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April 30, 1997

VIA HAND DELIVERY

Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Re: Windstream Utilities Company; Docket No. 960867-WU  
Application for Amendment to Certificate  
Our File No. 26067.02

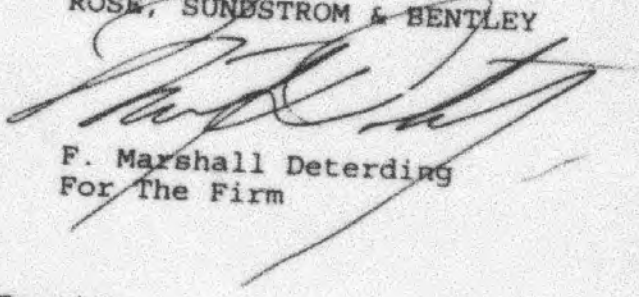
Dear Ms. Bayo:

Attached for filing in the above referenced case are the original and 15 copies of the Prefiled Rebuttal Testimonies of Mr. L.E. Dlouhy and Mr. George McDonald, P.E., filed on behalf of Windstream Utilities Company.

If you have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY



F. Marshall Deterding  
For The Firm

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
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- OPC \_\_\_\_\_
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- SEC \_\_\_\_\_
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

*Dlouhy - 04348-97*  
*McDonald - 04349-97*

FMD/lts  
Enclosures  
cc: Donna Cyrus-Williams, Esquire  
Thomas Cloud, Esquire  
Mr. Butch Dlouhy

WAS

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 960867-WU

WINDSTREAM UTILITIES COMPANY

APPLICATION FOR AMENDMENT OF CERTIFICATE NO. 427-W

TO ADD TERRITORY IN MARION COUNTY, FLORIDA

PREFILED REBUTTAL TESTIMONY OF L.E. DLOUHY

Q. Please state your name and mailing address.

A. My name is L.E. Dlouhy. My mailing address is P.O. Box 4201, Ocala, Florida 34478.

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

A. I am employed by Windstream Utilities Company in the capacity of Utility Manager and a shareholder in the company.

Q. What is the purpose of this rebuttal testimony?

A. To respond to the testimonies presented by the witnesses on behalf of Marion County in protest of Windstream's application for extension of its service territory.

Q. Have you read the direct and rebuttal testimony of Mr. Gerald Hartman?

A. Yes, I have.

Q. Do you have any comments with regard to that testimony?

A. Yes. In several areas.

Q. First of all, Mr. Hartman suggests that you had verbally agreed to a service territory for Windstream at three different times in 1996 different than that proposed

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1 Windstream's application. Is this correct?

2 A. No, it is not. I had discussed with the County the  
3 potential for revising the territory of Windstream  
4 Utilities as part of a proposed agreement for Windstream  
5 providing bulk water service to the County. This did not  
6 occur until after we began the PSC extension process.  
7 Since Marion County had no facilities anywhere near the  
8 Windstream Utilities territory, we had agreed to discuss  
9 and did discuss the possibility of our selling water to  
10 the County and allowing them to be the retail provider.  
11 However, each time we attempted to put together a bulk  
12 service agreement, the County attorneys who were drafting  
13 the agreement revised that agreement in a manner which  
14 was inconsistent with our verbal discussions. We amended  
15 our application in December 1996 to eliminate J.B. Ranch  
16 from our application to avoid further controversy. We  
17 then made additional contacts with the County in Febru-  
18 ary, but we have not heard back from them.

19 Q. Mr. Hartman suggests that there was an objection to the  
20 Windstream extension application by the largest land  
21 holder in the area.

22 A. Yes. We had originally negotiated with J.B. Ranch in  
23 early 1996 concerning the provision of service. We too  
24 had offered J.B. Ranch a refundable advance arrangement  
25

1 for certain facilities to be constructed by the Ranch in  
2 order to obtain water service. We thought we had an  
3 agreement for service with the J.B. representatives in  
4 late July 1996 as evidenced by the attached correspon-  
5 dence (Exhibit LED-4) However, very soon thereafter, the  
6 County apparently applied pressure to the developer to  
7 obtain water and wastewater service from the County and  
8 the next thing we knew, they were claiming that they  
9 would get service from Marion County. The owners of J.B.  
10 Ranch did file an objection to our extension application  
11 in August of 1996, and as a result, in order to avoid  
12 litigation, Windstream Utilities specifically withdrew  
13 from its proposed service territory, the J.B. Ranch  
14 development. Based upon Commission precedent, we  
15 believed that this would eliminate the one objection and  
16 allows us to go forward with service to the other areas  
17 proposed for extension by Windstream. However, despite  
18 its total lack of facilities within or adjacent to these  
19 areas, the County continues to object and the Commission  
20 has allowed the County to continue with its formal  
21 protest.

22 Q. There is some question raised by Mr. Hartman about  
23 Windstream Utilities Company's financial ability to  
24 provide the service needed. Do you have any additional  
25

1 | comments in that regard?

2 | A. Yes. Windstream does have the financial ability to  
3 | provide the service proposed in the new areas. We have  
4 | existing wells which have more than adequate capacity to  
5 | meet the immediate needs of the proposed service territo-  
6 | ry. In addition, those wells will provide sufficient  
7 | capacity to serve a substantial portion of the proposed  
8 | extension area in addition to build out of the existing  
9 | service territories. Ultimately, we will need to expand  
10 | to service the entire build-out of the existing and  
11 | proposed area.

12 | Q. If additional funding is needed, what is the source of  
13 | that additional funding that Windstream will utilize to  
14 | construct facilities necessary for service to the entire  
15 | service territory at build-out?

16 | A. While the need for such additions may be some time down  
17 | the road given our existing excess water capacity,  
18 | Windstream does have the ability to finance those  
19 | additional facilities in part through developer contribu-  
20 | tions and, in part, through the bank financing or  
21 | additional infusion of equity by myself and my wife as  
22 | shareholders of Windstream Utilities Company. We have  
23 | contacted the bank with which we have an ongoing rela-  
24 | tionship with and they have indicated a willingness to

1 lend additional monies for such facilities as and when  
2 needed, in amounts sufficient for us to make those  
3 additional investments. I have attached hereto as  
4 Exhibit LED-5 a copy of a recent letter provided by our  
5 bank which indicates a willingness by them to fund such  
6 improvements.

7 Q. What effect will expansion have on existing customers?

8 A. Because our Sun Country Estates and Majestic Oaks  
9 territories have separate wells and are short distances  
10 apart, the ultimate expansion of our service territory  
11 into the areas proposed will allow us to loop those  
12 systems. Since the expansion area is located between  
13 these existing systems or immediately adjacent thereto,  
14 looping will allow us to take advantage of the capacities  
15 of the two separate systems in providing service to the  
16 adjacent areas and at the same time to improving service  
17 to the existing areas thereby providing for more effi-  
18 cient operation of our existing systems and service to  
19 the new areas.

20 Q. Why was the J.B. Ranch area deleted from the proposed  
21 service territory?

22 A. As previously stated, the main purpose in deleting the  
23 J.B. Ranch property was to enable the Utility to go  
24 forward uncontested with its proposed extension of  
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1 service area. However, despite its total lack of  
2 facilities in the area, Marion County has continued to  
3 protest the extension of Windstream. We still believe  
4 that Windstream can provide service to the J.B. Ranch  
5 development in a more efficient and cost effective manner  
6 than can the County, especially given the fact that the  
7 County has no existing system within or near the J.B.  
8 Ranch development, and its only water system is many  
9 miles away from this area. However, to avoid protest, we  
10 excluded that J.B. Ranch territory from our proposed  
11 extension area.

12 Q. Mr. Hartman notes that the elimination of J.B. Ranch  
13 substantially impacts the funding for any required  
14 additions to serve this area. Is this correct?

15 A. Yes. While I disagree with the specifics of Mr. Hart-  
16 man's statement, it is true that the refundable advances  
17 proposed for providing service to J.B. Ranch are elimi-  
18 nated by elimination of the proposed service to J.B.  
19 Ranch. Mr. Hartman is correct that the economies of  
20 scale to be derived by service to J.B. Ranch, in addition  
21 to the other areas, is negatively impacted by the  
22 elimination of that developed area. However, the  
23 elimination of J.B. Ranch from the proposed area also  
24 substantially reduces the demand that will be placed on  
25

1 this system. The looping, as proposed by the Utility of  
2 its existing system, will still exist under the proposal  
3 by the Utility, and economies of scale and increase  
4 quality of service for existing as well as the remaining  
5 proposed areas will still exist.

6 Q. Did you appear before the Marion County Commission as  
7 suggested by Mr. Hartman and support the proposal for  
8 Windstream to provide bulk service to the County?

9 A. Yes, I did. However, it should be noted first that Mr.  
10 Hartman's suggestion that I appeared in July on this  
11 subject is inaccurate. As Mr. Hartman knows, that was  
12 for discussions concerning the Brookstone system, a  
13 totally separate system, and the possibility of providing  
14 bulk service to the County from the system. It had  
15 nothing whatsoever to do with the provision of bulk  
16 service to the County in the area which is the subject of  
17 this extension application. However, as part of our  
18 ongoing discussions with the County representatives, Mr.  
19 Hartman and Mr. Cloud, I did go before the County  
20 Commission to propose the bulk service arrangement that  
21 we had been informally discussing in the fall of 1996  
22 after we had filed our extension application with the PSC  
23 in July. However, this was an idea formulated by Mr.  
24 Cloud and Mr. Hartman. Unfortunately, the terms of the



1 | agreements which they proposed continually differed from  
2 | the arrangements which we had negotiated verbally and, as  
3 | such, we were unable to come to an agreement for provid-  
4 | ing bulk service to the County. In reality, the only  
5 | reason why Windstream was ever interested in providing  
6 | bulk service to the County was in order to utilize excess  
7 | capacity and thereby to derive additional revenues to  
8 | upgrade service to all customers of Windstream. We also  
9 | saw it as a way to avoid protest by the County of our  
10 | remaining extension application and to allow us to go  
11 | forward with extension to the areas for which we logical-  
12 | ly should provide service between our existing service  
13 | territories. We did not then and do not now believe that  
14 | service by the County makes any sense. Placing the  
15 | County as the go between retail provider does not provide  
16 | any benefit to the customers, but in order to avoid the  
17 | costly litigation, the Utility was considering that  
18 | option. However, the County's representatives unwilling-  
19 | ness to negotiate on a reasonable basis for such bulk  
20 | service resulted instead in our deciding to eliminate the  
21 | protested area and going forward with the remainder of  
22 | our extension application. It became apparent to us  
23 | because the County was only interested in reserving 50  
24 | ERCs of water capacity, that their purpose was solely to

1 get Windstream "out of the way" of their plans to create  
2 a whole new water system to surround Windstream and even  
3 to serve those areas where Windstream was the logical  
4 provider of service since we were already immediately  
5 adjacent thereto and had excess capacity. There is no  
6 reason why they would want to commit to us for 50 ERCs  
7 for service to a development involving thousands. The  
8 sticking point of our negotiations was their desire to  
9 have us commit to provide 50 ERCs to an area immediately  
10 adjacent to our existing facilities and our desire to  
11 either serve the territory ourselves as we sincerely  
12 believe is in the public interest or for bulk sale of  
13 water to the County so that they could provide that  
14 service individually. Certainly if there was any bad  
15 faith shown, it was the County's representatives in that  
16 they apparently had no intention of working out a  
17 reasonable arrangement for bulk service to these territo-  
18 ries.

19 Q. Mr. Hartman suggests that after a December 4th meeting  
20 which you attended, you received a draft contract  
21 reflecting that agreement on bulk service and thereafter,  
22 you never provided any responses. Is that correct?

23 A. This statement does not provide the full story. I was  
24 send the draft copy in early December and two days later

1 in conjunction with a meeting with our attorneys to  
2 discuss direct testimony, we decided rather than to  
3 continue going back and forth with the County's consul-  
4 tants over bulk service to simply eliminate J.B. Ranch  
5 from the proposed service territory which we immediately  
6 did. Given the fact that the County's most recent  
7 agreement did not reflect our verbal agreements from our  
8 December 4th meeting, we decided that this was the best  
9 course of action to eliminate litigation and further  
10 negotiation which seemed to be getting us nowhere. We  
11 still believed even after that amendment to exclude J.B.  
12 Ranch that we were the appropriate provider of service  
13 for J.B. Ranch since we had the existing facilities with  
14 excess capacity and the County had no facilities anywhere  
15 near this area. It was then suggested to me in early  
16 February by a County official that I should resubmit to  
17 the County, our proposal for the terms of a bulk service  
18 agreement to provide service to J.B. Ranch. I did that  
19 and that was sent to the County representatives on  
20 February 11, 1997, to be heard by the County Commission  
21 on February 14th. At the February 14th meeting, Mr.  
22 Hartman told the County Commission that the changes which  
23 I had proposed for bulk service to J.B. Ranch would cost  
24 the County approximately \$200,000 more. I adamantly dis-

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agreed with Mr. Hartman and stated that, in fact, the changes proposed by me would actually be cheaper to the County. The County Commission then directed Mr. Hartman and Mr. Cloud to go back and review our proposal and we have not heard back from them since. I have even followed up by calling Mr. Woodcock, Mr. Titterington, and Mr. Harris to inquire as to the status. Mr. Harris told me he would contact Mr. Hartman and get back to me and they never called me back.

Q. Mr. Hartman has made several comments concerning the County's desire to provide wastewater services in Windstream's proposed service territory and has suggested that because of the desire to provide wastewater service in this area, the County should also provide water service. Do you have any comments in that regard?

A. Yes. There is no reason why the County's desire to provide wastewater services should have anything to do with our proposal for our water system extension. We have no problem with the County providing wastewater service in these areas and will cooperate fully with the County in providing the meter reading information to enable them to provide that additional service if they desire to do so. However, this does not change at all the fact that Windstream Utilities is the only utility in

1 position to provide water service in an efficient manner  
2 and with existing facilities. Any proposal by the County  
3 to construct or extend an existing water system into this  
4 area will be a duplication of the existing Windstream  
5 systems and will be inefficient, as well as being  
6 redundant.

7 Q. Mr. Hartman has stated that the County's rates for water  
8 service are lower than those proposed by Windstream.

9 A. I believe that the County's rates which were recently  
10 reduced for the County water system are immaterially less  
11 than those charged by Windstream. At higher usage levels  
12 such as we experience at Majestic Oaks, the differences  
13 can become nonexistent. The difference is so small that  
14 it is not important, however. In addition, the existing  
15 County system is some 20 miles away from the area  
16 proposed for service by Windstream. I have no doubt that  
17 the cost of service will have to be higher than the cost  
18 for Windstream to provide the same service. If the  
19 County does not raise rates to cover these costs, the  
20 customers of the County Utility will only be subsidizing  
21 that additional cost through either their rates or  
22 through taxes. The County does not have the PSC over-  
23 sight to set rates based upon the cost of providing  
24 service. It is obvious that to the extent the County  
25

1 creates a whole new system, the cost of providing the  
2 water service to these customers proposed for service by  
3 Windstream will be more under a County run system,  
4 especially since that system will be redundant to the  
5 existing one operated by Windstream. It would also block  
6 Windstream from utilizing its existing facilities to  
7 their fullest extent and thereby not allow our existing  
8 customers to benefit from the economies of scale which we  
9 had hoped to achieve by service to the area proposed for  
10 service in this extension application. It makes no sense  
11 to attempt to compare service rates in this manner. Not  
12 only are those rates subject to change at the whim of the  
13 County, but the County rates for its recently acquired  
14 system 20 miles from the extension area are not even  
15 reflective of anything related to the cost of providing  
16 service here. The County has absolutely no facilities  
17 within or near the area proposed for service by Wind-  
18 stream. In addition, it should be noted that the County  
19 has a separate fire protection charge billed to customers  
20 through ad valorem taxes of approximately \$50 per year  
21 per household. Any new homes are also charged as similar  
22 tax for fire protection service. So comparing of utility  
23 rates alone is not a fair comparison.

24 Q. Mr. Hartman states that the County's level of service  
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1 | will be greater than Windstream.

2 | A. I do not agree with this assertion. We are proposing to  
3 | loop our system in order to improve the quality of  
4 | service, not only to our existing customers, but to the  
5 | customers in the new areas by having such a looped  
6 | system. I do not believe that even the County's proposed  
7 | system will provide a level of service greater than Wind-  
8 | stream's system will, once looped. In addition, the  
9 | County cannot provide comparable service for less money  
10 | given the fact that we have existing facilities in place.

11 | Q. Mr. Hartman notes that significant upgrades and improve-  
12 | ments will be necessary under current FDEP rules to allow  
13 | the Sun Country system to serve any other areas. Do you  
14 | agree with this statement?

15 | A. There are certainly DEP rules concerning auxiliary power  
16 | and back-up sources of supply. That is one of the main  
17 | reasons why this extension has been undertaken to allow  
18 | a looping of our existing systems to provide that  
19 | additional capacity to the Sun Country Estate systems, as  
20 | well as the areas in between. It will simply require the  
21 | ultimate looping of the Windstream existing systems which  
22 | will certainly cost less than construction of all new and  
23 | redundant facilities by the County.

24 | Q. Mr. Hartman states that Windstream's application does not  
25 |

1 comply with the County Comprehensive Plan. Do you agree  
2 with this assertion?

3 A. No. To the extent the County Comprehensive Plan requires  
4 that the County provide service to all areas within the  
5 County, including the area proposed for service by  
6 Windstream, then the Comprehensive Plan totally ignores  
7 the public interest. If the Comprehensive Plan calls for  
8 creation of new systems which are redundant to existing  
9 systems, then that is not in the public interest. I do  
10 not believe the Comprehensive Plan is intended to suggest  
11 such redundancy. To the extent it does, then it is  
12 contrary to the public interest and should be given no  
13 weight by the Public Service Commission. This is why the  
14 PSC is not bound by comprehensive plan provisions. Local  
15 government bodies who are trying to get into the water  
16 utility business have control over what goes into the  
17 plan. Often their utility aspirations drive those  
18 decisions rather than the public interest. The County's  
19 comprehensive plan also mandates that the County provide  
20 water and wastewater service to several other areas where  
21 wells and septic tanks are failing. This is also  
22 suggested to be a priority by the Post, Buckley, Schuh  
23 and Jernigan study referenced by the County's witnesses.  
24 However, the County has taken no steps, to my knowledge,



1 toward solution to these problems that were mandated by  
2 their comprehensive plan more than six years ago.

3 Q. Mr. Hartman also notes that the Windstream application  
4 for extension violates the Comprehensive Plan in that it  
5 does not provide for wastewater service. How do you  
6 respond to that assertion?

7 A. There is no indication whatsoever of why Mr. Hartman  
8 states that the provision of water service by Windstream  
9 "fragments and creates less efficient wastewater facili-  
10 ties of lower reliability and lower levels of environmen-  
11 tal protection". That does not make any sense in  
12 relation to the provision of water service. Whether the  
13 County wants to extend sewer into this area or not,  
14 Windstream is not concerned with that and should not be.  
15 We certainly do not oppose that new service in the area.  
16 However, it has nothing to do with the provision of water  
17 service. Mr. Hartman has gone so far as to suggest that  
18 wastewater services are more costly than water and that  
19 such service is made less efficient and effective when  
20 only water service is provided. That does not make any  
21 sense at all. They are two separate costs regardless of  
22 who provides one versus the other, each still has the  
23 same cost. With a possible exception of access to meter  
24 reading information for the calculation of appropriate

1 sewer rates, there would be no difference regardless of  
2 who provides water or sewer service. It is a fact,  
3 however, that the creation of a totally new system, which  
4 is redundant to that existing and owned by Windstream  
5 would obviously be inefficient and more costly than  
6 utilization of the existing water system.

7 Q. In his rebuttal testimony, Mr. Hartman discusses the  
8 Pigeon Plaza/Jasmine Plaza area which is proposed for  
9 service in your extension application. Do you have any  
10 responses to his comments on that subject?

11 A. Yes. I am aware of the existing water well located on  
12 this property and providing service, as well as the  
13 existing package sewage treatment plant. It is unclear  
14 to me what this has to do with the proposed extension of  
15 our service territory. We are certainly not proposing to  
16 force Mr. Sedlowski and the Pigeon Plaza/Jasmine proper-  
17 ties off their existing system, but to the extent they  
18 ever need a central water system, we are in the best  
19 position to provide it. As noted by Mr. Hartman, the  
20 zoning for the property provided in early 1996, specifi-  
21 cally noted that Windstream could at some time provide  
22 central water service there. Mr. Sedlowski received  
23 notice of the extension and did not protest it.

24 This property was owned until the fall of last year by a  
25

1 Mr. Markanthony. We had discussed on numerous occasions,  
2 water service to him and he was desirous of obtaining  
3 such service. The property has an existing working and  
4 relatively new wastewater treatment facility and, as  
5 such, the property owner leased through last fall was not  
6 interested in receiving County or any other central sewer  
7 service since he already had existing central service  
8 from a package plant. He was however interested in  
9 receiving water service and, in fact, we were negotiating  
10 for service just prior to his death and lines are stubbed  
11 to his property from the Pigeon Park system.

12 Q. In response to some questions in this rebuttal testimony,  
13 Mr. Hartman states that the Sun Country Estate system is  
14 "substandard". Is this true?

15 A. It is not at all clear what Mr. Hartman means though he  
16 does refer to "Marion County Utility standards". Those  
17 systems were constructed in conformance with all applica-  
18 ble state and local standards. Apparently Mr. Hartman is  
19 attempting to suggest that they are somehow substandard  
20 because they cannot provide service at build-out to  
21 adjacent areas proposed for service by Windstream. This  
22 is exactly the purpose why the extension and resulting  
23 looping of the utility's other systems is important to  
24 insure continued quality and increase standards of  
25

1 service for those areas as well as to enable the Utility  
2 to provide service to surrounding areas through an  
3 overall loop system. There is certainly nothing substan-  
4 dard about the system as currently constructed or  
5 utilized. Mr. Hartman had referred to "piping failure  
6 problems" in the Sun Country development as well.  
7 However, there is no truth to this. While Sun Country  
8 only has 4" mains currently providing service, it is our  
9 intent as part of the looping system proposal to con-  
10 struct through the middle of this development, a large 8"  
11 or 12" main which will not only provide fireflow to that  
12 area, for the first time, but will enable us to provide  
13 fireflow to other adjacent areas, which are part of the  
14 extension proposal. This certainly does not constitute  
15 piping failure or substandard system in its current  
16 configuration however.

17 Q. Mr. Hartman has made several statements concerning what  
18 he alleges is a lack of need for service in the proposed  
19 extension areas. Can you comment briefly on this  
20 subject?

21 A. Yes. While there are some areas included within our  
22 certificate application and have no immediate need for  
23 water service as stated in our original application, the  
24 intent is to allow for the looping of the system and to

1 allow for appropriate planning to insure that that  
2 service is available when needed. Without this looping,  
3 our system will not be in a position to increase the  
4 level of service to the existing service territory and to  
5 provide service to those adjacent properties. By  
6 depriving the Utility of the additional service territo-  
7 ries the Commission would be effectively eliminating our  
8 ability to expand in an efficient manner. Though we  
9 could still provide service to the adjacent areas and  
10 increase the level of service within our existing  
11 services, this would be much easier and more efficiently  
12 done through the looping of the existing systems which  
13 can be rendered cost effective if new areas are being  
14 added. Mr. Hartman is suggesting there is no need for  
15 additional service. I believe Mr. Hartman knows that is  
16 incorrect. There is substantial need for service with  
17 the widening and increased traffic flows expected on  
18 Highway 200. As a result of the road widening there, a  
19 600 foot area along the road will be zoned for commercial  
20 property. I believe Mr. Hartman is well aware of this.  
21 Certainly, everyone who operates a business or owns  
22 property along Highway 200 is aware that commercial  
23 property will quickly develop. I also believe it will  
24 place substantial additional pressures on the potential

1 residential property in the area for increased density  
2 above that currently authorized. As such, we must begin  
3 planning now to ensure that we have capacity in place to  
4 provide service to those areas. Marion County is not  
5 objecting to this extension because they believe there is  
6 no need for service in the area. They're objecting  
7 because they wish to provide it with a totally new system  
8 despite the fact that there is an existing system already  
9 here.

10 Q. Mr. Hartman was asked if there are competing utilities  
11 northwest and south of Windstream's existing Majestic  
12 Oaks system. In response he stated that yes, south of  
13 Majestic Oaks is the Marion County service area. Do you  
14 believe this is responsive?

15 A. No. It is obviously not responsive. It is intended to  
16 suggest that there is a county water system in the area  
17 where, in fact, there is none. He is simply stating that  
18 the County intends to construct systems in these areas if  
19 Windstream does not have these within its certificated  
20 service area. It is totally unresponsive to the question  
21 and, in fact, is the point that I have been trying to  
22 make throughout this extension application. Marion  
23 County is protesting Windstream's application not because  
24 it is able to provide more efficient or quality level of  
25

1 water service, but because it wishes to get into the  
2 water business in the area where it has no facilities  
3 currently. That does not make for good public policy and  
4 is not in the public interest. Full utilization and the  
5 provision of service to the areas in and around Wind-  
6 stream's existing service territory is the purpose of our  
7 extension. The County's motives are simply to try and  
8 take over the utility business in the area without regard  
9 to the public interest, efficiency or cost. This is very  
10 apparent from their entire attitude throughout this  
11 proceeding and the discussions these utility consultants  
12 hired by the County have been having with all utility  
13 owners in the area.

14 Q. Do you have any testimony in response to the testimony of  
15 Mr. Randy Harris?

16 A. Yes. Mr. Harris first notes that the County has been  
17 moving towards provision of water and wastewater service  
18 along the State Road 200 corridor since May of 1996.  
19 This does not explain why he believes it is appropriate  
20 to do so nor do I believe that the County's consultants  
21 have attempted to inform him about such decisions. They  
22 have simply decided to get into the utility business  
23 within the last year and to stop growth by any private  
24 utilities regardless of the public interest and the

1 existence of systems already in place that can provide  
2 service within certain areas of this corridor. Mr.  
3 Harris then notes that the County considered intervening  
4 in this proceeding as early as November 5th. He then  
5 suggests that because I offered to provide bulk service,  
6 they did not intervene at that time. It should be noted  
7 that the Utility's application was filed in July of 1996,  
8 some five months before this date and the County was  
9 specifically noticed and, in fact, I know the County  
10 Commission discussed the fact that they had received this  
11 notice at an August 1996 meeting and chose not to protest  
12 our application. Apparently, only after consultation  
13 with their consultants did they decide that they wished  
14 to take over the Utility business even where there were  
15 existing utility companies. While I disagree with his  
16 characterization of my assurances to the Board, I am not  
17 surprised that he believes that. He was not involved in  
18 the minute discussions between Mr. Cloud, Mr. Hartman,  
19 and myself, and apparently does not realize that the  
20 terms of the agreement as proposed by his attorneys and  
21 consultants were different than those that we had worked  
22 out during negotiations. Therefore, I am not surprised  
23 that he was somehow given the impression that I am the  
24 one who broke off negotiations for bulk service.



1 Q. Do you have any responses to the testimonies provided by  
2 Mr. Gann and Mr. Titterington? .

3 A. No. Mr. Gann's and Mr. Titterington's testimonies are  
4 virtually identical to that provided by Mr. Harris and my  
5 responses would be the same. It should be noted that Mr.  
6 Gann is no longer a member of the Marion County Commis-  
7 sion.

8 Q. Have you reviewed the testimony of Ms. Therese Manning?

9 A. Yes, I have.

10 Q. Do you agree with that testimony?

11 A. No. I have reviewed the water and wastewater sections of  
12 the local comprehensive plan that existed as of the time  
13 this application was filed and I do not agree that our  
14 application is, in any way, inconsistent with them. The  
15 majority of the comments made by Ms. Manning concerning  
16 an alleged inconsistency relate to the fact that Wind-  
17 stream is not providing wastewater service. There is no  
18 relation whatsoever between the water service proposed by  
19 Windstream and a lack of wastewater service. Her other  
20 main point seems to be that the County has proposed  
21 within the plan that they will be the provider of  
22 services within this area. Once again, as I noted  
23 previously, this is not a question of what is in the  
24 public interest and therefore, to the extent the compre-

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1 |       hensive plan proposes that the County will provide the  
2 |       services without regard to the existence of private  
3 |       utilities already in place and capable of providing such  
4 |       services, then the comprehensive plan should be ignored  
5 |       as being contrary to the public interest. Finally, Ms.  
6 |       Manning alleges that allowing the extension of service  
7 |       area will undermine the County's strategy to control the  
8 |       timing and location of development and various other  
9 |       matters that the County wishes to control related to  
10 |      growth and planning. These are arguments that I under-  
11 |      stand have been made to the Commission before by various  
12 |      counties throughout the state. They suggest that the  
13 |      Commission should bow to ownership of utilities by the  
14 |      County instead of a private utility as a planning tool,  
15 |      even though the County has many other alternatives to  
16 |      control development and growth, environmental impacts,  
17 |      groundwater pollution, protection of water resources,  
18 |      through other means such as zoning, permitting, and other  
19 |      ordinances. It is my understanding that the Public  
20 |      Service Commission has previously held that those are not  
21 |      appropriate grounds for alleging that the County should  
22 |      run water and wastewater systems, even assuming local  
23 |      government utility can better control those matters  
24 |      through ownership of the Utility. The Public Service  
25 |

1 Commission is interested in and required to make its  
2 decisions based on the public interest rather than these  
3 local government permitting concerns. The public  
4 interest as determined by the Public Service Commission  
5 should be based upon who is in the best position to  
6 provide service to the proposed area. The fact that the  
7 County will not be able to operate its system as effi-  
8 ciently and economically as it would like should not be  
9 the determining factor. It should be a weighing of the  
10 ability of the two competing utilities to provide that  
11 service in a cost efficient and effective manner as that  
12 service is needed. To consider these other proposals by  
13 the local government utility seeking to compete with the  
14 private utility is to ignore the public interest.

15 Q. Have you reviewed the testimony of Mr. Andrew Woodcock?

16 A. Yes, I have.

17 Q. Do you have any response to provide to that testimony?

18 A. No. As with the other witnesses offered by the County on  
19 the subject of Windstream's negotiations with Marion  
20 County on bulk service and service to J.B. Ranch, I  
21 disagree completely with their characterization. I think  
22 it is obvious by the tenor of the letters attached to his  
23 testimony that the County consultants were being very  
24 adversarial in such negotiations not Windstream. I could

25

1 go into great detail to explain our perspective on those  
2 failed negotiations, but I do not see how that is  
3 relevant to PSC certificate proceeding even if we were  
4 proposing to include the J.B. Ranch development within  
5 our service territory. Since Mr. Woodcock's testimony is  
6 primarily related to these negotiations, I do not see how  
7 it is relevant and see no need to respond to it in  
8 detail.

9 Q. Do you have any further testimony in this regard?

10 A. Yes. I believe the purpose of this the PSC review is to  
11 determine who is best able to provide service. The  
12 County has stated nothing about what they expect it to  
13 cost to construct the facilities to provide water service  
14 in this area. I believe this is because it is readily  
15 apparent that not only will they have to construct  
16 anything that Windstream would have to construct to  
17 provide that service, but they will also have to con-  
18 struct brand new wells that Windstream already has in  
19 place and distribution systems that Windstream already  
20 has in place. As such, it is obvious that provision of  
21 service to this area by the County will not be as cost  
22 effective as it would be from Windstream. In the absence  
23 of such information from the County, I believe the  
24 conclusion is clear. The cost of utility service from  
25

1 the County would be higher than it would be from Wind-  
2 stream. While the County has argued about a comparison  
3 of rates, those should not be the determining factor for  
4 several reasons. The first of which is those are wholly  
5 within the control of the local government who can change  
6 them at any time. In addition, rates should be reflec-  
7 tive of cost and it is readily apparent that the cost of  
8 service from the County will be higher than Windstream if  
9 for no other reason than that the County has to construct  
10 wholly new facilities that Windstream already has in  
11 existence.

12 I believe the County has shown its desire to serve in  
13 spite of the public interest. There are currently  
14 existing at least three other private utility companies  
15 within this "200 corridor" area which would fall within  
16 the sub-region that the County alleges it is the only  
17 appropriate provider of service for, all of which have  
18 several currently pending applications for extension of  
19 service territory that the County has not objected to.  
20 These are Marion Utilities which currently has pending at  
21 least two applications for extension before the Commis-  
22 sion; Decca Utilities, which I believe has one such  
23 application for extension pending; and County-Wide  
24 Utilities, that I believe has one such application for

1 extension. All of these systems are in very close  
2 proximity to Windstream Utilities and, in fact, County-  
3 Wide is right across State Road 200. The other two are  
4 a very short distance south of us.

5 Q. Do you have any other testimony to provide at this time?

6 A. No, I do not.

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13 windstre\douhy.reb

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**RANCH OFFICE**  
7606 S.W. Hwy. 200  
Ocala, FL 34474  
352-873-3534  
FAX 352-873-8521



**CORPORATE OFFICE**  
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Clearwater, FL 34615  
813-419-0488  
FAX 813-419-2415

**FLORIDA'S WESTERN FAMILY RESORT**

July 16, 1996

Mr. Butch Dlouhy  
Windstream Utilities, Inc.  
P. O. Box 4201  
Ocala, FL 34473

Dear Mr. Dlouhy:

Per our discussion, we will agree to purchase up to 100,000 prepaid ERC's. In addition, we will provide a "standard" service line from Windstream Utilities' tap closest to our property. Should we wish to increase the size of that line you would pay the difference.

For the above you agreed to supply water at regulated rates and ERC's at your current fee. In addition, Windstream Utilities will provide for the entire JB Ranch project, at no additional cost to JB Ranch, necessary fire flow to meet all state and county regulations.

As we discussed, if this is agreeable we will move forward. Time is of the essence as we must begin our permitting for alternative sources absent this agreement.

Sincerely,

JB RANCH

*Joseph T. Lettelleir*  
Joseph T. Lettelleir  
President

JTL:ern



Visit our web site at <http://www.jbranch.com>

MEMBER: Professional Rodeo Cowboys' Assoc.; Sunshine State Horse Council, Inc.; The Dude Ranchers' Assoc.; The Florida Cattle & Horse Assoc.



July 31, 1996

Mr. Joseph T. Lettelleir  
J B Ranch  
300 S. Duncon Avenue, #296  
Clearwater, FL 34615

RE: Water Service

Dear Mr. Lettelleir:


As per our phone conversation on Monday, July 29, 1996, Windstream Utilities Company will provide you with domestic and fireflow to meet your needs for the 1st Phase of J B Ranch.

As in your letter dated July 16, 1996, you agreed to pay for the 1st Phase \$100,000 worth of ERC's (\$515 per ERC). Also, any extras needed for upgrade of the water plant site, Windstream will provide over the \$100,000.

I would like to meet with your engineers to go over the requirements that will be needed.

If you should have any questions regarding the above, please contact me.

Sincerely,

  
L. E. Dlouhy  
Project Manager

LED:sd

2



SouthTrust Bank  
P.O. Box 3  
Ocala, Florida 34478  
(352) 732-7



April 1, 1997

Windstream Utilities Company  
L. E. Clouhy and Sharon Clouhy  
Post Office Box 4201  
Ocala Florida 34478


Re: Financing Proposal for the Expansion of an Existing Water System

Dear Mr. and Mrs. Clouhy:

SouthTrust Bank of Florida, N.A. appreciates the opportunity to make this proposal relative to the financing of the proposed expansion of Windstream Utilities Company's existing water system. This letter is not a commitment, however, it is an expression of our intent to consider your loan request for financing up to \$350,000.00. Any obligation to lend will arise only upon the Bank's written commitment, and only after SouthTrust Bank has had the opportunity to review all appropriate financial and non-financial information needed to make a loan decision.

SouthTrust Bank appreciates the opportunity to provide this proposal. If you have any questions, please contact me directly at (352) 732-4770 to discuss it further.

Sincerely,

  
William D. Hollister  
Vice President  
Commercial Lending

Serving Six Counties Throughout Central Florida  
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MEMBER FDIC

