

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
JOHN R. ELLIS
KENNETH A. HOFFMAN
THOMAS W. KONRAD
MICHAEL G. MAIDA

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

J. STEPHEN MENTON
R. DAVID PRESCOTT
HAROLD F. X. PURNELL
GARY R. RUTLEDGE

ORIGINAL

November 30, 2000

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

RECEIVED-FPSC
00 NOV 30 PM 4:17
RECORDS AND REPORTING

Re: Docket No. 991666-WU

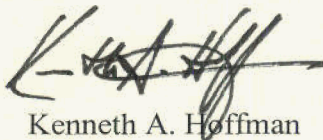
Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Water Services Corporation ("Florida Water") are the following documents:

1. Original and fifteen copies of the Rebuttal Testimony and Exhibit __ (JLT-1) of John L. Tillman, Jr.

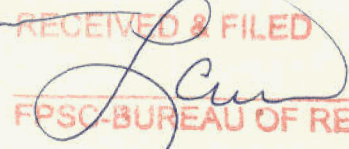
Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me. Thank you for your assistance with this filing.

Sincerely,


Kenneth A. Hoffman

IPP
DAF
DAP
DOM 3
CTR
ECR
LEG 1
OPC
EAL
GO
S
R
OTH

KAH/rl
Enclosures

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

15321 NOV 30 8

FPSC-RECORDS/REPORTING

Page 2

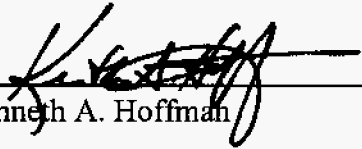
November 30, 2000

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing testimony has been furnished by United States Mail this 30th day of November, 2000 to:

Patricia Christensen, Esq.
Senior Attorney
Florida Public Service Commission
2540 Shumard Oak Blvd.
Room 370
Tallahassee, FL 32399-0850

Suzanne Brownless, Esq.
1311-B Paul Russell Road
Suite 201
Tallahassee, FL 32301



Kenneth A. Hoffman

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application for amendment of)
Certificate No. 106-W to add territory)
in Lake County by Florida Water Services)
Corporation.)

Docket No. 991666-WU

Filed: November 30, 2000

REBUTTAL TESTIMONY OF

JOHN L. TILLMAN, JR.

ON BEHALF OF

FLORIDA WATER SERVICES CORPORATION

DOCKET NO. 991666-WU

DOCUMENT NUMBER-DATE

15321 NOV 30 8

FPSC-RECORDS/REPORTING

1 **Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is John L. Tillman, Jr. and my business address is 1000 Color

3 Place, Apopka, Florida 32703.

4 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR**

5 **POSITION?**

6 A. I am an officer of Florida Water Services Corporation (hereinafter referred

7 to as "Florida Water") and serve as Senior Vice President of Business

8 Development. I am also President and Chief Executive Officer of United

9 States Maintenance and Management Services Group ("USMMSG). Both

10 Florida Water and USMMSG are subsidiaries of ALLETE Water Services

11 ("ALLETE").

12 **Q. WHAT IS ALLETE WATER SERVICES?**

13 A. ALLETE, which was formerly known as Minnesota Power Water Resources

14 Group, is comprised of various subsidiaries which provide water and

15 wastewater services or services related to the water and wastewater industry.

16 **Q. WHAT ARE YOUR PRESENT DUTIES AS SENIOR VICE**

17 **PRESIDENT OF BUSINESS DEVELOPMENT FOR FLORIDA**

18 **WATER?**

19 A. My responsibilities include all business development related activities for

20 Florida Water including acquisitions, divestitures and development of new

21 systems. My responsibilities also include investigating new business

22 opportunities in the area of water, wastewater and reuse services and working

23 with developers to insure the facilitation of prompt and efficient water and

24 wastewater utility services in new and developing areas of Florida.

25

1 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

2 A. I am a 1971 graduate of the University of Southern Mississippi with a
3 Bachelor of Science Degree and major in marketing. I was selected to attend
4 and did in fact attend the Syracuse University Graduate School of Sales
5 Management and Marketing in 1981-1982. Subsequently, I obtained a
6 Masters in Business Administration, with a concentration in marketing, from
7 LaSalle University in the fall of 1987.

8 **Q. CAN YOU DESCRIBE YOUR WORK EXPERIENCE?**

9 A. My work history includes: Vice President of Worldwide Sales and General
10 Manager of the Dispenser Product Group for the Fueling Components
11 Division of Dover Corporation from 1995 through 1998; Sales Engineer,
12 Manager of Federal Government Operations and, subsequently, Manager of
13 Marketing for Stanley-Vidmar, Inc., a subsidiary of Stanley Works from
14 1979 to 1989; and a number of sales related positions with the Continental
15 Group and F.L. Schwarz, Inc. from 1974 through 1979.

16 **Q. CAN YOU IDENTIFY EXHIBIT __ (JLT-1)?**

17 A. Yes. It is a copy of my resume.

18 **Q. DID YOU SUBMIT PREFILED DIRECT TESTIMONY IN THIS**
19 **DOCKET?**

20 A. No, I did not. However, for purposes of the hearing in this matter, I am
21 adopting the prefiled direct testimony and exhibits of Charles L. Sweat.

22 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

23 A. The purpose of my rebuttal testimony is to respond to specific statements
24 made by Jason L. Yarborough and Joseph A. Mittauer, P.E., on behalf of the
25 City of Groveland ("City") regarding the comparative ability of Florida

1 Water and the City to provide water service to the Summit development and
2 to respond to Mr. Yarborough's inaccurate conclusion that customers in the
3 Summit development would have lower rates and connection charges if water
4 service were provided by the City.

5 **Q. HAVE YOU REVIEWED THE TESTIMONY OF MESSRS.**
6 **YARBOROUGH AND MITTAUER REGARDING THE CITY'S**
7 **READINESS TO PROVIDE WATER SERVICE TO THE SUMMIT**
8 **DEVELOPMENT?**

9 A. Yes, I have.

10 **Q. DO YOU HAVE ANY COMMENTS CONCERNING THE CITY'S**
11 **READINESS TO SERVE?**

12 A. Yes, I do. On page 4, line 17, through page 5, line 10, of his testimony, Mr.
13 Mittauer discusses the City's need to construct a 12-inch water line along
14 State Road 19 and Cherry Lake Road/CR 478 to provide water service to the
15 Summit. Mr. Mittauer states that the City is currently constructing this line.
16 He then turns around and concedes that this water line project is currently in
17 the bid process and will be released for construction bids "as soon as the
18 permitting is secure." Due to the conflicting nature of Mr. Mittauer's
19 testimony, Florida Water investigated the status of construction of the line
20 and determined that as of the date of the filing of this testimony, construction
21 had not yet begun on the first line extension of approximately 2.5 miles up
22 State Road 19 to Cherry Lake Road/CR 478.

23 **Q. DO YOU CONCUR WITH MR. MITTAUER'S REPRESENTATION**
24 **IN HIS TESTIMONY THAT THE INITIAL CONSTRUCTION OF**

1 **THE 12-INCH LINE TO THE GARDEN CITY SUBDIVISION**
2 **SHOULD BE COMPLETE IN FEBRUARY, 2001?**

3 A. No, that would seem virtually impossible. In order for the City to provide
4 water service to the Summit development, it will need to run this 12-inch line
5 approximately two and a half miles from its existing tie-in (point of terminus)
6 to the Garden City Subdivision and then a second extension of approximately
7 two and a half miles to the Summit development for a total extension length
8 of over 26,000 feet or approximately five miles. As I previously mentioned,
9 Florida Water's investigation reveals that construction on the initial two and
10 a half mile phase of the line has not yet begun. Due to the terrain that will
11 need to be traversed in the construction of the line and the fact that there will
12 be aerial construction required to bring the line over a bridge, I would expect
13 construction of this initial two and a half mile extension to take some five to
14 six months. From there, Mr. Mittauer and Mr. Yarborough testify that the
15 second two and a half mile extension would take another five to six months
16 to complete. Again, since the City would have to design, permit, construct
17 and clear these lines, I would estimate an additional year for completion of
18 the second extension.

19 **Q. HOW FAR WILL FLORIDA WATER HAVE TO EXTEND**
20 **FACILITIES TO SERVE THE SUMMIT DEVELOPMENT?**

21 A. Florida Water's distribution lines are situated immediately adjacent to the
22 Summit development in Florida Water's Florida Public Service Commission
23 certificated territory that includes the existing Palisades Country Club
24 ("Palisades") system. However, due to fire flow requirements, the developer
25 has opted to build an extension back to Florida Water's Palisades water plant

1 which is approximately 1.25 miles. This extension is at no cost to Florida
2 Water. As I previously stated, if the City were to provide water service to the
3 Summit, it would need to build roughly five miles of line to reach the
4 Summit property.

5 **Q. CAN YOU COMMENT ON FLORIDA WATER'S AND THE CITY'S**
6 **INCREMENTAL COST TO PROVIDE WATER SERVICE TO THE**
7 **SUMMIT?**

8 A. Yes. As stated previously, the extension to the Summit development will be
9 at no additional cost to Florida Water since the developer is contributing it.
10 Because Florida Water's facilities are located immediately adjacent to the
11 Summit, our incremental cost to provide service would be de minimus. The
12 City, on the other hand, would incur substantial costs for the design,
13 permitting and construction of the line required to bring the City's water
14 service to the property. Mr. Mittauer states that the cost for the second two
15 and a half mile extension of the line to the Summit property will be
16 approximately \$275,000. While I do not have any information at this time
17 to dispute that number, I question how the cost could be estimated when Mr.
18 Mittauer has already stated that the construction bidding process has not yet
19 been completed. Florida Water intends to investigate that cost estimate prior
20 to the hearing as well as potential costs of additional water facilities which
21 would appear to be necessary to bring water service over this five mile line
22 extension with adequate water pressure. In that regard, Mr. Mittauer's
23 testimony also is unclear as to whether the \$275,000 estimate that he uses
24 includes only the cost of construction or all costs that would be incurred in
25 connection with the design, permitting and construction of the second

1 approximate two and a half mile extension from the Garden City Subdivision
2 to the Summit development. Finally, I would emphasize that neither Mr.
3 Mittauer nor Mr. Yarborough included a cost estimate for the initial two and
4 a half mile extension of the 12-inch line along Cherry Lake Road/CR 478
5 from the initial tie-in point to the Garden City Subdivision. The initial two
6 and a half mile extension is an incremental cost to serve that the City will
7 incur to provide service to the Summit. Indeed, if construction were to stop
8 after the initial two and a half mile extension, there is virtually no
9 development or request for service for which the 12-inch water line would be
10 utilized.

11 **Q. AT PAGE 5, LINES 13-15 OF MR. YARBOROUGH'S TESTIMONY,**
12 **HE STATES THAT "[U]NLIKE FLORIDA WATER, THE CITY**
13 **WOULD NOT HAVE TO PERMIT OTHER WELLS WITHIN THREE**
14 **YEARS TO MEET THE PROJECTED NEEDS OF THE SUMMIT**
15 **DEVELOPMENT." WILL FLORIDA WATER BE REQUIRED TO**
16 **PERMIT OTHER WELLS WITHIN THREE YEARS TO MEET THE**
17 **PROJECTED NEEDS OF THE SUMMIT DEVELOPMENT?**

18 **A.** No, we will not. Florida Water has more than sufficient capacity currently
19 available from the water supply and treatment facilities used to provide
20 service to the existing Palisades development to meet the projected needs of
21 the Summit development over the next three years. Florida Water may
22 decide to build an on-site well to provide redundant capacity for the Palisades
23 development, additional capacity for future development in surrounding
24 areas, and to replace the use of an existing pond for purposes of meeting fire
25 flow requirements for the anticipated country club. I would add that the

1 developer's plans for the planned unit development which were approved by
2 the county include the use of the existing on-site pond to meet fire flow
3 requirements for the anticipated county club.

4 **Q. HAVE YOU REVIEWED MR. YARBOROUGH'S TESTIMONY**
5 **COMPARING THE RATES AND CHARGES OF THE CITY AND**
6 **FLORIDA WATER?**

7 A. Yes, I have.

8 **Q. DO YOU AGREE WITH THE FIGURES THAT HE HAS USED ON**
9 **PAGE 8 OF HIS TESTIMONY AND HIS CONCLUSION THAT**
10 **CUSTOMERS OF THE SUMMIT WILL ENJOY LOWER RATES IF**
11 **WATER SERVICES WERE PROVIDED BY THE CITY?**

12 A. No, I do not. On pages 7 and 8 of Mr. Yarborough's testimony, he states that
13 a customer using 5,000 gallons of water per month through a 5/8 inch x 3/4
14 inch meter would have rates that are 15.8% lower if the customer were a
15 customer of the City rather than Florida Water. Mr. Yarborough goes on to
16 state on page 8 of his testimony that the City's current connection charges are
17 7.3% less than Florida Water's connection charges for a customer who will
18 take service in the Summit development. Finally, Mr. Yarborough adds that
19 the City expects to increase its service availability charges effective October
20 1, 2000, making the alleged difference between the City's connection charges
21 and Florida Water's connection charges approximately 3.4% lower than the
22 City.

23 **Q. HAS MR. YARBOROUGH USED ACCURATE RATES AND**
24 **CHARGES IN REACHING HIS CONCLUSIONS?**

1 A. No, he has not. Speaking first to water rates, the customers of the Summit
2 development would receive water service from Florida Water under the rates
3 applicable to Florida Water's Palisades' customers. Customers of the
4 Palisades system pay a base facility charge of \$9.42 and a gallonage charge
5 of \$2.04 per 1,000 gallons. At 10,000 gallons of consumption per month,
6 the monthly bill of a Palisades' customer is \$29.82. Using the City's rates
7 applicable to customers situated outside the corporate limits (as would be the
8 case with the Summit development) which would consist of a base facility
9 charge of \$13.13 and a gallonage charge of \$3.44 per 1,000 gallons, the
10 City's bill for 10,000 gallons of consumption would be \$33.77 - - \$3.95 or
11 13.25% higher than the Florida Water bill. The Commission should keep in
12 mind that the average monthly consumption for the Palisades customers is
13 22,660 gallons per month. Using the average monthly consumption of
14 22,660 gallons per month experienced by the Palisades customers, and
15 making the reasonably conservative assumption that similar consumption
16 would be experienced in the Summit development, Florida Water's rates
17 would save customers \$21.67 per month. In other words, applying the
18 average monthly consumption of the Palisades customers to the Summit, the
19 monthly water bill for a Florida Water customer would be nearly 40% less
20 than the monthly bill if the Summit customer were to receive water service
21 from the City. I would add that the savings with Florida Water are
22 conservative estimates as the 135 lots to be developed in the Summit are
23 larger than those in the Palisades development and I would expect that
24 average monthly consumption for the Summit would be higher than that

1 experienced for the Palisades system due to anticipated increased usage of
2 water for irrigation purposes.

3 **Q. CAN YOU ALSO ADDRESS MR. YOUNG'S STATEMENTS THAT**
4 **SERVICE AVAILABILITY AND CONNECTION CHARGES FOR**
5 **THE SUMMIT CUSTOMERS WOULD BE LOWER WITH THE**
6 **CITY?**

7 A. Again, I must disagree. Our review of the current water service availability
8 and connection charges for the City indicate that there would be a plant
9 capacity charge of \$695.00, a main extension charge of \$300.00, a meter
10 installation charge of \$500.00, a deposit of \$75.00 and a service installation
11 charge of \$10.00, for a total amount of \$1,580.00 for service availability and
12 connection charges. A Florida Water customer receiving water service in the
13 Summit development would pay a \$700.00 water plant charge, a \$90.00
14 meter installation charge, a \$15.00 service plant charge, and a \$41.00 deposit,
15 for a total amount of \$846.00. Please note that previous information
16 provided to the Commission was for a typical Palisades customer. The fact
17 that the Summit will not be charged the main extension, AFPI
18 transmission/distribution and service installation charges per Florida Water's
19 agreement with the developer was inadvertently overlooked in responding to
20 Staff Interrogatory No. 7. This reduction in service availability charges is
21 customary due to the fact that the developer is installing all lines back to the
22 plant and all service taps. Based on these applicable charges, Florida Water's
23 total service availability and connection charges for water service to the
24 Summit property are approximately \$734.00 less than those of the City.

25 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

1 A. Yes, it does.

JOHN L. TILLMAN, JR.
747 BRIDGECREEK COURT
LAKE FOREST, FL 32771
RES. (407) 328-0756 BUS. (407) 598-4233

Docket No. 991666-WJ
Exhibit (JLT-1)
Page 1 of 4 Pages

BUSINESS EXPERIENCE

ALLETE WATER SERVICES CORPORATION

1998- PRESENT

Senior Vice President of Business Development
Florida Water Services (subsidiary of ALLETE Water Services)

President & Chief Executive Officer
United States Maintenance and Management Services Group
(subsidiary of ALLETE Water Services)

Responsibilities include all business development for Florida Water Services to include acquisitions, divestitures and development of new developer systems.

Responsible for investigating new business opportunities in the regulated environment, working with developers closely to customize programs to facilitate speedy water and wastewater utility services to serve developing communities.

At USM&M SG, responsible for all operations of the non-regulated business, consisting of 40+ employees with emphasis in the advanced maintenance and management fields. Specifically, development of predictive maintenance, preventive maintenance, instrumentation calibration and systems integration programs.

DOVER CORPORATION – FUELING COMPONENTS DIVISION

1995 – 1998

Vice President of Worldwide Sales and General Manager of the Dispenser Product Group
Responsible for worldwide sales and marketing organization in excess of \$100 million in revenue with multiple office locations throughout the world. Increased sales and market penetration in all markets producing gross in excess of 15% per year throughout the time period. Reorganized sales organizations to increase productivity and create incentive plans for growth. Negotiated international agreements specifically generalized joint venture in mainland China for product manufacturing and distribution.

As General Manager, headed up value engineering projects to significantly increase productivity and decrease product cost and increase product reliability. Initiated project to develop new concept products and effectively managed R&D group to the conclusion of those projects. Improved financial performance of a \$50 million product group in excess of 5% per year during the duration.

J.M. HUBER - FLOW CONTROL DIVISION

Vice President for Sales & Marketing

- ◆ \$45+ Million Revenue
- ◆ 50% Oil Field – 50% Industrial
- ◆ Three Major Plants (2 U.S., 1 Canada)
- ◆ 10% International Revenue
- ◆ 200+ Employees
- ◆ 8 Service Centers with Company Employees
- ◆ 6 Service Centers Maintained by Independent Representatives
- ◆ Business Team Member (Division Management)

RESPONSIBILITIES:

- ◆ All Marketing and Sales Functions
- ◆ Management of 14 Service Centers
- ◆ 3 Customer Service Groups in Three Locations (20+ People)
- ◆ Oil Field Sales and Marketing Group
 - 1 – National Sales Manager
 - 1 – Product Manager
 - 9 – Direct Sales People
 - 8 Independent Representatives
 - 500+ Distributors
- ◆ Engineering and R&D Group
 - 1 – Manager/Engineer
 - 2 – Project Engineers
- ◆ Industrial Sales and Marketing Group
 - 1 – National Sales Manager
 - 2 – Regional Sales Managers
 - 28 – Independent Representatives
 - 200+ Distributors
- ◆ All New Business Development

ACCOMPLISHMENTS:

- ◆ Revenue growth from \$27 million (1989) to \$45 million (1994) in a declining market
- ◆ Consolidated Marketing and Sales
- ◆ Restructured Marketing and Sales Group
- ◆ Restructured Canada Operation
 - Revenue up 200%
 - Added Sales and Sales Management staff
- ◆ Increased productivity of division from \$150,000 per employee to \$200,000
- ◆ Reduced sales cost and increased sales productivity
- ◆ Introduced value added service, to a market segment

J.M. HUBER - FLOW CONTROL DIVISION

ACCOMPLISHMENTS (continued):

- ◆ Reversed division loss in 1989 to 14% + ROIC in 1994
- ◆ Cash flow positive all periods
- ◆ Completed two acquisitions of product lines – integrated product market and sales into existing group
- ◆ Introduced and implemented PC-based sales management systems
- ◆ Developed and implemented Engineering and R&D Group to interface with customer base and sales force to focus on customer satisfaction in product development and solving customer problems
- ◆ Developed outside sources to supply products for the division to market
- ◆ Implemented team concept within direct area and overall within division
- ◆ Developed and implemented computer-based value-added services that resulted in significant market share gains and enhanced profitability
- ◆ Developed and implemented strategic plan

STANLEY-VIDMAR, INC. – SUBSIDIARY OF STANLEY WORKS – ALLENTOWN, PA 1979 – 1989

Manager of Marketing

1985 – 1989

Responsible for all facets of marketing in an industrial environment with sales in excess of \$100 million. Managed department with twelve professional and clerical employees with a budget in excess of \$3.5 million. Directed all marketing activities for two divisions through both internal and external sources. Directed market research, formulated competitive market strategies, developed market segmentation strategies, and evaluated effectiveness of sales and market effort. Staff responsibilities included participation in company-wide strategic planning; product development and enhancement; and assisted in the development, implementation and monitoring of market-driven compensation programs. Directed marketing communication programs in relation to trade shows, advertising and public relations. During this time, overall growth objectives were met both in sales and profits.

Manager Federal Government Operations

1982 – 1984

Responsible for worldwide U.S. government sales and marketing operations. Directly negotiated contract with GSA with value in excess of \$20 million and all other large purchase contracts. Managed sales staff of government market segments. During the time, government sales doubled to \$18.6 million per year through various marketing programs. Also initiated and negotiated an international multiple award contract that resulted in \$3.5 million in sales in eighteen months.

Sales Engineer, Lake Ridge, VA

Responsible for all direct sales and service activities in the geographic area of Virginia, Maryland, and Washington, D.C. Responsibilities included sales presentations, design of storage systems, market planning and development. Increased sales from \$500,000 per year to over \$1.8 million per year. Qualified for Top Achievers Award during each year.

THE CONTINENTAL GROUP - FAIRFAX, VA
1979

1977 -

Sales Representative

Responsible for all facets of sales and service to both institutional distributors and major end users of disposable paper and products. Increased sales from \$1.1 million to \$1.67 million in the first year and by an additional 30% the second year.

F. L. SCHWARZ, INC. - ALEXANDRIA, VA
1976

1974 -

District Sales Representative

1975 - 1976

Responsible for all facets of sales and service to Army and Air Force Capitol Exchange Region, Naval Exchange Region, three Commissary Complex Headquarters and nine direct commissary accounts producing over \$4 million in sales. Sales increased at a rate of 20% per year.

Assistant to Vice President & General Sales Manager - New York, NY

1974 - 1975

Responsible for development of sales forecast, sales quotas, and evaluating performance with respect to these objectives. Assistant in development of marketing plans, promotional activities, analyzing distribution patterns and preparation of preventative to existing and potential principals.

U.S. ARMY SOUTHERN COMMAND - PANAMA, CANAL ZONE
1971

1973 -

Military Officer - Captain

EDUCATION

M.B.A. - Concentration: Marketing
La Salle University, Philadelphia, PA - Fall 1987

Selected to Attend: Graduate School of Sales Management and Marketing
Syracuse University, Syracuse, NY - 1981-1982

B.S. in Business Concentration: Marketing
University of Southern Mississippi, Hattiesburg, MS - 1971