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April 22, 1999

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

Re: Docket No. 981637-WS

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of JEA are the following documents:

1. Original and fifteen copies of the Direct Testimony of Scott D. Kelly with attached Exhibits __ (SDK-1 through SDK-2); and
2. Original and fifteen copies of the Direct Testimony of Karl E. Hankin, P.E., with attached Exhibits __ (KEH-1 through KEH-2).

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,

Kenneth A. Hoffman
Kenneth A. Hoffman

AFA _____
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG _____
MAS 2
OPC 3
RRR _____
SEC _____
WAW 1
OTH _____
KAH/rl
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Enclosures

Kelly
DOCUMENT NUMBER-DATE
APR 22 99
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Hankin
DOCUMENT NUMBER-DATE
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Ms. Blanca S. Bayo, Director
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April 22, 1999

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing prefiled testimony and exhibits were furnished by U. S. Mail this 22nd day of April, 1999 to the following:

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By: 
KENNETH A. HOFFMAN, ESQ.

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DIRECT TESTIMONY
OF SCOTT KELLY
ON BEHALF OF
JEA
DOCKET NO. 981637-WS

DOCUMENT NUMBER-DATE
[REDACTED] APR 22 2008
FPSC-RECORDS/REPORTING

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Scott Kelly. My business address is 21
3 West Church Street, Jacksonville, Florida 32202-
4 3139.

5 Q. BY WHOM ARE YOU EMPLOYED?

6 A. I am employed by JEA.

7 Q. WHAT IS JEA?

8 A. JEA is a water, wastewater and electric utility
9 serving a four county area in Northeast Florida.
10 JEA currently provides service to the majority of
11 Duval County and portions of St. Johns County,
12 Nassau County and Clay County.

13 Q. WHAT IS YOUR POSITION WITH JEA?

14 A. My current position is that of Construction and
15 Maintenance Vice President.

16 Q. WHAT IS THE NATURE OF YOUR WORK FOR JEA?

17 A. My primary responsibilities involve oversight of
18 the operations and maintenance of electric and
19 water distribution and sewer collection services in
20 JEA's four county service area.

21 Q. FOR PURPOSE OF HAVING YOU QUALIFIED AS AN EXPERT IN
22 THE FIELD OF WATER AND WASTEWATER ENGINEERING,
23 CONSTRUCTION AND OPERATIONS, PLEASE SET FORTH YOUR
24 EDUCATION AND PROFESSIONAL EXPERIENCE.

1 A. I received a degree in civil engineering from the
2 Georgia Institute of Technology in 1974. I am a
3 licensed professional engineer in the State of
4 Florida, certification number 0031125. Prior to
5 assuming the position of Construction and
6 Maintenance Vice President for the JEA in 1997, I
7 was employed by the City of Jacksonville, Florida
8 from 1983 - 1997. During that time, I served as
9 the Collection and Distribution Division Chief from
10 1996 - 1997. In that capacity, I was responsible
11 for the operation and maintenance of more than
12 2,350 miles of water distribution pipes and
13 approximately 2,000 miles of gravity and pressure
14 sewer collection pipes. The Division had a staff
15 of over 250 personnel with a budget of
16 approximately \$21,000,000 and provided service to a
17 population exceeding 500,000 through 171,000
18 metered service connections. From 1995 - 1996, I
19 was a Managing Engineer responsible for
20 infrastructure planning and capital expansion for
21 the water and sewer utilities. During that time I
22 implemented capital outlay programs totaling over
23 \$50,000,000. From 1990 - 1995, I was the Solid
24 Waste Division Chief responsible for administration
25 of all solid waste functions. From 1983 - 1990, I

1 was a Managing Engineer and Planning and
2 Engineering Division Chief. In that role, I
3 oversaw plan review, master planning, design and
4 construction management of the sewer and water
5 utilities. Prior to my work with the City of
6 Jacksonville, I was an Environmental Engineer with
7 Flood Engineers, Architects Planners, Inc. from
8 1979 - 1983. From 1976 - 1979, I worked as an
9 engineer for the City of Tampa, Florida and was
10 responsible for process operations at six
11 wastewater treatment facilities.

12 **Q. WHAT ARE YOUR PROFESSIONAL AFFILIATIONS?**

13 A. I am a member of the American Public Works
14 Association, the Water Environment Federation, the
15 American Water Works Association and the Florida
16 Water Environment Association, Utility Council
17 Board of Directors.

18 **Q. CAN YOU PLEASE IDENTIFY THE DOCUMENT LABELED**
19 **EXHIBIT _____ (SDK-1)?**

20 A. Yes. It is my resume.

21 **Q. HAVE YOU EVER BEEN PREVIOUSLY QUALIFIED TO TESTIFY**
22 **AS AN EXPERT IN ENGINEERING IN ANY TRIAL OR**
23 **ADMINISTRATIVE PROCEEDING?**

24 A. Yes. I have been qualified as an expert in
25 engineering and have testified as an expert in a

1 territorial dispute involving the JEA's predecessor
2 and Ortega Utility Company.

3 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
4 DOCKET?

5 A. The purpose of my testimony is to confirm from a
6 technical, operational and financial standpoint
7 JEA's commitment and ability to provide wholesale
8 water and wastewater services to St. Johns County
9 as described herein.

10 Q. ARE YOU FAMILIAR WITH JEA'S EXISTING WATER AND
11 WASTEWATER TREATMENT PLANTS?

12 A. Yes. In my position as Construction and
13 Maintenance Vice President, I am involved in the
14 operations of JEA's plants and facilities.

15 Q. ARE JEA'S EXISTING WATER AND WASTEWATER TREATMENT
16 PLANTS OPERATING AT FULL CAPACITY?

17 A. No. The capacity of several of JEA's existing
18 water and wastewater treatment plants exceed
19 current usage.

20 Q. CAN YOU PLEASE IDENTIFY THE DOCUMENT LABELED
21 EXHIBIT ____ (SDK-2)?

22 A. Yes. It is a Water and Wastewater Utility Services
23 Agreement between JEA and St. Johns County ("St.
24 Johns/JEA Agreement"). This Agreement sets forth,
25 among other things, the terms and conditions for

1 St. Johns County to procure wholesale water and
2 wastewater utility services from JEA and for JEA to
3 construct certain water and wastewater facilities
4 in connection with the provision of such services
5 to St. Johns County. The St. Johns/JEA Agreement
6 was executed and approved by St. Johns County on
7 April 13, 1999 and executed and approved by JEA on
8 April 20, 1999.

9 Q. WHAT HAS BEEN YOUR INVOLVEMENT WITH THE ST.
10 JOHNS/JEA AGREEMENT?

11 A. I was involved on behalf of JEA in the negotiations
12 of the terms and conditions of this Agreement.

13 Q. WHAT IS YOUR UNDERSTANDING OF THE PURPOSE OF THE
14 ST. JOHNS/JEA AGREEMENT?

15 A. JEA entered into this Agreement with St. Johns
16 County in order to establish the framework for a
17 long term arrangement to provide efficient,
18 environmentally sound, regional water and
19 wastewater transmission facilities in St. Johns
20 County.

21 Q. WILL YOU HAVE A ROLE IN IMPLEMENTATION OF THE ST.
22 JOHNS/JEA AGREEMENT?

23 A. Yes. In my capacity as Construction and
24 Maintenance/Vice President, I will be involved in
25 the construction of the facilities necessary to

1 implement this Agreement. After construction is
2 completed, I will be responsible for making sure
3 that the facilities are operating properly.

4 **Q. WILL THE ST. JOHNS/JEA AGREEMENT ALLOW JEA TO**
5 **IMPROVE THE EFFICIENCY OF ITS WATER AND WASTEWATER**
6 **UTILITY SYSTEMS?**

7 A. Yes. This Agreement will allow JEA to better
8 utilize some of its existing water and wastewater
9 treatment plant capacity. It will also provide the
10 backbone for establishment of regionalized water
11 and wastewater service in this area. The water
12 capacity will be provided from JEA's interconnected
13 grid of large water plants located on the south
14 side of Duval County. An interconnected water plant
15 configuration is the most efficient way of
16 providing St. Johns County customers additional
17 capacity as may be needed to serve future needs.
18 The interconnected grid provides a very high level
19 of reliability and allows JEA to balance
20 withdrawals from the Floridan Aquifer in order to
21 minimize drawdown and other adverse impacts to the
22 aquifer. The interconnected grid also provides
23 backup reliability in case of an outage in the
24 system. JEA currently has 45 million gallons per
25 day excess capacity in its south grid and has

1 several water plant expansion projects under
2 construction which will add 15-20 million gallons
3 per day of additional capacity to the south grid.
4 In addition, JEA has plans to interconnect its
5 south grid with its north grid. This will enable
6 water to be supplied in southeast Duval County and
7 ultimately St. Johns County from a number of
8 plants. The areas north of the St. Johns River are
9 currently outside the water use caution area
10 established by the St. Johns River Water Management
11 District. Accordingly, interconnection of JEA's
12 north and south grids will enable water to be
13 supplied to the regionalized network while
14 minimizing the need for additional wells in the
15 water use caution area. Expansion of service from
16 the grid will result in economies of scale for JEA
17 which will reduce unit cost of operation. At the
18 same time, this Agreement will allow St. Johns
19 County to provide retail services without the need
20 for constructing new plants or facilities.

21 **Q. WHAT IS THE TERM OF THE ST. JOHNS/JEA AGREEMENT?**

22 **A.** Under Section 2.2 of the Agreement, the Agreement
23 will remain in effect for 12 years from the date of
24 initial wholesale service of water by JEA under the
25 Agreement or until the date on which all of the

1 project costs as defined in the Agreement have been
2 fully recovered by JEA. The Agreement provides for
3 two five year renewal terms upon mutual agreement
4 of the parties after which the Agreement can
5 continue until terminated by written notice from
6 either party at least 365 days prior to the
7 termination date.

8 **Q. PLEASE DESCRIBE THE SERVICES TO BE PROVIDED UNDER**
9 **THE ST. JOHNS/JEA AGREEMENT.**

10 A. The Agreement calls for the provision and transport
11 of wholesale water and the transport, processing
12 and disposal of wholesale wastewater by JEA to and
13 from the designated service area in order for St.
14 Johns County to provide retail service. Under the
15 Agreement, JEA will be responsible for construction
16 of the facilities necessary to provide service.

17 **Q. DO JEA'S EXISTING WATER AND WASTEWATER TREATMENT**
18 **PLANTS HAVE SUFFICIENT CAPACITY TO PROVIDE WATER**
19 **AND WASTEWATER SERVICES TO ST. JOHNS COUNTY IN**
20 **ACCORDANCE WITH EXHIBIT ____ (SDK-2)?**

21 A. Yes. The Mandarin Wastewater Treatment Plant that
22 will serve this project has a capacity of 7.5
23 million gallons per day with 5.86 million gallons
24 committed to existing and future customers. Thus,
25 there is enough excess capacity available at

1 Mandarin to serve the Phase I and Phase II Areas
 2 described in the St. Johns/JEA Agreement. In
 3 addition, flows could be diverted at a minimal cost
 4 to JEA's Arlington East Wastewater Treatment Plant.
 5 The capacity at Arlington East is currently being
 6 expanded from 11 million to 15 million gallons per
 7 day. The water capacity will be provided from the
 8 interconnected grid located on the southside of the
 9 St. Johns River. The grid has a water capacity of
 10 97.33 million gallons per day with a commitment to
 11 existing and future customers of 43.32 million
 12 gallons per day. The water plants most likely to
 13 be affected by services to St. Johns County are as
 14 follows:

		MARCH 1999 FLOW	
	PERMITTED (MGD)	(MGD)	
18	DEERWOOD 1	2.7	1.72
19	DEERWOOD 11	10.08	4.99
20	PICKWICK PARK	3.0	2.59
21	COMMUNITY HALL	10.08	5.92

22 The sum of the permitted capacity for these water
 23 plants is in excess of 25 million gallons per day
 24 and the March, 1999 flows are 15.22 million gallons
 25 per day. In addition, as discussed earlier, JEA

1 has several water plant expansion projects under
2 construction which will add 15-20 million gallons
3 per day of additional capacity to the south grid.
4 JEA also has developed a plan to interconnect the
5 grid on the southside of Duval County with JEA's
6 other, larger grid located north of the St. Johns
7 River. This interconnection will be accomplished
8 by installing a large diameter pipeline under the
9 river and will provide additional permitted
10 capacity to the south grid.

11 Q. DO THE PERMITS FOR JEA'S EXISTING PLANTS ALLOW FOR
12 THE ANTICIPATED ADDITIONAL DEMAND ARISING FROM THE
13 ST. JOHNS/JEA AGREEMENT?

14 A. Yes.

15 Q. ARE THERE ANY ANTICIPATED ENVIRONMENTAL PERMITTING
16 OBSTACLES TO THE DELIVERY OF SERVICES UNDER THE ST.
17 JOHNS/JEA AGREEMENT?

18 A. No.

19 Q. WILL IMPLEMENTATION OF THE ST. JOHNS/JEA AGREEMENT
20 REQUIRE THE CONSTRUCTION OF ANY NEW FACILITIES?

21 A. The provision of services under this Agreement will
22 require construction of certain additional water
23 and wastewater facilities in order to operate the
24 systems and deliver the services to St. Johns
25 County in accordance with the terms of the

1 Agreement. JEA has contracted to construct these
2 facilities as set forth in the St. Johns/JEA
3 Agreement.

4 **Q. WHAT ARE THE GEOGRAPHIC AREAS ANTICIPATED BY THE**
5 **PARTIES TO BE SERVED UNDER THE ST. JOHNS/JEA**
6 **AGREEMENT?**

7 A. The geographic areas anticipated by the parties to
8 be served under this Agreement include the "Service
9 Area" and are shown on Exhibit A to the Agreement.
10 The Service Area consists of two separately
11 identified areas depicted on Exhibit A. The "Phase
12 I Area" is anticipated to be served first under the
13 Agreement and includes Allen D. Nease High School
14 and the Walden Chase Subdivision (also known as
15 CR210 PUD). The "Phase II Area" shown on Exhibit A
16 may be served under this Agreement depending upon
17 future circumstances. The Phase II Area includes a
18 development known as Marshall Creek which lies
19 approximately 4.5 miles further south on U.S. 1
20 from the anticipated location of the reservoir at
21 the southern point of the Phase I Area. In
22 addition to the Phase I and Phase II Areas, JEA has
23 adequate capacity to serve additional needs as may
24 be designated by St. Johns County in the future.

25

1 Q. PLEASE EXPLAIN THE THREE OPTIONS UNDER THE ST.
2 JOHNS/JEA AGREEMENT?

3 A. Under Option 1, JEA would provide wholesale service
4 in St. Johns County through facilities which would
5 terminate at the Phase I Area. Under Option 2, JEA
6 would provide additional wholesale service in St.
7 Johns County after the exercise of Option I through
8 facilities which would terminate at the Phase II
9 Area. Under Option 3, JEA would provide wholesale
10 service in St. Johns County through facilities
11 which would begin in Duval County, extend past the
12 Phase I Area and terminate at the Phase II Area.
13 JEA intends to build the same facilities to provide
14 service in the Phase I area under Options 1 and 3.
15 In other words, the same facilities will be
16 installed and the same costs will be incurred to
17 provide wholesale service to the Phase I Area
18 whether the County chooses Option 1 (service just
19 to Phase I Area) or Option 3 (service for Phases I
20 and II).

21 Q. WHAT IS THE INTENT OF THE PARTIES TO THE ST.
22 JOHNS/JEA AGREEMENT REGARDING THE PROVISION OF
23 WATER AND WASTEWATER SERVICES WITHIN THE SERVICE
24 AREA?

1 A. Pursuant to Section 4.1 of the Agreement, St. Johns
2 County has appointed JEA the exclusive provider of
3 wholesale water and wholesale wastewater services
4 in the Service Area.

5 Q. ARE YOU FAMILIAR WITH THE WATER/WASTEWATER SERVICES
6 CURRENTLY BEING PROVIDED AT ALLEN D. NEASE HIGH
7 SCHOOL?

8 A. Yes.

9 Q. CAN YOU DESCRIBE HOW THOSE SERVICES ARE CURRENTLY
10 BEING DELIVERED?

11 A. Currently, the high school is served by wastewater
12 treatment package plants with discharge to
13 percolation ponds. Water service is currently
14 provided by a package water treatment plant with an
15 associated well-field. These package plants will
16 be replaced upon implementation of the St.
17 Johns/JEA Agreement.

18 Q. ARE YOU FAMILIAR WITH THE PORTION OF THE PHASE I
19 AREA WHICH IS REFERRED TO AS THE CR210 PUD OR
20 WALDEN CHASE SUBDIVISION?

21 A. Yes.

22 Q. ARE THERE WATER AND SEWER SERVICES CURRENTLY
23 AVAILABLE TO THE WALDEN CHASE SUBDIVISION?

24 A. No. The Developer of this subdivision has entered
25 into an agreement with St. Johns County pursuant to

1 which the County will provide retail water and
2 sewer services to the development.

3 **Q. ARE YOU FAMILIAR WITH THE REQUESTED TERRITORY**
4 **EXPANSION AREA SOUGHT BY UNITED WATER FLORIDA, INC.**
5 **("UNITED WATER") IN THIS DOCKET?**

6 A. Yes. As part of the negotiations with St. Johns
7 County, I became familiar with proposed
8 alternatives for service to the Phase I Area,
9 including possible service from United Water
10 Florida, Inc. ("United Water"). In this regard, I
11 have reviewed United Water's application submitted
12 in this Docket and the prefiled direct testimony of
13 Todd D. Mackey, Gary R. Mosley, Randall W. Corbin
14 and David B. Denagy submitted in support of United
15 Water's application.

16 **Q. DO YOU KNOW WHETHER THE DEVELOPER OF THE CR210-PUD**
17 **HAS SOUGHT WATER AND WASTEWATER SERVICE FROM ANY**
18 **UTILITY OTHER THAN ST. JOHNS COUNTY?**

19 A. Based upon the application and the prefiled direct
20 testimony of Randall W. Corbin filed in this
21 Docket, it appears that Florida First Coast
22 Development Corporation ("FFCDC"), the developer of
23 the Walden Chase Subdivision, filed an application
24 with United Water on August 10, 1998. However,
25 pursuant to an agreement dated April 13, 1999

1 between FFDCDC, Walden Chase Developers, Ltd. and
2 St. Johns County, FFDCDC is to provide written
3 notification to United Water that it is withdrawing
4 its application for service. FFDCDC and Walden
5 Chase have agreed to cooperate with St. Johns
6 County and JEA to support St. Johns County's
7 efforts to provide service to the Phase I Area.

8 Q. IS THE WALDEN CHASE SUBDIVISION IMMEDIATELY
9 ADJACENT TO UNITED WATER'S EXISTING SERVICE AREA?

10 A. No. In order to reach the Walden Chase
11 Subdivision, United Water Florida, Inc. will have
12 to traverse an area of undeveloped property between
13 Interstate 95 and U.S. 1. This undeveloped area is
14 approximately 2½ miles wide.

15 Q. ARE YOU AWARE OF ANY REQUESTS FOR WATER OR
16 WASTEWATER SERVICE IN THAT UNDEVELOPED AREA?

17 A. No. The only request for service that I am aware
18 of at this time in United Water's proposed
19 territory expansion area is for the Walden Chase
20 Subdivision.

21 Q. DESCRIBE THE FACILITIES JEA WILL DESIGN AND
22 CONSTRUCT TO PROVIDE SERVICE TO PHASE I AND
23 SURROUNDING AREAS IN ST. JOHNS COUNTY?

24 A. The facilities that will be designed, constructed
25 and utilized by JEA to provide wholesale water and

1 wastewater services to the Phase I Area and
2 surrounding areas in St. Johns County will include
3 the extension of the water and wastewater mains
4 from the Duval County/St. Johns County line in a
5 southerly direction along the Route U.S. 1 right-
6 of-way, to a point south of the intersection of
7 U.S. 1 and County Road 210, then northerly through
8 an easement to the Phase I Area. The improvements
9 will include approximately 3.5 miles of 16 inch
10 diameter PVC force main and 20 inch diameter PVC
11 water main on the U.S. 1 right-of-way and
12 approximately 1/3 mile of 12-inch diameter PVC
13 force main and 16-inch diameter PVC water main
14 along the existing electric utility easement
15 serving the Nease High School portion of the Phase
16 I Area. Additional extensions of approximately 2/3
17 of a mile with a 12-inch diameter PVC force main
18 and a 16-inch PVC water main in the easement
19 serving the Walden Chase portion of Phase I will
20 also be included. A 500,000 gallon water reservoir
21 with high-service pumps, a standby generator, and a
22 rechlorination facility and a master wastewater
23 pump facility adequate to handle sewage from the
24 Phase I Area will also be included. The routes
25 chosen were intentionally selected in order to

1 accommodate St. Johns County's needs for Nease High
2 School, the Walden Chase Subdivision and Marshall
3 Creek. This route is the most efficient manner of
4 meeting those demands.

5 **Q. WHAT ADDITIONAL FACILITIES WILL BE NECESSARY IN**
6 **CONNECTION WITH PROVIDING SERVICE TO THE PHASE II**
7 **AREA?**

8 A. The capacity of the reservoir will need to be
9 increased with a corresponding increase in the
10 capacity of high-service pumps, standby generators
11 and rechlorination facilities when St. Johns County
12 exercises either Option 2 or Option 3 under the St.
13 Johns/JEA Agreement. These Options relate to the
14 provision of services to the Phase II Area. The
15 additional facilities will only be necessary if and
16 when St. Johns County exercises one of the Options
17 for service to the Phase II area.

18 **Q. ARE THERE ANY OTHER FACILITIES ASSOCIATED WITH**
19 **PROVIDING SERVICE TO THE PHASE I AREA?**

20 A. Yes. The project will include an increase in the
21 size of the necessary sewer line in Duval County
22 from 12 inches to 16 inches. This cost is included
23 in the Phase I Costs as defined in the Agreement.

24 **Q. HAS JEA COMMENCED THE DESIGN OF THE FACILITIES**
25 **NECESSARY TO SERVE THE PHASE I AREA?**

1 A. Yes. JEA has contracted with the engineering firm
2 of Dames and Moore to do the design. It is
3 anticipated that the design will be complete by
4 June 1999. Exhibit C to the St. Johns/JEA
5 Agreement sets forth a construction and design
6 schedule for the facilities necessary under the
7 contract.

8 Q. WHAT ARE JEA'S ANTICIPATED COSTS IN CONNECTION WITH
9 DESIGN, PERMITTING AND CONSTRUCTION OF THE
10 FACILITIES TO BE CONSTRUCTED IN ACCORDANCE WITH THE
11 ST. JOHNS/JEA AGREEMENT?

12 A. It is anticipated that the total cost to provide
13 wholesale water and wastewater services in the
14 general area of St. Johns County including and
15 extending beyond the Service Area anticipated in
16 the Agreement will be \$5,260,000. The prefiled
17 testimony of Karl Hankin provides a detailed
18 breakdown of these costs.

19 Q. WHAT ARE THE ANTICIPATED COSTS ASSOCIATED WITH
20 PROVIDING SERVICE IN THE PHASE I AREA AND
21 SURROUNDING AREAS IN ST. JOHNS COUNTY?

22 A. The Phase I costs are \$2,845,000. The Phase I
23 water and wastewater facilities are deliberately
24 oversized for future use for St. Johns County.
25 Less than 10% of the capacity provided by these

1 extensions will be utilized by the Walden Chase
2 Subdivision project. Approximately \$168,000 of the
3 Phase I project costs are properly attributable to
4 the Walden Chase Subdivision.

5 **Q. ARE THERE ENVIRONMENTAL BENEFITS TO HAVING THE**
6 **PHASE I AND PHASE II AREAS SERVICED UNDER THE ST.**
7 **JOHNS/JEA AGREEMENT AS OPPOSED TO OBTAINING SERVICE**
8 **FROM OTHER UTILITIES?**

9 A. Yes. JEA offers several environmental benefits as
10 the provider of services. For instance, JEA is
11 developing a reuse system to facilitate the reuse
12 of wastewater. The wastewater services provided
13 under this Agreement will be tied into JEA's reuse
14 system. JEA has commenced construction on portions
15 of a major reuse system for the Mandarin Wastewater
16 Treatment Plant, including 25 miles of 20 inch
17 diameter reuse transmission mains to serve six golf
18 courses. Ultraviolet high level disinfectant is
19 also being added at the plant to insure enhanced
20 disinfection. The cost estimate for the facilities
21 is \$12,000,000. A \$5,000,000 grant will be
22 provided by the State of Florida through a grant
23 administered by the Department of Environmental
24 Protection. This reuse system will allow JEA to
25 reuse over 50% of the flow generated by the

1 Mandarin Wastewater Treatment Plant. In addition,
2 JEA currently has the capacity under its water
3 supply permits to provide water service under this
4 Agreement without the need for additional wells or
5 without the need for locating new wells in a water
6 use caution area. Another benefit to receiving
7 service from JEA is the JEA commitment to enhancing
8 the environment through phase-out of small
9 ineffectual package wastewater plants. JEA has
10 phased out several hundred small package plants in
11 Duval County in the last 15 years. The
12 implementation of this Agreement will enable St.
13 Johns County to phase-out the existing package
14 plant at Nease High School and provide service to
15 the surrounding area in an efficient and effective
16 manner.

17 **Q. ARE THERE OTHER BENEFITS TO HAVING SERVICE FROM JEA**
18 **UNDER THE ST. JOHNS/JEA AGREEMENT RATHER THAN FROM**
19 **UNITED WATER?**

20 **A.** Yes. JEA offers several other benefits as the
21 provider of service. For instance, JEA will
22 provide a water storage reservoir with high service
23 booster pumps that will provide a higher level of
24 service to the customer than what is proposed by
25 United Water. This storage and re-pumping facility

1 will provide a more constant water pressure for the
2 customers who receive service in St. Johns County.
3 A higher level of reliability will result since
4 there will be large volumes of water stored near
5 the project sites. Water will be available in case
6 of equipment failure and outage at the water plant
7 or if the water main providing service to the Phase
8 I and II Areas and surrounding areas is rendered
9 unusable. The storage and water system will be
10 backed up with standby power generators to ensure
11 the highest level of reliability. The water
12 storage reservoir will provide a higher level of
13 public safety for customers by providing water
14 storage near the Phase I and II and surrounding
15 areas in case of fire. JEA also will provide a
16 master sewage pumping station that will re-pump the
17 sewage generated in the Phase I and Phase II Areas
18 and any future areas beyond. This master pumping
19 station will reduce the developer's on-site pumping
20 station equipment requirement and construction
21 costs by reducing pressure at the developer's
22 funded on-site pumping stations.

23 **Q. IS JEA WILLING AND DOES JEA HAVE THE FINANCIAL**
24 **ABILITY AND RESOURCES TO PROVIDE SERVICE IN**
25 **ACCORDANCE WITH THE ST. JOHNS/JEA AGREEMENT?**

1 A. Yes. JEA's commitment to funding the necessary
2 facilities was confirmed by its execution of the
3 Agreement. As a combined electric, water and sewer
4 utility, JEA's annual operating revenues are in
5 excess \$890 million. Water and sewer operating
6 revenues in Fiscal Year 1998 were \$116,823,000.
7 The water and sewer system is large, with
8 historical annual customer growth of more than
9 3.5%. The water system served an average of
10 175,766 customer accounts in Fiscal Year 1998. The
11 sewer system served an average of 131,354 customer
12 accounts in Fiscal Year 1998. JEA has a five year,
13 \$600,000,000 capital expansion and replacement
14 program underway. JEA will utilize existing bond
15 funds to finance the facilities necessary for this
16 Agreement. JEA has existing bond funds sufficient
17 to construct the project.

18 **Q. WOULD YOU BRIEFLY DESCRIBE FOR THE COMMISSION THE**
19 **FINANCIAL CONDITION OF JEA?**

20 A. JEA's bond ratings are among the best in the nation
21 for utilities. This allows JEA to finance its
22 capital needs at very low interest rates. This
23 benefit is passed on to our customers in the form
24 of low water and sewer rates. JEA's debt service
25 coverage for water and sewer related debt for

1 Fiscal Year 1998 was a very high 3.21x. JEA's
2 water and sewer debt ratio for Fiscal Year 1998 was
3 a very low 25.1%. Both of these indicators, as
4 well as the strong water and sewer bond ratings
5 awarded to JEA by Standard & Poor's Ratings Group
6 (AA-), Fitch IBCA, (AA-) and Moody's Investors
7 Service (Aa3), demonstrate that JEA's financial
8 condition is excellent.

9 Q. WHAT WOULD BE THE EFFECT ON JEA'S RATES AND CHARGES
10 IF IT HAS TO EXPEND \$5.2 MILLION IN ORDER TO
11 PROVIDE SERVICE UNDER THE ST. JOHNS/JEA AGREEMENT?

12 A. None. In fact, JEA enjoys stable rates and expects
13 to hold its water and sewer rates at their current
14 low levels at least another three years.

15 Q. DOES JEA HAVE A CAPITAL EXPANSION AND
16 REHABILITATION PROGRAM IN PLACE?

17 A. Yes. JEA's "GroundWorks Program" was developed to
18 design and construct projects necessary to expand
19 and improve JEA's water and sewer infrastructure.
20 These projects will reduce operations and
21 maintenance costs and expand and improve service to
22 our customers. Projects are identified by system
23 expansion needs and operations and maintenance
24 concerns. Currently, GroundWorks is a 5 year, \$600
25 million program. To implement this program, the

1 in-house JEA engineering staff works in conjunction
2 with its Engineering Alliance Partner, Black &
3 Veatch, to design many projects. JEA has also
4 solicited water and sewer design consultants and
5 contracted with 32 firms on a long term basis.
6 Almost all these firms are currently performing
7 design work. In order to build the number of
8 projects anticipated in the GroundWorks program,
9 the JEA entered into long term Master Contract
10 agreements with qualified contractors. There are
11 currently 53 Master Contractors, with at least 20
12 currently performing work on over 40 GroundWorks
13 projects.

14 **Q. CAN YOU DESCRIBE SOME OF THE UNIQUE FEATURES OF**
15 **JEAS UTILITY OPERATIONS?**

16 A. JEA is in the process of implementing a multi-
17 million dollar computer assisted dispatch system
18 which will integrate water, sewer and electric
19 customer service requests. Water and sewer calls
20 are tracked and dispatched to vehicles using
21 cellular technology and on-board laptop computers.
22 The underlying database will provide JEA valuable
23 data regarding system needs, including pipe
24 replacement and customer service response
25 statistics. The database will link to JEA's Work

1 Management System currently used for electric
2 construction and maintenance projects. JEA has
3 recently modified its fleet on the water
4 maintenance front to reduce travel time and
5 increase coverage. JEA has in place a leak
6 detection contract. JEA's contractor investigated
7 numerous miles of mains 6 inches and larger and
8 found no significant leaks. JEA is using its
9 database of maintenance work to identify smaller
10 mains in need of replacement as part of the
11 GroundWorks project. To reduce the number and
12 severity of Sanitary Sewer Overflows ("SSO") and
13 reduce customer service requests, JEA instituted a
14 sewer inspection program. Crews blanket portions
15 of the service area in search of cave-ins and open
16 each manhole, inspecting for surcharged lines,
17 manholes in which dirt and debris have accumulated
18 and manholes in need of rehabilitation. These
19 inspections are performed routinely. Following an
20 SSO event, the sewer line is cleaned and televised
21 in search of the cause of the overflow. This
22 information is used to define replacement projects
23 and the site is placed on a routine inspection
24 list. Inspections progress from weekly to
25 quarterly. If at in any point in the inspection

1 schedule the site degrades, it returns to a weekly
2 inspection and the process is repeated. JEA plots
3 its maintenance and customer response data to
4 determine where its closed circuit television and
5 sewer cleaning resources should be expended. JEA
6 performs smoke testing of its sewer system to
7 search for sources of infiltration and inflow. A
8 contract is being developed for these services as a
9 supplement. JEA is doubling the number of small
10 valve operation trucks. These new and the existing
11 trucks will be equipped with computerized data
12 loggers. Data will be recorded and integrated with
13 JEA's Geographic Information System which provides
14 computerized mapping of JEA's water and wastewater
15 facilities.

16 **Q. DOES JEA HAVE A MONITORING SYSTEM ON ITS LINES**
17 **COMPARABLE TO THE SCADA SYSTEM UTILIZED BY UNITED**
18 **WATER?**

19 **A.** Yes. JEA has a radio monitoring SCADA system at
20 each of its 28 regional water treatment plants.
21 This sophisticated system improves reliability and
22 reduces the risk of service interruptions to its
23 customers. In addition, JEA is currently
24 installing the same SCADA system on all of its
25 wastewater pumping stations.

1 Q. PLEASE EXPLAIN THE RATES THAT WILL BE CHARGED BY
2 JEA TO ST. JOHNS COUNTY FOR WATER AND WASTEWATER
3 SERVICES.

4 A. St. Johns County will pay JEA all the connection
5 fees paid to the County for connections made in the
6 applicable phase area until such time as the
7 project costs for the phase area have been fully
8 recovered by JEA. In addition, St. Johns County
9 will pay JEA base water and sewer fees and water
10 and sewer usage fees. The water usage fee will be
11 measured by the actual flow of the master water
12 meter based on JEA's then published large meter
13 rates. The actual rate will depend upon the
14 Option(s) exercised by St. Johns County under the
15 Agreement. The sewer usage fees will be based upon
16 JEA's uniform published rates for limited sewer
17 wholesale customers of the same classification.
18 After the project costs have been fully recovered
19 by JEA for each phase area, St. Johns County will
20 pay JEA a standard capacity fee for additional
21 connections to the facilities within the Service
22 Area in accordance with JEA's uniform published
23 rates.

1 Q. IS THE PUBLIC INTEREST SERVED BY GRANTING UNITED
2 WATER'S APPLICATION FOR THE ADDITIONAL SERVICE AREA
3 SOUGHT IN THIS DOCKET?

4 A. No. Granting United Water's application for the
5 Requested Area would be an unnecessary duplication
6 of the services to be provided by JEA under its
7 Agreement with St. Johns County. There is no need
8 for service in the territory expansion area
9 requested by United Water. The JEA and St. Johns
10 County have entered into a cooperative arrangement
11 that will provide service to the requested area as
12 part of a long term strategy for meeting the water
13 and sewer needs in St. Johns County. The St.
14 Johns/JEA Agreement will result in the
15 establishment of an efficient, environmentally
16 sound regional water and wastewater system. It
17 will meet the immediate needs in the area in the
18 most cost efficient manner and will provide a
19 framework for providing cost efficient service to
20 future development.

21 Q. DOES THAT CONCLUDE YOUR TESTIMONY?

22 A. Yes, it does.

SCOTT D. KELLY, P.E.

EDUCATION AND REGISTRATION:

B.S. Civil Engineering

Georgia Institute of Technology 1974

Licensed Professional Engineer

State of Florida No. 0031125

EMPLOYMENT HISTORY:

JEA JACKSONVILLE, FLORIDA

Construction and Maintenance Vice President

1997-Present

Responsible for maintenance and operation of electric and water distribution and sewer collection services in a four county area. The Construction and Maintenance Group currently has a staff of over 420 personnel with a budget exceeding \$30 million. JEA currently has over 175,000 and 345,000 metered water and electric customers, respectively.

CITY OF JACKSONVILLE, FLORIDA

Collection and Distribution Division Chief

1996-1997

Responsible for the operation and maintenance of more than 2,350 miles of water distribution pipes and approximately 2,000 miles of gravity and pressurized sewer collection pipes. The division had a staff of over 250 personnel with a budget of approximately 21 million dollars and provided service to a population exceeding 500,000 through 171,000 metered service connections.

Managing Engineer

1995-1996

Responsible for development management, infrastructure planning, and capital expansion program for the water and sewer utility. Implemented capital outlay program totaling over 50 million dollars.

Solid Waste Division Chief

1990-1995

Responsible for administration of all solid waste functions, and the management of a staff of over 200 employees. Areas of responsibility included solid waste disposal, sanitation and collection, public utilities enforcement, and recycling. Instituted major reorganization of Solid

Waste Division which resulted in a 43% reduction in overall staff. Oversaw the implementation of employee incentive programs based on budget reductions and improvements in safety and customer service.

Implemented a yard trash recycling program that contributed to an increase in recycling percentages from 21% to over 40%, the highest in Florida. Received the National Recycling Coalition Award for the best urban recycling program in the nation.

Resume-Scott D. Kelly, P.E. **Page 2**

Planning and Engineering Division Chief / Managing Engineer

1983-1990

Responsible for administration of the Planning and Engineering Division, including supervision of over 60 professional, technical and clerical personnel.

Oversaw plan review, master planning, hydraulic modeling, negotiation of developer funded expansion, design and construction management of the sewer and water utilities. Responsible for preparing and gaining approval for 100 million dollar strategic capital expansion plan.

FLOOD ENGINEERS, ARCHITECTS PLANNERS, INC.

Environmental Engineer

1979-1983

Project Engineer on several wastewater treatment facilities in Florida. Responsible for the design and preparation of plans and specifications for various advanced wastewater treatment (AWT) plant and pumping stations. Oversaw contract administration, construction inspection and startup of several wastewater facilities.

CITY OF TAMPA, FLORIDA

Process Engineer, Sanitary Sewers

1976-1979

Responsible for process operations for Tampa's six wastewater treatment facilities. City liaison for plant startup coordination of new 60 mgd AWT facility for City of Tampa. Conducted pilot plant studies to determine alternatives to the use of methanol in the denitrification process.

AFFILIATIONS

American Public Works Association
Water Environment Federation

Docket No. 981637-WS
Exhibit ___ (SDK-1)
Resume of Scott D. Kelly
Page 3 of 3

American Water Works Association
Florida Water Environment Association, Utility Council Board of Directors

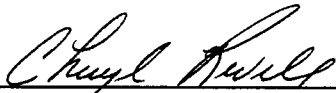
CERTIFICATION

I, CHERYL REVELL, Staff Support Assistant to the JEA Board, do hereby certify that the attached is a true and exact copy of the action taken by the Jacksonville Electric Authority at a regular meeting assembled on Tuesday, April 20, 1999, pertaining to:

COOPERATIVE AGREEMENT WITH ST. JOHNS COUNTY UTILITIES

WITNESS my hand and Official Seal of the JEA this 20th day of April, 1999.

(SEAL)



Cheryl Revell

Staff Support Assistant

April 13, 1999

WATER AND WASTEWATER UTILITY SERVICES AGREEMENT

BETWEEN

JEA

AND

ST. JOHNS COUNTY

WATER AND WASTEWATER UTILITY SERVICES AGREEMENT

THIS AGREEMENT is made as of this ___ day of April, 1999 between JEA, a public body corporate and politic of the State of Florida, and ST. JOHN'S COUNTY, a political subdivision of the state of Florida (the "County").

WITNESSETH:

WHEREAS, JEA is in the business, among others, of constructing and operating water and wastewater facilities and systems and providing water and wastewater utility services; and

WHEREAS, JEA is developing a reuse system to facilitate the reuse of wastewater; and

WHEREAS, the County wishes to procure wholesale water and wastewater utility services from JEA and to have JEA construct certain water and wastewater facilities and to operate JEA's water and wastewater systems in connection with the provision of such services to the County; and

WHEREAS, the capacity of JEA's existing water and wastewater treatment plants exceed current usage such that there is sufficient capacity to provide water and wastewater services to the County, and JEA desires to provide these services to the County, and is willing to construct the necessary water and wastewater facilities and operate the systems to deliver such services to the County on the terms and conditions set forth herein; and

WHEREAS, the County and JEA also wish to (1) explore mutually beneficial opportunities to improve the efficiency of the water and wastewater utility systems, (2) provide an efficient, environmentally sound means for planning, designing, and constructing regional water and sewer transmission facilities and (3) establish the basis for future alliances beneficial to both the County and JEA;

NOW, THEREFORE, it is hereby mutually agreed as follows:

1. CERTAIN DEFINITIONS

The following terms shall have the meanings set forth below:

1.1 “Developer” shall mean a Person who, for residential, governmental, commercial or industrial use, has developed real property within the Service Area by constructing thereon, among other things, adequate facilities for the distribution of Water to and collection of Wastewater from individual sites within the boundaries of the real property comprising the development.

1.2 “Facilities” means the Water Facilities and Wastewater Facilities as defined herein. “Duval Facilities” means that portion of the Facilities residing within Duval County. “St. Johns County Facilities” means that portion of the Facilities residing within St. Johns County.

1.3 “Party” shall mean JEA or the County; “Parties” shall mean JEA and the County.

1.4 “Person” shall include governmental, non-profit, business and professional entities, however organized.

1.5 “Project” shall mean the construction of that portion of the Facilities set forth in Exhibits A and B hereto. The Project may be limited in the manner set forth in Section 2.1 to Option 1, Option 2, and/or Option 3 as attached herein on Exhibits A and B.

1.6 “Service Area” shall mean the area anticipated by the Parties to be eventually served under this Agreement as shown on Exhibit A. The “Phase I Area” shall mean the area shown on Exhibit A and anticipated by the Parties to be served first under this Agreement and includes Allen D. Nease High School. The “Phase II Area” shall mean the area shown on Exhibit A and which the Parties recognize may, depending upon circumstances, be

included in this Agreement.

1.7 “Project Costs” shall mean JEA’s costs in connection with design, permitting and construction of the St. Johns County Facilities. “Phase I Costs” shall mean JEA’s costs in connection with design, permitting and construction of the St. Johns County Facilities in the Phase I Area. “Phase II Costs” shall mean JEA’s costs in connection with design, permitting and construction of the St. Johns County Facilities in the Phase II Area. Project Costs shall also include JEA’s costs attributable to increasing the size of the necessary sewer line in Duval County from 12 inches to 16 inches. This cost shall be included as a cost in Phase I.

1.8 “Services” shall mean the provision and transport of wholesale Water and the transport and processing and disposal of wholesale Wastewater by JEA through the Facilities to and from, as the case may be, the Service Area for the County’s use in providing retail service in the Service Area.

1.9 This section intentionally left blank.

1.10 “Wastewater” or “Sewage” means the combination of the liquid and water-carried pollutants from a residence multifamily, commercial building, industrial plant, or institution.

1.11 “Wastewater Facilities” means the sewers, mains, pipes, pumps, connections and other property used to transport Wastewater or Sewage in the Service Area as set forth on Exhibits A and B.

1.12 “Wastewater System” means the transporting and processing of Wastewater and includes the Wastewater Facilities and other property used to transport and process and dispose of Wastewater in servicing the Service Area.

1.13 “Water” means potable water meeting the applicable federal, state, and local

laws and regulations for human consumption, fire protection, irrigation and consumption by business and industry.

1.14 "Water Facilities" means the pumps, meters, mains, pipes, connections, and other property, used to provide Water to serve the applicable Service Area.

1.15 "Water System" means the Water Facilities, and other property, used to provide Water which shall have at least capacity of one million five hundred thousand (1,500,000) gallons per day average annual daily flow available to serve the Project in the Service Area as set forth on Exhibit A and Exhibit B.

2. SCOPE AND TERM OF THE AGREEMENT

2.1 With the exception of section 3.2, this Agreement shall become binding on the date herein provided. JEA shall not be obligated to begin the Project until JEA's reasonable acceptance of the County's notification to JEA that the County has received and accepted an application to the County by a Developer wherein the Developer requests retail water and wastewater services from the County and who states in writing that he or she will be ready, willing and able to connect to the St. Johns Facilities within a reasonable time after construction of the Facilities (the "Effective Date") have been completed (the "Connection Notice"). The County shall designate whether it is exercising Option 1, 2, or 3, and may subsequently issue a Connection Notice for those options not initially exercised. If JEA receives the Connection Notice related to Property in the Phase II Area, prior to the exercise of the Phase I Area, then said Connection Notice shall comprise the entire Service Area. Section 3.2 becomes effective on the date this agreement is executed.

2.2 The term of this Agreement shall be from the date of initial wholesale service of Water by JEA for either Phase of the Project through and including the later of (a) twelve (12) years from said date or (b) the date on which all Project Costs have been fully recovered

by JEA (the "Original Term"), and thereafter, for two five year renewal terms upon mutual agreement of the Parties (the "Renewal Terms") and thereafter until terminated on written notice from either Party to the other of its election to terminate the Agreement, such written notice to be given at least three hundred sixty five days prior to the termination of the Original Term or any Renewal Term.

2.3 Parties agree that the scope of this Agreement may be expanded, by mutual consent by St. Johns County and the Chief Executive Officer of JEA to include other areas in the County.

3. OWNERSHIP AND CONSTRUCTION OF THE FACILITIES

3.1 JEA shall own the Facilities until such time as the County has fully reimbursed JEA for all Project Costs. Upon such reimbursement, JEA shall convey the St. Johns Facilities free and clear of all encumbrances to the County for \$1.00 by means of a deed, bill of sale or other appropriate instrument of conveyance.

3.2 Prior to the Effective Date, JEA will commence design of the Facilities. However, JEA shall be under no obligation to commence permitting or construction of the Facilities until the Effective Date.

3.3 The Parties agree to use all reasonable efforts to substantially complete the Project within the schedule generated by JEA's construction management group, which schedule shall be generated within thirty (30) days from the Effective Date of this Agreement. Annexed as Exhibit C is the proposed schedule for construction of the Facilities.

3.4 The County shall (a) take every reasonable step to assist JEA in design review and obtaining permits, access, and other necessary items as may be needed, from time to time, in the design and construction of the Project; and (b) at such times as may be necessary and expedient to permit JEA to comply with the terms of this Agreement, provide to JEA,

at the County's sole cost, all necessary easements for the construction, use, maintenance, and replacement of the St. Johns Facilities together with such other easements as may be necessary to afford ingress, egress and provision of the Services by grants of easement covering such time as JEA owns said Water and Wastewater Facilities with full warranties of title, free and clear of all liens and encumbrances.

3.5 JEA shall: (a) make all reasonable efforts to meet the schedule date for substantial completion of the Project; and (b) provide to the County all "As-Built" drawings for the Water and Wastewater Facilities in St. Johns County for this Project.

3.6 Notwithstanding anything in this Agreement to the contrary, the County and JEA each hereby waive all rights against the other to monetary damages for any delays in completion of the Project.

3.7 The Facilities shall be designed and constructed in accordance with the respective utility design standards and specifications of the Parties, which are by this reference incorporated herein.

3.8 The Parties may, by mutual consent, make defined changes in the Facilities, which such changes shall each be documented in a written change order, approved in accordance with the policies of the respective governing authorities of JEA and the County. The Parties recognize, however, that such changes may increase the Project Costs and may delay completion of the construction of the Facilities.

4. OPERATION OF THE SYSTEM

4.1 The County hereby appoints JEA the exclusive provider of the Services to the County within the Service Area. JEA shall manage the operation of the Water and Wastewater Systems as a whole, provided, however, that the County shall bear the entire cost of maintaining the St. Johns County Water and Wastewater Facilities and the County

shall bear the entire cost of operating the Water and Wastewater Systems in St. Johns County. JEA shall bear the cost of (a) maintaining the Facilities in Duval County and (b) operating the Systems in Duval County. The Parties agree to carry out their respective responsibilities in accordance with all applicable federal, state and local environmental statutes, laws, ordinances, rules and regulations and in accordance with generally accepted industry practices throughout the term of the Agreement.

4.2 The County shall: (a) provide, or require its customers to provide, backflow preventors for the Water System in accordance with JEA backflow prevention policies and procedures; and (b) ensure, in the event that the County or any of its customers generates industrial waste at any site, that such site will have an approved industrial pretreatment program in place prior to connecting to JEA's Wastewater System, which pretreatment program shall conform to the requirements of both JEA and those of St. Johns County.

4.3 The County shall be responsible for all customer relations, including, without limitation, initiation of service, customer relations and communications, complaints, billing and collections. The County shall charge its customers its uniform published rates for connections.

4.4 JEA agrees that it shall not provide retail service to the Service Area without the prior approval of St. Johns County.

5. PAYMENTS BY THE COUNTY

5.1 The Parties agree that JEA's Project Costs, to be fully recovered by JEA from the County under this Agreement, are as follows:

(a) The Project Costs are Five Million Two Hundred and Twenty Six Thousand Dollars (\$5,226,000.00).

(b) The Phase I Costs are Two Million Eight Hundred and Forty Five

Thousand Dollars (\$2,845,000.00).

(c) The Phase II Costs are Two Million and Three Hundred and Eight One Thousand Dollars (\$2,381,000.00).

5.2 As payment for the Project Costs and for Water and Wastewater Services JEA provides to the County under this Agreement, the County shall pay to JEA as follows:

(a) Until the Project Costs for each separate Phase Area have been fully recovered by JEA, the County shall pay over to JEA quarterly in arrears all legally payable unit connection fees paid to the County ~~for each and every connection made to the Facilities~~ within the applicable Phase Area. Additionally, the County shall pay to JEA monthly in arrears a charge consisting of (1) base Water and Sewer fees and (2) Water and Sewer usage fees measured by the actual flow rate measured at the master water meter based on JEA's then uniform published rate for: (A) a ten (10") inch water meter if the Project is constructed and operated in its entirety from the outset, or (B) an eight (8") inch water meter if the Project is constructed and operated in Phases; provided, however, that Sewer usage fees shall be at JEA's uniform published rate for a limited sewer wholesale customer of the same classification as the Project. The County understands and accepts that JEA's rates, fees and charges may change from time to time during the term of this Agreement.

5.3 After the Project Costs have been fully recovered by JEA for each Phase Area, the County shall pay JEA as follows: (a) for capacity, pay to JEA quarterly in arrears a standard capacity fee for each and every additional connection to the Facilities within the Service Area in accordance with JEA's uniform published rates; and (b) for Water and Sewer usage, pay to JEA monthly in arrears a charge consisting of (1) base Water and Sewer fees and (2) Water and Sewage usage fees measured by the actual flow rate measured at the master water meter based on JEA's then uniform published rate for: (x) a ten (10") inch

water meter if the Project is constructed and operated in its entirety from the outset, or (y) an eight (8") inch water meter if the Project is constructed and operated in Phases; provided, however, that Sewer usage fees shall be at JEA's uniform published rate for a limited wholesale sewer customer of the same classification as the Project. The County understands and accepts that JEA's rates, fees and charges may change from time to time during the term of this Agreement. It is the intent of the Parties that as the Project Costs are paid for each Phase Area, such Phase Area, shall be released from Section 5.2.

5.4 ~~JEA covenants that the County will be entitled to the same rates and charges issued to JEA water and wastewater Customers in Duval County for the same rate class.~~

5.5 Payments for Water and Sewer usage shall be made by the County within thirty (30) days of receipt of JEA's statement. Payments not timely received by JEA shall bear a penalty in accordance with JEA's uniform policies and procedures. JEA shall have the right to audit the books and records of the County and to conduct field investigations with regard to unit connections and associated capacity fees.

5.6 It is understood that the County is not warranting the number of retail customers to be served or the size and capacity specifications for the Water and Wastewater Facilities, and that JEA has relied upon its own expertise in sizing and constructing such Facilities.

6. GENERAL

6.1 JEA shall at all times use reasonable care and act in good faith in performing its duties hereunder.

6.2 No bonding will be required of JEA or the County. Performance and payment bonds will be required of all contractors in accordance with JEA's standard contract provisions.

6.3 JEA and the County both agree that during the term of this Agreement each shall at all times comply with all applicable federal, state or local statutes, laws, ordinances, rules and regulations, including environmental laws and regulations. In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work (collectively, the "Remedial Work") is required pursuant to any applicable federal, state, local law, ordinance, rule or regulation, any judicial order, or by any governmental entity, due to the actions or activities of either party, the party whose actions or activities made the Remedial Work necessary shall bear the responsibility to perform or cause to be performed the Remedial Work in compliance with such law, ordinance, rule or regulation or order. The County agrees and acknowledges that JEA shall not be responsible for any environmental liability within the Service Area resulting from a condition or activity within St. Johns County prior to commencement of the Project.

6.4 JEA shall continuously provide the County with all Water and Wastewater Services needed by the County for the Service Area, provided, however, JEA shall not be liable to the County for any failure to perform or delay in performance hereunder where such failure or delay is occasioned by circumstances beyond JEA's control. JEA shall provide the *pro rata* share to the Service Area of whatever reduced service, if any, that is being provided to or in Duval County arising out of the same cause of the failure or delay in performance.

6.5 JEA and the County shall comply with all applicable federal, state, county and local laws, ordinances, regulations and codes in the performance of this Agreement and shall, by providing timely information to each other, assist each other in complying with such laws to the extent that it is their obligation to so do. All obligations under this Agreement shall be performed in compliance with all applicable legislation and government agency orders and regulation prohibiting discrimination against any employee or applicant for employment

because of race, color, religion, sex, national, origin, age or handicap. Where required by law, certificates of compliance shall be provided. JEA and the County shall comply with the provision of the Fair Labor Standards Act of 1938, as amended, and all other applicable federal, state and local laws.

6.6 All the terms, provisions and conditions of this Agreement shall inure solely to the benefit of and shall be enforceable solely by the Parties hereto and their respective successors and assigns. This Agreement is not intended to and shall not benefit any third party, nor shall any third party have any rights hereunder or as a result of this Agreement or any right to enforce any provisions of this Agreement. No assignments shall be made by either Party without the written consent of the other.

6.7 Subject to the terms and conditions hereof: (a) this Agreement contains the entire understanding of the Parties hereto in respect of the Project; (b) there are no restrictions, promises, warranties, covenants or undertakings other than those expressly set forth herein; (c) this Agreement supersedes all prior agreements and understandings between the Parties with respect to such subject matter; (d) this Agreement may be amended only by a written instrument duly executed by the Parties hereto or their respective successors or assigns; and (e) any condition to a Party's obligations hereunder may be waived by such Party.

6.8 All notices, requests, demands or other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed by Certified or Registered mail, return receipt requested, postage prepaid.

If to JEA:

Construction and Maintenance, JEA
Vice President
21 West Church Street

Jacksonville, Florida 32202-3139

with a copy to:

The Office of General Counsel of the City of Jacksonville
117 West Duval Street, Suite 480
Jacksonville, Florida 32202.

If to the County:

St. Johns County Utilities
Utility Director
P. O. Drawer 3006
St. Augustine, Florida 32085-3006

The person and address to whom notices are to be delivered or sent may be changed by delivering written notice thereof to the other party in the manner provided above not less than ten (10) days prior to the effective date of said change.

6.9 If any one or more of the covenants, agreements or provisions of this Agreement shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void, and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of any of the other provisions of this Agreement.

6.10 Except as provided in this Agreement, the rights and obligations of the Parties hereunder are not assignable and may not be transferred without the prior written consent of the other Party hereto, which will not be unreasonably withheld.

6.11 The terms and conditions of this Agreement will be governed by the internal law of the State of Florida.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned parties have duly executed this Agreement as of the date this Agreement is executed on behalf of JEA as indicated below.

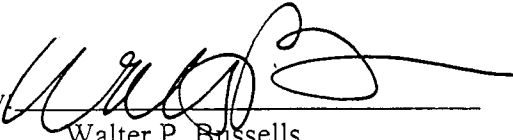
ST. JOHNS COUNTY

By: *Bela Cole*
Its: *County Administrator*
Date: *April 13, 1999*


Witnesses:

W. B. [Signature]

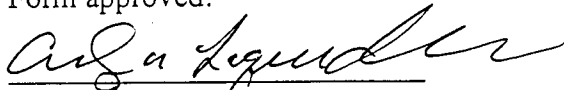
JEA:

By: 
Walter P. Bussells,
Managing Director and
Chief Executive Officer

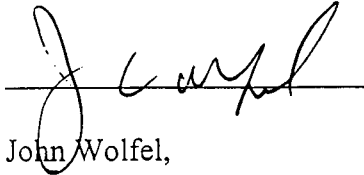
Date: 4-20-99

Attest: 
Cathy Barnwell
Staff Support Assistant

Form approved:


Office of General Counsel

I hereby certify that the expenditure contemplated by the foregoing contract has been
duly authorized, and provision has been made for the payment of the monies provided
therein to be paid.

A handwritten signature in black ink, appearing to read "John Wolfel", is written over a horizontal line.

John Wolfel,

Controller

JEA

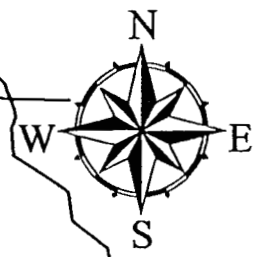
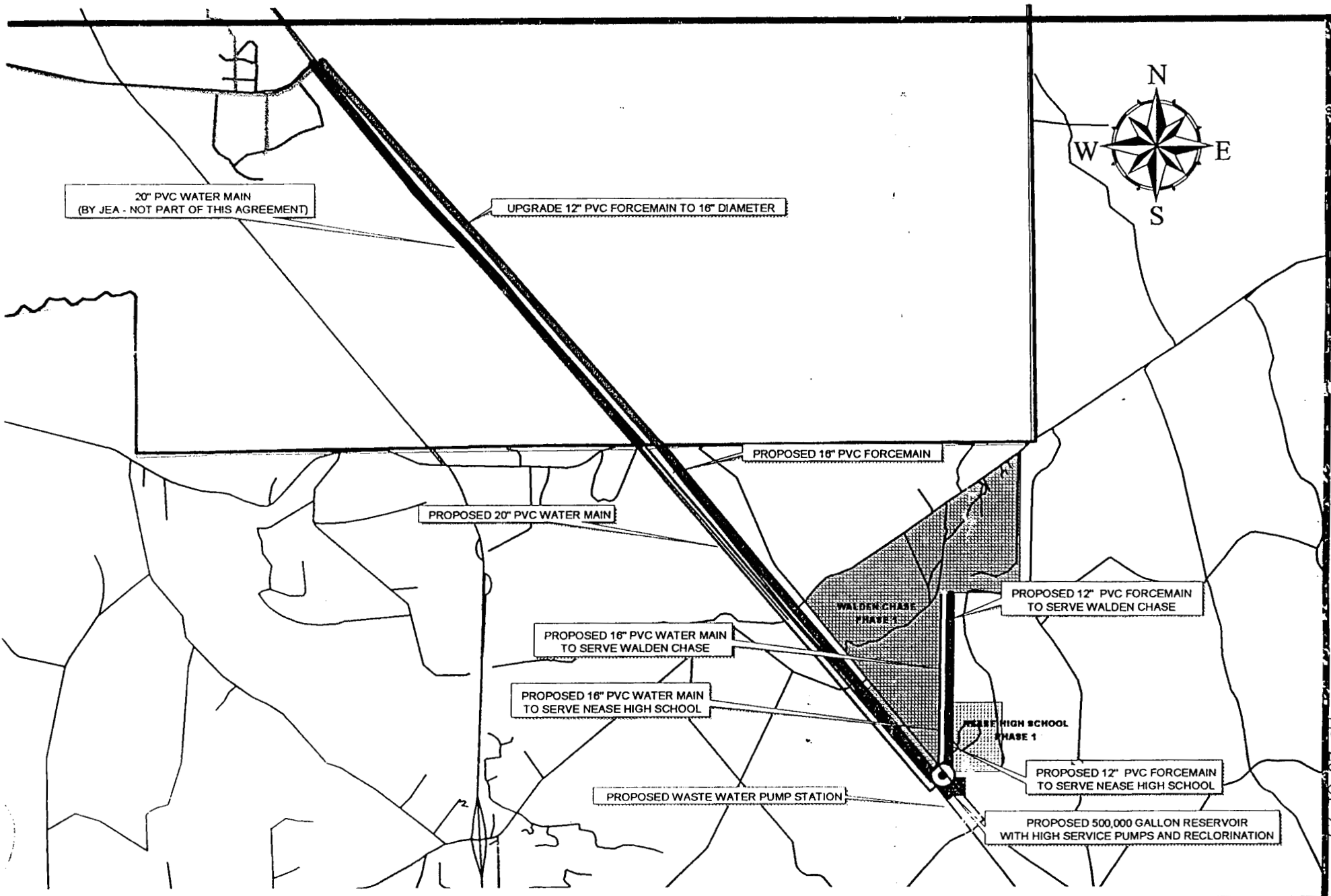
EXHIBITS

- A. Map of Phases

- B. Written Description of Phases

- C. Schedule

4/13/99 CAL K:\PAULA\JIM\SCJ\WPB.413



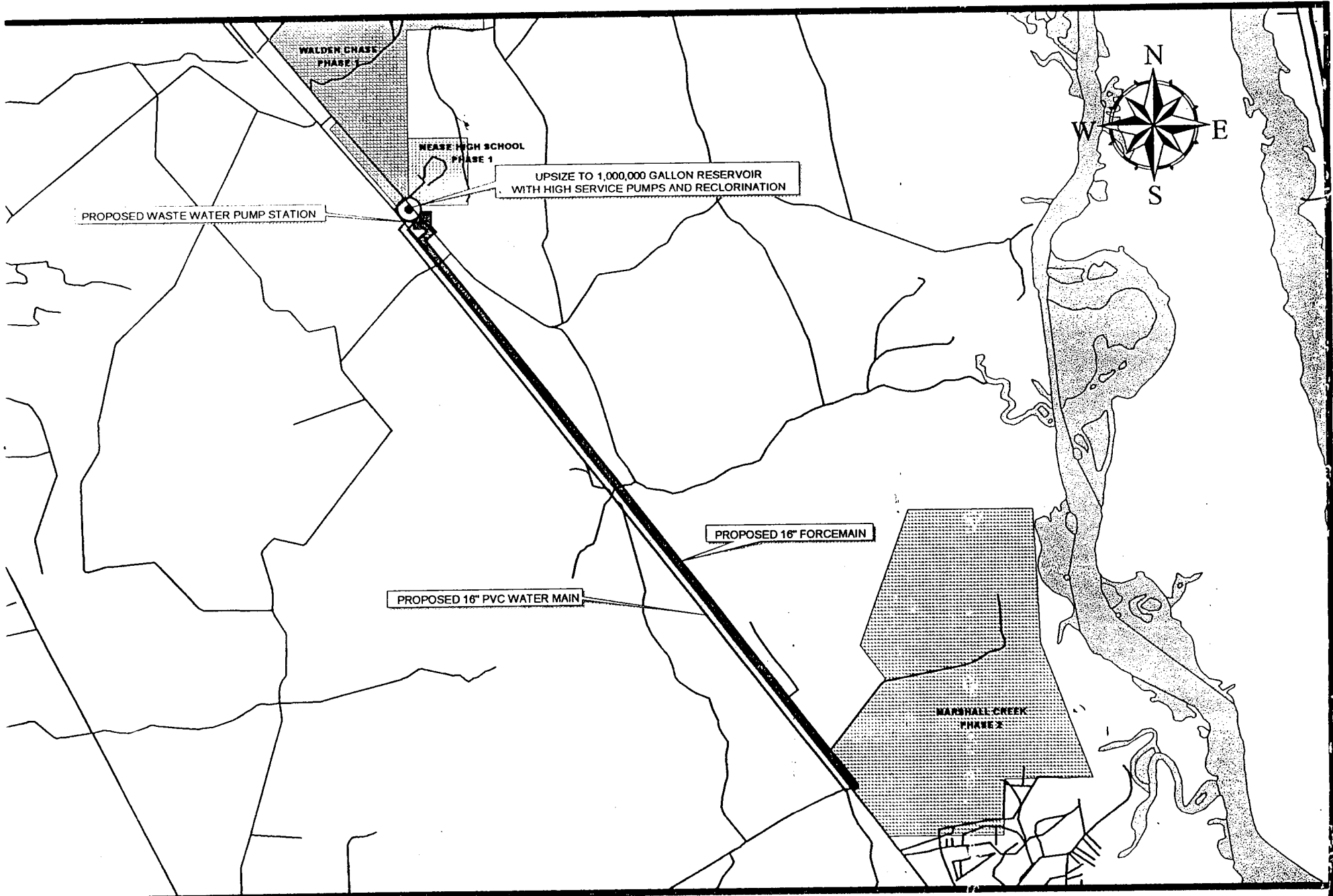
WATER AND WASTEWATER UTILITY SERVICE AGREEMENT

EXHIBIT "A" OPTION 1



JEA DELIVERY BUSINESS UNIT
 GIS SECTION
 APRIL 5, 1999
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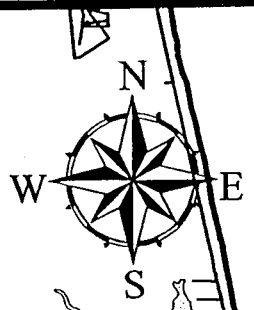
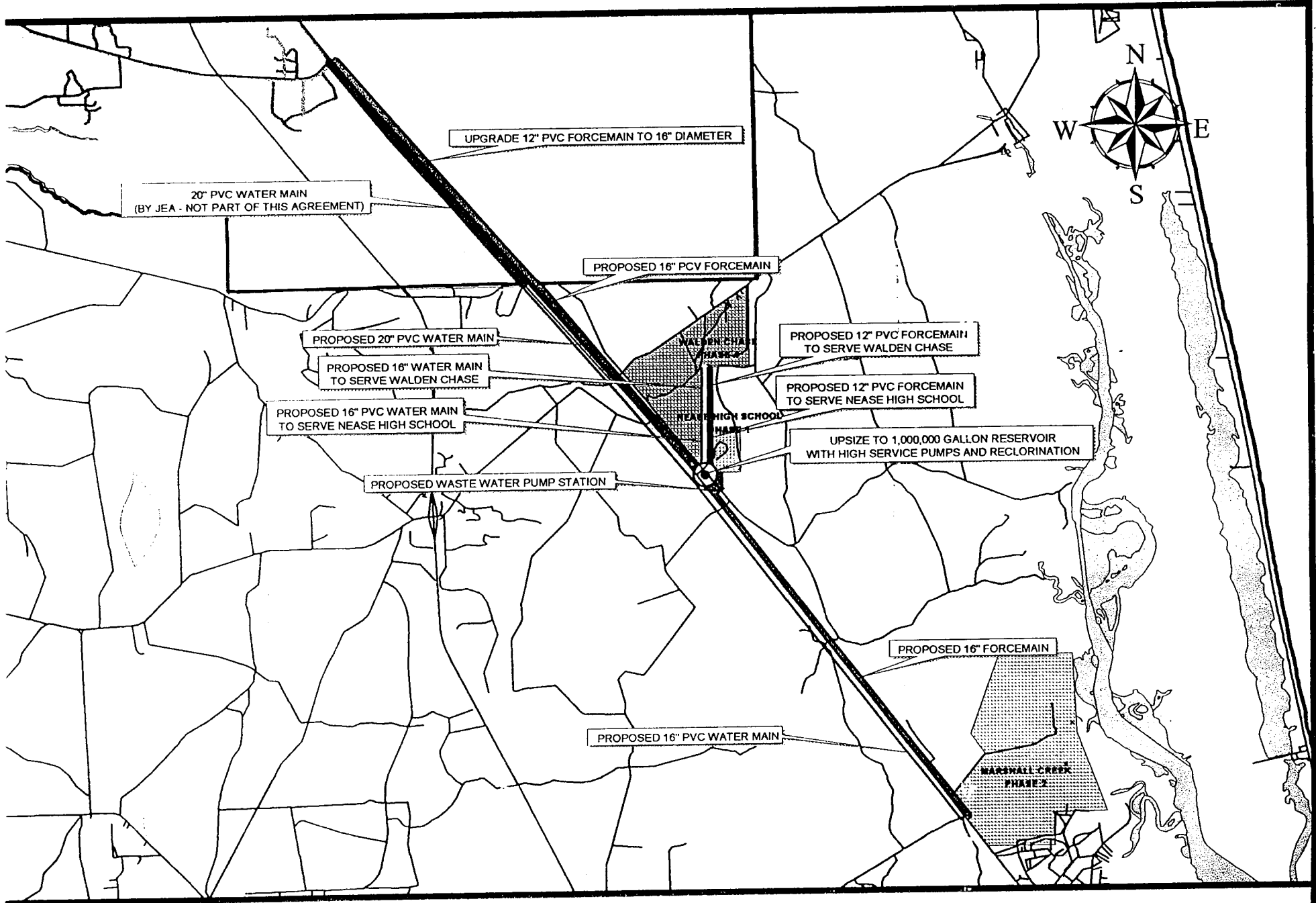
Docket No. 981637-MS
 Exhibit
 Page 20 of 25
 (SDK-2)



WATER AND WASTEWATER UTILITY SERVICE AGREEMENT
EXHIBIT "A" OPTION 2



JEA DELIVERY BUSINESS UNIT
 GIS SECTION
 APRIL 5, 1999
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WATER AND WASTEWATER UTILITY SERVICE AGREEMENT
EXHIBIT "A" OPTION 3



JEA DELIVERY BUSINESS UNIT
 GIS SECTION
 APRIL 5, 1999
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**WATER AND WASTEWATER UTILITY SERVICES AGREEMENT
BETWEEN JEA AND ST. JOHNS COUNTY**

EXHIBIT "B"

Option 1:

The extension of the water and wastewater facilities from the Duval County/St. Johns County line, southerly along the US # 1 rights-of-way, to a point south of the intersection of US # 1 and County Road 210, then northerly through an easement to the Phase I area. The improvements will include approximately 3.5 miles of both 16-inch diameter PVC force main and 20-inch diameter PVC water main in U.S. # 1 right of way and approximately one third mile of both 12-inch diameter PVC force main and 16-inch diameter PVC water main in the easement serving Nease High School portion of Phase I area properties. Additional extensions of approximately two thirds of a mile with a 12-inch diameter PVC force main and a 16-inch PVC water main in the easement serving Walden Chase portion of Phase I area properties will also be included.

The project shall include an upsizing of approximately three miles of 12-inch force main to 16-inch diameter force main along US # 1 between the intersection of Old St. Augustine Road and the Duval County/St. Johns County line.

A 500,000 gallon water reservoir with high-service pumps, a standby generator, and a re-chlorination facility and a master wastewater pump facility adequate to handle sewage from the Phase 1 area shall also be included in the scope of the project.

Option 2:

Increase capacity of the reservoir to 1,000,000 gallons and increase capacity of high-service pumps, standby generator and re-chlorination facility to match larger reservoir. Upsize wastewater pumping station to serve both Phase I and Phase II area properties.

Install 4.5 miles of 16-inch diameter water main and 16-inch diameter wastewater force main from the southerly extension of Option 1 at U.S. # 1, southerly to a point approximately at the intersection of US # 1 and International Golf Parkway.

WATER AND WASTEWATER UTILITY SERVICES AGREEMENT

BETWEEN JEA AND ST. JOHNS COUNTY

EXHIBIT "B" [continued]

Option 3:

The extension of the water and wastewater facilities from the Duval County/St. Johns County line, southerly along the US # 1 rights-of-ways, to a point approximately at the intersection of International Golf Parkway and US # 1. The improvements will include approximately 8 miles of 16-inch diameter PVC force main, 3.5 miles of 20-inch diameter PVC water main and 4.5 miles of 16-inch diameter PVC water main in U.S. # 1 right-of-way. Project will include approximately one third mile of both 12-inch diameter PVC force main and 16-inch diameter PVC water main in the easement serving Nease High School portion of Phase I area properties. Additional extensions of approximately two thirds of a mile with both 12-inch diameter PVC force main and 16-inch PVC water main in the easement serving Walden Chase portion of Phase I area properties will also be included.

The project will also include upsizing approximately three miles of 12-inch force main to 16-inch diameter force main along US # 1 between the intersection of Old St. Augustine Road and the Duval County/St. Johns County line.

A 1,000,000-gallon water reservoir with high-service pumps, a standby generator and a re-chlorination facility to match reservoir will be installed near the southerly extension of Phase I project. A master wastewater pump facility adequate to handle sewage from the Phase I and the Phase II areas will also be included in the scope of the project.

Exhibit C - Water and Wastewater Utility Services Agreement

ID	Task Name	Duration	Start	Finish	Apr '99	May '99	Jun '99	Jul '99	Aug '99	Sep '99	Oct '99	Nov '99	Dec '99
					Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Option I - Design/Permitting Bayard to CR210	58 days	Thu 4/1/99	Mon 6/21/99									
2	Option I - Construction	70 days	Mon 6/28/99	Fri 10/1/99									
3	Option II - Design/Permitting CR 210 to Intl. Golf P'way	71 days	Mon 4/5/99	Mon 7/12/99									
4	Option II -Construction	124 days	Tue 7/13/99	Fri 12/31/99									
5	Option III -Design/Permit	70 days	Thu 4/1/99	Wed 7/7/99									
6	Option III - Construction	145 days	Mon 6/14/99	Fri 12/31/99									

represents substantial completion.

Task



Rolled Up Task



External Tasks



Progress



Rolled Up Milestone



Project Summary



Milestone



Rolled Up Progress



Summary



Split



Project Schedule