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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

-----DOCKET NO. 980214-WS  
:  
IN RE: THE APPLICATION FOR A RATE INCREASE :  
IN DUVAL, ST. JOHNS and NASSAU COUNTIES BY :  
UNITED WATER FLORIDA, INC. :  
:  
-----:

PROCEEDINGS: CUSTOMER HEARING

BEFORE: MARSHALL W. WILLIS, C.P.A.

DATE: Thursday, September 10, 1998

TIME: Commenced at 9:00 a.m.  
Concluded at 11:27 a.m.

LOCATION: Prime F. Osborn Convention Center  
Ballrooms North and South  
1000 Water Street  
Jacksonville, Florida 32204

REPORTED BY: MARIE C. GENTRY, Court Reporter  
and Notary Public

MARIE C. GENTRY & ASSOCIATES, INC.  
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## 1 APPEARANCES:

2

3           MARSHALL W. WILLIS, C.P.A., Chief of Economic  
4 Regulation, and ROBERT J. CROUCH, P.E., Water and  
5 Wastewater, Florida Public Service Commission, 2540 Shumard  
6 Oak Boulevard, Tallahassee, Florida 32399-0850, Telephone  
7 No. (850) 413-6914 and (850) 413-6946.

8

9           BOBBIE L. REYES, Senior Attorney, Division of  
10 Legal Services, 2540 Shumard Oak Boulevard,  
11 Tallahassee, Florida 32399-0863, Telephone No. (850)  
12 413-6216, appearing on behalf of the Florida Public  
13 Service Commission.

14

15           SCOTT G. SCHILDBERG, ESQUIRE, and JAMES L. ADE,  
16 ESQUIRE, of the Law Offices of Martin, Ade, Birchfield  
17 & Mickler, P.A., 3000 Independent Square, P. O. Box  
18 59, Jacksonville, Florida 32201, Appearing on behalf  
19 of United Water Florida, Inc.

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(Hearing convened at 9:06 o'clock a.m.)

- - -

MR. WILLIS: Ladies and Gentlemen, if I can get you to take your seats, please.

Let me first introduce myself. My name is Marshall Willis, and I'm a bureau chief with the Florida Public Service Commission. I'm in the Division of Water and Wastewater and I'm in charge of dealing with rate increases for private water and wastewater companies that are filed with the Commission.

Today with me, I would like to introduce the staff at the head table. This is Bobbie Reyes. She's our Staff Attorney that's assigned to this case, and to her left is Mr. Bob Crouch. He's my engineering supervisor, a professional engineer.

To the table over here to the left are company officials who are here just to listen to customers in the meeting this morning. They are not really here to make presentations. That normally isn't a part of a customer meeting.

The meeting today is basically a meeting between the Staff of the Commission and you, the customers.

For the record, we're here today in Docket No.

1 980214-WS, which is the application of United Water  
2 Florida, Incorporated, for a rate increase for the  
3 counties of Nassau, Duval and St. Johns, for the  
4 facilities in those counties.

5 As you came in today, we tried to hand you a  
6 special report, green colored reports here. The  
7 report basically goes through and gives you a very  
8 brief description about the company in this case.

9 On Page 2 are descriptions of the backgrounds of  
10 the five Commissioners who actually will be deciding  
11 this case later on.

12 If you turn back to Pages 4 and 5, there's a  
13 listing of the present rates that the company charges.  
14 You can go down and look at your meter size, if you  
15 know your meter size, and you can look at the actual  
16 rate that you're currently being charged and what the  
17 company is proposing to charge you with this rate  
18 increase if the company gets exactly what they ask  
19 for.

20 Page 4 starts with the water rates and ends on  
21 Page 5 with the wastewater rates, and Page 6.

22 The last, very last page of the staff report is  
23 basically a self-addressed letter. If you don't  
24 desire to make comments or if you know of some friends  
25 and neighbors who couldn't be here today and wish to,

1 you may take some of these back with you to those  
2 friends and they can actually fill in their comments  
3 on this. If you'll look on the last page, you fold it  
4 twice, staple it or tape it, put a stamp on it and it  
5 comes right to us. It's as good as being here today.  
6 We get those comments and use those comments.

7 There are extra copies in the back of the room if  
8 you so desire to use them, take them.

9 The other thing we asked you to do when you came  
10 in was to fill out what we call a speaker form. It's  
11 really a way that we use to follow people forward in  
12 the order that you came in if you choose to speak.

13 You may not have chosen to do that at this point.  
14 That's perfectly fine. When we have called all the  
15 people forward who wish to make comments this morning,  
16 we'll be getting a show of hands and, if you want to  
17 come forward at that time, you can identify yourself  
18 and come forward.

19 Let me first give you sort of a description of  
20 this case and what we're doing as part of the Public  
21 Service Commission. This case was filed with the  
22 Public Service -- excuse me, I'm having a rough time  
23 this morning. The case was first filed with the  
24 Public Service Commission and accepted on June 23rd,  
25 1998.

1           Now, in this case, the company states that the  
2 driving force is basically a \$32 million capital  
3 improvement plan for the next two years up through the  
4 end of December 31, 1999.

5           If you are familiar with the last case and you  
6 were here for the last case, the company in that case  
7 requested what we call interim rates. Basically those  
8 were rates which were designed to be put in place  
9 while the case was going on. The company in this case  
10 did not make that request. The company, for whatever  
11 reason, didn't.

12           The Commission has suspended the rates for the  
13 time being until this case is finalized.

14           The Company is requesting in this case that they  
15 be given a 21.1 percent increase in revenue for its  
16 water system and a 16.4 increase in its wastewater  
17 system.

18           Part of our process here is to meet with you, the  
19 customers, and I would like to tell you some of the  
20 process that you don't see, the behind-the-scene  
21 process.

22           The Commission Staff, since this application  
23 first hit the door, has assigned auditors from the  
24 Commission who have already been here and are still  
25 here in Jacksonville. They have been up to New Jersey

1 to the home office and they will be finalizing their  
2 audit report of this application and the company in  
3 the near future for our use in finalizing our  
4 recommendation to the Commission.

5 Along with that, we have a staff of engineers  
6 headed up by Mr. Bob Crouch, who is to my far left,  
7 and his engineers are over here, will be here next  
8 week, too, reviewing plant facilities in all three  
9 counties, looking for any issues that they wish to  
10 raise in this case.

11 And, beyond that, we have my own accounting  
12 analysts who are back in Tallahassee who have been  
13 reviewing the case, sending out discovery requests to  
14 the company on issues that aren't being covered in the  
15 audit process.

16 So there's a lot of behind-the-scene processes  
17 going on.

18 The outcome of this is that the company is going  
19 to be thoroughly reviewed. They're going to have a  
20 complete audit of the books and records for the year  
21 chosen by staff and the company, and not only  
22 financialwise, but qualitywise through our engineering  
23 staff.

24 The company in this case has chosen to use what's  
25 called a proposed agency action process. Now, by law,



1 they're allowed to do that. It's the one choice they  
2 get in a rate case. If they don't choose to use that  
3 proposed agency action process, the Commission has to  
4 make the decision on how they're going to proceed  
5 forward.

6 In the last rate case, which was two years ago,  
7 the company didn't choose to go with that proposed  
8 agency action route, and, in that case, we ended up  
9 doing a very formal proceeding. We had Commissioners  
10 coming over here who sat down and basically had a  
11 trial right here in Jacksonville where we had expert  
12 witnesses, prefiled testimony right here, and  
13 processed the case that way.

14 This is a totally different procedure. It's less  
15 expensive procedure, but it could end up in a trial  
16 process as a result.

17 And, at this point, I'm going to let our Staff  
18 Attorney kind of tell you about that process so that  
19 we can familiarize it with you and make you better  
20 understand it.

21 Ms. Reyes.

22 MS. REYES: Well, like Mr. Willis was just  
23 saying, there's two ways to process a case like this,  
24 one is for it to go directly to hearing, like the last  
25 case did; or, two, to come in and process it as

1 proposed agency action, which is what we're doing  
2 here.

3 And, in this particular case, what happens is  
4 after the staff completes its investigation and the  
5 audit report comes back, staff then will draft a  
6 recommendation on the application which it presents to  
7 the Commission at an agenda conference in Tallahassee.

8 Now, that agenda conference is open to the public  
9 and you are welcome to attend. It is in Tallahassee,  
10 and at that point you'd be welcome to address the  
11 Commissioners again with your comments and concerns as  
12 well.

13 Oftentimes, at that agenda conference, the  
14 Commissioners will ask questions of staff and utility  
15 and to any customers who might be present.

16 As a result, then the Commission will vote on the  
17 staff's recommendation, and they can do one of three  
18 things. They can accept it, they can reject it, or  
19 they can modify it. As soon as they accept or modify  
20 the staff recommendation, at that point an order would  
21 be issued which memorializes or confirms the  
22 Commission's decision. At that point any  
23 substantially affected person, such as yourselves, the  
24 customers, would have 21 days in which to protest that  
25 order. If no protest is filed within that 21 days,

1 the order becomes final. If someone does file a  
2 protest, then, in that case, we're back into a hearing  
3 mode and we go through the formal procedure, as  
4 Marshall said, which is very similar to a trial and  
5 it's a very complicated and expensive process.

6 MR. WILLIS: Now, we have been down here -- staff  
7 has been here for a day already, and yesterday  
8 afternoon we met with several homeowners associations  
9 trying to have a one-on-one meeting with those  
10 individuals to understand their concerns and some of  
11 those individuals are back this morning.

12 We're going to be here tomorrow also. If there  
13 are any customers who desire an individual meeting  
14 with staff, you can see some of our staff members who  
15 are in the back of the room as you came in and they  
16 can sign you up for a meeting in the morning.

17 Now, as far as the meeting goes today, we will be  
18 calling people forward from the way that you signed  
19 that up. When you come forward we would like you to  
20 give your name and spell it for the court reporter so  
21 she can get it correctly. As I said before, we do  
22 have a complete transcript of this proceeding being  
23 made and that will be available with the Commissioners  
24 when they hear this case.

25 At this point staff is scheduled to prepare a

1 staff recommendation, which is basically in writing  
2 what we propose to do as staff with the company's  
3 filing, how we believe the Commissioners should decide  
4 on this case. That's scheduled to be filed on  
5 November 5th of this year.

6 The Commissioners will have a period of time to  
7 read that recommendation before they actually meet in  
8 an open meeting, and that meeting is scheduled for  
9 November 17th on what we call our agenda conference.  
10 The Commissioners meet on all docketed matters that  
11 come before them on certain days. It's the only time  
12 where all five Commissioners can come together and  
13 converse on docketed matters and that's where they  
14 will actually sit and decide if they agree with the  
15 staff and our recommendation. Many times the  
16 Commission will look at it, they will decide that  
17 there are differences, things that they would like us  
18 to do differently, and they'll vote differently than  
19 what we're recommending.

20 At this meeting, as Ms. Reyes has indicated, the  
21 company or customers are able to come to this meaning.  
22 It's not like the last case. It's very informal. You  
23 can come to the agenda conference. Unfortunately, it  
24 is in Tallahassee.

25 There is also other avenues for you to look at.

1           There's the Office of Public Counsel. They can come  
2           to that agenda for you. You just have to contact  
3           them. We have an 800 number. Staff can give you that  
4           in the back of the room if you so desire, if you'd  
5           like them to be at that conference for you and express  
6           your concerns.

7           The Office of Public Counsel, I like to tell the  
8           customers, is an advocate. They were established by  
9           the State of Florida, by the Legislature, and they are  
10          the counsel for the public and no other.

11          Now, if you'd like that number, we can arrange to  
12          get that for you in the back of the room.

13          If you'd like a copy of that staff recommendation  
14          -- I know the homeowner associations have already  
15          signed up for it -- I have a form up here, and you can  
16          come forward when the meeting is over and grab some of  
17          those speaker forms, that if you fill one of these  
18          out, this is how we're going to get that  
19          recommendation to you. The recommendations are  
20          normally very thick. In the last case, it was about  
21          175 pages. They go into a lot of detail on the issues  
22          raised. We'll be raising a lot of issues in this  
23          case.

24          If you'd like a copy of that, if you'd just  
25          please come forward after the meeting and get a copy

1 of one of these forms to fill out, we'll get that  
2 recommendation to you. As a part of that, you will  
3 also receive a copy of the order that the Commission  
4 will issue after it's made. It may change from the  
5 staff recommendation, because the Commissioners are  
6 the only individuals who can decide this case.  
7 There's five Commissioners required with doing that,  
8 not the staff of the Commission. We're here as --  
9 basically, we are the staff of the Commission. We  
10 will be making recommendations to the Commission, and  
11 that's our duty at this point.

12 With that, we can go ahead and call the first  
13 person who signed up, and that's Daniel Brady.

14 While Mr. Brady is coming up -- we have a podium  
15 right up here to make it easy for you to spread out  
16 any materials you might want and it also has a  
17 microphone there.

18 And, Mr. Brady, if you'd just give us your name  
19 and go ahead. We're here to answer questions. We'll  
20 take your comments.

21 We may have also questions for the public, too.  
22 So we'll try to do this as informal as possible, but  
23 we'll try and do it one at a time so it doesn't create  
24 a problem.

25 Mr. Brady?

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DANIEL BRADY,

called as a witness on behalf of the customers, testified  
as follows:

WITNESS BRADY: My name is Daniel Brady. It's  
D-a-n-i-e-l and B-r-a-d-y.

I'm the plant facilities manager for Taylor  
Residences. It's a retirement home campus for the aged on  
Chester Avenue, Southside, Jacksonville.

May I start by asking a question?

MR. WILLIS: Certainly.

THE WITNESS: The \$32 million that was in  
question, how much of that is proportioned towards  
wastewater and how much is proportioned towards  
drinking water as far as the updates and renovations?

MR. WILLIS: That I'm going to have my --

We have -- let me explain why we can't break it  
down right now.

We have information on every project. We have  
asked for and received information, including source  
documents, bids, contracts, on every project the  
company is wanting to include.

Part of what the company filed is just a  
schedule, which is fairly thick, which just lists the

1 project, and there's probably 15 projects per page in  
2 this thing. So there's a lengthy project for water  
3 and wastewater included in the two-year increments in  
4 this thing.

5 THE WITNESS: Why I was asking was because I was  
6 wondering if was proportional to the rate, percentage  
7 of rate increase the amount of work that was being  
8 done.

9 MR. WILLIS: It may or may not be, the reason  
10 being that some projects actually may be more  
11 expensive than others. There may be more projects  
12 being done in one system and a few others may be more  
13 expensive.

14 So there's no relationship to how projects are  
15 being done, it's just the cost relationship is what  
16 drives the difference between water and wastewater  
17 increases.

18 THE WITNESS: We received a letter from the  
19 Public Service Commission and we did have some concerns,  
20 and upon receiving the report this morning, we noticed that  
21 -- and our concern is with the wastewater mainly.

22 It says on the front page that the wastewater  
23 service earned four million, you know, dollars in net  
24 operating income on revenues of 16. Well, that appears to  
25 me to be a 25 percent profit there, pretty substantial. If



1 most businesses could incur that kind of percentage, we'd  
2 all be a lot better off. We wish we could have that high  
3 of a number.

4           One of the concerns that we have is because of  
5 the particular services that we use, as you nicely outlined  
6 on the back. We use six-inch wastewater and we have our  
7 own fire protection.

8           And what we do is we provide assisted living,  
9 regular retirement living and nursing care. We have three  
10 facilities at our Chester Avenue campus. There's residents  
11 on that campus, and most of these residents are on fixed  
12 incomes.

13           The rate increases that you're talking about are  
14 going -- well, for instance, last year we paid in excess of  
15 \$98,000 in wastewater alone. Well, those kind of increases  
16 at 16 percent are substantial. I mean, we're talking close  
17 to \$17,000, and, inevitably, that cost has got to be  
18 absorbed in some way.

19           We're a nonprofit organization, always have been.  
20 And it's not a cost that needs to be passed on to  
21 residents.

22           And, like I said, these people there are on a  
23 fixed income. You break it down, it doesn't seem like  
24 much, but to a resident who is retired that has one income,  
25 or whatever, it's significant. It upsets everything.

1           The one thing that we have a concern about is it  
2 appears to us that they're asking for this 16.1 percent all  
3 at once. The problems that are occurring here have been  
4 happening over a longer period of time, let's say four  
5 years. You know, two years ago they asked for a hike, you  
6 know, and we had a big hearing, and we know the outcome of  
7 that. Now they're wanting a larger chunk of 16 percent.  
8 That's significant. We're not talking 6, 7 percent.

9           It's a lot for people to absorb at one time, and  
10 I see no attempt for them to spread it out. They want it  
11 all at once or nothing, and it's up to you to decide  
12 whether or not that you are going to allow them to have it  
13 all at once or whether or not you're going to --  
14 undoubtedly, you're going to have to award them something,  
15 but we would like to make a recommendation that you be very  
16 conservative about that.

17           If the drinking water in this area is to increase  
18 and the wastewater, you know, the treatment plants, if  
19 they're to improve, let it be on a reward-type basis. If  
20 they're to get in compliance with the EPA regulations,  
21 which they should already have a plan of action for that  
22 and have a course that should have already been initiated  
23 long ago, then you have it as a reward system.

24           Well, you've done the updates in relation to this  
25 plant over here, this wastewater treatment plant, so, you

1 know, we're going to up it another percent this year, or  
2 whatever. But to ask for it all at once, I don't agree  
3 with that at all. It's a lot to ask the people of this  
4 community to absorb that high of a percentage rate all at  
5 once, and I think it needs to be handled better.

6           One of the things that's surprising is that there  
7 was no information whatsoever, no kind of media or  
8 anything, on behalf of United Water. It would have been  
9 nice if the public would have known that we were going --  
10 you know, that they were going to spend \$32 million on  
11 treatment plants and drinking water facilities and they  
12 were going to improve the quality of water and our pipes  
13 wasn't, you know, going to rot out after three years, and  
14 we wasn't going to fill our hot water heaters up with  
15 sediment after, you know, six to seven years when they're  
16 supposed to last, and we wasn't going to have any kind of  
17 smell or odor or staining of our clothes. It would have  
18 been nice to know -- if they would have told us, "Look,  
19 we're going to do this improvement right here so the  
20 quality of your water is going to be better," or whatever.  
21 There's been no kind of reassurances.

22           I think the main issue here is they need to come  
23 in compliance with EPA and it's costing money, and they  
24 want us to absorb that all at once, and I think there's a  
25 better -- there should be a better way, and I'm thankful we

1 have the PSC to do that.

2 And that's all.

3 MR. WILLIS: Thank you, Mr. Brady. I appreciate  
4 you coming.

5 (Witness excused.)

6 - - -

7 MR. WILLIS: The next person is Arthur Hall. I  
8 have Mr. and Mrs.

9 MR. AND MRS. ARTHUR HALL,

10 called as witnesses on behalf of the customers, testified  
11 as follows:

12 MR. HALL: I'm Arthur Hall, 2931 Red Oak Drive in  
13 Arlington. I've been there over 30 years.

14 I've noticed that the cost keeps going up  
15 constantly. The quality is no better, the service is no  
16 better, and I wonder where this is going to stop.

17 Also I have a bill here. Water quality charge,  
18 \$18.18. Water base facility charge. What is that?

19 MR. WILLIS: Water base facility charge is a flat  
20 rate. The rate structure that United Water is under  
21 right now has a flat amount, which is called a base  
22 charge, which is charged whether there's any  
23 consumption whatever. There's a base charge for the  
24 water and wastewater. Along with that, consumption  
25 charge is also there for water and wastewater.

1 MR. HALL: Wastewater?

2 MR. WILLIS: Yes, water and wastewater.

3 MR. HALL: I have a septic tank, so --

4 MR. WILLIS: You wouldn't be charged wastewater  
5 then.

6 MR. HALL: Huh?

7 MR. WILLIS: You would not be charged for  
8 wastewater is what I'm saying.

9 MR. HALL: Well, I've been charged that for a  
10 long time. I call them and the response that I get on  
11 the telephone is they don't seem to know what it is.  
12 I don't understand it. I have a well for watering the  
13 yard.

14 MR. WILLIS: Uh-huh.

15 MR. HALL: I have a septic tank, so I shouldn't  
16 be paying the \$17.39.

17 MR. WILLIS: Now, tell me again what the \$17.39  
18 is called on your bill?

19 MR. HALL: Huh?

20 MR. WILLIS: What was the \$17.39 called on your  
21 bill?

22 MR. HALL: For water base facility charge.

23 MR. WILLIS: Okay. The base facility charge is a  
24 flat rate. It's for water service.

25 The rate structure they charge for water service

1 is made up of two charges. One is a base charge,  
2 which is a flat amount charged to everyone based on  
3 your meter size, and then along with that you're  
4 charged a gallonage charge for every thousand gallons  
5 that you use. In this case, it's two-inch meters.

6 So it's a two-phase charge.

7 If you look at the special report that you have  
8 here, if you look at the water rates, if you have a  
9 5/8" meter, you're getting charged a \$17.39 base rate.  
10 You're charged that regardless of whether you use any  
11 water whatsoever.

12 Now, the consumption charge right now per  
13 thousand gallons, \$1.36 per 100 cubic foot, \$1.01,  
14 depending on whether your meter reads by cubic foot or  
15 1,000 gallons.

16 That's how your bills are actually calculated.

17 MR. HALL: Well, it just seems to me that I'm  
18 paying for the product and paying for the container  
19 and I don't see why I have to pay for both. That  
20 should be paid out of their profit that they make off  
21 of it.

22 MR. WILLIS: I understand.

23 If I could just add a little bit more to that.  
24 The charge itself is -- you're not being charged for  
25 the same thing twice in the two charges. The flat

1 base charge covers certain fixed costs on your bill  
2 regardless of any water being consumed. If they  
3 actually have no water being consumed, they have  
4 certain costs that have to be charged anyway to  
5 maintain the facilities regardless of consumption.  
6 The gallonage charge has those costs in it which are  
7 in relation to water consumed. That's those costs  
8 that are covered in the gallonage charge.

9 So there's no double recoveries being charged is  
10 the big thing. They're designed to cover different  
11 things in those charges.

12 MRS. HALL: I appreciate your explaining that.  
13 It really seems like double billing.

14 MR. WILLIS: It could look like that, but it's  
15 not.

16 MRS. HALL: We just got married. I'm from the  
17 country and we're used to having a well, you know.

18 MR. HALL: I thought it was the wastewater  
19 charge.

20 MR. WILLIS: It's not, sir. It's not a  
21 wastewater charge.

22 MR. HALL: Thank you.

23 MR. WILLIS: Okay. Thank you for coming.

24 (Witnesses excused.)

25 - - -

1           MR. WILLIS: The next person I have is Norbert  
2           Lechwar.

3                           NORBERT LECHWAR,  
4 called as a witness on behalf of the customers, testified  
5 as follows:

6           WITNESS LECHWAR: My name is Norbert Lechwar,  
7 N-o-r-b-e-r-t L-e-c-h-w-a-r.

8           I'm a resident of Royal Lakes, which is just off  
9 of Southside Boulevard and Baymeadows Road.

10           I'm the treasurer of the Royal Lakes Civic  
11 Association. I made a presentation yesterday, so I'm here  
12 again.

13           I'm a private homeowner. I have talked to a  
14 number of my neighbors, who are also concerned about this  
15 rate increase.

16           Just crunching the numbers together when these  
17 notices first came out -- I think we all know that there  
18 was a rate increase on May 19th of 1997 that was approved  
19 and that increased water rates at 22 percent on the water  
20 usage and 11 percent on the sewage rates.

21           The new proposal is an additional rate increase  
22 of almost 22 percent on water and 17 percent on sewage  
23 rates. This would equate to an increase of over 48 percent  
24 on water rates and 29 percent on sewage rates in less than  
25 two years.



1           Also, in reviewing the application for adjustable  
2 rates given by United Water, concludes that although the  
3 company will use a portion of the increase for capital  
4 expenditures, it will increase their rate of return by a  
5 total of 55.3 percent.

6           To me that seems exorbitant.

7           I've been in the paper industry for 30 years and  
8 I know every time in private industry when you try to break  
9 increases, we're always governed by our competition. So,  
10 of course, at this point, United Water doesn't have  
11 competition per se and we depend on the Commission, of  
12 course, to govern the amount of increase that they're  
13 allowed.

14           I think most people are certainly in favor of the  
15 capital expenditure increases, because I think the water  
16 quality needs much improvement.

17           I have lived in the North in several cities and  
18 until we came to Florida never had to use bottled water  
19 before for drinking, never had to use a water softener for  
20 other water purposes. I've found it necessary to do that  
21 since we've been here in Florida.

22           So, again, I just want to make these few short  
23 comments as a homeowner and ask the Commission to deny  
24 these rates.

25           MR. WILLIS: Thank you. I appreciate that.

1           Let me make one comment concerning the return. I  
2 think you had said it was around a 55 percent increase  
3 in return.

4           The company in -- in 1970- -- I guess it was 1977  
5 when the last order was issued -- in May of 1997. The  
6 Commission approved an overall rate of return of 9.57  
7 percent. Now, that return is a return on investment,  
8 which is in the millions, and that return is to cover  
9 not only their equity investment but their debt cost  
10 also.

11           So in that there is two components. There's  
12 coverage for their interest that they have on their  
13 debt obligations and it's coverage on their equity  
14 investment, a return on that equity investment.

15           Now, in this case, the Commission is looking at  
16 actually a lower cost. In this case, the company has  
17 actually requested an 8.69 percent return. That's to  
18 do the same thing. It has both components in it.

19           So the actual return isn't all going to equity.  
20 There is a large debt cost out there. This company is  
21 about at the low end of 60/40, 50/50 on debt equity  
22 ratio as far as how they're funding their investment  
23 in this company.

24           And I just wanted to make that clear for everyone  
25 that that's the actual return the company is

1 recovering or looking to recover in this case. It  
2 certainly wouldn't be higher than that.

3 THE WITNESS: Thank you.

4 MR. WILLIS: Thank you for coming.

5 (Witness excused.)

6 - - -

7 MR. WILLIS: Mr. James Rice.

8 JAMES T. RICE,

9 called as a witness on behalf of the customers, testified  
10 as follows:

11 WITNESS RICE: Good morning. My name is James T.  
12 Rice. That's J-a-m-e-s R-i-c-e.

13 I reside at 4661 Corrientes Circle North,  
14 Jacksonville, Florida 32217.

15 I'm here really in several capacities, as an  
16 individual homeowner, you know, which is in the Villages of  
17 San Jose. I'm here as a member of the Board of Directors,  
18 and I'm treasurer of our homeowners association, which is a  
19 part of the Villages of San Jose.

20 And I think you met some of the representatives  
21 from the Villages of San Jose yesterday, as I recall.

22 I'm also here as the Chief Executive Officer and  
23 Chief Financial Officer of the facility that Daniel Brady  
24 spoke to you about before, and that's Taylor Apartments and  
25 Taylor Care Center and Taylor Manor both.

1           So I'm here not only looking at it from my own  
2 pocketbook but I'm here representing a number of other  
3 people.

4           Just as an idea, there are 98 homes in the Manor  
5 Home Association. And, as Daniel has already told you, we  
6 have over four hundred-and-some residents represented in  
7 Taylor Apartments, which is a 501C3 not-for-profit  
8 corporation funded under HUD, Section 202.

9           Taylor Care Center is a 120-bed skilled nursing  
10 facility, a 501C3 not-for-profit corporation, which serves  
11 approximately 70 percent of the residents under Medicaid.

12           Taylor Manor Villas is 107 residents, which is  
13 assisted living for the elderly - all of these for elderly  
14 - and we have 50 apartments, but that organization is also  
15 a 501C3 not-for-profit corporation.

16           Now, speaking from my personal standpoint, as a  
17 homeowner in the affected area, the increase here  
18 represents something in the neighborhood probably of a  
19 hundred bucks a month -- not a month, I'm sorry, a hundred  
20 dollars a year -- in terms of what it will cost in  
21 additional water and sewer directly.

22           Now, indirectly, as a part of the Manor Homes  
23 Association, it also pays to United Water costs for certain  
24 water, which is common to the project, and those costs will  
25 also go up and will be passed on to the homeowners through

1 the increases in monthly assessments. And so they'll  
2 actually catch it directly from their meters that are  
3 right at their homes, and also the meters associated with  
4 the association.

5           At the Taylor facility, of course, some of the  
6 problems there associated with any increases of this nature  
7 have to deal with how do we pass it on to recover our  
8 costs, because, I assure you, that our revenues do not  
9 exceed our expenses by 25 percent, which is what's  
10 indicated. And, by the way, at Taylor, it is a situation  
11 associated with the wastewater and not with drinking water.

12           So we don't have the opportunity to immediately  
13 do that. We have to go through a process where we have to  
14 go before HUD and apply for rate increases, and normally  
15 there's a drag in that process. So we have to absorb any  
16 immediate increases that come along, particularly if  
17 something were to happen within a fiscal year, wait for the  
18 subsequent year to file for consideration for increases,  
19 and then with the situation in Washington being what it is  
20 find that money is not readily available as it has been in  
21 times past.

22           At Taylor Care Center, a similar situation, where  
23 70 percent of our residents are dependent upon Medicaid.  
24 Medicaid is driven by costs of the prior year, so we have  
25 almost an 18-month drag on catching up with our expenses in

1 that facility.

2           For example, the 1997 cost report, which was  
3 filed at the beginning of this year, impacted the six  
4 months of 19- -- last six months of 1998 and the first six  
5 months of 1999.

6           So for any increases that are very early in the  
7 year, you can see that we have to absorb those in the  
8 beginning of '97 until we can get the cost into and have  
9 the rates impacted later on.

10           When we look at the increases that they're  
11 proposing in these areas of magnitude, I think Mr. Daniel  
12 has mentioned earlier and I want to reinforce, it's a  
13 situation where we are trying to look at the people who are  
14 by and large on fixed income. Most of these people have  
15 been in the -- in fact, practically all of them in the  
16 apartments and a good many of those in the care center, the  
17 only income they have is Social Security.

18           And so to continue to have folks come along and  
19 ask for significant increases, and I guess that's what  
20 concerns us is the repetitiveness of the increases  
21 continuing and the magnitude of the increases, we find that  
22 it's difficult. And we recognize the physical finance to  
23 replace, because within in Taylor we recognize it has to be  
24 done even within Manor Homes and the Villages of San Jose.  
25 We recognize that the physical plant wears out and it must

1 be replaced.

2           We find it interesting, though, and I'm trying to  
3 recall from memory, but, as I recall, this facility, United  
4 Water, changed hands a few years ago -- wasn't it two years  
5 ago, the ownership changed the name?

6           MR. WILLIS: Yes.

7           THE WITNESS: And it seems to me that every time  
8 that we see something of this sort -- I don't know whether  
9 it's the current owners draining all the cash off and  
10 leaving the facility in the dilapidated state, then sell it  
11 to the next person, the next person comes in and changes  
12 the name and immediately files for rate increases to make  
13 up for the problems of the -- or the sins of the past.

14           But I would urge for you to take a close look at  
15 what they are proposing in a rate of return, and also take  
16 a close look as to whether or not -- where the funds are  
17 actually going.

18           I don't know whether United Water is a subsidiary  
19 of a larger corporation.

20           MR. WILLIS: United Water of Florida is a  
21 subsidiary of United Water. It's a larger group.  
22 United Water is actually owned by a -- partially by a  
23 French company, about 20 percent, Lyonnaise, and the  
24 other half, the majority is owned by United Water  
25 Resources.

1 THE WITNESS: Then I'd suggest that within the  
2 operating expenses are probably some significant items  
3 associated with administrative costs that are being  
4 passed through. I'd also suggest that it might be  
5 worthwhile to take a look at such things as the amount  
6 of money that's being paid the supervisory staff or  
7 the executive staff of the organization.

8 Thank you.

9 MR. WILLIS: Thank you very much for coming.

10 Could I ask you one question -- or one comment  
11 before I ask the question.

12 Part of what our auditors are actually out there  
13 doing is actually auditing funds that are flowing down  
14 from the company and the funds that are going back to  
15 the company from this subsidiary to the parent. We  
16 look at all those allocated costs coming down and look  
17 to see if those costs are much of that in costs and  
18 look at what transactions they have. It's a much  
19 higher level of scrutiny among our auditors to look at  
20 those types of functions.

21 One of the questions I wanted to ask you, you  
22 said you represented several of individual homes, 98,  
23 I think you said?

24 THE WITNESS: That's it. Manor Homes Association  
25 is a part of the Villages of San Jose. Within the



1 Villages of San Jose, I think we have like four  
2 associations, and Manor Homes is one of those  
3 associations under the umbrella of the Villages of San  
4 Jose.

5 MR. WILLIS: Are all the individual homes  
6 individually metered --

7 THE WITNESS: Yes.

8 MR. WILLIS: -- and get a bill?

9 THE WITNESS: Yes.

10 MR. WILLIS: Do you know if there's any interest  
11 among your association, the members, going off of a  
12 quarterly billing to a monthly billing cycle?

13 THE WITNESS: I would suggest probably not, and  
14 the reason I say that, and this is a judgment on my  
15 part, most of their people are at least my age or  
16 older and you don't want to have to fool around  
17 writing any more checks than you have to. It gets to  
18 be enough of a problem as it is in trying to keep up  
19 with paying your bills, I suppose.

20 But, no, I don't think that -- I don't think they  
21 would be particularly interested in going monthly on  
22 it.

23 In fact, I would suggest maybe that some of them  
24 would suggest, you know, semi-annually. The only  
25 problem with semi-annually at this time with the rates

1           having gone to where they are, the moneys get to the  
 2           point where that's not feasible either. If the rates  
 3           were more reasonable, then you'd bill them  
 4           semi-annually and all, because it would be a big  
 5           administrative savings for the utility to do that and  
 6           reduce the paperwork.

7           But I think that on a semi-annual basis, you're  
 8           probably looking at bills that would average \$250, or  
 9           something of that sort.

10          MR. WILLIS: Thank you very much. I appreciate  
 11          it.

12   (Witness excused.)

13   - - -

14          MR. WILLIS: Mr. John Coyle.

15          Mr. Coyle was here yesterday as a member of  
 16          the association and is back again this morning.

17   JOHN COYLE,

18          called as a witness on behalf of the customers, testified  
 19          as follows:

20          WITNESS COYLE: Good morning.

21          MR. WILLIS: Good morning.

22          WITNESS COYLE: My name is John Coyle. I live at  
 23          4175 Paloma Point Court, Villages of San Jose in  
 24          Jacksonville. I'm also president of the Paloma Point  
 25          Homeowners Association representing about 26 homeowners.

1 I'm also on the Board of Directors of the Villages of San  
2 Jose representing 400 homeowners.

3 To reiterate your last inquiry relative to  
4 payments, we would recommend that you remain on the  
5 quarterly basis, et cetera.

6 I'm concerned about your comment, and I  
7 appreciated the interview yesterday, but I'm concerned at  
8 this morning's comment that you already have a staff  
9 recommendation. Is that correct?

10 MR. WILLIS: No, you misunderstood. We don't  
11 have one.

12 THE WITNESS: The next thing is the fact that  
13 the quality of water is going to be demonstrated by other  
14 people that I'm aware of, so I'm not going to beef on that  
15 portion of it.

16 I believe that the gist of most of the  
17 conversation that I've had with our members is the fact  
18 that we believe there's poor management and incompetent  
19 people running United Water resulting in the increased cost  
20 that's reflected in these programs.

21 We would recommend that the board consider an  
22 increase no greater than the rate of inflation. I believe  
23 that United Water needs to implement management techniques  
24 that would allow a more evenly flow of either improvements  
25 or funds relative to their income.

1 Thank you.

2 MR. WILLIS: Your presentation was much  
3 shorter than yesterday.

4 (Witness excused.)

5 - - -

6 MR. WILLIS: The next person is Elizabeth  
7 Drummond.

8 ELIZABETH DRUMMOND,  
9 called as a witness on behalf of the customers, testified  
10 as follows:

11 WITNESS DRUMMOND: Elizabeth Drummond,  
12 D-r-u-m-m-o-n-d. I live in San Jose Forest. We have lived  
13 there for about ten years. My husband has been raised --  
14 was born, raised and still lives in Jacksonville. And only  
15 after we moved to San Jose Forest -- the first 42 years of  
16 his life he never had any health problems. After he moved  
17 to San Jose Forest, he's been admitted to the hospital  
18 twice for kidney stones.

19 My daughter in eighth grade did a water project  
20 for science, and of all the water that was tested in  
21 Jacksonville and also four or five water bottling companies  
22 tested, the only one -- and she did a double-ply study, and  
23 the only one that smelled was United Water, the only one  
24 that had hard water of such high proportion was United  
25 Water, and it smelled -- it was the only one of the waters

1 tested that smelled.

2           And we've had a lot of problems. We've had the  
3 whole house repiped, and, as of this date, the house is  
4 only 14 years old. And many of my neighbors have also had  
5 their waterpipes redone.

6           My husband has informed me that they're on the  
7 stock market; is that correct?

8           MR. WILLIS: Yes, they are. The parent company  
9 is on the stock market.

10           THE WITNESS: Right. And they pay large  
11 dividends to their stockholders. I wish I had some of  
12 that.

13           In eight years we have had holes eaten through  
14 the kitchen faucet twice. My husband, I told you, has had  
15 two hospitalizations for kidney stones. We've had to  
16 replace the icemaker twice. We no longer use it because it  
17 kept breaking down about every six months, so we  
18 disconnected it.

19           We also have a water container on the front of  
20 the icebox. We had to disconnect that because none of my  
21 children's friends would drink from it or have cubes of ice  
22 coming from it because it smelled and it didn't taste good.

23           And also the toilet facilities have crusted over  
24 and my husband has to replace three toilets three times a  
25 year, so we're talking nine times a year we're having to

1 change the toilet components.

2           And that's it. Thanks.

3           MR. WILLIS: Thank you very much.

4           Could I ask you a question?

5           THE WITNESS: Yes.

6           MR. WILLIS: Has this been a continual problem  
7 and it hasn't gotten better?

8           THE WITNESS: Oh, yes, it's very bad.

9           We had a water softener when we first moved in  
10 and my husband started having some high blood pressure  
11 and the doctor said to him -- by the way, my husband  
12 is a doctor, too, and they said to get rid of the  
13 softener, so we did, and ever since I have to use real  
14 harsh chemicals to take care of the shower where we  
15 mainly get showers because it's always crusted. And,  
16 you know, I have to open up the windows in order to  
17 use these chemicals, and we're doing it every week,  
18 and that shouldn't have to be.

19           And my husband and I have lived in Jacksonville  
20 for many years and we've lived in other sections of  
21 the city and we never had this kind of problem. This  
22 is really, really bad.

23           MR. WILLIS: The smell that you're smelling, is  
24 it kind of like rotten eggs, what we call hydrogen  
25 sulfide?

1           THE WITNESS: I'm not sure. I just know it  
2           smells.

3           When the people were testing the water, they had  
4           a blind over their eyes and it was the only one they  
5           could smell of all the water tested from the Cedar  
6           Hills area and other areas. I also tested the Orange  
7           Park water and all of that passed those tests.

8           MR. WILLIS: Thank you.

9   (Witness excused.)

10   - - -

11          MR. WILLIS: Mr. Crouch just informed me that one  
12          of the projects that they're going to do is put in a  
13          hydrogen sulfide controlling containment in your area  
14          for that specific reason to try and help with not only  
15          the smell but it will also help, hopefully, with some  
16          of the piping problems and corrosion.

17          But let me explain before I call the next person  
18          up about the corrosion pitting the copper pipes.

19          It's not just in this area that we, as staff of  
20          the Commission, have encountered the corrosion  
21          problems, and occasionally people are having to go in  
22          and actually repipe their entire homes. It's  
23          something that's been occurring all over Florida.  
24          It's really bad on the West Coast, around Tampa and  
25          Pasco County, but it's also in Duval County and other

1 areas.

2 It seems to be happening anywhere where you have  
3 hydrogen sulfide coming out of the water. Hydrogen  
4 sulfide has been causing a reaction, in water heaters,  
5 it's been found, and, in turn, it creates -- has a  
6 chemical reaction and causes something called copper  
7 sulfide, causes actual pitting in the pipes, and  
8 sooner or later the copper piping will get little pin  
9 holes, starts to leak, and you end up having to  
10 replumb.

11 Now, I know that Duval County has had such a  
12 problem like many other counties that I believe about  
13 two years ago they outlawed or said no longer will we  
14 allow copper piping in new homes. From now on it has  
15 to be CPPC piping, which is a plastic pipe, to  
16 eliminate that problem.

17 We had that same thing occur in other areas of  
18 the state. There are other counties who are looking  
19 at stopping the use of copper pipe in the homes until  
20 something can be found. There are things that a  
21 utility can do to help alleviate that and part of it  
22 is to put in hydrogen sulfide within the systems.

23 Some of these packed tower aerators that they're  
24 putting in to do this are quite costly, which  
25 naturally goes back to raising rates. There's



1 inhibitors that the companies do put in the water to  
2 try and control some of that, but it's a new area that  
3 we're -- there's a lot of research going on around the  
4 nation to look at that type of problem.

5 So, with that said, let me call the next person,  
6 which is Beth Perry.

7 I saw a hand raised a minute ago. After I've  
8 called all the speakers forward, I'll look for a show  
9 of hands, and if there's somebody who would like to  
10 come up, if you'd like to come up then, we're more  
11 than happy to have you.

12 Ms. Perry.

13 BETH PERRY,  
14 called as a witness on behalf of the customers, testified  
15 as follows:

16 WITNESS PERRY: Well, my biggest complaint is I  
17 can never get anyone to return my calls when I complain,  
18 and this has been going on for 20 years. They'll say they  
19 will send an inspector out or somebody and nobody ever  
20 comes to my door or calls me.

21 And our water --

22 My name is, by the way, I'm sorry, B-e-t-h P, as  
23 in Peter, e-r-r-y, and I live in San Jose Manor.

24 Our water tastes so bad and smells so bad that we  
25 have to filter it twice before we can even drink it. And I

1 have called on this and called on this. And, finally, I  
2 wrote the Governor and that dear Governor wrote me back  
3 within ten days and he also sent a letter off to you  
4 people, which I heard from you within a month.

5           And then they sent an inspector out to inspect  
6 our water and that is the last I've heard of it. I don't  
7 know why no one ever gets hold of me from that company.

8           And another complaint I had was they had a leak  
9 on their side of the meter, so they came out and dug up a  
10 hundred foot mud hole and left it like that. They never  
11 returned the sod, never resodded it at all, and I  
12 complained so much, they finally put one square foot of sod  
13 right in the center of it. And to me that's just rude.

14           I walked around the corner where Southern Bell  
15 had put in some sod and one square foot of sod was missing.  
16 Now isn't that interesting?

17           Anyway -- and, you know, many of the people in  
18 San Jose Villages can afford to pay quarterly. It doesn't  
19 hit them some quite so hard, but it hits us very hard to  
20 get that big bill every quarter. It seems to me if the  
21 city can bill monthly, why can't they bill monthly. Why  
22 can't they keep their rates in line with the city rates,  
23 which they don't. They're far more expensive than the  
24 city. And, of course, the city was supposed to buy up this  
25 company 30 years ago and I'm still waiting. They keep

1 saying they don't have the money. They have money for a  
2 lot of other things, though.

3           And we first moved out there 32 years ago our  
4 rate was every quarter \$18 base. That was for sewage --  
5 \$12 for sewage and \$6 for water. And you can see how much  
6 it has increased.

7           But these are my big complaints.

8           My main complaint, I think, is why don't they  
9 ever answer me? You know, I have written letters and I've  
10 called and I've called and no one ever returns a call to  
11 me, and I've lived in the same house for 32 years, so, you  
12 know, I'm not just ferrying around all over the city.  
13 We've had the same number all that time.

14           But that's what I would appreciate is them having  
15 some concern for their customers more than anything. And  
16 this new rate is going to hit us hard. We're on a fixed  
17 income, trying to live independently in our own home, and,  
18 if they keep doing this, we have no alternative but to move  
19 somewhere, out of this county, I guess. I don't know.  
20 Anywhere to get away from this company, if that's possible.

21           Thank you.

22           MR. WILLIS: Thank you very much. I'm going to  
23 have somebody look into that exact thing as to why  
24 they haven't responded to you.

25           THE WITNESS: They never have, you know. "Well,

1 here she's calling me again.

2 MR. WILLIS: Thank you for coming.

3 MR. SCHILDBERG: Can I ask a question?

4 MR. WILLIS: No, we don't allow that.

5 MR. SCHILDBERG: I just wanted to know when the  
6 hundred foot mud hole occurred.

7 MR. WILLIS: Well, we can -- we'll be getting  
8 with you on that.

9 MR. SCHILDBERG: Okay.

10 MR. WILLIS: So we'll be following up with her.  
11 I know Mr. Fuchs will probably be getting with her in  
12 the back of the room to discuss when all that  
13 occurred. He'll be getting with you to talk to you  
14 about it.

15 If you could, Mr. Fuchs is on the front row right  
16 here in the red tie and white shirt.

17 Mr. Fuchs, will you ask her about that, get with  
18 her on it, so you can talk to her?

19 Thank you.

20 (Witness excused.)

21 - - -

22 MR. WILLIS: The next person is Brady Brower.

23 BRADY BROWER,

24 called as a witness on behalf of the customers, testified  
25 as follows:

1 WITNESS BROWER: My name is Brady Brower,  
2 B-r-a-d-y B-r-o-w-e-r.

3 I live at 4038 Conga Street in Jacksonville.

4 I would like to concur with much of what was  
5 already said this morning. My main concern is the amount  
6 of increase, 21 percent, as I understand it, in the water  
7 rate. For the life of me, I don't understand how a company  
8 can request such an exorbitant rate increase.

9 There's people out here that -- like myself, that  
10 are living on a fixed income, and to take this kind of  
11 increase is unconscionable, I believe. If it was to cover  
12 the rate of inflation, I could understand that. I mean, a  
13 company has to stay in business. But I do object to this  
14 high increase in the rate.

15 Thank you.

16 MR. WILLIS: Thank you. I understand that.

17 (Witness excused.)

18 - - -

19 MR. WILLIS: The next person is Harold Olson,  
20 If I'm pronouncing that right. Eric.

21 MR. OLSON: That's right.

22 MR. WILLIS: Eric.

23 ERIC OLSON,

24 called as a witness on behalf of the customers, testified  
25 as follows:

1           WITNESS OLSON: My name is Eric Olson, E-r-i-c  
2 O-l-s-o-n. I live at 6806 San Sabastian Avenue. It's an  
3 individual residence.

4           My main concern is not only the rate increase  
5 being so large, I just wonder why the base charge is so  
6 much higher than the city. Water and wastewater combined,  
7 the charges are for me 77 percent higher, and with the  
8 increase it will be 109 percent, and I think that's pretty  
9 outrageous, besides the water quality is nothing great.

10          MR. WILLIS: Yes. I understand that.

11          The cost for a privately-owned company that's  
12 regulated by the Commission, the rates are based on  
13 costs. It's not a wish list like some people might  
14 think it is where they could come out and say, "We  
15 would like this rate, please give it to us." It has  
16 to be based by law upon their prudent investments and  
17 their prudent expenses.

18          You know, many times companies come in here with  
19 costs we deem are too high and we adjust those costs  
20 down, and, of course, any costs we adjust down have to  
21 be borne by the stockholders and not by the customers.

22          As far as comparing these rates with the City of  
23 Jacksonville or other utilities, that's where the  
24 problem lies. The City of Jacksonville, naturally,  
25 has it a little bit better because they don't have to

1 pay income taxes, they don't have to pay property  
2 taxes, and they can get tax-free bonds. They can  
3 issue those at a low cost. So they're already  
4 operating at a much better edge as far as the cost  
5 goes.

6 They also have a totally different rate structure  
7 that the City of Jacksonville uses, which is not the  
8 rate structure that this company is on.

9 And the cost comparison is monthly. They're on  
10 a monthly basis.

11 THE WITNESS: Comparing my quarterly rate to  
12 their monthly rate, it's still substantially higher.

13 MR. WILLIS: Right.

14 THE WITNESS: And I have no choice. It's a  
15 monopoly, really.

16 MR. WILLIS: That's true. Do you have any  
17 preference in going monthly or quarterly? I know a  
18 lot of people have voiced their concerns.

19 THE WITNESS: Monthly is more expensive.

20 MR. WILLIS: You would rather go monthly?

21 THE WITNESS: Monthly is more expensive.

22 MR. WILLIS: Monthly would be more expensive.

23 THE WITNESS: Over twelve months. The base  
24 rate, you multiply 8.08 times 12 and 17.39 times 4,  
25 and it's really higher.

1 MR. WILLIS: Well, what you're looking at now --  
2 let me let you know what you're looking at. The  
3 residential part is the upper part right here.

4 THE WITNESS: Right.

5 MR. WILLIS: You're looking at general service  
6 down here. You're looking at general service. This  
7 is for companies, corporations, businesses.

8 THE WITNESS: All right.

9 MR. WILLIS: If you're a residential customer,  
10 you'll find your rate up here. General service  
11 customers are now being billed on a monthly basis, and  
12 always have been billed for quite a while on a monthly  
13 basis. Only residential customers at this point are  
14 being billed on a quarterly basis.

15 And the question I was looking at from  
16 residential customers is whether they would also like  
17 to go to a monthly basis, and what I'm hearing so far  
18 is that there is a majority of concern out there to go  
19 to a monthly basis.

20 Thank you.

21 (Witness excused.)

22 MR. WILLIS: Mr. LaBelle, Robert LaBelle.

23 Welcome back, Mr. LaBelle.

24 MR. LaBELLE: Hi.

25 MR. WILLIS: Mr. LaBelle was one of the speakers



1 in our last rate case.

2 ROBERT H. LaBELLE,  
3 called as a witness on behalf of the customers, testified  
4 as follows:

5 WITNESS LaBELLE: Excuse me while I get some  
6 stuff organized.

7 MR. WILLIS: No problem.

8 WITNESS LaBELLE: My name is Robert H. LaBelle.  
9 I own a residence at 2944 Madrid Avenue East, Jacksonville,  
10 Florida. I've been a customer, a residential customer of  
11 United Water, a/k/a Southern Utilities, Jacksonville  
12 Suburban Utilities, for 30 years.

13 I have a prepared presentation and I was about --  
14 I was ready to get right into it until I heard some of the  
15 comments that you made and some of the statements that were  
16 made by residents who have testified. And then I'm  
17 really -- my head is full of questions.

18 I must say I'm not a member of any homeowners  
19 association. I live in San Jose Manor, but the area in  
20 which I live probably contains in the neighborhood of about  
21 600 to a thousand homes. And when I got notice of this  
22 hearing it was less than -- about two weeks ago.

23 I was somewhat dismayed and disappointed that we  
24 only had a two-week window in which to prepare for this  
25 hearing. I understand that this is a different process.

1 At the last hearing we had approximately a two-month window  
2 to prepare.

3           Unfortunately, I was already scheduled to go out  
4 of town and have been out of town almost for this whole  
5 period and I've had very little time to contact people and  
6 make them aware of what's happening, and given more time  
7 I'm confident that you would have had many, many people  
8 come down here to testify as to the poor quality of water  
9 and service that this company has provided for as long as  
10 I've lived here, and even longer.

11           You would think that I'm president of several  
12 associations, because when I got home -- somehow my name  
13 has gotten around. My answering machine was lighting up  
14 like the Fourth of July, and I've been spending my time  
15 talking to people on the phone since I've been home. I  
16 even got copies of several letters that were sent to  
17 Ms. DeMello from people all over the area. And, in fact,  
18 several of them asked me -- a few of them asked me to read  
19 the letters here, but I don't think that is necessary if I  
20 can be assured that the Public Service Commission has these  
21 letters on file and they are a matter of record.

22           MR. WILLIS: If they been sent to the Commission,  
23 we have those on file.

24           THE WITNESS: Okay. They are addressed, all of  
25 them, to Ms. DeMello.

1 I was asked by a handicapped resident to speak on  
2 her behalf. I told her to do that that I would have  
3 to have a letter from her, signed by her, giving me  
4 that authority. She's 82 years old. She did write  
5 the letter but she sent it to Tallahassee and did not  
6 have the capability to make a copy so that I could  
7 bring it.

8 MR. WILLIS: You can go ahead and speak for her  
9 because this is an informal presentation. It's kind  
10 of like an informal meeting. You don't have to have  
11 any permission to speak for her. If you would just  
12 like to go ahead and tell us her concerns, that's not  
13 a problem.

14 THE WITNESS: Well, her name is Edna Fomby,  
15 F-o-m-b-y. Her address is 7033 Catalonia Avenue,  
16 C-a-t-a-l-o-n-i-a.

17 Before I left town she called me and said that  
18 she had owned that home since the development was  
19 first started 38 years ago. Her husband was a retired  
20 captain. He's deceased. She's 82 and she's living on  
21 a fixed income. She is very upset. She has been, as  
22 long as she can remember, with the quality of the  
23 water and the service that she has received from  
24 United Water.

25 And she said to me, "I wish you could see the

1 color of the water coming out of my faucet. And I do  
2 have a thermos over here that I filled with water when  
3 I thought Bonnie was coming and I kept it for about  
4 five days, and when I found out that Bonnie wasn't  
5 coming, I emptied it. It was a brand-new thermos - I  
6 bought it 20 years ago but I never used it and it was  
7 an expensive thermos - and the bottom has been eaten  
8 out."

9 And I said, "Well, can you give me some of that  
10 water because I've experienced the same things."

11 She did, bless her soul.

12 Here's water from Ms. Fomby's house. It's got  
13 the red tint in the bottom of the water and I'd like  
14 to give it to you.

15 I also have her thermos. The bottom is eaten  
16 out.

17 I will give you this to you after the  
18 presentation unless you want it now.

19 (Presents samples to Commission Staff.)

20 THE WITNESS: Thank you for remembering my name.  
21 I did testify at the hearing last January 27th, a year  
22 ago. I submitted a copy of my five-page testimony.

23 Do you have a copy of that testimony on hand?

24 MR. WILLIS: We actually don't have a copy here  
25 but we do have it back in Tallahassee.

1 MR. COYLE: We made a copy yesterday.

2 MR. WILLIS: I'm sorry. You're right, we did  
3 make a copy of it yesterday. That's correct. Thank  
4 you.

5 We do have one, yes.

6 THE WITNESS: Prior to the hearing I spent days  
7 digging into their reports that they had filed for the  
8 rate increase. As you know, you can stack them on the  
9 table and they'd be about three feet tall. I can  
10 assure you I went through every page of that filing  
11 at the office of United Water and the public library.

12 I found several items that were highly  
13 questionable regarding their expenses and the way they  
14 allocated money, not numbers -- it appeared to be  
15 those that I could not follow because they were not  
16 broken out correctly or properly.

17 In my testimony, I highlighted only four items  
18 that I thought were examples of what I felt were  
19 highly questionable items that reflected poor  
20 management on the part of United Water.

21 One of them had to do with a category called  
22 "Miscellaneous Equipment." It jumped from a little  
23 over \$44,000 in 1995 to about \$517- or \$518,000 in  
24 1997. That was an increase of almost 2,000 percent.

25 Did you ever figure out what that was, why that

1           happened?

2           MR. WILLIS:  Some of that was misclassification  
3           from one account to another and some of those costs  
4           were actual increases.  But the entire account was  
5           audited.  I can't tell you at this point what the  
6           actual increases were, because I don't have that  
7           information with me, but those were audited and they  
8           were actual prudent costs.

9           THE WITNESS:  But they were misclassified?

10          MR. WILLIS:  Yes, which means -- part of it as  
11          being from one account that was already in -- being  
12          covered in this case to miscellaneous, and it was just  
13          more or less taken from one account to another.  It  
14          doesn't really affect revenue.

15          THE WITNESS:  I understand.

16          I'm now retired.  Prior to my retirement I was in  
17          charge of a divisions that had a budget have \$20  
18          million.  I managed one of the largest facilities in  
19          this part of the country.  I can assure you that we  
20          did not misclassify a half a million dollars.

21          To me, that reflects a poor management system in  
22          place at United Water.  And there are other examples  
23          that I've seen.  I went through the files that reflect  
24          the same thing.

25          I had another item that was called

1 post-retirement benefits that went from \$15,000 to a  
2 half a million dollars in two years.

3 MR. WILLIS: Yes, sir.

4 THE WITNESS: If that was a one-time charge, why  
5 was it included? It's a big pop.

6 MR. WILLIS: Let me explain a little bit about  
7 the post-retirement benefits cost. They are like any  
8 other corporation, both nonregulated and regulated,  
9 who are faced with a new accounting change, which came  
10 down from the American Institute of Certified Public  
11 Accountants. And in that change -- it's kind of a  
12 technical change, but many companies were on what we  
13 call a pay as you go. As those costs were incurred by  
14 the retired employees, they paid those costs.

15 The Accounting Institute, which basically governs  
16 how the companies account for things and decided that  
17 that was incorrect, that a company should be basically  
18 budgeting now on a yearly basis, paying for costs they  
19 are going incur. Because those employees are now  
20 employed, they should be covering and putting aside  
21 those costs now.

22 That caused many companies to have to raise their  
23 costs to change their accounting methodology to now  
24 account for those upcoming costs. That's exactly what  
25 that was.

1           In this case, as you may recall in the last rate  
2 case, there was a big issue on those exact costs. The  
3 company was given recovery of their annual amount that  
4 they're going to have to have in there for this type  
5 of expense, but there was a period of time, '94, '95  
6 and '96, for which they hadn't gotten recovery of  
7 those costs. Even though they changed the accounting  
8 scheme, they weren't allowed in the last rate case.

9           The company came in in between that case and this  
10 one and filed for recovery of those costs.  
11 Approximately two weeks ago, the Commission just ruled  
12 on that separate case and said no, we're not going to  
13 allow you to recover those costs.

14           So they are included in this case just in case  
15 the Commission allowed recovery. Since they didn't,  
16 they will be removed from this case.

17           THE WITNESS: Okay.

18           MR. WILLIS: A portion.

19           THE WITNESS: Thank you.

20           I was really surprised when I got this report  
21 this morning to see that United Water is earning 15.2  
22 percent return on their water service and 25.1 percent  
23 return on their wastewater service. That's how the  
24 numbers calculated out.

25           Do you agree with that?



1 MR. WILLIS: Yes. Those numbers came out of the  
2 1997 Annual Report. My staff put those numbers in and  
3 I, at this point, can't verify those numbers. I mean,  
4 personally, I can't verify those numbers are accurate.  
5 Those numbers were filed with us. That's based on a  
6 net income -- it's not the net income, it's operating  
7 income.

8 THE WITNESS: I understand.

9 MR. WILLIS: It's different from net income.

10 THE WITNESS: I understand that.

11 MR. WILLIS: The costs that it does not recover  
12 would be the interest cost that is not included in  
13 that. Interest costs and capital costs are not  
14 included in them.

15 THE WITNESS: Given that the net income would  
16 reduce those returns to some level, it's doubtful  
17 that it would cause them to go into the red on the  
18 return. More than likely the return is going to fall  
19 somewhere in the, I would say, 7 to 9 percent range.  
20 This is a guesstimate on my part.

21 It's noteworthy that the large brokerage  
22 companies have what they call privileged accounts,  
23 where they only trade with the very top companies  
24 within industries. They're not permitted to go in and  
25 buy Microsoft, a company that has got an equity return

1 of 200 to 1. The companies have to be the cream of  
2 the crop. There are only two companies in the  
3 Financial Securities Quantity account that meet those  
4 measures that are utilities. One is Texas Utility and  
5 the other is Florida Power and Light.

6 They had return on equities of 9.7 percent and  
7 12.6 percent in 1997. And these are the very, very  
8 best of privately-held utility companies.

9 I don't place United Water in that category.  
10 They're not even close. So to grant them an increase  
11 that would bring their rate of return up to companies  
12 that are well managed and are the very, very best, I  
13 think would be ludicrous.

14 MR. WILLIS: I would point out that -- I'm sorry  
15 to interrupt you, but I would point out that in this  
16 case the best this company is going to look at getting  
17 a return on equity is around 9.5 to 10 percent, far  
18 below what power companies are getting now.

19 THE WITNESS: Okay.

20 Back when the other increase was granted, at  
21 least it was during the same period, there was an  
22 article in the Times-Union, and I saved the article  
23 but I cannot find it. Basically, it included an  
24 interview with United Water officials, and the  
25 spokesperson for United Water was a female. I don't

1 remember her name. And the question was posed to her  
2 as to what they were going to do with the increased  
3 revenues. And she said, "Our plans are to improve the  
4 capital structure of our business and to improve our  
5 infrastructure."

6 Since then United Water has generated somewhere  
7 in the neighborhood of six to eight million dollars in  
8 additional revenues, the majority in the last rate  
9 increase.

10 I asked then why had they not established a  
11 capital reserve account for all these years to upgrade  
12 the infrastructure, the main line pipes and the water  
13 treatment structure. Why have they not done that over  
14 the years so that they're not in a position now of  
15 having to come up with a \$32 million plan to replace  
16 our pipes or do whatever they have plans and the  
17 documents to show?

18 That to me reflects a company that is poorly  
19 managed for one reason or another. And, in my  
20 presentation I have, I think I would point out -- I  
21 know I would point out what should we derive from this  
22 rate increase.

23 This is not a rhetorical question. It's  
24 something that I have been asked by a lot of people  
25 in my neighborhood and it's something that we have

1 experienced for a long time that we now have a  
2 complaint that should be on file with United Water,  
3 and it has to do with us getting gray water into our  
4 house. Why do we get gray water? Why is the water  
5 gray when it comes into our house? Why do we have to  
6 wash clothes twice or three times?

7 Do you have an answer to that?

8 MR. WILLIS: Well, I imagine we'll let Mr. Crouch  
9 touch on that. But the gray water that normally we've  
10 seen around the state and probably here is doing with  
11 the reaction to the hydrogen sulfide that's coming  
12 into the homes.

13 Part of what the company is doing to alleviate  
14 that problem is the anticipation of packed tower  
15 aerators, which basically will remove a good portion  
16 of the hydrogen sulfide from the water and hopefully  
17 will alleviate some of that problem.

18 So the answer, it's a chemical reaction. From my  
19 understanding, and I'm not a chemist and I'm not an  
20 engineer, I'm a CPA by trade, my understanding is it's  
21 more or less a chemical reaction basically caused in  
22 the hot water heater mostly, and it's caused because  
23 of high temperature where a chemical reaction occurs  
24 when the hydrogen sulfide starts reacting to copper  
25 piping, and that the discoloration you see is

1 basically the etching away of the copper pipe. I  
2 believe it's called copper oxide.

3 THE WITNESS: Is it possible, sir -- I think  
4 you're an engineer; is that correct?

5 MR. WILLIS: Mr. Crouch is.

6 THE WITNESS: Is it possible that the gray water  
7 is caused by excessive loads of chlorine?

8 MR. CROUCH: I have never noticed that chlorine  
9 would cause gray water, because the chlorine will  
10 dissipate in the line. They are required by law, by  
11 the Department of Environmental Protection and  
12 Environmental Protection Agency, to have a residual  
13 chlorine throughout the line. So they have to put in  
14 a certain amount of chlorine so that the farthest  
15 extremity of that line will have the required minimum  
16 amount of chlorine.

17 Chlorine will dissipate through time. If you  
18 took a jar of chlorine and mixed some water and opened  
19 the lid on it and left it sitting out on your counter,  
20 the next morning the chlorine would be gone.

21 So this is reason they have to add the chlorine  
22 into it, and many times if you are located fairly  
23 close to the wellhead, you will get a higher dose of  
24 chlorine than the people farther down the line. This  
25 is simply because of the distance involved with their

1 having to chlorinate it.

2 I have never heard of it causing a gray water in  
3 and of itself.

4 Now, on the east side of the St. Johns River  
5 there is a lot of calcium carbonate in the lines also,  
6 which is a light sediment, and that white sediment  
7 could cause a gray water, if you will.

8 The white sediment, especially in cold water  
9 lines, if it's a refrigerated line going to your  
10 refrigerator to give you cold water to drink, the  
11 calcium carbonate will coagulate, if you will, and  
12 make larger globs of it. That is not a very aesthetic  
13 appearance, but it is not harmful in any way. All  
14 that is is the limestone that is flaked off  
15 underground through the years and getting into the  
16 water. That can be removed by filtration, whether it  
17 be done by the utility itself with a major filtration  
18 device or done by a point-of-view filter at your  
19 faucet. That will remove the calcium carbonate, and,  
20 in most cases, gets rid of the gray water problem.

21 THE WITNESS: So the fact that I may get five or  
22 six globs from the pumping station, the main station,  
23 would explain why when I tested my water on several  
24 occasions I've gotten a higher chlorine reading than I  
25 get in my well-maintained pool?

1           MR. CROUCH: You should not be getting that much,  
2 but if you're fairly close to the wellhead, you will  
3 be getting a higher level.

4           Now, this is something -- here, again,  
5 unfortunately, there is no upper limit on the amount  
6 of chlorine that they put in the water. I wish there  
7 were myself, but there is no upper limit. If it's an  
8 extremely long line, they have to put in a lot at the  
9 wellhead.

10           We have had cases where we've gone in and said,  
11 okay, several miles down this line, put in a booster  
12 chlorinator so you don't have to go quite so high at  
13 the pump. It tapers off and then they  
14 booster-chlorinate it again and it tapers off.

15           If you're getting an excessive amount of chlorine  
16 at times, this may be because of the type of  
17 chlorination system they are using.

18           This is something I will have the engineer look  
19 into next week and hopefully get back to you with some  
20 answers on that.

21           THE WITNESS: Well, I appreciate that. And I  
22 think you are aware that the high levels of chlorine  
23 are hazardous to health and your skin, and if there  
24 are no upper limits as to what they can put in, that  
25 needs to be addressed.

1           Can you tell me why we're getting red-tinted  
2           water?

3           MR. CROUCH: The red tint will be, in many cases,  
4           from sand or the calcium carbonate in there will cause  
5           a red tint.

6           THE WITNESS: How does it get in there?

7           MR. CROUCH: The sand, here again, is coming from  
8           the wellhead and not being filtered out. This is  
9           coming from underground in many cases.

10          Some of your older systems, if they have steel  
11          storage tanks, many times those could be starting to  
12          rust and that could add some discoloration, some red  
13          coloring to it if you get rust in your lines.

14          But by and large, it's the sand that's coming  
15          from underground that can only be removed by  
16          filtration or letting it settle out, and if there's  
17          not a large storage tank for it to settle out into the  
18          bottom of the tank, the sand will go on through the  
19          lines.

20          And here, again, I hate to keep saying this, it's  
21          not a health hazard, but it is aesthetically  
22          unpleasing, I agree with you.

23          THE WITNESS: Then why did United Water, when a  
24          representative came out to my next-door neighbor's  
25          home, who complained about the gray water and the red



1 water, why did he say that they needed to replace the  
2 pipes from the main line to our meters to correct the  
3 problem?

4 MR. CROUCH: It could very well have been the  
5 older lines coming from the main into the house. Some  
6 of these older iron lines, even galvanized pipe, will,  
7 you know, get clogged up. You may have seen a  
8 cross-section of some of these older pipes, especially  
9 in the Jacksonville area, that a one-inch pipe that  
10 over the years it was so clogged up with calcium  
11 carbonate and the iron and sand and things that you  
12 could not get this pen down through that hole.

13 A lot of the Jacksonville area had their water  
14 pipes installed back during the Korean War period, or  
15 even prior to that, and many of these pipes need to be  
16 replaced whether they're the utility's main lines or  
17 the lines going from the utility service line into the  
18 house. And a lot of those pipes that were put in back  
19 in the '50s were not the highest quality pipes. They  
20 have deteriorated and they will rust. And, in that  
21 case, the utility is capable of testing at the meter  
22 and seeing what the water looks like at the meter. If  
23 it looks okay at the meter, then it's obvious that it  
24 happened from the meter on into the house that there  
25 was some deterioration in the water quality.

1           I'd have to see that on a case-by-case basis,  
2           though, to say what the case may be. But I know that  
3           in the Jacksonville area there are quite a few pipes  
4           that are extremely old running into the 40- or  
5           50-year-old period, and these are deteriorated.

6           THE WITNESS: And I believe you said that there  
7           is now a requirement that the utility put in a super  
8           filtering system that will filter out the, what,  
9           sulfur chlorides? Is that what you said?

10          MR. CROUCH: There is not a requirement of that,  
11          but that is one of the capital projects that they're  
12          planning in several of the areas here is put in packed  
13          tower aerators, which will alleviate the hydrogen  
14          sulfide, which, in turn, will alleviate a lot of the  
15          gray water problem caused by the hydrogen sulfide  
16          reacting to the copper pipes.

17          Many people who feel that they had pure PVC in  
18          their homes and things, you will find that around the  
19          hot water heater many times there are copper  
20          connections there and we have found that even just a  
21          small link of copper will start deteriorating and can  
22          add to the coloration of the water. Even though most  
23          of their houses are fully PVC, the section from the  
24          hot water heater up, in many cases, is copper, and a  
25          lot of times you will find copper in behind the walls

1 in homes that you did not realize was there.

2 We're finding cases, Marshall pointed out  
3 earlier, in Pasco County and several other counties  
4 where the copper sulfate, the hydrogen sulfide copper  
5 problem has been horrendous. And people, if they have  
6 a bathroom or a room that is not used for several  
7 weeks and it just sat there, and then all of a sudden  
8 they have guests come in and they turn on the tub,  
9 it's black water that comes out.

10 The only way this can be rectified is, number  
11 one, to change the piping in the house to get rid of  
12 all copper, or for the utility to put in packed tower  
13 aerators and go through extensive processes to get rid  
14 of the hydrogen sulfide. In either case, it's going  
15 to be expensive.

16 And I know that this is -- several of the  
17 projects that United Water does have on the books now  
18 is to go in and do hydrogen sulfide treatment at many  
19 of the wellheads.

20 THE WITNESS: Thank you.

21 And there is room for some humor here. If you  
22 could tell me the name of the corporation that will  
23 produce the packed -- say it again.

24 MR. CROUCH: It's a packed tower aerator.

25 THE WITNESS: The aerator system?

1 MR. CROUCH: Yes, sir.

2 THE WITNESS: I'd like to buy their stock.

3 And, now, I would like to go into my prepared  
4 statement.

5 Thank you very much for your answers. I  
6 appreciate it very much.

7 MR. WILLIS: Why don't we just take about a  
8 minute break here?

9 (Short break.)

10 MR. WILLIS: Go ahead, Mr. LaBelle.

11 WITNESS LaBELLE: Marshall, Bobbie, and, Bob, I  
12 appreciate your help and listening.

13 Before I left town I had the opportunity to  
14 contact several hundred people and I was face to face with  
15 probably 25 of United Water's customers, so the persons are  
16 totally livid about this rate increase.

17 It's so far beyond my comprehension as to how  
18 they could come in with a huge increase on top of another  
19 huge increase, and that is the feeling that is out there.

20 But there is also a tremendous amount of attitude  
21 that this has already a done deal and it doesn't do any  
22 good to fight the battle.

23 I haven't given up and that's why I'm here today.

24 Last May, United Water, which I will refer to as  
25 UW, got a substantial hike in its water and wastewater base

1 in gallonage usage rates.

2           Their original request was the increase combining  
3 the revenues by about \$8.4 million. Their actual rate  
4 increases generated additional revenues in the \$6 million  
5 range.

6           So what has changed in the past sixteen months to  
7 justify another huge increase in the water and sewer rates?  
8 UW's revenues from the Jacksonville facility have grown  
9 consistently through growth and customer base, regular COLA  
10 increases, and the large rate increase granted last year.

11           It is noteworthy that UW's rates are  
12 significantly higher than those of JEA and are also among  
13 the highest in the state.

14           So the question that needs your answer, why does  
15 UW want another significant increase in its water and sewer  
16 rates? UW admits in its published financial data that its  
17 water and wastewater business segments are producing a  
18 return on capital in the six percent range. At the same  
19 time, the company finds itself in having, quote, paying  
20 cash dividends on its common stock continuously since 1886,  
21 one of the longest dividend records of any YS existing  
22 companies, unquote. This quote was taken from the Wall  
23 Street Investor Information.

24           Now, hold that statement, because that is the  
25 reason UW wants more money from its customers and why does

1 it happen each year.

2           A family of two, that does not water their lawn,  
3 now pays about \$145 a quarter to UW for water and sewer, up  
4 from about \$124 a quarter prior to the rate hike based on  
5 20,000 gallons usage per quarter.

6           This new rate increase request will raise that  
7 bill to about \$172 a quarter and will allow them a 44  
8 percent increase in sixteen months.

9           I know of no business or product of a business  
10 that could get away with such a gigantic increase.

11           Many UW customers are middle income at best.  
12 Many are retired and on a fixed income and many of the  
13 residents are barely making ends meet. I know that,  
14 because I've gotten numerous calls from customers of UW,  
15 all irate about the rates in only two years because they  
16 already can't make ends meet.

17           \$20 a quarter may seem like chunk change to some,  
18 but it's a lot of money to a lot of people.

19           Moreover, there are some underlying factors which  
20 make this rate increase downright disgusting. Please  
21 listen carefully as I've sorted out the real culprit of  
22 UW's rate hike request.

23           In its 1998 second quarter report, the full UW  
24 company shows a slight decline in total company revenues,  
25 \$347 million to \$345 million for the twelve months ending

1 June 30th, 1998.

2           This report also shows a \$3.5 million increase  
3 in depreciation and amortization and a \$10.5 million  
4 increase in interest and other expenses. These are the two  
5 main reasons UW's net income applicable to common stock  
6 fell from \$48.8 million in the prior twelve-month period to  
7 \$28.2 million in its past fiscal year.

8           Another quote from the Wall Street Investor  
9 Information under Business Segments Today and Tomorrow, the  
10 statement is made that if you were to purchase a share of  
11 United Water's stock today, you would be investing in three  
12 distinct business segments, regulated water and wastewater  
13 utilities, nonregulated water and wastewater services, and  
14 real estate operations.

15           The annual report of United Water's company  
16 showed that its wastewater and water business segments are  
17 subsidizing offices in its real estate operations.

18           In the Jacksonville branch of UW -- strike that.

19           Is the Jacksonville branch of United Water  
20 engaged in any real estate for-profit business?

21           That's not a rhetorical question.

22           Are they?

23           MR. WILLIS: Not that I'm aware of.

24           THE WITNESS: I don't think so either.

25           But even if they were, why should we customers be

1 required to, number one, pay for losses in a business of UW  
2 unrelated to delivering water and wastewater services;  
3 number two, be held accountable for a significant increase  
4 in total company expenses which under sound management  
5 should have declined in greater proportion than the slight  
6 drop in total company revenues; and, number three,  
7 sustained United Water's 114-year record of paying  
8 dividends. And that is why we're here today.

9           This rate increase is not about the local UW  
10 facility wanting to rebuild its infrastructure. If they  
11 haven't done it in my 30 years as a customer, I don't think  
12 they're going to do it within the next 30 years.

13           Our water still smells horrible, we can't drink  
14 it, we have to pay to filter it, it destroys our pipes and  
15 faucets, it stains our car, appliances, countertops and  
16 dishes, it causes significant skin problems which require  
17 ongoing medical treatment. Some days the water is gray,  
18 other days it has a rusty grating to it.

19           I've personally experienced two sewage backups in  
20 my home that were the fault of UW. I know a friend who,  
21 as I speak, is living in his home empty of furniture,  
22 removed and stored, because of two major sewage backups  
23 caused by a UW line failure, then by a mistake by its  
24 contractor. And we customers ultimately have to pay the  
25 \$30,000 tag caused by UW's sins.



1           Our distinguished United Water officials present  
2 today might say, "See, if we had enough money, we could  
3 improve our water quality and systems that these problems  
4 are minimized."

5           PSC Associates, do you believe that will really  
6 happen? I don't. More of our money would just make it  
7 possible for the United Water company to sustain its  
8 114-year dividend record and make it possible for UW to not  
9 cut dividends to pay for the improvements that they should  
10 have been making all along.

11           PSC Staff Members, again, I implore you to hold  
12 this company to the same level of responsibility as other  
13 businesses which operate in a competitive environment. If  
14 a product or service has to compete with other similar  
15 products or services that is bad, the company would have to  
16 make it better or lose money until it does make it better.

17           If a competitive company's expenses are out of  
18 hand, it would have to cut them or lose money, and if a  
19 competitive company is losing money in one business  
20 segment, it would have to cut dividends until it gets its  
21 act together. That company would not have the luxury of  
22 requiring these companies to pay more money for its  
23 products or services to support a loser.

24           Remember, months ago this local United Water  
25 facility got a huge rate increase. Since then, nothing has

1 changed here from the customers' perspectives. Don't  
2 reward United Water by giving it more of our money. This  
3 local UW facility is not the cook, it's the waiter. The  
4 umbrella of United Water Company cooked up this push for  
5 higher rates. Tell them no. Tell them that maintaining  
6 their 114-year continuous dividend track record is their  
7 problem, not the customers' problem.

8 Thank you.

9 MR. WILLIS: Thank you, Mr. LaBelle. Appreciate  
10 your coming.

11 (Applause.)

12 (Witness excused.)

13 - - -

14 MR. WILLIS: The next person I have is Scott  
15 Morrison.

16 SCOTT MORRISON,

17 called as a witness on behalf of the customers, testified  
18 as follows:

19 WITNESS MORRISON: Thank you, sir.

20 My name is Scott Morrison. That's S-c-o-t-t  
21 M-o-r-r-i-s-o-n. I live at 4176 Prima Vista Circle.  
22 That's also in the Villages of San Jose. You've heard  
23 people speak about that already.

24 I have a prepared statement here I'll just read  
25 for you.

1           This the second rate increase proposed by United  
2 Water Florida in the past two years. The last time, they  
3 requested a 41 percent increase, of which a large percent  
4 of it, I think about 24 percent, was granted, and this time  
5 they request amounts that equate to 22 percent for the  
6 water and about 17 percent for the sewer service.

7           My question is: What company wouldn't want to  
8 request a rate increase when they have a monopoly over  
9 their customers? The company has nothing to lose by the  
10 request except a possible filing fee and other  
11 administrative costs associated with the notification and  
12 hearing processes.

13           The Commerce Department has a dim view of  
14 monopolies in this country, just ask Microsoft and Ma Bell.  
15 But I'm certain that provisions exist to accommodate  
16 utilities. This is the reason you, the Commission, are  
17 engaged to ensure that utilities are run properly and  
18 provide quality services to their customers at fair prices.

19           United Water Florida doesn't either. As for  
20 quality service, if not for the water conditioning system I  
21 was forced to install in my home, I would still be  
22 cleaning, monthly, the mineral deposits from my faucets,  
23 you're heard that before today, not to mention the car, the  
24 white deposits on the car. And I would also be drinking  
25 water that had two and a half times the level of chlorine

1 in our neighborhood pool because of our chlorine removal  
2 system.

3 But this isn't really about the quality of water  
4 as much as it is about the rate increase request.

5 I brought some charts for you, and I'll leave  
6 them for you in a few minutes, that has some comparisons  
7 amongst the various utilities in town here, and I've heard  
8 people talk about the JEA in comparison to United Water and  
9 about they're not having to pay for property taxes and so  
10 forth, but I think my comparison might be a little bit  
11 different.

12 The four companies I compared were United Water  
13 Florida, Jacksonville Electric Authority, Clay County  
14 Utilities and the St. Johns Service Company. These  
15 companies basically border each other here in this area and  
16 service neighborhoods that are adjacent to each other.

17 All the comparisons I used by making -- using a  
18 family of four using 100 gallons of water per person per  
19 day. So their rates are now based on a -- I have  
20 established comparisons, instead of seeing one base rate  
21 that's huge here in this company and a smaller one here for  
22 this company, and they're on a monthly basis, so I've  
23 adjusted it for the quarterly versus monthly rates.

24 By the way, quarterly is fine with me.

25 Anyway, as you can see, United Water Florida,

1 with the current rates they have in place, is 23 percent  
2 higher than JEA. They're 36 percent higher than the  
3 St. Johns Service Company, and 59 percent higher than the  
4 Clay County Utilities, using that comparison of a family of  
5 four using the same amount of water.

6           Now, this company, I think, uses the same  
7 aquifer, the Floridan aquifer. They probably drill wells  
8 the same depth to get that water, and, properly managed,  
9 they should be using similar technology -- the technologies  
10 to get to that water.

11           Now, Mr. LaBelle went into great detail about  
12 company management. I didn't delve into all the books of  
13 the company or go over the articles in the publications.  
14 They did a great job of that, I thought.

15           But the management of the company is what's in  
16 question here.

17           Now, United Water Florida's proposed rate  
18 increase will be 46 percent higher than JEA, 60 percent  
19 higher than the St. Johns Service Company, and 87 percent  
20 higher than Clay County Utilities; 87 percent.

21           Additionally, if you'll look at the rate increase  
22 over the past two years, United Water Florida will have had  
23 a 47 percent increase in their rates -- I believe it said  
24 46, and some change, percent increase in their rates -- as  
25 opposed to any -- I realize other companies do get rate

1 increases, but for JEA, it's been 19 percent; for the  
2 St. Johns Service Company, 2 percent; and for the Clay  
3 County Utilities, it's 18 percent.

4 I've taken into account the base water and sewer  
5 charges, as I mentioned. I also put in there my division,  
6 the charges per thousand gallons of water converted from  
7 cubic feet, and any caps on sewer usage that some of the  
8 companies have.

9 So what's United Water Florida's problem? Well,  
10 I think it is their management, their poor management.  
11 They have changed their name several times. I'm not  
12 certain they changed ownership or not, but they have  
13 changed their name several times for some reason.

14 They continue to struggle to keep that operating  
15 -- that utility operating without plant upgrades, lack of  
16 phased replacement of equipment and pipes and so forth,  
17 improper maintenance, and possibly poor fiscal planning, so  
18 they are forced to charge us more to keep them in business.  
19 I suppose it could be just simple greed on the part of  
20 their owners.

21 What happens to most companies is that find  
22 themselves unable to compete in the marketplace? Well, if  
23 not for the monopoly that United Water Florida has over us,  
24 its customers, I would be purchasing water from Clay  
25 County, because they're the best rates going in town. We

1 don't have that choice, however. If we did, I assume  
2 United Water would be going the same way as Eastern  
3 Airlines did a couple of decades before because of poor  
4 management.

5 I think the Commission needs to charter a  
6 thorough investigation of United Water Florida, of their  
7 management. There is something which must be fixed to make  
8 that company more efficient, because it's not. Most  
9 likely, a complete turnover of the front office is in  
10 order.

11 If they are unable to provide water and sewer  
12 service at competitive prices, then they should be forced  
13 out of business by a demanding marketplace, not bailed out  
14 by the customers. They should be absorbed by another  
15 utility like several others have over the past few years,  
16 such as Jacksonville Public Utilities, which I think is now  
17 owned by JEA, Ortega Utility Company, which I think is also  
18 part of JEA now, and JCP Utility Company. I'm not sure  
19 where they went.

20 As I said earlier, I would have chosen Clay  
21 County because it seems to be well run.

22 However, prior to chartering an investigation, I  
23 think the Commission must vote to allow no further rate  
24 increases by United Water Florida. This only places a  
25 band-aid on the problem at the expense of the customers who

1 have only you, the Commission, standing between them and --  
2 between the customers and a monopolistic utility.

3           Now, today, you only have a handful of people out  
4 here to talk with you. I think in that green paper you  
5 handed out, it said there were 29,000 customers served by  
6 United Water Florida, and I think its parent company has,  
7 if I'm not mistaken, about 6.2 million customers.

8           I'm sure you wouldn't have all 29,000 people  
9 break in line, or even a percentage of them, 290, there  
10 would be a lot of people here waiting here today, but that  
11 doesn't mean that we're not concerned. This is a small  
12 percent of the customers of this company, but hopefully  
13 these voices are being heard, because you don't want to sit  
14 here for weeks on end listening to person after person talk  
15 about the color of the water and their distaste for the  
16 management of the company.

17           So please put the customers and the public here  
18 first. I think that's the Commission's job to look at the  
19 management of this company to see why it can't be as  
20 efficient as surrounding companies.

21           Now, as I mentioned -- or as you mentioned, the  
22 JEA doesn't have to pay-bonds and so forth -- or can float  
23 bonds and things like that to raise capital for  
24 improvements and so forth. But I don't think that's the  
25 issue. If a company can't be competitive, they can't be



1 competitive; and if they can't be competitive, I think it  
2 needs to be bought by somebody that can be.

3 Thank you for your time.

4 MR. WILLIS: Thank you very much.

5 (Witness excused.)

6 - - -

7 MR. WILLIS: At this point, let's go ahead and  
8 take a five-minute break so the court reporter can  
9 rest her fingers over here. She's been working rather  
10 hard.

11 So let's break for five minutes and we'll back  
12 here doing this again.

13 (Short recess.)

14 MR. WILLIS: The next person I have, I believe  
15 it's DeMetree, first name Brian.

16 (No response.)

17 MR. WILLIS: We'll try again afterwards.

18 Latellus -- Latellier? Is that person here?

19 L-a-t-e-l-l-i-e-r.

20 (No response.)

21 MR. WILLIS: Not here.

22 Phil Burdette. Mr. Burdette?

23 (No response.)

24 MR. WILLIS: I believe he's out of the room also.

25 Glenn Green.

1 GLENN GREEN,  
2 called as a witness on behalf of the customers, testified  
3 as follows:

4 WITNESS GREEN: I'm Glenn Green. I live at 7010  
5 Madrid Avenue. That's G-l-e-n-n Green, G-r-e-e-n.

6 I'm not going to be as nice as the rest of these  
7 people. I don't know if any of you all object to this.  
8 You-all are very knowledgeable about United Water, and I  
9 guess every time one of these meetings comes up, a few  
10 people from the public come out.

11 The services are terrible. I've lived in my home  
12 ten years. I replaced the pipes when I first moved in and  
13 I'm fixing to have to do it again. I have to replace my  
14 kitchen faucet every two to three years. Luckily, I bought  
15 a Delta, and they'll replace it free if it breaks down, but  
16 I still have to go to the trouble of hiring somebody to  
17 come in and take it out. That's ridiculous. It's a fine  
18 piece of equipment, but it deteriorates in three years or  
19 less. You have spots on everything.

20 The water smells worse now than it has in the  
21 past nine years. It's gotten so bad.

22 If you give these people this rate increase,  
23 you're encouraging mediocrity. They haven't done anything  
24 to deserve a rate increase. If they don't have an account  
25 for capital expenditures in the future for replacement

1 costs, something is wrong with their accounting practices.  
2 Every business in the world has an account for reoccurring  
3 costs, or things that are going to deteriorate over a  
4 period of time.

5           Especially, if you're a landlord and you own a  
6 rental home, you do that, or if you have rental property  
7 for commercial use, you would set aside money for that.  
8 Apparently, Suburban or United, whatever they want to call  
9 themselves, haven't done that.

10           I did a little spread sheet. August 23rd of  
11 1989, we used 27 cubic units, or whatever, of water. My  
12 water bill was \$28.58.

13           On 9/4/98 I used the same exact consumption. My  
14 water bill was \$44, a 56.3 percent increase in ten years.

15           My sewer for the same amounts for the same dates  
16 were \$74 and \$105.51. That's a 31.7 percent increase. Of  
17 course, the taxes, they're also 56 percent. Some of that  
18 goes to you, the Public Service Commission.

19           In comparison, my electric rates, and I do not  
20 have an exact kilowatt example, but my electric rate for  
21 1358 kilowatts back in June of '89 was \$89. For August of  
22 '98, I used 1437 kilowatts, and it cost me 95 bucks.

23           The kilowatt rate ten years ago was 6.625 cents  
24 per kilowatt, I believe. Today it's 6.647. That's less  
25 than a one percent increase.

1           How can electric utilities do this and a water  
2 utility cannot? They've had a 50-plus percent increase.  
3 My electric utility doesn't.

4           It also has to expand and update as neighborhoods  
5 grow, and even a larger area they have to -- they have some  
6 more astringent environmental concerns that they have to  
7 worry out.

8           I read in some of the literature from United that  
9 they have to comply with these regulations and that  
10 regulation, and they have to, at least, keep the water  
11 clean.

12           I have a 90-foot well in my backyard and I've  
13 tested the water there and this is what comes out of my  
14 tap. The only thing is it has iron in it. I'm about ready  
15 to go back -- I don't know that I can, but somehow I want  
16 to.

17           I have no control over my water costs. They just  
18 got a rate increase 18 months ago, and now they want to  
19 double it? It's ridiculous.

20           Every other business in world -- I'm an investor.  
21 I invest. I try to invest my money in a company that's  
22 going to give me a good return. They just run to you and  
23 say give us more, give us more. What have they done for  
24 me, the consumer? I have no choice. I really can't turn  
25 my water off, can I? I have no choice. I can't go

1 anywhere else. I'm lucky I do have a well. But it's  
2 really not a viable alternative for me to go back to my  
3 well. I still have to pay sewage rates.

4           Which, by the way, ten years ago, the company  
5 and/or one of their representatives came to my door and  
6 said, "We're putting in a new sewer line. You're going to  
7 be required to hook up. If you do it today, it will be  
8 free; if not, you'll have to pay for it later on." That  
9 was a big lie. And now I'm having to pay sewer rates, and  
10 I had a perfectly good septic system. I wonder if I could  
11 go back to my septic system, because that is a large part  
12 of the bill.

13           In terms of dollars -- I did a little research on  
14 the internet last night, and the best I can tell,  
15 inflation for the past decade has been about two and a half  
16 percent a year. On a yearly basis, from '87 to '88, a  
17 hundred dollars -- by the end of the year, it was \$104. It  
18 would cost \$104 to buy the same product.

19           From '88 to '89, it was \$104.82; from '89 to '90,  
20 it was \$105. Then from '90 to '91, it was \$104.23. From  
21 '91 to '92, it was \$103. From '92 to '93, it was \$102.  
22 From '93 to '94, \$102.60. From '94 to '95, it was \$102.79,  
23 and '95 to '96, it was \$102.93.

24           So, in terms of inflation rate, it was maybe  
25 three percent, three and a half percent max, two and a half

1 to three percent, somewhere in that area.

2           And then, once again, from what I can see over a  
3 ten-year period, they've gotten a 53 percent -- 56 percent  
4 rate increase. It doesn't add up, not at all. And what  
5 they do, they sell themselves to somebody here or there and  
6 they're selling themselves amongst their own  
7 infrastructure, from one company to another. It's like a  
8 shell game.

9           Somebody mentioned tax-free bonds and they don't  
10 have that opportunity. Is that correct?

11           MR. WILLIS: That's true.

12           THE WITNESS: I have their statement -- there's a  
13 10Q statement that they file quarterly dated August the  
14 10th, 1998, that they must file with SEC as a publicly-held  
15 company, and it says -- I don't know where this was. It  
16 may just be the State of Florida that you're saying they  
17 can't do a tax-free bond. It says, "In June of '97, United  
18 Water issued -- excuse me. In August of '97, United  
19 Waterworks issued twenty million of 5.3 percent tax-exempt  
20 water resource development bonds due 2027.

21           So they had the ability somewhere.

22           MR. WILLIS: They might have the ability in some  
23 state, but not here.

24           THE WITNESS: Well, I don't know if you're  
25 looking at just Florida in terms of the profits of

1           this company.

2           You mentioned earlier that they're asking for a  
3           return of like 8.9 or 9.3 percent?

4           MR. WILLIS: 8.6, I believe.

5           THE WITNESS: Once again, any other company out  
6           there has no guaranteed rate of return. They have to watch  
7           what they spend so that they can please their stockholders.

8           This company, I believe, that Mr. LaBelle  
9           mentioned earlier, has a record of paying a dividend for  
10          113, 114 years and they're very proud of that. I'm happy  
11          for them. But what about their customers, you know? Do we  
12          have to keep getting terrible water? It's ridiculous.

13          Their revenues for the first quarter of 1998 was  
14          3.2 percent. That's for the company as a whole. I don't  
15          know what they did in Florida. And I guess you are privy  
16          to that information, but I'm not.

17          I heard a little statement here -- in 1996 and  
18          '97 from David Chardevoyne -- I don't know his name -- the  
19          president of United Water, "We look forward to providing  
20          premium water and wastewater services to our newest  
21          customers."

22          What about their old customers? Because they  
23          sure aren't providing good water for me.

24          I have two children, and they're both fair  
25          skinned, and they both have skin problems due to the hard

1 water. We go out of town, it disappears.

2 It is really ridiculous, you know.

3 Like I say, I'm going to have to replace my  
4 pipes. I admit I made a mistake. I put in copper ten  
5 years ago. I didn't know better. I lived in another part  
6 of the city where the water was better. It's terrible now.

7 We, as customers, aren't happy, and we don't know  
8 how you could possibly reward this company a rate increase,  
9 especially after they got one some two years -- less than  
10 two years ago.

11 I'm looking at this 10Q statement and they turn  
12 around left and right and ask for rate increases  
13 everywhere. Are they the same proportions in other states?  
14 This is not the only state or area that they do this.

15 One little statement here -- I know this is all  
16 out of context. It says in May of '98, United Water filed  
17 for approval of agency action by requesting a rate increase  
18 over existing rates of 5.3 million or 18.1 percent, and the  
19 filing was officially accepted on June 23rd of '98.

20 Was that here or was that in another area of  
21 Florida?

22 Do you have any idea?

23 MR. WILLIS: I have no idea --

24 THE WITNESS: It was dated in May of '88 and it  
25 was accepted on June 23rd of '98. Excuse me. It was



1 May of '98 -- for 18.1 percent. It doesn't say in  
2 this where they asked for it.

3 MR. WILLIS: I have no idea on that one.

4 THE WITNESS: Talking about operating revenues,  
5 it says, "The 1.7 percent increase in revenues from  
6 rate awards in the second quarter of '98 included the  
7 impact of 1997 and current year increases in several  
8 of the companies operating utilities." It says,  
9 "Increase in revenues due to growth was primarily  
10 attributed to the acquisition of a utility in Florida  
11 in the fourth quarter of '97."

12 Is that the one in South Florida or is that this  
13 utility and this general area? Do you know?

14 MR. WILLIS: Without looking it up, I couldn't  
15 tell you.

16 THE WITNESS: Well, it doesn't say.

17 MR. WILLIS: Yeah, I know it doesn't say.

18 THE WITNESS: And it's giving me a date of '97,  
19 and I don't know when they actually made the  
20 acquisition, when it became official, when they  
21 technically bought out Jax Suburban.

22 MR. WILLIS: Jax Suburban was purchased many  
23 years ago.

24 THE WITNESS: It's only been about two or three  
25 years.

1 MR. WILLIS: It's been about four years.

2 THE WITNESS: Oh. But to me, as a customer, I  
3 feel like all I'm doing is paying for the acquisition,  
4 whether it was an internal type shuffle or not.

5 MR. WILLIS: Uh-huh.

6 THE WITNESS: But at one time I believe they were  
7 going to go public, here with Jax Suburban, there was  
8 talk of that, and then they turned right back around  
9 and decided not to go public but basically to shuffle  
10 it.

11 MR. WILLIS: Well, Jacksonville Suburban was  
12 supposed to be traded. It was called General  
13 Waterworks before. Jacksonville Suburban was a  
14 subsidiary of General Waterworks, which was a national  
15 company.

16 THE WITNESS: Which was actually --

17 MR WILLIS: General Waterworks' stock was  
18 Purchased by United Water Resources in Lyonnaisse  
19 Company, which is a French company.

20 THE WITNESS: Wasn't General Waterworks actually  
21 owned by some of its subsidiaries, though, United? Is  
22 that the parent company?

23 MR. WILLIS: Well, they are now.

24 THE WITNESS: Weren't they then?

25 MR. WILLIS: I'm not sure.

1 THE WITNESS: I think they were.

2 But, as a consumer, they're doing a poor job.  
3 And they've lied to me. They're great. If you call them  
4 up and say, "Come out, I've got a water leak," they'll come  
5 pretty quick.

6 But, in terms of the quality of the water, it's  
7 not there.

8 I have neighbors, but I can only really speak  
9 from their say-so, because they lived three miles away and  
10 had city water service and then they moved over here to  
11 where they are now, the city was much better quality.

12 There is a chlorine smell and it's affecting my  
13 children's skin. I don't drink it. I buy bottled water or  
14 I filter it.

15 And it's just outrageous what they want. I mean,  
16 I don't know how you can, as a Public Service Commission,  
17 can allow them a rate increase. I'm asking that you not do  
18 it, because you're rewarding them for this mediocre -- and,  
19 like I say, as an investor, I have to look at other  
20 companies or look at investments that are going to give me  
21 a return on my investment, and they're being rewarded by  
22 doing quality work, and that's what you're looking for.  
23 You can't reward them for this.

24 They do have basically a guaranteed dividend. If  
25 I want to buy that stock, I know what I'm going to get

1 every year just about from them. And that's how many  
2 utilities are.

3           But you should not guarantee them a profit,  
4 because they can play with the numbers and they have  
5 auditors that look at this, but they're going to turn  
6 around and pay somebody a little more here or a little more  
7 there, and who knows what shell game they're playing with  
8 that you can't find -- they just don't deserve an increase  
9 and I'm asking that you not grant this increase. As a  
10 matter of fact, give them a decrease.

11           Thank you.

12           MR. WILLIS: Thank you. Appreciate it.

13           I would like to state one thing about the -- I  
14 know there's concern over inflation, where inflation  
15 has been only like two and a half percent or less each  
16 year, but water and wastewater companies, like many  
17 other utilities, have capital intensive problems.  
18 Water and wastewater companies are one of the most  
19 capital intensive of the public utilities around.

20           Telecommunications companies, on the other hand,  
21 are just the opposite now; whereas, they are now  
22 replacing equipment in their substations and  
23 everything with better technology, newer technology,  
24 and that technology just happens to be cheaper. That  
25 technology can now serve many more trunks, it can

1       serve double, triple, quadruple many more people than  
2       it used to and yet it's cheaper. Their basic cost is  
3       declining in nature because of the technology. In  
4       water and wastewater, it's -- we haven't seen any  
5       trends where technology is making things cheaper.

6               The biggest problem we're seeing in water and  
7       wastewater -- it's not just for this company and it's  
8       not just for this state, but it's all over the nation.

9               We have new legislation now put out by the  
10       federal government. It's called the Clean Water Act.  
11       It's been revised and it's being revised again. The  
12       Clean Water Act has, in effect, caused companies to  
13       start testing for contaminants they never tested  
14       before. It's caused them to go in and remove  
15       contaminants that they never had to do that before.  
16       And, because of that, it's becoming very capital  
17       intensive, this company itself.

18               There's lead copper rules that have just come out  
19       that they've had to put a tremendous amount of money  
20       in, just like other utilities we've seen in the state  
21       that we're having to look at rate increases for, to  
22       handle the lead copper portions of the Clean Water  
23       Act. That's pretty expensive. Many utilities are  
24       facing that all over the nation.

25               I just wanted to let you know it's just not

1           inflation that the utility companies have to worry  
2           about.

3           And, in fact, if you look at a water and  
4           wastewater company and you try to compare them to an  
5           electric, electric companies are capital intensive,  
6           but if you look at it on a preferred customer basis,  
7           water and wastewater companies are more capital  
8           intensive than electric companies are. Electric  
9           companies just happen to be much bigger serving a  
10          bigger base and, therefore, are able to provide a  
11          product that has more company skills built into it  
12          than some of the other companies.

13          I just wanted you all to know that.

14          THE WITNESS: Well --

15          MR. WILLIS: I'm not sitting here saying this  
16          rate increase is good or bad, because we haven't made  
17          up our mind on that, but I just wanted to let you know  
18          that there are other factors in the water and  
19          wastewater industry besides inflation that have to be  
20          dealt with.

21          THE WITNESS: I realize that.

22          MR. WILLIS: And part of it is this legislation  
23          that keeps pouring down from the federal government.

24          THE WITNESS: I realize that. Thank you. No, I  
25          understand. I guess you're chartered under the

1 Statutes of the State of Florida and you're kind of  
2 the peacemaker, as the gentleman was describing it,  
3 you walk down the middle line between the consumer and  
4 the utility.

5 MR. WILLIS: That's basically what we're trying  
6 to do.

7 THE WITNESS: And I'm not hitting you. But, you  
8 know, I've listened to you -- I've been here for two  
9 or three hours now, and, forgive me -- obviously, you  
10 know this industry very well, but you almost sound  
11 like you're on their side just in your explanations.  
12 You're defending them by saying this, that and the  
13 other.

14 The cost of detecting these chemicals in the  
15 water have gone down, the cost of detecting it. The  
16 technology there has -- even though they may have to  
17 test for 20 different chemicals now where five years  
18 ago they tested for two, the cost of testing for those  
19 has gone down. The technology there has evolved also.

20 Their billing procedures, I bet you they've  
21 decreased their costs in billing. I know there are  
22 certain fixed costs that they have. I'm pretty sure  
23 PVC is a lot less expensive to purchase as an item as  
24 a capital expense than an iron pipe is or a terra  
25 cotta pipe, and putting them in is a lot less

1 expensive in terms of that. The labor, they can't  
2 really do a whole lot about that. I know labor  
3 expense is what costs. It's one of their highest  
4 expenses. I realize that.

5 But compared to other things -- I don't know what  
6 it's going to be. Somebody needs to say, well, if  
7 they get this rate increase after the last rate  
8 increase that they just got two or three years ago,  
9 it's going to be X percentage increase. We've got to  
10 look at the Consumer Price Index, or something. The  
11 economy is great.

12 I remember Mr. Clinton saying, "It's the economy,  
13 stupid." Well, it's great. Why can't they fall in  
14 line? Their costs should not be going up that much.

15 But, you know, the rate increase is just crazy.  
16 What do you know of -- think in your mind, what do you  
17 know of that's gone up anything close to this  
18 percentage, any item in the world?

19 I have other thing in there I didn't bring that  
20 showed me -- or I didn't talk about, and I'll be happy  
21 to go back and get it. It compares the cost of  
22 capital equipment in industry as a whole, machinery as  
23 a whole, a hundred dollars in 1989 and now it's \$127.  
24 That's not a big increase, not when you compare it to  
25 water. Some of them are \$105, \$110. And I'll be



1 happy to pull it out and show it to you and go over  
2 it.

3 This industry has just gone up so much, it's  
4 ridiculous. Some of the things like the piping, the  
5 PVC piping or whatever, has not gone up that much. I  
6 don't know what labor has gone up.

7 But, you know, to me they're making excuses and  
8 they're able to do it on paper with their accountants,  
9 and I don't know what they're doing, but it's  
10 ridiculous. Nothing has gone up that much. Housing  
11 hasn't gone up that much.

12 So I don't know how you can justify their  
13 request.

14 Thank you.

15 MR. WILLIS: Thank you very much.

16 (Witness excused.)

17 - - -

18 MR. WILLIS: The next person I have is Linda  
19 Montgomery.

20 LINDA MONTGOMERY,  
21 called as a witness on behalf of the customers, testified  
22 as follows:

23 WITNESS MONTGOMERY: Hello. My name is Linda  
24 Montgomery, M-o-n-t-g-o-m-e-r-y. I live in the Royal Lakes  
25 section of the city.

1           And I appreciate you folks being here today, but  
2 I also know that you didn't have a choice. You needed to  
3 be here. And I know a lot of people from our neighborhood  
4 have been here and had to leave.

5           It requires a substantial amount of time and  
6 effort to attend one of these things. Every Thursday I  
7 volunteer at my daughter's school. I'm missing that  
8 volunteer time today because I thought this was very  
9 important.

10           I called a lot of neighbors last night asking if  
11 they could come.

12           And it's very sad in a country where people feel  
13 like they have no power anymore, and they also think  
14 they're going to get it. They're not going to come with an  
15 open mind. And I hope that you prove them wrong. I hope  
16 that you have truly come, and you've just stated you  
17 haven't made up your mind.

18           And look at the number of people here, and a rate  
19 increase should not be based on the number of people  
20 sitting here today. It should be on whether that increase  
21 is right or wrong and justified or not justified.

22           Let's bring some ethics back into the whole  
23 process of awarding profits. It's just gotten out of hand.  
24 And not only here, but in many things. But if we can  
25 control something, let's bring some control back. Let's

1 let people feel that they have some control over things,  
2 not that, you know -- the company has said we're going to  
3 do it and so it's going to be done.

4           That breaks my heart to hear neighbors say, you  
5 know, you're a fool if you think you can go down there and  
6 you're going to change their mind. I hope I'm not a fool,  
7 because it affects too many people and too many  
8 pocketbooks.

9           The chlorine problem, that breaks my heart that  
10 there's no upper limit. I mean, I take a shower and I  
11 break out in a rash, and it's terrible. I leave the city  
12 and I take a shower, I have no problem.

13           I drink bottled water. My daughter does not  
14 drink bottled water because of the fluoride. She needs the  
15 fluoride and so I have to have her drink this horrible  
16 smelling stuff.

17           I mean, when people come to our house, I provide  
18 bottled water for them to brush their teeth because the  
19 smell is so repulsive to them. It's not always that  
20 repulsive. It waivers.

21           We check our chlorine, the chlorine rate all the  
22 time. We have a little droplet and do it. And I thought  
23 that was an interesting explanation, it depends on where  
24 you are in the line. But that would seem to me indicate  
25 that ours should be pretty much at one level and not

1 fluctuate, and it fluctuates greatly, which scares me.

2           I mean -- you know, I've read the stories about  
3 the chlorine. That is why I drink bottled water. And  
4 it's kind of what do I do? I go ahead and tell my  
5 daughter, "Honey, you're going to have some dental  
6 problems, you know, but we're going to have drink bottled  
7 water." Because that other stuff can almost make you gag.  
8 I kid you not.

9           I'm not exaggerating when I say there are  
10 mornings we get up to brush our teeth, turn off the faucet  
11 and go get bottled water so that we can even just brush our  
12 teeth.

13           Now, I feel like -- I have a choice where I  
14 bank, where I shop, where I go out to eat, where I  
15 vacation, and all of that is based on the quality I get and  
16 the service I get, and I'm not having any choices here, and  
17 to me I would leave any company or any business that I do  
18 business with if I got the kind of quality that I'm getting  
19 from United Water.

20           And I just urge you so much to really listen to  
21 these people. There are people on fixed income. And you  
22 see the crowd that's here, I hope you don't think that  
23 these are all the people that care. These are the only  
24 people that can afford a few hours of their time today to  
25 be here.

1           And I appreciate you set up a meeting at 6:30,  
2 and I know you're thinking, okay, we're covering everybody.  
3 The people -- the mothers in my neighborhood will not be  
4 here again tonight because they need to get home from work,  
5 fix dinner, help their children with their homework, get  
6 them bathed and put them to bed.

7           So I'm saying, please don't make this decision  
8 based on the number of bodies out there, please base this  
9 decision on what is right and what is ethical and help us  
10 just have some sense that we can have some control over our  
11 lives.

12           Thank you.

13           MR. WILLIS: Thank you very much.

14   (Witness excused.)

15   - - -

16           MR. WILLIS: I would like to point out that the  
17 decisions of this Commission are never made just  
18 because we have a lack of customers show up or a  
19 large number. The decision of the Commission are  
20 based upon the need, the proven need that the company  
21 has proven that they actually need the costs.

22           Also the cost that we're trying -- are being  
23 requested here and will be actually recovered for this  
24 company are only for this area. It doesn't matter  
25 about the needs of any other affiliated company they

1 have where they've had losses or anything else for any  
2 other company, they may want the money to cover that,  
3 but they're not going to get it from here.

4 By law, we have to set rates that are cost based  
5 for prudent costs and prudent investments for this  
6 utility only. We don't take into account the needs of  
7 the parent company. It's for this utility to operate  
8 prudently, and that's it. By law, that's how we have  
9 to set rates.

10 And I just want to assure you that there's  
11 certainly not any kind of level of rate set because we  
12 have a low turnout, and I'd also like to point out  
13 that there are many, many people from homeowners  
14 associations here who are here representing thousands  
15 of people that are on this system. We met with many  
16 yesterday and there are some here today also that are  
17 representing thousands of people.

18 So it's not just the voices we heard today.  
19 We've heard from many people and we'll hear from many  
20 more tonight.

21 With that, that's the last person I have signed  
22 up.

23 Is there anyone in the audience who would like to  
24 come forward who did not sign up and make a  
25 presentation?

1 (No response.)

2 MR. WILLIS: With no show of hands then, we'll go  
3 ahead and close the hearing down.

4 If you would like to get a copy of our staff  
5 recommendation and copy of the order from the  
6 Commission, that proposed agency action order to know  
7 if you would like to take further action on that, if  
8 you would please come forward and get a copy of one of  
9 these white forms to fill out with your name and  
10 address and we'll be more than happy to supply that to  
11 you.

12 Again, I want to thank you for coming here today.  
13 We certainly appreciate the turnout and we certainly  
14 appreciate your comments and they are well taken. I  
15 just want to assure you of that.

16 With that, we will adjourn this morning session.

17 Thank you.

18 (Whereupon, at 11:27 o'clock a.m., the hearing  
19 was adjourned.)

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STATE OF FLORIDA )  
COUNTY OF CLAY )

I, MARIE C. GENTRY, do hereby certify that the matter of the application for rate increase in Duval, St. Johns and Nassau Counties by United Water Florida, Inc., Docket No. 980214-WS, was heard by the Florida Public Service Commission on September 10, 1998; that I was authorized to and did report in shorthand the proceedings and that the foregoing pages numbered 1 through 103, inclusive, constitute a correct record of the proceedings in said matter.

DATED this 28th day of September, 1998.

*Marie C. Gentry*  
\_\_\_\_\_  
MARIE C. GENTRY, Court Reporter