

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Applications For an Amendment )  
Of Certificate For An Extension )  
Of Territory And For an Original )  
Water and Wastewater Certificate ) Docket No. 992040-WS  
(for a utility in existence and )  
charging for service) )

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In Re: Application by Nocatee Utility )  
Corporation for Original Certificates )  
for Water & Wastewater Service in ) Docket No. 990696-WS  
Duval and St. Johns Counties, Florida )

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**PREFILED DIRECT TESTIMONY**

**OF SCOTT KELLY**

**ON BEHALF OF**

**JEA**

DOCUMENT NUMBER-DATE

03455 MAR 178

FPSC-RECORDS/REPORTING

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Scott Kelly. My business address is 21  
3 West Church Street, Jacksonville, Florida 32202-  
4 3139.

5 Q. BY WHOM ARE YOU EMPLOYED?

6 A. I am employed by JEA.

7 Q. WHAT IS JEA?

8 A. JEA is a water, wastewater and electric utility  
9 serving a four county area in Northeast Florida.  
10 JEA currently provides service to the majority of  
11 Duval County and portions of St. Johns County,  
12 Nassau County and Clay County.

13 Q. COULD YOU PROVIDE THE COMMISSION WITH SOME  
14 BACKGROUND INFORMATION REGARDING THE SIZE OF JEA'S  
15 OPERATIONS?

16 A. Yes. JEA is a large utility, one of the largest in  
17 Florida. As a combined electric, water and sewer  
18 utility, JEA's annual operating revenues are in  
19 excess of \$910 million. Water and sewer operating  
20 revenues in Fiscal Year 1999 were \$127,830,000.  
21 The water and sewer system has an historical annual  
22 customer growth of more than 3.5%. We serve over  
23 183,000 residential water accounts and over 137,000  
24 sewer accounts. JEA has over 2,000 miles of sewer  
25 lines and more than 2,500 miles of water lines.

1 Q. WHAT IS YOUR POSITION WITH JEA?

2 A. My current position is that of Construction and  
3 Maintenance Vice President.

4 Q. WHAT IS THE NATURE OF YOUR WORK FOR JEA?

5 A. My primary responsibilities involve oversight of  
6 the operations and maintenance of electric and  
7 water distribution and sewer collection services in  
8 JEA's four county service area.

9 Q. FOR THE PURPOSE OF HAVING YOU QUALIFIED AS AN  
10 EXPERT IN THE FIELD OF WATER AND WASTEWATER  
11 ENGINEERING, CONSTRUCTION AND OPERATIONS, PLEASE  
12 SET FORTH YOUR EDUCATION AND PROFESSIONAL  
13 EXPERIENCE.

14 A. I received a degree in civil engineering from the  
15 Georgia Institute of Technology in 1974. Prior to  
16 assuming the position of Construction and  
17 Maintenance Vice President for the JEA in 1997, I  
18 was employed by the City of Jacksonville, Florida  
19 from 1983 - 1997. During that time, I served as  
20 the Collection and Distribution Division Chief from  
21 1996 - 1997. In that capacity, I was responsible  
22 for the operation and maintenance of more than  
23 2,350 miles of water distribution pipes and  
24 approximately 2,000 miles of gravity and pressure  
25 sewer collection pipes. The Division had a staff

1 of over 250 personnel with a budget of  
2 approximately \$21,000,000 and provided service to a  
3 population exceeding 500,000 through 171,000  
4 metered service connections. From 1995 - 1996, I  
5 was a Managing Engineer responsible for  
6 infrastructure planning and capital expansion for  
7 the water and sewer utilities. During that time I  
8 implemented capital outlay programs totaling over  
9 \$50,000,000. From 1990 - 1995, I was the Solid  
10 Waste Division Chief responsible for administration  
11 of all solid waste functions. From 1983 - 1990, I  
12 was a Managing Engineer and Planning and  
13 Engineering Division Chief. In that role, I  
14 oversaw plan review, master planning, design and  
15 construction management of the sewer and water  
16 utilities. Prior to my work with the City of  
17 Jacksonville, I was an Environmental Engineer with  
18 Flood Engineers, Architects, Planners, Inc. from  
19 1979 - 1983. From 1976 - 1979, I worked as an  
20 engineer for the City of Tampa, Florida and was  
21 responsible for process operations at six  
22 wastewater treatment facilities.

23 **Q. AND YOU ARE A LICENSED PROFESSIONAL ENGINEER IN THE**  
24 **STATE OF FLORIDA?**

25 **A. Yes. My certification number is 0031125.**

1 Q. WHAT ARE YOUR PROFESSIONAL AFFILIATIONS?

2 A. I am a member of the American Public Works  
3 Association, the Water Environment Federation, the  
4 American Water Works Association and the Florida  
5 Water Environment Association, Utility Council  
6 Board of Directors.

7 Q. CAN YOU PLEASE IDENTIFY THE DOCUMENT LABELED  
8 EXHIBIT \_\_\_\_ (SDK-1)?

9 A. Yes. It is my resume.

10 Q. HAVE YOU EVER BEEN PREVIOUSLY QUALIFIED TO TESTIFY  
11 AS AN EXPERT IN ENGINEERING IN ANY TRIAL OR  
12 ADMINISTRATIVE PROCEEDING?

13 A. Yes. I have been qualified as an expert in  
14 engineering and have testified as an expert in a  
15 territorial dispute involving the JEA's predecessor  
16 and Ortega Utility Company. I have also testified  
17 as an expert in the field of water and wastewater  
18 engineering and the construction and operations of  
19 water and wastewater facilities in a proceeding  
20 conducted by the St. Johns County Water and Sewer  
21 Authority with respect to a territory expansion  
22 application filed by Intercoastal Utilities, Inc.  
23 ("Intercoastal").

24 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
25 DOCKET?

1 A. The purpose of my testimony is to confirm from a  
2 technical, operational and financial standpoint  
3 JEA's ability to provide wholesale water and  
4 wastewater services to the disputed territory,  
5 including the Nocatee development.

6 **Q. ARE YOU FAMILIAR WITH JEA'S EXISTING WATER AND**  
7 **WASTEWATER TREATMENT PLANTS?**

8 A. Yes. In my position as Construction and  
9 Maintenance Vice President, I am involved in the  
10 operations of JEA's plants and facilities.

11 **Q. ARE JEA'S EXISTING WATER AND WASTEWATER TREATMENT**  
12 **PLANTS OPERATING AT FULL CAPACITY?**

13 A. No. The capacity of JEA's existing water and  
14 wastewater treatment plants exceeds current usage.  
15 Tim Perkins, JEA's Vice President for Environmental  
16 issues, will be testifying in these dockets with  
17 more detail on the permitted capacity and current  
18 usage of JEA'S water and wastewater treatment  
19 facilities.

20 **Q. ARE YOU FAMILIAR WITH A COMPANY BY THE NAME OF**  
21 **D.D.I., INC. ("DDI")?**

22 A. Yes. DDI and its affiliates and subsidiaries own  
23 significant acreage in Duval and St. Johns  
24 Counties. A portion of the property owned by DDI  
25 has been slated for development as a multi-use

1 project known as "Nocatee." DDI has established a  
2 utility company, Nocatee Utility Corporation ("NUC")  
3 which has submitted one of the applications pending  
4 before the Florida Public Service Commission in  
5 these consolidated dockets. NUC has applied for  
6 certification as a water and wastewater utility to  
7 serve Nocatee. The area designated for the Nocatee  
8 development has also been included in the territory  
9 requested by Intercoastal in its application which  
10 is also pending in these dockets.

11 **Q. ARE YOU FAMILIAR WITH THE LETTER OF INTENT**  
12 **AGREEMENT BETWEEN JEA AND DDI WHICH WAS ATTACHED AS**  
13 **EXHIBIT \_\_ (DCM-4) TO THE PREFILED DIRECT TESTIMONY**  
14 **OF DOUGLAS C. MILLER SUBMITTED ON BEHALF OF NUC IN**  
15 **THIS DOCKET?**

16 **A.** Yes. The April 14, 1999 DDI/JEA Letter of Intent  
17 was executed by DDI and JEA (the "Letter of Intent  
18 Agreement"). This Letter of Intent Agreement sets  
19 forth, among other things, the general parameters  
20 for Nocatee to procure wholesale water and  
21 wastewater utility services, including reuse water,  
22 from JEA.

23 **Q. WHAT HAS BEEN YOUR INVOLVEMENT WITH THE DDI/JEA**  
24 **LETTER OF INTENT AGREEMENT?**

1       A.    I was involved on behalf of JEA in the negotiations  
2            of the terms and conditions of this Agreement.  I  
3            will also be involved in the negotiations of the  
4            Wholesale Service Agreement contemplated by the  
5            Letter of Intent as discussed below.  Preliminary  
6            negotiations on the Wholesale Service Agreement  
7            have begun and are anticipated to be completed  
8            within the next few months.  After an agreement is  
9            reached, I will be responsible for making sure that  
10           the facilities are constructed properly.  I will  
11           also oversee JEA's involvement in operating the  
12           facilities.

13       **Q.    WHAT IS YOUR UNDERSTANDING OF THE PURPOSE OF THE**  
14       **DDI/JEA LETTER OF INTENT AGREEMENT?**

15       A.    JEA entered into this Agreement with DDI in order  
16            to establish the framework and general parameters  
17            for a long term arrangement to provide efficient,  
18            environmentally sound, regional water and  
19            wastewater service including reuse water to  
20            Nocatee.

21            The Letter of Intent Agreement anticipates  
22            that DDI and JEA will finalize the details of a  
23            long-term agreement for service to Nocatee.  That  
24            long-term service arrangement will be tailored to  
25            the plan of development established by the

1 developers of Nocatee. The Letter of Intent  
2 Agreement provides that the wholesale service  
3 agreement will continue through the estimated  
4 completion date of the development of Nocatee  
5 (approximately 25 years) with the potential for  
6 additional terms of renewal. The Letter of Intent  
7 Agreement also designates JEA as the exclusive  
8 wholesale provider of water and wastewater utility  
9 services to the Nocatee development.

10 **Q. WILL IMPLEMENTATION OF THE DDI/JEA LETTER OF INTENT**  
11 **AGREEMENT ALLOW JEA TO IMPROVE THE EFFICIENCY OF**  
12 **ITS WATER AND WASTEWATER UTILITY SYSTEMS?**

13 A. Yes. This Agreement will allow JEA to better  
14 utilize some of its existing water and wastewater  
15 treatment plant capacity. It will also be part of  
16 the backbone being established by JEA for  
17 regionalized water and wastewater service in this  
18 area. The water capacity will be provided from  
19 JEA's interconnected grid of large water plants  
20 located on the south side of Duval County (the  
21 "South Grid".) As discussed below, JEA is in the  
22 process of interconnecting its South Grid with its  
23 "North Grid" which consists of several  
24 interconnected water plants north of the St. Johns  
25 River. An interconnected water plant configuration

1 is the most efficient way of providing additional  
2 capacity to serve future needs in the northern St.  
3 Johns County and southern Duval County area. Much  
4 of this area has been designated a priority water  
5 use caution area. The interconnected grid provides  
6 a very high level of reliability and allows JEA to  
7 balance withdrawals from the Floridan Aquifer in  
8 order to minimize drawdown and other adverse  
9 impacts to the aquifer. The interconnected grid  
10 also provides backup reliability in case of an  
11 outage in the system. As discussed in more detail  
12 in the prefiled direct testimony of Timothy  
13 Perkins, JEA's Vice-President for Environmental  
14 Matters, JEA currently has 60 million gallons per  
15 day excess capacity in its South Grid and has  
16 several water plant expansion projects under  
17 construction which will add 7 million gallons per  
18 day of additional capacity to the South Grid. In  
19 addition, JEA is in the process of interconnecting  
20 its South Grid with its North Grid. The plants  
21 north of the St. Johns River that are part of the  
22 North Grid are currently outside the water use  
23 caution area established by the St. Johns River  
24 Water Management District. Interconnection will  
25 increase the flexibility and options available for

1 supplying water to southeast Duval County and  
2 ultimately St. Johns County. Thus, interconnection  
3 of JEA's North and South Grids will enable water to  
4 be supplied to the regionalized network while  
5 minimizing the need for additional wells in the  
6 water use caution area. In addition, expansion of  
7 service from the grids will result in economies of  
8 scale for JEA which will reduce unit cost of  
9 operation.

10 **Q. YOU INDICATED EARLIER THAT YOU ARE FAMILIAR WITH**  
11 **THE TERRITORY REQUESTED BY INTERCOASTAL IN ITS**  
12 **APPLICATION FILED IN THIS DOCKET?**

13 **A.** Yes. As part of the negotiations with DDI and St.  
14 Johns County, I became familiar with proposed  
15 alternatives for service throughout the disputed  
16 territory, including possible service from  
17 Intercoastal. In this regard, I have reviewed the  
18 application submitted by Intercoastal in these  
19 dockets and the prefiled direct testimony of Jim  
20 Miller, Michael Burton, M.L. Forrester and H.R.  
21 James submitted in support of Intercoastal's  
22 application.

23 **Q. DOES JEA HAVE EXISTING CONTRACTUAL ARRANGEMENTS TO**  
24 **PROVIDE SERVICE TO ANY OF THE AREAS REQUESTED BY**  
25 **INTERCOASTAL IN ITS APPLICATION?**

1 A. Yes. In addition to the agreement with DDI  
2 discussed above, JEA has contracted with St. Johns  
3 County to provide bulk water and wastewater service  
4 to certain portions of the territory requested by  
5 Intercoastal in St. Johns County. JEA's  
6 contractual obligation to provide service to these  
7 areas is evidenced by an agreement with St. Johns  
8 County which was approved by JEA on April 20, 1999  
9 ("the St. Johns County/JEA Agreement").

10 Q. CAN YOU IDENTIFY EXHIBIT \_\_ (SDK2)?

11 A. Yes. It is a copy of the St. Johns County/JEA  
12 Agreement.

13 Q. WHAT ARE THE GEOGRAPHIC AREAS ANTICIPATED BY THE  
14 PARTIES TO BE SERVED UNDER THE ST. JOHNS/JEA  
15 AGREEMENT?

16 A. The geographic areas anticipated by the parties to  
17 be served under the St. Johns/JEA Agreement are  
18 delineated as the "Service Area" shown on Exhibit A  
19 to the Agreement. The Service Area consists of two  
20 separately identified areas depicted on Exhibit A.  
21 The "Phase I Area" includes Allen D. Nease High  
22 School and the Walden Chase Subdivision (also known  
23 as the CR210 PUD). The "Phase II Area" shown on  
24 Exhibit A includes a development known as Marshall  
25 Creek which lies approximately 4.5 miles further

1 south on U.S. 1 from the anticipated location of  
2 the reservoir at the southern point of the Phase I  
3 Area. The territory requested in Intercoastal's  
4 application includes Walden Chase and Nease High  
5 School.

6 **Q. WILL JEA BE PROVIDING SERVICE TO BOTH PHASE I AND**  
7 **PHASE II UNDER THE ST. JOHNS/JEA AGREEMENT?**

8 A. Yes. The Agreement initially provided three  
9 service options to St. Johns County. As reflected  
10 by Ex. \_\_ (SDK-3), the County has chosen Option 3,  
11 pursuant to which JEA will provide wholesale  
12 service in St. Johns County through facilities  
13 which would begin in Duval County, extend past the  
14 Phase I Area and terminate at the Phase II Area.

15 **Q. WHAT IS THE INTENT OF THE PARTIES TO THE ST.**  
16 **JOHNS/JEA AGREEMENT REGARDING THE PROVISION OF**  
17 **WATER AND WASTEWATER SERVICES WITHIN THE SERVICE**  
18 **AREA?**

19 A. Pursuant to Section 4.1 of the Agreement, St. Johns  
20 County has appointed JEA the exclusive provider of  
21 wholesale water and wholesale wastewater services  
22 in the Service Area.

23 **Q. DO JEA'S EXISTING WATER AND WASTEWATER TREATMENT**  
24 **PLANTS HAVE SUFFICIENT CAPACITY TO PROVIDE WATER**

1           AND WASTEWATER SERVICES TO ST. JOHNS COUNTY UNDER  
2           THE ST. JOHNS COUNTY/JEA AGREEMENT AND TO NOCATEE?

3       A.    Yes.    JEA has adequate capacity planned to serve  
4           the Phase I and Phase II Areas designated in the  
5           St. Johns/JEA Agreement as well as additional needs  
6           in the area including Nocatee. As discussed above,  
7           water capacity to this area will be provided from  
8           JEA's South Grid. That Grid has a water capacity  
9           of 104.4 million gallons per day with a commitment  
10          to existing and future customers of 43.32 million  
11          gallons per day. JEA also has several water plant  
12          expansions under construction which will add 7 MGD  
13          of additional capacity to the South Grid. The  
14          water plants most likely to be affected by services  
15          to St. Johns County are discussed in detail in the  
16          prefiled direct testimony of Timothy Perkins, JEA's  
17          Vice-President for Environmental Matters. The sum  
18          of the permitted capacity for the water plants most  
19          likely to be affected is in excess of 40 million  
20          gallons per day and the February 2000 flows for  
21          these plants was 22 million gallons per day. As  
22          noted above, JEA is also in the process of  
23          interconnecting its South Grid with JEA's other,  
24          larger interconnected grid of water plants located  
25          north of the St. Johns River. This interconnection

1 will be accomplished by installing a large diameter  
2 pipeline under the river and will provide access to  
3 additional permitted capacity to the South Grid.

4 On the wastewater side, JEA's Mandarin  
5 Wastewater Treatment Plant has capacity available  
6 to serve this area. The Mandarin Plant currently  
7 has a capacity of 7.5 million gallons per day with  
8 approximately 6 million gallons committed to  
9 existing and future customers. Thus, there is more  
10 than enough excess capacity available at Mandarin  
11 to serve the immediately foreseeable needs of the  
12 areas described in the St. Johns/JEA Agreement and  
13 Nocatee. In addition, flows could be diverted at a  
14 minimal cost to JEA's Arlington East Wastewater  
15 Treatment Plant. The capacity at Arlington East  
16 has recently been expanded from 15 million to 20  
17 million gallons per day.

18 **Q. DO THE PERMITS FOR JEA'S EXISTING PLANTS ALLOW FOR**  
19 **THE ANTICIPATED ADDITIONAL DEMAND ARISING FROM**  
20 **NOCATEE AND THE ST. JOHNS/JEA AGREEMENT?**

21 **A.** Yes. Tim Perkins, JEA's vice president for  
22 environmental issues, will address this issue in  
23 more detail.

1 Q. ARE THERE ANY ANTICIPATED ENVIRONMENTAL PERMITTING  
2 OBSTACLES TO THE DELIVERY OF SERVICES TO NOCATEE OR  
3 ST. JOHNS?  
4 A. No.  
5 Q. ARE YOU FAMILIAR WITH THE WATER/WASTEWATER SERVICES  
6 CURRENTLY BEING PROVIDED AT ALLEN D. NEASE HIGH  
7 SCHOOL?  
8 A. Yes.  
9 Q. CAN YOU DESCRIBE HOW THOSE SERVICES ARE CURRENTLY  
10 BEING DELIVERED?  
11 A. Currently, the high school is served by wastewater  
12 treatment package plants with discharge to  
13 percolation ponds. Water service is currently  
14 provided by a package water treatment plant with an  
15 associated well-field. These package plants will  
16 be replaced upon implementation of the St.  
17 Johns/JEA Agreement.  
18 Q. YOU MENTIONED A PORTION OF THE PHASE I AREA IN THE  
19 ST. JOHNS/JEA AGREEMENT REFERRED TO AS THE CR210  
20 PUD OR WALDEN CHASE SUBDIVISION?  
21 A. Yes.  
22 Q. ARE THERE WATER AND SEWER SERVICES CURRENTLY  
23 AVAILABLE TO THE WALDEN CHASE SUBDIVISION?  
24 A. No. The developer of this subdivision has entered  
25 into an agreement with St. Johns County pursuant to

1           which the County will provide retail water and  
2           sewer services to the development. The County is  
3           relying on the St. Johns/JEA Agreement to meet its  
4           obligations to Walden Chase.

5           **Q. IS JEA IN THE PROCESS OF CONSTRUCTING THE**  
6           **FACILITIES NECESSARY TO PROVIDE SERVICE PURSUANT TO**  
7           **THE ST. JOHNS/JEA AGREEMENT?**

8           **A.** Yes. JEA is well underway in the construction of  
9           the water and wastewater facilities necessary to  
10          operate the systems and deliver the services to St.  
11          Johns County. JEA is extending its existing water  
12          and sewer lines to reach the Walden Chase property  
13          near the intersection of US-1 and County Road 210.  
14          JEA is extending its existing water main from its  
15          previous terminus in Duval County across the Duval  
16          County line to serve Walden Chase and potentially  
17          other areas in southern Duval and northern St.  
18          Johns Counties. More specifically, JEA is  
19          constructing a 20 inch diameter water line from the  
20          County line south to Ray Road. Concurrently, JEA's  
21          existing sewer lines are also being extended across  
22          the county line. A 16 inch diameter sewer force  
23          main is being installed along the same route. In  
24          addition to this construction in St. Johns County,  
25          JEA is up-sizing its water and sewer lines in Duval

1 County. The Duval County lines are being increased  
2 in size in order for JEA to be able to serve all of  
3 the immediately foreseeable needs in St. Johns  
4 County. The on-going construction will provide JEA  
5 with the backbone to provide regionalized water and  
6 wastewater service through out much of northern St.  
7 Johns County and southern Duval County. When  
8 completed, this construction will enable JEA to  
9 integrate Nocatee and other developments in the  
10 area into JEA's regionalized system.

11 **Q. WHAT OTHER FACILITIES AND LINES IS JEA CURRENTLY IN**  
12 **THE PROCESS OF CONSTRUCTING TO THE TERRITORY**  
13 **REQUESTED BY INTERCOASTAL OR THE SURROUNDING AREAS?**

14 **A.** Basically, JEA is trying to put in place the  
15 infrastructure necessary to provide regional  
16 service and allow for possible interconnections  
17 throughout this region in the future. As part of  
18 the St. Johns/JEA plan to establish a  
19 comprehensive, economically sized system, JEA is  
20 extending lines east on Ray Road to serve Nease  
21 High School and JEA will bring its facilities to  
22 the middle of the Walden Chase development for  
23 interconnection with distribution and collection  
24 lines provided by the developer.

1 Q. CAN YOU DESCRIBE IN DETAIL THE FACILITIES JEA IS  
2 CONSTRUCTING TO PROVIDE SERVICE TO NEASE HIGH  
3 SCHOOL AND THE WALDEN CHASE SUBDIVISION?  
4 A. As I mentioned earlier, the facilities that are  
5 being constructed and utilized by JEA to provide  
6 wholesale water and wastewater services to the area  
7 include the extension of the water and wastewater  
8 mains from the Duval County/St. Johns County line  
9 in a southerly direction along the Route U.S. 1  
10 right-of-way, to a point south of the intersection  
11 of U.S. 1 and County Road 210, then northerly along  
12 Ray Road and through an easement to the Phase I  
13 Area designated in the Agreement. The improvements  
14 include approximately 3.5 miles of 16 inch diameter  
15 PVC force main and 20 inch diameter PVC water main  
16 on the U.S. 1 right-of-way and approximately 1/3  
17 mile of 12-inch diameter PVC force main and 16-inch  
18 diameter PVC water main along Ray Road serving the  
19 Nease High School portion of the Phase I Area.  
20 Additional extensions of approximately 2/3 of a  
21 mile with a 12-inch diameter PVC force main and a  
22 16-inch PVC water main in the easement serving the  
23 Walden Chase portion of Phase I are also included.  
24 A 1,000,000 gallon water reservoir with high-  
25 service pumps, a standby generator, and a

1           rechlorination facility and a master wastewater  
2           pump facility adequate to handle sewage from the  
3           Phase I Area is included.

4           **Q.   HOW WERE THE ROUTES FOR THE FACILITIES SELECTED?**

5           A.   The routes chosen were intentionally selected in  
6           order to accommodate St. Johns County's needs for  
7           Nease High School, the Walden Chase Subdivision and  
8           Marshall Creek.  These routes and facilities are  
9           the most efficient manner of meeting those demands.  
10          The line sizes and locations were chosen to provide  
11          adequate capacity to meet possible future needs in  
12          the area, including potentially the southern  
13          portions of Nocatee.

14          **Q.   WHY IS JEA INSTALLING OVERSIZED LINES?**

15          A.   The installation of oversized lines allows us to  
16          take advantage of the benefits of economies of  
17          scale.  In areas where growth is reasonably  
18          expected to take place, JEA typically installs  
19          lines that are larger than current needs in order  
20          to avoid the prospect of having to replace the  
21          smaller lines in the future.  Ultimately, this  
22          results in cost savings.  JEA has learned through  
23          difficult first hand experience in its acquisition  
24          of other utilities that it is not economical to  
25          install smaller sized lines in growth areas.

1           Retrofitting the lines is disruptive to customers,  
2           disruptive to traffic flow and ends up being much  
3           more expensive in the long term.

4           **Q.    WILL JEA PROVIDE WATER STORAGE AND REPUMPING**  
5           **FACILITIES AND A WASTEWATER MASTER PUMP STATION IN**  
6           **ST. JOHNS COUNTY?**

7           A.    Yes.  These facilities were requested by St. Johns  
8           County.  The facilities will provide reliability  
9           and redundancy for comprehensive, expanded service.

10          **Q.    HAS JEA COMPLETED THE DESIGN OF ALL THE FACILITIES**  
11          **NECESSARY TO PROVIDE SERVICE UNDER THE ST.**  
12          **JOHNS/JEA AGREEMENT?**

13          A.    Yes.  JEA contracted with the engineering firm of  
14          Dames and Moore to do the design.  The design of  
15          the entire system is complete.  Construction is  
16          underway.  The facilities necessary for service to  
17          the first phase of Walden Chase is expected to be  
18          finished by May, 2000.  The remainder of the  
19          project is expected to be finished by the fall of  
20          2000 in order to meet the needs of Marshall Creek  
21          and the later phases of Walden Chase.

22          **Q.    BASED ON YOUR EXPERIENCE, IS INTERCOASTAL IN A**  
23          **POSITION TO PROVIDE SERVICE TO NOCATEE, WALDEN**  
24          **CHASE OR NEASE HIGH SCHOOL?**

1 A. No. Intercoastal cannot even begin to construct  
2 facilities unless they prevail in these dockets.  
3 Even then, it would take several months to  
4 construct the facilities and they would duplicate  
5 much of the work already done by JEA.

6 **Q. HOW ARE JEA'S RATES ESTABLISHED?**

7 A. JEA's Board of Directors oversees ratemaking in  
8 accordance with its charter. JEA's ratemaking  
9 staff analyzes cost of service. JEA enjoys stable  
10 rates and expects to hold its water and sewer rates  
11 at their current low levels at least another three  
12 years. JEA's rates have only increased slightly  
13 over 1% per year since 1981.

14 **Q. DOES JEA CHARGE UNIFORM RATES BOTH INSIDE AND**  
15 **OUTSIDE OF DUVAL COUNTY?**

16 A. Yes - - and that is true for both JEA's retail and  
17 wholesale rates.

18 **Q. IS JEA SEEKING TO PROVIDE SERVICE OVER THE**  
19 **OBJECTION OF ANY DEVELOPER?**

20 A. No. JEA is involved in North St. Johns County in  
21 response to the County's desire for a regionalized  
22 approach to address water and wastewater service,  
23 and water supply. Unlike Intercoastal, JEA is not  
24 seeking to serve where it is not wanted. JEA only  
25 intends to provide service where it has been asked

1 to provide service pursuant to JEA's agreements  
2 with St. Johns County and the developers of  
3 Nocatee.

4 **Q. ARE THERE ENVIRONMENTAL BENEFITS TO HAVING JEA**  
5 **PROVIDE SERVICE TO THE DISPUTED TERRITORY AS**  
6 **OPPOSED TO OBTAINING SERVICE FROM OTHER UTILITIES?**

7 A. Yes. JEA offers several environmental benefits as  
8 the provider of services. For instance, JEA is  
9 developing an extensive reuse system to facilitate  
10 the reuse of wastewater in the areas it serves.  
11 JEA anticipates that wastewater services in the  
12 disputed territory will be tied into JEA's regional  
13 reuse system. JEA has commenced construction on  
14 portions of a major reuse system for the Mandarin  
15 Wastewater Treatment Plant, including 25 miles of  
16 reuse transmission mains to serve six golf courses.  
17 Ultraviolet high level disinfectant is also being  
18 added at the plant to insure enhanced disinfection.  
19 The cost estimate for the facilities is more than  
20 \$11,000,000. A \$5,000,000 grant will be provided  
21 by the State of Florida through a grant  
22 administered by the Department of Environmental  
23 Protection. This reuse system will allow JEA to  
24 reuse over 50% of the flow generated by the  
25 Mandarin Wastewater Treatment Plant. From a water

1 supply standpoint, as mentioned above, JEA  
2 currently has the capacity under its water supply  
3 permits to provide water service to this area  
4 without the need for additional wells or without  
5 the need for locating new wells in a water use  
6 caution area. Another benefit to receiving service  
7 from JEA is the JEA commitment to enhancing the  
8 environment through phase-out of small ineffectual  
9 package wastewater plants. JEA has phased out  
10 several hundred small package plants in Duval  
11 County in the last 15 years. JEA's Agreement with  
12 St. Johns County will enable St. Johns County to  
13 phase-out the existing package plant at Nease High  
14 School and provide service to the surrounding area  
15 in an efficient and effective manner.

16 **Q. ARE THERE OTHER BENEFITS TO CUSTOMERS TO HAVING**  
17 **SERVICE PROVIDED BY JEA?**

18 **A.** Yes. JEA offers several other benefits as the  
19 provider of service. For instance, JEA is  
20 constructing a water storage reservoir with high  
21 service booster pumps that will provide a high  
22 level of service to the customers in north St.  
23 Johns County. This storage and re-pumping facility  
24 will provide a more constant water pressure for the  
25 customers who receive service from JEA. A higher

1 level of reliability will result for at least a  
2 portion of the disputed territory since there will  
3 be large volumes of water stored near some of the  
4 project sites. Water will be available in case of  
5 equipment failure and outage at the water plant or  
6 if the water main providing service to the  
7 surrounding areas is rendered unusable. The  
8 storage and water system will be backed up with  
9 standby power generators to ensure the highest  
10 level of reliability. The water storage reservoir  
11 will provide a higher level of public safety for  
12 customers by providing water storage to the  
13 surrounding areas in case of fire. JEA is also  
14 constructing a master sewage pumping station that  
15 will re-pump the sewage generated from Nease High  
16 School and the Walden Chase project.

17 **Q. DOES JEA HAVE THE FINANCIAL ABILITY AND RESOURCES**  
18 **TO PROVIDE SERVICE IN ACCORDANCE WITH THE DDI/JEA**  
19 **LETTER OF INTENT AGREEMENT AND THE ST. JOHNS/JEA**  
20 **AGREEMENT?**

21 A. Yes. JEA has a five year, \$600,000,000 capital  
22 expansion and replacement program underway. JEA  
23 has existing bond funds sufficient to finance the  
24 facilities necessary to provide service under both  
25 of the agreements.

1 Q. WOULD YOU BRIEFLY DESCRIBE FOR THE COMMISSION THE  
2 FINANCIAL CONDITION OF JEA?

3 A. JEA's bond ratings are among the best in the nation  
4 for utilities. This allows JEA to finance its  
5 capital needs at very low interest rates. This  
6 benefit is passed on to our customers in the form  
7 of low water and sewer rates. JEA's debt service  
8 coverage for water and sewer related debt for  
9 Fiscal Year 1999 was a very high 3.44x. JEA's  
10 water and sewer debt ratio for Fiscal Year 1999 was  
11 a very low 31%. Both of these indicators, as well  
12 as the strong water and sewer bond ratings awarded  
13 to JEA by Standard & Poor's Ratings Group (AA-),  
14 Fitch IBCA, (AA-) and Moody's Investors Service  
15 (Aa3), demonstrate that JEA's financial condition  
16 is excellent.

17 Q. WHAT WOULD BE THE EFFECT ON JEA'S RATES AND CHARGES  
18 IF IT PROVIDES SERVICE TO THE DISPUTED TERRITORY?

19 A. None. In fact, JEA enjoys stable rates and expects  
20 to hold its water and sewer rates at their current  
21 low levels at least another two to three years.

22 Q. DOES JEA HAVE A CAPITAL EXPANSION AND  
23 REHABILITATION PROGRAM IN PLACE?

24 A. Yes. JEA's "GroundWorks Program" was developed to  
25 design and construct projects necessary to expand

1 and improve JEA's water and sewer infrastructure.  
2 These projects will reduce operations and  
3 maintenance costs and expand and improve service to  
4 our customers. Projects are identified by system  
5 expansion needs and operations and maintenance  
6 concerns. Currently, GroundWorks is a 5 year, \$600  
7 million program. To implement this program, the  
8 in-house JEA engineering staff works in conjunction  
9 with its Engineering Alliance Partner, Black &  
10 Veatch, to design many projects. JEA has also  
11 solicited water and sewer design consultants and  
12 contracted with 32 firms on a long term basis.  
13 Almost all these firms are currently performing  
14 design work. In order to build the number of  
15 projects anticipated in the GroundWorks program,  
16 JEA entered into long term Master Contract  
17 agreements with qualified contractors. There are  
18 currently 53 Master Contractors, with at least 20  
19 currently performing work on over 40 GroundWorks  
20 projects.

21 **Q. CAN YOU DESCRIBE SOME OF THE UNIQUE FEATURES OF**  
22 **JEA'S UTILITY OPERATIONS?**

23 **A.** JEA is in the process of implementing a multi-  
24 million dollar computer assisted dispatch system  
25 which will integrate water, sewer and electric

1 customer service requests. Water and sewer calls  
2 are tracked and dispatched to vehicles using  
3 cellular technology and on-board laptop computers.  
4 The underlying database will provide JEA valuable  
5 data regarding system needs, including pipe  
6 replacement and customer service response  
7 statistics. The database will link to JEA's Work  
8 Management System currently used for electric  
9 construction and maintenance projects. JEA has  
10 recently modified its fleet on the water  
11 maintenance front to reduce travel time and  
12 increase coverage. JEA has in place a leak  
13 detection contract. JEA's contractor investigated  
14 numerous miles of mains 6 inches and larger and  
15 found no significant leaks. JEA is using its  
16 database of maintenance work to identify smaller  
17 mains in need of replacement as part of the  
18 GroundWorks project. To reduce the number and  
19 severity of Sanitary Sewer Overflows ("SSO") and  
20 reduce customer service requests, JEA instituted a  
21 sewer inspection program. Crews blanket portions  
22 of the service area in search of cave-ins and open  
23 each manhole, inspecting for surcharged lines,  
24 manholes in which dirt and debris have accumulated  
25 and manholes in need of rehabilitation. These

1 inspections are performed routinely. Following an  
2 SSO event, the sewer line is cleaned and televised  
3 in search of the cause of the overflow. This  
4 information is used to define replacement projects  
5 and the site is placed on a routine inspection  
6 list. Inspections progress from weekly to  
7 quarterly. If at in any point in the inspection  
8 schedule the site degrades, it returns to a weekly  
9 inspection and the process is repeated. JEA plots  
10 its maintenance and customer response data to  
11 determine where its closed circuit television and  
12 sewer cleaning resources should be expended. JEA  
13 performs smoke testing of its sewer system to  
14 search for sources of infiltration and inflow. A  
15 contract is being developed for these services as a  
16 supplement. JEA is doubling the number of small  
17 valve operation trucks. These new and the existing  
18 trucks will be equipped with computerized data  
19 loggers. Data will be recorded and integrated with  
20 JEA's Geographic Information System which provides  
21 computerized mapping of JEA's water and wastewater  
22 facilities.

23 **Q. DOES JEA HAVE A MONITORING SYSTEM ON ITS LINES?**

24 **A.** Yes. JEA has a radio monitoring "SCADA" system at  
25 each of its 28 regional water treatment plants.

1 This sophisticated system improves reliability and  
2 reduces the risk of service interruptions to its  
3 customers. In addition, JEA is currently  
4 installing the same SCADA system on all of its  
5 wastewater pumping stations.

6 **Q. IS THE PUBLIC INTEREST SERVED BY GRANTING**  
7 **INTERCOASTAL'S APPLICATION FOR THE SERVICE AREA**  
8 **SOUGHT IN THIS DOCKET?**

9 A. No. Granting Intercoastal's application for the  
10 Requested Area would be an unnecessary duplication  
11 of the services to be provided by JEA under its  
12 agreements with DDI and St. Johns County. There is  
13 no need for service in the territory expansion area  
14 requested by Intercoastal. JEA and St. Johns  
15 County have entered into a cooperative arrangement  
16 that will provide service to a portion of the  
17 requested area as part of a long term strategy for  
18 meeting the water and sewer needs in St. Johns  
19 County. This arrangement, together with the  
20 DDI/JEA Letter of Intent Agreement, will result in  
21 the establishment of an efficient, environmentally  
22 sound regional water and wastewater system. It  
23 will meet the immediate needs in the area in the  
24 most cost efficient manner and will provide a

1           framework for providing cost efficient service to  
2           future development.

3       **Q.   DOES THAT CONCLUDE YOUR TESTIMONY?**

4       **A.   Yes, it does.**

5

6

7       F:\USERS\ROXANNE\JEA\kelly0696tes

**SCOTT D. KELLY, P.E.**

Docket Nos. 992040-WS and  
990696-WS  
Exhibit \_\_\_\_ (SDK-1)  
Resume  
Page 1 of 3

**EDUCATION AND REGISTRATION:**

B.S. Civil Engineering

Georgia Institute of Technology 1974

Licensed Professional Engineer

State of Florida No. 0031125

**EMPLOYMENT HISTORY:**

**JEA JACKSONVILLE, FLORIDA**

**Construction and Maintenance Vice President**

1997-Present

Responsible for maintenance and operation of electric and water distribution and sewer collection services in a four county area. The Construction and Maintenance Group currently has a staff of over 420 personnel with a budget exceeding \$30 million. JEA currently has over 175,000 and 345,000 metered water and electric customers, respectively.

**CITY OF JACKSONVILLE, FLORIDA**

**Collection and Distribution Division Chief**

1996-1997

Responsible for the operation and maintenance of more than 2,350 miles of water distribution pipes and approximately 2,000 miles of gravity and pressurized sewer collection pipes. The division had a staff of over 250 personnel with a budget of approximately 21 million dollars and provided service to a population exceeding 500,000 through 171,000 metered service connections.

**Managing Engineer**

1995-1996

Responsible for development management, infrastructure planning, and capital expansion program for the water and sewer utility. Implemented capital outlay program totaling over 50 million dollars.

**Solid Waste Division Chief**

1990-1995

Responsible for administration of all solid waste functions, and the management of a staff of over 200 employees. Areas of responsibility included solid waste disposal, sanitation and collection, public utilities enforcement, and recycling. Instituted major reorganization of Solid

Waste Division which resulted in a 43% reduction in overall staff. Oversaw the implementation of employee incentive programs based on budget reductions and improvements in safety and customer service.

Implemented a yard trash recycling program that contributed to an increase in recycling percentages from 21% to over 40%, the highest in Florida. Received the National Recycling Coalition Award for the best urban recycling program in the nation.

**Resume-Scott D. Kelly, P.E.**

**Page 2**

**Planning and Engineering Division Chief / Managing Engineer**

1983-1990

Responsible for administration of the Planning and Engineering Division, including supervision of over 60 professional, technical and clerical personnel.

Oversaw plan review, master planning, hydraulic modeling, negotiation of developer funded expansion, design and construction management of the sewer and water utilities. Responsible for preparing and gaining approval for 100 million dollar strategic capital expansion plan.

**FLOOD ENGINEERS, ARCHITECTS PLANNERS, INC.**

**Environmental Engineer**

1979-1983

Project Engineer on several wastewater treatment facilities in Florida. Responsible for the design and preparation of plans and specifications for various advanced wastewater treatment (AWT) plant and pumping stations. Oversaw contract administration, construction inspection and startup of several wastewater facilities.

**CITY OF TAMPA, FLORIDA**

**Process Engineer, Sanitary Sewers**

1976-1979

Responsible for process operations for Tampa's six wastewater treatment facilities. City liaison for plant startup coordination of new 60 mgd AWT facility for City of Tampa. Conducted pilot plant studies to determine alternatives to the use of methanol in the denitrification process.

**AFFILIATIONS**

American Public Works Association  
Water Environment Federation

Docket Nos. 992040-WS and  
990696-WS  
Exhibit \_\_\_\_ (SDK-1)  
Resume  
Page 3 of 3

American Water Works Association  
Florida Water Environment Association, Utility Council Board of Directors

## CERTIFICATION

I, CHERYL REVELL, Staff Support Assistant to the JEA Board, do hereby certify that the attached is a true and exact copy of the action taken by the Jacksonville Electric Authority at a regular meeting assembled on Tuesday, April 20, 1999, pertaining to:

### COOPERATIVE AGREEMENT WITH ST. JOHNS COUNTY UTILITIES

WITNESS my hand and Official Seal of the JEA this 20<sup>th</sup> day of April, 1999.

(SEAL)



Cheryl Revell

Staff Support Assistant

April 13, 1999

WATER AND WASTEWATER UTILITY SERVICES AGREEMENT

BETWEEN

JEA

AND

ST. JOHNS COUNTY

WATER AND WASTEWATER UTILITY SERVICES AGREEMENT

THIS AGREEMENT is made as of this \_\_\_ day of April, 1999 between JEA, a public body corporate and politic of the State of Florida, and ST. JOHN'S COUNTY, a political subdivision of the state of Florida (the "County").

WITNESSETH:

WHEREAS, JEA is in the business, among others, of constructing and operating water and wastewater facilities and systems and providing water and wastewater utility services; and

WHEREAS, JEA is developing a reuse system to facilitate the reuse of wastewater; and

WHEREAS, the County wishes to procure wholesale water and wastewater utility services from JEA and to have JEA construct certain water and wastewater facilities and to operate JEA's water and wastewater systems in connection with the provision of such services to the County; and

WHEREAS, the capacity of JEA's existing water and wastewater treatment plants exceed current usage such that there is sufficient capacity to provide water and wastewater services to the County, and JEA desires to provide these services to the County, and is willing to construct the necessary water and wastewater facilities and operate the systems to deliver such services to the County on the terms and conditions set forth herein; and

WHEREAS, the County and JEA also wish to (1) explore mutually beneficial opportunities to improve the efficiency of the water and wastewater utility systems, (2) provide an efficient, environmentally sound means for planning, designing, and constructing regional water and sewer transmission facilities and (3) establish the basis for future alliances beneficial to both the County and JEA;

NOW, THEREFORE, it is hereby mutually agreed as follows:

## 1. CERTAIN DEFINITIONS

The following terms shall have the meanings set forth below:

1.1 "Developer" shall mean a Person who, for residential, governmental, commercial or industrial use, has developed real property within the Service Area by constructing thereon, among other things, adequate facilities for the distribution of Water to and collection of Wastewater from individual sites within the boundaries of the real property comprising the development.

1.2 "Facilities" means the Water Facilities and Wastewater Facilities as defined herein. "Duval Facilities" means that portion of the Facilities residing within Duval County. "St. Johns County Facilities" means that portion of the Facilities residing within St. Johns County.

1.3 "Party" shall mean JEA or the County; "Parties" shall mean JEA and the County.

1.4 "Person" shall include governmental, non-profit, business and professional entities, however organized.

1.5 "Project" shall mean the construction of that portion of the Facilities set forth in Exhibits A and B hereto. The Project may be limited in the manner set forth in Section 2.1 to Option 1, Option 2, and/or Option 3 as attached herein on Exhibits A and B.

1.6 "Service Area" shall mean the area anticipated by the Parties to be eventually served under this Agreement as shown on Exhibit A. The "Phase I Area" shall mean the area shown on Exhibit A and anticipated by the Parties to be served first under this Agreement and includes Allen D. Nease High School. The "Phase II Area" shall mean the area shown on Exhibit A and which the Parties recognize may, depending upon circumstances, be

included in this Agreement.

1.7 "Project Costs" shall mean JEA's costs in connection with design, permitting and construction of the St. Johns County Facilities. "Phase I Costs" shall mean JEA's costs in connection with design, permitting and construction of the St. Johns County Facilities in the Phase I Area. "Phase II Costs" shall mean JEA's costs in connection with design, permitting and construction of the St. Johns County Facilities in the Phase II Area. Project Costs shall also include JEA's costs attributable to increasing the size of the necessary sewer line in Duval County from 12 inches to 16 inches. This cost shall be included as a cost in Phase I.

1.8 "Services" shall mean the provision and transport of wholesale Water and the transport and processing and disposal of wholesale Wastewater by JEA through the Facilities to and from, as the case may be, the Service Area for the County's use in providing retail service in the Service Area.

1.9 This section intentionally left blank.

1.10 "Wastewater" or "Sewage" means the combination of the liquid and water-carried pollutants from a residence multifamily, commercial building, industrial plant, or institution.

1.11 "Wastewater Facilities" means the sewers, mains, pipes, pumps, connections and other property used to transport Wastewater or Sewage in the Service Area as set forth on Exhibits A and B.

1.12 "Wastewater System" means the transporting and processing of Wastewater and includes the Wastewater Facilities and other property used to transport and process and dispose of Wastewater in servicing the Service Area.

1.13 "Water" means potable water meeting the applicable federal, state, and local

laws and regulations for human consumption, fire protection, irrigation and consumption by business and industry.

1.14 "Water Facilities" means the pumps, meters, mains, pipes, connections, and other property, used to provide Water to serve the applicable Service Area.

1.15 "Water System" means the Water Facilities, and other property, used to provide Water which shall have at least capacity of one million five hundred thousand (1,500,000) gallons per day average annual daily flow available to serve the Project in the Service Area as set forth on Exhibit A and Exhibit B.

## 2. SCOPE AND TERM OF THE AGREEMENT

2.1 With the exception of section 3.2, this Agreement shall become binding on the date herein provided. JEA shall not be obligated to begin the Project until JEA's reasonable acceptance of the County's notification to JEA that the County has received and accepted an application to the County by a Developer wherein the Developer requests retail water and wastewater services from the County and who states in writing that he or she will be ready, willing and able to connect to the St. Johns Facilities within a reasonable time after construction of the Facilities (the "Effective Date") have been completed (the "Connection Notice"). The County shall designate whether it is exercising Option 1, 2, or 3, and may subsequently issue a Connection Notice for those options not initially exercised. If JEA receives the Connection Notice related to Property in the Phase II Area, prior to the exercise of the Phase I Area, then said Connection Notice shall comprise the entire Service Area. Section 3.2 becomes effective on the date this agreement is executed.

2.2 The term of this Agreement shall be from the date of initial wholesale service of Water by JEA for either Phase of the Project through and including the later of (a) twelve (12) years from said date or (b) the date on which all Project Costs have been fully recovered

by JEA (the "Original Term"), and thereafter, for two five year renewal terms upon mutual agreement of the Parties (the "Renewal Terms") and thereafter until terminated on written notice from either Party to the other of its election to terminate the Agreement, such written notice to be given at least three hundred sixty five days prior to the termination of the Original Term or any Renewal Term.

2.3 Parties agree that the scope of this Agreement may be expanded, by mutual consent by St. Johns County and the Chief Executive Officer of JEA to include other areas in the County.

### 3. OWNERSHIP AND CONSTRUCTION OF THE FACILITIES

3.1 JEA shall own the Facilities until such time as the County has fully reimbursed JEA for all Project Costs. Upon such reimbursement, JEA shall convey the St. Johns Facilities free and clear of all encumbrances to the County for \$1.00 by means of a deed, bill of sale or other appropriate instrument of conveyance.

3.2 Prior to the Effective Date, JEA will commence design of the Facilities. However, JEA shall be under no obligation to commence permitting or construction of the Facilities until the Effective Date.

3.3 The Parties agree to use all reasonable efforts to substantially complete the Project within the schedule generated by JEA's construction management group, which schedule shall be generated within thirty (30) days from the Effective Date of this Agreement. Annexed as Exhibit C is the proposed schedule for construction of the Facilities.

3.4 The County shall (a) take every reasonable step to assist JEA in design review and obtaining permits, access, and other necessary items as may be needed, from time to time, in the design and construction of the Project; and (b) at such times as may be necessary and expedient to permit JEA to comply with the terms of this Agreement, provide to JEA,

at the County's sole cost, all necessary easements for the construction, use, maintenance, and replacement of the St. Johns Facilities together with such other easements as may be necessary to afford ingress, egress and provision of the Services by grants of easement covering such time as JEA owns said Water and Wastewater Facilities with full warranties of title, free and clear of all liens and encumbrances.

3.5 JEA shall: (a) make all reasonable efforts to meet the schedule date for substantial completion of the Project; and (b) provide to the County all "As-Built" drawings for the Water and Wastewater Facilities in St. Johns County for this Project.

3.6 Notwithstanding anything in this Agreement to the contrary, the County and JEA each hereby waive all rights against the other to monetary damages for any delays in completion of the Project.

3.7 The Facilities shall be designed and constructed in accordance with the respective utility design standards and specifications of the Parties, which are by this reference incorporated herein.

3.8 The Parties may, by mutual consent, make defined changes in the Facilities, which such changes shall each be documented in a written change order, approved in accordance with the policies of the respective governing authorities of JEA and the County. The Parties recognize, however, that such changes may increase the Project Costs and may delay completion of the construction of the Facilities.

#### 4. OPERATION OF THE SYSTEM

4.1 The County hereby appoints JEA the exclusive provider of the Services to the County within the Service Area. JEA shall manage the operation of the Water and Wastewater Systems as a whole, provided, however, that the County shall bear the entire cost of maintaining the St. Johns County Water and Wastewater Facilities and the County

shall bear the entire cost of operating the Water and Wastewater Systems in St. Johns County. JEA shall bear the cost of (a) maintaining the Facilities in Duval County and (b) operating the Systems in Duval County. The Parties agree to carry out their respective responsibilities in accordance with all applicable federal, state and local environmental statutes, laws, ordinances, rules and regulations and in accordance with generally accepted industry practices throughout the term of the Agreement.

4.2 The County shall: (a) provide, or require its customers to provide, backflow preventors for the Water System in accordance with JEA backflow prevention policies and procedures; and (b) ensure, in the event that the County or any of its customers generates industrial waste at any site, that such site will have an approved industrial pretreatment program in place prior to connecting to JEA's Wastewater System, which pretreatment program shall conform to the requirements of both JEA and those of St. Johns County.

4.3 The County shall be responsible for all customer relations, including, without limitation, initiation of service, customer relations and communications, complaints, billing and collections. The County shall charge its customers its uniform published rates for connections.

4.4 JEA agrees that it shall not provide retail service to the Service Area without the prior approval of St. Johns County.

## 5. PAYMENTS BY THE COUNTY

5.1 The Parties agree that JEA's Project Costs, to be fully recovered by JEA from the County under this Agreement, are as follows:

(a) The Project Costs are Five Million Two Hundred and Twenty Six Thousand Dollars (\$5,226,000.00).

(b) The Phase I Costs are Two Million Eight Hundred and Forty Five

Thousand Dollars ( \$2,845,000.00).

(c) The Phase II Costs are Two Million and Three Hundred and Eight One Thousand Dollars ( \$2,381,000.00).

5.2 As payment for the Project Costs and for Water and Wastewater Services JEA provides to the County under this Agreement, the County shall pay to JEA as follows:

(a) Until the Project Costs for each separate Phase Area have been fully recovered by JEA, the County shall pay over to JEA quarterly in arrears all legally payable unit connection fees paid to the County ~~for each and every connection made to the Facilities~~ within the applicable Phase Area. Additionally, the County shall pay to JEA monthly in arrears a charge consisting of (1) base Water and Sewer fees and (2) Water and Sewer usage fees measured by the actual flow rate measured at the master water meter based on JEA's then uniform published rate for: (A) a ten (10") inch water meter if the Project is constructed and operated in its entirety from the outset, or (B) an eight (8") inch water meter if the Project is constructed and operated in Phases; provided, however, that Sewer usage fees shall be at JEA's uniform published rate for a limited sewer wholesale customer of the same classification as the Project. The County understands and accepts that JEA's rates, fees and charges may change from time to time during the term of this Agreement.

5.3 After the Project Costs have been fully recovered by JEA for each Phase Area, the County shall pay JEA as follows: (a) for capacity, pay to JEA quarterly in arrears a standard capacity fee for each and every additional connection to the Facilities within the Service Area in accordance with JEA's uniform published rates; and (b) for Water and Sewer usage, pay to JEA monthly in arrears a charge consisting of (1) base Water and Sewer fees and (2) Water and Sewage usage fees measured by the actual flow rate measured at the master water meter based on JEA's then uniform published rate for: (x) a ten (10") inch

water meter if the Project is constructed and operated in its entirety from the outset, or (y) an eight (8") inch water meter if the Project is constructed and operated in Phases; provided, however, that Sewer usage fees shall be at JEA's uniform published rate for a limited wholesale sewer customer of the same classification as the Project. The County understands and accepts that JEA's rates, fees and charges may change from time to time during the term of this Agreement. It is the intent of the Parties that as the Project Costs are paid for each Phase Area, such Phase Area, shall be released from Section 5.2.

5.4 ~~JEA covenants that the County will be entitled to the same rates and charges~~ issued to JEA water and wastewater Customers in Duval County for the same rate class.

5.5 Payments for Water and Sewer usage shall be made by the County within thirty (30) days of receipt of JEA's statement. Payments not timely received by JEA shall bear a penalty in accordance with JEA's uniform policies and procedures. JEA shall have the right to audit the books and records of the County and to conduct field investigations with regard to unit connections and associated capacity fees.

5.6 It is understood that the County is not warranting the number of retail customers to be served or the size and capacity specifications for the Water and Wastewater Facilities, and that JEA has relied upon its own expertise in sizing and constructing such Facilities.

## 6. GENERAL

6.1 JEA shall at all times use reasonable care and act in good faith in performing its duties hereunder.

6.2 No bonding will be required of JEA or the County. Performance and payment bonds will be required of all contractors in accordance with JEA's standard contract provisions.

6.3 JEA and the County both agree that during the term of this Agreement each shall at all times comply with all applicable federal, state or local statutes, laws, ordinances, rules and regulations, including environmental laws and regulations. In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work (collectively, the "Remedial Work") is required pursuant to any applicable federal, state, local law, ordinance, rule or regulation, any judicial order, or by any governmental entity, due to the actions or activities of either party, the party whose actions or activities made the Remedial Work necessary shall bear the responsibility to perform or cause to be performed the Remedial Work in compliance with such law, ordinance, rule or regulation or order. The County agrees and acknowledges that JEA shall not be responsible for any environmental liability within the Service Area resulting from a condition or activity within St. Johns County prior to commencement of the Project.

6.4 JEA shall continuously provide the County with all Water and Wastewater Services needed by the County for the Service Area, provided, however, JEA shall not be liable to the County for any failure to perform or delay in performance hereunder where such failure or delay is occasioned by circumstances beyond JEA's control. JEA shall provide the *pro rata* share to the Service Area of whatever reduced service, if any, that is being provided to or in Duval County arising out of the same cause of the failure or delay in performance.

6.5 JEA and the County shall comply with all applicable federal, state, county and local laws, ordinances, regulations and codes in the performance of this Agreement and shall, by providing timely information to each other, assist each other in complying with such laws to the extent that it is their obligation to so do. All obligations under this Agreement shall be performed in compliance with all applicable legislation and government agency orders and regulation prohibiting discrimination against any employee or applicant for employment

because of race, color, religion, sex, national, origin, age or handicap. Where required by law, certificates of compliance shall be provided. JEA and the County shall comply with the provision of the Fair Labor Standards Act of 1938, as amended, and all other applicable federal, state and local laws.

6.6 All the terms, provisions and conditions of this Agreement shall inure solely to the benefit of and shall be enforceable solely by the Parties hereto and their respective successors and assigns. This Agreement is not intended to and shall not benefit any third party, nor shall any third party have any rights hereunder or as a result of this Agreement or any right to enforce any provisions of this Agreement. No assignments shall be made by either Party without the written consent of the other.

6.7 Subject to the terms and conditions hereof: (a) this Agreement contains the entire understanding of the Parties hereto in respect of the Project; (b) there are no restrictions, promises, warranties, covenants or undertakings other than those expressly set forth herein; (c) this Agreement supersedes all prior agreements and understandings between the Parties with respect to such subject matter; (d) this Agreement may be amended only by a written instrument duly executed by the Parties hereto or their respective successors or assigns; and (e) any condition to a Party's obligations hereunder may be waived by such Party.

6.8 All notices, requests, demands or other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed by Certified or Registered mail, return receipt requested, postage prepaid.

If to JEA:

Construction and Maintenance, JEA  
Vice President  
21 West Church Street

Jacksonville, Florida 32202-3139

with a copy to:

The Office of General Counsel of the City of Jacksonville  
117 West Duval Street, Suite 480  
Jacksonville, Florida 32202.

If to the County:

St. Johns County Utilities  
Utility Director  
P. O. Drawer 3006  
St. Augustine, Florida 32085-3006

The person and address to whom notices are to be delivered or sent may be changed by delivering written notice thereof to the other party in the manner provided above not less than ten (10) days prior to the effective date of said change.

6.9 If any one or more of the covenants, agreements or provisions of this Agreement shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void, and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of any of the other provisions of this Agreement.

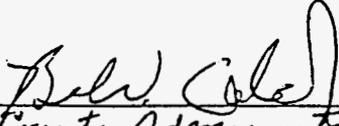
6.10 Except as provided in this Agreement, the rights and obligations of the Parties hereunder are not assignable and may not be transferred without the prior written consent of the other Party hereto, which will not be unreasonably withheld.

6.11 The terms and conditions of this Agreement will be governed by the internal law of the State of Florida.

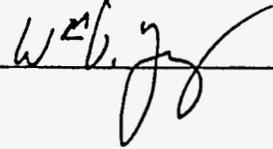
[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned parties have duly executed this Agreement as of the date this Agreement is executed on behalf of JEA as indicated below.

ST. JOHNS COUNTY

By:   
Its: County Administrator  
Date: April 13, 1999

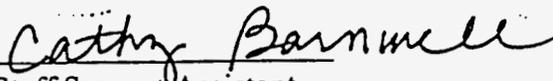
Witnesses:



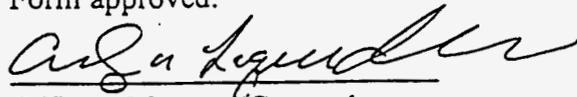
JEA:

By:   
Walter P. Bussells,  
Managing Director and  
Chief Executive Officer

Date: 4-20-99

Attest:   
Cathy Barnwell  
Staff Support Assistant

Form approved:

  
Office of General Counsel

I hereby certify that the expenditure contemplated by the foregoing contract has been  
duly authorized, and provision has been made for the payment of the monies provided  
therein to be paid.



A handwritten signature in cursive script, appearing to read 'John Wolfel', is written over a horizontal line.

John Wolfel,

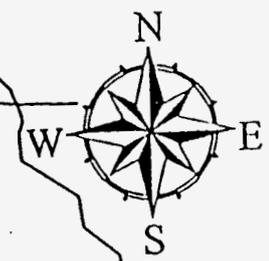
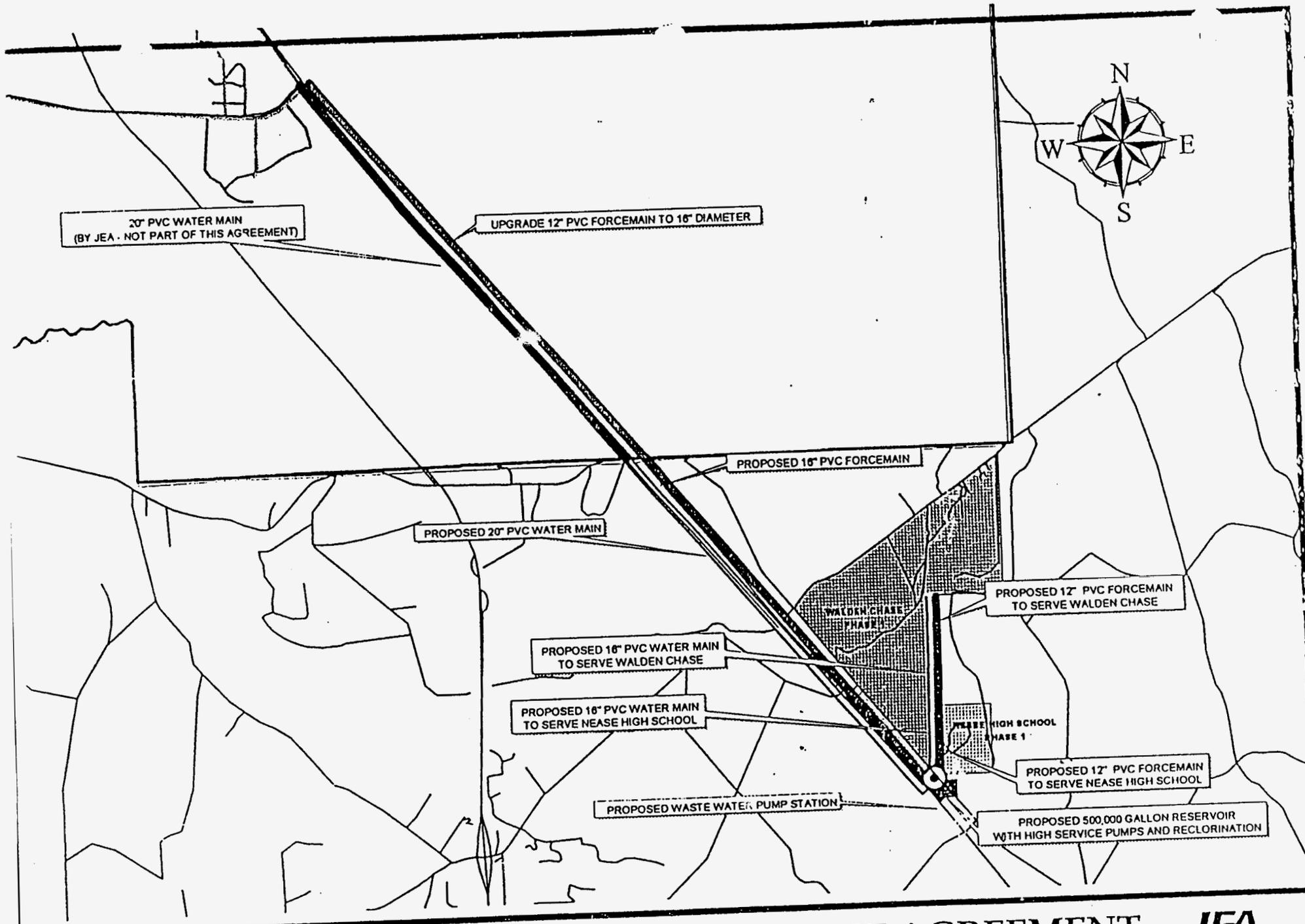
Controller

JEA

EXHIBITS

- A. Map of Phases
- B. Written Description of Phases
- C. Schedule

4/13/99 CAL K:\PAULA\JIMSCJWPB.413

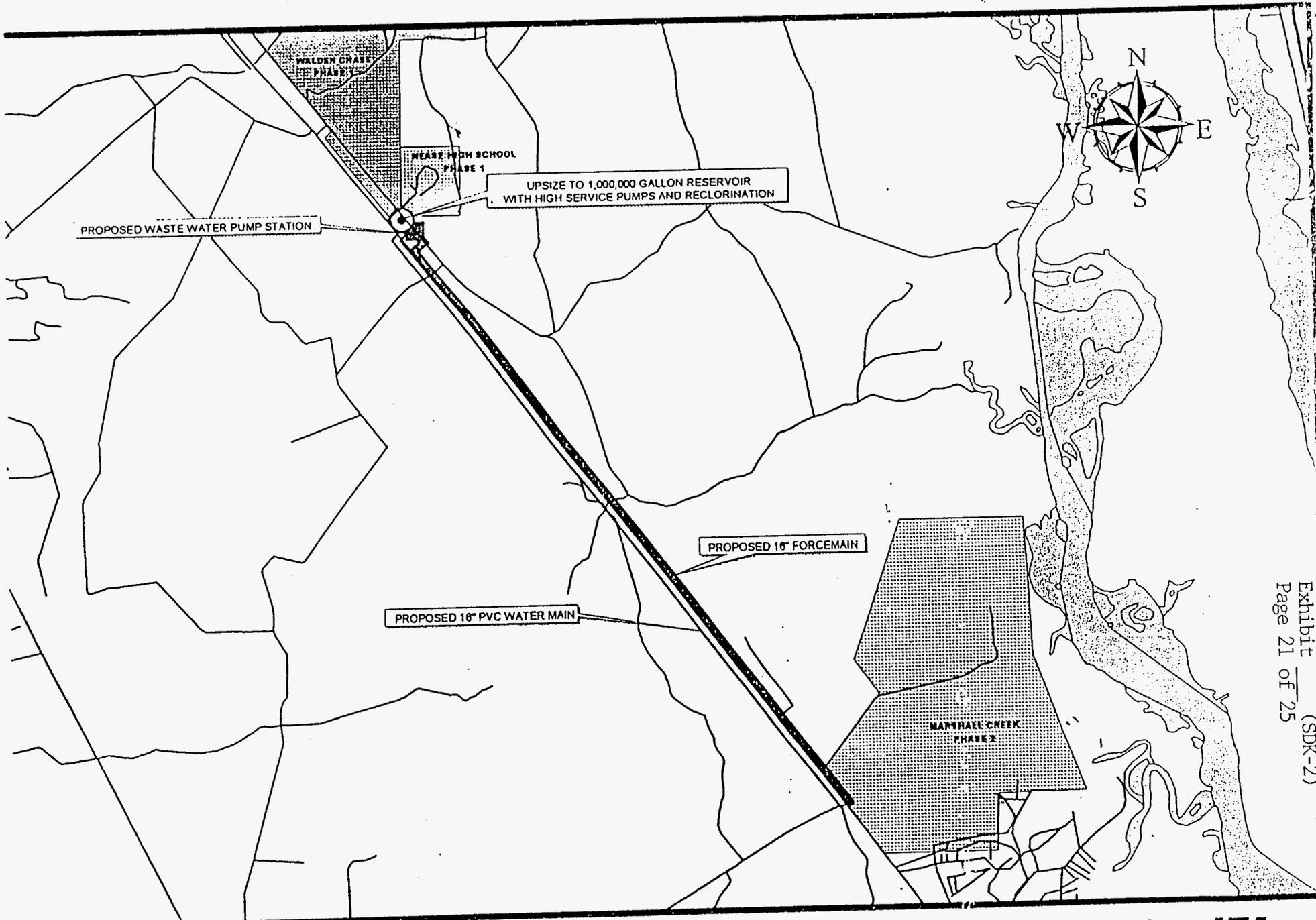


**WATER AND WASTEWATER UTILITY SERVICE AGREEMENT**  
**EXHIBIT "A" OPTION 1**



JEA DELIVERY BUSINESS UNIT  
 GIS SECTION  
 APRIL 5, 1999

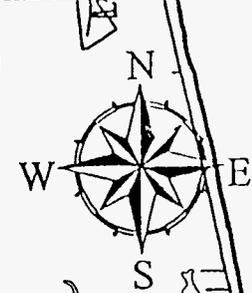
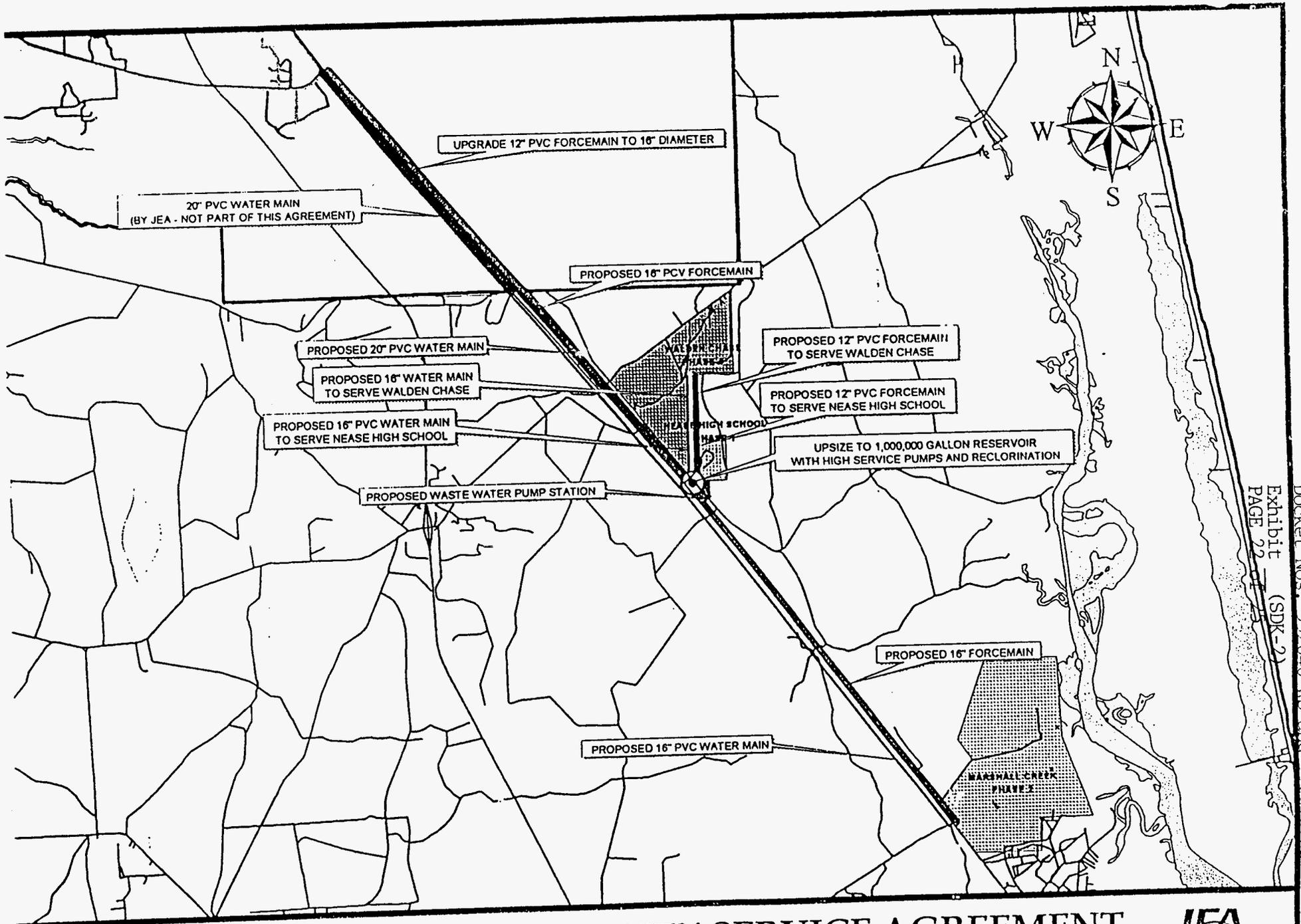
Docket Nos. 992040-MS and 990696-MS  
 Exhibit Page 20 of 25 (SDK-2)



Docket Nos. 992040-MS and 990656-MS  
 Exhibit (SDK-2)  
 Page 21 of 25

**WATER AND WASTEWATER UTILITY SERVICE AGREEMENT**  
**EXHIBIT "A" OPTION 2**

**JEA**  
 JEA DELIVERY BUSINESS UNIT  
 GIS SECTION  
 APRIL 6, 1999



Docket Nos. 992040-MS and 990696-MS  
 Exhibit (SDK-2)  
 PAGE 22 OF 25

# WATER AND WASTEWATER UTILITY SERVICE AGREEMENT

## EXHIBIT "A" OPTION 3

**JEA**  
 JEA DELIVERY BUSINESS UNIT  
 GIS SECTION  
 APRIL 5, 1999  
AS SHOWN ON DATE WHEN CITY OF JEA, MS

WATER AND WASTEWATER UTILITY SERVICES AGREEMENT  
BETWEEN JEA AND ST. JOHNS COUNTY

EXHIBIT "B"

Option 1:

The extension of the water and wastewater facilities from the Duval County/St. Johns County line, southerly along the US # 1 rights-of-way, to a point south of the intersection of US # 1 and County Road 210, then northerly through an easement to the Phase I area. The improvements will include approximately 3.5 miles of both 16-inch diameter PVC force main and 20-inch diameter PVC water main in U.S. # 1 right of way and approximately one third mile of both 12-inch diameter PVC force main and 16-inch diameter PVC water main in the easement serving Nease High School portion of Phase I area properties. Additional extensions of approximately two thirds of a mile with a 12-inch diameter PVC force main and a 16-inch PVC water main in the easement serving Walden Chase portion of Phase I area properties will also be included.

The project shall include an upsizing of approximately three miles of 12-inch force main to 16-inch diameter force main along US # 1 between the intersection of Old St. Augustine Road and the Duval County/St. Johns County line.

A 500,000 gallon water reservoir with high-service pumps, a standby generator, and a re-chlorination facility and a master wastewater pump facility adequate to handle sewage from the Phase 1 area shall also be included in the scope of the project.

Option 2:

Increase capacity of the reservoir to 1,000,000 gallons and increase capacity of high-service pumps, standby generator and re-chlorination facility to match larger reservoir. Upsize wastewater pumping station to serve both Phase I and Phase II area properties.

Install 4.5 miles of 16-inch diameter water main and 16-inch diameter wastewater force main from the southerly extension of Option 1 at U.S. # 1, southerly to a point approximately at the intersection of US # 1 and International Golf Parkway.

WATER AND WASTEWATER UTILITY SERVICES AGREEMENT  
BETWEEN JEA AND ST. JOHNS COUNTY

EXHIBIT "B" [continued]

Option 3:

The extension of the water and wastewater facilities from the Duval County/St. Johns County line, southerly along the US # 1 rights-of-ways, to a point approximately at the intersection of International Golf Parkway and US # 1. The improvements will include approximately 8 miles of 16-inch diameter PVC force main, 3.5 miles of 20-inch diameter PVC water main and 4.5 miles of 16-inch diameter PVC water main in U.S. # 1 right-of-way. Project will include approximately one third mile of both 12-inch diameter PVC force main and 16-inch diameter PVC water main in the easement serving Nease High School portion of Phase I area properties. Additional extensions of approximately two thirds of a mile with both 12-inch diameter PVC force main and 16-inch PVC water main in the easement serving Walden Chase portion of Phase I area properties will also be included.

The project will also include upsizing approximately three miles of 12-inch force main to 16-inch diameter force main along US # 1 between the intersection of Old St. Augustine Road and the Duval County/St. Johns County line.

A 1,000,000-gallon water reservoir with high-service pumps, a standby generator and a re-chlorination facility to match reservoir will be installed near the southerly extension of Phase I project. A master wastewater pump facility adequate to handle sewage from the Phase I and the Phase II areas will also be included in the scope of the project.



# Exhibit C - Water and Wastewater Utility Services Agreement

	Task Name	Duration	Start	Finish	Apr '99	May '99	Jun '99	Jul '99	Aug '99	Sep '99	Oct '99	Nov '99	Dec '99
					Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Option I - Design/Permitting Bayard to CR210	58 days	Thu 4/1/99	Mon 6/21/99									
2	Option I - Construction	70 days	Mon 6/28/99	Fri 10/1/99									
3	Option II - Design/Permitting CR 210 to Intl. Golf P'way.	71 days	Mon 4/5/99	Mon 7/12/99									
4	Option II -Construction	124 days	Tue 7/13/99	Fri 12/31/99									
5	Option III -Design/Permit	70 days	Thu 4/1/99	Wed 7/7/99									
5	Option III - Construction	145 days	Mon 6/14/99	Fri 12/31/99									

represents substantial completion.

Task		Rolled Up Task		External Tasks	
Progress		Rolled Up Milestone		Project Summary	
Milestone		Rolled Up Progress			
Summary		Split			

## Project Schedule

# ST. JOHNS COUNTY, FLORIDA

## Board of County Commissioners



P.O. Box 3006  
St. Augustine, Florida 32085-3006  
Phone: (904) 471-2161 • Fax: (904) 461-7619

August 19, 1999

Mr. Scott Kelly  
Jacksonville Electric Authority  
2514 North Pearl Street  
Jacksonville, FL 32206-3520

RE: **Marshall Creek**

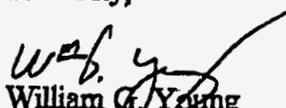
Dear Mr. Kelly:

Please accept this letter as notification that the St. Johns County Utility Department has received and accepted an application for retail water and sewer service by the Developers of the Marshall Creek Development of Regional Impact. Pursuant to section 2.1 of the April 13, 1999 Service Agreement between JEA and the County, we will be exercising Option 3 which entails the construction of water and sewer transmission lines to Marshall Creek.

Accordingly, the County is hereby instructing JEA to: extend a 16 inch or larger water main along the east side of US 1 to the southern boundary of the Marshall Creek DRI by May 2000, and; extend a 14 inch or larger sewer force main along the east side of US 1 to the southern boundary of the Marshall creek DRI by September 2000.

If you need additional information, please call me at 471-2161. We look forward to working with you in the future.

Sincerely,

  
William G. Young  
Utility Director