ORIGINAL

#### 1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION 2 **DOCKET NO. 981637-WS** 3 DIRECT TESTIMONY OF M.L. FORRESTER 4 ON BEHALF OF INTERCOASTAL UTILITIES, INC. 5 Q: Mr. Forrester, please state your full name and employment address. 6 M.L. Forrester, JAX Utilities Management, Inc., 1300 River Place Boulevard, Suite 620, A: 7 Jacksonville, Florida 32207. 8 By whom are you employed and in what capacity? Q: 9 I am Assistant Vice President with JAX Utilities Management, Inc. **A**: 10 Q: How long have you been employed by JAX Utilities Management, Inc.? 11 A: I have been in this capacity with JAX Utilities Management since November of 1984. 12 Q: I note that you have an extensive resume in the water and sewer utility business. How long 13 have you worked in this business? 14 I have worked consistently for over 40 years in the area of water and sewer utility planning. A: 15 operations, and management. All in and around the Jacksonville area. I have attached a 16 resume of my training and examples of experience to this testimony. 17 Q: Have you been qualified as an expert in the area of utility regulatory matters, management 18 and rates? 19 A: Yes. In the past, I have appeared before the Florida Public Service Commission on behalf 20 of several utilities which JAX Utilities Management has operated and I have also appeared 21 before the Duval and St. Johns County Commissions and St. Johns County Water and Sewer Utility Authority and in Duval County Circuit Court. I have been certified to practice as a 22 23 Class B practitioner before the PSC since 1989. 24 Q: What is the purpose of your testimony here today? 25 To respond to the direct testimony of the witnesses of United Water Florida, Inc., and to A:

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portion of United's current territory encompasses approximately 36.5 land sections, or some

specifically point out that Intercoastal Utilities is in a better position to provide water and

23,400 acres; in which Exhibit A-5 indicates that United served only 138 customers on December 31, 1997.

On December 31, 1998, Intercoastal provided service to 3,343 metered accounts; or twenty-four times that number shown as served by United.

Q: What does that say to you about this United service territory and United's request for its extension?

First of all, it says that the vast majority of the St. Johns Forest service area has not been served. Therefore, United's statements in its application and direct testimony that it is in the best position to provide this service totally ignores its obligations to serve its existing territory. In fact if you take into account the development of even some small portion of its existing territory, the utility has no capability or excess capacity to provide service to the new area. This in effect places them in no better position to provide this service than any of the other competing entities who would have to bring service to this area. Ultimately, all will have to expand their treatment facilities, collection and transmission facilities in order to serve this area as well as their existing service territories.

Secondly, considering that most of this area has been under certificate for about ten years, it also says that its growth history, and its growth potential, has been, and is, relatively limited.

It is fairly obvious to me that, because of such limited growth, United now wants to reach even further out and seize another three and one-half land sections, or 2,200 plus acres; solely for the purpose of staking a claim to less than 600 future units.

- Q: Have you attempted to determine the near-term future growth potential of United's existing and requested areas?
- A: Yes. According to page 2-7 of the United Master Plan for this service area, United Exhibit TDM-2, there are approximately 1,500 lots planned for development in the near future,

adding the FFCDC development and their 138 present customers to that projection, there would be a total of 2,223 customers occupying an adjusted total of some 25,600 acres of land. If we consider that such a large area could support just two units per acre at buildout (51,200 units), one could easily say that even with the requested area and the FFCDC project, United is likely to utilize only 4% (2,223 units) of its current and requested territory potential, based on projected development plans.

With the projected line installations, to the FFCDC property, through so much unserved, intervening area, this also raises the question of who will carry the higher costs of those long extensions.

- Q: How does Intercoastal Utilities propose to provide water and wastewater services to the disputed area?
- A: Intercoastal is proposing to obtain initial services for the disputed area through a wholesale/partnership agreement with the JEA. If that does not work out, Intercoastal will construct the necessary facilities and regional treatment plant in order to provide high quality water and wastewater services as it has done with its existing service territory.
- Q: Has the JEA agreed to such an arrangement?
- A: On January 4, 1999, Intercoastal contacted JEA, proposing a Partnership Agreement between JEA and Intercoastal for such an arrangement. At that time, JEA verbally responded that they would prefer to provide retail service to this area; but would not rule out such a Partnership Agreement. In our opinion, if Intercoastal ultimately obtains the authority to serve this area, JEA would be very willing to partner with Intercoastal for the provision of those services to the disputed area.

Even if JEA was not in a position to provide bulk service, Intercoastal has demonstrated through its service to over 3,300 customers that it is able to plan, permit and construct highly efficient and environmentally sensitive treatment facilities in order to provide high quality

Q:

water and wastewater service to its customers. Intercoastal stands ready and willing to do that as well, as needed, in order to provide service to the territory proposed for inclusion in its certificate in the St. Johns County proceeding and including the FFCDC property which overlaps with that requested for inclusion in the certificate of United in this PSC proceeding. When did Intercoastal begin its planning for service to the territory in its current extension application to the St. Johns County Water and Sewer Authority?

- A: Formally, that planning began in July of 1996 when Intercoastal received a request for water and wastewater services to the Marsh Harbor development, located immediately west of the Intercoastal Waterway.
- Q: How did that planning progress?
- A: In October of 1996, Intercoastal received a request from the St. Johns River Water Management District ("the District") for, in addition to other information, Intercoastal's plans for projected water use to the year 2020.

Recognizing this territory's development potential and need for regional service, Intercoastal initiated a detailed plan of service, and water resource demands targeting the year 2020, but also looking some 50 years into the future. The "Water 2020" analyses and data were filed with the District on December 4, 1996.

That filing included maps of Intercoastal's now requested territory; including this disputed area as part of Section "H" of the Intercoastal plan. Correspondence with the District continued during 1997 and confirmed the designated service boundaries and service demand projections for use by the District in its groundwater withdrawal and potential aquifer impact analyses.

In January of 1998, the District produced and provided to Intercoastal the final version of the Service Area Boundary Map for this territory. To ensure that Intercoastal's analysis projections of service and resource demands would not be subject to question at some later

Yes. There is a very significant need as a result of the recent announcement of plans for the

Is there a need for service in the territory being requested by Intercoastal?

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Q:

A:

giant Nocatee development which is reported to produce 14,000 homes, 4,000,000 square feet of commercial and light industrial space, and 1,000,000 square feet of retail shopping area.

- Q: Where is the planned Nocatee development located in relation to the territories being requested by United and Intercoastal?
- A: As depicted in media reports, the Nocatee development is located within the territory requested by Intercoastal, and abuts the United requested territory on the east and north. Therefore, if United is granted its territorial request, United will be leapfrogging across another very large, unserved area to serve a relatively small development; which will fortuitously place United in immediate contention for the much more lucrative service to Nocatee.
- Q: How do Intercoastal's rates for water and wastewater service compare with those of United?
- A: In my opinion, they compare very favorably.
  - Based on 1998 operating data, Intercoastal's system-wide average water consumption per account served, was slightly over 15,000 gallons per month. According to page four of United's Exhibit DBD-1 (attached to prefiled testimony) at the 15,000 gals per month consumption level, Intercoastal's charges are only 13% higher than those of United.

Considering the substantially larger customer base and financing capacity of United, than those of Intercoastal, I would expect there to be a much greater, than 13% difference in those charges. In fact, the relatively small difference suggests to me that even though Intercoastal is a much smaller utility than United, it is nipping at the rate heels of United because Intercoastal's overall operations are much more cost effective than those of United.

If Intercoastal is granted the authority to service its proposed territory, which includes the giant Nocatee development and this adjacent area, its customer base will increase significantly. We could therefore reasonably expect the present operating economies and

Q:

A:

2<del>7</del>  AFPI charge.

The future customers are not likely to recognize a distinction between those two separate charges by United. By the end of the year 2003, the combination of capacity fees (at their current level) and AFPI charges assess new connections to the United System a total of \$2,226.00. If we consider the AFPI charges at even the end of 1999, the total assessment by United for a new connection is \$925.00.

In the former example, at year end 2003, the combined charges by United are almost 2 ½ times those of Intercoastal. In the latter example, at year end 1999, United's total new connection charges are more than 1.07 times those of Intercoastal.

Considering that most of the growth in this new area would occur after the year 2003, the majority of the new customers would pay the \$2,226.00 in total charges; assuming that the AFPI charges continue at the same or a similar level.

In all fairness, we are again comparing all charges at current levels, which are not necessarily indicative of future conditions in either utility. But, if we must compare only current conditions with respect to monthly customer service charges, which indicate a slight advantage in favor of United, then logically we must also compare new connection assessments on the same basis; which indicates a very substantial customer advantage with service by Intercoastal.

Would you define, in dollars, what you perceive those customer service charges and new connection assessments differences and advantages to be?

Yes, as I stated earlier, the 1998 system-wide average water consumption per account for Intercoastal, was slightly over 15,000 gallons per month. Therefore, my analysis of the customer service charge comparisons uses the charges, at that level, shown on page four of United's Exhibit DBD-1. Based on the combined water and wastewater bills, the Intercoastal charge of \$84.15 is 13% higher than the \$74.47 charged by United. This reflects

an average monthly customer service charge advantage in favor of United of \$9.68 per month; or, \$116.16 per year, per customer.

The new connection assessments by United, including both capacity fees and AFPI charges shown on pages 5 and 6, respectively, of United Exhibit DBD-1, and using the year end 2003 AFPI charge as I explained earlier, total \$2,226.00. Compared to the Intercoastal capacity fees of \$859.65, there is a new service connection cost advantage in favor of Intercoastal of \$1,366.35.

- The capacity fees and AFPI charges are only "one-time" assessments; doesn't the monthly service charge advantage by United eventually offset the additional new service connection cost by United?
- A: It may do so; eventually. Without any consideration of the time value of that additional, "upfront" payment to United by a new customer, the \$9.68 per month (or, \$116.16 per year) that customer would save, with monthly service by United, would take 11.76 years to offset the \$1,366.35 additional new connection cost that is assessed by United.

If we considered the time value of that additional connection cost to that new customer, at just 6%, the \$9.68 per month United service charge savings would take approximately 20 years to offset the \$1,366.35 <u>additional new connection cost</u> that is assessed by United.

More succinctly, that new customer, served by United, would be made whole in 20 years.

- Q: How would you sum up your opinion of this discussion of rates and charge comparisons?
- A: Based on my testimony, referring to the aforementioned exhibits offered by United, new customers in the proposed area would be at least equally, if not better served by Intercoastal Utilities, Inc.
- Q: Do you have any further testimony to provide at this time?
- A: No, I do not, except that at the time of my testimony, I would like to utilize one or more demonstratives to help the Commission understand the issues in this case and the location

of the respective territories and facilities of the various utilities.

#### **CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and accurate copy of the foregoing has been furnished by telecopy, regular U.S. Mail and \*hand delivery to the following on this 22<sup>nd</sup> day of April, 1999.

\*Rosanne Gervasi, Senior Attorney Division of Legal Services Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0873

Kenneth A. Hoffman, Esquire Rutledge, Ecenia, Underwood, Purnell & Hoffman Post Office Box 551 Tallahassee, Florida 32302-0551

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Susan Brownless, Esquire 1311-B Paul Russell Road Suite 201 Tallahassee, Florida 32301-4860

F. Marshall Deterding, Esq.

# M.L. Forrester 5450 Whitney St Jacksonville, Fla. 32277 (904) 743-2943

#### Education

Jacksonville University, A.A. Pre-Law 1958
Florida Junior College, Non -Degree Studies
Principles of Accounting
Principles of Economics
IBM Corporation - Data Processing Principles

# Employment History

# November 1984-Present:

Jax Utilities Management, Inc. Title: Assistant Vice President

# Responsibilities:

Developer Agreements
Developer Construction Projects
Regulatory Agency Relations and Filings
Management Information Systems
Utility Management Agreements

## April 1971 - October 1984

# City of Jacksonville, Water Services Division Titles Held: Commercial Planning & Development

Coordinator
Special Utility Service Advisor
Utilities Planning Officer
Utilities Programs Controller
Management Planning & Controls Officer

# Responsibilities:

Service Planning - New Developments
Water & Sewerage Rate Studies Management
Federal & State Legislation Reviews
Water & Sewerage Municipal Code Modifications
Administration of Division Accounting Office
Management Information Systems
Private Utility Acquisition Analyses

# Committee/Special Assignments:

- Private Utilities Acquisition Negotiations (Sub-Committee Member)
- Fort George Island Carrying Capacity
  Study Group
- City of Jacksonville Master Plan for Water & Sewer Utility Development (Co-Author)
- 1972 Water Quality Management Plan -Duval County (Contributor)

# October 1965 - April 1971:

# Southern States Utilities, Inc.

Title: General Manager, Jacksonville Division

## Responsibilities:

Direction of Utility Systems Operations
Analysis of Proposed Systems Acquisitions
Integration of New Acquisitions
Liaison Regulatory Agencies
Managment of Company - Owned Office Bldg

# April 1959 - October 1965:

# Steven Enterprises, Inc.

Titles Held: Manager - A.F.S. Water Service Co.

Draftsman - Stevens Southern Co. Estimator - Stevens Southern Co. Construction Coordinator - Stevens

Southern Co.

Purchasing Agent - Dixie Wholesale

Distributors

## General Responsibilities:

Assistant to President
Utility Billing - General Accounting
EDP System Implementation & Maint
Water and Sewerage Utility Operations
Management

M.L.	Forrester
41444	1 01103001

1963 Assist Owner in soliciation of purchaser and negotiations Sale of Assets for utilities sale. (Oceanway Manor Water and sewerage systems) Wilson Munnerlyn - owner 1965 Assist owner in preparation for and closing of sale. Sale of Assets (A.F.S. Water Service Co.) A.F. Stevens-owner John Marees- Attorney Tyson & Meek - Accountants 1966 Utility Rates Assistance in preparation of Rate Filing before before Duval County Commission. Prepare and present testimony at hearing. (Southern States Utilities, Inc.) Tom C. Kravitz - President Stanley & Kenneth Meyers - Attorneys Ernst & Ernst - Accountants 1971 - April Sale of Assets Assist owner and attorney in preparation for and closing of utilities sale. (Southern States Utilities, Inc.) Tom C. Kravitz - President Edward Schrank - Attorney 1972 - March Utility Planning Co-Author of 1972 Five Year Capital Improvement Project Plan for Water and Sewer Plan expanded to year 2001 - Later adopted by City as Initial Master Plan for Water & Sewerage Utilities Development for Duval County. (Total Plan Value: \$2.2 Billion) (City of Jacksonville Water & Sewer Division) Joe Hyatt - Deputy Director *1972 -73* Utility Planning Acknowledged as contributor to Water Quality Project Management Plan for Duval County, Fla. (1973 -Fredric R. Harris, Inc & Jacksonville Area Planning Board) for City of Jacksonville Public Works Dept. - Joe H. Hyatt Deputy Director

## 1974 - July

Legislation

Authored City's comments to Congress on effects of Water Pollution Control Act Amendments of 1972 (PL92-500). City of Jacksonville Water &

Sewer Division; acknowledgments by:

Hans J. Tanzler, Jr. - Mayor Lawton Chiles - U.S. Senator Bill Chappell - U.S. Congressman

### 1974 - November

Purchase of Assets

Preparation and presentation of Utility Acquisition
Analysis to City Council Utilities Acquisition Committee.
(Peninsular Utilities, Inc.) For City of Jacksonville
Water and Sewer Division.
Appointed by Chairman John Lanahan as member of
Utility Negotiations Sub-Committee (Feb. - 1974)

#### 1974 - December

Purchase of Assets

Preparation and presentation of Utility Acquisition
Analysis to City Council Utilities Acquisition Committee.
(Cedar Hills UtilityCo.) For City of Jacksonville
Water and Sewer Division.
Member of Utility Negotiations sub-committee.

# <u> 1979</u>

Utility Rates

Appointed by Mayor Godbold to serve on City's Steering Committee (3/1980 Study of Utility Rates, Asset Values and Management of City of Jax Water and Sewer Utility - by Arthur Young & Co.)

#### 1985

Regulatory Action Preparation and submission of studies of Rate Base, Service Availability Charges, Growth and Expansion Costs. Response to Florida Public Service Commission Investigation of Overearnings - Docket #850299-WS. For Canal Utilities, Inc. -Investigation Dismissed. (No Attorney)

#### 1985 - 1986

Utility Rates

Preparation of Technical Supplement to Rate Filing - For Southside Utilities, Inc. - before Florida Public Service Commission. Assisted in response to interrogatories. (Docket #850123-WS).Rate relief granted R.M.C. Rose, Attorney

Litigation
Expert Witness

Preparation and delivery of testimony in support of Petition for Injunctive Relief, pending FPSC resolution of territorial dispute. Canal Utilities, Inc. vs. City of Jacksonville. Case # 86-1888-CA, Division 'N', Circuit Court, Duval County, Florida. Relief granted to client/complainant.

Attorneys : Frank X. Friedman K.A. Kruger

J.O. Stroud

#### 1986

Regulatory Action

Prepared supporting documents to original application

to FPSC for amendment of certificates. Client: Canal Utilities, Inc. Docket # 851056-WS

Amendment granted. Attorney: B.K. Gatlin

#### 1986

Utility Management Project Preparation of Operation and Maintenance

Cost Projections of private utilities.
For Volusia County Florida:proposed acquisition of private utilities.
(Orange City Sector Utilities).
Claude B. Mullis - attorney.

1986

Utility Management Project Preparation of Requests for Utility Management

Proposals, for Volusia County, Florida

Claude B. Mullis - attorney.

# <u> 1987- 88</u>

Regulatory Action Preparation of Application for Water and Sewer Certificates to Florida Public Service Commission. Preparation of schedules to establish rates. Client: Sunray Utilities, Inc. (Nassau County Systems) Attorney: B.K. Gatlin

# <u> 1987 - 1991</u>

# Regulatory Action

Preparation of application for Certificates of Service and schedules to establish rates in St. Johns County. Preparation of direct and rebuttal testimonies, testimony at hearing.

Certificates and interim rates granted. Docket # 870539-WS - Fla. Public Service Commission Client: Sunray Utilities, Inc. Attorney's: B.K. Gatlin, K. Cowdery

# 1988 - 89

# Litigation/ Expert Witness

Response to interrogatories, participation in mediation, deposition attendance, testimony at trial for client/ defendent El Agua Corporation in Action for damages. Case # 87-12853-CA, Division CV-B, Circuit Court, Duval County Florida. (Carco vs. El Agua Corporation). Attorney: C. Laquidara - Kenny

# <u> 1989 - 90</u>

# Utility Rates

Assist attorney and accountants in preparation of Minimum Filing Requirements for utility rates modification. Client representation at regulatory staff conferences and customer hearing.

Administrative control of filing - client Intercoastal Utilities, Inc. Testimony at hearing.

Docket No. 90-0007-0004-0001, St. Johns County Water and Sewer Authority.

Attorney: R.M.C. Rose.

# 1991

# Utility Management Project

Preparation of Requests for Proposals to purchase utility assets. Coordination of information requests from potential purchasers.

Client: Sun Bank/San Pablo Utilities Corporation. Attorney: J.C. Regan

Litigation/ Expert Witness Retained as expert witness on value of water and sewerage utility (San Pablo Utilities Corporation).

Client: Sun Bank, N.A. (Ray O. Miller)

Attorney: J.C. Regan

Case # 90-11704-CA (Duval- Circuit Court)

## 1993

Utility Rates

Prepared and presented application and testimony Limited Proceeding to adjust water rates - before St. Johns County Water and Sewer Authority - for client, Fruit Cove Utilities, Inc.

Docket # 93-0005-0011-0001 Rate Relief Granted

(No Attorney) CPA: James Bowen

## 1996

Regulatory .
Action

Prepared and presented application and testimony Limited Proceeding to extend water and sewerage certificates - before St. Johns County Water and Sewer Authority - for client, Intercoastal Utilities, Inc. Docket # 96-0007-0011-0003 Extension granted (No attorney)

## 1998

Utility Rates

Prepared and presented application and testimony Limited Proceeding to adjust wastewater ratesbefore St. Johns County Water and Sewerage Authority- for client, Intercoastal Utilities, Inc. Docket # 98-0007-0011-001 - Rate relief granted. Attorney: F. Marshal Deterding