

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application of  
**LAKE UTILITY SERVICES, INC.**  
for extension of water and wastewater  
service in Lake County, Florida

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DOCKET NO. 020907-WS

NOTICE OF FILING

Applicant, LAKE UTILITY SERVICES, INC., by and through its undersigned counsel, hereby  
gives notice of filing of the Direct Testimony of David L. Orr.

Respectfully submitted on this  
21<sup>st</sup> day of May, 2003, by:

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By:  Fla Bar #  
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for

Utilties, Inc \(.49) LUSI Territory Extension\NOF (Orr Direct Testimony)

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**CERTIFICATE OF SERVICE**  
**DOCKET NO. 020907-WS**

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of David L. Orr has been furnished by U.S. Mail to the following parties on this 21st day of May, 2003:

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And for

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

IN RE: Application of  
**LAKE UTILITY SERVICES, INC.**  
for extension of water and  
wastewater service in  
Lake County, Florida.

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Docket No. 020907-WS

**DIRECT TESTIMONY OF**

**DAVID L. ORR**

**FILED ON BEHALF**

**OF**

**LAKE UTILITY SERVICES, INC.**

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**DIRECT TESTIMONY OF**  
**DAVID L. ORR**  
BEFORE THE PUBLIC SERVICE COMMISSION  
REGARDING THE APPLICATION FOR EXTENSION OF  
WATER AND WASTEWATER SERVICE IN  
LAKE COUNTY, FLORIDA BY  
LAKE UTILITY SERVICES, INC.

Docket No. 020907-WS

**Q: WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

A.: My name is David L. Orr. My business address is 200 Weathersfield Avenue, Altamonte Springs, Florida 32714-4009.

**Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A: I am employed by Utilities, Inc., the parent company of Lake Utility Services, Inc. Presently, I serve as Regional Manager and I am responsible for the administration and operation of 35 water and wastewater systems within the counties of Lake, Marion, Orange, and Seminole. The systems vary in size, serving from 39 connections up to over 10,000 connections. All are subsidiaries of Utilities, Inc.

**Q.: BRIEFLY DESCRIBE THE NATURE OF THE WORK YOU DO WITH LUSI.**

A.: I hold a Bachelor of Science Degree in Environmental Engineering from the University of Central Florida and a Masters of Business Administration (MBA) from the Roy E. Crummer Graduate School of Business at Rollins

1 College. I am currently certified as an Engineer Intern (EI) in the State of  
2 Florida.

3 I began my employment with Utilities, Inc. in 1997 as Assistant Operations  
4 Manager. In that capacity my responsibilities included evaluating the  
5 operation of several systems in Florida, assisting in the assimilation of  
6 systems after acquisition, and completing special assignments under the  
7 direction of the Vice President, Don Rasmussen. In late 1998, I was  
8 promoted to the position of Regional Operations Manager assuming the  
9 responsibility of managing the overall operation of four (4) affiliated  
10 companies. In March of 2000, I was asked to manage 36 systems within the  
11 Lake, Marion, Orange, and Seminole Counties.

12 In June 2001, I left the employment of Utilities, Inc. and was employed by  
13 Public Resources Management Group (PRMG), Inc., a financial, rate, and  
14 management consulting company located in Maitland, Florida, as a Senior  
15 Financial Analyst. In that capacity I was responsible for providing consulting  
16 services to municipal, private, and semi-private clients in the disciplines of  
17 financial analysis, rate design (impact fees, miscellaneous charges, user rates,  
18 etc.), and utility management within the water and wastewater utility industry.

19 In August 2002, I returned to Utilities, Inc. as Regional Manager. Currently,  
20 I am responsible for the management of six (6) affiliated companies  
21 comprised of thirty-five (35) water and wastewater systems within the  
22 counties of Lake, Marion, Orange, and Seminole.

1       **Q:     WHAT IS LAKE UTILITY SERVICES, INC.?**

2       A.:     Lake Utility Services, Inc. (LUSI) is a Class A water and wastewater utility  
3             doing business in Lake County, Florida. LUSI is a direct subsidiary of  
4             Utilities, Inc. Utilities, Inc. was formed in 1965 to provide developers with  
5             an alternative method to obtain water and wastewater utility service.  
6             Currently, Utilities, Inc. operates over 400 utility systems in 17 states. We  
7             provide water and/or wastewater services to more than 250,000 customers,  
8             serving primarily residential areas.

9             In March 2001, Nuon, the largest provider of electricity, gas, and water in  
10            The Netherlands, announced its plan to acquire Utilities, Inc., which  
11            subsequently occurred. Headquartered in Amsterdam, Nuon is the largest  
12            energy distributor in The Netherlands, serving more than five million  
13            residential and business customers with electricity, gas, and water. In  
14            addition, Nuon develops and markets products and services specific to the  
15            energy and water industries. Nuon is also a leader in developing renewable  
16            “green” energy products such as small-scale hydroelectricity, wind, and solar  
17            energy technologies.

18            The LUSI system is comprised of thirteen water plants and one wastewater  
19            plant. Eleven of the water plants are interconnected serving a rapidly  
20            growing area in south Lake County. The remaining two water plants serve  
21            two separate and distinct service areas. The Lake Saunders system located  
22            near the City of Tavares, serves 44 water customers within a relatively self-

1 contained subdivision. The Four Lakes system serves 62 water customers,  
2 again located within a relatively self-contained subdivision. The  
3 interconnected water system located in south Lake County serves  
4 approximately 5,812 water customers within a rapidly growing area in south  
5 Lake County. The wastewater system currently serves approximately 2,003  
6 wastewater customers.

7 **Q: PLEASE OUTLINE THE TERRITORY SERVED BY LAKE UTILITY.**

8 A: Lake Utility is currently authorized by the Commission to serve  
9 approximately 28 square miles in Lake County, Florida through Water  
10 Certificates 496W and 534W and Wastewater Certificate 465S. This  
11 proceeding was brought before the Commission by LUSI to extend its water  
12 and wastewater territory in Lake County by approximately 31 square miles,  
13 to include the area marked on the map filed with the application as the  
14 proposed service area.

15 The existing LUSI service area is a combination of the Lake Utility Services,  
16 Inc. water certificate 496W and the Lake Groves Utilities, Inc. water and  
17 wastewater certificates 534W and 465S, respectively. In 2002, Lake Groves  
18 Utilities, Inc. was merged into Lake Utility Services, Inc. Therefore, the map  
19 filed with the Commission as part of the application to extend the service area  
20 outlines the existing Lake Utility Services service area, the existing Lake  
21 Groves Utilities service area as the service areas existed prior to application  
22 for extension, and the proposed service area extension.

1       **Q:     IS THERE A NEED TO PROVIDE SERVICE TO THE EXTENSION AREA?**

2       A:     Yes. Several developers within the requested service area extension have  
3             solicited LUSI for water and wastewater service. Also, the Horizon West  
4             community development in Orange County is in the construction phase and  
5             will extend to the Lake County border, immediately to the east of LUSI's  
6             proposed service area extension.

7             Based upon the current rates of construction and the 5-year historic rate of  
8             connection to the utility, it is estimated that the interconnected LUSI system  
9             will add approximately 4,000 new customers within the next five years. This  
10            estimate is based upon several factors, including the progression of  
11            surrounding development from the northern, western, and southern  
12            boundaries of the proposed service area extension, and a five-year trend of  
13            new construction.

14       **Q:     WHEN WILL SERVICE BE REQUIRED?**

15       A:     Several developers within the requested service area extension have  
16             expressed a desire to proceed immediately with their planned developments,  
17             once water and wastewater have been made available.

18       **Q:     DOES LUSI HAVE THE FINANCIAL ABILITY TO SERVE THE EXTENSION**  
19             **AREA?**

20       A:     Yes. LUSI has expanded its systems continuously over the past three years  
21             through the addition of capital improvements to both the water and  
22             wastewater systems and has planned on future expenditures based upon the



1 historic growth rates prevalent in the service areas. Currently, LUSI has  
2 approximately \$7,138,000 in active construction work in progress.

3 Also, as stated previously, LUSI is a subsidiary of Utilities, Inc., which in  
4 turn is a subsidiary of Nuon, the largest provider of electricity, gas, and water  
5 in The Netherlands. Utilities, Inc. has a well established history with the  
6 Commission since the acquisition of systems within Florida from Southern  
7 Gulf Corporation in 1976.

8 **Q: DOES LUSI HAVE THE TECHNICAL ABILITY TO SERVE THE EXTENSION**  
9 **AREA?**

10 A: Yes. Utilities, Inc. has successfully and efficiently provided water and  
11 wastewater service to communities since its inception in 1965, and in the  
12 State of Florida since 1976. Utilities, Inc. has demonstrated its technical  
13 ability repeatedly through numerous additions to its capital infrastructure  
14 throughout Utilities, Inc. and its subsidiaries. Also, the management team  
15 located within Florida responsible for the management and operation of LUSI  
16 has over 116 years combined experience within the water and wastewater  
17 utility industry.

18 **Q: DOES LUSI HAVE SUFFICIENT PLANT CAPACITY TO SERVE THE EXTENSION**  
19 **AREA?**

20 A: Yes. LUSI is currently in the process of constructing plant improvements to  
21 increase the total combined water system treatment capacity to 8.633 MGD,  
22 including one additional supply well. Also, LUSI is currently constructing

1 a one million gallon ground storage tank and booster pump station facility  
2 which is scheduled for completion in September, 2003.

3 The wastewater treatment system consists of a 0.500 MGD advanced  
4 treatment facility which has been designed to be expanded in phases.  
5 Currently, the annual average daily flow to the wastewater treatment facility  
6 is approximately 0.310 MGD.

7 LUSI continues to employ a capital improvement strategy which allows the  
8 construction of capital infrastructure in a timely, efficient manner. LUSI has  
9 planned for the growth within the system, as demonstrated by the  
10 expenditures currently in progress and the future phasing of its facilities.

11 **Q: HOW WILL LUSI SERVE THESE CUSTOMERS?**

12 A: It is anticipated that LUSI will continue to expand its facilities as necessitated  
13 by system growth. Currently, LUSI anticipates constructing three additional  
14 supply wells, expansion of the Lake Groves WTP by 6.96 million gallons per  
15 day (MGD) through three phases, conversion of the booster pump station  
16 facility to a 1.008 MGD water treatment facility, construction of the CR 561  
17 water plant, and the expansion of the wastewater treatment facility to provide  
18 reclaimed water, all within the next five years.

19 LUSI will serve the additional customers through the systematic, planned  
20 expansions to its facilities in a manner congruent to service area growth.

21 **Q: HOW WILL LUSI FINANCE THE NEW CONSTRUCTION?**

1 A: LUSI will finance the new construction through external debt, letters of credit  
2 and internal funds. Also LUSI can utilize revenues from capacity fees as  
3 authorized by the Commission.

4 **Q: IS THE TERRITORY EXTENSION CONSISTENT WITH LAKE COUNTY'S**  
5 **COMPREHENSIVE PLAN?**

6 A: It is my belief that the territory extension requested of the Commission in this  
7 Docket is in substantial compliance with the Lake County Comprehensive  
8 Plan with respect to the provision of water, wastewater, and reclaimed water  
9 facilities. The territory extension provides facilities to meet anticipated  
10 demand, maximizes the use of existing facilities, provides water, wastewater  
11 and reclaimed water service to a greater portion of Lake County, and meets  
12 the required levels of service for water, wastewater, and reclaimed water  
13 facilities.

14 **Q: WILL THE PROPOSED AMENDMENT TO LUSI'S TERRITORY DUPLICATE OR**  
15 **COMPETE WITH ANY OTHER SYSTEM?**

16 A: No. LUSI has already installed the first phase of the core transmission  
17 facilities necessary to serve the future development within the proposed  
18 service area extension. Currently, the facilities are not duplicative and in fact,  
19 most all of the service area extension requested does not border any other  
20 utility provider. LUSI has extended its facilities in a manner that does not  
21 duplicate service and is applying to the Commission in order to alleviate any  
22 future effort to duplicate the facilities already installed by LUSI.

1       **Q:     IS IT IN THE PUBLIC INTEREST FOR LUSI TO BE GRANTED AN AMENDMENT**  
2       **TO CERTIFICATE NOS. 496-W AND 465-S FOR THE EXTENSION AREA?**

3       A:     Yes. LUSI has demonstrated its ability to provide water and wastewater  
4       service to its present and future customers in Lake County through its  
5       experience, the technical and managerial skills and expertise of its personnel,  
6       and its financial ability.

7       **Q:     DOES THAT CONCLUDE YOUR TESTIMONY IN THIS DOCKET?**

8       A:     Yes, it does.