

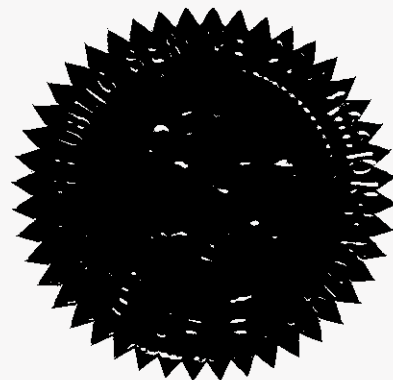
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100104-WU

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In the Matter of:

APPLICATION FOR INCREASE IN WATER
RATES IN FRANKLIN COUNTY BY WATER
MANAGEMENT SERVICES, INC.



PROCEEDINGS: CUSTOMER SERVICE HEARINGS

COMMISSIONERS
PARTICIPATING: COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER ART GRAHAM

DATE: Tuesday, October 5, 2010

TIME: Commenced at 10:00 a.m.
Concluded at 11:01 a.m.

- and -

Commenced at 6:06 p.m.
Concluded at 7:00 p.m.

PLACE: St. George Island Volunteer Fire
Department
324 East Pine Avenue
St. George Island, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
JANE FAUROT, RPR
Official FPSC Reporters
(850) 413-6734/(850) 413-6732

DOCUMENT NUMBER DATE

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4 Legislature, 111 W. Madison Street, Room 812,
5 Tallahassee, Florida 32399-1400, appearing on behalf of
6 the Citizens of the State of Florida.

7 LISA C. SCOLAS, ESQUIRE, Radey Thomas Yon &
8 Clark, Post Office Box 10967, Tallahassee, Florida
9 32302, appearing on behalf of Water Management Services,
10 Inc.

11 RALPH JAEGER, ESQUIRE, and ERIC SAYLER,
12 ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak
13 Boulevard, Tallahassee, Florida 32399-0850, appearing on
14 behalf of the Florida Public Service Commission Staff.

15 CURT KISER, GENERAL COUNSEL, and MARY ANNE
16 HELTON, DEPUTY GENERAL COUNSEL, FPSC General Counsel's
17 Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida
18 32399-0850, appearing as advisors to the Commission.

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P R O C E E D I N G S

1
2 **COMMISSIONER SKOP:** Good morning. I'd like to
3 call this Customer Service Hearing to order. I'm
4 Commissioner Nathan Skop, and with me today is
5 Commissioner Lisa Edgar.

6 **COMMISSIONER EDGAR:** Good morning.

7 **COMMISSIONER SKOP:** Commissioner Art Graham.
8 And I'll look to each of the Commissioners to introduce
9 themselves.

10 **COMMISSIONER EDGAR:** Oh. My name is Lisa
11 Edgar, and I live in Tallahassee. I'm glad to be out
12 here to the island, and thank you all for coming to join
13 us. I look forward to your comments.

14 **COMMISSIONER GRAHAM:** My name is Art Graham.
15 And this is my first time out here, and I have to tell
16 you, driving out this morning, what a gorgeous drive it
17 was coming out here. You guys are truly blessed to be
18 out here. But I look forward to the rest of this
19 hearing.

20 **COMMISSIONER SKOP:** Thank you, Commissioners.
21 And, again, I'm Commissioner Nathan Skop, and
22 I'm happy to be at St. George Island this morning, a
23 very beautiful place.

24 So at this point I'd like to call the Customer
25 Service Hearing to order. And, staff, could you please

1 read the notice?

2 **MR. JAEGER:** Yes, Commissioner. By notice,
3 this time and place has been set for a Customer Service
4 Hearing in Docket Number 100104-WU, application for
5 increase in water rates in Franklin County by Water
6 Management Services, Inc.

7 **COMMISSIONER SKOP:** Thank you. And if we
8 could please take appearances of counsel.

9 **MS. SCOLES:** Lisa Scoles with the firm Radey
10 Thomas Yon & Clark on behalf of Water Management
11 Services, Inc.

12 **MR. MCGLOTHLIN:** My name is Joe McGlothlin.
13 I'm Associate Public Counsel with the Office of Public
14 Counsel. J.R. Kelly, Public Counsel, is also here.

15 **COMMISSIONER SKOP:** Thank you.

16 **MR. JAEGER:** Ralph Jaeger, Senior Attorney.
17 With me is Erik Sayler, and we're appearing on behalf of
18 Commission Staff.

19 **MS. HELTON:** And Mary Anne Helton, Advisor to
20 the Commission. And also here today is Curt Counsel
21 [sic], the General -- Curt Kiser, the General Counsel.

22 **COMMISSIONER SKOP:** Thank you, Counsel.

23 Let me begin by welcoming all of you, and
24 thank you for joining us this morning. We appreciate
25 your interest in the application that has been filed by

1 Water Management Services. We're here today because we
2 want to hear from each of you. We're very interested in
3 your concerns and the comments related to the Company's
4 request. We also have company representatives and PSC
5 staff available to discuss billing or service issues
6 also. And we have PSC staff, and at this point I'll ask
7 them to introduce themselves.

8 Mr. Walden.

9 **MR. WALDEN:** I'm Tom Walden. I'm an engineer
10 on the staff at the Commission.

11 **COMMISSIONER SKOP:** And Ms. Hudson.

12 **MS. HUDSON:** Shannon Hudson, Accounting
13 Analyst.

14 **COMMISSIONER SKOP:** Mr. Stallcup.

15 **MR. FLETCHER:** Bart Fletcher, Accounting
16 Analyst.

17 **COMMISSIONER SKOP:** Mr. Stallcup.

18 **MR. STALLCUP:** Paul Stallcup, Commission
19 staff.

20 **MR. WILLIS:** I'm Marshall Willis with the
21 Commission staff.

22 **COMMISSIONER SKOP:** Thank you. And just so
23 everyone knows, this is an official hearing that will be
24 transcribed and become part of the official record. As
25 such, you'll need to be sworn in before you present your

1 comments. We'll take care of that in a few minutes.
2 Please note that your comments will also be subject to
3 cross-examination. That is you may be asked questions
4 either by the parties' attorneys or by one of the
5 Commissioners that are present here today.

6 You may also have noticed that the speaker
7 sign-up forms were provided by staff when you arrived.
8 If you plan to speak today, please make sure you sign
9 one of these forms. And if you haven't already, the
10 Office of Public Counsel, Mr. McGlothlin, will be
11 calling those of you that want to speak at the
12 appropriate time to present your comments. If you want
13 to provide verbal comments at this time, you may give us
14 your written comments as well. And for your
15 convenience, there's a special blue sheet or a handout
16 in the Special Report that was designed for your written
17 comments. And I don't think I have one of those with
18 me, but Commissioner Graham is holding it up. And on
19 the back page of that is a portion for written comments,
20 should anyone want to do that in lieu of speaking today.
21 Thank you.

22 You can leave your comments with us by handing
23 the comment sheet to the Commission staff that are
24 stationed around the room that have introduced
25 themselves. You may also fill out the blue form at the

1 end of the hearing and mail it in to the Commission.
2 Whether your comments or made here verbally today or
3 received by us in writing, your comments will be
4 reviewed and taken into consideration during the course
5 of these proceedings.

6 Now I'll invite the attorneys for the parties
7 to present brief opening statements, and we'll begin
8 with Ms. Scoles for Water Management Services. You're
9 recognized.

10 **MS. SCOLES:** May I stand, Chairman?

11 **COMMISSIONER SKOP:** You may. And, Ms. Scoles,
12 if you'd like to turn the microphone around and address
13 the audience, you're free to do so.

14 **MS. SCOLES:** I don't want you all looking at
15 my backside the whole time, so I'll try to turn around a
16 little.

17 Good morning, Commissioners and staff, Office
18 of Public Counsel, and of course the customers of Water
19 Management Services. I'm very happy to be here this
20 morning at beautiful St. George Island. As I said, my
21 name is Lisa Scoles representing the Utility. And I'd
22 like to give just a brief overall picture of the rate
23 case as we begin by taking customer testimony.

24 You may remember Kermit the Frog who used to
25 talk about the fact that it's not easy being green.

1 Well, it's also not easy to be a small water utility
2 like Water Management Services. The Utility has
3 provided water service to St. George Island for over 30
4 years. It hasn't had a full rate case since 1994, but
5 for years the Utility has continued to provide quality
6 water and quality service.

7 In 2000 when the Department of Transportation
8 demolished the existing bridge to St. George Island to
9 which the Utility's water main was attached, the Utility
10 was forced to file a limited proceeding with the Public
11 Service Commission and request an increase in rates to
12 help cover the cost of building a new water supply main
13 from the mainland to the customers here on St. George.

14 Throughout these many years Water Management
15 Services has operated with minimal resources and
16 staffing, and yet even through difficult times has been
17 able to maintain the quality of its water and to provide
18 above average customer service, responding to service
19 calls 24 hours a day, 7 days a week. And Water
20 Management Services has had virtually no service
21 complaints and no outages.

22 The Utility has also provided and continues to
23 provide limited fire protection for the island. In
24 addition to providing the high water pressure that is
25 needed, the Utility has provided more than 130 fire

1 hydrants, and this number continues to grow. Water
2 Management Services personnel conduct routine
3 maintenance of the hydrants, including inspecting and
4 flushing. The Utility does all of this without
5 receiving any portion of the assessment that is
6 collected by the county for fire protection on
7 St. George Island.

8 As hard as it has always been to be a small
9 water utility, the past few years have been even more
10 challenging for the Utility company due to the inverted
11 block rate structure and decreased consumption and
12 declining revenues. These trends of decreased
13 consumption and declining revenues are due in large part
14 to the increase of shallow wells all over the island, in
15 combination with the Utility's inverted rate structure.
16 The economic downturn's negative impact on tourism has
17 also been a factor. For example, in the past four years
18 the Utility company has lost 50 customers.

19 The result of all this has been that the
20 Utility is and has been for some time operating at a
21 loss. Further, the falling revenues are only expected
22 to continue, especially now that shallow wells, which
23 you can put in for about 100 bucks, are explicitly
24 allowed under a recent change in the Northwest Florida
25 Water Management District rules.

1 In addition to the Utility operating at a
2 loss, the utility's infrastructure, much of which is now
3 over 30 years old, needs major improvements. These
4 improvements are not needed just to keep the system
5 operating on a daily basis, but also to help prevent a
6 catastrophe in the event of a severe weather event, God
7 forbid, like a tropical storm or hurricane.

8 As a first step in renovating the Utility's
9 aging infrastructure, Water Management Services
10 commissioned an engineering study of the system. As
11 Mike Scibelli's testimony will indicate, the engineers
12 made several recommendations for capital improvements
13 and estimated the cost associated with those projects.
14 The Office of Public Counsel's engineering witness did
15 not take issue with the need for any of these
16 improvements. Before Water Management Services can
17 proceed with making these improvements though the
18 Utility needs the Commission's direction on what
19 improvements should be made and under what conditions
20 those improvements should be bid, engineered, bid and
21 financed.

22 Now the Utility is fully aware that raising
23 rates is not something to be taken lightly at any time,
24 but especially in the current economic times. And
25 because Water Management strives above all else to put

1 its customers first, it postponed asking the Public
2 Service Commission for an increase as long as it
3 possibly could. But with its continuing losses and no
4 end in sight, Water Management Services filed its
5 petition in May of this year because there simply was no
6 other alternative if the Utility was going to continue
7 to remain viable and provide safe, adequate and
8 efficient water service. In fact, there is no dispute
9 in this case that the Utility is entitled to a rate
10 increase. The disagreement between the Utility and the
11 Office of Public Counsel centers on the amount of the
12 appropriate rate increase.

13 The Office of Public Counsel's accounting
14 witness may suggest a number of adjustments. The
15 testimony of Gene Brown will explain those adjustments
16 and show why most of them are not appropriate. For
17 example, the Office of Public Counsel would have the
18 Public Service Commission disallow some much needed
19 engineering and accounting services that are required to
20 keep the Utility's operations safe and efficient, as
21 well as benefits that help attract and retain quality
22 personnel.

23 The Office of Public Counsel would also have
24 the Commission disallow costs associated with the
25 utility's pursuit of a wastewater certificate, which was

1 done at the request of many Water Management Services
2 customers and with the urging of the Franklin County
3 government, and which would have benefited the Utility's
4 water customers.

5 Finally, in closing, I'd like to thank you,
6 Commissioners, and of course you, the customers, in
7 advance for your attention during this, during this
8 hearing. And I ask that the Commissioners grant the
9 relief warranted by the evidence in the record so that
10 the Utility can do what it has done for the past 30
11 years and counting, which is to provide its customers on
12 St. George Island with quality water and quality
13 service.

14 That concludes my remarks, Chairman. Before I
15 sit down, I would like to quickly introduce the
16 Utility's two operators that are here this morning.
17 Nita Molsbee, would you raise your hand? Hank Garrett.
18 If there are any folks that are here today that have any
19 questions of Nita or Hank, please feel free to contact
20 them. That concludes my remarks, Commissioner. Thank
21 you.

22 **COMMISSIONER SKOP:** Thank you, Ms. Scoles.

23 At this point we'll hear from the Office of
24 Public Counsel. And, Mr. Kelly, you're recognized.

25 **MR. KELLY:** Thank you, Commissioner. I'm a

1 little shorter. I've got to put this down a tad.

2 All right. Thank you, Commissioners. And I
3 apologize, but I'm going, I'm going to give you my back
4 and give the customers my front side because y'all have
5 seen my front enough.

6 Folks, my name is J.R. Kelly, and I work with
7 the Office of Public Counsel. And our office, we're
8 separate from the Public Service Commission, and we
9 represent you, the customers, in this matter. I want to
10 welcome you and thank you for taking time out of your,
11 your busy schedules to be with us today. And I want to
12 tell you a little bit about the case, but I'm going to
13 paint a little bit different picture than, than
14 Ms. Scoles did.

15 First off, I wanted to let you know that we've
16 got Joe McGlothlin and Tricia Merchant with my office
17 that are here, and they're going to be conducting the
18 main part of the case. We also have two experts up
19 here, Donna Ramas and Andy Woodcock. One is -- Andy is
20 an engineer and Donna is an accounting expert, and
21 they're going to be testifying in this matter on your
22 behalf also.

23 Why are we here? We're here because Water
24 Management Services is asking for a \$640,000 annual rate
25 increase. \$640,000. We do not believe that is

1 appropriate in any form. We believe at the most, at the
2 most it should be no more than \$78,000 annually. That's
3 a pretty big difference.

4 What are some of the differences here? First
5 off, they're asking for what we believe are excessive
6 salary increases. This is a time when the economy is
7 hurting, many of you are hurting. Many of -- if you're
8 not out of work, some of your friends are out of work,
9 and they're coming in and asking for salary increases;
10 not only salary increases, but increases we think are
11 very excessive.

12 They're also asking you, you, the ratepayers,
13 to pay for what is called Key Man life insurance.
14 That's where you pay for a life insurance for the owner,
15 and guess where the benefits go? They don't go to the
16 company. They go to his spouse. Okay? But they want
17 you to pay for that.

18 Ms. Scoles mentioned engineering expenses
19 where we disagree a little bit. We do believe that
20 there are some engineering expenses that are warranted
21 here, but the problem is they want these same
22 engineering expenses paid year after year after year,
23 and in many cases it's only a one-time expense. Okay?
24 So like going out and getting a, a new driver's license,
25 you may have to pay one fee because it's the first time

1 you get it. But then when you renew it, it's a lot
2 less. They don't want that. They want you to pay the
3 same thing every year.

4 You heard Ms. Scoles talk about capital
5 projects. They are asking for over \$2 million in
6 capital projects. And it is true, we believe that some
7 of those capital improvements need to be made. However,
8 they've come forward with no justified documentation as
9 to what should be spent, how it should be spent. No
10 engineering specifications, no bidding process. In
11 other words, are you getting, you, the customers, going
12 to get the best bid, the best price, not always the
13 lowest, but the best price for what you, you, the
14 customers, are going to pay for?

15 They also claim they're losing money. Well,
16 over the past five years they have taken \$1.2 million
17 out of this company and, quote, invested it in other
18 affiliates. Affiliates meaning companies that are
19 either owned or controlled by Mr. Brown. This company,
20 Water Management, is getting no return for that
21 investment, nothing. That's your money going to help
22 another company out, or I don't know what the money is
23 being spent for, but it's not in Water Management. If
24 that money was still in this company, guess what, they
25 could pay for some of the improvements, they could pay

1 for some of these expenses, and they may not even be
2 losing money. Because they're not making any interest
3 or anything else; no return whatsoever on that money.

4 They talk about not being able to pay their
5 bills. If you were just to get interest on the
6 investment, they may not even be, have to be here today
7 to ask for you to pay any kind of increase.

8 Now let me tell you why we're here today right
9 now, this portion, before we get into the technical
10 trial part. This, folks, is your meeting, your meeting.
11 I am asking you, please take advantage of this. And
12 when I get through in just a few minutes, please come up
13 here to the podium and address the Commissioners. Trust
14 me, these are good men and women up here. They want to
15 hear what you have to say. It is very, very important.
16 If you don't get up here and speak, they may think, one,
17 you don't care, or, two, you don't care that you've got
18 to pay more. You've got to let them know how you feel
19 about the quality of service that you receive from Water
20 Management and, most importantly, how this rate increase
21 would affect you.

22 So, please, I, I implore you to take this
23 opportunity. The Public Service Commission brought the
24 meeting down here in this area for one purpose, for you.
25 So please take this opportunity. If you haven't signed

1 up yet, it's not too late. You can sign up after you
2 speak or as you're speaking, it doesn't matter, but take
3 this opportunity and address the Commissioners and let
4 them know what you feel about this particular case.
5 Thank you very much.

6 **COMMISSIONER SKOP:** Thank you, Mr. Kelly.

7 At this point we're going to transition into
8 the public comment portion of the hearing. But before
9 we do, I'd like to recognize Commissioner, excuse me,
10 recognize Commissioner Jackel from the Franklin County
11 Commission. If she's present, if you'd please stand.

12 (Applause.)

13 **COMMISSIONER JACKEL:** Good morning.

14 **COMMISSIONER SKOP:** And, Commissioner Jackel,
15 I need to swear you --

16 **COMMISSIONER JACKEL:** Okay.

17 **COMMISSIONER SKOP:** -- if you're going to give
18 formal comments. At this point I just wanted to
19 recognize you, but I can do that as a group if you'll
20 hold on for one second.

21 **COMMISSIONER JACKEL:** Okay. Do you want me to
22 sit down?

23 **COMMISSIONER SKOP:** Just in order to -- no.
24 You can stand right there. We'll just take you first.

25 But just to the members of the audience that

1 would like to speak today, you -- in order to speak, you
2 will need to make sure that you sign one of the speaker
3 forms. And as I mentioned, your name will be called by
4 Public Counsel when it's your turn to speak in the order
5 that we've signed up. We'll be swearing you all in in a
6 moment. And if you wish to speak, I would ask those
7 customers that are here that intend to present testimony
8 to please stand at this time. And if you could please
9 raise your right hand.

10 (Witnesses collectively sworn.)

11 All right. Thank you. You may be seated.

12 Okay. Commissioner Jackel, you're recognized.

13 Whereupon,

14 **COMMISSIONER PINKI JACKEL**

15 was called as a witness on behalf of the Citizens of the
16 State of Florida and, having been duly sworn, testified
17 as follows:

18 **DIRECT STATEMENT**

19 **COMMISSIONER JACKEL:** Thank you.

20 Good morning. I am Pinki Jackel, a Franklin
21 County Commissioner. I represent District 1, which is
22 East Point and St. George Island.

23 I want to welcome all of you to St. George
24 Island this morning, and hope that you have an
25 opportunity while you're here to enjoy the beauty of

1 St. George Island and our area. And hopefully you'll
2 have a chance to eat some of our oysters, which are
3 Apalachicola Bay oysters and world famous, and enjoy
4 some of our incredible seafood. I also want to thank
5 you for coming here today for this very important
6 hearing.

7 I speak to you today in two capacities: One
8 as a County Commissioner, and the other as a customer of
9 Water Management Services.

10 For the record, on July 19th, 2010, at the
11 direction of the Franklin County Board of Commissioners,
12 our County Attorney sent the following correspondence to
13 the Public Service Commission. These are the words of
14 our County Attorney, Michael Shuler.

15 "I represent Franklin County, a political
16 subdivision of the State of Florida. Water Management
17 Services, Inc., the applicant seeking the rate increase,
18 is located on St. George Island, a part of an
19 unincorporated area of Franklin County.

20 "Franklin County opposed, opposes the proposed
21 rate increase for water on St. George Island in part
22 because the principal justifications are insufficient to
23 support the increase requested.

24 "Based on the reasons stated in the
25 application, Franklin County strongly objects to the

1 applicant's request to increase water rates. St. George
2 Island is a tourism mainstay, and any rate increase may
3 adversely affect tourism and cause the very downturn
4 complained of by the applicant."

5 As Commissioner of District 1, I would like to
6 make the following comments regarding the direct
7 testimony of Andrew T. Woodcock on behalf of the Office
8 of Public Counsel, which you have received as Docket
9 Number 100104-WU. I am reading this from Mr. Woodcock's
10 sworn statement. And I would say at the outset that
11 through reading Mr. Woodcock's resumé and in his service
12 to the Office of Public Counsel, he is certainly to be
13 considered an expert witness.

14 His words are, from his statement, "In the
15 planning and design of water and wastewater systems,
16 with specific emphasis on utility valuation, capital
17 planning, utility financing, utility mergers and
18 acquisitions and cost of service rate studies." I do
19 not think with his background and his resumé that he can
20 be considered anything other than an expert.

21 Based on his comments then I read the summary
22 of his recommendations in this case. They are, one,
23 "Water Management's water treatment plant used and
24 usefulness is 100 percent. Water Management's
25 distribution system used and usefulness is 54.9 percent

1 based upon the level of subscriptions to the water
2 service."

3 Number 3, "The proposed pro forma additions to
4 rate base are planning level engineering estimates and
5 do not have sufficient detail or accuracy for rate base
6 purposes. I recommend these proposed projects not be
7 included in rate base until they are supported by proper
8 documentation such as invoices."

9 Number four, "Notwithstanding the above
10 suggestions, I am of the opinion that the estimate for
11 the pro forma plant addition for a new storage tank is
12 overstated. The Utility should reevaluate options to
13 replace its own site storage to determine the most
14 cost-effective alternative." And that is what I would
15 ask you to consider today, the most cost-effective
16 alternatives.

17 When asked of Mr. Woodcock "What level of
18 detail is in the estimates provided by Water Management
19 Services to support the pro forma additions?" his
20 response is, "I would characterize the estimates
21 provided by Water Management Services to support the pro
22 forma plant additions as planning level estimates. They
23 are based upon a study level of engineering analysis and
24 do not rely upon any detailed project drawings."

25 Regarding his statements on capital

1 improvements, notwithstanding -- the question is
2 "Notwithstanding your opinion regarding the pro forma
3 adjustments, do you have any specific concerns regarding
4 the capital projects represented by the pro forma
5 adjustments?" His response is, "Yes." Mr. Woodcock
6 states, "I do take exception to the analysis that led to
7 the conclusion to locate a new ground storage tank on
8 adjacent property ... to construct a new ground storage
9 tank on adjacent property would bring the total cost of
10 the plant improvement to \$1.7 million approximately. Of
11 this total, \$450,000 is associated with the purchase of
12 additional land and closing costs. The next less costly
13 option is to demolish the existing storage tank and
14 replace it with a new ground storage tank in the same
15 location for \$708,000, a difference of almost
16 \$1 million."

17 To conclude Mr. Woodcock's explanation of why
18 you are -- why he is of the opinion that the cost
19 estimates do not sufficiently support the pro forma
20 additions to rate base he concluded, "A rate base
21 calculation relies upon plant-in-service amounts that
22 are derived from actual booked costs," not planning
23 level engineering, "booked costs of assets in the
24 Utility system and are supported by invoices from
25 contractors or equipment suppliers. The cost estimate

1 submitted by Water Management Services in support of the
2 pro forma additions are an engineer's preliminary
3 opinion of what the recommended capital projects may
4 cost."

5 To summarize in my own words the expert
6 testimony of Mr. Woodcock from the Office of Public
7 Counsel, I would say to you that Water Management
8 Services did not make their case to you for water rate
9 increases in that the preliminary information that you
10 are to consider has been found to be seriously lacking
11 in factual proof and insufficient to warrant rate
12 increases. Water Management Services has completely
13 failed to substantiate their request.

14 As a citizen and customer of Water Management
15 on the island I ask you, where will increased taxes,
16 fees and increased rates such as these end for us? We
17 are all witnesses to the failure of taxing and spending
18 on the national level, on the state level and on the
19 local level. As citizens, we are at our breaking
20 points. We need a fair opportunity to weather this
21 current economic storm. There are many businesses here
22 that cannot stand the doubling of their water bills,
23 they are barely hanging on, and to double their rates at
24 this time would be a certain closure for many
25 businesses, many of our businesses.

1 Many folks already have enough reasons not to
2 begin construction on homes on St. George Island. An
3 exorbitant water connection fee should not be one of
4 them. As citizens, we cannot afford \$400 to \$500 more a
5 year for water every year for the rest of our lives or
6 as long as we live here on St. George Island.

7 As an individual, I know when my car is
8 wearing out. I realize that one day I'm going to have
9 to repair it or replace it. When that day comes, I
10 can't go into my boss and say, "My car is worn out. I
11 made no plan for the future needs, with the adequate
12 compensation that I receive from you, to make further
13 arrangements. I spent all of what you gave me, with no
14 regard for my future transportation needs. So, please,
15 buy me a new car, or buy me a Cadillac." A boss's
16 reaction to this would be one of two things: "You have
17 to be joking," or, in the words of Donald Trump, "You're
18 fired."

19 Rewarding poor planning and insufficient
20 evidence to warrant this rate increase request is
21 unconscionable in these troubling economic times. For
22 all these reasons, we object to these requests, and we
23 humbly ask you to deny the request of Water Management
24 Services to increase our water rates. Thank you for
25 hearing me today.

1 (Applause.)

2 **COMMISSIONER SKOP:** Okay. For the remaining
3 speakers, when you come to the microphone, if you could
4 please state your name and address and, if comfortable,
5 give your telephone number. And your verbal comments
6 are being transcribed and will become part of the
7 official record for this case.

8 So with that, Mr. McGlothlin, you're
9 recognized to call the first customer.

10 **MR. MCGLOTHLIN:** The first customer on my list
11 is Christian Everett.

12 Whereupon,

13 **CHRISTIAN EVERETT**

14 was called as a witness on behalf of the Citizens of the
15 State of Florida and, having been duly sworn, testified
16 as follows:

17 **DIRECT STATEMENT**

18 **MR. MCGLOTHLIN:** Mr. Everett, if you'll give
19 the Commissioners your full name and address, please.

20 **MR. EVERETT:** Good morning, Commissioners. My
21 name is Christian Everett. I live on 209 Nedley Street,
22 St. George Island. Good morning everybody that's here.
23 I represent Harry A's Restaurant and Bar on St. George
24 Island just a couple of blocks away. It's been out here
25 for about 25 years. Currently I have about 15

1 employees. And my water bill per month, I've only been
2 managing this place for about three months, but my water
3 bill per month is about \$750 a month now. It's
4 extremely a struggle for us already to cover what it is
5 now. Basically what I'm trying to do is keep my
6 employees in jobs, and it's hard enough already. So if
7 it goes up to like \$1,500 a month, it's going to be
8 super tough on us, especially through the winter and
9 things like that. So that's basically all I have to
10 say. Thank you for coming out.

11 **COMMISSIONER SKOP:** Thank you. Thank you, Mr.
12 Everett. Any questions? Okay.

13 (Applause.)

14 Mr. McGlothlin.

15 **MR. MCGLOTHLIN:** The next witness is Paul
16 Riegelmayr.

17 Whereupon,

18 **PAUL RIEGELMAYER**

19 was called as a witness on behalf of the Citizens of the
20 State of Florida and, having been duly sworn, testified
21 as follows:

22 **DIRECT STATEMENT**

23 **MR. RIEGELMAYER:** Good morning,
24 Commissioners. I'm Paul Riegelmayr. I live at
25 1471 East Gulf Beach Drive here on the island. Thank

1 you for holding this hearing on St. George Island today.

2 St. George Island is a resort community. Many
3 of the property owners do not live here or there would
4 obviously be a much greater turnout. I'm speaking on
5 behalf of all those residents and off-island property
6 owners that are unable to attend, but, if given the
7 opportunity, would join me in opposing the huge rate
8 increase proposed by Water Management Services.

9 Water Management Services contends that their
10 woes are due to several factors. I'll give you my take
11 on those issues. Number one, property cannot be
12 developed due to lack of sewage treatment, and several
13 businesses, businesses have closed as a result. The
14 only business that was closed because of sewage problems
15 was the Subway. The septic tank issues were resolved
16 and the store reopened in a few weeks. Properties on
17 the island are in fact being developed. Just look at
18 the Island Trading Company and the new grocery store
19 being built at the corner of East Gulf Beach Drive and
20 Franklin Boulevard. There are also a number of new
21 houses that have been built or are currently under
22 construction. If development has not been as rapid as
23 planned by Water Management Systems, I would suggest
24 that they revisit their plan and make appropriate
25 adjustments that do not include doubling our water rate.

1 The general economy has deteriorated on
2 St. George Island for the last several years. That may
3 be true for some businesses, but I work at a local
4 tourist restaurant and our business has increased in
5 each of the three last years. So the contention that
6 revenues are falling off because of tourism, I, I am
7 skeptical.

8 Somehow the shallow wells used for irrigation
9 are a source of lost revenue. I don't believe that the
10 lost revenue is significant because the current water
11 rates are such that very few people can afford to use
12 Water Management System water for irrigation. Further,
13 the water that comes from the shallow wells on the
14 island is not usable for domestic water without
15 significant treatment.

16 I would like this Commission to know that the
17 water provided by Water Management Systems is not that
18 great. It's very hard, and many homeowners feel the
19 need for water softeners and filters. It's also
20 corrosive to copper piping. You can ask any of the
21 local plumbers how many pinhole leaks they have fixed in
22 some of the older homes on the island.

23 Finally, many of the residents on the island
24 are retired and on fixed incomes. They have seen their
25 nest egg shrink while trying to carry the burden of ever

1 rising home and health insurance and taxes. The number
2 of foreclosures and short sales have been increasing for
3 several years. I work two jobs and put in 50 to
4 60 hours a week. My wife also works full-time. We,
5 like many others, simply cannot afford an increase in
6 the water rate.

7 I have some petitions that I'd like to give
8 you to please insert into the record.

9 **COMMISSIONER SKOP:** And for identification
10 we're going to mark those exhibits as Exhibit 66.

11 (Exhibit 66 marked for identification.)

12 **MR. RIEGELMAYER:** Thank you for your time.

13 **COMMISSIONER SKOP:** Thank you.

14 (Applause.)

15 **MR. McGLOTHLIN:** The next witness is Chief Jay
16 Abbott.

17 Whereupon,

18 **JAY ABBOTT**

19 was called as a witness on behalf of the Citizens of the
20 State of Florida and, having been duly sworn, testified
21 as follows:

22 **DIRECT STATEMENT**

23 **MR. ABBOTT:** Good morning, Commissioners. I'm
24 Jay Abbott, Fire Chief, St. George Island. I live at
25 473 West Gulf Beach Drive. I guess the public is going

1 to speak enough about the rates. I want to speak about
2 the fire department itself.

3 You did speak earlier about limited fire
4 protection that you have provided us since 2003. That
5 you did do. Some of the changes that you were going to
6 make were very good for the fire department and the
7 people of St. George Island, but they weren't complete.
8 Some areas along Bay Shore Drive on the north side of
9 the island, they were not complete because they just
10 said they ran out of money. We thought they had an
11 agreement in 2003 when they brought the line across, new
12 line across the bridge that everything we talked about
13 would be accomplished.

14 The flow rate on the island has increased.
15 They put in new pumps that helped increase our rating,
16 fire rating for the island. I have no problem with
17 that. Nita does a good job there with keeping us with
18 service, with water 24/7. But for fire protection, the
19 entire island needs the support of the water company,
20 not just certain areas.

21 Fire hydrants, they did put in a bunch on
22 their own. We just recently agreed with the Plantation,
23 they're purchasing 36 fire hydrants. And we do
24 understand that we do need to purchase our own fire
25 hydrants for the, you know, to cover the thousand foot

1 area for fire protection, fire rating to be a seven, or
2 to be a six now, we're a six. But the water lines that
3 need to be put in, we expect that the water company
4 should do that, and that includes boring under streets.
5 We don't feel the homeowners need to pay to have \$5,000
6 to just bore under one street. We'd like to see that
7 included. But we do understand that we need to purchase
8 the hydrants. That's been going on here for years.

9 I do applaud them for the corrections they did
10 make after 2003. A lot of people didn't expect it would
11 happen. It did. Hank is here, I think, today. He was
12 a big input there to get things done. But we would like
13 to see them completed.

14 As far as the rate increase, sure I'm opposed
15 to what you're asking for, but it does cost to get
16 things done. So that's about it really. Any questions
17 for the fire department?

18 **COMMISSIONER SKOP:** Chief Abbott, I just
19 wanted to thank you for allowing the Commission to use
20 the volunteer fire department here on St. George Island
21 today. We appreciate that on behalf of the Commission.

22 **MR. ABBOTT:** Our pleasure. I hope you're not
23 here for three days, but you may be busy. Thank you.

24 (Laughter.)

25 (Applause.)

1 **COMMISSIONER SKOP:** All right. Thank you.
2 Mr. McGlothlin.

3 **MR. McGLOTHLIN:** The next name I have is
4 Walter Armistead.
5 Whereupon,

6 **WALTER ARMISTEAD**

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

10 **DIRECT STATEMENT**

11 **MR. ARMISTEAD:** Good morning, Commissioners.

12 **COMMISSIONER SKOP:** Good morning.

13 **MR. ARMISTEAD:** Walter Armistead. I live at
14 1401 Pelican Lane, but my mailing address is 224
15 Franklin Boulevard, St. George Island.

16 First of all, I would like to say that the
17 water company level of service I think is excellent, is
18 good, and they've got good help. I know Nita and Bobby
19 and Hank and T.J. and all the crew, and they do a good
20 job. And so from that perspective, I think, I think
21 we're in good shape, and I think the water quality is
22 good.

23 But now having said that, some of these other
24 issues as I see, these rate increases are just
25 outrageous. And I understand that probably part of this

1 rate case too that has been included was last year they
2 had made a request for a sewer system on St. George
3 Island, which did not happen. That rate case did not
4 happen, you know, for the, for the water company, Water
5 Management Services. But I don't think we as the
6 ratepayers ought to have to pay for that. They made a
7 decision themselves -- and I know they said that there
8 were some individuals that requested sewer on the
9 island, and that may, that may be. But I know our
10 County Commission didn't request it. And we're not a,
11 we're not a city over here, we're part of the county,
12 and that went through the process and they made an upper
13 level management at Water Company Services -- or Water
14 Services made a decision to try to go after sewer and
15 they were not successful. Well, we don't need to pay
16 for that. I'm sorry. That was just a bad decision on
17 their part.

18 And the wells on the island, that is true,
19 that we do have a number of wells over here. But if
20 they want to stop the wells, then, you know, if they're
21 legal to put wells in, then that's not our fault. And
22 obviously if they, if they would like people to use more
23 water, you don't raise the rates, you lower them.
24 That's the way economics works. And so, you know, the
25 reason people are not using water for, to water their

1 grass is because it's too high.

2 We've been through a, about a five-year
3 drought, which I'm sure y'all all are familiar with, the
4 Apalachicola River was at an all-time low, and a lot of
5 times they would say "Don't use the water." So you
6 can't have it both ways. You can't tell us not to use
7 the water and to, and to conserve water, and at the same
8 time come back and say, well, we're not using enough,
9 you know.

10 And we're on a barrier island. We need
11 potable water. We need water to drink. We don't -- you
12 know, I don't care if they water the grass or not. It
13 doesn't make any difference to me. And I don't think
14 that ought to be a part of the rate case in there.

15 It's hard economic times. We know that,
16 that's been said. And a lot of the businesses on the
17 island, a lot of the commercial fishermen and what not
18 are suffering. But if, if their, if their numbers are
19 down on that, then my suggestion is go see Ken Feinberg
20 with BP, and they got plenty of money. And a lot of
21 people are doing that here, a lot of businesses are
22 going to BP, you know, for lack of revenue, and the
23 water company can do the same thing. Do just like we do
24 as the regular public. But don't come to us to try to
25 pay for, you know, other things that, that we shouldn't

1 be paying for.

2 I think Nita and all the employees at the
3 water company, they deserve their salaries, they deserve
4 their benefits that they get, but don't look there. I
5 can promise you they're not -- they're making a fair pay
6 and probably deserve some more. But look at upper level
7 management and see what they're doing with the money. I
8 mean, that's always the case. If they've taken the
9 money, like Public Counsel said, and put it somewhere
10 else and it should have stayed in the water company,
11 that should not be on the ratepayers. We don't deserve
12 that.

13 I did take the time just to compile a few
14 figures on my own. My company, Suncoast, we rent
15 several rental homes here on the island. And I just
16 looked, I had the office to go in and do 31 homes --
17 these are all rental homes, these are not private
18 residences, but these are all rental homes, and we did
19 from January to September of '09, January to September
20 of '010 just to see what the difference in water usage
21 was.

22 In '09 we had \$14,000, \$14,065.64 on
23 31 houses, and '010 it was \$16,206.07. So there was
24 about a 10 percent increase in the houses in the water
25 usage.

1 Now my family is one of the bigger commercial
2 property owners here on the island. We have the
3 Buccaneer Inn on St. George Island on the waterfront, a
4 100-room motel. In the same '09, '010, January to
5 September, '09 was \$22,582.96 and '010 was down,
6 \$18,599.16. I'm going to give you these figures. If
7 y'all want to have them, y'all can check them out for
8 yourself. But also we were under renovation for two
9 months, January and February of '010. And in all
10 fairness, we probably were down some because of the oil
11 spill issues that came in. But we see that increasing
12 now. We're going back to normal now. And thank
13 goodness the oil didn't get here. But I think that we
14 will go back to a normal level.

15 The other obvious thing is, is that being in
16 real estate -- well, also that's the Buccaneer. We own
17 the mini convenience store, the gas station on the
18 island; it was about the same. Really no significant
19 difference. Castaways was about, was about the same.
20 So from the commercial standpoint, you know, it's fairly
21 level, fairly level. And I think you'll see now that
22 since the oil spill is over that, that our rates will go
23 back to normal again. We should, we should see a
24 substantial increase.

25 But also in the last, in the real estate

1 business in the last seven, eight years on the island
2 there's been phenomenal growth. There's been more
3 building on St. George Island just like there was in
4 all, all the areas on the coast. There's been a
5 tremendous amount of houses built here in the last seven
6 or eight years. And, of course, that's down now because
7 of the recession. But let me tell you what, there were
8 a lot of new water meters that were put in, a lot of
9 money that was made. And those, and those water meters,
10 the majority of those water meters, they're still there,
11 they're still getting paid every single month a base
12 rate. Now the water usage may be down some, and it's
13 possible it is. I showed you 31 houses that had a
14 10 percent increase, and that's just a, you know, that's
15 just a little portion. I don't know what the overall
16 island would be.

17 But let me tell you what, they're, all of
18 those meters that were put in, and I've been here, I've
19 been here from the beginning back before the bridge was
20 here, and there was a lot of houses built on this
21 island. We may never see growth like that again. But
22 we're paying for meters every month, not like a regular
23 business that, you know, that we can just, you know --
24 in regular business, if things go back, it just goes
25 back. But they're going to get paid every month

1 regardless of whether we've got the money to pay for it
2 or not. And so I just don't see the need. They should
3 have, they should have put away some of that money. I
4 guarantee you they made some money when all those houses
5 were put in here on the island.

6 I just don't see the need. It's hard economic
7 times right now. I do not understand. I don't have all
8 the facts and figures that Public Counsel has, but I
9 appreciate those comments that the Public Counsel made.
10 It sounds reasonable to me and I can understand that.
11 But I would look to upper level management for just --
12 if they made poor decisions, don't charge us for it.
13 Thank you.

14 **COMMISSIONER SKOP:** Thank you, Mr. Armistead.

15 (Applause.)

16 **MS. SCOLES:** Mr. Chairman?

17 **COMMISSIONER SKOP:** Excuse me, Mr. Armistead.

18 **MS. SCOLES:** Mr. Armistead, I had a quick
19 question. I'm sorry.

20 **COMMISSIONER SKOP:** Okay. And then also too,
21 Mr. Armistead, on the documents that you have with you,
22 if you want to submit those, we'll mark those for
23 identification as Exhibit 67.

24 **MR. ARMISTEAD:** Yes.

25 **MR. JAEGER:** Commissioner Skop, what would

1 those documents be called?

2 **COMMISSIONER SKOP:** Just short title, the
3 Exhibits from Mr. Armistead.

4 (Exhibit 67 marked for identification.)

5 **MS. SCOLES:** Mr. Armistead, thank you for your
6 comments. I just had one quick question for you.

7 I was curious if any of the properties that
8 you had mentioned have a shallow well on them.

9 **MR. ARMISTEAD:** The rental homes?

10 **MS. SCOLES:** Yes, sir, or your motel.

11 **MR. ARMISTEAD:** The motel has a shallow well.
12 We've had that -- we had that before the water company
13 was here. And over the years we used shallow well
14 before the water company was here, and then we decided
15 to go over and use potable water. But we do still use
16 shallow well to water the grass at the motel.

17 **MS. SCOLES:** Do you know if any of the rental
18 homes have a shallow well?

19 **MR. ARMISTEAD:** Very few. I don't know if any
20 of these 31 do.

21 My mother just passed away a couple of years
22 ago and she had a shallow well at her home, she was
23 watering grass, but I ain't watered it.

24 (Laughter.)

25 **MS. SCOLES:** Thank you. That's all I have.

1 **COMMISSIONER SKOP:** Thank you, Mr. Armistead.

2 **MR. ARMISTEAD:** Thank you.

3 **COMMISSIONER SKOP:** Okay. Mr. McGlothlin,
4 next witness.

5 **MR. MCGLOTHLIN:** The next name on my list is
6 Ann Giknis. Forgive me if I mispronounced that.
7 Whereupon,

8 **ANN GIKNIS**

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

12 **DIRECT STATEMENT**

13 **MS. GIKNIS:** Giknis. You got it right. Thank
14 you.

15 Good morning. My name is Ann Giknis. I live
16 at 657 West Pine Avenue. My husband and I are just
17 recently retired and live on a fixed income. Our
18 property values have fallen by half. We only own one
19 home, it's here on St. George, and it is worth half of
20 the value that it was prior to the recession. But our
21 taxes are up, and our health insurance costs have gone
22 through the roof because we do not qualify yet for
23 Medicare and we do not qualify for any kind of corporate
24 support on our healthcare. So needless to say, our
25 expenses are high. I don't feel that living on

1 St. George is a particularly expensive place to live in
2 general, but because of the imposition of taxes and
3 insurances, which we are required by the government to
4 have, our expenses are quite, quite high. And we, for
5 this reason, oppose this outrageous increase in our
6 water.

7 We don't have a choice to buy our water from
8 anybody else. There's not another option. And we feel
9 that it is insulting to the residents of St. George to
10 think about giving employees of Water Management salary
11 increases at this time when people are just barely
12 keeping their stores and shops open, their businesses
13 are threatened. People are struggling. There should
14 not be Key Man insurance for a person who used to own
15 this island and made millions of dollars from selling
16 this property to people on this island. He doesn't need
17 a million dollar Key Man insurance policy. He's got
18 enough money.

19 People are struggling to even put food on the
20 table, they don't have health insurance for themselves
21 or their children, their kids don't go to the dentist.
22 We object to this increase. You have to have water.

23 There are other reasons that I feel, my
24 husband and I feel that this should not happen. The
25 reduced construction on the island, the reduced use of

1 rental homes, houses are not renting down here as much
2 as they were, the recent oil scare has absolutely
3 changed things on this island. People are going to look
4 and see where hurricane activity is. I think folks are
5 really thinking twice about building here, about
6 vacationing here. And topping that off with a rate
7 increase like this for water just adds more burden.

8 Please, please consider all the ramifications
9 this is going to have, and please reject the Water
10 Management System's Docket 100104-WE [sic]. It just is
11 not something this island can bear right now. Thank
12 you.

13 (Applause.)

14 **COMMISSIONER SKOP:** Mr. McGlothlin.

15 **MR. MCGLOTHLIN:** The next person on my list is
16 Don Grinenko.
17 Whereupon,

18 **DON GRINENKO**

19 was called as a witness on behalf of the Citizens of the
20 State of Florida and, having been duly sworn, testified
21 as follows:

22 **DIRECT STATEMENT**

23 **MR. GRINENKO:** Good morning. Okay. My name
24 is Don Grinenko. My wife and I are full-time residents
25 here on the island. Okay. I live at 1223 Watkins Cove.

1 And our phone number, okay, is 927-4925.

2 I could summarize my comments with one word,
3 and that is excessive. Excessive. When we learned of
4 the proposed rate increase, I went to the Water
5 Management office with my bill and asked, you know, what
6 would this mean to me? And, okay, based upon, okay, my
7 bill, I was told that my rate would go from
8 approximately \$50 a month to \$87 a month. I feel that's
9 excessive. Thank you very much.

10 **COMMISSIONER SKOP:** Thank you.

11 (Applause.)

12 **MR. McGLOTHLIN:** The next witness is Richard
13 Harper, Jr.

14 Whereupon,

15 **RICHARD HARPER, JR.**

16 was called as a witness on behalf of the Citizens of the
17 State of Florida and, having been duly sworn, testified
18 as follows:

19 **DIRECT STATEMENT**

20 **MR. HARPER:** My name is Richard Harper, Jr. I
21 live at 701 East Gulf Beach Drive, telephone number
22 927-2480. I apologize for my informal attire, but you
23 guys are on St. George Island, man. You got to get
24 shorts on. So next time you come, put those shorts on.

25 First, please allow me, allow the property

1 owners of St. George Island to welcome you to our
2 beautiful island. We are very proud of our community
3 and all the hard work put forth by so many to maintain
4 its beauty. We are very thankful that you have taken
5 the time to hear our concerns today. By the way, you
6 said that drive down was beautiful. It looks better in
7 shorts and a T-shirt.

8 (Laughter.)

9 Now that we have your ear, we want you to know
10 that the property owners of St. George Island speak with
11 one voice when we say that this rate hike request cannot
12 possibly be justified. A large increase in the cost of
13 water, a huge increase in new meter fees and, most
14 importantly, a drastic shift from water usage to an
15 inflated base rate. Now everybody understands that and
16 everybody in the audience will very quickly if that's
17 approved. It's kind of a top weighted way to, to dump
18 some cost in on us when we don't really get anything for
19 it.

20 Under this Water Management Service request,
21 we wouldn't have to use one gallon of water to get a
22 \$50 water bill. This rate increase request has many
23 examples of fuzzy math. For example, Mr. Brown has
24 requested \$40,000 raises for two employees. Mr. Brown
25 has also requested that the costs related to the failed

1 paint coating for the new water line on the bridge be
2 borne again by the ratepayers. We already paid for it
3 once. There should be some protection in there that if,
4 if the product failed, there's got to be a bond, there's
5 got to be something that the owners of the company would
6 be responsible for that or the contractor would be
7 responsible, but certainly not the ratepayers would be
8 responsible again.

9 And Mr. Brown has included a huge personal
10 life insurance policy that we've already heard a lot
11 about to be paid for by the ratepayers, when the
12 beneficiary of this policy is certainly not the
13 ratepayers. There are so many examples of inappropriate
14 overhead costs being falsely charged to the ratepayers
15 that it is difficult to choose just a few.

16 Inflation is no longer a justification for
17 automatic rate increases since our economy has slowed to
18 a near zero growth rate. Everyone is cutting back.
19 Business, local governments, even school systems have to
20 do more with less. We believe that WMS has a duty to be
21 fair, and we further believe that when the PSC takes the
22 time to dig into the financial facts, it will find that
23 Water Management Services is making a good and fair
24 profit with existing rates. We ask that you deny this
25 rate request by Water Management Services.

1 One other quick point. This company is kind
2 of a monopoly set up by the state, and we don't have
3 another option for our water use. So we're kind of
4 locked in here. And so we do business with Water
5 Management Services. Frankly, they do a good job for
6 me. I know almost everybody that works for the company.
7 This is not about the people there. This is, this is
8 business. This is different than how we feel about the
9 people that take good care of us all year long.

10 My question is if all of the customers of
11 Water Management Services is on St. George Island and
12 all of the business is conducted on St. George Island,
13 and we support as ratepayers an office on St. George
14 Island, what in the heck are we doing supporting
15 financially another office in Tallahassee, Florida?
16 That ought to come out. Thank you.

17 Any questions?

18 (Applause.)

19 **COMMISSIONER SKOP:** Mr. McGlothlin.

20 **MR. MCGLOTHLIN:** That is the, that is the last
21 name on my list, Commissioner Skop. You might inquire
22 if there's anyone else.

23 **COMMISSIONER SKOP:** Thank you. Are there any
24 additional members in the audience that wish to present
25 comments or testimony this morning? Okay. Hearing

1 none, I want to thank each and every one of you for
2 taking the time this morning of your busy schedule to
3 come out and attend the hearing today. Your comments
4 and testimony have been very helpful, and we appreciate
5 you assisting us in this proceeding.

6 If you have any additional questions before
7 you leave, please feel free to discuss them with one of
8 our staff members as you leave. And with that, we will
9 adjourn the customer portion of the hearing. Thank you.

10 Yes. We'll take a ten-minute break and we'll
11 reconvene in ten minutes. Thank you.

12 (Morning Service Hearing adjourned at 11:01
13 a.m.)

14 * * * * *

EVENING SERVICE HEARING

1
2 **COMMISSIONER SKOP:** Good evening. I'd like to
3 call this customer service hearing to order. I'm
4 Commissioner Nathan Skop, and with me today are
5 Commissioner Lisa Edgar and Commissioner Art Graham, and
6 I'll look to my colleagues to introduce themselves.

7 **COMMISSIONER EDGAR:** Thank you.

8 Hello. My name is Lisa Edgar. I'm very glad
9 to be here on St. George Island, and I thank you all for
10 coming and look forward to hearing your comments.

11 **COMMISSIONER GRAHAM:** My name is Art Graham,
12 and I wish you guys could have provided a better day
13 than this. (Laughter.) But we do look forward to
14 hearing your comments.

15 **COMMISSIONER SKOP:** Thank you, Commissioners.

16 Again, I'm Commissioner Nathan Skop, and I'm
17 very fortunate to have the privilege of being in St.
18 George Island this evening to hear your comments, and I
19 look forward to hearing them.

20 At this point, Staff, if you could please read
21 the notice.

22 **MR. JAEGER:** Yes, Commissioner.

23 By notice, this time and place has been set
24 for a customer service hearing in Docket Number
25 100104-WU, application for increase in water rates in

1 Franklin County by Water Management Services, Inc.

2 **COMMISSIONER SKOP:** Thank you.

3 And if we could please take appearances of
4 counsel.

5 **MS. SCOLES:** Lisa Scoles from the firm Radey
6 Thomas Yon and Clark on behalf of Water Management
7 Services, Inc.

8 **COMMISSIONER SKOP:** Thank you, Ms. Scoles.

9 **MR. KELLY:** J.R. Kelly and Tricia Merchant
10 with the Office of Public Counsel.

11 **COMMISSIONER SKOP:** Thank you. Staff.

12 **MR. JAEGER:** Ralph Jaeger and with me is Erik
13 Sayler on behalf of Commission Staff.

14 **MS. HELTON:** Mary Anne Helton, Advisor to the
15 Commission.

16 **COMMISSIONER SKOP:** Thank you, Counsel.

17 Let me begin by welcoming everyone to this
18 evening's meeting and joining us. We appreciate your
19 interest in the application that has been filed by Water
20 Management Services, and we are here today because we
21 want to hear from you. We are very interested in your
22 concerns and the comments related to the company's
23 request. We also have company representatives as well
24 as PSC staff available to discuss any billing or service
25 quality issues that you have.

1 And if the PSC staff would please introduce
2 themselves.

3 **MR. WALDEN:** I'm Tom Walden. I'm an engineer
4 on the Commission staff.

5 **MR. STALLCUP:** I'm Paul Stallcup with the
6 Commission staff.

7 **MR. WILLIS:** Marshall Willis with the
8 Commission staff.

9 **MS. HUDSON:** Shannon Hudson, Commission staff.

10 **MR. FLETCHER:** Bart Fletcher, Commission
11 staff.

12 **COMMISSIONER SKOP:** Thank you.

13 And for the members of the public that have
14 joined us this evening, this is an official hearing that
15 will be transcribed and become part of the official
16 Commission record. As such you will need to be sworn in
17 before you present your comments, and we will take care
18 of that in a few minutes.

19 Please note that your comments will be subject
20 to cross-examination; that is, you may be asked
21 questions by either the parties' attorneys or by members
22 of the Commission.

23 And you may have noticed the speaker sign-up
24 forms that were provided by staff when you arrived. And
25 if you do plan to speak today, please make sure that you

1 fill one of those out. And even though you may not have
2 requested to speak, there is an opportunity to provide
3 comments to the Commission via the form that's at the
4 back of the blue special report. On that form you can
5 provide your comments and the Commission will take those
6 comments into consideration as well as we will take the
7 oral comments.

8 If you do not want to, again, provide comments
9 either now verbally or through the sheet, you can take
10 the sheet with you and mail those into the Commission at
11 a later time. And, again, at this point, I want to take
12 the opportunity to ask those members of the public that
13 desire to speak this evening to please stand and I will
14 swear you in. If you will please raise your right hand.

15 (Witnesses sworn.)

16 **COMMISSIONER SKOP:** Thank you. You may be
17 seated. Okay. And at this point, I would like to
18 invite the attorneys for the parties to give brief
19 opening statements, and we will begin with Ms. Scoles.

20 **MS. SCOLES:** Good evening, everyone.

21 As I indicated, my name is Lisa Scoles, and
22 I'm here on behalf of Water Management Services, Inc.,
23 and I just have a few opening comments to give an
24 overall picture of the rate case from the utility's
25 perspective.

1 You all may remember Kermit the Frog who used
2 to say that it's not easy being green. Well, it is not
3 easy to be a small utility like Water Management
4 Services, either. The utility has provided water
5 service to St. George Island for over 30 years. It
6 hasn't had a full-blown rate case since 1994, yet even
7 through difficult times the utility has been able to
8 maintain the quality of its water and to provide above
9 average customer service responding to service calls
10 twenty-four hours a day, seven days a week, and Water
11 Management Services has had virtually no service
12 complaints and no outages.

13 The utility has also provided and continues to
14 provide limited fire protection for the Island. In
15 addition to providing the needed high water pressure,
16 the utility has provided more than 130 fire hydrants,
17 and this number continues to grow. Water Management
18 Services personnel conduct routine maintenance of the
19 hydrants including inspecting and flushing. The utility
20 does all of this without receiving any portion of the
21 assessment that is collected by the county for fire
22 protection on St. George Island.

23 In recent years, the challenges for a small
24 water utility like Water Management Services have
25 increased, and in the utility's case, in particular,

1 because of the inverted block rate structure along with
2 decreased consumption and declining revenues. And these
3 are due in large part to the increase of shallow wells
4 all over the island as well as the utility's inverted
5 rate structure. The economic downturn's negative impact
6 on tourism has also been a factor.

7 For example, in the past four years the
8 utility has lost over 50 customers, and I believe I
9 heard Nita say that they have lost two customers in the
10 past week. The result of all of this has been that the
11 utility is and has been for sometime operating at a
12 loss. Further, the falling revenues are only expected
13 to continue, especially now that the shallow wells,
14 which you can put in for about a hundred bucks, are
15 explicitly allowed under a recent change to the
16 Northwest Florida Water Management District rules.

17 In addition to the utility operating at a
18 loss, the utility's infrastructure, much of which is now
19 over 30 years old, needs major improvements. These
20 improvements are needed to keep the system safely
21 operating on a day-to-day basis as well as to help
22 prevent a catastrophe in the event of a severe weather
23 event like a hurricane or tropical storm.

24 As a first step in renovating its aging
25 system, Water Management Services commissioned an

1 engineering study of the system. As our engineering
2 witnesses' testimony will indicate, the engineers made
3 several recommendation for capital improvements and
4 estimated costs associated with projects to address
5 those needs.

6 The Office of Public Counsel's engineering
7 witness did not take issue with any of these proposed
8 improvements. Before Water Management Services can
9 proceed with the improvements, however, the utility
10 needs the Commission's direction on what improvements
11 should be made and the condition under which those
12 improvements should be engineered, bid, and financed.

13 Now, the utility is fully aware that raising
14 rates is not something to be taken lightly, especially
15 in these current economic times. And because Water
16 Management Services always strives to put its customers
17 first, it postponed asking the Public Service Commission
18 for an increase as long as it possibly could. But with
19 its continuing losses and no end in sight, the utility
20 filed its petition in May of this year because there
21 simply was no other alternative if the utility is going
22 to continue to provide high quality customer service and
23 safe, adequate, efficient water service to the customers
24 here on St. George Island.

25 In fact, there is no dispute in this case that

1 the utility is entitled to a rate increase. The
2 disagreement centers around the amount of the
3 appropriate increase. The Office of Public Counsel's
4 accounting witness may suggest a number of adjustments.
5 The testimony of Mr. Brown will explain those and show
6 why most of those adjustments are not appropriate.

7 For example, the Office of Public Counsel
8 would have the Public Service Commission disallow much
9 needed engineering and accounting services that are
10 required to keep the utility operating safely and
11 efficiently. The utility's request seeks to allow the
12 utility to do what it has done for the past 30-some-odd
13 years, and that is to provide its customers here on St.
14 George Island with quality water and quality service.

15 I'm almost done, but before I sit down I would
16 like to introduce the utility's two operators that are
17 here this evening. If they would stand so folks can see
18 them. This is Nita Molsby (phonetic), Hank Garrett.

19 And you may not want to speak tonight, but you
20 may have a question. Please feel free to ask them or
21 any of the Water Management staff here, if you do have
22 any questions or comments. And we welcome your
23 testimony tonight.

24 That concludes my remarks, Chairman.

25 **COMMISSIONER SKOP:** Thank you, Ms. Scoles.

1 Mr. Kelly, you're recognized.

2 **MR. KELLY:** Thank you, Mr. Chair.

3 Good evening, folks. Now, I get to lower it.
4 I really don't need it.

5 First off, thank you so much for taking time
6 out of your schedule tonight. I know there's a lot of
7 places you would rather be, certainly along that pretty
8 beach, than being in here tonight. So thank you for
9 coming here, and hopefully that you'll want to address
10 the Commission once I get through.

11 All right. Who am I? My name is J.R. Kelly.
12 I'm with the Office of Public Counsel. It's my office
13 that has the privilege and honor of representing you,
14 the ratepayers. Mr. Joe McGlothlin, along with Ms.
15 Tricia Merchant, are conducting the case for us. And we
16 have two expert witnesses, one is an accounting expert,
17 one is an engineering expert. The engineer testified
18 this morning, and our accounting engineer will come
19 tomorrow. And we do dispute many of the potential
20 raises that -- or increases that Water Management
21 Services is asking for.

22 And I just want to talk to you for a minute
23 about some of these. Why are we here? Bottom line,
24 we're here because Water Management Services is asking
25 for a \$640,000 annual increase. Who's going to pay for

1 that? You are. You are. We believe the testimony does
2 not come anywhere near supporting that figure. We
3 believe, at the most, at the most it should be no more
4 than a \$78,000 annual increase.

5 Let me just tell you some of the areas real
6 quick that we are looking at. First off, they have
7 included what we believe are excessive salary increases.
8 I'm not going to dispute that they don't have good folks
9 working for them. That's not what this is about. But
10 they are including salary increases at a time when our
11 economy is hurting, many people don't have jobs, and the
12 amount of the increases that they are asking for, we do
13 not believe are appropriate, and they are excessive, and
14 we're going to argue that they need to be either
15 eliminated or much lower.

16 Key Man Life Insurance. They're asking you,
17 to fund, I believe it's the amount of an \$800,000 life
18 insurance policy, okay. The benefits of that do not, do
19 not go to the utility. Normally, it's okay in some
20 cases for a utility to ask you to pay for a life
21 insurance policy on a key personnel. A key person that
22 works for the utility. But where should the proceeds go
23 if that person does become deceased? It should go to
24 the, and flow to the utility. They don't do that here.
25 They don't do that here. They go outside.

1 Unwarranted engineering expenses. You heard
2 Ms. Scoles say that we are contesting some of the
3 engineering expenses. Yes, we are. In some cases they
4 are asking for an engineering expense to be paid every
5 year, where in most cases some of those -- not in most
6 cases, in some of the cases the engineering expense is a
7 one-time-only expense. And if it needs to be expended,
8 it can be paid for and then you don't need to keep that
9 recurring expense year after year.

10 They are also asking for over \$2 million in
11 capital improvements. We do not disagree that many of
12 those improvements need to be made, okay? However, in
13 proving their case, and they have the burden to come
14 forth and prove to the Commissioners behind me that what
15 they are asking for is justified and warranted, prudent
16 and reasonable. We don't believe they have done that.
17 They have come with some planning estimates. They have
18 not come forth with solid documentation showing bids,
19 that it was a competitively bid project, and that the
20 figures that they are asking for to be included in the
21 rates you are going to pay are justified and that they
22 are solid figures that we can rely upon.

23 The last thing I'm going to mention, as you
24 heard Ms. Scoles, they claim they are losing money,
25 can't pay their bills. Well, let me tell you another

1 side of the story. Over the past five years the owner
2 has taken money out of the company and invested it in
3 some of his other affiliates, okay? The utility, Water
4 Management Services, is not getting any return for that,
5 making no interest, nothing. But the money yet came out
6 of Water Management and went into other utilities to the
7 tune of over \$1.2 million.

8 If you were to just impute some interest to
9 that, okay, at 7 or 8 percent, that would be maybe 75,
10 \$80,000 that this company would be making off that
11 investment. Yet they are making nothing off of it.
12 It's a wonder they can't pay their bills.

13 Now, why are you here tonight? Folks, I think
14 we have two or three people signed up. I'm going to ask
15 the rest of you folks, I'm going to ask you tonight to
16 be bold and be brave and come up here to the podium.
17 Talk to the Commissioners behind me and tell them what
18 you think about the quality of service that you get from
19 this company. Good, bad. I'm not asking you to say
20 something bad about this company. I'm asking you to
21 come up here and be truthful. Talk to them about the
22 quality of service you get.

23 And, number two, tell them, the Commissioners,
24 how this rate increase will affect you, okay? Good,
25 bad, whatever. I'm just asking you to come up here and

1 speak. You don't have to speak eloquently, you don't
2 have to lecture, just come up here and speak from the
3 heart and tell these folks behind me how you feel about
4 this rate increase. Because the bottom line, whatever
5 decision they make is going to affect you and your
6 pocketbook.

7 Thank you very much.

8 **COMMISSIONER SKOP:** Thank you, Mr. Kelly.

9 For those members that have filled out the
10 blue forms to speak this evening, your name will be
11 called by Public Counsel when it is your turn to speak,
12 and if you could please come up in the order in which
13 you are called. When you come to the microphone, if you
14 would please state your name and your address, and, if
15 comfortable, your telephone number, and your verbal
16 comments will be transcribed and become part of the
17 official record for this case.

18 So, Mr. Kelly, if you could please call the
19 first speaker.

20 **MR. KELLY:** Mr. Chair, I think only three
21 people stood up. I've got four names, so I don't know
22 who may have decided not to speak, but I will call the
23 names, and we may need to ask them if they have been
24 sworn in.

25 **COMMISSIONER SKOP:** All right. Very well. I

1 saw four stand when I swore them in.

2 **MR. KELLY:** Oh, I apologize. I apologize. I
3 only saw three.

4 The first is Ms. Suzanne Laws.

5 **SUZANNE S. LAWS**

6 appeared as a witness and, swearing to tell the truth,
7 testified as follows:

8 **DIRECT STATEMENT**

9 **MS. LAWS:** Okay. I don't think I will need the
10 microphone. I gave my address as 967 Bayshore Drive.
11 That is what I wish it was permanently. Unfortunately,
12 permanently it is 7758 Deepwood Trail, Tallahassee,
13 Florida. I will never be able to retire to this Island
14 and pay the real estate property tax and to afford the
15 water.

16 My comment is short and sweet. I commend
17 these people. The service we have received has been
18 great. I don't have any problem with that. I have my
19 utility bills. Something is wrong when my water bill is
20 going to be twice what my utility bill is.

21 Okay. Granted, we have fans in our rooms.
22 I'm anemic. I don't run the air conditioner. I open
23 the windows and I like the heat. We do have two
24 refrigerators. I wash and dry. I consider I do what is
25 normal, other than running the air conditioner 24 hours

1 a day. But my water bill is going to be twice as much
2 as my utility bill. And many times when I come down
3 here on the weekends the water has so much chlorine in
4 it, it burns my eyes. I never drink the water. I have
5 to filter the water. I still do not drink the water.
6 We buy water or haul water from Tallahassee down here to
7 drink.

8 And I don't mind an increase, but I think the
9 increase that they are asking for is unreasonable. And
10 when the market comes back up, if things don't change,
11 we will have to sell our property, and I will have to go
12 to Alabama to retire. Thank you.

13 **COMMISSIONER SKOP:** Thank you, Ms. Laws.

14 Mr. Kelly, next witness.

15 **MR. KELLY:** The next speaker is Mr. Mason
16 Bean.

17 **MASON BEAN**

18 appeared as a witness and, swearing to tell the truth,
19 testified as follows:

20 **DIRECT STATEMENT**

21 **MR. BEAN:** Welcome to St. George. Thank you,
22 Commissioners, for coming down here. Somebody said that
23 they have never seen so many ties in this building
24 before. (Laughter.) There may be a record. But we
25 would to give you -- the normal St. George Island

1 welcome would be beer and oysters, but I'm sure we can't
2 do that tonight.

3 **COMMISSIONER GRAHAM:** Yes, you can.

4 **COMMISSIONER SKOP:** Yes, you can.

5 **MR. BEAN:** Maybe Mr. Brown can later, I'm not
6 sure. (Laughter.) But what is important is we have a
7 small town, and we love this small town charm. And we
8 have no complaints with Nita and Hank Garrett. I'll
9 tell you what, they give the customers service bar none,
10 24/7, no doubt about it. So no complaints with what you
11 call the boots on the ground.

12 I just sketched out a couple of talking
13 points, and since you don't limit us, I'll be happy to
14 just raise some comments, and I don't mind being
15 challenged, too. And we understand rate increases and
16 the need for costs, but we just think this present
17 increase is just outrageous.

18 One is I would like to ask about the hydrants.
19 I was fire chief. I came here in 1977. Gene Brown, I
20 think, started putting in pipe in 1975.

21 **MS. BROWN:** '74.

22 **MR. BEAN:** So we had a battle with the water
23 company and our fire hydrants. They probably needed
24 some engineering way back because the lines went from
25 six inch to two inch back to four inch, and they were a

1 mess. But I will tell you that the fire department paid
2 for the fire hydrants.

3 We started -- now, there probably were a few
4 hydrants, and I don't know the specifics, forgive me,
5 but I know we were putting in five or six a year and we
6 did that for ten years. Now, it was true that once we
7 tied into the -- we paid for their labor -- tied into
8 the water company they were theirs, but we still did the
9 annual inspections and made those reports.

10 Presently, the St. George Island Homeowners
11 Association, the Plantation has contracted almost
12 \$100,000 to put in fire hydrants. So I'm not sure the
13 water utility is bearing that cost. For the capital
14 improvements and everything else, you would think if
15 they need it, like any business, you would charge a
16 special assessment and get those done and then the rates
17 would go back down. But it seems like when they do
18 that, the rates just stay up. They never come down.

19 And also I don't know if being a private
20 utility, if he doesn't go to bid. Normally with a
21 municipality or another co-op you have to get three
22 bids. Gene can do that. He can be his own construction
23 company, and I'm not sure how fair that is to us as
24 consumers, either. That's just a question.

25 And the rumors had it now, the rumors have it

1 that -- and I know you are not going to base your
2 judgment on rumors, but we still have to get it out in
3 the open that Mr. Brown got shot down with his sewer
4 rate, and he spent a lot of money investing in the sewer
5 plant on St. George, and he just wants to get back to
6 the homeowners here, so I don't know if that's true or
7 not. We hope that's not true.

8 And the other rumor is, you know, owning a
9 company for 30 years without having any equity, and that
10 is odd. I mean, we just need to invest. When there was
11 another rate increase, probably about five or six years
12 ago, they wanted to put in booster pumps and redo the
13 lines, and it seems like there was a million dollars
14 left over from the bridge construction and putting in
15 the new pipe with the new bridge. So I don't know if
16 those improvements were ever made or those upgrades ever
17 done, but it seemed like there was money left over for
18 that. And even though the rates went up, there again,
19 they never came back down once those were met.

20 At that time we met -- a group of us met with
21 the Eastpoint Water and Sewer District, and they told us
22 a couple of things. They would come over here and they
23 would run new lines in a heart beat. Mr. Brown has the
24 exclusive franchise over here and nobody can compete.
25 But they told us one thing that was very profound. They

1 said you make money off water. You don't make money off
2 sewer, but you make money off water.

3 So that's it. I just hope you oppose this.
4 Now, I have -- somewhere I have a letter that was
5 written from the board of director from our St. George
6 Island Civic Club, and maybe I have to come back for it.
7 I'm sorry, I don't know where it is. Thank you.

8 **COMMISSIONER SKOP:** Thank you. I appreciate
9 it.

10 Mr. Kelly.

11 **MR. KELLY:** Thomas Day.

12 **THOMAS R. DAY**

13 appeared as a witness and, swearing to tell the truth,
14 testified as follows:

15 **DIRECT STATEMENT**

16 **MR. DAY:** My name is Thomas Day. The first
17 thing I want to say to you people is that I have been
18 going with Mr. -- well, I guess for maybe 20 years. I
19 was one of the first persons here up at the end of the
20 Island. And I had my first in that first house, my pipe
21 went from the road all the way to the house like this,
22 and you couldn't put your hand in it, and it was that
23 way for almost a year. Then after that we had a lot of
24 things going together, and my best buddy here is not
25 here because she is not here, but when she were we

1 probably went through -- to do this, what we wound up
2 with is we found, first of all, that Mr. Brown lost all
3 of his books. He could not have any books. Which we
4 had at that time -- the books that he lost, he is
5 supposed to be able not to up the thing, but he did.
6 The lady that said -- who put her name on it is the one
7 that said you can go ahead and do it, so she did.

8 So we have had a lot of problems with Mr. -- I
9 have with him. But I want to understand how much money
10 goes to him for this thing. How much time does he use
11 of his use for what happens with this company. I don't
12 think that he does very much with the company. I don't
13 know how many times he's here, but I don't think he does
14 anything here to do it, because Hank is the one that
15 runs it, and Nita is the other.

16 And if those two are the only two people,
17 maybe somebody else at times, but I don't think that he
18 does not make anything that makes money for us or him,
19 but his money goes to him instead of for us.

20 But in addition to that, we probably have 200,
21 300, 400 houses on this island are now empty. Now, we
22 can't do anything about that, but it's happening and
23 it's going to happen. So you may have to just move
24 things down. It's like with a grocery store. If your
25 shelves aren't filled, then you can't go buy them, and

1 the people that don't have any money can't go buy them,
2 either. And this is what is happening to some of ours.

3 So I think what we have, we already have a
4 good thing now. I do have some other things to say, but
5 some are I have some friends that the water kills the
6 people's flowers. And that's what the lady said,
7 because they do. And I'm right before the new thing,
8 the new place, or what you would call it, whatever they
9 put in the more -- anyway. Anyway, we're on this end.
10 The other end that we have a lot of people that lose a
11 lot of it and it is not good to drink. So that's all I
12 have got to say.

13 **COMMISSIONER SKOP:** Thank you, Mr. Day.

14 Mr. Kelly?

15 **MR. KELLY:** Mr. David Allen.

16 Mr. Chair, I don't think he has been sworn.

17 **COMMISSIONER SKOP:** Mr. Allen, have you been
18 previously sworn?

19 **MR. ALLEN:** No.

20 **COMMISSIONER SKOP:** All right. Let me do that
21 real quick.

22 (Witness sworn.)

23 **DAVID ALLEN**

24 appeared as a witness and, swearing to tell the truth,
25 testified as follows:

DIRECT STATEMENT

1
2 **MR. ALLEN:** First of all, I'd like to welcome
3 you to the Island. We appreciate you coming. I want to
4 say right away that I certainly am not opposed to
5 capitalism and Mr. Brown making a profit. I have no
6 objection whatsoever. However, I'd like to point out
7 that we already pay a fairly high price for the water
8 that we get here. The quality of the water certainly is
9 an issue. We have some items which I don't know whether
10 Mr. Brown has any control over or not, mainly mineral
11 content, and the way the water tastes and smell are not
12 as good as they are in some other areas I've lived.

13 My wife won't drink the water without it being
14 filtered. I noticed none of you are drinking tap water.
15 But I'll point out that the water is already not cheap,
16 so we come to the issue of the wells. I got a real
17 education in wells when the county came around and told
18 me that my well for my irrigation system was too close
19 to the septic system. And in going through the process,
20 I found out that not only was my well too close to the
21 septic system, but that the person who put it in had not
22 permitted it.

23 And when I started trying to get my permit, I
24 found out that anytime you went to get a permit for a
25 well on St. George Island, Mr. Brown opposed it.

1 Somehow or other mine slipped through the crack and I
2 was issued a permit.

3 In the process of doing this, the North
4 Florida Water Management District contacted me and asked
5 if I would be willing to have some tests performed on my
6 property, which I agreed to. So they came out, and this
7 is the study of the aquifer that resulted in the North
8 Florida Water Management District allowing shallow wells
9 on St. George Island.

10 And to get to the point of all this, my
11 question is it was stated by the attorney that wells
12 have made a significant difference in the revenues for
13 Mr. Brown's company. As far as I know, I am only the
14 one that has gone and had a well permitted and added an
15 additional well or replaced a well that was closed. I
16 don't -- I haven't heard any of my friends. They have
17 all said -- I know one friend, there well was capped,
18 and they didn't bother to put a new well in, because
19 unlike what they said, \$100 to put the well in, that is
20 incorrect. My well cost \$1,500 to cap the old well and
21 put the new well in. So to say that people are running
22 out and putting wells in all over the place, I'm not
23 sure that's true, and I think you should take a look and
24 find out if that has really had an effect on Mr. Brown's
25 revenues.

1 The last issue is, you know, water quality.
2 And while water is certainly safe to drink and there is
3 no problems with drinking it, there is a great deal of
4 chlorine in the water. As I mentioned before, it's not
5 as tasty as water in other regions. A lot of people on
6 the island won't drink it. The mineral content is very
7 high. We have problems with toilets that have lime
8 deposits all over them that you have to work very hard
9 to keep off. So keeping all of this in mind, like I
10 said, I'm not completely opposed to a rate increase. I
11 know that times are tough for everyone. But keep in
12 mind, too, that people like myself who are retired and
13 do not have an unlimited income, an increase, especially
14 at the level that is being asked for, the percentage
15 increase is enormous. And's is a decrease in my income,
16 and that decrease in income is a decrease in my standard
17 of living because my income is fixed now.

18 So for those of us on the Island, there are
19 quite a few of us that are retired. It may not sound --
20 you know, \$40 a month may not sound like a lot, or \$100
21 a month even, but that's \$100 a month that we don't have
22 for something else.

23 Thank you for your time; and thank you, Mr.
24 Brown, for being here to hear all this.

25 **MR. BROWN:** Thank you, sir.

1 **COMMISSIONER SKOP:** Thanks, Mr. Allen.

2 **MR. KELLY:** Richard Saucer.

3 **COMMISSIONER SKOP:** Mr. Saucer, if you would
4 come down and -- have you been previously sworn?

5 **MR. SAUCER:** No, I haven't.

6 **COMMISSIONER SKOP:** Okay.

7 (Witness sworn.)

8 **COMMISSIONER SKOP:** Thank you.

9 **RICHARD SAUCER**

10 appeared as a witness and, swearing to tell the truth,
11 testified as follows:

12 **DIRECT STATEMENT**

13 **MR. SAUCER:** How are you doing this evening?
14 I welcome to you, too, to St. George Island. I don't
15 have much to the say.

16 **COMMISSIONER GRAHAM:** Sir, you're going to
17 have to speak into the mike.

18 **MR. SAUCER:** Okay. I don't have a lot to say,
19 but there is one issue that a lot of people are missing.
20 Do you know that I know personally at least 15 to
21 20 people that leave this Island and go somewhere for
22 the summer and they get billed \$32 a month without using
23 one drop of water. And I don't know how many more there
24 are out there, but I would say there is a lot of homes,
25 there's probably over 100 homes on this island that

1 people leave for at least four months and don't use one
2 drop of water and they are charged \$32. And that's a
3 very important issue because it is a big issue.

4 The other thing is about the wells. I'm going
5 to talk about somebody that we all know just passed
6 away. Her name was Penny Angel. When I met Penny
7 Angel, she used to water her yard all the time. You
8 would come by and she would be out there watering her
9 yard, watering her yard. And she told me one time, she
10 said, "I don't understand why these people don't water
11 their yards and keep their yards nice. She said water
12 is cheap." And I went, "Do what, water is cheap?" She
13 said, "Yes, it's cheap. Gosh, my bill is the same, \$32
14 every month. I just water, and water, and water." I
15 said, "Penny, something is wrong with your meter."

16 And I tell you what, about a year later they
17 found out her meter was broke because the same bill was
18 coming in every month. And I tell you what, Penny Angel
19 stopped watering her yard. (Laughter.)

20 **COMMISSIONER SKOP:** Thank you, Mr. Saucer.

21 Mr. Kelly.

22 **MR. KELLY:** Graham Armistead.

23 **COMMISSIONER SKOP:** All right. Mr. Armistead
24 and any others who have signed up to speak, do we have
25 additional names, Mr. Kelly, so I can swear them in all

1 at once.

2 **MR. KELLY:** That's the last one.

3 **COMMISSIONER SKOP:** All right. If I could
4 just ask both of you to stand and raise your right hand.

5 **MR. ARMISTEAD:** I've already been sworn in and
6 sworn at.

7 **COMMISSIONER SKOP:** All right. Well, actually
8 we have got three more. So let me do this real quick.

9 (Witnesses sworn.)

10 **COMMISSIONER SKOP:** Thank you.

11 **GRAHAM ARMISTEAD**

12 appeared as a witness and, swearing to tell the truth,
13 testified as follows:

14 **DIRECT STATEMENT**

15 **MR. ARMISTEAD:** First of all, I want to thank
16 you and everybody involved with this meeting for being
17 here, including the guests and everything like this.
18 The owner and stuff like this. I'm Graham Armistead. I
19 have a parcel on 924 West Gorrie Drive. It's the old
20 original homeplace of the family.

21 I was here this morning, and I got jumped by
22 two or three other people who said, "Armistead, you're
23 not going say anything?" And I said, "No, my brother is
24 here," and I said, "I really don't know enough about
25 this to say, to qualify."

1 Now, first of all, if I may turn my back on
2 y'all for a minute, everything outside of the water
3 killing the flowers was mentioned this morning, so you
4 have got good coverage, everything on all the subject,
5 because I was watching this and listening to the people
6 and stuff like this. Now, I'm up here more or less as
7 a -- I asked to be one of the last. It is imperative.
8 Most of us -- I qualify myself in this. I do not know
9 enough to make a judgment. You do. I'm asking you -- I
10 saw enough flack thrown up this morning, the doubts, the
11 innuendos and stuff like this is to please investigate
12 this. We are depending on you to find a suitable
13 solution to this gentleman's problem.

14 I have no problem with this, but if there is a
15 problem, I would like very much for you all to look at
16 it, address it, and bring it back, because we are in the
17 dark. The only thing we know is we see this and say,
18 "Oh, my Lord. Medic." You know, and it's not right.
19 Something is wrong. I don't know what's wrong. I don't
20 know if it is -- now, the associates with the company
21 are fine. You heard that this morning over and over and
22 over and over.

23 The general quality of the water. Now, being
24 that I live in Sumatra, I have a home over here, you
25 know, I don't know what good quality really is. I mean,

1 yeah, it takes a little chlorine, but at least they are
2 putting some chlorine in it. I'm not getting tadpoles
3 out of the thing, not yet. A little bit of seashells,
4 but no tadpoles. No, I'm trying to lighten it up and
5 I'm trying to thank you, I really am. I'm trying to
6 thank you because you heard this thing, redundant,
7 redundant, redundant.

8 Now, evidently we think coming from so many
9 different sources that there is possibly a gray area in
10 that there we can't find the bottom to it. This is what
11 I'm asking you to do. I'm not going to pick out any
12 particular situations or anything. You know it. This
13 lady here is copying it down on this, the other one this
14 morning was copying down on this. I see people have
15 been writing notes and stuff like this, and you know
16 yourself from this morning that it has been practically
17 the same thing. That is the reason why I decided to
18 come back tonight, because if you don't voice yourself,
19 even though your opinion may be wrong, and you may
20 disagree with me 100 percent, then how can I fuss about
21 anything. You know, you have got to have enough
22 interest and drive.

23 And I want to thank you and the rest of you
24 for doing this. Because you are in our behalf, just
25 like this gentleman is. He threw up enough flack this

1 morning. I said whoa, I ain't saying nothing to nobody
2 and thought about it because right then and there there
3 was an indication that something is wrong. You say,
4 yes, we have a building program. Here it is here. This
5 is what it is going to cost here. The engineer is here,
6 this is here, this is here, this is here. This is
7 business.

8 But now, when you can't come up with any
9 solutions, how can you make a good judgment how much to
10 issue the increase. I have no problems with life going
11 on, everything goes on. I mean, your salary is probably
12 higher than that when you started out. That's life.
13 But we want the most bang out of the buck. That's all
14 I'm asking for, and I don't know if I am speaking for
15 the rest of them or not.

16 God bless, y'all take care, and be with you in
17 your judgment. Thank you.

18 **COMMISSIONER SKOP:** Thank you, Mr. Armistead.
19 Mr. Kelly.

20 **MR. KELLY:** Mr. William Sanders.

21 **WILLIAM SANDERS**

22 appeared as a witness and, swearing to tell the truth,
23 testified as follows:

24 **DIRECT STATEMENT**

25 **MR. SANDERS:** I'd like to thank you all for

1 the opportunity to speak tonight. I would kind of like
2 to address the capital improvements that are being
3 proposed. I was here when the water company installed
4 the elevated tank that they have, and that was the
5 ugliest, rustiest, used piece of equipment that I have
6 ever seen in my life when they hauled that thing in
7 here. So I think it seems to me like in regards to
8 capital improvements that Mr. Brown seems to want to
9 charge us for champagne while he's making us drink beer.
10 So if you could just please keep an eye on whatever
11 capital improvements that he's trying to force down our
12 throats. If the past is any indication, the
13 follow-through isn't exactly there. Thank you.

14 **COMMISSIONER SKOP:** Thank you. Mr. Kelly.

15 **MR. KELLY:** Eric Madinger. I hope I
16 pronounced that correctly.

17 **ERIC MADINGER**

18 appeared as a witness and, swearing to tell the truth,
19 testified as follows:

20 **DIRECT STATEMENT**

21 **MR. MADINGER:** Hello. How are you all today?
22 Pretty basic and simple. Everything from federal,
23 state, and local taxes, property taxes, insurance for
24 the past five years or so has been on a steady increase.
25 And for my business, particularly my business has been

1 decreasing for the last five years. So everything is up
2 except my income, and I was just wondering, you know,
3 and there is no end in sight for all of this, that how
4 much more can we take? And if he needs an increase,
5 that's fine, but let's try to be fair about it and
6 balanced and work with us. Thank you.

7 **COMMISSIONER SKOP:** Thank you.

8 **MR. KELLY:** And I apologize. I know I'm going
9 to mess this last name up. Jessie Muecke.

10 **JESSIE MUECKE**

11 appeared as a witness and, swearing to tell the truth,
12 testified as follows:

13 **DIRECT STATEMENT**

14 **MS. MUECKE:** And I don't normally talk in
15 public, but there's three things I want to bring up. I
16 have lived in many, many places in Georgia, in Florida,
17 and I have never ever paid this much for water. I mean,
18 I have lived in Atlanta and never paid this much.

19 I have no problem with the services. I think
20 they do a great job as far as that is. Every time I
21 call they come and they flush or they do whatever.
22 Talking about the wells, I had no choice. I had to get
23 a well. I put in -- I love flowers, and down here we
24 have no water, so I had to have water. So after the
25 first three months my bills went up to over \$200 a

1 month, and this was ten years ago before all of this
2 went up. So I got a shallow well, which I have had to
3 stop doing now, but it was just for irrigation, because
4 they were charging over \$200 a month, and I couldn't
5 afford to pay it. And I also had to get a whole house
6 water filter because the water was so bad. And even
7 with my filter and water softener, which I paid a lot of
8 money to put in, I have water scale, I have lime and
9 everything, and I can't get rid of it. It just takes
10 forever to clean things off. And I just wanted to bring
11 those three things up.

12 **COMMISSIONER SKOP:** Thank you.

13 **MR. KELLY:** Mr. Steve Kearney.

14 **MR. KEARNEY:** Kearney, but that is close
15 enough.

16 **MR. KELLY:** Sorry.

17 **COMMISSIONER SKOP:** And, Mr. Kearney, have you
18 been previously sworn?

19 **MR. KEARNEY:** No, I have not.

20 (Witness sworn.)

21 **STEVE KEARNEY**

22 appeared as a witness and, swearing to tell the truth,
23 testified as follows:

24 **DIRECT STATEMENT**

25 **COMMISSIONER SKOP:** Thank you.

1 **MR. KEARNEY:** Just real simple. I guess
2 everything is -- I agree with most of the -- all of the
3 other comments really. We have got great service. The
4 water quality is poor. You know, maybe it can't be
5 improved, that's okay. What bothers me the most from
6 everything I have heard this morning is that apparently
7 \$1.2 million has been siphoned out of Water Management
8 to other entities under his business umbrella and we're
9 supposed to underwrite it. That is abhorrent. I just
10 can't fathom it. That and the key man insurance that is
11 going to, I guess, provide for his heirs to be paid by
12 us, that is equally abhorrent.

13 And I just -- you know, if we need \$600,000 to
14 build new stuff, drag back part of the 1.2. I see no
15 reason why it should be on the burden of all of these
16 homeowners. Thank you very much.

17 **COMMISSIONER SKOP:** Thank you.

18 **MR. KELLY:** Mr. Chair, that's it, but I
19 believe Mr. Bean found the letter that he wants to
20 insert into the record.

21 **COMMISSIONER SKOP:** All right. That will be
22 marked for identification as Exhibit 83.

23 **MR. BEAN:** Thanks. Do I need to read this, or
24 is --

25 **COMMISSIONER SKOP:** You can read it.

1 **MR. BEAN:** This is from the St. George Island
2 Civic Club Board of Directors addressed to you guys.

3 The St. George Island Civic Club has been
4 active on St. George Island since 1972. We have 231
5 members who are very active and volunteers in almost
6 every Island aspect. Our club has been recognized in
7 the past by the Governor as one of Florida's most
8 outstanding communities, and because of this support for
9 our community services, activities and other services.

10 The requested rate increases, if approved by
11 you, will increase the water cost from 30 to 50 percent.
12 Island residents cannot afford such an increase at this
13 time when the local economy is in distress due to the
14 severity of the national economic recession. Many
15 Island residents are retired and on fixed incomes.

16 According to the Multiple Listing Service,
17 since January 2010, our economic situation looks like
18 this: We have had 40 homes and condos that have sold,
19 18 have either been bank owned or short sales. This is
20 55 percent of the market. Fifteen lots have sold, eight
21 being bank owned or short sales, 53 percent of the
22 market. Presently there is a total of 220 homes or
23 condos and lots for sale, which 93 are bank owned or
24 short sales, which is 30 percent of the market.

25 Our club members are well aware that from time

1 to time water rates must be increased due to economic
2 reasons, but at this date and time we cannot understand
3 the justification for such drastic increases. Instead
4 of raising water rates, perhaps it's time to take a hard
5 look at Water Management Services' budget with an eye on
6 increased efficiency to reduce costs. We are sure there
7 are areas where reductions can and should be made
8 through consolidations without affecting service.

9 Is there a need to have two Water Management
10 Services offices located 70 miles apart? Unless Water
11 Management Services has more than one water company,
12 which they do not, all the offices should be here on the
13 Island where the business and the customers are located.

14 We ask that you keep the water rates at their
15 present level, and if possible recommend areas where the
16 water department budget can be reduced with all the
17 savings of those being passed along to the consumer with
18 a reduction in rates. During this economic downturn we
19 are all suffering and must learn to live on less. We
20 find it illogical to understand why Water Management
21 Services should not do the same.

22 Please do not foist these unrealistic rate
23 increases onto an already suffering Island residents.
24 Thank you. And this signed St. George Island Civic Club
25 Board of Directors.

1 **COMMISSIONER SKOP:** Thank you, Mr. Bean.

2 And that exhibit has been marked for
3 identification as Exhibit 83, with a short title SGI
4 Civic Club Letter.

5 (Exhibit 83 marked for identification.)

6 **MR. KELLY:** Mr. Chairman, we have one more
7 speaker. Mr. Rick Harlan.

8 **COMMISSIONER SKOP:** Mr. Harlan, have you been
9 previously sworn?

10 **MR. HARRIS:** Oh no.

11 (Witness sworn.)

12 **COMMISSIONER SKOP:** Thank you.

13 **RICK HARLAN**

14 appeared as a witness and, swearing to tell the truth,
15 testified as follows:

16 **DIRECT STATEMENT**

17 **MR. HARLAN:** I came here in '91 from
18 Cleveland, Ohio. When we got here, we bought a lot, and
19 I was amazed that the water company was owned by a
20 private individual and the amount of money per gallon.
21 We built a house and the house sits 400 feet from the
22 road. I dug that by hand. To get the water hooked up,
23 I think it was \$1,500 we spent. As other people have
24 said, if you don't use the water you are still paying
25 money. What the heck?

1 I've got an electric meter. I don't think
2 that is how it works. I've got telephone. I don't
3 think that's how it works. Now, what they are doing
4 might be legal, but -- I don't drink the water. We pay
5 to have Crystal water delivered. I grow a lot of
6 plants, as some people here know. A lot of plants. I
7 have tried to put wells in twice. The last one had four
8 points. I couldn't get enough out of it.

9 I hear \$1,500 will get me a well. I think I
10 might do that, and I think I might think about just
11 sawing the meter off. What do I need their water for if
12 I have got a well to flush my toilet? I know enough not
13 to drink it. I'm confused.

14 And I understand since I have come here that
15 Mr. Brown is guaranteed 10 percent profit every year.
16 We paid through the nose to have the bridge and new pipe
17 brought in. He didn't want to spread it out into the
18 future. He wanted his money straight up, and it seems
19 like he wants it straight up now, too. That ain't
20 right.

21 **COMMISSIONER SKOP:** Thank you.

22 Are there any other members in the audience
23 that would like to speak this everything? Okay.
24 Hearing none. I'd like to thank everyone for taking
25 time out of your busy schedule to attend the hearing

1 tonight, and your testimony and comments have been very
2 helpful, and we appreciate you assisting us in this
3 proceeding.

4 If you have any additional questions, please
5 feel free to discuss them with our staff as you leave
6 this evening, and they are here to assist you in that
7 regard. At this point, this concludes the customer
8 service portion of the hearing, and we will reconvene
9 for the technical portion of the hearing at 9:30
10 tomorrow morning.

11 So, with that, we stand adjourned. Thank you.

12 (The service hearing concluded at 7:00 p.m.)
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STATE OF FLORIDA)

 :

COUNTY OF LEON)


CERTIFICATE OF REPORTER

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 14th day of October, 2010.



JANE FAUROT, RPR
Official FPSC Hearings Reporter
(850) 413-6732


1 STATE OF FLORIDA)
 2 : CERTIFICATE OF REPORTER
 3 COUNTY OF LEON)

4 I, LINDA BOLES, RPR, CRR, Official Commission
 5 Reporter, do hereby certify that the foregoing
 6 proceeding was heard at the time and place herein
 7 stated.

8 IT IS FURTHER CERTIFIED that I stenographically
 9 reported the said proceedings; that the same has been
 10 transcribed under my direct supervision; and that this
 11 transcript constitutes a true transcription of my notes
 12 of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
 14 employee, attorney or counsel of any of the parties,
 15 nor am I a relative or employee of any of the parties'
 16 attorneys or counsel connected with the action, nor am
 17 I financially interested in the action.

18 DATED THIS 14th day of October
 19 2010.

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 23
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 LINDA BOLES, RPR, CRR
 FPSC Official Commission Reporter
 (850) 413-6734