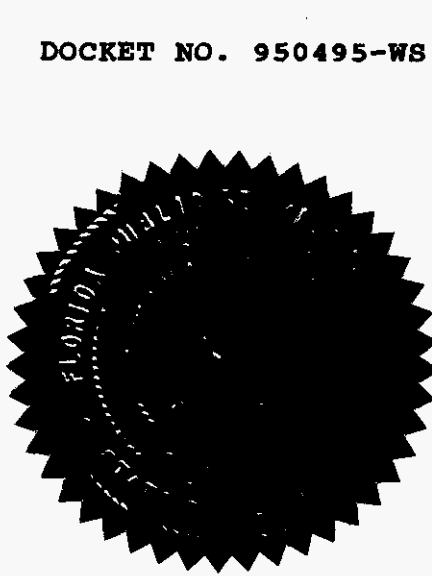


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of

Application for rate increase
and increase in service
availability charges by SOUTHERN
STATES UTILITIES, INC. for
Orange-Osceola Utilities, Inc.
in Osceola County, and in
Bradford, Brevard, Charlotte,
Citrus, Clay, Collier, Duval,
Highlands, Lake, Lee, Marion,
Martin, Nassau, Orange, Osceola,
Pasco, Putnam, Seminole,
St. Johns, St. Lucie, Volusia and
Washington Counties.



DOCKET NO. 950495-WS

PROCEEDINGS: **SUNNY HILLS SERVICE HEARING**

BEFORE: CHAIRMAN SUSAN F. CLARK
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER JULIA L. JOHNSON
 COMMISSIONER DIANE K. KIESLING
 COMMISSIONER JOE GARCIA

DATE: **Monday, February 5, 1996**

TIME: Commenced at 10:00 a.m. (C.S.T.)
 Concluded at 11:45 a.m.

PLACE: Sunny Hills Community Center
 101 Sunny Hills Boulevard
 Sunny Hills, Florida

REPORTED BY: ROWENA NASH HACKNEY
 Official Commission Reporter
 (904) 413-6736

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

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6 **Utilities, Inc.**

7 **ROSANNE CAPLESS**, Florida Public Service
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11 the **Commission Staff**.

12 **JACK SHREVE**, Public Counsel, **CHARLES J.**
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16 488-9330, appearing on behalf of the **Citizens of the**
17 **State of Florida**.

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1 P R O C E E D I N G S

2 (Hearing convened at 10 a.m., C.S.T.)

3 CHAIRMAN CLARK: Ladies and gentlemen, can
4 you hear me? Thank you. It's 10:00. It's time to
5 start this service hearing. We start with some
6 formalities, the first of which is the Staff reading
7 the notice.

8 MS. CAPELESS: Pursuant to notice, this time
9 and place has been designated for a customer service
10 hearing in Docket No. 950495-WS, application for a
11 rate increase and increase in service availability
12 charges by Southern States Utilities, Inc.

13 CHAIRMAN CLARK: Thank you. We'll take
14 appearances starting with you, Mr. Hoffman.

15 MR. HOFFMAN: Thank you, Madam Chairman.

16 My name is Kenneth Hoffman. My address is
17 215 South Monroe Street, Suite 420, in Tallahassee
18 Florida. The Zip code is 32301. I am appearing this
19 morning on behalf of Southern States Utilities.

20 CHAIRMAN CLARK: Mr. Shreve.

21 MR. SHREVE: Jack Shreve and Charlie Beck,
22 Office of Public Counsel, appearing on behalf of the
23 Citizens of the State of Florida and the customers of
24 Southern States Utilities in opposition of the rate
25 increase.

1 MS. CAPELESS: I'm Rosanne Capeless,
2 appearing on behalf of the Commission Staff.

3 CHAIRMAN CLARK: Thank you. Ladies and
4 gentlemen, this is a service hearing in the Southern
5 States Utilities rate case. This is the second one
6 we've held in Sunny Hills, so I'm delighted so many of
7 you have showed up on this very cold day to again
8 attend a service hearing.

9 I would like to begin by introducing the
10 Commissioners. To my right is Commissioner Terry
11 Deason, to his right is Commissioner Diane Kiesling.
12 To my left is Commissioner Julia Johnson, and to her
13 left is Joe Garcia.

14 The purpose of this hearing is to hear from
15 you, the customers. We are particularly interested in
16 your comments regarding the quality of service you
17 receive from this utility and your comments regarding
18 the rate increase request.

19 As you probably know, this case began when
20 Southern States filed their petition for a rate
21 increase. That petition was accompanied by
22 documentation giving accounting information, financial
23 information, engineering information, and rate
24 information which they believe justifies their
25 request.

1 We have also had people intervene in this
2 docket. Public Counsel is representing the public in
3 this proceeding. We have also had some homeowner
4 associations intervene, but Mr. Twomey is not here
5 today.

6 I'd also like to introduce our Staff that is
7 here at this proceeding. They are available to help
8 you if you have any questions that you don't feel
9 comfortable asking in a public setting. Mr. Bob
10 Crouch is an engineer with our Water and Wastewater
11 Department. Next to him is Mr. Marshall Willis, who
12 is a Bureau Chief, in the Water and Wastewater
13 Department. Ms. Capeless is the attorney representing
14 the Staff in this proceeding. Next to her is Troy
15 Rendell, who is a supervisor, a rate supervisor, in
16 the Bureau of Water and Wastewater.

17 Behind you all, the lady we had at the table
18 where you signed up is Melinda Pace with our Consumer
19 Affairs Department. Next to her is my aide, Mr. Billy
20 Stiles. He's also available to help you and answer
21 any questions you may have. Our court reporter today
22 is Rowena Hackney, and she's sitting right over here.
23 Have I covered the Staff? Good.

24 In connection with this rate case, we have
25 held numerous customer hearings. We had one, as I

1 said, in the fall in Sunny Hills. In total we will
2 hold over 20 customer hearings to hear from you all.

3 The technical hearings for this case will
4 begin April 29th, and they will last about two weeks.
5 After that hearing we will meet again as a Commission
6 in agenda, and we will deliberate on the Staff's
7 recommendation of what, if any, increase this utility
8 should get.

9 Although this is a proceeding to hear from
10 you, the customers, I have allowed parties to make
11 brief opening statements. We limit them to five
12 minutes. And at this point, we will take those
13 opening statements from Mr. Hoffman and then
14 Mr. Shreve.

15 Mr. Hoffman, you may go ahead.

16 MR. HOFFMAN: Thank you, Madam Chairman.

17 Ladies and gentlemen, the rates that you
18 have been paying for water and wastewater service,
19 since the last rate case that Southern States
20 completed before the PSC, are based on 1991 plant and
21 expenses. Beginning in 1992, the Company has invested
22 and will, by the end of this year, have placed in
23 service over \$100 million of additional facilities and
24 equipment that are necessary to provide service. The
25 Company has not earned one penny of return or profit

1 on this plan.

2 Southern States has provided proof to this
3 Commission that it has earned less than a 3% return on
4 its plant in service in 1994. Because the Company has
5 been spending approximately \$20 million per year on
6 these types of necessary facilities, even the 3%
7 return from 1994 has been diminished so that the
8 Company currently finds itself losing money, unless
9 rate relief is provided by the Commission.

10 Now, the Company has a statutory obligation
11 to provide service. The obligation is one which it is
12 required to meet; and in doing so, it must comply with
13 strict environmental regulations. These type of
14 environmental regulations, as well as quality of
15 service improvements, account for over half of the new
16 plant in service that I have just referred to before.

17 Now, this rate case will provide a full and
18 open forum for the parties who have intervened, such
19 as the office of Public Counsel who oppose the rate
20 increase, to fully explore the plant and expenses of
21 the Company. These issues will be addressed by
22 Southern States' witnesses, as well as the witnesses
23 of the intervenors.

24 And, ultimately, the decision as to whether
25 Southern States has invested wisely and prudently will

1 be made by the Commission. We believe that we have,
2 and we believe that we have invested in a manner
3 required to protect the health of our customers and
4 protect the quality of our environment.

5 Now, one of the issues that may be raised in
6 this proceedings involves a sale of Southern States
7 facilities in Sarasota County. You may have heard
8 that the Company made a multimillion-dollar profit on
9 this sale in 1994, that's true. The Company made a
10 \$12 million profit. Against the Company's wishes,
11 Sarasota County decided that it wanted to purchase the
12 Company's facilities. The Company lost its assets,
13 its customers, and its future revenue base from those
14 customers forever. This forced sale involved assets
15 that have never been paid for through rates charged to
16 our customers, such as you, who are under the
17 jurisdiction of this Commission. The Commission
18 precedent is very clear that under those types of
19 circumstances, the gain that Southern States
20 experienced from that sale should not be included as
21 part of your rates. And the Commission precedent has
22 been affirmed by the First District Court of Appeal.

23 Another couple of issues may involve the
24 purchase by Southern States of the Deltona and Lehigh
25 properties. As Mr. Shreve may mention, those

1 purchases -- for example, with the Deltona property --
2 were made for consideration at a level less than the
3 rate base. Now, the Commission has had a policy for a
4 number of years where unless there are extraordinary
5 circumstances shown, it is the rate base which is used
6 to establish rates. I would also mention that this is
7 an issue in the Lehigh properties and the Deltona
8 properties that had been litigated on two occasions
9 before this Commission, and the Commission has found
10 that an adjustment is not appropriate.

11 The last issue which I will mention before I
12 conclude is rate structure and uniform rate. As a
13 result of the last rate case, the Commission ordered
14 uniform rates for the Company, and the Company
15 implemented those rates. Since that time, there was
16 an appeal of that decision by some other parties to
17 the case, and the First District Court of Appeal
18 reversed the uniform rates. The court sent the case
19 back to the PSC, and the PSC ruled it would move the
20 Company off of uniform rates to what's known as a
21 modified stand-alone rate structure.

22 I tell you this because we believe and we
23 are continuing to say in this particular rate case
24 that uniform rates are in the best interest of our
25 customers. We believe that uniform rates provide the

1 best means to ensure that all of our customers will
2 pay reasonable rates and will be protected from
3 significant rate shock and the increasing costs of
4 environmental compliance.

5 Just looking in the short term at your rates
6 alone, looking at what your average bill might be if
7 the Company's request for final rates is granted in
8 full, I calculate that your rates would be about 45%
9 less under the uniform rate structure, as opposed to a
10 so-called stand-alone rate structure. So with that I
11 will conclude.

12 I will also mention, Madam Chairman, that
13 Mr. Harold Register from Southern States is here in
14 the audience to help us respond to any questions we
15 may have. And with that I look forward to hearing
16 your comments.

17 CHAIRMAN CLARK: Mr. Shreve.

18 MR. SHREVE: Thank you, Madam Chairman.
19 I'll tell you, what Mr. Hoffman says about the things
20 that I may say, he's right. They made \$6 million
21 profit on the sale of St. Augustine Shores which came
22 into their system at the same time you did. They
23 made, he says, a \$12 million profit on the sale of the
24 Sarasota system. Now, if you'd notice the way he
25 worded it, he said, "No customers under the Public

1 Service Commission jurisdiction paid to support that
2 system," that's true. But citizens of the state of
3 Florida, customers of Southern States Utilities did
4 pay to support that system. Why should Southern
5 States Utilities and Minnesota Power be given that
6 money to the detriment of the citizens of the state of
7 Florida? There's no excuse for that.

8 They were allowed to have a rate base \$9
9 million higher than they paid for the Deltona system.
10 So you are paying a return right now on that, and you
11 are paying depreciation expenses on that. So I guess
12 I'll have to agree with Mr. Hoffman, the Public
13 Service Commission did not go with the customers on
14 that. But if the Public Service Commission does
15 decide to go with you, I'll guarantee you that the
16 appellate court will uphold that, too.

17 So I suppose what Mr. Hoffman is agreeing
18 with us is they received these windfalls, Southern
19 States and Minnesota Power did, but the customers did
20 not. So I do agree with that. They had the windfalls
21 legally, yes. But factually, they still walked away
22 with the money that could have been there for your
23 benefit.

24 Also, he went into the discussion about the
25 difference between uniform and stand-alone rates. Why

1 don't they tell you what increases Southern States has
2 asked for since Deltona sold it to them? The rate
3 coming into the 1992 case, which if you remember a few
4 years back -- a lot of you will remember this -- you
5 were under the jurisdiction of Washington County.
6 Deltona came in and asked for a large rate increase.
7 The County turned them down. Deltona took it to court
8 and got every penny they wanted, every penny they
9 asked for, not one cut. That's what Southern States
10 had when they came into this. That produced, coming
11 into the '92 case, a water bill at 6,000 gallons of
12 11.08. Probably, had they been under the Public
13 Service Commission, that would have been cut before
14 Southern States ever bought it, \$11.

15 If Southern States gets what they want
16 coming out of this case, it would be \$46. On sewer,
17 same situation, Deltona got every penny they wanted.
18 The 6,000 gallon bill would have been \$22.98 coming
19 into the '92 case. For 6,000 gallons, if Southern
20 States gets what they want, \$78.40, an increase of
21 34.06 to \$124.82 for both bills. That is atrocious.
22 It is absolutely ridiculous.

23 I don't know why; now, they have all these
24 little meetings. They probably had some with you.
25 We've had a lot of customers come in complaining about

1 the meetings, and Southern States didn't really answer
2 any questions. All they did was confuse things. They
3 never talk about how much money they want from you.
4 In the water system, since before the '92 case which
5 they were bringing in \$53,000, \$53,341. Coming out of
6 this case, they are asking for \$252,799 to be
7 justified from your system for Southern States
8 regardless of who pays for it, but they don't talk
9 about that.

10 In the sewer system 48,000 to 120,000.
11 There is absolutely no justification for what has
12 happened over here. They have got 150 systems in this
13 case, and nobody can check each one of those out. It
14 used to be that when we had one case, you could check
15 the system out, know what was going on, and check the
16 books. It can't be done in this.

17 Another thing that really bothers me is I
18 have fought utilities in this state for 18 years, and
19 at least most of them took advantage of the system as
20 much as they could, but they played by the rules. In
21 this case we're seeing Southern States pull out all
22 the stops to do everything they can to take your
23 money, and we think it's atrocious. We think the
24 Public Service Commission should look at each system
25 and set a fair, just, and reasonable rate. And what

1 they are asking for from your system for Southern
2 States is not fair, it's not just, and it's not
3 reasonable. And if anything, they should not be
4 granted any rate increase at all, but I think our
5 testimony is going to show that there should be a rate
6 cut rather than a rate increase. Thank you very much.
7 (Applause)

8 CHAIRMAN CLARK: Thank you, Mr. Shreve.
9 Mr. Hoffman, do you have the proof of publication and
10 the affidavit showing notice was sent of this meeting?

11 MR. HOFFMAN: Yes, ma'am. I have provided a
12 copy of the same to the court reporter and to the
13 parties.

14 CHAIRMAN CLARK: All right. And it will be
15 marked as Exhibit 50 in this proceeding.

16 (Exhibit No. 50 marked for identification.)

17 CHAIRMAN CLARK: Ladies and gentlemen, we
18 are at the point at which we are ready to take public
19 testimony. As you probably know, we take that
20 testimony under oath, and I will administer the oath
21 to everyone at one time. When you come up to the
22 podium, will you please give us your name, and spell
23 your last name for us.

24 I should tell you, if you do not wish to
25 testify at this point, you can send us your comments

1 by writing them on this sheet and sending it to the
2 Public Service Commission. The address is already on
3 it.

4 We will be calling you in the order you
5 signed up. Also, if you have previously testified in
6 the last service hearing, I want you to know that that
7 testimony is still part of the record, and it can be
8 used by the Commission in making our decision on this
9 case.

10 Gentlemen in the back of the room, there are
11 some seats up front if you care to take a seat.

12 All right. At this point I would like
13 everybody who signed up to testify to stand and raise
14 your right hand.

15 (Customers collectively sworn.)

16 CHAIRMAN CLARK: Thank you very much.
17 Mr. Shreve, would you go ahead and call the first
18 witness?

19 MR. SHREVE: Certainly. Donald Spiker.

20

- - - - -

21

DONALD SPIKER

22 was called as a witness on behalf of the Citizens of
23 the State of Florida and, having been duly sworn,
24 testified as follows:

25

WITNESS SPIKER: My name is Donald Spiker,

1 S-P-I-K-E-R. I am a resident of Sunny Hills, having
2 moved to Sunny Hills in early 1972.

3 Now, in regards to the rate increase,
4 according to the figures that I'm quoting now, the
5 base rate for water is going to be 10.67, and then
6 from \$1.25 to 4.13 at 1,000 for water. Sewer is
7 18.40, and the water going into the sewer is 3.66 to
8 7.75.

9 Now, according to even SSU's figures, they
10 say average is 5,467 gallons, which I disagree with;
11 it's much less than that. We can't afford to even buy
12 that much water. But even so, they get a base rate of
13 10.64. And 5,467 gallons of water would be 24.78,
14 would make it 35.42 for this amount of water. Then we
15 go over to the sewer, those of us on sewer have to pay
16 18.40 plus 55.86 making it 74.26.

17 Now, let's go to the sewer first. People on
18 sewer with a base rate of 10.64 would pay 4.13 for
19 water and 7.75 for wastewater. That makes it \$11.08
20 per 1,000 gallons. Or to be more realistic, 11 cents
21 per gallon -- they ought to start selling it like gas
22 stations do -- making it a total of \$11.08 per 1,000
23 gallons. Big deal, they give us a cap at 6,000
24 gallons. Nobody in here can afford to buy 6,000
25 gallons.

1 They claim that every drop of water that
2 comes through that meter goes in the sewer. If this
3 is the case, they should be required to put a meter on
4 the sewer and we can prove this once and for all. I
5 cannot believe that every drop of water that comes
6 into my house ends up in the sewer. We've got to use
7 some for cooking, some for drinking. I don't believe
8 it all goes to the sewer.

9 Now, I conducted my own set of figures. I
10 claim that the actual cost for 1,000 gallons of water
11 at the plant is 91 cents per 1,000. I can break that
12 down for you if you desire how I arrived at those
13 figures.

14 I have my own deep well which is a 1.5
15 horsepower pump, and I can pump 1,300 gallons of water
16 per hour at a cost of 20 cents per 1,000 gallons. I
17 can't understand why they should get 10.64 base rate
18 for water and 18.40 for sewer. Now, we use to get
19 2,000 gallons to offset this. This was stopped in the
20 rate case in '82, and we've been losing ground ever
21 since.

22 Now, the sewer plant was designed for 2,000
23 hookups, 2,000. At the present time, they have
24 somewhere in the vicinity of 200. To me, this gives
25 them approximately 11% of use. So when you go into

1 used and useful, they are at 11%, not the 85% they
2 claim they have. Now, granted, they got a water
3 permit for the sewer of 50,000 gallons, the smallest
4 one they could possibly get because they will never
5 use 50,000 gallons. This plant is oversized, costs us
6 money, and they should be required to reduce the size
7 of this plant to accommodate the 200 hookups that they
8 have.

9 COMMISSIONER GARCIA: Sir, excuse me. What
10 did you say the capacity of the plant was?

11 WITNESS SPIKER: The capacity of this plant
12 is for 2,000 hookups.

13 COMMISSIONER GARCIA: And they are only
14 using 200.

15 WITNESS SPIKER: That's right.

16 COMMISSIONER GARCIA: Thank you.

17 Now, they are claiming they have 85% useful,
18 and I'm telling you they are at 11% useful. If you
19 take the 182 gallons daily average times the number of
20 plants, even that would come under 4,000 gallons --
21 40,000 gallons daily which would give them 80% of what
22 their permit is. But this permit is misleading; it's
23 the smallest permit they could get.

24 Now, going into the complaint department,
25 there's still too much chlorine in the water. The

1 reason for this is the fact they don't have return
2 lines. This water is not circulated. At the last
3 meeting, you were here in September, I was told by
4 your Staff that they would look into this. I haven't
5 heard a word on it; I don't think anybody did. But as
6 I understand it, by state regulations in all municipal
7 plants, they must circulate the water. This water is
8 dead ended in many areas, and it stays there until
9 it's used. And this is not right. They should be
10 required to put in the number of return lines
11 necessary to circulate the water.

12 In the early morning hours, if you try to
13 use this water, it's impossible. You've got to run
14 the water and wastewater for at least five minutes to
15 get the water down to a level that you can drink it.
16 Therefore, I bring in a bucket of water from my well
17 for drinking and for making coffee. And the other
18 thing, with this amount of chlorine in the water, many
19 of the ladies in here are complaining of itch and rash
20 due to the extreme amount of chlorine that's in this
21 water.

22 One other problem with the sewer. We've got
23 septic tanks now going up along Boat Lake. Boat Lake
24 had been there for some time. But along Gap Lake,
25 they are building a number of new houses along Gap

1 Lake. They are putting in septic tanks with the field
2 lines. The field lines are at or below the lake
3 surface, and this is unacceptable. They are going to
4 pollute that lake. Even these people have asked SSU
5 to provide sewer service to them, which they will not
6 do. They won't spend a penny for anything, other than
7 what's mandated by law, so it leaves us stranded with
8 polluted lakes.

9 Every one of these lakes should be on a
10 sewer system. They talk about environmental, well,
11 this is certainly a good example of what happens to
12 our environment.

13 Now, in going back over some of the stuff
14 that I've mentioned, what we need to do is to have you
15 people run a complete cost analysis for this
16 particular plant. Now, I've run my own analysis on
17 it, and I think that we are due a decrease instead of
18 a rate increase. I'm sure that you have got the
19 qualified people to come in and do a complete cost
20 analysis for this plant. I'm not talking about the
21 other plants; I don't know anything about them. I'm
22 talking about this plant.

23 Now, we go in to this so-called modified
24 rates. How can it be a modified rate when you've got
25 over 100 plants in that same area? This is not

1 modified stand alone. This is something in between
2 that nobody seems to know anything about.

3 I'm for stand-alone rates, plant by plant.
4 And I don't care if it takes them 10 years to get the
5 rate increase, you should go into each plant and
6 evaluate it. I'm sure you've got the people qualified
7 to do it. If not, I'd be happy to work with them and
8 show them how it's done. That's all I have at this
9 time. (Applause.)

10 CHAIRMAN CLARK: Thank you, Mr. Spiker. Are
11 there any questions?

12 COMMISSIONER GARCIA: I'd like to ask Staff,
13 because he had asked for a response at the last
14 meeting, and you said nobody got back to you?

15 WITNESS SPIKER: Right.

16 COMMISSIONER GARCIA: What was the question
17 so that we can make sure that they get back to you
18 right away.

19 WITNESS SPIKER: In getting these lines set
20 up so that they've got recirculation of water. In
21 other words, return lines. I believe that according
22 to the state, you must have return lines and
23 circulation of water.

24 COMMISSIONER GARCIA: Staff is telling us
25 that it's not a requirement.

1 WITNESS SPIKER: Okay. So then we're
2 stranded with an excess amount of chlorine forever.

3 Now, one other thing they do, they'll take
4 and flush the lines occasionally to get rid of it, and
5 who pays for this water? We do.

6 COMMISSIONER GARCIA: Why do you pay for it?
7 They run it out of your home?

8 WITNESS SPIKER: No, but they run it out of
9 the plant, and we're paying for it overall.

10 Now, it all comes down to you people look at
11 their facts and figures for cost. Now, figures don't
12 lie; but liars, sure as hell, know how to figure.
13 That's all I have.

14 CHAIRMAN CLARK: Mr. Spiker, I am going to
15 ask the Staff to get back to you specifically with
16 respect to their findings on the chlorine, and let you
17 know the state requirements regarding chlorine levels
18 and the recirculation so you will at least have their
19 viewpoint on it.

20 WITNESS SPIKER: Thank you.

21 COMMISSIONER GARCIA: Mr. Spiker, you said
22 that you wanted stand alone, and you would want stand
23 alone even if your system was more expensive than the
24 uniform rate?

25 WITNESS SPIKER: Absolutely. Because if you

1 come in here and make a detailed cost analysis of this
2 plant, you'll find out that they're getting excess
3 rates right now. I have checked Bay County,
4 Washington County, and Jackson County; and we're
5 higher than any one plant, any of them. There isn't a
6 single one.

7 I called Tallahassee, but I didn't get
8 direct answers. I understand in Tallahassee it
9 depends on where you live, is what rates you are. But
10 I would be glad to pay the Tallahassee rates, that's
11 for sure. Thank you. (Applause)

12 COMMISSIONER GARCIA: Thank you.

13 MR. SHREVE: Thank you, Mr. Spiker.

14 (Witness Spiker excused.)

15 - - - - -

16 MR. SHREVE: Achille Coretti.

17 **ACHILLE CORETTI**

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

21 WITNESS CORETTI: I'm Mr. Coretti. I live
22 at 568 Chapel Avenue, Sunny Hills, Florida.

23 CHAIRMAN CLARK: Could you spell your last
24 name for us?

25 WITNESS CORETTI: C-O-R-E-T-T-I.

1 First, I would like to say to SSU here, they
2 own 150 companies now, I'd like to know how many
3 companies they started with and where they get all the
4 money to buy these 150 companies from?

5 MR. HOFFMAN: I think they have around 150
6 systems. Mr. Hoffman, can you answer that question.

7 WITNESS CORETTI: Yeah. If they're losing
8 money, where did you get the money to buy the systems
9 from?

10 MR. HOFFMAN: I think we have over 150
11 service areas across the state.

12 WITNESS CORETTI: Yeah. Where did you get
13 the money from to buy them if you lost money?

14 (Laughter)

15 CHAIRMAN CLARK: Mr. Hoffman, can you
16 provide some information on that?

17 MR. HOFFMAN: Where we got the money to
18 buy --

19 CHAIRMAN CLARK: As I understand it, it's
20 Minnesota Power who has provided the money, through
21 either debt or equity financing, to purchase the
22 systems.

23 MR. HOFFMAN: Okay. We'll get the
24 information.

25 CHAIRMAN CLARK: Mr. Coretti, that

1 information will be part of this proceeding when we
2 hold the technical hearings.

3 WITNESS CORETTI: Okay. I have Panama City
4 where they're going to spend something like \$53
5 million to put in a system down there. And the rates
6 are going to go from \$20 and they're going to raise it
7 another \$23 a month on \$53 million. Here, it's right
8 in black and white.

9 And there's another one here. Wastewater,
10 going on down there, where they're going to raise the
11 rates. It's \$23, and they're going to spend \$30
12 million, and they're only going to raise it \$7.35.

13 And as far as the rates over here, they are
14 raising the base facility for the meter, they're
15 raising it 50%. They're raising the gallonage charge
16 300%. They're raising the base facility charge for
17 the wastewater 50%, and they raised the water another
18 100%. That's a 500% raise in water and sewer. I'd
19 like to get that in my social security check.

20 And another thing I would like to ask, this
21 is pertaining to you people, "Utility Lobbyist Penned
22 MacKay's Letter to PSC." I would like an explanation
23 about this letter that was sent to you people, to
24 McKay. It's on public record here.

25 CHAIRMAN CLARK: It is, Mr. Coretti. What

1 happened was the Lieutenant Governor, Mr. MacKay, sent
2 a letter to me, and in it it had some information
3 regarding Southern States Utilities. It had attached
4 to it a letter from Mr. Arend Sandbulte, who is a CEO
5 of Minnesota Power and Light. And I determined that
6 it needed to be put on the record in this case, and I
7 sent it down to the clerks' office. So it was sent
8 out to all the parties, so they are aware of the
9 communication that was sent to me by the Lieutenant
10 Governor.

11 WITNESS CORETTI: But as soon as they got
12 the letter, you people raised the rates, the interim
13 rate, right away. Why was that such a coincidence?

14 CHAIRMAN CLARK: Mr. Coretti, that letter
15 came during the time our recommendation from the Staff
16 on interim rates was pending. I can assure you it had
17 no bearing on my decision, and the Staff's --

18 WITNESS CORETTI: According to this, it has
19 a bearing.

20 CHAIRMAN CLARK: Well, do you believe
21 everything you read in the newspapers, Mr. Coretti? I
22 can tell you it had no bearing on my decision in that
23 case, and I believe that recommendation from Staff was
24 already filed before we got that letter.

25 WITNESS CORETTI: If it's not true, why

1 don't you sue newspapers?

2 CHAIRMAN CLARK: Well, because public
3 officials can only sue newspapers if they're
4 malicious, and they usually win, Mr. Coretti.

5 WITNESS CORETTI: Well, according to this
6 thing, it's malicious. They said that you had
7 something to do with the rate increase.

8 CHAIRMAN CLARK: Well, maybe you are right
9 and maybe I can call you as a witness saying that you
10 think it's malicious.

11 WITNESS CORETTI: You know, I mean, we're in
12 your hands, and we expect you people to be honest and
13 above reproach. Do you understand?

14 As far as these companies, everybody comes
15 to Florida to make money. It seems to be an easy
16 target. This Minnesota Mining, you know, I mean, it
17 seems to be the word. I mean, everybody comes to
18 Florida. Yeah, go to Florida; you can make a lot of
19 money, you know, get everything done. You get so many
20 laws passed; they are easy, pushovers.

21 CHAIRMAN CLARK: Mr. Coretti, we are as
22 concerned as you are about the magnitude of this
23 request, but I can assure you Mr. Shreve and the other
24 people who have intervened are going to do a very good
25 job of ferreting out the truth. And we will hold that

1 hearing in April, and I would invite you to come and
2 at least see one day of those hearings to see what
3 we do in terms of determining what the evidence really
4 shows.

5 WITNESS CORETTI: Yes. And I'm really sure
6 a lot of these people in here cannot afford over \$100
7 a month for water. It's almost impossible, you know.
8 So I don't know what you people are going to do.

9 COMMISSIONER GARCIA: Mr. Coretti, can I ask
10 you a question real quick?

11 WITNESS CORETTI: Yes.

12 COMMISSIONER GARCIA: I asked the other
13 gentleman, I just want to ask you, not that I'm going
14 to ask everyone. But if you had to choose between
15 stand-alone and uniform rate --

16 WITNESS CORETTI: Well, it's not a matter of
17 stand-alone or uniform rate. I just want to pay an
18 amount that I can afford to pay. Do you understand?
19 The title doesn't mean anything. It's just what a
20 person can afford to pay. We're all retired in here.
21 You know, maybe they think we are millionaires in
22 Sunny Hills, but we're only retired people. And we
23 just can afford so much between -- you know, taxes are
24 going up in here and electric and everything else is
25 raising besides the water.

1 COMMISSIONER GARCIA: Let me ask you,
2 Mr. Coretti. Has this facility increased a lot in the
3 last few years in size?

4 WITNESS CORETTI: No, they haven't spent a
5 nickel in here. I don't know if you have the records,
6 but 1989 --

7 COMMISSIONER GARCIA: We do have the
8 records. I'm just asking from your perspective.

9 WITNESS CORETTI: No, they haven't spent a
10 dime in Sunny Hills. In 1989 they claimed they spent
11 \$900,000 in here. And in 1990 they said the same
12 thing, and they didn't spend a dime, they lied, if you
13 look at the records. All these people do is just lie.
14 Anybody can put a bunch of records out. I mean, I
15 could write up a record and tell you something; I did
16 this, that, and that.

17 CHAIRMAN CLARK: Mr. Coretti, there hasn't
18 been a lot of ongoing development in this area, has
19 there?

20 WITNESS CORETTI: No, not at all. They
21 haven't extended the sewer system which they should do
22 as Mr. Spiker said, and they haven't done that, which
23 improves the water.

24 COMMISSIONER GARCIA: So, basically, this is
25 a development that stopped. So the Company hasn't --

1 from your perception. I mean, the records may show
2 something else, but I want to know what you perceive
3 it as someone who uses the system. You haven't seen
4 the system grow in any way?

5 WITNESS CORETTI: No, not at all.

6 COMMISSIONER GARCIA: Have you seen any new
7 capacity provided to you or any new service?

8 WITNESS CORETTI: If I was in business, I
9 would not buy a losing corporation. I'm pretty sure
10 you wouldn't either, buy a losing corporation, would
11 you?

12 COMMISSIONER GARCIA: Probably not. I
13 couldn't afford to buy any corporation right now.

14 WITNESS CORETTI: I mean, why are these
15 people buying this here place? Why would they buy
16 something that's losing money, that has no potential,
17 do you understand, depending on you people to raise
18 the rates? And that's just what they are doing, see?

19 COMMISSIONER GARCIA: Let me ask you
20 finally, the service you are getting from Southern
21 States Utilities, Mr. Spiker complained about the
22 quality of the water. Do you have that complaint?

23 WITNESS CORETTI: The quality of the water
24 is lousy. So it's very terrible water in here. The
25 water's not that good. Of course, they don't spend no

1 money here. Harold's got his hands tied. He only
2 works for these people. He's not a boss, you know.
3 And it's up to the people up the top to give him what
4 he needs to get the quality of what we can get.

5 The last time they had 247,000 people on the
6 water systems in here -- 120 systems was the last time
7 I said was where they had 247,000 people. You say
8 there's 300,000 people on the system?

9 COMMISSIONER GARCIA: Totally, yeah.

10 CHAIRMAN CLARK: I think, Mr. Coretti, you
11 are referring to the last case where there were
12 roughly 120 systems.

13 WITNESS CORETTI: 247,000 people.

14 CHAIRMAN CLARK: That may be correct. I
15 cannot recall.

16 WITNESS CORETTI: You say this, with 150,
17 that's 300,000 people. You just say between their
18 commercial and residential water and sewer systems,
19 they are getting \$50 a month, hypothetically. Okay,
20 that's how much? \$15 million a month? That is \$180
21 million a year that they're collecting right now. I'd
22 like to see that in black and white. And now they
23 want to double that, which is \$360 million a year.
24 They are going from 50; they're going to
25 100-some-odd-dollars a month. I mean, I'd like to be

1 in that business. Gee, could I buy any stock in your
2 Company if you get the raise?

3 CHAIRMAN CLARK: Any questions?

4 MR. SHREVE: Mr. Coretti --

5 CHAIRMAN CLARK: Go ahead, Mr. Shreve.

6 MR. SHREVE: Mr. Garcia, before the '92
7 case, according to Southern States' information, here
8 in Sunny Hills they had 393 customers projected for
9 '96. There's 413, 20 difference. For sewer, 171 from
10 the '92 case -- I assume that's the '91 test year --
11 to 175 in '96, so a growth of four is all.

12 WITNESS CORETTI: I'm talking throughout
13 their whole sewer system.

14 MR. SHREVE: No, I understand. But he was
15 asking earlier about the system here. There's been no
16 growth here.

17 WITNESS CORETTI: No, no growth in Sunny
18 Hills at all.

19 MR. SHREVE: The only growth is in the
20 rates.

21 WITNESS CORETTI: There's about -- between
22 500 and 1,000 homes in Sunny Hills. There's about,
23 like you say, so many, 127 on the system.

24 MR. SHREVE: Yes, sir. You referenced the
25 newspaper articles, and Commissioner Clark is right,

1 when they received the letter from the Lieutenant
2 Governor, she deemed that it was an ex parte
3 communication and sent it to all the people on the
4 docket so we would know about that.

5 Some of the Commissioners and -- well,
6 particularly, Commissioner Garcia, I know -- they've
7 had a lot of meetings. Have they had a lot of
8 meetings over here with you, there own meeting?
9 (Audience response.)

10 UNIDENTIFIED SPEAKER: They're scared to
11 come.

12 MR. SHREVE: And there's lots of
13 correspondence. And we have asked for all of that
14 correspondence as to what they've written to the
15 different customer groups when they wrote it, when
16 they sent the little card with the notice and
17 everything like that. We haven't received it yet, and
18 it's apparent to me at this point we are not going to
19 receive it in time for any of the public hearings to
20 bring that out. But I don't know if there's much of
21 an explanation that the Public Service Commission can
22 give you about any of Southern States' activities and
23 them trying to gather support or have any of these
24 things.

25 If they want to make any comments on what

1 their activities were leading up to the letter or
2 anything like that, I have no problem with it at all.
3 We haven't heard anything about that.

4 WITNESS CORETTI: Would you like to have
5 these here?

6 CHAIRMAN CLARK: Mr. Coretti, yes, you can
7 give me those articles, and we'll mark those articles
8 as Exhibit 51. Do you need them back?

9 WITNESS CORETTI: No, no.

10 CHAIRMAN CLARK: Thank you for testifying.
11 Mr. Shreve would you call the next witness.

12 (Exhibit No. 51 marked for identification.)

13 (Witness Coretti excused.)

14 - - - - -

15 MR. SHREVE: Mr. Hill.

16 B. L. HILL

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

20 WITNESS HILL: My name is B. L. Hill,
21 commonly known as Burly around here. I live at 905
22 Country Club Boulevard, Sunny Hills. And I would like
23 to add that actually I am not in the corporate -- or
24 the section of Sunny Hills; I'm across the road. I
25 bought into an addition that was known as Lake Genesis

1 Estates on a property that was bought by Omni
2 Ministry, Incorporated, which they split off 18 lots
3 and sold for the purpose of developing a youth camp
4 here in this area, just to the west of this community
5 center here.

6 At the time my land was purchased or I
7 bought my property, we were subject to the SSU, at
8 that time was Deltona Technologies. We had the water
9 facilities and the sewer facilities available to us as
10 part of the transfer of that land as certainly the
11 Omni group were intending on building the camp and
12 they would need the water and sewer facilities.

13 There's a little history, and I think it
14 goes back on record, and I didn't bring them with me.
15 Back in 1990 when I started building down on the
16 Gap -- I'm right across over here; I can see this
17 place from my house -- I made application for sewers
18 as I came from down South in the jungle where
19 everything is totally polluted down there as a result
20 of the sugar companies back over in the Everglades.
21 And I did want sewers regardless of what the cost was.

22 There was communication between myself and
23 the PSC and between Deltona Technologies at that time,
24 and I did request sewers. Finally, the day when they
25 dropped my septic tank in, they came about and said,

1 yes, we'll give you sewers. There was a letter
2 written back to the PSC from the Deltona Technologies
3 that I had refused the sewers because of financial
4 costs, which is not true; and I called them back over
5 in Apopka and informed them that was not a fact.

6 Since that time, there were two of us living
7 in that edition over there. We had things pretty much
8 our own way for the last five years. Now, there is a
9 house going up right next to me to the north. Another
10 house has already gone up to it, and the people have
11 moved it. Another house is going up to the north of
12 it; they dropped the septic tank in last week.
13 There's another house going up beyond it. It will be
14 there by summertime.

15 At the time the two went up next to me,
16 applications were made, especially one of them was
17 made to SSU for sewers. The gentleman is not here at
18 this meeting. He designed his house for the sole
19 purpose of putting in sewers. And at that time -- and
20 I think this can be verified by Mr. Register, they
21 came down, and they marked off the spot where they
22 were going to put the pump down. They were going to
23 extend the sewer lines all the way from Sunny Hills
24 Boulevard, down by the Omni property, down by my
25 property, right on down the hill, and then up the

1 hill, they were going to extend it on down to the
2 country club because the owner of the country club had
3 aspirations, and still has aspirations, of putting in
4 some condos or some apartments next to the country
5 club.

6 Well, after his house was designed and so
7 forth for the sewer lines, and he had made his
8 deposits, lo and behold, SSU come back and says, well,
9 golly, it's going to cost us \$25,000 or so to put in
10 that sewer line, and we can't afford it. They turned
11 around and gave him his money back. They sent his
12 contract back to him, and then they turned around and
13 they gave him a measly \$1,500 for his problems.

14 Now, we people over there wanted sewers. I
15 have my septic tank in there, but I'd crush it. My
16 brother-in-law is building over on the other side, and
17 he would crush it, and we would accept sewers down
18 there if they would put it in.

19 COMMISSIONER GARCIA: Let me ask you. The
20 Company gave him 1,500 because they could not?

21 WITNESS HILL: That is my understanding, and
22 I think they can verify that very clearly.

23 But going back to what Mr. Spiker said about
24 the pollution of this pond out here, this place right
25 here is on a septic tank. These people who live back

1 here on the back side are on septic tanks. I know
2 some of them back there, they got caught even dumping
3 barrels down there and rock for septic tanks, and they
4 got caught by the Health Department and had to pull
5 those out.

6 Now, I disagree with Mr. Spiker as to the
7 level of the septic tanks that are going over here on
8 the west side. I'll guarantee you, those things
9 aren't down to water level. By golly, it's 30 feet
10 from my house down a level down to the pond, and
11 practically every one of those down there are up
12 above -- well, in fact, the Health Department will not
13 allow us to put in septic tanks down there or drain
14 fields at water level. In fact, two of them that have
15 gone in right now are so low down that they had to put
16 in grinders and put in pumps to pump their usage up on
17 top of the hill to get it away from the water level.

18 But it's still a pollution problem. That
19 developed area over there is going to develop. I
20 happen to be working closely with the Omni group, and
21 eventually we're going to have it right here. We're
22 going to have sewers. SSU is going to have to do
23 something, so that is really my beef in going back
24 since 1990, '91 as to what they have done there.

25 Now, let's go into what SSU has expended

1 here. I travel the community considerably, and I do
2 know that some of the water pressure tanks they have,
3 the one over by the golf course, was replaced. It was
4 enlarged. I don't know whether because of age it had
5 to be replaced, but it had to be replaced, but it was
6 replaced last year.

7 The one over on Sand Mountain, to my
8 knowledge, has not been replaced because there are
9 only three families setting over there using off of a
10 big pump substation. So I know that SSU has spent
11 some money to improve the water system, that is as far
12 as the flow is concerned, although we haven't had that
13 need for it.

14 I have to agree with Mr. Spiker that
15 sometimes in the morning our water is distasteful. I
16 know here in Gap Pond, I've had that water tested out
17 there twice with the Health Department, and I came
18 back with a better quality of water than what I was
19 getting out of the water systems.

20 COMMISSIONER GARCIA: Excuse me, I didn't
21 understand you. You came -- the test was --

22 WITNESS HILL: The quality of water test,
23 not for chemical but as for healthwise --

24 COMMISSIONER GARCIA: Was fine?

25 WITNESS HILL: -- was fine. Now, that would

1 not run consistent as of last week when there had been
2 rainstorms, and we had runoffs, and so forth. I
3 couldn't attest to the quality at that time once you
4 get the runoff, but as a whole during the summertime
5 or whatever it may be, or during the fall when we do
6 not have -- it rains, the water becomes pretty pure
7 out there. I drink it when I'm out on the pond. And
8 I pump it up to the house, but I don't use it for
9 drinking so I'm one of the fortunate ones that I can
10 pump out of these ponds. Because our deed
11 restrictions allow me to do it, where the people in
12 Sunny Hills that live around these ponds, Boat Pond
13 and Watering Pond, and so forth, can't do that because
14 of the deed restrictions.

15 As far as the water rates are concerned, I
16 have lived off of wells, golly, I think for -- well,
17 I've been in Florida almost 35 years coming from down
18 south. And I've lived off of wells down there. And I
19 know the expense of well water when you have your own
20 system, especially when the electricity goes out; we
21 have no water. The hurricanes, and they have no
22 water.

23 I have to commend SSU up here when we had
24 Opal. We were without power for two days here. Some
25 people three days depending on exactly where they

1 were. We never lost water one minute. The pressure
2 was down because they were operating off of
3 generators. It's expensive to operate off of
4 generators, these big pumps. But I do have to commend
5 them for that; we never lost water here during Opal.
6 And that's better than I can say from some of the
7 utilities that came out of Bay County, and over to the
8 west, or in Fort Walton Beach and that area, people
9 were without water because they were without power.
10 So I commend Harold Register and his Staff for taking
11 care of that problem here.

12 Now, as far as water rates are concerned, I
13 can't really complain about the rates. It's a lot
14 cheaper for what I use in water than what I could
15 afford to pump it out of a well. By the time I drill
16 a well; put a pump on it; pay the electricity for the
17 pump; if I want to purify the water, put a water
18 softener in or any chemicals and so forth -- I know
19 down South it cost me an average of about \$14 a month
20 to pump my own water.

21 When it comes to the quality of water, again
22 there is that problem of the morning, and it's smelly
23 at times. It's a combination of chlorine and a lot of
24 other chemicals, I mean, that they add to it because
25 the environmental protection agencies and so forth

1 require tremendously the amount of chemicals, and it
2 increases every year, what is required of these public
3 utilities to add to their water. And every time it
4 goes in there, somebody has to pay for it.

5 I have one other problem that's going to
6 come up, and I don't know that the people are aware of
7 it. But I know the commercial places here in Sunny
8 Hills, the churches, and the one little community
9 store we have down there, have been required by the
10 federal government and through SSU to add these bypass
11 valves back. For the commercial, I know our church
12 down there spent about, oh, golly, it was almost \$600
13 for the valve, plus the installation for it from the
14 plumber. And then it has to be checked every year.
15 And the person who comes back and checks it every year
16 to make sure it's working, collects a fee. That same
17 process is eventually going to come to every homeowner
18 here. That he's going to be required to put a valve
19 in there, a check back valve.

20 CHAIRMAN CLARK: A backflow valve.

21 WITNESS HILL: A backflow valve. Well,
22 certainly it isn't going to run that expensive for the
23 individual because it's just a matter of going out
24 there and putting a check valve on a pipe in the back
25 of the meter. But that's coming up as soon as the

1 federal government tells the water companies that
2 they're going to have to do it, and the water company
3 says, okay, the homeowner is going to have to do it.

4 One other problem that I have is SSU charges
5 according to the size of the pipe. A homeowner comes
6 in, and you put in a -- it's a five-eighths to a
7 three-quarter inch pipe from the meter, that's one
8 rate. If you go to a one-inch, that's another rate.
9 If you go up to an inch and-a-quarter, that's another
10 rate. And it just behooves me how you can -- I mean,
11 water is water. It doesn't make any difference how
12 big a hose it goes through, big a pipe. What's the
13 difference? That bothers me.

14 I know my neighbor -- I mean, I've got a
15 five-eighths three-quarters, I pay one rate. My
16 neighbor has got a one-inch -- not my neighbor, but
17 another fellow has a one-inch, and his per cost gallon
18 because of the one-inch is more than my three-quarter
19 inch. And yet he and I use the same amount of water.

20 CHAIRMAN CLARK: It's not just the base
21 facility charge that is more, it's the gallonage
22 charge?

23 WITNESS HILL: It's the gallonage cost. If
24 you have a one-inch in there, you are going to pay
25 more per gallon than you would if you have a

1 five-eighths three-quarter. Or if you go to a
2 commercial and you have a two-inch pipe, you are going
3 to pay more.

4 CHAIRMAN CLARK: Okay.

5 COMMISSIONER GARCIA: If you could get
6 together with our Staff because the Staff is saying
7 there is no distinction in the gallonage charge or
8 there should not be.

9 WITNESS HILL: Should not be?

10 COMMISSIONER GARCIA: There should not be,
11 so you might want to --

12 WITNESS HILL: Well, maybe my friend has a
13 different meter. Maybe his meter over there is crazy.

14 CHAIRMAN CLARK: That would be helpful.

15 UNIDENTIFIED SPEAKER: I have one --

16 CHAIRMAN CLARK: Excuse me. Let me tell you
17 why I have to interrupt you. We have to get these
18 down, and the court reporter, she can't hear all of
19 you from the audience. What I would suggest is we'll
20 get to you as soon as we have talked to everybody
21 who's signed up.

22 UNIDENTIFIED SPEAKER: It refers to what he
23 says.

24 CHAIRMAN CLARK: Well, you can refer back to
25 it when you come up.

1 Go ahead Mr. Hill.

2 WITNESS HILL: As far as other improvements
3 that have been made here as far as SSU is concerned, I
4 am also aware that in their sewer system, grinding
5 system, they put especially back over around the
6 Watering Pond, that those pump stations have been in
7 there for years. And I do know that those pumps have
8 been replaced because of age and because of breakdowns
9 in this past year. And those pumps are very, very
10 expensive.

11 Now, all I can say is when SSU took it over
12 from Deltona Technologies, they bought a peg in a
13 poke. They bought a system -- part of the systems
14 were probably on the verge of having to be replaced
15 anyway.

16 But that has occurred. I know that for a
17 system -- and the cost of those things are expensive,
18 and I'm certain that those costs are available from
19 Mr. Hoffman over here.

20 CHAIRMAN CLARK: Thank you, Mr. Hill.

21 WITNESS HILL: Now, I have one other
22 comment.

23 CHAIRMAN CLARK: Sorry.

24 WITNESS HILL: I have over the years moved
25 around in various parts of the state, primarily from

1 down South. And I was looking down the list of some
2 of the public utilities that Minnesota Power bought
3 down there. Boy, they bought some lulus, especially
4 Lehigh Acres. Lehigh Acres was bankrupt from General
5 Development. It's now owned by the RTC. So how SSU
6 ended up with that bag of worms, it's amazing.

7 I came up here from St. Lucie County. To
8 the south of us is Martin County. Fox Run, boy,
9 that's a little community out west out there. It's a
10 real rich community.

11 Fisherman's Haven, it's a little place
12 down -- sets on the St. Lucie River. And they bought
13 that since I came up here. Nobody could afford to
14 handle it down there when I lived down in that area.

15 Burnt Store up in Charlotte County. That
16 was part of Punta Gorda. That was another part of
17 General Development who has gone bankrupt. So anyway,
18 if SSU took on some bad, bad investments, I don't see
19 why the other people as a stand alone, mixing it all
20 up, should have to pay for that.

21 And I think, again going back, possibly the
22 stand-alone rate for water would be better. But by
23 the same token, the facilities that they operate here,
24 they should shutdown part of them. They have pumping
25 water way out here in Sand Mountain, clear out there.

1 There's only three families out there, and they are
2 pumping water all over everywhere out there, and it's
3 standing out there. They have to go out there, and
4 they have to flush those lines. Shut them down where
5 there isn't any need for it. Right here, across up
6 here from Deltona Boulevard and Alcam, there isn't a
7 house up in there, nowhere, and they're pumping water
8 all over that system up in through there.

9 COMMISSIONER GARCIA: Are they keeping up
10 that system, too?

11 WITNESS HILL: Oh, yes, yes. We have pumps
12 out here, scattered around, big pumps. I mean these
13 are big diesel pumps -- or big electric pumps, diesel
14 engines in there, big tanks. Probably, I think,
15 there's about 5,000 gallons or minimum 5,000 gallon
16 storage tank, pressure tanks.

17 COMMISSIONER GARCIA: Right.

18 WITNESS HILL: So they are pumping water all
19 over everywhere out here.

20 COMMISSIONER GARCIA: And there's nobody out
21 there consuming that water.

22 WITNESS HILL: Nobody there. Nobody there
23 to consume it.

24 COMMISSIONER GARCIA: So they're just doing
25 it to make the system work.

1 WITNESS HILL: True, true. Especially the
2 one out in the Sand Mountain area. They have to keep
3 it going for those three families, so that's a burden
4 of the cost on everyone that is totally, totally
5 unnecessary. And I think engineering-wise, they have
6 ways of shutting that system down. And, certainly, if
7 anyone ever comes in there, which is not going to
8 happen in my lifetime as far as Deltona marketing is
9 concerned, they could resolve it.

10 I have nothing further to say, thank you so
11 kindly.

12 CHAIRMAN CLARK: Any questions of Mr. Hill?
13 Thank you, Mr. Hill.

14 WITNESS HILL: Surely.
15 (Witness Hill excused.)

16 - - - - -

17 CHAIRMAN CLARK: Mr. Shreve.

18 MR. SHREVE: Anna Simandl.

19 WITNESS SIMANDL: I don't wish to talk.

20 MR. SHREVE: Thank you. Robert Duerbeck.

21 WITNESS DVERBECK: I'll skip it this time.

22 I've only been here three years, and these guys
23 educate me every time.

24 MR. SHREVE: Thank you. J. McDonough.

25 - - - - -

JOHN MCDONOUGH

1
2 was called as a witness on behalf of the Citizens of
3 the State of Florida and, having been duly sworn,
4 testified as follows:

5 WITNESS MCDONOUGH: My name is John
6 McDonough. I live at 448 Hancock Court, Sunny Hills.

7 COMMISSIONER GARCIA: John McDonough?

8 CHAIRMAN CLARK: Could you spell your last
9 name?

10 WITNESS MCDONOUGH: M-c-D-O-N-O-U-G-H. Now,
11 I don't have any animosity toward the utility company,
12 part of my income is derived in investment.

13 CHAIRMAN CLARK: Mr. McDonough, remember to
14 talk into the microphone so we can hear you.

15 WITNESS MCDONOUGH: They chase me off a boat
16 one time because I talked to close to it, but all
17 right. All I want to do is find out something. I'm
18 on the sewer system, but I think I'm paying too much
19 money. We'll be paying a hell of a lot more, can I
20 change it? Can I put in a septic tank or a cesspool
21 or something, like add on and on and on.

22 CHAIRMAN CLARK: Mr. McDonough, that is
23 something that is controlled by the department of --
24 DEP and the county, I think, and you need to check
25 with the county as to whether or not that is

1 authorized. I am not sure it would be authorized if,
2 in fact, there is sewer available.

3 WITNESS McDONOUGH: Well, now, if somebody
4 moves in here tomorrow and he wouldn't get a sewer, it
5 would be all right for him to get a septic tank,
6 right?

7 CHAIRMAN CLARK: I think it would depend on
8 where he is. It's not clear to me why some facilities
9 were available and not used, as Mr. Hill described.

10 WITNESS McDONOUGH: Well, I'm not going to
11 worry what Mr. Hill described there. But, anyway,
12 suppose this thing is going on and on, Mr. Shreve --
13 or Barrister Shreve, or whatever they call you --

14 MR. SHREVE: It depends on who you talk to.

15 WITNESS McDONOUGH: Let's get out of this
16 system, take everything out of the system, the whole
17 sewer system. If they can't afford to do it, or in
18 years to come if --

19 CHAIRMAN CLARK: Mr. McDonough, I have to
20 ask you --

21 WITNESS McDONOUGH: Again, all right, all
22 right, all right.

23 CHAIRMAN CLARK: Thank you.

24 WITNESS McDONOUGH: So anyway, why not take
25 the whole system out and put in septic tanks. There's

1 only 189 people on them, and it's supposed to work for
2 2,000, I think that would be the simplest way to do
3 it. Of course we have to get the okay from the people
4 who are on the sewer systems. And then again, if we
5 got the politicians behind us, they'll jump for
6 anything. They get them out of there.

7 MR. SHREVE: It looks like there should be
8 some answer besides just continually going up on the
9 rates the way they have over the years. There's
10 something else that's got to be done.

11 WITNESS McDONOUGH: Well, that's the
12 something else I'm thinking about. I'm an old man
13 now, but years ago -- what was it, in "Good-bye
14 Mr. Chips" they used some very, very terrible
15 explosives to get rid of a sewer system. Material
16 C-4, you wipe it out overnight from --

17 That's all I got to say. I'm not an
18 anarchist or anything else.

19 MR. SHREVE: Thank you.

20 Thank you, Mr. McDonough.

21 (Witness McDonough excused.)

22 - - - - -

23 MR. SHREVE: Mr. Joseph Sudzius.

24

25

JOSEPH SUDZIUS

1
2 was called as a witness on behalf of the Citizens of
3 the State of Florida and, having been duly sworn,
4 testified as follows:

5 WITNESS SUDZIUS: My name is Sudzius,
6 S-U-D-Z-I-U-S, Joseph. My nationality is Lithuanian,
7 and my English is limited. And I am a little hard
8 hearing, so please bear with me.

9 I want to talk a little bit about interim
10 rates. The letters that I received say that October
11 6, 1995, Public Service Commission denied interim
12 rates to SSU. On January 4, 1996, Public Service
13 Commission approved interim rates or interim revenue,
14 as they say, increase by quite a bit.

15 My question is, what made the change your
16 minds, all you Commissioners? I heard that they
17 supplied some additional information which originally
18 was not supplied, one. And then as was mentioned,
19 Madam Chairwoman received some letters. Received
20 letters from Lieutenant Governor Buddy MacKay to which
21 was attached letter from Minnesota Power, which is for
22 subsidiary -- the other way, SSU subsidiary of
23 Minnesota Power.

24 CHAIRMAN CLARK: That is correct.

25 WITNESS SUDZIUS: And there was a letter to

1 Governor Chiles, to our Governor, that men still
2 receive letters from Lieutenant Governor and from
3 Governor, so it say. Did you share those letters with
4 the other Commissioners, madam?

5 CHAIRMAN CLARK: Mr. Sudzius, what I did was
6 I sent it down to be put on the record. Whether or
7 not the other Commissioners saw it, I don't know, but
8 it was sent to me. I don't believe they got a copy,
9 but it was available on the record.

10 COMMISSIONER GARCIA: But, sir, I want to
11 clarify because of the way you are putting the facts
12 together, it seems one way -- and it was not that way.
13 And I think the Chairman has tried to clarify it, so I
14 want to clarify it for you.

15 The first time that those rates came before
16 us, they were presented in a uniform rate format only.
17 As far as I'm concerned, that is the reason I voted
18 against those interim rates. But the Commission took
19 a vote and allowed the Company to present them again,
20 as long as they presented them with stand-alone rates
21 and modified stand alone, so we could look at all the
22 rate structures at that time. Because the court, the
23 Supreme Court, had sent back the uniform rate case --

24 Was it the Supreme Court?

25 CHAIRMAN CLARK: DCA.

1 COMMISSIONER GARCIA: First DCA. When we
2 got that back, when we got those rates as we requested
3 them with the different rates, that was happening
4 before the Governor's letter was sent to the
5 Chairman's office. And that recommendation by our
6 Staff was already written and before us to vote on
7 when that letter arrived.

8 So I want you to understand that it wasn't
9 that the letter of the Governor created a series of
10 rates. Those rates were already there; this
11 Commission had voted to allow the Company to present
12 those rates again in a format that would give us more
13 options -- I would guess would be a good way to put
14 it -- that we felt would be upheld by the courts. And
15 that's what we voted on that day.

16 WITNESS SUDZIUS: And then additionally you
17 received a letter from Commerce Secretary Charles
18 Dusseau?

19 COMMISSIONER GARCIA: Right. We didn't
20 receive a letter from the Governor; we received one
21 from Buddy MacKay, who is the Lieutenant Governor of
22 the state. It was sent to the Commission. And a
23 letter from Commerce Secretary, Charles Dusseau.
24 correct.

25 WITNESS SUDZIUS: And that was just before

1 you voted.

2 COMMISSIONER KIESLING: Let me add something
3 here. I'm right here, right here. I've never seen
4 the letter from Secretary Dusseau. I have no idea
5 what it says, other than what is in the newspaper. I
6 don't know about the rest of my fellow Commissioners,
7 but if Commissioner Garcia gave you the impression
8 that either of those letters were sent to the
9 Commission, my understanding is they were sent to the
10 Chairman, who is Chairman Clark, and she placed those
11 letters on the record. That does not mean that they
12 were sent to the rest of the Commissioners, and it
13 doesn't mean that we've seen them.

14 WITNESS SUDZIUS: Is it legal to put
15 pressure, or let's say influence, by Governor --
16 Lieutenant Governor and Secretary on Public Service
17 Commission to raise -- particularly because those
18 letters, you probably know, was drafted -- or part of
19 them were drafted by SSU Lobbyist Jeff Sharkey. Did
20 you know that?

21 CHAIRMAN CLARK: No, I did not know that
22 until that was further reported in the press.

23 And I can tell you, Mr. Sudzius, when I saw
24 those letters, I determined it may be interpreted as
25 ex parte communications. And I frankly did not read

1 it very well because I knew it needed to go on the
2 record, and I knew it wasn't something I should
3 consider throughout this rate proceeding.

4 And I'm not sure the other Commissioners
5 would have had the opportunity to see that letter
6 before January 4th. I certainly did not send it to
7 them. I sent it down to the record.

8 WITNESS SUDZIUS: Did you try to figure out
9 before you voted to increase interim rates for 6,000
10 gallons, we would have to pay \$100.35 a month? Did
11 you figure out, or just -- you just voted to increase
12 whatever was asked?

13 CHAIRMAN CLARK: No, we did not vote to
14 increase what was asked. Our Staff reviewed the data
15 provided to them and determined they were not earning
16 a fair rate of return. And the law required us to set
17 interim rates that would allow them to earn up to the
18 bottom of the range of rate of return authorized in
19 their last rate case, and we had to use the same
20 adjustments that were used in the last rate case. And
21 because the court had come out and said we could not
22 use uniform rates, we had to do it on a modified
23 stand-alone basis.

24 WITNESS SUDZIUS: Now, I would like to ask
25 SSU representative -- I think you got this mess by

1 wasting money. You asked every so often for a rate
2 increase, and I think you got full-time job for
3 attorneys preparing all the paperwork, postage. I
4 received several letters for this time in the regard
5 on this particular increase. But postage alone costs
6 probably hundreds of thousands of dollars, not
7 counting what attorneys, what office workers spend
8 time preparing.

9 MR. SHREVE: Madam Chairman, I apologize for
10 just one minute, but could we go back to what he was
11 talking about. There have been several comments by
12 the Commissioners, and I, frankly, do not want to sit
13 here -- I understand your questions about the letters
14 to the Commission and the timing and everything like
15 that. And I have no comments or disagreement with
16 what any of the Commissioners have said, but I'm not
17 going to sit here and let you or the audience think
18 that I feel what was done by Southern States Utilities
19 was not totally inappropriate. It was improper, and
20 it never should have been done. Even though I know
21 after the letters came out, they have in some
22 situations publicly taken the position that it was not
23 inappropriate.

24 Southern States, regardless of what anybody
25 else did, instigated that whole situation. They asked

1 for help. It was improper. It should not have been
2 done. I think you have seen where -- and this is not
3 the Commissioners fault that the timing was the way it
4 was -- but Southern States Utilities tried to have the
5 letters written and in by a certain time. And the
6 Commissioners had nothing to do with that. But that
7 was what was done on their part. And from my part of
8 it, I think it was totally improper. And I don't want
9 any of you to think that I agree with that. I have
10 never seen it done, and I've been doing this for 18
11 years in the State of Florida. And I've never seen it
12 done. But I'd be happy to hear what Southern States
13 has to say about it.

14 UNIDENTIFIED SPEAKER: Let's hear.

15 CHAIRMAN CLARK: Go ahead, Mr. Sudzius.

16 WITNESS SUDZIUS: I live on Quintara Court,
17 and there is a lifting station, probably for sewage.
18 And there was some repair a couple of months ago and
19 which lasted several weeks, which I would consider
20 that could be done in couple days. I think that's one
21 example where I think is a waste of the money. And
22 they are not tidy enough to pick up those two old 25
23 hose puller electrical motors after two months. They
24 are still sitting there, the old ones.

25 My question is for SSU. If I am not able to

1 pay the bill, what will happen for sewage and for
2 water? What will happen if I don't pay the bill? I'm
3 not able let's say. What will happen? Disconnect the
4 water? Put a lien on my house? What will happen?
5 Take me to the court? What will happen? Do you know?

6 MR. HOFFMAN: I think a couple of things
7 could happen. You mentioned a lien. I don't know
8 that we have any authority to put a lien if you don't
9 pay the bill. But I think what would happen is you
10 would get a notice from the Company, and if you
11 ultimately did not pay the bill, you would be
12 disconnected.

13 WITNESS SUDZIUS: So then we would be able
14 to dig our own septic tank, dig the well and build an
15 outhouse? (Laughter)

16 Otherwise, Sunny Hills will be a ghost town.
17 That's it.

18 CHAIRMAN CLARK: Thank you, Mr. Sudzius.

19 (Applause)

20 Thank you very much. Any questions?

21 MR. SHREVE: Thank you, sir.

22 (Witness Sudzius excused.)

23 - - - - -

24 MR. SHREVE: Mr. Ralph Brandon.

25

1 their pocket to pay \$200 an hour, which that's an
2 average attorney fee in Florida. I just don't buy
3 that.

4 MR. SHREVE: Mr. Hoffman is a lot more
5 expensive than that. (Laughter)

6 WITNESS BRANDON: Jokingly, if he works for
7 free, I know OJ would have liked to have you last
8 year. But on the serious side, I came from Maryland
9 five years ago in perfect health. Dr. Alan Carol will
10 back that up. That was my physician.

11 Since I've been down here, I've been ill the
12 last two years; I've been unable to work due to
13 diarrhea. I've been cut open, had my gallbladder
14 removed. They found that the stones were actually
15 little seeds; they were stuck together from a lot of
16 calcium buildup and chloride. They actually had to
17 put a drain in my liver for seven days to drain my
18 liver after surgery.

19 I know that can't hardly be proved, but I
20 know it was the water because I grew up in the
21 mountains and drank well water, never had no problems
22 in my life until I come down here. I just wanted to
23 make that comment for the record, and I appreciate you
24 all listening to me. Thank you.

25 CHAIRMAN CLARK: Thank you, Mr. Brandon.

1 MR. SHREVE: Thank you, sir.

2 (Witness Brandon excused.)

3 - - - - -

4 MR. SHREVE: Mr. Jim Hall.

5 JIM HALL

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

9 WITNESS HALL: Yes, my name is Jim Hall. I
10 live over on Kemlock Drive. I am a fairly new
11 resident here in Sunny Hills, but not to the area. I
12 moved down here from the Asheville, North Carolina
13 area where we had -- I think, water, sewer, and
14 garbage pickup was about \$35 a month total. And to
15 this point here in Sunny Hills, it has not been that
16 bad. Water quality has not been that good either.

17 The people with SSU have been more than --
18 any problems I've ever had, they've always been
19 Johnny-on-the-spot. They've always been pretty good.
20 But what the problem is, I think -- is coming out of
21 SSU offices where they want to triple their profit.
22 And this man here said they spent \$100 million, I
23 wonder where they spent it. I don't think they spent
24 it here. And I don't think if they spent \$100 million
25 in some of these other places down below Sarasota that

1 the people in Sunny Hills ought to have to pay for
2 what's going on in Sarasota or Miami or some of the
3 other places.

4 Also, another area. When I moved here,
5 there was a piece of property next door to me that I
6 wanted to purchase. And I went to Deltona and talked
7 to the real estate agent that I bought my house
8 through, and she gave me a price on the property. And
9 she come back to me the next day, and she says, "Well,
10 Jim, I'll sell you the property, but we've got to have
11 another \$1,500." I said for what? They said to paid
12 for the water and sewer. I said, Well, I'm not
13 putting a building on it. But she said we still have
14 got to have \$1,500 for the water and sewer collected
15 for SSU.

16 Now, what I want to know is why. If I want
17 to buy a piece of property, why do I have to pay
18 \$1,500 over and above that piece of property for
19 something that I may never put a house on? I wanted
20 it because I wanted to put some space between -- or
21 have some area where I could build maybe a boathouse
22 or put a small building on it, but I had never
23 intended to hook up the water or the sewage. But why
24 would I have to spend an extra \$1,500 for something
25 that I did not use? And I don't know, but this is

1 what I was told by Deltona Corporation that I would
2 have to do if I wanted to buy the piece of property.

3 CHAIRMAN CLARK: When was that?

4 WITNESS HALL: It was in October -- no,
5 excuse me. It was in probably April of '93. And I
6 still would like to buy the piece of property, but I
7 don't want to spend \$1,500 on water and sewage I'm not
8 going to use. And I was told that this was the deal
9 that Deltona had made with SSU at the time that SSU
10 bought the property, any property that Deltona sold,
11 that they would collect \$1,500 for the water and
12 sewage.

13 CHAIRMAN CLARK: Mr. Hall, I don't know the
14 answer to that, but we'll find out the answer to that.
15 And I'm going to specifically ask our Staff to look
16 into that, and you, too, Mr. Hoffman; I would like to
17 know. They represented to you that it was going to be
18 paid --

19 WITNESS HALL: That's correct.

20 CHAIRMAN CLARK: That \$1,500 was going to go
21 to SSU?

22 WITNESS HALL: That's right. And I've been
23 back several times since then asking about it. They
24 say, "Well, that's the way it is. If you want it,
25 that's what you are going to have to buy."

1 I believe that's just about -- that's my
2 complaint. So I appreciate your time.

3 CHAIRMAN CLARK: All right, Mr. Hill. Thank
4 you. Would you make sure you talk to Mr. Crouch here
5 and give him the details of what lot you wanted to
6 purchase?

7 WITNESS HILL: When do I talk to him? Right
8 now?

9 CHAIRMAN CLARK: When the hearing is
10 adjourned, or Mr. Crouch you could go talk to him in
11 the back of the room while we are continuing.

12 WITNESS HALL: Okay. That'll be fine.

13 CHAIRMAN CLARK: Thank you, Mr. Hall.

14 Mr. Shreve. (Applause)

15 (Witness Hill excused.)

16 - - - - -

17 CHAIRMAN CLARK: Thank you. Mr. Bruce King.

18 WITNESS KING: Good morning.

19 CHAIRMAN CLARK: Mr. King, were you sworn in
20 with the others?

21 WITNESS KING: No.

22 CHAIRMAN CLARK: All right. Would you raise
23 your right hand?

24

25

BRUCE KING

1
2 was called as a witness on behalf of the Citizens of
3 the State of Florida and, having been duly sworn,
4 testified as follows:

5 CHAIRMAN CLARK: Go ahead.

6 WITNESS KING: Well, I'm a new resident, and
7 I got here a little late. I'm really not up to speed,
8 but could I just ask a couple of questions?

9 CHAIRMAN CLARK: You may.

10 WITNESS KING: Is there anybody here from
11 SSU?

12 CHAIRMAN CLARK: Yes, there is. Mr. Hoffman
13 and Mr. Register are here. Mr. Register, will you
14 raise your hand, please?

15 He's back in the back of the room.

16 MR. HOFFMAN: And Mr. Smith is here.

17 CHAIRMAN CLARK: And Mr. Smith.

18 WITNESS KING: How many wells do they have
19 in operation?

20 CHAIRMAN CLARK: Mr. Hoffman, do you know
21 that answer?

22 MR. HOFFMAN: Total across the state, or
23 here?

24 CHAIRMAN CLARK: Probably just Sunny Hills.

25 WITNESS KING: Here.

1 MR. HOFFMAN: Three.

2 WITNESS KING: How many wells total shut in
3 and operating?

4 MR. HOFFMAN: Three.

5 WITNESS KING: Thank you. What is the depth
6 of the shallow well?

7 CHAIRMAN CLARK: Mr. King, that's kind of --
8 he has to check with his person in the back of the
9 room. Is there a reason --

10 WITNESS KING: There's only three wells, I
11 mean --

12 CHAIRMAN CLARK: Well, I'm not sure he has
13 that information on the tip of his tongue. Is it
14 important to what you are going to say? We'll answer
15 your question, I'm just wondering do we need to answer
16 it now?

17 WITNESS KING: Yes.

18 CHAIRMAN CLARK: Do we need to find out that
19 information right now?

20 WITNESS KING: Yes.

21 CHAIRMAN CLARK: Well, Mr. Hoffman, if you
22 would get Mr. Register to give that information to you
23 if he can, but let's go on. Do you have anything
24 specific to say about the rates and the service,
25 Mr. King?

1 WITNESS KING: So in other words we don't
2 know the depth of the shallowest well?

3 CHAIRMAN CLARK: He's going to try and find
4 out. Is it important to the testimony you are about
5 to give now?

6 WITNESS KING: I'm just asking a couple of
7 questions, I'm not testifying.

8 CHAIRMAN CLARK: Oh, you don't have anything
9 to say to us about the rates or the service from this
10 Company?

11 WITNESS KING: I just have a couple more
12 questions, if you'd be so kind?

13 CHAIRMAN CLARK: All right.

14 WITNESS KING: Is the Company selling any
15 water to anybody else outside of Sunny Hills?

16 CHAIRMAN CLARK: Yes, they are, Mr. King.
17 They have a number of systems throughout the State of
18 Florida that sell water and wastewater.

19 WITNESS KING: From these three wells?

20 CHAIRMAN CLARK: No. As I understand it,
21 the three wells here serve Sunny Hills and some part
22 outside of Sunny Hills.

23 WITNESS KING: Is that true?

24 MR. HOFFMAN: That's my understanding, too.

25 WITNESS KING: So who would these other

1 customers be outside of Sunny Hills?

2 MR. HOFFMAN: Let me speak with
3 Mr. Register. You are getting into a couple of
4 details I don't have on the tip of my tongue.

5 WITNESS KING: So, in fact, this Company is
6 selling water from the three operating wells?

7 COMMISSIONER GARCIA: Sir, could you just
8 hold on a minute because now I'm getting confused
9 because of the answers and they're crossing --

10 Could you have Mr. Register sit next to you
11 and get the answers as close as we can?

12 WITNESS KING: That's great.

13 CHAIRMAN CLARK: Mr. Register, let me go
14 ahead and swear you in, too, so we can rely on the
15 answers you are giving. Why don't you stand up for a
16 minute.

17 - - - - -

18 HAROLD REGISTER
19 was called as a witness on behalf of Southern States
20 Utilites and, having been duly sworn, testified as
21 follows:

22 CHAIRMAN CLARK: What are your questions,
23 Mr. King?

24 Mr. Register, do you know the depth of those
25 wells, and do you know if --

1 WITNESS REGISTER: I could give him
2 approximately; I can't give him exactly.

3 CHAIRMAN CLARK: That would be fine.

4 WITNESS REGISTER: About 460 feet.

5 WITNESS KING: For the shallowest.

6 WITNESS REGISTER: That's just an estimate.

7 WITNESS KING: I understand, but that would
8 be for the shallowest.

9 WITNESS REGISTER: I mean, I could look on
10 the records and tell you exact, but I can't tell you
11 right now.

12 WITNESS KING: And is the Company selling
13 water to anybody else besides the residents of Sunny
14 Hills?

15 WITNESS REGISTER: We have one or two
16 customers that's right in the area.

17 WITNESS KING: Are these residences or --

18 WITNESS REGISTER: Yeah, residences. Yeah.

19 WITNESS KING: So you are selling no water
20 to any commercial enterprise?

21 WITNESS REGISTER: Not right now, no.

22 WITNESS KING: Any plans in the future?

23 WITNESS REGISTER: Yeah. If there's an
24 opportunity, sure.

25 WITNESS KING: If there is an opportunity to

1 sell water in the future, you will --

2 WITNESS REGISTER: Yeah.

3 WITNESS KING: -- to a commercial?

4 WITNESS REGISTER: Yeah.

5 WITNESS KING: From these three wells?

6 WITNESS REGISTER: Yeah.

7 WITNESS KING: Thank you. Just another

8 couple of questions, if I could. When did SSU

9 actually buy the water and sewer operation?

10 CHAIRMAN CLARK: Here in Sunny Hills?

11 WITNESS KING: Yes.

12 WITNESS REGISTER: I don't know.

13 WITNESS KING: Don't know. You work for

14 SSU?

15 WITNESS REGISTER: Yeah.

16 WITNESS KING: Does anybody have any

17 knowledge of when that may have happened?

18 MS. CAPELESS: Approximately 1985 is what

19 the Staff is telling me, sir.

20 WITNESS KING: Thank you. At that time was

21 the sewer and water operations just about the way it

22 is now?

23 WITNESS REGISTER: Yeah, plus some

24 improvements. There have been improvements made,

25 yeah.

1 WITNESS KING: So one might assume that a
2 cost analysis, a projection of the business was done
3 at that time, and you bought the operation pretty much
4 as it is today?

5 WITNESS REGISTER: Since Southern States has
6 bought it, there have been improvements made.

7 WITNESS KING: Improvements?

8 WITNESS REGISTER: Yeah, generators put in,
9 were done at the sewer plant. Lift stations put in,
10 new lift stations.

11 WITNESS KING: Thank you.

12 WITNESS REGISTER: New storage tanks.

13 WITNESS KING: I just wonder in '85, '86,
14 was any thought given to, like, downsizing the sewage
15 plant to accommodate the lower number of people that
16 were in here?

17 I understand the system was designed for,
18 what, 2,000 or 20,000. Two? Is that a problem today?
19 Is that why you need the rate increase?

20 WITNESS REGISTER: No, the plant's running
21 about 50% capacity right now,

22 WITNESS KING: 50% capacity.

23 WITNESS REGISTER: A little more.

24 WITNESS KING: Is the population today very
25 much higher or the same from '85?

1 CHAIRMAN CLARK: Mr. King, we have those
2 projections. I think Mr. Shreve gave them to us in
3 terms of -- the utility does provide to us the growth
4 in customers from rate case to rate case. So that
5 information is available. I'm not sure Mr. Register
6 would be the person who has that information.

7 MR. SHREVE: There's been very little growth
8 since '91. And I'm not sure, but I think it's been
9 very little since '85 when they bought it. This has
10 been going on with Deltona and Southern States for
11 years.

12 WITNESS KING: Thank you. One last
13 question.

14 CHAIRMAN CLARK: Go ahead, Mr. King.

15 WITNESS KING: Can you in a nutshell tell me
16 why they are asking for this increase at this point in
17 time? Is it the water, the sewer, and/or both?

18 CHAIRMAN CLARK: Mr. King, they allege their
19 business overall is not earning a fair rate of return
20 and that is why they have filed a rate case. They
21 have filed the rate case and the Staff and Mr. Shreve
22 and intervenors are in the process of verifying that a
23 rate increase is appropriate.

24 WITNESS KING: If we have no choice, if this
25 is a monopoly, then why would you even consider

1 rewarding inefficiencies in their management?

2 CHAIRMAN CLARK: We do not consider
3 rewarding inefficiencies, and one thing we do look at
4 is if they are efficient and if they were prudent in
5 their expenses and purchases. And I can tell you that
6 Mr. Shreve and Mr. Beck do a thorough job at looking
7 at those things. That is part of what we look at.
8 Just because they spend the money, doesn't mean they
9 are going to get it back. They have to show it was a
10 prudent and efficient thing to do.

11 WITNESS KING: What?

12 CHAIRMAN CLARK: That whatever actions they
13 took that cost money were prudent and efficient. They
14 have to show those things in order for it to be
15 something that can be recovered through rates.

16 WITNESS KING: They have to show you that
17 this money that they have spent --

18 CHAIRMAN CLARK: -- was prudently expended.

19 WITNESS KING: Was prudently expended.

20 CHAIRMAN CLARK: That's correct.

21 WITNESS KING: And if they prove that to
22 your satisfaction, then we get stuck?

23 CHAIRMAN CLARK: Then the expense is
24 reflected in the rates, that's correct.

25 MR. SHREVE: Commissioner, on that, would

1 you mind if I ask? As I understand it, and I think
2 I've heard this question for the last several years,
3 is what you are asking is if the rates produced a
4 revenue in Sunny Hills for water of about \$53,000 in
5 '91, what you would like for them to do is tell you
6 how they justify going up to \$252,000, after this case
7 almost five times as much? And that's what you are
8 looking for, some justification?

9 WITNESS KING: One last question. Is there
10 anybody around here that's exempted from either water
11 or sewage?

12 CHAIRMAN CLARK: You mean that they don't
13 have to take service from Southern States Utilities if
14 they are in the area?

15 WITNESS KING: Yeah.

16 CHAIRMAN CLARK: Well, we just heard from
17 Mr. Hill who indicated that the sewer went by the
18 property, but they didn't have to take it. Whether or
19 not you can put in a septic tank or a well would be a
20 matter of county jurisdiction. Do you understand
21 that?

22 MR. SHREVE: There are about -- over half
23 the people are not on sewer. According to Southern
24 States estimates for '96, you have 413 customers on
25 water and 175 on sewer. So your question is, there

1 are a lot of people who are not on the water and the
2 sewer.

3 And if I may make a comment on this last
4 thing that you were talking about and you still don't
5 have an answer to. The Chairman mentioned to you how
6 they filed a case with all of the systems in from the
7 whole state and what they've alleged. We have to go
8 back to each individual system and see how much that
9 system justifies, and they are trying to say that you
10 owe them -- or that they're justified \$250,000 from
11 somewhere, either from you or somewhere else. And I
12 think what the Public Service Commission is going to
13 have to do is go back and look at the individual
14 rates.

15 Now, they are supposed to be fair, just, and
16 reasonable. And the rates they are trying to charge
17 you are justified money for themselves, not
18 necessarily taking it from you, but somewhere they
19 want it, like they got it out of the last case. Get a
20 fair rate, cut them down to that point on each and
21 every system, and then argue about uniform and stand
22 alone, and not let Southern States walk away with the
23 money regardless of where it is.

24 WITNESS KING: Thank you.

25 CHAIRMAN CLARK: Thank you, Mr. King.

1 WITNESS KING: Thank you, Commissioner
2 Clark. (Applause)

3 MR. SHREVE: That's the last one I have.

4 CHAIRMAN CLARK: Ladies and gentlemen, that
5 concludes the people who have signed up to speak. And
6 I would like to ask this lady that wanted to speak, if
7 you want to come forward and speak?

8 UNIDENTIFIED SPEAKER: Do I have to? I'm
9 handicapped.

10 CHAIRMAN CLARK: No, you don't have to.
11 I'll come talk to you, okay? And you can tell me --

12 UNIDENTIFIED SPEAKER: It was just about the
13 meters when he said, like a one-inch or a
14 three-quarters. I had a one-inch. I paid \$12.13.

15 CHAIRMAN CLARK: Well, let me just tell you
16 we can't get the testimony on the record. We do need
17 you to come to the microphone, but we'll come talk to
18 you afterwards.

19 COMMISSIONER GARCIA: Mr. Coretti had
20 something to say.

21 CHAIRMAN CLARK: Just a minute. Can we
22 carry the microphone to you? Can you do that?

23 Let me swear you in. You don't have to
24 stand, but I'll swear you in.

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FLO ZANETIC

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

CHAIRMAN CLARK: Would you give us your name, and spell your last name for us?

WITNESS ZANETIC: I'm Flo Zanetic, Z-A-N-E-T-I-C. And what I'd like to know is why do they always start out with the one-inch meters when you don't need it? I think it's only two years that I changed my meter to three-quarters, and they tried to tell me I'd have less pressure and less this, that and the other thing, and I didn't. And what I do now, though, is save \$7 a month with the additional cost, the first cost.

The usage is not any different, is it, for cost? (Audience response.)

No, I didn't think so. And he was wrong --

CHAIRMAN CLARK: My understanding is it should not be different, but the base facility charge is different.

WITNESS ZANETIC: And they should put in the three-quarters instead of the inch. There isn't any difference in the pressure or anything else about it.

CHAIRMAN CLARK: You haven't noticed any

1 difference between --

2 WITNESS ZANETIC: No, no way. And they do
3 not charge extra for the usage. Burly Hill, I'm
4 afraid, was a little wrong on that.

5 CHAIRMAN CLARK: Okay. Thank you very much.

6 COMMISSIONER GARCIA: Mr. Coretti wanted to
7 say something.

8 CHAIRMAN CLARK: Mr. Coretti, would you like
9 to add to what you said?

10 WITNESS CORETTI: Yeah.

11 CHAIRMAN CLARK: You still have to come to
12 the microphone.

13 WITNESS CORETTI: The county commissioners
14 does not have authority with the water and sewer.
15 It's a Mr. Cleveland of the Health Department up there
16 about sewer, because I called him up and I talked to
17 the county commissioners about it.

18 And another thing I would like to ask is do
19 they have the \$8.5 million in escrow yet that they are
20 supposed to give back to the customers?

21 CHAIRMAN CLARK: Mr. Coretti, I believe that
22 is still under consideration. They've appealed it to
23 the First DCA, and I'm not --

24 WITNESS CORETTI: That's been quite a while.

25 CHAIRMAN CLARK: Oh, I'm sorry. I've just

1 been reminded that it is on reconsideration with the
2 Commission. It's still pending.

3 WITNESS CORETTI: Okay.

4 MR. SHREVE: You might as well know, too,
5 sir, because they may not have told you, the \$8
6 million that the Public Service Commission ordered to
7 be refunded to part of the customers, they don't want
8 to make the refund, but they have taken the position
9 that if they do make the refund, it should come from
10 you. That's where it is right now.

11 CHAIRMAN CLARK: Thank you, Mr. Coretti.

12 COMMISSIONER GARCIA: Madam Chairman, may I
13 ask a question? I wanted to ask where the requests
14 for documents from Mr. Shreve's office is at, because
15 this is the third time he mentions it in one of these,
16 and we have yet to get a response.

17 MR. HOFFMAN: I'll find out, Commissioner, I
18 don't know.

19 CHAIRMAN CLARK: Okay. Is there anyone else
20 who is here that would like to speak at this time?
21 Would you come forward and give us your name and let
22 me swear you in?

23 WITNESS BELLAMY: I'm Gladys Bellamy. I
24 live at 759 Ulmer Lane.

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GLADYS BELLAMY

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

WITNESS BELLAMY: I just want to remark about what Mr. Hall said about SSU wanting to charge him a fee if he bought the lot next to him. I have no documentation for what I'm saying, but when we moved here in 1977, we are in the housing area, and I understand that the housing area at that time, you could not buy a lot without building a house on it. That's what we were told because we would ask the salesman if we could buy the lot behind us. He said not unless you are going to build a house there, because they want the water and sewer that a house would bring in in that area.

And that's all. That might be some enlightenment on what he said. Now, this was at Deltona. That was a long time before SSU took over.

CHAIRMAN CLARK: Thank you, Ms. Bellamy.

Is there anyone else who would like to provide testimony in this proceeding?

(Witness Bellamy excused.)

- - - - -

CHAIRMAN CLARK: And you did stand up and

1 were sworn in; is that correct?

2 WITNESS DUERBECK: Yes, ma'am.

3 ROBERT DUERBECK

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

7 WITNESS DUERBECK: My name is Robert
8 Duerbeck, I live on North Salem Drive. The question
9 of the meter size is right on the back of this bill.
10 They have five-eighths times three-quarter meters,
11 5.13; that's the old rate. And right below it is
12 three-quarter inch meters which is 7.70. I don't
13 understand why you would have two rates on a
14 three-quarter inch meter. Anybody have an answer to
15 that?

16 CHAIRMAN CLARK: Mr. Duerbeck, can we take a
17 look at your bill?

18 WITNESS DUERBECK: Absolutely.

19 CHAIRMAN CLARK: Okay.

20 WITNESS DUERBECK: You know when it comes to
21 the water, we are pretty much a trapped group. We had
22 the same problem with the gas. Now, like I said
23 before, I've only been here three years so I wasn't
24 going to bother talking. But we had an escape to the
25 gas by getting an outside company to put a tank in and

1 buying their gas, which I was going to do when I moved
2 in.

3 We did change our hot water heater from gas
4 to electric shortly after we moved in, and we now have
5 an electric stove. And we would have gone that route
6 also, but SSU must have seen the light and dropped the
7 price of the gas, because it was over double what I
8 could have paid for bottled gas. But they know where
9 you can't very well do it with water. But people were
10 dropping off the gas system because of those costs,
11 and they were very high.

12 But I think we are kind of stuck on this
13 part. So that's basically the only thing I have to
14 say, but I will show you this.

15 CHAIRMAN CLARK: Thank you, Mr. Duerbeck.
16 Is this anyone else who would like to provide
17 testimony at this time?

18 WITNESS SUDZIUS: May I ask you one more
19 question?

20 CHAIRMAN CLARK: Yes, Mr. Sudzius.

21 WITNESS SUDZIUS: Does not SSU as a utility
22 take up most of your time of all the utilities in
23 Florida?

24 CHAIRMAN CLARK: Well, no, but lately it
25 seems like it. Thank you very much.

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STATE OF FLORIDA)
:
COUNTY OF LEON)


CERTIFICATE OF REPORTER

I, ROWENA NASH HACKNEY, Official Commission Reporter,

DO HEREBY CERTIFY that the Hearing in Docket No. 950495-WS was heard by the Florida Public Service Commission at the time and place herein stated; it is further

CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript, consisting of 86 pages, constitutes a true transcription of my notes of said proceedings.

DATED this 19th day of February, 1996.


ROWENA NASH HACKNEY
Official Commission Reporter
(904) 413-6736



DOCKET 950495-WS
EXHIBIT NO. 50
CASE NO. 96-04227

Maurice Pujol, President and Publisher

112-114 Railroad Ave., P.O. Box 627, Chipley, FL 32428 - 105 E. Virginia Ave., P.O. Box 67, Bonifay, FL 32425
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WASHINGTON COUNTY NEWS - HOLMES COUNTY TIMES - WEEKLY ADVERTISER

THIS IS TO CERTIFY NOTICE OF SERVICE HEARING, DOCKET NO. 950495-WS WAS PUBLISHED JANUARY 11, 1996.

MAURICE PUJOL

PUBLISHER



LYNNE CHAPMAN
My Commission CC-698203
Expires Oct. 01, 1999

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 950495-WS EXHIBIT NO 50

COMPANY/ SSU

WITNESS: _____

DATE 4/29/96

Exhibit No 50

Thursday, January 11, 1996 Washington County N

Vernon Middle School Honor Roll

Vernon Middle School

Assemblies for the second six weeks were held at Vernon Middle School.

Many students were honored for the achievements made during the grading period.

All A's

Seventh grade - Sabrina Glover, Amanda Lowellen, Kendrick Long, Laura Marschka, Jessica Reddick, Ashley Smith

Eighth grade - Valerie Brown, Aysha Coleman, Marla Harrell, Brandon Paul, and Jessica Smith.

A's and B's

Seventh grade - Ashley Smith, Franklin Register, Torric Simmons, Somer Sheffield, Joline Scarbo-

Eighth grade - Jesse Buckley, Kristi Campbell, Dustin Casicils, Rogers Coleman, Dawna Douglas, Richard Dugger, Marla Harrell, Angela Haynes, Chris Reinhardt, Melissa Williams, Victor Baker, Amy Boyce, Jammaal Brown, Tomika Campbell, Regina Page, Matt Phillips, Brent Potter, Rebecca Rommings, Jessica Smith, JD Steward, Jonah Worthington, Sharmaine Scott, Robert Brown, Aysha Coleman, Jamie Davis, Dawn Finch, Alex Jackson, Kristian Lovett, Jake Millic, Adam Patterson, Robbin Jaramillo, Terron Peterson

Seventh grade - Brandon Taylor, Christy Broxton, Jessica Jasso, Jessica Reddick, Kendrick Long, Joline Scar-

Highest GPA/class

ton, Elizabeth French, Candice Day
Eighth grade - Amy Kirkland, Amy Boyce, Thomas Broxton, Larissa Peterson, Jennifer Story, Kristi Campbell, Jake Miller, Delia Collins, Adam Patterson, Tomika Campbell, Dawna Douglas, Rebecca Rommings, Aysha Coleman

Teacher's choice
Seventh grade - Jekema Coleman, Joline Scarborough, Jennifer Ward, Sabrina Glover
Eighth grade - Rogers Coleman, Jennifer Rodriguez, Kristen Lovett
Most improved student
Seventh grade - Jeremy Vaughn, Courtney Jackson, Al Terek Kennedy, Kendrick Long

Cholerton's home
Eighth grade
ams' home room

SPORTS FANS!

I BET YOU DIDN'T KNOW

Brought to you by me
Here's a football oddity impossible... but happened... A player one 5'4" tall scored 4 touchdowns during Nov. 4, 1973. Doublets of the Chicago tried the ball only 4 ft and the other 3 were not... His total yardage during was 5 yards, but he had touchdowns!

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION NOTICE OF SERVICE HEARING DOCKET NO. 950495-WS

Docket No. 950495-WS - Application by Southern States Utilities, Inc. for rate increase and increase in service availability charges for Orange-Cocoa Utilities, Inc. in Osceola County, and in Bradford, Broward, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia and Washington Counties.

Notice is hereby given that the Florida Public Service Commission will conduct a service hearing to discuss the above application for a water and wastewater rate increase and changes to service availability charges. The service hearing for the utility's customers in Washington County (see) will be held at the following time and place:

February 8, 1996

10:00 A.M. CST

Sunny Hills Community Center
181 Sunny Hills Blvd.
Sunny Hills, FL 32428

All persons who wish to testify are urged to be present at the beginning of the service hearing as the hearing may be adjourned early if no customers are present. Any persons requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (904) 413-8770 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Relay Service by using the following numbers: 1-800-955-8770 (VOICE) or 1-800-955-8773 (TDD).

PURPOSE

The purpose of the service hearing is to allow customers and any substantially affected person an opportunity to present comments and information to the Commission about the utility's quality of service, the proposed rate increase, or other matters related to the rate case of the utility. The utility is requesting that customers served water under conventional treatment methods be classified as a separate and distinct service classification from customers receiving water service from reverse osmosis facilities. Under the utility's proposal, the base facility and gallonage charges assessed to customers will be uniform within each service classification. All wastewater customers are included in one service classification and would be charged the same base facility and gallonage charges. The utility's application indicates that the utility has or will have placed nearly \$100 million of additional water and wastewater plant into service since 1992 and through the period ending December 31, 1996. The application also indicates that the majority of those plant additions were required by environmental laws, rules or regulations. The utility's requested service availability charges include charges for meter installation, main extension, service installation, plant capacity, and allowance for funds prudently invested (AFPI). These charges will only be assessed to new customers who cannot obtain Commission approval of the charges. Existing customers will not be assessed service availability charges. Plant capacity and main extension charges for water treatment are classified by conventional and reverse osmosis treatment methods. The utility proposes plant capacity and main extension charges which are uniform within each water service classification. The utility proposes only one service classification for wastewater service, and the plant capacity and main extension charges proposed for wastewater are uniform.

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1989 BUICK SKYLARK Maroon, 2 Door, V-6, Automatic, Great and Priced Right \$5,900	1992 DODGE DY 4 Door, V-8, All Power Equipment, Low Miles, Like New \$8,900
1994 OLDS 88 ROYALE Blue, Like New, Power Equipment, Low Miles and Factory Warranty, SEE TODAY! \$15,900	

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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET

NO. 980496-WS EXHIBIT NO. 51

COMPANY/

WITNESS: _____

DATE: 4/29/96

CASE NO 96-04227

Utility lobbyist penned MacKay's letter to PSC

The Associated Press

TALLAHASSEE — A utility lobbyist drafted a letter signed by Lt. Gov. Buddy MacKay and sent to state regulators shortly before they considered a \$12.3 million rate increase for Southern States Utilities.

MacKay sent the letter to Susan Clark, chairwoman of the Public Service Commission, last month expressing concern for the company's financial health two weeks before the PSC voted on the company's request.

Public records show MacKay's letter was supplied to his office by Southern State's lobbyist Jeff Sharkey, a supporter of MacKay and Gov. Lawton Chiles and a former business associate of the governor's son.

The action astounded Public Counsel Jack Shreve, who represents consumers in rates cases before the PSC.

"In my 18 years as public counsel, I've never seen a utility in the state of Florida try and influence a decision by the Public Service Commission like this," Shreve told the St. Petersburg Times in a report Friday.

Attached to MacKay's letter was a letter to Chiles from the head of Southern States' parent company, Minnesota Power, complaining about poor treatment from the PSC.

Both letters, Shreve and commission lawyers agree, violate a prohibition against communicating with PSC members on pending business.

MacKay did not know the letter was supplied by Sharkey, said Ron Sachs, spokesman for Chiles. The letter was handled by MacKay's staffers, who claimed they didn't know the PSC was preparing to vote on the Southern States' request, Sachs said.

MacKay has said he never intended to pressure regulators.

"The letter was not intended to relate to the vote at all," said Sachs. "Mr. MacKay has a policy of promoting jobs and economic development. He has the highest priority of leaving the PSC to make its decisions independent of any efforts to do anything that could appear to be influence."

Sharkey had worked with the governor's son, Bud Chiles, when he operated a public relations firm in Tallahassee. Sharkey also handled major events for the political campaigns of Chiles and MacKay.

In a prepared statement, Sharkey said MacKay's letter "is like many letters routinely received by the PSC from public officials inquiring as to the status of issues before the commission."

Sharkey also helped draft portions of a letter state Commerce Secretary Charles Dusseau delivered to Clark two days before the vote on Southern States' request.

Shreve called Dusseau's letter inappropriate.

Dusseau said he wanted to try to create "a predictable regulatory environment for all kinds of businesses."

Southern States, based in Apopka, is Florida's largest water and sewer company. It owns more than 150 systems statewide.

The PSC approved an interim \$5.9 million rate increase, which does not affect all customers. Commissioners will make a final decision on rates this summer.

Mike Twomey, an attorney representing Southern States' customers opposing the rate increase, said MacKay would have the power to appoint PSC commissioners if he were elected governor in 1998.

"Irrespective of whether the commissioners were influenced ... the customers can no longer trust that commissioners won't be influenced in future rate case decisions for this company," Twomey said.

AWT plant costs likely to have big impact on rates

Peggy Ussery
The News Herald

A lot has changed in the wastewater business since Bay County commissioners adopted a strategic plan for wastewater in July of 1994.

And the change could end up costing more than originally anticipated.

During Tuesday's meeting, Bay County Public Utilities Director Travis Windham presented a revamped version of the strategic plan to commissioners.

Plans to upgrade the Cherry Street Treatment Plant and to build a North Bay County Plant have been replaced with plans for a regional advanced wastewater treatment plant.

Tuesday's presentation was the first annual update for the strategic plan for wastewater.

"Of course the real driver was the need for additional capacity," Windham said. "The key to the whole program right now is the 6.7-million-gallons-a-day AWT plant."

The plant will serve unincorporated Bay County, Parker, Callaway, Cedar Grove, Springfield and Tyndall Air Force Base. The regional AWT plant will be located on land next to Military Point Lagoon on TAFB.

Later during the meeting, commissioners agreed 4-0 to an interlocal agreement to allow the project engineers to conduct individual rate studies for each of the participants.

Commissioner John Robbins was absent Tuesday.

The rate studies will help determine what each participant should establish as new rates to

pay for the AWT facility. The studies will also help obtain bond financing.

The wastewater permit application for the plant was submitted to the Florida Department of Environmental Protection Monday, said Jack Arthur of Baskerville-Donovan, Inc.

Arthur said the physical engineering phase was complete and the driving force behind the project now was financing.

Windham said construction is scheduled to begin in October and is set to take 450 days. If all goes well, the plant should be on-line by January 1998.

"Of course the big issue is always what is this going to cost," Windham said.

Cost estimates, so far, are \$27.6 million for the actual construction of the plant, as well as \$14.3 million for other projects including debt refinancing and lift station upgrades. On top of that is estimated another \$10.6 million in "soft costs" including capitalized interest, insurance and one year's worth of reserve funds.

The total price tag is estimated to be \$52,468,000.

"We're working on final construction costs now," Windham said.

He said those costs should be ready by the first part of February.

With no additional revenue sources to take care of some of the project costs, customer sewer rates could see a drastic increase. For example, it's estimated that monthly county sewer rates could reach \$40.60 when the AWT plant goes on-line. The average county sewer

Please See AWT / 3D

AWT:

From Page 1D

customer — based on 6,000 gallons usage a month — now pays about \$20.

Other participants are looking at future monthly rates between \$20 for Tyndall customers up to \$43 for Cedar Grove customers when the plant goes on-line.

"We can't determine what rates are going to be until you get bids back on construction costs," Windham said.

Commissioner Carol Atkinson and Commission Chairman Rick Hurst questioned staff on looking into the possibility of a reuse line across the bay.

AWT reuse is already planned for the golf course on Tyndall.

"I still believe we should look at running a reuse line across the bay," Atkinson said. "It doesn't make sense not to while we're out there."

Windham said the cost to run an underwater pipeline would be an additional \$1.5 million to \$2 million.

"What we're trying to do at this point is minimize the capital cost," he said.

Water Systems Division Manager Steve McLellan said the ex-

isting pipeline runs across St. Andrews Bay starting at the mouth of Martin Lake near Stone Container and runs to Military Point.

A new line for domestic wastewater will be laid next to the existing line, McLellan said. The existing pipeline will continue to carry industrial wastewater to Military Point Lagoon.

To save on costs, the reuse line was deleted from the project.

Atkinson asked that the reuse line be looked at one more time to see if it could still be feasible. Atkinson said in the near future federal regulations could mandate the reuse of AWT-treated wastewater and that it would be cheaper to lay the pipeline now rather than later.

"I would still like to see us look at a reuse line without passing the cost on to users," Atkinson said. "I know the money is a lot, but in three or four years there's going to be a need for it."

Atkinson suggested that any future industry that benefits from reuse could pay an impact fee.

County Manager Dan Duda said the feasibility of the third pipeline would be looked at again and the results brought back before the commission.

"If we make the decision, I'd like to make it with all the facts in front of us," Atkinson said.

Officials approve system for wastewater plant, bond issue

Sharon Worcester

The News Herald

Panama City officials on Thursday selected an operating system for the Millville Wastewater Treatment Plant and unanimously approved an \$11 million bond issue for the project.

The cost to each customer will eventually be about \$7.35 more each month, raising the average utility bill to \$23.71. The project is expected to be completed in about three years.

The plant upgrade is necessary, city officials say, because in four years the city will no longer be able to discharge treated water into Military Point Lagoon.

The bay is the only other option. And that means much stricter standards for water treatment.

"Our existing facility could not meet those standards," City Manager Ken Hammons said.

The City Commission was charged Thursday with deciding between the Davis multi-stage operating system, or a sequencing batch reactor three-tank system. The Davis system uses several tanks to do the job that one tank in the SBR system does, translating to a \$1.3 million savings for the city.

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Utility Department officials, however, said they felt the Davis system would make for an easier transition because it is more similar to existing systems. The city manager said the SBR system would work just as well — and save money.

The commission agreed.

Utility Director Dave Banka said he was leery of the SBR system, but Mayor Gerry Clemons told him after the meeting that he wins either way.

"If we're wrong, you get to say, 'I told you so,'" he said. If not, a new operating system will be in place in three years.

And the utility cost to customers remains competitive, he said.

The overall cost to the city for the project

will be nearly \$30.6 million, Hammons said. That includes \$9.8 million in capital outlay, \$9.9 million in operation and maintenance, and the cost of repaying the bond.

The impact on the city, Hammons said, will be room for growth — such as for extending water and sewer service to future industry. The city recently annexed property up to and including the Majette Industrial park for the purpose of providing such service.

The system upgrade also will increase general fund revenue, Hammons said.

Commissioners authorized Hammons to proceed with the permitting process for the upgrade — which will add capacity for up to 5 million gallons per day.

When Hammons offered commissioners the information about the debate over the Davis system and the SBR system, he said it is a "matter of preference over a matter of cost."

Both systems, according to the city's con-

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