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January 10, 1997

VIA HAND DELIVERY

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Building, Room 110
Tallahassee, Florida 32399-0850

RE: Application for Rate Increase in Duval,
Nassau, and St. Johns Counties by United Water
Florida Inc., Docket No. 960451-WS

Dear Ms. Bayo:

In connection with the above-referenced matter, please find enclosed the following documents for filing:

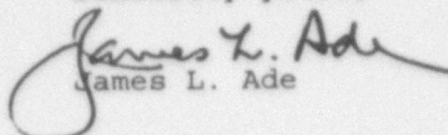
1. Original and seven (7) copies of a Notice of Filing - 00360-97
2. Original and fifteen (15) copies of a folder containing Rebuttal Testimony on behalf of United Water Florida Inc. by the following witnesses: *afa 2-exp 5*
will 5-
 - a. Thomas Cleveland
 - b. David deNagy
 - c. Mary Egan-Long
 - d. Frank Gradilone III
 - e. Robert Iacullo
 - f. Matthias Jost
 - g. Frank McGuire
 - h. Munipalli Sambamurthi
3. Original and seven (7) copies of United Water Florida Inc.'s Motion to File Supplemental Direct Testimony of Philip Heil on Behalf of United Water Florida Inc. - 00362-97
4. Original and fifteen (15) copies of Supplemental Direct Testimony of Philip Heil on Behalf of United Water Florida Inc. This testimony must not be filed until the above mentioned motion is granted. *afa - 2*
will - 5
00363-97

Ms. Blanca Bayo, Director
January 10, 1997
Page 2

Please file the originals of the Notice of Filing, Rebuttal Testimony and Motion and distribute the copies in accordance with your usual procedures.

If you have any questions or comments regarding this matter, please do not hesitate to call.

Sincerely yours,


James L. Ade

JLA:dws
Enclosures

cc: Mr. David E. Chardavoyne
Mr. Walton F. Hill
Mr. Robert J. Iacullo
Mr. Frank J. McGuire
Mr. Munipalli Sambamurthi
Ms. Rosanne G. Capeless
Mr. Harold McLean

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of United Water)
Florida Inc. for Increased Water) DOCKET NO. 960451-WS
and Wastewater Rates in Duval,)
Nassau and St. Johns Counties)

SUPPLEMENTAL DIRECT TESTIMONY
OF
PHILIP HEIL
ON BEHALF OF UNITED WATER FLORIDA INC.

Q. Please state your name and address.
A. My name is Philip Heil. My home address is 10068
Romaine Circle South, Jacksonville, Florida 32225.

Q. Are you the same Philip Heil who previously filed
Direct Testimony in this proceeding?

A. Yes.

Q. Has your employment status with United Water Florida
Inc. ("United Water Florida"), formerly known as
Jacksonville Suburban Utilities Corporation
("Jacksonville Suburban"), changed since the filing of
your Direct Testimony in this proceeding?

A. Yes. I retired from United Water Florida on August 1,
1996. Since that date, I have been providing services
to United Water Florida as a consultant in connection
with this proceeding and other matters in which United
Water Florida is engaged.

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SEC _____
WAS _____
TLD _____

1 Q. Have you reviewed the written opinions rendered by the
2 District Court of Appeal of Florida, First District, in
3 the cases known as Sugarmill Woods Civic Association,
4 Inc., et al., v. Southern States Utilities, et al.,
5 1996 W.L. 710772 (Fla.App. 1 Dist. Dec. 12, 1996)
6 ("Sugarmill Woods"); Hernando County, et al. v. The
7 Florida Public Service Commission, et al., 1996 W.L.
8 710774 (Fla.App. 1 Dist. Dec. 12, 1996) ("Hernando
9 County"); and Citrus County, Florida, et al. v.
10 Southern States Utilities, Inc., 656 So.2d 1307 (Fla.
11 1st DCA 1995), rev. den., 663 So.2d 631 (Fla. 1995)
12 ("Citrus County")?

13 A. Yes. I have studied those cases from the standpoint of
14 the operational aspects and relationships among the
15 land and facilities involved in those cases and the
16 services involved in physically delivering water and
17 wastewater services across county boundaries for
18 customers in those cases.

19 Q. Are you also familiar with the operational aspects and
20 relationships of the land and facilities and services
21 involved in physically delivering water and wastewater
22 services across county boundaries for customers
23 involved in the case known as Board of County
24 Commissioners v. Beard, 601 So.2d 590 (Fla. 1st DCA
25 1992) ("Beard")?

1 A. Yes. I am very familiar with the operational aspects
2 and relationships of the land and facilities and
3 services involved in physically delivering water and
4 wastewater services across county boundaries for
5 customers in that decision because the system involved
6 in that decision was the system of Jacksonville
7 Suburban which is now known as United Water Florida and
8 which is involved in this proceeding. Not only have I
9 reviewed the written opinion in the Beard case, but I
10 actively participated in the proceedings before the
11 Commission and the District Court of Appeal in
12 connection with the matter as Vice President and
13 Manager of Jacksonville Suburban.

14 Q. What is the purpose of your Supplemental Direct
15 Testimony?

16 A. To explain how the land and facilities owned and
17 operated by United Water Florida comprise a single
18 system and to show how the operational aspects and
19 relationships of the system are operationally
20 integrated with one another in the delivery of water
21 and wastewater services across county boundaries for
22 customers.

23 Q. Please briefly describe the water supply and
24 distribution system and the wastewater treatment

25

1 facilities and collection system of United Water
2 Florida.

3 A. The water supply of United Water Florida comes from
4 forty (40) wells located at or near twenty-nine (29)
5 water treatment facilities. At some points in the
6 service area, water is purchased from the City of
7 Jacksonville. After treatment or purchase, the water
8 is distributed through approximately 349 miles of mains
9 ranging in size from one (1) inch to sixteen (16)
10 inches.

11 United Water Florida has 12 wastewater treatment
12 facilities, 152 wastewater lift stations and
13 approximately 295 miles of collection and effluent
14 mains. Some of the wastewater collected by United
15 Water Florida is treated by the City of Jacksonville.

16 Q. Would you briefly describe the geographic
17 characteristics of United Water Florida's system?

18 A. Yes. First I would point out that United Water
19 Florida provides service to customers in Nassau, Duval
20 and St. Johns counties and that Duval County is
21 contiguous to both Nassau and St. Johns counties. The
22 service area of United Water Florida is comprised of
23 twenty-three (23) service subareas in close geographic
24 proximity with each other. Please refer to Schedule H-
25 1 of my Direct Testimony. Of the twenty-three (23)

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service subareas shown on Schedule H-1, one (1) is in Nassau County, three (3) are in St. Johns County, and the remaining nineteen (19) are in Duval County. You will also note from Schedule H-1 that the Yulee service subarea in Nassau County abuts the Nassau/Duval County boundary, the San Pablo service subarea in Duval County abuts the Duval/St. Johns County boundary and the Ponte Vedra service subarea in St. Johns County abuts the St. Johns/Duval County boundary.

Q. Are United Water Florida's land and facilities operated today just as they were when the Commission and the First District Court of Appeal determined in the Beard case that Jacksonville Suburban facilities were operationally and administratively interrelated?

A. Yes, with the following exceptions. The Beard case was the result of an appeal by the St. Johns County Board of County Commissioners of a Public Service Commission Order on Declaratory Statement dated April 8, 1991. The Order stated that Jacksonville Suburban (now United Water Florida) was constructing water and wastewater facilities in Nassau County. That construction has been completed and now delivers utility service to customers. Also, since that date, Jacksonville Suburban (now United Water Florida) acquired the assets of Atlantic Utilities of Jacksonville, Inc., and San

1 Pablo Utilities Corporation, both in Duval County, and
2 Ponte Vedra Utilities Company in St. Johns County. In
3 addition, there have been some personnel changes.
4 However, the manner in which United Water Florida
5 provides water and wastewater service to its customers
6 in all of the service subareas is identical to the way
7 that such service was provided in the Beard case.
8 United Water Florida still provides service to all of
9 its service subareas through people who are located in
10 its only office/warehouse facility which is located in
11 Duval County ("Millcoe Road Office"). All trucks and
12 other motor vehicles, equipment, tools, materials,
13 chemicals, mains, pipes, lines, repair parts,
14 replacement parts and supplies used to service the
15 facilities and customers in all twenty-three (23) of
16 the service subareas in Nassau, Duval and St. Johns
17 counties originate from the Millcoe Road Office.

18 As I did in my Direct Testimony, I believe it is of
19 interest to point out the close geographic proximity of
20 all of the United Water Florida facilities.

21 In terms of driving time from the Millcoe Road Office,
22 it takes approximately the same amount of time to reach
23 the most remote service subarea in each county.
24
25

1 Q. Would you briefly describe the integrated operational
2 aspects of utility service delivered by United Water
3 Florida?

4 A. Yes. The same United Water Florida personnel perform
5 the same operational functions in Duval, Nassau and St.
6 Johns counties. Some examples are: working from the
7 Millcoe Road Office, the same meter readers read meters
8 in all three (3) counties, the same Field Customer
9 Service Representatives respond to customer complaints
10 in all three (3) counties, the same repair personnel
11 repair mains in all three (3) counties. The same
12 maintenance personnel maintain all of the water and
13 wastewater facilities in all three (3) counties. The
14 same Office Customer Service Representatives respond to
15 telephone calls from customers in all three (3)
16 counties. The same laboratory personnel take water and
17 wastewater samples from the facilities in all three (3)
18 counties for compliance tests in our own laboratory
19 located at the Millcoe Road Office by our personnel or
20 independent laboratories.

21 Some plant operators routinely, within any given week,
22 will operate water treatment plants, wastewater
23 treatment plants and wastewater lift stations in more
24 than one county. While sometimes it is necessary to
25 assign water and wastewater treatment plant operators

1 to specific facilities, some operators are rotated,
2 from time to time, to different facilities to improve
3 their operational skills and their familiarity with the
4 facilities in each county.

5 The equipment to support and perform these operational
6 functions is utilized from the Millcoe Road Office.

7 The administrative aspects provided for all three (3)
8 counties from the Millcoe Road office are: all of the
9 facilities are managed from this central office
10 location by the same officer and manager, the same
11 engineers provide engineering support, the same
12 accountants and other administrative personnel provide
13 support for all of the facilities, staffing, planning
14 and budgeting is on the basis of overall operations,
15 not county by county, the separate utility facilities
16 are not substantially different from each other (with
17 the exception of the new Monterey Wastewater Treatment
18 Facility), the cost of operating one of the utility
19 facilities does not vary materially because of its
20 location in a different county.

21 United Water Florida manages and operates its utility
22 facilities as a seamless, single functionally related
23 system.

24 In summary, the same people utilizing the same vehicles
25 and facilities and obtaining materials, supplies,

chemicals, mains, pipes, lines, tools, repair and replacement parts and supplies from the same inventory, service the facilities and customers in Nassau, Duval and St. Johns counties.

Q. Is there an interrelationship among United Water Florida's facilities located in Nassau, Duval and St. Johns counties?

A. Yes. In addition to the other interrelationships that I have discussed in my Direct Testimony and this Supplemental Direct Testimony, United Water Florida's SCADA system, which I discussed on page 20 of my Direct Testimony, provides operational information and warnings of system malfunctions in all of United Water Florida's water treatment plants, all wastewater treatment plants and most lift stations located in Nassau, Duval and St. Johns counties. The information and early warnings of malfunctions are communicated directly to the Millcoe Road Office during normal working hours and to the Monterey Wastewater Treatment Plant during other times. By tying all water and wastewater treatment plants and most lift stations to a central location where personnel are always available, the proper personnel can be quickly dispatched to solve a malfunction before it interrupts service to customers.

1 In addition, water and wastewater samples taken from
2 United Water Florida's facilities in Nassau, Duval and
3 St. Johns counties are taken to the central laboratory
4 located at the Millcoe Road Office for compliance
5 testing.

6 Q. Does United Water Florida have uniform nonpreferential
7 rates for its customers throughout its single
8 functionally related system? If so, are there any
9 advantages to having a uniform set of rates?

10 A. Yes, to both questions. United Water Florida has from
11 its inception thirty (30) years ago had uniform
12 nonpreferential rates for customers throughout its
13 entire service area. In 1966, when United Waterworks
14 Inc. acquired Jacksonville Suburban and Southern
15 Utilities Company, each had service subareas in their
16 service areas on each side of the St. Johns River.
17 Each company employed its own set of uniform rates for
18 their customers in the diverse geographic locations.
19 The two companies were basically operated as one from
20 the same office by the same employees. The Florida
21 Public Service Commission ("Commission") approved such
22 rates in Order No. 6575 issued in March 1975.
23 Following the merger of the two companies, the
24 Commission in Order No. 10531 issued on January 20,
25 1982, authorized single uniform rates for the customers

1 of Jacksonville Suburban Utilities Corporation
2 including the customers of the former Southern
3 Utilities Company. The Commission subsequently
4 authorized single uniform rates in the three (3)
5 counties through Order Nos. 22794, 23111, 23708 and
6 23834.

7 The advantages of having uniform rates are: savings
8 due to reductions in expenses for accounting, data
9 processing and other operational and administrative
10 costs. To have separate rates for each of its
11 geographic locations within the service area would
12 create operating inefficiencies, resulting in
13 significantly higher operational, accounting and
14 administrative costs for keeping records necessary to
15 support the setting of the rates. Separate rates are
16 unjustified because United Water Florida operates its
17 facilities and land as a single system.

18 Q. In summary, how would you describe United Water
19 Florida's use of its facilities in the delivery of
20 utility service to its customers.

21 A. United Water Florida's facilities are operationally
22 integrated with each other so as to form a single
23 system for the delivery of water and wastewater
24 services to customers in Nassau, Duval and St. Johns
25 counties.

1 Q. Does this conclude your Supplemental Direct Testimony?

2 A. Yes. However, I would be glad to answer any questions
3 that anyone would like to ask.
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