December 1994 balance is typed incorrectly and should
15 be \$1,281,558. This decreases the average balance by \$853,846.

16 The third adjustment is to the customer deposit cost rate. The only
17 customer deposits that the utility has collected are from commercial laundry
18 facilities. Commission rule 25-30.311(4)(a), Florida Administrative Code,
19 requires an interest rate of 7 percent on non-residential deposits.

20 The fourth adjustment is to the ITC cost rate. After making the
21 previous adjustments to the balances for debt and equity, the cost rate for
22 ITCs should be adjusted to reflect the revised ratios. This results in a new
23 rate of ^{10.03}~~9.69~~%.

24 Audit Exception No. 5 addresses the MFR schedules A-1 and A-2 for water
25 and wastewater rate base. Commission rule 25-30.437, Florida Administrative

1 Code, requires that "each Class A utility applying for a rate increase shall
2 provide the information required by Commission Form PSC/WAW 19 (11/93),
3 entitled "Class A Water and/or Wastewater Utilities Financial, Rate and
4 Engineering Minimum Filing Requirements." This form includes Schedules A-1
5 and A-2 as rate base schedules and the explanation describes the schedule as
6 an "average rate base for the test year". United Water Florida did not
7 present an average rate base for the test year on these schedules. The rate
8 base presented is a year-end rate base. These schedules should be adjusted
9 to reflect an average rate base, unless the utility demonstrates extraordinary
10 growth or investment costs, with no corresponding increase in revenues.

11 Audit Exception No. 6 discusses plant held for future use reflected on
12 the utility's general ledger. The utility general ledger reflects \$23,776 for
13 plant held for future use but this amount is not reflected in the MFRs. I
14 recommend that the MFRs be reduced by \$23,776 to reflect the balance on the
15 general ledger.

16 Audit Exception No. 7 discusses accumulated depreciation. Page 12 in
17 the audit report only addresses wastewater. However, our audit also looked
18 at the water account. This exception actually covers four areas for both
19 water and wastewater. First, the MFRs reflect a year-end balance of
20 accumulated depreciation instead of a thirteen-month average. According to
21 the general ledger, the thirteen-month average balance is \$8,020,895 for water
22 and \$16,323,875 for wastewater. This is \$131,055 less than shown in the MFRs
23 for water and \$706,459 less for wastewater. Second, the MFR balances for
24 accumulated depreciation are taken from the utility's subsidiary depreciation
25 schedules. However, these schedules do not reflect the general ledger

1 | balances. For water, the MFRs are \$120,808 greater than the general ledger.
2 | For wastewater, the MFRs are \$120,816 less than the general ledger. The third
3 | area concerns the utility's change in 1983 from depreciating total plant to
4 | depreciating plant by account. The 1983 depreciation schedules show \$1,389,492
5 | for water and \$3,129,090 for wastewater labeled "Reserve for Depreciation
6 | prior to 1982." These amounts were written off by 1985. Therefore, the
7 | balance in the accumulated depreciation account is solely the depreciation
8 | since 1983. The fourth area discusses the depreciation rates used. In 1986,
9 | the utility changed its depreciation rates from those used in the last rate
10 | proceeding. The rates the utility changed to are the rates included in the
11 | Commission's depreciation rule 25-30.140, Florida Administrative Code. The
12 | audit attempted to recalculate accumulated depreciation for wastewater using
13 | the rates used in the last order. Without adjustment for the other errors,
14 | the audit calculated a balance for wastewater accumulated depreciation of
15 | \$17,552,424.

16 | Q. Please review the audit disclosures in the audit report.

17 | A. Audit Disclosures disclose material facts that are outside the
18 | definition of an Audit Exception.

19 | Audit Disclosure No. 1 discusses several expense items that are included
20 | in the MFRs that are normally excluded for rate proceedings. The first item
21 | recommends that \$9,603 be disallowed for items which are normally disallowed
22 | for rate determinations. These items generally include charitable
23 | contributions, association dues, and golf cart fees. A full listing is
24 | included in Exhibit MEB-3 attached to my testimony. The second item is for
25 | life insurance for officers and employees. The utility paid \$17,788 for life

1 insurance for officers and employees. The third item states that the utility
2 misclassified a \$10,580 expense as Water insurance when it should have been
3 classified as travel expense. The last item relates to the allocation of rent
4 expense. The utility allocated approximately 93% of the rent expense to the
5 water systems. I believe that the rent should be reduced to 70% for water and
6 the remainder should be allocated to wastewater. This 70/30 split matches the
7 utility's other allocations. This adjustment results in a reduction of
8 \$51,330 to water and an increase of \$51,330 to wastewater.

9 Audit disclosure No. 2 discusses \$78,112 included in expenses in the
10 MFRs for "investor relations." Previous commission orders have disallowed
11 these types of cost in whole and in part. Commission Order No. 11307, issued
12 November 10, 1982, in a Petition of Tampa Electric Company, states

13 "Stockholder relations expenses are incurred for activities
14 related to image building and goodwill. This type of expense is
15 not normally allowed by this Commission if incurred by a utility."

16 Commission Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, for a
17 Petition of Southern States Utilities, Inc., states

18 "However, through the ROE leverage formula, we have allowed
19 recovery of costs associated with being a publicly traded utility.
20 Specifically, in the calculation of the appropriate cost of
21 equity, we recognized an additional 25 basis points to the
22 otherwise determined cost of equity to provide for these costs.
23 To ask SSU's ratepayers to pay 25 basis points on ROE in addition
24 to the amount requested by SSU would be duplicative. We also
25 question whether the benefits SSU receives from MP&L are worth

1 \$208,776 to the ratepayers in Florida. Consequently, we shall
2 disallow all of the utility's requested shareholder services
3 expenses of \$208,776."

4 Commission Order No. PSC-94-0119-FOF-TL, issued February 1, 1994, in a
5 Petition of Quincy Telephone Company states

6 "Intrastate expense should be reduced by \$6,514 to remove half of
7 the costs for activities related to maintenance of an active
8 investor relations program, since these activities benefit both
9 the stockholders and the ratepayers."

10 The amount included in the MFRs is approximately 7% of the total spent
11 by the parent company and consists of:

12 \$8,765	"Annual Report"
13 \$7,097	"Quarterly Reporting"
14 \$18,278	"Annual Meeting"
15 \$26,133	"Transfer Agent"
16 \$17,839	"Other"

17 I am merely disclosing these amounts for the Commission to determine the
18 appropriate treatment.

19 Q. Does this conclude your testimony?

20 A. Yes, it does.

1 Q (By Ms. Capeless) Mr. Buckley, can you
2 please briefly summarize your testimony at this time?

3 A Yes. My testimony is presented to sponsor
4 the rate case audit report on United Water Florida for
5 the year ended December 31st, 1995. The audit report
6 includes seven audit exceptions and two audit
7 disclosures.

8 MS. CAPELESS: Thank you, sir. The witness
9 is available for cross examination.

10 MR. McLEAN: Citizens have no questions.
11 Thank you.

12 CROSS EXAMINATION

13 BY MR. SCHILDBERG:

14 Q Thank you for getting here so quickly today,
15 Mr. Buckley. I'm sure we all appreciate that.

16 MR. SCHILDBERG: We just had something
17 handed out and it turns out that it's a two-page
18 document, so half of you have the first page and half
19 of you have the second page, and we're going to
20 clarify that right now.

21 (Counsel hands out documents.)

22 It's hard to get good help these days.

23 Q (By Mr. Schildberg) I show you a copy of
24 two pages of a document. Does this appear to be a
25 true and correct copy of Sheets F-4 and F-5 of the

1 Florida Public Service Commission's Annual Report
2 form?

3 A I'm not positive of that. I would assume it
4 was.

5 Q Okay. Assuming it is, please turn to Sheet
6 F-5.

7 Looking under utility plant, at the top of
8 the page, isn't it true that total utility plant
9 includes completed construction not classified, which
10 is 106; property held for future use, Account 103;
11 CWIP, Account 105; as well as utility plant in
12 service, which is Account 101; utility plant leased to
13 others, Account 102; utility plant purchased or sold,
14 which is Account 104?

15 A Yes, it does.

16 Q Okay. The total of these is labeled "Total
17 Utility Plant" on sheet F-5; isn't that true?

18 A Yes, it is.

19 Q Okay. Turning to sheet F-4, the first item
20 is listed -- is shown as utility plant in service.
21 And it refers to reference Page F-5; isn't that
22 correct?

23 A Yes.

24 Q And what account number do they use there?

25 A 101.

1 Q Thank you. Looking to your testimony on
2 Page 3, Lines 18 through 20, isn't it true that the
3 three items mentioned on that, which are completed
4 construction not classified, property held for future
5 use, and CWIP are included in Account 101 on the
6 annual report form?

7 A In the annual report form, yes.

8 Q Thank you. Turning to your testimony, on
9 Page 8, Lines 11 through 15, you refer to Audit
10 Exception 15 -- excuse me, Audit Exception 6. In
11 there you recommend that the MFRs be reduced by
12 \$23,776 to reflect the balance with respect to plant
13 held for future use.

14 Are you aware that Staff's position on Issue
15 8 of the Prehearing Order is that it's appropriate to
16 include -- excuse me, Issue 8 of the Prehearing Order
17 which is, "Is it appropriate to include property held
18 for future use in rate base," is as follows:

19 "No. Of the \$23,767 recorded in property
20 held for future use, \$15,000 should be excluded from
21 rate base. The remaining \$8,776, an easement in Ponte
22 Vedra service area, should be reclassified as plant in
23 service."

24 MS. CAPELESS: Objection. I don't believe
25 the witness is qualified to answer. He audited the

1 books, but he had nothing to do with formulating the
2 issues and would have no reason to even be aware of
3 what the issues are in this case.

4 MR. SCHILDBERG: I'm asking the Staff's
5 witness if he is aware of the position which I believe
6 bears his name as the witness for that position.

7 WITNESS BUCKLEY: What issue number?

8 Q (By Mr. Schildberg) It's issue -- I'm
9 incorrect. It shows it as Mr. Larkin.

10 CHAIRMAN JOHNSON: So you're withdrawing the
11 question.

12 MR. SCHILDBERG: Yes, ma'am, I'll withdraw
13 the question. Thank you.

14 Q (By Mr. Schildberg) Mr. Buckley, when you
15 wrote your testimony, had you had an opportunity to
16 review the comments the Company filed in response to
17 the audit report?

18 A Yes, I did.

19 Q Thank you. Turning to Page 9, Lines 2
20 through 8 of your testimony, you refer to an account
21 labeled "Reserved for Depreciation Prior to 1982."
22 Are you aware that the \$3,129,090 for wastewater in
23 that label was reclassified and not written off?

24 A At that time, I was not.

25 Q Are you aware of that now?

1 A I was told that it was. I'd have to confirm
2 that.

3 Q Thank you. Assuming it was merely
4 reclassified and not written off, would you make any
5 adjustment to depreciation?

6 A If the reclassifying was proper, I would.

7 Q Would or would not make any adjustment?

8 A Would not have to make an adjustment.

9 Q Thank you. Turning to your testimony to
10 Page 5, and going from Lines 14 through 25, and also
11 appearing at the top of Page 6 and Line 1, you list
12 several dates and amounts. Could you tell me what the
13 source of your information is for that?

14 A Yes. The consolidated general ledger of
15 United Water -- United Water, Incorporated.

16 Q Is that United Waterworks?

17 A Waterworks, Incorporated, yes.

18 Q And that's the United Waterworks, Inc. not
19 United Water-Idaho or anything else?

20 A Yes.

21 Q All right. Thank you. Just a minute,
22 please. (Pause)

23 On Page 6, Lines 10 through 14 of your
24 testimony you refer to a new long-term debt rate of
25 8.81%?

1 A Yes.

2 Q Have you prepared work papers which show how
3 you calculated this number?

4 A Compared to what?

5 Q Just that, show how you calculated the
6 8.81%?

7 A I have a work paper that shows that, yes.

8 MR. SCHILDBERG: United Water Florida
9 requests that the Staff provide a set of those work
10 papers as late-filed exhibit.

11 MS. CAPELESS: We can provide that.

12 MR. SCHILDBERG: Thank you.

13 CHAIRMAN JOHNSON: Late-filed 55 will be --
14 could you give me a short title?

15 MR. SCHILDBERG: "Work Papers of Witness
16 Buckley on Long-Term Debt Rate."

17 CHAIRMAN JOHNSON: Very well.

18 MR. SCHILDBERG: Thank you very much. I'm
19 finished.

20 (Late-Filed Exhibit 55 identified.)

21 MR. SCHILDBERG: Thank you very much. I'm
22 finished.

23 CHAIRMAN JOHNSON: No further questions?

24 MR. SCHILDBERG: No further questions.

25 CHAIRMAN JOHNSON: Commissioners? Any

1 redirect?

2 MS. CAPELESS: One question.

3 REDIRECT EXAMINATION

4 BY MS. CAPELESS:

5 Q Mr. Buckley, referring to the two annual
6 report pages that the Utility handed out to you, if
7 you look at Page F-5, does Page F-5 reflect USOA
8 account numbers for each of the line items?

9 A Yes, it does.

10 MS. CAPELESS: Thank you. We don't have any
11 other questions.

12 CHAIRMAN JOHNSON: Exhibits? We have a
13 composite exhibit.

14 MS. CAPELESS: Staff moves Exhibit 54.

15 CHAIRMAN JOHNSON: It will be admitted
16 without objection.

17 (Exhibit 54 received in evidence.)

18 CHAIRMAN JOHNSON: Mr. Buckley. You're
19 excused. Thank you very much.

20 WITNESS BUCKLEY: Thank you.

21 (Witness Buckley excused.)

22 - - - - -

23 CHAIRMAN JOHNSON: Let's quickly review our
24 exhibit list.

25 MS. CAPELESS: Madam Chairman, we would like

1 at this time, before we even do that, is to offer in
2 the testimony and exhibits of the witnesses who have
3 been stipulated.

4 CHAIRMAN JOHNSON: All right.

5 MR. SCHILDBERG: Mrs. Capeless, were you
6 planning on striking any of the exhibits of
7 Mr. Grayson?

8 MS. CAPELESS: Yes, and I'll get to that.
9 Certain pages were inserted in error and we'll tell
10 you about that.

11 CHAIRMAN JOHNSON: Okay.

12 MS. CAPELESS: The parties have stipulated
13 that the testimony and prefiled exhibits of Staff
14 Witness Grayson, Bolam, Hamilton and Rodriguez may be
15 admitted into the record, and we'd like to move them
16 into the record at this time, beginning with the
17 prefiled testimony of John M. Grayson, and Pages 1
18 through 15 of his prefiled exhibit JMG-1. Pages 16
19 through 37 of that exhibit were inadvertently
20 included. Those pages contain one page of scribble
21 and the Company's comments to the rate base audit
22 report which has already been entered into the record.
23 If we can get an exhibit number for that portion of
24 JMG-1.

25 CHAIRMAN JOHNSON: We'll mark that

1 Exhibit 56.

2 (Exhibit 56 marked for identification.)

3 MS. CAPELESS: And we'd also like to have
4 the testimony of David J. Bolam inserted into the
5 record as though read, as well as the testimony of
6 Thomas R. Hamilton along with his prefiled exhibit
7 TRH-1 which will need to be identified, please.

8 CHAIRMAN JOHNSON: TRH-1 will be identified
9 as Exhibit 57.

10 (Exhibit 57 marked for identification.)

11 MS. CAPELESS: Thank you. And the testimony
12 of Blanca Rodriguez, we would ask that it be moved
13 into -- inserted into the record as though read.

14 CHAIRMAN JOHNSON: Very well, we will insert
15 into the record as though read John M. Grayson's
16 testimony, David -- how do you pronounce the last
17 name?

18 MS. CAPELESS: Bolam.

19 CHAIRMAN JOHNSON: Bolam. Thomas Hamilton
20 and Blanca Rodriguez.

21 MS. CAPELESS: Yes, ma'am.

22 CHAIRMAN JOHNSON: They will all be inserted
23 as though read.

24 MS. CAPELESS: Thank you. And those two
25 exhibits have been stipulated in.

1 CHAIRMAN JOHNSON: They will be admitted
2 without objection.

3 MS. CAPELESS: Thank you.

4 (Exhibits 56 and 57 received in evidence.)
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DIRECT TESTIMONY OF JOHN M. GRAYSON

1
2 Q. Please state your name and business address.

3 A. My name is John M. Grayson and my business address is 2540 Shumard Oak
4 Blvd., Tallahassee, Florida.

5 Q. By whom are you presently employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission as the Inspector
7 General.

8 Q. How long have you been employed by the Commission?

9 A. I have been employed by the Florida Public Service Commission for
10 approximately six years.

11 Q. Briefly review your educational and professional background.

12 A. In 1988, I received a Bachelor of Science Degree in Accounting from
13 Bethune-Cookman College. I received a Master of Business Administration
14 Degree from Nova University in 1992. I worked for the Florida
15 Department of Transportation as an Accountant before joining the
16 Commission staff. I was an Auditor with the Commission from October
17 1989 to October 1992. I then worked as an Analyst in the Bureau of
18 Revenue Requirements (Telecommunication Accounting Section) until May
19 1994. At this time I accepted the position of Inspector General with
20 the Florida Department of Education and worked there until I returned
21 to the Commission as a Regulatory Analyst Supervisor in March 1995.
22 In August 1996 I was appointed as the Inspector General for the
23 Commission. I am also a Certified Public Accountant licensed in the
24 State of Florida.

25 Q. Please describe your current responsibilities.

- 1 A. My current responsibilities include the performance of audits,
2 investigations, and management reviews relating to the programs and
3 operations of the Commission as well as other duties and
4 responsibilities provided for in Section 20.055, Florida Statutes.
- 5 Q. Have you presented expert testimony before this Commission or any other
6 regulatory agency?
- 7 A. Yes. I presented testimony which sponsored the staff audit report of
8 Venture Associates Utilities Corporation, Docket No. 930892-WU, in
9 January 1996.
- 10 Q. What is the purpose of your testimony today?
- 11 A. The purpose of my testimony is to sponsor the staff Rate Base Audit
12 Report of United Water Florida Inc., Undocketed, for the Fourteen Years
13 Ended December 31, 1994. The audit report is filed with my testimony
14 and is identified as JMG-1. I am sponsoring this audit report as part
15 of my responsibilities from when I was the audit supervisor of the
16 Tallahassee district office, not as part of my current position as
17 Inspector General with the Commission.
- 18 Q. Was this audit report prepared by you?
- 19 A. Yes, I was the audit manager in charge of this audit.
- 20 Q. Do you have any changes to make to this audit report?
- 21 A. Yes. After reviewing the utility's comments to the rate base audit
22 report I do have some changes. These revisions will be presented in my
23 review of the audit exceptions.
- 24 Q. Please review the audit exceptions in the audit report.
- 25 A. Audit Exception No. 1 addresses the Continuing Property Records for land

1 transactions. Commission Rule 25-30.115(1), Florida Administrative Code,
2 requires that "Water and wastewater utilities shall, effective January 1,
3 1986, maintain its accounts and records in conformity with the 1984 NARUC
4 Uniform Systems of Accounts adopted by the National Association of Regulatory
5 Utility Commissioners." The Uniform System of Accounts (USOA) Accounting
6 Instruction 24C for Utility Plant - Land and Land Rights states "A record
7 shall be maintained showing the nature of ownership, full legal description,
8 area, map reference, purpose for which used, city, county and tax district in
9 which situated, from whom purchased or to whom sold, payment given or
10 received, other cost, contract date and number, date of recording of deed, and
11 book and page of record." Accounting Instruction 2.A. General - Records
12 states "Each utility shall keep its books of accounts, and all other books,
13 records, and memoranda which support the entries in such books of account so
14 as to furnish readily full information as to any item included in any
15 account." On February 2, 1996, the audit staff requested the information
16 required by this instruction for all land transactions from 1981 through 1994.
17 On February 21, 1996, the utility responded that some of the items requested,
18 (related to land acquired or purchased by means other than acquisitions) were
19 not readily accessible and might require excessive research. The audit staff
20 had not been provided a complete response to this request when the audit
21 report was issued on July 22, 1996.

22 I believe that the utility's failure to fully respond indicates that its
23 records were not maintained in a manner so as to furnish readily full
24 information as to any land item. Therefore, I believe the utility is in
25 violation of Rule 25-30.115.

1 Audit Exception No. 2 addresses the preservation of utility records.
2 Commission Rule 25-30.110(1)(a). Florida Administrative Code requires that
3 "Each utility shall preserve its records in accordance with the "Regulations
4 to Govern the Preservation of Records of Electric, Gas and Water Utilities"
5 as issued by the National Association of Regulatory Utility Commissions, as
6 revised May 1985." These regulations require the utility to retain records
7 related to plant a minimum of 25 years. United retains vendors' invoices with
8 amounts less than \$2,000 in Jacksonville. In February 1996, United discovered
9 the accounts payable invoice files for the years 1990 and 1991 were not in
10 storage. The utility represented to the auditors that the records were
11 discarded with those files that exceeded the record retention date. One of
12 the basic standards of auditing requires that the auditor obtain "sufficient,
13 competent evidential matter." The standards further discuss that when
14 "evidential matter can be obtained from independent sources outside an entity,
15 it provides greater assurance of reliability" This basic principle is
16 why auditors prefer invoices over canceled checks and company prepared reports
17 to verify plant expenditures. The total amount of invoices with amounts less
18 than \$2,000 booked to Utility Plant for 1990 and 1991 was \$182,030 and
19 \$241,839, respectively. Through the utility's own admission, it destroyed
20 records prematurely and is therefore in violation of Commission rule 25-
21 30.110. Because these invoices are the preferred method of verifying plant
22 additions, I recommend that the plant additions that cannot be verified should
23 be removed from rate base along with appropriate adjustments to depreciation
24 expense and taxes.

25 Audit Exception No. 3 discusses the utility's plant accounting. The

1 utility accounts for plant placed into service during the current year in
2 general ledger account 101-00 - Current Year Plant and accounts for the
3 cumulative plant placed into service in prior years in accounts 101-05 and
4 101-55. Prior Year Water Plant in Service and Prior Year Sewer Plant in
5 Service, respectively. Account 101-XX is the NARUC control account for plant
6 accounts 301 through 348 (water) and accounts 351 through 398 (sewer). When
7 support for the activity in the 300 accounts was requested, the utility
8 provided the audit staff with Lotus 1-2-3 spreadsheets which provided plant
9 additions, retirements, and adjustments on a yearly basis. On March 3, 1996,
10 the audit staff asked if the utility maintained a ledger for the 300 accounts.
11 The utility responded, "A LOTUS 1-2-3 plant and accumulated depreciation
12 schedule is maintained identifying all 300 accounts. Entries are posted
13 manually to the LOTUS 1-2-3 schedule which are not linked to the CWIP ledger
14 or general ledger." NARUC, Class A, Instruction 2 requires, "A. Each utility
15 shall keep its books of account, and all other books, records, and memoranda
16 which supports the entries in such books of account so as to be able to
17 furnish readily full information as to any item included in any account." The
18 audit staff believes that the utility is in violation of this rule due to the
19 following factors. First, the plant schedules provided to the audit staff
20 were on a yearly basis and did not provide the detail of transactions which
21 occurred. A subsidiary ledger should contain details of all entries to the
22 300 accounts which are closed monthly to the control account. This was not
23 provided. Second, the schedules provided by the utility did not support the
24 general ledger 101 account as there were errors identified by the audit staff
25 and subsequently corrected by the utility.

1 The audit exception further states that the utility closes multi-year
2 work orders on an annual basis and that plant not in use is booked to plant
3 in service. After further review, the audit staff has concluded that the
4 original conclusion was in error and that the only costs associated with plant
5 placed into service is booked to plant in service.

6 Audit Exception No. 4 discusses the utility's accounting practices for
7 acquisition adjustments and concludes that the utility's books and records do
8 not comply with the NARUC Uniform System of Accounts. Specifically, NARUC,
9 Class A, Instruction 2 requires, "A. Each utility shall keep its books of
10 account, and all other books, records, and memoranda which supports the
11 entries in such books of account so as to be able to furnish readily full
12 information as to any item included in any account." On March 22, 1996, the
13 audit staff requested journal entries and supporting calculations for selected
14 general ledger activity to the acquisition adjustment and related acquisition
15 adjustment amortization accounts (FPSC Document/Record Request #RTM-18). On
16 March 28, 1996, the utility responded that journal entries and supporting
17 documentation for the amortization of acquisition adjustments are not
18 currently available for this request. The basis for acquisition adjustment
19 amortization and supporting documentation may be made available with the
20 response to RTM-10. FPSC Document/Record Request #RTM-10, as referred to by
21 the utility was not responded to by the close of this audit.

22 Audit Exception No. 5 recommended a debit adjustment of \$1,530,199 to
23 account 117.00 - Plant Acquisition Adjustment - Water. Subsequent to the
24 issuance of the audit report, the audit staff has concluded that the proposed
25 adjustment is not appropriate.

1 Audit Exception No. 6 discusses the utility's records relating to
2 Contributions in Aid of Construction (CIAC). During fieldwork, the audit
3 staff verified that the CIAC totals as presented in the Annual Reports (1981
4 1994) were supported by the utility general ledger. The CIAC totals
5 presented in the Annual Reports were supported by the detail schedule totals
6 within the Annual Report, namely Schedule A, Contributions received from
7 Capacity, Main Extension, and Customer Connection Charges and Schedule B,
8 Contribution Received from Developer or Contractor Agreements in Cash or
9 Property. The audit staff attempted to verify that the details presented in
10 Schedules A and B were supported by the utility's books and records. On
11 February 15, 1996, the audit staff requested that the utility provide
12 documentation to support the transactions within Accounts 271-90-CIAC-Closed
13 Work Orders, 271-96 CIAC-Receipt of Contributions (FPSC Document Record
14 Request MC-CIAC 6 & 7). On April 5, 1996, the utility provided the audit
15 staff with computer runs in response to this request. The computer runs
16 provided by the utility did not provide the sufficient documentation to
17 reconcile from general ledger detail to detail maintained in the annual report
18 schedules. The audit staff verbally informed the utility of such
19 inconsistencies. On May 15, 1996, the utility provided a spreadsheet which
20 acknowledged a \$996,139 difference between the detail presented in the annual
21 report and the utility books and records for Account 271-90-CIAC-Closed Work
22 Orders. NARUC, Class A, Instruction 2 requires, "A. Each utility shall keep
23 its books of account, and all other books, records, and memoranda which
24 supports the entries in such books of account so as to be able to furnish
25 readily full information as to any item included in any account. Each entry

1 shall be supported by such detailed information as will permit a ready
2 identification, analysis, and verification of all fact relevant thereto." The
3 audit staff expects the utility to be able to support the detail schedules as
4 filed in the annual reports and believes that the utility's failure to do so
5 violates this rule.

6 Audit Exception No. 7 discusses the utility's records relating to
7 Accumulated Amortization of Contributions in Aid of Construction. On March
8 8, 1996, the audit staff requested information necessary to verify the CIAC
9 amortization rates and bases used to calculate the accumulated amortization
10 amount for water and wastewater (FPSC Document/Record Request No. MC-AA1).
11 This request had a due date of March 12, 1996. The utility responded to this
12 request on July 17, 1996. The audit staff believes that the utility's failure
13 to respond to this request in a timely manner indicates that the utility did
14 not furnish readily the requested information and is therefore in violation
15 of NARUC, Class A, Instruction 2 which requires, "A. Each utility shall keep
16 its books of account, and all other books, records, and memoranda which
17 supports the entries in such books of account so as to be able to furnish
18 readily full information as to any item included in any account. Each entry
19 shall be supported by such detailed information as will permit a ready
20 identification, analysis, and verification of all fact relevant thereto."

21 Audit Exception No. 8 recommended a credit adjustment of \$1,262,048 to
22 account 111 - Reserve for Depreciation. Subsequent to the issuance of the
23 audit report, the audit staff has concluded that the proposed adjustment is
24 not appropriate. It has been brought to my attention that accumulated
25 depreciation was further reviewed in the rate case audit and Mike Buckley is

1 | sponsoring that audit.

2 | Q. Does this conclude your testimony?

3 | A. Yes, it does.

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DIRECT TESTIMONY OF DAVID J. BOLAM

- 1
- 2 Q. Please state your name and business address.
- 3 A. My name is David J. Bolam and my business address is 7825 Baymeadows
- 4 Way, Suite 200B, Jacksonville, Florida, 32256.
- 5 Q. Please state a brief description of your educational background and
- 6 experience.
- 7 A. I received a Bachelor of Science degree in Environmental Engineering
- 8 from the University of Florida in 1984. I am also a registered as a
- 9 Professional Engineer in the state of Florida, License 42480.
- 10 I have been employed with the Florida Department of Environmental
- 11 Protection (FDEP) as an engineer in the Water Facilities program supervising
- 12 permitting for water and wastewater facilities. I have been a permitting
- 13 supervisor for the FDEP from January 1994 to the present. I was a private
- 14 engineering consultant from October, 1984 until December, 1993.
- 15 Q. By whom are you presently employed?
- 16 A. The Florida Department of Environmental Protection.
- 17 Q. How long have you been employed with the FDEP and in what capacity?
- 18 A. I have been employed with the FDEP since January, 1994 in the Water
- 19 Facilities Program. I was originally hired as a Professional Engineer II and
- 20 have held this position since being hired.
- 21 Q. What are your general responsibilities at the DEP?
- 22 A. I am the Domestic Wastewater Permitting supervisor.
- 23 Q. Are you familiar with United Water Florida Inc.'s Royal Lakes wastewater
- 24 facility in Duval County?
- 25 A. Yes.

1 Q. Does the utility have a current operating permit from the Department of
2 Environmental Protection?

3 A. Yes.

4 Q. Please state the issuance date and the expiration date of the operating
5 permit.

6 A. The operating permit, NPDES permit number FL0026751, was issued on
7 January 1, 1993 and expires on January 31, 1998.

8 Q. Is the plant in compliance with its permit?

9 A. Yes.

10 Q. Are the wastewater collection, treatment and disposal facilities
11 adequate to serve present customers based on permitted capacity?

12 A. Yes. The permitted capacity is 3.25 mgd and the 3 month average annual
13 daily flow as of September, 1996 was 2.46 mgd.

14 Q. Are the treatment and disposal facilities located in accordance with
15 Rule 62-600.400(2)(c), Florida Administrative Code?

16 A. Yes.

17 Q. Has the FDEP required the utility to take any action so as to minimize
18 possible adverse effects resulting from odors, noise, aerosol drift or
19 lighting?

20 A. No.

21 Q. Do the pump stations and lift stations meet DEP requirements with
22 respect to location, reliability and safety?

23 A. Yes.

24 Q. Does the utility have certified operators as required by Chapter 62-699,
25 Florida Administrative Code?

- 1 A. Yes.
- 2 Q. Is the overall maintenance of the treatment, collection, and disposal
3 facilities satisfactory?
- 4 A. Yes.
- 5 Q. Does the facility meet all applicable technology based effluent
6 limitations (TBELS) and water quality based effluent limitations (WQBELS)?
- 7 A. Yes.
- 8 Q. Does the facility meet the effluent disposal requirements of Rules
9 62-600 and 62-620, Florida Administrative Code?
- 10 A. Yes.
- 11 Q. Are the collection, treatment and disposal facilities in compliance with
12 all the other provisions of Chapter 62, Florida Administrative Code, not
13 previously mentioned?
- 14 A. Yes.
- 15 Q. Has UWF's Royal Lakes wastewater facility been the subject of any
16 Department of Environmental Protection enforcement action within the past two
17 years?
- 18 A. No.
- 19 Q. Are you familiar with United Water Florida Inc.'s Monterey wastewater
20 facility in Duval County?
- 21 A. Yes.
- 22 Q. Does the utility have a current operating permit from the Department of
23 Environmental Protection?
- 24 A. Yes.
- 25 Q. Please state the issuance date and the expiration date of the operating

1 | permit.

2 | A. The operating permit, NPDES permit number FL0023604, was issued on April
3 | 2, 1996 and expires on April 2, 2001.

4 | Q. Is the plant in compliance with its permit?

5 | A. Yes.

6 | Q. Are the wastewater collection, treatment and disposal facilities
7 | adequate to serve present customers based on permitted capacity?

8 | A. Yes.

9 | Q. Are the treatment and disposal facilities located in accordance with
10 | Rule 62-600.400(2)(c), Florida Administrative Code?

11 | A. Yes.

12 | Q. Has the Department of Environmental Protection (DEP) required the
13 | utility to take any action so as to minimize possible adverse effects
14 | resulting from odors, noise, aerosol drift or lighting?

15 | A. No.

16 | Q. Do the pump stations and lift stations meet DEP requirements with
17 | respect to location, reliability and safety?

18 | A. Yes.

19 | Q. Does the utility have certified operators as required by Chapter 62-699,
20 | Florida Administrative Code?

21 | A. Yes.

22 | Q. Is the overall maintenance of the treatment, collection, and disposal
23 | facilities satisfactory?

24 | A. Yes.

25 | Q. Does the facility meet all applicable technology based effluent

1 limitations (TBELS) and water quality based effluent limitations (WQBELS)?

2 A. Yes.

3 Q. Does the facility meet the effluent disposal requirements of Rules
4 62-600 and 62-610, Florida Administrative Code?

5 A. Yes.

6 Q. Are the collection, treatment and disposal facilities in compliance with
7 all the other provisions of Chapter 62, Florida Administrative Code, not
8 previously mentioned?

9 A. Yes.

10 Q. Has UWF's Monterey wastewater facility been the subject of any
11 Department of Environmental Protection enforcement action within the past two
12 years?

13 A. No.

14 Q. Are you familiar with United Water Florida Inc.'s San Jose wastewater
15 facility in Duval County?

16 A. Yes.

17 Q. Does the utility have a current operating permit from the Department of
18 Environmental Protection?

19 A. Yes.

20 Q. Please state the issuance date and the expiration date of the operating
21 permit.

22 A. The operating permit, NPDES permit number FL0023663, expired on
23 September 30, 1995. An application for renewal of the permit is currently
24 being processed. During the processing period, the former permit is
25 administratively extended.

1 Q. Is the plant in compliance with its permit?

2 A. Yes.

3 Q. Are the wastewater collection, treatment and disposal facilities
4 adequate to serve present customers based on permitted capacity?

5 A. Yes.

6 Q. Are the treatment and disposal facilities located in accordance with
7 Rule 62-600.400(2)(c), Florida Administrative Code?

8 A. Yes.

9 Q. Has the FDEP required the utility to take any action so as to minimize
10 possible adverse effects resulting from odors, noise, aerosol drift or
11 lighting?

12 A. No.

13 Q. Do the pump stations and lift stations meet DEP requirements with
14 respect to location, reliability and safety?

15 A. Yes.

16 Q. Does the utility have certified operators as required by Chapter 62-699,
17 Florida Administrative Code?

18 A. Yes.

19 Q. Is the overall maintenance of the treatment, collection, and disposal
20 facilities satisfactory?

21 A. Yes.

22 Q. Does the facility meet all applicable technology based effluent
23 limitations (TBELS) and water quality based effluent limitations (WQBELS)?

24 A. Yes.

25 Q. Does the facility meet the effluent disposal requirements of Rules

1 62-600, Florida Administrative Code?

2 A. Yes.

3 Q. Are the collection, treatment and disposal facilities in compliance with
4 all the other provisions of Chapter 62, Florida Administrative Code, not
5 previously mentioned?

6 A. Yes.

7 Q. Has UWF's San Jose wastewater facility been the subject of any
8 Department of Environmental Protection enforcement action within the past two
9 years?

10 A. No.

11 Q. Are you familiar with United Water Florida Inc.'s Jacksonville Heights
12 wastewater facility in Duval County?

13 A. Yes.

14 Q. Does the utility have a current operating permit from the Department of
15 Environmental Protection?

16 A. Yes.

17 Q. Please state the issuance date and the expiration date of the operating
18 permit.

19 A. The operating permit, NPDES permit number FL0023671, was issued on
20 November 9, 1993 and expires on April 1, 1998.

21 Q. Is the plant in compliance with its permit?

22 A. Yes. Due to past violations of chronic toxicity limitations, however,
23 the FDEP will issue a consent order with no penalties which require that UWF
24 monitor and collect data to determine whether or not a mixing zone is needed.

25 Q. Are the wastewater collection, treatment and disposal facilities

1 adequate to serve present customers based on permitted capacity?

2 A. Yes.

3 Q. Are the treatment and disposal facilities located in accordance with
4 Rule 62-600.400(2)(c), Florida Administrative Code?

5 A. Yes.

6 Q. Has the FDEP required the utility to take any action so as to minimize
7 possible adverse effects resulting from odors, noise, aerosol drift or
8 lighting?

9 A. No.

10 Q. Do the pump stations and lift stations meet DEP requirements with
11 respect to location, reliability and safety?

12 A. Yes.

13 Q. Does the utility have certified operators as required by Chapter 62-699,
14 Florida Administrative Code?

15 A. Yes.

16 Q. Is the overall maintenance of the treatment, collection, and disposal
17 facilities satisfactory?

18 A. Yes.

19 Q. Does the facility meet all applicable technology based effluent
20 limitations (TBELS) and water quality based effluent limitations (WQBELS)?

21 A. No. As I discussed earlier, the facility has exceeded its whole
22 effluent toxicity limit and the FDEP intends to issue a consent order with no
23 penalties for this violation.

24 Q. Does the facility meet the effluent disposal requirements of Rules
25 62-600, Florida Administrative Code?

1 A. Yes.

2 Q. Are the collection, treatment and disposal facilities in compliance with
3 all the other provisions of Chapter 62, Florida Administrative Code, not
4 previously mentioned?

5 A. Yes.

6 Q. Has UWF's Jacksonville Heights wastewater facility been the subject of
7 any Department of Environmental Protection enforcement action within the past
8 two years?

9 A. No. The forthcoming issuance of the consent order, however, is a
10 continuation of EPA's enforcement regarding the Whole Effluent Toxicity (WET)
11 testing failures.

12 Q. Are you familiar with United Water Florida Inc.'s Holly Oaks wastewater
13 facility in Duval County?

14 A. Yes.

15 Q. Does the utility have a current operating permit from the Department of
16 Environmental Protection?

17 A. Yes.

18 Q. Please state the issuance date and the expiration date of the operating
19 permit.

20 A. The operating permit, NPDES permit number FL0023621, was issued on
21 September 27, 1990 and expired on September 30, 1995. A permit renewal
22 application is currently being processed. During the processing period, the
23 former permit is administratively extended.

24 Q. Are the plants in compliance with its permits?

25 A. Yes.

- 1 Q. Are the wastewater collection, treatment and disposal facilities
2 adequate to serve present customers based on permitted capacity?
- 3 A. Yes.
- 4 Q. Are the treatment and disposal facilities located in accordance with
5 Rule 62-600.400(2)(c), Florida Administrative Code?
- 6 A. Yes.
- 7 Q. Has the FDEP required the utility to take any action so as to minimize
8 possible adverse effects resulting from odors, noise, aerosol drift or
9 lighting?
- 10 A. No.
- 11 Q. Do the pump stations and lift stations meet DEP requirements with
12 respect to location, reliability and safety?
- 13 A. Yes.
- 14 Q. Does the utility have certified operators as required by Chapter 62-699,
15 Florida Administrative Code?
- 16 A. Yes.
- 17 Q. Is the overall maintenance of the treatment, collection, and disposal
18 facilities satisfactory?
- 19 A. No. Corrosion is noted at this facility and must be repaired.
- 20 Q. Does the facility meet all applicable technology based effluent
21 limitations (TBELS) and water quality based effluent limitations (WQBELS)?
- 22 A. Yes.
- 23 Q. Does the facility meet the effluent disposal requirements of Rules
24 62-600 and 62-610, Florida Administrative Code?
- 25 A. Yes.

1 Q. Are the collection, treatment and disposal facilities in compliance with
2 all the other provisions of Chapter 62, Florida Administrative Code, not
3 previously mentioned?

4 A. Yes.

5 Q. Has UWF's Holly Oaks wastewater facility been the subject of any
6 Department of Environmental Protection enforcement action within the past two
7 years?

8 A. No.

9 Q. Are you familiar with United Water Florida Inc.'s Lofton Oaks wastewater
10 facility in Nassau County?

11 A. Yes.

12 Q. Does the utility have a current operating permit from the Department of
13 Environmental Protection?

14 A. Yes.

15 Q. Please state the issuance date and the expiration date of the operating
16 permit.

17 A. The operating permit, permit number D045-260422, was issued December 1,
18 1994 and expires on December 1, 1999.

19 Q. Is the plant in compliance with its permit?

20 A. Yes.

21 Q. Are the wastewater collection, treatment and disposal facilities
22 adequate to serve present customers based on permitted capacity?

23 A. Yes.

24 Q. Are the treatment and disposal facilities located in accordance with
25 Rule 62-600.400(2)(c), Florida Administrative Code?

1 A. Yes.

2 Q. Has the Department of Environmental Protection (DEP) required the
3 utility to take any action so as to minimize possible adverse effects
4 resulting from odors, noise, aerosol drift or lighting?

5 A. No.

6 Q. Do the pump stations and lift stations meet DEP requirements with
7 respect to location, reliability and safety?

8 A. Yes.

9 Q. Does the utility have certified operators as required by Chapter 62-699,
10 Florida Administrative Code?

11 A. Yes.

12 Q. Is the overall maintenance of the treatment, collection, and disposal
13 facilities satisfactory?

14 A. Yes.

15 Q. Does the facility meet all applicable technology based effluent
16 limitations (TBELS) and water quality based effluent limitations (WQBELS)?

17 A. Yes.

18 Q. Does the facility meet the effluent disposal requirements of Rules
19 62-600 and 62-610, Florida Administrative Code?

20 A. Yes.

21 Q. Are the collection, treatment and disposal facilities in compliance with
22 all the other provisions of Chapter 62, Florida Administrative Code, not
23 previously mentioned?

24 A. Yes.

25 Q. Has UWF's Lofton Oaks wastewater facility been the subject of any

1 Department of Environmental Protection enforcement action within the past two
2 years?

3 A. No.

4 Q. Are you familiar with United Water Florida Inc.'s Ortega Hills
5 wastewater facility in Duval County?

6 A. Yes.

7 Q. Does the utility have a current operating permit from the Department of
8 Environmental Protection?

9 A. Yes.

10 Q. Please state the issuance date and the expiration date of the operating
11 permit.

12 A. The operating permit, NPDES permit number FL0025828, was issued on
13 October 25, 1995 and expires on October 25, 2000.

14 Q. Is the plant in compliance with its permit?

15 A. Yes. The permit has a self-imposed improvement schedule for the
16 connection of this facility to the Ortega Blanding regional wastewater
17 treatment plant.

18 Q. Are the wastewater collection, treatment and disposal facilities
19 adequate to serve present customers based on permitted capacity?

20 A. Yes.

21 Q. Are the treatment and disposal facilities located in accordance with
22 Rule 62-600.400(2)(c), Florida Administrative Code?

23 A. Yes.

24 Q. Has the FDEP required the utility to take any action so as to minimize
25 possible adverse effects resulting from odors, noise, aerosol drift or

1 | lighting?

2 | A. No.

3 | Q. Do the pump stations and lift stations meet DEP requirements with
4 | respect to location, reliability and safety?

5 | A. Yes.

6 | Q. Does the utility have certified operators as required by Chapter 62-699.
7 | Florida Administrative Code?

8 | A. Yes.

9 | Q. Is the overall maintenance of the treatment, collection, and disposal
10 | facilities satisfactory?

11 | A. Yes.

12 | Q. Does the facility meet all applicable technology based effluent
13 | limitations (TBELS) and water quality based effluent limitations (WQBELS)?

14 | A. Yes.

15 | Q. Does the facility meet the effluent disposal requirements of Rules
16 | 62-600. Florida Administrative Code?

17 | A. Yes.

18 | Q. Are the collection, treatment and disposal facilities in compliance with
19 | all the other provisions of Chapter 62, Florida Administrative Code, not
20 | previously mentioned?

21 | A. Yes.

22 | Q. Has UWF's Ortega Hills wastewater facility been the subject of any
23 | Department of Environmental Protection enforcement action within the past two
24 | years?

25 | A. No.

1 Q. Are you familiar with United Water Florida Inc.'s San Pablo wastewater
2 facility in Duval County?

3 A. Yes.

4 Q. Does the utility have a current operating permit from the Department of
5 Environmental Protection?

6 A. Yes.

7 Q. Please state the issuance date and the expiration date of the operating
8 permit.

9 A. The operating permit, NPDES permit number FL0024767, was issued on July
10 19, 1990 and expired on May 31, 1995. A permit renewal application is
11 currently being processed. During the processing period, the former permit
12 is administratively extended.

13 Q. Is the plant in compliance with its permit?

14 A. Yes.

15 Q. Are the wastewater collection, treatment and disposal facilities
16 adequate to serve present customers based on permitted capacity?

17 A. Yes. Flow projections indicate, however, that the plant will reach its
18 permitted capacity within five years and a plant expansion to 0.7 mgd is
19 proposed.

20 Q. Are the treatment and disposal facilities located in accordance with
21 Rule 62-600.400(2)(c), Florida Administrative Code?

22 A. Yes.

23 Q. Has the FDEP required the utility to take any action so as to minimize
24 possible adverse effects resulting from odors, noise, aerosol drift or
25 lighting?

- 1 A. No.
- 2 Q. Do the pump stations and lift stations meet DEP requirements with
3 respect to location, reliability and safety?
- 4 A. Yes.
- 5 Q. Does the utility have certified operators as required by Chapter 62-699,
6 Florida Administrative Code?
- 7 A. Yes.
- 8 Q. Is the overall maintenance of the treatment, collection, and disposal
9 facilities satisfactory?
- 10 A. Yes.
- 11 Q. Does the facility meet all applicable technology based effluent
12 limitations (TBELS) and water quality based effluent limitations (WQBELS)?
- 13 A. Yes.
- 14 Q. Does the facility meet the effluent disposal requirements of Rules
15 62-600 and 62-610, Florida Administrative Code?
- 16 A. Yes.
- 17 Q. Are the collection, treatment and disposal facilities in compliance with
18 all the other provisions of Chapter 62, Florida Administrative Code, not
19 previously mentioned?
- 20 A. Yes.
- 21 Q. Has UWF's San Pablo wastewater facility been the subject of any
22 Department of Environmental Protection enforcement action within the past two
23 years?
- 24 A. No.
- 25 Q. Are you familiar with United Water Florida Inc.'s Ponte Vedra wastewater

1 facility in St. John's County?

2 A. Yes.

3 Q. Does the utility have a current operating permit from the Department of
4 Environmental Protection?

5 A. Yes.

6 Q. Please state the issuance date and the expiration date of the operating
7 permit.

8 A. The operating permit, NPDES permit number FL0117951, was issued on
9 November 12, 1996 and expires on November 12, 2001.

10 Q. Is the plant in compliance with its permit?

11 A. Yes.

12 Q. Are the wastewater collection, treatment and disposal facilities
13 adequate to serve present customers based on permitted capacity?

14 A. No. The percolation ponds are overloaded and an alternate effluent
15 disposal method is required.

16 Q. Are the treatment and disposal facilities located in accordance with
17 Rule 62-600.400(2)(c), Florida Administrative Code?

18 A. Yes.

19 Q. Has the Department of Environmental Protection (DEP) required the
20 utility to take any action so as to minimize possible adverse effects
21 resulting from odors, noise, aerosol drift or lighting?

22 A. No.

23 Q. Do the pump stations and lift stations meet DEP requirements with
24 respect to location, reliability and safety?

25 A. Yes.

1 Q. Does the utility have certified operators as required by Chapter 62-699,
2 Florida Administrative Code?

3 A. Yes.

4 Q. Is the overall maintenance of the treatment, collection, and disposal
5 facilities satisfactory?

6 A. No. The percolation ponds do not function in accordance with FDEP's
7 requirements. UWF has proposed an alternative disposal method and the FDEP
8 concurs with this proposal.

9 Q. Does the facility meet all applicable technology based effluent
10 limitations (TBELS) and water quality based effluent limitations (WQBELS)?

11 A. Yes.

12 Q. Does the facility meet the effluent disposal requirements of Rules
13 62-600 and 62-610, Florida Administrative Code?

14 A. This facility is in compliance with Chapter 62-600 but, since the
15 percolation ponds are not functioning properly, it is not in compliance with
16 Chapter 62-610.

17 Q. Are the collection, treatment and disposal facilities in compliance with
18 all the other provisions of Chapter 62, Florida Administrative Code, not
19 previously mentioned?

20 A. Yes.

21 Q. Has UWF's Ponte Vedra wastewater facility been the subject of any
22 Department of Environmental Protection enforcement action within the past two
23 years?

24 A. No.

25 Q. Are you familiar with United Water Florida, Inc.'s Ponce de Leon

1 | wastewater facility in St. John's County?

2 | A. Yes.

3 | Q. Does the utility have a current operating permit from the Department of
4 | Environmental Protection?

5 | A. Yes.

6 | Q. Please state the issuance date and the expiration date of the operating
7 | permit.

8 | A. The operating permit, permit number D055-253570, was issued on October
9 | 25, 1994 and expires on August 23, 1999.

10 | Q. Is the plant in compliance with its permit?

11 | A. Yes.

12 | Q. Are the wastewater collection, treatment and disposal facilities
13 | adequate to serve present customers based on permitted capacity?

14 | A. Yes.

15 | Q. Are the treatment and disposal facilities located in accordance with
16 | Rule 62-600.400(2)(c), Florida Administrative Code?

17 | A. Yes.

18 | Q. Has the FDÉP required the utility to take any action so as to minimize
19 | possible adverse effects resulting from odors, noise, aerosol drift or
20 | lighting?

21 | A. No.

22 | Q. Do the pump stations and lift stations meet DEP requirements with
23 | respect to location, reliability and safety?

24 | A. Yes.

25 | Q. Does the utility have certified operators as required by Chapter 62-699.

1 Florida Administrative Code?

2 A. Yes.

3 Q. Is the overall maintenance of the treatment, collection, and disposal
4 facilities satisfactory?

5 A. Yes.

6 Q. Does the facility meet all applicable technology based effluent
7 limitations (TBELS) and water quality based effluent limitations (WQBELS)?

8 A. Yes.

9 Q. Does the facility meet the effluent disposal requirements of Rules
10 62-600 and 62-610, Florida Administrative Code?

11 A. Yes.

12 Q. Are the collection, treatment and disposal facilities in compliance with
13 all the other provisions of Chapter 62, Florida Administrative Code, not
14 previously mentioned?

15 A. Yes.

16 Q. Has UWF's Ponce de Leon wastewater facility been the subject of any
17 Department of Environmental Protection enforcement action within the past two
18 years?

19 A. No.

20 Q. Are you familiar with United Water Florida, Inc.'s St. Johns North
21 wastewater facility in St. John's County?

22 A. Yes.

23 Q. Does the utility have a current operating permit from the Department of
24 Environmental Protection?

25 A. Yes.

1 Q. Please state the issuance date and the expiration date of the operating
2 permit.

3 A. The operating permit, permit number D055-194157, was issued on August
4 30, 1991 and expired on August 30, 1996. An application for renewal of the
5 permit, as an NPDES (surface water discharge) permit, is currently being
6 processed.

7 Q. Please state whether the permit is a temporary operating permit, and if
8 so, please describe the permit terms.

9 A. The permit was issued with an administrative order which allows for the
10 temporary operation of the facility while an alternative effluent disposal
11 method is evaluated.

12 Q. Is the plant in compliance with its permit?

13 A. No. The percolation ponds do not function properly and have limited
14 capacity.

15 Q. Are the wastewater collection, treatment and disposal facilities
16 adequate to serve present customers based on permitted capacity?

17 A. No. The utility must determine and implement an alternative effluent
18 disposal method. The permitted capacity is 45,000 gpd and average daily flows
19 to this facility are 150,000 to 180,000 gpd.

20 Q. Are the treatment and disposal facilities located in accordance with
21 Rule 62-600.400(2)(c), Florida Administrative Code?

22 A. Yes.

23 Q. Has the FDEP required the utility to take any action so as to minimize
24 possible adverse effects resulting from odors, noise, aerosol drift or
25 lighting?

1 A. No.

2 Q. Do the pump stations and lift stations meet DEP requirements with
3 respect to location, reliability and safety?

4 A. Yes.

5 Q. Does the utility have certified operators as required by Chapter 62-699,
6 Florida Administrative Code?

7 A. Yes.

8 Q. Is the overall maintenance of the treatment, collection, and disposal
9 facilities satisfactory?

10 A. Yes.

11 Q. Does the facility meet all applicable technology based effluent
12 limitations (TBELS) and water quality based effluent limitations (WQBELS)?

13 A. No. The facility will be unable to meet WQBEL limits in the pending
14 NPDES permit. Therefore, an Administrative Order will be attached to the
15 pending permit to allow continued operation while UWF evaluates and implements
16 an alternative effluent disposal method.

17 Q. Does the facility meet the effluent disposal requirements of Rules
18 62-600 and 62-610, Florida Administrative Code?

19 A. This facility is in compliance with Chapter 62-600 but, since the
20 percolation ponds are not functioning properly, it is not in compliance with
21 Chapter 62-610.

22 Q. Are the collection, treatment and disposal facilities in compliance with
23 all the other provisions of Chapter 62, Florida Administrative Code, not
24 previously mentioned?

25 A. Yes.

1 Q. Has UWF's St. Johns North wastewater facility been the subject of any
2 Department of Environmental Protection enforcement action within the past two
3 years?

4 A. No. An administrative order is a permitting device similar to the
5 former Temporary Operating Permit. It is not considered by the FDEP as formal
6 enforcement.

7 Q. Are you familiar with United Water Florida Inc.'s Amoco Yulee wastewater
8 facility in Nassau County?

9 A. Yes.

10 Q. Does the utility have a current operating permit from the Department of
11 Environmental Protection?

12 A. Yes.

13 Q. Please state the issuance date and the expiration date of the operating
14 permit.

15 A. The operating permit, permit number FLA016675, was issued on June 12,
16 1996 and expires on June 12, 2001.

17 Q. Is the plant in compliance with its permit?

18 A. No. This facility has had continued nitrate violations.

19 Q. Are the wastewater collection, treatment and disposal facilities
20 adequate to serve present customers based on permitted capacity?

21 A. Yes. The permitted capacity is 3,360 gpd.

22 Q. Are the treatment and disposal facilities located in accordance with
23 Rule 62-600.400(2)(c), Florida Administrative Code?

24 A. Yes.

25 Q. Has the FDEP required the utility to take any action so as to minimize

1 possible adverse effects resulting from odors, noise, aerosol drift or
2 lighting?

3 A. No.

4 Q. Do the pump stations and lift stations meet DEP requirements with
5 respect to location, reliability and safety?

6 A. Yes.

7 Q. Does the utility have certified operators as required by Chapter 62-699,
8 Florida Administrative Code?

9 A. Yes.

10 Q. Is the overall maintenance of the treatment, collection, and disposal
11 facilities satisfactory?

12 A. Yes.

13 Q. Does the facility meet all applicable technology based effluent
14 limitations (TBELS) and water quality based effluent limitations (WQBELS)?

15 A. No. The facility is oversized for the service station's needs and it
16 does not receive sufficient loading to function properly. Suggested
17 corrective actions would be to either connect the customer to a regional
18 system or install an on-site system (septic tank) if possible.

19 Q. Does the facility meet the effluent disposal requirements of Rules
20 62-600 and 62-610, Florida Administrative Code?

21 A. No. The effluent exceeds nitrate limitations.

22 Q. Are the collection, treatment and disposal facilities in compliance with
23 all the other provisions of Chapter 62, Florida Administrative Code, not
24 previously mentioned?

25 A. Yes.

1 Q. Has UWF's Amoco Yulee wastewater facility been the subject of any
2 Department of Environmental Protection enforcement action within the past two
3 years?

4 A. No formal enforcement has been initiated.

5 Q. Do you have anything further to add?

6 A. No.
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DIRECT TESTIMONY OF THOMAS R. HAMILTON

1 |
2 | Q. Please state your name and business address.

3 | A. My name is Thomas R. Hamilton and my business address is 900 University
4 | Boulevard, Suite 300, Jacksonville, FL 32211.

5 | Q. Please state a brief description of your educational background and
6 | experience.

7 | A. I received a Bachelor of Science in Mechanical Engineering from Auburn
8 | University. I am a Florida registered professional engineer. Professional
9 | Engineer License No. PE 0024457. I have been employed by the HRS from
10 | January, 1972 until the present as an Environmental Engineer. During this
11 | time I have worked in the fields of Drinking Water, Wastewater, and swimming
12 | pools.

13 | Q. By whom are you presently employed?

14 | A. I am employed by the Department of Health and Rehabilitative Services
15 | (HRS) Duval County Public Health Unit.

16 | Q. How long have you been employed with the Department of Health and
17 | Rehabilitative Services and in what capacity?

18 | A. I have been employed by the HRS during the last years as a Professional
19 | Engineer Supervisor. I have been employed by the HRS from 1972 until the
20 | present.

21 | Q. What are your general responsibilities at the HRS?

22 | A. I am responsible for the permitting, compliance and enforcement
23 | activities for the Public Water Systems in Duval County.

24 | Q. Are you familiar with United Water Florida Inc.'s twenty Water Treatment
25 | Plants in Duval County?

1 A. Yes. I am generally familiar with these facilities. I requested that
2 my plant inspectors and Dr. Tofflemire prepare feedback on UWF's plants. A
3 summary of their review of UWF's water plants is provided in Exhibit TRH-1.

4 Q. Does the utility have a current construction permit?

5 A. Yes. UWF has two current construction permits for the San Jose water
6 treatment plant. The December 12, 1996 memo from Dr. Tofflemire (see Exhibit
7 TRH-1) summarizes recent modifications to nine water treatment plants in the
8 last five years.

9 Q. Is the San Jose water plant in compliance with its permit?

10 A. Yes. UWF has two years to construct the San Jose plant modification and
11 work is proceeding.

12 Q. Are the utility's treatment facilities and distribution system
13 sufficient to serve its present customers?

14 A. Yes. Except for meeting a criteria of four hours retention time at
15 average daily flow and two hours retention time at maximum daily flow in the
16 ground storage tank for hydrogen sulfide removal at the San Jose and San Pablo
17 water treatment plants.

18 Q. Does the utility maintain the required 20 psi minimum pressure
19 throughout the distribution system?

20 A. Yes.

21 Q. Does the utility have an adequate auxiliary power source in the event
22 of a power outage?

23 A. Yes.

24 Q. Are the utility's water wells located in compliance with Rule
25 62-555.312, Florida Administrative Code?

1 A. Yes.

2 Q. Does the utility have certified operators as required by Rule 62-699,
3 Florida Administrative Code?

4 A. Yes.

5 Q. Has the utility established a cross-connection control program in
6 accordance with Section 62-555.360, Florida Administrative Code?

7 A. Yes.

8 Q. Is the overall maintenance of the treatment plant and distribution
9 facilities satisfactory?

10 A. Yes, except for a recent chlorine alarm problem at the Wheat Road plant.

11 Q. Does the water produced by the utility meet the State and Federal
12 maximum contaminant levels for primary and secondary water quality standards?

13 A. Yes. Based upon information from the review of one of my employees,
14 Deborah Jones.

15 Q. Does the utility monitor the organic contaminants listed in Section
16 62-550.410, Florida Administrative Code?

17 A. Yes. UWF's waiver, however, for reduced monitoring for pesticides and
18 PCB's has not yet been submitted and approved.

19 Q. Do recent chemical analyses of raw and finished water, when compared to
20 regulations, suggest the need for additional treatment?

21 A. Yes. The additional treatment is only needed for copper exceedences,
22 where corrosion control treatment to reduce copper levels at residence taps
23 is planned.

24 Q. Does the utility maintain the required chlorine residual or its
25 equivalent throughout the distribution system?

1 A. Yes.

2 Q. Are the plant and distribution systems in compliance with all the other
3 provisions of Chapter 62, Florida Administrative Code, not previously
4 mentioned?

5 A. Yes.

6 Q. Has any of UWF's water treatment plants been the subject of any HRS
7 enforcement action within the past two years?

8 A. Yes. The San Pablo had two Consent Orders issued for permitting
9 violations and are further discussed in Exhibit TRH-1.

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DIRECT TESTIMONY OF BLANCA RODRIQUEZ

1
2 Q. Please state your name and business address.

3 A. My name is Blanca Rodriguez and my business address is 7825 Baymeadows
4 Way, Suite B-200, Jacksonville, FL, 32257.

5 Q. Please state a brief description of your educational background and
6 experience.

7 A. I am an environmental manager and supervise the Drinking Water Section.
8 I have a Bachelor of Science degree in Chemical Engineering and 20 years
9 experience in the engineering field.

10 Q. By whom are you presently employed?

11 A. I am employed by the FDEP.

12 Q. How long have you been employed with the Department of Environmental
13 Protection and in what capacity?

14 A. I have been employed by the FDEP during the last 12 years as an
15 engineer. At this time, I am an environmental manager supervising the
16 Drinking Water Section.

17 Q. What are your general responsibilities at the Department of
18 Environmental Protection?

19 A. In addition to supervising 11 people in my section, I am responsible for
20 the permitting, compliance and enforcement activities for the Public Water
21 Systems in the FDEP's Northeast District.

22 Q. Are you familiar with United Water Florida Inc.'s Ponte Vedra water
23 facility in St. John's County?

24 A. Yes.

25 Q. Does the utility have a current construction permit from the Department

1 of Environmental Protection for the Ponte Vedra water facility?

2 A. Yes.

3 Q. Please state the issuance date and the expiration date of the
4 construction permit.

5 A. On November 7, 1996 a construction permit (WC55-296951) was issued for
6 the installation of corrosion control treatment equipment. A construction
7 permit (WC55-145141) for Ponte Vedra's water treatment plant number one was
8 issued on February 15, 1988. A construction permit for water treatment plant
9 number two was issued on February 26, 1986.

10 Q. Is the plant in compliance with its permit?

11 A. Yes.

12 Q. Are the treatment facilities and distribution system sufficient to serve
13 the present customers?

14 A. Yes.

15 Q. Does the utility maintain the required 20 psi minimum pressure
16 throughout the distribution system?

17 A. Yes.

18 Q. Does the utility have an adequate auxiliary power source in the event
19 of a power outage?

20 A. Yes.

21 Q. Are the utility's water wells located in compliance with Rule
22 62-555.312, Florida Administrative Code?

23 A. Yes.

24 Q. Does the utility have certified operators as required by Rule 62-699,
25 Florida Administrative Code?

1 A. Yes.

2 Q. Has the utility established a cross-connection control program in
3 accordance with Section 62-555.360, Florida Administrative Code?

4 A. No cross-connection program is on file with the Department.

5 Q. Is the overall maintenance of the treatment plant and distribution
6 facilities satisfactory?

7 A. Yes.

8 Q. Does the water produced by the utility meet the State and Federal
9 maximum contaminant levels for primary and secondary water quality standards?

10 A. Yes.

11 Q. Does the utility monitor the organic contaminants listed in Section
12 62-550.410, Florida Administrative Code?

13 A. Yes.

14 Q. Do recent chemical analyses of raw and finished water, when compared to
15 regulations, suggest the need for additional treatment?

16 A. No.

17 Q. Does the utility maintain the required chlorine residual or its
18 equivalent throughout the distribution system?

19 A. Yes.

20 Q. Are the plant and distribution systems in compliance with all the other
21 provisions of Chapter 62, Florida Administrative Code, not previously
22 mentioned?

23 A. Yes.

24 Q. Has UWF's Ponte Vedra water facility been the subject of any Department
25 of Environmental Protection enforcement action within the past two years?

1 A. Yes. The utility did not submit a general permit for corrosion control
2 after exceeding the copper level. A warning letter was issued and a meeting
3 between and the utility and the department was held. The utility submitted
4 a permit application and the permit was issued. Even though no formal action
5 has been taken at this time, the Department may pursue penalties through a
6 Consent Order.

7 Q. Are you familiar with United Water Florida Inc.'s Ponce de Leon water
8 facility in St. John's County?

9 A. Yes.

10 Q. Does the utility have a current construction permit from the Department
11 of Environmental Protection for the Ponce de Leon water facility?

12 A. Yes.

13 Q. Please state the issuance date and the expiration date of the
14 construction permit.

15 A. A well constuction permit (WC55-52712) was issued on March 1, 1982.

16 Q. Is the plant in compliance with its permit?

17 A. Yes.

18 Q. Are the treatment facilities and distribution system sufficient to serve
19 the present customers?

20 A. Yes

21 Q. Does the utility maintain the required 20 psi minimum pressure
22 throughout the distribution system?

23 A. Yes.

24 Q. Does the utility have an adequate auxiliary power source in the event
25 of a power outage?

1 A. Yes.

2 Q. Are the utility's water wells located in compliance with Rule
3 62-555.312, Florida Administrative Code?

4 A. Yes.

5 Q. Does the utility have certified operators as required by Rule 62-699.
6 Florida Administrative Code?

7 A. Yes.

8 Q. Has the utility established a cross-connection control program in
9 accordance with Section 62-555.360, Florida Administrative Code?

10 A. No cross-connection program is on file with the Department.

11 Q. Is the overall maintenance of the treatment plant and distribution
12 facilities satisfactory?

13 A. Yes.

14 Q. Does the water produced by the utility meet the State and Federal
15 maximum contaminant levels for primary and secondary water quality standards?

16 A. Yes.

17 Q. Does the utility monitor the organic contaminants listed in Section
18 62-550.410, Florida Administrative Code?

19 A. Yes.

20 Q. Do recent chemical analyses of raw and finished water, when compared to
21 regulations, suggest the need for additional treatment?

22 A. No.

23 Q. Does the utility maintain the required chlorine residual or its
24 equivalent throughout the distribution system?

25 A. Yes.

1 Q. Are the plant and distribution systems in compliance with all the other
2 provisions of Chapter 62, Florida Administrative Code, not previously
3 mentioned?

4 A. Yes.

5 Q. Has UWF's Ponce de Leon water facility been the subject of any
6 Department of Environmental Protection enforcement action within the past two
7 years?

8 A. No.

9 Q. Are you familiar with United Water Florida, Inc.'s St. John's Highlands
10 water facility in St. John's County?

11 A. Yes.

12 Q. Does the utility have a current construction permit from the Department
13 of Environmental Protection for this facility?

14 A. Yes.

15 Q. Please state the issuance date and the expiration date of the
16 construction permit.

17 A. The well number two construction permit (WC55-169222) was issued on
18 November 22, 1989. The treatment plant construction permit (WC55-78743) was
19 issued on December 27, 1983. The well number three construction permit (WC55-
20 225818) was issued March 1, 1993.

21 Q. Is the plant in compliance with its permit?

22 A. Yes.

23 Q. Are the treatment facilities and distribution system sufficient to serve
24 the present customers?

25 A. Yes.

- 1 Q. Does the utility maintain the required 20 psi minimum pressure
2 throughout the distribution system?
- 3 A. Yes.
- 4 Q. Does the utility have an adequate auxiliary power source in the event
5 of a power outage?
- 6 A. Yes.
- 7 Q. Are the utility's water wells located in compliance with Rule
8 62-555.312, Florida Administrative Code?
- 9 A. Yes.
- 10 Q. Does the utility have certified operators as required by Rule 62-699,
11 Florida Administrative Code?
- 12 A. Yes.
- 13 Q. Has the utility established a cross-connection control program in
14 accordance with Section 62-555.360, Florida Administrative Code?
- 15 A. No cross-connection control program is on file with the Department.
- 16 Q. Is the overall maintenance of the treatment plant and distribution
17 facilities satisfactory?
- 18 A. Yes.
- 19 Q. Does the water produced by the utility meet the State and Federal
20 maximum contaminant levels for primary and secondary water quality standards?
- 21 A. Yes.
- 22 Q. Does the utility monitor the organic contaminants listed in Section
23 62-550.410, Florida Administrative Code?
- 24 A. Yes.
- 25 Q. Do recent chemical analyses of raw and finished water, when compared to

1 regulations. suggest the need for additional treatment?

2 A. No.

3 Q. Does the utility maintain the required chlorine residual or its
4 equivalent throughout the distribution system?

5 A. Yes.

6 Q. Are the plant and distribution systems in compliance with all the other
7 provisions of Chapter 62, Florida Administrative Code, not previously
8 mentioned?

9 A. Yes.

10 Q. Has UWF's St. John's North water facility been the subject of any
11 Department of Environmental Protection enforcement action within the past two
12 years?

13 A. No.

14 Q. Are you familiar with United Water Florida Inc.'s Yulee water facility
15 in Nassau County?

16 A. Yes.

17 Q. Does the utility have a current construction permit from the Department
18 of Environmental Protection for this facility?

19 A. Yes.

20 Q. Please state the issuance date and the expiration date of the
21 construction permit.

22 A. The construction permit (WC45-1074) for the Nassau County Detention
23 Center treatment plant was issued on April 1, 1977. The construction permit
24 (WC 45-185118) for the Lofton Oaks water treatment plant was issued on
25 February 13, 1992. The construction permit (WC45-136154) for the Otter Run

- 1 | water treatment plant was issued on November 11, 1987.
- 2 | Q. Is the plant in compliance with its permit?
- 3 | A. Yes.
- 4 | Q. Are the treatment facilities and distribution system sufficient to serve
- 5 | the present customers?
- 6 | A. Yes.
- 7 | Q. Does the utility maintain the required 20 psi minimum pressure
- 8 | throughout the distribution system?
- 9 | A. Yes.
- 10 | Q. Does the utility have an adequate auxiliary power source in the event
- 11 | of a power outage?
- 12 | A. No auxiliary power is available at the Detention Center or at Lofton
- 13 | Oaks. Auxiliary power is available at Otter Run.
- 14 | Q. Are the utility's water wells located in compliance with Rule
- 15 | 62-555.312, Florida Administrative Code?
- 16 | A. Yes.
- 17 | Q. Does the utility have certified operators as required by Rule 62-699,
- 18 | Florida Administrative Code?
- 19 | A. Yes.
- 20 | Q. Has the utility established a cross-connection control program in
- 21 | accordance with Section 62-555.360, Florida Administrative Code?
- 22 | A. Yes.
- 23 | Q. Is the overall maintenance of the treatment plant and distribution
- 24 | facilities satisfactory?
- 25 | A. Yes.

1 Q. Does the water produced by the utility meet the State and Federal
2 maximum contaminant levels for primary and secondary water quality standards?

3 A. Yes.

4 Q. Does the utility monitor the organic contaminants listed in Section
5 62-550.410, Florida Administrative Code?

6 A. Yes.

7 Q. Do recent chemical analyses of raw and finished water, when compared to
8 regulations, suggest the need for additional treatment?

9 A. No.

10 Q. Does the utility maintain the required chlorine residual or its
11 equivalent throughout the distribution system?

12 A. Yes.

13 Q. Are the plant and distribution systems in compliance with all the other
14 provisions of Chapter 62, Florida Administrative Code, not previously
15 mentioned?

16 A. Yes.

17 Q. Has UWF's Yulee water facility been the subject of any Department of
18 Environmental Protection enforcement action within the past two years?

19 A. No.

20 Q. Do you have anything further to add?

21 A. No.

22

23

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25

1 CHAIRMAN JOHNSON: Any other final matters?

2 MS. CAPELESS: I think we probably should
3 establish a deadline for the filing of the late-filed
4 exhibits. Generally, I think, parties are given 10
5 days in order to file all of the late-filed exhibits.

6 CHAIRMAN JOHNSON: Is 10 days sufficient for
7 the late-fileds?

8 MR. ADE: Give me just a second.

9 MR. McLEAN: Madam Chairman, it is for us.
10 I think we only owe you one and we'll get it within 10
11 days.

12 MR. ADE: Madam Chairman, we'd like to have
13 two weeks if we could.

14 CHAIRMAN JOHNSON: Staff?

15 MS. CAPELESS: Two weeks will be fine.

16 CHAIRMAN JOHNSON: Two weeks then for all of
17 the late-filed.

18 MR. McLEAN: That's fine.

19 CHAIRMAN JOHNSON: Very well. I show that
20 we have Late-filed Exhibits 3, 16, 17, 30, 46, 47, 52,
21 53 and 55. Everything else was admitted into the
22 record.

23 MR. SCHILDBERG: Excuse me, Madam Chairman,
24 did you say 51, as well?

25 CHAIRMAN JOHNSON: No. Oh, I didn't say 51,

1 but I should have. 51, 52 and 53. Thank you.

2 Any other final matters?

3 MS. CAPELESS: Nothing further from Staff.

4 CHAIRMAN JOHNSON: Mr. Ade?

5 MR. ADE: I think of three things.

6 CHAIRMAN JOHNSON: Think of them quickly.

7 MR. ADE: All right. Yesterday we had some
8 conversation about a fee letter between United Water
9 Florida and our law firm. And some of the
10 Commissioners indicated some interest in seeing that.
11 We certainly don't have any objection to that and will
12 be glad to file that as a late-filed exhibit. I would
13 request, however, that that letter be treated as
14 confidential information, which certainly gives the
15 Commission and the Staff and Public Counsel full
16 access to it. We're not trying to deny anyone access.
17 I'm just really not interested in making it available
18 to the Florida Bar.

19 COMMISSIONER KIESLING: Can I just ask you
20 one thing? Would it be easier for you just to
21 disclose to us what the cap was? Or is it more
22 complicated? I mean, you can do that in a one-page
23 document as opposed to the whole thing.

24 MR. ADE: Unfortunately, Commissioner, you
25 probably need the whole letter, because the cap is --

1 it's more of a budget letter than a cap. You'd just
2 have to see it and make your own decision about that.
3 I mean, if it said, "The cap is and shall never be
4 exceeded," you know, that would be easy but it's not
5 that.

6 CHAIRMAN JOHNSON: Then we'll mark that as
7 Late-filed Exhibit 58. And what did you say, it's a
8 fee letter, fee arrangement.

9 MR. ADE: Yes, it's a letter --

10 CHAIRMAN JOHNSON: We'll just call it a fee
11 cap letter.

12 MR. ADE: Fee agreement is what it is.

13 CHAIRMAN JOHNSON: "Fee Cap Letter."

14 MR. ADE: It's not really a cap; it's just a
15 fee agreement.

16 (Late-Filed Exhibit 58 identified.)

17 CHAIRMAN JOHNSON: If we get that document
18 it will be a public record, so you'll have to go
19 through the process of having it deemed confidential.

20 MR. ADE: Well, right. And I think the rule
21 provides for making -- we'll go through the whole
22 process, but I think we can make the motion and it
23 seems to me with the whole Commission sitting here and
24 knowing what the document is, the Commission should be
25 able to decide it is confidential today.

1 COMMISSIONER CLARK: I can't.

2 MR. ADE: You need to see it?

3 COMMISSIONER CLARK: No, I need to hear the
4 arguments as to why it is confidential. You know, I'm
5 not sure that it is. That under the law as it applies
6 to the Commission that it has to be treated as
7 confidential. It may be, Mr. Ade. But those
8 arguments have to be presented, and we have to make a
9 judgment that it complies with the law.

10 COMMISSIONER KIESLING: And it is held
11 confidential until that decision is made.

12 MR. ADE: That is correct.

13 COMMISSIONER KIESLING: But you do also know
14 that sometimes those decisions go against you.

15 MR. ADE: That is correct.

16 All right. We'll file the motions and go
17 through the procedure. That's not a problem.

18 CHAIRMAN JOHNSON: Any other matters?

19 MR. ADE: Yes. In previous rate cases we
20 have asked for the privilege of filing a late-filed
21 exhibit that addresses the individual complaints of
22 the customers or the points that the customers made
23 that need to be addressed, and we would like to do
24 that at this time, understanding that following our
25 response that the other parties would have an

1 opportunity to file something in writing responding to
2 what we say if they feel necessary.

3 CHAIRMAN JOHNSON: I think that's
4 appropriate and we'll mark that Late-Filed 59 and we
5 will give it the title, "Customer Complaints
6 Response."

7 (Late-Filed Exhibit 59 identified.)

8 CHAIRMAN JOHNSON: Is there anything else?

9 MR. ADE: I think we've covered the other
10 item. That's all I have.

11 CHAIRMAN JOHNSON: Very good. Any final
12 matters?

13 MS. CAPELESS: Nothing further from Staff.

14 CHAIRMAN JOHNSON: Seeing none, the
15 technical portion of this hearing is now adjourned and
16 in about three minutes we will reconvene for the
17 customer hearing.

18 (Brief recess taken.)

19 - - - - -

20 CHAIRMAN JOHNSON: We're going to go back on
21 the record.

22 I'd like to first take appearances. And if
23 you could, for the purposes of our audience, if you
24 could stand and turn after you stated your name.

25 MR. SCHILDBERG: My name is Scott

1 Schildberg. I'm representing the Utility, United
2 Water Florida, and seated with me tonight are
3 Sambamurthi, Vice President and General Manager, and
4 Philip Heil, consultant, who is the former vice
5 president and general manager.

6 MR. McLEAN: And I'm Harold McLean of the
7 Office of Public Counsel, Tallahassee. We represent
8 the customers in opposition to this rate increase.

9 MS. CAPELESS: I'm Rosanne Capeless and with
10 me is Bobby Reyes, and we are appearing on behalf of
11 the Commission Staff.

12 CHAIRMAN JOHNSON: I'm Julia Johnson. I'm
13 the Chairperson for the Florida Public Service
14 Commission. To my left is Joe Garcia, Susan Clark,
15 Terry Deason and Diane Kiesling.

16 We have been here this week. We've
17 conducted two other customer hearings, and we've
18 conducted the technical hearing which we wrapped up
19 just this evening.

20 To the extent that you want more information
21 about the case, Melinda Pace there in the back, she
22 has the green sheet which provides details on the
23 case, what the Company's proposal is, and it's all
24 codified. It also provides more information about the
25 Commissioners if you'd like to read about us. It

1 provides our 1-800 number if you have any questions or
2 concerns that we cannot address for you tonight.
3 There are also several Staff members here in the
4 audience, if you could stand. Engineers, lawyers,
5 accountants. To the extent that you have any
6 questions that you think they may address, they are
7 also here to help and assist you.

8 We'd like to hear from you on the proposed
9 rate increase or the quality of service of this
10 particular Company, and we'll need to swear you in so
11 your testimony can be an official part of your record
12 upon which we can base our decision.

13 At this point in time, those that wish to
14 testify if you could please stand and I'll swear you
15 in. If you could raise your right hand.

16 (Witnesses collectively sworn.)

17 CHAIRMAN JOHNSON: Thank you. You may be
18 seated. Public Counsel, you can call your first
19 witness.

20 MR. McLEAN: Thank you, ma'am. We call
21 Walter F. Davis, please.

22 CHAIRMAN JOHNSON: And, Mr. Davis, I
23 apologize. If you could, after your seated, you'll
24 have to speak directly into the microphone. And if
25 you could state your name and address before you begin

1 your testimony.

2 - - - - -

3 WALTER F. DAVIS

4 was called as a witness on behalf of the Citizens of
5 the State of Florida and, having been duly sworn,
6 testified as follows:

7 DIRECT STATEMENT

8 WITNESS DAVIS: I'm going to have to
9 apologize. I'm just getting off the flu. I'm Walter
10 F. Davis. I live at 14751 Plumosa Drive,
11 Jacksonville, Florida.

12 CHAIRMAN JOHNSON: Yes, sir.

13 WITNESS DAVIS: Okay. On October 24th I
14 received a notice dated the day before from United
15 Water that they had applied for an increase in their
16 rates. They enclosed a schedule of the present
17 proposed interim and proposed final.

18 I wrote the Commission on October 24th
19 objecting to the increases on several grounds. One of
20 the objections was that my rates had increased 34%
21 from 1992 through 1995.

22 The other was an apparent inequity in the
23 proposed reduction in rates for customers with 8-inch
24 meters. Their rates were being reduced over 63% in
25 one category and over 75% in another. This amounted

1 to \$9,706 a month.

2 I telephoned the Company for the particulars
3 of the customers who had 8-inch meters that same day.
4 I didn't receive any satisfaction. The best I got was
5 that they didn't have any customers with 8-inch
6 meters, and that the rates were being reduced in order
7 to attract new customers.

8 I wrote the Company the same date, because I
9 didn't want to write the Commission about something
10 that I had been told over the phone, I wanted a little
11 substantiation. I have yet to receive a reply from
12 the Company.

13 As I have not received a reply from the
14 Company concerning those meters, I'll have to leave it
15 up to the Commission to take some action on my
16 objection.

17 If a class of large customers were receiving
18 reductions, would it not follow that other customers
19 were paying for and, therefore, an inequity existed?
20 If there were facts to support such drastic reductions
21 now, would it not follow that there was something
22 wrong with the facts presented to get the rates in the
23 first place? If there were factual errors initially,
24 does it not follow the facts presented now merit some
25 scrutiny? If I was told -- if as I was told there

1 were no 8-inch meters, what then?

2 I pointed out in the letter I referred to
3 that my rates had increased 34%. It turns out it's
4 now over 46% due in part that interim rates that were
5 approved by the Commission October 29th, only five
6 days after I received notice from United Water. I'm
7 sure there are good and sufficient reasons for this,
8 but as an ordinary citizen it hardly seems like due
9 process.

10 As a footnote, I received a card
11 acknowledging my letter to you of October 24th. It
12 was postmarked November 21st.

13 I strongly object to the increase of over
14 46% since 1992, and I'm not feeling it as bad as other
15 people because I have my own septic field.

16 My daughter, who is -- works and her husband
17 works, live not too far away and they are on sewer.
18 They're going to pay even more.

19 That's my testimony.

20 CHAIRMAN JOHNSON: Thank you, sir. Are
21 there any questions for Mr. Davis?

22 MR. SCHILDBERG: Yes. Could you repeat your
23 address please.

24 WITNESS DAVIS: 14751 Plumosa Drive.

25 MR. SCHILDBERG: Can you spell Plumosa,

1 please?

2
3 WITNESS DAVIS: P-L-U-M-O-S-A. It's in the
4 Isle of Palms.

5 MR. SCHILDBERG: Thank you.

6 COMMISSIONER GARCIA: Mr. Murphy (sic), if
7 you've got your bills, could you show them to someone
8 in our engineering section -- I'm over here, I'm sorry
9 Because that seem kind of high, a 46% increase, if you
10 don't even take wastewater service from the Company.
11 You don't have to do it right now, but please show one
12 of our engineers or accountants so they can take a
13 look at it.

14 WITNESS DAVIS: Well, I sent it to you as an
15 exhibit, but I do have an extra copy and I'll leave it
16 with you.

17 It's based upon -- I can go over it in just
18 about a minute or two.

19 COMMISSIONER GARCIA: Go right ahead.

20 WITNESS DAVIS: If I can find it.

21 COMMISSIONER GARCIA: You know, it might be
22 better if you just wait and we'll talk when your
23 finished and that way we can do it more personally.

24 Let me ask you another question.

25 WITNESS DAVIS: I have it right here.

COMMISSIONER GARCIA: Okay.

1 WITNESS DAVIS: On May 31, 19 -- let's go
2 back.

3 In 1992, for three billing periods, I paid
4 -- and this is the base that I'm acting on -- I paid
5 \$25.97 for 18,000 gallons. The rates went up
6 beginning the spring of 1993. How much they went up,
7 I don't know. Because I paid -- they began early in
8 1993. In 1992 I paid \$26.95 for 21,000 gallons. And
9 in February of '93 I paid \$29, \$2.50, for a thousand
10 gallons less. On May of '94, 18,000 gallons cost
11 \$30.89. On May '95, 18,000 gallons cost \$34.90. And
12 on November 18, '96, 18,000 gallons cost \$37.98.
13 That's an increase of \$12.01 from 25.97 in 1992, to
14 \$37.98 in 1996 in 1996. That's over 46%.

15 COMMISSIONER GARCIA: Thank you. Let me ask
16 you about the water quality. The water quality.

17 WITNESS DAVIS: Well, I'm one of the -- not
18 the original -- that street was developed in 1962. At
19 that time there was a small line on the north side of
20 the street, which was almost fully developed at the
21 time that I moved in in 1972. I think it's about an
22 inch and a half line. I really don't know.

23 Some years later a larger line, let's call
24 it 3 inches, was put on the other side of the street.
25 Well, over the past ten years, to my knowledge,

1 counting my house and the two next to me, there must
2 have been a half dozen or more breaks in that line.
3 Sometime last year or the beginning of this year the
4 Company undertook to remove the people who were on the
5 north side of the street and tap them into the larger
6 line on the south side of the street. They drilled
7 under the road and connected the meters to the other
8 side. I can't complain about the water pressure
9 because my pipes have been in there since 1962, and I
10 need a repiping job. But it would seem to me that
11 based upon what was put in as opposed to what we now
12 have, that it wouldn't be as good.

13 Further, there was a stand pipe -- I call it
14 a fire hydrant -- halfway down the street,
15 approximately -- the street is 7/10th of a mile long.
16 I live 4/10ths of a mile down. Maybe 3 and half
17 tenths of a mile there was a stand pipe. In the
18 process of changing this around, the stand pipe as
19 removed and it's now at the entrance to the street.
20 So if we do have a fire or any need for that service,
21 we're worse off now than we were before.

22 COMMISSIONER GARCIA: Talk to me about the
23 taste.

24 WITNESS DAVIS: The what?

25 COMMISSIONER GARCIA: The taste of your

1 water is fine?

2 WITNESS DAVIS: I don't care for it. We buy
3 water from Publix. My wife can't stand it.

4 MR. McGUIRE: Okay. Thank you.

5 CHAIRMAN JOHNSON: Any further questions?

6 MS. REYES: Just one question. Sir, are you
7 in the San Pablo area?

8 WITNESS DAVIS: Yes. We are on -- San Pablo
9 covers a large area. We're on the south side of Beach
10 Boulevard in a section called The Isle of Palms. It
11 was originally developed in 1962. And then there's
12 another section further down which takes you further
13 down San Pablo Road which is the South Isle of Palms
14 and then there's a section that -- I guess it
15 was Demory (ph) put in which is included in that
16 entire area.

17 MS. REYES: Staff has no further questions.

18 CHAIRMAN JOHNSON: Any additional questions?

19 Thank you very much, Mr. Davis. Appreciate
20 your testimony.

21 WITNESS DAVIS: All right. Does somebody
22 want this thing I have on the rate increases?

23 CHAIRMAN JOHNSON: Yes, sir. Mr. Davis, if
24 you could give it to the court reporter there right by
25 you, we will insert that into the correspondence side

1 of our record.

2 WITNESS DAVIS: Okay. Would it be
3 inappropriate for me to ask a question here? I still
4 don't know whether there are any 8-inch meters. And
5 that's part of the increase that this Company has
6 scheduled, which is being drastically reduced over
7 \$9,000 a month, and they didn't answer my letter.

8 CHAIRMAN JOHNSON: Yes, sir. The Utility --
9 there's a representative there that will attempt to
10 and your question right now for information purposes.

11 MR. HEIL: Mr. Davis, my name is Philip
12 Heil.

13 WITNESS DAVIS: How do you do?

14 MR. HEIL: I'm currently a consultant for
15 the Company, but for 20 years I was the manager and
16 vice president of United Water Florida. I was there
17 when the 8-inch rate that you refer to was
18 implemented, the high rate that you're talking about.
19 And that was for a particular customer that we had on
20 Bay Meadows Road in Duval County. It was a very large
21 customer, a very large apartment complex. And at that
22 time it was a very large percentage of the water sales
23 that the Company had. So in order to apportion to
24 them their fair share of the costs, it resulted in
25 that high base facility charge that you're talking

1 about.

2 The Commission at that time, because of the
3 problems that the people were having and some of the
4 homeowners, the apartment owners, and that were having
5 in there, the Commission asked us to take over those
6 on-site facilities.

7 We did honor that request from the
8 Commission. We went in and as a result of that we
9 took out the 8-inch meter that was there, and metered
10 the various apartment buildings and complexes that
11 were there. There was some residential customers in
12 there. Those were metered individually.

13 So at that time those -- that 8-inch meter,
14 and we only had one, was eliminated.

15 We have not been in for a rate increase
16 since that was implemented in 1979. We went in in
17 1980, but we still had that customer.

18 So following the change we have not been in
19 and never changed the tariff to reflect that that
20 customer was gone to reflect their usage. So that
21 when the new tariff was developed, we have nothing to
22 base it on as far as a single customer. We do not
23 presently have any customers with a 8-inch meter.
24 Therefore, the 8-inch meter was designed to be more in
25 line with what you might expect to find with normal

1 8-inch meter, one metered customer that is not as
2 large as that particular complex was.

3 So that's the reason for the reduction. No
4 present customer will be affected by that reduction.
5 There's no revenue being received. There will be none
6 being received. It was not implemented to attract
7 8-inch customers. We simply don't have customers that
8 require that type of meter.

9 WITNESS DAVIS: I follow what you said, and
10 I don't understand why I didn't get an answer to my
11 letter of October 24th asking for that information.

12 But the fact still remains that if the rates
13 that you have applied for are approved by the
14 Commission, either in total or modified slightly,
15 you're still in the position that you can sell water
16 to a potential 8-inch meter customer at \$9,000 less
17 than what it was before the rates were increased, and
18 it would still follow that all of your other
19 customers, including the residential customers, are
20 subsidizing that 8-inch meter customer who is
21 certainly going to be attracted to that rate. Because
22 if you look at your rate for you 6-inch meters, it's
23 not a heck of a lot different than what the 8-inch
24 meter was. But the 6-inch meters and all of the
25 smaller meters or going up correspondingly.

1 There's an inequity here, and I don't
2 understand how you can justify the rate that the
3 8-inch meters were on the books before this
4 application. Because if you didn't have them, how
5 could you justify any rate increases? And you have
6 been having rate increases all along since 1992.

7 MR. HEIL: Okay. Let me go back. That
8 customer was a very large percentage of the water
9 used. It was close to probably 6%, between 6 and 10%,
10 and I think closer to 6, of the water usage this
11 Company received. And in order for them to pay a
12 similar amount that was established.

13 I don't believe presently that in the
14 service areas that we have that unless it was some
15 type of industrial customer, which we have no
16 industrial zoning, for high usage we don't have an
17 area large enough to accommodate -- an apartment
18 complex large enough for a 8-inch meter. The St.
19 Johns River Water Management District today
20 discourages the use of master meters, which this was,
21 on apartment complexes. They prefer to see those
22 individually metered. So that as we go forward today
23 with the requirements that are on us, we would -- to
24 use that 8-inch meter, we would have to have pretty
25 much a large industrial customer which we don't have

1 the industrial. It's there, we do have to have a unit
2 price. I doubt seriously that anyone is going to come
3 along that would utilize that size of a meter.

4 WITNESS DAVIS: I understand what you're
5 saying. And I'm sure everything you're saying is true
6 and correct, but the fact still remains if the rate
7 that you apply for is approved, you will have the
8 potential of all your other customers paying for that
9 8-inch customer who might come along. Who knows what
10 might happen on San Pablo Road with the development of
11 that property that Davis wants to put in when they
12 change that road in back of the Mayo Clinic. Why
13 apply for a reduction of \$9,000 a month for something
14 that you say is not going to come along? Why not
15 leave it the way it was?

16 MR. HEIL: We could have. We could have
17 left the way it was.

18 WITNESS DAVIS: I think it would have been
19 more forthright and understanding -- generated a
20 little bit more understanding with your customers who
21 took the trouble to look through the rates to see that
22 there was one huge inequity there.

23 MR. HEIL: No, sir -- well, I think we've
24 said what we can, and the customer will draw his
25 conclusions from it.

1 WITNESS DAVIS: Thank you.

2 CHAIRMAN JOHNSON: Thank you, Mr. Davis.

3 MR. McLEAN: Mr. Robert: LaBelle.

4 - - - - -

5 ROBERT H. LABELLE

6 was called as a witness on behalf of the Citizens of
7 the State of Florida and, having been duly sworn,
8 testified as follows:

9 DIRECT STATEMENT

10 WITNESS LABELLE: Good evening. My name is
11 Robert LaBelle, 2944 Madrid Avenue East, Jacksonville
12 Florida. I testified yesterday morning.

13 There was a question raised by the PSC Staff
14 member to my right at the end of the table and I think
15 was posed to everybody as to whether or not they
16 preferred to go to a monthly rate or a quarterly rate.
17 My understanding is that that question was generated
18 from the Commission because they were concerned that
19 possibly if rates went up too high people could not
20 afford to pay rates on a quarterly basis.

21 As I thought about it last night, while it
22 was a very -- seemed to be a very innocent question, I
23 think we need to look at that very carefully because I
24 would like to discourage the Commission from ever
25 considering going to a monthly billing system. And

1 here's why:

2 A utility like United Water has to send out
3 people once a quarter to read meters. I estimate that
4 they probably spend in the neighborhood of somewhere
5 from \$7,000 to \$10,000 a quarter at the minimum to
6 read those meters which comes out to \$40,000 a year,
7 anywhere from \$28,000 to \$40,000, but let's just pick
8 \$30,000 a year. If they have to go out and read
9 meters 12 times a year, then that cost is quadrupled.

10 They also have to bill monthly. The billing
11 alone, if they use the postage rate for bulk mailing
12 of 25 cents an envelope, which I doubt, for a base of
13 25,000 customers that is \$25,000 a quarter. If you
14 bill monthly, you have to multiply that \$20,000 by
15 four. So you're going to spend \$80,000 just on
16 postage.

17 They also would have to -- they currently --
18 I'm sure they run a billing cycle through a main frame
19 computer every quarter. And I'm sure they also run a
20 premium remittance cycle through a main frame
21 computer. And I'm sure that they have to use a main
22 frame to generate data to their general ledger and to
23 their subcategories. I know they don't own their own
24 main frame, and I'm very familiar with the cost of
25 main frames. But I would suspect that the cost of

1 United Water to bill and to process their payments and
2 to get everything into their ledgers, including main
3 frame expenses and labor expenses, probably runs in
4 the neighborhood of about \$150,000 a quarter, or
5 \$600,000 a year. If you had to do that 12 times a
6 year, that expense would jump to about \$2.4 million a
7 year, if my estimates are correct.

8 That may be high. I don't know, but I'm
9 probably in the ballpark.

10 The point of all of this is that I strongly
11 feel that this utility and other utilities do not
12 carefully watch their costs. In fact, it is in their
13 favor for costs to increase because they validate
14 their requests for rate increases. And if there's
15 anything the Public Service Commission can do to force
16 utilities to reduce their rates -- excuse me, their
17 costs in the way of regulations or the way of
18 legislation, then the Commission needs to pursue that.

19 I have two examples that I would just throw
20 out on the table for consideration.

21 This utility has received an indexed rate
22 increase probably every year since 1982. I doubt
23 seriously that they have been required to set aside
24 any portion of that rate increase for capital
25 expenditures. They also have, in the Jacksonville

1 area at least, have gained from the population growth
2 in terms of their customer base expanding and their
3 revenues increasing. I also doubt that they have not
4 been required to set aside any portion of that revenue
5 increase for future capital expenditures. And I would
6 highly recommend to the Commission that when they
7 approve rate structures, that they also require
8 utilities to set aside a specific percentage into
9 capital accounts that could be only used for very
10 specific capital improvements. And I think that's the
11 only way that you're going to be able to get these
12 private utilities under control in terms of their cost
13 consciousness.

14 That's all I have to say. I know that this
15 has been a long two days for the Commission, and I
16 appreciate the opportunity to speak again and I hope
17 that you'll reach a decision that's equitable to our
18 customers.

19 CHAIRMAN JOHNSON: Thank you, Mr. LaBelle.
20 Any questions? We appreciate the additional
21 testimony. Thank you much.

22 MR. McLEAN: That's all the persons who have
23 signed up thus far, Commissioner.

24 CHAIRMAN JOHNSON: I'd like to thank
25 everyone for coming out for this third customer

1 hearing. Mr. Davis, Mr. LaBelle, thank you very much
2 for your testimony. And with that this hearing is
3 adjourned.

4 (Thereupon, the hearing concluded at 7:00
5 p.m.)

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1 STATE OF FLORIDA)
2 COUNTY OF LEON)

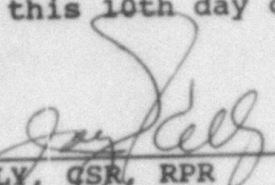
CERTIFICATE OF REPORTERS

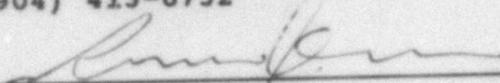
3 We, JOY KELLY, CSR, RPR, Chief, Bureau of
4 Reporting, ROWENA NASH and RUTHE POTAMI, CSR, RPR,
5 Official Commission Reporters,

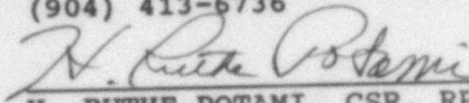
6 DO HEREBY CERTIFY that the Hearingin Docket
7 No. 960451-WS was heard by the Florida Public Service
8 Commission at the time and place herein stated; it is
9 further

10 CERTIFIED that we stenographically reported
11 the said proceedings; that the same has been
12 transcribed under our direct supervision; and that
13 this transcript, consisting of 988 pages, Volumes 1
14 through 7, constitutes a true transcription of our
15 notes of said proceedings and the insertion of the
16 prescribed
17 prefiled testimony of the witness.

18 DATED this 10th day of February, 1997.

19 
20 JOY KELLY, CSR, RPR
21 Chief, Bureau of Reporting
22 (904) 413-6732

23 
24 ROWENA NASH
25 Official Commission Reporter
(904) 413-6736

26 
27 H. RUTHE POTAMI, CSR, RPR
28 Official Commission Reporter
29 (904) 413-6732