

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 FARMTON WATER RESOURCES, LLC

3 DOCKET NO. 021256-WU

4 APPLICATION FOR ORIGINAL WATER CERTIFICATE

5 IN VOLUSIA AND BREVARD COUNTIES

6 DIRECT TESTIMONY OF EARL M. UNDERHILL

7 Q. Please state your name and business address.

8 A. My name is Earl M. Underhill. My business address is
9 1625 Maytown Road, Osteen, Florida 32764.

10 Q. Briefly state your educational background and experience.

11 A. I have a Bachelor's Degree from Purdue University in
12 Forestry. Since graduation and after four years of
13 active service with the U.S. Navy thereafter, I have been
14 employed in the field of forestry and silviculture on a
15 continuous basis, since 1970. The last 24 years of which
16 I have been employed by the Miami Corporation as director
17 of operations of the Farmton property.

18 Q. Can you provide us with some information concerning your
19 background as it relates to operation and management of
20 water resources and facilities?

21 A. In addition to my general duties as Director of
22 silviculture operations for approximately 24 years, in
23 which I have managed substantial water resources for
24 conservation and silviculture purposes, I have been
25 actively involved in service on several committees and

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1 other groups that dealt primarily with water related
2 issues.

3 During the mid 1980's, I served on the Florida Forestry
4 Association's Liaison Committee to the St. Johns River
5 Water Management District to develop the first
6 silviculture regulations to protect water resources,
7 which are now part of the Environmental Regulatory Policy
8 Rule.

9 From the early 1980's through 2003, I served on the
10 Florida Forestry Association's Environmental Committee,
11 which drafted and continues to update statewide Best
12 Management Practices (BMP's) for silviculture, designed
13 to protect surface water quality.

14 During the late 1980's, I helped to develop Volusia
15 County's Environmental Rules, including tree protection,
16 storm water, wetlands, well head protection, and other
17 regulations pertaining to water resources, protection of
18 those resources, and water conservation.

19 From 1992 through 1998, I served as a member of the
20 Endangered and Natural Resources Advisory Committee
21 (ENRAC), a committee formed by the Volusia County Council
22 to review and recommend modifications to all
23 environmental laws.

24 From 1996 through the present, I have served as the
25 agricultural representative to the Volusia Water

1 Alliance. This group developed plans for responsible
2 well field withdrawals from the Sole Source Volusia
3 Aquifer, examines alternative water sources, and promotes
4 countywide conservation consistent with St. Johns River
5 Water Management District plans. It is currently
6 transitioning to a new organization, with powers to
7 implement alternative water source development.

8 Q. Are you the person who will primarily oversee the
9 operation of Farmton Water Resources, LLC as a
10 certificated Utility?

11 A. Yes I am. I will of course enlist the services of
12 additional persons with experience in the operation and
13 maintenance of the on-site systems as needed, to assist
14 me in that regard. We have already secured the services
15 of engineers, attorneys and regulatory consultants for
16 preparation of our application and to assist with design,
17 planning and set up of the Utility.

18 Q. Why did Farmton Water Resources, LLC decide to undertake
19 certification of its water utility operations by the PSC?

20 A. The landowner has long felt that the operation of the
21 numerous water facilities, wells and resources on the
22 Farmton property needed to be centralized into a separate
23 entity, for the purposes of meeting all the water supply
24 needs within such lands. In order to properly plan for
25 future needs and to provide water to not only our own

1 lands, but to other properties that may wish to obtain
2 water from those lands, we felt that it was best to
3 operate a regulated Utility under the scrutiny of the
4 Public Service Commission, for the good of all current
5 and future customers within that territory and those who
6 might seek bulk service for use outside that territory.
7 We were also concerned about proper management and use of
8 the water resources, to ensure the most efficient and
9 economical provision of water, to those in need of that
10 resource. Because of our relationship with the landowner
11 and because there are no other utilities operating within
12 the area, we believe we are by far the best able to
13 manage the water resources and provide water service as
14 and when needed within the territory, and to utilize
15 these lands, to the extent they are utilized, for the
16 purposes of providing bulk water services to those
17 outside the territory. Any other proposed water source
18 would not only have to duplicate the existing facilities
19 operated by Farmton Water Resources, LLC to provide
20 service within the territory, but would have to obtain
21 some ownership interest in specific properties in order
22 to extract water for off-site use within the Miami
23 Corporation owned properties. This is inefficient and
24 also much more likely to be damaging to the water
25 resource. Farmton has an arrangement with the related

1 landowner, to allow it to place wells in appropriate
2 locations, and to move those wells as and when needed, in
3 order to ensure proper management of the resource for the
4 benefit of not only the persons needing water service on
5 the property, but those needing such service outside the
6 property.

7 Q. Is there a need for service within the proposed
8 territory?

9 A. Yes. There are significant needs that are already
10 existing. First, there is the existing residential and
11 general service potable water service needs in several
12 places throughout the territory. Among these are the
13 landowner's offices, residences, hunting camps and those
14 leased by others. Some of these hunting camps alone
15 involve use by over 260 families. They have specifically
16 asked us to provide service to them and understand that
17 our rates and charges will be established and regulated
18 by the Florida Public Service Commission. We intend to
19 provide that service to those hunting camp families, as
20 part of our overall potable water service.

21 Secondly, we have existing need for fire protection
22 services utilizing the wells located throughout the
23 Farmton Water Resources, LLC proposed territory.

24 Finally, there is apparently a growing need for bulk raw
25 water services from in and around our area, to the

1 coastal areas east of us. As noted above, we are in the
2 best position to provide that service at a reasonable
3 rate, regulated by the PSC, and can manage that resource
4 in the most efficient, economic and environmentally safe
5 manner.

6 Q. What about future needs?

7 A. It is unclear what future needs will be within the
8 territory. It is apparent that the bulk raw water will
9 increase and perhaps as urban areas approach us, there is
10 likely to be transition from the silviculture operations
11 and perhaps toward residential, commercial and industrial
12 development of properties. However, I want to make it
13 clear that there are absolutely no current plans by the
14 landowner for further development within the service
15 territory proposed for same by Farmton Water Resources,
16 LLC and as such, no plans for substantial changes in the
17 number of persons receiving potable water service.

18 However, with that said, there are places in and
19 surrounded by the proposed territory that may, in the
20 near future, require or request potable water service.

21 There are enclaves of residences which are surrounded by
22 the proposed service territory that currently are either
23 on individual or group wells. It is certainly
24 conceivable to me that some of these will require central
25 water service in the future, and we will be glad to work

1 with them to extend our territory to provide service to
2 them and we can assist them in that regard.

3 There is also the potential for development within the
4 Miami Corporation properties, though no plans are even in
5 the most preliminary of stages for such development.
6 While the landowner is in a constant process of
7 evaluating the uses for its property, nothing is
8 currently in the works. However, in order to properly
9 plan for the future, we believe setting up a utility as
10 the service provider within the area, is the first
11 logical step. Without the establishment of that utility,
12 service to the area when those needs arise would not only
13 be less efficient and ultimately more costly to the
14 customers, it would fragment the water resource
15 management for the water demands within the area.

16 That is basically why we are seeking this water
17 certificate, to allow for the appropriate oversight by
18 the PSC and planning by the Utility for provision of
19 water services to all those in need of such services
20 within the proposed territory who could reasonably
21 provide such services, much less as efficiently as
22 Farmton Water Resources, LLC can.

23 Q. Are the services proposed by you available from any other
24 entity?

25 A. No. There are no other entities within the proposed

1 territory, and there are none even close to the proposed
2 territory. An attempt to come in and provide those
3 services currently needed, would obviously be a complete
4 duplication of existing facilities operated by Farmton
5 Water Resources, LLC and would thus be not only
6 duplicative, but wholly inefficient.

7 Q. Does Farmton Water Resources, LLC have the technical
8 ability to provide the service proposed in its
9 Application?

10 A. Yes, in addition to my extensive experience in managing
11 water resources and knowledge of those issues, we have
12 already enlisted the services of Hartman & Associates as
13 consulting engineers and other regulatory experts to
14 assist us in operating the Utility. The same personnel
15 who have operated the water facilities for many years in
16 the past, will continue to operate those in the future
17 simply working for the Utility instead of the landowner.
18 To the extent we need to add additional people, we will
19 employ competent, experienced persons in utility areas
20 for those purposes. As the need for various services
21 within the area grows, we will enlist additional
22 experienced and knowledgeable people as and when needed.

23 Q. Does Farmton Water Resources, LLC have the financial
24 ability to provide the service proposed in its
25 Application?

1 A. Yes, Farmton Water Resources, LLC is a subsidiary of
2 Farmton Management, LLC. We provided as part of our
3 Application as Exhibit "E" a financial statement for that
4 entity showing that it has ample resources to meet the
5 immediate needs for Utility expansion. Those funds will
6 be provided either in the form of debt or equity to the
7 Utility from the parent company. The parent company has
8 pledged to provide for any and all capital needs of the
9 Utility. It should be noted that we have no expectation
10 of any need for capital improvements, as there is no
11 anticipated development of any significance within the
12 proposed service territory in any of the services
13 provided. The only area where there is the possibility
14 of some significant need for capital expenditure, is in
15 the area of bulk raw water services. Under the proposed
16 Service Availability Policy, substantial amounts of money
17 would have to be paid by the proposed customer, which
18 would assist us in constructing those facilities.
19 Whatever additional capital needs exist for those
20 facilities can easily be met by the Utility based upon
21 funding provided by its parent company.
22 Based upon all this, the Utility does not have any
23 immediate substantial capital needs, however, to the
24 extent there are any the parent company has pledged to
25 provide for all such capital needs as and when needed and

1 clearly has the ability to do so.

2 Q. Do you have any further testimony to provide on this
3 issue?

4 A. No I do not.

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