

SANFORD M. MARTIN, P.A.  
ATTORNEY AT LAW

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A PROFESSIONAL LAW ASSOCIATION  
2500 AIRPORT ROAD, S. SUITE 315  
NAPLES, FLORIDA 33962  
(941) 774-4000  
FAX: 774-9611

May 6, 1995

Blanca S. Bayo  
Director  
Division of Records & Reporting  
Florida Public Service Commission  
101 E. Gaines St.  
Tallahassee, FL 32399-0850

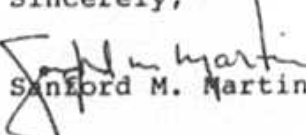
Re: Prefiled Testimony Relating to the Application of  
Tamiami Village Water Co. for transfer of  
Certificate No. 388-W in Lee County to Tamiami  
Village Water Co.; Docket No. 950015-WU, Order No.  
PSC-95-0318-PSO-WU.

Dear Ms. Bayo:

I have enclosed pre-filed testimony relating to the Order  
cited above. I submit this testimony as a representative  
and spokesperson for Tamiami Village Utility Inc., present  
holder of Certificate No. 388-W in Lee County.

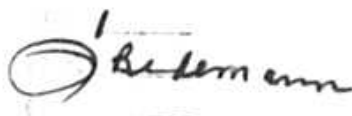
ACK  If you have any questions regarding this testimony, please  
call 2 contact me.

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Sincerely,  
  
Sanford M. Martin

Enclosed: original and 15 copies.

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TAMIAMI VILLAGE WATER COMPANY, INC.

DOCKET NO. 950015-WU

TESTIMONY OF SANFORD M. MARTIN

ON BEHALF OF TAMIAMI VILLAGE UTILITY, INC.

FILED MAY 8, 1995

DIRECT TESTIMONY OF SANFORD M. MARTIN

- 1 Q. Please state your name and business address.
- 2 A. My name is Sanford Martin, and my business address is 2500 Airport Rd.,  
3 Suite 315, Naples, Florida.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am self employed as an attorney. I specialize in utility and  
6 environmental law, business and corporation law, and tax law.
- 7 Q. What is your relationship with Tamiami Village Utility?
- 8 A. I have acted as an administrative assistant to the Board of Directors  
9 since December 15, 1995 under a contract executed on that date. I have  
10 advised and assisted the Board in managing the utility since that date.
- 11 Q. What are your principal duties?
- 12 A. I have been responsible for administration of utility regulatory matters  
13 with the Department of Environmental Protection and Public Service  
14 Commission. I have acted as spokesperson for the utility. I have  
15 assisted in the settling of legal matters. I have advised and  
16 coordinated in all aspects of the sale of the utility's sewer and water  
17 businesses.
- 18 Q. Briefly describe your education and experience.
- 19 A. I have a B.A. in economics from Southern Illinois University, an M.S. in  
20 economics and finance from the University of Illinois, and a J.D. from  
21 John Marshall Law School, Chicago. I am licensed to practice law in  
22 Florida, since 1992, and Illinois, since 1974. I have as clients other  
23 utilities in Florida. My work experience includes: Chief Legal Counsel  
24 for the Illinois Dept. of Conservation, employment by firms including  
25 Deloitte and Touche, Ernst & Young, and Arthur D. Little, and employment

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1 by corporations including Monsanto Corp. and General Electric.

2 Q. Have you presented expert testimony before this Commission or any other  
3 regulatory agency?

4 A. Yes.

5 Q. What is the purpose of your testimony today?

6 A. The purpose of my testimony is to provide information relating to the  
7 application for transfer of the water certificate from Tamiami Village  
8 Utility (TVU) to Tamiami Village Water Company, Inc. (TVWC), Docket No.  
9 950015-WU, Order No. PSC-95-0318-PCO-WU.

10 Q. Describe your role in the decision of the utility to sell its water  
11 business.

12 A. The utility decided to sell the water business because its previous  
13 decision to sell the sewer business required the utility to dispose of  
14 all company operations. I was involved in all aspects of these  
15 decisions. I gathered all available information, provided analysis of  
16 feasible alternatives, and assisted the Board in making and implementing  
17 these decisions. I acted as spokesperson and agent in dealing with  
18 potential purchasers, and coordinated contract negotiation.

19 Q. Why did TVU decide to sell the water business?

20 A. When I began my assistance to the Board on December 15, 1995, TVU was  
21 experiencing income losses and cash flow problems, largely due to legal  
22 litigation costs resulting from wastewater enforcement actions of the  
23 FDEP. After exhausting all alternatives to resolve the legal problems,  
24 the Board of Directors requested approval of the stockholders to sell the  
25 utility. This request was made because it was determined that, to comply

1 with the demands of the FDEP would require substantial capital  
2 outlays for land, ponds, and equipment. The plant operating  
3 permit had expired; another permit could not be obtained from  
4 DEP without agreeing to make large expenditures. Complying with  
5 the demands would require borrowing funds, if possible, and  
6 eventual large rate increases for customers. All of these  
7 problems were related to the sewer business. The utility was  
8 faced with DEP litigation which, legal counsel advised, could  
9 result in fines of more than \$100,000. The Board considered all  
10 possible alternatives, determining that sale of the sewer  
11 was in the best interest of stockholders. Since there was only  
12 likely purchaser, N. Ft. Myers Utility, a regional wastewater  
13 utility serving the area, the Board initiated discussions with  
14 NFMU which had previously expressed an interest in TVU. At the  
15 meeting of stockholders, the Board explained the critical situation  
16 and asked shareholders to approve a decision to sell the sewer  
17 business or to enter into a bulk arrangement with NFMU. The  
18 shareholders approved the sale of the sewer business contingent  
19 on the sale of the water business and dissolving of the  
20 corporation. Sale of the water business was to be at no  
21 significant cost to the utility since it was believed by many  
22 that the water business was of marginal value and would be  
23 difficult to sell or give away. The shareholders indicated a  
24 desire to sell both water and sewer businesses, dissolve the  
25 company, and receive a return on their investment. At the

1 meeting of August 3, 1994, the Board accepted and ratified the  
2 decision of the shareholders to sell the sewer and water businesses.  
3 The vote: 389 votes to sell the sewer and water business; 37 votes to  
4 enter into a bulk arrangement. The company has 594 shares; therefore  
5 the vote was clearly for selling the businesses.

6 Q. What procedures were used to sell the water business?

7 A. The utility Board first considered transferring the water business to  
8 Lee County Utilities Dept. or to a local property owners association.  
9 The Utility had previously discussed this option with Lee County and  
10 learned that Lee County would insist that all water facilities meet  
11 county utility standards. This would require substantial capital  
12 improvements and violate the condition imposed by shareholders. Also,  
13 no local property association expressed any interest in the water  
14 business. I contacted individuals and companies I thought might have  
15 interest in the business. To determine if there was other interest in  
16 the purchase of the business, the utility advertised the water  
17 business in the Ft. Myers News-Press for several weeks and in a trade  
18 association publication. About 15-20 inquiries were received. After  
19 considerable time soliciting and evaluating bid proposals for the  
20 business the utility received three serious and acceptable bids.  
21 Each proposal was further evaluated on the bases of general business  
22 experience, utility experience, financial resources, and plans for  
23 operating the water business. I believe that any of the three bids  
24 was qualified and could have been approved. The bids ranged from \$20-  
25 24,000 for purchase of specific assets.

1 Q. Why was the bid proposal of Tamiami Village Water Company Inc.  
2 accepted?

3 A. The owner of Tamiami Village Water Company, John Ustica, impressed the  
4 Board and myself as a person with excellent business experience,  
5 financial management experience, education and credentials, and, very  
6 importantly, experience with utility regulation in Florida. Mr.  
7 Ustica is knowledgeable regarding all aspects of operating a utility  
8 regulated by the FPSC whereas the other two proposals were submitted  
9 by persons without utility experience. Also, he possesses the  
10 financial capability and expertise to assure sound operation of the  
11 water business. Finally, his monetary bid was greater or equal to any  
12 other bid received. On November 9, 1994 the Board approved the sale  
13 of the water business assets to TWC, and if for any reason the  
14 contract could not be executed with TWC, then the Board approved sale  
15 of the business to Andrew Metz, who had submitted one of the three  
16 bids. TVC and TWC executed a contract in December, 1994.

17 Q. What is your evaluation of the sale approved by the Board?

18 A. For many reasons the sale was in the best interests of shareholders.  
19 Because several Directors and myself had questioned whether we could  
20 sell the water business at any price, it was very satisfying to be  
21 able to obtain \$24,000 for the stockholders. We also believed that  
22 the transfer could be achieved expeditiously so that the water and  
23 sewer businesses could be transferred at about the same time. I  
24 thought the transfer to TWC would be approved quickly by the FPSC.  
25 And I thought the sale was good for utility customers. Since the



1 Directors and employees of TVU are also customers, we wanted the  
2 purchaser of the water business to a responsible, competent,  
3 experienced party that would provide good service. And I believe we  
4 accomplished that objective in selecting Mr. Ustica.

5 Q. Why wasn't the water business sold to NFMU, purchaser of the sewer  
6 business?

7 A. We offered the water business to to NFMU. At the outset NFMU informed  
8 us it would accept the water business in order to buy the sewer  
9 business, then later told us it did not want the water business, even  
10 if transferred free of charge. Therefore, the Board had to consider  
11 other alternatives, as described previously.

12 Q. What effect, if any, on the operation of the water utility will result  
13 from the transfer of the water business to TWC?

14 A. In my opinion customers of the utility will continue to receive a high  
15 level of service from TWC. Mr. Ustica has the experience, ability,  
16 and resources to provide quality water service and to respond to any  
17 operating or administrative requirements. Customer bill formats will  
18 undergo little change, except that water and sewer bills will be  
19 separate. Mr. Ustica is familiar with the service area and the  
20 particular requirements to meet customer needs.

21 Q. Do you think there will be change in customer utility rates?

22 A. Whether the water business was sold to TWC or other purchaser, or had  
23 been transferred to a non-profit or government unit, the rates would  
24 likely increase somewhat to provide for inflation, increased  
25 regulatory costs, capital maintenance, and any allowable ROI. I



1 believe any rate increase will be minimal. The system cannot expand  
2 significantly in the service area; the present system may benefit from  
3 a scheduled capital improvement program phased over the next ten  
4 years, but I don't foresee large rate increases.

5 Q. In your opinion is there any reason to believe that the transfer of  
6 the water business to TVWC will result in higher water service rates  
7 than than would result from transfer to another party?

8 A. No. Low utility rates result from sound management and having  
9 adequate financial resources to maintain facilities. Mr. Ustica has  
10 demonstrated management skills and financial capacity.

11 Q. Are you aware of any significant problems in the operation of the  
12 water utility or its administration or its physical facilities which  
13 will require particular attention?

14 A. No. During its ownership of the water business TVU has maintained  
15 facilities, implemented a computer billing system, and instituted  
16 customer service procedures which have worked well and will benefit  
17 the new owner. TVWC, John Ustica, is very knowledgeable regarding the  
18 current operating and administrative practices of TVU.

19 Q. Do you have additional comments?

20 A. This concludes my testimony. Thank you.

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