



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: May 2, 1997
TO: Division of Records and Reporting
 Division of Legal Services (Capeless)
FROM: Division of Water and Wastewater (Walker) *WJ*
RE: Docket No. 970210-WS -Application by United Water Florida Inc. for amendment of Certificate Nos. 236-W and 179-S and for a limited proceeding to adjust rates in St. Johns County

Please file the attached document in Docket No. 970210-WS. This information was received from the Board of County Commissioners for St. Johns County with respect to its decision to approve the transfer of water and wastewater certificates from Sunray Utilities to United Water Florida Inc. This document communicates the Board's suggestion that the Florida Public Service Commission should approve the applicant's plan to eliminate an existing master meter serving the Cimarrone community and subsequently install individual residential meters.

Attachment

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- OPD _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

DOCUMENT NUMBER - DATE
04446 MAY-56
 FPSC-RECORDS/REPORTING

St. Johns County Board of County Commissioners

NICHOLAS M. MEISZER
County Administrator

P.O. DRAWER 349
SAINT AUGUSTINE, FLORIDA
32085-0349



PHONE: (904) 823-2501
FAX: (904) 823-2507
SUNCOM: 865-2501

APR 26 1997

Florida Public Service Commission
Division of Water and Wastewater

April 23, 1997

Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 33201

Dear Sirs:

On April 2, 1997, the St. Johns County Water and Sewer Authority approved the transfer of:

- A. Joint Application for Transfer of Water Franchise Certificate No. 7 and Utility Facilities from Sunray Utilities-St. Johns, Inc., to United Water Florida Inc; and
- B. Joint Application for Transfer of Sewer Franchise Certificate No.8 and Utility Facilities from Sunray Utilities-St. Johns, Inc., to United Water Florida Inc.

During the discussion of this item, the Authority requested the Executive Director to communicate to the Public Service Commission it's suggestion to modify the existing billing system for the Cimarrone Property Owner's Association, Inc. Under the current situation, a master meter system is utilized. It is requested that individual residential meters be installed to accurately reflect individual usage.

The Association is made up of 73 residents. Additionally, there are 213 residential units either already completed, under construction or under active planning which will increase the membership to 286 within 28 months. Ultimately, Cimarrone will have 593 residents when built out.

Enclosed are the Order of Confirmation approving the transfer of Certificates by Sunray Utilities-St. Johns Inc. to United Waterworks, Inc. and United Water Florida, Inc. and the transcript of St. Johns County Utility Authority Meeting of April 2, 1997.

If I can be of further assistance, please do not hesitate to contact me at 904-823-2501.

Very truly yours,

Jonathan A. Mantay, Executive Director
St. Johns County Water & Sewer Authority

JAM/lt

Enc.

TRANSCRIPT

ST. JOHNS COUNTY UTILITY AUTHORITY

MEETING

of

APRIL 2, 1997

(As it pertains to Sunray Utilities & United Water of Florida)

WITNESS

SWORN
PAGE

Scott G. Schildberg, Attorney United Water.....	1
Munmipalli Sambamurthi, Representative United Water.....	4
Dan Roach, Manager Sunray Utilities.....	8
Michael Burton, Independent Consultant.....	12
Fred Van Waldick, Cimarron Resident.....	34
Margaret Shortridge, Cimarron Resident.....	35
Viola Tibbles, Cimarron Resident.....	37
Martin Folkes, Cimarron Resident.....	37
James Ade, United Water Attorney (Unsworn).....	40

TRANSCRIPT OF ST. JOHNS COUNTY
UTILITY AUTHORITY MEETING OF
APRIL 2, 1997

BOARD MEMBERS IN ATTENDANCE: WILLIAM FLICK, Chairman JOHN HEAMON
KEN FORRESTER JAMES VAN VLECK
DAVID CONN, Attorney-at-Law NICHOLAS MEISZER (Sitting in for JON MANTAY)

6 CHAIRMAN (William Flick): That brings us then to the third item on our agenda. And, as
7 we get started here -- just for those of you in attendance -- Jon Mantay has been recently named as
8 our Executive Director, he had replaced Nicholas Meiszer the County Administrator.

9 I understand that over the weekend, in a game of flag football, Jon has put himself in a
10 position to not be here this morning, and so Mr. Meiszer is filling in for Mr. Mantay as our Executive
11 Director this morning.

12 Nice to have you back with us.

13 MR. MEISZER: Thank you.

14 CHAIRMAN: Okay. At this time then, to begin the hearing, I would like to invite
15 representatives from Sunray, United Water Works and the United Water of Florida to come to the
16 podium and begin their presentation on information related to this transfer. And then the order of
17 presentation will be then we'll give the members of the Authority the opportunity to ask questions,
18 and then members of the public to step forward.

19 I have some speaker cards up here, and if there's anyone who would like to speak that has
20 not already submitted a card, when I go through the cards I'll call and see if there's anyone else who
21 would like to come forward.

22 //

1 The second question you asked is why did we have two forms, one for water one for
2 wastewater instead of just one for the transfer?

3 Rule -- in Section one point six two of your rules on applications for just certificates actually
4 requires separate applications and forbids combined applications. Now, that's your rule on general
5 certificates -- it's not your rule on transfers.

6 Since your other ordinance -- and I guess it's now in your Section 17 34 dash 2 0 7 sub-part
7 D, requires that an application for transfer be processed in the same manner as your application for
8 certificate, it would seem that you would give a -- you also two separate ones instead of just one
9 combined one. In and since we have done, I believe, the other three or so transfers, the history has
10 always been to give you two different ones, and we continue that here. So, I -- I've -- you have all
11 the information, and I think it's done in the manner that you would expect to see it, according to
12 your rules.

13 Your third question related to Ponce de Leon and St. Johns North. Those were two other
14 transfers involving United Water Florida, and you wanted to know what happened to the rates in
15 those two cases.

16 In Ponce de Leon, all of the rates that had been charged by Ponce de Leon were higher than
17 the rates that were charged by United Water of Florida. United Water of Florida requested the
18 imposition of it's uniform rates for service. The Commission granted those, so the rates came down.

19 With St. Johns North, it was pretty much the same scenario, except St. Johns North had what
20 -- a more old fashioned -- for a better -- want of a better word -- rate structure. They had minimum
21 gallonage annou - allowances for each of their's; so there was a little bit of watching rates
22 comparison change a little bit. But, generally speaking, the Commission found for most of their
23 customers, the bills were going to go down if they applied the United Water of Florida rates -- and

1 we asked for them to do that, and they do so. So, the rates -- again, it came down.

2 There were three other questions left and I -- what I would like to do is I'd like to bring up
3 Mr. Sambamurthi up here to respond to those questions.

4 VOICE: I want to

5 MR. CONN: Mr. Sambamurthi, you've been called as a witness by your legal counsel; I
6 need to swear you in as a witness.

7 MR. SAMBAMURTHI: Yes, sir.

8 MR. CONN: Would you raise your right hand please?

9 Do you solemnly swear under penalty of perjury that the testimony that you're about to give
10 will be the truth, the whole truth, and nothing but the truth, so help you God?

11 MUNIPALLI SAMBAMURTHI

12 having been duly sworn testified as follows:

13 MR. SAMBAMURTHI: I do.

14 MR. CONN: Thank you sir.

15 MR. SAMBAMURTHI/MR. SCHILDBERG: (Unclear) --

16 MR. SCHILDBERG: One of the questions asked was: What type of expansions might be
17 contemplated for the Sunray area? Could you please address that?

18 MR. SAMBAMURTHI: Un-huh. Sunray Utilities, at present -- Sunray of St. Johns
19 County, that is -- is settled by a wastewater treatment plant which has about 70,000 gallons capacity.
20 And, if I think correctly, it treats about 28 to 30,000 gallons per day. But, the treatment plant is the
21 old conventional secondary wastewater treatment plant that does not very much comply with today's
22 requirements of effluent disposal. And, one of the reasons is that treatment capabilities of that
23 particular plant are not adequate for the design standards or the plant standards that are required by

1 the regulatory agencies.

2 And, second thing -- secondly, that also is not of a quality that can be applied to the golf
3 course, therefore much of the wastewater -- the fluent retained is contained within the circulation
4 ponds.

5 Now, if Sunray -- that is in regard to this one -- sim -- similarly in St. Johns North, also we
6 have got a similar situation because the population characteristic of soils in St. Johns County are not
7 as good as they could be for effluent disposal. That is a common problem, and therefore -- then
8 Sunray Utilities in it's largest context to the acquired, we had to find -- at least a study of the global
9 solutions of (unclear) because we cannot focus on very short term solutions that are specific to
10 Sunray as it exists today, whether it is Cimarron, Southern Grove, St. Johns North or any other utility
11 -- any other service area. Therefore, what we did was; we retained our consulting engineers, C. H.
12 Danhill (phonetic), to double up the master plan for the entire area that covers practically the Sunray
13 Utilities in St. Johns County, all the way up to I-95 and going beyond the rest of i-95, to be able to
14 provide service to the community as a whole and double up the regional concept for the development
15 of creating utilities (unclear).

16 As a conseq -- we have completed our studies, to a large extend. While this being an open
17 wide area, projection of growth is very very difficult to -- and the timeliness of the grown is very
18 difficult to predict.

19 At an initial stage, we are looking at dollar -- providing a 2 million gallons a day wastewater
20 treatment plant to be constructed, in one million gallons a day step. That plant would be located
21 almost at the head of the (unclear) -- the present studies. That would be at the head of that Black
22 Forest (phonetic) Swamp, so that effluent disposal would be easily to the wetland systems.

23 Although we have a choice of going to the St. Johns City Water, we found out a -- of a -- of

1 a ingenious (phonetic) believe that it would be much more environmentally safer to discharge into the
2 wetlands system. Therefore, that is the reason that we're considering that alternative.

3 And similarly -- in so far as the water is concerned; once again, we cannot find -- it's -- for
4 some reason, in St. Johns County, a good quality of water somehow is not the same as that of Duval
5 County, because it seems there's an underground (unclear) line that separates the availability of
6 potable water in (unclear) as that can be (unclear) used. Therefore, water has to be blended here in
7 order to make it fit for human consumption. So, that -- once again, we need to find more a global
8 solution to the entire -- shall we say, we are taking into consideration this ex -- Sunray Utilities'
9 entire service area.

10 We believe that we'll do -- there will be four regional plants; the existing water plant site will
11 be one of those regional plants. Immed -- at the present time, whatever the problem that are there,
12 we may not be able to -- to seem (phonetic) right immediately, you know, the -- the -- you know --
13 the next day or next month of -- after acquiring the utility, but those will be solutions that will fit
14 into the larger context of our operating (unclear) of the Sunray -- Sunray's area -- Sunray Utilities.

15 CHAIRMAN: Okay, if I may -- if I may respond, Mr. Sambamurthi, then if I understand
16 what you're saying then the --

17 MR. SAMBAMURTHI: Let me first congratulate you, you have pronounced my name
18 absolutely correctly.

19 (LAUGHTER)

20 MR. SAMBAMURTHI: Not many people can do it.

21 CHAIRMAN: Okay. Thank you sir.

22 What you're saying then: The existing wastewater treatment plant -- the quality of it's
23 effluent is essentially below acceptable standards by the Florida Department of Environmental

1 Protection?

2 MR. SAMBAMURTHI: By the current standards.

3 CHAIRMAN: Okay. That then brings into the problem of disposal of the effluent.

4 MR. SAMBAMURTHI: Correct.

5 CHAIRMAN: And, my understanding is that generally speaking, it is brevered (sic) --
6 preferred, in today's environment that -- that the waste water from the plant not be -- or, I should
7 say the treated effluent from the plant -- not be directly discharged to surface waters -- okay.

8 Number three is the issue of growth; it would appear that Sunray does not have the capacity
9 to accommodate growth, unless there is a major expansion.

10 MR. SAMBAMURTHI: Correct.

11 CHAIRMAN: And then, number four on the potable water issue, a source of supply is
12 somewhat questionable. And then by this transfer then, the United Water Works -- United Water
13 would have a better ability to supply water for the Sunray customers?

14 MR. SAMBAMURTHI: Exactly.

15 CHAIRMAN: All right, sir -- okay.

16 MR. SCHILDBERG: Sam, could you explain in -- in previous cases where you've had the
17 same -- United Water of Florida has had the same type of problem with potable water -- what type of
18 solutions you've been implementing?

19 Mr. SAMBAMURTHI: Ah, in the -- in St. Johns County, we have acquired, before
20 considering the Sunray Utilities, St. Johns North, and Ponce de Leon, and Ponte Vedra systems -- in
21 St. Johns North, we really do not have very much a water quality problems (sic); but in Ponce de
22 Leon area, there once again we have -- we cannot install deep wells, once again. There we have to
23 erect shallow wells and pick up that water from shallow depths so that there will not be any -- too

1 much of a water quality problems -- you know, like high (unclear) and things like that, and then
2 provide that wat -- you know, area of that water -- water treatment and dis -- you know -- separate
3 to the community.

4 But, with (unclear) rule coming into force, there is certain amount of treatment that -- other
5 than simple aeration and disinfection. Beyond that, we need to provide additional treatment. That's
6 what we'll be looking at of Sunray Utilities as well.

7 MR. SCHILDBERG: We were also asked at the last meeting to provide information as to
8 why Sunray wants out of the utility business. Could you please address that?

9 MR. SAMBAMURTHI: I can -- I can take a shot at it, but Mr. Dan Roach is also here,
10 probably if I am slipping he would come in and help me out in the thing.

11 My belief is; it is not within their (unclear) strategy of Sunray to continue in this utilities
12 business. They are mostly -- what I would say, (unclear) lands and this kind of a thing their involved
13 in. Development and providing utilities is not one of their strong suits.

14 They started this utility to encourage -- I think -- to development of -- you know,
15 development of their service area, in this particular regard. But, it is -- it has always been, to the best
16 of my understanding, their intention once -- at some state to divers~~e~~^e themselves of the utility
17 operation because they do not have the necessary expertise and the core (phonetic) compedencies
18 (sic) -- competencies that are required to run the water and wastewater utilities. This was merely a
19 agenda for their otherwise development and trust (phonetic) in developing the land holdings they
20 have here.

21 If you need any additional information, Dan Roach is the one who -- to ask for that.

22 MR. SCHILDBERG: Dan?

23 MR. CONN: Okay, Mr. Roach, if you'd right hand to be --

1 MR. ROACH: Yeah.

2 MR. CONN: -- sworn please.

3 Do you solemnly swear under penalty of perjury the testimony you're about to give will be
4 the
5 the whole truth, and nothing but the truth, so help you God?

6 DAN ROACH

7 having been duly sworn, testified as follows:

8 MR. ROACH: I do.

9 CHAIRMAN: Thank you sir. State your name please.

10 MR. ROACH: My name is Dan Roach; I'm General Manager of Sunray Utilities; reside at
11 1531 Dade Street in Fernadino Beach, Florida.

12 The question, why -- why are we deciding to get out of the business -- I -- I don't know how
13 much history you want here, but Rayonier is -- is a forest products company. We've got close to a
14 million acres of land. Primarily we're in the business of growing trees -- forest products, pulp and
15 paper, those kinds of things.

16 There are actually three areas that we're -- we're interested in, because of the -- the growth
17 potential of developing some -- some of the timber lands into something more than just timberlands.
18 We have a real-estate subsidiary called Rayland -- you're probably familiar with Rayland. Rayland
19 operates primarily in St. Johns County, Nassau County, Florida and Camden County Georgia. Those
20 three high growth areas -- for all the reasons that you are very familiar with -- two of them are
21 served by Sunray Utilities -- Nassau and St. Johns County. Camden County Georgia is not, because
22 those -- those lands are all served by the Cities of St. Mary's and the Cities of Kingston, Georgia.

23 Primary, we wanted to get into the sewer and water business because we didn't think well

1 and septic tank development was the right things to do in Nassau and St. Johns County. Got into the
2 business and -- and our -- our objective from the beginning was to serve those areas and the -- and to
3 help facilitate growth where we thought it was naturally gonna (sic) occur. And, we had -- we did
4 not have an intention to stay in the sewer and water business over the long term -- I mean, we
5 wanted to get in, get the plants built, get the customers on line and -- and then get back out.

6 That the -- the history and the -- and the short version.

7 Any other questions?

8 (NO AUDIBLE RESPONSE)

9 If you have any other I (overlapping) --

10 CHAIRMAN: No questions. Thank you.

11 MR. SCHILDBERG: When we were here last, there was a discussion about -- (unclear) for
12 showing that this transfer was in the public interest. I have the application here and I can -- I could
13 just sit down and I could read through it and -- but, you all have already seen it. I thought, to get a
14 short -- a short presentation from Mr. Sambamurthi on this point my be helpful, and you could all --
15 also ask any additional questions you'd like to care to offer.

16 Mr. Sambamurthi, would you speak to why this application is in the public interest?

17 MR. SAMBAMURTHI: United Water of Florida, and it's parent company, they have been
18 in this utility operations business for about -- well over 100 years. In fact, our parent company has
19 operated Hackensack Water Company for hundred and fifty years -- close to that. We had a large
20 utility company; we had (unclear) utility -- that's the only business we deal with. It's not an attempt
21 at any other (unclear) regard any other activity for us. So, we concentrate and focus -- and I think
22 we have the abilities, confidences (sic) and the skills needed to run well operated, well functioning,
23 cost effective, efficient utility operations.

1 The first spec (phonetic) we also are internationals (sic) utility operators, through our parent
2 company, and we serve well over 200 -- two and a half million customers, worldwide. And, in this
3 community alone, we have been in this business for almost 35-years, in Jac -- in Duval County first,
4 and then we moved into St. Johns County, and then also in Nassau County, of late.

5 That being the case, we have financial resources that take -- that provide us the where -- the
6 where-with-all to do the things that need to be done in a very effect -- effect -- efficient manner, and
7 we have the deep resources for those. And, we have also technical compedencies -- competencies to
8 provide the kind of a -- a -- skills that are needed in designing the plants and operating them and
9 maintaining them and managing them. They -- they -- these are the skills we do have, and therefore
10 these are the skills that many -- the other populated utilities can -- cannot bring to focus, unless a
11 utility is used to operating in a very professional way, water and wastewater systems.

12 This is a high skilled field -- a highly specilated (sic) field that are not too many people that
13 are well versed in the operation of utility operations -- you know -- anybody can make -- feel that
14 they can get into this business and get out easily, but it's not that simply. It's a very regulated
15 industry and very highly monitored; there are heath aspects, public safety, welfare and health related
16 issues are very much involved. And, unless and until a utility is very finely tuned in for that kind of
17 an operation, anywhere else it would be a substandard service otherwise.

18 We have an excellent track record of providing utility services, both in Duval County as well
19 as St. Johns County and as (unclear) in Nassau County, and even at other operations of our
20 companies elsewhere in the company. Therefore, we feel that United Water of Florida is well suited
21 to provide excellent utility services in this community. And therefore it is in the public interest.

22 MR. SCHILDBERG: For what's shown in the application and with the testimony that's
23 been presented to you before, we believe that this transfer is in the public interest, and we would

1 urge you to make -- to vote an approval of it.

2 CHAIRMAN: Any further questions of Mr. Schildberg?

3 (NO AUDIBLE RESPONSE FROM ANYONE)

4 CHAIRMAN: There being none, thank you.

5 VOICE: Thank you -- (unclear) --

6 CHAIRMAN: At this time, I think it would be appropriate to call on Mr. Burton.

7 VOICE: (INAUDIBLE) --

8 CHAIRMAN: (Unclear) All right. Yes, at this time, I'd like to invite Mr. Burton --
9 Michael Burton of Burton & Associates. Mr. Burton is a financial consultant to the St. Johns
10 County Water & Sewer Authority. And following the preliminary review of the application last
11 month, copies of the Certificates No. 8 and No. 7 were provided to Mr. Burton, and we asked him to
12 make an analysis. And this morning, he is here to present the results of his review and his
13 recommendations.

14 MR. CONN: Mr. Burton (unclear) be sworn.

15 Do you solemnly swear, under penalty of perjury, the testimony you're about to give will be
16 the truth, the whole truth and nothing but the truth, so help you God?

17 MICHAEL BURTON

18 having been duly sworn, testified as follows:

19 MR. BURTON: I do.

20 MR. CONN: Thank you sir.

21 MR. BURTON: Thank you.

22 As was stated, I'm Mike Burton, the Utilities' Rate Consultant, and our offices are in
23 Jacksonville Beach, Florida. And, I'm -- you have a letter before you today -- and I apologize for it

1 just getting on your desk today, so therefore I have a little presentation that I want to make to you
2 that gives you the -- the essence of our presentation. And, if technology works here, I would like to
3 put something on the screen there to show you. And, I was just apprised of how to do this this
4 morning.

5 How about that.

6 Basically what we were asked to do is look at the impact of this transfer on -- on rates,
7 generally. And, whether there was a potential for an acquisition adjustment. I'll address those --
8 those in that order.

9 A little background before I tell you -- go into this chart: United Water of Florida has a
10 uniform rate, as we stated earlier, in their Jacksonville Service Area, which includes St. Johns
11 County.

12 They have indicated to me -- Mr. Schildberg has indicated to me that they have requested of
13 the Public Service Commission that when this transfer is complete, that the uniform rates in their
14 service area be applied to the rates in the Sunray Service area. Therefore, it's logical to assume that
15 that will probably happen. I think it has happened in the other ones that they did. Therefore the
16 essence of the rate comparison will be the Sunray rates as they are now, compared to the uniform
17 rates of United Water of Florida.

18 A little more complicated, however: United Water of Florida is currently in the middle of a
19 rate case before the Public Service Commission, and they have in place interim rates which are lower
20 than their requested rates.

21 Now, what you see upon this sched -- on the screen here is an analysis of residential single
22 family, 5/8's by 3/4" meter customer, which is the typical kind of service that a normal resident would
23 have. The red line represents the Sunray rates now.

1 What you have here is a continuum of usage. And, you could find yourself -- if you were a
2 customer on here, let's say that you used 8,000 gallons a month, you could go up right here to the
3 Sunray rate line and come over here to find what your monthly bill would be. And, those numbers
4 are -- are hard to read, but it goes -- ah, as a matter of fact, I can't read them very good myself right
5 there. Let me just do this so I can see what they say. Fifty, a hundred and a hundred and fifty, on
6 the left hand side of the -- of the screen.

7 And, let me do this so we can probably have the whole thing working for us.

8 At any -- at any rate, you -- you see that the Sunray rates are here, and -- and -- and this
9 would represent a continuum of usage for -- for customers that would -- and -- and if you looked at
10 all the fa --

11 residential 5/8's by 3/4" customers, their usage would be represented within this ban, probably
12 somewhere in there, and you would have a bell shaped curve where most of 'em fall around the
13 average -- somewhere around 7,000; and fewer of them would be out in these ranges. And, the
14 predominant number of your customers would be in a -- in an area right in here. So, what -- when
15 you compare the -- the -- the blue line, which is the requested rates, with the red line, you can see
16 that in all cases the -- the requested rates, if they were implemented, would be lower than the Sunray
17 rates, except for right in here where they're just marginally higher. I mean, we're talking about
18 pennies a month -- a dollar -- a -- around -- round a dollar or so a month higher, in this range; and
19 then they get lower again up in here.

20 So, for all intents and purposes, I think it's safe to say that even if the United Water rates, as
21 requested, were granted, that they would be no more -- or not substantially more, at any level of
22 usage, than the Sunray rates are now.

23 The green line here represents the interim rates that are in place today. And, if those rates

1 stayed in placed, obviously this customer class would pay less under the United Water rates than they
2 would under the -- under the Sunray rates.

3 Now, what's going to happen in the rate case?

4 I don't know. If I knew that, I guess I'd be down in the Bahamas with my feet propped up.
5 But, it's probably -- and -- and experience would tell you that it's probably not going to be the
6 requested number, and it may be higher than the -- than the other number.

7 So, in these examples that I'm going to show you, if you want to think about what really will
8 happen, it would probably be a line that would charge somewhere in the middle there -- okay?
9 Somewhere between the blue and the green. And, in this case, if that's the -- if that's what happens,
10 all of your residential single family customers with 5/8's by 3/4" meters would have a lower monthly
11 bill under the new rates with United Water than they would under the -- the Sunray Rates.

12 Now, I'm going to show you a couple of other examples for general services customers, and
13 I'm going to use a version manager -- I've set up a couple of scenarios here. And, I'm going to look
14 at scenario two, and it'll just show us the same chart, but now it's changed the customer class. It's a
15 general service customer which is typically your commercial class with a 5/8's by 3/4" meter; these
16 would be small general service customers.

17 We have the same lines here, the red being the Sunray, the blue being the requested, and the
18 green being the interim rates. And, as you can see, the interim rates are lower all along; they chart a
19 line very similar to the Sunray rates, they're slightly lower throughout the continue -- continuum of
20 usage. The requested rates are lower -- down at the lower levels, and then they cross over
21 somewhere in the neighborhood of 15,000 gallons a month, and they get higher when you go up into
22 these levels of usage.

23 Now, this would be small commercial users, and their usage patterns would probably be

1 question, or -- or --

2 Q That not --

3 A -- Mr. Schildberg?

4 Q -- even proposed here.

5 A It is not proposed, to my understanding -- it is not proposed in this rate case. It's a
6 uniform usage charge.

7 MR. MEISZER: Thank you.

8 Mr. BURTON: Yes, sir.

9 Okay. So then we took a look -- let's say okay, let's look a little higher meter size in the
10 general service customer, so we did another scenario. And, this is a general service 1" meter.

11 You see a similar looking situation. The interim rates are lower than the Sunray rates and the
12 requested rates are lower, and they cross over at a little bit higher level. These guys would -- their
13 consumption patterns would be a little higher. They've got a 1" meter because they use more water,
14 typically. So, most of your customers would probably be out in this area. And -- and so, if they -- if
15 the act -- actual rates that are adopted are less than -- than the blue line and greater than the green
16 line, we'd be coming up in here somewhere. And, only out in the higher levels would it get where
17 you might be -- be higher than the Sunray rates.

18 And then we looked at one more just to -- just to see if this pattern continued, and it does.
19 We looked at a 1-1/2" meter. And, you can see it's a very similar pattern in the cross-over point, as
20 you would expect with the high -- bigger meters keeps moving out into the high/lows of
21 consumption.

22 So, our conclusion here would be that in a general sense, at least, a -- a -- a move to United
23 Water of Florida -- whatever the Public Service Commission decides in this rate case -- would --

1 would typically result in either lower rates for the Sunray customers. Or, if they are slightly higher,
2 they would not be materially higher.

3 And that's -- that's -- that's essentially our conclusion with regard to the -- to the rate
4 impact.

5 Now, with regard to the acquisition adjustment; first off let me tell you that -- that -- all of
6 this data that I use to do my analysis were -- was provided to be -- provided to be -- to me by Mr.

7 Ade or

8 Mr. Schildberg, which is United Water of Florida's attorneys.

9 I believe you represent United Water of Florida.

10 And, I did not verify all of the data off the tariff sheets with the Public Service Commission
11 because I assumed that they would testify to the fact that the data that they have given me is accurate
12 and represents what's really going on. So therefore you need to understand that, that -- that this is
13 not --

14 Mr. Mantay indicated that obviously you were interested in my analysis, but that you wanted to keep
15 the cost of it as -- as -- as reasonable as you could. So therefore, there's no sense in me verifying
16 what

17 Mr. Ade will testify to you is -- is true and fact. And also some of things I'm going to tell you about
18 the acquisition adjustment are the same.

19 Mr. Ade indicated to me that he knows -- he -- he -- to his knowledge, United Water would
20 have no plans to request an acquisition adjustment in future proceedings. There is no request. As a
21 matter-of-fact, there's a specific statement in the application that they are not applying for an
22 acquisition adjustment in this filing. And, in looking at what they're paying for the utility versus rate
23 base, there doesn't appear to me to be a real reason that an acquijud -- isition adjustment, even if

1 requested, would be -- would be granted. They're basically -- as I understand it -- essentially book
2 value for the utility, which -- which would represent the invested amount that Sunray has in it at this
3 point. There has not been rate base established, according to the documents I've read, for Sunray.
4 Therefore it's difficult for me to tell you right now, if they went in and -- if Sunray were not to be
5 acquired and went in and applied for a rate case, and they established a rate base, what would it do
6 their rates?

7 I can't tell you that because I haven't done that. I'd essentially have to do a -- a mini-rate
8 case to do that. But I can tell you, when you look at these lines up here on these charts, that because
9 the Sunray rates are so close to what the requested rates are by United Water of Florida, United
10 Florida Water -- United Water of Florida is going through a rate case right now and they have done
11 the full analysis to support that blue line. Since this red line is so close to it, I would assume that
12 -- that if we did go back and do a full rate case for Sunray right now that these rates are generally
13 representative of what they would be.

14 So if, for some reason, the Public Service Commission did not grant their request to put in
15 uniform rates and the Sunray rates had to stay in place there, and if United Water then went in to do
16 a -- apply for a rate case, it appears to me -- I -- the logic would tell you that this -- this -- these lines
17 would not change substantially. So, I don't see a whole lot of risk either way to the Sunray
18 customers. With -- even with the uncertainties out there as to what the Public Service Commission
19 might do.

20 And, I guess that will conclude my analysis and I'll be happy to answer any questions.

21 MR. MEISZER: Mr. Chairman, I don't know if Mr. Burton is the one to answer this
22 question or not but: Is there an engineering consultant with United here?

23 (NO AUDIBLE RESPONSE FROM ANYONE)

1 MR. MEISZER: Maybe their attorneys can answer it.

2 Is there any plan to physically inter-connect this system with any other United system?

3 MR. SCHILDBERG: I don't know the answer to that Mr. Meiszer.

4 MR. SAMBAMURTHI: My name is Sambamurthi, I'm the manager for United Water.
5 What do you mean by "other systems?"

6 MR. MEISZER: Q Well, since United operates systems all over the State and the
7 Country, and you're acquiring this system, the question is: Do you anticipate a physical connection
8 between this system and any other system you own?

9 MR. SAMBAMURTHI: A We would be a . . .

10 Q A pipe?

11 A Yeah. We would be -- it -- it would not be logical for us to go miles and miles and
12 miles just to connect the systems. But, as a logical choice, the Sunray St. Johns (unclear) which we
13 acquire -- you know -- a few years ago, would be part of the master plan for this entire service area.
14 Therefore, Sunray St. Johns and St. Johns North -- our system, you know -- they would be
15 integrated with each other. But, as the systems grow and double up and if they get to be a stage
16 where it would be much more -- say for example, goes all the way up the A1A, then we may be able
17 to integrate that with the Ponte Vedra/Ponce de Leon system. And, if the (unclear) --

18 Q But, that is in St. Johns County?

19 A That's in St. Johns County.

20 Q You don't have a plan to interconnect any system you own in St. Johns County with the
21 system you own outside St. Johns County?

22 A Not at this time.

23 MR. MEISZER: Thank you.

1 CHAIRMAN: Yes, Mr. Burton?

2 MR. BURTON: One -- one concluding statement; I'm -- I'm not going to be as successful
3 as you were Bill, so I'll refer to him as Sam.

4 In Sam's prior testimony, he indicated that there's -- it sounded to me, as I listened to that --
5 that that the stream of conscious and I -- consciousness that I got from what he was saying was that
6 this utility service area is facing some capital improvements in the future which -- which will mean
7 cost -- capital dollars -- which would mean that it might be some potential that there would be some
8 rate implications when and if they ever go for a rate increase again. If they have the uniform rate in
9 place when that happens, that might be diluted somewhat by the old -- by the old total service area of
10 the Jacksonville service area if our -- for some reason, however, the Sunray rates have to stay in
11 place, that could cause the Sunray rates to go up. Which one would think would happen in any
12 event because those same pressures that are facing the new owner logically should face the existing
13 owner in terms of the regulatory requirements to do the things that are necessary to the system. So.

14
15 CHAIRMAN: Any other questions of Mr. Burton?

16 (NO AUDIBLE RESPONSE)

17 CHAIRMAN: There being nothing . . .

18 MR. BURTON: Thank you.

19 CHAIRMAN: Very good. At this time then, let me invite the members of the public who
20 are present, if they would like to ask any questions here or make any statements either to the
21 members of the authority or any of the representatives, either with the Sunray United Water Works
22 or United Water of Florida, or perhaps a question for Mr. Burton of Burton & Associates.

23 At this time, I'd like to invite Mr. Patrick Murphy -- and, if I may Mr. Murphy, as you come

1 forward -- for the record, his address is 26 90 Cimarron Boulevard, Jacksonville, Florida 3 2 2 5 9.

2 MR. MURPHY: Mr. Chairman, if I could just take a moment, I -- I think we ought to let
3 the attorney representing the development company and the Property Owners Association of
4 Cimarron speak on our behalf first. O -- Okay?

5 CHAIRMAN: That's fine.

6 MR. HATHAWAY: I also have a card with you. My name is Richard G. Hathaway, I am
7 the attorney for the Cimarron Property Owner's Association and I'm also representing Cordeal
8 (phonetic) Properties which is the developer of Cimarron. My address is 1 0 1 50 Deerwood Per --
9 Park Boulevard in Jacksonville.

10 The Association, which is my client, is comprised presently of 73 residents at Cimarron.
11 Present this morning are Mr. Fred Van Waldick who is the president of the association; Ms.
12 Margaret Shortridge, who is a Board member and a member of the advise -- advisory residential
13 committee -- resident's committee; and Ms. Viola Timbles (phonetic).

14 In addition to that -- and I will present to you gentlemen at the conclusion of my remarks -- a
15 petition signed by 61 of the 73 residents. We didn't start gathering it until last evening, so we think
16 we -- we achieved near unnan -- unanimous support of it. Had we had a little bit more time, we --
17 we would have perhaps done even better.

18 The reason we're here this morning, with respect to this application, is to express the extreme
19 level of frustration and anger and ire that the Cimarron residents have about the existing utility
20 situation.

21 Now, taken in the context of the matter before you this morning, we're guardedly optimistic
22 and supportive of the United application; but we would like to express to you our thought processes
23 and the conditions of our support. We do that because we're under the impresses that once it passes

1 from St. Johns County to Tallahassee it will be Tallahassee who will render the final decision of
2 either approving or disapproving the application, and we feel that the appropriate venue for the
3 County residents to let it's representatives know it's feelings is at this level. And frankly we feel that
4 you will be more empathetic to your own residents than perhaps Tallahassee might be.

5 The situation that's causing such frustration and anger at Cimarron is very simple. The rates
6 that the customers are paying -- and you should understand that Cimarron has historically been, and
7 continues to be almost the only customer of Sunray. The rates that are being paying -- being paid
8 down there are a -- a -- range between \$75 per month per resident to \$150 or more per month per
9 resident. The reason is quite simple; the present utility structure is set up in a "master meter" context
10 so what happens is: Sunray provides water service to a master meter which is owned by the
11 association; thereafter, the association allocates the -- allocates the money within the subdivision and
12 collects from the subdivision residents. The master meter tariff which is in effect, results in a very
13 high charge to the Cimarron residents.

14 As I say, to con -- to contrast this to Mr. Burton's remarks, if I understood his graph, I think
15 you showed that in your bell curve the average water and utility rates of a sewer residence, without
16 any kind of reference to the size of the lot, would be in the 40 to \$75 per month range. We're
17 double or more than that on average. And that is the genesis of -- of our frustration.

18 Now, the master meter context is the problem -- the master meter situation is the situation
19 which is giving rise to the problem -- it's that simple. We have been trying to arrange a takeover of
20 the utility system by Sunray for a long period of time. We have been told consistently that we would
21 receive cooperation in this venture.

22 The present manager of the Sunray Utility System is United. They -- apparently -- and -- and
23 Mr. Ade, perhaps I'm misstating this, but as I understand it, after the purchase agreement or the

1 acquisition agreement was agreed upon, United has taken over as the manager's of the Sunray
2 system, pending approval of the -- of the application for acquisition.

3 We have been told -- in December, for instance -- by representatives of United that they
4 would terminate the master meter system, take over the Cimarron Utility System immediately, and
5 implement residential rates -- this hasn't happened. As matters dragged along, and as we tried to
6 push it forward, we simply couldn't get United to timely respond to the assurances that they had
7 made to us on that behalf.

8 In February I again had a meeting with representatives of United when I received, once again,
9 assurances that the takeover would be implemented immediately. And we actually a -- agreed
10 verbally to a time table that would have affected that by March 31.

11 In the middle of March -- perhaps March 15th or 20th, or thereabout -- we were advised that
12 once again that Sunray had vetoed the takeover of -- and the termination of the master meter
13 situation.

14 United now tells us that if their application is favorably approved, and if they acquire the
15 Sunray system, then they will be favorably disposed at that point in time to take over the -- the
16 Cimarron Utility situation.

17 Why we are here this morning is very simple. We have been told things for years; we want
18 them now in writing. What we urge of this body is that it's approval recommendation of the United
19 application be either delayed or conditioned upon an -- a binding written, enforceable agreement that
20 obligates United to take over and accept the Cimarron Utility System, providing always that the
21 construction criteria of the system is satisfactory to it's standards -- we don't ask for any relief from
22 that. We just want an understanding that they will take the system and implement residential rates as
23 quickly as possible. We would like that take over to be achieved immediately.

1 We cite to the Board this morning an excerpt from the PSC order which was entered in 1991.
2 The PSC, when they approved the -- the Utility's arrangement in 1991, understood that the master
3 meter arrangement would very likely result in higher rates to the residents, and the reason is quite
4 simple; there is no cap on the sewer usage charge. So, any water that is used at all is billed at both a
5 water rate and a sewer rate. If you have a residential rate, then the sewer usage caps at 10,000
6 gallons per month or 30,000 gallons per quarter. It's the absence of that cap which is driving these
7 rates through the ceiling.

8 This is what the PSC said in 1991:

9 Cimarron has the option of lessening this bill by donating it's lines to the
10 Utility and eliminating the master meter.

11 That's an option.

12 We've been trying to effect that option for a long period of time. The reason we're here this
13 morning is to request your assistance in the context of this hearing this morning to condition your
14 recommendation of approval -- or perhaps delay it -- pending a written agreement requiring the
15 Utility, be it Sunray, be it United, to take over the Cimarron system -- I must reiterate it -- provided
16 always the construction criteria are satisfied. We don't ask relief from that.

17 I'd like to give to this Board, if I may, a couple of pieces of paper. One will be a petition
18 signed by -- as I say -- 61 of our 73 residents; the other would be -- if you don't already have it, I
19 authored a letter yesterday to Mr. Meiszer and Mr. Mantay and Mr. Brewer. I don't know if that
20 letter was circulated to your or not. If it wasn't, and for your convenience, perhaps I could present
21 additional copies of that letter. I -- you may have it already, I don't know.

22 CHAIRMAN: It was.

23 MR. HATHAWAY: Okay. To whom may I present our petition?

1 VOICE: It (unclear) this end or . . .

2 CHAIRMAN: Just bring it up here.

3 MR. HATHAWAY: Okay.

4 VOICE: (Unclear) --

5 VOICE: I -- I -- you need to bring it up the --

6 VOICE: (Unclear) --

7 (END OF TAPE ONE

8 MAY BE SLIGHT LAPSE IN TESTIMONY AT THIS POINT)

9 MR. HATHAWAY: If -- If you have questions, obviously we're here to -- to assist. We --
10 we want to be cooperative in this venture. Frankly, though my remarks may not sound it, we regard
11 this as a possibly very optimistic development for a very troubled situation at -- at our subdivision,
12 Cimarron. We just want things that we have been told in -- verbally, for long periods of time,
13 reduced to writing so that we have something upon which we can legally rely.

14 Also with me is Mr. Murphy who is the manager of the project. He can speak on behalf of
15 both the association or the developer, and then the three residents that I introduced early can also
16 allusidate (phonetic) any issues that you -- you would like.

17 CHAIRMAN: All right, Mr. Hathaway, thank you.

18 MR. CONN: Okay. Please raise your right hand to be sworn, please. Do you solemnly
19 swear under penalty of perjury that the testimony you're about to give will be the truth, the whole
20 truth, and nothing but the truth, so help you God.

21 PATRICK MURPHY

22 having been duly sworn, testified as follows:

23 MR. MURPHY: I do.

1 MR. CONN: Thank you sir.

2 MR. MURPHY: Good morning Mr. Chairman and Board Members.

3 First of all let me thank you for allowing us this forum this morning to discuss this situation.

4 I don't have a whole lot to add. And, in the essence of trying to move things along quickly,
5 what I did wanted (sic) to say was, where these residents and the developer are coming from is;
6 sometime in the past, many years ago, there was a mistake made -- I don't know by which side
7 requested or who wanted the master meter concept at Cimarron. Since my involvement since 1992,
8 I have steadfast moved forward to transfer the utility lines to the utility company.

9 The residents need to be recognized by the person that's -- by the provider -- by the utility
10 (unclear) provided them for water quality, for their residential caps and for their usage and not at the
11 association.

12 Obviously I'm here today because I've been unsuccessful in that quest. And we pose before
13 you today what we think is a reasonable alternative allowing United to review our system, how it's
14 constructed, how it's operated, and hopefully commit to taking the system in the short interim time.
15 And we believe that process is only a few week process.

16 We, in the past, have already provided United with what we believe is all the required
17 information. Now, there may be some other similar information that we haven't received notice that
18 they may require, but we were -- provided the "as built" drawings of the system. We provided the
19 cost, the budget, the contractor's contracts, the schedules, so they could evaluate this. And this
20 process has stretched on -- Mr. Meiszer may remember -- I was here two years ago trying to get this
21 system transferred and came down and had a counsel with Mr. Meiszer and some other people at the
22 County on a way to make it happen. I just couldn't understand why we couldn't do this. And --
23 and a long time the burden was the C.I.A.C. tax.

1 After the C.I.A.C. tax was repealed and not being collected, there is really no reason, other
2 than one reason, that is the Utility could collect more money on a master meter concept than it can
3 by treating these -- these residents as residential customers -- that's the only motivating factor today

4 And, at that, I'll let the residents that signed up speak, if you'd like, or I'll answer any
5 questions you may have.

6 MR. MEISZER: Mr. Chairman --

7 CHAIRMAN: Yes, sir.

8 MR. MEISZER: -- I'd like to ask a question either of this speaker or counsel.

9 Have you specifically asked United if they intend to continue the master meter or replace it
10 with individual meters?

11 MR. MURPHY: We -- we have and we --

12 MR. MEISZER: Q And, what -- what did they say? What's their plan?

13 MR. MURPHY: A They -- obviously everything's intentiant (sic) upon them reviewing
14 the system, but they believe that upon final sale -- upon final approval by the P.S.C. and -- and them
15 being able to transfer the plant to them, that they will take the system. Unfortunately, Mr. Meiszer
16 it's being --

17 Q Does that mean that they will install individual meters?

18 A Well, there are individual meters at every house already.

19 What happens now is; the water comes through the master meter and what --

20 Q Let me rephrase the question: Will they base their billing on the individual meters?

21 A They have indicated they would do that.

22 Q Then won't that solve your problem?

23 A It will. It will -- it -- it will if it happens, Mr. Meiszer. And, as you know, this has been

1 a five year process --

2 Q Yes.

3 A -- with a lot of promises, and it's never happened.

4 Q (Unclear) --

5 A We're concerned that --

6 Q But, is their intention to operate this system like all other systems?

7 I presume you have no other system where you do a mass -- this is a question for United. Do
8 you have any other systems where you have this master meter set up?

9 MR. SAMBAMURTHI: No, sir.

10 MR. MEISZER: And, that's not your normal way of operation?

11 MR. SAMBAMURTHI: We have (unclear) --

12 MR. CONN: Come to the podium please so that this --

13 MR. SAMBAMURTHI: Fine.

14 MR. CONN: -- tape can record what you're saying.

15 MR. SAMBAMURTHI: We had at one time a similar situation. But, we do not like master
16 meters; we do not like indirect service to the customers. We like to feel our customers -- you know,
17 as a public service. Therefore, we will be -- always being alert as to (unclear) independent service.
18 So, we do not settle the cus -- essential (phonetic) customers through master meter (sic) at all.

19 VOICE: Thank you.

20 MR. HATHAWAY: Let me -- Mr. Meiszer, let me say two things: One, you've got it
21 exactly right. If you -- meaning this county -- were to condition it's recommendation of approval on
22 that condition, that would satisfy our criteria.

23 Two, and better yet, we would like the take over effected immediately. There's no reason it

1 can't happen. That would satisfy us even more, immediately. And frankly, the problem here is
2 irrigation water. What happens is, when you irregrate (sic) your lawn in June and you pay both
3 sewer and water rates, the -- the bills are outrageous. If we could effect the -- the transfer before the
4 next summer season, we save a lot of money on behalf of our residents.

5 MR. MEISZER: And, that --

6 MR. HATHAWAY: But, you've got --

7 MR. MEISZER: -- but doesn't the irrigation include the golf course and the common areas?

8 MR. HATHAWAY: That --

9 VOICE: No. (Unclear) --

10 VOICE: No, the --

11 MR. MURPHY: The golf course and the common areas are through a well through the
12 River Water --

13 MR. MEISZER: I see.

14 MR. MURPHY: -- Management District.

15 MR. MEISZER: Oh.

16 MR. MURPHY: This is just solely the residents. And to elaborate a little bit more: In the
17 summer months, I have seen bills as much as \$450. I mean, it's really incredible.

18 VOICE: Per month?

19 MR. MURPHY: Per month. Three -- four hundred dollars per month is the norm, 'cause
20 the lots are very large. We force the residents to irrigate to maintain a nice looking community, and
21 they get charged on the sewer rate or irrigation water that's never returned to the plant.

22 CHAIRMAN: Very good. Any other questions of Mr. Murphy?

23 (NO AUDIBLE RESPONSE)

1 MR. CHAIRMAN: All right.

2 MR. CONN: Mr. -- Mr. Murphy, how much water do -- do you use in the master meter per
3 month? Do you know how much -- how many gallons?

4 MR. MURPHY: Ahh -- you have a water bill?

5 VOICE: I'm looking at (overlapping) --

6 MR. MURPHY: Dan, how much do we use?

7 MR. ROACH: I don't know. I -- I -- I had a controller who was going to come with me,
8 but she's tied up with a P.S.C. auditor. The P.S.C. auditor arrived in my office today, so she had
9 two things -- I don't -- I don't (unclear) those records. (Unclear) to the master meter.

10 MR. MURPHY: How many -- how many gallons, on a average do you (unclear) --

11 VOICE: Well (unclear) --

12 MR. SAMBAMURTHI: The last -- (unclear) what I did, the (unclear)

13 MR. MURPHY: Three mil -- the last 149 days we used 3 million 67 thousand gallons.

14 VOICE: Using quick math, make that in a month.

15 MR. MEISZER: Have you considered what the impact would be if the projected United
16 Water rates on your master meter use if that usage continued, whether your rates would go up?

17 MR. MURPHY: No, we -- we have not -- I have not personally analyzed if it was master
18 meter to master meter. I've only analyzed master meter to residential connection. Obviously there's
19 a lot of savings there; anywhere from 16 to 50 percent.

20 MR. MEISZER: Thank you.

21 MR. MURPHY: Thank you.

22 MR. ROACH: If I could -- can I make one quick statement?

23 MR. MURPHY: Yes.

1 MR. ROACH: Again, Dan Roach, a general manager of Sunray Utilities.

2 I think it's important to point out that the reason a master meter exists, and the reason that
3 they are a general service customer and not individual residential customers, is because that was at
4 the will of the -- of the developer. Sunray Utilities advised strongly against that, because we saw --
5 a: The fact that there is no -- no cap on residential use. Sim -- when you started getting people in
6 your development, you were going to be seeing some pretty high water and sewer bills.

7 Allu -- we've already alluded -- prior -- prior testimony's already alluded to the C.I.A.C. tax.
8 And, you know, we didn't want to have a master meter, that was at the urgence of the developer,
9 and I think it had a lot to -- you know -- I can't -- I can't tell you what -- what was going through
10 the developer's mind, but I think it had a lot to do with the -- the C.I.A.C. tax and the cost of the
11 development -- you know, putting that infra (phonetic) structure in.

12 We've -- we had that conversation with them about going from a master meter to individual
13 services. You know, we just -- with -- with United Water's potential acquisition, we think the
14 logical time to do that is when the acquisition is approved.

15 VOICE: Well sir, I'd like to ask another question. There's an indi -- there's some
16 statements made that representations were made by the -- a transfer or to -- or conversion from
17 master meter to residential would be accomplished in the past; and for some reason, Sunray withheld
18 it's approval. Could you comment --

19 MR. ROACH: I -- I --

20 VOICE: -- on that?

21 MR. ROACH: -- I think Mr. Hathaway talked about meetings in December of '96 and
22 February of '97 and talked about dates in March of '97. I think those representations were made by
23 United Water personnel.

1 We have had meetings in the past where we talked about converting those and presenting the
2 Cimarron Development with a pretty -- pretty long list -- this is back when Jax Utilities Management
3 was our management company -- a long list of things and a -- T.V.ing lines, and there was a lot of
4 speculation as to the qualify of the -- of the pipe underneath the ground.

5 I mean, when you put in a master meter, everything behind that master meter is pretty much
6 invisible to you as a -- as a sewer and water provider, so you don't know what's under the ground,
7 what -- what was there at the time that you burnt converted those systems, so they're going to
8 dedicate the system back. You really have to pay a lot of attention to what's -- what the current
9 condition of those are.

10 The December '96 and February '97 representations are probably something that the United
11 Water people need to talk about.

12 CHAIRMAN: Thank you. Mr. Van Vleck?

13 MR. VAN VLECK: Just -- I -- just listening to the different parties testify, I'm -- I'm
14 wondering, does -- does anybody favor the master meter system?

15 MR. MURPHY: I -- I -- I don't think so.

16 MR. VAN VLECK: Is there any support for it in the -- in the room?

17 (NO AUDIBLE RESPONSE FROM ANYONE)

18 MR. VAN VLECK: Okay.

19 MR. MURPHY: If I -- if I may say -- just to touch base on what Dan said again. Again,
20 Pat Murphy, Cimarron Golf & County Club. The utility lines, I just want to allude to one thing
21 which I'm uncomfortable about: 80 percent of the utility lines were -- were installed between 1988
22 and 1991.

23 Between 1988 and 1991, the developer -- Cimarron -- paid in excess of \$10,000 to Jax Utility

1 Manager, Sunray's consultant, to review the installation of these lines to make sure they were in
2 conformant with Sunray's construction standards. So these lines are not lines that are questionable;
3 these lines are built in conformance, they were inspected by the County, they were designed by an
4 engineer, they've been in operation for many years. And, it's important that we realize that we're
5 not trying to hand them an inferior product. We want to make sure the product's correct and that
6 they get good product. We just want to make sure that the customers are recognized by the provider
7 and receive the benefits of residential caps. That -- that's as simple as it is.

8 Thank you.

9 CHAIRMAN: All right. The next speaker card that we have before us is Mr. Fred Van
10 Waldick. And, if I may for the record -- Mr. Waldick lists his address as 26 21 Seneca Drive,
11 Jacksonville, Florida 32259.

12 MR. CONN: If you'd raise your right hand to be sworn please.

13 Do you solemnly swear under penalty of perjury that the testimony you're about to give will
14 be the truth, the whole truth, and nothing but the truth, so help you God?

15 FRED VAN WALDICK

16 being duly sworn testified as follows:

17 MR. VAN WALDICK: I do.

18 MR. CONN: Thank you sir.

19 MR. VAN WALDICK: I don't have any slides. I can bring you six years of water bills --
20 I've saved every one of them. I have never in my life been in a situation like this where I felt the
21 people that sent me the bill should be in jail for rape.

22 We do need help. We need some consideration.

23 My wife and I both work, we're not home, we don't have any children, we don't have any

1 pets. Our lot's a 125 foot wide and my bill averages \$70 a month for water and sewer -- this is
2 ridiculous -- a month. The rest of you are probably paying less than that a quarter.

3 Now, we need water. And it would nice for United to be along. But we have been led down
4 the path prior to this. We always thought we were coming off the master meter and go on our
5 residential meters, which are in place. It never happened.

6 They had a good deal, they rode that horse until the lather ran right off it's noise and we
7 were the people that picked the lather up. We do need united but we need it in writing. Nothing
8 that's ever happened to us that we got verbally has come about. As a result, we are taking a real
9 bath. And gentlemen, we do need it in writing. We'd like United, but we want a reasonable thing in
10 writing that will protect us from what's happened in the past. And, I beg you to give us a break
11 because this is awful.

12 Thank you very much.

13 CHAIRMAN: All right sir, thank you very much.

14 The next speaker card I have is Margaret Shortridge. And, for the record, the address is 3 0
15 2 1 Santee Place, Jacksonville Florida; and also a zip code -- 3 2 2 5 9.

16 MR. CONN: Raise your hand please. Do you solemnly swear under penalty of perjury the
17 testimony you're about to give will be the truth, the whole truth and nothing but the truth --

18 MS. SHORTRIDGE: I do.

19 MR. CONN: -- so help you God? Thank you.

20 MARGARET SHORTRIDGE

21 having been duly sworn testified as follows:

22 MS. SHORTRIDGE: I really appreciated the charts that your consultant Mike Burton
23 showed, it's a wonderful chart. It showed me -- it helped me see that I'm at the point where my

1 outrageous water bill is going to go up, no matter which section we do.

2 We don't want our rates to stay the same. We already feel like they're outrageous. And so
3 I'd like to -- to put a little twist in his report to you -- you know? It looks good that it's not going to
4 go up and some will go down. But, when you realize what our rates currently are, we're -- we're
5 asking to have our rates reduced.

6 I'd just like to say one more thing. We welcomed United Water; we -- we wrote them a
7 letter in October asking for a written response -- of '96. We wrote them a second letter -- that was
8 October the 24th. On February the 27th, we wrote them a second letter asking for a written
9 response. On March the 24th, they sent us one back, via fax that we got -- received on the 25th --
10 with some answers. And then Mr. Sambamurthi came out and talked with us, this past Monday
11 night. Other than that, I feel that I, as a -- as a -- as a customer, have been pretty ignored.

12 We can't seem to get answers with him. And I personally -- not as a board member, but as a
13 person -- do not feel you got an answer this morning. I feel that you did not get a definitive yes or
14 no -- we noticed that in our meetings. I think what you got was, "well, we support residential."
15 You didn't get a "yes we will change that particular meter." And -- and I have some personal
16 concerns about that.

17 I would urge you to, once again, do something to please help us.

18 Thank you.

19 CHAIRMAN: Thank you.

20 The final speaker's card that I have is Viola Tibbles, and the address is listed at 3 2 3 3
21 Sequoyah Circle, Jacksonvi!!e 3 2 2 5 9.

22 MR. CONN: Raise your right hand please. Do you solemnly swear under penalty of perjury
23 the testimony you're about to give will be the truth, the whole truth and nothing but the truth, so

1 help you God?

2 MS. TIBBLES: I do.

3 MR. CONN: Thank you.

4 VIOLA TIBBLES

5 having been duly sworn testified as follows:

6 MS. TIBBLES: Thank you. I wanted to state that my husband and I bought our lot in
7 1988, and we've watched the water situation at Cimarron for a long time -- that's one of the reasons
8 we kind of held off building until now. We finally moved in in July.

9 Our rates are about twice as high as they were in Jacksonville, using about half as much
10 water. And we really would like something in writing right now so that we know that we will get
11 relief rather than all the promises we've been watching over the last few years -- many years.

12 Okay?

13 CHAIRMAN: Thank you very much.

14 Is there anyone else from the public who has not -- yes sir. You're welcome to come
15 forward and -- please state your name and address, sir.

16 MR. FOLKES: My name is Martin Folkes. I've got a doctorate in engineering.

17 I was involved in the construction -- initial construction at Cimarron. I live there now at 32
18 61 Sequoyah Circle -- 3 2 2 5 9. There was some --

19 MR. CONN: (Overlapping) pardon me sir --

20 MR. FOLKES: -- question about --

21 MR. CONN: -- raise your right hand if you're going to be --

22 MR. FOLKES. Oh.

23 MR. CONN: -- duly sworn. Okay.

1 Do you solemnly swear the testimony you're about to give will be the truth the whole truth
2 and nothing but the truth, so help you God?

3 MARTIN FOLKES

4 having been duly sworn testified as follows:

5 MR. FOLKES: I do.

6 MR. CONN: Thank you sir.

7 MR. FOLKES: There was some question about the master meter plan. In the design of the
8 system there were two meters involved; there was a master meter for the water and a master meter
9 for the sewage. The intent at that time was to build on the basis of the two separate meters, one for
10 sewage and one for potable water. However, when Sunray got their rate rate, it was based on
11 potable water only.

12 Now, I was not involved in the hearings or Public Service Commission decision to use the
13 single meter, but that's why the second meter was installed, but they didn't use it. In fact -- I don't
14 know now, but I'll bet if you go out there and look, there is still a sewage meter there, so that there
15 would be a different rate for sewage and a different rate for potable water. I can't say what
16 happened at the PSC meetings.

17 The other thing is that they were talking about the condition of the sewage system and the
18 water system. Mr. Murphy indicated that there were inspections. There were, there were T V
19 cameras put through the entire system after it was constructed and tested. Whether these are still
20 available, I would think that they would be a pertinent to the decision by the buyer in his decision as
21 to the condition of those systems.

22 Thank you.

23 CHAIRMAN: Thank you sir.

1 Is there any other member of the public that's not had an opportunity to step forward?

2 (NO AUDIBLE RESPONSE FROM ANYONE)

3 CHAIRMAN: All right, very good. Well, let me turn to the members of the authority, do
4 you have any -- any comments or questions or items that --

5 VOICE: I have a question for Mr. Conn. Can we approve a transfer of these certificates
6 conditioned on United Water's agreement to go to residential metering as opposed to the master
7 meter?

8 MR. CONN: Well, we're dealing with a -- with an application for transfer, not an
9 application to compel utility company Sunray to convert from a master meter to residential meter, so
10 we don't have any authority at this meeting to go ahead and require Sunray itself to go ahead and --
11 and convert it -- it's billing situation. What we're dealing with is an application for transfer to it's- to
12 another utility. And then the question is; what could we require of United Water as a condition to
13 approval of the transfer?

14 The basic issue is what is in the public interest, whether or not the transfer or change of
15 ownership is, in itself, in the public interest or not? And generally when you're dealing with a
16 transfer of property rights, there's a constitutional principal which recognizes an owner of property
17 has a right -- a pre-right of alienation (phonetic) of his property to another party.

18 In this particular situation, it appears as though the residents have been greatly disadvantaged
19 in the past by being on a master meter -- not receiving the benefit of the sewage/gallonage cap.

20 If we were not going to lose jurisdiction soon after transfer, then we would be in a position to
21 entertain an application and to consider whether there should be a mandatory requirement for
22 conversion on the part of United Water. Since we are going -- presumably, and most likely, to lose
23 jurisdiction, the Florida Public Service Commission would have to answer that question, if it is a

1 mandatory and not a voluntary conversion.

2 I would tend to think that in terms of responding to the requests by the residents that the
3 most that we could do would be to include a recommendation in our order to -- directed to the
4 Florida Public Service Commission that in the event they approve the extension of the United Water
5 franchise certificate to include Sunray, that in such event the Public Service Commission also
6 consider whether or not there should be a conversion of the master meter to an individual meter for
7 the Cimarron residents. That would be my initial impression as to what we can do. And, I really
8 think maybe we should hear from United Water on what their position is, because they actually
9 haven't even yet responded to the -- the residents statements that -- directly on what their intention
10 is. Maybe we can get that into the record -- maybe from their counsel.

11 JIM ADE

12 unsworn, testified as follows:

13 MR. ADE: I am Jim Ade of the firm of Martin, Ade, Birchfield & Mickler. And, I would
14 like to address several points, including the one that Mr. Conn just raised.

15 I understand the frustration of the Cimarron residents, and I am sympathetic to that. They
16 are asking a regulated Public Utility Company to do something that a regulated public utility simply
17 cannot and is not going to do. And that is, enter into an agreement to provide certain advantages to
18 a single group of customers, prior to the time that the utility company even owns the system with
19 which to provide service to those people. And so I think that I -- I'm certainly sympathetic with the
20 problem; I certainly think that from a lawyering (sic) standpoint, Mr. Hathaway has come up with a
21 good solution that would work in 90 percent of the world -- it doesn't work so well in the regulated
22 utility industry, because it's simply not the way it works.
23 He -- I think they simply have their cart before the horse. And, I -- I would add -- I'm sure every

1 body realizes that this anger and frustration and ire that we've heard several people discuss this
2 morning, primarily took place before United Water ever had anything to do with the Sunray Water
3 and Wastewater systems.

4 I -- I do not know, nor do I care to -- to know who made the assurances that Mr. Hathaway
5 referred to; my guess is that there was some substantial misunderstanding between that person and
6 Mr. Hathaway. I know that it was not me; I know that it was not Mr. Schildberg; and I know that it
7 was not Sam., because I've asked each of them. And -- and they were not -- they -- they were not
8 the people. It doesn't really make any difference.

9 Attached as part of the applications that you have in front of you, in our effort to make a
10 total and complete representation to you, and to give you all the information that we had about this
11 whole transaction, not realizing that Sunray would even be in the position it's in -- I mean, Cimarron
12 would be in the position it's -- it's in today, we attached a copy of the purchase and sale agreement
13 between United Water and Sunray Utilities, and we also attached a copy of the operations and
14 management agreement between Sunray Utilities and United Water. And, the operations and
15 management agreement, as you would anticipate, very clearly says that the manager of the utility
16 system, which is United Water of Florida, is not authorized to enter into any agreements that binds
17 Sunray, without the approval of Sunray. And, United Water is not authorized to make any capital
18 expenditures over some -- minimum number of dollars that normally occur -- without the approval of
19 Sunray, because there is a substantial chance -- I don't know that it is substantial -- there is a chance
20 that this transaction will not be approved -- you may not approve it today, and that's going to end it.
21 If you approve it, the Public Service Commission may not approve it, and that's going to end it.

22 So, the possibility is very alive that Sunray met -- may well end up with it's system back.
23 And that Cimarron and its customers are being -- and it's residents will continue to be provided

1 service by Sunray. And so you can understand why you just have to get the heart -- the horse before
2 the cart as you go forward through this regulatory process. This is only one step of several steps
3 that we need to go through. And, I believe that's also why you hear Mr. Sambamurthi saying to you,
4 "It is our practice to not use master meters" and to have submetered service beyond that -- that
5 master meter. He is saying to you, "We've operated systems in Northeast Florida for 35 years and
6 we don't -- we never have done it and we don't want to do it."

7 You've also heard him say, "It is our intention to remove this master meter." That is his
8 intention. It may happen; he may not even ever acquire this system. If he does acquire it, the Public
9 Service Commission will have something to say about how we treat customers. So, we're simply not
10 able to say to you or to this -- to the Cimarron residents, "This is going to happen."

11 Now, if this were an agreement between General Motors and I B M, you could do what
12 they're asking to do, but you cannot do it in the regulated utility industry.

13 They have asked for a two week delay. I simply say to you, "I don't know what good the
14 delay's going to be." I don't -- 'cause I don't believe there's going to be an agreement in two
15 weeks, or two months or two years. I do believe though that the two week delay is going to delay
16 the time when that master meter will disappear and these residents will be treated as individual res --
17 individual customers of United Water of Florida. I think that's the only effect of the two week delay

18 Addressing a point that Mr. Burton made, and I -- I-- I may be about to tell you more than
19 you ever wanted to know about this pending rate case, and if you get tired of listening stop me. But,
20 I -- Mr. Burton said -- pointed out on his charts what the interim rates were and then what the
21 requested rates were. And then he said his experience has been that the final rates will be somewhere
22 in between.

23 We know -- I know and United Water knows -- that the rates that were originally requested

1 in the rate case are not going to be granted, because in the course of trying the rate case, by
2 stipulation among the public counsel and the commission staff and the company, we took a different
3 approach on set -- the setting of those rates. To be a little technical, we had originally asked that
4 those rates be set, based on 1997 year end rate base, and that became so complicated in the course of
5 the hearing that we decided to use an average rate base, which will obviously be less than the year
6 end rate base would have been; and so the rates are obviously going to be less than what was
7 requested. So, I think the one thing that we all -- we don't know what they're going to be, but the
8 one thing we do know is that they will not be as large as the requested rates.

9 So, I think Mr. Burton, without probably knowledge of all that information, was right on
10 point there.

11 I -- I just made some notes here as these folks were talking -- talking about five years of
12 frustration and so on and so forth. I think I've already made the point that -- that really and truly the
13 -- the frustration is not with United Water of Florida. United Water of Florida wants to acquire this
14 system, it is in the business of acquiring and operating systems. It is a growth area. It is a -- it is a
15 good area, we believe -- as well as the Sunray area in Nassau County. And certainly, even if
16 jurisdiction is transferred to the Public Service Commission -- and again, I believe I agree with
17 Mr. Conn on that -- that that will probably occur. The -- the customers in that area will certainly
18 have the privilege of going to the Public Service Commission and asking for any -- the correction of
19 any grievance that they think it -- has been imposed on them. And, that does happen periodically;
20 and I think the Commission is very effective in resolving those issues.

21 I also have noted over the years that I've had the privilege of representing United Water of
22 Florida, that it often goes well beyond the requirement of the law -- the rule of the law -- the letter of
23 the law, so to speak, in resolving customer problems. And, I -- again, I have to say I understand the

1 frustration of the people who have coped with this master meter problem all these years. But, I still
2 say to you that I believe that United Water will do what it says it intends to do, if allowed to do so by
3 all of the regulatory agencies. And, there are going to be some substantial capital investments that
4 are going to have to be made in this area in order to provide for this expansion. And, I think
5 Mr. Sambamurthi has told you about those.

6 You all have approved transfers from Ponce de Leon Utility Company to United Water of
7 Florida; you've approved transfer -- a transfer from St. Johns North to United Water of Florida; and
8 you've approved a transfer from Ponte Vedra Utilities to United Water of Florida. And, all of those
9 utilities came to us with various problems. And one thing that United Water of Florida is very proud
10 of is it's ability to solve these utility kind of problems -- just like this utility. And, I'm not standing
11 up here being critical of Sunray.

12 You know, we can talk about how bad their system is and how bad their effluent is and what
13 poor quality it is, but bear in mind that the D.E.P. at some point approved the process that's being
14 used.

15 Now, sometimes regulations run ahead of our ability to keep up with them, that is true. But,
16 it -- there is a problem with the quality of the effluent coming out today, and that's just the kind of a
17 probl -- of a sol -- of a challenge that United Water of Florida enjoys undertaking and solving. And,
18 will it happen? We probably can't give the residents of -- of Cimarron a warm fuzzy feeling here
19 this morning. And probably nothing that you or I or Mr. Sambamurthi can do will give them that
20 warm fuzzy feeling. But, I would say to you, in the three transfers that you have approved over the
21 years, have you ever had a customer come back to you and say, "United Water of Florida did not do
22 what it said it was going to do." Have we ever seen a regulatory agency come after the system we're
23 taking over and a time to solve the problem -- whatever the problem was that occurred, have you

1 ever had someone come back and say they didn't do it? And, I think the answer is that you haven't.

2 And, I know that's not going to solve someone's feelings that want a written agreement, but
3 I do not believe that a written agreement is the solution to this problem; I don't think it can happen.
4 And I think, as Mr. Conn has said, we're here to determine whether it's in the public interest for this
5 transfer to take place.

6 I think it clearly is. And, I think that that's what we really ought to resolve. And, I'll be glad
7 to answer any questions that any of you might have or have Mr. Sambamurthi address any questions
8 that you might have of him.

9 MR. VAN VLECK: Q This -- well again, since the master meter seems not to be a
10 standard operating procedure for United, and there -- there's no apparent plan to defend that -- that
11 system; how far can United go at this point to assure the -- the public in that area that the master
12 meter would be removed?

13 MR. ADE: A We have given a good bit of thought to that very question, and I think
14 that the answer to your question is what you have seen today. We can tell you what we have done
15 over the last 35 years; we can tell you what we intend to do here. And, I think that's about as far as
16 we can go.

17 Any other questions?

18 CHAIRMAN: Are there comments or questions for Mr. Ade.

19 MR. ADE: Thank you all for your patience and your -- allowing us the opportunity to come
20 and appear before you today. Thank you.

21 CHAIRMAN: Yes, Mr. Hathaway?

22 MR. HATHAWAY: You know lawyers, they -- they have to have the last word, I
23 suppose.

1 Thanks for you indulging me with these -- with an opportunity to say just a couple of more
2 things. I -- I -- I -- I -- I will make it quick.

3 First, there's no mystery about who gave us the assurances about this take over; Randy
4 Corbin, who works for Mr. Sam, met with me and Mr. Murphy in my office in December; met again
5 with us in either January or early February, and sat there and said, "we are managing agent for
6 Sunray, we will take over the system immediately. There's no mystery about it, it's what happened.
7 I'll be happy to provide correspondence from me to him and I -- if my memory serves me,
8 correspondence from him to me that says that.

9 Secondly, with all due respect, I think we're making this more difficult than it is.

10 One obvious thing that can happen is Sunray can say this morning, we will take over that
11 system effective immediately, and we will simply do it.

12 Mr. Roach said -- and the only thing he said is -- we think it's more logical that this happen at
13 the time of the transfer.

14 Why? There's no explanation for that. The studies have been done; the investigation of the
15 system has been done; the underlying back-up documentation on the costs and the construction has
16 been done. This take over could happen in weeks, or perhaps less. All right?

17 Secondly, with all due deference to Mr. Ade, there isn't anything unusual about entering
18 agreements that take effect at a point in time when certain conditions have been met. Obviously
19 United can't commit in writing to take over the Cimarron system before it's owned, except
20 conditioned upon it's acquisition of the system, the approval of the regulatory agencies, the
21 continued physical maintenance of the -- of the utility system up until the point of take-over.

22 We understand that those conditions would be in the written agreement. Nevertheless,
23 agreements like that are written all of the time. And -- so we just think that people are making this

1 harder than it is. The take over can happen immediately. Or, failing that, United can enter a
2 conditioned agreement to take it over conditioned upon the satisfaction of certain criteria.

3 Thank you.

4 Mr. ADE: Mr. Chairman?

5 CHAIRMAN: Yes.

6 MR. ADE: Can I respond to that Mr. (inaudible) --

7 Mr. Hathaway has made his points very well; he just happens to be in error. And, we -- I
8 guess we could stay here all morning and he and I would never get in agreement on these two points.

9 First of all, United Water cannot take over this system immediately. United Water cannot
10 take over this system until you approve it and the Public Service Commission approves it. So, there
11 is no way for United Water to take over this system immediately.

12 Secondly, it is not done every day in the regulated utility industry that agreements, like he's
13 talking about are made. I am (sic) never been aware of any such agreement, nor do I know of any
14 utility company who would enter into such an agreement in the regulated utility business.

15 CHAIRMAN: Mr. -- Mr. Murphy?

16 MR. MURPHY: Mr. Chairman, Board Members, I -- again I want to very brief, I don't
17 want to take up any more of your time.

18 Mr. Ade, with all due respect, is sympathetic to the property owners. Mr. Ade represented
19 the property owners in 1990/1991 in front of the public service commission in a case against Sunray
20 Utilities on the Homeowners (unclear) Properties behalf. So, he understands the situation we're in.
21 The -- this situation -- we have been -- let me back up a little bit -- through many meetings with
22 United Water. I want to confirm what Mr. Hathaway said.

23 Dec -- December 4th, 1996, I met with Randy Corbin at Mr. Hathaway's office. Was assured that

1 they would take the system in -- in the short term -- Randy Corbin, being a representative of United
2 Water -- and provided us a list of items required for him to take the system to evaluate it. I fulfilled
3 that list, and met again with him in February.

4 In February, he had a -- a few more investigation -- or open items to finish. And, he
5 indicated to us there would be a few more weeks.

6 When we contacted him in March, he told us point blank that they would assume the system
7 by March 31.

8 Why would this utility enter into those discussions with us if they can't do what Mr. Ade says
9 they can't do. They know what they can do. They have 150 years experience in this business; they
10 can do this. This is not a difficult process. We need to have it done; we need your help. We cannot
11 allow this to go to Tallahassee.

12 The -- unfortunately, the people in Tallahassee are not -- they're not sympathetic to people in
13 St. Johns County. You are, you live here, you understand our needs and our wants in the situation
14 we're in. It's difficult.

15 It's a hardship to make these residents drive to Tallahassee to a PSC meeting to give a case
16 why Sunray United should take over this system. We need your help today. And, I -- I invite your
17 help, I would thank it.

18 Thank you for your time today.

19 MR. CHAIRMAN: And, let's see -- I see Mr. Roach would like to make a comment.

20 MR. ROACH: Very brief again. Dan Roach, General Manager Sunray Utilities.

21 United Water of Florida doesn't own the utility today; they have a purchase and sale
22 agreement signed in August of '96, with an operation and management agreement which is part of
23 that -- part of that agreement to operate and manage that -- that utility until such time as the PSC

1 approves the -- you know -- the -- the acquisition.

2 I think it's important to reiterate that the reason the master meter exists is because the
3 developer of Cimarron went to the public service commission and asked the public ser -- service
4 commission to approve them being a general service customer.

5 We said at the PSC hearing that we didn't think that was a good idea, that we saw this
6 coming. That without a residential cap people would be paying big bills. And, that's a problem to --
7 to residential customers. We opposed that, but the PSC ordered us to -- to bill them as a general
8 service customer, using a master meter. That's the reason it happened; that's the reason it's in place
9 today.

10 I think everything that I've heard -- I've -- I've been trying to sit back and listen -- I'm the
11 only guy here that didn't show up with an attorney.

12 VOICE: (Inaudible) --

13 MR. ROACH: The -- I know -- and then -- then may be.

14 But, I think what you've heard from the United Water folks, that it's probably in the best
15 interest of the rate payers that live in Cimarron, in the long term or in the medium -- median term
16 that their -- their best chance of getting rid of the master meter is to have this utility transferred to
17 United Water of Florida; it be approved by this body; it be approved by the Public Service
18 Commission. And, you know, the general manager of the -- of the utility that's buying the -- the
19 Sunray system has said, we don't like master meters, we try not to do master meters. We want to be
20 close to the customer, we've got 150 years of experience.

21 I've made this statement to -- to Pat Murphy and Rick Hathaway in Rick's office. I said, if
22 you really believe it's in the best interest of the people who live in Cimarron to have United Water
23 own this utility, what you need to do is expedite the -- the approval of this body and the approval of

1 the Public Service Commission so that the United Water folks can own the utility. And, when that
2 happens then they can take out the master meter.

3 We can't take out the master meter without PSC approval. The Public Service Commission
4 told us, this is the way you will build; this is the way you will run your business. And, we can't --
5 we can't do anything differently. I mean, we can't say, "Yeah, we'll take it out tomorrow, and we'll
6 start billing folks throughout (phonetic). There are a lot of hoops to jump through and there are a
7 lot of things to do technically before that can happen.

8 Thank you.

9 MR. CHAIRMAN: All right, thank you Mr. Roach.

10 Okay, I think we're approaching a point where I would like to suspend public participation
11 and discussion, and I think -- I trust that all parties here present have had ample time to present their
12 information to this authority.

13 I guess at this time, Mr. Conn, if -- if I may, before I open it up for discussion with the
14 general membership here; we obviously have two attorneys with differing opinions concerning this
15 agreement or condition that they would like to see written into the transfer. Is it still your opinion
16 that the business before us is to approve or disapprove the franchise transfer; and that we don't have
17 latitude to apply conditions?

18 MR. CONN: Well the -- yeah -- yes. Basically that is, because what the application is --
19 before us is a transfer. And, the issue is whether or not it's in the public interest. And, there's no
20 indication before us that United Water would be less likely or -- or -- a -- a conversion would be less
21 likely to occur if United Water were the owner of the utility rather than Sunray. Indeed, it probably
22 seems more likely that there would be a conversion if the transfer occurred; at least there seems to
23 be a greater possibility of it.

1 We could not just simply enter a direct order today ordering Sunray or ordering United
2 Water Works, if it should acquire it, to go ahead and do the conversation. That's not part of the
3 application. That would be an entirely separate case. And, I suspect that the -- there -- if there is a
4 need for that case, that it would end up before the Public Service Commission.

5 If -- in terms of delay, which is actually the quest of the petition, is for a -- a two week delay,
6 to allow Cimarron and United to negotiate and enter into a written contract; from what I've heard
7 today, it -- it doesn't seem very likely that they will negotiate or arrive at that contract -- at least
8 from United and Sunray's standpoint. I'm not sure. We can't order them to enter into a contract.

9 I think that in what our authority is today is somewhat limited. And, my original suggestion
10 -- which I'll still continue to recommend -- is I think that what this authority has to say would be
11 given consideration by the Public Service Commission as a -- as a -- a sister public body. And, that if
12 we make findings regarding the master meter problem and recommendation to the PSC, I would
13 hope, at least, that they would give it due consideration and it might help out the residents.

14 CHAIRMAN: All right. Gentlemen, any discussion? Mr. Forrester?

15 MR. FORRESTER: I feel good listening to both sides like this. I (unclear) -- they've both
16 brought up some excellent points. And, I'm a member of a homeowners . . .

17 (TAPE RUNS OUT AT THIS PORTION OF TESTIMONY)

18 (Tape 2)

19 MR. FORRESTER: . . . Also, on the side of United Water, I'm -- I certainly think their
20 attitude and their -- their outlay -- outlook and their background and their experience can solve the
21 problem that's been discussed today. Just -- I feel good about what I've heard there. And, I know
22 what -- what David's saying, that there's nothing that we can really do because of the items that's in
23 front of us at this time. But, I -- I would certainly -- I think at this point -- support what we have

1 here.

2 CHAIRMAN: All right. Mr. Heamon, any comments from you sir?

3 MR. HEAMON: I'm in -- I'm incline to agree with Mr. Conn that I think the possibilities of
4 rectifying the master meter situation are probably better if we permit the certificates to be transferred
5 to United Water.

6 We're well aware of your problem out at Cimarron, that came up before us once before when
7 Sunray requested an extension of their service area to the I-95 gas station out there, so we're well
8 aware of that.

9 My inclination is we should go ahead and approve the -- the transfer and make a
10 recommendation to the Public Service Commission that the master meter situation be dealt with at
11 that level.

12 CHAIRMAN: Mr. Van Vleck?

13 MR. VAN VLECK: Oh, I -- I agree with John. I -- I think in my mind this is a transaction
14 clearly in the public interest. The problem is that this public hasn't -- interests hasn't been well
15 served in -- for some time. And -- and there's a -- there's a "trust me" coming from this side, and --
16 a response that says, "I've heard that before." And, up in this point it's -- it's -- I -- I do think
17 basically the transaction is in the public interest. I hope all of this is part of a public record that
18 would certainly put a great deal of pressure on United to deliver. And, I guess that would be my --
19 my feeling on the mater.

20 CHAIRMAN: Mr. Conn, then I did understand you that one of your suggestions then was
21 to draft a letter to the Public Service Condition -- Commission on behalf of this water and sewer
22 authority? I get -- and I don't know if the term would be recommend or suggest that -- how would
23 you phrase it -- that consideration, or they be strongly encouraged to again suggest to United Water

1 of Florida that they go to the reading of residential meters and remove them from the -- the master
2 meter.

3 MR. CONN: Correct.

4 CHAIRMAN: Can we write a letter to that?

5 MR. CONN: Well sir, I think we could maybe make it stronger and include that
6 recommendation as part of the order itself, but call it a recommendation.

7 CHAIRMAN: Okay.

8 MR. CONN: And then we could also have the minutes of this proceeding transcribed and
9 appended to the order and have that also. But, we could do a letter -- the Board could direct a letter
10 be written directly to the PSC, enclosing the order and including the minutes of the meeting so they
11 would have that documentation.

12 VOICE: I think we should put that in the form of a motion (inaudible) proceed.

13 CHAIRMAN: Okay. And, I'll make that motion, if you wish.

14 VOICE: I'll second that.

15 CHAIRMAN: That motion is made and seconded.

16 MR. CONN: All right, I'd -- I'd like you to ask -- to amend your -- your motion so I could

17 MR. CONN: . . . recommendation. And then we could also have the minutes of this
18 proceedings transcribed and appended to the order and have that also. But, we could do a letter
19 -- the Board could direct a letter be writ -- written directly to the P.S.C -- enclosed ??? order
20 including the minutes of the meeting, so they would have that documentation.

21 CHAIRMAN: I think we should put that in the form of a motion to -- and I'll make that
22 motion.

23 MR. CONN: . . . recommendation. And then we could also have the minutes of this

1 proceedings transcribed and appended to the order and have that also. But, we could do a letter
2 -- the Board could direct a letter be writ -- written directly to the P.S.C -- enclosed ??? order
3 including the minutes of the meeting, so they would have that documentation.

4 CHAIRMAN: I think we should put that in the form of a motion to -- and I'll make that
5 motion.

6 VOICE: I second that.

7 CHAIRMAN: That motion is made and seconded.

8 MR. CONN: All right. I -- I'd like you to ask -- to amend your -- your motion so I can
9 include certain findings: to find that Sunray Utilities -- St. Johns Inc. is the holder of Franchise
10 Certificates Nos 7 and 8 for water and wastewater service granted by the County; that the
11 applicants have not requested an application adjust -- an -- an acquisition adjustment, or a
12 determination of rate base.

13 That the applications were filed on February 18, 1997 are in compliance with the
14 supplemental rules of the St. Johns County Water & Sewer Utility Regulatory Ordinance and the
15 supplemental rules;

16 That the purposed sale and transfer of the franchise certificates -- 7 and 8 -- from Sunray
17 Utilities, St. Johns, Inc. to United Waterworks Inc., and from United Waterworks Inc. To
18 United Water of Florida, Inc., is in the public interest; ✓

19 That United Water of Florida, Inc. will fulfill the commitments, obligations and
20 representations of Sunray Utilities of St. Johns, Inc.; ✓

21 That the residents of the Cimarron Development have expressed to the Board their
22 dissatisfaction with the current billing situation resulting from the use of a master meter which
23 was approved in 1991 by the Florida Public Service Commission;

1 That the use of the master meter necessitates that there is an absence of the sewer cap, and
2 the water rates which are being paid by the residents of Cimarron are necessarily much greater than
3 they would be if there were individual metering;

4 That representatives of United Water of Florida Inc. have indicated to the Board -- or stated
5 to the Board, at this hearing, that it is their intention to convert the master meter to an individual
6 meter system, providing they are successful in obtaining the necessary regulatory approvals;

7 And that this Board strongly recommends to the Florida Public Service Commission that they
8 consider, at the time of approval of the transfer or soon thereafter, the concerns of the residents of
9 Cimarron and the desirability and -- and need for conversion of the system.

10 Further, that it be ordered by the Board that the franchise certificates be transferred;

11 That the franchise certificates vest in United Water Florida Inc. only those privileges required
12 to be granted to a utility under Florida statute;

13 That the rates and charges from water and wastewater service remain in effect in accordance
14 with the previously approved tariff for Sunray St. Johns Inc., until lawfully changed.

15 And that this order would not take effect unless and until confirmed by our Board of County
16 Commissioners.

17 VOICE: I'll amend my motion to include all of that.

18 (LAUGHTER)

19 CHAIRMAN: That's what you meant, I'm -- surely (ineligible) --

20 MR. CONN: That's what I meant to say -- second then.

21 CHAIRMAN: Okay. All right, any further discussion?

22 (NO AUDIBLE RESPONSE)

23 CHAIRMAN: All right, any further discussion?

1 (NO AUDIBLE RESPONSE)

2 CHAIRMAN: All those in favor of the motion as stated by our attorney, signify by saying
3 "Aye."

4 VOICES: (Aye's being said)

5 CHAIRMAN: All those opposed signify by saying "Nay."

6 (NO AUDIBLE RESPONSE)

7 CHAIRMAN: The motion carries four to zero.

8 MR. CONN: Well, Mr. Chairman, after the -- if -- if the preliminary order is
9 confirmed by the Board of County Commissioners, then at that point in time, the County staff could
10 direct a letter to the PSC enclosing the order and minutes.

11 CHAIRMAN: Okay. Okay. All right, that brings us then to the next item on our
12 agenda

13 (THIS CONCLUDES THE PORTION OF THE MEETING REGARDING
14 SUNRAY/UNITED WATER)

15 ////

16 ////

17 ////

18 ////

19 ////

20 ////

21 ////

22 ////