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COMMISSION  
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DIRECT TESTIMONY  
OF  
JOSEPH STAFF

TO  
THE STATE OF FLORIDA  
PUBLIC SERVICE COMMISSION

RE: APPLICATION OF SKYLAND UTILITIES, LLC  
FOR ORIGINAL WATER AND WASTEWATER CERTIFICATES  
IN HERNANDO AND PASCO COUNTIES, FLORIDA

DOCKET NUMBER 090478-WS

APRIL 30, 2010

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DIRECT TESTIMONY OF JOSEPH STAPF

- 1 Q. Please state your name.
- 2 A. Joseph Stapf.
- 3 Q. Where are you currently employed?
- 4 A. Hernando County Utilities Department.
- 5 Q. What is your employment address?
- 6 A. Hernando County Utilities Department, 21030 Cortez Blvd., Brooksville, FL 34601.
- 7 Q. What is your position?
- 8 A. Utilities Director.
- 9 Q. Briefly summarize your present duties.
- 10 Manage and oversee administration of Hernando County Utilities Department (HCUD),
- 11 which includes potable water supply, wastewater collection and treatment, and solid
- 12 waste management (landfill and recycling). The HCUD includes 228 employees, an
- 13 operating budget of approximately \$40,000,000, and a multi-year Capital Improvements
- 14 Program of \$150,000,000.
- 15 Q. I will hand you what is marked as Exhibit JS-1, do you recognize this document?
- 16 A. Yes, this is a copy of my resume as last updated.
- 17 Q. Are you familiar with the Application filed by Skyland Utilities, LLC?
- 18 A. Yes.
- 19 Q. How are you familiar with it?
- 20 A. I was asked to review the document/application following its filing.
- 21 Q. Based upon your review of Skyland Application, can you describe its proposed location
- 22 relative to Hernando County?
- 23 A. The parcels of property within Hernando County are generally located in southeastern
- 24 Hernando County, and is predominantly rural in nature.
- 25 Q. Do you know who owns the property where Skyland proposes to locate?

DOCUMENT NO. DATE

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1 A. Yes, it is owned by Evans Properties, Inc. or I shall refer to as Evans.

2 Q. How do you know that?

3 A. Based upon my review of Skyland's Application, specifically Exhibit E to the  
4 Application.

5 Q. During the time that you have been with the Hernando County Utilities Department has  
6 anyone on behalf of Evans Properties, Inc. approached the Utilities Department  
7 requesting to have public water service?

8 A. During the time I have been employed with the Hernando County Utilities Department, I  
9 am not aware of any request for new water service by or for the Evans property.

10 Q. Is it possible for a request to have been made and you not made aware of it.

11 A. All new requests for water service, especially if lines have to be run any distance or a  
12 new public water supply well must be drilled, have to be approved by me.

13 Q. Within the area surrounding the Evans property, are you aware of any of the other  
14 surrounding property owners making any request to the Hernando County Utility?

15 A. There have been some isolated inquiries for service over the past several years. During  
16 this time we have received no petitions or organized requests for water supply system  
17 installation in this area.

18 Q. Do you have any knowledge as to the number of new residential connections that  
19 Skyland is proposing over the next 5 to 6 years?

20 A. Yes.

21 Q. What is your understanding?

22 A. I understand that Skyland is only proposing between 20 to 33 new connections a year  
23 over the next 6 years.

24 Q. What do you base your knowledge on.

25 A. Skyland's Application, specifically, Exhibit D to the Application which sets forth a table

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1 of proposed new service connections over a 5 year period.

2 Q. Based on Skyland's Exhibit D, how many new connections are Skyland proposing during  
3 this 6 year horizon?

4 A. 155.

5 Q. Do you have a professional opinion as to whether this is an efficient way to provide new  
6 water service?

7 A. Yes.

8 Q. What is your professional opinion?

9 A. In my experience, and in my professional opinion, attempting to provide water and  
10 wastewater service to such a comparatively small number of customers is difficult at best.  
11 There is little opportunity to achieve any significant and meaningful economies of scale.  
12 In fact it is quite the opposite. There are few customers over which to spread large  
13 infrastructure cost.

14 Q. As of this day, if someone in the area where Skyland is proposing to operate desires  
15 public water service, who is the current service provider?

16 A. Hernando County Utilities Department.

17 Q. How do you know this?

18 A. It is included in the Hernando County Utilities Department Water and Sewer master  
19 plans, each of which is accessible to the public on the County's web site. The link is  
20 [www.hernandocounty.us/utills/engineering/index.asp](http://www.hernandocounty.us/utills/engineering/index.asp)

21 Q. Hypothetically, if someone wants water supply and they own property in the general area  
22 that Skyland is proposing to locate in, can Hernando County Utilities Department be able  
23 to provide such service.

24 A. Yes. We would ask the requesting party to circulate a petition among other neighboring  
25 property owners seeking additional support, and thereby allowing us to assess in a

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1 meaningful way the degree of interest. If the level of interest is consistent with  
2 established County policy, or there is deemed to be a public health hazard, HCUD would  
3 recommend to the County Board the formation of a Municipal Service Benefit Unit  
4 (MSBU). Presumably, the BOCC would proceed with advertising and holding the  
5 required public hearings. Depending on the outcome, work on the installation of the  
6 water and/or sanitary sewer system would proceed, with the cost being assessed to the  
7 benefiting properties. These assessments are typically paid over a period of time  
8 (perhaps 10 years, or more), or they can be paid off in lump sum at any time. In addition,  
9 the County has the ability to pursue alternative means of financing, such as grants or low  
10 interest loans through various state and federal funding agencies. We have one such  
11 application pending for another isolated area in north central Hernando County, which is  
12 currently served by a privately owned water supply system serving approximately 40  
13 homes. The residents of this area did, in fact, submit a petition asking the County to  
14 become their water supplier. We have been actively pursuing methods and means of  
15 economically providing county water service to this isolated area.

16 Q. Can you tell from your review of Skyland's Applicant if Skyland has had any written  
17 requests to provide water or wastewater service?

18 A. Yes, Skyland's Application contains two requests for service. There was one request for  
19 service from Ronald Edwards, as President of Evans Property, Inc. and a second request  
20 from J. Emmett Evans, as Vice President of Evans Property, Inc. and I am referring to  
21 Exhibit E and Appendix I to Skyland's Application.

22 Q. Do you have any understanding as to the relationship of Evans Property, Inc. to Skyland  
23 Utilities, LLC.

24 A. Yes.

25 Q. What is your understanding of their relationship?

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1 A. Skyland Utilities, LLC is wholly owned by Evans Utilities, Inc., which in turn, is wholly  
2 owned by Evans Properties, Inc.

3 Q. In your review of Skyland's Application, did you see any requests for service from  
4 anyone other than representatives of Evans Properties, Inc.?

5 A. No, I did not. It appears from Skyland's Application that the only two written requests  
6 for service they had received when they filed their Application was from Ronald Edwards  
7 and J. Emmett Evans, as President and Vice President of Evans Properties, Inc. In my  
8 opinion, this does not suggest any outcry for public water supply service in this area, or in  
9 any of the surrounding area.

10 Q. Is the Evans property where Skyland is proposing to locate with the Hernando County  
11 Utilities Department service area?

12 A. Yes. Other than the unincorporated area of Hernando County included in the interlocal  
13 utility service agreement between Hernando County and the City of Brooksville, all of  
14 Hernando County is considered to be the Hernando County Utility Service area. This is  
15 reflected in the County's water and sewer master plans.

16 Q. In your opinion, is Skyland Utilities attempting to locate a water/wastewater utility in  
17 Hernando County Utilities Department service district?

18 A. Yes.

19 Q. Does Hernando County Utilities have any outstanding bonds if you are aware?

20 A. Yes.

21 Q. Do you know what the bond or bonds were for.

22 A. Some of the bonded indebtedness is related to the County's 2004 purchase of another  
23 investor-owned water and sewer utility, and the other portion is related to the  
24 expenditures on new infrastructure, including the \$14,000,000 renovation, rehabilitation,  
25 and expansion of the Glen Wastewater Treatment Plant currently under construction.

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1 Q. Do you have an opinion if another water/wastewater utility was allowed to operate in  
2 southeastern Hernando County, what would the consequence be on the Utilities future  
3 customer base in that area.

4 A. Yes.

5 Q. What is that opinion?

6 A. It would diminish Hernando County Utilities future customer base, thereby inhibiting the  
7 County's ability to achieve the economies of scale so important to water and sewer  
8 infrastructure financing.

9 Q. Do you know what was pledged to back the County's Utility Bonds?

10 A. Yes.

11 Q. Can you describe what was pledged?

12 A. The net revenues—including that from future utility customers—which is gross revenues  
13 less operating expenses of the Hernando County water and sewer system.

14 Q. Do you have an opinion as to the effect, if any, that permitting Skyland to operate a  
15 water/wastewater utility in southeastern Hernando would have on the Utilities'  
16 outstanding bonds?

17 A. It could potentially jeopardize Hernando County's ability to repay current and future  
18 bonds, and therefore potentially jeopardizes the County's Bond Rating, as well as its  
19 capacity to effectively implement its ongoing Capital Improvements Program.

20 Q. Do you have a professional opinion as to whether granting Skyland's request to operate a  
21 water/wastewater utility where they are proposing in southeastern Hernando County is in  
22 the public interest?

23 A. Yes.

24 Q. What is your professional opinion?

25 In my professional opinion it is NOT in the public interest. This proposal is a long term

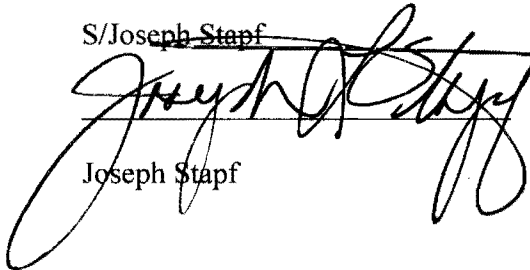
DIRECT TESTIMONY OF JOSEPH STAPF

1 threat to the integrity and financial viability of the already established Hernando County  
2 Water and Sewer System which serves approximately 125,000 water customers and  
3 65,000 sewer customers. This system is governed by the Hernando County Board of  
4 County Commissioners serving as the Board of the Water and Sewer District. These  
5 Commissioners are elected at large in the County, and are directly accountable to the  
6 voters/taxpayers/utility customers. The lack of accountability presented by a private  
7 utility provider was a major factor in the County's acquisition of the Florida Water  
8 System in 2004. The County has made and will continue to make significant  
9 improvements to the former Florida Water physical plant in order to establish and  
10 maintain an effective and necessary level of service mandated by federal and state  
11 regulatory agencies. Moreover, providing (or attempting to provide) water sewer service  
12 in an area in which the maximum allowed density is one house per ten acres is generally  
13 cost prohibitive, and in my professional experience and opinion impractical.

14 **End of Testimony**

15 Dated this 30<sup>th</sup> day of April, 2010

16 S/Joseph Stapf

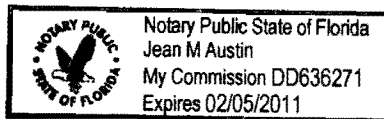
17   
18 Joseph Stapf

19 STATE OF FLORIDA

20 COUNTY OF HERNANDO

21 The foregoing instrument was sworn to and acknowledged before me this 30<sup>th</sup> day of April, 2010, by  
22 Joseph Stapf, who is personally known, and who took an oath.

23   
24





## Joseph L. Stapf, P.E.

e-mail: [jstapf@hernandocounty.us](mailto:jstapf@hernandocounty.us)

### EDUCATION/REGISTRATION:

Bachelor of Civil Engineering, University of Minnesota, 1973  
Master of Public Administration, Western Michigan University, 1987

Registered as a Professional Engineer in Michigan and Missouri

### Career Goal:

To obtain a position commensurate with my training, education, and experience which will allow my wife and me to relocate within a few hours drive of our daughter and her family in Tampa, FL.

### EMPLOYMENT HISTORY:

#### *Hernando County, Florida (Pop. 169,000)*

January, 2008 to Present

Utilities Director

Manage and oversee administration of Hernando County Utilities Department (HCUD), which includes potable water supply, wastewater collection and treatment, and solid waste management (landfill and recycling). The HCUD includes 228 employees, an operating budget of approximately \$40,000,000, and a multi-year Capital Improvements Program of \$150,000,000.

#### *City of Wyoming, Michigan (Pop. 70,000)*

March, 1990 to January, 2008

Director of Utilities

The City of Wyoming Utilities Department includes about 70 employees, a water supply system which includes a surface water treatment plant with a rated capacity of 90 MGD, a wastewater treatment plant with a rated capacity of 19 MGD, and a Utility Billing office. The water supply system includes wholesale service to 13 other local units of government, and a total service population of 200,000. The wastewater collection and treatment system includes service to 4 other wholesale customer communities and a total service population of about 130,000 people. The Utilities Billing Office handles both quarterly retail billing for approximately 22,500 accounts, along with all wholesale billings. Normally, I attend all City Council meetings.

November, 1986 to March, 1990

Utilities Engineer

November, 1978 to November, 1986

Assistant City Engineer  
(now called Deputy Director of  
Public Works/Engineering)

#### *City of Liberty, Missouri (Pop. 18,000)*

## Joseph L. Stapf, P.E.

April, 1975 to November, 1978  
*Private Sector*  
March, 1973 to January, 1975

Assistant City Engineer  
  
Civil Engineer,  
Brauer & Assoc., Minneapolis, Minnesota

### Key Accomplishments:

- **Maintaining quality service, but at combined water and sewer charges that are among the lowest in the state of Michigan.** The average quarterly utility bill for a Wyoming resident is \$105.70. This is based on a quarterly water usage of about 28,000 gallons of water.
- **Implementing significant change in the organizational structure and management practices within the Utilities Department.** An approximate 75% retirement-related turnover in the workforce within the first five years of my tenure as Director of Utilities provided a unique opportunity to exercise management theory and practices I had studied while earning my Master's in Public Administration from 1985-87. I initiated the use of a team-oriented hiring process as part of a department-wide move to a team management philosophy. This change not only resulted in the selection of well qualified replacement personnel, these several hiring exercises were also key to building the cohesiveness of the new management team. Each new employee acquired a support group that was keenly interested in seeing that new employee succeed. By assigning the various hiring exercises to teams, the teams all accomplished a very identifiable goal in a relatively short time, which convinced the skeptics of the value of team management practices.
- **Improving efficiency by continuing to evaluate and implement new ways of getting the job done.** This has included the use of contracting out certain portions of our operation such as meter reading, yard maintenance, and a redesign of the biosolids to land application program. However, the most significant change was the development of what we call a system of Unified Laboratory Services. Prior to 1995, the Utilities Department operated and maintained three separate laboratories. Each treatment plant had its own laboratory (with duplicate equipment), and there was a smaller satellite laboratory at the Metropolitan Booster Pumping Station some 30 miles from the Drinking water Plant. The satellite lab was closed, and the pumping station reverted back to the automatic unmanned mode of operation for which it was originally designed. Each of the remaining treatment plant laboratories took on the extra work, but each does certain wastewater related analyses, and each does certain drinking water analyses. All semi-volatile analyses are performed at the wastewater plant lab, and volatile organics analyses are performed at the drinking water plant laboratory, which makes better use of the GC-MS units located at each facility. What was formerly the Water Plant Atomic Absorption unit was moved to the wastewater plant lab where it is used in conjunction with the ICP unit located there to perform all metals analyses
- **Oversight of significant Public Works Infrastructure design and construction.** Over the years I have been directly involved with the design, construction, and project management of numerous street, water, storm sewer, and sanitary sewer improvements. More recently, as Director of Utilities, I have lead my department through several major capital improvements projects including a \$26,000,000 expansion of the Wyoming Water Supply System, which consisted of the installation of 14 large pumps and motors and the construction of 18 miles of 42" pipeline (all completed in 1990), and a 10.5 mile, \$11,000,000 extension of that pipeline (completed in 1997). Other major capital projects on which I have worked include a 10 million gallon and two 5 million gallon pre-stressed concrete water tanks, a \$5,000,000 renovation of the Wyoming Wastewater Plant in 1987, a

## Joseph L. Stapf, P.E.

\$2,000,000 SCADA/LIMS project at the Wastewater Treatment Plant completed in 1997. More recently, we have completed a \$7,800,000 Headworks replacement at the WWTP (brought on line in 2000), and \$16,000,000 in improvements at the Wyoming Water Treatment Plant between 2000 and 2004. Recently completed is a \$6,000,000 Odor Control Project at the wastewater treatment plant. This fall, work will be completed on a \$40,000,000 project for the renovation, rehabilitation, and expansion of the wastewater treatment plant. In addition, we have just awarded a \$70,000,000 contract to expand and rehabilitate the City of Wyoming's Drinking Water Plant. Upon its completion in 2010, the plant will have a rated capacity of 120 MGD.

- **Government Affairs Activity** I was an active participant in an industry work group which drafted legislation which dealt with the Michigan Department of Environmental Quality accepting administrative responsibility for the 40 CFR 503 regulations regarding management of wastewater treatment plant residuals (biosolids). This involvement included offering testimony before the Michigan House of Representatives Agriculture and Forestry Committee which contributed to this legislation ultimately being adopted by the Michigan Legislature. I have traveled to Washington, D.C., on numerous occasions over the years to call on the Michigan Congressmen (Vern Ehlers and Peter Hoekstra) representing our service area. During my time as Chair of the Government Affairs Committee for the Michigan Water Environment Association, and the Chair of the Water Utility Committee for the Michigan Section of the American Water Works Association, I coordinated the implementation of the annual Legislative Luncheon at the Joint AWWA/MWEA Equipment Exposition in the State Capitol. This event has been held each of the last seven years, and is typically attended by about 40-50 legislative officeholders.

Raising the mutual awareness of our legislators and my fellow water and wastewater professionals has been a long term passion of mine.

I believe those of us engaged in this profession have a responsibility to the public we serve to bring some sense of reality to the environmental regulatory process. At the same time, I am absolutely committed to environmental preservation, and where possible, its enhancement. I also insist upon providing the public with the safest drinking water we can afford. However, those interests must be balanced against all others, as far as sustainability is concerned. Our communities also need police and fire protection, good schools and roads, mass transit, and above all else, industry and commercial activity to generate the wealth to pay for all.

In 2003, I received from the Michigan Water Environment Association its award as the Public Utility Management Professional of the Year.

### **MEMBERSHIPS/ACTIVITIES:**

American Water Works Association  
Water Environment Federation