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**REBUTTAL TESTIMONY OF KARLA OLSON TEASLEY
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
ON BEHALF OF
SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 950495-WS**

1 Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?

2 A. My name is Karla Olson Teasley and my business
3 address is 1000 Color Place, Apopka, Florida 32703.

4 Q. WHAT IS YOUR POSITION WITH SOUTHERN STATES
5 UTILITIES, INC.?

6 A. My position is Vice President-Customer Services for
7 Southern States Utilities, Inc. which I will refer
8 to as "SSU" or the "Company".

9 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK
10 EXPERIENCE?

11 A. I graduated summa cum laude from the University of
12 Wisconsin-Eau Claire with a Bachelor of Arts degree
13 in 1980. I received my Juris Doctor from the
14 University of Minnesota Law School in 1983. I
15 worked for six years as an attorney for Minnesota
16 Power & Light Company, practicing in the areas of
17 regulatory law, corporate finance, contracts and
18 general corporate law. In 1989, I became General
19 Counsel and Secretary of Southern States Utilities,
20 Inc., with progressive responsibilities until I
21 became Vice President-Corporate Services, General
22 Counsel and Secretary in January 1992. In February
23 1995 I assumed my current position as Vice
24 President-Customer Services.

25 I am a member of the American Bar Association,

1 the Florida Bar Association (Public Utilities Law
2 Committee), the Central Florida Association of
3 Women Lawyers, the National Association of Water
4 Companies (Vice Chair of the Government Relations
5 Committee), immediate Past President and current
6 board member of the Florida Waterworks Association,
7 and a member of the American Water Works
8 Association.

9 **Q. WHAT ARE YOUR PRESENT DUTIES AS VICE PRESIDENT-**
10 **CUSTOMER SERVICES?**

11 A. Generally, I am responsible for the proper
12 operation and management of the Customer Service
13 function in the Company. This includes direct
14 customer contacts, including staffing and operation
15 of our customer call center in Apopka, as well as
16 five separate customer service offices located in
17 Deltona, Spring Hill, Buenaventura Lakes, Lehigh
18 and Marco Island. In addition, I have
19 responsibility for the developer relations function
20 at SSU, including handling developer projects,
21 developer agreement administration, territory
22 amendments and other matters related to internal
23 growth.

24 **Q. HAVE YOU EVER TESTIFIED BEFORE A REGULATORY AGENCY?**

25 A. Yes, I have.

1 Q. PLEASE DESCRIBE THE SCOPE OF YOUR TESTIMONY IN THAT
2 PROCEEDING?

3 A. In Docket No. 920655-WS I provided testimony
4 concerning Public Counsel witness Dismukes'
5 proposed adjustments to remove certain legal
6 expenses from the Company's annual revenue
7 requirements.

8 Q. PLEASE DESCRIBE THE SCOPE OF YOUR TESTIMONY IN THIS
9 PROCEEDING.

10 A. I will address testimony of Public Counsel
11 witnesses Hugh Larkin, Jr. and Donna DeRonne
12 relating to proposed adjustments to rate base and
13 the Company's annual revenue requirements based on
14 Marco Island water supply costs, and the prudence
15 of such costs incurred by the Company.

16 I will also respond to customer comments
17 during customer service hearings by providing
18 testimony on certain customer service programs that
19 the Company has initiated during the last year to
20 provide high quality service to customers.

21 MARCO ISLAND WATER SUPPLY COSTS

22 Q. CAN YOU ADDRESS LARKIN/DERONNE'S PROPOSALS RELATED
23 TO THE ACCOUNTING TREATMENT FOR THE MARCO ISLAND
24 WATER SUPPLY COSTS PROPOSED FOR DEFERRED DEBIT
25 TREATMENT BY THE COMPANY?

1 A. No. SSU witness Morris Bencini will address
2 accounting issues related to the proposed deferral
3 in his rebuttal testimony.

4 **Q. DO YOU AGREE WITH MR. LARKIN AND MS. DERONNE'S**
5 **PROPOSED ADJUSTMENT TO REMOVE CERTAIN DEFERRED**
6 **MARCO ISLAND WATER SOURCE OF SUPPLY COSTS FROM RATE**
7 **BASE AND DISALLOW THE COMPANY'S PROPOSED DEFERRED**
8 **DEBIT TREATMENT?**

9 A. No, I do not. As stated in the Larkin/DeRonne
10 testimony, during the last several years SSU has
11 undergone "significant efforts to obtain a raw
12 water supply source for its Marco Island service
13 area." At no point in their testimony do Larkin or
14 DeRonne take issue with the prudence of the costs
15 that were incurred by the Company in an effort to
16 obtain a permanent source of raw water for Marco
17 Island. In fact, in their discussion of costs
18 associated with the design and permitting of a new
19 wellfield on the Company's 160 acre land parcel for
20 water supply, the Public Counsel witnesses suggest
21 that the costs should be "ultimately charged to the
22 new wellfield that will be built." This is in fact
23 what SSU has done regarding the Marco Island source
24 of supply since all of the referenced water supply
25 alternatives were necessarily pursued to obtain a

1 permanent water supply source for Marco Island.

2 Once this source of supply was obtained
3 through condemnation of the Collier Lakes property,
4 which was completed in May of 1995, SSU included
5 the various water supply costs incurred in relation
6 to other source alternatives in this rate case for
7 recovery through amortization over a five year
8 period. As I will discuss in further detail, SSU's
9 efforts with regard to all of these alternatives
10 were necessary to prudently obtain the most cost
11 effective, reliable, long-term water supply source
12 for Marco Island. Attached as Exhibit _____ (KOT-
13 1) is a detailed chronology of Marco Island/Marco
14 Shores Water Supply Planning which describes
15 efforts to plan for water demands on Marco starting
16 in 1964 well before SSU acquired the Marco plant
17 through the 1995 initiatives. This information was
18 provided to all parties through discovery to
19 provide a detailed description of all water supply
20 alternatives that were pursued, and the timing and
21 prudence of the various efforts to obtain a
22 permanent water supply. I will separately discuss
23 each water supply alternative that Larkin/DeRonne
24 have proposed to disallow for future recovery
25 through rates.

1 **Q. DO YOU AGREE WITH THE LARKIN/DERONNE PROPOSAL THAT**
2 **SSU'S PROPOSED DEFERRAL OF COSTS ASSOCIATED WITH**
3 **RENEGOTIATION OF THE COLLIER WATER LEASE BE**
4 **DISALLOWED?**

5 A. No, I do not. As stated by the Public Counsel
6 witnesses, prior to acquiring the Collier property,
7 SSU attempted to renegotiate the lease. This
8 effort was initiated in 1990, over four years
9 before the lease was scheduled to expire. It would
10 not have been prudent for SSU to attempt to acquire
11 the property either through negotiated purchase or
12 condemnation proceedings without first pursuing a
13 long-term lease arrangement. Over the course of
14 the next two years, SSU attempted to renegotiate
15 the lease utilizing both short and long-term
16 alternatives and a variety of terms, without
17 success. Approximately \$60,000 was incurred in
18 these efforts including expenses necessary to
19 define the leased property, evaluate financial
20 terms for the proposed lease, draft and negotiate a
21 lease agreement, etc. All such costs were
22 prudently incurred and could not have been avoided
23 in attempting to find the least cost alternative to
24 obtain a permanent water supply source for Marco
25 Island. Although it is true that these

1 negotiations were not successful, they were a
2 necessary precursor to the ultimate acquisition of
3 the Collier property. If such negotiations had
4 been successfully completed, a lease extension
5 could likely have been the least cost alternative
6 for Marco water supply, at least based upon the
7 terms proposed by SSU at the time. Verification of
8 this fact is contained in page 3 of the Marco
9 Island Water Supply Planning Chronology, attached
10 as Exhibit _____ (KOT-1), and therefore, expending
11 such costs was clearly prudent and in the best
12 interest of SSU's customers. Under these
13 circumstances it is not unreasonable for SSU to
14 defer such costs until obtaining the permanent
15 water supply source and then requesting recovery of
16 such expenses from its customers.

17 **Q. PLEASE DISCUSS SSU'S EFFORTS TO INTERCONNECT WITH**
18 **THE CITY OF NAPLES RAW WATER SUPPLY AND WHY SSU**
19 **BELIEVES IT SHOULD BE PERMITTED TO INCLUDE ITS**
20 **DEFERRED COSTS FOR THIS PROJECT IN RATES?**

21 A. In proposing that SSU's deferral of project costs
22 associated with the proposed City of Naples
23 interconnect be disallowed, Public Counsel
24 witnesses Larkin and DeRonne do not present any
25 evidence either that such costs were not prudently

1 incurred by SSU to obtain a permanent Marco Island
2 water supply source or were unreasonable in amount.
3 On the contrary, this project was pursued in good
4 faith by the Company starting in 1993 as confirmed
5 in Exhibit _____ (KOT-1), page 5. At the end of
6 1992, after several years of negotiating with the
7 Collier family to renew the water lease, SSU was
8 notified that the Collier's would not renegotiate
9 the lease. Although condemnation of the property
10 was one feasible alternative, this approach had
11 definite risks including the possibility that the
12 property owner would not negotiate a settlement and
13 a jury verdict was very unpredictable. Therefore,
14 SSU pursued an interconnect with a neighboring
15 utility, the City of Naples, as a prudent
16 alternative to the uncertainties of condemnation.
17 Preliminary indications in early 1993 were that
18 adequate capacity was available from the City at a
19 cost which would be less than an expected outcome
20 under condemnation proceedings for the Collier
21 property. Also, there was expected to be
22 additional flexibility to acquire more water on a
23 long-term basis from the City of Naples based on
24 wellfield expansion than the volume of water SSU
25 expected would be available from the Collier Lakes

1 property. As SSU witness Terrero will testify,
2 subsequent events have created the real possibility
3 of an Aquifer Storage and Recovery facility located
4 on the property purchased from the Colliers which
5 could address Marco Island's long term needs. In
6 any event, during 1993, a significant amount of
7 work relating to studies, preliminary design,
8 permitting and agreement negotiation with the City
9 took place. These activities were necessary to
10 confirm available capacity, determine if necessary
11 permits could be obtained and to make final cost
12 estimates. When the final studies were completed
13 in December of 1993, it became clear that several
14 variables relating to (1) land and easement
15 acquisition costs, (2) anticipated future cost
16 increases from the City and (3) permitting
17 obstacles, made the interconnect a more costly
18 alternative than costs associated with an expected
19 outcome in condemnation proceedings for the Collier
20 property. Approximately \$490,000 was spent to
21 pursue the above-referenced activities relating to
22 the project so that the interconnect would be able
23 to provide water to Marco Island by January 1995.
24 However, once the necessary studies were completed,
25 and all the costs were fully explored, SSU

1 determined that the interconnect was not the least
2 cost alternative available as was originally
3 anticipated. It was no longer prudent to pursue
4 this water supply alternative, and preparations
5 were made to pursue the acquisition/condemnation of
6 the Collier property. These costs were not
7 "arbitrarily deferred" as stated by Public Counsel
8 witnesses Larkin/DeRonne. They were prudently
9 incurred by SSU in seeking the lowest cost
10 alternative for a Marco Island water supply source.
11 As soon as the studies, negotiations, etc. that
12 were necessary to determine ultimate project costs
13 were completed, SSU discontinued this project and
14 pursued another least cost alternative. Such costs
15 should be borne by the ratepayers as part of the
16 ultimate cost of securing a permanent water supply
17 source for Marco Island. If the Naples
18 interconnect project had been completed, such costs
19 would certainly have been charged to the
20 interconnect capital project and included for
21 recovery in the current rate case. Therefore,
22 these costs are property includable in customer
23 rates as part of this rate proceeding.

24 **Q. WHY SHOULD SSU BE PERMITTED TO RECOVER IN CURRENT**
25 **RATES THOSE COSTS ASSOCIATED WITH THE PROPOSED USE**

1 **OF THE DUDE PIT PROPERTY AS A WATER SUPPLY SOURCE?**

2 A. As summarized on pages 3 through 5 of Exhibit ____
3 (KOT-1), SSU pursued the use of property known as
4 the Dude site from 1990 to 1994 for a water supply
5 source for Marco Island. Unlike several of the
6 other water supply alternatives, this proposed
7 source was being sought as an addition to primary
8 supplies such as the Collier Lakes property. In
9 August of 1990 an initial lease agreement was
10 negotiated with Southfield Farms, the owner of the
11 property, to supplement other Marco water sources.
12 During the remainder of 1990 and 1991, SSU
13 conducted hydrogeological studies to support
14 proposed water withdrawals, began preliminary
15 design of pump structures and pipeline, and pursued
16 acquisition of easements and permits for the
17 project. Although SSU experienced some permitting
18 delays in late 1991, it continued to receive
19 necessary permitting approvals through April of
20 1992. In May through August of 1992, amid
21 significant objection from agricultural interests
22 located adjacent to the Dude property, the Collier
23 County Commission declined to grant necessary
24 conditional use permits for the property. This
25 denial was issued despite the fact that all other

1 permitting agencies including the South Florida
2 Water Management District, the Florida Department
3 of Environmental Protection, the Collier County
4 Environmental Advisory Board and the Collier County
5 Planning Commission had approved the project.
6 During the pendency of Collier County hearings, May
7 to August 1992, SSU and Southfield Farms agreed to
8 jointly defer a pending foreclosure action on the
9 property by the payment of \$180,000 to Barnett
10 Bank. Pursuant to the agreement, SSU advanced
11 \$90,000 on behalf of Southfield Farms to the Bank
12 which was to be repaid at a later time. Although
13 the foreclosure action was delayed until October
14 1992, SSU and Southfield Farms were unsuccessful in
15 obtaining the necessary permits from Collier County
16 to use the property as a water supply source. A
17 subsequent appeal of the County decision and
18 related litigation with the adjacent agricultural
19 property owners was likewise unsuccessful. The
20 adjacent property owners eventually purchased the
21 property from Barnett Bank and SSU entered into a
22 settlement agreement with them by which SSU
23 received certain easement rights over the property
24 owner's properties. In a separate action against
25 Southfield Farms and its principal, Harold Dude,

1 SSU has obtained a judgment for the \$90,000 it paid
2 to Barnett Bank on behalf of Southfield Farms and
3 is attempting to collect on this debt.

4 As described above, all of SSU's activities to
5 negotiate the Dude water purchase agreement, as
6 well as to design and permit the project, were
7 prudently incurred to obtain an additional water
8 supply source for Marco Island. From project
9 inception through the summer of 1992, SSU had
10 reason to believe that the project was viable and
11 cost-effective, and that all permits would be
12 obtained as evidenced by the fact that permits were
13 received from all regulatory agencies having
14 jurisdiction over the project with the exception of
15 the Collier County Commission. The agricultural
16 interests that intervened in the Collier County
17 proceedings primarily objected to the proposed
18 water withdrawals, although the County Commission
19 arguably had no authority to deny the
20 SSU/Southfield Farms petition on that basis since
21 the South Florida Water Management District has
22 jurisdiction over water withdrawals and had
23 previously permitted the project. Also, SSU had
24 spent significant dollars on the Dude project as
25 evidenced by the approximately \$886,000 included as

1 part of the disputed deferred debit balance. Based
2 on the perceived strength of SSU's legal position,
3 the Company appealed the County Commission decision
4 and pursued additional litigation with the property
5 owners into 1994. However, when it became clear
6 that SSU was going to be unsuccessful in any
7 further attempts to utilize the property as a water
8 supply source, it entered into a settlement
9 agreement with the property owners. SSU did not
10 voluntarily abandon the water supply project, but
11 instead pursued it prudently to its logical
12 conclusion. Outside legal counsel advised the
13 Company that relevant legal authority supported
14 SSU's position that SSU was entitled to receive
15 permits for the project. Despite this, however,
16 the opposition prevailed. SSU should not now be
17 denied recovery of the amounts prudently incurred
18 because it was unsuccessful in permitting what
19 appeared at the time decisions were being made to
20 be the most viable and cost-effective water supply
21 project. Furthermore, the sums paid to Barnett
22 Bank were necessary to retain SSU's interest in the
23 property during the pendency of the Collier County
24 conditional use proceedings. Contrary to the
25 testimony of Larkin/DeRonne, SSU did not and should

1 not be expected to accept the risk that the Dude
2 property would not be permitted as a water supply
3 source and not be allowed to recover its costs
4 which were prudently incurred. For the reasons
5 stated above, SSU should be permitted to recover
6 its costs associated with this project in current
7 rates.

8 **Q. DO YOU HAVE ANY COMMENTS REGARDING AUDIT EXCEPTION**
9 **NO. 3 RELATING TO FPSC STAFF'S PROPOSED**
10 **DISALLOWANCE OF SSU'S COSTS ASSOCIATED WITH THE**
11 **PROPOSED USE OF THE DUDE PROPERTY AS A WATER SUPPLY**
12 **SOURCE?**

13 A. Yes. FPSC staff auditors propose that SSU costs of
14 \$886,409 associated with the Dude water supply
15 project be reclassified to Miscellaneous Non
16 Utility Expenses for two reasons: (1) the property
17 was proposed for mining by the owner, Southfield
18 Farms, in addition to its use as a source of water
19 supply for SSU and (2) a certain amount of raw
20 water from the Dude property was anticipated to be
21 provided to the Massachusetts Mutual Golf Course
22 for irrigation prior to SSU ultimately providing
23 treated effluent for irrigation of the golf course.
24 Regarding the use of the property for mining, the
25 agreement between SSU and Southfield Farms provides

1 that Southfield would conduct mining activities on
2 the property and SSU would lease the property based
3 on charges for the amount of water withdrawn, as
4 described on page 3 of Exhibit _____ (KOT-1)
5 attached hereto. It was never anticipated that SSU
6 would conduct or pay for any mining activities on
7 the property, and none of the \$886,409 expended by
8 SSU related to studies, design or permitting
9 activities for the proposed mining. All of the SSU
10 expenditures related to obtaining permits and
11 conducting related activities to use the property
12 for water supply; Southfield expended funds to
13 permit the mining activities.

14 Therefore, any allocation and disallowance of
15 SSU costs based on acres available for pit mining
16 on the property is totally inappropriate. SSU did
17 not stand to gain financially from any mining
18 activities based on its agreement with Southfield
19 Farms, and therefore should not be denied recovery
20 of its prudently incurred expenses because the
21 owner had a proposed dual use for the property.

22 Regarding the proposal by SSU to use a portion
23 of the water from the Dude property to provide raw
24 irrigation water to the Massachusetts Mutual Golf
25 Course, this agreement was never consummated. FPSC

1 staff auditors acknowledge in their exception
2 report that only drafts of such an agreement had
3 been exchanged by the parties. It is certainly not
4 clear that if such water had been sold by SSU to
5 the golf course that it would not have been
6 regulated by the FPSC as a bulk sale and treated as
7 utility income. Furthermore, the amount of water
8 which was anticipated for sale to the golf course
9 in the draft agreement, 350,000 gallons per day,
10 was in fact less than nine percent of the 4,000,000
11 gallons of water per day that was estimated to be
12 available from the Dude property. The balance of
13 the water supply, or 94% of the water, would have
14 been available as a water supply source for SSU's
15 Marco Island customers. Therefore, disallowing
16 SSU's prudently incurred expenses to obtain this
17 source of water for its customers is also
18 inappropriate for the second reason enunciated by
19 FPSC staff auditors.

20 Customer Service Issues

21 **Q. DO YOU HAVE ANY COMMENTS REGARDING CUSTOMER**
22 **TESTIMONY AT CUSTOMER SERVICE HEARINGS REGARDING**
23 **THE QUALITY OF CUSTOMER SERVICE BEING PROVIDED BY**
24 **SSU?**

25 **A. Yes. Staff witness Nancy Pruitt presents facts**

1 regarding complaints received by the Commission
2 during the years 1994 and 1995. The most
3 noteworthy fact is that only 20 complaints for each
4 year or .014 percent were even justified out of
5 SSU's total of approximately 145,000 customers
6 served during 1994 and 1995 years, respectively. I
7 have used an average of 145,000 customers for each
8 of the years in this analysis since the actual
9 number of customers served by SSU pursuant to FPSC
10 jurisdiction varied slightly during this time frame
11 due to jurisdiction transfers. We have performed
12 an analysis of complaints per customer made to the
13 Commission for SSU versus Florida Power & Light for
14 the years 1993 and 1994 and have determined that
15 SSU compares favorably with this large electric
16 utility. In conducting this analysis 1995
17 complaints were not considered to date since no
18 Customer Complaint Activity Report has been issued
19 by the FPSC for 1995. In 1993, the Commission
20 received .415 complaints per 1,000 customers on FPL
21 and .6 complaints per 1,000 customers on SSU. This
22 comparison becomes more favorable when comparing
23 the complaints which were found to be justified by
24 the Commission: FPL had .139 complaints justified
25 per 1,000 customers and SSU had .166 complaints

1 justified for each 1,000 customers. These facts
2 certainly cast SSU in a favorable light as compared
3 to other utilities in this state. This is
4 especially true in light of the fact that SSU has
5 experienced significant rate increases during this
6 same time period which generally spur additional
7 customer complaint activity. In contrast, FPL has
8 had no general rate activity during the 1993-1994
9 period.

10 During 1994 SSU's complaint comparisons with
11 FPL became even closer: the Commission received
12 .501 complaints per 1,000 customers on FPL and .531
13 complaints per 1,000 customers on SSU. When
14 comparing the complaints which were found to be
15 justified by the Commission, SSU's record is better
16 than FPL's record with .138 complaints justified
17 per 1,000 customers for SSU versus FPL complaints
18 of .149 justified per 1,000 customers.

19 **Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING THE NUMBER**
20 **OF CUSTOMER COMPLAINTS RECENTLY RECEIVED BY SSU?**

21 A. Yes. Since SSU implemented interim rates effective
22 for service rendered on or after January 23, 1996,
23 SSU has been inundated with complaints regarding
24 the rates. As a result of the Commission's
25 reversion to modified stand-alone rates, customers

1 in many communities served by SSU have experienced
2 huge increases in their bills for average levels of
3 use. Some noteworthy examples are as follows:
4 Chuluota - 99% increase on combined bill with 7,149
5 average gallons; Citrus Springs - 70% increase on
6 combined bill with 5,482 average gallons; Deltona -
7 82% increase on average wastewater bill;
8 Intercession City - 189% increase on water bill
9 with 5,032 average gallons; Palm Valley - 562%
10 increase on water bill with 9,186 average gallons;
11 Tropical Isles - 185% increase on average
12 wastewater bill; and Tropical Park - 126% increase
13 on combined bill with 4,888 average gallons.
14 Customer service representatives for SSU estimate
15 that since the new bills were received by customers
16 they have experienced an increase of approximately
17 75% in the number of customer calls received on a
18 daily basis. For example, prior to the rate
19 change, an average monthly calling volume from
20 customers was in the range of 8,000 calls. In just
21 one day recently on March 11, 1996, SSU documented
22 receiving 1,155 calls. This trend has continued
23 over the last several weeks as customers received
24 their bills reflecting the full effect of the
25 change to modified stand-alone rates. The

1 vehemence of customer responses, including death
2 threats, is unlike anything SSU has ever
3 experienced. A particular source of customer
4 confusion is why the Commission moved away from
5 uniform rates after it had previously determined
6 that uniform rates were appropriate in not one but
7 several different proceedings, as well as having
8 determined that it had jurisdiction over all SSU
9 plants.

10 Many of the calls are coming from customers
11 living in communities which have been most affected
12 in the change from uniform to modified stand-alone
13 rates. They include Chuluota with customers'
14 average monthly bills going from \$48.55 to \$96.62,
15 Palm Valley - bills increasing from \$15.16 to
16 \$100.31, Marion Oaks - bills increasing from \$43.49
17 to \$84.59, Deltona wastewater customers -
18 wastewater bills increasing from \$34.63 to \$62.95,
19 and Citrus Springs - bills increasing from \$47.73
20 to \$81.32. Calls have been received from almost
21 all areas that are paying more under modified
22 stand-alone rates, but these plants I have
23 mentioned were the highest in terms of the number
24 of calls received. The types of complaints
25 received from the customers include the following:

1 Cannot afford to pay their bill, the rates are
2 ridiculous, on fixed income/will have to take money
3 from their food allowance to pay their water bills,
4 can't afford to take baths or flush their toilets
5 anymore, question accuracy of the meter because
6 their bill has doubled or tripled, etc.

7 **Q. AS A RESULT OF THE COMMISSION'S REVERSION TO**
8 **MODIFIED STAND-ALONE RATES, ARE THERE ANY OTHER**
9 **IMPACTS TO CUSTOMERS THAT YOU WOULD LIKE TO**
10 **DISCUSS?**

11 A. Yes. Another by-product of the decision to
12 implement modified stand-alone rates is the request
13 of customers from several communities to
14 discontinue central water service and go on private
15 wells for their potable water use. This has been
16 prevalent in the areas of Chuluota and Marion Oaks,
17 and is most severe in the Palm Valley community.
18 Many of the Palm Valley customers have insisted
19 that they be allowed to revert to private wells. A
20 St. John's County ordinance will allow customers
21 that either have constructed or have been issued a
22 permit to construct a well prior to May 5, 1995,
23 the effective date of the ordinance, to use the
24 well for their potable needs. Any other customers
25 will not be allowed to discontinue service from a

1 central system. This creates the untenable
2 situation of some customers being allowed to
3 discontinue water service as a result of high rates
4 while other customers have no other choice but to
5 remain on the system. As a result of current
6 customers reverting to use of their private wells,
7 fewer customers will be available to bear the costs
8 of the significant capital improvements that were
9 made by SSU to improve the plant facilities
10 pursuant to a Florida Department of Environmental
11 Protection order. Further, customers who
12 discontinue service from SSU will have greater
13 health risks associated with using untreated
14 private well water for potable purposes. This
15 unacceptable situation is the direct result of the
16 Commission's decision to implement modified stand-
17 alone rates. Numerous Palm Valley customers have
18 indicated that they would reconnect to SSU's system
19 if uniform rates were again implemented by the
20 Commission.

21 **Q. DURING CUSTOMER SERVICE HEARINGS, SEVERAL CUSTOMERS**
22 **COMPLAINED ABOUT HIGH BILLS. DO YOU HAVE ANY**
23 **COMMENTS?**

24 **A.** Yes. A notable customer complaint came from Marco
25 Island customer Dr. Wilbur Gross. As Dr. Gross

1 indicated, his situation was too close to the
2 hearings to have been investigated by SSU. Upon
3 investigation, the following facts were determined:
4 Dr. Gross' meter was read on December 4, 1995
5 and the reading was 1436750. The meter readings
6 were unloaded that night and his account flagged
7 for high usage on the meter reading edit dated
8 December 5, 1995. A field investigation was
9 dispatched and performed on the same day. The
10 meter reading was 1439090 and there was no
11 indication of a leak at that time. As a final
12 check, the account was also flagged on the
13 exception report that printed on December 13, 1995.
14 The meter reader was dispatched again to check the
15 meter before the account was locked for billing.
16 The meter reading was once again verified and the
17 meter reader spoke to Dr. Gross at that time. SSU
18 has no explanation for the high usage. At the
19 request of the customer, a meter bench test was
20 performed by the City of Naples on January 24,
21 1996. The meter tested within the guidelines of
22 accuracy and in accordance with the rules and
23 regulations. Dr. Gross was present and witnessed
24 the test. At the request of the Public Service
25 Commission, the meter was shipped to Ed Cucinelli

1 with Precision Meter on February 12, 1996. On
2 March 6, 1996 the Commission staff issued a report
3 from Mr. Cucinelli on the testing and condition of
4 the meter. In his report Mr. Cucinelli indicated
5 several possible conclusions for the high usage,
6 but opined that he does not believe that the meter
7 could have created such a large increase unless
8 water actually passed through it. Since a new
9 meter was installed at Dr. Gross's residence the
10 monthly usage continues to run high as compared
11 with other Marco Island customers: 32,220 gallons
12 billed in January 1996, 27,940 gallons in February
13 and 45,260 gallons in March. In response to the
14 most recent high usage, a field accuracy test was
15 conducted on March 12, 1996, with satisfactory
16 results. SSU personnel continue to work with Dr.
17 Gross to resolve his high bill concerns.

18 **Q. DO YOU HAVE ANY COMMENTS CONCERNING DR. GROSS'**
19 **COMPLAINT?**

20 A. Yes. SSU's procedure when an extraordinary meter
21 read occurs is as follows:

22 First, SSU performs a field investigation to
23 verify the meter reading, checking for leaks and
24 any unusual circumstances. This information is
25 reported to the customer if they are at home. If

1 the customer is not home at the time of the field
2 investigation, a door card is left for the
3 customer. If the customer requests an accuracy
4 check on the meter, a field accuracy test, or bench
5 test, is scheduled to be performed on the meter.
6 The customer is advised that he/she has the right
7 to be present to witness the test if they wish to
8 do so.

9 Our procedures and the results of the
10 investigation of Mr. Gross' complaint confirms that
11 customers must be mindful of their monthly bills
12 and whether they leave water running or have leaks.
13 A more important issue regarding overall
14 consumption on Marco Island is highlighted in the
15 testimony of Public Counsel witness Dismukes. SSU
16 requested that 17 Marco Island single-family
17 residential customers, who use in excess of 100,000
18 gallons of water a month, on average, participate
19 in a water audit program to assist them to conserve
20 water. As Ms. Dismukes noted, 7 of the 17 single-
21 family residential customers who were invited
22 agreed to participate. Ms. Dismukes' response is
23 that SSU's proposed conservation program should be
24 curtailed because of less than full participation
25 -- SSU disagrees. These customers must be

1 educated. Affordability is not a question for
2 them, obviously, but perhaps they will respond to
3 the message that they could be adversely affecting
4 the local water supply. We at SSU want to spread
5 the conservation message, not curtail it because a
6 few customers have not yet understood its
7 importance.

8 **Q. DO YOU HAVE ANY COMMENTS CONCERNING HIGH BILL**
9 **COMPLAINTS AT MARCO ISLAND DURING 1994 AND 1995?**

10 A. At the Marco Island customer service hearing held
11 in this case on January 22, 1996, Chairman Clark
12 requested that SSU provide information to the
13 Commission regarding the number of complaints
14 received by the Company regarding high bills from
15 Marco Island customers. That information,
16 including actions taken to resolve each complaint,
17 was provided in an interrogatory response on
18 February 6, 1996. I have already discussed the
19 procedure that is followed in attempting to resolve
20 these complaints. Out of a total of 792 high bill
21 complaints received by SSU from Marco Island
22 customers during 1994 and 1995, the vast majority
23 of complaints were satisfactorily addressed and
24 resolved by the Company. In fact in the testimony
25 of FPSC staff witness Nancy Pruitt, during 1994

1 only 17 complaints to the Commission related to
2 high bills for all of SSU's customers, and of this
3 number only two complaints were determined to be
4 justified. Regarding 1995 complaints, Ms. Pruitt
5 indicates that for all SSU plants there were 20
6 complaints logged concerning high bills. Of this
7 number, only two complaints were determined to be
8 justified, and one complaint is still open. Based
9 on this evidence it is clear that SSU is
10 satisfactorily resolving the vast majority of the
11 high bill complaints of its customers, including
12 Marco Island customers.

13 **Q. HAS SSU DONE ANYTHING TO IMPROVE CUSTOMER SERVICE?**

14 A. Yes. As the Commissioners heard several times
15 during customer service hearings, customers,
16 particularly part-time Florida residents, desired
17 the ability to pay for SSU bills by electronic
18 funds transfer. SSU was in the midst of
19 implementing this process at the time and has had
20 overwhelming positive response to the program which
21 was initiated in December 1995. To date
22 approximately 5,750 customers or 5% of our customer
23 base have completed an application to be included
24 in this program. We are pleased to inform the
25 Commission and our customers that we expect

1 payments may be made by electronic fund transfer as
2 of billings for mid April 1996.

3 Also, as of our September 1995 billings, SSU
4 provides customer historic use information on bills
5 - as Commissioners have stated would be preferred
6 due to the need to conserve water in Florida. We
7 are not aware of other Florida water utilities
8 which provide this information on bills.

9 We also have established a Communications
10 Advisory Committee in each of four regions in the
11 state. Various customers and community leaders
12 were requested to join these committees and, to
13 date, we have 31 customer leaders who have agreed
14 to serve on these committees. The committees,
15 which include SSU employee members, will each meet
16 a minimum of twice each year to provide SSU with
17 public and employee review and recommendations on
18 the Company's overall customer information efforts,
19 with special interest given to conservation
20 programs. It is also envisioned that these
21 committees will serve as listening posts for
22 community opinion regarding SSU's overall
23 operations, customer service performance, and
24 regulatory matters. The first round of
25 Communications Advisory Committee meetings were

1 held in December 1995 and January 1996. The second
2 set of meetings are planned to take place in March
3 and April 1996. We are very pleased with the
4 feedback we have received from the committees to
5 date and anticipate that SSU's quality of customer
6 service and communications with its customers will
7 be enhanced through this program.

8 **Q. Does that conclude your rebuttal testimony?**

9 A. Yes, it does.

CHRONOLOGY <i>Marco Island/Marco Shores Water Supply Planning</i>	
1964	<ul style="list-style-type: none"> • Marco Island began development. • <u>Collier Site</u> - Conducted original hydrogeological analysis - (updated in 1971, 1977, 1980, and 1988). • <u>Collier Site</u> - October 2nd - Original 30 year agreement from Colliers to utilize Collier pits for water supply to Marco Island and Marco Shores. Expiration date was December 31, 1994. No limits set on withdrawals.
1976	<ul style="list-style-type: none"> • <u>Collier Site</u> - Added first infiltration gallery - Phase I.
1980	<ul style="list-style-type: none"> • <u>Collier Site</u> - Updated hydrogeological analysis. Capacity was determined to be 14 MGD at Collier site and 5 MGD at the Section 35 site.
1984	<ul style="list-style-type: none"> • <u>Section 35</u> - Purchased 160 site in Section 35. • Extended first infiltration gallery - Phase II.
1988	<ul style="list-style-type: none"> • <u>Collier Site</u> - Hydrogeological analysis updated. Collier Lakes and infiltration galleries determined to have safe yield capacity of 6.8 MGD. • <u>Section 35</u> - November - Hydrogeological analysis updated. Estimated safe yield of 5 to 6 MGD. • Added second infiltration gallery - Phase III.
1989	<ul style="list-style-type: none"> • <u>August</u> - Joint Planning Study - Marco Island Utilities/Collier County Utilities. <p><u>Scope:</u> Identify and evaluate the feasibility of developing potential water resources for long-range water demands - Marco Island and Collier County.</p> <p>Summary of resources evaluated:</p> <ol style="list-style-type: none"> 1) Collier Lakes/Infiltration Gallery. 2) Section 35 Water Table Aquifer. 3) Fakahatchee Strand Water Table Aquifer. 4) Sable Palm Area Water Table Aquifer. 5) Golden Gate Lower Tamiami Aquifer. 6) North County Lower Tamiami Aquifer. 7) Marco Island Lower Hawthorn Aquifer. 8) Mainland Lower Hawthorn Aquifer. 9) North County Lower Hawthorn Aquifer. 10) North County Deep Saline Aquifer.

CHRONOLOGY
Marco Island/Marco Shores Water Supply Planning

1989
(cont'd)

Conclusion:

- 1) Marco Island needs through buildout would be 16-17 MGD. High quality water was limited in South County area and no single source of water would be sufficient to meet the needs of Marco Island.
 - 2) Potential impact to wetlands within the Fakahatchee Strand area would create serious concerns about the potential development as a major water supply. Alternative was deleted from further consideration.
 - 3) The Sabal Palm area was limited by the presence of environmentally sensitive areas, thin water producing strata, existing competing water users, and severe impacts to water quantity and quality due to climatic conditions. Alternative was eliminated from further consideration.
 - 4) Encourage Marco Island to proceed with additional hydrogeological testing and modeling to more accurately define the safe yield of the Lower Hawthorn Aquifer system on Marco Island.
 - 5) Encourage Marco Island to construct reverse osmosis treatment facilities on Marco Island of sufficient capacity to maximize size production from the Lower Hawthorn Aquifer.
 - 6) Consider and weigh the benefits and liabilities of constructing a dual system on Marco Island for irrigation supply vs. development of a mainland Lower Hawthorn wellfield and reverse osmosis treatment facility.
 - 7) Proceed with detailed hydrogeological investigation modeling and permitting of the mainland Lower Hawthorn Aquifer system in the County's manatee road storage and repump facility.
 - 8) Consider development of a formal water conservation program for Marco Island.
 - 9) Encourage County and Marco Island to proceed with detailed hydrogeologic investigation modeling and permitting of the Lower Tamiami Aquifer system in the North County area.
 - 10) Encourage the County to proceed with the steps necessary to obtain appropriate easements, right-of-way or acquisition for wellfield and treatment facility construction for the North County Regional Water Treatment Facility.
 - 11) Encourage the County to add detailed hydrogeological modeling of the Golden Gate Lower Tamiami Aquifer system to their capital improvements plan to determine ultimate safe yield.
 - 12) Investigate and evaluate methods of retaining surface and groundwater during the wet season for potable and/or irrigation using during the dry season. Methods to include retention in canals, lakes, ASR.
- R.O. Plant - Marco Island initiated preliminary design and engineering for Marco Island R.O. plant.
 - Conservation - Initiate watering restrictions on island.

CHRONOLOGY

Marco Island/Marco Shores Water Supply Planning

1990	<ul style="list-style-type: none"> • <u>R.O. Plant</u> - February - Update hydrogeological analysis - Marco Wellfield. Adequate capacity determined to support a 6 MGD R.O. Plant. • <u>July</u> - SSU acquires Marco Island and Deltona Utilities. • <u>Dude Site</u> - June through August - Negotiate an agreement with Southfield Farms to withdraw 4 MGD of water to supplement Marco source. Agreement reached August 13. <u>Terms</u>: 4 MGD. 15 years extendable to 20 years Base compensation of \$150,000/year for 2 MGD (20.5¢/1000 gal in excess of 2 MGD. Provisions for increasing according to FPSC recognized price indexing. (Note: Rate differs from that shown in RCAR #94CS056-July 24, 1995). • <u>Dude Site</u> - August - Complete follow up hydrogeological study to support a 4 MGD withdrawal. Begin design of pumping structures and pipeline. Begin acquisition of easements and permits. • <u>Dude Site</u> - September - Met with SFWMD, FDEP(R), and Collier County regarding permissibility of project. Received favorable determination that project would be permissible. • <u>Collier Site</u> - November - Initiate formal negotiations with Colliers to extend lease. Request 15 year agreement extendable to 30 years, minimum of 5 year cancellation agreement. Base compensation of \$190,000/year for 4 MGD (13¢/1000 gal) + 10¢/1000 gal in excess of 4 MGD. Provision for FPSC price index escalators. • <u>R.O. Plant</u> - Begin preliminary design and permitting of R.O. Plant - received all FDEP construction permits for construction in December. • <u>Conservation</u> - Begin Customer Education Water Conservation Program on Marco Island.
1991	<ul style="list-style-type: none"> • <u>All Sites</u> - January 17th - Receive 5 year Water Management Consumptive Use Permit. Covers Collier Pits (5.3 MGD), infiltration galleries (1.5 MGD), Dude Pit (4 MGD), and R.O. Wells (5.4 MGD). Maximum daily withdrawal of 10.78 MG and annual average daily of 7 MGD. • <u>R.O. Plant</u> - April - Continue permitting (zoning). Project released for construction. • <u>Dude Site</u> - January through April - Southfield applies for provisional use for earth mining and water withdrawal. April 17, Collier County Environmental Advisory Council approves petition for all issues. Collier County Water Management Advisory Board also considers petition, however, defers action until board is eliminated and is replaced by the Environmental Advisory Board (EAB). • <u>Dude Site</u> - October - Receive FDEP permits for raw water pumping and pipeline. • <u>Dude Site</u> - November 6th - EAB first hears petition, continues to the 13th. • <u>Dude Site</u> - November 13th - County adopts new land development code. All provisional uses are eliminated and replaced with conditional uses in their place. County deleted water withdrawal provisions from petition and converted earth mining to an application for conditional use.

CHRONOLOGY
Marco Island/Marco Shores Water Supply Planning

1991 (cont'd)	<ul style="list-style-type: none"> • <u>Collier Site</u> - January through December - Work through several draft agreements. Collier counters with 5 year agreement, no extension option, weak warrants to protect water quality, no counter offers of rates, requires SSU to restore all above and below ground areas to condition which existed in 1964. • <u>Conservation</u> - Continue conservation program efforts increasing public education/awareness (refer to Carlyn Kowalsky's conservation testimony).
1992	<ul style="list-style-type: none"> • <u>Dude Site</u> - January 8th - EAB approves Southfield petition. • <u>Collier Site</u> - January 21st - Collier notices SSU of their expectation that SSU will vacate Collier Property by 12/31/94. • <u>Collier Site</u> - February 18th - Collier agrees to continue discussions on possible sale of raw water. • <u>Dude Site</u> - April 16th - Planning Commission approves Southfield petition. • <u>R.O. Plant</u> - April - 4.0 MGD R.O. Plant placed into service. • <u>Collier Site</u> - April 28th - Colliers indicate they are unwilling to extend the lease - want property back unencumbered and SSU should plan for orderly withdrawal. • <u>Dude Site</u> - May 12th - First full County Commission hearing of Southfield petition. Continued on grounds staff needed additional time to review water use. • <u>Dude Site</u> - May 14th - Agricultural interests intervene seeking interpretation of why water withdrawal was withdrawn from petition. • <u>Dude Site</u> - May 27th - SSU enters settlement agreement with Southfield Interests to stay impending foreclosure of property. • May - SSU contacts County to increase 1 MGD emergency interconnect to 7 MGD firm. • <u>Dude Site</u> - August 18th - County Commissioners table petition, rules that Southfield must recommence with EAB for conditional use on water withdrawal and earth mining. • <u>August</u> - Re-evaluation of alternative Sources: <ul style="list-style-type: none"> Alternatives: * Interconnect with Naples or Collier County for raw or finished water. * Continue development of Dude and Section 35 site. * Develop new sites.

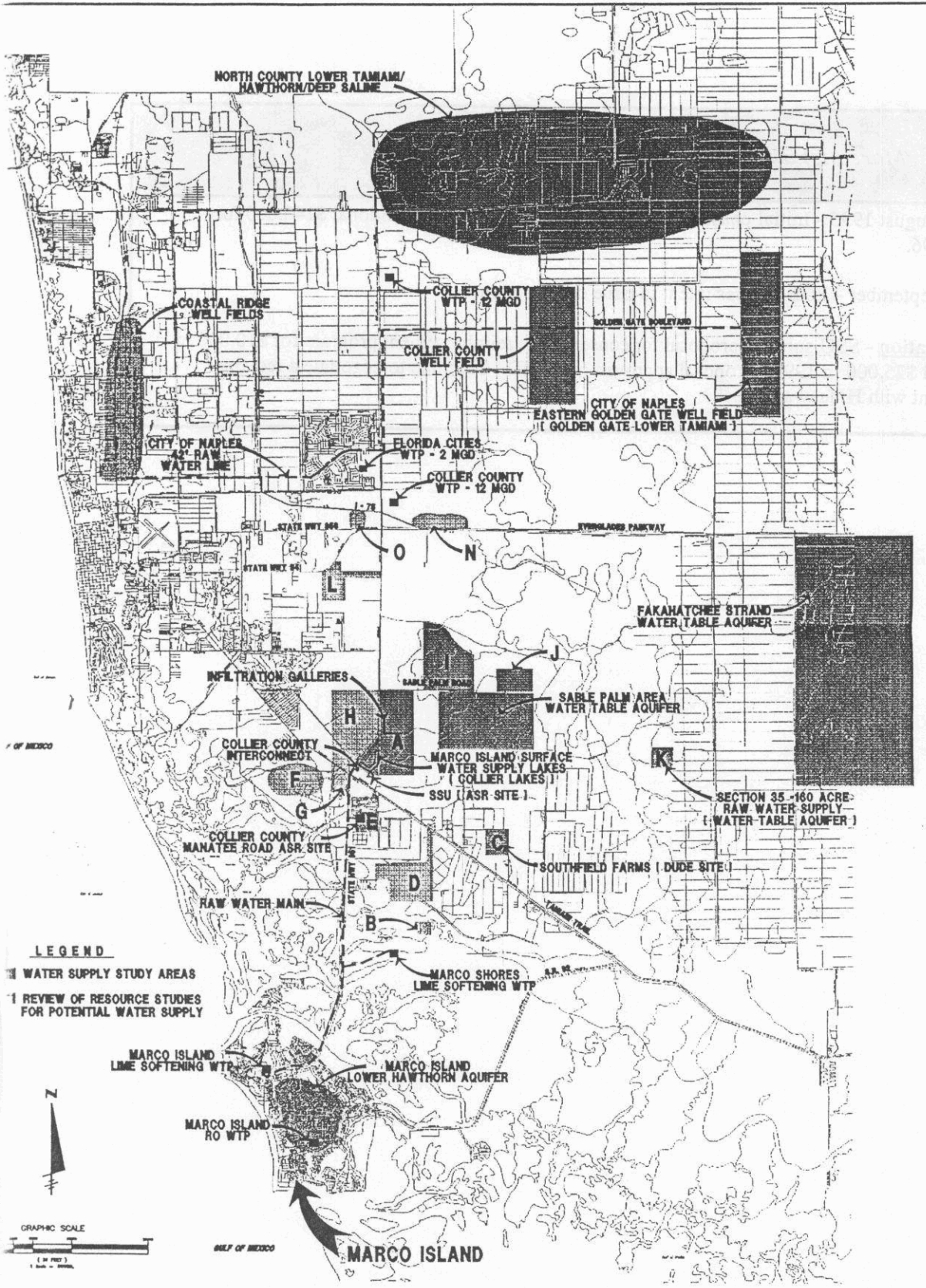
CHRONOLOGY
Marco Island/Marco Shores Water Supply Planning

1992 (cont'd)	<p><u>Conclusions:</u></p> <ul style="list-style-type: none"> * Collier pits continued to be favored alternative. * Dude property vs. developing new sources on the 951 corridor and implementing the Section 35 site had several unknowns. Although development of a liner wellfield up 951 could eventually tie into Naples. * Further evaluate possible interconnections with the City of Naples for raw or finished water. * Attempt to augment possible purchases from Collier County. <ul style="list-style-type: none"> • <u>Dude Site</u> - October 1st - Barnett Bank forecloses on Southfield Farms. • <u>Collier Site</u> - November 9th - Collier again notifies SSU that lease will not be renegotiated and SSU must make alternate arrangements.
1993	<ul style="list-style-type: none"> • <u>Naples Interconnect</u> - January - SSU contacts Collier County and City of Naples to purchase raw or finished water. Collier County has none available. Naples is interested in selling raw water. <p>City required:</p> <ul style="list-style-type: none"> * SSU pay for interconnect. * SSU pay for hydrogeological study to confirm adequacy of aquifer. * SSU pay for rate study and capital improvements studies to be completed to verify O&M and capital costs for improvements. <ul style="list-style-type: none"> • <u>Naples Interconnect</u> -March 15th - Present program before the City Council. Received favorable go-ahead. • <u>Dude Site</u> - April - TGL acquires Southfield site. • <u>Naples Interconnect</u> - June -Reach final feasibility study agreement with City of Naples. • <u>Naples Interconnect</u>- September/October - Begin design for raw water interconnect with City of Naples. • <u>Naples Interconnect</u> - October - Complete Briefing Document. Conclusion: Approximately 48 MGD of capacity. Combined current demand was approximately 35 MGD. Therefore adequate capacity was available. • <u>Section 35</u> - November 19th - Pre-application meeting with SFWMD.

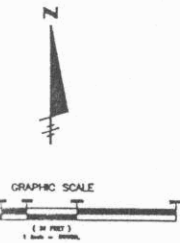
CHRONOLOGY <i>Marco Island/Marco Shores Water Supply Planning</i>	
1993 (cont'd)	<ul style="list-style-type: none"> • <u>Naples Interconnect</u> - December - Studies completed. Final cost analysis including unknowns for land acquisition, easements, future cost increases from City, and possible permissibility issues led SSU to pursue condemnation alternative. • <u>Section 35</u> - December 7th - Request for water use permit modification to add this site to present WUP.
1994	<ul style="list-style-type: none"> • <u>Collier Site</u> - January 18th - SSU offers to purchase lakes only, for \$4,300,000 plus attorney's and appraiser's fees. Provide deadline of February 14th for Collier Interests to accept offer. Later amended to add a 100 foot easement and extended deadline to March 1, 1994. • <u>Collier Site</u> - May/June - Taking confirmed and settlement payment made. • <u>ASR</u> - May 11th - SSU submits cost sharing proposal to construct a 1.5 MGD pilot ASR well at Collier Lakes; or in the alternative, construct an Aquifer Recharge Project for the R.O. wells on Marco Island. Total cost for ASR project is \$994,950 split \$461,724 (WMD) and \$533,225 (SSU). Total cost of recharge project is \$1,077,300 split \$502,650 (WMD) and \$574,650 (SSU). WMD takes no action. Chooses to defer until September - next fiscal year. • <u>Section 35</u> - June 14th - Dredge and fill permit application applied for with SFWMD for transmission main. • <u>Section 35</u> - June 15th - Conceptual Surface Water Management Application filed. • <u>ASR</u> - September 29th - SSU resubmits modified cost sharing proposal to construct a 1.5 MGD pilot ASR raw water well at Collier Lakes; or in the alternative, construct an ASR finished water well on Marco Island. Total cost for Collier ASR well is \$1,363,500 split \$639,250 (WMD) and \$724,250 (SSU). Total cost for Island ASR well is \$1,073,100 split \$500,300 (WMD) and \$572,800 (SSU). • <u>Section 35</u> - October 19th - Meet with Army Corps of Engineers to confirm wetland delineation. • <u>ASR</u> - November 1994 - February 1995 - Collier Lake proposal is accepted by WMD. District commits to \$85,000 before September 1995 and additional \$140,000 (total \$225,000) if initial phase is satisfactory. Also leaves door open for cost sharing of \$664,000 in 1996/1997. • <u>Conservation</u> - January - December - SSU commits to aggressive conservation program throughout Island and evaluates expansion of reclaim potential along Collier Boulevard. Began negotiations with Hideaway Beach to substitute potable water with reclaimed water.

CHRONOLOGY
Marco Island/Marco Shores Water Supply Planning

1995	<ul style="list-style-type: none">• <u>ASR</u> - August 1995 - Initial phase satisfactory. WMD commits to additional \$140,000 for 1995/1996.• <u>ASR</u> - September - FDEP issues intent to issue construction.• <u>Conservation</u> - SSU submits proposal for conservation reimbursement program for \$10,000 in 1995 and \$25,000 in 1996. Proposal approved by WMD. Continue to negotiate a reclaim agreement with Hideaway Beach.
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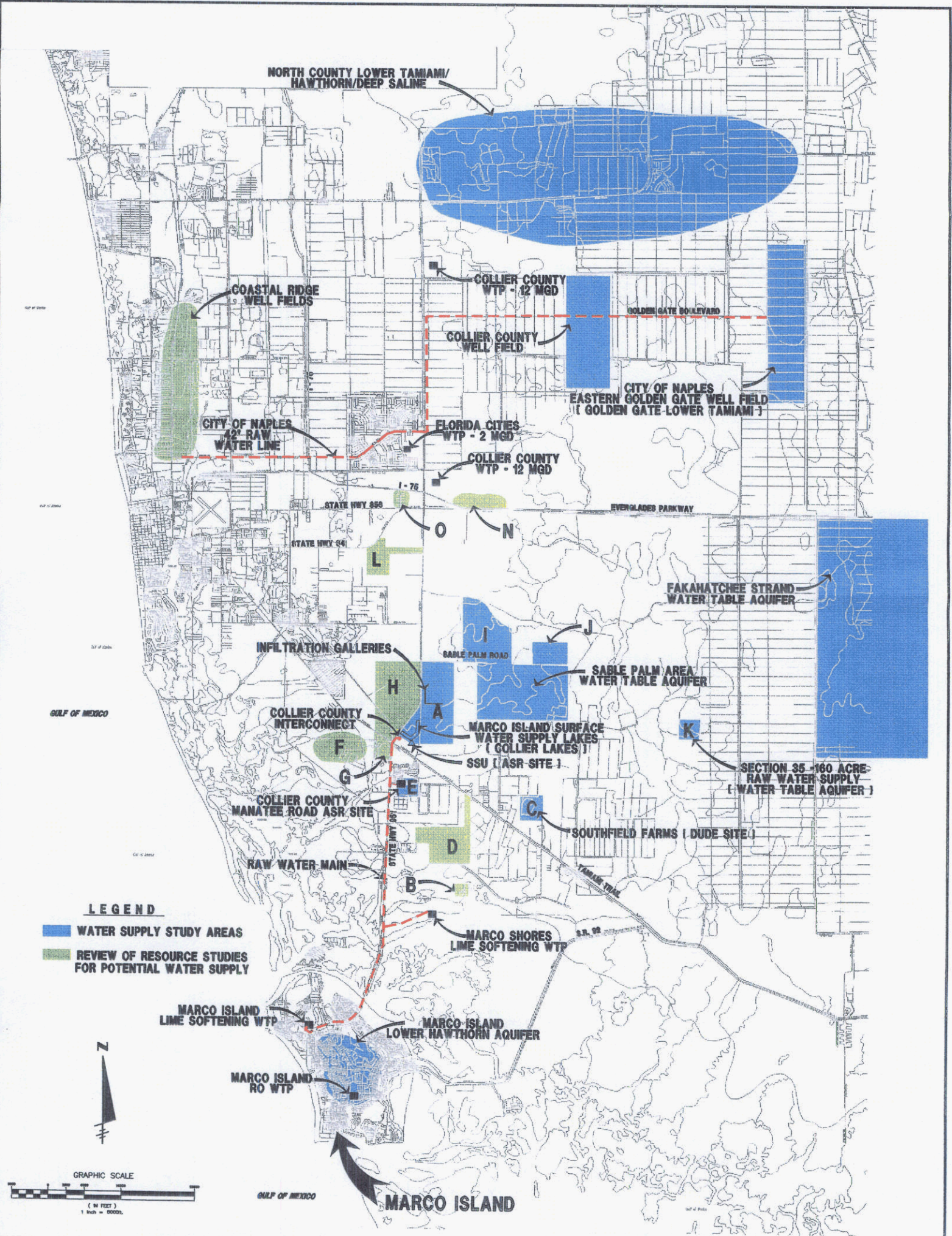
LEGEND
 [Shaded Box] WATER SUPPLY STUDY AREAS
 [Hatched Box] REVIEW OF RESOURCE STUDIES FOR POTENTIAL WATER SUPPLY



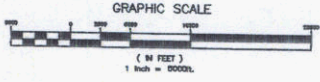
**MARCO ISLAND
 WATER SUPPLY ALTERNATES**

FIGURE NO.





LEGEND
 ■ WATER SUPPLY STUDY AREAS
 ■ REVIEW OF RESOURCE STUDIES FOR POTENTIAL WATER SUPPLY



MARCO ISLAND WATER SUPPLY ALTERNATES

FIGURE NO.

