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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of :
: DOCKET NO. 940109-WU
Petition for Interim and :
Permanent Rate Increase in :
Franklin County by St. George :
Island Utility Company, Ltd. :
:

FIRST DAY - AFTERNOON SESSION

VOLUME 2

Pages 132 through 256

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN J. TERRY DEASON
COMMISSIONER DIANE K. KIESLING

DATE: Wednesday, July 20, 1994

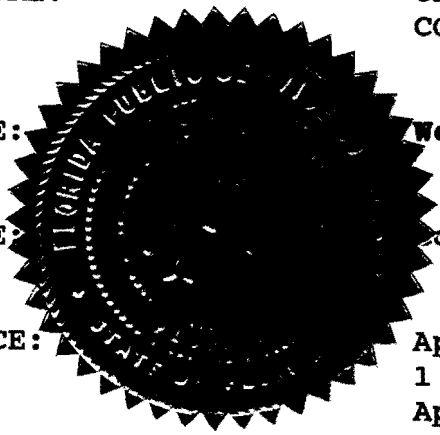
TIME: Commenced at 9:40 a.m.

PLACE: Apalachicola Community Center
1 Avenue E
Apalachicola, Florida

REPORTED BY: JOY KELLY, CSR, RPR
Chief, Bureau of Reporting

APPEARANCES:

(As heretofore noted.)



DOCUMENT NUMBER - DATE
07643 JUL 27 8
FPSC-RECORDS/REPORTING

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Name:

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WAYNE H. COLONEY

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P R O C E E D I N G S

1
2 (Transcript follows in sequence from Volume
3 1.)

4 (Hearing reconvened at 1:10 p.m.)

5 CHAIRMAN DEASON: Call the hearing to order.

6 MR. PFEIFFER: We call Wayne Coloney.

7 This witness has not been sworn, Your Honor.

8 WAYNE H. COLONEY

9 was called as a witness on behalf of St. George Island
10 Utility Company, Ltd. and, having been duly sworn,
11 testified as follows:

12 DIRECT EXAMINATION

13 BY MR. PFEIFFER:

14 Q Please state your name and your business
15 address?

16 A Wayne H. Coloney, C-O-L-O-N-E-Y. My business
17 address is Coloney Company, Consulting Engineers, 1014
18 North Adams Street, Tallahassee 32303.

19 Q And have you previously prepared prefiled
20 testimony in this proceeding?

21 A Yes, I have previously prepared prefiled
22 testimony, and I have also prepared and submitted
23 prefiled rebuttal testimony in this issue.

24 Q Do you have any additions or corrections or
25 changes to make in your testimony?

1 A I do not.

2 Q Would you please summarize your testimony,
3 Mr. Coloney?

4 A Surely. In my prefiled direct testimony I
5 described the system, St. George Island system, in
6 considerable detail. I find it be to be a rather unique
7 entity in its physical configuration. I addressed the
8 question of used and useful. However, I understand that
9 that has been settled or resolved by stipulated
10 agreement and, accordingly, I will not summarize that
11 further.

12 In my rebuttal testimony I addressed the
13 question of my prior study in the rate case. I assess
14 it as being accurate and complete and have seen nothing
15 that would suggest that my conclusions should be
16 modified or changed. I found the system to be generally
17 in compliance with the requirements of the Florida
18 Department of Environmental Pollution (sic), and I
19 expressed the opinion that the Utility is effectively
20 managed.

21 Q Would that be the Department of Environmental
22 Protection?

23 A Environmental Protection, that is correct.

24 Q Thank you. And could you summarize your
25 rebuttal testimony?

1 A I had just addressed the rebuttal testimony
2 also.

3 Q Mr. Coloney, if I were to ask you the same
4 questions that are asked in your prefiled direct and
5 rebuttal testimony, would you give the same answers here
6 today?

7 A I would.

8 Q Did you sponsor any exhibits with your
9 prefiled testimony?

10 A Yes. I submitted my experience record as an
11 exhibit to my prefiled testimony.

12 MR. PFEIFFER: We would ask that it be marked
13 as our next numbered exhibit.

14 CHAIRMAN DEASON: Yes, it will be identified
15 as Exhibit No. 5.

16 (Exhibit No. 5 marked for identification.)

17 MR. PFEIFFER: And we would ask that the
18 prefiled direct and rebuttal testimony of Mr. Coloney be
19 submitted into the record of this proceeding.

20 CHAIRMAN DEASON: Without objection the direct
21 and rebuttal testimony will be inserted into the record.

22

23

24

25

1 Q. Will you state your name, position and employment
2 address?

3 A. Wayne H. Coloney, P.E., P.L.S., President, Coloney
4 Company Consulting Engineers, Inc., 1014 North Adams
5 Street, Post Office Box 668, Tallahassee, Florida,
6 32302. Telephone: 904/222-8193; Fax 904/222-9824.

7

8 Q. Please provide your qualifications including
9 academic background and professional experience.

10 A. Accompanying this testimony as Exhibit "A" is a
11 copy of my professional experience record, which
12 defines my education, professional work history,
13 professional registration, military service,
14 professional activities, business activities, civic
15 activities, clubs, honors, patents, and published
16 papers. Also accompanying this testimony as Exhibit
17 "B" is an abstract from the current edition of Who's
18 Who in America containing a more detailed biography.
19 With specific reference to this particular project, I
20 have designed, supervised the design, administered
21 construction, analyzed, evaluated, and appraised water
22 systems for public and private utility companies for
23 more than thirty-five (35) years and during this time
24 have had total engineering responsibility for water
25 supply and distribution projects ranging in cost from a

1 few hundreds of thousands of dollars to several
2 millions of dollars.

3

4 **Q. Are you a registered engineer in the state of**
5 **Florida?**

6 A. I am a Registered Professional Engineer in Florida,
7 Georgia, Alabama and North Carolina. In addition, I
8 have been certified to practice in each of the fifty
9 states by the National Council of Examiners for
10 Engineering and Surveying. Further, I am also a
11 Registered Professional Land Surveyor in Florida and
12 Georgia, and a Registered General Contractor in the
13 state of Florida.

14

15 **Q. Are you a member of any professional or technical**
16 **societies?**

17 A. Yes. As set forth in Exhibit "A," I belong to the
18 following, among others, with membership grades noted:

- 19 * Fellow, American Society of Civil Engineers
20 * Fellow, National Academy of Forensic Engineers
21 * Senior Member, National Society of Professional
22 Engineers
23 * Member, Florida Engineering Society
24 * Member, Florida Institute of Consulting
25 Engineers

1 * Member, Florida Society of Professional Land
2 Surveyors

3

4 **Q. What is the subject matter of your testimony?**

5 A. I am prepared to testify as to the used and useful
6 determinations of this rate application, as to the
7 quality of service, and as to the adequacy of the
8 system capacity.

9

10 **Q. Are you familiar with the St. George Island Water
11 System?**

12 A. Yes, I am.

13

14 **Q. When and how did you become familiar with the
15 system?**

16 A. My first contact with the water system occurred in
17 1981 which I was performing other engineering design
18 work on St. George Island; however, I have been
19 actively involved in engineering work related to the
20 water system since 1984 when St. George Island Utility
21 Company, Ltd. retained Coloney Company Consulting
22 Engineers, Inc. to assist in various aspects of water
23 system improvement and expansion including the design,
24 development, and installation of water supply well #2,
25 which came on-line in 1985. Immediately after an

1 outage which occurred on the fourth of July, 1986,
2 Coloney Company was again retained to assist in system
3 management in order to reduce the possibility of
4 subsequent outages. The Coloney Company developed, and
5 St. George Island Utility Company implemented, a series
6 of system management principles which were successful
7 in substantially reducing and ultimately in eliminating
8 outage problems. From 1986 to 1988 Coloney Company
9 provided on-going advice, consultation, management
10 assistance, and engineering design in a continuing
11 effort to upgrade the system and to eliminate
12 deficiencies. In June of 1988 the Coloney Company
13 completed an "ENGINEERING ANALYSIS AND APPRAISAL OF THE
14 ST. GEORGE UTILITY COMPANY, LTD." Following completion
15 of the engineering analysis and appraisal in 1988,
16 Coloney Company assisted St. George Island Utility
17 Company in the design and implementation of a variety
18 of improvements including the construction of a one
19 hundred fifty thousand (150,000) gallon storage tank, a
20 projected third water supply well which has now been
21 built, and a number of other modifications and
22 improvements. Since 1990, Coloney Company has
23 continued to assist St. George Island Utility Company
24 on an "as-needed" basis in cooperation with
25 Baskerville-Donovan, Inc. and other engineering firms.

1 Since January 1, 1992, Coloney Company has provided
2 consulting services under a Retainer Agreement.

3

4 Q. Would you describe the water plant and the water
5 distribution system?

6 A. The St. George Island water system consists of a
7 three-unit well field, located on the mainland in
8 Eastpoint, Florida, together with the appropriate
9 support, treatment, storage and distribution
10 facilities. Raw water supply for the system is
11 provided by the first two wells, each rated at a design
12 capacity of two hundred fifty (250) gallons per minute
13 (gpm) and by a recently completed third well rated at
14 five hundred (500) gallons per minute (gpm). These
15 wells are manifolded into a transmission main along and
16 in the right of way of the Bryant Patton
17 Bridge/Causeway. The permit application for the third
18 water well (Well Number 3) was prepared and submitted
19 by Baskerville-Donovan, Inc. on behalf of St. George
20 Island Utility Company, Ltd., to the Florida Department
21 of Environmental Regulation (now Protection). The
22 permit was approved and Well Number 3 is now complete
23 as noted above. Water produced from this well field
24 and manifolded into the eight (8) inch transmission
25 main is pumped across the bridge from the mainland to a

1 three hundred thousand (300,000) gallon ground storage
2 tank located on St. George Island at the utility
3 company water treatment plant. From the ground storage
4 tank, water is lifted to a one hundred fifty thousand
5 (150,000) gallon elevated tank. Two of the three wells
6 have a design capacity of two hundred fifty (250) gpm
7 or zero point three six zero (0.360) MGD, maximum daily
8 withdrawal based on twenty-four (24) hour flows. Well
9 Number 3 has an individual pumping rate of
10 approximately five hundred (500) gpm. Well Number 3 is
11 intended to automatically alternate in operation with
12 Wells Number 1 and 2 also to serve as a back-up source
13 of supply. It will provide alternate service with
14 Wells 1 and 2 pumping together at a delivery rate of
15 five hundred (500) gpm. Accordingly, the capacity of
16 the raw water supply system over a twenty-four (24)
17 hour period is approximately zero point seven two zero
18 (0.720) MGD. Well Number 3 is equipped with an
19 emergency generator which will substantially increase
20 system reliability. Well Number 3 and the generator
21 are in place, complete and ready to go into full
22 operation as soon approval is received from the
23 Department of Environmental Protection.

24 Treatment facilities provided by the Utility are
25 located on Gulf Beach Drive and consist of gravity fed

1 tray aeration and chlorination. Storage facilities
2 located at the plant consist of a three hundred
3 thousand (300,000) gallon round storage tank and a one
4 hundred fifty thousand (150,000) gallon elevated
5 storage tank. Gravity feed tray aeration capacity has
6 recently been increased and its present effective
7 capacity exceeds the pumping capacity of the raw water
8 supply element of the system. Finished water is
9 provided by a fifty (50) horsepower, six hundred fifty
10 (650) gpm, primary booster pump, which operates on a
11 pressure range of forty-three (43) to forty-seven (47)
12 PSI as determined by the static water level in the
13 elevated tank which has a height of one hundred fifteen
14 (115) feet (ground to overflow). A smaller, twenty
15 (20) horsepower, two hundred fifty (250) gpm pump is
16 provided as back-up and a stand-by generator with
17 automatic start provides electricity in the event of a
18 power system failure. Treatment of raw water has
19 recently been improved by completion of a dual
20 chlorinator system with individual scales and an alarm
21 system. At the west end of the water distribution
22 piping, a booster chlorinator aids in maintenance of
23 residual chlorine levels.

24

25 Q. What materials pertaining to this case have you

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reviewed?

A. The materials which I have studied and reviewed as the basis for formulation of my professional opinion have included, among many other unlisted items, the following:

- * Coloney Company files pertaining to St. George Island Utility Company, Ltd., dating back approximately ten (10) years.
- * The St. George Island Utility Company, Ltd. rate case exhibit for the year ended 31 December 1987.
- * The engineering analysis and appraisal of the St. George Island Water System for the St. George Island Utility Company, Ltd., dated June, 1988, as prepared by the Coloney Company.
- * Current (1992 and 1993) correspondence between St. George Island Utility Company, Ltd. and the Department of Environmental Regulation/Protection.
- * The engineer's report, SYSTEM CAPACITY ANALYSIS OF THE ST. GEORGE UTILITY COMPANY, LTD. WATER DISTRIBUTION SYSTEM, prepared by Baskerville-Donovan, Inc. and dated May, 1992 together with addenda thereto.
- * Applicable rules, regulations and statutes.

1 * Docket No. 911082-WS, Staff Recommended Water
2 and Wastewater New and Amended Rules. (not
3 adopted/tabled).

4 **Q. Based on your study and review of these materials**
5 **and your knowledge of these matters, have you formed**
6 **any professional opinions regarding this rate**
7 **application?**

8 **A. Yes, I have.**

9
10 **Q. Would you please discuss the question of "used and**
11 **useful" percentage with respect to the system as a**
12 **whole?**

13 **A. In order to formulate a professional opinion as to**
14 **"used and useful" percentages for each of the primary**
15 **accounts and for the system as a whole, I gave careful**
16 **attention to 367.111(1) Service, which provides that:**

17 (1) Each Utility shall provide service to the
18 area described in a certificate of authorization
19 within a reasonable time. If the Commission finds
20 that any Utility has failed to provide service to
21 any person reasonably entitled thereto, or finds
22 that extension of service to any such person could
23 be accomplished only at an unreasonable cost and
24 that addition of the deleted area to that of
25 another Utility company is economical and

1 feasible, it may amend the certificate of
2 authorization to delete the area not served or not
3 properly served by the Utility, OR IT MAY RESCIND
4 CERTIFICATE OF AUTHORIZATION. If utility service
5 has not been provided to any part of the area
6 Utility is authorized to serve, whether or not
7 there has been a demand for such service, within
8 five (5) years after the date of authorization for
9 service to such part, such authorization may be
10 reviewed and amended or revoked by the Commission
11 beginning with such authorization.

12 (2) EACH UTILITY SHALL PROVIDE TO EACH PERSON
13 REASONABLY ENTITLED THERETO SAFE, EFFICIENT, AND
14 SUFFICIENT SERVICE AS IS PRESCRIBED BY THE FLORIDA
15 SAFE DRINKING WATER ACT, THE FLORIDA AIR AND WATER
16 POLLUTION CONTROL ACT, OR RULES ADOPTED PURSUANT
17 THERETO. (Emphasis added.)

18 Although the Staff Recommended Water and
19 Wastewater New and Amended Rules have been tabled
20 by the Commission and have not been adopted, these
21 proposed rules provide additional, and highly
22 rational, guidelines for the determination of
23 "Used and Useful" percentages.

24 Of very considerable importance in the
25 formulation of my professional opinions was the

1 question of "Developer Owned" or "Developer
2 Controlled" customer areas. The existing number
3 of connected ERU's, the actual capacity of raw
4 water supply and treatment facilities, the extent
5 of the water distribution system, and the
6 development pattern were also given consideration.
7 Finally, great importance was attached to the
8 question as to whether or not the Utility's
9 investment was prudently incurred in order to meet
10 its statutory obligations.

11

12 **Q. Would you discuss the "used and useful" percentage**
13 **of wells numbers 1 and 2?**

14 **A. Wells numbers 1 and 2 each have an independent**
15 **design capacity of two hundred fifty (250) gpm. Well**
16 **Number 3 which is now complete and soon to come on line**
17 **has a capacity of five hundred (500) gpm. The St.**
18 **George Island Hydraulic Analysis performed by the**
19 **Florida Rural Water Association (FRWA) in May of 1992**
20 **determined that Wells Numbers 1 and 2 running together**
21 **were averaging a total of four hundred ten (410) gpm.**
22 **Well Number 1, pumping independently, averaged two**
23 **hundred fifty-five (255) gallons per minute, while Well**
24 **Number 2, when pumping independently, averaged three**
25 **hundred ten (310) gpm. A letter from the Florida**

1 Department of Environmental Regulation (now Protection)
2 addressed to St. George Island Utility Company, Ltd.,
3 dated 5 June 1992 and signed by J. A. Kintz, P.E.,
4 Potable Water Section Supervisor, addressed the
5 question of the Florida Rural Water Association Flow
6 Tests and requested that Baskerville-Donovan, Inc.
7 incorporate these "real world" data into their
8 engineering report. On 10 June, 1992, Baskerville-
9 Donovan, Inc. responded to the foregoing referenced
10 letter from Mr. Kintz. The essence of their
11 investigations was the determination that the existing
12 raw water supply is capable of providing a sufficient
13 quantity of water to the system, when taking into
14 account available storage capacity, in order to serve
15 the one thousand two hundred sixty-four (1,264)
16 existing ERU's plus an additional one hundred thirty
17 (130) ERU's or approximately two (2) years growth for a
18 total of one thousand three hundred ninety-four (1,394)
19 ERC's. This would indicate a capacity to meet the
20 existing demand of twelve hundred sixty-four (1,264)
21 ERU's plus the capacity to provide a margin of reserve
22 equal to one hundred thirty (130) ERU's or ten point
23 twenty-eight (10.28) percent. These determinations
24 were based on the capacities of Wells Numbers 1 and 2
25 only. When Well Number 3 comes on line, the system

1 capacity will increase significantly.

2

3 Q. Based on the foregoing, do you have a professional
4 opinion as to the "used and useful" percentage for
5 Wells Numbers 1 and 2?

6 A. Yes, I have. The "used and useful" percentage of
7 Wells Numbers 1 and 2 is one hundred (100) percent.

8

9 Q. Would you discuss the "used and useful" percentage
10 for well number three?

11 A. Construction and installation of Well Number 3 was
12 mandated by the Florida Department of Environmental
13 Regulation (now Protection) and was contemplated as a
14 back-up to provide service in the event of failure of
15 either or both Wells Numbers 1 and 2. Considering the
16 absolute necessity for back-up capacity combined with
17 the fact that the construction of this well was
18 mandated by the Florida Department of Environmental
19 Regulation, it must be recognized that the investment
20 in Well Number 3 is and has been prudently incurred.

21

22 Q. Based on the foregoing, have you formulated a
23 professional opinion as to the "used and useful"
24 percentage for Well Number 3?

25 A. Yes, I have. The "used and useful" percentage for

1 Well Number 3 is one hundred (100) percent.

2

3 Q. Would you discuss the "used and useful" percentage
4 for Wells Numbers 1, 2 and 3 as a combined source of
5 raw water supply?

6 A. The redundancy requirements of Rule 17-555.315(1)
7 F.A.A. mandate that raw water supply capacity must be
8 sufficient to meet system demand with the largest of
9 the supply wells out of service. Only by construction
10 of Well Number 3 can this requirement be met. Further,
11 DEP mandated construction of Well Number 3 as a back-
12 up. Accordingly, all three wells combined constitute
13 the minimum raw water supply package necessary to
14 provide adequate and reliable service.

15

16 Q. Based on the foregoing, have you formulated a
17 professional opinion as to the "used and useful"
18 percentage for wells numbers 1, 2 and 3?

19 A. Yes, I have. The "used and "useful" percentage for
20 Wells Numbers 1, 2 and 3 is one hundred (100) percent.

21

22 Q. Would you discuss the "used and useful" percentage
23 for the elevated tank?

24 A. Construction of the elevated tank was mandated by
25 both the DER (now DEP) and the PSC (Order Number 21122)

1 as being necessary to provide adequate service and the
2 tank is therefore one hundred (100) percent "used and
3 useful" regardless of any capacity calculations. Based
4 on determinations of both the Florida Department of
5 Environmental Protection and Baskerville-Donovan, Inc.,
6 the elevated storage tank, when combined with the
7 previously existing three hundred thousand (300,000)
8 gallon ground storage tank, has the capacity to serve
9 the one thousand two hundred sixty-four (1,264)
10 existing ERU's plus an additional one hundred thirty
11 (130) ERU's for a total of one thousand three hundred
12 ninety-four (1,394) ERU's indicating a margin of
13 reserve of ten point twenty-eight (10.28) percent. In
14 its report, dated May, 1992, Baskerville-Donovan
15 recommends the installation of an altitude valve to
16 isolate the existing elevated tank during peak flows
17 and also modification of existing pump controls in
18 order to allow parallel operation of the larger and
19 smaller booster pumps at the treatment plant. This is
20 intended to provide a capacity to serve on thousand
21 four hundred twenty-one (1,421) ERU's if assumed
22 development occurs together with five (5) percent ERU
23 growth throughout the system. This growth would, of
24 course, include the currently existing ten point
25 twenty-eight (10.28) percent margin of reserve of one

1 hundred thirty (130) ERU's.

2

3 **Q. Based on the foregoing, have you formulated a**
4 **professional opinion as to the "used and useful"**
5 **percentage for the elevated tank?**

6 **A. Yes, I have. Based on the foregoing, it is my**
7 **professional opinion that the elevated storage tank,**
8 **both before and after installation of the altitude**
9 **valve and accompanying modifications, is one hundred**
10 **(100) percent "used and useful."**

11

12 **Q. Would you discuss the "used and useful" percentage**
13 **of the supply mains?**

14 **A. Inasmuch as the supply mains were installed to**
15 **serve the areas described in the Certificate of**
16 **Authorization under which St. George Island Utility**
17 **Company, Ltd. operates and since customers having a**
18 **right to be served are scattered throughout the entire**
19 **area described in such certificate, it is clear that**
20 **the construction of these mains represents an**
21 **investment prudently incurred.**

22

23 **Q. Based on the foregoing, have you formulated a**
24 **professional opinion as to the "used and useful"**
25 **percentage of the supply mains?**

1 A. Yes, I have. Based on the foregoing, it is my
2 professional opinion that the supply mains are one
3 hundred (100) percent "used and useful."
4

5 Q. Would you discuss the "used and useful" percentage
6 of the transmission and distribution system installed
7 within the plantation area?

8 A. 367.111(1) states that:

9 "Each Utility shall provide service to the area
10 described in a Certificate of Authorization within a
11 reasonable time. If the Commission finds that any
12 Utility has failed to provide service to any person
13 reasonably entitled thereto, or finds that extension of
14 service to any such person could be accomplished only
15 at an unreasonable cost and that addition of the
16 deleted area to that of another Utility company is
17 economical and feasible, it may amend the certificate
18 of authorization to delete the area not served or not
19 properly served by the Utility, OR IT MAY RESCIND
20 CERTIFICATE OF AUTHORIZATION. If utility service has
21 not been provided to any part of the area Utility is
22 authorized to serve, whether or not there has been a
23 demand for such service, within five (5) years after
24 the date of authorization for service to such part,
25 such authorization may be reviewed and amended or

1 revoked by the Commission beginning with such
2 authorization.

3 (2) EACH UTILITY SHALL PROVIDE TO EACH PERSON
4 REASONABLY ENTITLED THERETO SAFE, EFFICIENT AND
5 SUFFICIENT SERVICE AS IS PRESCRIBED BY THE FLORIDA SAFE
6 DRINKING WATER ACT, THE FLORIDA AIR AND WATER POLLUTION
7 CONTROL ACT, OR RULES ADOPTED PURSUANT THERETO,"
8 (Emphasis added.)

9 The area described in the Certificate of
10 Authorization is specifically divided into two (2)
11 separate segments: one within the "Plantation" and the
12 second consisting of the rest of the Island.

13 Giving first consideration to the area within the
14 "Plantation," it should be noted that, at one time, the
15 "Plantation" was directly under developer control and,
16 as a result, at that time the question of "used and
17 useful" may have depended upon the ratio of lots
18 connected to lots with service available; however,
19 since 1986, no portion of the "Plantation" has been
20 subject to control by St. George Island Utility
21 Company, Ltd. nor by any of its officers, partners, or
22 employees, and as such, the Plantation is not now a
23 "developer controlled" area. Neither the St. George
24 Island Utility Company nor any of its officers or
25 owners has any means of controlling growth within the

1 "Plantation" or elsewhere.

2

3 **Q. Based on the foregoing, have you formulated a**
4 **professional opinion as to the "used and useful"**
5 **percentage of the transmission and distribution system**
6 **installed within the Plantation area?**

7 **A. Yes, I have. Based on the foregoing, and taking**
8 **into consideration the fact that the Plantation is**
9 **clearly and definitively beyond the control of St.**
10 **George Island Utility Company, Ltd. or any of its**
11 **officers or owners, and giving further consideration to**
12 **the fact that the Utility Company is required by the**
13 **Florida Public Service Commission to provide water**
14 **service to any customer within the "Plantation" who**
15 **requests service, then it is my professional opinion**
16 **that the transmission and distribution system within**
17 **the "Plantation" area of St. George Island is one**
18 **hundred (100) percent "used and useful."**

19

20 **Q. Would you discuss the "used and useful" percentage**
21 **of the transmission and distribution system of the rest**
22 **of the Island?**

23 **A. Throughout the rest of St. George Island outside**
24 **the "Plantation" area, no officer, employee or**
25 **affiliate of the Utility Company has ever had anything**

1 to do with the development and platting of lots or
2 parcels. The development pattern throughout the rest
3 of the Island is not controlled nor is it subject to
4 related developer control by the Utility Company in any
5 shape, manner, or form. The Commission Rule requires
6 provision of service to the whole territory included
7 within the area described in its Certificate of
8 Authorization and customers have built residences and
9 structures **AT RANDOM** throughout the entire certificate
10 area necessitating construction of transmission and
11 distribution lines throughout this area in order to
12 provide service when and where requested. More than
13 one hundred twenty (120) potential customers are now
14 served by privately owned shallow wells. Since
15 transmission and distribution lines must be run past
16 such lots with shallow wells regardless of whether or
17 not they are connected to the system, it is further
18 indication that construction of such transmission and
19 distribution lines were mandated by the Public Service
20 Commission and were a prudently incurred investment.

21

22 **Q. Based on the foregoing, have you formed a**
23 **professional opinion as to the "used and useful"**
24 **percentage of the transmission and distribution system**
25 **on the rest of the Island?**

1 A. Yes, I have. Based on the foregoing, it is my
2 professional opinion that the transmission and
3 distribution system outside of the "Plantation" and
4 throughout the balance of St. George Island is one
5 hundred (100) percent "used and useful."
6

7 Q. Do you have an opinion as to the "used and useful"
8 percentage applicable to the entire water system, taken
9 as a whole, owned and operated by St. George Island
10 Utility Company, Ltd.?

11 A. Yes, I have. Based on the foregoing, the total
12 water system in its entirety is one hundred (100)
13 percent "used and useful."
14

15 Q. Would you discuss the quality of service currently
16 being provided to customers of the water system owned
17 and operated by St. George Island Utility Company,
18 Ltd.?

19 A. Based on my personal observations, my detailed
20 knowledge of the water system, and on information
21 provided to me by Baskerville-Donovan, the Florida
22 Department of Environmental Regulation (now
23 Protection), and the Utility company itself, there have
24 been no outages in recent years even during such peak
25 periods as Memorial Day weekend and the Fourth of July.

1 In recent months, very few billing complaints have been
2 received and customer response indicates general
3 satisfaction with the quality of service. Since the
4 last rate case there have enormous and substantive
5 improvements to the reliability and quality of service.
6 The addition of the 150,000 gallon elevated storage
7 tank provides longer service capacity in the event of
8 power or well outages and maintains delivery pressure
9 even with pump outages. Well Number 3 provides
10 increased raw water supply capacity and significantly
11 increases reliability. The added chlorine booster
12 station at the west end, the repair of aeration plant
13 screening and addition of trays to improve hydrogen
14 sulfide removal, automatic operation of the standby
15 generator for high service pumps and addition of an
16 automatic start generator for the new well, a regular
17 flushing program, detection and repair of leaks,
18 regular testing for chlorine residuals and hydrogen
19 sulfide, regular testing for system pressure,
20 employment of a certified and competent plant manager,
21 maintenance of a cross connection prevention program,
22 fencing and security at plant and wells, availability
23 of emergency numbers 24 hours a day all have vastly
24 increased reliability and quality of service. Based on
25 the foregoing, it is my professional opinion that the

1 qualify of service provided by St. George Island
2 Utility Company, Ltd. to customers of its water system
3 is, indeed, satisfactory and acceptable.
4

5 Q. Would you discuss adequacy of capacity?

6 A. During my prior testimony concerning the "used and
7 useful" percentages in primary accounts, I addressed
8 the adequacy of capacity of the wells and pumping
9 plant, elevated tank and related storage capacity, the
10 supply main, the bridge crossing, and the transmission
11 and distribution system. Amplifying these comments
12 with information based on determinations set forth by
13 Baskerville-Donovan, Inc. in their report dated May,
14 1992, it appears that the system with relative
15 modifications and improvements, including Well Number
16 3, has adequate capacity to serve existing and
17 projected growth through the current year. From 1995
18 to 1998 it is projected that an additional fifty
19 thousand (50,000) gallon ground storage tank and
20 booster pumps will increase the capacity of the system
21 to serve a total of one thousand nine hundred seventeen
22 (1,917) ERU's. In the period 1999 to 2002,
23 construction of a new elevated storage tank near
24 Windjammer Village will increase the capacity of the
25 system to meet projected growth and will enable it to

1 serve two thousand one hundred ninety-seven (2,197)
2 ERU's.

3 In short, it is my professional opinion that the
4 system as it presently exists, given modifications and
5 improvements which are within the ability of the
6 company to provide, has adequate and sufficient
7 capacity to serve its existing customers and those
8 projected to be added through the year 2002.

9

10 Q. Does that conclude your testimony.

11 A. Yes, it does.

1 REBUTTAL TESTIMONY OF WAYNE H. COLONEY, P.E., P.L.S.

2 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

3 REGARDING THE APPLICATION FOR INCREASED RATES FOR

4 ST. GEORGE ISLAND UTILITY COMPANY, LTD.

5 IN FRANKLIN COUNTY

6 DOCKET NO. 940109-WU

7 **Q. Please state your name, position and employment**
8 **address?**

9 A. Wayne H. Coloney, P.E., P.L.S., President, Coloney
10 Company Consulting Engineers, Inc., 1014 North Adams
11 Street, Post Office Box 668, Tallahassee, FL 32302.
12 Telephone: 904/222-8193; Fax 904/222-9824.

13 **Q. Have you previously filed direct testimony in this**
14 **proceeding?**

15 A. Yes, I have.

16 **Q. What is the purpose of your rebuttal testimony?**

17 A. The purpose of my rebuttal testimony is to respond
18 to the direct testimony of the OPC and PSC staff
19 witnesses.

20 **Q. A question has been raised concerning the validity**
21 **of the engineering appraisal of the St. George Island**
22 **water system which was submitted in connection with**
23 **your testimony in the utility company's last rate case.**
24 **Do you still believe that study is valid and accurate?**

25 A. Yes, I certainly do. My original cost study was and

1 is a complete and thorough evaluation of the St. George
2 Island water system as of the date of the study.

3 **Q. Have you seen or heard anything that would cause**
4 **you to question your study?**

5 A. No, I have not. I have carefully examined an
6 earlier study by William M. Bishop dated approximately
7 10 years prior to my study and I believe that it was
8 accurate at that time. After that examination, I
9 remain confident that my study as submitted in the last
10 rate case is accurate, complete and valid and that it
11 is, in fact, generally consistent with the work of Mr.
12 Bishop when changes during the 10 year time gap are
13 properly considered.

14 **Q. A question has also been raised regarding the issue**
15 **of whether the St. George Island water system is in**
16 **compliance with the statutes, rules and regulations**
17 **administered by the Florida Department of Environmental**
18 **Protection. Do you have an opinion regarding this**
19 **issue?**

20 A. Yes, I do.

21 **Q. What is that opinion?**

22 A. I believe the St. George Island water system is in
23 substantial compliance with all of the statutes, rules
24 and regulations administered by the Florida Department
25 of Environmental Protection.

1 Q. How would you compare the current status of the
2 system with the status of the system as it existed when
3 you first started doing work for the company?

4 A. I have seen the St. George Island water system grow
5 and develop from a system of questionable reliability
6 into a first class system that provides safe and
7 reliable water service for its customers, and that has
8 the capacity to grow and to continue serving its
9 existing customers and those projected to be added
10 within the foreseeable future. This is confirmed by my
11 personal observations as well as the various reports
12 and studies that have been conducted regarding the
13 system.

14 Q. To what would you attribute this success?

15 A. There are a number of factors, but the primary one
16 involves the perseverance and management abilities of
17 Gene Brown, who has been the driving force behind the
18 utility company's success over the past several years
19 since he assumed the position as general manager.

20 Q. What, if any, training or experience do you have in
21 the field of management?

22 A. In addition to over 40 years of actual executive
23 management experience, I am a principal in Coloney, Von
24 Soosten & Associates, Inc., which is a management
25 consulting company. We specialize in corporate.

1 turnaround counseling, crisis management and advice to
2 companies experiencing severe cash flow shortages and
3 operational problems. The principals of our management
4 company all have extensive management experience and
5 expertise. They include Geoffrey C. Murphy, who served
6 as chief financial officer of Eastmark, Inc. and as
7 chief administrative officer of Beatrice International
8 Foods Company.

9 Q. Have you had an opportunity to observe Gene Brown
10 in his role as manager of the St. George Island Utility
11 Company.

12 A. Yes, I have.

13 Q. Do you have an opinion as to whether he is an
14 effective, competent and capable manager of the utility
15 company?

16 A. Yes, I do.

17 Q. What is that opinion?

18 A. I believe that Gene Brown has proven himself to be
19 a very effective, efficient, competent and capable
20 manager of St. George Island Utility Company. In fact,
21 he has done an absolutely phenomenal job in taking over
22 a company in crisis and bringing it to a high level of
23 operating efficiency within a very limited time, with
24 limited resources. When Gene Brown took over as
25 general manager in the fall of 1991, I was frankly

1 concerned as to whether the company would be able to
2 avoid bankruptcy and complete failure, to the detriment
3 of the owners and lenders as well as the customers on
4 St. George Island. I have been extremely impressed
5 that Gene Brown was able to solve the myriad of
6 problems facing the utility company, including the
7 completion of the necessary improvements to the system
8 to bring it up to a new high level of operating
9 efficiency and service to the company's customers
10 on St. George Island. I have observed him solving one
11 problem after another through perseverance, hard work
12 and managerial ability. I do not know who else could
13 have stepped in and solved all of the problems that
14 existed in the fall of 1991, considering the many
15 pressures on the company, and considering the lack of
16 cash flow which had caused so many of the company's
17 problems up until that time. He has solved these many
18 many problems over the past 2 1/2 years, and the
19 company now operates efficiently and effectively while
20 providing safe and reliable water service to its
21 customers on St. George Island. However, the company
22 must have adequate operating revenue for this level of
23 service to continue.

24 **Q. Does that conclude your testimony?**

25 **A. Yes, it does.**

1 MR. PFEIFFER: And we would proffer the
2 witness for cross examination.

3 CHAIRMAN DEASON: Mr. McLean.

4 CROSS EXAMINATION

5 BY MR. McLEAN:

6 Q Good afternoon, Mr. Coloney. It's good to see
7 you again, sir.

8 A Good to see you again, Mr. McLean.

9 Q Thank you, sir. I have some questions. We
10 may range from direct to rebuttal, so forgive me where
11 that's true. I'll give you time to catch up if you need
12 it.

13 A Thank you, sir.

14 Q You testified in the case which was before the
15 Commission, the last rate case, which was in 1989, that
16 you relied primarily for the preparation of your
17 original cost study -- I'm sorry, yes, continue -- let
18 me start over, so I won't confuse you, okay?

19 A Sure.

20 Q So I won't confuse myself.

21 You testified in the earlier rate case that
22 you relied primarily on the data furnished to you by the
23 Company in the preparation of your original cost study;
24 is that correct?

25 A I'm not sure that's an accurate

1 representation. We relied to a large extent on the data
2 furnished by the Company, but at the same time we also
3 did, indeed, physically examine the system in order to
4 determine the extent of pipe which was actually in the
5 ground and the physical features which were there.

6 Q I understand that. Let me ask a different
7 question, then. With respect to the assets which were
8 actually installed in the ground as of December 31st,
9 1979, with respect to the conclusions that you drew
10 about those assets, did you rely exclusively upon data
11 furnished to you by the Utility?

12 A Actually, we did not have accurate data as to
13 what had been installed, and we made an estimate as to
14 the extent of the system which had been installed prior
15 to December 31st, 1979, and assessed it accordingly. We
16 made our best estimate based on information available to
17 us.

18 Q Now, my focus is on the information that was
19 available to you. I have the impression that to
20 determine whether a specific asset was in the ground or
21 not in 1979 depends largely upon what the Utility told
22 you, with a possible exception of things which were
23 obviously placed there beforehand; is that not right?

24 A We were able to actually physically identify
25 everything that was there as of the date of our study.

1 However, the specific items which were physically in
2 place at earlier dates were determined by our most
3 informed estimate, based on the information then
4 available to us.

5 Q Okay. Now, let me get back to the information
6 that's available to you. Is it not true -- well, let me
7 ask you the question differently. Did you not testify
8 in 1979 in response to a similar question that what you
9 relied on was, quote, "Plans which were furnished to us
10 by the Utility Company."

11 A Yes.

12 MR. PFEIFFER: That must be 1989.

13 MR. McLEAN: I'm sorry, yes. Thank you,
14 Steve.

15 Q (By Mr. McLean) Was your answer yes, sir?

16 A My answer to that, with the stipulation as far
17 as the date was concerned, was correct.

18 Q Well, thank you, sir.

19 Now, speaking of your study in a larger
20 sense -- well, let me ask you a couple more questions
21 about the conditions in 1989. I asked you in deposition
22 had you had the privilege to testify before the
23 Commission in investor-owned utilities other than St.
24 George Island Utilities. Do you recall a question with
25 that tenor?

1 A Yes, I do.

2 Q Okay. And I believe your answer was that you
3 had not; that your experience with respect to the
4 testimony before this Commission was that --

5 MR. PFEIFFER: Your Honor, I object to this
6 use of a deposition. Use of a deposition in this
7 fashion would be to impeach a witness and that's not
8 what he's doing. He can simply ask the question. I
9 object.

10 MR. McLEAN: I think it's a device of speech
11 which is to recall that we had that conversation.

12 MR. PFEIFFER: There's no indication of --

13 CHAIRMAN DEASON: Mr. Pfeiffer, if you will
14 allow Mr. McLean to respond and then I'll give you an
15 opportunity to respond.

16 MR. McLEAN: I think the only thing else I
17 could do was ask Mr. Coloney if we ever talked about it
18 before, something like. It's a figure of speech; I
19 don't mean it to have any significance at all, and I'll
20 be happy to ask the question straight out.

21 Yes, ma'am.

22 COMMISSIONER KIESLING: Just so that I
23 understand, why can't you just ask him the question.

24 MR. McLEAN: I can. It's not a problem. I'll
25 do so.

1 CHAIRMAN DEASON: Please proceed.

2 MR. McLEAN: Sure.

3 Q (By Mr. McLean) I can't remember what my
4 question was. Well, let me ask you in a general sense
5 have you testified on behalf of any investor-owned
6 regulated utility before the Commission in any other
7 case that does not affect St. George Island Utilities?

8 A I have not.

9 Q Thank you, sir.

10 Now, given that you have not, I want to ask
11 you anyway, if you'll permit the question, whether you
12 have a notion as to what the Public Service Commission
13 means when they speak of original cost?

14 A I believe that I have received sufficient
15 information to have a reasonable understanding of what
16 is meant by original cost.

17 Q Thank you, sir. Will you tell the Commission
18 what your understanding is?

19 A It's my understanding that it would be the
20 actual investment in allowable and requisite items,
21 infrastructure and systems necessary to the operation of
22 the Utility.

23 Q Now, does that in any way -- when you say
24 "investment," does that in any way differ from the
25 actual cost, as established by invoices, drafts, time

1 records and the like, differ in any way?

2 A I would believe the two would be synonymous.

3 Q And I think, if I'm not mistaken, when you set
4 out to do your original cost study, although it was an
5 estimate, and a scholarly estimate perhaps, it was, in
6 fact, an inquiry to determine what those invoices would
7 say if we had them.

8 A I think that's a reasonable expression. That
9 is correct. When we undertook our study we did not have
10 original cost data from which to work. We had the
11 actual fiscal system in place.

12 Q I understand. Now, did you make any attempt
13 of any sort to determine the whereabouts of any of those
14 records to which we just referred?

15 A To a limited extent. It appeared that they
16 were not reasonably available, and since we had limited
17 time and resources for completion of the study, we
18 devoted a significant portion of those resources to a
19 physical examination and determination of what was
20 actually in place.

21 Q So when you determined that they were not
22 available did you determine that by asking the Utility,
23 for example?

24 A Yes, we did.

25 Q Did you ask anyone else?

1 A We did not.

2 Q Are you familiar with a gentlemen named
3 William Bishop?

4 A Yes, I am.

5 Q And he operates an engineering firm in
6 Tallahassee, does he not?

7 A Yes, sir.

8 Q Thank you, sir. Was he the design engineer
9 for this system?

10 A That is correct.

11 Q And do you know whether Mr. Bishop has
12 conducted at least two other studies, and I believe they
13 may be replacement cost studies, but he has, in fact --
14 do you know whether he has, in fact, conducted studies
15 of the value directed to determine the original cost of
16 this system?

17 A We do, indeed, at this time understand that,
18 and since my original rate study -- or excuse me, my
19 original cost study, I have had occasion to review
20 Mr. Bishop's work. However, at the time we did our cost
21 study, we did not have that before us.

22 Q Okay. So, as I understand your testimony, you
23 set out to do an original cost study without
24 consultations with the engineer who actually was the
25 consulting engineer when the system was built; is that

1 correct?

2 A Absolutely, because we felt that our physical
3 determination of what was actually in the ground was
4 far, far more accurate than any other work ten years
5 old, particularly given the fact that there had been
6 very, very extensive additions to the system in the
7 interim period.

8 Q Of course. Now, none of those additions would
9 affect the original cost of the system as of December
10 31st, 1979, would they?

11 A Our directive was to determine, to the best of
12 our ability, the original cost of the system based upon
13 the dates, to the best of our ability, as of those
14 portions of the installation. In other words, we were
15 not requested to make a determination as to the original
16 cost of the system as it existed in 1978 or '79, or '85.
17 We were requested to make a determination as to the
18 original cost of the system in its entirety as it
19 existed at the date of our study.

20 Q I understand. You ventured an observation
21 about the Bishop Report when I asked you if you
22 consulted -- I'm sorry. You ventured an observation
23 about your declining to speak with Mr. Bishop because
24 you knew Mr. Bishop's study could not logically relate
25 in any way, I think, to the additions which took place

1 since his study; is that correct?

2 A It's my understanding that he had not done
3 additional studies which encompassed the additional
4 infrastructure added after the date of his original
5 study.

6 Q And I think you also say that at least part of
7 your marching order, so to speak, was to ascertain
8 original cost as of December 31st, 1979, and points
9 thereafter, I give you that, but points which preceded
10 that as well; isn't that correct?

11 A That is correct. And we based our assessment
12 on our best estimate as to which portions of the system
13 had been in at various dates.

14 Q I understand. Did you ask Mr. Bishop if he
15 happened to have the original invoices, checks, drafts,
16 bills of lading, time sheets and so forth associated
17 with the original construction?

18 A We did not.

19 Q With respect to the state of the plant, state
20 of the investment or original cost, any of those things,
21 let me ask you -- strike that. Let me ask you, there is
22 also, Mr. Bishop also ventured some sort of appraisal in
23 1982, didn't he?

24 A If he did, I'm not aware of it nor have I seen
25 it.

1 Q Did you testify in the last hearing that you
2 were aware of a Bishop Study?

3 A Of the Bishop Study for the system as it
4 existed in 1978.

5 Q I see. So if there is a 1982 Bishop Study,
6 you don't know anything about it; is that correct?

7 A That is correct.

8 Q All right. Now, when Mr. Brown or whoever it
9 was -- was it Mr. Brown who commissioned the study that
10 you do for original cost?

11 A Yes, it was.

12 Q Okay. When Mr. Brown commissioned that study,
13 did you happen to ask Mr. Brown, "Are there any similar
14 studies to the one which you're proposing that I might
15 consult or rely upon? Did you ask that question?

16 A No, from an engineering standpoint, unless I
17 have original cost data and documentation, I would
18 prefer to rely upon my determination of what physical
19 assets actually exist rather than on prior studies. And
20 that certainly is no reflection upon the work of other
21 engineers or other entities. I simply feel that I am
22 able to provide a more accurate and more effective
23 assessment of the assets under consideration if I do not
24 allow myself to be influenced by prior studies.

25 Q Would that be true if the prior study -- and I

1 make no representation that it does -- but if the prior
2 study did, in fact, include invoices, checks, cancelled
3 checks, bills of lading, time records, professional
4 bills, those are original source documents you could
5 have relied on if they existed, couldn't you?

6 A If the original study had provided or did
7 include such documents, certainly those documents in and
8 of themselves might have assisted us. However, I do not
9 know whether or not Mr. Bishop did, indeed, have those
10 in his possession nor do I know whether or not they were
11 available to us.

12 Q But you made no inquiry to Mr. Brown when he
13 commissioned the study, "Mr. Brown, do you have any
14 other study by any other engineer to which original
15 invoices may be attached as part of the study?"

16 A No, I didn't. Most essentially, because over
17 the years I have rarely encountered an engineering study
18 which included and encompassed the actual possession of
19 original invoices, et cetera. It simply would be rather
20 surprising if Mr. Bishop had retained that data and
21 documentation as opposed to the Utility itself.

22 Q But you made no inquiry?

23 A That is correct.

24 Q Okay.

25 A I have so stated several times.

1 Q I understand. And I think you also testified,
2 correct me if I have the wrong impression, that you
3 would rather do your own work than you would in some way
4 to rely on Mr. Bishop's interpretation of data that you
5 might rather examine yourself.

6 A I believe that is an accurate statement.

7 Q And this is a related question. I apologize
8 to any extent that it is redundant, but had you so
9 inquired, you also might have inquired of Mr. Bishop
10 whether he had any of those things as opposed to rely on
11 your intuition that engineers normally don't have those
12 kinds of things; isn't that correct?

13 A Had I inquired, and if he had them, that would
14 have been additional information that would have been
15 perhaps helpful.

16 Q Did Mr. Brown enter into any discussion with
17 you about whether he, himself, had expressed any opinion
18 with respect -- I'm not asking you what the opinion was,
19 you understand, but I would like to know if Mr. Brown
20 related to you whether he expressed any opinion as to
21 that Billy Bishop Study under oath at any time?

22 A I do not recall being present when Mr. Brown
23 made any statement under oath regarding the study by
24 Mr. Bishop, nor do I really recall any discussions with
25 Mr. Brown, either under oath or not under oath,

1 concerning the study by Mr. Bishop.

2 Q And that is not the sort of inquiry that you
3 would make, I would think.

4 A That's correct.

5 Q Sure. Mr. Coloney, let's shift focus just a
6 bit, I want to ask you about the requirement of a
7 utility such as St. George Island Utility to file annual
8 reports. Are you familiar, in a general sense, with
9 that requirement?

10 A In a general sense, yes, I am.

11 Q Now, Mr. Brown is seeking in this rate case,
12 is he not, to be recompensed for money which he spends
13 on engineering advice, namely yours?

14 A I believe that is probably correct.

15 Q All right. Now, part of that engineering
16 advice would be, perhaps, correct me if I'm wrong, to
17 determine what numbers ought to go in that annual
18 report, assuming that it has entries for engineering
19 things?

20 A I'm not sure that I followed your question.

21 Q I'm sorry, sir. Can Mr. Brown look to you in
22 the future for the development of engineering data such
23 that he can include those in his annual reports?

24 A I have an ongoing relationship with Mr. Brown
25 and his organization and I would expect that we would

1 respond to requests from Mr. Brown for engineering data
2 and documentation.

3 Q Do you know whether you've done so in the
4 past? Have you been so consulted in the past with
5 respect to annual reports?

6 A We have been consulted on an ongoing basis
7 over a number of years concerning a broad variety of
8 technical matters, but I cannot say specifically whether
9 any particular request was related to the preparation of
10 an annual report.

11 Mr. Brown customarily asks for my advice
12 regarding technical matters relating to the system, and
13 I simply don't recall him saying, "Mr. Coloney, I need
14 information for inclusion in an annual report."

15 Q I understand. You're not specifically
16 familiar with the annual reports then. Is that a
17 fair --

18 A That is correct.

19 Q Okay. That said, do you know whether the
20 annual report requires the Utility to make two entries,
21 namely: The plant account at the beginning of the year
22 and the plant account at the end of the year?

23 A I simply do not know.

24 Q I understand. Okay, let me ask you a general
25 question or two then which address logic as much as

1 engineering. And that is, if we set out to inquire --
2 and I'm not suggesting whether we should or should not
3 -- but if we should set out to inquire the original cost
4 of a system, of a utility system, as of a specific date,
5 and our focus is either on the one hand the original
6 documentation, or on the other hand a reasonable
7 estimate of those things, need we know anything of the
8 additions after that point to ascertain the original
9 cost of the value at the point?

10 A I'm afraid again I don't follow your question,
11 Mr. McLean.

12 Q Okay, I'm sorry. I can state it simply and
13 then maybe more precisely.

14 Think of the day, December 31st, 1979. You
15 don't have to remember what you were doing, okay, but we
16 are looking to how much investment, what was the
17 original cost of the assets in the ground as of that
18 day?

19 A Yes.

20 Q That is our focus. Need we know anything of
21 the assets which were placed in the ground after that
22 day for an answer to our original inquiry?

23 A You do not.

24 Q All right. Now, let me ask you the converse,
25 I think it is, of that question, and that is, in order

1 to quantify and to ascertain the extent to which
2 additions were made since December 31, 1979, in order to
3 quantify not their sum with the original, but just their
4 sum standing on their own, need we know anything of the
5 point of beginning to quantify the additions?

6 A It would be very helpful to know the extent of
7 the original system as of the original date, in order to
8 make a distinction between the two different
9 construction periods.

10 Q Okay. Then accept, if you will, that we know
11 that point, just for purpose of my inquiry. Accept, if
12 you will, that we know the original investment -- I'm
13 sorry, the original cost as of December 31, 1979. What
14 need we know of that point to evaluate the additions
15 which took place since then?

16 A Here again it would be helpful to know the
17 extent of the actual fiscal infrastructure which was in
18 existence as of the first date, and the extent of the
19 infrastructure in place as of the second date so that it
20 would be possible to differentiate one from the other.

21 Q Once differentiated, must one need anything --
22 must one need to know anything about that point along
23 the way to get to the quantification of the additions?

24 A Again, I'm not sure that I follow you, sir.

25 Q Okay. Maybe I can think of an analogy.

1 If we look at an equation, which is X plus 5,
2 we get an answer which is X plus 5. What need we know
3 of the X to determine the magnitude of 5?

4 A I think we start with the basis that 5 is 5.

5 Q Yes, sir. We do.

6 A And you asked me what we would need to know in
7 order to determine the magnitude of 5, and I would have
8 to respond 5 is 5.

9 Q Yes, sir. What need you know of X to
10 determine that?

11 A You do not -- in other words, if you have a
12 given you really don't -- that 5 is 5, you really don't
13 need to know anything about X.

14 Q Have you ever predicted or represented to this
15 Commission that Well No. 3 would be in place by June
16 1989?

17 A Let me specifically say that that was not a
18 prediction. That was an expression of hope. (Laughter)

19 Q Shared by a number of people, Mr. Coloney.

20 Did you represent it that way, as an
21 expression of hope, when you told that to the
22 Commission?

23 A I told the Commission that based on
24 information which had been provided to me as of that
25 date, the expected operational date for Well No. 3 would

1 be as given.

2 Q And that information was provided to you by
3 the Utility; is that correct?

4 A That is correct.

5 Q And that's the same utility which provided you
6 data to tell the Commission what the extent of the
7 original cost was in 1979?

8 A I have to go back to my earlier --

9 Q Pardon me, Mr. Coloney, would you answer the
10 question and then explain your answer, if you care to.

11 A Surely.

12 Q It is the same?

13 A It is the same Utility company.

14 Q Yes, sir.

15 A However, in my earlier response to your
16 question, we relied on our own physical examination of
17 the system in order to make a determination as to what
18 actually existed as opposed to relying upon
19 representations that, for example, a given stretch of
20 line was actually in the ground.

21 Q I understand. When you did your study,
22 incidentally, did you consult the some ten years of
23 annual reports which the Utility submitted to the
24 Commission?

25 A We did not.

1 Q Had you known that the Utility told the
2 Commission on a yearly basis what the additions to
3 plants -- what the addition to plant was, would you have
4 then examined them?

5 A Here again, for a determination of the system
6 as a whole, nothing is more accurate than actually
7 knowing what is physically in the ground.

8 Q Yes, sir.

9 A And I would hesitate to assess the value of a
10 system based on information contained in reports which
11 had been generated over a period of years, when I had
12 already determined that I did not have sufficient data
13 and documentation, including invoices, paid invoices and
14 contracts, to track the original cost of construction.

15 Q You're not suggesting license in any way, are
16 you, for the Utility to report other than what they
17 actually incurred in terms of additions during that
18 time; are you?

19 A Absolutely not.

20 Q Okay.

21 A I'm simply stating that from an engineering
22 standpoint, I would rely on my own physical measurements
23 and observations before I would rely on reports
24 generated by other entities.

25 Q Well, the other entity, in this instance, is

1 your client, isn't it?

2 A That is correct.

3 Q Now, the other entities -- let us say
4 hypothetically, say that the plant came on in
5 relatively -- if they say this, hypothetically -- came
6 on in relatively equal increments during the ten years,
7 and if to the contrary your study showed that there was
8 a tremendous increment, say, halfway through the period
9 and then one at the end, such that the sum of those two
10 is roughly the same as the increments -- are you with me
11 so far? I didn't ask the question yet. I was getting
12 to one. I'm asking you for a sanity check actually.

13 If you discovered that the Utility reported to
14 the Commission a relatively linear increase or rate of
15 additions to the plant, and that your study indicated
16 something very much to the contrary, not linear at all
17 but essentially two spikes or maybe three spikes,
18 wouldn't that cause you to inquire further had you
19 considered that?

20 A Recognizing that this is a hypothetical
21 question.

22 Q Yes, sir.

23 A Recognizing that I had not examined the
24 reports and recognizing that I had indeed physically
25 measured the system, responding to your purely

1 hypothetical question, such information may perhaps have
2 resulted in a redistribution of my costs, and if they
3 had come on line on a fairly uniform basis over the
4 ten-year period, then in all probability my assessment
5 of original cost would have been higher than what I
6 presented in my cost study.

7 Q Okay. Well, the Commission has before it, if
8 the Commission has before it, a report from the Utility,
9 from persons exclusively within the Utility's control,
10 if it has those things which indicate a linear
11 progression of additions, should the Commission consider
12 that in conjunction with your report when they are
13 deciding the credibility of your report?

14 A Perhaps so. However, I would say that after
15 careful review, I am completely confident in and
16 satisfied with the conclusions and costs presented in my
17 report. And nothing that I have seen in other data,
18 including Mr. Bishop's study, would lead me to any other
19 opinion.

20 Q I understand that, sir. For how long have you
21 known Mr. Brown?

22 A I have known Mr. Brown for at least 25 years.

23 Q Are you friends with Mr. Brown, sir?

24 A I would say so.

25 Q Does Mr. Brown owe you money?

1 A Yes, he does.

2 Q What quantity of money does he owe you, sir?

3 A I believe at this point in time somewhere in
4 the vicinity of \$75,000.

5 Q Have you taken -- have you on an occasion
6 filed a lien at the Courthouse to attempt to secure that
7 obligation?

8 A Yes, I have.

9 Q When was that, sir?

10 A I do not recall the specific date. I
11 discussed the matter with Mr. Brown, and requested my
12 attorney to proceed, and since that time I have paid no
13 particular attention to it.

14 Q I didn't -- I'm sorry, I didn't hear the date,
15 did you say --

16 A I said I did not recall the specific date.

17 Q I understand. Do you know whether it was
18 before or after you completed this study?

19 A I would believe it was probably after I
20 completed this study.

21 Q Now, if Mr. Brown emerges -- well, let me ask
22 the question differently. Do you support Mr. Brown's
23 successful prosecution of this rate case?

24 A I do.

25 MR. McLEAN: Thank you, Mr. Coloney. I

1 particularly thank you for your patience.

2 WINTESS COLONEY: Thank you, Mr. McLean.

3 CHAIRMAN DEASON: Ms. Sanders.

4 MS. SANDERS: Thank you, Mr. Deason. Mr.
5 Deason, I have three things we'll pass out. I apologize
6 for not getting them out before. We had to change one
7 of them.

8 CHAIRMAN DEASON: That's okay.

9 CROSS EXAMINATION

10 BY MS. SANDERS:

11 Q Good afternoon, Mr. Coloney.

12 A Good afternoon.

13 Q Just to follow up on one of Mr. McLean's
14 questions, you say that it's real accurate for you as an
15 engineer to go out and look at what's in the ground
16 physically, right?

17 A I feel that that's the most accurate approach
18 to a determination of what is actually there.

19 Q It gives an accurate determination of what's
20 actually in the ground. Does it in any way give you an
21 accurate determination of original cost?

22 A Having made a determination as to what is
23 actually in the ground, then it is possible to determine
24 the current cost of those facilities by using currently
25 available unit construction costs.

1 Q I understand that. Then you extrapolate back
2 through your Handy-Whitman Index, right?

3 A That is correct.

4 Q But you don't see the price tag when you go
5 out there and look on the ground, do you?

6 A I do not.

7 Q All right. Now, when you were originally
8 asked to study this, I know that Mr. McLean established
9 it but you did not look at the annual reports?

10 A That is correct.

11 Q You did not look at tax returns.

12 A That is correct.

13 Q No checkbooks.

14 A That is correct.

15 Q No invoices.

16 A I did not see any invoices.

17 Q No contracts from the original jobbers.

18 A That is correct.

19 Q And you did not have the Billy Bishop Report.

20 A I did not.

21 Q Of 1978.

22 A That is correct.

23 Q Now, I believe we just handed you a copy of
24 Mr. Bishop's 1978 report. Do you have that in front of
25 you?

1 A Yes, I do.

2 Q I probably have lost mine at this point.

3 Have you reviewed it for this rate case?

4 A Yes, I have.

5 Q Okay. And that was provided to you by the
6 Utility company?

7 A Yes, it was.

8 Q Did you review the methodology that Mr. Bishop
9 used?

10 A Yes, I did.

11 Q And you agree that for a majority of that
12 report, his methodology is based on actual invoices and
13 contracts?

14 A I do.

15 Q Okay. Do you have any argument with that
16 methodology?

17 A I have no argument whatsoever.

18 Q In fact, you and Mr. Bishop were partners at
19 one point, were you not?

20 A Yes, we were and we still work together and
21 are good friends.

22 Q Okay. When were you all in business together?

23 A 1950 to 1955 and then from 1963 to 1967.

24 Q Now, I want to -- did you only get the Bishop
25 Report, you did not get anything else I just passed out?

1 A I only got the Bishop Report.

2 Q Hold on just a second. We're going to get you
3 something else. (Hands document to witness.)

4 MS. SANDERS: Commissioner Deason, I would
5 like to have the 1978 Bishop Report marked for
6 identification. We don't intend to offer it as an
7 exhibit at this point, but so that we will know what
8 we're talking about.

9 CHAIRMAN DEASON: It will be identified as
10 Exhibit No. 6. We need a copy for the court reporter,
11 please.

12 (Exhibit No. 6 marked for identification.)

13 MS. SANDERS: Commissioner Deason, I wanted to
14 say I've got a young lady here with me today helping me
15 out. She's a third-year law student; she's getting her
16 pro bono requirement from the law school and she asked
17 me, "Are you sure you don't want me to give one to the
18 court reporter?" I said, "No."

19 Q (By Ms. Sanders) Okay, Mr. Coloney. I've
20 given you three sheets of paper. One of them is the
21 "St. George Island Utility, System in Place; Bishop
22 Report of 1978 Comparison with Coloney Report of 1988."
23 Do you have that document in front of you?

24 A Yes, I do.

25 MS. SANDERS: Again, Commissioner Deason, we

1 would like to have that marked for identification and
2 it's --

3 CHAIRMAN DEASON: You wish all three of these
4 to be identified as a composite exhibit?

5 MS. SANDERS: That would be fine.

6 CHAIRMAN DEASON: Okay. And that's the three
7 single sheets of paper.

8 MS. SANDERS: Yes, sir. The second sheet
9 being the "St. George Island Utility Comparison of
10 Construction Cost, Coloney 1988 Analysis to SGI Utility"
11 -- I have an error there, instead of "Tax Return" that
12 should be "Annual Reports."

13 CHAIRMAN DEASON: Okay. These three documents
14 will be identified as Composite Exhibit No. 7. Well, at
15 some point you need to give these to the court reporter.

16 MS. SANDERS: Yes, sir. Thank you.

17 (Composite Exhibit No. 7 marked for
18 identification.)

19 Q (By Ms. Sanders) The first half of the sheet,
20 Mr. Coloney, is materials in place, and you can see you
21 have the two-inch, four-inch, six-inch, eight-inch, and
22 twelve-inch ductile pipe, ductile pipe and gate valves.
23 Okay?

24 A Yes, I have that sheet before me.

25 Q And we have Mr. Bishop's numbers on top and

1 your numbers on the bottom of his, okay?

2 A That is correct.

3 Q Okay. The eight-inch pipe you'll notice your
4 numbers are almost the same, right?

5 A Actually, I think our numbers are identical in
6 your -- on your paper you indicate that Mr. Bishop has a
7 figure of \$13,998 feet of eight-inch ductile iron pipe.
8 However, looking at Page 10 of his report, he indicates
9 13,078 feet, exactly the same figure as we had.

10 Q Okay. That's Page 10, so you're identical on
11 the ductile pipe.

12 A I believe so.

13 Q So that means as of July 1978, 100% of that
14 asset was in the ground.

15 A That is correct.

16 Q On the eight-inch PVC pipe, your numbers are
17 almost identical.

18 A 1,500, 1,600 feet of pipe difference.

19 Q Okay. So almost all of the eight-inch PVC
20 pipe was in the ground in 1978.

21 A That is correct.

22 Q The gate valves, the six inch, almost
23 identical.

24 A That is correct.

25 Q So all of those are in the ground.

- 1 A Correct.
- 2 Q The eight inch, identical.
- 3 A That is correct.
- 4 Q All of those are in the ground.
- 5 A That's correct.
- 6 Q At the time Mr. Bishop made his report.
- 7 A Uh-huh.
- 8 Q Okay. The six-inch pipe, Bishop identified
9 more than 50% of it, didn't he?
- 10 A Yes, he did.
- 11 Q As in the ground when he did his study in July
12 of '78.
- 13 A That is correct.
- 14 Q All right. Now, the second half of the page
15 is the costs of selected items, okay?
- 16 A Yes. Uh-huh.
- 17 Q Same breakdown. The only price that you have
18 that is similar to his is the 12-inch PVC pipe, right?
- 19 A That is correct.
- 20 Q You're over \$2 higher on the six-inch pipe;
21 right?
- 22 A That is correct.
- 23 Q Almost \$3. On the eight-inch pipe you're \$2
24 higher?
- 25 A That is correct.

1 Q You're \$400 higher on the six-inch gate
2 valves?

3 A Yes, I am.

4 Q You're \$400 higher on the eight-inch gate
5 valves?

6 A Absolutely.

7 Q \$300 on the 12-inch?

8 A That is correct.

9 Q And 600 on the fire hydrants?

10 A Correct.

11 Q Now, your job in 1988 was to determine the
12 actual cost of the system.

13 A That is correct.

14 Q But you didn't have the invoices, the checks,
15 the receipts, et cetera?

16 A That is correct.

17 Q So you had to use your Handy-Whitman Index,
18 right?

19 A We used first a broad variety of actual
20 construction costs in order to arrive at our cost of the
21 system of replacement cost of the system as of the date
22 of our study, and then we used the Handy-Whitman Index
23 to move backward in time to a determination of original
24 construction cost.

25 Q Right. What you mean by "actual costs," you

1 pretended like you were going to build that system in
2 1988 and you asked people to bid on what it would cost
3 you in '88 to build that system, right?

4 A In essence, that is precisely correct.

5 Q And then you convert it back to cost in '78 or
6 whenever it was put in the ground based on
7 Handy-Whitman, right?

8 A That is correct.

9 Q Now, if you had had the access to the invoices
10 and the contract, you would have used those, right?

11 A That is correct.

12 Q And that's because those actual invoices from
13 1978 are more accurate, correct? For original cost?

14 A Not necessarily. Over the years we have had a
15 record of matching actual cost with our estimates within
16 5 to 10% across the board, and I would represent that I
17 am fully confident that our cost determinations are, and
18 have been, accurate within that range.

19 Q So you've done other studies where you use
20 that same methodology, today's prices, cost it back
21 through the Handy-Whitman Index and it was right on with
22 the invoices you had.

23 A That is correct.

24 Q But you had all of that information, right?

25 A I beg your pardon?

1 Q You would have had all of that information to
2 make that determination of how close you got, wouldn't
3 you?

4 A After the fact.

5 Q After the fact. All righty. Now, is an
6 engineering study that is based on actual invoices more
7 reliable than converting back through a Handy-Whitman
8 Index?

9 A Not necessarily.

10 Q Sometimes.

11 A Sometimes. Perhaps, but not necessarily.

12 Q Thank you, sir. Thank you very much.

13 Now, let's look at Mr. Bishop's report, if you
14 would. Look on Page 5, on the Bridge Crossing, 3.2.2.

15 A I'm looking at Paragraph 3.2.2.

16 Q Okay. The second sentence, "Leisure
17 contracted with W. S. Cypress Construction Company of
18 Jacksonville." The last line of that page. "The final
19 Change Order with Cifer's Construction Company was made
20 August 30, '76, and in a total amount of \$127,859.44."
21 Do you see that?

22 A Yes, I do.

23 Q Is that reliable information?

24 A I would say that was excellent information.

25 Q Page 6. At Paragraph 3.3. -- I'm sorry, we're

1 in the same section, for the purchase of the pipe,
2 McWane Cast Iron Pipe Company of Birmingham, the
3 agreement dated February 6th, 1976, gives a price per
4 foot of \$5.75, plus the freight quote.

5 A I see that.

6 Q Okay. Do you consider that accurate evidence?

7 A Yes, I do.

8 Q Of actual cost. Let's go to the Reservoir,
9 Pumping Station, Treatment Facilities and Office
10 Structure in 3.3.1. We have a contract with Marolf,
11 Inc. of Clearwater, Florida, date April 14, '76, in the
12 amount of \$63,332. Do you consider that an accurate
13 statement of actual cost?

14 A I would.

15 Q Page 7, the slab for the tank bottom from GAP
16 Enterprises of Tallahassee, contract dated April 21,
17 '76, amended amount of \$27,718.67. Do you consider that
18 an accurate original cost?

19 A Yes, I would.

20 Q Thank you. On the pumping station and
21 chlorinator, we have an electrical installation invoice
22 by to Thomas L. Cook, \$12,000. Is that an accurate
23 original cost?

24 A I would believe so.

25 Q On Page 8, the office interior. We have

1 invoices accumulated by Leisure Properties, Ltd. for
2 materials and labor in the amount of \$17,093.28. Do you
3 consider that an accurate original cost?

4 A Yes, I would.

5 Q Now, are you surprised, as you've testified
6 earlier, to find these numbers in Mr. Bishop's report?

7 A Not at all.

8 Q Now, you state in your report on Page 5 -- I'm
9 talking about your 1989 report -- '88 report. I
10 apologize. That even though you could not obtain
11 accurate cost data, it was possible for you to determine
12 with reasonable accuracy the year in which each segment
13 of the system was constructed.

14 A That statement is definitely there, and at the
15 date that this report was prepared we believed that to
16 be correct. However, having received additional
17 information since that time, I would believe that we
18 significantly overestimated the extent of the system
19 which was in place as of 1978. The end result is had we
20 used the Bishop figures, our original cost estimate for
21 the total system would have been higher than what we
22 present in this report. In other words, what I'm saying
23 is had we made an accurate distribution back to 1978 at
24 that time the end result would have been a higher
25 original cost than what is presented in our report.

1 Q So your report is wrong?

2 A My report, if it errs, errs on the side less
3 desirable for the Utility company. In other words, our
4 overall determination of cost, original cost, in this
5 report, is probably less than what it should have been.

6 Q So you're asking the Commission to take an
7 erroneous report just because it harms your client as
8 opposed to harming someone else as being something to
9 rely on?

10 A No, no, no. That is not an accurate
11 representation of my statement in any way.

12 What I'm telling you is that this report is
13 accurate in its determination of the replacement cost as
14 of the date on which it was presented.

15 Q Okay. That's fine.

16 A That in our determination of original cost, we
17 perhaps did not assess as high a figure as we should
18 have.

19 Q And you were supposed to determine original
20 cost?

21 A To the best of our ability, and we did indeed
22 determine original cost to the best of our ability in
23 the most accurate manner possible based on the
24 information which was available to us at that time.

25 Q And because of the error, then you're saying

1 the Commission would be free to reject the report in
2 toto?

3 A Absolutely not. I think it would be totally
4 incorrect to reject the report in any way.

5 CHAIRMAN DEASON: Let me ask a question at
6 this point. I'm up here, Mr. Coloney.

7 WINTESS COLONEY: Surely.

8 CHAIRMAN DEASON: Why is it that it is your
9 opinion that had you had the information contained
10 within the Bishop Report, that that would have resulted
11 in a higher original cost than your estimate?

12 WINTESS COLONEY: Yes, let me explain that
13 clearly.

14 When we made an estimate that almost half of
15 the total system had been in place as of 1978, we then
16 applied the index, Handy-Whitman Index, to adjust those
17 prices downward to those which had prevailed in 1978,
18 and there was a fairly significant reduction.

19 As a result, we reduced the cost on a
20 significantly larger proportion of the system than we
21 should have.

22 Mr. Bishop's report indicates that somewhat
23 less than half was in the ground as of 1978, and had we
24 had that information and made that determination, we
25 would have adjusted downward a smaller percentage and

1 the end result would have been a smaller amount deducted
2 from the replacement cost.

3 CHAIRMAN DEASON: So basically you're saying
4 more was added to the system post-1978.

5 WINTESS COLONEY: That is correct. As a
6 matter of fact, referring to my system or my report, as
7 opposed to the sheet which has just been given me, the
8 sheet which has just been given me shows that two-inch
9 pipe, in place as indicated by Mr. Bishop, was zero. It
10 shows that the Coloney Report indicates that there were
11 57,545 linear feet of two-inch pipe. Actually, that's
12 incorrect. My report on Page 36 shows that there were
13 69,375 linear feet of two-inch pipe in place.

14 Mr. Bishop showed no four-inch PVC pipe in
15 place. We found that there were physically 7,477 linear
16 feet in place, and as has already been mentioned, we
17 found approximately 20,000 linear feet of six-inch pipe
18 in place greater than was found by Mr. Bishop at that
19 time. And please don't misunderstand me, I, in no way,
20 cast any aspersions on Mr. Bishop's accuracy. I think
21 his report is excellent. I think it is accurate and
22 complete and I think it genuinely reflects what he found
23 at that time. I'm simply saying that when he completed
24 his report, only a small portion of the total system was
25 actually in place.

1 CHAIRMAN DEASON: Thank you.

2 MS. SANDERS: Thank you.

3 Q (By Ms. Sanders) Let's define "small
4 portion." On Page 9 of Mr. Bishop's report he has a
5 production and well site. Okay? Right?

6 A Yes, he does, indeed.

7 Q He has, on Page 10, the production and well
8 site to the north end of the bridge, right?

9 A Yes, he does.

10 Q He's got north end of the bridge to water
11 storage reservoir exclusive of two bridge crossings,
12 right?

13 A Yes, that is correct.

14 Q And he's got the two bridge crossings?

15 A Correct.

16 Q And he has the water storage reservoir,
17 treatment facilities, pumping station, controls from
18 reservoir to production well, chlorination equipment and
19 other appurtenances, office, facilities and site,
20 correct?

21 A That is correct.

22 Q In the water distribution system he has the
23 water storage reservoir to the intersection of Gulf
24 Beach Drive and Franklin Boulevard, correct?

25 A That is correct.

1 Q He has the intersection of Gulf Beach Drive
2 and Franklin Boulevard to 11th Street East, does he not?

3 A Absolutely.

4 Q He has 11th Street East to State Park,
5 correct?

6 A Correct.

7 Q He has Gulf Beach Drive and Franklin Boulevard
8 intersection and 12th Street West, correct?

9 A Absolutely.

10 Q That's all the old subdivision, isn't it?

11 A That is correct.

12 Q He's got Cedar Village, Sea Palm Village and
13 Sea Pine Village, which are the first three subdivisions
14 in the Plantation, correct?

15 A I believe that is correct.

16 Q Now, what is "small"?

17 A "Small" is perhaps a not accurate
18 representation but based on your approach, you would ask
19 me to ignore 69,375 linear feet of two-inch pipe; 7,477
20 linear of four-inch pipe; 20,000 linear feet of six-inch
21 pipe together with all of the services, connections, et
22 cetera, the appurtenances that go along with it.

23 All I'm saying is Mr. Bishop's study was
24 accurate and complete and genuinely reflected what was
25 there in 1978. I'm saying that my report was accurate

1 and complete and genuinely reflected what was there in
2 1988.

3 Q That's good.

4 A And that the original cost as determined by my
5 study, taking into account the additions which were made
6 after the date of Mr. Bishop's study is, indeed,
7 accurate and is a solid and correct basis upon which the
8 Public Service Commission can base its determination of
9 original cost, just as it did in the first or prior rate
10 case.

11 Q Excellent. So to summarize, Mr. Bishop's
12 report is accurate as to what is in the ground in '78,
13 and you added, basically, the distribution system after
14 that for your report?

15 A My report took into account not only what was
16 added after that, but also what was physically in the
17 ground before.

18 Q I understand. Sure. What was in the ground
19 in '88 is what you looked at.

20 A That is correct.

21 Q Now, the second sheet of paper I handed you,
22 the Utility comparison of construction cost between your
23 report and the Utility annual reports; I will apologize
24 for that mistake. That will be the next two sheets of
25 paper.

1 In your report, in '88 on Pages 47, 48 and 49,
2 those are the pages in which you give the costs of the
3 system, correct?

4 A That is correct.

5 Q And you come out with your bottom line of
6 \$2,313,947, plus the meters which gives you 2,551,000
7 and change.

8 A That is correct.

9 Q Okay. Now on the chart, if you'll look at
10 that for just a second, the first column, Mr. Coloney,
11 is the meter charges, and we're going to eliminate the
12 1988 because we're going to stop with the test year of
13 '87 for which you did your report.

14 A Very good.

15 Q And, if you will, those are -- the remaining
16 meter numbers, just to adjust the math, would be
17 \$232,937.94. The second column is the recap of those
18 pages in your report, 47, 48 and 49, and you say that
19 the only time that the Utility company made any
20 investment in the assets, the additions to the plant,
21 were in '78, '79 and '85.

22 A And again, I repeat, that that determination
23 was based on the best information available to us at
24 that time, and I believe that even in light of all of
25 the information which has been made available to me

1 later, that this, in its entirety, is a reasonable and
2 accurate representation of what is there, and is a
3 reasonable and accurate representation of the original
4 cost of the system.

5 Q Okay. Well, we want someone else to think
6 about that same issue, okay. So let's walk through what
7 you did in your report.

8 A Sure.

9 Q You said that all of the improvements were
10 made in '78, '79 and '85, correct?

11 A That is correct.

12 Q And that there was zero money spent by the
13 Utility for additions to plant in '80, '81, '82, '83,
14 '84, '86 or '87, correct?

15 A Again, based on the information which was
16 available to us at that time, that appeared to be an
17 accurate representation.

18 Q And that information was what the Utility
19 company told you.

20 A It was based upon what the Utility company
21 told us and also upon our evaluation of the condition of
22 the physical plant itself, the pipe in the ground and so
23 on.

24 Q You didn't do any carbon dating on that PVC
25 pipe, did you Mr. Coloney?

1 A No carbon dating.

2 Q Okay. You looked at it all, you figured it
3 all went in in '78; looked kind of new, you figured it
4 all went in in '85?

5 A That is correct. And had we distributed it
6 back over an earlier date --

7 Q We're going to go up, I know that. We're
8 going to pay more money on this report, aren't we?

9 A Absolutely.

10 Q Okay. I'm with you.

11 Now, look at the page after that which is an
12 excerpt from Public Counsel's prefiled exhibit, which
13 represents the Utility company's annual report, what
14 they say was added to the plant from '80 to '87, okay?

15 A Yes.

16 Q Additions to plant. In 1980 the company said
17 that they added \$3,063, right?

18 A Right.

19 Q But you've got 9,864 in meters, correct?

20 A That is correct.

21 Q And we can run on down this. Next year they
22 go \$73,069, but you've only got 17,000 -- I mean, you've
23 got 17,746 that they added, correct?

24 A That is correct.

25 Q The next year they say they added 73,000 to

1 the plant, but you only have 19,000 and those are all
2 meters.

3 A That is correct.

4 Q The same thing in '83, 102,000 versus 38,000
5 for you.

6 A Correct.

7 Q All in meters. '84, 143,000 on their report;
8 you've got 50,000.

9 A Right.

10 Q All in meters, nothing in the ground. No
11 plant.

12 A That is correct.

13 Q Now in '85 they only spent 33,000, but somehow
14 they were able to put 850,000 in the ground, right?

15 A That is correct.

16 Q Next year 104,000 they spent, but they only
17 put 32 in the ground. Correct?

18 A Correct.

19 Q '87 they spent 9,000 but they got 18,000 in
20 the ground, correct?

21 A That is correct.

22 Q I'm sorry, 5,000. And they've got 18 in the
23 ground.

24 At the 1978 column, your total is \$1,412 -- I
25 can't do number, \$1,412,482, right?

1 A That's correct. And I think that was
2 significantly overstated based upon our estimate as to
3 the distribution of the system.

4 Q And because you had Mr. Bishop's report that
5 says \$861,749 at that point, right?

6 A That's correct.

7 Q So we know it's overestimated.

8 A Uh-huh.

9 Q Okay.

10 A However, I should stress that that has
11 absolutely no significance whatsoever in the actual
12 original cost of the entire plant as a whole.

13 Q \$600,000 doesn't have any -- is insignificant?

14 A Not at all. You misunderstand me or you
15 endeavor to put words in my mouth.

16 Q I'll listen, Mr. Bishop (sic).

17 A Mr. Coloney.

18 Q Mr. Coloney. I apologize.

19 A That's perfectly all right.

20 The only thing that really matters is what is
21 physically in the ground.

22 Q And how much it cost to put it there.

23 A And how much it cost to put it there.

24 Q And when it got there.

25 A Not when it got there when we look at the cost

1 determinations, because if I had distributed it
2 precisely as Mr. Bishop reports at that time, the
3 original cost would have been higher than what I have
4 presented in this report. And as I said before, the
5 significance is what the total system actually consists
6 of and what it costs. And if you ask me to explain the
7 annual reports, all I can say is that for whatever
8 reason there may be, the Utility company was grossly
9 unfair to itself.

10 Q Okay. And it didn't tell the PSC the right
11 numbers either, did it?

12 A I think that that was a grievous error,
13 because they should have been significantly higher and,
14 hopefully, had that been the case, they would have had a
15 more reasonable rate determination over the years.

16 Q But you said that in 1988 and they were filing
17 those reports every year as they spent the money.

18 A And all I can say is they were grievously
19 unfair to themselves, because I can't conceive of
20 anybody gratuitously installing this pipe in the ground
21 at no cost. The pipe is there. The plant is there.
22 Our determination of what is there is accurate. Our
23 determination as to what it would have cost in 1988 to
24 put it there is accurate. And our determination of the
25 original cost, based on the Handy-Whitman Index, is

1 accurate to the extent that we distributed the various
2 items of it to specific dates. However, as I've said,
3 based on all of your questioning, and the information
4 which has been given to me, were I redoing my report, I
5 would arrive at a higher original cost, not a lower.

6 Q Okay. It might surprise you, but I don't
7 dispute that what you saw in the ground was really in
8 the ground, okay?

9 A I didn't think that you did. I really didn't.

10 Q And I don't dispute that you were able to get
11 bids in 1988 for what it would cost to build it in 1988.

12 A I don't believe that you dispute that.

13 Q And I do not dispute that you did not
14 accurately employ the Handy-Whitman Index.

15 A I think that you do not dispute that.

16 Q What I'm asking you about is the fact that
17 Mr. Bishop had an actual cost in '78 based on invoices
18 and contracts that is significantly lower than yours.

19 A And with the information that I've given you,
20 I find Mr. Bishop's determination and my determination
21 to be totally absolutely consistent. I see no
22 inconsistency whatsoever.

23 Q You do not see an inconsistency between \$1.412
24 million and \$861,000?

25 A Again, you endeavor to put words in my mouth.

1 Those figures are significantly different. But I've
2 already explained that I did not have Mr. Bishop's
3 report available to me, and I assumed a larger
4 proportion of the system in ground in 1978 than
5 Mr. Bishop's report showed were actually there. The end
6 result is that had I had that, my overall original cost
7 for the total system would have been higher. I find no
8 inconsistency with Mr. Bishop's figures in any way at
9 any point.

10 Q Okay.

11 A And I do appreciate your agreeing with me on
12 so many points.

13 Q Well, I can recognize a person who is good at
14 numbers, so I'm going to ask you run a few for me.

15 If we start with Mr. Bishop's \$861,749, which
16 you say is absolutely accurate, and we add to that --

17 A No, I did didn't say it was absolutely
18 accurate. I said that I would accept that as a
19 reasonable representation.

20 Q Okay.

21 A And I think it was an excellent study, but I
22 hesitate to say that it was absolutely accurate.

23 Q Sure, I understand. I didn't mean to use a
24 hyperbole.

25 And then we add to that what the Utility

1 company says that it put in the ground, being 539,000,
2 we're still very far away from 2,550,000, are we not?

3 A We are, indeed. And I repeat, for whatever
4 reason, the Utility company reports were simply grossly
5 unfair to the Utility company.

6 CHAIRMAN DEASON: While they are conferring,
7 Mr. Coloney, let me ask you a question. Do you have an
8 explanation as to why the additions on the annual report
9 would only total some \$540,000, but that you show a
10 different amount for additions?

11 WITNESS COLONEY: The reason escapes me, Mr.
12 Deason. I simply don't know. I can only surmise that,
13 for whatever reason, the Utility was not accurately
14 tracking its expenditures. I simply cannot understand
15 the discrepancy between these reported improvements and
16 what we physically found in the ground. I just have no
17 explanation on that.

18 Q (By Ms. Sanders) You have no explanation for
19 what the Utility reported on its annual report?

20 A This is the first time I have seen those
21 figures and I have no explanation; I have no idea.

22 Q Maybe they had their check stubs, is that a
23 possibility? But you didn't have them?

24 A All I can say is if I accepted the Utility
25 company figures for the improvements, I would have to

1 conclude that the good fairies had put an awful lot of
2 pipe in the ground.

3 Q Well, maybe the developers had put a lot of
4 pipe in the ground.

5 A That might be.

6 Q Thank you, Mr. Coloney.

7 MS. SANDERS: That's all I have, Mr. Deason.

8 CHAIRMAN DEASON: Mr. Pierson.

9 CROSS EXAMINATION

10 BY MR. PIERSON:

11 Q Good afternoon, Mr. Coloney.

12 A Good afternoon.

13 Q Can you describe the services you provided for
14 this utility for the rate case, this rate case?

15 A Basically, I have reviewed our files. I have
16 appeared and given a deposition and I have prepared
17 prefiled direct testimony and prefiled rebuttal
18 testimony based on questions which were given to me.

19 I have prepared for the hearing today by
20 reviewing Mr. Bishop's report, and by assessing the
21 information given therein with relation to the
22 information contained in my report.

23 Q Now, Mr. Coloney, you have a retainer
24 agreement with the Utility; isn't that correct?

25 A That is correct.

1 Q And that's for \$500 per month.

2 A That is correct.

3 Q And you've already testified that the Utility
4 owes you for past work.

5 A That is correct.

6 Q Does the retainer have anything to do with
7 those past amounts owed?

8 A It does not.

9 Q What would you do for the Utility on a typical
10 month -- in a typical month?

11 A On a typical month, Mr. Brown would contact me
12 and ask for my advice and consultation concerning
13 technical problems relating to the system. He might ask
14 me for assistance in connection with compliance with the
15 Department of Environmental Protection mandates,
16 requirements or suggestions, and I would respond to such
17 requests as were made.

18 Q Does Mr. Brown contact you for advice every
19 month?

20 A No. Some months he will ask essentially
21 nothing of me. Other months, why the actual time spent
22 responding to requests from Mr. Brown may be fairly
23 significant.

24 Q Assuming that overall, and this is a
25 hypothetical, if you will, assuming that -- would you

1 tell us, first of all, what your hourly rate is?

2 A \$200 a hour.

3 Q Then do you provide essentially two and a half
4 hour of work per month?

5 A After two and a half hours provided under the
6 retainer agreement, I bill Mr. Brown.

7 Q Okay. Now for the hypothetical. Assuming
8 that over the next year or so you did not wind up
9 putting two and a half hours per month into the Utility,
10 would you subtract the amount of that retainer from the
11 amount that Mr. Brown owes you for past services?

12 A Probably so, if requested to do so.

13 Q If the retainer was disallowed, how would you
14 bill the Utility for engineering services?

15 A I would bill them in precisely the same way,
16 but I would expect payment on a monthly basis.

17 Q How much have you billed the Utility for
18 preparation for this rate case thus far?

19 A I have not billed up to date, but I believe it
20 will probably be in the vicinity of 4,000 or 5,000.

21 Q Did you do any work for this rate case under
22 the retainer agreement?

23 A Yes, I did.

24 Q And if the retainer agreement is disallowed,
25 would you bill the Utility a further amount?

1 A Yes, I would.

2 Q Is the utility in compliance with the
3 Northwest Florida Water Management District mandates?

4 A To the best of my knowledge and belief, yes.
5 I appeared with Mr. Brown before the Northwest Florida
6 Water Management District several months ago. At that
7 time an application for increased withdrawal was
8 discussed. It's my understanding that Mr. Brown has
9 made such application, and to the best of my knowledge
10 and belief, at this point in time this matter is
11 proceeding through the normal channels; and, as such, I
12 would believe that the Utility company is in compliance.

13 CHAIRMAN DEASON: Let me interrupt for just a
14 second. I'm having a little difficulty with the
15 previous line of questions.

16 How is it that were the Commission to disallow
17 the retainer or a portion of the retainer, how would
18 that have any bearing on what you bill Mr. Brown?

19 WITNESS COLONEY: I was endeavoring to convey
20 that it would not have any difference. That I would
21 bill in precisely the same way.

22 CHAIRMAN DEASON: It makes no difference.

23 WITNESS COLONEY: It makes no difference.

24 Q (By Mr. Pierson) I thought I heard you
25 testify that if the retainer was disallowed, that you

1 would bill Mr. Brown over and above what you stated?

2 A I was endeavoring to convey that I bill
3 Mr. Brown on the basis of \$200 a hour, with a retainer
4 covering two and a half hours per month, and that I
5 would bill him, or the Utility, for services rendered at
6 that hourly rate whether or not services were allowed,
7 disallowed or otherwise.

8 Q What's the benefit of the retainer then?

9 A The benefit of the retainer is the fact that
10 we receive a specific payment, generally in advance, and
11 that we know that we're going to be paid for at least
12 two and a half hours.

13 Q And the benefit to the Utility is?

14 A The benefit to the Utility is that it has a
15 call on my time, which might not otherwise be available.
16 At present, and for the past several years, I have had
17 100% billable time. We work all over the United States.
18 And without such an arrangement I certainly could not
19 assure Mr. Brown that I would make time available on
20 call.

21 Q Getting back to -- excuse me -- the Northwest
22 Florida Water Management District, isn't the Utility
23 actually drawing more than its permitted capacity?

24 A Yes, indeed, it is, but as I stated that has
25 been discussed with the Northwest Florida Water

1 Management District. They recognize the discrepancy.
2 They have authorized, on a temporary basis, such
3 withdrawal, and the application for an increase in the
4 withdrawal is pending, so I would consider all of that
5 to mean that the Utility is indeed in compliance with
6 regulations and requirements.

7 Q And has that application for the modification
8 of the permit been filed?

9 A To the best of my knowledge and belief, it
10 has. However, I do not perform that particular aspect
11 of work for Mr. Brown.

12 Q Do you have a copy of your 1988 engineering
13 study in front of you?

14 A Yes, I do.

15 Q I suppose since there was a lot of discussion
16 about this previously we probably ought to mark this as
17 an exhibit.

18 MR. PIERSON: I think the next available
19 number is 8.

20 CHAIRMAN DEASON: Yes. That's correct. It
21 would be Exhibit No. 8. Are there copies available?

22 MR. PIERSON: I believe it was just handed
23 out.

24 CHAIRMAN DEASON: Very well. Exhibit No. 8.

25 MR. PIERSON: Thank you.

(Exhibit No. 8 marked for identification.)

Q (By Mr. Pierson) Would you refer to section 2.5.3, which is on Page 13, and tell me if you still maintain that adequate fire flows are available to a very limited extent during periods of low usage?

A Well, my statement was adequate fire flows are available to a very limited extent and only during periods of low usage.

I would say that the condition has significantly improved since this report. The plant currently is delivering water to the system with two 50-horsepower pumps controlled by variable frequency drives, delivering water at 65 pounds per square inch. They are certainly capable of exceeding a standard fire flow of 500 gallons per minute. And in any period other than absolute maximum usage, they would be able to continue that fire flow for a significant period of time. They have available approximately 450,000 gallons of storage. Their current operating procedure maintains that capacity, essentially, full at all times, except perhaps during absolute peak flows or peak demand. 500 gallons per minute equates to 30,000 gallons per hour, and based on that, they should be able to provide one standard fire flow for at least ten hours, even taking

1 into account normal or perhaps even higher than normal
2 usage.

3 Q One of the customers, a Ms. Gherardi, I
4 believe it was, testified that there was a recent outage
5 when the fire department was testing the system at both
6 ends of the island. Could you harmonize that, if you
7 would, with your statement that the Utility could
8 provide ten hours of fire flow.

9 A A fire flow, a standard fire flow is 500
10 gallons per minute.

11 If the volunteer fire department opened a
12 number of hydrants at both ends of the system
13 simultaneously, they would easily exceed the delivery
14 capacity of the system. So that an outage under those
15 conditions would not surprise me, but that does not
16 relate to a real life situation.

17 Q Then the Utility could only handle one fire at
18 a time; is that what you're saying?

19 A It's my understanding that the Utility company
20 is not required under any circumstances, for any reason,
21 to provide any fire protection whatsoever. And it would
22 be my understanding that the Utility company does,
23 indeed, under present conditions, provide a very
24 significant degree of fire protection. Should it be
25 desirable, or should it be required that the Utility

1 company provide multiple fire flows simultaneously,
2 particularly during a peak demand period, it would be
3 necessary to significantly increase the physical
4 infrastructure at a very large cost. But it's my
5 understanding that there is no requirement ethically,
6 morally or legally for the system to provide such.

7 Q What would it take to bring the fire flow up
8 to your standards?

9 A I would believe that it is fully up to any
10 requisite standards at this point in time.

11 When you say "standards," what you're really
12 referring to is a level of capacity which would result
13 in a more favorable insurance rating, which in turn
14 would result in lower insurance premiums. And since the
15 insurance ratings range over a series of numbers, it's
16 possible to specify almost any level of requirement.
17 But that's not quote "standard". I would say that the
18 Utility company is providing an extraordinarily high
19 level of fire protection given the fact that it is not
20 required to provide any at all.

21 Q But you testified that it would take -- I'm
22 not sure exactly how you put it, but significant
23 improvement in infrastructure to provide multiple --

24 A Multiple fire flows simultaneously at peak
25 demand.

1 Q And what infrastructure are we talking about,
2 in your opinion?

3 A In my opinion it would be desirable to provide
4 increased elevated storage, and it would be desirable to
5 provide a supplemental main dedicated to fire
6 protection, as opposed to the combined use of the
7 existing main for delivery of distribution water and
8 fire fighting water from the same line.

9 Q Based upon the testimony that you have given
10 on fire flow, should customers reasonably expect the
11 fire hydrants to be able to provide adequate fire
12 protection?

13 A No.

14 Q If a water system was not designed to provide
15 fire flow, do you believe it's sound engineering
16 practice to attach fire hydrants to that system?

17 A As I've already stated the system provides a
18 very high level of fire protection. Yes, indeed, given
19 the size of the main and the capacity of the system, it
20 was a reasonable and prudent decision to install fire
21 hydrants and they are indeed functional and provide a
22 high degree of protection.

23 I'm simply saying that the system, the Utility
24 company is not required to provide fire protection. And
25 since it is not, and since the customers do not pay for

1 such, I think that they have no right to expect such,
2 despite the fact that they are provided such.

3 Q I'm not quarreling with you, I'm just trying
4 to get some stuff into the record.

5 A No, no, no. I understand. I appreciate your
6 demeanor, and I under no circumstances would consider it
7 to be anything other than gentlemanly and polite.

8 Q Thank you.

9 On a peak day?

10 A Yes.

11 Q I believe you testified that the Utility may
12 not be able to provide adequate fire flow for even one
13 fire; is that correct?

14 A That is correct.

15 Q Do you believe that the Utility has adequate
16 storage as it is now?

17 A For the foreseeable future, yes.

18 Q What is the foreseeable future?

19 A I would say over the next four to five years.

20 Q Are you aware that the Department of
21 Environmental Protection as opposed to the Department of
22 Environmental Pollution -- (laughter)

23 A I appreciation the distinction.

24 Q Considers that the Utility is very near its
25 capacity right now.?

1 A Yes, I am, and I have a slight difference of
2 opinion with that.

3 I think when you take into account the pumping
4 capacity and the storage capacity, the extraordinary
5 character of the system, the fact that it experiences
6 peak demand only on a very few days each year, Memorial
7 Day weekend, Fourth of July weekend, Labor Day weekend,
8 that the system is capable of meeting that demand with
9 careful management for the next four or five years with
10 no significant additions.

11 Q You stated that the Utility has adequate
12 storage right now. Were you to add additional storage,
13 would you choose ground storage or elevated storage?

14 A Elevated storage, probably at the far end of
15 the island, toward Bob Sykes Cut.

16 Q Did you testify as to the available storage
17 for this Utility right now?

18 A I'm not sure I understand your question.

19 Q The number of gallons available.

20 A Well, you have roughly 300,000 gallons of
21 ground storage and roughly 150,000 gallons of elevated
22 storage at present. Given normal conditions, I would
23 expect that to equate to, oh, perhaps 400,000 available
24 gallons.

25 Q Are you aware that on May 31st, 1993, the

1 demand for water was 533,000 gallons?

2 A Yes, I am.

3 Q Does that change your opinion at all as
4 to the --

5 A No. Not at all, considering the fact that you
6 have a pumping capacity to deliver almost 700,000
7 gallons to the island, an on-site storage -- I mean an
8 on-site storage capacity of 400,000 gallons, combined
9 with the pumping capacity to deliver almost 700,000
10 gallons to the island in a 24-hour period, gives you a
11 total available delivery of 1,100,000 gallons as opposed
12 to a demand of 533,000, and I think that is more than
13 adequate. (Pause)

14 Q Would you believe it's reasonable to expect
15 with additional growth, peak usage will only increase?

16 A I beg your pardon?

17 Q With additional growth, do you believe that
18 peak usage will increase?

19 A Yes, I do.

20 Q And do you believe that the addition of
21 storage increases a system's capacity?

22 A Yes, I do.

23 Q Can you explain that?

24 A Certainly. If you, for example, have storage
25 which equals total demand in a given period of time,

1 then if you were unable to pump during that period for
2 any reason, you would be able to supply that peak demand
3 without further delivery of water from your well field.
4 Given the fact that the Utility company now has on-site
5 backup generation capability, power generation
6 capability, and given the fact that you have on the
7 island a fairly substantial percentage, or have storage
8 representing a fairly substantial percentage of peak
9 demand, I would believe that the system is reasonable
10 and adequate for the foreseeable future. As does any
11 engineer, I'm always happy with redundancy. I would
12 like to see additional pumping capacity. I would like
13 to see additional on-island storage capacity,
14 preferably elevated, but that does not affect my
15 opinion that the system is reasonably capable of meeting
16 foreseeable demand in the near future.

17 Q And you said for four or five years?

18 A Four or five years, that's correct.

19 Q Then the difference between your opinion and
20 DEP's opinion is that they use peak usage and you use
21 average usage?

22 A Well, the difference is that they are giving,
23 I believe, far greater weight to peak demand than is
24 justifiable given the extraordinary nature of this water
25 system. If this water system were in a conventional

1 municipality, I would agree with them totally,
2 absolutely and completely and would perhaps be even more
3 conservative than they are.

4 Given the fact, though, as I said before, that
5 you have only three weekends a year when you experience
6 this peak demand. And given the fact that the balance
7 of the year, you're looking at a demand that is
8 one-third of that on a daily basis, I simply can't
9 assign as high an importance to the peak demand as
10 perhaps the Department of Environmental Protection does.
11 And don't misunderstand me, I'm not saying that they are
12 wrong. I stress the fact that this is a difference of
13 professional opinion.

14 Q Would you then come up with a formula that
15 would weight certain factors and weight peak usage
16 perhaps slightly lower than number one, is that what
17 you're talking about?

18 A I have a monumental distrust of formulas which
19 relate peak usage to requirements. Common sense, good
20 engineering experience and good basic knowledge is a far
21 better determinant than, in my opinion, are formulas.

22 Q I don't mean to testify, but this Utility has
23 had a number of complaints in the past about water
24 outages and low system pressure. If the system capacity
25 was not increased sufficiently, wouldn't we still be

1 having these complaints on the peak usage days?

2 A It's my opinion that the system capacity has
3 been increased. Since the installation of the elevated
4 storage tank, since Well No. 3 -- well, actually since
5 installation of the elevated storage tank, I really am
6 not aware of any significant outages, period. And if
7 you have information as to a large number of such, I'd
8 be delighted to look at them. But as far as I know, the
9 system is operating effectively, efficiently and is
10 meeting the requirements of its customer populous.

11 Q In that study on Pages 16 and 17, Section
12 2.7.4, you state that "All existing two-inch PVC pipe
13 should be replaced with four-inch PVC at an absolute
14 minimum." Do you still agree with that statement?

15 A Excuse me, where are you looking?

16 Q At the bottom of Page 16, top of Page 17.
17 2.7.4.

18 A Yes. I say that the existing nearly 700,000
19 linear feet of two-inch PVC pipe is totally inadequate
20 for any type of fire protection. And I totally agree.

21 Q Do you believe that that should be replaced
22 with something larger?

23 A I think it would be desirable. However, given
24 the fact that the Utility company is not required to
25 provide fire protection, I think it would be an

1 imprudent business decision to make such replacement.

2 Q Well, you also stated that in some instances
3 that is inadequate to provide satisfactory flow for
4 domestic use.

5 A That was when they were operating with a
6 normal pressure of 30 pounds per square inch. Now that
7 they have a system-wide reliable delivery pressure of 65
8 pounds per square inch, that's no longer the case.

9 Q Then you would not replace that pipe right
10 now?

11 A I would not replace that pipe unless there
12 were provision for additional capital in order to
13 provide fire protection. I would not replace that pipe
14 for any current foreseeable use.

15 Q Well, hypothetically then -- well, let me lay
16 a predicate for it first. What is the single largest
17 cost in laying pipe?

18 A I'm sorry, I didn't understand.

19 Q Would you agree that the single largest cost
20 in laying pipe is digging the hole and putting the pipe
21 in it as opposed to the cost of the pipe?

22 A No. My experience has been that they are
23 roughly equal. As a matter of fact, very interestingly
24 before I came down this morning, I was working on review
25 of a cost determination for a project in Jacksonville

1 involving 29-inch by 45-inch reenforced concrete pipe
2 arch. We received a quote of \$43 per foot for the pipe
3 delivered on site and an estimated cost of \$25 per foot
4 for installation at the depth specified. In many
5 instances I find that the cost of materials and the cost
6 of labor for installation, including appropriate burden
7 rates and so on, is roughly equal. And a rough rule of
8 thumb: If you're making a cost estimate, take the
9 delivered cost of materials to the site and add 100%.

10 Q What about the difference between, say,
11 four-inch PVC and six-inch PVC, what is the difference
12 between those?

13 A The six-inch PVC has the ability to deliver a
14 greater -- a significantly greater flow than the four
15 inch. The increase in flow capacity is not proportional
16 to the change in diameter.

17 Q I understand. And I meant cost, in terms of
18 cost.

19 A Well, there is not that much difference. I
20 have not checked prices recently, but I would guess that
21 there might be perhaps a \$2 differential between the
22 two, per linear foot.

23 Q If St. George were to replace the two-inch
24 pipe, then based upon the testimony you just gave, would
25 you recommend that they replace it with four-inch or

1 six-inch PVC?

2 A Here again the question arises as to whether
3 or not they are replacing that pipe with the intent to
4 provide fire protection. If the intent is to provide
5 domestic usage only, I think it would be imprudent from
6 a business standpoint to make any increase in size.

7 If the intent is to provide fire protection,
8 and there is a source of funds for such, I would like to
9 see a minimum of six inch. As I said in my report, an
10 absolute minimum would be four inch; I'd much prefer six
11 if we're talking fire protection.

12 Q I assume that we're dealing with your rebuttal
13 testimony at this time as well; is that correct?

14 A Yes.

15 Q In your rebuttal testimony --

16 CHAIRMAN DEASON: Mr. Pierson, how much more
17 do you have for this witness?

18 MR. PIERSON: Not very much.

19 CHAIRMAN DEASON: Five minutes or more?

20 MR. PIERSON: I hesitate to answer because
21 Mr. Coloney sometimes gives long answers to the
22 questions. (Laughter)

23 WITNESS COLONEY: My apologies for being so
24 verbose.

25 MR. PIERSON: That's quite all right. I

1 think, 15.

2 CHAIRMAN DEASON: Okay. We're going to go
3 ahead and take a recess at this time. It's been a long
4 time. We're going to take ten minutes.

5 (Brief recess.)

6

7 CHAIRMAN DEASON: Call the hearing back to
8 order. Mr. Pierson, you may continue.

9 MR. PIERSON: Thank you.

10 Q (By Mr. Pierson) Mr. Coloney, is there
11 anything in your opinion that distinguishes St. George
12 Island Utility Company from any other similarly situated
13 utility?

14 A Yes, indeed. First its physical
15 configuration. Essentially it is a T with a very, very
16 long cross bar. The vertical upright being the delivery
17 line or supply line from the mainland, and the cross bar
18 being the system as it extends the entire length or
19 almost the entire length of St. George Island. The
20 result is that you have extraordinary distances in both
21 directions from the main pumping facility on the island.

22 Next is the fact that it's extremely cyclical
23 that you cannot really design for what is the actual
24 average daily flow, that the design of the system is
25 driven by essentially three peak demand periods during

1 the year, and the rest of the time the capacity of the
2 system is utilized only to a fraction of its extent.

3 And finally, it differs from many, many other
4 systems in that the Utility company has no ability to
5 command connections, that owners, property owners
6 throughout the length of the island are completely free
7 to connect or not at will. But that because of the
8 configuration of the island, the Utility company has
9 been forced to extend lines for very, very considerable
10 distances, past innumerable properties that may never
11 actually connect to the system. So those would be a few
12 differences that I perceive between the St. George
13 Island Utility Company and other utility companies
14 having a similar number of connections.

15 Q Is that it?

16 A I think so.

17 Q Thank you. Now, in your rebuttal testimony
18 you talked a lot about Mr. Brown's management skills,
19 and you also stated that you have a management
20 consulting firm; is that correct?

21 A That is correct.

22 Q What is your involvement in that consulting
23 firm?

24 A The management consulting company is Coloney
25 Vonsoosten, that's V-O-N-S-O-O-S-T-E-N, and Associates

1 Incorporated. Our several principals include myself,
2 Diedrich, D-I-E-D-R-I-C-H, Voonsoosten, who was auditor
3 partner with Price Waterhouse in New York City for a
4 number of years. Mr. Jeffrey Murphy, who was Executive
5 Vice President and Chief Administrative Officer of
6 Beatrice, the food holding company, and Mr. John
7 Johnson, who was Chief Financial Officer of the New York
8 Stock Exchange.

9 We offer consulting management services
10 primarily to corporate entities experiencing
11 difficulties, ranging from management difficulties to
12 financial difficulties.

13 My particular effort within that entity is the
14 provision of consulting advice to small defense
15 contractors. And I might mention that we've had ample
16 opportunity over the last several years to work in that
17 field.

18 Q How many defense contractors have you
19 consulted for?

20 A A dozen or so.

21 Q Have you ever testified as an expert?

22 A In connection with that activity?

23 Q Yes.

24 A We customarily do not make court appearances
25 on behalf of our clients. We provide management advice

1 and assistance. We, in many cases, are instrumental in
2 securing supplemental financing. We maintain good
3 relations with a number of banks, both domestic and
4 international, and on occasion we have assisted in both
5 acquisitions and divestitures. But in that particular
6 area of practice, I have not had occasion to offer
7 testimony in a court action or by reason of deposition.

8 Q Have you ever consulted for Mr. Brown's
9 company, the Utility company?

10 A From the financial aspect or from the
11 management aspect?

12 Q From your management company?

13 A No, I have not.

14 Q And you stated that since Mr. Brown took over
15 the Utility, that the management has significantly
16 improved. But wasn't Mr. Brown actually, in fact, very
17 heavily involved in the Utility before he took over as
18 manager?

19 A Not really. Mr. Brown had a number of
20 business interests, and prior to his actual assumption
21 of direct day-to-day management, I would believe that he
22 was probably giving considerably more attention to other
23 business activities than to the Company. Since he has
24 been devoting his direct personal attention to the
25 management of the Company, I have perceived a very, very

1 significant improvement.

2 Q Didn't Mr. Brown, prior to taking over in
3 1991, have the final say in most matters?

4 A I would believe that he has probably always
5 had the final say in such matters, but I would also
6 believe that he was busy enough with other activities
7 that perhaps he relied upon representations and advice
8 that might not always have been of the highest quality.

9 Q Do you know anything about the Utility's
10 capital structure?

11 A I'm not really familiar with the capital
12 structure of the Utility. I will comment, however, that
13 over the years I have had intimate experience with
14 operating costs of utility companies of all sides. When
15 I say "companies," my experience has been primarily with
16 utilities operated by municipalities or other
17 governmental entities and accordingly not subject to
18 Public Service Commission guidance or review.

19 However, I am intimately familiar with
20 operating costs, and it has astounded me that St. George
21 Island Utility Company has been capable of surviving
22 given the rate structure under which it operates.

23 Q I was referring to capital structure. Would
24 it surprise you to find out that the Utility is
25 supported 100% by debt?

1 A No. It wouldn't surprise me at all. In fact,
2 given the rate structure, I think that that's probably
3 the only way it could survive.

4 Q Do you believe that 100% debt is a prudent
5 capital structure?

6 A I think it's a very imprudent capital
7 structure but I believe it has been forced upon the
8 Utility company by the grossly inadequate rate
9 structure.

10 Q Faced with a grossly inadequate rate
11 structure, wouldn't a prudent manager apply for an
12 increase in rates?

13 A I would think so, and since Mr. Brown has
14 taken over the actual personal direct management of the
15 Company, I believe that this hearing today indicates
16 that he is doing exactly that.

17 Q He took over in 1991.

18 A And I believe that we had previously made
19 application for a rate increase in 1989, and only more
20 recently has the Company been in a position to assemble
21 all of the data and documentation necessary for
22 presentation of an adequate application for rate
23 increase.

24 Q You've stated also that, I believe twice, that
25 Mr. Brown still owes you for past services.

1 A That is correct.

2 Q Do you know whether he owes any other
3 providers of services for past services?

4 A I do not.

5 Q Okay. In your years of management experience,
6 how often did you become or get in arrears in payments?

7 A In 1982, when H. Coloney Company which
8 employed 350 people and had annual sales of
9 approximately \$20 million, filed for reorganization
10 under Chapter 11, fortunately I was able to bring it out
11 of Chapter 11 nine months later with a reorganizational
12 structure approved by the court, which left me with
13 debts of approximately \$4.8 million. 18 months later I
14 had been successful in repaying 100% of that debt.

15 So my Chapter 11 reorganization was highly
16 successful, both from my standpoint, and from the
17 standpoint of my creditors and my customers.

18 However, most certainly during that period of
19 time I was in arrears on a very substantial sum of
20 money.

21 Going a little bit further as far as Mr. Brown
22 is concerned, I've already testified that my
23 relationship with him extends back for at least 25
24 years. Over the years, Mr. Brown has retained me for a
25 variety of services and he has paid what for me is a

1 very large sum of money. Consequently, the fact that he
2 owes me some \$70,000 or \$75,000 at the moment, I won't
3 say that that does not concern me, but he's always paid
4 me in the past, and I expect he will survive, and I
5 expect he'll pay me in the future.

6 Q Are you aware of any liens or judgments on the
7 Utility?

8 A I have, as a prudent businessman, filed
9 appropriate liens. Mr. Brown is a very close friend of
10 mine. I believe in him as a businessman. I think he is
11 a superlative manager, but I would be a poor businessman
12 if I did not file liens where appropriate. And, of
13 course, Mr. Brown knew prior to my to filing that it was
14 my intent to do so.

15 Q And didn't all of this happen while Mr. Brown
16 had the final say in the Utility matters?

17 A I think I've already addressed that by stating
18 that he had a variety of other business interests which
19 received a great deal of his attention, and I believe
20 that although he had final say-so for a considerable
21 period of time, he perhaps relied more heavily than he
22 should have on representations and advice, which perhaps
23 was not of the highest quality.

24 Q But surely he saw the bottom line in the
25 books.

1 A Mr. Brown was so successful in development,
2 which was generating such large sums of money in other
3 areas, that I believe the -- and this is pure personal
4 speculation because we've never discussed this -- I
5 believed that perhaps the Utility company losses, which
6 he cheerfully funded from his other activities, were
7 perhaps not as important to him then as they may be now.

8 MR. PIERSON: That's all I have.

9 CHAIRMAN DEASON: Redirect.

10 Mr. Pfeiffer, Commissioner Kiesling has a
11 question or two, perhaps she should ask hers before you
12 conduct redirect.

13 COMMISSIONER KIESLING: That way if you want
14 to redirect, you can on mine. Actually, my question
15 relates to your rebuttal testimony at Page 2, where you
16 were asked whether the Utility was in compliance with
17 the statutes, rules and regulations administered by the
18 Florida Department of Environmental Protection.

19 WINTESS COLONEY: Yes, ma'am.

20 COMMISSIONER KIESLING: And you answered
21 that -- it says "I believe the St. George Island water
22 system is in substantial compliance with all the
23 statutes, rules, regulations," et cetera. And I
24 guess -- maybe it's a semantical difference, but to me
25 you're either in compliance or you're not. There's not

1 a shade of degree there. And I want some explanation of
2 your use of the term "substantial compliance," and
3 whether that means they're in compliance or they're not.

4 WINTESS COLONEY: Surely. A very fair
5 question.

6 When I said "substantial," I had the
7 understanding that the Utility company was in the
8 process of installing variable drive controls, and
9 larger pumps or pump at the main plant, and that they
10 were also required to install an altitude valve on the
11 elevated storage tank together with the necessary
12 appurtenances and connections. It was my understanding
13 that they were in the process of so doing, but had not
14 as yet completed such, and, accordingly, I felt that
15 substantial compliance was probably the most accurate
16 statement.

17 It's my understanding that that work has
18 largely been completed as of this moment. And to the
19 best of my knowledge, I would say that they are in
20 compliance with requirements of the Department of
21 Environmental Protection.

22 COMMISSIONER KIESLING: Okay. And then just
23 so that I can clarify, your answer was that in your
24 prefiled rebuttal, that they were in substantial
25 compliance with all of the statutes, rules and

1 regulations administered by DEP. And you just addressed
2 one area of regulation. Are you now saying to me that
3 St. George Island Water System is in compliance once
4 those -- that increase in pumping capacity, et cetera,
5 was done, with all of the statutes and rules and
6 regulations?

7 WINTESS COLONEY: Yes, I am, to the best of my
8 knowledge and belief.

9 COMMISSIONER KIESLING: Do you know what all
10 the statutes, rules and regulations are that are
11 administered by DEP?

12 WINTESS COLONEY: I think that any engineer
13 who responded yes to that question would not be
14 responding accurately.

15 I am reasonably conversant with the rules and
16 regulations, and the best determinant of noncompliance
17 generally is noticed by the Department of Environmental
18 Protection, that a utility or an entity is not in
19 compliance in a particular area.

20 No, I would, under no circumstances, claim to
21 be fully knowledgeable of all.

22 COMMISSIONER KIESLING: Okay. Thank you for
23 the clarification.

24 CHAIRMAN DEASON: Redirect.
25

REDIRECT EXAMINATION

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BY MR. PFEIFFER:

Q Is Billy Bishop alive?

A Yes, Billy Bishop is alive, active, and as a matter of fact, I'm currently working with him on another project.

Q Do you know who Lewis Cook is?

A Mr. Cook is alive, active, although I believe he is essentially retired.

Q Do you know whether Mr. Cook actually did the so-called "Billy Bishop Report" that has been referenced during the course of your testimony?

MR. McLEAN: Pardon me, Mr. Coloney.

Mr. Pfeiffer has undertaken to impeach the testimony of his own witness. I was wondering if he claims surprise or is he calling Mr. Coloney now as an adverse witness?

CHAIRMAN DEASON: All I know is that he's supposed to be asking questions on redirect. And I'm not so sure that Mr. Cook was ever brought up on cross examination; perhaps you can explain why this line of questioning is necessary.

MR. PFEIFFER: Well, I think the point that I wanted to make is that Mr. Coloney -- I don't know whether this document is going to be offered into evidence through this witness or not, but it would seem

1 to me that Mr. Coloney could not fairly authenticate the
2 document. Mr. Cook's name is on the appraisal. He
3 signed it.

4 MR. McLEAN: I think it's too late for that.
5 His witness embraced that report like a newborn babe.
6 Now he's trying to impeach that embracement, and I don't
7 think he can do it without a claim of surprise. He
8 should have known what his witness was going to say.
9 And it doesn't seem like Mr. Coloney has, thus far, been
10 a hostile witness or adverse in any way. What he's
11 doing now is trying to impeach the testimony of his own
12 witness.

13 MR. PFEIFFER: Nothing could be farther from
14 the fact.

15 CHAIRMAN DEASON: All I know is is that there
16 was a document produced. It has not yet been admitted
17 but there has been cross examination conducted on that
18 document. And to the extent that Mr. Pfeiffer wants to
19 ask redirect on that same document, I'm going to allow
20 that. You may have proceed, Mr. Pfeiffer.

21 MR. PFEIFFER: We have identified this
22 document as the Bishop Study or Bishop Appraisal; is
23 that correct?

24 A That is correct.

25 Q Do you know who actually did the appraisal?

1 A I do not. I know Mr. Cook; I know Mr. Bishop.
2 They are both highly competent individuals. As I have
3 previously testified, I did not address his report at
4 the time I did my study in 1988. I have since seen
5 Mr. Bishop's study. I think that it is accurate and
6 excellent. But as far as who within Mr. Bishop's firm
7 actually did the work, I have no idea.

8 Q And have you ever seen the invoices upon which
9 the report was supposedly based?

10 A I have not.

11 Q There were differences between your report and
12 the Bishop Report as to distribution mains and pipes
13 that you believed were in the ground in 1987 and that
14 the report states were in the ground in 1987.

15 A That is correct.

16 Q Were there some infrastructure facilities that
17 you and the Bishop Report agreed about?

18 A Actually, as I've previously stated, I feel
19 that my report and that of Mr. Bishop is totally and
20 completely consistent. And I think if Mr. Bishop were
21 present today he would state that his study was
22 accurate, and I think that he would agree with my
23 discussion of my study and of his study. I find no
24 disagreement in any way between his and mine.

25 Q With regard to a fire protection on St. George

1 Island, do you have any suggestion as an appropriate
2 approach for St. George Island Utility in evaluating
3 fire protection issues?

4 A I'm not sure I understand the question. When
5 you say "evaluating fire protection issues."

6 Q Do you think it would be prudent for St.
7 George Island Utility Company to commission a report to
8 evaluate fire protection issues?

9 A Only if there was a source of funds to pay for
10 such a report, and only if there was a reasonable
11 probability that funds would be available to act upon
12 the report once it was completed. Under the present
13 circumstances, the Utility does not have funds to pay
14 for fire protection. It is under no mandate to provide
15 such, and I think it would be an imprudent business
16 decision to either conduct a study, or to invest money
17 in additional fire protection. If, on the other hand,
18 the residents of St. George Island felt that such was
19 important enough to provide the monies therefor, then
20 certainly a report should be undertaken. And once such
21 a report had been completed, if the report so indicated
22 that it was economically feasible, then additional fire
23 protection could, indeed, be provided.

24 Q Well, do you think that it would be helpful to
25 the customers of St. George Island Utility in

1 determining whether they wanted to pay for fire
2 protection or not to know what the cost would be?

3 A Oh, absolutely, beyond a shadow of a doubt.

4 Q And is that something you could learn through
5 a study?

6 A Yes, it is.

7 Q You have testified in response to a question
8 from Mr. Pierson with regard to differences between the
9 St. George Island Utility and other utilities, other
10 typical utilities having a similar number of
11 connections. Would these differences increase the cost
12 of operating and maintaining St. George Island Utility?

13 A Very, very significantly. St. George Island
14 Utility Company is forced to maintain an infrastructure
15 vastly in excess of that which would normally be
16 required to service the same number of customers in a
17 conventional configuration, most small communities that
18 would have an equivalent number of customers.

19 Further, you have the question of
20 cross-connections, which I believe I did not mention
21 before. You have a number of private wells on the
22 island. You have the potential for a homeowner with a
23 private well connecting to the system. The prevention
24 of cross-connections with the system as a whole is
25 extremely important from a health standpoint, and the

1 St. George Island Utility Company must deal with such
2 cross-connection potential on a far, far larger scale
3 than any utility of comparable size with which I am
4 familiar.

5 Q Do you think that it would be fair to compare
6 the operating and maintenance costs, the cost of
7 operating St. George Island Utility with other utilities
8 based simply on the number of customers?

9 A Absolutely not. It would be not only
10 inaccurate, but extremely unfair.

11 Q At the very beginning of your testimony I
12 think there was a question regarding other consulting
13 services that you've performed in front of the Public
14 Service Commission. You have performed other consulting
15 services for utilities.

16 A A very large number. I have served as
17 engineer of record for the city of Tampa on some many
18 millions of dollars of design and actual construction of
19 extensions of both water and sewer. I've served as
20 engineer of record for a number of towns, cities and
21 other entities, private water systems throughout the
22 state over a continuing period of time.

23 I have served as principal engineer and
24 engineer of record on water systems serving as few as 50
25 to 100 customers, and as many as 100,000 or more.

1 Q I have no further questions of the witness.

2 MR. McLEAN: Mr. Chairman, it's unusual
3 configuration; I cross the witness and then Ms. Sanders
4 and then Mr. Pierson. Mr. Pierson opened a door,
5 essentially, I think, into the area of comparability
6 and, of course, Mr. Pfeiffer rightfully was permitted to
7 redirect on that particular issue. However, I didn't
8 have a opportunity to inquire of the witness as to
9 comparability from our point of view, and I have about
10 two questions on that issue which I'd like to ask.

11 CHAIRMAN DEASON: I will allow those questions
12 and Mr. Pfeiffer may follow up if necessary.

13 MR. McLEAN: Of course.

14 RE-CROSS EXAMINATION

15 BY MR. McLEAN:

16 Q Mr. Coloney, Mr. Pfeiffer just asked you
17 question and he referred to Mr. Pierson's question about
18 I think it fairly concerned the configuration of this
19 system and whether it was comparable to other systems of
20 similar revenue size. Do you recall those
21 questions?

22 A Yes, I do.

23 Q Now, my question to you is you provided some
24 considerable testimony in this case regarding used and
25 useful; is that correct?

1 A That is correct.

2 Q Isn't it true that the configuration of the
3 system plays an important role in the determination of
4 used and useful for any system?

5 A Yes, it does.

6 Q Thank you, sir.

7 MR. McLEAN: Nothing further.

8 CHAIRMAN DEASON: Mr. Pfeiffer, any further
9 questions?

10 MR. PFEIFFER: No, Chairman Deason.

11 CHAIRMAN DEASON: Exhibits?

12 MR. PFEIFFER: One of the exhibits was
13 Mr. Coloney's resume.

14 CHAIRMAN DEASON: That's Exhibit 5. Do you
15 want to move that?

16 MR. PFEIFFER: We move Exhibit 5.

17 CHAIRMAN DEASON: Without objection, Exhibit 5
18 is admitted.

19 (Exhibit No. 5 received in evidence.)

20 MR. PFEIFFER: And one of the exhibits was the
21 report of Mr. Coloney from the last rate case. I
22 believe it was Exhibit 8.

23 CHAIRMAN DEASON: Yes, that is Exhibit 8.
24 It's the June 1988 engineering analysis.

25 MR. PFEIFFER: Actually, it was, I guess,

1 identified by Mr. Pierson.

2 MR. PIERSON: I'll go ahead and move it, then.

3 MR. PFEIFFER: I second it. (laughter)

4 MR. McLEAN: No objection.

5 CHAIRMAN DEASON: Without objection, Exhibit 8
6 is admitted.

7 (Exhibit No. 8 received in evidence.)

8 Further exhibits?

9 MS. SANDERS: Commissioner Deason, I move in
10 Exhibits 6 and 7.

11 CHAIRMAN DEASON: Without objection.

12 MR. PFEIFFER: I object, Your Honor. I don't
13 believe that these exhibits have been adequately
14 authenticated through this witness. Although the
15 witness testified that the report is not inconsistent
16 with his report, he did not authenticate the report.
17 And as to the other three pieces of paper there, are
18 many entries on it with a source that we can only
19 speculate about. I don't have the source documents
20 here, I don't have the ability to check them and we
21 would object to those exhibits.

22 CHAIRMAN DEASON: Ms. Sanders.

23 MS. SANDERS: As to the Bishop Report, of
24 course, the rule on authentication is that the rule is
25 satisfied if there is evidence sufficient to support a

1 finding that the matter in question is what its
2 proponent claims. We claim it's a report by William M.
3 Bishop. It seems to be clearly identified as to that.
4 And Mr. Coloney had nothing -- he didn't disagree with
5 that. No one questioned whether that was, in fact, a
6 report by William Bishop. So on that ground we argue
7 that it is authenticated.

8 The other two documents are the source
9 documents are Mr. Coloney's report and Mr. Bishop's
10 report. Mr. Pfeiffer just moved in one of those source
11 documents. It's right there in his hands, so we would
12 move those in.

13 MR. PFEIFFER: But there are other source
14 documents, as well, Your Honor.

15 MS. SANDERS: It's No. 7 is all Coloney and
16 Bishop and the annual reports which, of course, the
17 Commission has on file annually in your records.

18 CHAIRMAN DEASON: I'm going to overrule the
19 objection and allow the admittance of Exhibit 7 and
20 Exhibit 6. I note to the extent there is an objection,
21 I think it goes more to the weight given to the exhibits
22 as to their admissibility because these exhibits were
23 presented to the witness, questions were asked and he
24 did authenticate or recognize much of the information,
25 if not all, contained therein. Exhibits 6 and 7 are

1 admitted.

2 (Exhibit Nos. 6 and 7 received in evidence.)

3 CHAIRMAN DEASON: Thank you, Mr. Coloney.

4 WITNESS COLONEY: Thank you, Mr. Deason,

5 Ms. Kiesling. It's been a pleasure being here.

6 (Witness Coloney excused.)

7 - - - - -

8 CHAIRMAN DEASON: Mr. Pfeiffer, you may call
9 your next witness.

10 MR. PFEIFFER: We call Gene Brown.

11 MR. McLEAN: Mr. Chairman, earlier in the day.
12 you asked us to get our exhibits out kind of all at once.

13 CHAIRMAN DEASON: Yes.

14 MR. McLEAN: We have a number of exhibits for
15 Mr. Brown, and it may take us five, six minutes to
16 distribute them. This may be an appropriate time for
17 break, if you see fit or, otherwise, we'll just run them
18 up as we need them.

19 CHAIRMAN DEASON: Well, since we're going into
20 a transition here, we'll go ahead and take five minutes
21 and perhaps you could distribute those now. We'll take
22 5 minutes.

23 (Brief recess taken.)

24 (Transcript follows in sequence in Volume 3.)

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