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December 2, 1998

FEDERAL EXPRESS

Ms. Blanca Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Application for Rate Increase in Duval, St. Johns and Nassau Counties by
United Water Florida Inc., Docket No. 980214-WS ("Application")

Dear Ms. Bayo:

In connection with the above referenced Application, enclosed are an original and fifteen (15) copies of United Water Florida Inc.'s Response to Customer Comments ("Response"). Also enclosed is a WordPerfect 6.1 formatted, high double density disk which contains a copy of the Response.

Please file the original and distribute the copies in accordance with your usual procedures.

If you have any questions or need additional information concerning this matter, please do not hesitate to call me.

Sincerely yours,

Scott G. Schildberg

- ACK
- AFA 3
- APP
- CAF
- CMU
- CTR SGS/cwb
- EAG Enclosures
- LEG 1
- LIN 5
- OPC
- RCH
- SEC 1
- WAS Waller
- OTH

- cc: Mr. Walton F. Hill
- Mr. Jack Schreyer (2 sets)
- Mr. Gary R. Moseley (2 sets)
- Mr. Munipalli Sambamurthi
- Mr. Harold McLean (2 sets)
- Ms. Bobbie L. Reyes (via facsimile)

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UNITED WATER FLORIDA INC.

DOCKET NO. 980214-WS

Response to Customer Comments

OVERVIEW

United Water Florida Inc. ("United Water Florida") provides water and wastewater service to approximately 28,500 customers. On September 10 and 11, 1998, the Staff of the Florida Public Service Commission ("Commission") conducted three (3) separate customer meetings. Only forty-three customers spoke against United Water Florida at the three sessions-which is 0.15 of one percent of United Water Florida's customers. The Staff of the Commission also conducted two meetings of homeowners associations, at which time representatives of five (5) homeowners' associations addressed the Staff.

Most of the customers comments fell into four (4) general areas:

1. Allegations about company ownership;
2. Misunderstandings about the ratemaking process;
3. The number and amount of the rate adjustments and rate comparisons; and
4. Quality of service concerns.

Company Ownership

With respect to the allegations concerning the ownership of United Water Florida, it is apparent that the customers testifying on this subject are under the mistaken belief that United Water Florida purchased Jacksonville Suburban Utilities Corporation. United Water Florida did not purchase Jacksonville Suburban Utilities Corporation. When Jacksonville

Suburban Utilities Corporation's corporate grandparent, GWC Corporation, merged with United Water Resources Inc., the surviving corporation was United Resources Inc. In keeping with the policy of United Water Resources Inc., all of the subsidiaries were renamed to include the term "United Water". Accordingly, Jacksonville Suburban Utilities Corporation was renamed United Water Florida Inc., and its corporate parent, General Waterworks Corporation, was renamed United Waterworks Inc. By Order No. PSC-95-0215-FOF-WS, Docket No. 940743-WS, the Commission approved the transfer of majority organizational control of United Water Florida at the corporate grandparent level. Contrary to the customers' belief, there was no purchase of Jacksonville Suburban Utilities Corporation by United Water Florida. Thus, such allegations like Jacksonville Suburban Utilities Corporation drained off the cash in the sale or United Water Florida should be held to its bargain in the purchase of Jacksonville Suburban Utilities Corporation are simply incorrect and inappropriate. Far from draining the cash out of the company, United Water is making a \$32 million investment in the company.

Ratemaking Process

The statements of many of the customers disclosed misunderstandings with the ratemaking process in cases before the Commission. At the meeting, the Staff attempted to correct such misunderstandings. For example, several of the customers were preoccupied with the earnings and dividend history of United Water Florida's corporate grandparent, United Water Resources Inc. However as explained by the Staff, the ratemaking process focuses on the utility company (e.g., the utility company's expenses, revenues, and rate of return). The focus is not on the grandparent corporation's annual report. The Staff noted that the Commission will not take into account the needs of parent

corporations or affiliates. Thus, whether the real estate division of the United Water companies was generating a profit is not relevant and should not be used by the Commission to either increase or decrease United Water Florida's rates. The Commission establishes rates for a utility company which are to be just, reasonable, and compensatory and which give the utility company an opportunity to earn a fair rate of return. The rate of return is determined through application of the Commission's industry wide leverage formula. Some customers were concerned that the Commission would give United Water Florida a guaranteed rate of return and that this rate of return would exceed the rate of return of Fortune 500 companies. For example, some customers incorrectly calculated United Water Florida's rate of return by dividing its income by its revenue to derive a twenty-five percent (25%) rate of return, others did not take into account the cost of debt in their calculations, and still others thought that the entire cost of the investment already had been recovered in rates. The Staff pointed out that the rate of return under consideration in the rate case is not a return on revenue, it is a return on investment. Furthermore, the company has actually requested a lower rate of return (8.69%) in this rate case than was approved in the last rate case (9.57%). The Staff also addressed funding and the utility company's need to recover its debt costs. The Staff also explained that the entire cost of the improvements was not going to be recovered in rates in a single year. The Staff also responded to misunderstandings concerning United Water Florida's rate structure by explaining the base facility charge/consumption charge rate structure to the customers.

The customers' confusion over the ratemaking process was also illustrated by the comments concerning United Water Florida's management. Some customers stated:

- (i) United Water Florida bought a dilapidated system from Jacksonville Suburban Utilities Corporation;
- (ii) United Water Florida should have planned for capital improvements;
- (iii) United Water Florida should put in the capital improvements first to improve service and then seek a rate increase; and
- (iv) United Water Florida should fund its capital investments by setting aside a portion of its income in a capital recovery account.

First, as explained above, United Water Florida did not buy Jacksonville Suburban Utilities Corporation's assets - it was merely a name change. Second, United Water Florida has planned for capital improvements - one of the main drivers both in the last rate case and this rate case is United Water Florida's plan of capital improvements. Third, United Water Florida would not be fully compensated if it installed the improvements first and later requested a rate increase to recover its increased costs. For example, the Staff probably would seek to prevent United Water Florida from recovering its depreciation expense for the period from the installation of the improvements until the establishment of new rates by claiming such a recovery of depreciation expense would be retroactive ratemaking. If United Water Florida's rates are not set to enable it to fully recover its expenses, such rates would not be compensatory as required by statute. Moreover, the Florida Legislature has specifically provided for the use of projected test years. Projected test years are useful for cases such as this one in which a projected test year is more representative of the situation than a historical test year, especially when there is to be a substantial investment in plant. Fourth, the rates established by the Commission only allow a utility company the opportunity to recover its expenses and earn a fair return. Such rates

do not guarantee a return or provide an additional return to fund a capital improvements account. United Water Florida's current and previous rates have not included such a capital funding provision. The Commission would need to increase United Water Florida's rates higher to provide for such funding for future investments.

Number and Amount of the Rate Adjustments and Comparison of Rates

The primary complaints by customers at the meeting were the number of rate increases, the amount of the increases, and how United Water Florida's rates compare to other utilities.

As stated by one customer "the main reason I would like [the rates]. . . not to increase is [that] they just increased it." United Water Florida's rates were increased in Docket No. 960451-WS. As noted by the Staff, the main reason for that increase was a \$50 - \$60 million investment in plant. The main reason for this rate case is that United Water Florida needs to make an additional \$32 million investment in plant to serve its customers. In the 1996 rate case, United Water Florida sought to use a phase-in approach which would incorporated a true up proceeding. United Water Florida hoped to reduce the number of rate cases, however, United Water Florida's approach for that proceeding was not acceptable to the Staff, the Commission, and the Office of Public Counsel. Accordingly, the phase-in/true-up procedure was not used in the 1996 rate case. United Water Florida has had only two general rate cases since 1980, the previous test year (i.e., one general rate case every nine (9) years). The main driver in both rate cases was substantial investments in plant in service. Moreover, the rate adjustment in this rate case will become effective in 1999 and the approved rates will be based on a 1999 average

test year. Therefore, the timing of the rate change is appropriate because the rates will be based on the then current year.

With respect to the amount of the increase, the Staff discussed the impact of the \$32 million dollar investment proposed by United Water Florida. The Staff explained that the water and wastewater industry is very capital intensive and that legislation like the Clean Water Act is requiring even greater levels of investment and testing. Contrary to allegations by some customers, the cost of tests is relatively stable. Furthermore, the number of tests have increased dramatically, which has resulted in increased testing costs. United Water Florida has provided to the Commission information as to increased investment, increased expenses and the need for additional revenue. The Staff explained to the customers its investigation and review process in which Staff analysts, auditors, and engineers will carefully scrutinize information and conduct investigations before any amount of rate increase is approved.

United Water Florida would like to point out a common misstatement concerning the proposed rate increase. Many of the customers incorrectly referred to a twenty-one percent (21%) rate increase. Because of growth and other factors, United Water Florida's revenues would increase by twenty-one percent (21%) but its rates would not. Under United Water Florida's proposed rates, its water base facility charges would increase by approximately twenty-one percent (21%), but its water usage charges would only increase by approximately 17.6% and its wastewater base facility charges and wastewater usage charges would only increase by approximately 16.7% and 16.5%, respectively. The bill for residential service customer with a 5/8" meter who consumed 30,000 gallons per quarter would increase by 18.1%.

The Staff also addressed the customer's comparison of United Water Florida's proposed rates with rates of other utilities and explained why such comparisons were inappropriate. For example, some customers compared to United Water Florida's rate changes with rate changes in the electric industry and the telecommunications industry. The Staff explained the water and wastewater industry is much more capital intensive than the electric industry and the telecommunications industry and that those two industries also have a much broader base of customers over which to spread their investment. The Staff also discussed how technological advances in those two industries resulted in significant cost savings, which, in turn, reduced the need for rate increases. Accordingly, it is inappropriate to compare changes in rates in those two industries with rate changes in the water and wastewater industry.

Some customers asked why the rate increase should not be limited to the increase in the Consumer Price Index ("CPI") and others questioned why United Water Florida had the highest rate increase of United Water's companies in 1997. The main driver of this rate case, like its previous rate case, is capital improvements -- not inflation and, thus, CPI is not an appropriate yardstick for evaluation. United Water Florida has consistently utilized the Commission's tools to annually address inflation (i.e., price index and pass through adjustments), but it has only had two (2) general rate cases since the 1980 test year. The rarity of United Water Florida rate cases combined with the fact that United Water Florida had highest level of capital investments among United Water Florida utility companies in 1997 resulted in United Water Florida having the largest rate increase among United Water companies in 1997.

Many of the customers compared United Water Florida's rates with the Jacksonville Electric Authority ("JEA"), other governmental utilities, and a few private held utility companies. United Water Florida notes that many of the comparisons were incorrectly performed. For example, some customers compared rates without tripling a utility provider's monthly base facility charge before comparing it to United Water Florida's quarterly rates. Other comparisons used incorrect information. For example, part of John Waddell's presentation compared the rates of Clay County Utility System with United Water Florida's rates. The Clay County Authority has six sets of rates and also increased rates this year. Mr. Waddell apparently used the lowest set of rates and used the old rates in his exhibit.

Furthermore, such comparisons are inappropriate. The Staff explained that there were significant differences between privately held water and wastewater companies and governmental utilities like the JEA. For example, government utilities enjoy significant advantages in that they do not pay any income tax or property tax and they can receive lower interest rates on capital financing. Also, municipal utilities like JEA often have a much larger customer base over which to spread their costs. Such governmental agencies do not have their rates and charges regulated by the Commission. There are other significant differences between governmental utilities and privately held utility companies. For example, a series of rate increases was originally established for the City of Jacksonville's water and wastewater system. However, largely because of the public's outcry, the rates were frozen for a period of time even though a large plant investment is needed and apparently is being made. Unlike governmental utilities like JEA, United Water Florida can not subsidize its investments from other areas. United Water Florida needs the

revenue stream from its rates to pay for the investment. It is inappropriate to compare the rates of privately held water and wastewater companies with governmental utilities.

There can also be similar differences in costs between privately held utility companies. It is interesting to note that Mr. Waddell's exhibits included one utility regulated by St. Johns County (St. Johns Service Company) but ignored another one in the same jurisdiction (Intercoastal Utilities) which just had a wastewater rate increase of more than forty percent (40%). The Staff does review costs utilizing industry benchmarks as well as other means.

As the Staff has advised United Water Florida's customers, the Commission is bound by Florida law to consider the specific costs incurred in providing water and wastewater service for each regulated utility without regard to different rate levels in a given region. Thus, United Water Florida's application for a rate adjustment is to be judged on its own merits. United Water Florida believes that it has proved that it is entitled to the requested rate change.

Some customers indicated that they want JEA to take over United Water Florida's utility system. As the Staff explained, this is not a simple matter nor is it one within the Commission's control. Florida law will require the municipality to pay United Water Florida for such a taking if such a taking of United Water Florida's system was allowed. In addition, there is no guarantee that JEA would charge the former United Water Florida customers the same rate as the rest of JEA's customers. As noted by the Staff, St. Johns County took over an area formerly known as St. Augustine Shores, however, customers in that area are charged much higher rates than the rest of St. Johns County. Furthermore, with respect to the subject of municipal utilities and takeovers of systems, United Water is

taking over the operations of systems. For example, United Water Services was hired this year to operate the City of Atlanta's water system. See Exhibit A. The United Water companies operate thirty-two (32) municipal water systems throughout the United States and the wastewater systems of Indianapolis and Milwaukee. The United Water companies do a superior job of operating utility systems and municipalities hire them to operate the municipal systems - which is the opposite of what United Water Florida's customers proposed.

Quality of Service

United Water Florida provides a good quality water and wastewater service. In fact, the Commission stated last year that "[o]verall, we find [that] the quality of service is satisfactory." Order No. PSC-97-0618-FOF-WS, Docket No. 960451-WS, issued May 30, 1997, page 12. In that rate case, three (3) witnesses from environmental agencies testified that United Water Florida's operational conditions were satisfactory and the few problems mentioned by the witnesses were already resolved or were being addressed and solved last year. The water distributed by United Water Florida complies with all public health standards and Florida Department of Environmental Protection standards for drinking water.

With respect to quality of service, the majority of the customers' comments at the meetings addressed the water's odor, hardness, color, taste, chlorine content, corrosiveness, and sediment. Several customers also commented on water pressure.

The source for potable water in northeast Florida, including the sources for the water distributed by United Water Florida, is ground water from the Floridan Aquifer. The ground water is highly mineralized and is hard. The water has high dissolved hydrogen sulfide and

is rich in dissolved solids. As noted by the Staff of the Commission at the customer meetings, hydrogen sulfide reacts with water heaters, results in copper sulfide, causes actual pitting in pipes and can result in people occasionally needing to repipe their entire homes.

The hydrogen sulfide is released partially into the atmosphere when water is brought to surface. A major portion of the dissolved hydrogen sulfide is partially expelled through the aeration process which is the only treatment provided. The residual hydrogen sulfide remaining in solution sometimes gives rise to odor complaints. When this water is chlorinated for disinfection purposes, United Water Florida needs to use higher doses of chlorine to overcome the hydrogen sulfide and maintain minimum chlorine residual in the water distribution system. It is for this reason that sometimes the customers sense the taste of chlorine or strong whiff of chlorine in their tap water when they open the faucet.

During the customer meetings, Robert Crouch, an engineer for the Staff of the Commission, addressed several of the customer's specific concerns; including chlorine content, grey water, white sediment, and red tint. Mr. Crouch explained that state law requires a residual chlorine level throughout the water lines so that a utility company must put in a certain amount of chlorine so that the furthest extremity of that line will have the required minimum amount of chlorine. Therefore, customers located fairly close to the wellhead get a higher dose of chlorine than customers farther down the line. Mr. Crouch also discussed calcium carbonate, a light sediment of flaked off limestone, which could cause grey water and, especially in cold water lines, can coagulate into globs. Mr. Crouch also stated that the calcium carbonate could cause a red tint and that the red tint could also be caused by sand in the wellhead or possibly rust if older steel storage tanks are involved.

Mr. Crouch said the red tint was probably from sand in the wellhead. Mr. Crouch also advised the customers that the grey water and red tint could be caused by the customer's lines from the meter to the house, especially if the lines were made of iron, including galvanized iron pipe. However, Mr. Crouch empathized that such color and odor characteristics are not health hazards.

United Water Florida is providing a good quality of service; however, United Water Florida is seeking to improve its quality of service and address increasingly stringent regulations through its large capital improvements program. United Water Florida has conducted several studies related to water quality hydrogen sulfide, chlorine content, corrosiveness, etc. United Water Florida is currently installing packed tower aeration systems or chemical treatment, in part, to address the matters relating to hydrogen sulfide, chlorine content, lead and copper, odor, hardness, color, taste, corrosiveness, and sediment. The majority of water quality complaints were from customers in the San Jose and the Royal Lakes service subareas. United Water Florida is installing or recently completed installing packed tower aerators systems in such subareas to address such concerns. Mr. Crouch acknowledged that the packed tower aerators will, among other things, (i) alleviate the hydrogen sulfide, which, in turn, will alleviate much of the problems caused by hydrogen sulfide reacting to copper pipes, faucets, and fixtures, (ii) reduce odor, (iii) reduce hardness, and (iv) since there will be less hydrogen sulfide, which consumes chlorine in the water, reduce the level of chlorine needed to be injected into the water system. Mr. Crouch also noted that United Water Florida is in the process of replacing chlorine gas with hydrogen chloride, a different type of chlorination which also should reduce the need for higher levels of chlorine in the system.

With respect to water pressure, United Water Florida's water transmission and distribution system meets state standards for minimum pressure levels. In addition, United Water Florida's programs, such as the ones which replace old smaller mains with larger ones, increase storage capacity, add wells, and increase pumping capacity, will continue to improve United Water Florida's ability to provide water at appropriate pressure. However, as noted above, United Water Florida meets state standards for minimum pressure levels.

United Water Florida's improved information system has improved its ability to respond to potential problems with its utility system through its improved Supervisory Control and Data Acquisition System ("SCADA") and to respond to customer inquiries regarding billing and other matters. United Water Florida notes that some of the customers did not like receiving written warnings of termination of service for their failure to timely pay their bills. United Water Florida's tariff, states that bills are due and payable when rendered and considered delinquent on the twenty-first day after the bill has been mailed or presented for payment. Rule 25-30.320(2)(f), Florida Administrative Code, requires a separate written notice prior to termination. In order to comply with its tariff and Commission rules, United Water Florida properly sends out written warnings of termination of service. United Water Florida would prefer to have all of its customers pay their bills in a timely manner, but it must follow proper procedures to promote the prompt payment of its bills and reduce bad debt expense. Otherwise, customers who timely pay may have to pay higher rates because of customers who do not timely pay.

Furthermore, in order to promote better communications between United Water Florida and its customers, United Water Florida is establishing a Customer Advisory Board.

United Water Florida is seeking two (2) customers from its major service subareas for the Board. United Water Florida and the Board will meet three (3) times a year to provide the customers with a regular opportunity to inform United Water Florida of their concerns, provide United Water Florida with an opportunity to inform the customers of upcoming improvements, and provide both sides with an opportunity to exchange ideas. Representatives of United Water Florida have also attended a town meeting conducted by a City of Jacksonville Councilperson to respond to questions from the public.

Review of Customer Comments

United Water Florida has reviewed the comments of each customer who spoke at the meeting. To the extent that customer's comments were addressed by the previous overview, United Water Florida's sheet on the customer will state "Refer to Overview". To the extent that there are additional comments upon which it is appropriate for United Water Florida to comment, United Water Florida will address such comments on the individual customer's sheet.



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NEWS from The Atlanta Journal-Constitution

August 28, 1998

United Water "a safe selection"

By Carlos Campos, Julie B. Hairston and David Pendered, The Atlanta Journal-Constitution

United Water's selection as the city of Atlanta's choice to run its water system—pending crucial City Council approval—is the latest in a series of major victories for the New Jersey firm with French roots.

The company in 1994 got the nation's largest privatization contract in Indianapolis, and just three years later won a similarly significant job in Milwaukee.

Both of those projects are sewer systems, however, and getting named to North America's largest water system job in Atlanta is a coup for United Water Services.

"This is the biggest and best win for United Water," said Bill Reinhardt, editor of Public Works Financing, a trade publication that follows public-private partnerships. "United Water has pulled lots of rabbits out of lots of hats. It isn't a surprise that they were selected. In a sense it's a safe selection. Nobody can criticize Atlanta for picking United Water, because again, they have substantial strength and they're on a hell of a run."

United Water Services, the anchor company that bid on the Atlanta job, is jointly owned by Paris-based Suez Lyonnaise des Eaux and New Jersey-based United Water Resources.

With annual revenues of \$40 billion, and experience operating 2,500 systems throughout the world, Suez Lyonnaise is one of the world's largest and most-respected water and waste water firms. United Water Services is its American operating arm, with annual revenues of \$120 million.

In the Atlanta area, United Water operates three sewage treatment plants in north Fulton County.

To bid for the contract in Atlanta, United Water teamed with Williams-Russell and Johnson, an Atlanta-based minority-owned engineering, environmental and construction firm. Williams-Russell and Johnson is also United Water's minority partner in the three north Fulton plants.

To the surprise of industry observers, United Water placed third in the first round of scoring, behind OMI Atlanta and the Atlanta Water Alliance teams.

United Water President David Sherman, in an interview before Thursday's announcement, said he was disappointed with the company's showing in the first round.

"We should have done a better job of listening earlier," Sherman said Thursday.

But in its "best and final" offer solicited by the city last week, United Water ratcheted up the financial stake in the deal for Williams-Russell and Johnson from 15 percent to 35 percent. Minority participation accounted for about 15 percent of the criteria the city used to determine the winner.

"We really fine-tuned our final proposal," said Mark Halleman, United Water's regional vice president, who headed the Atlanta proposal team. "And we fine-tuned our cost."

United Water also hammered home its experience in the American market to city officials.

The company operates 32 municipal water systems throughout the United States, including the nation's largest operated under contract, an 80 million-gallon-per-day system in Jersey City, N.J. Atlanta's system has a capacity of 180 million gallons per day.

Since United Water took over the Jersey City system in 1996, it has reduced the time it takes to fix broken pipes and downsized the number of employees by 40 percent, allowing them to move to other city jobs, said Mayor Bret Schundler.

United Water has saved Jersey City about \$8 million a year and projects boosting that to \$14 million annually before the contract expires in 2001, Schundler said.

Part of the savings, \$3.5 million, was realized after United Water arranged the sale of surplus water that was being discharged into the ocean, Schundler said.

"Now it serves somebody's thirst before it runs into the Atlantic Ocean," he said.

In Milwaukee, savings are hitting \$1 million a month, said Mark Kass, spokesman for the Milwaukee Metropolitan Sewerage District.

"Everything has gone extremely well," Kass said. "We've seen the savings occur where the quality has remained at the level before, and they have followed through on all their promises about the employees."

Another factor working in United Water's favor in Atlanta was the successful transfer of city employees in Indianapolis and Milwaukee from public payrolls onto private payrolls—a major concern for city officials who vowed to protect water department employees.

Atlanta Water Commissioner Remedios K. del Rosario, who served as an evaluator during the selection process, said she's pleased that United was chosen.

"They have the most experience, the whole team," Del Rosario said. "They've been around for 100 years. I feel comfortable."

Not only did United Water team with familiar partners, it also enlisted the aid of several former City Hall employees to put its bid proposal together.

Marva Jones Brooks, a former city attorney under Mayors Maynard Jackson and Andrew Young, was hired as the team's lawyer. Brooks is now in private practice with the firm of Amall, Golden & Gregory.

Michael Sullivan, the city's former contract compliance director, was brought in to help the United Water team design its affirmative action

plan. The city requires that on any contract worth more than \$10,000, contractors must submit a plan promising roughly 30 percent of the work to minority-owned firms.

Also, Pelham Williams, co-owner of Williams-Russell and Johnson, was once the city's commissioner of environment and streets. Williams' partner, Charles Johnson, served as the city water department's chief engineer.

Even the United Water team's public relations consultant has City Hall experience. Phyllis Fraley worked as director of communications during Jackson's third term.

But in the end, it was United Water's low bid that killed off its competition. The company offered to do the job for \$21.4 million over a 20-year period.

After the announcement by Mayor Bill Campbell, some of United Water's competitors wondered aloud if the company had low-balled on the cost proposal.

J.C. Goldman, proposal manager for the Atlanta Water Alliance team, remarked on United Water's price: "They're certainly below any model we created. They obviously have a strategy on how to put together the system in that cost range."

Still, even Goldman, who works for one of United Water's fiercest international competitors, conceded victory to a good firm.

"They're solid," Goldman said. "They're a reputable, well-managed organization with an excellent history."

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**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #1
Name: Daniel Brady
Address: Taylor Homes
Chester Avenue
(San Jose)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

Mr. Brady's concern was with the wastewater rate increase and he questioned how much of the improvements were proportional towards wastewater. United Water Florida notes that the Commission will establish separate wastewater rates using the wastewater plant in service, including the wastewater plant additions, which should address Mr. Brady's proportionality concern.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #2
Name: Mr. and Mrs. Arthur Hall
Address: 2931 Red Oak Drive
(Arlington)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

Staff also explained the base facility charge/usage charge rate structure to the Halls.

The Halls are on a septic tank. United Water Florida has confirmed that it has only charged the Halls for water service.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #3
Name: Norbert Lechwar
Address: (Royal Lakes)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #4
Name: James Rice
Address: 4461 Corrientes Circle North
(San Jose/Taylor Residences)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #5
Name: John Coyle
Address: 4175 Paloma Point Court
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #6
Name: Elizabeth Drummond
Address:
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #7
Name: Beth Perry
Address: (San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

Refer to Attached Response.

With respect to Ms. Perry's complaint that United Water Florida does not answer her calls or letters, United Water Florida states that its representatives have visited Ms. Perry at her home numerous times, including twice in the last five (5) months.

With respect to Ms. Perry's allegations concerning a 100 foot mudhole, United Water Florida has reviewed its records. It appears that Ms. Perry is complaining about an incident in the late 1970's/early 1980's. United water Florida did not cause any sod problem in her yard. United Water Florida worked in right-of-ways. At that time, United Water Florida did not replace sod. Now it employs sod contractors for restoration purposes. However, United Water Florida did not cause sod problems in her yard or place a one square foot piece of sod in her yard.



United Water Florida
1400 Millcoe Road
PO Box 8004
Jacksonville, FL 32239-8004
telephone 904 721 4600
facsimile 904 721 4680

August 12, 1998

Ms. Ellen Plendl
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Consumer Request #22154OR
Beth Perry, 7926 Praver Dr., W., Jacksonville, FL 32217

Dear Ms. Plendl:

Regarding Ms. Beth Perry's letter to Governor Lawton Chiles and Consumer Request No. 22154OR, United Water Florida Inc. ("United Water Florida") has no record of having received any inquiry or complaint from Ms. Perry during the years 1996, 1997, and through July of 1998. However, I will attempt to address the concerns regarding quality of service and rate increases expressed by Ms. Perry.

The quality of water supplied by United Water Florida in the San Jose service subarea is in compliance with all governmental standards for drinking water. The water is drawn from the Floridan Aquifer from wells that are 1,000 to 1,200 feet deep. Since raw water comes from a deep aquifer, it has a high content of minerals, including dissolved hydrogen sulfide gas which can give the water a strong pungent odor. The water is aerated in tray aerators to expel dissolved gasses. The aerators remove a large portion of the dissolved hydrogen sulfide gas, but not all of it. The aerated water is stored, disinfected, and then supplied to customers. The water supplied by United Water Florida to its customers in the San Jose subservice area is safe for human consumption and meets with all drinking water standards of the Florida Department of Environmental Protection and the City of Jacksonville, Department of Health.

In compliance with the lead and copper rules, United Water Florida is installing packed tower aerators at many of its water treatment plants to reduce corrosivity of water and to improve water quality by stripping hydrogen sulfide from the water. We expect to complete installation of the packed tower aerators, including an installation at the San Jose Water Treatment Plant, by the end of first quarter of 1999. Our experience with prior installations of these facilities has been very positive. In subservice areas where packed tower aerators have been installed, our customers have reported significant improvements in the taste and odor quality of the water.

Ms. Ellen Plendl
August 12, 1998
Page 2

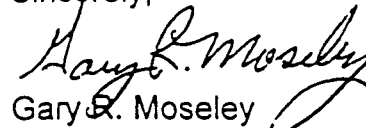
The water and wastewater utility industry is a very capital intensive industry that requires investment of millions of dollars in capital expenditures to constantly upgrade treatment facilities, pumping facilities, and distribution and collection systems, etc., in order to provide and maintain good quality service for our customers and to be in compliance with ever changing governmental regulations. Since 1995, we have invested approximately 38 million dollars in capital improvements and we are looking at investing another 30 million dollars in capital improvements in the years 1998 and 1999.

The operating costs for water and wastewater utility companies, such as power, chemical, labor and costs of monitoring water quality, have been increasing steadily year after year. A utility has to recover its costs through rates. We have taken steps to contain our costs by negotiating favorable power and chemical rates, installing labor saving devices such as our Supervisory Control and Data Acquisition system ("SCADA"), and taking advantage of technological improvements in information management systems, etc. It is because of these costs containment measures taken by United Water Florida that its annual increases have been so low. For the fifteen-year period between 1981 through 1996, United Water Florida did not have a general rate increase but used only pass through and indexing adjustments. The average for pass through and indexing adjustments for the fifteen year period is 2.05% per year for water and 1.82% per year for wastewater. Accordingly, United Water Florida's annual rate adjustments were far below the "twice a year at 6% per year for years" as alleged in Ms. Perry's letter and also below the 5.3% long-term inflation rate for the period.

It does not give us great pleasure to increase rates to our customers for our services. United Water Florida needs to recover its expenses and a rate of return which will enable it to continue its capital improvements and to provide good quality customer service. A rate increase is the only mechanism available to United Water Florida to achieve these goals.

If we can be of further assistance, please do not hesitate to contact us.

Sincerely,



Gary R. Moseley
Vice President and
General Manager

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #8
Name: Brady Brower
Address: 4038 Conya Street
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #9
Name: Eric Olson
Address: 6806 San Sabastian Avenue
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #10
Name: Robert LaBelle
Address: 2944 Madrid Avenue East
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

United Water Florida's records indicate that Mr. LaBelle called them on September 16, and September 20, 1994, about a cave-in. This was repaired. Similarly, United Water Florida received a call on October 18, 1995, regarding a cave-in. Suspecting that the cave-ins were caused by a City of Jacksonville storm drain, United Water Florida called the City and met with them at the work site. The City repaired the cave-in.

The water quality is the same as for others in San Jose service sub-area. The water complies with all the requirements of FDEP.

In this rate case, Mr. LaBelle addressed two of the four cost reduction examples raised by Mr. LaBelle in the prior rate case. United Water Florida responds as follows:

1. The increase in plant account 398 (397.5) to \$819,509 at 12/21/97 from \$44,809 at 12/31/95 reflects the upgrading of United Water Florida's Supervisory Control and Data Acquisition (SCADA) system which enables Company personnel to monitor, and react, if necessary to any changes in the operation conditions of its water and wastewater systems. As noted in the hearing in the last rate case, "SCADA is a radio-based network of remote

terminal units which monitor the operation of UWF's water treatment plants, wastewater treatment plants and wastewater lift stations," twenty four hours a day, in continuous communication with a central computer. It is a critical element of the Company's operations. The system was installed in the mid-1980's and is now being replaced.

2. Contrary to Mr. LaBelle's suggestion, the post retirement benefit was not a one time expense. It is an expense caused by compliance with FASB 106. Mr. Willis briefly explained the change from the cash to accrual basis for FASB 106.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #11
Name: Scott Morrison
Address: 4176 Prima Vista Circle
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #12
Name: Glen Green
Address: 7010 Madrid Avenue
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #13
Name: Linda Montgomery
Address: 2837 Oak Cove Lane
(Royal Lakes)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #14
Name: Roy Mason
Address: 5547 Green Forest Drive
(Jacksonville Heights)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

United Water Florida cleaned a wastewater main near Mr. Mason's house in July of 1998. Representatives of United Water Florida and Ed Fuchs of the Commission visited the site and found no evidence that United Water Florida had failed to clean up the worksite.

Furthermore, United Water Florida has no record of complaints about the water treatment plant.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #15
Name: George Parandes
Address: 8545 Royalwood Drive
(Royal Lakes)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

With respect to Mr. Parandes' complaint regarding water odor, United Water Florida notes that this event occurred in the middle of an intensive drought and water demand. United Water Florida was providing water at an accelerated rate. While the water complied with FDEP standards, the water was not aerated as long as usual. Accordingly, it had a higher level of hydrogen sulfide than United Water Florida's water normally contains. Representatives of United Water Florida spoke with Mr. Parandes in response to his call.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #16
Name: Myrtle Goldblatt
Address: 8516 Royalwood Drive
(Royal Lakes)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #17
Name: Claude Hooper
Address: 3854 Sandy Shores Drive
(Arlington)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #18
Name: Franklin Warner
Address: 10832 Executive Drive
(Holly Oaks)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #19
Name: Phillip Buhler
Address: 2180 Segouia Avenue
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #21
Name: Barry Morris
Address: 7576 Deer Cove Lane
(Royal Lakes)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #22
Name: Barbara LaBelle
Address: 2944 Madrid Avenue East
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #23
Name: Leon Martin
Address: Jolynn
(Holly Oaks)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

United Water Florida's records since January 1, 1997, disclose no complaints from Mr. Martin or his neighborhood about any odor from the water plant.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #24
Name: George Mecke
Address: 7210 Pizarre Court
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #25
Name: Asa Williams
Address: 6266 Cranberry Lane West
(Jacksonville Heights)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #26
Name: Sean Jennings
Address: Jolynn
(Queens Acre)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #27
Name: F. J. Paffe
Address: Village of San Jose
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #28
Name: Justina Judge Stevenson
Address: 2926 Caballero Court
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #29
Name: Nona Rice
Address: 5519 Selton Avenue
(University Park)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #30
Name: David DeSousa
Address: 6220 Lake Lugane Drive
Lakes Condos
(Royal Lakes)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

United Water Florida has no record of complaints from the Lakes Condominiums.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #31
Name: Ralph Cary
Address: (San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #32
Name: Dr. Peggy Ann Zaenger
Address: (Royal Lakes)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #33
Name: John Brant
Address: 4811 Ducheneau Drive
(Jacksonville Heights)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

In response to Mr. Brant's question concerning crew trucks, United Water Florida does not use crew trucks because of its expansive service area and the need for mobile personnel. The use of individual trucks reduces response time for emergencies and enables United Water Florida to direct the appropriate level of manpower to address situations which require various levels of personnel.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #34
Name: David Green
Address: 8621 Royalwood Drive
(Royal Lakes)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #35
Name: Richard Engel
Address: 11048 Raley Creek Drive South
(Holly Oaks)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #36
Name: Charles Hastings
Address: 8500 Royalwood Drive
(Royal Lakes)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

Two of the components in his analysis (hardness and tannins) do not have state standards. The third component (PH) is within state standards. United Water Florida questions the accuracy of the analysis because its water normally has a PH of 7.4, not the 8.4 alleged by Mr. Hastings.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #37
Name: Robert Tucker
Address: (Royal Lakes)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #38
Name: Susan Raye
Address: (San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #39
Name: Lynne Ferguson
Address: 2871 Madrid Avenue
(San Jose)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #40
Name: Kelli Bohn
Address: 2871 Madrid Avenue East
(San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

**Hearing Date/Time: September 10, 1998
Customer Witness No.: #41
Name: Eric VanDenhende
Address: 3439 Grenoble Drive
(Arlington)**

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

**UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG**

DOCKET NO. 980214-WS

Hearing Date/Time: September 10, 1998
Customer Witness No.: #42
Name: Benjamin B. Cyrus
Address: (San Jose)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

UNITED WATER FLORIDA INC.
RATE CASE MEETING
CUSTOMER COMMENTS LOG

DOCKET NO. 980214-WS

Hearing Date/Time: September 11, 1998
Customer Witness No.: #43
Name: Matt McKeller
Address: (Ponte Vedra)

UNITED WATER FLORIDA'S COMMENTS:

Refer to Overview.

Refer to attached Staff's September 24, 1998, Data
Request No. 4.

**UNITED WATER FLORIDA
DOCKET NO. 980214-WS
COMMISSION STAFF DATA REQUEST - 6TH SET**

REQUEST 4:

It has come to staff's attention that an agency of St. Johns County plans to mandate that certain residents of the Ponte Vedra area connect to UWF's wastewater system. Please provide us with projections of the number and type of additional customers expected to result from this action, the time frame in which the customers will be added, and your assessment of the probability that the event will occur as projected.

RESPONSE 4:

We anticipate that, under the Ponte Vedra Municipal Services District plan, approximately 700 single-family homes would connect to the wastewater collection system. However, due to a legal challenge from some residents, the probability of this project being completed is at best 50/50.

If this project proceeds, the initial connections to the new collection system will occur at the earliest in the Year 2000.