

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(850) 877-6555

CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
JOSEPH P. PATTON
DAREN L. SHIPPY, LL.M. TAX
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

TELECOPIER (850) 656-4029

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January 26, 2001

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ROBERT M. C. ROSE
OF COUNSEL

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Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Intercoastal Utilities, Inc.; Docket Nos. **990696-WS** and 992040-WS
Our File No. 26003.13

Dear Ms. Bayo:

Attached are the original and fifteen copies of the Supplemental Intervenor's Testimony and Exhibits filed on behalf of Intercoastal Utilities, Inc. in the above-referenced docket. Enclosed are the Testimonies of James H. Miller, M.L. Forrester, and Michael E. Burton, along with their respective exhibits.

Should you or any members of the Commission staff have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP

John L. Wharton, Esquire
For The Firm

JLW/kll

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Enclosures

cc: Samantha Cibula, Esq. (via hand delivery)
Richard D. Melson, Esq. (via U.S. Mail)
Michael J. Korn, Esq. (via U.S. Mail)
J. Stephen Menton, Esq. (via U.S. Mail)
Suzanne Brownless, Esq. (via U.S. Mail)

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2
3 **In re: Applications For An Amendment)**
4 **Of Certificate For An Extension)**
5 **Of Territory And For an Original)**
6 **Water And Wastewater Certificate)**
7 **(for a utility in existence and charging)**
8 **for service))**

Docket No. 992040-WS

9
10 **In re: Application by Nocatee Utility)**
11 **Corporation for Original Certificates for)**
12 **Water & Wastewater Service in Duval)**
13 **and St. Johns Counties, Florida)**

Docket No. 990696-WS

14 **SUPPLEMENTAL INTERVENOR'S TESTIMONY OF JAMES H. MILLER**

15 Q. Please state your name and business address.

16 A. My name is James H. Miller. My business address is 7785 Baymeadows Way, Suite 202,
17 Jacksonville, Florida 32256

18 Q. By whom are you employed and in what capacity?

19 A. I am a vice president of PBS&J, a full service engineering firm. I am a registered
20 professional engineer in Florida, North Carolina, and Alabama, and have prepared the Utility
21 Master Plan for Intercoastal Utilities, Inc.

22 Q. Are you the same James H. Miller who has previously filed testimony in this case?

23 A. Yes.

24 Q. What have you reviewed in preparation for your participation in this case?

25 A. I have reviewed the testimony and exhibits previously filed in this case.

26 Q. Have you also reviewed the Supplemental Direct Testimonies of Douglas Miller and
27 Ms. Deborah Swain filed July 31, 2000, on behalf of Nocatee Utility Corporation (NUC) in
28 this proceeding?

29 A. Yes.

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1 Q. Were there any portions of those testimonies which caused you any concerns?

2 A. Ms. Swain's testimony included a rate comparison of NUC's proposed rates which I believe
3 does not fairly present a picture of what is likely to happen, in terms of the type of customers
4 that will present and the type of usage rates that will exist, in the Nocatee development. In
5 Ms. Swain's testimony, there seemed to be a heavy emphasis on the lower water usage levels
6 (3,000 and 5,000 gallons per month) in comparing rates of NUC vs. ICU. This is in direct
7 conflict to the higher usage levels of 10,000 and 12,000 gallons per month used throughout
8 testimonies by Douglas Miller. Based on my knowledge of this area, my understanding of
9 the project, and the other information I have reviewed, and conversations in which I have
10 participated, it would be my opinion that a more valid comparison would have to focus on
11 water usage of 10,000 gallons per month or higher. In my opinion, it is very unlikely that
12 three (3) of the assumed water usage benchmarks, namely 3,000, 5,000 and 5,333 gallons per
13 month (all which show that NUC's rates will be lower than Intercoastal's), actually represent
14 usage rates which are likely to be realized. In fact, in this "up-scaled" neighborhood, the
15 lower rate categories would most likely be non-existent.

16 Q. What other specific concerns do you have?

17 A. I am still very concerned about some of the adverse environmental impact that "NEWRAP"
18 may impose on other areas of St. Johns County, as well as Duval County. I mentioned Duval
19 County because, to the extent that environmental considerations are important, I think it is
20 important to remember that the "environment" does not stop at the boundaries of Nocatee.
21 These proposals should be viewed within their larger context. This "NEWRAP" policy,
22 imposed by the developers, appears to be in direct conflict with the "local sources first"
23 policy that is adhered to in most areas of the State. The Commission is aware that the
24 Nocatee developers commissioned an expensive and elaborate water resources study which
25 essentially indicates adequate resources within the Nocatee development to support service

1 to that development as planned by Intercoastal. The water resources study prepared for
2 Nocatee indicates an adequate water supply on-site to meet the needs of Nocatee, yet NUC,
3 through "NEWRAP", the use of an on-site water supply is not permitted. This seems to be
4 no more than an attempt to lock-in JEA as the utility supplying potable water to Nocatee.
5 It also indirectly passes along to the Nocatee customer the hydraulic capacity cost of the
6 proposed multi-million dollar raw water pipeline across the St. Johns River, which provides
7 a new source of supply for the Mandarin and southside grid of JEA's water system. Another
8 area of concern regarding "NEWRAP" is the supposed prohibition of providing on-site
9 wastewater treatment at Nocatee. First of all, I am referring to this as a "prohibition" only
10 because Nocatee has referred to it in that way. In fact, I am not aware that such a
11 "prohibition" has really been imposed by any governmental authority. Under NUC's plan
12 of service with JEA, the raw wastewater is transmitted long distances in oversized force
13 mains to the Mandarin Water Reclamation Facility (WRF). The Mandarin WRF is currently
14 plagued with intermittent odor problems from septic wastewater. The additional flows
15 anticipated from Nocatee, transmitted via long and oversized force mains, seem to amplify
16 an odor problem that already exists at the Mandarin WRF. As explained in earlier testimony,
17 the lengthy travel time for any sewage in the these long force mains in and of itself
18 exacerbates any odor problem which the receiving plant may already be experiencing.

19 Q. What about ICU's ability to provide the same level of service as proposed by NUC?

20 A. In my opinion, ICU can provide the same level of service as NUC. The current level of
21 service, both water quality and O&M, meet or exceed the levels proposed by NUC through
22 the Agreement with JEA. ICU has higher treatment constraints imposed on their wastewater
23 treatment plant than JEA's Mandarin WRF. This has historically been the case with many
24 of the smaller area utilities in northeast Florida. A good example of this is the treatment
25 levels imposed on the Julington Creek Wastewater Treatment plant when it was originally

1 designed for General Development Utilities, prior to the acquisition by JEA. The initial
2 discharge to the St. Johns River for the 250,000 gpd plant was AWT (5-5-3-1) standards,
3 while the 7.5 mgd Mandarin plant, only a few miles downstream has a much less restrictive
4 permit. JEA is gradually improving the levels of treatment in their wastewater system.
5 Because of the size of the system and the capital costs of such improvements, the process is
6 slow and will eventually be passed on to all JEA customers. ICU's wastewater treatment
7 facility already meets the standards that JEA is trying to achieve. The capital costs presented
8 by ICU reflect this level of treatment. It is not surprising that there would be increased costs
9 attached to the services of any utility which was providing a higher level of treatment (and
10 thus a higher level of service to its customers). While "NEWRAP", which is an arbitrary
11 standard imposed by the developer, sets Nocatee aside as a "pristine" community while
12 adversely impacting their neighbors, ICU can provide an environmentally sound plan to
13 serve Nocatee. Clearly, with a wholesale agreement with JEA, ICU can provide an identical
14 level of service as proposed by NUC. The only difference at this point is that NUC has
15 imposed a "sole source" condition to the utility service provider. This "sole source service
16 agreement" is no different than awarding a sole source contract for supplying equipment or
17 other services without fair competitive negotiations. The one that ultimately pays the price
18 is the consumer.

19 Q. What about the agreement to "upsized" the backbone water and wastewater transmission
20 mains?

21 A. As I mentioned before, the "upsized" or "oversized" mains can have an adverse effect (i.e.
22 septic sewage, which increases odor problems). As far as capital cost, I would agree there
23 would be some savings, but I doubt it would be in the 50% range. Also, the connection cost
24 to these "upsized" mains will be somewhat higher (i.e. 24" x 8" vs. 12" x 8" connection),
25 negating some of the savings.

1 Q. What are the “joint projects”?

2 A. As I understand it, the joint projects are projects where JEA proposes to run lines larger
3 through the Nocatee development than actually necessary to serve the development itself.
4 At this point, the joint project we know about enters the development on the western side and
5 exits on the eastern side. That exit point is in St. Johns County. Why JEA is proposing that
6 line to be constructed in that fashion, and what customers will be served by that line, is
7 unknown at this point. However, I would say it is a clear indication that JEA believes:
8 (a) there is some need for service in that part of St. Johns County; (b) that JEA is the
9 appropriate entity to provide that service; and (c) that it intends to provide that service when
10 that need matures. Certainly, the way the joint project is configured indicates that JEA’s
11 intentions in this immediate area in St. Johns County are not limited to merely bulking
12 service to NUC.

13 Q. Mr. Miller, have you read the testimony of M.L. Forrester?

14 A. Yes, I have.

15 Q. Do you agree with the testimony of Mr. Forrester to the extent that it touches upon matters
16 which are also within your expertise, and have you discussed these matters with
17 Mr. Forrester?

18 A. Yes, to both questions. Yes, I do share Mr. Forrester’s opinion as reflected in his
19 Intervenor’s Testimony, and I agree that the possibility for substantial modifications to the
20 JEA-NUC proposed service plans exists. In fact, I would hope that JEA and the Nocatee
21 development would propose to provide service along the same lines as Intercoastal, to wit:
22 they will implement whichever plan of service and method of service, during the long period
23 of build out of this development, that is in the best interest of the customers, and that they
24 will do so in the most environmentally sensitive, efficient, and effective manner possible.

25 Q. Have you reviewed Mr. Forrester’s Intervenor’s testimony regarding his anticipated usage

1 rates in the Nocatee development, and have you discussed the same with him?

2 A. Yes, again to both questions, and I agree with his conclusions in that regard. I don't believe
3 Ms. Swain's analysis reflects a reasonable comparison of residential bills based upon
4 expected use within the area, as I indicated earlier.

5 Q. Does this conclude your testimony?

6 A. Yes, it does.

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