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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of
Application for Rate Increase in
Brevard, Charlotte/Lee, Citrus
Clay, Duval, Highlands, Lake,
Marion, Martin, Nassau, Orange,
Osceola, Pasco, Putnam, Seminole,
Volusia and Washington Counties
by SOUTHERN STATES UTILITIES,
INC.; Collier County by MARCO
SHORES UTILITIES (Deltona);
Hernando County by SPRING HILL
UTILITIES (Deltona); and Volusia
County by DELTONA LAKES
UTILITIES (Deltona)

DOCKET NO. 920199-WS

FILED
NOV 5 1992
F.P.S.C.
TALLAHASSEE, FLORIDA

PROCEEDINGS: SERVICE HEARING

BEFORE: COMMISSIONER SUSAN F. CLARK

DATE: Monday, November 2, 1992

TIME Commenced at 2:00 p.m.
Concluded at 3:10 p.m.

RECEIVED
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FPSC-RECORDS/REPORTING

PLACE: Sheraton Harbour Place
2500 Edwards Avenue
Ft. Myers, Florida

REPORTED BY: SYDNEY C. SILVA, CSR, RPR
Official Commission Reporter

1 APPEARANCES:

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5 224-4359, appearing on behalf of Southern States
6 Utilities, Inc.

7 JACK SHREVE, Public Counsel, Office of the
8 Public Counsel, Claude Pepper Building, Room 812, 111
9 West Madison Street, Tallahassee, Florida 32399-1400,
10 Telephone No. (904) 488-9330, appearing on behalf of
11 the Citizens of the State of Florida.

12 KAREN ASHER-COHEN, Florida Public Service
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15 487-2740, appearing on behalf of the Commission Staff.

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I N D E X

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EXHIBITS

18	<u>Number:</u>	<u>Identified</u>	<u>Admitted</u>
19	15 (Composite) Newspaper ads,		
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P R O C E E D I N G S

(Hearing convened at 2:00 p.m.)

COMMISSIONER CLARK: I'd like to call this hearing to order. Before we start with the hearing, we have a few formalities we have to deal with. First of all, I'd like to ask our Staff counsel to read the notice.

Can you hear me?

UNIDENTIFIED SPEAKER: Yes.

MS. ASHER-COHEN: Pursuant to notice, this time and place has been set for a service hearing in Docket 920199-WS, application for a rate increase in Brevard, Charlotte/Lee, Citrus, Clay, Duval, Highlands, Lake, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, Volusia, and Washington Counties by Southern States Utilities, Inc.; Collier County by Marco Shores Utilities; Hernando County by Spring Hill Utilities; and Volusia County by Deltona Lakes Utilities.

COMMISSIONER CLARK: We'll take appearances.

MR. SELF: My name is Floyd Self, of the Messer, Vickers law firm, P.O. Box 1876, Tallahassee, Florida, appearing on behalf of Southern States Utilities, Inc.

MR. SHREVE: Jack Shreve, Public Counsel,

1 Claude Pepper Building, Tallahassee, Florida,
2 representing the Citizens of the state of Florida, the
3 customers in opposition to the rate increase.

4 MS. ASHER-COHEN: Karen Asher-Cohen, with the
5 Public Service Commission, 101 East Gaines Street,
6 Tallahassee, Florida, representing the Commission
7 Staff.

8 COMMISSIONER CLARK: Thank you very much. My
9 name is Susan Clark, and I'd like to welcome you to
10 this hearing. I will be conducting this hearing. It
11 is a public hearing. Its purpose is to gather
12 information from the customers of the Utility regarding
13 the requested rate increase and the quality of service
14 delivered by these utilities.

15 Your comments today will be recorded by an
16 official court reporter and they will become part of
17 the record. In order for them to become evidence which
18 we can rely in making our decisions, we will have to
19 ask you to be sworn in. I will do that shortly; I will
20 ask everyone who would like to testify to stand and
21 then I will swear you in.

22 I'd like to give you a brief synopsis of the
23 way a rate case is started and how we conduct a rate
24 case. As you may or may not know, a rate case is
25 generally started by a petition from the Utility asking

1 for an increase in their rates. Accompanying that
2 petition is voluminous data relating to the financial,
3 engineering and rate information that would support its
4 request for an increase in rates.

5 During the pendency of the proceeding, which
6 generally takes eight months from start to finish, you
7 will have parties who will intervene who are interested
8 in the outcome of the case. Traditionally, we have the
9 Public Counsel intervening in cases on behalf of the
10 Citizens; and, as you know, the Citizens are
11 represented by Mr. Jack Shreve.

12 Through the course of the proceeding, Mr.
13 Shreve and other intervenors conduct discovery of the
14 Company to verify the data that they have presented.
15 Likewise, our Staff investigates the Company and audits
16 their books and records to determine the validity and
17 accuracy of the figures they have produced to support
18 their rate increase.

19 During the eight months, we conduct public
20 hearings. This is one of those public hearings, and
21 its purpose is to gather information from the customers
22 of the Utility. Other hearings, the hearings that are
23 held in Tallahassee and which will begin this Friday,
24 are called the technical hearings. And at those
25 hearings, we will review the data the Utility has

1 provided to support its increase and we will hear from
2 the intervenors and from our Staff regarding their
3 evaluation of the data and the need for a rate
4 increase.

5 As you know from the appearances made today,
6 Mr. Floyd Self is representing the Company in this case.
7 Mr. Shreve represents the Citizens, and Ms. Asher-Cohen
8 represents the Staff in this case.

9 We also have other Staff with us today, who
10 are available to answer your questions and can provide
11 you further information regarding this rate increase.
12 In the back, we have Shirley Stokes, who is with our
13 Consumer Affairs, she just stood up. We also have Mr.
14 Bill Lowe, he's back here in the corner, he's Deputy
15 Director of Water and Wastewater. Also in the back is
16 Mr. Tom Walden, he is an engineer with our division.

17 Up here at the table is Ms. Billie Messer and
18 Ms. Trish Merchant, who are respectively a rate analyst
19 and an accountant on our Staff. (Pause)

20 Before I ask everyone who wishes to testify
21 to stand and be sworn in, I'd first like to ask if all
22 of those people who want to present testimony have
23 provided a card to Mr. Shreve? If not, you can see my
24 aide, Mr. Billy Stiles, back here and he'll help you
25 fill out a card. Prior to taking testimony, I

1 generally let the Company and then the Citizens present
2 brief opening arguments or opening presentations, and
3 I'd like to start with Mr. Self.

4 MR. SELF: Thank you, Commissioners. Again,
5 my name is Floyd Self, and I'm here representing
6 Southern States Utilities, Inc.

7 As Commissioner Clark briefly described, this
8 is a case which stems from an application filed by
9 Southern States with the Public Service Commission to
10 increase water and wastewater rates. The application
11 is extremely comprehensive and covers virtually all of
12 the water and wastewater systems operated by Southern
13 States which are regulated by the Public Service
14 Commission. Specifically, the application encompasses
15 127 systems spread throughout 19 counties around
16 Florida.

17 Based on its present rates, investors in
18 Southern States are currently experiencing a negative
19 overall return on common equity of 8.32%. In fact, for
20 each of the past three years, Southern States has not
21 been able to fully recover through its presents rates
22 sufficient revenue to cover the interest that the
23 Company owes to its lenders.

24 The purpose of Southern States' application
25 is to bring the rates to a level so that the Utility

1 will be able to have the opportunity to earn a fair and
2 reasonable return on its investment in water and sewer
3 facilities, and will once again be able to attract the
4 necessary investment to meet customer growth and
5 increased regulatory requirements.

6 The Commissioners, Commission Staff, Florida
7 legislators and virtually every other entity involved
8 in the water and wastewater industry have recognized
9 that environmental regulation has increased and that
10 such regulation increased the cost of providing water
11 and wastewater service to Florida residents.

12 It is no coincidence that water and
13 wastewater providers across the state, whether they be
14 privately owned or owned by counties and cities, are
15 currently, have in the recent past, or will in the near
16 future increase their rates in recognition of the
17 increased cost of environmental regulation.

18 The cost of achieving the State of Florida's
19 and the Company's conservation and environmental goals
20 are high. Southern States is a leader in the
21 conservation and environmental areas, as is recognized
22 at both the state and the federal levels.

23 As Commissioner Clark indicated, the final
24 hearing on the Company's request will begin this Friday
25 in Tallahassee. At that time, the Commission will hear

1 evidence on many of the technical issues concerning the
2 Utility's request, such as the amount of the Utility's
3 investment in facilities and the amount of operating
4 expenses incurred for each of the systems that are at
5 initial this case. Southern States will be prepared to
6 prove to the Commission and justify to the Commission
7 that it is entitled to the requested increase in its
8 rates.

9 Again, this is a service hearing and it
10 represents your opportunity to address the Commission,
11 the Commission Staff and the Company, and to give your
12 comments about the Company's service and its proposed
13 rates. We welcome the time that has been set aside
14 today to hear those concerns you may have about the
15 Company's quality of service or its rates.

16 And Commissioner Clark, at the appropriate
17 time I have an exhibit.

18 COMMISSIONER CLARK: Why don't we take that
19 now.

20 MR. SELF: Okay. I've already passed it
21 around. I believing the next number is Exhibit 15, and
22 this is the customer notice.

23 COMMISSIONER CLARK: We'll identify and move
24 into the record without objection Exhibit 15, which is
25 the notice to customers of this service hearing.

1 (Exhibit No. 15 marked for identification and
2 received into evidence.)

3 COMMISSIONER CLARK: Thank you.

4 MR. SELF: Thank you.

5 COMMISSIONER CLARK: Mr. Shreve?

6 MR. SHREVE: Thank you, Commissioner. This
7 is a case that has a 127 different systems that has
8 been filed by Southern States. It is impossible to
9 handle. There has been no extension of time to prepare
10 the case. It is run on the same time frame as if it
11 were a case just for Marco Shores or a case just for
12 Burnt Store, which are the two systems in this area
13 that are in this case.

14 I'll be very brief because we are here to
15 hear from you. There are several things we disagree
16 markedly with and we're prepared to put on a case to
17 show that Southern States does not deserve the rate
18 increase.

19 One of the primary things we disagree with is
20 the fact that the rate base that the Company is
21 preparing to ask for a return on, we feel, is vastly
22 overstated; that the purchase price or the amount
23 actually invested by Southern States in their purchase
24 from Deltona and from other individuals and different
25 systems is not what is represented here, but a phantom

1 amount that they have inflated and put in and are
2 asking for a return on you. So that the calculations
3 they have come forward with to show their return and
4 earned return, is not correct. If they had the proper
5 investment in there, there might not even be a need for
6 this rate increase or any increase at all.

7 Another thing, they're asking for over 12%
8 return on equity. That would be the equivalent of
9 their profit -- or their return on their investment,
10 and it should be only on their investment. Many of you
11 that have CDs know that right now you're lucky to get
12 the 2 or 3% on that. Well, this over 12%, the
13 customers would even be paying the taxes on that, so
14 you're talking about to support that in the
15 neighborhood of 18 or 19% being paid by the customers.
16 That's what they're asking for.

17 One of the other things that I'd like to end
18 with that has been hit in almost every hearing that
19 we've had, and Marion County was hit really hard, the
20 notices that have been sent to the customers by the
21 Company have been misleading. The original notice that
22 was sent out said, "present rates," that was after --
23 and this does apply to both Burnt Store and Marco
24 Shores. In that last rate case, they lost the interim
25 rate increase, the case was dismissed, they have not

1 been entitled to that interim rate increase for some
2 time. Yet, in their notices to the customers, they
3 left that in the calculations to show that this was
4 their present rate. Very misleading. It would tend to
5 make all the customers think that the rate increase
6 they had requested was much less; in fact, that in some
7 cases there would even be a rate decrease, and that is
8 not the case.

9 The Staff, when they filed their
10 calculations at the time of the interim, put in the
11 proper rate that had been approved by the Commission.
12 It's been discussed at every single hearing we've had,
13 the customers have complained about this.

14 Now, once again, you just recently -- so they
15 can't have just discovered this -- have received a
16 notice of the interim rate increase. Once again, they
17 put in, included, the old interim rate increase, which
18 would make the customers believe in many instances that
19 there was actually not nearly the rate increase, the
20 interim increase, which has been granted, but in some
21 situations a rate decrease, which I think -- I just was
22 handed this from Marco Shores -- from Burnt Store, it
23 would almost appear there that there is a rate decrease
24 coming to the people, and that is clearly misleading.
25 And we discussed it and discussed it and evidently

1 nothing is going to be done about it; because the
2 Company has known for months about this, yet go ahead
3 and repeat it and mislead the customers once again.

4 We're are going to fight the case. We don't
5 think they're entitled to any rate increase. I hope
6 you will insist that you be given the facts and
7 figures, regardless of the outcome of the case, of
8 exactly how much did Southern States pay for your
9 system and the rest of the systems that are included in
10 this case. Because they're entitled to a fair return
11 on their investment, but only on their investment and
12 not on money that they don't have invested.

13 Thank you very much. (Applause)

14 COMMISSIONER CLARK: Thank you, Mr. Shreve.

15 I'd like all those people that wish to
16 testify to stand and I'll give you an oath right now.

17 (Witnesses sworn collectively.)

18 COMMISSIONER CLARK: Mr. Shreve, would you
19 call your first witness?

20 MR. SHREVE: Yes. Certainly will,
21 Commissioner. Joyce Teshe (Phonetic). I'm sorry, she
22 decided not to speak, thank you very much, from Marco
23 Island.

24 Mr. Schawaroch.

25 COMMISSIONER CLARK: Let me ask you to do one

1 thing. Would you spell your name for the court
2 reporter? And I would like everyone who comes up to
3 testify if they would spell their name. Thank you.

4

5

JOHN SCHAWAROCH

6 was called as a witness on behalf of the Citizens of
7 the State of Florida and, after being duly sworn,
8 testified as follows:

9 WITNESS SCHAWAROCH: My last name is spelled
10 S-c-h-a-w-a-r-o-c-h.

11 Commissioner, I'm a member of the American
12 Association of Retired Persons, State Legislative
13 Committee. I'm a volunteer. I'm unpaid. And our
14 committee has the responsibility to its nearly 2.5
15 million members in this state with regard to state
16 legislation and with regard to state regulatory
17 matters. And it's in behalf of our members throughout
18 the affected region that I speak here today.

19 I will speak briefly, and I will speak
20 somewhat simply because I don't claim to be a technical
21 expert. And I'll speak on two matters, really.

22 The first is the meeting itself. It does
23 appear without doubt that notice in the area of this
24 meeting was in inadequate and the distance of the
25 meeting from those most closely affected was

1 inappropriate. The presence in the room indicates
2 that.

3 Secondly, I'll speak to the rate situation.
4 The Florida American Association of Retired Persons
5 organization supports fully the position indicated by
6 the Public Counsel. We feel the increase requested by
7 this powerful monopoly is inappropriate --
8 inappropriate at any time, especially inappropriate in
9 these hard economic times.

10 Increases bringing profits in the line of
11 more than 12% and, with taxes, 18 and 19%, as indicated
12 by Mr. Shreve, are unreasonable. Profits to the
13 owners, the stockholders, and high salaries to the
14 managers and officers in these times -- in any times --
15 are inappropriate, we feel, and unreasonable.

16 And we feel that the Commission should give
17 opportunities for further examination of these matters.
18 As indicated again by Mr. Shreve, to rush through with
19 respect to many, many thousands of people large rate
20 increases without full opportunity for examination in
21 their behalf stacks this powerful monopoly against
22 ordinary people, and we would like to see the balance
23 changed. Thank you.

24 COMMISSIONER CLARK: Thank you, Mr.
25 Schawaroch.

1 MR. SHREVE: Thank you, sir.

2 (Witness Schawaroch excused.)

3 - - - - -

4 MR. SHREVE: Nancy Langhorne.

5 NANCY LANGHORNE

6 was called as a witness on behalf of the Citizens of
7 the State of Florida and, after being duly sworn,
8 testified as follows:

9 WITNESS LANGHORNE: My last name is spelled
10 L-a-n-g-h-o-r-n-e. I'm not a public speaker, and I'm a
11 little bit nervous.

12 We're talking about rate increases. I don't
13 want to see my bills go up any more than the next
14 person; but, as far as I'm concerned, raising the rates
15 for our water is a secondary issue. That's not going
16 to be a popular remark, but nonetheless, that's the way
17 I feel.

18 I have been a resident of the State of
19 Florida since the mid '30s, off and on. In those days,
20 there weren't very many people in Florida as compared
21 and there was abundant water. Now, we are faced with
22 far too many people and not enough water.

23 The very fact that all over this state as far
24 back, certainly in my knowledge, as the early '60s, we
25 have been dealing with salt water intrusion. In the

1 early sixties, the town of Tequesta had to cap two
2 wells because they both went to saline. At that same
3 time, the headwaters of the Loxahatchee River was also
4 having a problem, trees were being lost there because
5 of salt water.

6 On television, last week I believe, we saw a
7 large stand of trees in the northern part of Florida
8 that were dying because of salt water. In one issue of
9 last week's Fort Myers paper, we read that eight west
10 central counties of Florida are going to consider
11 cutting or curtailing their water use. Would that the
12 Water Commission would do this all over the state.

13 In San Francisco three years ago, my daughter
14 was one of the many residents out there who were up
15 against a rationing system of 50 gallons of water, per
16 person, per day, per household. And that's not much
17 water, considering that the average shower uses 30
18 gallons. I think if any of us timed our teenaged
19 daughters in a shower, we would learn in a hurry that
20 they use a little bit more than 30 gallons.

21 COMMISSIONER CLARK: You certainly have hit
22 the right note there.

23 WITNESS LANGHORNE: I raised three girls. We
24 lived in Maine during their high school years, so that
25 was not much of a problem as far as water is concerned.

1 But my primary concern is that the counsel for the
2 Commission did mention there was conservation involved
3 in all of your dealings. In the three years that I
4 have now been a wintertime resident in this area, I
5 have not heard anything on radio or television, nor
6 have I read anything in any newspapers, dealing with
7 conservation beyond, "Don't water your lawn and don't
8 wash your car." Those two things together, as far as
9 I'm concerned, is a proverbial drop in the bucket
10 compared to what we as individuals in our homes waste
11 on a daily basis.

12 I called a plumbing contractor the other day,
13 they never did get back to me with any answers. What I
14 was trying to find out was if there was a toilet
15 available in this area that would use less than three
16 gallons of water to flush. What I was told is, "Yes,
17 there are, in fact, those facilities available that use
18 only 1.5 gallons." I have not heard anything from the
19 Commission or any other water use group asking that we
20 change over to a lesser volume situation. I know
21 they're available, I've seen them -- not here, but
22 other places.

23 I live on a golf course. The thousands upon
24 thousands upon thousands of gallons that one golf
25 course uses to keep its fairways and its greens in good

1 order, to me, is a hideous waste. I would agree to
2 keeping the greens green, but not necessarily the
3 fairways; and that's not going to be very popular in
4 this state, either.

5 I have been to Bermuda a few times. Over
6 there, homes cannot be built without a cistern
7 underneath. Obviously, that water cannot be used to
8 drink but it can be used for other uses. I'm sure
9 there are problems involved with that system, but I
10 can't believe we're not intelligent enough to be able
11 to deal with those problems.

12 I have wondered if it's even reasonable to
13 ask if there are such things as catchment areas. Our
14 aquifer does need to be replenished with rainfall, but
15 a lot of that water goes out into the Gulf and down into
16 the septic systems through gutters and what have you.

17 I would like to see conservation be more
18 toward the top of the list, than a raise in water
19 rates. Thank you. (Applause)

20 COMMISSIONER CLARK: Thank you, Mrs.
21 Langhorne.

22 MR. SHREVE: Thank you.

23 COMMISSIONER CLARK: Are there any questions?

24 I just wanted to make a comment to you that very
25 recently the Commission has signed what we call a

1 Memorandum of Understanding with the Water Management
2 Districts in order to coordinate what we do, which is
3 the economic regulation of utilities, with the
4 environmental regulation of utilities. And I know one
5 of the systems that this Southern States owns, one of
6 the issues in the case we heard last week, was the use
7 of what they called reclaimed water to water the golf
8 courses. And it does require a coordination between us
9 and the Water Management Districts, because reclaimed
10 water does cost money, whereas, sometimes, using water
11 from the aquifer does not cost as much. So we're
12 trying to coordinate that in order to encourage golf
13 courses to use reclaimed water and not potable water.

14 We're not the agency that does a lot of the
15 advertising with respect to conservation, we do
16 regulation; the water management district is. But I
17 can assure you more of that is going on than you may be
18 aware of and I would encourage you to get in touch with
19 them. And they can give you more specific examples,
20 but we are working on it, it is a priority with us.

21 Thank you.

22 (Witness Langhorne excused.)

23

24 MR. SHREVE: I'd like to call the Director of
25 Burnt Store Lakes.

1 RICHARD FISCHER

2 was called as a witness on behalf of the Citizens of
3 the State of Florida and, having been previously duly
4 sworn, testified as follows:

5 WITNESS FISCHER: My name is Richard Fischer,
6 and that's F-i-s-c-h-e-r. Everybody makes a mistake
7 and forgets the "c." Anyway, I really don't have too
8 much to say, I have more questions, really, than
9 anything.

10 To begin with, we live in a unique area
11 called Burnt Store Lakes. And we have a number of
12 lakes in the area and many of us use the water in those
13 lakes to do our sprinkling with.

14 But, aside from that, the people that
15 purchased the Burnt Store Lakes Utilities -- which was
16 originally owned by PGI, I believe -- I don't know how
17 or what determined the purchase. I imagine they went
18 in there to make some kind of a profit. But right now,
19 in the Burnt Store Lakes area, they don't have a great
20 many homes in there.

21 And I don't know, one of the questions that
22 I came up with the utilities there was, when they were
23 originally designed were they designed to furnish the
24 needs of the area there? We have, I believe, something
25 like 750-some properties, and I think there's probably

1 about 50 homes in there right now.

2 So one of the questions I have is, is that
3 particular utility operating at maximum efficiency
4 right now? Because it would seem to me -- I wouldn't
5 think they would be. Because if they were designed to
6 operate efficiently, I would imagine -- right now if
7 they were designed to operate under the original plans,
8 they're building all the homes that are still going to
9 be built out there, I would imagine they are not
10 operating very efficiently right now.

11 So, I would question the cost involved right
12 on that basis, that they're trying to raise a utility
13 rate based on the number of homes now, or are they
14 basing it on future use or that type of thing? Anyway,
15 that's one problem, one of the questions I have.

16 Another question I have is, they've indicated
17 that there were EPA problems that are part of the cost
18 of doing business here. And I'd like to know what
19 they're going to do and what they have put into effect
20 in our particular utility to determine that? That's
21 never been answered, to my knowledge.

22 One of the things that we ran into, we found
23 out with our lakes over there, I don't know how that
24 was all put together originally, but our lakes, during
25 high water tables, actually do end up going into the

1 Gulf, fresh water lakes. So that's a point of
2 deficiency. I don't know who would have to look into
3 it, I think the Army Corps of Engineers is probably in
4 charge of that division. But it would seem to me that
5 would be one of the areas that even the Commission, the
6 people in the state, should be looking into this type
7 of thing, the wasting of water in this case.

8 Another thing that happens under high tide,
9 sometimes we get a back flow into our lakes, which is
10 something along the lines that this lady was talking
11 about.

12 One other thing, another question I have, is
13 these charges. I received a bill, my last month's bill
14 here, based on basic amounts, water base charges of
15 10.78; and that was from a period of, let's see, that
16 would be August through September 2th, a basic charge
17 of 10.78. And this month, from September through
18 October, it was down to \$9.83. Now, the so-called
19 interim rates charges that were presented in one of
20 these fliers that were sent out, it looked to me like
21 the interim rate is cheaper than the original rate.
22 And this is very misleading to people.

23 Now, I would really like to see the
24 Commission do something about that. Put these things
25 on a straightforward, intelligent basis so people can

1 read it properly, so they can understand what it's
2 going to cost them in the long run.

3 Thank you very much.

4 COMMISSIONER CLARK: Thank you. Mr. Fischer,
5 if you will just wait a minute, we'll try to get some
6 answers to your questions. First of all, you asked a
7 question about for what capacity was the system
8 designed? I don't know that yet, that's generally
9 something that comes out in the hearing.

10 Utilities do try to design a plant to serve,
11 within reason, the capacity they expect to serve in the
12 near future. In the regulation of utilities, we do
13 make what is called a used and useful assessment, so
14 that 50 people aren't paying for a system that can
15 serve 750 people. That will be looked at in the rate
16 case; and Mr. Tom Walden, who is back in the back, may
17 have more specific information with respect to Burnt
18 Store. I can't promise you that, but that is something
19 we look at.

20 With regard to the EPA problems, are you
21 aware of some violations or notices -- let me ask you
22 this, is it the federal Environmental Protection
23 Agency, or was it the state Department of Environmental
24 Regulation?

25 WITNESS FISCHER: What I'm saying is -- I'm

1 trying to answer is I don't understand it. The
2 question came up that one of the costs involved was the
3 fact they have to follow these new ecological
4 investments and that's therefore raising the rate on
5 that basis.

6 COMMISSIONER CLARK: Okay. I can tell you
7 that the federal government several years ago passed
8 what is called amendments to the Safe Drinking Water
9 Act, which had the effect of requiring more monitoring
10 and requiring adherence to a greater quality of water
11 standard. And yes, that does have an impact.

12 It is hard to tell, very often, how much of
13 an impact it's going to have. I think I know of at
14 least one utility that had to put in a whole new plant,
15 with no new customers, to meet those requirements. I
16 cannot tell you specifically with respect to your
17 system if that's a consideration. But if it is, we
18 will certainly look at whether or not the Utility took
19 the most efficient, least expensive means of meeting
20 those requirements.

21 As far as the lakes going into the Gulf and
22 vice-versa, I'm not sure that we have any authority to
23 do anything about that, or even if the lakes are under
24 the control of the Utility.

25 With regard to the interim rates and the

1 bills, I realize it has been confusing. But I would
2 surmise that your system was probably one of the
3 systems in the last rate case. And what happened was
4 we had a rate case where interim rates were granted;
5 and, quite frankly, that's a very perfunctory review of
6 what the Utility files. We did grant them the rates
7 which they are allowed to charge, with the
8 understanding that once we really look at what they
9 filed, audit their books, and review more closely the
10 data that they have represented, they may have to
11 refund it.

12 In that prior case, the Commission found
13 that they are had not made the requisite showing to
14 entitle them to permanent rates, ordered them to return
15 the interim rates, which the Utility then appealed to a
16 District Court.

17 During the pendency of all that, they get to
18 continue to charge their interim rates, and it was only
19 last July or August that the court agreed with what the
20 Commission did, which allowed the interim rates to be
21 refunded. And that is why you had rates being charged
22 for a period of times that you then got a refund, and
23 now it looks like those rates are less than what you
24 were charging; they probably are, but now you are under
25 new interim rates for this case.

1 WITNESS FISCHER: Oh, I see. And that
2 started at what point?

3 COMMISSIONER CLARK: I want to say that
4 started about September.

5 MR. SHREVE: Commissioner, the problem that I
6 think -- the point here, the same one that I raised and
7 the one you're aware of from the other hearings, the
8 interim rate that is in place at this time was
9 calculated by the Public Service Commission Staff and
10 the Public Service Commission from the original rates,
11 as it should have been.

12 COMMISSIONER CLARK: And meanwhile, we had
13 interim rates in effect?

14 MR. SHREVE: That's right. So, you knew you
15 had interim rates in effect, you remember in Ocala that
16 brought out that the notice was misleading at that
17 time.

18 This notice came out on September 28, well
19 after the interim had already been lost by the Company,
20 and the calculation was from the original rates, yet
21 the Company still put in rates that included the
22 interim, which is very clearly misleading to everyone.
23 And that's the point that I'd like to make.

24 WITNESS FISCHER: I thought it was a good
25 deal, myself, when it came out that way. But I

1 couldn't understand it.

2 COMMISSIONER CLARK: Mr. Fischer, usually if
3 we don't have interim rates still pending, when we have
4 a rate case. And this is certainly a unique case,
5 which I think contributed to that unfortunate confusion
6 in this case.

7 WITNESS FISCHER: I hope you do better next
8 time, so we understand it better. Thank you very much.

9 COMMISSIONER CLARK: All right, thank you.

10 MR. SHREVE: Thank you, sir.

11 (Witness Fischer excused.)

12 - - - - -

13 MR. SHREVE: Mr. Andresen.

14 MR. ANDRESEN

15 was called as a witness on behalf of the Citizens of
16 the State of Florida and, after being duly sworn,
17 testified as follows:

18 COMMISSIONER CLARK: Hi, Mr. Andresen, we've
19 met before, haven't we?

20 WITNESS ANDRESEN: Good afternoon.

21 COMMISSIONER CLARK: You've testified in
22 another case?

23 WITNESS ANDRESEN: I was previously in the
24 same region and have spoken one time to our Commission
25 before. The spelling of my name is A-n-d-r-e-s-e-n.

1 My equivocation will be very short.

2 I reside just near the area under discussion
3 today for the service of the Water Utilities. And
4 being a competition for services, myself as a
5 residential recipient and regionally, this is a topic
6 that certainly deserves serious concern and address by
7 virtue of the fact that so many people's lives are
8 affected therewith.

9 My point is this: Utility corporations are
10 established, settled businesses, whom will provide
11 ratepaying recipients of service at least these
12 corporations ought to be in -- be formed and present
13 services to their ratepayers.

14 As corporation needs of an infrastructure,
15 utilities will be subject to stress. One predominant
16 stress in our region is the influx of population,
17 growing numbers in need of residential and business
18 utilities.

19 This is a very complicated matter from the
20 venue or perspective of corporation infrastructure. In
21 all candor, rates for service recipients ought to be
22 kept minimal, and the quality of service provided to
23 those ratepayers who are recipients of same. If
24 particular financial demands on a corporation in light
25 of tax obligations present a broad discrimination to

1 which those corporations are subject, I, as an
2 individual ratepayer, would be at the height of offense
3 to feel that a lopsided giving way to the demands of
4 the many and the steam roller effect of ratepaying
5 public is the reality. My own impression, my own
6 import, would be that the obverse be that which the
7 Citizens of Florida, families and working people, that
8 that is what they be subjected to.

9 Thank you.

10 COMMISSIONER CLARK: Thank you.

11 MR. SHREVE: Thank you, sir.

12 (Witness Andresen excused.)

13 - - - - -

14 MR. SHREVE: Mr. McBride.

15 MIKE McBRIDE

16 was called as a witness on behalf of the Citizens of
17 the State of Florida and, having been duly sworn,
18 testified as follows:

19 WITNESS McBRIDE: My name is spelled
20 M-c-B-r-i-d-e. I'm Mike McBride, I represent ABC
21 Liquors. We have several stores in the affected areas
22 throughout the state, and I just want to make a few
23 points.

24 We feel that business is tough for everyone,
25 and is expected to remain that way. All businesses

1 nationwide are having to streamline and reduce expenses
2 to operate more efficiently. Current returns of 3.07
3 and 1.74% by the Southern States Utilities are in line
4 with what a streamlined and efficient business can make
5 in a competitive market and business world like ours.

6 The request by Southern States Utilities for
7 increases to raise their rate of return to 11.57% is
8 ridiculous and could not be achieved if they had to
9 compete with other companies. It would be unfair to
10 grant them a rate increase when other businesses that
11 are not monopolies must sharpen their pencils and make
12 changes internally to achieve a reasonable rate of
13 return.

14 And that's all I have to say. (Applause)

15 COMMISSIONER CLARK: Thank you, Mr. McBride.

16 (Witness McBride excused.)

17 MR. SHREVE: Thank you, sir.

18 - - - - -

19 MR. SHREVE: Mr. Grunwell.

20 It was my understanding that you essentially
21 wanted to make sure that your letter was placed in the
22 record?

23 WITNESS GRUNWELL: Yes, please.

24 MR. SHREVE: All right, sir. Commissioner,
25 if you would place that in the correspondence side of

1 the record, if you would.

2 MR. GRUNWELL

3 was called as a witness on behalf of the Citizens of
4 the state of Florida and, having been duly sworn,
5 testified as follows:

6 COMMISSIONER CLARK: Go ahead.

7 WITNESS GRUNWELL: Good afternoon. All I'm
8 really concerned with -- and, first of all, my accent
9 will reveal that I'm British born, Canadian by
10 naturalization; and I love living in Florida, but I
11 only live here part of the year. There are a number of
12 us from Canada who do the same.

13 However, I am also a Professional Engineer in
14 both the United Kingdom and in Canada, and I was
15 responsible for designing water treatment systems. So
16 I know a little bit about what's being discussed here
17 today.

18 The first thing, I don't want to repeat what
19 some of the other people have said, but one
20 observation. The amount of information -- first of
21 all, for somebody technical like me -- that has been
22 providing for the public, or even on a specialty
23 interest basis, is negligible of to date. The size of
24 the area on which the application is being levied seems
25 to be very considerable compared to the amount of

1 information that's been prepared.

2 In addition, I think that the amount of
3 information that has been given to the public on a
4 general basis is also far less than it should have
5 been, and apparently there is some confusion about the
6 level of investment that is really involved. I suspect
7 from what I've heard -- and that's purely a suspicion
8 -- that they are trying to raise the rates in order to
9 get a return on investment which is future investment
10 as opposed to past investment. That's the financial
11 part of it.

12 From a technical standpoint, I must have to
13 say that in the area where we live, which is in the
14 Burnt Store Marina complex, I think that the
15 installations there are quite adequate to service the
16 number of properties that are involved all the way down
17 through the Burnt Store Lakes area and where we are. I
18 have a lot of experience of sizing of pipes, and I know
19 that the sizes are sufficient. Whether or not the end
20 sizes in some of the watering areas are adequate, I
21 don't know, but they seem to be from the kind of pressure
22 you get on the golf course spraying. So I don't criticize
23 anything that SSU have done with regard of designing of
24 the system.

25 But it does appear that the rate increases

1 are leveled at trying to raise money from the public as
2 fast as possible. The principal problem that all water
3 treatment systems in North America have is that the
4 public have been spoiled rotten for so many decades.
5 They should not -- they must conserve water; otherwise,
6 we're going to get into rate problems and facility
7 building requirements which are so high that people
8 will just not be able to afford them. That is a
9 general observation about North America. It is
10 happening in some extent in Europe, too.

11 So the major thing, like my neighbor was
12 saying, conservation is critical. And to suggest that
13 50 gallons per capita per day is a low figure, in
14 England, before I left England, 50 gallons per capita
15 per day was the design figure that all engineers worked
16 on. In Canada and the States, everybody has been
17 designing on 100 gallons per capita per day for the
18 last 30 years that I know of.

19 Unfortunately, because there's so much
20 affluence that's being experienced in society in North
21 America and there's been so much waste of water in the
22 industries, those figures are no longer low figures.
23 The average figures nowadays are approaching 150 to 200
24 gallons per capita per day, on an average overall
25 basis. We must stop wasting water.

1 Now, with regard to the rate increases -- and
2 specifically, the rate increase is endeavoring to
3 obtain income from the size of meter charges, which are
4 fixed charges. They are reducing the cost of water
5 charge because they can raise the money faster on a
6 fixed charge basis. This is going to solve their
7 return on investment problems faster and maybe solve it
8 with regard to their investment in the future.

9 Whereas, the best way to make sure
10 conservation is applied properly is to charge for the
11 water and charge the majority of your income from water
12 use.

13 Now, in the United Kingdom, unfortunately,
14 nobody has any meters. There are hardly any meters in
15 existence in the United Kingdom. And as a result, the
16 charges for water are very high because they are all
17 based on fixed rate charges. But the solution towards
18 conservation is to make the charges on the basis of
19 water use. And one of my principal parts of my letter
20 that I filed with the Commission and with Mr. Shreve --
21 one of my principal objections is that the charges for
22 water use are not relatively high enough relative to
23 the fixed charges, and I believe it is because they're
24 trying to raise money faster than it would be
25 obtainable by using the water use charge.

1 In addition, if people start conserving --
2 which is the important factor in this part of the
3 world, people must conserve water -- the best way to
4 achieve that is to charge for the cost of it.

5 I don't think I have repeated anything.
6 There is one other thing that I would just like to say
7 is that I believe that SSU have tried their best to
8 meet the requirements of demand in the past. I am sure
9 about the size of the pipes. But I think that their
10 problem is, because of the environmental protection
11 laws, they are having a great deal of difficulty
12 raising money, either from shareholders or from the
13 public, in order to meet the capital expenditures that
14 are necessary, particularly for wastewater treatment.
15 Which is going to get worse and worse and worse.

16 And the solution to that is a secondary
17 solution, but the solution is the conservation of the
18 water use results in less volume of water to treat
19 after it's been used.

20 Thank you very much.

21 COMMISSIONER CLARK: Thank you, Mr. Grunwell,
22 you've made some good points. And we'll make this
23 letter part of the docket.

24 MR. SHREVE: Is there anyone else that wanted
25 to speak that has not signed up?

1 COMMISSIONER CLARK: I believe the notice for
2 this hearing states that we will meet for a set time or
3 until the last witness has been heard, at least that's
4 the way we usually do it. Since nobody else has signed
5 up to speak, what I would like to do is take about a
6 ten-minute informal recess in case anybody else comes;
7 and if we don't have any further testimony, we will
8 adjourn the hearing at that time.

9 So we'll stand and recess for about ten
10 minutes.

11 (Brief recess.)

12 - - - - -

13 COMMISSIONER CLARK: We'll reconvene this
14 hearing. I understand there is one more person who is
15 signed up to speak?

16 MR. SHREVE: Mr. Perry.

17 COMMISSIONER CLARK: Mr. Perry, did you stand
18 and be sworn in originally?

19 WITNESS GRUNWELL: No, ma'am.

20 COMMISSIONER CLARK: I'll do it now.

21 (Witness Perry sworn.)

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DONALD PERRY

was called as a witness on behalf of the Citizens of the State of Florida and, after being duly sworn, testified as follows:

WITNESS PERRY: For the record, my name is Donald Perry, I reside at 956 Lexington Lane in Naples, Collier County. I am a member of the Federation of Mobile Homeowners of Florida, and we strongly object to any increase as submitted by the Petitioner at this time for those people who are homeowners that are served in Collier County.

We feel, Madam Commissioner, that the Petitioner has not demonstrated any necessity nor convenience to those people or those customers that it serves in Collier County. Therefore, we strongly oppose the rate increase as submitted at this particular time.

Thank you for allowing me to address you.

COMMISSIONER CLARK: Thank you.

MR. SHREVE: Thank you, sir.

(Witness Perry excused.)

COMMISSIONER CLARK: Any more questions?

MR. SHREVE: Is there anyone else who would like to speak?

1 COMMISSIONER CLARK: I'd like to thank all of
2 you who came out to speak. We appreciate your comments
3 and we appreciate your taking the time to come out here
4 and let us know your views. At this time, we will
5 adjourn the public hearing. Thank you very much.

6 (Thereupon, hearing adjourned at 3:10 p.m.)

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F L O R I D A)
: CERTIFICATE OF REPORTER

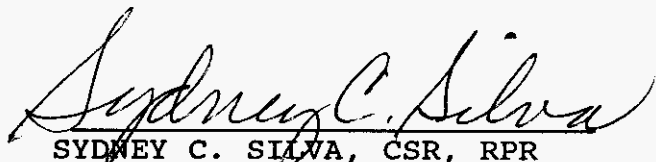
COUNTY OF LEON)
I, SYDNEY C. SILVA, CSR, RPR, Official
Commission Reporter,

DO HEREBY CERTIFY that the Ft. Myers Service
Hearing in the captioned matter, Docket No. 920199-WS, was
heard by the Florida Public Service Commission at the time
and place herein stated; it is further

CERTIFIED that I reported in shorthand the said
proceedings; that the same has been transcribed under my
direct supervision, and that this transcript, consisting
of 40 pages, constitutes a true and accurate transcription
of my notes of said proceedings; it is further

CERTIFIED that I am neither of counsel nor
related to the parties in said cause and have no interest,
financial or otherwise, in the outcome of this docket.

IN WITNESS WHEREOF, I have hereunto set my hand
at Tallahassee, Leon County, Florida, this 5th day of
November, A.D., 1992.


SYDNEY C. SILVA, CSR, RPR
Official Commission Reporter
Telephone No. (904) 488-5981