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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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

FIRST DAY - EVENING SESSION

VOLUME 3

Pages 257 through 436

PROCEEDINGS: HEARING

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

DATE: Wednesday, July 20, 1994

TIME: Commenced at 9:40 a.m.

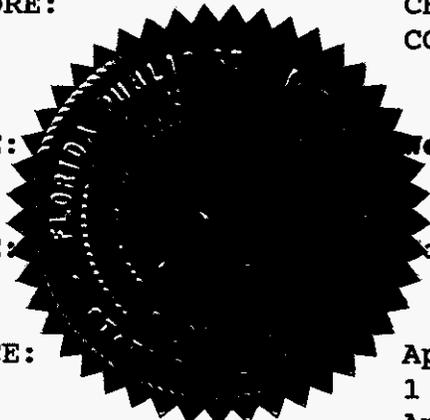
PLACE: Apalachicola Community Center  
1 Avenue E  
Apalachicola, Florida

REPORTED BY: JOY KELLY, CSR, RPR  
Chief, Bureau of Reporting  
SYDNEY C. SILVA, CSR, RPR.  
Official Commission Reporter

APPEARANCES:

(As heretofore noted.)

RECEIVED  
JUL 21 1994  
COMM. DIVISION



DOCUMENT NUMBER-DATE  
07644 JUL 27 6  
FPSC-RECORDS/REPORTING

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## P R O C E E D I N G S

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

4 CHAIRMAN DEASON: Call the hearing back to  
5 order.

6 Mr. Brown, if you could stand and raise your  
7 right hand, please.

8 GENE D. BROWN

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

## D I R E C T E X A M I N A T I O N

12  
13 BY MR. PFEIFFER:

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

16 A Gene D. Brown, 3848 Killlearn Court,  
17 Tallahassee, Florida.

18 Q By whom are you employed?

19 A Self-employed.

20 Q What's your relationship to St. George Island  
21 Utility?

22 A I'm president of the management company that  
23 manages the Utility company.

24 Q Have you previously prepared prefiled  
25 testimony in this proceeding?

1 A Yes, I have.

2 Q Do you have any additions or corrections or  
3 changes to make in your testimony, Mr. Brown?

4 A I don't know if you'd really call them  
5 corrections or changes. Since the filing of the  
6 testimony in which I identified or certified the MFRs,  
7 we've trued up some of the figures so that we have more  
8 accurate up-to-date, real hard numbers now instead of  
9 estimates, but other than that I wouldn't have any  
10 changes.

11 Q If the same questions were asked to you today,  
12 Mr. Brown, would you give the same answers as in your  
13 prefiled testimony?

14 A Yes, I would.

15 Q Please summarize your testimony.

16 A I have been involved with this Utility company  
17 since its inception back in the mid- to late '70s  
18 through my association with Leisure Properties, Limited,  
19 which is the general partner of the Utility company.  
20 But until about three years ago, I really didn't take  
21 active day-to-day management responsibilities.

22 We had some problems with the Utility company  
23 back primarily in the mid-'80s due to some fights among  
24 some of the partners and some financial problems that  
25 impacted on the Utility company. And, frankly, we -- I

1 say "we," Leisure, whoever, we did not devote the  
2 necessary time and resources and effort to the Utility  
3 company for that period of time.

4           It was sort of up in the air as to who would  
5 really end up in an ownership position, and I guess  
6 nobody was willing to devote the time and effort. And  
7 that was reflected in the 1989 case in which a lot of  
8 problems were identified, and one of them was  
9 management. And after that, pursuant to the  
10 Commission's order, we changed managers and I hired a  
11 new manager who used to work with the Commission on  
12 Staff. And that manager didn't work out and then I  
13 hired another manager who was with me until 1991, and he  
14 wanted more money and wanted to leave and was only able  
15 to work four days a week.

16           But, in any event, at that time I made a  
17 decision myself to become totally involved with the  
18 Utility company to solve its problems, to meet our  
19 responsibilities, and to do that on a day-to-day basis.  
20 And I've pretty much dropped everything else I was doing  
21 at that time.

22           I went back and persuaded Hank Garrett, who  
23 had worked for the Utility company back in the earlier  
24 years, but who had since left and gone to work with the  
25 City of Apalachicola, who had decided to make this a

1 career, who had gotten his Class C operator's license.  
2 And I sat him down in December of 1990 and asked him  
3 what it would take to come help me solve the problems.  
4 I made commitments to him and he made commitments to me,  
5 and since then we have both worked pretty hard to solve  
6 these problems. And while possibly some of them could  
7 have been done a little quicker had the funds been  
8 available, I have personally devoted almost all of my  
9 time and energy to this Utility company for the last  
10 three years, at least since '91, and a great deal of  
11 financial resources to make up the cash operating  
12 losses.

13 And at this time I believe that the Utility  
14 company is operating in an efficient, cost-effective  
15 manner. We're providing safe and efficient domestic  
16 water service on St. George Island with some level of  
17 fire protection.

18 I've made commitments to Mr. Garrett and to my  
19 other employees, and true, I have as Mr. McLean said the  
20 other day, run off a lot of people. I think that's part  
21 of management. We have changed. I fired a number of  
22 operators on the island and a number of day-to-day  
23 managers.

24 But the management team that we have in place  
25 now is doing the job. But to do that job it takes

1 resources and it takes rates and it takes revenue.

2 In the first case we filed I'm not sure that  
3 we really focused on all that it took to run the  
4 company. I went down in October of last year, '93, I  
5 went down and attended the NARUC seminar for a week and  
6 came away -- after listening to the PSC Staff and  
7 others, I came away with a little better understanding  
8 about what the Commission was looking for in terms of  
9 documenting cost, and we have made some adjustments that  
10 have been pointed out.

11 And when the case was filed, the second case,  
12 after the first case was dismissed, it was filed because  
13 to maintain our '92 test year, which required a lot of  
14 money to get to that point, it had been -- we had spent  
15 about \$30,000 getting that ready, we had to file it by a  
16 certain date. So, as has been pointed out, we did use a  
17 lot of estimates. Those estimates were based upon  
18 verbal reports to me from vendors and engineers and some  
19 of them are on the high side.

20 But Frank Seidman told me at the time we filed  
21 them that we had to true up those figures. Since then  
22 we have been seeking additional bids, negotiating and at  
23 this time, we either have contracts in place or have  
24 actually spent the money and actually completed all the  
25 work for some of those adjustments. So those

1 adjustments, in my opinion, at least, are necessary and  
2 proper if we're to properly operate this Utility company  
3 as it should be operated. I'll take whatever blame is  
4 appropriate for the misdeeds in the past because, as has  
5 been testified to, I had an overall management  
6 responsibility in the sense that the general partner of  
7 the Utility company was Leisure Properties and I was  
8 involved in that, although my partner and I fought over  
9 that for a number of years. But all I can say is that  
10 at least since I hired Hank Garrett and I've become the  
11 day-to-day general manager and have a dedicated group of  
12 employees, at least for that period of time, I believe  
13 that we have been doing the job. I think we know what  
14 we're doing and it's reflected in the fact that  
15 improvements are in place. And I think we're in  
16 compliance and it's a safe and efficient water system.

17           And the question was raised as to why this  
18 case was not filed earlier. Well, I'll tell you, I  
19 didn't file the case earlier because I didn't think --

20           COMMISSIONER KIESLING: Excuse me, Mr. Brown,  
21 this is supposed to be a summary of your prefiled.

22           WITNESS BROWN: Okay.

23           COMMISSIONER KIESLING: And that had nothing  
24 do with your prefiled. It would be helpful to me if you  
25 just did a summary.

1 WITNESS BROWN: I'm glad you read my prefiled.

2 COMMISSIONER KIESLING: I did.

3 WITNESS BROWN: Okay. Well, I'll cut it off.

4 A word to the wise, that's the summary.

5 MR. PFEIFFER: We had wondered about that. We  
6 would ask that the prefiled testimony be incorporated  
7 into the record of this proceeding.

8 CHAIRMAN DEASON: And we're just doing direct  
9 at this time.

10 MR. PFEIFFER: Just doing direct at this time,  
11 yes, sir.

12 CHAIRMAN DEASON: Without objection the direct  
13 testimony will be so inserted into the record.

14

15

16

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21

22

23

24

25

1 Q. Please state your name, profession and address.

2

3 A. My name is Gene D. Brown. I am an attorney and  
4 utility company manager. My office is located at 3848  
5 Killearn Court, Tallahassee, FL 32308.

6

7 Q. What involvement do you have with the applicant,  
8 St. George Island Utility Company, Ltd?

9

10 A. I am the president of the two corporate general  
11 partners of Leisure Properties, Ltd., which is the  
12 general partner of St. George Island Utility Company,  
13 Ltd.

14

15 Q. Please briefly outline your past involvement with  
16 the utility?

17

18 A. I was a general partner of Leisure Properties  
19 during the mid-1970's when construction of the St.  
20 George Island water system was commenced. I was still  
21 a general partner of Leisure Properties in 1979 when  
22 the existing St. George Island water system was sold to  
23 St. George Island Utility Company, Ltd., a Florida  
24 limited partnership.

25

1 Q. What has been your involvement with the management  
2 of the utility company?

3  
4 A. As one of the two general partners of Leisure  
5 Properties, Ltd., I had dual management  
6 responsibilities from the inception of the water system  
7 in 1975. After the system was purchased by St. George  
8 Island Utility Company, Ltd. in 1979, I remained as one  
9 of two general partners of Leisure Properties, Ltd.  
10 until April of 1981. In 1981, I acquired my partners'  
11 interest in Leisure Properties, Ltd., and continued as  
12 the principal manager of Leisure throughout the 1980's.  
13 This included overall supervision of St. George Island  
14 Utility Company, Ltd.

15

16 Q. What problems, if any, did the utility company  
17 experience during the mid-1980's?

18

19 A. After two hurricanes in the late summer and early  
20 fall of 1985, which caused extensive damage to the  
21 utility supply main on the bridge coming to the Island,  
22 the utility began experiencing financial difficulties  
23 due to inadequate rates.

24

25

1 Q. How many rate increases had the utility company  
2 secured between its formation and the financial  
3 difficulties in the mid-1980's?  
4

5 A. None. The utility had no increase in any of its  
6 rates or connection fees between the mid 1970's when  
7 construction of the system commenced and 1989, when the  
8 utility obtained its first increase in rates.  
9

10 Q. Did the utility company experience any other  
11 problems during the mid 1980's?  
12

13 A. Yes. Beginning in 1984, the utility company and  
14 its general partner, Leisure Properties, Ltd., were  
15 involved in extensive litigation with a former general  
16 partner of Leisure, which was the managing general  
17 partner of the utility company.  
18

19 Q. What affect, if any, did this litigation have on  
20 the utility company?  
21

22 A. This litigation created tremendous stress on the  
23 utility company and its management, as well as  
24 uncertainty regarding the utility company's future.  
25

1 Q. Was the utility company adequately managed and  
2 maintained from the period between 1984 and the rate  
3 case in 1989?  
4

5 A. No. In retrospect, it is clear that more time,  
6 money and other resources should have been devoted to  
7 the utility company during this period of time.  
8

9 Q. The 1989 rate case final order directed the utility  
10 to make certain improvements, including changes in its  
11 day to day operations and the construction of certain  
12 improvements. Do you agree that these improvements  
13 were necessary and proper?  
14

15 A. Yes. The utility badly needed to upgrade its  
16 overall operation, including better management and more  
17 capital expenditures for improvements necessary to meet  
18 the growth demands on St. George Island.  
19

20 Q. What efforts, if any, did you make to see that  
21 these improvements were made?  
22

23 A. Since the 1989 rate case, I have invested a great  
24 deal of time, effort and energy to bring the utility  
25 company into full compliance with all DER and PSC

1 requirements, as part of an overall effort to improve  
2 the level of water service on St. George Island.

3

4 **Q. Specifically, what have you done to improve the**  
5 **management of the utility company?**

6

7 **A. During 1989 and 1990, I employed two professional**  
8 **managers, one with extensive utility experience and one**  
9 **with extensive management experience. Although both of**  
10 **these individuals had their strong points, we were**  
11 **still not making adequate progress during 1989 and**  
12 **1990, so I decided in late 1990 to take over day to day**  
13 **management of the company myself, and to employ all new**  
14 **personnel. This included a new operations manager for**  
15 **St. George Island, as well as an assistant on the**  
16 **Island. It also included the employment of a new**  
17 **office manager and accountant in the main billing**  
18 **office in Tallahassee. To further increase efficiency,**  
19 **we installed a new computer software billing and**  
20 **accounting program.**

21

22 **Q. What affect, if any, did these changes have on the**  
23 **level of the service?**

24

25

1 A. Since the later part of 1990, the utility's overall  
2 efficiency has improved tremendously, and the overall  
3 quality of water service on St. George Island is  
4 extremely high. We have been operating with basically  
5 the same personnel since late 1990. During that  
6 time, we have experienced few, if any, outages, we have  
7 had no water quality problems, and have received very  
8 few complaints of any nature.

9

10 Q. Have you conducted any type of customer surveys to  
11 determine how the utility is perceived by its  
12 customers?

13

14 A. Yes. In the summer of 1992, we conducted a  
15 comprehensive customer survey which included a detailed  
16 questionnaire to every customer. Based upon responses  
17 from 339 customers, approximately 1/3 of our customer  
18 base, we determined that over 80% of our customers were  
19 generally happy with the water service they were  
20 receiving, which service had improved substantially  
21 during the last three years. This customer survey  
22 identified three areas that still needed improvement,  
23 and we took immediate steps to improve our service in  
24 the areas identified by our customers.

25

1 Q. What if anything has changed with regard to the  
2 number of complaints regarding the utility company  
3 during the last 2 or 3 years?

4  
5 A. We now receive virtually no complaints regarding  
6 either our service or our billing or accounting  
7 procedures. After checking with the Consumer  
8 Complaints Division of the Public Service Commission,  
9 we determined that there were two complaints regarding  
10 billing misunderstandings during 1992, and two  
11 complaints during 1993. The complaint in 1993 was  
12 from an individual who noticed a foul odor in the water  
13 immediately following the cleaning of our ground  
14 storage tank, which required the aerator to be placed  
15 out of service for a short period of time. The other  
16 complaint in 1993 involved a minor billing matter in  
17 which the customer bill and check for payment crossed  
18 in the mail.

19

20 Q. What investments and capital improvements have been  
21 made since the last rate case?

22

23 A. In addition to the elevated storage tank, we have  
24 installed a third well capable of producing 500 gallons  
25 per minute to the Island. We designed this third well

1 to operate in tandem with wells 1 and 2 so that we will  
2 have a complete redundancy regarding our source of  
3 supply. We have also installed a backup chlorination  
4 system to provide redundancy for our water quality  
5 protection. We are in the process of making  
6 substantial other improvements to the system which will  
7 provide complete backup or redundancy in all phases, so  
8 that there will be no additional water outages on the  
9 Island. We also recently installed a new generator to  
10 replace the one that gave us so many problems over the  
11 years.

12

13 **Q. In addition to your time and effort, what, if any,**  
14 **capital investments have you made in the system?**

15

16 **A. During 1992 alone, my affiliated companies made**  
17 **capital investments of almost \$300,000 to improve the**  
18 **water system on St. George Island, thereby increasing**  
19 **the level of service to all of our customers. Even**  
20 **after any and all deductions for legal fees, management**  
21 **fees or loan repayments to me and/or my affiliated**  
22 **companies, our net new investment during 1992 was**  
23 **almost \$200,000.**

24

25

1 Q. Why was it necessary to make such an additional  
2 capital investment?

3  
4 A. In almost 15 years since our rates were initially  
5 established, the utility company has had only the 1989  
6 rate increase, other than one or two small "pass  
7 through" increases as the result of indexing our rates.  
8 Although the 1989 rate increase was absolutely  
9 essential for survival, it still left the company over  
10 \$300,000 short each year in terms of the actual funds  
11 needed for utility company operations.

12  
13 Q. With the funds your companies invested in the  
14 system during 1992, did it have adequate operating  
15 revenue and personnel?

16  
17 A. No. We were still without the necessary funds and  
18 personnel to do the job as it should be done. However,  
19 I am very happy with our current utility personnel. We  
20 have a very strong management team and all of our  
21 employees are extremely loyal and competent. We  
22 recently hired one more maintenance person on St.  
23 George Island to maintain the necessary quality of  
24 service, as well as one new person in the Tallahassee  
25 office to help keep up with all of the bookkeeping and

1 accounting requirements. Our operations manager, Mr.  
2 Hank Garrett, has been working almost seven days a week  
3 around the clock in a tireless effort to meet all of  
4 the demands placed on him. During the first phase of  
5 Mr. Garrett's employment with the utility company, we  
6 had a professional firm which performed all of our  
7 testing and DER compliance items pursuant to a  
8 contract. However, this contract has been terminated,  
9 and Mr. Garrett is now responsible for all daily  
10 testing, reporting and other DER compliance items.  
11 These requirements have grown substantially during the  
12 past year or two, and it is now impossible for Mr.  
13 Garrett to keep up with all these compliance  
14 requirements while working full time every day as a  
15 laborer along with our second person on the Island, Mr.  
16 Kenneth Shiver. These are both dedicated employees,  
17 but they could not be expected to carry the load any  
18 longer without assistance, so we hired a new person.  
19 We now have one overall operations manager on the  
20 Island, as well as two laborers and maintenance  
21 personnel who can rotate some of the weekend and  
22 nighttime duties. This is a 24 hour per day-seven day  
23 per week job, and it was too much for only two people  
24 on St. George Island.

25

1 Q. What is the current status of your compliance with  
2 PSC and DER rules and regulations?

3  
4 A. The utility company is now in full compliance with  
5 all PSC and DER requirements. Indeed we are complying  
6 with a number of requirements which are not imposed on  
7 other similar utility companies. This is not a  
8 complaint, but the utility must have sufficient  
9 operating revenue if it is to be able to continue  
10 providing the level of service which it is currently  
11 providing to its customers on St. George Island.

12  
13 Q. Why do you feel St. George Island Utility Company  
14 is entitled to a rate increase?

15  
16 A. I believe we have met our commitment and obligation  
17 to the state agencies as well as our customers on St.  
18 George Island. In other words, the utility company  
19 employees and I have made a tremendous investment in  
20 terms of time, money and energy during the last several  
21 years to increase the level and quality of water  
22 service on St. George Island to the point that it  
23 compares favorably with any similar company serving a  
24 similar customer base. Now that this investment in  
25 time, money and energy has been made, I believe that

1 the utility company is entitled to an adjustment in its  
2 rates to adequately compensate the utility which is  
3 dedicated to maintaining its current level and quality  
4 of service. This cannot be done without adequate,  
5 increased rates as set forth in the documents and  
6 testimony prepared by our consultant, Mr. Frank  
7 Seidman.

8  
9 Q. In the last rate case, it was determined that the  
10 utility's transmission and distribution lines were only  
11 18% "used and useful." Do you agree with that finding?

12  
13 A. No.

14  
15 Q. Why not?

16  
17 A. The Island is almost twenty miles long and less  
18 than one-half mile wide on the average. I do not see  
19 how the utility had any choice other than to run the  
20 main transmission line the length of the Island in both  
21 directions if we were to serve our certificated  
22 territory. Most of the growth naturally occurred along  
23 the waterfront, both on the gulf and on the bay. I do  
24 not see how we had any choice other than to run basic  
25 lines along these higher growth areas. I also do not

1 understand how the remaining customers in between be  
2 considered as future customers of the utility, since  
3 there is no requirement that they tie into the  
4 utility's water system except for some of the customers  
5 in St. George's Plantation. Indeed, many potential  
6 customers are now installing shallow wells at the cost  
7 of approximately \$300 to \$400 each, rather than paying  
8 a connection fee to the utility which is in excess of  
9 \$2,000. In other words, we have to be ready to serve  
10 anyone on the Island, but substantially all of the  
11 property owners on the Island do not have to purchase  
12 water from the utility unless they are in an area that  
13 cannot get good water. To compound our problem, the  
14 property owners on St. George Island are now demanding  
15 a high level of fire protection, including the owners  
16 who are not customers and who do not provide any type  
17 of support to the water utility system.

18

19 **Q. Have you tried to secure an agreement or legal**  
20 **requirement that all property on the Island tie into**  
21 **the utility's central water system?**

22

23 **A. Yes, the utility was recently involved in some**  
24 **administrative litigation seeking to maintain a**  
25 **requirement within St. George's Plantation, at least,**

1 that all property owners in that area would have to tie  
2 into the central water system. All of the main state  
3 agencies assisted the utility in this regard, including  
4 the Department of Community Affairs, the Northwest  
5 Florida Water Management District, and the Department  
6 of Environmental Regulation. However, despite my  
7 request for assistance, the Florida Public Service  
8 Commission staff refused to assist the utility in this  
9 regard, and refused to play a part in the overall  
10 effort to maintain this requirement in St. George's  
11 Plantation.

12

13 Q. Why do you bring this up at this time?

14

15 A. It just seems extremely unfair that the Commission  
16 should rule that our transmission and distribution  
17 system was only 18% used and useful, which cut the  
18 utility out of approximately \$900,000 in rate base,  
19 when the same commission staff refused to assist the  
20 utility in maintaining a requirement that all of the  
21 potential "non used and useful" customers tie into the  
22 utility system. In other words, I do not see how the  
23 Commission can logically make a ruling that the utility  
24 has to wait until all of the potential customers tie  
25 into the system for a return on the utility's

1 investment, when there is no requirement that they ever  
2 tie into the system, and when the same Commission  
3 encourages shallow wells by refusing the utility's  
4 request for assistance in maintaining a requirement  
5 that existing lots tie into the system as homes are  
6 built.

7  
8 Q. Do you believe there were any misunderstandings  
9 that led to the commission's finding in the last rate  
10 case that the utility's transmission and distribution  
11 lines were only 18% used and useful?

12  
13 A. Yes. I believe that the commission incorrectly  
14 assumed or was advised that the utility was affiliated  
15 with the overall development of St. George Island.

16  
17 Q. Was that true?

18  
19 A. No. The utility was and is affiliated with Leisure  
20 Properties, Ltd., which was the original developer of  
21 St. George's Plantation. However, this is only a part  
22 of St. George Island, which is our certificated area.  
23 Leisure Properties started developing the Plantation in  
24 1976. In April of 1981, one of the partners of Leisure  
25 withdrew from the partnership, taking all of the

1 commercial land in the Plantation, consisting of  
2 approximately 200 acres, as well as the unplatted area  
3 now known as Pelican Point. This withdrawing partner  
4 also took all of the beachfront on the east end known  
5 as Sunset Beach, or 300 Ocean Mile, which was a high  
6 density area, as were the commercial tracts in the  
7 Plantation. Leisure Properties is not, and never has  
8 been, the developer of the main, center portion of the  
9 Island, which is where most of the lots and commercial  
10 development is approved and has occurred. Also,  
11 Leisure was not the "developer" of the east end, which  
12 was sold off in five to ten acre tracts in  
13 approximately 1975, which is approximately the same  
14 time that the first well was dug on the mainland, and  
15 the first water line was run to the Island. The water  
16 system was primarily developed and constructed after  
17 the sale of these five acre tracts. Also, neither I  
18 nor any of my affiliated companies have anything to do  
19 with any development whatsoever on St. George Island at  
20 this time. The commercial area in the center portion  
21 of the Plantation around the airport has been developed  
22 and is being developed by other parties. Also, the 100  
23 acre commercial tract at Bob Sikes Cut is being  
24 developed by other parties. Covington Properties, Inc.  
25 is developing 31 lots on approximately 29 acres

1 adjacent to Bob Sikes Cut. George Mahr is developing  
2 the remaining 67 acres. I have no involvement at all,  
3 directly, or indirectly with any of the development by  
4 George Mahr. The Brown Childrens' Trust owns less than  
5 10% of Covington Properties, Inc., and I have  
6 absolutely no control or day to day involvement with  
7 that company. Basically, neither I nor any of my  
8 affiliated companies has developed anything on St.  
9 George Island since the mid 1980's. And, after 1981,  
10 Leisure was not involved with the development of any of  
11 the commercial property within St. George's Plantation  
12 which is where most of the development density was  
13 approved. The restrictive covenants which originally  
14 required connection to the water system only applied to  
15 the residential areas, not to the over 200 acres of  
16 commercial property in the Plantation where most of the  
17 density was approved. Even prior to 1981, my  
18 involvement, through affiliates, was limited to a  
19 relatively small portion of the Island. The utility  
20 company did not construct its transmission and  
21 distribution lines for development controlled by me or  
22 any of my affiliates. The utility company made the  
23 decision to install such transmission and distribution  
24 lines as a prudent business judgment to serve the  
25 people who needed water service on St. George Island,

1 which is what I perceived the utility's obligation to  
2 be under its certificate and tariff.

3

4 **Q. Why was all this not presented at the last rate**  
5 **case?**

6

7 A. Neither I nor my attorney believed that this was an  
8 issue. Our expert testimony was that the transmission  
9 and distribution lines were 100% used and useful.  
10 Public Counsel's expert testimony was that the  
11 transmission and distribution system was 90% used and  
12 useful. Based on this, we thought that the finding  
13 would necessarily fall somewhere within the evidence,  
14 so we did not believe it was necessary to present any  
15 more detailed testimony regarding developer-utility  
16 control of the Island, or actual layout of the units on  
17 the Island. However, after the evidence was closed, it  
18 was somehow determined that the actual used and useful  
19 percentage of the transmission and distribution system  
20 was only 18%. The utility has been suffering from the  
21 cash flow shortfall caused by this finding for the past  
22 five years. It is one of the main reasons that my  
23 affiliated companies and I have had to contribute so  
24 much additional cash to maintain and improve the  
25 utility operations during the last five years since the

1 1989 rate case.

2

3 **Q. What do you believe the correct used and useful**  
4 **percentage should be?**

5

6 **A. I believe it should be 100% across the board,**  
7 **including the transmission and distribution system.**  
8 **This is an "horrendous" system to operate and maintain.**  
9 **We have an obligation to serve customers whose wells go**  
10 **bad, and all other customers in areas that cannot get**  
11 **good water. At the same time, we have to run our lines**  
12 **by hundreds if not thousands of lots whose owners may**  
13 **never hook into our system, because there is no**  
14 **governmental will to require mandatory connections on**  
15 **the Island. This is an environmental disaster waiting**  
16 **to happen, because of the extremely small lots with**  
17 **septic tanks which basically means that the sewage**  
18 **wastewater is being recirculated as potable drinking**  
19 **water. The utility is powerless to do anything about**  
20 **this situation; however, the utility does not believe**  
21 **that it should be penalized by the commission's "used**  
22 **and useful" calculations when there is no way to**  
23 **legally assume that any of the additional development**  
24 **on the Island will have to be served by the utility**  
25 **company, other than a limited number of lots in the**

1 Plantation. This is compounded by the fact that the  
2 Commission now seems to be encouraging this utility to  
3 assume at least some degree of responsibility for fire  
4 protection on the Island, which can only be provided by  
5 the use of the transmission and distribution system  
6 which the Commission has determined to be only 18%  
7 "used and useful."

8

9 Q. Do the shallow wells cause you any other problems?

10

11 A. Yes. There are great numbers of shallow wells that  
12 have the potential to contaminate our water system. We  
13 have had to substantially increase the time and effort  
14 spent on water company matters by Sandra Chase, who is  
15 in charge of our DEP mandated cross connection control  
16 program. It became impossible for this program to be  
17 properly administered by the personnel on the Island,  
18 so it was all transferred to the Tallahassee office.  
19 Mrs. Chase is also in charge of our governmental agency  
20 and customer relations, and she serves as a company-  
21 wide administrative assistant to assist each employee  
22 to properly perform his or her duties, including  
23 correspondence and other matters. Mrs. Chase spends  
24 approximately 80% of her time on utility company  
25 matters. Her salary has been increased since the test

1 year of 1992, and this adjustment is reflected in the  
2 MFR's.

3

4 Q. What is the utility's position regarding fire  
5 protection on St. George Island?

6

7 A. The utility does now provide a certain level of  
8 fire protection on St. George Island, although there is  
9 no legal requirement to do so. Also, the utility plans  
10 to undertake a comprehensive fire protection study  
11 during 1994 to determine the feasibility of improving  
12 the level of fire protection provided by the utility on  
13 St. George Island. Basically, the utility is ready,  
14 willing and able to upgrade its system to provide an  
15 improved level of fire protection on St. George Island.  
16 However, we must first determine the standard to be  
17 met, the improvements needed to meet this standard, and  
18 the most efficient method of making these improvements.  
19 We must also be assured that the utility will receive  
20 an adequate return on the necessary improvement costs  
21 and ongoing expenses to be incurred in connection with  
22 such added fire protection. We cannot justify making  
23 substantial improvements to the system, including the  
24 transmission and distribution system, which would be an  
25 integral part of any fire protection system, until we

1 understand how the utility can receive a return on the  
2 investment it has already made in the transmission and  
3 distribution system which was deemed to be only 18%  
4 "used and useful."

5

6 Q. The utility seems to have extremely high debt. How  
7 can it continue to operate successfully with such a  
8 debt structure?

9

10 A. The real hard third party debt of the utility at  
11 this time is approximately \$1,200,000. All of the  
12 other debt is to intercompany affiliates. Our plan is  
13 to convert all of this excess, intercompany debt to  
14 equity at or before the conclusion of this rate case,  
15 provided or assuming that we end up with a rate base  
16 somewhere near the hard third party debt of \$1,200,000.  
17 Immediately after this "debt-to-equity conversion," we  
18 will refinance the remaining debt of approximately  
19 \$1,200,000 with a long-term Farmers Home Administration  
20 industrial financing package in the total amount of  
21 \$1,500,000. This will be used as follows: \$1,200,000  
22 to refinance existing debt, and \$300,000 for working  
23 capital and needed improvements to the system. This  
24 loan will be closed through a local savings and loan  
25 association, which has given preliminary approval for

1 the refinancing, based upon a successful conclusion to  
2 this pending rate case and a 90% loan guarantee from  
3 FHA. This will allow the utility company to maintain a  
4 high level of service on St. George Island on a  
5 perpetual basis, rather than suffering through the  
6 various cash flow crises that have existed over the  
7 past several years.

8

9 Q. Do you intend to remain as permanent manager of the  
10 utility company?

11

12 A. No. I agreed to take over the day-to-day  
13 management of the utility only long enough to resolve  
14 the remaining problems facing the utility company and  
15 to obtain adequate rates necessary to cover ongoing  
16 operations, including a fair return for the utility  
17 investors. I will phase out of the day-to-day  
18 management after hiring a full-time professional  
19 manager after these goals are met. Other than phasing  
20 out my involvement, we plan to maintain all of the  
21 remaining existing employees as long as they want to  
22 work for the utility company, because they are doing an  
23 outstanding job. It is because of their dedication and  
24 hard work over the past three or four years that we are  
25 now in full compliance with all rules and regulations

1 of both the PSC and DER; and they are the reason that  
2 we are now providing an outstanding level and quality  
3 of water service on St. George Island.

4

5 **Q. Why do you have your accounting and management**  
6 **office in Tallahassee?**

7 A. Because it is more efficient and cost effective.  
8 We have tried keeping all the offices on the Island,  
9 but it was a disaster. It is not practical to secure  
10 the necessary professional personnel who are willing to  
11 live and work on St. George Island. It is too far to  
12 drive every day to work. Most of our customers do not  
13 live on the Island, and most the people we deal with on  
14 a day-to-day basis are in the Tallahassee area. If all  
15 our personnel worked on the Island, our total long  
16 distance phone expense would be much greater, and we  
17 would be much less efficient. Also, we do not have  
18 adequate office facilities on the Island. In short, we  
19 have thoroughly considered and experimented with the  
20 idea of having all the offices on the Island, and it  
21 will not work. It would reduce our efficiency and  
22 would be more expensive for our customers.

23

24 **Q. Do you own St. George Island Utility Company, Ltd?**

25

1 A. No. I am an employee of the management company. I  
2 have no ownership interest.

3

4

5 Q. The revised MFR's prepared by Frank Seidman show a  
6 number of adjustments to the 1992 test year; can you  
7 explain why these adjustments are necessary?

8

9 A. As I mentioned earlier, this utility company did  
10 not have sufficient revenue during 1992 to actually  
11 operate the company the way it should have been  
12 operated. We were able to survive through the infusion  
13 of almost \$300,000 in cash from my affiliated  
14 companies, and through the tireless efforts of our  
15 employees who were overworked and underpaid during  
16 1992. Such a stressful situation can be endured for a  
17 limited period of time, but we cannot expect the  
18 utility company employees to continue in this vein on  
19 an indefinite basis.

20

21 Q. Can you be more specific, and discuss the various  
22 adjustments as they appear in the revised MFR's?

23

24 A. Yes. First, with regard to account 601, employee  
25 salaries and wages, we put a new pay raise into effect

1 as of December 1, 1993. This was done for two basic  
2 reasons: (1) to keep up with the cost of living  
3 increase; and (2) to maintain employee morale so that  
4 we would have no turnover. These raises had been  
5 promised for some time, and it was necessary to put  
6 them into effect so we would not lose any experienced  
7 employees. We also have been required to hire a new  
8 full time office staff person, Fiona Ramion, who is  
9 paid \$6.00 per hour for a basic 40 hour week. She was  
10 and is necessary to maintain our books and records in  
11 compliance with the rules and regulations of the  
12 Commission as interpreted to us by the Commission  
13 staff. In order to meet the "readily available"  
14 requirement of the NARUC rules as interpreted by the  
15 Commission's audit staff, we now prepare full daily  
16 documentation on each and every transaction as  
17 ultimately reflected in our monthly general ledgers.  
18 It was impossible to provide this level of detail and  
19 to otherwise maintain our books and records in accord  
20 with the NARUC and PSC rules without the addition of at  
21 least one staff person in the Tallahassee office.

22 As mentioned earlier, we also had to hire a new  
23 maintenance person to assist with the day-to-day  
24 operations on St. George Island. The person we hired  
25 is Larry Hatfield, who is working for us at the rate of

1 \$8.00 per hour. There are a number of reasons for  
2 adding this person to our staff on the Island. We now  
3 gather all of the DEP required samples in house,  
4 whereas we previously contracted this work out at the  
5 rate of \$800 per month to Southern Water Services, Inc.  
6 Second, as shown by the Baskerville-Donovan aerator  
7 report, we will be required to flush our lines on a  
8 daily basis at various dead end points on the Island,  
9 which is 20 miles long. This alone will require  
10 approximately four hours per day for one person.  
11 Third, with the proliferation of shallow wells and the  
12 increased emphasis by DEP, PSC, etc. regarding the  
13 cross connection program it is almost a full time job  
14 for one person to keep our system map up to date and to  
15 audit all of the development and construction which is  
16 going on throughout St. George Island, much of which  
17 includes the construction of shallow wells. Fourth, at  
18 the insistence of the PSC audit staff, we are now  
19 keeping detailed work orders, purchase orders, time  
20 logs, plant records, and other records which were not  
21 kept at the same level of detail during the 1992 test  
22 year. Fifth, our leak detection program is taking more  
23 and more time. Also, in order to document each and  
24 every transaction on a daily basis, a great deal more  
25 of Hank Garrett's time in the office is required to

1 provide this detail to our Tallahassee bookkeeping  
2 office on a daily basis. In other words, Hank Garrett  
3 no longer has time to work in the field with Kenneth  
4 Shiver on routine repairs and maintenance as he did in  
5 1992. Instead, he has to spend substantial time in the  
6 office doing managerial and bookkeeping functions, so  
7 that he is available for manual labor and repairs only  
8 on an emergency basis.

9           Regarding account 604, Employee Pensions and  
10 Benefits, we have enacted an employee pension and  
11 profits sharing plan effective January 1, 1994. This  
12 type of plan has been promised to the employees for  
13 several years, and it was necessary to implement it at  
14 this time to maintain employee morale and to keep the  
15 dedicated employees which we have. This plan requires  
16 a contribution by the utility of an amount equal to 5%  
17 of each employees' salary. I am not included in this  
18 plan, because I am not a direct employee of the utility  
19 company.

20           We have also revised our health insurance program  
21 to provide basic health insurance coverage for all  
22 utility personnel. All employees of the utility were  
23 not covered by health insurance during the test year of  
24 1992, which was not fair or equitable. We have been  
25 able to cap these costs by providing a direct cash

1 allowance to each employee, rather than maintaining an  
2 overall group policy which would be subject to periodic  
3 increases.

4 Also, we have provided for \$3,000 per year for  
5 employee education and seminars. I recently spent five  
6 days at the NARUC seminar at Clearwater Beach. I  
7 believe that at least two of the utility's employees  
8 involved in accounting management need to attend this  
9 or a similar seminar. Sandra Chase, who is in charge  
10 of our cross connection control program, needs to  
11 attend one or more cross connection control seminars to  
12 fully understand how to satisfy the requirements of her  
13 position. Ann Hills, who is in charge of our  
14 computerized billing system, needs to attend the annual  
15 seminar that TAABS offers to keep up with the advances  
16 in the TAABS billing software. Hank Garrett is now  
17 trying to obtain his Class "B" operator's license and  
18 Kenneth Shiver is trying to obtain his Class "C"  
19 operator's license. Both of these individuals need to  
20 attend at least one or two seminars annually to keep up  
21 with all utility company operating requirements and  
22 other advances in the industry. These seminars are  
23 sponsored by DEP, Rural Water Association and other  
24 similar agencies and entities. Seminars such as these  
25 should be attended by our employees on a ongoing basis,

1 and it is estimated that this will cost approximately  
2 \$3,000 per year.

3           Regarding account 631, Contractual Services-  
4 Engineering, it is necessary for the utility to have  
5 the services of a competent engineer available on a  
6 ongoing basis. We constantly need engineering advice  
7 regarding the proper operation and maintenance of the  
8 system. Also, the utility and its personnel have to  
9 meet and confer on an ongoing basis with developers,  
10 customers, and various agency personnel regarding  
11 engineering matters. This includes meetings with DEP,  
12 PSC, Northwest Florida Water Management District,  
13 Volunteer Fire Department, St. George Island Civic  
14 Club, St. George Island Plantation Owners' Association,  
15 Florida Rural Water Association, and various other  
16 groups and agencies that have an ongoing interest in  
17 the utility company and its operations involving  
18 engineering issues. To assure that we will have  
19 engineering expertise and assistance available at all  
20 times, the utility entered into a retainer agreement  
21 with Mr. Wayne Coloney, effective January 1, 1992, at a  
22 cost of \$500 per month. We feel this expense is  
23 reasonable and necessary to provide Hank Garrett and me  
24 with instant engineering assistance which is necessary  
25 for both of us to properly do our jobs.

1           Regarding account 632, Contractual Services-  
2           Accounting, we have a retainer agreement with Barbara  
3           Withers, CPA, for \$500 per month or \$6,000 per year,  
4           effective January 1, 1993. This covers five hours of  
5           work per month. Any excess time spent by Ms. Withers  
6           is billed at the rate of \$100 per hour. We primarily  
7           use Barbara Withers for our tax returns, all  
8           partnership accounting, and other complicated or more  
9           sophisticated accounting matters. Our day-to-day  
10          accounting, including compliance with NARUC and PSC  
11          accounting requirements, is handled by Jeanie Drawdy.  
12          She works 16 hours per week at a cost of \$20 per hour.  
13          She has responsibility for assuring that we are in  
14          compliance with NARUC and PSC accounting requirements.  
15          She prepares and files the annual reports, as well as  
16          the monthly and yearly general ledgers. Based upon the  
17          detailed and stringent accounting requirements which  
18          must be met by this utility company, we must have the  
19          services of both Ms. Withers and Ms. Drawdy as I  
20          mentioned earlier in order to remain in compliance with  
21          all applicable accounting requirements.

22          Regarding account 633, Contractual Services-Legal,  
23          the utility has entered into a retainer agreement with  
24          my professional association, Gene D. Brown, P.A., under  
25          which the utility is obligated to pay \$2,000 per month.

1 This covers all legal services that the utility may  
2 require, except extraordinary matters such as this rate  
3 case and substantial litigation that cannot be handled  
4 by me alone. As a part of this retainer agreement, I  
5 keep detailed time records covering all legal matters  
6 which I handle for the utility company. This time is  
7 billed to the utility at \$150 per hour, which is my  
8 standard hourly rate, but I have agreed to waive all  
9 fees in excess of \$24,000 per year. During the time  
10 that Mary LaBatt was co-managing the utility with me  
11 last summer, I was requested to keep time records for a  
12 period of approximately 6 weeks. The result was a bill  
13 of approximately \$4,000 to \$6,000 per month. Since I  
14 was requested to keep detailed time records by the PSC  
15 audit staff last fall, I have been keeping time sheets  
16 on all legal services rendered to the utility. On the  
17 basis of these time records, the utility would be  
18 charged well in excess of \$24,000 per year if the  
19 utility was required to pay at the rate of \$150 per  
20 hour rather than an agreed fee of \$2,000 per month.

21           Regarding account 634, Contractual Services-  
22 Management, the utility has an ongoing management  
23 agreement with Armada Bay Company, which is an  
24 affiliated management company. This retainer agreement  
25 has been provided to the Commission staff, and it

1 details the scope of the agreement. Basically, it  
2 covers any and all management responsibilities  
3 regarding all day-to-day utility operations. It also  
4 covers the office space which I use, as well as  
5 substantial office equipment and furniture which is  
6 owned by Armada Bay Company and used by the utility  
7 company. At the suggestion of the Commission's audit  
8 staff, I have been keeping general time records  
9 regarding my management responsibilities with the  
10 utility company. These records show that I am spending  
11 almost all of my time in managing this utility company.  
12 I intend to continue doing this until the remaining  
13 problems are solved, and until the utility secures a  
14 sufficient revenue base so that the company can be  
15 managed by a professional utility manager who does not  
16 have to face the daily cash flow crises that we have  
17 been operating under for the past several years.

18       Regarding account 635, Contractual Services-Other,  
19 there are a number of adjustments which need to be  
20 made. First, we need to have a contract with a  
21 competent testing lab to pick up and test our samples  
22 as required by the DEP regulations. The lab we had  
23 been using lost some of our samples last year, which  
24 caused us substantial problems. Also, the DEP  
25 personnel and our engineers have strongly recommended

1 that we transfer our testing to a more competent  
2 qualified lab. Accordingly, we have obtained a written  
3 quote from Savannah Labs in Tallahassee, based upon all  
4 of the sampling that we are currently required to  
5 perform to meet all applicable state and federal  
6 regulations. We are no longer going to impose upon the  
7 wives of our employees to deliver the samples to the  
8 lab. This procedure has raised numerous concerns and  
9 questions which need to be avoided. The quote set  
10 forth in our revised MFR's is the total annual amount  
11 required to properly meet our sampling requirements.

12 Over the years, we have received numerous  
13 complaints about our personnel not being in uniform.  
14 Many of our customers have complained that they do not  
15 like un-uniformed personnel coming on their property  
16 because and their tenants do not know our employees are  
17 utility authorized personnel who have authority to come  
18 on to the property for meter reading and other similar  
19 matters. We did not provide uniforms for our employees  
20 during the 1992 test year, but we now have a contract  
21 to provide these at approximately \$1,200 per year. I  
22 believe this is a reasonable and necessary expense.

23 DEP has mandated that we make arrangements for  
24 substantial maintenance of the ground storage tank.  
25 Also, our engineers and others have advised that our

1 elevated tank will soon begin having substantial  
2 problems unless we begin a maintenance program  
3 immediately. Based on this, we have agreed to a  
4 maintenance contract with Eagle Tank Technology  
5 Corporation of Jacksonville for the ongoing maintenance  
6 of both tanks at a cost of \$20,493 per year.

7 For many years, we have been advised that our  
8 pipes throughout the Island need to be cleaned or  
9 "pigged out" on a periodic ongoing basis. This will  
10 help us detect and repair leaks, it will increase water  
11 pressure, it will cut down on turbidity levels and  
12 other water quality problems, and it will provide other  
13 benefits that have been explained to us. The cost of  
14 this work is \$35,040 per year, which we believe to be  
15 an ordinary and necessary expense for the utility  
16 company.

17 The Northwest Florida Water Management District is  
18 requiring that we perform a hydrological study of the  
19 Eastpoint area as a condition of our continued draw-  
20 down of water from our three wells at Eastpoint.  
21 According to the water management district, we are  
22 already exceeding our consumptive use permit allocation  
23 by at least 10%. So, this study will have to be done  
24 during 1994. The estimated cost of this study is  
25 \$45,000.

1           Regarding account 642, Rental Equipment, we have  
2 an arrangement with our operations manager, Hank  
3 Garrett, under which we lease the backhoe which he  
4 purchased for our use and benefit. We need a backhoe  
5 on a full time basis, and this arrangement with Mr.  
6 Garrett has resulted in a substantial savings over what  
7 we paid when we were renting the backhoe from Beard  
8 Equipment.

9           Regarding account 650, Transportation Expenses, we  
10 have determined over the years that it is much more  
11 cost effective for the utility to require employees to  
12 have a vehicle as a condition of their employment with  
13 an auto allowance rather than the utility trying to own  
14 and maintain a fleet of vehicles. The transportation  
15 allowances set forth in our revised MFR's are  
16 reasonable and necessary for the various employees to  
17 perform their duties, and this has resulted in a  
18 savings to the utility as compared with the expense we  
19 would incur if vehicles were owned and maintained by  
20 the utility.

21           Regarding the various insurance accounts 656, 657  
22 658 and 659, we do not need vehicle insurance per se  
23 because of our arrangement with the utility company  
24 employees requiring them to own and maintain their own  
25 vehicles. However, we must have general liability,

1 workers' compensation and property insurance to  
2 properly protect the interest of the utility and its  
3 customers. We had such insurance at the time of the  
4 hurricanes in 1985, which enabled us to repair the  
5 damaged pipe across the bridge within a matter of days.  
6 Because of the availability of this insurance, we were  
7 back in service faster than the other utilities on the  
8 Island. However, without insurance at that time, I do  
9 not know how we would have been able to cover the  
10 substantial cost of repairing the damage to our  
11 transmission line across the bridge and causeway. The  
12 insurance quotes set forth in our revised MFR's are  
13 reasonable, and we must have this insurance to comply  
14 with the law and to properly protect the interests of  
15 both the utility and all of its customers.

16           Regarding account number 670, Bad Debt Expense, we  
17 have determined that our uncollectible accounts at  
18 12/31/92 were \$6,276.13, which has been written off as  
19 of the end of 1992. One of our main problems in  
20 operating the utility company is that many houses  
21 remain vacant for substantial periods of time before  
22 they are sold, or between customers. Under the  
23 Commission rules, we are not allowed to collect the old  
24 debt from the new owner or new customer, which accounts  
25 for significant losses through bad debts each year.

1 Also, under the Commission rules, we are required to  
2 refund deposits based upon the customer's payment  
3 record. However, in many cases, we are still left with  
4 a bad debt when the customer's account is closed, since  
5 the deposit has already been refunded in accordance  
6 with the Commission rules.

7       Regarding account 675, Miscellaneous Expenses, we  
8 have made an adjustment to provide for a cellular phone  
9 to be used by our operations manager, Hank Garrett, on  
10 the Island, as well as one-half of the cost of my  
11 cellular phone. In my opinion, these phones are  
12 necessary for the utility to be properly operated with  
13 no outages. On at least two occasions since Mr.  
14 Garrett and I obtained our cellular phones, we have  
15 communicated during times of emergencies by using these  
16 cellular phones. In both cases, the phones may well  
17 have made the difference between an outage and  
18 remaining in service, which we were able to do. Also,  
19 on a daily basis, we are able to reach and communicate  
20 with Mr. Garrett, and all of the utility personnel are  
21 able to reach and communicate with me by using the  
22 cellular phone. I believe these phones are reasonable  
23 and necessary, and that an adjustment should be made to  
24 cover their costs, which was not fully covered during  
25 the test year because both phones were not available

1 during all of 1992.

2 Because of the constant communication and paper  
3 flow required between the Tallahassee office and the  
4 Island office, the Island office badly needs a fax and  
5 copy machine. Accordingly, we have agreed to rent  
6 these items, which is an adjustment to our 1992 test  
7 year when we did not have a fax or copy machine on the  
8 Island. This expense is necessary, and I believe it is  
9 reasonable and should be allowed.

10 The cost of filing the limited partnership annual  
11 reports with the Florida Secretary of State's Office is  
12 greater than the amount reported during the 1992 test  
13 year.

14 I assisted our consultant, Frank Seidman, in  
15 preparing MFR's filed in this case. Although I am not  
16 familiar with all the MFR's in detail, I have reviewed  
17 all of the costs and adjustments, including the  
18 proforma items, and I believe they re all reasonable  
19 and necessary if this utility is to maintain its  
20 ability to provide safe and adequate water service on  
21 St. George Island. Since the last rate case, the  
22 utility company employees and I have worked diligently  
23 to meet all of the governmentally imposed requirements,  
24 and to provide safe and reliable water service which is  
25 our ongoing responsibility. However, we can continue

1 to meet this responsibility only if we obtain a revenue  
2 increase sufficient to meet our operating expenses, and  
3 to provide a reasonable return on the investment by the  
4 utility company owners. The utility has no other  
5 source of revenue, and it is impossible to continue  
6 operations with the losses we have been experiencing  
7 since this company has been in business. In my  
8 opinion, the revenue increase requested in this rate  
9 case is absolutely necessary for St. George Island  
10 Utility Company to continue meeting its obligation to  
11 provide safe and reliable water service to its  
12 customers on St. George Island.

13

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

15

16 **A. Yes. It does.**

17

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1 MR. PFEIFFER: And we will tender the witness  
2 for cross.

3 CHAIRMAN DEASON: Mr. McLean.

4 MR. McLEAN: Thank you, Mr. Pfeiffer.

5 CROSS EXAMINATION

6 BY MR. McLEAN:

7 Q Mr. Brown, how are you, sir?

8 A How are you?

9 Q Doing pretty well.

10 Given your summary that you just offered,  
11 would you waive summary of your rebuttal testimony when  
12 that time comes, sir?

13 A I'll shorten it up.

14 Q Well, I think that you addressed a number of  
15 matters concerning rebuttal testimony, so despite the  
16 fact that we heard that, you still want to give a  
17 somewhat free-ranging summary of you rebuttal testimony?

18 A No, I'll probably ask the Commissioners if  
19 they'd like to hear a summary; if so, I'll summarize.

20 Q I'll join you in that, but will you waive it  
21 if they don't ask?

22 MR. PFEIFFER: I object.

23 A I'll ask my lawyer for advice.

24 CHAIRMAN DEASON: I'm sorry. I was trying to  
25 see if there were exhibits attached to the testimony,

1 and there are no exhibits attached to the testimony.

2 MR. PFEIFFER: That's correct, Mr. Deason.

3 CHAIRMAN DEASON: And I apologize. I did not  
4 catch the question nor the objection.

5 MR. PFEIFFER: He's trying to ask the witness  
6 to waive rights that he might have to give a summary to  
7 his prefiled rebuttal testimony. And, certainly, if  
8 he's going to waive those rights, he ought to at least  
9 get to talk to his attorney about it.

10 MR. McLEAN: Well, let me suggest that it's  
11 not a right. That it's a gratuity offered over my the  
12 Commission, over my objection for some years, to what  
13 effect that might have, because I have no way to tell  
14 what the witness might say, no way to discover what he  
15 might say and no way to really respond to it unless it's  
16 right here today. But your rules require extensive  
17 prefiling of both direct and rebuttal. Now, it's nice  
18 to refresh the Commissioners' memory, and I have no  
19 argument with that. But If he says something he hasn't  
20 said before or if he happens to venture observations  
21 about some portion of his testimony which I don't care  
22 to cross on, he gets it in the record and I have to deal  
23 with it then and there.

24 CHAIRMAN DEASON: Well, I would note that  
25 summaries are supposed to be limited to what is

1 contained within the prefiled testimony. And to the  
2 extent that the summary ventures outside of that, that  
3 it is subject to an objection at that time. And if it  
4 is truly outside the scope of the prefiled testimony,  
5 that portion of the summary would not be allowed.

6 MR. MCLEAN: Thank you, sir.

7 Q (By Mr. McLean) Mr. Brown, you have been the  
8 manager -- let me ask you a more general question.

9 There have been a number of names mentioned in  
10 this proceeding. Leisure Properties, I think Armada Bay  
11 Company is in; the St. George Island Utility Company,  
12 Limited is in. What I wish you would do for the benefit  
13 of the Commission is to explain the organizational  
14 structure. Another word that is mentioned from time to  
15 time, would you explain to the Commission the  
16 organizational structure of this utility and of its  
17 affiliates and who the principals are, please sir?

18 A The Utility company is a Florida limited  
19 partnership. Its general partner is Leisure Properties,  
20 Limited. Leisure has two corporate general partners.  
21 I'm president of both of them. There are a number of  
22 partners in the Utility Company. Some eight or ten.  
23 And that's basically the set up for the Utility company.

24 Q Do any of those partners have the same voice  
25 you have? In terms of strength?

1 A They collectively have a greater voice.

2 Q Pardon me, sir. Could you answer the question  
3 and then explain?

4 A Yes. The answer is yes, some of them have a  
5 greater voice than I do.

6 Q Which ones have greater voice than you do?

7 A The Brown Children's Trust owns 45%. It has --

8 Q Of what?

9 A Of the partnership interest in St. George  
10 Island Utility company, Limited. Leisure Properties  
11 owns 10%.

12 Q What is your voice over the Brown Children's  
13 Trust, if any?

14 A None.

15 Q Okay. And what's the entity that owns 10%.

16 A Leisure Properties, Limited.

17 Q And you are a partner in that organization?

18 A No, I'm president of the two corporate general  
19 partners.

20 Q And who are those two entities?

21 A St. George Properties and St. George Island  
22 Properties, Inc., I believe.

23 Q All right, sir. How does Armada Bay Company  
24 figure into all this?

25 A Armada Bay Company entered into a management

1 agreement in '91 to take over the management of the  
2 Utility company.

3 Q Now, in both instances Mr. Brown was on both  
4 sides of that contract; is that right?

5 A Yes, sir.

6 Q Okay. How many employees does the management  
7 company have?

8 A One.

9 Q How many officers does it have?

10 A One, I believe.

11 Q How many directors?

12 A Probably one.

13 Q Would you name each of those people?

14 A Gene D. Brown.

15 Q In each case, right?

16 A I believe so, yes, sir.

17 Q All right, sir. With respect to Leisure  
18 Properties, Limited, now that's the partnership where  
19 there are other limited partners; is that correct?

20 A That partnership has other limited partners as  
21 does the Utility company. The one I was talking about  
22 earlier was the Utility company.

23 Q Oh, I see, so the Utility company is the one  
24 in which -- well, I don't know, did you say you had less  
25 than majority organizational control of the Utility

1 company?

2 A I don't have control. The partners have  
3 control. I have a management contract.

4 Q With whom did -- I'm sorry, go ahead.

5 A To manage the Utility company. And I am  
6 president of the two general partners, the two corporate  
7 general partners of the general partner of the Utility  
8 company.

9 Q Okay. Armada Bay --

10 A Which owns 10%.

11 Q -- is a contractor -- contracts with the  
12 Utility limited partnership correct?

13 A Yes, sir.

14 Q All right. Now, who negotiated that contract  
15 on behalf of the Utility partnership?

16 A I did.

17 Q Who negotiated that contract on behalf of  
18 Armada Bay Company?

19 A I did.

20 Q With respect to Gene Brown, PA, that is also  
21 one of your affiliates; is that correct?

22 A That's a professional association. It's a law  
23 firm.

24 Q I understand. Who are the officers in that  
25 law firm, if there are more than one. If there are not,

1 who is the officer.

2 A I'm the only officer, I believe.

3 Q Okay. Do you have any other office in that  
4 particular professional association?

5 A I'm probably the president and the secretary.

6 Q Okay. Does that professional association  
7 contract with any of the affiliates which we've already  
8 mentioned?

9 A Only the Utility company that I have an actual  
10 contract with.

11 Q Do you provide legal advice to the limited  
12 partnership known as Leisure Properties, Limited?

13 A To the extent that it receives legal advice, I  
14 do.

15 Q Okay. Now focusing on Leisure Properties,  
16 Limited just for a moment, what other -- how many other  
17 partners does it have?

18 A Probably eight or ten.

19 Q Okay. There's a general partner and a number  
20 of limited partners, is there?

21 A There are two corporate general partners and  
22 then there are probably seven or eight, maybe nine  
23 limited partners.

24 Q Do the limit partners have a voice in the  
25 management of Leisure Properties, Limited?

1 A Not really, not on a day-to-day basis.

2 Q Well, who does?

3 A I pretty much make the decisions for Leisure  
4 Properties, Limited.

5 Q Okay. Now, with respect to the Utility  
6 partnership you said that there are limited partners of  
7 that partnership as well; is that correct?

8 A Yes, sir.

9 Q Okay. Do any of those partners, those limited  
10 partners, have any voice in the day-to-day operations of  
11 that utility partnership?

12 A No, not in the day-to-day operations.

13 Q Who does?

14 A The employees and I have day-to-day operating  
15 authority and decision-making ability.

16 Q Okay. And you're an officer in -- do you hold  
17 any officer in the utility limited partnership?

18 A No.

19 Q You're not one of the limited partners?

20 A No.

21 Q But your family trust is?

22 A The Brown Children's Trust has a 45% limited  
23 partnership interest, yes, sir.

24 Q Okay. Now, with respect to that Brown  
25 Children's Trust, are those persons, the beneficiaries

1 of that trust, are they your children or are you among  
2 the children? Or is either true? I don't mean to be  
3 facetious. I'm trying to figure out if the Brown  
4 Children's Trust is something you have established for  
5 your children or something that was established for you  
6 perhaps when you were a child or perhaps later.

7 A Unfortunately, not. No, I established that  
8 for my children. It's an irrevocable trust.

9 Q Okay. Who is the trustee?

10 A Barbara Withers.

11 Q Okay. Barbara Withers is the person who is  
12 under contract to the utility, if all goes well?

13 A She is under contract through -- if it goes  
14 well or doesn't go well. She's been through the hard  
15 times and the good.

16 Q I understand.

17 A I don't know if there are going to be any good  
18 times.

19 Q Okay. And you are the manager of the Utility  
20 partnership by virtue of its contract with Armada Bay.

21 A Yes, sir.

22 Q Okay. You are Gene Brown, PA, as well. I  
23 think we established that. Let me ask you if it has a  
24 contract with the Utility company.

25 A Yes, it does.

1 Q Okay. Who negotiated that contract on behalf  
2 of the Utility company?

3 A I did.

4 Q And who negotiated that contract on behalf of  
5 Gene Brown, PA?

6 A I did.

7 Q Do you receive income from Armada Bay Company?

8 A From time to time.

9 Q Does Armada Bay Company have any source of  
10 revenue other than its management contract with the  
11 Utility?

12 A No. I mean we've had income from time to time  
13 but we don't have any -- in early '91 we did some  
14 management work for a development company but that was  
15 terminated during '91.

16 Q How about for the test year?

17 A We didn't have any management contracts.

18 Q Basically -- I'm sorry, I didn't mean to --

19 A We didn't have any others.

20 Q Okay. Basically at this point in time, Armada  
21 Bay is a corporation whose sole business it is to  
22 contract to manage the Utility; is that correct?

23 A That's basically all Armada Bay does. That's  
24 all that I do. Basically I do a few other things but --

25 Q Armada Bay is a Florida corporation which has

1 as one of its responsibilities the obligation to file  
2 annual reports?

3 A We have to file annual reports, yes, sir.

4 Q Okay. And there's a fee associated with that?

5 A Yes, sir.

6 Q Okay. A number of times in your summary you  
7 used first person plural pronounce, "we." I think the  
8 quote that I managed to get was, "We, Leisure, whoever."

9 Now, if the Commission is concerned with the  
10 quality of management, as its Staff seems to be anyway  
11 by the identification of the issues, but if the  
12 Commission becomes concerned with that, we are dealing  
13 with a number of entities. My question to you is, isn't  
14 it true that we're dealing pretty much with Mr. Brown  
15 irrespective of what entities we're talking about?

16 A Yes, that's true.

17 Q Okay. Now, from 19 -- the Utility was  
18 initially constructed in 19 -- I'm sorry, its inception  
19 was roughly 1975; isn't that right?

20 A I think that's when we started bringing the  
21 water across the bridge and dug a well.

22 Q Okay. So from that point forward isn't it  
23 true that either Mr. Brown, or Mr. Brown and one of his  
24 partners, has been the person in charge of this Utility  
25 from the inception?

1           A     Leisure Properties, Limited, has always been  
2 the general partner of the Utility company. Until the  
3 early '80s, Leisure Properties was myself and one other  
4 individual. We had other managers in place. We had a  
5 full-time engineer, and we've had full-time CPAs and  
6 other people who actually did the day-to-day work. So  
7 as I said earlier, until '91 when I really accepted this  
8 responsibility on a day-to-day basis, I did not have  
9 day-to-day management control in the sense of actually  
10 calling all the shots and doing all the work and making  
11 all the management decisions. I have an ultimate  
12 responsibility for it, but I did not do the day-to-day  
13 management.

14           Q     Naturally the thrust of my question,  
15 Mr. Brown, isn't it true that every one of those  
16 managers and the persons to whom you've occasionally  
17 referred to as co-managers, are ultimately accountable,  
18 on a day-to-day basis and in a practical sense, to you,  
19 sir?

20           A     All the managers have been accountable to  
21 Leisure Properties which has a general partner's  
22 responsibility to run the Utility company. But it has  
23 to be run on a day-to-day basis by employees or through  
24 a management contract.

25           Q     Pardon me, Mr. Brown, I must ask you to say

1 whether the answer to my question is yes or no.

2 A If I understand your question correctly, did I  
3 have ultimate control over those general managers? Yes,  
4 I did, after 1981 when my partner in Leisure left the  
5 partnership.

6 Q I understand. So that since 1981 the  
7 conditions which prevailed at the Utility, be they good  
8 or bad, are conditions to which the Commission can look  
9 to you for explanation, and pretty much you alone; isn't  
10 that true?

11 A I believe the buck stops here. I think I have  
12 responsibility for this Utility company and I've always  
13 had it. I just didn't take it on on a full-time  
14 day-to-day management basis until '91.

15 Q But even before then if someone else wasn't  
16 tending to the shop, it is you to whom the Commission  
17 can look to see why the shop wasn't being tended; isn't  
18 that right?

19 A Yes, sir, I think the Commission has done  
20 that. I saw my name quite a bit in those orders.

21 Q You said in your summary that you had provided  
22 the Utility with a great deal -- well, I don't know  
23 exactly what you said but let me tell you what my  
24 impression was. Your representation was that you had  
25 furnished the Utility with a goodly sum of resources,

1 and I think those resources, you implied, at least, were  
2 dollars; you extended capital to the Utility. Do you  
3 say that's true?

4 A I'd say that's true, yes, sir.

5 Q All right, sir. Now, is there anyplace in  
6 your direct or rebuttal testimony where you quantify  
7 that?

8 A I do not recall whether I put that in my  
9 rebuttal or not. It's been -- my accounting Staff did a  
10 complete cash flow analysis on all of the money that my  
11 companies put in versus what they took out and came up  
12 with net figures as well as month-to-month figures and  
13 that's been provided to you and Staff. But I don't know  
14 if it's part of my rebuttal or not.

15 Q But fortunately or unfortunately it's not part  
16 of this record at this point and time, is it?

17 A Mr. McLean, I don't know if it is or not. As  
18 I said, I did the rebuttal in a hurry and it seems like  
19 I referred to that. I don't know if I attached the  
20 actual figures or not.

21 Q So if it's not there it's because you flat  
22 forgot, right?

23 A No. I remembered to discuss it.

24 Q Show me where, please, sir. Well, if it's in  
25 your direct, show me where; if it's in rebuttal, you can

1 show where when the time comes.

2 A As I said, I think it's referred to in my  
3 rebuttal. I'll check that before we have rebuttal  
4 tomorrow.

5 Q Please do, sir. And I'm speaking not so much  
6 now of your direct testimony, where I don't think it's  
7 mentioned, but with respect to the summary that the  
8 Commission afforded you.

9 In the language that you used in the summary  
10 to indicate that you had made those contributions to the  
11 Utility, and I don't mean contributions in a CIAC sense,  
12 I just mean contributions. Can you support that  
13 allegation with drafts, with checks or with any other  
14 tangible instruments from which the Commission might be  
15 able to follow an audit trail some day?

16 A It's been audited. The PSC Staff was in our  
17 office for 32-1/2 weeks auditing and she went over this  
18 in-and-out cash flow in great detail. And I put in  
19 50,000 yesterday with a cashier's check. At the  
20 deposition of Ben Johnson, which I took, I think I  
21 showed you a \$50,000 cashier's check I had to put in;  
22 that was about three weeks ago.

23 Q Well, I think at that deposition to which you  
24 referred, Mr. Johnson was under oath and you were not;  
25 is that correct?

1           A     Yes. I'm under oath now and what I'm telling  
2 you, Mr. McLean, is that I have --

3           Q     All right. Where are the checks? I want to  
4 see cancelled checks. If you have gave this Utility  
5 money, let's see the cancelled checks. Otherwise, let's  
6 hear an end to the innuendo about what you gave them.

7           A     I'll be happy to provide those if that's an  
8 issue. I'm not trying to win a gold star here. I'm  
9 just trying to reflect an attitude that I put a great  
10 deal of time, money and energy -- the figures that my  
11 accounting staff have shown me indicate I put in about  
12 \$300,000 in two-and-a-half years in cold cash over and  
13 above what I've taken out.

14          Q     Mr. Brown, the customers whom I have the honor  
15 to represent doubt that's true. Did you put evidence in  
16 your direct case or rebuttal case that that allegation  
17 you just made is true?

18          A     Mr. McLean, I haven't viewed that as really an  
19 issue in this case.

20          Q     That wasn't my question, Mr. Brown. My  
21 question was did you do it or didn't you?

22          A     I did invest the money through my affiliated  
23 companies. I do not believe that I attached all of  
24 those checks. If that is an issue, I'll be happy to  
25 allow anybody to audit it. I think it's been thoroughly

1 audited.

2 Q Is it in your direct case or is it in your  
3 rebuttal case?

4 A My recollection is that there's a reference to  
5 the financial investment in my rebuttal testimony.

6 Q And, in your view, as a lawyer, does that mean  
7 that you can now submit whatever you say you have as  
8 evidence in this case?

9 A I'm not trying to --

10 MR. PFEIFFER: I think it might help the  
11 witness to have a copy of his prefiled testimony in  
12 front of him.

13 MR. McLEAN: Well, I'm not questioning him  
14 about his rebuttal testimony; I'm not interested in it.

15 MR. PFEIFFER: It's on Page 8.

16 MR. McLEAN: If it's his direct, it's fine.

17 CHAIRMAN DEASON: Right now we are on direct  
18 testimony. And I would anticipate that the questions  
19 would be limited to direct testimony, and I think that  
20 we're perhaps venturing into rebuttal, and I think we  
21 need to keep a clear distinction between the two.

22 MR. McLEAN: And, Mr. Chairman, that's among  
23 the reasons why I think that your policy to permit  
24 free-ranging summaries of testimony is ill-advised.

25 WITNESS BROWN: Mr. Chairman, could I respond

1 by reading from my direct testimony to answer this  
2 question?

3 CHAIRMAN DEASON: You certainly may.

4 WITNESS BROWN: The question was this,  
5 quoting, "In addition to your time and effort, what, if  
6 any, capital investment have you made in the system?

7 Answer: During 1992 alone --"

8 CHAIRMAN DEASON: Mr. Brown, is this direct or  
9 rebuttal testimony?

10 WITNESS BROWN: Direct.

11 CHAIRMAN DEASON: Okay.

12 WITNESS BROWN: That's what he was just  
13 asking, I'm trying to summarize.

14 COMMISSIONER KIESLING: Where? So we can  
15 follow along.

16 WITNESS BROWN: Page 8.

17 COMMISSIONER KIESLING: Thank you.

18 WITNESS BROWN: Line 13 through Line 23.

19 A Continuing with the answer. "During 1992 alone  
20 my affiliated companies made capital investments of  
21 almost \$300,000 to improve the water system on St.  
22 George Island, thereby increasing the level of service  
23 to all of our customers. Even after deductions for  
24 legal fees, management fees, loan repayments to me and  
25 my affiliated companies, the net new investment during

1 '92 was almost \$200,000."

2 I think this was filed six or eight months ago  
3 and it's been thoroughly audited by anybody that's been  
4 in our office. And I know we've met until 3:00 and 4:00  
5 a.m. with the PSC auditors, and have given them these  
6 schedules and shown them the records.

7 Q (By Mr. McLean) Yes, sir, I understand. Is  
8 it your testimony that the drafts which supports -- did  
9 you mention \$300,000?

10 A I read 300,000; I said almost 300, yes.

11 Q Yes. Okay. Now, is it your position that the  
12 drafts, checks and other evidence of these transactions  
13 were available for audit by the auditors?

14 A Yes, sir. And they were audited. And I  
15 explained that to them.

16 Q Mr. Brown, I suggest -- ask you, rather,  
17 whether you know whether they were audited or not?

18 A I think everything we ever did was audited.

19 Q But that's a guess; isn't it?

20 A That's a think. I said I think it was. It's  
21 the most intensive audit I've ever seen and I've been  
22 through quite a few, and I've talked to people in the  
23 utility business who have told me this is unparalleled.  
24 We were down there until midnight many nights and 3:00  
25 and 4:00 a.m. many night with the PSC audit Staff. The

1 whole staff and I.

2 Q Would you venture an opinion as to why the  
3 Staff chose to audit your Company more extensively than  
4 they do other companies?

5 A I don't know. I think it's a perception.  
6 It's a perception that we need to be scrutinized more  
7 closely than other companies.

8 We've got a revocation proceeding going on,  
9 and they have action to remove me as a manager. So  
10 we've got quite a history. And I think -- my personal  
11 opinion is I think the entire Staff, which I think has  
12 been very fair and objective in this, wanted to be sure  
13 they looked under every rock. And then that got to be a  
14 contest with your office to see if you could find some  
15 rocks they didn't look under, and I think for whatever  
16 reason, it's been thoroughly scrutinized.

17 Q You're speculating, of course, that there was  
18 any sort of contest between us and the Staff; aren't  
19 you, sir?

20 A That's my perspective in viewing the two audit  
21 staffs in action.

22 Q Okay. You mentioned -- you did not mention  
23 the name of that partner who left earlier, I assume  
24 that's Mr. Stocks.

25 I'm a little unclear about when Mr. Stocks was

1 actually out of the picture such that managers were no  
2 longer answering to him, so let me ask you as a  
3 predicate: Was there a time when managers of the  
4 Utility, or co-managers, were answering in any capacity  
5 to Mr. Stocks as opposed to yourself?

6 A Prior to April 10, 1981, Mr. Stocks and I were  
7 the partners of Leisure Properties. He left on April  
8 10, '81. Prior to that time he lived on St. George  
9 Island and was more or less the on-site manager. I've  
10 always lived in Tallahassee, but for the time, at least,  
11 that the system was being initiated and initially  
12 constructed, he had a lot more to do with the day-to-day  
13 management than I did. After he left it all fell to me  
14 to manage, although he and I fought over the ownership  
15 of the Utility company for some time. And then for a  
16 time the bank had half interest in the Utility company  
17 and that's what I was trying to say before. It was kind  
18 of a jump ball for several years as to who was going to  
19 own and run this Company, and I think, frankly, nobody  
20 made the level of commitment in time and resources and  
21 energy that should have been made.

22 Q Now, during that time I think you've testified  
23 that you are the person to whom the Commission should  
24 look for whatever happened there; is that right?

25 A I think after April 10, 1981, as the surviving

1 principal in Leisure Properties, I'm the one that's  
2 responsible for this Utility company.

3 Q Okay. Fair enough.

4 You were in the room this morning when Mr.  
5 Seidman testified, correct?

6 A Yes, sir.

7 Q Okay. I asked him some questions which were  
8 designed to inquire as to whether having been allowed  
9 money for certain activities, the Utility, in fact,  
10 spent the money that way. Do you recall that line of  
11 questions?

12 A Yes, sir, I do.

13 Q And I believe his explanation was -- and I'm  
14 going to use my own characterization and ask you to  
15 criticize it if you care to, and that is that we didn't  
16 have enough money so we had to spend the money on other  
17 things. Is that right? Is that fair?

18 A I think a fair characterization of his  
19 testimony is that decisions regarding priorities had to  
20 be made and we made those decisions.

21 Q Okay. Now, speaking of those decisions,  
22 what's the last time you paid your ad valorem taxes?

23 A Seems like we might have paid them in '87 or  
24 '88. I'm not sure.

25 Q You heard me ask Mr. Seidman a question, too,

1 about insurance, and I guess I need to ask about each  
2 aspect of insurance. There is general liability  
3 insurance where somebody goes out there and falls down,  
4 they sue, perhaps.

5 Are you insured against that risk?

6 A We're insured against general liability; we're  
7 insured against property and casualty losses and we have  
8 workman's comp insurance.

9 Q You got me, Mr. Brown, because I didn't make  
10 me question good enough. Let me ask you this: Since  
11 the last case, have you been continuously covered  
12 against the risk that someone might fall down out there;  
13 general liability?

14 A No, sir.

15 Q Were you afforded money by the Commission --  
16 strike that.

17 Did the Commission permit you to recover money  
18 from the people I represent for that purpose?

19 A There was probably a figure in the MFRs for  
20 insurance.

21 Q That I take it was a yes.

22 A I haven't personally checked lately. I heard  
23 the questions this morning. I assume there was a line  
24 item for insurance.

25 Q I think that's a safe assumption.

1           Now, with respect to pensions. Since the last  
2 rate case, have you continuously maintained pensions?

3           A     Not continuously, no, sir.

4           Q     When did you begin and when did you start?  
5 What's the -- how does that graph look?

6           A     We put a pension plan in effect as of January  
7 1, 1994, which has been promised to the employees as  
8 early as December, 1990, when Hank Garrett and I met and  
9 he talked to me about the one he had to give up in the  
10 City of Apalach and I promised he'd have one some day if  
11 he'd stick in here and solve these problems and get the  
12 improvements done.

13          Q     All right. Now, did the Commission in the  
14 last rate case permit you to collect money from the  
15 people I represent to provide pensions for these  
16 persons, for persons in your employ?

17          A     If you say that it did, I'll accept that,  
18 Mr. McLean. I haven't analyzed the last case lately.

19          Q     Well, I never like those kind of  
20 subject-to-check questions, Mr. Brown, but I'll ask it  
21 anyway. Subject to check, is your answer yes?

22          A     Subject to check, I don't know. But subject  
23 to your -- if you say yes, I would believe you.

24          Q     Uh-huh. Well, if you don't mind us thumbing  
25 through the MFRs -- I'll tell you what, I'll move on to

1 other areas and perhaps we can return to that.

2 Now, I asked you the question what's the last  
3 time you paid the ad valorem tax. How about intangible  
4 tax?

5 First of all, let me ask you the predicate.  
6 Do you know whether the utility entity partnership is  
7 required to file an intangible tax return?

8 A I think all owners of intangible property are  
9 required to file returns, tangible or intangible.

10 Q All right, sir. Have you filed such a return?

11 A As far as I know we have.

12 Q You're saying that you have filed the  
13 intangible tax return so far as you know.

14 A So far as I know.

15 Q Okay. And that may not be very far at all; is  
16 that right?

17 A We may or may not, depending on whether the  
18 accountants did that.

19 Q Some people would respond to that question,  
20 Mr. Brown, "I don't know." Is that your answer?

21 A I don't know but I think so.

22 Q Okay. Now with respect to insurance, I asked  
23 you about general liability insurance; workmen's comp  
24 insurance is another issue. Has the Utility had in  
25 continuous force and effect workmen's comp insurance

1 since the last rate case?

2 A No, sir.

3 Q Now, with respect to that last rate case,  
4 isn't it true that this Commission permitted you to  
5 collect money from the people I represent for that  
6 purpose?

7 A I haven't gone back and checked. I would  
8 assume so if you're asking that question.

9 Q I am telling you that it is so and ask you to  
10 agree with it since you invited me to do that.

11 A I would agree with you if you tell me so,  
12 Mr. McLean.

13 Q All right, sir. That you collected money for  
14 that purpose and did not put it to that use; is that  
15 correct?

16 A Well, no, I think you're putting words in my  
17 mouth.

18 We have collected the rates that were  
19 authorized for that case and I have made management  
20 decisions as to the priorities for spending that money.

21 Q Okay, Mr. Brown. I think I need to ask the  
22 question in a more generalized way, because I'm not sure  
23 I have much skill in looking at these reports and  
24 understanding them either. So let me ask the question  
25 differently with an admission to you that I think my

1 question was too specific. Let me ask you this: Have  
2 you had, in full force and effect, from the time of the  
3 test year, general liability insurance or workmen's  
4 compensation insurance?

5 A No.

6 Q Okay. Now, is it true that you were permitted  
7 to collect money, so on and so forth, in the last rate  
8 case for that purpose?

9 A If you say that that's in the rate case, I  
10 would assume that's so. We collected a certain amount  
11 of money and we made decisions as to how it needed to be  
12 spent.

13 Q Yes, sir. And you decided apparently, if my  
14 reading is correct, not to pay the tax with it, not to  
15 pay the insurance with it, and not to pay pensions with  
16 it. Is that correct?

17 A That's correct. Up until recently.

18 Q Uh-huh. And "recently" means during the  
19 procession of this rate case; isn't that correct?

20 A Yes.

21 Q Okay. In fact, at least a year after the test  
22 year, if not more. Is that correct?

23 A That's basically correct.

24 Q Okay. And you are including pro forma  
25 adjustments in this case. Did you hear my question to

1 Mr. Seidman this morning, wherein he discussed with me  
2 the criteria for the permitting of pro forma adjustments  
3 in a test year. Do you recall that?

4 A Yes, sir. He told you the same thing he told  
5 me back when we filed this case.

6 Q Okay. That it is basically, one takes the  
7 test period and then adds money to the test year  
8 generally from the utility's point of view in the case,  
9 expenses of known and ascertainable and otherwise  
10 permissible in nature; is that right?

11 A Well, the term I learned at the NARUC seminar  
12 was "known and measurable changes." Bill Lowe and  
13 others explained that.

14 Q But, of course, if you wanted a new motorcycle  
15 for the Utility irrespective of whether it was known and  
16 ascertainable, it still wouldn't be permissible; would  
17 it? Presumably.

18 A It might be a good way to read meters; it  
19 might be cheaper.

20 Q It might save you the cost of a four-wheel  
21 drive truck, mightn't it?

22 A It might. Hadn't thought about that.

23 Q Now, you're requesting bad-debt expense in  
24 this case; is that right?

25 A Yes, sir.

1 Q Now, we have discussed at some length in prior  
2 discussions, the exhibits which support the bad-debt  
3 expense.

4 A Yes, sir.

5 Q Haven't we?

6 A Now, it's pretty reasonable among those of us  
7 who have the honor to deal with water and wastewater  
8 utilities that, of course, you do, in fact, incur  
9 bad-debt expense almost every business day?

10 Q Yes. But you have been unable, thus far, at  
11 least, to persuade our office that you have  
12 substantiated bad-debt cost; is that right?

13 A I think I'm only up to 25% with your office.

14 Q Okay.

15 A We're trying for a little more with the  
16 Commission, but --

17 Q But speaking not of what our allowance is, our  
18 suggested allowance is, I think you have had at least  
19 one occasion to say that you didn't understand your own  
20 bad-debt exhibit; isn't that right?

21 A I said that, yes, sir, on my deposition.

22 Q I think every one of your witnesses has said  
23 that too, didn't they?

24 A I don't know if they said they didn't  
25 understand it, they were not able to ask all of your

1 questions regarding how each bad debt was ascertained.

2 Q Isn't the one you said you didn't understand,  
3 isn't that the one that furnishes the support for the  
4 \$6,276?

5 A I believe I said that I could not adequately  
6 explain all of those bad debts; right.

7 Q Can you swear to the Commission today that  
8 your bad-debt expense was during the test year, \$6,276?

9 A As we saw it, we made a management decision  
10 that those were bad debts as of that year. The question  
11 is how many of those should extend over other years and  
12 how many others should have been included. So I'm not  
13 sure if there's a yes or no answer.

14 Q And the nature of this process is to allow you  
15 reasonably incurred expenses during the test year, isn't  
16 it?

17 A Yes, sir, that's what I understand.

18 Q Now, Ms. Dismukes, as I understand from her  
19 testimony, has looked to other utilities, which may or  
20 may not be precisely comparable, we can argue about that  
21 level, of course, and she has said that in lieu of the  
22 information which you provided us, that she thinks maybe  
23 it would be a good idea to permit a bad-debt expense  
24 similar to those utilities having similar revenue; isn't  
25 that right?

1           A     That's what she said.

2           Q     Now, there are some differences among  
3 utilities. For example, you've developed a barrier  
4 island and put a utility there, right?

5           A     Yes, sir.

6           Q     Good. And people tend to come and go from  
7 barrier islands perhaps more quickly than they do from  
8 downtown Tallahassee, right?

9           A     Quite a bit, that's one of our problems.

10          Q     And they properly come and go a bit quicker  
11 than they do from some of the utilities from which Ms.  
12 Dismukes compared; is that right?

13          A     Well, what they do is there's large periods of  
14 time when they are not there and they don't care if you  
15 cut their water off. And then they rent to somebody  
16 else or they leave and that's a bad debt that's accrued  
17 for all those months. Whereas, if they were there  
18 everyday and you cut their water off then you wouldn't  
19 have the same level of bad debts.

20          Q     I understand. I want to reach that point in  
21 just a minute, but what I'd also like to know is, given  
22 that you can't explain the exhibit, and, of course,  
23 we'll have an opportunity to discuss that exhibit with  
24 some of your other witnesses, but assuming they couldn't  
25 either, let me ask you as an aside, it is true that you

1 take issue with Ms. Dismukes' comparison, isn't it?

2 A I take issue with it. I think our bad debts  
3 are more than 25% of the figure we showed. I just  
4 instinctively feel that, although I've not analyzed it.  
5 I just know of several very large ones, four or five of  
6 them would total her figure.

7 Q Well, let me appeal to your instinct in this  
8 way: If it is true that the evidence before the  
9 Commission is inadequate, and if it is also true that  
10 the quest of this process is to find reasonable  
11 expenses, don't you think it makes pretty good sense to  
12 look to see what other facially similar situated  
13 utilities are and give you that number. And perhaps in  
14 the next rate case you can bring us some better records,  
15 bring the Commission some better records, right?

16 A If we present no evidence, and if you show  
17 other companies that are truly comparable, which I don't  
18 think you've done, then I think the Commission might  
19 want to look at that. But as a general proposition I  
20 would disagree with averaging out this Utility company  
21 with others, because I don't know of any others that are  
22 the same as ours.

23 Q So you'd rather -- and you apparently invite  
24 the Commission to rely on data which you, having managed  
25 the Utility, unfettered with any partners since 1981,

1 can't even explain; is that right?

2 A I personally have not explained this bad-debt  
3 expense to the satisfaction of either you or the PSC  
4 Staff. And to the extent that I'm unsuccessful before  
5 this case is over, I assume that a downward adjustment  
6 would be made. I accept that.

7 Q Okay. Let's suppose that you are able to  
8 substantiate \$6,200. I want to get to your explanation  
9 as to why it would be four times as high as some of  
10 those other utilities, and I think the gist of your  
11 observation, thus far, is that they're not really  
12 comparable; is that right?

13 A I think we have some unique problems on St.  
14 George Island.

15 Q Okay. Well, I want to ask you about some of  
16 those. You said that it somehow related to rentals; is  
17 that right?

18 A I think that's one of the problems.

19 Q Well, let's discuss just that one for a  
20 moment, if you don't mind. When someone comes in to  
21 rent a condo, cottage, house or otherwise, do they come  
22 down and contract for utility services with you? Or is  
23 it far more typical for them to simply pay the rent to  
24 the owner, and that owner contracts for utility services  
25 with you?

1           A     No, it's more typical for the actual user, the  
2 person renting the house, if you're speaking of people  
3 who have ongoing leases or rentals, not just a weekend  
4 condo. I mean if it's a weekend condo, then obviously  
5 that's paid by the owner. But when people come on the  
6 island or when people have a place and they are not  
7 there through the entire winter and then they sell it in  
8 the meantime in the spring, and we try to say to the new  
9 customer, "Well, gee whiz, we've got a \$702 water bill  
10 here, we don't want to hook you up until that's paid.  
11 Under the tariff, we're not allowed to do." So we just  
12 have to write that off and lose it or try to go chase  
13 down somebody that has left the island.

14           Q     Sure. I understand.

15           A     That doesn't apply in Tallahassee or places  
16 where your typical customer is there everyday.

17           Q     Are you suggesting to the Commission that the  
18 number of sales of cottages, condominiums and other  
19 structures on St. George Island is materially different?  
20 And by "material," I mean expressed in terms of bad-debt  
21 expense, than it is at any of the utilities that Ms.  
22 Dismukes has used.

23           A     I haven't analyzed all of her utility  
24 companies. I just know that we have a high turnover.  
25 And I know we -- the whole driving economic force on St.

1 George Island is the rental market. I'd say there's not  
2 more than 15% of our customers that are really permanent  
3 residents.

4 Q Sure.

5 A The whole island runs on the rental market.

6 Q Well, if we take 300 Ocean Mile, for example,  
7 and that might be a bad example because that's more  
8 favorable to me than it is to you. But I'll ask you  
9 about the ones you like. 300 Ocean Mile typically has  
10 folks drop in for the weekend or for a week night.

11 A I think it has a mixture.

12 Q Well, do they buy and sell units as often as  
13 they come for the weekend? Do people buy it for a  
14 weekend and --

15 A No. No.

16 Q Okay.

17 A But what I'm saying is some people don't rent  
18 their units at all, some people rent them  
19 month-to-month. Some people rent them every night that  
20 they can.

21 Q Now, with respect to the ones who own them all  
22 the time and don't rent them, they're your continuing  
23 customers, and their contribution to bad debt would not  
24 be atypical; is that right?

25 A Could you repeat that question?

1 Q Sure.

2 The people who own the individual units at 300  
3 Ocean Mile, do not -- and who you say do not rent,  
4 speaking of those persons, do they occasion atypical  
5 bad-debt expenses when compared to people who own their  
6 dwellings in other utility service company areas?

7 A If they don't sell and they don't rent but  
8 they use it, then they're typical of other locations.

9 Q Now, sales and rentals do take place in other  
10 places, right?

11 A Yes, sir.

12 Q Good. So what we're looking for here is a  
13 difference which would explain an order in magnitude of  
14 four to one, and that's what my quest is, and if you're  
15 not getting tired of the line of questions, I am. All  
16 right. But I can keep going.

17 A I'm here at your convenience.

18 Q Thank you, sir. When they buy and sell those  
19 units, people who come to the barrier island to buy and  
20 sell units at 300 Ocean Mile, do they occasion bad-debt  
21 expenses which are typical or atypical of similarly  
22 situated utilities, but for the barrier islands?

23 A I haven't analyzed all the other utilities.

24 Q Does your instinct tell you whether it would  
25 be to the tune of four to one?

1           A     My instinct tells me that we have more bad  
2 debts because of the transient population and the high  
3 rental than your typical utility company in South  
4 Florida, where people come and live there and they're  
5 there year round and day-to-day, winter and summer. I  
6 just believe that to be the case. And whether it's four  
7 to one or two to one or three to two, I have not done a  
8 complete bad-debt analysis.

9           Q     Yes, sir, I agree, you have not. Have you  
10 done anything that would suggest a four-to-one  
11 difference in order of magnitude?

12          A     We looked at our bad debts and tried to make a  
13 reasonable but quick decision as to what our bad-debt  
14 expense was, and those were the bad debts that we  
15 selected. And nobody has directed me to any rule that  
16 says exactly what the standards are for management  
17 decisions as to how you calculate bad debts. I'm sure  
18 there's a way to do that.

19          Q     Do you suggest to the Commission that they  
20 can't decide what's reasonable or unreasonable in the  
21 absence of a rule on the point?

22          A     No, I'm saying if there was a rule we'd try to  
23 follow it. In the absence of that we're trying to do  
24 the best we can. And if we're able to convince the  
25 Commission that it should be more than 25%, fine; if

1 not, maybe that's it.

2 Q Okay. Did I hear you suggest that the  
3 residents of South Florida are not occasionally seasonal  
4 in nature?

5 A No, I had in mind a lot of those communities  
6 where people retire and they're there until they die.  
7 They don't buy and sell their property. They don't move  
8 out and they don't rent it, they're just permanent  
9 residents.

10 Q If they die in the summer, they might die in  
11 Minnesota, mightn't they?

12 A Well, if they die, you'll have a final water  
13 bill that you could collect. But when they don't show  
14 up for six months and then they -- somebody else walks  
15 in, we have no way to collect that money.

16 Q And that's no different in South Florida,  
17 Central Florida or North Florida, or any other part of  
18 Florida, is it?

19 A I guess not.

20 Q All right. I'm tired of bad-debt expense. I'm  
21 going to skip this next question, I think.

22 Q Let's turn to your travel allowance.

23 A Okay.

24 Q Now, we have a disagreement on travel  
25 allowance and I'm going to characterize it so we can get

1 moving here. And that is that you invite the Commission  
2 to infer, I think, that because you have a busy utility  
3 company, that people must travel because you have a busy  
4 utility company. Is that about the size of it?

5 A No. I've invited the Commission and the Staff  
6 to look at what we do and look at the sworn testimony of  
7 all of the witnesses, all of whom are required to have  
8 vehicles and listen to my testimony, which is that in  
9 25-plus years in management I've tried to do it both  
10 ways. And I can tell you, without a doubt, it's much  
11 more cost-effective to provide a travel allowance or  
12 transportation allowance, at least on St. George Island,  
13 than it is to try to get into the business of having  
14 trucks and the attendant expenses, because I've done it  
15 both ways. And I think we're spending about half of  
16 what we used to spend and what we would spend now if we  
17 got back in the business of everybody that needed a  
18 vehicle, having one furnished by the Utility company.

19 Q Did you happen to bring us any records we can  
20 look at which substantiate your representation that it  
21 used to cost you more when you did it the other way?

22 A No.

23 Q Now, with respect to the testimony of you and  
24 your employees, aren't you testifying pretty much about  
25 your recollection as opposed to contemporaneous records?

1           A     No. I keep detailed records of -- pretty  
2 detailed of what he do. Sandra Chase, I know, keeps a  
3 diary that she's made available that shows what she  
4 does. Hank Garrett, Kenny Shiver -- I know Hank has  
5 been keeping travel logs.

6           Q     Ms. Chase drives here car. Well, let me ask  
7 you first, when did they begin to keep those records?

8           A     I kept records at the request of Mary Labatt,  
9 the co-manager. I kept records for about five or six  
10 weeks back in '93, and I've kept records pretty much  
11 since last fall about my activities. And I think  
12 Ms. Chase started keeping a log many months ago that  
13 shows where she goes and what she does. We have a lot  
14 of duties that require us to travel outside the office,  
15 including to St. George Island.

16          Q     Ms. Chase travels 13,000 miles a year  
17 according to your travel allowance; isn't that right?

18          A     She travels whatever dollars we give her. I  
19 don't recall the number.

20          Q     Well, do you want to look it up, or will you  
21 accept what I say, subject to check?

22          A     I'll accept what you say.

23          Q     13,000 miles at 20 cents a mile, would you  
24 accept that, sir?

25          A     You can't drive and maintain a car for 20

1 cents a mile. I mean, that's not an accurate figure.

2 Q It's a target-rich statement.

3 Now, I asked you about Ms. Chase and your  
4 other office employees, and you said they kept records  
5 for five weeks in 1993; is that right?

6 A No, I said that I did.

7 Q Oh, you kept the records in 1993 for five  
8 weeks. Now --

9 A I kept some time records of what I was doing  
10 for about five weeks when the Commission and I agreed on  
11 a co-manager, who came in and she wanted me to keep  
12 records, which I did for a while.

13 Q By the way, when Armada Bay -- when the  
14 Utility pays Armada Bay for your management services,  
15 they don't get travel in the bargain?

16 A No.

17 Q Okay. When the Utility pays Mr. Seidman to  
18 come up from Palm Beach Environs, do you compensate him  
19 for his travel?

20 A Yes.

21 Q Do you require him in any way to prove to you  
22 that he made the travel?

23 A No.

24 Q Do you not require any sort of receipt,  
25 anything like that from him?

1 A He submits a bill and I pay it.

2 Q Does he submit travel as an additional item on  
3 the bill?

4 A He does itemize travel.

5 Q Have you ever dealt with a consultant that  
6 didn't?

7 A Yes.

8 Q Who is that?

9 A Several, such as Wayne Coloney.

10 Q Have you ever --

11 A And I've practiced law off and on for 25  
12 years, and I don't usually provide that kind of bill for  
13 details.

14 Q You don't bill -- do you furnish a hourly  
15 bill?

16 A Sometimes. I don't do much law practice  
17 anymore, but I've done it both ways.

18 Q Okay. Well, returning to travel submitted by  
19 your employees, you kept records of what you did for  
20 five months.

21 A And I've kept records since -- for the last  
22 six or seven months I have been keeping pretty complete  
23 records of what I do. And I've testified about what I  
24 do, including what I did during the test year.

25 Q And your testimony is based on recollection;

1 isn't it?

2 A Yes, sir.

3 Q Okay. And the difference between records and  
4 recollection is sometimes accuracy, isn't it?

5 A Yes, sir. I think it would be more accurate  
6 if you kept a log every time you drive anywhere.

7 Q Did you represent to this Commission that you  
8 would bring better records for this case than you  
9 brought for the last? Did you represent that in the  
10 last case?

11 A We have better records.

12 Q Do you have better travel records?

13 A I don't recall what travel records were  
14 presented in the last case. I wasn't that involved in  
15 that case.

16 Q Would you accept, subject to check, that there  
17 were no records?

18 A In the last case?

19 Q Yes, sir.

20 A I don't know what records we had. I think we  
21 got 13,000, 14,000, 15,000 auto allowance in the last  
22 case.

23 Q Well, let me ask you this: What level of  
24 records in this case, given that it is zero, is  
25 better -- how is that better than records in the last

1 case, irrespective of what the records in the last case  
2 were?

3 A I think we owned the vehicles in the last case  
4 and we didn't have the same setup. But I had some very  
5 bad experiences I have had over the years with owning  
6 vehicles for the Utility company or Leisure to own  
7 vehicles.

8 Q Mr. Brown, pardon me, my question went to  
9 whether the records today, which appear to be zero, can  
10 be better than the records which you had in the last  
11 rate case, irrespective of what those records in last  
12 case might have been?

13 A I haven't compared the records, Mr. McLean. I  
14 don't think we have zero now. Mr. Garrett has kept a  
15 log, Sandra Chase has a log, I have detailed time  
16 records.

17 Q Were any of those records kept for the test  
18 year?

19 A I don't know if Mr. Chase's log was started  
20 that early or not. We did not keep real detailed travel  
21 records in the test year.

22 But I have made it a condition of employment  
23 that these people, the two on the island, they had to  
24 buy their own four-wheel drive pickup trucks in order to  
25 get the jobs and they have to use them everyday.

1 Q And you invite the Commission to infer that  
2 they drove in the neighborhood of 17,000 miles per year  
3 in the performance of their duties; isn't that correct?

4 A I would like the Commission to evaluate the  
5 records that are available and to ask Mr. Garrett when  
6 he testifies tomorrow whatever questions they'd like to  
7 know.

8 Q Okay. Well, we'll ask Mr. Garrett that, but  
9 I'm asking you if you're inviting the Commission to  
10 infer from the evidence that you present in the case  
11 that they traveled -- that Mr. Garrett traveled 18,571  
12 miles at the rate of 20 cents a mile; is that right?

13 A Well, as I said before, Mr. McLean, I don't  
14 approach it at 20 cents a mile. I don't think you can  
15 buy a brand-new, four-wheel drive pickup truck and run  
16 it in the sand on St. George Island, stopping and  
17 starting for 1200 customers and compare that with a  
18 typical sedan running up and down I-75 at 20 cents a  
19 mile. You just can't do it. It costs 40 cents a mile,  
20 I believe, to own, operate, pay the insurance, maintain  
21 a four-wheel drive vehicle on St. George Island. I've  
22 worn out too many of them. At a time, we had 52  
23 employees, and had trucks and tractors and pans and  
24 everything else, and it was just astronomical what it  
25 cost you. And when people -- when it's a company

1 vehicle on St. George, for whatever reason, they seem to  
2 tend to tear them up pretty bad. When they own it and  
3 operate it, like when I hired Mr. Garrett, he said one  
4 thing he would need is a truck. So we agreed that he'd  
5 go buy on his credit a brand-new, four-wheel drive  
6 pickup, which he did. But I don't think he can drive it  
7 for 20 cents a mile.

8 Q Can you prove it?

9 A Given the time, I could prove it.

10 Q Let me ask you the question differently. Did  
11 you prove it? Did you bring the evidence to this case?  
12 Or are you going to bring it some other time, or are you  
13 asking the Commission to infer that you must have it  
14 somewhere but just hadn't brought it?

15 A Mr. McLean, I think the best evidence is sworn  
16 testimony. I'm here. Mr. Garrett is here. Ms. Chase  
17 is here. We're all here. We can tell you what we do on  
18 a typical day. We can discuss all of the places we have  
19 to go constantly everyday. Mr. Garrett can explain why  
20 he has to have a four-wheel drive truck to beat around,  
21 haul backhoes, haul equipment and throw things in and  
22 out, and why he has to have it to read meters, 1,200 or  
23 1,300 of them, in the sand every month. I think that's  
24 the best evidence of a necessity for a travel allowance.  
25 And I'm here to tell you that it is much more

1 cost-effective, in my opinion, based on over 25 years of  
2 managing companies on St. George Island, to have a  
3 travel allowance at a reasonable rate than it is to have  
4 the Utility company, purchase, own, operate and maintain  
5 vehicles.

6 Q Well, if that's true, what in this case proves  
7 it other than the testimony which you've referenced  
8 which, of course, is based on recollection. Where are  
9 the records?

10 A The records are in our offices. They have  
11 been audited. Mr. Garrett has presented his log.  
12 Mr. Garrett can testify -- he has testified, as I have,  
13 on deposition. We have the billing records that show  
14 the number of customers. We have presented maps that  
15 show that St. George Island, aside from Little St.  
16 George, which is on the other side of the cut, we have a  
17 20-mile long island, probably 70 miles of roadways,  
18 customers spread out all over that, and they constantly  
19 use their vehicles to service those customers. And when  
20 they need new tires or pay insurance or it corrodes or  
21 there's any problem, they have to pay it, not the  
22 Utility company. And they're not compensated for that.

23 Q Do you make any withholding on the money that  
24 you pay them for travel?

25 A No.

1 Q Is it your view that it's not income to those  
2 employees?

3 A I think it's a reimbursement for bona fide  
4 expense that they have as a condition of their  
5 employment. And I think it's a totally valid and  
6 deductible expense for the Utility company. We have had  
7 no problem in that regard.

8 Q Well, if it turns out in a given case that it  
9 does happen to be income to a utility employee, are  
10 there attending obligations of the Utility to withhold  
11 Social Security tax on that money?

12 A No, not in my opinion. If the employee has a  
13 problem, it's between him and the Internal Revenue  
14 Service. And I suppose if that gets to be a problem,  
15 which it hasn't been so far, then we would have to  
16 address that. And if we were asked to withhold any  
17 taxes, withholding-type taxes, we would do that. But  
18 that hadn't been a problem, because I think that they  
19 can justify that as a condition of their employment and  
20 a bona fide expense. I think they could convince any  
21 reasonable IRS agent of that.

22 Q Have you ever met one of those?

23 A I'm comparing them with some of these other  
24 people I've met recently in terms of auditing. And I  
25 have been through both, and this is worse, more intense,

1 let me put it that way.

2 Q Good enough.

3 A I have had a lot better luck with IRS.

4 Q Do you know whether they are more persuaded  
5 when you show up with the records?

6 A They like records, but they don't even like  
7 them as much as this process.

8 Q Do you know if there is a rule directly on  
9 point with respect to travel records?

10 A I think that the rules require employees to be  
11 able to document their travel allowance. I think from  
12 the Utility's point of view, which is my primary  
13 management concern, I think that if I pay a travel  
14 allowance on a bona fide arms-length basis, to the  
15 extent that's not a travel allowance between the  
16 employee and IRS, I think it, nevertheless, is a  
17 deductible expense of the Utility company because if  
18 it's not travel allowance then it's additional  
19 compensation.

20 Q Now, that's an interesting question, yes, sir.

21 A That's my view of it.

22 Q Sure. Now, with respect to Mr. Garrett, you  
23 recently halved his travel allowance, isn't that right?

24 A In 1993, I believe, we cut his travel  
25 allowance in half.

1 Q Why was that, Mr. Brown?

2 A I thought it was too high, and he and I  
3 discussed it. And a big condition of his employment  
4 when I hired him was that he knew he had to have a  
5 vehicle and I was unwilling to buy him one, and he  
6 wanted to buy a new one. And I agreed to a figure to  
7 pay him in December of 1990 that was higher, probably,  
8 in retrospect at least, than his actual expenses. And  
9 so I think to the extent that that's true, and I believe  
10 it was true, I think that was in the nature of  
11 additional compensation to him almost like additional  
12 salary.

13 Q So if someone like Ms. Dismukes undertook to  
14 compute the raise or the change in salary which  
15 Mr. Garrett has received, she'd have to consider that,  
16 wouldn't she?

17 A I think a proper analysis would have to  
18 consider the entire compensation package, because I  
19 don't think employees much care what you call it if they  
20 get the paycheck and the dollars.

21 Q Well, if they have to turn around and spend it  
22 on a car that shouldn't matter, should it?

23 A Well, the main thing to the employees is that  
24 their total income is at a certain level and whether you  
25 call it reimbursement or whatever, I think they just

1 want to get paid. And so I think that's why I took  
2 issue with Ms. Dismukes, because she was comparing just  
3 the salary part. And I think you need to compare the  
4 pension benefits, the health insurance, the travel  
5 allowance and all the other compensations.

6 Q Sure. If the individual's travel happens to  
7 halve and the compensation remains the same, is that  
8 economically the same as an increase in compensation?

9 A If the salary remains the same, and the travel  
10 allowance is cut in half, that's a decrease in  
11 compensation.

12 Q Sure, but that wasn't my question. What  
13 happens if the travel is halved and the compensation and  
14 travel remain the same?

15 A Then I think the overall compensation is the  
16 same.

17 Q Well, they don't have to travel as much and  
18 they still get the same size travel check.

19 A No, sir, that's not true. They still have to  
20 travel. Mr. Garrett's job hasn't changed. It's just  
21 how much he gets paid or what you call it.

22 Q It's your testimony that he doesn't travel  
23 less now than he used to?

24 A I don't believe he does.

25 Q Well, then let's refer to Exhibit GB-2. I

1 think it has already been marked for identification.  
2 It's Exhibit 3. Do you have it, Mr. Brown, Exhibit  
3 No. 3?

4 A I don't know. Ms. Dismukes is pointing out  
5 something here.

6 Q It's GB-2. Up in the right-hand corner it  
7 says "GB-2." Sorry, GDB-2.

8 A Here it is.

9 Q Would you refer to Page 3 of that memo,  
10 Mr. Brown?

11 A Okay.

12 Q There's a paragraph in bracket there you might  
13 find the second sentence, second and third sentences  
14 interesting. And would you read it to the Commission,  
15 please, beginning with "In other words," about half way  
16 through the paragraph.

17 A "In other words, Hank Garrett no longer has to  
18 work in the field with Kenneth Shiver on routine repairs  
19 and maintenance as he did in 1992. Instead, he has to  
20 spend substantial time in the office doing managerial  
21 and bookkeeping functions, so that he is available for  
22 manual labor and repairs only on an emergency basis."

23 Q All right, sir. Now, can I conclude from that  
24 that he will travel less than he did before?

25 A I don't believe so. That's not my

1 understanding.

2 Q Okay. You're understanding of what you wrote  
3 is what?

4 A He now has to do all of the testing. In other  
5 words, the well testing, the back T's testing, all of  
6 that which used to be done by an independent Class C  
7 operator under a contract we had.

8 Q Does he do all of that in the office?

9 A No, he has to go out and take the test and  
10 samples in the field.

11 Q I think --

12 A He doesn't have to do as much manual labor as  
13 he used to. He doesn't have time to do that, but I  
14 think he still runs around the island, Tallahassee,  
15 Panama City and everywhere else about like he used to.

16 Q Okay. The first sentence in that paragraph  
17 says, "Also, in order to document each and every  
18 transaction on a daily basis, a great deal more of Hank  
19 Garrett's time in the office is required to provide this  
20 detail chart of Tallahassee and so forth." That doesn't  
21 imply to you that he spends more time in the office?

22 A No, I don't -- whether he's working in a ditch  
23 with a backhoe repairing a leak or whether he's working  
24 in the office, you know, would require the same amount  
25 of his time in a vehicle.

1 Q Okay. Well, tell us, then, if you will,  
2 please, what the entire compensation package, including  
3 travel, is to Mr. Garrett.

4 A I don't know if there's an exhibit here that  
5 shows the actual package.

6 Q Well, I didn't ask you for an exhibit. I  
7 asked you what it was.

8 A I think his total package is around \$41,000.

9 Q Okay. And would you divide that up for us,  
10 please, into travel and wages, health and pension. I'm  
11 sorry, pension is not necessary because you don't pay  
12 him for his pension. You pay someone else for his  
13 pension; is that right?

14 A The Utility company pays 5% of his salary  
15 semiannually, which we paid for this year for a pension  
16 plan. So he would get \$32,500 as salary, \$3,600 for  
17 health insurance reimbursement and \$5,200 for an auto  
18 expense, for a total of \$41,300, and then he would also  
19 get a 5% pension investment based on his 32.5 salary.

20 Q So is that 41,000 total?

21 A It's 41.3 plus 5% of 32.5, as I see it.

22 Q Let's leave it at that. Okay.

23 Now, you said that you had been -- I'm not  
24 sure of the verb you used, but you said you had been  
25 paying a pension to Mr. Garrett since when?

1           A     We pay it semiannually. It was due the 30th  
2 of June, and it was paid before the 30th of June for the  
3 first six months of '94.

4           Q     Mr. Brown, when you say "we pay," is that  
5 designed or calculated in any way to lead the  
6 Commissioners to believe that you have paid it any more  
7 times than one?

8           A     No.

9           Q     Okay.

10          A     I said we paid it one time.

11          Q     I believe you said, "We pay it." Did I  
12 misunderstand?

13          A     We paid it one time.

14          Q     You paid it one time.

15          A     In June of 1994.

16          Q     Okay. And that's the only time you've ever  
17 paid it; isn't that right?

18          A     That's correct.

19          Q     Okay.

20                 Mr. Brown, would you turn to Page 4. I'm  
21 going to shift focus here a little bit to the system  
22 analysis. And I don't recall whether I asked you  
23 whether GB-2 is, in fact, the document which you  
24 authored. Is this as I said?

25          A     That's a memo I dictated to send to Frank

1 Seidman.

2 Q I see. It was dictated on January 18, '94?

3 A Yes, sir.

4 Q Would you turn to Page 2, before you turn to  
5 Page 4, and explain, if you will, why the date there is  
6 January 17th?

7 A I don't know unless that page was retyped on  
8 the -- unless the cover page was redone on the 18th.

9 Q You know, Mr. Brown, that we have more than  
10 casual interest in that very issue, don't you, sir?

11 A It hadn't occurred to me until just then. I  
12 hadn't noticed that.

13 Q The question is, let me put it to you: Did we  
14 get the same memo in request to our much-contested POD  
15 25 that Mr. Seidman had when he was responding to my  
16 deposition questions, so far as you know?

17 A So far as I know, I have no reason to believe  
18 he didn't get the same one. I think when I dictated  
19 this hurriedly, I referred to a lot of exhibits and  
20 apparently they were not included in the one that we  
21 overnighted to Mr. Seidman, but apparently they were  
22 attached soon after that, because I think those exhibits  
23 are referred to in the memo, but were attached by the  
24 time it was given to you.

25 Q Okay. I'll accept that explanation,

1 Mr. Brown. Thank you.

2 Let's turn to Page 4 of Exhibit No. 3. Now  
3 there's a system analysis. Would you tell the  
4 Commission a bit about that system analysis and what it  
5 is for. You might look down to Item No. 9 on Page 4 and  
6 that may refresh your memory.

7 A See the system analysis and mapping expenses?

8 A I see a reference there to Account No. 631.

9 Q Yes, sir.

10 A Okay.

11 Q You're requesting the Commission to expense  
12 this item over two years; is that right?

13 A Yes.

14 Q Okay. Now, what was Mr. Seidman's  
15 recommendation with respect to the amortization period  
16 of that particular item?

17 A He said that the normal rule of thumb was for  
18 more than a two-year amortization, and I tried to  
19 explain to him that it seems that we have to analyze  
20 this system about every year. And we did a complete  
21 analysis in '92, and now we're having to do another  
22 complete analysis in '94, and that was two years. And  
23 unless things change, we'll probably have to do another  
24 one next year and the year after.

25 Q Mr. Brown, speaking hypothetically, if the

1 first analysis was deficient, do you think that could  
2 have some implication for the period between analyses?

3 A If we assume hypothetically that it was  
4 deficient, that could have something to do with it. I  
5 don't believe it was deficient.

6 Q Okay. But that is fairly an issue; you would  
7 agree with me there, wouldn't you?

8 A I think there is an issue over that 1992  
9 engineering analysis, which is the reason I've hired a  
10 completely new engineer to do a new analysis, which is  
11 not Baskerville-Donovan. It's not Wayne Coloney. I  
12 want a new, fresh approach because it's a very serious  
13 question.

14 Q And how often do you expect to have to get  
15 that engineer to do the report?

16 A I believe there's going to be a need in this  
17 Utility company, given all of the factors I know about  
18 St. George Island and the political setup and everything  
19 else around Tallahassee, I think we're going to have to  
20 analyze this system about every two years to convince  
21 people that we're doing the right thing.

22 Q Now, Mr. Seidman's advice was to do what you  
23 said, at least amortize it over four years.

24 A Mr. Seidman explained to me that a two-year  
25 amortization would have to be justified, that normally a

1 longer amortization is preferred and is a rule of thumb.  
2 And I was trying to explain to him that I thought two  
3 years was more proper in this case because of my  
4 experience with this Utility company.

5 Q Okay. Let's turn to the services of  
6 Ms. Withers.

7 A Okay.

8 CHAIRMAN DEASON: Mr. McLean, let me ask a  
9 question.

10 MR. McLEAN: Of course.

11 CHAIRMAN DEASON: I take it you have  
12 considerable more cross examination for Mr. Brown.

13 MR. McLEAN: Several more, sir. I have no  
14 particular purpose; I don't care when they occur. So,  
15 I'm at your --

16 CHAIRMAN DEASON: Let me ask Ms. Sanders a  
17 question. Do you have a feel for how many customers we  
18 can expect this evening?

19 MS. SANDERS: Unfortunately, I don't. We have  
20 had some phone calls at the office, people saying that  
21 they won't be here, want us to present their name. So  
22 it may not be very many.

23 CHAIRMAN DEASON: The reason for the question  
24 is I need to know if we need to break for dinner now or  
25 would it be reasonable to assume that we can work, have

1 the evening hearing, and then conclude that at a fairly  
2 reasonable hour and have dinner afterwards.

3 MS. SANDERS: Well, if you'd like a late  
4 supper, you know, in the 8:30 range, 9:30 range you can  
5 eat. I think we'll be able to eat by then. I don't  
6 know if that's late to you or not.

7 CHAIRMAN DEASON: Well, if a Public Service  
8 Commissioner can eat dinner before 11 that's usually  
9 considered okay.

10 MS. SANDERS: Okay. We start back at 6:30  
11 with customers?

12 CHAIRMAN DEASON: Yes.

13 MS. SANDERS: I cannot imagine that we would  
14 have more than a hour, hour and a half, two absolutely  
15 tops. I just can't believe it would go longer than  
16 that.

17 CHAIRMAN DEASON: Okay. What we're going to  
18 do is we're going to continue until around, perhaps, a  
19 little before 6:00. And we'll take about a 30-minute  
20 recess. And if somebody really needs something to eat,  
21 they can get it but they are going to have to hurry. So  
22 we're going to proceed for a little while longer.

23 Obviously, we have a long way to go in this  
24 hearing and we do not have a lot of time. So that's why  
25 we are doing this. You may proceed, Mr. McLean.

1 MR. McLEAN: Thank you, sir.

2 Q (By Mr. McLean) Let's turn to the services  
3 that Ms. Withers -- Mr. Brown, I apologize, I have to  
4 return to another area.

5 I'm going to give you some names and numbers.  
6 The name will be the person, and the number will be the  
7 number of miles which you are requesting travel at my  
8 computation of cents per mile, which is 20 cents. I  
9 won't ask you to accept 20 cents, although I may later.  
10 But I just want to make sure that the record shows what  
11 you're asking: 26,000 miles for Mr. Garrett; 6,500 for  
12 Ms. Hills; 13,000 for Mr. Shiver; 13,000 for Ms. Chase  
13 and 19,500 for yourself. Is that correct, sir? Will  
14 you accept that, subject to check?

15 A Subject to check. I don't know what you're  
16 reading but.

17 Q I'm reading from your MFRs, actually,  
18 Translated somewhat.

19 A As I said, I would differ on the 20 cents a  
20 mile, but other than that, if that's in the MFRs then  
21 that's great.

22 Q Okay.

23 Q Yes. Well, I don't want to introduce an  
24 ambiguity into the record. What I've done, Mr. Brown,  
25 and this is what I would like you to check and tell me

1 if you find out some later time that it was inaccurate,  
2 is divide the amount of money which you have asked in  
3 your MFRs by 20 cents per mile with each person.

4 Now, if you discover, if and when you care to  
5 check, that that's incorrect, would you draw it to the  
6 Commission's attention?

7 A Sure.

8 Q Thank you, sir.

9 Let's go on to Ms. Withers. You allege to the  
10 Commission that you are in need of her accounting  
11 services; is that right?

12 A Yes, sir.

13 Q All right. Now, Page 31 of your direct filed  
14 testimony, you state that you primarily use Ms. Withers  
15 for your tax returns, all partnership accounting and  
16 other complicated or more sophisticated accounting  
17 matters; is that right?

18 A I said that we use her for more sophisticated  
19 accounting matters, yes, sir.

20 Q All right. Now, you also discuss at some  
21 measure the retainer agreement that you have with  
22 Ms. Withers there; is that right?

23 A Right.

24 Q All right, sir. Would you refer to the  
25 exhibit, which I arranged for you to be handed somewhat

1 earlier, and the title up at the top is GDB-3.

2 MR. McLEAN: And, Mr. Chairman, may we have  
3 that exhibit marked for identification?

4 CHAIRMAN DEASON: Yes, it will be identified  
5 as Exhibit No. 9.

6 (Exhibit No. 9 marked for identification.)

7 MR. McLEAN: Thank you, sir.

8 Q (By Mr. McLean) Mr. Brown, is this the  
9 retainer agreement to which you refer in your direct  
10 testimony?

11 A I believe it is. We had one in effect up  
12 until the time this one was entered into, but I think  
13 the one I was referring to was this one.

14 Q Was this one. Will you describe the one you  
15 had in effect up until then?

16 A That's the one Barbara Withers talked about on  
17 her deposition, had been in effect since the -- at least  
18 the late 1980s. I think that was \$1,000 a month. I  
19 think she provided a copy of it.

20 Q Okay. Let's look at Exhibit No. 9 here for a  
21 minute. The agreement has no date anywhere on the face  
22 of it; is that correct?

23 A I don't see a date, no, sir.

24 Q All right, sir. Is that a routine practice  
25 with you, Mr. Brown, to enter into agreements with no

1 date?

2 A It' not routine. I didn't prepare this. I  
3 asked Ms. Withers to prepare one to memorialize our  
4 agreement, and she prepared this and apparently did not  
5 date it.

6 Q When you signed it, when you accepted it, you  
7 didn't see the need to date it so that someone who was  
8 interested in when that obligation arose might be able  
9 to tell when it arose?

10 A I didn't notice there was no date. And I  
11 didn't -- never thought about it.

12 Q Okay.

13 A It says -- it sets out the agreement as of  
14 January 1, 1993. That's the only date that I saw on it  
15 or see on it.

16 Q Sure. And it was signed sometime after that.  
17 Do you believe that to be true?

18 A Yes, sir.

19 Q Okay. It was signed in early 1994, wasn't it?

20 A It probably was, yes, sir.

21 Q Can I submit to you, Mr. Brown, that the  
22 reason you had it signed was to give it additional  
23 credibility in the process where we are today?

24 A I don't know what you would submit to me.  
25 I'll tell you that this, like a lot of the agreements,

1 were done at the request of the PSC audit Staff. They  
2 said, "You need to reduce this to writing, memorialize  
3 these agreements you have with these people." And I  
4 said Fine, we'll do that," and we did that.

5 Q Did they suggest to you that that would give  
6 that arrangement more credibility for this project --  
7 for this process, I'm sorry, or do you think their  
8 suggestion was more that in the future you better do  
9 things this way?

10 A They were explaining to me what the Commission  
11 likes, and I was trying to comply. The auditor's  
12 favorite phrase was, "Technically speaking, this is  
13 required." I never understood exactly what they meant,  
14 but we tried to adhere to their suggestions. We had  
15 some discussions about whether you can have verbal  
16 contracts and verbal agreements. She said you cannot  
17 and I, as a lawyer, said I think you can have contracts  
18 that are not in writing, but she never agreed with that.  
19 And I gave in, and I said, "All right. We're going to  
20 put it all in writing."

21 Q Well, this is a pro forma adjustment, isn't  
22 it?

23 A This is. Although, Barbara Withers did  
24 considerable work during '92 for us, and we had a  
25 retainer agreement with her during '92 and prior to

1 that.

2 Q Okay. My question is, is this one a pro forma  
3 adjustment?

4 A This \$500 per month is a pro forma adjustment,  
5 but we always had a -- Barbara Withers filed the  
6 original certificate. She's always been involved.

7 Q My question it doesn't have anything to do  
8 with that. I want to know if this is a pro forma  
9 adjustment. And the answer is yes, is it?

10 A It's a qualified yes, because she did a lot of  
11 work for the Utility company in '92, and she's part of  
12 the real-world accounting expenses. Whether or not she  
13 billed it, I know that she came and testified at one  
14 hearing in '92, a Show Cause hearing, regarding whether  
15 our books were in compliance or not. I don't know if  
16 she ever sent us a bill, but she did a lot of work and  
17 the Commission determined that they were in substantial  
18 compliance.

19 Q So the cost for Ms. Withers's services were  
20 incurred in 1982?

21 A '92.

22 Q '92, yes, sir. To defend against the  
23 Commission faulting you, or apparently faulting you, for  
24 not keeping your books and records straight?

25 A The Commission did not find us to be out of

1 compliance. The Commission Order was that we were in  
2 substantial compliance, and I had to have Ms. Withers  
3 come testify as an expert witness. Also during 1992, I  
4 constantly conferred with her and sought her advice and  
5 she did work for us during the test year. So that's why  
6 I say I would have to qualify, saying it's a pro forma  
7 adjustment, because she's been our accountant ever since  
8 the company was started. Although, I've recently hired  
9 a new one.

10 Q Pro forma adjustments or normally approved by  
11 the Commission when they are known, ascertainable and  
12 otherwise permissible; is that right?

13 A If they are known and measurable, that was my  
14 understanding.

15 Q Okay. And occasionally the Commission has to  
16 rely on some evidence for that task or for that  
17 determination, don't you think?

18 A I would think they have to rely on all of the  
19 available evidence, sure.

20 Q Now, in your experience, Mr. Brown, are  
21 contemporaneously made memoranda agreements made more  
22 reliable than memoranda of those agreements which occur  
23 more than a year after the agreement itself?

24 A I'm not sure I understand the question. I  
25 think a handshake agreement between friends can be as

1 binding and as reliable as a written agreement.

2 Q As between those parties, certainly, but how  
3 about as to third parties who you ask to pay the bill?

4 A Well, I can see why the Commission wants to  
5 document and have things in writing and we're  
6 endeavoring to do that.

7 But my point is we had an agreement and we've  
8 always had Ms. Withers doing work for the utility  
9 company. I think we'll always need her help, although,  
10 as I said, I have recently hired a new full-time  
11 accountant, which I did about six weeks to a month ago  
12 because I'm determined to satisfy whatever requirements  
13 the Commission feels need to be satisfied.

14 Q We're going to put his or her expense in the  
15 test year as well?

16 A No. But what I'm saying is on a real-world  
17 basis it's costing us \$40,000 a year as a salary to a  
18 full-time accountant right now. And I think that's  
19 going to be required in the foreseeable future because  
20 the accounting requirements are horrendous to run a  
21 utility company like the PSC Staff requires it to be  
22 run.

23 Q Mr. Brown, your first payment under the  
24 agreement to Ms. Withers is represented to have been  
25 tendered to her as of 1-30-94; isn't that right?

1 A Yes, sir.

2 Q And that is the last page of the exhibit which  
3 you were handed GDB-3; is that right?

4 A Right.

5 Q Now, looking at the face of the check,  
6 Mr. Brown, I'm having a difficult time figuring out  
7 whether that check was negotiated. Do you see anything  
8 there to say that it was?

9 A No, but I would be very surprised if that  
10 check was being held and hadn't been paid.

11 Q Well, you didn't furnish us with the cancelled  
12 check, did you?

13 A I'm sure I furnished it to the PSC auditors.  
14 They were required to see the originals of everything.

15 Q Mr. Brown, in your deposition did we ask you  
16 to produce all of the bills rendered by Ms. Withers?

17 A Yes.

18 Q And I believe you provided the information in  
19 GDB-3 in response to that POD; isn't that right?

20 A Well, these are not all of her bills. We've  
21 provided more bills, I'm sure.

22 Q Okay. I'm sorry. I misspoke. If you  
23 provided the auditors with this particular check in  
24 response to -- pardon me just a moment, Mr. Brown.

25 (Pause)

1           Mr. Brown, our office received this check from  
2 you -- from St. George Island Utility Company to  
3 Ms. Withers, signed by you, in response to discovery;  
4 isn't that right?

5           A     We've made all of these originals available to  
6 your office. This may be a copy that we made at your  
7 request but the originals have always been available and  
8 still are, including the paid check.

9           Q     When you made the copy -- are you testifying  
10 the paid check is there now?

11          A     I'm sure it is. I have not personally looked  
12 for this check. Nobody has asked me to do that. But I  
13 would be very surprised if Barbara Withers did not cash  
14 this check.

15          Q     Well, suppose that she didn't. Would you find  
16 that probative of whether she had actually been paid for  
17 that work that you say she did?

18          A     If she did not cash the check, I think there  
19 would be a question. You'd have to ask her why she  
20 didn't and if she intends to cash it.

21          Q     Mr. Brown, we have asked that question by  
22 discovery and this is what you gave us. If you've got  
23 something else, why didn't you give us something else?

24          A     Mr. McLean, I don't think our rules allow us,  
25 and I would not give you the original, send the original

1 checks over to your office. These checks, are and  
2 always have been, available, as you know.

3 Q Mr. Brown, do you think the tenor of my  
4 question was to ask you about the original, or do you  
5 think it was fairly to ask you about whether you gave us  
6 a copy of both front and back of the cancelled check?

7 A I don't know if we gave you a copy of the  
8 front and the back. If this is what we gave you, then  
9 this does not include the back.

10 Q Why not?

11 A If there was a issue as to whether this check  
12 had been negotiated, it seems the proper thing would  
13 have been within the last six to eight months to ask us  
14 for it.

15 Q Mr. Brown, would you accept, subject to check,  
16 that we made such a request from to you and you  
17 responded to them last Friday?

18 A This was provided to you long before last  
19 Friday, Mr. McLean, all of those bills were.

20 Q Well, then, why didn't you give us the whole  
21 thing, front and back?

22 Mr. Brown, you're a lawyer. Would anybody in  
23 the world accept that as evidence of anything other than  
24 you wrote a check and maybe even put it back in your  
25 pocket. That doesn't really prove nothing, does it?

1           A     You'd have to ask the people that got the.  
2 check and the people that signed the check. As I said --

3           Q     Well, I don't want to beat the dead horse.

4           A     -- we've been responding to discovery  
5 full-time for about six months, and if anybody had a  
6 serious question about this, they should have asked to  
7 see the front and back. You and your people have been  
8 in our office for weeks and have looked at our original  
9 records and they could easily look at this check.

10          Q     Well, let me ask you two questions together,  
11 Mr. Brown. Did you send us this? And if the answer is  
12 yes, what does it prove?

13          A     Somebody in my office apparently made a copy  
14 of the check. I'm the only lawyer in my office. The  
15 person who made that copy might not have fully  
16 understood that you would have preferred the front and  
17 the back. If you had preferred the front and the back  
18 and asked for it, we have would have copied it for you.  
19 We would have let you see the original.

20          Q     And your inviting me to assume that you have  
21 it; is that correct?

22          A     I'm telling you that we have it.

23          Q     Oh, you're telling me now that you have the  
24 cancelled check.

25          A     I could not believe that we've lost this

1 check.

2 Q Well, then, why doesn't the bank code appear  
3 on the front for the amount of the check?

4 A I do not know.

5 Q I'm going to suggest to you it's because it  
6 never was negotiated at the bank, at least not the copy  
7 we got.

8 A Well, Ms. Withers will be here tomorrow. And  
9 if you're suggesting that she and I have some sort of a  
10 deal that this is some --

11 Q No, sir.

12 A -- between us that she would take this and not  
13 negotiate it, that's totally untrue.

14 Q No, sir. I'm saying that you were either  
15 negligent, grossly negligent or intentionally deceptive  
16 when you responded to our discovery or, on the other  
17 hand, you ain't got the check.

18 Let's move on to GDB No. 4, Mr. Brown. That's  
19 the prior agreement.

20 CHAIRMAN DEASON: Mr. McLean, before we move  
21 along, I think we're going to go ahead and take a  
22 recess. And we will reconvene at 6:30.

23 (Dinner recess from 5:50 p.m. until 6:35 p.m.)

24 - - - - -

25 CHAIRMAN DEASON: Ladies and gentlemen, if I

1 could have your attention, please. We will call this  
2 evening session of the hearing to order.

3 Let me take this opportunity to welcome  
4 everyone to this session of the hearing.

5 Let me introduce myself. My name is Terry  
6 Deason. I'm Chairman of the Commission; and with me  
7 this evening and seated to my immediate right is  
8 Commissioner Diane Kiesling. We constitute the panel of  
9 Commissioners which will be hearing and deciding this  
10 case.

11 To let you know where we are in this  
12 proceeding, we initiated this hearing today beginning at  
13 9:30. We've heard from a number of customers during the  
14 morning session, and we are here this evening to hear  
15 from you, the customers of this Utility company.

16 We have initiated the technical portion of the  
17 hearing today; we've heard already from a number of  
18 witnesses on behalf of St. George Island Utility.  
19 They're in the middle of presenting their direct case.  
20 We also will have testimony from the Public Counsel's  
21 office; and we also will have testimony from the Staff  
22 of the Public Service Commission, which will be  
23 stipulated into the record; and we'll also have the  
24 Company's rebuttal case.

25 We will continue these hearings tomorrow and

1 there's a third day scheduled in Tallahassee during the  
2 first week of August.

3           The purpose of the hearing this evening is to  
4 hear from you, the customers of this Utility company,  
5 concerning the quality of service provided and your  
6 concerns on that, as well as your thoughts on the  
7 requested rate increase which is currently pending  
8 before the Public Service Commission.

9           I also want to take an opportunity to  
10 basically introduce you to the persons who are sitting  
11 at the tables. At the far table to my right are  
12 representatives of St. George Island Utility Company.  
13 Seated directly across from me is Ms. Sanders, who is  
14 representing the Water District. And at the far table  
15 to my left is representatives of the Public Counsel's  
16 office. And on this table to my near left are members  
17 of the Staff of the Public Service Commission.

18           There are also some members of the Staff of  
19 the Public Service Commission at the rear of the room.  
20 One of those individuals is Ms. Margaret Ring, who is  
21 with the Division of Consumer Affairs at the Public  
22 Service Commission.

23           If you have any questions which you wish to  
24 raise with any of our Staff, I'm sure that if you  
25 could -- you could do that and they would be more than

1 happy to help with you any questions or concerns that  
2 you may have.

3           As I indicated earlier, the purpose of this  
4 evening's session is to hear from you, the customers.  
5 The procedure that we're going to follow is that in a  
6 few minutes I'm going to ask all those members of the  
7 public who wish to testify to stand and be sworn in.  
8 This is necessary for your testimony to become part of  
9 the official record in this proceeding. This hearing is  
10 being recorded by a court reporter and your testimony  
11 will become part of the record and will be evidence in  
12 the case which the Commission can rely upon in making  
13 its final decision.

14           I believe Ms. Sanders will be maintaining a  
15 list of customers who have signed up. When she calls  
16 your name, if you will please come forward to the  
17 microphone on the table to my right, if you could begin  
18 by giving your name and your address and spelling your  
19 name so the court reporter may record it correctly.

20           We're not imposing any strict time limits on  
21 your comments to the Commission, we just ask that you be  
22 mindful that there are others waiting to give their  
23 statement and just be courteous to those and be concise  
24 but cover all the points which you think are important  
25 to be covered.

1           When you conclude your statement, you need to  
2 wait for just a moment because there may be some  
3 questions from some of the parties to the case.

4           At the rear of the auditorium there is a blue  
5 information handout which is entitled, "Special Report."  
6 This contains background information on the case. Also,  
7 part of this information package is a page at the end of  
8 the information package which may be detached. For  
9 those persons who do not wish to make a formal statement  
10 this evening, it is permissible for you to utilize this  
11 page, write your comments, fold it and mail it to the  
12 Public Service Commission.

13           And with that, I'm going to ask all those  
14 members of the public who wish to testify this evening  
15 to please stand and to raise your right hand.

16           (Witnesses collectively sworn.)

17           CHAIRMAN DEASON: Thank you, please be seated.

18           Ms. Sanders, you may call your first witness.

19           MS. SANDERS: Thank you, Commissioner Deason.

20           The first witness will be Ms. Ann Abbott.

21

22

23

24

25

ANN ABBOTT

1  
2 appeared as a witness on behalf of the Citizens of the  
3 State of Florida and, having been duly sworn, testified  
4 as follows:

5 WITNESS ANN ABBOTT: Good evening. My name is  
6 Ann Abbott. That's A-B-B-O-T-T, Ann with no E, please.

7 First off, I would like to state as a member  
8 of the community of St. George Island, I am most  
9 definitely not opposed to an increase on our water bill.  
10 What I am opposed to is the amount of that rate hike.

11 There is a difference in paying for good  
12 quality water, good water pressure, which is  
13 questionable time in and time out, it always has been.  
14 Also there is the fact that there is no city sewage,  
15 which usually is tacked on to a water bill in most any  
16 community that you live in. I, for one, would love to  
17 see a proposal on where this money is to be used within  
18 the community or to go back into the water system.

19 Thank you very much.

20 CHAIRMAN DEASON: Any questions? I believe  
21 there are none. Thank you, ma'am.

22 (Witness Ann Abbott excused.)

23 - - - - -

24 MS. SANDERS: The second witness is Mr. Henry  
25 Pelt.

## HENRY PELT

1  
2 appeared as a witness on behalf of the Citizens of the  
3 State of Florida and, having been duly sworn, testified  
4 as follows:

5           WITNESS PELT: My name is Henry Pelt, P-E-L-T.  
6 I live at 4712 Orchid Drive in Tallahassee, Florida. I  
7 have had a residence on St. George Island for  
8 approximately six years. I have had water hookup, I  
9 guess, the whole time that I have been there.

10           I certainly appreciate the water service on  
11 St. George Island. I have many friends on the island  
12 who either have never hooked up to the water supply or  
13 are still trying to use well water for one thing or  
14 another, and it is very nice to have somewhat reasonable  
15 water.

16           I am always concerned about the quality of the  
17 water on St. George Island. It doesn't smell well. As  
18 Ms. Abbott says, it doesn't have sufficient pressure and  
19 we have a lot of problems with the water. I find myself  
20 replacing my toilet fixtures about once every two years  
21 because something in the water seems to love to eat the  
22 rubber.

23           The last time I appeared before the  
24 Commission, I had a little bit more warning than I had  
25 this time, and I made a lot of calls. And I think I

1 presented you all with a list of about 15 or 20  
2 companies that I had called that were also private water  
3 companies around the area from Perry all the way up into  
4 Georgia and this whole surrounding area, and I found  
5 that our rates were very comparable with the other  
6 private companies. I have no problem with a private  
7 company making a profit, if it is a reasonably run,  
8 well-operated company.

9 I also have reviewed the expenses that the  
10 water company on St. George Island is recording and they  
11 certainly look somewhat exorbitant to me. I do not know  
12 where that money is going. I know that St. George's  
13 water company is spending a lot more money delivering  
14 services than other comparable private companies. I  
15 understand that's part of you all's charge.

16 Again, I do understand they're an investment  
17 company. I don't have any problem with somebody making  
18 money on their investment, but the rates that they're  
19 asking us to pay for the water at this time I find  
20 somewhat exorbitant.

21 MS. SANDERS: Thank you, Mr. Pelt.

22 CHAIRMAN DEASON: Questions for Mr. Pelt?

23 MR. McLEAN: Yes, sir.

24

25

## CROSS EXAMINATION

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BY MR. McLEAN:

Q Do you know how much they would charge you for your water if this rate increase is approved?

A Yes, sir. My water rates, I'm one of the real unfortunates. As I said, my home over there is a temporary residence, so I pay minimum charge every month. Every since I have hooked up, my bill has been \$15-whatever a month. I also pay months ahead of time. I send them a check for \$200 or \$300; and when I owe them more money they tell me that I need to send them more money.

Again, I don't have any problem at all with those people making a profit, but my bill is always minimal. So, basically, if it was approved, mine would be from about \$15 a month to \$37.43. It would go up about 225% or 230%.

Q Yes, sir. Now, I've got one more modest question to ask you. Have you ever heard of the Office of Public Counsel before tonight?

A Yes, sir.

MR. McLEAN: Good, thank you sir.

CHAIRMAN DEASON: Further questions? Thank you, sir.

1 (Witness Pelt excused.)

2 - - - - -

3 MS. SANDERS: The third witness is Mr. Robert  
4 W. Crozier.

5 ROBERT W. CROZIER

6 appeared as a witness on behalf of the Citizens of the  
7 State of Florida and, having been duly sworn, testified  
8 as follows:

9 WITNESS ROBERT CROZIER: My name is Robert W.  
10 Crozier, C-R-O-Z-I-E-R. I live at 925 Bayshore Drive on  
11 St. George Island, HCR Box 11.

12 I built my home here about six years ago.  
13 Twice I've had to replace the element in my water heater  
14 because of the poor quality of water that comes to my  
15 house. Also, I have had to replace toilet bowl stoppers  
16 that are made of rubber. They deteriorate very quickly  
17 here.

18 I've owned homes -- I'm a retired architect.  
19 I've owned homes for over 50 years, and I've never had  
20 that problem in my other homes where I've had water  
21 heaters that have lasted the limit of the guarantee of  
22 the water heater without replacing elements.

23 I don't think the rate is exorbitant right  
24 now, but I think what they are asking for is ridiculous  
25 because they don't give us enough pressure; we don't

1 have good quality water; and I can't see where they are  
2 spending their money or plan to spend the money with an  
3 eight-inch main coming from the mainland to supply the  
4 whole island that's over 20 miles long.

5 If they were proposing to increase the size of  
6 the line or run another eight-inch line from the  
7 mainland, I might be more inclined to think they may  
8 need more money.

9 In addition, recently they increased the  
10 pressure by pumps. Those pumps are doing the job that  
11 we wanted them to do from the start, but we don't know  
12 how long those pumps will last or how long a turn when  
13 they turn them on.

14 In other words, you turn the water on and it  
15 comes out very nice now. But if everybody turned their  
16 water on, or if we had a fire and the fire lines had to  
17 be used, would the pressure be maintained after the fire  
18 was burning for a half hour or would the water tank be  
19 empty then and there would be no pressure?

20 I think that we should carefully consider what  
21 they're asking and give them a minimum rate increase,  
22 but only if it is guaranteed that they're going to  
23 improve the service on the island.

24 Thank you. Any questions?

25 MR. McLEAN: No, sir.

1 CHAIRMAN DEASON: Questions? Thank you, sir.  
2 (Witness Robert Crozier excused.)

3 - - - - -

4 MS. SANDERS: The next witness is Mr. Jay  
5 Abbott, the Fire Chief of the St. George Island  
6 Volunteer Fire Department.

7 JAY ABBOTT

8 appeared as a witness on behalf of the Citizens of the  
9 State of Florida and, having been duly sworn, testified  
10 as follows:

11 WITNESS JAY ABBOTT: My name is Jay Abbott,  
12 A-B-B-O-T-T, HRC Box 165, St. George Island. I'm the  
13 Fire Chief of St. George Island.

14 First, I'm not against an increase in water  
15 pressure -- I mean an increase in the bill at all. But  
16 for what you're proposing, that, I am.

17 What I would like to mention tonight is about  
18 fire protection on St. George Island and the correlation  
19 between fire departments and the water company. I do  
20 understand, as you have had testimony from me before,  
21 that St. George Island Utility does not provide fire  
22 protection. They have stated that from the beginning.  
23 What we are after in the fire department and the  
24 citizens of St. George Island is, we need fire  
25 protection at St. George Island and to get that we need

1 volume flow of water.

2           You have seen test results from two years ago  
3 that we've provided to you, the flow tests that we made  
4 from the hydrants at various places on the island.  
5 Since July 5, since the new pumps have come on line, I  
6 suppose the altitude valve -- I really don't know what  
7 is exactly in place at this time, but there is a change  
8 in the last few weeks.

9           I made a test last night of some hydrants to  
10 check the pressure, and I discussed that with Hank. He  
11 knew that I was going to do this prior to the meeting.  
12 One of the concerns is at 300 Ocean Mile. That's on the  
13 east end of the island near the state park. We tested  
14 last night. We did a five-minute flow test. It was a  
15 flow meter from the water company, and we received 350  
16 gallons a minute. That was our average flow.

17           To fight a fire in that location -- or any  
18 location on the island, but that is really a tinder box  
19 there, it's 99 condominiums and they're all wood -- we  
20 would require a minimum of 1,000 gallons a minute flow.  
21 And my status there as a volunteer fire chief, I have  
22 had experience with -- Tallahassee firemen is where I'm  
23 working to get you these answers, these quotes from, is  
24 from the professionals in Tallahassee, what it takes to  
25 put out a fire, how many gallons per minute for certain

1 types of structures and so forth.

2           We did a test near the water company, that's  
3 Third Street West, Gorrie Drive, the flow there was 752  
4 gallons a minute. That's approximately four miles from  
5 300 Ocean Mile. What you have there is a distance, four  
6 miles, small pipe; I believe eight-inch main goes to  
7 11th Street and then from there to 300 Ocean Mile is a  
8 six-inch line. That's where we are talking about the  
9 size of the pipe. The smaller size causes more friction  
10 loss; and, therefore, you have less flow of water at the  
11 end.

12           I then went to the Plantation. It's on the  
13 east end of the island -- west end of the island, excuse  
14 me. We went to north of Suzie Street on the bay side of  
15 the island. We went to the bay side, next to a canal.  
16 We recorded there 456 gallons a minute. This is a  
17 substantial increase from two years ago. I'm not  
18 denying that we have an increase. It is an increase.

19           We went to the end of the Plantation, to the  
20 cut. At that time, we recorded 442 gallons a minute.  
21 There's a lot of structures being built, there's a lot  
22 of homes going to be built in the cut in that whole west  
23 end of the island.

24           The types of buildings that are going up on  
25 St. George Island now require more than what we're

1 receiving at this time. If there's a fire and there's a  
2 wind, and for a response time for a volunteer unit --  
3 for us to get to the fire station and get equipment and  
4 get to that scene -- we're looking at what I call a  
5 little California. It is going to take a lot of water  
6 within the first ten minutes of any fire to at least  
7 knock it down or at least stop the flow of that fire  
8 from one building to another. A lot of buildings now  
9 are from within 10 to 15 feet apart on certain areas of  
10 the island, and you're looking at a major catastrophe  
11 there.

12 I went back out on the Plantation and went to  
13 419 North Sawyer, just outside the Plantation on the bay  
14 side, recorded 510 gallons a minute. As you can see,  
15 the farther away you get from the water company or the  
16 tower, the less water you have.

17 Like I say, I'm not against a hike or an  
18 increase. But I think what we need, if we're going to  
19 get a hike, I don't see it being that high but I would  
20 like to see something put into fire protection for St.  
21 George Island entered into the water company as far as  
22 providing us with X number gallons of water as a  
23 requirement.

24 We have a serious situation there. We do our  
25 best to keep it down. We have woods fires, house fires,

1 and it scares you every time this alarm goes off. We  
2 deal with a lot of tourists; people sleep in the bed  
3 with cigarettes or whatever causes fires; and it is  
4 really a concern to the fire department and the  
5 personnel on St. George Island.

6 Any questions?

7 CHAIRMAN DEASON: Questions for Mr. Abbott?

8 MR. McLEAN: Yes, sir.

9 CROSS EXAMINATION

10 BY MR. McLEAN:

11 Q Has the utility represented to you at any  
12 point in time that they were capable of providing fire  
13 flow?

14 A Represented to me?

15 Q Told you.

16 A No. It is stated that they do not provide  
17 fire protection, fire flow. That's in their original  
18 for the water company. They never did say they provided  
19 fire protection. I'm asking that they take this into  
20 consideration and provide us with the flow and have a  
21 standard for us that we require.

22 Q You're asking the Utility to be able to  
23 provide that at this time; is that right?

24 A With this increase or a increase, if you're  
25 going to do an increase.

1 Q So the gist of what your testimony is, is that  
2 they shouldn't be permitted an increase unless they  
3 provide that?

4 A I can't say "unless." There's a lot of other  
5 factors that go on in St. George Island. We do have an  
6 increase, like I said, in the flow already and with the  
7 pressure; how long that's going to stand, I don't know.  
8 But as these quotes tell you, the farther away you get  
9 from the Utility company the less water you have. You  
10 have to come up with something, either another tower at  
11 the east end and the west end for water, another pump.  
12 I don't know, that's up to you.

13 Q But you would like to see it?

14 A But I would like to see, and the residents of  
15 St. George Island would like to see, fire protection put  
16 in. We purchase hydrants. We pay the Utility company  
17 money for hydrants. They put them on line.

18 Q You are the chief of the volunteer fire  
19 department; is that right?

20 A Yes.

21 Q Okay. Where do they get the money from to put  
22 the hydrants in?

23 A Donations.

24 Q From the people who live on the island?

25 A People who live on the island.

1 Q How much does it cost you to put a hydrant in?

2 A We paid \$2,000 per hydrant.

3 Q Do you give the hydrant to the Utility?

4 A No, we give the money to the Utility.

5 Q Oh, and they put the hydrant in?

6 A And they put the hydrant in. They purchase  
7 the hydrant and put it in.

8 Q Do you specify to them what sort of hydrant is  
9 to be put in or do they decide that?

10 A No, that's not our expertise. The minimum is  
11 on the six-inch line; so if we don't own a six-inch  
12 line, we can't have a hydrant. And there's a lot of  
13 two-inch lines on the island. In those areas we cannot  
14 require a hydrant to be put in.

15 As it stands right now, we want a hydrant in a  
16 certain place, and now we're paying an additional \$2,000  
17 to have that water line put in. I'm collecting the  
18 money for that now.

19 Q Is it your understanding that the \$2,000 is  
20 collected for the hydrant or for the transmission or  
21 distribution line which runs to that hydrant, or do you  
22 know?

23 A Our initial \$2,000 is for the hydrant. This  
24 one instance I'm telling you is a special case.

25 Q Oh, it's the \$2,000 Item 8, that doesn't occur

1 every time or how do --

2 A The \$2,000 is every time for every hydrant.

3 Q Got you. How many hydrants have you put in,  
4 say, in the last five years, or have they put in?

5 A You have a record on it. I can't give you  
6 that figure.

7 Q I was kind of asking for a ballpark figure.

8 A Some years we put in three, some four. Now we  
9 have a budgeted for two per year. That's \$4,000 in the  
10 fire department's budget.

11 MR. MCLEAN: Yes, sir. Thank you very much.

12 CHAIRMAN DEASON: Further questions,  
13 Mr. Pfeiffer?

14 CROSS EXAMINATION

15 BY MR. PFEIFFER:

16 Q Do you know how much it would cost to bring  
17 the system to a point where it would provide the sort of  
18 flow that you need?

19 A I have know idea. That is up to an engineer  
20 to -- I'm not qualified for that.

21 Q Would you agree that it would be a good idea  
22 for the Utility to hire an engineer and to look at the  
23 issue and to make a determination of how much it would  
24 cost?

25 A Well, I understand that's one of your

1 proposals is to provide a study for that.

2 Q Yes, sir. So you concur with that? Do you  
3 agree with that?

4 A I agree with a minimum amount.

5 Q How about \$12,000?

6 A Well, that was the amount that you put in. I  
7 knew the first amount was \$30,000; now you have brought  
8 it down to 12.

9 Q Yes.

10 A I do see -- I can't answer the questions.  
11 It's going to take engineers to take care of that.

12 Q Yes, sir. You agree with that?

13 A I agree with that part of it.

14 Q Do you think that's a valid amount?

15 A 12,000? I can't answer what's valid.

16 Q Well, if that's a valid expenditure for the  
17 study, would you agree that the customers of the Utility  
18 should pay for that?

19 A Say that again.

20 Q If that's a valid expenditure, if that's a  
21 right amount of money to pay for that study, would you  
22 agree that the customers of the Utility should pay for  
23 that study?

24 A I believe that should occur within the budget  
25 of the water company --

1 (Simultaneous conversation)

2 Q -- rates to pay for it?

3 A I don't think you should go out and tell the  
4 public to pay for it. I mean, are you asking us to tell  
5 the public to just up and pay for it. I think that  
6 should come in and if it is feasible --

7 (Simultaneous conversation)

8 Q Mr. Abbott, here's how it would work. There  
9 would be a study. The cost of the study would be  
10 amortized over a period of four or five years and the  
11 rates that customers paid would be raised whatever  
12 increment it would take to pay that amount of money over  
13 a period of four or five years. Would you concur with  
14 that?

15 A In other words, you're saying assess each  
16 customer?

17 Q No, I'm saying part of the water bill would be  
18 to pay for that study.

19 A Part of the increase.

20 Q Yes.

21 A But not part of the water bill as it is now.

22 Q No, sir, as it would be after it was  
23 increased.

24 A That's kind of difficult to answer that.

25 Q Do you think maybe the customers don't want to

1 pay for that study?

2 A I don't think they do. I think they feel that  
3 the water company should -- it should come in there. I  
4 mean, I'm speaking for me. You have to ask each  
5 individual customer.

6 Q I'm asking you for you, do you think that's a  
7 good idea?

8 A I think you're going to have to have a study.  
9 I understand that. But how you pay for it, I can't  
10 answer that.

11 Q And let me ask you this. Occasionally, you do  
12 test the pressure by turning on more than one hydrant at  
13 the time, don't you?

14 A When we do the test, we only have one flow  
15 meter, and that's the water company's. That's what we  
16 use. But, now, we'll open up the hydrants; we're going  
17 through a procedure now where we go to every hydrant,  
18 open up every cap, check the hydrant and close it back  
19 up.

20 Q More than one at a time?

21 A For those, yes.

22 Q How many at a time?

23 A Two or three.

24 Q Are you aware that at the times when you do  
25 that you interrupt the service to the customers?

1 A Yes. There's nothing I can do about it.

2 MR. PFEIFFER: Thank you.

3 MS. SANDERS: I have a question, Commissioner  
4 Deason, if you don't mind.

5 CROSS EXAMINATION

6 BY MS. SANDERS:

7 Q Mr. Abbott, you have been a customer for how  
8 long?

9 A For 11, almost 12 years.

10 Q Are you familiar with the Utility's past  
11 promises to perform and do better that haven't come to  
12 fruition?

13 A I am. It's taken a long time for it to come  
14 about.

15 Q So if you were going to do the most  
16 cost-effective study to determine what to do for the  
17 water company, don't you think it would be a good idea  
18 for the Utility company to give that \$12,000 to the fire  
19 department, so that you could determine how it is spent  
20 and make sure it is spent reasonably?

21 A Well, that's an idea. But the fire department  
22 can't take that on as a project because our expertise in  
23 that field is limited.

24 Q No, to hire an engineer, so that you control  
25 which engineer gets hired and you can go out and find

1 the best price for that study. And if you save money,  
2 you keep it.

3 A Well, I don't know if we save money, we keep  
4 it, that's a good idea, but -- (Laughter)

5 Q Well, if you save money, give it back to the  
6 customers.

7 A I agree with you there.

8 Q Save money, give it back to the customers.

9 A If we could save money, yes. But I don't  
10 know, that's out of my field. I really -- it's out of  
11 my field.

12 MS. SANDERS: Thank you, Mr. Abbott.

13 CHAIRMAN DEASON: Mr. Abbott, let me ask a  
14 question. I appreciate your being here tonight. I'm  
15 certainly not a fire-fighting expert, but I'm going to  
16 ask you a question and see if it's something that maybe  
17 can you help me with.

18 Being that it is an island and just about  
19 every location on that island, maybe with a few  
20 exceptions, you're not too far from water, is there any  
21 type of fire-fighting apparatus or mechanism where you  
22 can utilize nonpotable water that's available either in  
23 the Gulf or the bay and have some type of a pumping  
24 apparatus to maybe supplement what you could get from a  
25 hire hydrant, or is that something that is not even

1 feasible?

2 WITNESS JAY ABBOTT: It is only feasible if we  
3 can get close enough with the fire truck to draft water,  
4 and that's within 20 feet. That's the maximum we can  
5 draft with the fire truck.

6 CHAIRMAN DEASON: Now, is that with any fire  
7 truck or just the ones that you have?

8 WITNESS JAY ABBOTT: Any fire truck as far as  
9 drafting.

10 CHAIRMAN DEASON: You have to be within 20  
11 feet.

12 WITNESS JAY ABBOTT: If you want to get a  
13 portable pump that pumps 300 gallons a minute and sit it  
14 in the Gulf and try to pump it up there, by the time you  
15 do that, you've lost what you're trying to fight.

16 CHAIRMAN DEASON: Okay. So you're basically  
17 saying it's really not feasible.

18 WITNESS JAY ABBOTT: Yes. See, we have two  
19 fire trucks on the island, and that equipment is valued  
20 at over a quarter of a million dollars for the two  
21 trucks. I can have all the trucks in the world on the  
22 island, but if I don't have that flow, you know, you're  
23 just PSSST in the wind. (Laughter) I mean, I've been on  
24 fire scenes -- I didn't say the word. Let me give you a  
25 scenario.

1 CHAIRMAN DEASON: I want to see how the court  
2 reporter records that -- (Laughter)

3 WITNESS JAY ABBOTT: We have had several major  
4 fires on St. George Island. Not only am I talking about  
5 just fire flow to put out a building or save other  
6 buildings, it's safety involved with the fireman.

7 We're there to save lives first. The first  
8 thing on your mind is saving lives. The second is  
9 property. Okay. One instance we had, we had to shut  
10 down the system because we did not have enough water  
11 coming into our trucks to keep up with the water we  
12 needed to put on the fire. And I had five firemen in  
13 that building, bingo, out of water. The water is not  
14 shut off, but not enough was coming into the truck to  
15 pump out to the fire scene, so we have to back out.

16 And that was two years ago. And I can't say  
17 now, because we do have an increase; but 1,000 gallons  
18 is what we're looking for and that's what we're asking.  
19 That's why I'm presenting this to you. Further tests  
20 down the road, I don't know. I don't know when you're  
21 going to make your decisions on this, but I'm here to  
22 speak on the fire department.

23 CHAIRMAN DEASON: Further questions?

24 COMMISSIONER KIESLING: Yes, I have one.  
25 Right here. I'm a little confused about the drafting

1 capability of your equipment. Are you telling me that  
2 if you draft more than 20 feet that the pump that's  
3 drafting won't work?

4 WITNESS JAY ABBOTT: It won't pick up water  
5 more than 20 feet away. It just creates a suction.

6 COMMISSIONER KIESLING: Well, let me tell you,  
7 I used to be on a volunteer fire department and my job  
8 was to run the panel on the pumper truck. And we could  
9 certainly draft more than 20 feet away and have done it.

10 WITNESS JAY ABBOTT: If you have got something  
11 else coming into it. I'm talking about pulling up close  
12 enough to get the hose out to do it.

13 I can't pull down on the beach. There is no  
14 way I can get a suction going on that beach from the  
15 road. There's no way. You have to have enough water  
16 coming in there to begin with to create suction.

17 COMMISSIONER KIESLING: But there's a  
18 difference between 100 feet or more of the beach and 20  
19 feet. I mean, I'm trying to understand what the  
20 restriction on your equipment is.

21 WITNESS JAY ABBOTT: That's just the  
22 guidelines with our equipment is 20 feet. Now, I could  
23 take a pump and put it out there and put water up there  
24 and get it started. But we've got a time frame here,  
25 too.

1 COMMISSIONER KIESLING: Okay. Thank you.

2 CHAIRMAN DEASON: Well, the reason I asked the  
3 question was basically, I guess, as a supplement. In  
4 other words, the pressure is not adequate according to  
5 the standards that you had quoted to you --

6 WITNESS JAY ABBOTT: I'm talking flow, not  
7 pressure. The flow in a hydrant coming out is what I'm  
8 after, gallons per minute. I'm not asking 65 pounds of  
9 pressure or 80 pounds of pressure.

10 CHAIRMAN DEASON: But certainly pressure and  
11 the diameter of the pipe is what determines the flow at  
12 the end of that pipe.

13 WITNESS JAY ABBOTT: True to a point. That's  
14 at the beginning of it.

15 CHAIRMAN DEASON: Further questions?

16 MR. McLEAN: No, sir.

17 CHAIRMAN DEASON: All right. Thank you, sir.

18 (Witness Mr. Abbott excused.)

19 - - - - -

20 MS. SANDERS: The next witness is Mr. Nic  
21 LaSlavic.

22

23

24

25

1 NIC LASLAVIC

2 appeared as a witness on behalf of the Citizens of the  
3 State of Florida and, having been duly sworn, testified  
4 as follows:

5 WITNESS LaSLAVIC: Nic LaSlavic, that's  
6 L-a-S-L-A-V-I-C. We live at 1420 Bayberry Lane, St.  
7 George Plantation on the island. In 1979 we bought our  
8 piece of property on the Plantation. In 1982 we began  
9 to build our property and finally finished it in '84,  
10 and we have lived there permanently since '87, my wife  
11 and me.

12 As I recall, looking back in the 1979 time  
13 frame when we bought our property, I noticed that there  
14 were fire hydrants on the Plantation in this area that  
15 we were buying in. And which I thought was great,  
16 because that meant fire protection. When we bought -- I  
17 should say when we started building in '82, there were  
18 only 16 other homes on the Plantation. I think we're  
19 now up to 300-plus homes on the Plantation.

20 As the years went on and we had fires on the  
21 island, I kept seeing homes burning down. And I would  
22 make a comment to the fire chief or to somebody about,  
23 "Why are they burning down?"

24 "Well, we don't have enough water to fight  
25 them."

1           And I kept raising my voice regarding why we  
2 don't? Why we don't? And finally in 1992, just two  
3 years ago, at one of the association meetings on the St.  
4 George Plantation, I raised my voice so much that they  
5 put me in charge of a committee to look into why we  
6 don't have good fire protection on St. George Island. I  
7 headed up that committee.

8           And based on the study we did, we sent a  
9 letter to the Public Service Commission; we sent letters  
10 to the County Commission; we also informed the Utility  
11 company regarding our results. And to boil it down to  
12 just a very simple phrase, we were at that time -- and I  
13 think still are -- a disaster waiting to happen.

14           And I say that because, as the years have gone  
15 on, we have continually built our homes closer and  
16 closer together. And because they are closer together,  
17 they are not going to burn down by themselves, but they  
18 are going to take other homes with them. And some day  
19 they may take my home because other homes are being  
20 built closer and closer to mine.

21           Well, what I'm really driving at here is this.  
22 I remember in 1979 seeing a fire hydrant or a couple of  
23 fire hydrants in the area where my home is today, within  
24 1,000 feet of my home. I just automatically assumed we  
25 had fire protection capability. If you have a fire

1 hydrant, you've got water. I've learned that we didn't.  
2 I learned this when I was involved in this study that I  
3 headed up in 1992.

4 I learned a couple of other things. I'm going  
5 to read a couple of statements here. And these came  
6 from the American Insurance -- American Insurance  
7 Association, has to do with fire protection. Again,  
8 they're worried about the fires.

9 They say, "Hydrants for fire protection should  
10 never," I repeat, "never be locate on the dead end of a  
11 six-inch or smaller main." Almost every fire hydrant I  
12 know on the Plantation, prior to what is currently going  
13 on out by the cut where they are looping, where they are  
14 looping their mains, I understand, but on the original  
15 building of the Plantation, as I understood it then and  
16 I believe it is still the case, our fire hydrants are on  
17 mains of six inches or even smaller and they are  
18 dead-ending.

19 They say also that, "Transmission mains for  
20 small water systems that take care of one- to two-story  
21 homes," and these one- and two-story homes are at least  
22 three to four miles away from the utility, these mains  
23 "should not be less than 10 to 12 inches in diameter."

24 We all know that the mains running across the  
25 bridge are eight inches. The mains definitely running

1 out to the Plantation are eight inches. Running east, I  
2 believe they are eight, and I think they even drop down  
3 to six.

4           And I also know that the Utility has stated  
5 unequivocally that they were never designed nor built to  
6 furnish water for fire protection. I'm still, still  
7 trying to figure out why those fire hydrants were out  
8 there in 1979, but that's my problem. And I have not  
9 yet been able to get anybody on the Public Service  
10 Commission or any of the other regulatory bodies  
11 whenever I talked to them back in 1992 to say why,  
12 answer my question, "Why were they able to put fire  
13 hydrants out there?"

14           And I'm assuming, because I have not had  
15 anybody from the fire department to state they were  
16 involved in putting those fire hydrants in, I assume  
17 that the Utility did such. And I've heard the statement  
18 they put them in because they use them to flush the  
19 system. I have learned, because of being on that  
20 committee and heading it up, that there are other ways  
21 of flushing a system. You don't need a fire hydrant.

22           Right now I cannot say to you that I am not  
23 happy with the water that I'm receiving in my home. I  
24 have no problem with it. I don't. Since I came back  
25 about two weeks ago from a trip out of state for a

1 month, I even have pressure that I never had before. In  
2 fact, I had to turn down my little jury-rigged water  
3 system that I have watering my wife's planter boxes on  
4 the outside of the house because they're spraying all  
5 over the damned place now, whereas before they didn't.  
6 So I have no fault with it.

7           When it comes to replacing elements in my  
8 water heater, yes, I've done that. I've done that.  
9 I've done it, I think, maybe more often than I should,  
10 but I'm not sure if that's the Utility's fault. It's  
11 the type of water that we get down here. I don't know.  
12 I won't fault that.

13           But I am saying that I am concerned about fire  
14 protection. And as we build homes closer and closer  
15 together -- and this is something that the insurance  
16 people also told me, that the distance between two-story  
17 homes, anything over 100 feet, you require a minimum of  
18 500 gallons a minute, a minimum to fight a fire if it is  
19 over 100 feet between houses.

20           They go on further and they say, "But if the  
21 house has wood shingles on it, you need another 500  
22 gallons per minute to fight that fire." Then you get  
23 between 31 and 100 feet between houses, you need a  
24 minimum of 750 to 1,000 gallons of water to fight the  
25 fire. And if it has wooden shingles, which a lot of our

1 homes have, add another 500.

2           Go out to St. George Island, you'll see it.  
3 We're getting shotgun houses built. It's like 15, 20,  
4 30 feet between them. We're getting more and more  
5 houses built, not closer but within reason, within 50 to  
6 75 feet of one another on the island. So we're still a  
7 disaster waiting to happen if we ever get a westerly,  
8 and we get them out there.

9           So my concern is that am I going to be asked  
10 to pay a rate twice what I'm paying now for a system  
11 that I don't think is twice as good as what they're  
12 asking me to pay? If they did something to that system  
13 to give me the protection I need and to ensure that we  
14 continue to get the type of pressure that we would like,  
15 then maybe I would go along with an increase of some  
16 sort. But right now, gentlemen, ladies, I'm not happy  
17 with this rate increase.

18           Thank you, Mr. Chairman.

19           CHAIRMAN DEASON: Thank you. Questions?

20           MR. McLEAN: No questions, sir. Thank you.

21           CHAIRMAN DEASON: Sir, let me ask you a  
22 question. I appreciate your coming tonight and you're  
23 certainly very well-educated on this issue. The  
24 question I have is, if a study is done concerning the  
25 fire flow needs and that study indicates a certain

1 amount of additional infrastructure needed, whether it  
2 be increased main size or increased storage capacity or  
3 whatever it may be, and there's going to be a certain  
4 cost associated with that, do you think that the  
5 residents of St. George Island would be willing to pay  
6 for that increase in cost, depending on what that  
7 increase would be?

8           WITNESS LaSLAVIC: A developer when he  
9 develops a place normally puts in an infrastructure, and  
10 then he charges us a certain amount for buying our piece  
11 of property and also tying into the system, whatever  
12 that tie-in cost may be. And from a standpoint of  
13 whatever this study is you're thinking about or talking  
14 about, there are certain standards that have been  
15 established regarding what the minimum standards are to  
16 give you fire protection as far as running lines. And I  
17 think it is hardly disputable that when are you  
18 servicing homes that are more than three to four miles  
19 away from the utility, you need a line at least ten  
20 inches in diameter, if not larger.

21           If that requires additional study to determine  
22 that, it would seem to me, since this is a private  
23 utility, that that utility should have backers of some  
24 sort -- investors, call them what you want -- who are  
25 willing to look at this utility and say, "We are in dire

1 need of improving it, which will make us more money in  
2 the future," or we say, "We're not going to do it."

3 But why charge the user, who has been paying,  
4 and many of us were paying for quite a while thinking we  
5 had something we didn't have. And I don't know if that  
6 answers your question or not.

7 CHAIRMAN DEASON: Well, let me make my  
8 question a little more precise. What I had in mind  
9 would be that the investors would make the investment.  
10 But when an investor makes an investment, he or she is  
11 looking for a return on their investment.

12 WITNESS LaSLAVIC: Fine. If he makes the  
13 investment and he gives us, he does give us that which  
14 the study indicates that we should receive, then we  
15 should obviously pay something for that investment that  
16 he made if he gives us what we want. But not for the  
17 study. If he makes a study and doesn't do a blasted  
18 thing to improve the system, I ain't going pay nothing.

19 COMMISSIONER KIESLING: That leads me to a  
20 question, then. I assume that you are aware that not  
21 all the residences on the island are tied in --

22 WITNESS LaSLAVIC: Yes.

23 COMMISSIONER KIESLING: -- or are customers of  
24 this Utility.

25 WITNESS LaSLAVIC: Yes, I am.

1           COMMISSIONER KIESLING: But that if this  
2 Utility makes an investment that would raise the flow  
3 capacity for fire protection at the hydrants that every  
4 person on the island, whether they're a customer or not,  
5 would benefit.

6           WITNESS LaSLAVIC: Would benefit.

7           COMMISSIONER KIESLING: And so do you, as a  
8 customer of this Utility, do you object to paying an  
9 increased amount to cover that level of water flow when  
10 it may not benefit your home and it may, in fact, be  
11 used to save someone's home who has paid nothing?

12          WITNESS LaSLAVIC: Today, I pay taxes. And  
13 the taxes I pay are supplementing many things that I  
14 don't benefit from, but a lot of other people who don't  
15 pay taxes benefit from them, from my taxes. So it  
16 possibly would be the same situation.

17          COMMISSIONER KIESLING: Okay.

18          CHAIRMAN DEASON: Let me ask another question.  
19 Earlier in your presentation you indicated that you  
20 contacted local government concerning the fire  
21 protection problems on the island.

22          WITNESS LaSLAVIC: Yes, we did.

23          CHAIRMAN DEASON: What was their response? If  
24 you can say. (Laughter)

25          WITNESS LaSLAVIC: I would rather not.

1 CHAIRMAN DEASON: Well, let me ask you this --

2 WITNESS LaSLAVIC: Our local commission took  
3 it under advisement.

4 CHAIRMAN DEASON: Well, let me ask you this.  
5 You seem to be very well-educated on this issue, and I  
6 appreciate your taking the time to come out here and  
7 sharing that with us. In your review of this matter,  
8 have you come across other areas which have some type of  
9 a special fire protection district where residents are  
10 assessed on their property taxes, a certain  
11 increment, --

12 WITNESS LaSLAVIC: Yes.

13 CHAIRMAN DEASON: -- and, therefore -- and  
14 that goes to a some type of a fund that is utilized and  
15 it is administered specifically to provide fire  
16 protection? Is that something that has been explored  
17 for the island?

18 WITNESS LaSLAVIC: It has not been explored.  
19 We've heard about it. We know about it. I personally  
20 did not explore that.

21 CHAIRMAN DEASON: Do you think that is  
22 something that could be explored? And perhaps it needs  
23 to be approved by referendum by the residents. And if  
24 they approved that and if that tax could be utilized to  
25 pay for the increase the infrastructure needed to

1 provide adequate fire flow, do you think that would be  
2 something that would be a possible solution, in your  
3 opinion?

4 WITNESS LaSLAVIC: Possibly.

5 CHAIRMAN DEASON: And that would overcome the  
6 problem of having just utility customers pay, it would  
7 involve all property owners, regardless of whether they  
8 are hooked to the system or not to pay for that service,  
9 would it not?

10 WITNESS LaSLAVIC: Uh-huh.

11 MS. SANDERS: May I follow up on that,  
12 Commissioner Deason?

13 CHAIRMAN DEASON: Yes, please.

14 CROSS EXAMINATION

15 BY MS. SANDERS:

16 Q Mr. LaSlavic, you know we have a MSBU.

17 A Yes.

18 Q And isn't that what Commissioner Deason is  
19 talking about?

20 A But we have this for the whole county. Now,  
21 whether we could go any further than that, specifically  
22 for St. George Island, I don't know. I thought he was  
23 aware of our MSBU.

24 CHAIRMAN DEASON: I'm not aware. Perhaps you  
25 could enlighten me.

1 Q (By Ms. Sanders) Tell him what the MSBU is.

2 A I believe we pay \$26 or \$28 a year.

3 Q 28.

4 A 28 bucks a year we pay. Each county resident  
5 property owner pays this. It goes to the county. It  
6 comes back to the individual fire districts or St.  
7 George Island in particular.

8 What's interesting is there are some areas in  
9 Franklin County that their poor volunteer fire  
10 departments get hardly anything because the residents  
11 refuse to pay the tax.

12 But it does go back, and this funding, it is  
13 funding our volunteer fire department and it is helping  
14 to pay for our pumper trucks as well as we, who are  
15 members of the -- who live on St. George Island, who  
16 contribute every year to the fire department. We're  
17 putting a lot of money individually, all of us, toward  
18 our fire department now to do what it can do with the  
19 limited amount of water that we have.

20 Q So the MSBU does come back to each individual  
21 fire district?

22 A It comes back to each individual fire  
23 department.

24 Q But it is levied on a countywide basis, is  
25 that right?

1           A     Yes, it is.

2           MS. SANDERS:  And for the record, MSBU is  
3 multiple services benefit unit.  It is a special type of  
4 tax that the counties can pass.

5           CHAIRMAN DEASON:  Okay.  Thank you.

6           (Witness LaSlavic excused.)

7                                 - - - - -

8           MS. SANDERS:  The next witness is Mr. Dick  
9 Countryman.

10                                 DICK COUNTRYMAN

11 appeared as a witness on behalf of the Citizens of the  
12 State of Florida and, having been duly sworn, testified  
13 as follows:

14           WITNESS COUNTRYMAN:  My name is Dick  
15 Countryman, C-O-U-N-T-R-Y-M-A-N, 517 -- is it 517?  1057  
16 West Pines, excuse me.  Too many numbers today, excuse  
17 me.

18                                 Firstly, I would like to applaud the efforts  
19 of the St. George Utility Company.  The situation in  
20 which they work is very difficult.  They must, of  
21 course, go off the island for just about everything that  
22 they need to work with.  Their efforts do not go  
23 unheard.  I just wanted to pass on my personal thanks.

24                                 I am one of the many people on the island that  
25 do drink the water there, that do not drink bottled

1 water. I don't know what it is doing to my insides. I  
2 know what it does to my toilet. I know what it does to  
3 my water heating elements. I have had to replace both  
4 in the year and a half that I have lived in my home.

5           The increase that they are proposing is a  
6 little bit too high right now for the quality of the  
7 water that we are serving -- that we are being served.  
8 I do appreciate and, as a fireman, greatly appreciate  
9 the increase in pressure as of late. I was one of those  
10 five firemen that was in that awful fire two years ago  
11 that was holding a hose that ran out of water when I was  
12 on the inside of a building. That was not a comfortable  
13 situation.

14           To reiterate and to expand a little bit upon  
15 Chief Abbott's comment on the drafting, and,  
16 Ms. Kiesling, I hope we got your pronunciation right,  
17 the fact that we could only get within 20 feet of the  
18 water or 100 I think is -- what's the word I want to say  
19 -- not really appropriate. It is the quality of the  
20 water that we're putting into equipment that costs a  
21 quarter of a million dollars, brackish water -- and it  
22 is becoming very fresh as of late -- or the salt water,  
23 contains a lot of sand. You put that water into a  
24 pumping system that costs the amount of money that you  
25 are familiar with and it does irreparable damage.

1           That kind of equipment is very expensive. And  
2 once you do that to it, you can take it back and flush  
3 it out but the damage is there and the pump will not  
4 work as well the next time you go to use it.

5           We are in a critical situation with fires in  
6 that we are surrounded by water, yet we run out of  
7 water. It is a mind-boggling situation when you have  
8 all of this water and you have a small fire that could  
9 have easily been put out, yet you run out of water.  
10 You're too far away from a hydrant to run a line; you're  
11 too far away from the water to run drafting equipment,  
12 so you wait until the truck comes back with more water.

13           In the meantime, like Chief Abbott said, a  
14 wind could whip around.

15           The island used to burn off regularly, that's  
16 the way they used to control the undergrowth out there  
17 back in the turpentine mill days. Since that is no  
18 longer going on and there's lots of building and people  
19 are residing there, this undergrowth does not get burned  
20 off.

21           The undergrowth of which I speak is probably  
22 most affluent down in the Plantation area, approximately  
23 where the gentleman that spoke before me lives. It is  
24 very, very thick. If that stuff were to ever go up, we  
25 don't have enough water on the island. I'm not an

1 expert, but we don't have enough. That stuff goes up  
2 like a tinder box. Whether it has rained yesterday or  
3 whether it has rained for the last week, it is dry.  
4 Very dry. And that's all have I to say.

5 Any questions?

6 CHAIRMAN DEASON: Questions?

7 MR. McLEAN: No questions.

8 MS. SANDERS: No, sir.

9 CHAIRMAN DEASON: Thank you, sir.

10 WITNESS CHRISTOPHER CROZIER: Thank you.

11 (Witness Countryman excused.)

12 - - - - -

13 MS. SANDERS: The next witness is Mr. Chris  
14 Crozier.

15 CHRISTOPHER CROZIER

16 appeared as a witness on behalf of the Citizens of the  
17 State of Florida and, having been duly sworn, testified  
18 as follows:

19 WITNESS CROZIER: Good evening. I'm  
20 Christopher Crozier. I live at HCR Box 118, also known  
21 as 301 Cook Street, on St. George Island.

22 I have been a resident about 12 years. I  
23 started building my house out there about 12 years ago  
24 when the water system became available on my street.  
25 And I was thankful that the water finally got down

1 there. But after getting hooked into the water and  
2 having to use it for these years, I'm pretty disgusted  
3 with the whole thing.

4 I'm sick and tired of lousy coffee; I'm sick  
5 and tired of replacing water elements, replacing water  
6 heaters. I have replaced two since I have been there.  
7 If you take the element, the thing is just full of crud  
8 inside.

9 Copper pipes, I tried to build my house with  
10 quality construction. I have copper pipes in my house  
11 that are rotting out from the inside. If our water is  
12 rotting copper pipes out from the inside, what is it  
13 doing to the inside of me and other people on the  
14 island? I don't know.

15 I don't buy bottled water, I've learned to  
16 live with it. But I buy those little Mr. Coffee coffee  
17 filter things and water filter things and try to do  
18 something with it out there.

19 It doesn't taste good.

20 Also, I am a volunteer fireman and  
21 participated in the recent flow tests. And I am  
22 basically outraged that until all of a sudden we're  
23 going to have this meeting here, and we have lousy water  
24 pressure until right before the meeting. Okay.  
25 Mr. Abbott and I, last night, went out and did these

1 tests.

2           How come we didn't have this water pressure  
3 two years ago when I was inside Oyster Cove with a fire,  
4 with fire all around me. We almost had the thing beat  
5 down and then the water stops. Okay. How come we have  
6 to wait, and wait, and wait? They put this water tank  
7 out there. I watched that thing lay on the ground  
8 forever and forever, and then they took forever and  
9 forever to build it. I'm just really pissed off about  
10 the whole situation.

11           The water is lousy. It has been lousy. The  
12 water company drags its feet and drags its feet until  
13 forced to do something about it. Now they're saying,  
14 "Oh, we can't do anything unless we more than double the  
15 expense of the water."

16           Well, you know, my income didn't double last  
17 year. I'm an educator. I'm a schoolteacher. If every  
18 one of my bills doubles, how am I supposed to live?

19           I'm outraged by the situation. The water  
20 pressure, yeah, it did come up nice all of a sudden.  
21 But is it going to stay like that?

22           We were on a fire about two months ago out in  
23 the Plantation where there was no hydrants available.  
24 This was a brush fire. Fortunately, the wind was  
25 blowing the right way. It was blowing away from three

1 houses instead of towards three houses.

2 Our truck emptied very quickly. We pumped out  
3 1,000 gallons a minute out of the truck. The truck  
4 holds 2,000 gallons, two minutes, we're out of water.  
5 We go to fill up, 150 gallons a minute to fill up a  
6 truck. That's how much water was coming out of this  
7 hydrant, if that. So the truck is sitting there forever  
8 and forever trying to refill. Meanwhile, the fire is  
9 spreading.

10 I also participated in going around and  
11 checking the fire hydrants. The last two fire  
12 department meetings, we were checking fire hydrants to  
13 see how they were serviced and if they were in good  
14 shape.

15 I personally helped inspect approximately 25  
16 or 30, I don't know exactly how many. I didn't know I  
17 was going to have to testify, or I would have wrote it  
18 down. We found at least half of them were either  
19 missing caps, missing chains, the hydrants were stiff,  
20 two men have to get on the thing to open them up and get  
21 them to work.

22 The hydrants are not being maintained until  
23 someone is complains about it. If someone has to  
24 complain about it, it's going to be too late.

25 Also I live on a street, although I'm in the

1 old subdivision, that does not have a fire hydrant,  
2 despite that fact that the Utility company, from what  
3 I've been told, has been already paid to put one in on  
4 that street this year. They say, "Oh, no, no. We can't  
5 put it in right now; we have got to wait until we get  
6 our water pressure right so we can get ready for this  
7 meeting here tonight."

8           Basically, that's what I have to say. I feel  
9 like more than doubling the rate is inappropriate at  
10 this time. It is just not fair to the average person  
11 that lives here. There is a lot of rich people live out  
12 there, they can afford to double the rate. I'm not a  
13 rich person. I'm a schoolteacher. I'm a public  
14 servant. And I think it is outrageous to double my  
15 water rates just overnight like this.

16           Thank you.

17           CHAIRMAN DEASON: Questions?

18           MR. McLEAN: None, sir. Thank you.

19           MS. SANDERS: If you don't mind?

20           CHAIRMAN DEASON: Go ahead.

21                           CROSS EXAMINATION

22 BY MS. SANDERS:

23           Q     Chris, how many years of experience do you  
24 have as a teacher?

25           A     More than 20 years.

1 Q Okay. What's the top salary a teacher will  
2 make in Franklin County with a four-year degree?

3 A With a four-year degree, under 30,000.

4 Q Okay. Do you get a travel allowance?

5 A No.

6 MS. SANDERS: Okay. That's all.

7 CHAIRMAN DEASON: Let me ask a question. You  
8 mentioned the hydrants that are not being properly  
9 maintained.

10 WITNESS CHRISTOPHER CROZIER: Right.

11 CHAIRMAN DEASON: Is it your understanding  
12 that's the responsibility of the Utility company?

13 WITNESS CHRISTOPHER CROZIER: I have been told  
14 that, yes. We have to pay them \$2,000 for a fire  
15 hydrant. And they vary in quality, also. I mean, last  
16 night I was at the very end of the Plantation where they  
17 have these nice, beautiful, big old, nice fire hydrants.  
18 They work real easy. Of course, they're brand-new.  
19 Some of the older hydrants on the island haven't been  
20 serviced in years, I'm sure. You go out there and try  
21 to yank on one of those things and open it up, and they  
22 are stiff.

23 CHAIRMAN DEASON: Okay. Thank you.

24 MR. PFEIFFER: I have a question.

25 CHAIRMAN DEASON: Yes.

## CROSS EXAMINATION

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BY MR. PFEIFFER:

Q As a school teacher, are you part of a pension plan?

A Pardon me?

Q Are you part of a pension plan?

A State retirement.

Q State retirement. Do you get health insurance?

A I get health insurance personally, but I have to pay for my family, a single amount.

MR. PFEIFFER: Nothing else.

CHAIRMAN DEASON: Okay. Thank you sir.

(Witness Christopher Crozier excused.)

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MS. SANDERS: The next witness is Mrs. Helen Marsh, M-A-R-S-H.

WITNESS MARSH: I'll try to be brief.

MR. PIERSON: Excuse me, Mr. Chairman. She hasn't been sworn.

MS. SANDERS: Oh, I apologize. She was the last one to sign up, Commissioner Deason.

CHAIRMAN DEASON: Are there any other members of the public who have not been sworn who do wish to make a statement this evening? If there are, if you

1 will please stand also. Please raise your right hand.

2 (Witness sworn.)

3 HELEN MARSH

4 appeared as a witness on behalf of the Citizens of the  
5 State of Florida and, having been duly sworn, testified  
6 as follows:

7 WITNESS MARSH: I will try to be brief,  
8 because I would just be repeating myself.

9 My name is Helen Marsh. I live at 932 East  
10 Gulf Beach Drive, or HCR Box 226. I'm a St. George  
11 Island resident, and have been so for six-and-a-half  
12 years. In that time I would have to admit that the  
13 quality of water maybe has been all right. The pressure  
14 probably in the area of the island is okay, maybe it a  
15 little bit better.

16 How I judge this? When I first moved in, I  
17 kept a minimum of maybe 12 to 15 gallon bottles of water  
18 distributed in my house, the upstairs bathroom, the  
19 downstairs bathroom, the kitchen, because we did not  
20 have pressure. And this is roughly about a  
21 mile-and-a-half east of Franklin Boulevard in the middle  
22 of the island.

23 But lately, the water has a very bad chlorine,  
24 strong chlorine taste. Before you get a glass of water  
25 to your lips, just taking it from the tap, it is

1 overwhelming and overpowering. That's why I object to  
2 this outrageous Utility-proposed interim rate and  
3 proposed final rate.

4 Besides, as far as I'm concerned, my water  
5 bill has already been increased. How is that? Well,  
6 presently, I'm renting the house, so I can't do anything  
7 about my water system by putting a permanent filter  
8 system on it. What do I do? I have a little Britta  
9 pitcher which I have to fill four times a day for my  
10 drinking water, for tea, for coffee, for any.  
11 cooking.

12 What does this run me? I have to change the  
13 filter in that little pitcher about every six weeks.  
14 One filter costs approximately \$8.50 to \$9 if I buy it  
15 from some place like Service Merchandise. I think  
16 that's a real increase right there. Just a little bit  
17 of an increase, but at least I can drink the water.

18 I'm not even going to talk about the damage to  
19 the insides of toilets. It's already been said. What I  
20 am concerned with is actually drinkable water.

21 That's all I have to say.

22 CHAIRMAN DEASON: Questions? Thank you.

23 MS. SANDERS: Thank you.

24 (Witness Marsh excused.)

25

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1 MS. SANDERS: The next witness is Mrs. Pamela  
2 Amato. She was sworn this morning and didn't testify  
3 and came back this evening.

4 CHAIRMAN DEASON: Very well.

5 PAMELA AMATO  
6 appeared as a witness on behalf of the Citizens of the  
7 State of Florida and, having been duly sworn, testified  
8 as follows:

9 WITNESS AMATO: My name is Pamela Amato,  
10 A-M-A-T-O. I have two residences on the island. One,  
11 my primary residence, is 334 West Pine Avenue. The  
12 second is 1200 Sandy Lane.

13 I came to speak in opposition of this  
14 inordinate increase in our utility rate, our water rate.  
15 I feel that at this time that the residents of the  
16 island and the users of the water are being held hostage  
17 to this Company and their demands.

18 Normally, when you pay for something, you're  
19 paying for a service; and for that service or that  
20 product, you're paying for the quantity, quality, and so  
21 forth. You have, normally, a chance to pick and choose  
22 what you are paying for and you're able to choose among  
23 the quality and service that you are getting. We're not  
24 able to do that.

25 There are certain reasonable expectations that

1 you have when you do pay for a product or a service. In  
2 the case of water, my reasonable expectations are that I  
3 will be able to drink it, that I will be able to cook  
4 with it, that I will be able to bathe in it, that I will  
5 be able to clean with it. I don't feel that those  
6 expectations are being reasonably met.

7 All day long I have listened to people talk  
8 about how reluctant they are to drink the water. My  
9 husband and I have a water distiller; we distill water  
10 every day for drinking purposes, for cooking purposes.  
11 The distiller produces one gallon of water at a time.  
12 At the bottom of the distiller, we clean out about a  
13 quarter of an inch of white sediment every time that we  
14 use it.

15 I have a problem with that, because I know  
16 that in that one gallon of water if I were not  
17 distilling it, the same sediment would be in my body, at  
18 the very least.

19 There is a very strong odor to the water. It  
20 smells like chlorine. I would assume that based on the  
21 smell that there should be no reason that I should clean  
22 my toilets at a minimum, because it should have them  
23 bleached out; but it does leave them discolored with  
24 something else, so I still have to clean them.

25 I have to go through my house and I use a

1 gallon or more of vinegar every month for my toilet  
2 tanks tops, keep my toilet tanks clean of sediment, run  
3 it through my dishwasher, run it through my washing  
4 machine. And this seems to be the only thing that I can  
5 do so that I don't have to repair these at least twice  
6 as often as I would normally do if I lived  
7 elsewhere.

8           And keep in mind that I do have two homes, one  
9 I live in and one I rent out. It stays occupied a great  
10 deal of the time, so it gets as much wear and tear and  
11 as much water usage as my primary residence. Which  
12 leads me to say I'm also paying my water bill twice --  
13 for two different residences, in other words. And I'm  
14 not alone in that, by the way, on the island. I'm not  
15 unique.

16           I guess if I summed this all up, what I'm  
17 trying to say is if you compare what we are paying on  
18 the island for hookups and for our monthly water service  
19 to what is being paid in East Point for a hookup, we're  
20 paying four times as much as -- let me see if I've got  
21 this right. Yeah. Eastpoint, we pay four times as much  
22 as EastPoint does for an initial hook up. We pay for  
23 times as much for Apalachicola for the initial hookup or  
24 water tap, whatever the item is called. And we're  
25 paying significantly more for our water on the island,

1 and now they are asking for almost double the amount of  
2 money that we have been paying.

3 I believe that a person should have a fair and  
4 equitable return on their investment. I have no problem  
5 with that. I would like a fair and equitable return on  
6 the money that I'm giving to them. So that's all I'm  
7 asking for. Just give me twice the bang for the buck,  
8 if that's what you are going to ask for.

9 Thank you.

10 CHAIRMAN DEASON: Questions?

11 MR. McLEAN: No questions. Thank you.

12 CHAIRMAN DEASON: Thank you, ma'am.

13 (Witness Amato excused.)

14 - - - - -

15 MS. SANDERS: Commissioner Deason, those are  
16 all the speakers who signed up. I have two letters from  
17 customers who could not be here. One is Mr. Bill  
18 Langdale, spelled L-A-N-D-G-D-A-L-E. The other is  
19 Dr. Harry Tucker, T-U-C-K-E-R. And we have copies, the  
20 originals and copies for everyone.

21 Also, Commissioner Deason, as I said earlier  
22 today, some folks have called my office. They aren't  
23 able to appear. They called to say that they oppose the  
24 rate increase, and would I like permission just to read  
25 their names into the record and we can provide this list

1 to the court reporter.

2 CHAIRMAN DEASON: You propose to provide --  
3 I'm sorry, provide a list of customers?

4 MS. SANDERS: Just read the list of names,  
5 yes, sir, of those who called in to oppose.

6 CHAIRMAN DEASON: Okay. Please do so.

7 MS. SANDERS: Richard T. Spohrer,  
8 S-P-O-H-R-E-R; Ann Southerland, S-O-U-T-H-E-R-L-A-N-D;  
9 Matilda Southerland and Howard Southerland.  
10 Biff, B-I-F-F, Newsham, N-E-W-S-H-A-M; Tammy Montgomery,  
11 M-O-N-T-G-O-M-E-R-Y; Debbie Marr, M-A-R-R, and  
12 Kenneth Marr; Charles Napier, N-A-P-I-E-R, and  
13 Sandra Napier; Bob Lansford, L-A-N-S-F-O-R-D;  
14 Susan Greene, G-R-E-E-N-E; Kenneth Priest, P-R-I-E-S-T;  
15 Lisa Thorpe, T-H-O-R-P-E; James Crenshaw,  
16 C-R-E-N-S-H-A-W; John Law, L A-W, and Lynn Law; and  
17 Denise Roux, R-O-U-X.

18 And that's 18 people.

19 CHAIRMAN DEASON: Thank you.

20 I want to take this opportunity to thank  
21 everyone for coming to the hearing this evening we  
22 appreciate your thoughts and your comments.

23 This session of the hearing is adjourned. We  
24 will reconvene here tomorrow at 9:00 a.m.

25 Thank you all.

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(Thereupon, the hearing adjourned at 7:53  
p.m., to reconvene at 9:00 a.m., Thursday, July 21,  
1994, at the same address.)

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(Transcript continues in sequence in Volume  
4.)

(This Volume has been inadvertantly misnumbered and  
Pages 437 and 438 do not exist.)