

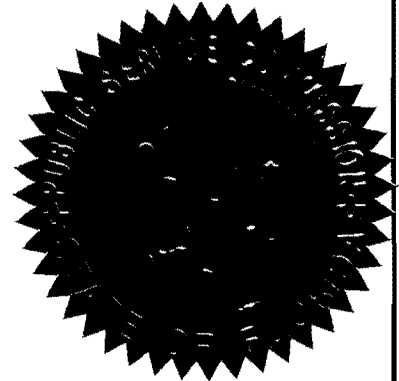
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 080121-WS

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In the Matter of:

APPLICATION FOR INCREASE IN WATER AND
WASTEWATER RATES IN ALACHUA, BREVARD,
DESOTO, HIGHLANDS, LAKE, LEE, MARION,
ORANGE, PALM BEACH, PASCO, POLK, PUTNAM,
SEMINOLE, SUMTER, VOLUSIA, AND WASHINGTON
COUNTIES BY AQUA UTILITIES FLORIDA, INC.



VOLUME 4

Pages 362 through 539

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THE OFFICIAL TRANSCRIPT OF THE HEARING,
THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN MATTHEW M. CARTER, II
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER KATRINA J. McMURRIAN
COMMISSIONER NANCY ARGENZIANO
COMMISSIONER NATHAN A. SKOP

DATE: Tuesday, December 9, 2008

TIME: Commenced at 9:38 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

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

APPEARANCES: (As heretofore noted.)

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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I N D E X

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CHAIRMAN CARTER: Good morning to one and all. We are back on the record and we call our hearing back to order. Yesterday when we adjourned we were getting ready to go -- Mr. May, will you call your next witness, please?

MR. MAY: Thank you, Mr. Chairman. Aqua Utilities Florida would call Robert Griffin.

CHAIRMAN CARTER: We had -- Mr. May, and also to Mr. Beck, Mr. Reilly, yesterday we swore in the witnesses as a group. So just kind of remind me if we have any witnesses today that had not been sworn in before we go and we'll take care of that. All right?

ROBERT M. GRIFFIN

was called as a witness on behalf of Aqua Utilities Florida, Inc., and, having been duly sworn, testified as follows:

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

BY MR. MAY:

Q Good morning, Mr. Griffin.

A Good morning.

Q Have you previously been sworn in this proceeding?

A Yes, I have.

Q Would you please state your name and business address for the record?

A Yes. My name is Robert Griffin. Business address, 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010.

1 Q Mr. Griffin, did you prepare and cause to be filed
2 ten pages of prefiled direct testimony in this proceeding?

3 A Yes.

4 Q Do you have any -- do you have that prefiled
5 testimony before you today?

6 A I do.

7 Q Do you have any corrections or revisions to your
8 prefiled direct testimony?

9 A No, I do not.

10 Q If I were to ask you the questions that are contained
11 in your prefiled testimony, would your answers be the same?

12 A Yes, they would.

13 MR. MAY: Okay. Mr. Chairman, I'd ask that the
14 prefiled direct testimony of Mr. Griffin be inserted into the
15 record as though read.

16 CHAIRMAN CARTER: The prefiled testimony of the
17 witness will be entered into the record as though read.

18 BY MR. MAY:

19 Q Mr. Griffin, have you attached any exhibits to your
20 prefiled testimony?

21 A I have. There are five exhibits attached to my
22 prefiled direct testimony, RMG-1 through RMG-5.

23 Q Do you have any corrections or revisions to those
24 exhibits?

25 A Yes. RMG-5 in my direct testimony was missing pages.

1 During my deposition I supplied those missing pages, a complete
2 Exhibit RMG-5 as a late-filed exhibit. And I believe that
3 late-filed exhibit is also part of staff's composite Exhibit 1.
4 And I don't know if it's necessary, but I believe we have extra
5 copies, if anybody would like one today.

6 MR. MAY: Mr. Chairman, I'd take the lead from you.
7 I think it's already been updated in the staff composite
8 exhibits, but we do have extra copies, courtesy copies for the
9 parties.

10 CHAIRMAN CARTER: Okay. Okay. Staff, we show in our
11 composite list the exhibits for this witness, 140 through 144;
12 right?

13 MS. KLANCKE: Chairman, please note that the
14 deposition transcript and late-filed deposition Exhibits
15 Numbers 1 through 8 are listed in Tab 33 of staff's composite
16 exhibit list.

17 CHAIRMAN CARTER: Tab 33?

18 MS. KLANCKE: And his, his RMG-1 through RMG-5 are
19 listed as hearing Exhibit Numbers 73 through 77.

20 CHAIRMAN CARTER: 73 through 77. Oh, I was on the
21 rebuttal, wasn't I? 140 through 144 is rebuttal. 73 through
22 77?

23 MS. KLANCKE: Yes, sir.

24 CHAIRMAN CARTER: Okay. We'll play it by ear. We'll
25 refer to the different exhibits and all like that, so make sure

1 that we're all on the same page. You may proceed.

2 MR. MAY: Thank you, Mr. Chairman.

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **AQUA UTILITIES FLORIDA, INC.**

3 **DIRECT TESTIMONY OF ROBERT M. GRIFFIN**

4 **DOCKET NO. 080121-WS**

5

6 **Q. Please state your name and business address.**

7 A. My name is Robert M. Griffin. My business address is 762 W. Lancaster Avenue,
8 Bryn Mawr, Pennsylvania 19010.

9 **Q. By whom are you employed and what is your position?**

10 A. I am employed by Aqua Pennsylvania, Inc. as Senior Manager of Regulatory
11 Accounting. Aqua Pennsylvania, Inc. is a subsidiary of the parent company Aqua
12 America, Inc., ("Aqua America"), a Pennsylvania corporation, which is also the
13 parent company of Aqua Utilities Florida, Inc. ("AUF" or "Company").

14 **Q. Have you worked on rate filings prior to this case?**

15 A. Yes. I have been an accounting witness for Aqua America, Inc. for the past
16 twenty-two years. In that job, I have been responsible for exhibits and testimony
17 on revenue, expenses, rate base, and rate design principally in Pennsylvania. I have
18 also previously filed testimony in Missouri and Florida.

19 **Q. Please describe your educational background and professional experience.**

20 A. I hold a Bachelor of Science degree in Accounting from Villanova University and a
21 Master of Business Administration degree from Philadelphia University. I have
22 been employed by Aqua Pennsylvania for 41 years during which time I have
23 worked in various capacities in the Accounting Department.

1 **Q. Are you involved in any outside professional activities?**

2 A. Yes. I am currently a member of the Rates and Revenue Committee of the National
3 Association of Water Companies (Pennsylvania Chapter) and a former member of
4 the Accounting Committee of that organization. I also worked for Community
5 Accountants, a volunteer organization assisting non-profit organizations with
6 accounting needs.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to (1) describe the manner in which the rate base in
9 the AUF rate filing was compiled and set forth in the Minimum Filing
10 Requirements ("MFRs") that I am sponsoring, (2) address the resolution of the June
11 1, 2007 Rate Base Audit Findings in Docket No. 060368-WS, (3) describe the intra-
12 Florida plant allocations to every water and wastewater system, (4) identify and
13 describe all Company pro-forma rate base adjustments, and (5) describe the
14 Company's requested level of cash working capital in this rate filing with the
15 Florida Public Service Commission ("Commission").

16 **Q. Are you sponsoring any exhibits in this case?**

17 A. Yes. I am sponsoring Composite Exhibit RMG-1 which consists of Attachments
18 RMG-1 through RMG-5, which are attached to my testimony. Attachment
19 RMG-1 is a listing of the AUF water and wastewater systems that are included in
20 this filing. Attachment RMG-2 is a schedule showing previous Commission Staff
21 rate base adjustments that were recorded on the Company's books in December
22 2007. Attachment RMG-3 is a reconciliation of the December 31, 2007 rate base
23 balances to the 2007 Annual Reports to the Commission. Attachment RMG-4 is a

1 listing of the computer equipment residing in an AUF Administrative location that
 2 has been allocated to all Florida locations in this rate filing. Attachment RMG-5
 3 is a listing of all pro-forma plant adjustments.

4 **Q. Were these exhibits prepared by you or under your direction and
 5 supervision?**

6 A. Yes, they were.

7 **Q. In connection with your responsibilities with AUF, are you the sponsor of
 8 any of the schedules from the MFRs?**

9 A. Yes. The table shown below lists all of the schedules that I am sponsoring in
 10 Volume I of the MFRs.

11	<u>MFR Title</u>	<u>MFR Number</u>	<u>Other Sponsoring Witness</u>
12	Rate Base-Water	A-1	John Guastella
13	Rate Base-Sewer	A-2	John Guastella
14	Adjustments to Rate Base	A-3	John Guastella
15	Annual Plant Adds & Balances	A-4	
16	Water Plant In Service by Primary Account	A-5	John Guastella
17	Sewer Plant In Service by Primary Account	A-6	John Guastella
18	Annual Accum. Depr. Adds & Balances	A-8	
19	Water Accum. Depr. by Primary Account	A-9	John Guastella
20	Sewer Accum. Depr. by Primary Account	A-10	John Guastella
21	Annual CIAC Adds & Balances	A-11	
22	CIAC by Classification	A-12	John Guastella
23	Annual Accum. Amort. of CIAC	A-13	

	<u>MFR Title</u>	<u>MFR Number</u>	<u>Other Sponsoring Witness</u>
1			
2	Accum. Amort. of CIAC by Classification	A-14	John Guastella
3	Schedule of AFUDC Rates Used	A-15	
4	Annual Advances for Constr. Adds & Balances	A-16	
5	Calculation of Working Capital Allowance	A-17	
6	Net Depr. Expense-Water	B-13	John Guastella
7	Net Depr. Expense-Sewer	B-14	John Guastella
8	Schedule of Rate Base-Interim Rates	G-2	John Guastella
9	Schedule of Adjs. to Rate Base-Interim	G-3	

10 **Q. Please list the water and wastewater locations that are included in the rate**
11 **filings under this Docket?**

12 A. There are a total of 57 water and 25 wastewater systems included in the filing.
13 Since water and wastewater systems are combined in the MFRs, there will be a
14 total of 59 MFR packages, consisting of 34 water-only, 23 water and wastewater,
15 and 2 wastewater-only systems. A listing of the water and wastewater locations
16 included in this filing is attached as Attachment RMG-1.

17 **Resolution of 6/1/07 Rate Base Audit Findings in Docket No. 060368-WS**

18 **Q. Did AUF record the Jasmine Lakes reclassification as set forth in Audit**
19 **Finding No. 1?**

20 A. Yes. The \$1,172,514 balance in Account 304 was transferred to Account 354 in
21 December 2007. In addition, the \$100,695 of accumulated depreciation to-date was
22 also reclassified from the water account to the wastewater account in December
23 2007.

1 **Q. Did AUF provide the original cost studies for the Village Water water and**
2 **wastewater systems and the Rosalie Oaks water and wastewater systems to the**
3 **Commission in accordance with Audit Finding No. 2?**

4 A. Yes. All four original cost studies were provided on or before June 30, 2007. In all
5 four cases, the depreciated original cost from the studies exceeded the as-booked
6 amounts. AUF decided not to record the higher amounts, which would necessitate
7 the booking of an acquisition adjustment.

8 **Q. Did AUF record the rate base adjustments ordered by the Commission and set**
9 **forth in Audit Finding No. 3?**

10 A. Yes. The aforementioned rate base adjustments were booked in December 2007.
11 Some plant account reclassifications were made to the December 2007 journal
12 entry in March 2008 and April 2008 to correct the original entry (see Attachment
13 RMG-2). Those reclassifications were pushed back to December 2007 for purposes
14 of the 2007 Annual Report to the Commission. For rate case purposes, all of the
15 Commission-Ordered rate base adjustments discussed above were pushed back to
16 December 2006 so that the depreciation expense for the historic test year could
17 reflect pro-forma depreciation expense on those elements.

18 **Q. Audit Findings No. 4 and 5 refer to projected plant retirements. Is there still**
19 **an issue with the projected versus actual plant retirements?**

20 A. No. The Oakwood plant retirement has been corrected. The proposed 2006 plant
21 retirements from AUF rate case at Docket No. 060368-WS are no longer an issue.

1 **Q. Audit Finding No. 6 suggests that the allocation of costs related to a corporate**
2 **name change should be booked as an acquisition adjustment. Has this change**
3 **been made?**

4 A. When the Company changed its corporate name to Aqua America and the
5 subsidiary name to Aqua Utilities Florida Inc., it incurred costs to change the
6 signage on buildings and vehicles and to alert its customers of the name change
7 through letters and newspaper notices. It was important to both the Company and
8 to its customers that the customers understand the name on their next water bill.
9 The Company believes that, unlike the Cypress Lakes Utilities case that was cited
10 in the Audit Finding, the cost in question is both tangible and permanently attached
11 to AUF buildings and vehicles and therefore should be allowed.

12 **Q. Audit Finding No. 7 refers to utility plant in service projections. Please discuss**
13 **the relevance of this finding.**

14 A. The finding is not relevant in this case because the Company is using 2007
15 historical test year numbers.

16 **Q. Audit Finding No. 8 pertains to items identified by Staff as charges that should**
17 **have been charged to Repairs and Maintenance and not to Capital. Has the**
18 **Company taken any action regarding these items?**

19 A. No. AUF disputed this finding in its response to the Audit Findings and provided
20 further information on each of the disputed charges in response to the Audit Report.
21 The information provided in the Company's response demonstrates that these items
22 should be capitalized and not expensed.

- 1 **Q. Audit Findings No. 9 and 10 refer to 2007 capital budget projections in rate**
2 **base in AUF's rate case at Docket No. 060368-WS. Please discuss the**
3 **relevance of these findings.**
- 4 **A.** These findings are not relevant in this case because the Company is using 2007
5 historical test year numbers.. The duplicate Sunny Hills capital addition was
6 corrected in the last rate case and is no longer an issue.
- 7 **Q. Audit Findings No. 11 and 12 pertain to ASI and FWS locations where the**
8 **Commission rates were not utilized in the MFRs for 2005. How has the**
9 **Company addressed this issue?**
- 10 **A.** The error occurred in the MFRs for the previous rate filing and not on the books of
11 the Company. In AUF's previous rate case at Docket No. 060368-WS,
12 depreciation expense was recalculated for 2005 and 2006 in the MFRs. In this case,
13 the Company has utilized the correct Commission rates for all depreciation expense
14 calculations.
- 15 **Q. Audit Finding No. 13 states that for the Florida Water Services Corporation**
16 **("FWSC") systems there is a \$10,608 difference in 2005 depreciation expense**
17 **between the general ledger and the MFRs. Has the Company adjusted for this**
18 **difference?**
- 19 **A.** Yes. Corrections were made to Accumulated Depreciation in 2006.
- 20 **Q. Audit Finding No. 14 recalculated Amortization of CIAC from 2005, based on**
21 **Commission rates. Please discuss the relevance of this finding.**
- 22 **A.** The finding is not relevant in this case because the Company is using 2007 historic
23 test year numbers.

1 **Q. Audit Finding No. 15 recorded a correction to the Ocala Oaks Accumulated**
2 **Amortization of CIAC from 1989 to 2005. Has the Company adjusted for this**
3 **difference?**

4 **A. Yes. The adjustment was recorded in 2007.**

5 **Q. Audit Finding No. 16 removes projected 2007 CIAC from Village Water**
6 **Wastewater service account. Please discuss the relevance of this finding.**

7 **A. The finding is not relevant in this case because the Company is using 2007**
8 **historical test year numbers.**

9 **Reconciliation of 12/31/07 rate base balances with 2007 Annual Reports**

10 **Q. What months constitute the historic test year in this rate filing?**

11 **A. The historic test year includes the months of December 2006 through December**
12 **2007.**

13 **Q. Did the Company utilize the thirteen month averaging methodology in this**
14 **rate filing?**

15 **A. Yes. Capital additions on or before January 1, 2007 are weighted at 100% (13/13).**
16 **The January 2007 capital additions are weighted at 12/13 and so on. The December**
17 **2007 capital additions are weighted at 1/13 to derive the average rate base in this**
18 **rate filing.**

19 **Q. Did the Company reconcile its December 31, 2007 rate base balances with the**
20 **2007 Annual Reports to the Commission?**

21 **A. Yes.**

22 **Q. Were there any variances to report?**

1 A. No. Please refer to the 2007 reconciliation report that is appended to this document
2 as Attachment RMG-3.

3 **Intra-Florida allocations**

4 **Q. How does AUF account for its computer hardware and software investments?**

5 A. Most computer hardware and software are purchased centrally by Aqua America
6 and allocated to regulated and non-regulated businesses based on the number of
7 customers served. AUF accounts for its share of costs in an Administrative Florida
8 location, instead of spreading the investment down to the lowest system level. The
9 reason for doing this is for ease of retirement. For rate filing purposes, the rate base
10 located in the Administrative Florida location is allocated to all systems, based on
11 the number of customers served.

12 **Q. How much rate base from the Administrative Florida location has been
13 allocated to each water and wastewater system in this rate filing?**

14 A. Attachment RMG-4 provides a listing of the Administrative Florida location rate
15 base elements that have been allocated for purposes of this rate filing as well as the
16 allocation workpaper.

17 **Pro-forma rate base adjustments**

18 **Q. Please explain the pro-forma adjustments to rate base included in this rate
19 filing.**

20 A. The filing includes pro-forma rate base adjustments beyond December 31, 2007
21 which recognize the additional capital investment that is necessary to comply with
22 Commission rules regarding meter reading, customer complaints, and mandated by
23 Florida Department of Environmental Protection ("DEP") consent orders. Pro-

1 forma capital additions also include computer hardware and software capital
2 projects in-progress that are allocated to AUF water and wastewater systems by
3 Aqua America. Attachment RMG-5 provides a listing of all pro-forma
4 adjustments.

5 **Cash Working Capital**

6 **Q. How was cash working capital calculated in this rate filing?**

7 A. AUF utilized the balance sheet method to calculate cash working capital. There are
8 three components. The first component is current assets minus current liabilities
9 from the 2007 average balance sheet at the state level times the applicable
10 allocation percentage for individual water and wastewater systems. The second
11 component is a direct assignment of the Regulatory Asset unamortized balance in
12 those systems that have an applicable Commission order approving same. The
13 third component is a direct assignment of the Deferred Debits unamortized balance
14 in those systems where the Commission allows a multi-year amortization of
15 deferred maintenance.

16 **Q. Does that conclude your direct testimony?**

17 A. Yes, it does.

1 BY MR. MAY:

2 Q Mr. Griffin, have you prepared a summary of your
3 prefiled direct testimony?

4 A Yes, I have.

5 Q Would you provide that summary at this time?

6 A Certainly.

7 Good morning, Commissioners and staff. My name is
8 Robert Griffin. I'm the company's rate base witness in this
9 case. My direct testimony supports the company's claims in the
10 areas of utility plant, pro forma additions, accumulated
11 depreciation, contributions in aid of construction, accumulated
12 amortization of contributions in aid of construction and cash
13 working capital. I'm pleased to be here today. I really like
14 your weather in Tampa (sic.), and I stand ready to answer any
15 questions that you may have.

16 MR. MAY: Thank you, Mr. Griffin.

17 We tender Mr. Griffin for cross-examination.

18 COMMISSIONER EDGAR: Thank you.

19 Mr. Beck, any questions?

20 MR. BECK: No questions, Commissioner. Thank you.

21 COMMISSIONER EDGAR: Okay. Ms. Bradley, any
22 questions for this witness?

23 MS. BRADLEY: No questions. Thank you.

24 COMMISSIONER EDGAR: Any questions from staff for
25 this witness?

1 MS. KLANCKE: There are no questions for this witness
2 at this time.

3 COMMISSIONER EDGAR: Okay. Commissioners?

4 Mr. May.

5 MR. MAY: Commissioner Edgar, we would move the
6 Exhibits RMG-1 through RMG-5 into evidence, please. I think
7 they're listed as Exhibits Number 73 through 77 in staff's
8 Comprehensive Exhibit List.

9 COMMISSIONER EDGAR: Any objection? Seeing none, we
10 will enter Exhibits 73 through 77 into the record.

11 (Exhibits 73 through 77 admitted into the record.)

12 And the witness may be excused for the time being,
13 realizing that we will see you back again.

14 THE WITNESS: Thank you.

15 COMMISSIONER EDGAR: Thank you.

16 Mr. May, you may call your next witness.

17 MR. MAY: Thank you, ma'am. Aqua would call its
18 direct witness Mr. Stan Szczygiel to the stand.

19 STAN F. SZCZYGIEL

20 was called as a witness on behalf of Aqua Utilities Florida,
21 Inc., and, having been duly sworn, testified as follows:

22 DIRECT EXAMINATION

23 BY MR. MAY:

24 Q Good morning, Mr. Szczygiel.

25 A Good morning.

1 Q Have you previously been sworn in this proceeding?

2 A Yes, I have.

3 Q Okay. Would you please state your name and business
4 address for the record?

5 A My name is Stan Szczygiel. My business address is
6 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania.

7 Q Mr. Szczygiel, did you prepare and cause to be filed
8 15 pages of prefiled direct testimony in this proceeding?

9 A Yes, I did.

10 Q Do you have that prefiled direct testimony before you
11 today?

12 A Yes, I do.

13 Q Do you have any corrections or revisions to that
14 testimony?

15 A I have one amendment. The amendment is on Page 11,
16 Line 1, where it states "Zephyr Shores (purchased water)," it
17 should read "(purchased wastewater)." That is all.

18 Q With that correction noted, if I were to ask you the
19 questions that are contained in your prefiled direct testimony
20 today, would your answers be the same?

21 A Yes, they would.

22 MR. MAY: Mr. Chairman, I'd ask that Mr. Szczygiel's
23 direct testimony be inserted into the record as though read.

24 CHAIRMAN CARTER: The prefiled testimony of the
25 witness will be entered into the record as though read.

1 BY MR. MAY:

2 Q Mr. Szczygiel, have you attached any exhibits to your
3 prefiled direct testimony?

4 A Yes, I have. I have attached Exhibits SS-1 through
5 SS-4.

6 Q Do you have any corrections or revisions to those
7 exhibits?

8 A None.

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **AQUA UTILITIES FLORIDA, INC.**

3 **DIRECT TESTIMONY OF STAN F. SZCZYGIEL**

4 **DOCKET NO. 080121-WS**

5

6 **Q. Please state your name and business address.**

7 A. My name is Stan F. Szczygiel. My business address is 762 West Lancaster
8 Avenue, Bryn Mawr, PA 19010-3489.

9 **Q. By whom are you employed and what is your position?**

10 A. I am employed by Aqua America, Inc. ("Aqua America") as Controller for the
11 Southern region.

12 **Q. Please describe your duties and responsibilities in that position.**

13 A. I am responsible for all accounting and financial functions performed in Aqua
14 America's southern region ("Aqua South"). Aqua South includes all operations in
15 Texas, Florida, South Carolina, North Carolina and Virginia.

16 **Q. Please describe your educational background and professional experience.**

17 A. I am a graduate of Drexel University with a M.B.A. in Finance. I received my
18 undergraduate B.S. in Accounting from Arizona State University. In addition I
19 passed my CPA examination and completed my experience requirements in
20 Pennsylvania. Prior to my joining Aqua America, I held several senior financial
21 management positions including the Chief Financial Officer of Apogee Inc,
22 Abbey Home Healthcare, Xyan, Inc and Prescient Systems, Inc. My first career

1 position after graduating college was four years experience on the audit staff at
2 Coopers & Lybrand, a public accounting firm.

3 I joined Aqua America as Assistant Corporate Controller prior to being appointed
4 to my present position.

5 **Q. Have you previously appeared and presented testimony before state
6 regulatory bodies?**

7 A. I provided written testimony for the Aqua South Brookwood and LaGrange rate
8 cases in North Carolina in 2007.

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to provide a general overview of Aqua Utilities
11 Florida, Inc.'s ("AUF" or "Company") request for increased rates and the
12 supporting Minimum Filing Requirements ("MFRs"). Specifically, I will discuss
13 the development of the 2007 historic test year and will provide support for the
14 Company's operations and maintenance ("O&M") expenses.

15 **Q. Please identify the witnesses who will testify in this proceeding on behalf of
16 AUF and the topics they will address.**

17 A. The following is a list of witnesses who will provide direct testimony in this
18 proceeding. Of course, additional witnesses may be required to address issues not
19 contemplated in our pre-filed direct testimony which subsequently may be raised
20 by the Staff of the Florida Public Service Commission ("Commission") or
21 intervenors in this proceeding, including the Office of Public Counsel.

22

23

1	<u>Witnesses</u>	<u>Topics</u>
2	Christopher Franklin	Overview and Customer Service
3	John M. Lihvarcik	Aqua Utilities Florida, Inc. Operations
4		AUF's Capital Additions and Capital Projects,
5		Service Availability Charges
6		Allowance for Funds Prudently Invested ("AFPI")
7		
8	Stephen F. Anzaldo	Capital Structure
9	William T. Rendell	Consolidated Rate Structure
10		Interim Rate Proposal
11		Water Use Repression Analysis
12		Water Conservation Rate Block Structure
13		
14	Robert M. Griffin	Rate Base
15		Resolution of June 1, 2007 Rate Base
16		Audit Findings in Docket No. 06368-WS
17		
18	John F. Guastella	Used and Useful Analysis
19		
20	Stanley F. Szyzgiel	Development of 2007 Historic Test Year O&M
21		Expenses
22		
23	Gary S. Prettyman	Billing Analyses
24		
25	Dan Franceski	Calculation of AUF's proposed rates
26		
27		
28	Q.	Are you sponsoring any exhibits in this case?
29	A.	Yes, I am sponsoring Composite Exhibit SS-1, consisting of Exhibits SS-1, SS-2,
30		SS-3, and SS-4 which are attached to my testimony.
31	Q.	Were these exhibits prepared by you or under your direction and
32		supervision?
33	A.	Yes.
34	Q.	In connection with your responsibilities with AUF, are you the sponsor of
35		any of the MFR schedules?

- 1 A. Yes, I am the sponsor or a co-sponsor of the following MFR Schedules included
2 in Volume 1 to the MFRs: Schedules B-1 through B-12 and B-15 of the Net
3 Operating Income Schedules; Schedules C-1 through C-7, C-9 and C-10 of the
4 Tax Schedules; Schedules E-3, E-4 and E-9 the Rate Schedules; and Schedules G-
5 4 and G-5 of the Interim Rate Schedules.
- 6 **Q. Have you prepared an exhibit identifying each of the schedules contained in**
7 **the MFRs and the supporting witness or witnesses?**
- 8 A. Yes. Exhibit SS-1 lists each MFR schedule and related data, documents and
9 information for each of the seven volumes of the MFRs, the title of each MFR
10 schedule, and the sponsoring AUF witness or witnesses.
- 11 **Q. Please provide a general overview of AUF's filing.**
- 12 A. AUF has filed an Application and supporting MFRs designed to increase annual
13 water revenues in the amount of \$4,518,353 for the 57 water systems subject to
14 the Commission's jurisdiction and annual wastewater revenue in the amount of
15 \$3,856,179 for the 25 wastewater systems in 16 counties subject to the
16 Commission's jurisdiction. As part of our filing, the Company is requesting that
17 it be permitted to place into effect on an interim basis \$2.9 million of the proposed
18 water increase and \$3.0 million of the proposed wastewater increase. However,
19 as explained in Mr. Rendell's testimony, AUF is proposing to defer recovery of
20 approximately \$1.5 million of the \$5.9 million interim increase to which it is
21 entitled.
- 22 **Q. What are the principal causes for AUF's rate filing?**

1 A. The Company is seeking a rate increase due to ongoing capital needs in order to
2 maintain and enhance its service to customers. In addition, the rate increase is
3 needed due to continuing increases in costs and operating expenses, as well as
4 costs associated with the compliance requirements of state and federal
5 regulations. Therefore, the Company is seeking rate relief to recover the costs of
6 these increased investments and expenses, as well as to allow AUF the
7 opportunity to earn a fair and reasonable return on its investment.

8
9 The eighty-two systems included in this rate case have not sought rate relief
10 through a formal rate case for well over a decade. The forty-four former FWSC
11 systems now owned and operated by AUF last sought rate relief before the
12 Commission in 1995. The remaining thirty-eight former AquaSource systems
13 generally have not had a general rate increase for well over ten years and the date
14 rate relief was last granted goes as far back as 1980. Exhibit SS-2 to my
15 testimony provides a compilation of the docket of the last rate case for each of the
16 systems included in this rate case.

17
18 With the exception of some index and pass through adjustments, the rates charged
19 by AUF are based on projected costs for the 1996 test year used to establish rates
20 for the former FWSC's systems and for prior historic test years used to establish
21 rates for the former AquaSource systems. By the time rate relief is granted in this
22 proceeding, actual investments and increased costs over periods of ten years or
23 more will not have been reflected in customer rates.

1

2 The overall rate of return for the year ended December 31, 2007 was a negative
3 3.76% for the water systems and a negative 3.5% for the wastewater systems.

4 Such returns will not allow AUF to remain viable, much less continue to attract
5 capital to finance investments and operate land and facilities in Florida. These
6 deficient returns have caused AUF to file this proceeding for rate relief.

7 **Q. What is the test year in this case?**

8 A. By letter dated February 29, 2008, AUF requested approval to use a historic test
9 year ending December 31, 2007, with pro forma adjustments. The Company
10 indicated in its test year letter that the use of a historic 2007 test year would be
11 representative of the current operations of the water and wastewater systems
12 operating in the 16 counties included in this filing and will be a representative
13 period to measure cost of service for the purpose of establishing new, prospective
14 rates. By letter dated April 28, 2008, the Commission approved AUF's request.

15 **Q. What is the source of the financial data that are contained in the Schedules
16 you are sponsoring?**

17 A. The Company's 2007 actual financial data is the source of the historic test year.
18 Certain adjustments necessary for ratemaking purposes have been made to the
19 historical 2007 data, such as normalization adjustments, Commission audit
20 adjustments, rate case expense projections, and pro forma adjustments. A
21 summary of the normalized expense adjustments are attached to my testimony as
22 Exhibit SS-3 and a summary of the pro forma expense adjustments are contained
23 in Exhibit SS-4. These adjustments include the pass through of purchased water

1 and wastewater increases, salary and benefits, transportation, rent, and various
2 other known and measurable changes.

3 **Q. Please identify the basis used for the preparation of the financial documents**
4 **filed in this proceeding.**

5 A. As I previously stated, the test year that has been approved by the Commission for
6 use in this case is the historic test year ending December 31, 2007. The
7 normalization and pro forma adjustments were developed with input from AUF's
8 personnel at the Company's Sarasota and Leesburg, Florida locations, and Aqua
9 America's corporate office in Bryn Mawr, Pennsylvania. Recent historical
10 experience is used with appropriate adjustments for known and measurable
11 changes. Where appropriate and available, contacts were made with suppliers of
12 goods and services to confirm and document these changes.

13 **Q. Please provide a description of the Net Operating Income Schedules B-1**
14 **through B-15.**

15 A. The B Schedules summarize the components of the revenue requirement and
16 provide the calculation of the additional revenue which the Company is
17 requesting in this case. Detail is shown for both water and wastewater divisions
18 for the adjusted historical twelve-month period ending December 31, 2007. Pro
19 Forma Rate Base is that reflected on the A Schedules sponsored by witnesses
20 Griffin and Guastella. Rate of Return is that reflected on the D Schedules
21 sponsored by witness Anzaldo. The application of Rate of Return to the
22 respective water and wastewater divisions produces operating income at proposed
23 rates, which, when compared to operating income at present rates results in an

1 operating income deficiency which produces the revenue requirement increase
2 requested in this case.

3 **Q. Will you briefly discuss the adjustments to the Net Operating Statements for**
4 **the components shown on the B Schedules pertaining to Revenue, Operating**
5 **Expenses, Depreciation and Taxes Other Than Income that AUF is seeking**
6 **to recover for the 2007 Historical Test Year?**

7 A. Yes. Specific adjustments have been made to certain O&M expenses, such as,
8 salaries and wages, purchased water/wastewater treatment, sludge removal,
9 chemicals, rent and transportation expenses. I will briefly summarize these
10 adjustments in my testimony below.

11 **Q. Please describe how the Company developed its historic revenue amounts for**
12 **2007.**

13 A. The historical level of revenue was derived from the books and records of the
14 Company for the twelve months ended December 31, 2007. A billing analysis
15 was utilized for the application of present rates for all of the water and wastewater
16 divisions in this proceeding. The billing analysis referred to is provided in
17 Schedule E-14 sponsored by witness Prettyman. The derivation of operating
18 revenues both at present and proposed rates are detailed on Schedules E-1 through
19 E-11.

20 **Q. Please describe the adjustments referred to in the B Schedules for Employee**
21 **Salary and Benefits.**

22 A. AUF made a normalization adjustment to reflect 2007 employee terminations and
23 subsequent new hirings, as well as, an adjustment to normalize the 4% salary

1 increase received in April 2007. Normalization adjustments also were made to
2 reflect the associated payroll taxes related to these adjustment expenses. AUF
3 also made a pro forma adjustment to recognize the 4% salary adjustment which
4 was implemented in April, 2008. Pro forma adjustments were also made to
5 recognize the allocation of new hires which occurred during the first quarter of
6 2008, as well as anticipated new hires which will take place in the near future.
7 Respective corresponding adjustments were made for benefits and taxes. Finally,
8 pro forma adjustments were made to reflect salary adjustments for the Florida
9 operations personnel based on competitive market based rates. Pro Forma
10 employee 401K savings expense was calculated by estimating total administrative
11 charges and Company matching contributions (including the addition/subtraction
12 of participants based on pro forma salary adjustments). Participation patterns are
13 expected to remain constant. Pro Forma 'Other' miscellaneous employee benefit
14 expenses were calculated based on the historical level of miscellaneous benefits
15 as a function of pro forma payroll expense.

16 **Q. What are Contractual Services – Management Fees?**

17 A. These are fees for Contractual Services provided to AUF by Aqua Services, Inc.
18 (the "Service Company"). These services include Accounting and Financial,
19 Administrative, Customer Service, Communications, Corporate Secretarial,
20 Engineering, Human Resources, Information Services, Legal, Purchasing, Rates
21 and Regulatory and Water Quality.

22 **Q. How are these Contractual Services billed to AUF?**

23 A. These service related fees are billed by the Service Company to AUF at cost.

1 **Q. Please describe the Contractual Services- Other Expense.**

2 A. Miscellaneous outside contractor expense consists of charges for required
3 maintenance (i.e., specifically defined maintenance projects and other contractual
4 services) incurred during the year.

5 **Q. Please describe Lease expenses.**

6 A. A review of historical lease expense was performed for each division. Pro forma
7 adjustments were made to reflect known and measurable changes to the historical
8 expenses recorded in 2007. These include a new lease of land that the plant is
9 located on at Lake Suzy.

10 **Q. Please describe the development of AUF's pro forma Transportation Expense
11 adjustment.**

12 A. A pro forma adjustment was made using current information on the vehicle fleet
13 for AUF and using historical data for number of gallons purchased. A projected
14 price increase to \$3.36 per gallon was applied to the 2007 actual gallons
15 purchased. This information was obtained from the U.S. Government Energy
16 Statistics at the website <http://www.eia.doe.gov/emeu/steo/pub/contents.html>.
17 This adjustment is necessary to recognize the continuing increase in the cost of
18 fuel with respect to the lower prices paid during the historic test year, 2007.

19 **Q. Please address the adjustments to purchased water and wastewater expenses.**

20 A. AUF has recently experienced significant increases to its purchased water and
21 wastewater expense from various cities and counties. AUF has made
22 normalization and pro forma adjustments to reflect these recent increases in its
23 purchased water and wastewater to Palm Terrace (purchased water), Lake Suzy

1 (purchased water), Zephyr Shores (purchased ^{wastewater} ~~water~~) and Lake Gibson (purchased
2 wastewater). These adjustments are necessary to reflect the current cost of
3 purchased water and wastewater treatment.

4 **Q. Please address the adjustments to wastewater sludge hauling expense.**

5 A. Pasco County is the exclusive sludge disposer for the county. Pasco County is
6 now charging \$0.0994 per gallon sludge disposed of at their facility. This rate was
7 approved by the county commissioners in July 2007 and took effect on October 1,
8 2007. AUF has made an adjustment to recognize this increase for sludge hauling
9 and disposal for its Pasco County systems. AUF also made a normalization
10 adjustment to recognize a price decrease for sludge hauling expense for the South
11 Seas system based on a new contract.

12 **Q. Please explain the adjustments AUF made for Contract Services for meter
13 readers.**

14 A. In the rate base schedules sponsored by witness Griffin, AUF is making a pro
15 forma adjustment to include the replacement of all of its water meters. AUF is
16 replacing all of the existing water meters with Radio Frequency remote read water
17 meters. This is addressed further by witness Lihvarcik. Since AUF will now be
18 using its employees to remotely read its water meters by vehicle, AUF has made
19 adjustments to remove all contracted water meter reading expense as recorded in
20 2007.

21 **Q. Please explain the adjustment AUF made to Chemical expenses for Chuluota.**

22 A. As addressed by witness Lihvarcik, AUF was required to convert its water
23 treatment process in Chuluota from chlorine to chloramines. To accomplish this,

1 AUF operators add the chemical ammonia to its existing chlorination system to
2 produce chloramines. In 2007, there were no recorded chemical costs for
3 ammonia; therefore, AUF made an adjustment to recognize this added chemical
4 cost it will experience due to this treatment conversion.

5 **Q. Please explain the adjustment AUF made to contract operations for South**
6 **Seas.**

7 A. On January 8, 2008, AUF entered into a contract for contractual operations at its
8 South Seas wastewater treatment plant. AUF has made a pro forma adjustment to
9 reflect this new additional contract service.

10 **Q. Please explain the adjustments AUF made to reflect its Aqua Connect**
11 **meetings.**

12 A. AUF has initiated a new program developed to educate and communicate with its
13 customers. At these meetings, the customers get a chance to meet Company
14 representatives on a face to face basis. During these informal meetings, the
15 customers can peruse many display booths and ask questions with AUF personnel
16 about the Company, the water industry, and water conservation tools among other
17 things. Most importantly, there are customer service representatives present to
18 provide customers the opportunity to answer questions in person and resolve any
19 inquiries or complaints. AUF has made a pro forma adjustment to reflect this new
20 customer service program.

21 **Q. Please describe Rate Case Expense.**

22 A. Schedule B-10 shows Rate Case Expense detailed by category. Total rate case
23 costs are based on the Company's best estimate at the date of the filing. We

1 expect to update this schedule as the case proceeds. We have requested a (4) year
2 amortization period for rate case expenses.

3 **Q. Would you like to provide any additional information relating to rate case**
4 **expense?**

5 **A.** Yes. I would like to provide additional information pertaining to the charges from
6 AUF's engineering consultant. The principal, John Guastella's, typical hourly
7 rate is \$285 per hour. AUF is aware that past Commission decisions have
8 disallowed certain amounts of Mr. Guastella's hourly rates.¹

9 **Q. Is the hourly rate Mr. Guastella is charging AUF in this rate case**
10 **reasonable?**

11 **A.** Yes. Mr. Guastella has agreed to charge the same rate as his associate, Mr.
12 White. Therefore, Mr. Guastella has agreed to reduce his hourly rate in this case
13 to \$195 an hour. This methodology is consistent with the Commission's decision
14 in Order No. PSC-02-1657-PAA-WU. Further, the average of the indexed hourly
15 rate from the above four decisions is \$191 an hour. Therefore, I believe for this
16 current case, Mr. Guastella's reduced hourly rate is reasonable and should be
17 approved.

18 **Q. Please address Depreciation Expenses net of Amortization of CIAC.**

¹ See Order No. PSC-96-1338-FOF-WS issued November 7, 1996, in Docket No. 951056-WS, Order No. PSC-97-1225-FOF-WS issued October 10, 1997, in Docket No. 970164-WU (Commission adjusted Mr. Guastella's rate to \$140 an hour), Order No. PSC-02-1657-PAA-WU, issued November 26, 2002, in Docket No 011621-WU (Commission adjusted Mr. Guastella's hourly rate to make it equal to his colleague Mr. White's then hourly rate of \$165) and Order No. PSC-01-0327-FOF-WS issued February 6, 2001, in Docket No. 000295-WU (Commission adjusted Mr. Guastella's rate to \$191 an hour.

- 1 A. The depreciation and CIAC amortization were based on average monthly plant
2 and CIAC balances and Commission approved depreciation rates by plant
3 accounts.
- 4 **Q. Please describe the expense for Taxes Other Than Income Taxes.**
- 5 A. Adjustments were made to reflect property taxes for 2007 based on actual
6 historical changes to net plant and latest available millage rates. Additionally, pro
7 forma property taxes were included based on the pro forma plant adjustments. As
8 stated previously, pro forma payroll taxes adjustments were based upon the pro
9 forma salaries and wages adjustments. A separate regulatory assessment fee of
10 4.5% is included in rates and is collected on all bills paid by customers.
- 11 **Q. Has the Company filed MFR Schedules addressing O&M expenses that
12 exceed the level of the prior five years' growth and inflation?**
- 13 A. Yes. These O&M expense explanations are presented in MFR Schedules B-7
14 Supplement (water) and B-8 Supplement (wastewater) in Volume 1 of the MFRs.
15 I am sponsoring those explanations.
- 16 **Q. Please address the C Schedules of the MFRs.**
- 17 A. These schedules provide the calculation of the State and Federal Income Taxes for
18 the test year. They provide detail on adjustments to income taxes both current
19 and deferred income taxes. The federal tax rate is 35% and the state tax rate is
20 5.5%
- 21 **Q. Please address interim rate schedules and calculations.**
- 22 A. Rate Schedules for interim rates are provided per Schedule G-1, and schedules
23 setting forth Rate Base and adjustments for purposes of calculating interim rates

1 are provided in Schedules G-2 and G-3. Schedules of Net Operating Income and
2 adjustments for interim rate purposes are provided in Schedules G-4 and G-5. A
3 schedule of AUF's Requested Cost of Capital for the purpose of establishing
4 interim rates is provided in Schedule G-6 and is sponsored by witnesses Anzaldo.

5 **Q. Does this conclude your direct testimony?**

6 **A. Yes, it does.**

1 BY MR. MAY:

2 Q Have you prepared a summary of your direct testimony?

3 A Yes, I have.

4 Q Would you please provide that at this time?

5 A Yes. Good morning, Mr. Chairman and Commissioners.

6 My name is Stan Szczygiel and I am the Regional Controller.

7 Aqua Utilities of Florida has filed an application
8 and supporting MFRs for a requested increase in annual water
9 revenues in the amount of \$4,518,353 for the 57 water systems
10 subject to the Commission's jurisdiction, and annual wastewater
11 revenues in the amount of \$3,856,179 for the 25 wastewater
12 systems in the counties subject to the Commission's
13 jurisdiction.

14 The purpose of my direct testimony is to discuss the
15 development of the 2007 historic test year and also the
16 company's expenses. That concludes my summary. Thank you.

17 MR. MAY: Thank you, Mr. Szczygiel.

18 Mr. Chairman, we would tender the witness for cross.

19 CHAIRMAN CARTER: Mr. Beck.

20 MR. BECK: Thank you, Mr. Chairman.

21 CROSS EXAMINATION

22 BY MR. BECK:

23 Q Good morning, Mr. Szczygiel.

24 A Good morning, Mr. Beck.

25 Q Mr. Szczygiel, I notice in your testimony we have

1 numbers on the bottom of the pages and then another number on
2 the upper right-hand corner.

3 A That is correct.

4 Q Should we use the bottom number on the page?

5 A Yes, please.

6 Q Okay. Could you turn to Page 12 of your testimony,
7 please? Beginning on Line 10 you address an adjustment you
8 made to reflect Aqua Connect meetings. Do you see that?

9 A Yes, sir.

10 Q Okay. And on line -- well, let me ask you to turn to
11 your Exhibit SS-4.

12 A Yes.

13 Q Do you have that? This lists all your pro forma
14 adjustments that you're sponsoring; is that right?

15 A That is correct.

16 Q And if we go down a little bit more than halfway
17 under name miscellaneous, and there's a \$60,000 figure there.
18 Is that the Aqua -- I mean, before we get into the numbers,
19 that's for your Aqua Connects meeting; is that right?

20 A That is correct.

21 Q Okay. And the \$60,000 figure is for all of your
22 Florida operations; is that right?

23 A It is, this is only for the Aqua Connects meetings
24 that are currently scheduled. I believe none of them are
25 scheduled for non-AUF operations in 2009.

1 Q Okay. Have you had some in 2008?

2 A Yes, we have.

3 Q Okay. But I mean in non-PSC jurisdictional areas.

4 A When you say non-PSC jurisdictional, I don't know.

5 You'd have to ask that of perhaps Mr. Lihvarcik.

6 Q Okay. But the \$60,000 figure is for all of Florida;
7 is that correct?

8 A \$60,000 is for all of Florida.

9 Q And then if we go across the row, there's an amount
10 for total AUF, \$39,508; is that right?

11 A That is correct.

12 Q And could you explain the difference between the
13 \$60,000 figure and --

14 A That would be using what we call the step-down logic
15 that we have when we put something to an administrative cost
16 center. It is spread throughout all of the operations in the
17 State of Florida.

18 Q So the \$60,000 figure would include
19 non-jurisdictional areas such as Sarasota?

20 A Correct. But in the case it's only \$39,000.

21 Q And \$39,000 would be PSC jurisdictional; is that
22 correct?

23 A Correct.

24 Q Okay. In your testimony you describe this as a new
25 customer service program; is that right?

1 A Correct.

2 Q Do you know how many meetings have been held this
3 year?

4 A In Florida? I do not.

5 Q Okay. Do you have any information on how many people
6 attended those meetings?

7 A I do not.

8 Q Mr. Szczygiel, I'm going to hand you an exhibit to
9 Kimberly Dismukes' testimony that concerns the Aqua Connects
10 meetings, and it's her Schedule 22 attached to her testimony.

11 A Right. Thank you.

12 MR. MAY: Charlie, do you have another, some copies
13 for the other parties?

14 MR. BECK: Well, it's attached to her testimony and
15 it's been prefiled. Do you not have it? I have another.

16 BY MR. BECK:

17 Q Mr. Szczygiel, do you have the Aqua Connects
18 guidebook that I've handed you that's one of the exhibits in
19 Ms. Dismukes' testimony?

20 A Yes. Yes, I do, Mr. Beck.

21 Q Okay. And could you go to Page 3 of 41 of that
22 exhibit?

23 A Yes.

24 Q Okay. That's the table of contents for the Aqua
25 Connects guidebook, is it not?

1 A Yes.

2 Q And what is the first chapter?

3 A First chapter, Community Relations Goals and

4 Approach.

5 Q And could you turn to Page 5 of 41?

6 A Yes.

7 Q There's a section on Page 5 that says "When to Use

8 Aqua Connects." Do you see that?

9 A Yes, I do.

10 Q And there's three key points listed under when to use

11 Aqua Connects, is there not?

12 A Yes, there are.

13 Q Okay. Would you read, please read those three key

14 points?

15 A "To welcome new customers when Aqua purchases water
16 systems, to nurture relationships with customers well ahead of
17 rate cases and in contentious rate cases where these events can
18 help educate customers."

19 Q Would you agree with me that those are image
20 enhancement types of key, key constituents to the Aqua Connects
21 meetings?

22 A I personally disagree, but I'm not an image
23 enhancement expert.

24 Q Could you turn to Page 9 of 41 of that exhibit?

25 A Sure. I'm there.

1 Q Okay. And this is for one of the stations in the
2 Aqua Connects meetings, is it not?

3 A This is Page 9 of 41.

4 Q Okay. And there's some key messages there. Do you
5 see them?

6 A Yes, I do.

7 Q And are one of the key messages -- are some of these
8 key messages designed to get customers to drink more water?

9 A Would you say that again, sir?

10 Q Are some of these messages designed to get customers
11 to drink more water?

12 A I will read them and I can maybe respond.

13 Q Okay.

14 (Pause.)

15 A I don't read it that way, sir. I kind of look at it
16 as kind of the same advice my mother gave me: Drink a lot of
17 water.

18 Q Okay. And why should customers pay extra, more than
19 the test year expenses in order to receive this message when
20 you say that your mother, these are the same messages your
21 mother gave you? Why should that increase the rate case and
22 your rates?

23 A Well, since this is just one of many things -- and as
24 I said, I did not attend any of the Aqua Connect meetings in
25 the State of Florida. However, I did attend an Aqua Connects

1 meeting in another state, and it covered an opportunity for the
2 customers to meet directly with our senior management and our
3 line management and to discuss issues specific to their, their
4 water systems and any other concerns they may have regarding
5 relationships with Aqua America.

6 Q Under the key messages under Water and Your Health,
7 let me read the last three to you. The third to the last is
8 "Aqua is committed to delivering affordable quality water to
9 your home now and well into the future." The next one is "Aqua
10 is committed to the long-term viability of this community."
11 And the last one, "As an integral part of this community, we
12 are committed to an ongoing dialogue with our customers." Do
13 you see that?

14 A Yes, I do, sir.

15 Q Okay. And will you turn to the next page under the
16 Value of Water? Do you see that?

17 A I see the value of the water. Yes, sir.

18 Q Okay. And there's certain key messages associated
19 with this station at the Aqua Connects meetings, are there not?

20 A Yes, sir.

21 Q And the last three key messages there, are they not
22 the same as the last three we saw in the previous station?

23 A They appear to be. Yes.

24 Q Now would you turn to Page 12, please? This relates
25 to another station for the Science of Water for the Aqua

1 Connects meetings, does it not?

2 A Yes.

3 Q And would you look at the last three key messages
4 that are there at that station for customers?

5 A Yes.

6 Q Okay. And are they not the same as the last three in
7 the previous two that we saw?

8 A They appear to be.

9 Q And that's that Aqua is committed to delivering
10 affordable quality water, you're committed to the long-term
11 viability of the community and you're committed to an ongoing
12 dialogue with your customers; is that right?

13 A That is correct.

14 Q And you would not agree with me that that's image
15 enhancement for Aqua?

16 A Well, it depends upon one's definition of image
17 enhancement. As I said, I'm not, I'm not an image consultant.
18 I view this as communicating with customers, which is always a
19 very positive thing, and hopefully is a benefit to both the
20 company and to the customers as well as the regulators.

21 Q And you believe it's worthy of raising your rates for
22 customers to pay for these, these messages being given to
23 customers.

24 A I personally do.

25 Q Okay. Would you turn to Page 16 of 41, please?

1 A Sure.

2 Q This is the roles and responsibilities related to the
3 Aqua Connects meetings, are they not?

4 A Yes.

5 Q One of them is to have a photographer present.

6 A That is listed here.

7 Q Okay. There's a government relations person present;
8 is that right?

9 A That's with -- that's point number eight here.

10 Q Okay. And, again, you believe it's proper to charge
11 customers extra for those people to attend meetings?

12 A Well, generally speaking, the government relations
13 person could be the president. The photographer could be the
14 administrative assistant to the president who coordinates the
15 entire meeting. Again, since I've only attended one such
16 meeting, I can only give you my experiences from that one.

17 Q Okay. Thank you, Mr. Szczygiel. Let's move on to
18 another topic.

19 Page 10 of your direct testimony.

20 A Yes, sir.

21 Q You discuss a pro forma, a pro forma adjustment to
22 transportation expense. Do you see that?

23 A I will in a second. You're referring to Line 10?

24 Q Yes.

25 A Yes, sir.

1 Q Okay. Now staff spent some time with you in your
2 deposition going over this, did they not?

3 A Yes, they did.

4 Q You have a pro forma adjustment for the projected
5 price increase to \$3.36 per gallon that you wish to make
6 applied to your 2007 actual gallons purchased; is that right?

7 A That is what we filed.

8 Q Okay. And if you could turn to your page SS, your
9 Exhibit SS-4. That's one of the adjustments listed on your
10 exhibit as well, is it not?

11 A It's under, it's approximately three-quarters of the
12 way down, 650/750 Transportation.

13 Q Okay. And the amount for total Florida is \$64,021?

14 A That is correct.

15 Q And for the PSC jurisdictional this would increase
16 test year expenses by \$42,156?

17 A That is correct.

18 Q Okay. Now have you updated or do you have a change
19 to that to make, because you didn't make any changes to your
20 testimony when you --

21 A No, I did not make any changes to my testimony.

22 Q Okay. Do you think it's proper then to have a
23 pro forma adjustment to reflect a projected gas price of \$3.36?

24 A As I covered in my deposition, I think it's
25 appropriate to use that website. And as we know very well, the

1 market has changed relative to oil prices. They've come down.
2 I have no objection with using that website based on today's
3 market.

4 Q Have you done such an analysis?

5 A Actually I followed up and looked at the website at
6 the, at the deposition.

7 Q All right. And what is the new projected price?

8 A I don't recollect it.

9 Q Okay. Do you have a change to make to your pro forma
10 adjustment based on your review?

11 A No, I don't.

12 Q Again referring to your Exhibit SS-4 --

13 A Sure.

14 Q -- a little less than halfway down you have a
15 pro forma adjustment for Lake Suzy purchased water rate
16 increases. Do you see that?

17 A Hold on, please. Yes.

18 Q Okay. And the adjustment you have to the test year
19 is an additional \$94,443; is that right?

20 A That is correct.

21 MR. BECK: Okay. I have an exhibit I'd like to show
22 you. And, Mr. Chairman, I'd like to ask that this exhibit be
23 given a number for identification.

24 CHAIRMAN CARTER: That would be Number 187.

25 MR. BECK: And --

1 CHAIRMAN CARTER: Title?

2 MR. BECK: I'd entitle it Bulk Water Agreement.

3 CHAIRMAN CARTER: Bulk Water -- great, Mr. Beck. I
4 like it. Bulk Water Agreement.

5 (Exhibit 187 marked for identification.)

6 BY MR. BECK:

7 Q Mr. Szczygiel, do you have the Bulk Water Agreement
8 in front of you?

9 A Yes, I do.

10 Q And this is the contract that's the basis for your
11 adjustment for Lake Suzy purchased water; is that right?

12 A I believe it is.

13 Q Okay. Could you turn to the last page of the
14 exhibit? Do you have that?

15 A Yes, I do.

16 Q Okay. It's the Lake Suzy water needs.

17 A Yes.

18 Q And it shows one price per year 2007. Do you see
19 that?

20 A Yes.

21 Q And then there's a series of increases that follow
22 that; is that right?

23 A That is correct.

24 Q And for the 2009 row there is a figure of increase of
25 \$7,870.22; is that right?

1 A Would you repeat that, please?

2 Q Under the row for 2009 under the dollar increase it's
3 listed as \$7,870.22; is that right?

4 A That is correct.

5 Q And that's effective October 2008?

6 A That is correct.

7 Q Okay. And the basis for your adjustment is a figure
8 that's exactly 12 times that number, is it not?

9 A I don't know if it's exactly 12 times the number, but
10 I'll take your word, subject to check.

11 Q Okay. Do you have a calculator or do you want to
12 give it a go?

13 A No, I don't have a calculator. But if you wish to
14 give me one, I'll take one.

15 Q I don't have one.

16 A Well, then I'll take your word, subject to --

17 Q You're taking my word for it that that's your
18 adjustment. Okay.

19 Now under that line -- that's effective October 2008;
20 is that right?

21 A That is correct.

22 Q You'll see that there was an increase effective
23 October 2007 as well. Do you see that?

24 A Yes, I do.

25 Q Okay. Now if you had an increase in October 2007,

1 that three-month -- there's three months of 2007 for that
2 increase where that would be part of your test year expenses,
3 would it not?

4 A That is correct.

5 Q Okay. The adjustment that you have is an amount
6 above the first increase for 2007; is that right?

7 A To be honest with you, this is the first time this
8 issue has been brought up to my attention. It was not in
9 rebuttal or in Kim Dismukes' testimony. I'm not aware of this.
10 I have to, I'd have to do some research.

11 Q Okay. But you're the sponsor of the adjustments for
12 the Lake Suzy --

13 A I am the sponsor of the adjustments, but I, but I
14 would like the respect of at least being able to take a look at
15 what was the background behind every adjustment. There's many
16 adjustments in this case.

17 Q And this is an adjustment that's listed in our
18 prehearing statement; is that right?

19 A When you say it's an adjustment in your prehearing
20 statement, I don't know.

21 Q You've had notice that we, we have an issue with your
22 Lake Suzy adjustment, do you not?

23 A I heard that you had an issue with it in the
24 prehearing statement. I have not researched it.

25 Q So you're not familiar with the basis for your

1 adjustment that you're proposing for pro forma adjustment?

2 A No, I just am asking to recollect myself in it.

3 Q And you didn't, you didn't bother to find the base or
4 goal or the basis for your adjustment then?

5 A To be honest with you, I have not looked at this.

6 Q Okay. Well, let me ask you this. If part of the
7 increase is effective during the test year as it's shown on
8 this exhibit, to include the full amount that's effective
9 October 2008 would double count to the extent that you're not
10 subtracting out the three months in 2007 where there was an
11 increase; is that right?

12 A Well, what I, what I would believe one should do and
13 hopefully we did was we should have normalized the nine months
14 in 2007 for the increase for 2007 and then pro forma'd in the
15 effect of the price increase between 2007 and 2008 effective
16 October.

17 Q Okay. The amount of usage that's listed for the, the
18 effective 2008 is 302,000 gallons per day; is that right?

19 A MGD. Correct.

20 Q Do you know what the amount of usage was during the
21 test year for Lake Suzy?

22 A No, I do not.

23 Q Would you accept, subject to check, that it was
24 102,500 gallons per day?

25 A Subject to check, yes.

1 Q Okay. That would mean that your adjustment for Lake
2 Suzy is for triple or more or less triple the amount that was
3 in the test year; is that right?

4 A What it means is that at that -- that is what we can
5 buy up to is my understanding.

6 Q Would you turn to Page 11 of the agreement?

7 A Sure.

8 Q And would you look at Section 6.4, please, the
9 irrevocable commitment to pay?

10 A That is correct.

11 Q And if you go about five lines down that paragraph,
12 it says, "LSU." That would be Lake Suzy Utility; right?

13 A I believe so.

14 Q That would be Aqua.

15 Okay. "LSU shall be obligated to pay its Water
16 Charge regardless of whether or not it utilizes the whole of
17 its Water Allocation." Do you see that?

18 A That is correct.

19 Q Does that mean you'll be paying for 302,000 gallons
20 per day whether or not it's actually used?

21 A That is my understanding. It is a take-and-pay,
22 take-or-pay contract.

23 Q Okay. Do you know how much growth that the MFRs have
24 shown for Lake Suzy?

25 A I don't recollect.

1 Q Let me hand out an exhibit, if I could. And, Mr.
2 Chairman, this need not be labeled. It's just demonstrative.
3 It's an excerpt from one of the MFRs.

4 Mr. Szczygiel, this is an excerpt from the
5 Schedule F-9 for Lake Suzy. Do you see that?

6 A What was the last word you said, sir?

7 Q This is an excerpt from Schedule F-9 for your Lake
8 Suzy system.

9 A Correct.

10 Q Okay. And we see an annual percentage increase in
11 ERCs as Column 9. Do you see that?

12 A Yes, I do.

13 Q And the average growth to the five-year period has
14 been 1.4 percent.

15 A Correct.

16 Q Okay. And in fact in 2007 it was actually slightly
17 negative; is that right?

18 A That's what it reports.

19 Q Okay. So if the usage during the test year was
20 102,500 gallons per day and we're showing little growth, can
21 you tell me why Aqua has committed for a take-or-pay contract
22 to pay for 302,000 gallons per day?

23 A I do not know the specifics behind this contract.

24 Q Mr. Szczygiel, on your Exhibit SS-4 --

25 A Yes, sir.

1 Q You have another pro forma contract for South Seas
2 operator, is that right, under Contractual Services - Other?

3 A That is correct.

4 Q And you have an adjustment to test year to increase
5 the expenses by \$102,276 for a new operator at South Seas.

6 A That is correct.

7 Q Okay. Could you explain the basis for that
8 adjustment?

9 A That was to have a contractor basically work at the
10 South Seas operations. The South Seas operations are rather
11 remote relative to our other operations, and it was felt
12 through our operations group that it was the best decision to
13 hire a contractor to oversee that plant.

14 Q So the \$102,276 pro forma adjustment is the total
15 amount of the new contract for a contract operator there; is
16 that right?

17 A That is correct.

18 Q Did you have test year expenses associated with, with
19 servicing the South Seas area?

20 A Oh, yes, we did.

21 Q Okay. And did you make an adjustment to take out
22 those expenses and then replace them with a new contract
23 operator?

24 A They were, those expenses were basically put to other
25 systems further to the east is my recollection. It was one

1 individual primarily. And those expenses reside, I believe, in
2 the Lake Suzy area or one other portion down there.

3 Q Did you have one operator at Lake Suzy that was there
4 full-time?

5 A There was a primary operator and there were secondary
6 operators. There was also meter readers and other personnel.

7 Q Let me hand out a document, if I could. And, again,
8 Mr. Chairman, this is, this is other, this information is
9 otherwise in the record, so it's just to facilitate questions.

10 Do you have the exhibit in front of you,
11 Mr. Szczygiel?

12 A Yes, I do, sir.

13 Q And at the bottom of the first page after the cover
14 page is your, is an Interrogatory 12 that staff sent to you; is
15 that right?

16 A I see that, sir.

17 Q And just for my reference this is also part of
18 staff's exhibit, or hearing Exhibit Number 47 of staff's
19 exhibit. Okay. The question that's put to you is the basis
20 for your adjustment in essence, is it not?

21 A Yes.

22 Q Okay. And on the next page is your answer to
23 request number 12. And in part of there it says that Aqua
24 budgeted a Senior Facility Operator and facilitator -- Facility
25 Operator I to cover the operations of the facility. Do you see

1 that?

2 A Yes.

3 Q Okay. It says, "Over the past three years, only
4 twice did AUF have a full complement of employees and that was
5 for a short period of time." Do you see that?

6 A Yes, sir.

7 Q Okay. Do you know to what, during the test year do
8 you know to what extent the operators are actually there or not
9 there, what the complement was?

10 A I only, I would only know what hours they reported
11 through the system. I physically don't know whether they're
12 there or not.

13 Q Okay. But you would agree you've made no adjustment
14 to take out those expenses that are being replaced by the
15 contract operator.

16 A Those expenses were reallocated to another system.

17 Q And what system was that they were allocated to?

18 A I believe it was Lake Suzy, but I'm not exactly sure.
19 I'd have to recollect that one.

20 Q And do you have an adjustment somewhere that shows
21 that or other, have you otherwise addressed that in your
22 testimony?

23 A No, it's not -- I have no other adjustment.

24 MR. BECK: Okay. Mr. Szczygiel, thank you. That's
25 all I have at this point.

1 THE WITNESS: Okay. Thank you.

2 CHAIRMAN CARTER: Thank you.

3 Ms. Bradley?

4 MS. BRADLEY: No questions.

5 CHAIRMAN CARTER: Staff?

6 MR. SAYLER: Yes, Chairman, we have a few questions.

7 CHAIRMAN CARTER: You're recognized.

8 CROSS EXAMINATION

9 BY MR. SAYLER:

10 Q Good morning, Mr. Szczygiel. My name is Erik Sayler
11 with Commission staff. Most of my questions have already been
12 asked today. However, with regards to the United States Energy
13 Information Administration Short-Term Energy Outlook Report
14 that you utilized, that was the March 2008, wasn't that
15 correct?

16 A That is correct.

17 Q And in your deposition on November 25th you had a
18 chance to observe or to look at the November 2008; is that
19 correct?

20 A That is correct.

21 Q And there was a showing of a trending down in the
22 gas, retail gasoline prices; correct?

23 A That is correct. It was, it was approximately a
24 dollar lower, I believe.

25 Q Yes, sir. I don't recall offhand. However, have you

1 had a chance to see the December 2008 report which happened to
2 be published today?

3 A No, sir.

4 Q All right. Would you be willing to submit as
5 Late-Filed Hearing Exhibit Number 188 both the November 2008
6 report and the December 2008 report?

7 A Did we already submit the November report to you?

8 Q No. It was the March 2008 report that was submitted
9 as a late-filed deposition exhibit.

10 A Okay.

11 Q We just referenced the November report in the
12 deposition, and just for completeness of the record --

13 A Absolutely. No problem.

14 Q All right.

15 CHAIRMAN CARTER: Hang on for a sec. 188, what's
16 this? Give me a title.

17 MR. SAYLER: It would be the EIA Short-Term Energy
18 Outlook, November and December 2008.

19 (Late-Filed Exhibit 188 identified for the record.)

20 CHAIRMAN CARTER: You may proceed.

21 MR. SAYLER: That concludes staff's questions. Thank
22 you, Mr. Szczygiel.

23 THE WITNESS: Yes.

24 CHAIRMAN CARTER: Commissioners?

25 Mr. May?

1 MR. MAY: No redirect.

2 CHAIRMAN CARTER: Okay. Let's deal with the
3 exhibits. Using from staff Exhibit 1, our listing would be
4 82 through 85; is that correct?

5 MS. FLEMING: Yes, that's correct.

6 CHAIRMAN CARTER: Mr. May moves into evidence. Any
7 objections? Without objection, show it done.

8 (Exhibits 82 through 85 admitted into the record.)

9 CHAIRMAN CARTER: You got it, Mr. Beck? No
10 objection? Thank you. So that's Exhibits 82 through 85.

11 Exhibit, Mr. Beck, Exhibit 187, the Bulk Water
12 Agreement.

13 MR. BECK: Yes, sir, please.

14 CHAIRMAN CARTER: Mr. May, any objection?

15 MR. MAY: No, sir.

16 CHAIRMAN CARTER: Without objection, show it done.

17 (Exhibit 187 admitted into the record.)

18 CHAIRMAN CARTER: Also Late-Filed Exhibit 187 (sic.),
19 the staff request for the EIA Short-Term Energy Outlook,
20 November '08 and December '08.

21 MR. MAY: Would that be 188 or --

22 CHAIRMAN CARTER: What did I say? It's 188. You're
23 right. I'm sorry. I was on a roll here. Is that possible,
24 would it be okay to get that back within the confines of the
25 agreement of the parties? Okay.

1 MR. MAY: Yes, Mr. Chairman. We'll get that back in
2 very promptly.

3 CHAIRMAN CARTER: Thank you. Show it done.
4 Okay. Anything further for this witness at this
5 time?

6 MR. MAY: No, Mr. Chairman.

7 MR. BECK: No, sir.

8 CHAIRMAN CARTER: You may be excused.

9 THE WITNESS: Thank you.

10 CHAIRMAN CARTER: Okay. Call your next witness.

11 Commissioners, I'll give -- let's see how far we can
12 get before I make a decision on break or anything like that.
13 Let's see how far we can get.

14 MR. MAY: Mr. Chairman, Aqua Utilities Florida would
15 call its next witness, Mr. Christopher Franklin.

16 CHAIRMAN CARTER: Okay. Mr. Franklin.

17 One second.

18 (Pause.)

19 Thank you. Mr. May, you may proceed.

20 MR. MAY: Good morning, Mr. Franklin.

21 THE WITNESS: Good morning.

22 MR. MAY: You weren't here yesterday for the hearing,
23 were you?

24 THE WITNESS: No, sir.

25 MR. MAY: I don't think you've been sworn, have you?

1 THE WITNESS: No, I have not.

2 CHAIRMAN CARTER: Would you please stand and raise
3 your right hand.

4 CHRISTOPHER H. FRANKLIN

5 was called as a witness on behalf of Aqua Utilities Florida,
6 Inc., and, having been duly sworn, testified as follows:

7 CHAIRMAN CARTER: Thank you. Please be seated.

8 DIRECT EXAMINATION

9 BY MR. MAY:

10 Q Mr. Franklin, would you please state your name and
11 business address for the record?

12 A Certainly. My name is Christopher Franklin. My
13 business address is 762 Lancaster Avenue, Bryn Mawr,
14 Pennsylvania.

15 Q Mr. Franklin, did you prepare and cause to be filed
16 seven pages of direct testimony and 16 pages of supplemental
17 direct testimony in this proceeding?

18 A Yes, sir, I did.

19 Q Do you have that direct and supplemental direct
20 testimony before you today?

21 A I do.

22 Q Do you have any corrections or revisions to your
23 direct and supplemental direct testimony?

24 A I have none.

25 Q If I were to ask you the questions noted in your

1 direct and supplemental direct testimony today, would your
2 answers be the same?

3 A They would.

4 MR. MAY: Mr. Chairman, we would ask that the direct
5 and supplemental direct testimony of Mr. Franklin be inserted
6 into the record as though read.

7 CHAIRMAN CARTER: The prefiled testimony of the
8 witness will be entered into the record as though read.

9 BY MR. MAY:

10 Q Mr. Franklin, do you have any exhibits to your direct
11 testimony?

12 A Yes, I do.

13 Q And could you --

14 A I'm sorry. No, I don't, not to my direct.

15 Q And do you have any exhibits to your supplemental
16 direct testimony?

17 A Yes, I do.

18 Q Do you have any corrections or revisions to your
19 exhibits to your supplemental direct testimony?

20 A No, I do not.

21

22

23

24

25

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **AQUA UTILITIES FLORIDA, INC.**

3 **DIRECT TESTIMONY**

4 **OF**

5 **CHRISTOPHER H. FRANKLIN**

6 **(Docket No. 080121)**

7

8 **Q. What is your name and business address?**

9 **A. My name is Christopher H. Franklin. My business address is**

10 **762 Lancaster Avenue Bryn Mawr, PA 19010.**

11 **Q. By whom are you employed and in what capacity?**

12 **A. I am Regional President, Southern Operations and Senior Vice President, Public Affairs**
13 **and Customer Operations for Aqua America, Inc. ("Aqua America").**

14 **Q. Please describe your education and business experience.**

15 **A. I graduated from West Chester University in 1987 with a Bachelor of Science degree. I**
16 **received a Master of Business Administration from Villanova University. I joined Aqua**
17 **America in December 1992 as Director, Corporate and Public Affairs. In 1997, I was**
18 **promoted to Vice President of Corporate and Public Affairs. Five years later in February**
19 **2002 my responsibilities were broadened to include Customer Service and I was named**
20 **Vice President Public Affairs and Customer Operations. In March of 2007 I was promoted**
21 **to my current title of Regional President, Southern Operations and Senior Vice President**
22 **Public Affairs and Customer Operations.**

23 **Q. What are your duties as Regional President, Southern Operations?**

24 **A. As Regional President, I am responsible for all of Aqua America's utility operations in**

1 Texas, Florida, Virginia, North Carolina, and South Carolina, which provides service to
2 approximately 600,000 residents.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to give a general overview of Aqua America, discuss the
5 operations of Aqua Utilities Florida, Inc. ("AUF" or "Company"), and discuss customer
6 concerns previously raised in AUF's filing at Docket No. 060368-WS including what the
7 Company has done to improve customer service.

8 **Q. Please describe some background information on Aqua America.**

9 Aqua America is the parent company for regulated utilities providing water or wastewater
10 services to approximately 3.0 million people in thirteen states. Aqua America's mission is
11 to provide quality and reliable water service at an affordable price for ours customers, with a
12 fair return for the shareholders that invest and provide the needed capital to make
13 infrastructure improvements. The Company was founded on January 4, 1886 by a group of
14 college professors residing outside of Philadelphia, Pennsylvania. By 1925, the Company
15 had grown to meet the needs of 58 municipalities in 3 counties. In 1996, the Company
16 entered the wastewater business and also began providing operations and management
17 services to other water utilities. With over a 100 years of experience, Aqua America prides
18 itself on being a leader in the industry, providing operational excellence, reliable water and
19 wastewater service, and the institutional technological and managerial knowledge of
20 running a water and wastewater utility.

21 **Q. Please describe AUF.**

22 A. AUF provides water and/or wastewater service to approximately 117,000 residents in
23 Florida.

24 **Q. Please describe how Aqua America acquired these systems and the condition at the**

1 **time of purchase.**

2 **A.** Aqua America acquired Aqua Source in July 2003 and the Florida Water Service
3 Corporation ("FWSC") was acquired in August 2004. Many of these systems needed major
4 improvements. Our strategy was to spend our capital dollars to environmental compliance
5 first. Then we would shift our capital spending to operations (i.e. meters) once
6 environmental compliance was completed. Our operating strategy included the use of
7 economies of scale to share the cost of running the business over the entire customer base,
8 similar to an electric utility, thereby minimizing the impact of any single expenditure on any
9 small group of customers.

10 **Q.** **When was the last time AUF or any of these systems requested a rate increase?**

11 **A.** Although the Company submitted a case last year at Docket No. 060368-WS which was
12 eventually withdrawn, the most recent rate increase for any of the systems including in this
13 filing has been approximately ten years ago.

14 **Q.** **What is the major reason for AUF's rate increase?**

15 **A.** AUF is seeking a fair rate of return on capital already invested to improve AUF's water and
16 wastewater systems over the past four and five years. The Company is also seeking recovery
17 of the expenses incurred to operate the systems. The Company's current filing is
18 approximately 30% expense recovery and 70% capital related.

19 **RESPONSE TO AUF CUSTOMER CONCERNS**

20 **Q.** **Did you review the testimony from the public input hearings from AUF's filing at**
21 **Docket No. 060368-WS?**

22 **A.** Yes. I personally reviewed every customer complaint that was raised at the public input
23 hearings held during AUF's filing at Docket No. 060368-WS and remained personally
24 involved in the resolution of the majority of the issues. By staying involved I became keenly

1 aware of the systemic issues that needed to be addressed and this effort became the basis for
2 the Company's turn-around program that followed and is discussed in more detail in my
3 testimony.

4 **Q. What did the Company do in response to the customer complaints raised at the public
5 input hearings?**

6 **A.** AUF is committed to providing quality and reliable water and wastewater service and a high
7 level of customer service as measured by several key metrics. Company representatives
8 reviewed every single issue raised at the public input hearings. Depending on the nature of
9 the issue, AUF followed up with a phone call, tested meters, made field visits and
10 responded to customers via letter.

11 **Q. Please describe some of the improvements AUF has made in order to best serve its
12 customers.**

13 **A.** The Company's first priority after acquiring AUF's systems was to fix and upgrade those
14 systems that were out of compliance with environment requirements and needed major
15 improvements to provide quality water and wastewater service. Now that the compliance
16 issues have been addressed, AUF has turned its attention to meter reading. The Company
17 is in the midst of replacing all of its manually read meters with new meters equipped with a
18 radio frequency ("RF") device. By replacing the old manually read meters, usage is recorded
19 automatically by a Company meter reader driving by each customer location. The RF device
20 will transmit the meter reading electronically and the meter reader will no longer need to
21 enter the customers' property. The RF meter will help ensure accurate usage reads which in
22 turn, will result in fewer estimated bills. In fact, the Company now estimates less than one
23 and one half percent of customer each month. The goal is to estimate less than one percent
24 of all meters.

1 AUF began a program, Aqua Connects, designed to improve communications with its
2 customers. Each customer throughout AUF's entire service area was invited to at least one
3 of the locally held Aqua Connects meetings. At these meetings, AUF management
4 personnel were present to answer billing, water quality and operational questions. Customer
5 Service Representatives were also present to check individual customer accounts, provide
6 information on conservation methods, and get to know customers.

7 **Q. What other changes were made to improve AUF operations since 2007?**

8 **A.** There have been multiple changes in the AUF management staff over the past year and a
9 half. We hired a new Chief Engineer who previously worked for the Florida Department of
10 Environmental Protection ("Florida DEP"). We hired a new Environmental Compliance
11 Manager who also worked with the Florida DEP. In hiring two these two individuals with
12 extensive environmental experience the Company is able to further its goal and
13 commitment toward maintaining full environmental compliance. A new Chief Operating
14 Manager was hired from a neighboring municipal system to increase the Company's
15 operating standard. Additionally, we have a new Area Manager in the AUF southern
16 division with extensive experience in operating water and wastewater operations. Finally,
17 we have a new manager of customer service in Leesburg office who will handle all service
18 orders, meter reading and interface with corporate customer operations. This new
19 management team has already made a significant difference in operating the Company.

20 **Q. Have there been improvements in the customer call center?**

21 **A.** Yes. The performance metrics in our customer call centers have improved dramatically
22 since the third quarter of 2007. Ten employees have been added along with a full-time
23 training team. The improved results were reported during the six customer service meetings
24 held with staff of the Florida Public Service Commission as per the stipulated agreement as

1 part of the withdraw of AUF's filing at Docket No. 060368-WS.

2 Q. Does this conclude your testimony?

3 A. Yes, it does.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2 **AQUA UTILITIES FLORIDA, INC.**3 **SUPPLEMENTAL DIRECT TESTIMONY OF CHRISTOPHER H. FRANKLIN**4 **DOCKET No. 080121-WS**

5

6 **Q. What is your name and business address?**7 **A. My name is Christopher H. Franklin. My business address is 762 W. Lancaster Avenue,**
8 **Bryn Mawr, PA 19010.**9 **Q. Have you previously submitted testimony in this proceeding?**10 **A. Yes. I filed direct testimony as part of AUF's initial filing in this rate case and sponsored**
11 **Exhibit 1.1.**12 **Q. Why are you now filing supplemental direct testimony?**13 **A. AUF requested an opportunity to file supplemental testimony now in order to give the**
14 **Commission and the parties a prompt report on AUF's efforts to address issues raised at the**
15 **customer service hearings as soon possible after those hearings were conducted. On August**
16 **5, 2008, the prehearing officer granted AUF's request to file this supplemental testimony in**
17 **Order No. PSC- 08-0498-PSC-WS.**18 **Q. What is the purpose of your supplemental direct testimony?**19 **A. As stated, I will be addressing issues raised by AUF's customers at the customer service**
20 **hearings held in Gainesville, Palatka, Sebring, Lakeland, Mt. Dora, Chuluota, and Chipley.**21 **Q. Has AUF reviewed and responded to all of the issues raised at those customer service**
22 **hearings?**23 **A. Yes it has. Attached as Composite Exhibit CHF-1 is a matrix identifying each specific**
24 **customer issue and the follow-up investigation and resolution. AUF is continuing to review**
25 **customer issues raised at the Greenacres hearing and will address those issues in rebuttal**

1 testimony after the transcript is available, along with other customer issues that may be
2 raised at the upcoming service hearing in New Port Richey.

3 **Q. Can you summarize AUF's approach toward the issues raised by customers at the**
4 **various service hearings?**

5 **A.** Yes. During the service hearings in Gainesville, Palatka, Sebring, Lakeland, Mt. Dora,
6 Oviedo and Chipley, 97 customers gave testimony which covered approximately 194
7 issues. AUF's billing, customer service and operations teams thoroughly investigated each
8 customer issue. Many customers spoke about issues that had already been resolved prior
9 to the service hearing and many customer issues were resolved on-site at the hearings.
10 Other customers were contacted immediately following the hearings to bring final
11 resolution to their issues. At the conclusion of our investigation of each issue, all of the
12 customers will receive an individualized letter summarizing their issue and its resolution.
13 Copies of those customer letters are attached as Composite Exhibit CHF-2.

14 **Q. Did AUF establish a system to track and address all issues raised at the service**
15 **hearings?**

16 **A.** Yes. In order to ensure that all issues were properly addressed, AUF created a sheet for
17 each hearing. (See Composite Exhibit CHF-1). The summary sheet outlined the issues
18 raised by each customer that testified, and set forth the results of AUF's research and any
19 actions taken by AUF to resolve an issue. We then reviewed the information in the
20 summary sheets and organized the customer issues in 14 categories to identify trends by
21 area. A color-coded chart summarizing those 14 categories of issues is attached as Exhibit
22 CHF-3.

23
24 This color-coded chart was created as a tool to prioritize those issues that AUF needs to
25 correct, and in no way implies that AUF is not addressing all the issues raised at the service

1 hearings. Each and every issue raised by a customer is extremely important to AUF. By
2 using this chart, AUF believed that it was imperative to implement a more formal
3 customer issue evaluation system to allow us to identify areas that need immediate
4 management attention.

5 **Q. Describe how that customer issue evaluation system worked?**

6 **A.** AUF initially evaluated its level of responsibility for each and every issue raised by a
7 customer. Each issue was color-coded for response and tracking purposes depending on
8 AUF's assessment of its level of responsibility. For example, issues for which AUF was
9 fully responsible were coded red, issues for which AUF was moderately responsible were
10 coded yellow, and issues for which AUF was minimally responsible were coded green.
11 AUF first addressed "red" issues for which AUF was fully responsible, then turned to
12 "yellow" and "green" issues for which it was moderately or minimally responsible.

13
14 As is shown on Exhibit CHF-3, AUF determined that 161 or 83% of the 194 issues
15 identified were designated as either green or yellow; while 33 or 17% of the issues were
16 designated as red. Of the 33 issues for which AUF believes it bears full responsibility, 10
17 were attributed to transition issues related to the new meter change out that is underway
18 company-wide. Namely, AUF identified limited situations in 2008 where information
19 associated with newly installed meters had not been properly or timely recorded in the
20 billing system. As I will discuss later in my testimony, AUF believes the post-installation
21 audit that it recently implemented will reduce the incidence of this problem during the one
22 month remaining of the meter installation program.

23 **Q. You mentioned that AUF organized service hearing issues under 14 categories in an**
24 **effort to identify customer service trends by area. What are those 14 categories?**

25 **A.** The fourteen categories of customer issues, listed in order from most discussed to least

1 discussed, are:

2

3 1) Water Quality

4 2) General Billing

5 3) Treatment by Customer Service Representative

6 4) Boiled Water Notice

7 5) Meters

8 6) Undocumented Meter Change Information

9 7) Supervisor Call Back

10 8) Multiple Customer Calls Required for Resolution

11 9) Water Pressure

12 10) Length of Time to Correct Problems

13 11) "Added Zero"

14 12) Field Related Issues

15 13) Estimated Bills

16 14) Sewer Related

17 These categories of issues are depicted on the top line of Exhibit CHF-3.

18 **Q. Can you please describe the category of issues related to water quality?**

19 **A.** Yes. Most of the customer complaints concerning water quality involved secondary
20 standards established under the Federal Safe Drinking Water Act and adopted under the
21 Florida Safe Drinking Water Act (Chapter 403, Part IV, Florida Statutes). Unlike primary
22 drinking water standards that establish the maximum contaminant levels (MCLs) for water
23 delivered by a public water system, secondary standards address aesthetic issues like
24 hardness, odor, and calcification. Secondary standards, unlike primary MCLs, address
25 aesthetic questions, not potability.

1 **Q. What is AUF's policy to address these aesthetic water quality issues?**

2 A. AUF operates 120 wells in 84 water systems in Florida. AUF's goal is to maintain a good
3 aesthetic quality of water. However, treating all water used for all purposes by all
4 customers to the highest customer aesthetic expectation can come at a significant cost to
5 customers that is disproportionate to the aesthetic benefits achieved. For small systems with
6 challenging water quality aesthetics, point-of-use filters are often the most cost-effective
7 mechanism to achieve a customer's aesthetic quality objectives. For example, customers
8 with water softeners only on the hot water can control water hardness to a desirable level
9 for washing without incurring the expense of softening water used for other purposes in
10 and outside the home. Aesthetically-related customer issues were coded as green in
11 Exhibit CHF-3 because AUF meets the state and federal drinking water standards for those
12 matters.

13 **Q. Are any of AUF's systems currently out of compliance with primary drinking water
14 standards under the Federal and State Safe Drinking Water Acts?**

15 A. Yes. Currently, there are only two systems in AUF that are out of compliance with primary
16 MCLs. These are The Woods and Chuluota systems, both of which are in Seminole
17 County.

18 **Q. What has AUF done to address the water quality issues at The Woods system?**

19 The Woods is a small system with a groundwater source challenged with high levels of iron
20 and total organic carbon. The original treatment system intended to remove iron did not
21 effectively control the formation of Total Trihalomethanes (TTHMs)—a disinfection by-
22 product. After the system exceeded the MCL for TTHMs in 2006, AUF designed and
23 installed a completely new iron removal treatment system that allowed for better control of
24 disinfection by-products. The system was put on line in June 2008. Compliance with the
25 TTHM MCL is based on a Running Annual Average of four quarterly sample results. AUF

1 expects that lower test results will be achieved with the new treatment equipment, and the
2 system will be in compliance with the TTHM MCL by the end of the year.

3 **Q. What has AUF done to address the water quality issues at the Chuluota system?**

4 **A.** First, I would like to note that since the Chuluota customer service hearings, the Florida
5 Department of Environmental Protection (FDEP) sampled the water supply in Chuluota.
6 The results of FDEP's testing are attached as Exhibit CHF-4. Those results demonstrate
7 that the water meets the standards for the parameters tested.

8
9 Second, as a matter of background, treating the natural water in Chuluota has been a
10 challenge for many decades prior to AUF acquiring the Chuluota system. That said,
11 AUF has been persistent in trying to solve the water quality issues in this system. When
12 AUF acquired the Chuluota system from Florida Water Services in July 2004, there were
13 problems with discolored (black) water, taste and odor, and inadequate chlorine residual
14 in the distribution system. AUF converted the system to free chlorine disinfection
15 immediately. This addressed the discolored water, odor and chlorine residual issues.

16
17 Subsequent testing in 2005 and 2006 for disinfection by-products yielded levels of
18 TTHMs that exceeded the applicable MCL. Despite cleaning tanks, flushing, and
19 adjusting chlorine levels, the TTHM levels remained high. AUF's first public notice of an
20 MCL exceedance was mailed to customers early in July 2006.

21
22 In December 2006, the FDEP issued a Consent Order requiring AUF to implement
23 chloramination at Chuluota on a very tight timetable. AUF did not want to return to the
24 problems that had prevailed in July 2004. Anticipating the FDEP order, AUF hired an
25 engineering consulting firm, Boyd Environmental Engineering, Inc., to design a

1 chloramination system that could be carefully controlled, with multiple points of
2 chemical application and continuous monitoring and flow-paced chemical feeds. The
3 design was submitted to FDEP for permitting in December 2006. Because of the very
4 tight time constraints imposed by the FDEP's order, AUF put the work out to bid and pre-
5 ordered equipment while the permit was under review by FDEP. All work was completed
6 in April 2008.

7
8 **Q. What else is AUF doing to help remedy the water quality issues in Chuluota?**

9
10 **A.** AUF believes that regional cooperation is needed to comprehensively correct the water
11 quality problems in this area of Seminole County that has been an issue for many
12 decades. To that end, the Mayor of the City of Oviedo - Mary Lou Andrews - testified at
13 the Chuluota service hearing and formally offered her help to begin the process of
14 exploring an interconnection between City of Oviedo's water system and AUF's Chuluota
15 system:

16 *"The City of Oviedo stands posed to work with and assist Aqua Utilities*

17 *And we will extend our hand again if you need an alternative source, but you need*

18 *to come to the table and we need to negotiate and we need to talk. But if there's*

19 *something that the City can do to be of assistance to Aqua Utilities, please contact*

20 *us and let's see what we can work out, because we don't want our fellow*

21 *community in Chuluota going through this anymore." [Chuluota Hearing*

22 *Transcript @ 63.]*

23 As shown in Exhibit CHF-5, immediately following that service hearing, AUF made
24 several attempts to set up a meeting with the City of Oviedo, including multiple phone
25 calls and correspondence. The first formal meeting of the parties occurred on August 27,

1 2008. During the meeting, the two parties discussed potential interconnection of the AUF
2 and Oviedo systems, and I anticipate a series of several follow-up meetings to discuss
3 issues relative to consumptive use permitting, pipeline construction and permitting,
4 environmental permitting, and associated hydraulic engineering.

5 **Q. While AUF is pursuing regional solutions with the City of Oviedo, is the company**
6 **doing anything else to address water quality issues at the Chuluota system?**

7
8 **A.** Absolutely. AUF has installed new analyzers on its chloramination system, and that
9 equipment appears to be operating well. AUF should be in a position to move back to
10 chloramination in early September 2008. In addition, AUF continues to seek external
11 expertise to treat the water in Chuluota, which as all parties have agreed, is a very
12 challenging water supply. To that end, AUF has retained Dr. James Taylor, P.E., as part
13 of its consulting team. Dr. Taylor is located in the Orlando area, and has been recognized
14 by the FPSC as an expert in water systems and treatment. Importantly, he has expertise
15 in working with water systems exhibiting similar issues to those in Chuluota. In
16 particular, Dr. Taylor has developed an intensive sampling program to monitor the
17 treatment process and distribution system during the return to chloramination.

18
19 To address odor and other aesthetic issues, AUF has contracted for equipment to enhance
20 the removal of hydrogen sulfide (a problem common to groundwater in the area, but
21 uncommon nationwide) in the system aerators. That equipment will be employed in a
22 full-scale test at one of the two water treatment plants.

23
24 Dr. Taylor is also evaluating other treatment processes for testing Chuluota water
25 sources.

1 **Q. Please describe the trends depicted on Exhibit CHF-3 concerning customer billing**
2 **issues and AUF's efforts to resolve those issues.**

3 **A.** Of the 23 issues AUF placed in the billing category, 21 were coded green or yellow, and 2
4 were coded red. One of the 2 issues coded red involved an account where the meter was
5 accidentally set up as a 2-inch meter instead of a 5/8-inch meter. This mistake resulted in a
6 large bill to the customer. Upon investigation, AUF corrected the clerical error and issued
7 a new bill to the customer. The second issue was related to a meter exchange that was not
8 updated on the billing system after the meter was installed. Upon investigation, AUF
9 believes that it took too long to correct this problem.

10 **Q What has AUF done to improve the quality of its customer service representative**
11 **(CSRs), and the ability of CSRs to answer customer questions?**

12 **A.** 22 customers complained about CSR treatment on the telephone. While we take all of
13 these complaints seriously, our research indicated that CSRs acted appropriately in all but
14 four situations with customers. In these four cases, the customer's issues took longer to
15 resolve than expected. In these instances, call center management coached the applicable
16 CSRs on performance concerns and the other two CSRs are no longer with the company.
17 AUF is committed to providing quality water and wastewater service and this includes
18 having responsive and well trained CSRs. A Quality Assurance and Training (QAT) team
19 is charged with monitoring customer calls for both quality of service and accuracy of
20 customer response. Attached as Exhibit CHF-6 is a copy of the form that AUF utilizes to
21 evaluate its CSRs.

22 **Q. Does AUF have a policy on when customers are referred to a call center supervisor?**

23 **A.** Yes. If a customer asks to speak to a supervisor, AUF's CSRs are to take the following
24 steps: a) the CSR offers to help customer and attempts to resolve the issue; b) if a
25 customer wishes to speak with a supervisor, the CSR transfers the customer call to an

1 available call center supervisor or to a lead/senior CSR in their call center; c) if a call
2 center supervisor and lead/senior CSR is not available, the CSR secures contact
3 information from the customer, creates a notification for a supervisor call back, and
4 documents the interaction in the customer information system.

5 **Q. Some customers complained about supervisors in the call center that did not return**
6 **customers calls. Please explain the cause of these complaints and describe what AUF**
7 **has done to ensure call backs are made when promised?**

8 A. Ten customers testified that they did not receive a call back from the AUF call center
9 when they requested it. After researching the issues, AUF determined six of these
10 customers actually did receive a call back when requested. It is AUF's policy to call back
11 all customers upon their request within 48 hours of the initial call. When complaints of this
12 nature are brought to our attention, we investigate the case to discuss the root cause of the
13 process breakdown and follow-up with any employee-related error, if necessary. In the
14 four cases where this process did not work as designed, we found that two of our CSRs did
15 not properly notify their supervisor of the request and in the other two cases, the call center
16 supervisors did not adequately follow up on the customer request.

17
18 To help us understand the nature of customer requested supervisor assistance and track the
19 timeliness of response, we have implemented a log sheet protocol for these cases. All
20 supervisor call backs are now logged in with the following information included: date
21 received, date of promised call back, and date of final resolution.

22 **Q. Please discuss AUF's policy and standard operating procedures relative to water**
23 **quality advisories.**

24 A. Boil water advisory procedures have evolved over the past few years and continue to
25 evolve with new technology, which creates new opportunities and expectations. The

1 regulations require that AUF notify the Florida Department of Health (FDOH) and/or
2 FDEP (depending on the County) as soon as possible in the event of circumstances
3 warranting issuance of precautionary boil water advisories. Rule 62-560.410(1)(a)1,
4 F.A.C. requires that AUF furnish a copy of the Tier 1 notice to the radio and television
5 stations that broadcast in the area served by the utility as soon as possible but in no case
6 later than 24 hours after the utility system learns of the violation, exceedance, situation or
7 failure that may pose an acute risk to human health, unless otherwise directed by the FDEP.
8 The utility system must also initiate consultation with the FDEP as soon as possible, but in
9 no case later than 24 hours after the system learns of the violation, to determine if
10 additional public notice requirements may be necessary to protect the public health.

11
12 It is AUF's policy to go beyond the minimum requirement of the rules. In consultation
13 with the FDEP and FDOH, AUF hand-delivers notices to all affected residences and
14 businesses as soon as possible, but in no case later than 24 hours after the water system
15 learns of a violation, exceedance, situation or failure. AUF's standard procedure is to
16 distribute door hangers or notices to affected homes. In some cases, in consultation with
17 the regulatory agency, notices are provided to newspapers and/or electronic media. AUF
18 then performs follow-up testing after the notice is issued, provides the results to the
19 appropriate regulatory agency, and in consultation with the agency, issues notices to
20 rescind the precautionary Boil Water Advisory. Typically, the follow-up testing shows that
21 water quality was unaffected by the emergency, which is most commonly caused by a
22 power failure or a water main break. Contrary to some customers' testimony, a Boil Water
23 Advisory does not need to be dispatched every time pressure may drop.

24
25 Recently, Aqua contracted with a company to provide automated telephone emergency

1 notifications to customers. The system is being populated with customer addresses and
2 phone numbers and we anticipate the system will be operational in Florida this year.

3 **Q. Please generally describe AUF's meter change out program in Florida?**

4 **A.** First, I would like to note that the systems that AUF acquired in 2003 and 2004 were
5 generally equipped with aged meters that often were sunken and difficult to locate, and in
6 some instances required meter readers to enter a customer's property. The primary goal of
7 AUF's radio frequency (RF) meter exchange program is to replace those aged meters and
8 to increase meter reading accuracy. This meter exchange program is expected to be
9 completed by September of 2008.

10 **Q. Please explain what AUF is doing to address and resolve the meter issues raised**
11 **during the customer service hearings.**

12 **A.** As I have stated, AUF's meter change out program in Florida is underway. Unfortunately,
13 there have been some transition issues and learning processes that have come about as a
14 result of this significant meter exchange initiative. In some instances, the new meter
15 information (e.g., serial number, RF number) did not get uploaded into the billing system
16 after the meter was installed. As a result, even though actual reads were taken, the reads
17 did not match the account in the system and an estimated bill was issued. In order to
18 prevent this issue going forward, AUF has begun auditing all systems where new meters
19 are installed. After meters are installed in a particular area, an AUF employee audits the
20 change out and checks the meter number, address of the customer, and RF number so that
21 there are no inconsistencies. In addition, AUF has a process in place to identify any bills
22 that are estimated two times consecutively in order to review the account and correct the
23 problem.

24 **Q. Some customers testified that after their new meter was installed, they experienced**
25 **particularly higher water bills. Was this primarily due to the "added zero" issue that**

1 **was raised at some of the customer service hearings?**

2

3 A. No. AUF extensively investigated this issue but discovered only one single instance where
4 the “added digit (zero)” actually occurred. Nevertheless, AUF has taken precaution to
5 ensure that the "added zero" issue does not become a problem in the future.

6

7 **Q. Please explain?**

8

9 A. Prior to AUF's RF meter exchange, standard practice was for meter readers to look at the
10 meter and manually record only five digits from the meter. The risk of the “added zero”
11 can occur when an RF meter exchange has taken place in the field but that new information
12 has not yet been uploaded to the billing system. Under that scenario, there is the potential
13 for an extra digit or zero to be automatically added at the billing system level which could
14 cause billed usage to exceed actual consumption by a factor of 10. The solution to this
15 issue is to ensure that all new meter exchanges are inputted into the billing system prior to
16 issuing the first bill after the meter exchange was completed. AUF has instituted audit
17 procedures and other safeguards to reduce this occurrence from happening. Those
18 safeguards are discussed in detail in the section of this testimony concerning AUF's meter
19 change out program.

20

21 Although our investigation into the "added zero" issue did not reveal widespread problems,
22 our research did indicate two other issues that should be mentioned. First, during
23 installation of the new meters, there were occasions where some of the new meter
24 information (serial number, RF number) did not get uploaded into the billing system after
25 the meter was installed. Our investigation found that 10 customers who testified at the

1 hearings experienced this issue. Unfortunately, there were several instances where the
2 diagnosis was done improperly by our CSRs and, as a result, it took a longer time to
3 ultimately resolve the issue than it should have. Second, and consistent with our prior
4 review, we found that many customers did not understand the volume of water they used,
5 particularly when irrigating. Some customers complained about escalated bills, but our
6 research found that those customers had a pattern of spikes and valleys in their water usage.

7 **Q. Please comment on the issues raised by customers in regard to estimated bills.**

8 **A.** Only 5 customers complained about billing estimates at the hearings. In my view, this is a
9 significant improvement. As a result of an effort to reduce the total number of estimated
10 bills and to read the meters every 30 days, the customer bills have become much more
11 predictable. It has been our experience that if customers receive a regular bill based on an
12 actual meter reading, they do not complain about the bill. The installation of RF meter
13 reading will help ensure that meters are read timely and accurately. AUF has a target of
14 estimating fewer than 1 percent of all customer bills each month. We are close to meeting
15 that goal now and fully expect to achieve the goal once the RF devices are fully deployed
16 this fall.

17 **Q. Does this conclude your testimony at this time?**

18 **A.** Yes.

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1 BY MR. MAY:

2 Q Have you prepared a summary for your prefiled direct
3 and supplemental direct testimony?

4 A Yes, I have.

5 Q Would you please provide that summary at this time?

6 A Certainly. Good morning, Chairman, Commissioners. I
7 appreciate the opportunity to be here today. In my direct and
8 supplemental direct testimony I have provided the company's
9 follow-up to the individual customer complaints raised at the
10 public input hearings.

11 As indicated in my testimony, I, along with our
12 customer service team, reviewed each customer complaint,
13 researched the issue, performed field work, if necessary, made
14 phone calls and finally followed up with an individualized
15 letter to every customer.

16 Starting on Page 3 of my supplemental direct
17 testimony I walked through the different types of complaints
18 that were raised at the public hearings and our responses to
19 how we are addressing those issues.

20 Attached as composite Exhibit CHF-1 is the tracking
21 sheet that we used to review the issues raised by customers at
22 the public input hearings. Our assessment of the 2008 hearings
23 indicates that there have been improvements since the hearings
24 held in 2007, and, as I note in my testimony, secondary water
25 quality issues and general operation to increased rates topped

1 the list of customer issues raised in 2008.

2 Some customers testified about Aqua's proposal to
3 consolidate rate base -- consolidate base rates into a
4 consolidated tariff similar to the electric and gas utilities.
5 Under that proposal, if Aqua were to receive its entire
6 \$8.4 million rate increase, Aqua's new monthly water bill based
7 on 5,000 gallons a month would be approximately \$42 for all
8 customers.

9 Now, Preston Luitweiler will discuss all that we have
10 done to improve the water supply in Chuluota. Aqua is
11 currently meeting state and federal drinking water standards in
12 all of our systems except for two: Chuluota, which has been in
13 compliance for the last three quarters and we expect to be in
14 full compliance in the near future. The Woods is the second
15 one, which we expect to be in full compliance within the next
16 week as we take a sample this week.

17 That being said, customers wanted to know what Aqua
18 is going to do to improve the aesthetic quality of the water:
19 The taste, odor and clarity. Now that the bulk of our major
20 capital improvement work and meter changeout program is
21 complete, our next goal is to focus our expertise and capital
22 investment in the coming years on addressing the aesthetic
23 quality, the aesthetic water quality issues. Thank you very
24 much.

25 BY MR. MAY:

1 Q Mr. Franklin, does that conclude your summary?

2 A That concludes my summary.

3 MR. MAY: Mr. Chairman, we'd tender Mr. Franklin for
4 cross-examination.

5 CHAIRMAN CARTER: Thank you.

6 Mr. Beck.

7 MR. BECK: Thank you, Mr. Chairman.

8 CROSS EXAMINATION

9 BY MR. BECK:

10 Q Good morning, Mr. Franklin.

11 A Good morning, Mr. Beck.

12 Q Is it your opinion, Mr. Franklin, that the condition
13 of the systems that were purchased by Aqua from Florida Water,
14 that they were in bad condition overall when you purchased
15 them?

16 A Well, obviously bad is a relative term. They, they,
17 many of the systems needed work.

18 Q Okay. Let me ask you to -- I'm going to have an
19 exhibit demonstrative of the comments you made at the Palatka
20 service hearing.

21 CHAIRMAN CARTER: You don't need a number for this?

22 MR. BECK: No. It's simply the transcript of the
23 hearing, so that's --

24 BY MR. BECK:

25 Q Mr. Franklin, you were at the Palatka service

1 hearing, were you not?

2 A Yes, sir.

3 Q In fact, you were at all of them except for New Port
4 Richey?

5 A That's correct.

6 Q Okay. And typically you gave an opening statement at
7 those service hearings?

8 A I did.

9 Q Okay. And would you please turn to Page 9 of the
10 transcript from the Palatka service hearing?

11 A Yes, sir.

12 Q On that page there's some statements by you
13 concerning the purchase of the system, one from Aqua Source and
14 the other from Florida Water. Do you see that on Lines
15 10 through 12?

16 A Yes.

17 Q And at Line 14 you say you purchased both of them for
18 what you call rate base; is that right?

19 A Right.

20 Q In fact, that's not true for the Florida Water
21 system; is it?

22 A I think, I believe that was less than rate base.

23 Q Okay. And on Page, on Line 8 or beginning on Line 18
24 you stated at the Palatka hearing that these companies were
25 poorly capitalized and in many cases in dis, decay and

1 disrepair. Do you see that?

2 A Yes, I do.

3 Q And to what were you referring when you said that in
4 many cases they were in decay and disrepair?

5 A Well, we had a number of systems that, that certainly
6 we were concerned about, Chuluota being one we encountered an
7 issue on the first day regarding black water.

8 Q You'd stand by that, that you're referring to many
9 cases where this was so, in decay and disrepair?

10 A Yes -- I'm sorry. Rephrase your question, please.

11 Q You stand by your statement that it is in many cases
12 that the systems were in decay and disrepair.

13 A Disrepair.

14 Q Okay. So you're not, you weren't referring just to
15 Chuluota, I take it.

16 A That's right.

17 Q What other systems were you referring to?

18 A I believe Mr. Luitweiler outlines a number of issues
19 in his testimony and in an interrogatory that outlines the list
20 of the issues that we had with the systems when we bought it.

21 Q Mr. Luitweiler addresses Chuluota, does he not?

22 A Yes, sir, he does.

23 Q Okay. What -- does he address the other systems as
24 well?

25 A I believe he does. Yes.

1 Q One of the things caused by Aqua purchasing systems
2 in decay and disrepair is that you had a lot of capital
3 improvements that had to be made. Would that be a fair
4 statement?

5 A We did have capital improvements to make. Yes.

6 Q Right. In fact, you mentioned that in your opening
7 statement that you've now completed most of the capital
8 improvements for water quality standards; is that right?

9 A That's correct.

10 Q Do you believe Aqua had to spend more money than it
11 otherwise would have on capital improvements because many of
12 the systems were in a state of decay or disrepair?

13 A Compared to what?

14 Q Compared to if the systems had not been in a state of
15 decay and disrepair.

16 A If we had purchased a pristine, brand new system, we
17 would not have had to, had to spend the level of capital we
18 did. That's correct.

19 Q What if you had purchased reasonably maintained
20 systems? Have you had to spend more money than you would have
21 otherwise compared to if you had purchased reasonably
22 maintained systems?

23 A I couldn't speculate.

24 Q The condition of the plants when Aqua purchased them
25 has nothing to do with your billing system issues that have

1 been raised by customers; is that a fair statement? In other
2 words, you're not using a billing system that you purchased
3 from, from other systems?

4 A That's correct. We have a new billing system today.

5 Q You put a new billing system in at the end of 2006,
6 did you not?

7 A We did.

8 Q And that was at quite a bit of expense compared to
9 the older system that you had been using, was it not?

10 A The expense to, the capital expense to install the
11 system?

12 Q Just the, the, the yearly cost for your customer
13 operations compared to -- or for billing compared to what you,
14 you were using when you purchased the systems.

15 A I don't believe I've submitted any, any cost
16 comparisons. But I think our, our internal assumptions were
17 that it would be a net same (phonetic) cost.

18 MR. BECK: Okay. I'm going to ask you to look at an
19 exhibit, Mr. Franklin.

20 And, Mr. Chairman, could we have this labeled as an
21 exhibit for identification?

22 CHAIRMAN CARTER: 189. 189. This will be Exhibit
23 Number 189. Title, Mr. Beck?

24 MR. BECK: Scottish Highlands letter.

25 (Exhibit 189 marked for identification.)

1 CHAIRMAN CARTER: Thank you. You may proceed.

2 BY MR. BECK:

3 Q Do you have the exhibit in front of you,
4 Mr. Franklin?

5 A Yes, sir, I do.

6 Q Okay. And are you aware of this complaint that our
7 office received from the condominium association at Scottish
8 Highlands?

9 A Yes, I am.

10 Q Okay. Let's spend a moment, if we could, in looking
11 at this.

12 On the first page -- this is a letter that's
13 addressed to me. Is that right?

14 A All set.

15 Q Okay. This is a letter addressed to me, is it not?

16 A Oh, yes, it is.

17 Q Okay. And it's dated November 10th?

18 A Yes, sir.

19 Q Okay. And it was received by, or at least on the
20 face it was received in our office on November 18th; is that
21 right?

22 A That's what I see here.

23 Q Okay. And are you aware that I forwarded this letter
24 on that same day to Aqua asking for, that the company to assist
25 this customer?

1 A Yes. I believe we received it on or about that date.

2 Q Okay. And are you aware that a week later I
3 contacted Aqua again and told you that nobody had even
4 contacted this customer at that point?

5 A I was not aware of that.

6 Q Okay. Among the complaints by Scottish Highlands is
7 that -- well, it starts off -- let me back up. On the second
8 paragraph Ms. Janice Johnson mentions that on June 16th a
9 three-quarter inch meter was removed and replaced with a
10 two-inch meter; is that right?

11 A That's what the letter states.

12 Q Okay. And then she goes on later in there to discuss
13 a number of difficulties she had with the billing; is that
14 right?

15 A That's what the letter states.

16 Q Okay. And on the top of the next page she states
17 that they were charged from June 16th, 2008, until August 12th,
18 2008, for 154,000 gallons of water; is that right?

19 A That's what the letter states.

20 Q Okay. And she states that according -- a result of
21 their claim is that their usage went from an average of
22 136 gallons a day to almost 2,702 gallons a day. Do you see
23 that?

24 A That's what the letter states.

25 Q And she states she made countless telephone calls to

1 Aqua Utilities.

2 A That's what the customer claims.

3 Q And then the last attempt was made on October 14th.

4 Do you see that?

5 A October 2006?

6 Q No. October 14th, 2008. It's the, on the second
7 page of the letter.

8 A Okay. Yep, second paragraph.

9 Q She was told that a supervisor would have to work on
10 the problem and would contact her in about two weeks. Do you
11 see that?

12 A That's right. I see that.

13 Q And then she said after four weeks, had not received
14 any calls or correspondence, but they received a ten-day notice
15 that their water would be shut off; is that right?

16 A That's what I see here. Yes.

17 Q Okay. Has Aqua investigated this complaint now?

18 A Yes, we have, sir.

19 Q Okay. And what are the results of your
20 investigation?

21 A Well, first of all, let me say there's never an
22 excuse for a delayed reaction. We want to, we want to move
23 ahead quickly when we, when we receive a complaint from a
24 customer. So having said that, this one was particularly
25 complex. And let me give you an idea of what happened here.

1 First, the meter had been improperly read by a
2 contractor in February. That, that is in regard to her
3 statement on, on Page 1. Now whether that contractor -- and,
4 again, this was prior to the installation of the new meter,
5 prior to radio frequency meter reading. And so we had a
6 contractor that either confused -- because let's put this in
7 context, Mr. Beck; right? There are 35 meters in this
8 condominium complex. Those 35 meters, many of those meters
9 serve multiple customers. So this is a very complex area. All
10 of these meters and all of these bills, 35 of which, are paid
11 by a single individual at the condominium association. So it's
12 all then combined and then it comes to the company.

13 So when the meter installers got their instructions,
14 they were to, to install like meters. In other words, if there
15 was a one-inch meter installed, they would replace it with a
16 one-inch meter.

17 In the case of the Scottish Highlands November 10th
18 letter, Page 1, when the contractor arrived, they installed a
19 two-inch meter, replacing an existing two-inch meter.
20 Unfortunately when we purchased this system, it was, that meter
21 was in the billing system, not our current billing system but
22 the previous billing system. That billing system has a
23 three-quarter-inch meter. So unfortunately this customer had
24 been underbilled for that period of time. And when we replaced
25 the two-inch meter, it corrected the issue. I should say it

1 made the issue precise so that there was a two-inch meter in
2 the billing system and a two-inch meter in the, in the, in the
3 ground.

4 Q Okay. And how long did it take Aqua after
5 Ms. Johnson contacted you to, to tell her that's what happened
6 and to fix the situation?

7 A It took too long, Mr. Beck, because, because of the
8 complexity and the nature of this, of this issue where for, for
9 a period of years there were, there was a different meter in
10 the ground than was indicated in the original billing system.

11 Q Okay. Can you tell me why she was told that she
12 would be contacted in two weeks and after four weeks she had
13 not received anything back?

14 A Yes. I mean, the short answer is there was an
15 investigation into the meter reading aspects, an investigation
16 into the billing aspects, and then an investigation in the
17 field to look at what was in the field. This is a very unusual
18 circumstance.

19 The, the, the customer should have been called back
20 in that interim period and said this is a more extensive
21 investigation than we had anticipated and we're going to need a
22 little bit more time, and that's what should have happened.

23 Q Okay. Mr. Franklin, let's turn to your supplemental
24 direct testimony.

25 A Okay.

1 Q Okay. You described in your, your summary how you've
2 investigated the complaints of the service hearings and then
3 sent letters back to the customers responding to their, their
4 testimony at the service hearings; is that right?

5 A I have.

6 Q Okay. And the letters that you sent to customers are
7 actually contained in your Exhibit CHF-2?

8 A They are.

9 Q Okay. And you have a summary of the testimony and an
10 evaluation of it in your Exhibit CH-1 or CHF-1; is that right?

11 A I do.

12 Q At Page 3 of your supplemental direct testimony you
13 discuss a color coding that you use in your exhibit; is that
14 right?

15 A Yes, I do.

16 Q Would you explain the color coding system that you
17 use?

18 A Yes, sir. We designed the color coding so that we
19 could triage, in other words, work on the highest priority
20 issues first and then move down through the, through the
21 issues. So if they were coded either -- well, let's start with
22 the, with the green.

23 Aqua considered itself to be minimally responsible
24 for the issues associated with the green, moderately
25 responsible for the issues coded in yellow and fully

1 responsible for the issues coded in red. And that was how we
2 did the triage, although every issue received the appropriate
3 level of investigation and follow-through.

4 Q Okay. Mr. Franklin, what I'm going to do is discuss
5 the testimony of a few of the witnesses you've heard and look
6 at, review their summary, review their testimony at the
7 hearing, then go to your CHF-1 to see the summary, and then
8 look at the letter that you sent to the customers. Are you
9 with me on that?

10 A Yes, sir.

11 MR. BECK: I would like to hand out an exhibit.
12 Mr. Chairman, I'm going to have a series of these. They're
13 simply transcripts from the service hearing. Those need not be
14 entered into the record.

15 CHAIRMAN CARTER: You may proceed.

16 MR. BECK: Thank you.

17 BY MR. BECK:

18 Q And, Mr. Franklin, the first one -- I'll give you a
19 chance to look through that. The first one I want to ask you
20 about is Michelle Humphrey from the Chuluota hearing.

21 A Yes.

22 Q Do you have the excerpt from the transcript in front
23 of you?

24 A I do.

25 Q Do you recall Ms. Humphrey?

1 A It's coming back to me as I read the testimony, as I
2 read her testimony.

3 Q Okay. Well, let's start at Page 189 of the
4 transcript. It's the beginning of Ms. Humphrey's testimony to
5 the Commission.

6 A I'm sorry. The date?

7 Q Page 189 of the transcript.

8 A Yes. 189.

9 Q Okay. She told the Commission that she essentially
10 built a new building three years ago to run her school, her
11 private school in Chuluota.

12 A Yes.

13 Q Okay. And that she has babies starting at six weeks
14 through age 12 that attend the school.

15 A Yes.

16 Q And down at the bottom of Page 189 at Line 23 she
17 says that two months ago they started noticing half the toilets
18 in the school weren't working on a brand new building.

19 A Yes.

20 Q And at the top of the next page, that they replaced
21 floats twice. She complains of the stench when you flushed it.
22 She described it as being worse than if you had gone into the
23 bathroom being sick. Do you see that?

24 A I see that.

25 Q Then at Lines 8 through 9 she says, "Then we started

1 noticing large amounts of yellow-orange stuff coming out." Do
2 you see that?

3 A I see that.

4 Q Down at Line 15 she mentions that the backflow system
5 wouldn't work, it was completely rotted. Do you see that?

6 A I see that.

7 Q Then down on Line 29 (sic.) she mentions that she's
8 on her second washing machine and that she had bought brand new
9 equipment.

10 A I see that.

11 Q Okay. And then that's unexplainable why they're
12 completely rusting away at the top of the next page.

13 A I see that.

14 Q And then she discusses problems with her dishwasher
15 as being unfunctional; is that right?

16 A I see that. Yes.

17 Q Okay. And then at the top of Page 192 she mentions
18 that Aqua started bringing Culligan water to the school. Do
19 you see that?

20 A I do.

21 Q Now let's go to your letter, if we could, to
22 Ms. Humphrey. Your letter to her is on your Exhibit CHF-2,
23 Page 99.

24 A Page 99. I'm there.

25 Q And does your letter to her address the issues she

1 raised about the harm to her washing machines and the
2 dishwashers that she described at the hearing?

3 A No, it does not.

4 Q Okay. Does your letter address what she called large
5 amounts of yellow-orange stuff in the water?

6 A It does not address every issue in her, that she
7 raised at the hearing, no. It does not talk about the yellow
8 residue.

9 Q Do you address in her letter the Culligan water
10 that's being brought to her school by Aqua?

11 A It does not.

12 Q Okay.

13 A I do think it bears explanation though. There, there
14 was constant contact with Ms. Humphrey at this time from our
15 field operations folks and she was in regular contact, regular
16 conversation. So it was not felt that it needed to be
17 completely recapped in a letter in addition to the regular
18 contact we were having with Ms. Humphrey at that time.

19 Q During her testimony at the service hearing she
20 wanted to know why all the residents weren't being provided
21 bottled water. Why was it just her? Do you recall that?

22 A I recall that.

23 Q Okay. And, again, it's not in your letter because
24 you said you're relying on contacts you've had with her.

25 A Yes, sir.

1 Q Why is, why is Ms. Humphrey's school being provided
2 bottled water?

3 A I'm going to, I'm going to defer to Mr. Lihvarcik in
4 his testimony. My recollection is that she was on a dead-end
5 street and that the dead-end street, there could be more
6 residue. And one of the reasons why we initiated our, what we
7 call our looping project to connect the dead-end mains in the
8 area so that there was not, there was not less quality water,
9 if you will, at the end of those dead-end mains.

10 Q Is Aqua providing bottled water to any other of its
11 customers other than Ms. Humphrey?

12 A Not to my knowledge.

13 Q Okay. How about Walker Elementary School? What's --
14 is there any special services you're providing for Walker
15 Elementary School at Chuluota?

16 A We do, we do make sure that all notices are handled.
17 That was a discussion, and we are, we are, we do ensure that we
18 take special handling of all notices that go out regarding the
19 Chuluota system to make sure that the students at the Walker
20 Elementary School get those notices.

21 Q How are you implementing that?

22 A I believe we're working with the president, I'm
23 sorry, the principal. But, again, I'll refer to Mr. Lihvarcik
24 to give you the details on exactly how that works.

25 Q I'd ask you to look at another exhibit, if you would.

1 And what Mr. Reilly is going to hand out is the testimony of a
2 Mr. Dan Diehl from the Chuluota service hearing.

3 Do you have that in front of you, Mr. Franklin?

4 A I do.

5 Q Okay. And do you recall Mr. Diehl or --

6 A As I, as I read this, it comes back to me.

7 Q Okay. Could you turn to Page 114 of the transcript?

8 A Yes, sir.

9 Q Okay. And on Line 3 he says he's a local movie
10 producer. Do you recall that?

11 A Yes.

12 Q And Lines 12 through 13 mentions that his wife,
13 daughter and son have, have loss of sleep for various reasons.

14 A Yes.

15 Q Do you see that? His wife is worried about the water
16 because she gave her daughter a bath that night in green water.
17 Do you see that?

18 A I see that.

19 Q And his house is 13 months old.

20 A I do see that.

21 Q On the next page, on 115 he describes that at his
22 13-month-old house he has black gook coming out of the marble
23 faucet drain.

24 A I see that.

25 Q And he has green stains over the white marble.

1 A I see that.

2 Q He says all of their clothes stink to high heaven.
3 Do you see that?

4 A I do.

5 Q Then on the next page, Page 116, he describes his
6 interaction with a, one of your service reps whose name is
7 Tamika starting on Line 12. Do you see that?

8 A Yes, I do.

9 Q Okay. And he states, Line 15, that they were told
10 they had a water leak, to dig up their irrigation and find the
11 leak in their yard because they're using 24,700 gallons a
12 month. Do you see that?

13 A Yes, I see that.

14 Q And then down the page he discusses how they called
15 the builder out. He had no leak. He called customer service
16 back and got disconnected. Called them back again, left a
17 message. Called them back again, got somebody finally,
18 transferred, got disconnected, gave up. Do you see all that?

19 A I do.

20 Q Now let's look at your, on your summary where you
21 describe the complaint by Mr. Diehl, which is on your Exhibit
22 CHF-1, Page 24.

23 A 24. I see it.

24 Q Okay.

25 A I'm sorry. Page 24?

1 Q Page 24 of 28. Mr. Dan Diehl is Number 81 overall
2 order.

3 A Yes, I see it.

4 Q Okay. And for Mr. Diehl under your color coding, I
5 guess there's two colors you have there. One is yellow for
6 water quality issue.

7 A Yes.

8 Q You have yellow for every single customer in
9 Chuluota, do you not?

10 A I do.

11 Q Okay. For treatment by CSR -- CSR is customer
12 service representative?

13 A Yes, I see that.

14 Q Okay. And you've got that labeled green.

15 A Yes, I do.

16 Q Is that right? And what does the green signify in
17 your color coding scheme?

18 A That their, that the company is largely not
19 responsible for, for the issue.

20 Q Okay. Now do you feel that, that, first of all,
21 that, do you think you have a happy customer there, Mr. Diehl?

22 A I -- it does not appear that he's happy.

23 Q Okay.

24 A However, as you read Mr. Diehl's testimony here, he
25 also indicates that he called the call, called the call center

1 and got a woman named Tamika 60 times. We assume that there
2 was some theatrics or some exaggerations involved here in some
3 of the calls to the call center, so we did look at, look up the
4 customer's account. We did indicate that he had called six
5 times and we did indicate that we answered his call six times.
6 Whether or not he decided to hang up and/or his wait time was
7 longer than he expected or wanted, I can't, I can't comment on
8 that. I don't know that for certain.

9 Q Okay. He describes that as called back, got
10 disconnected, called again, left a message, called them back
11 again, got somebody finally, transferred, got disconnected.

12 A Yes, I see that.

13 Q Do your records show any of that in your customer
14 service?

15 A They did not.

16 Q Let's go to your letter that you sent to Mr. Diehl.

17 A Yes, sir.

18 Q That's in your Exhibit CHF-2, Page 118.

19 A Yes, sir.

20 Q Okay. Does your letter to Mr. Diehl address his
21 concerns about his interactions with customer service?

22 A Again, Mr. Beck, our research indicated that he, when
23 he called the call center, we answered the calls, we handled
24 the calls and they were documented on the system. Whether or
25 not Mr. Diehl had additional dealings with the call center that

1 were dissatisfying to him, I'm not certain. But we could not
2 find those in the system and so we did not address the, his
3 alleged issues.

4 Q So what you chose to do is simply not address his
5 issues even if you disagreed with what he said?

6 A Well, no, no, not at all. As we indicate in the grid
7 (phonetic), we did contact him regarding his water quality
8 issues, the local office did contact him. I can't be certain
9 as to what that conversation was in regard to his water quality
10 issues, which was his primary issues and the reason that he was
11 calling the call center.

12 Q Okay. Would you agree with me that the concerns
13 expressed by Mr. Diehl at the hearing were a bit different than
14 those addressed by Ms. Humphrey, the owner of the school in
15 Chuluota? They had, they had circumstances individual to each
16 of them, did they not?

17 A They did.

18 Q Okay. Now what I'd like you to do is compare the
19 letter you sent to Mr. Diehl to the letter you sent to
20 Ms. Humphrey.

21 A Can you refer me to Ms. Humphrey's page once again?

22 Q 99. Ms. Humphrey would be at Page 99 and Mr. Diehl
23 would be at Page 118.

24 A Yes. I see the letters are virtually the same, with
25 the exception of the, the address at the top. And without

1 going word for word through, they look to be very similar, if
2 not the same.

3 Q Is there anything you can tell different between the
4 letters other than who it's addressed to?

5 A This was a letter carefully, carefully written to
6 address the water quality issues, folks that addressed water
7 quality issues in Chuluota without, without addressing every
8 specific reference they made within their testimony.

9 Q But you would agree with me they're the same letter
10 other than different addressees.

11 A Yes. This is what we, what we would call our
12 response on water quality specific issues in the, in the area
13 of Chuluota.

14 Q You end the letters by saying, "Thank you for this
15 opportunity to respond to your concerns." Is that right?

16 A Yes.

17 Q Okay. And do you think you responded individually to
18 the customers, to their concerns in the letter?

19 A Well, I think what we did was we contacted these
20 customers and addressed their individual issues on an
21 individual basis, and then we tried to recap the general water,
22 water quality issues in a letter, in a final response.

23 Q Let's turn to one more customer testimony, if we
24 could.

25 This is going to be testimony by Ms. Barbara Barretta

1 at the Chuluota hearing.

2 A Yes, sir.

3 Q Do you remember Ms. Barretta?

4 A Yes, I do.

5 Q Okay. At the bottom of Page 161 of the transcript --

6 A Yes.

7 Q -- she states that "Customer service satisfaction is

8 nonexistent until a member of the State House of

9 Representatives makes a phone call to Aqua." Do you see that?

10 A I do.

11 Q At the top of Page 162 she says until the last two or

12 three months she's had 13 phone calls, been on the phone 150

13 minutes, and has spoken to ten Aqua employees; is that right?

14 A I do see that.

15 Q Okay. And then at Lines 5 says, "They have promised

16 to send me a corrected bill five times. I haven't received one

17 yet. They promised to call me back twice. I haven't been

18 called back. I have received zero corrected bills so far and

19 also two shutoff notices." Do you see that?

20 A I do.

21 Q Now your letter to her is on Page 91 --

22 A Page 91.

23 Q -- of Exhibit CHF-2.

24 A Okay.

25 Q Okay. And in her letter you actually do have a

1 paragraph addressing, addressing one aspect of her testimony,
2 that you abated her account by \$222; is that right?

3 A I see that. Yes.

4 Q Did you respond to her concerns about customer
5 service?

6 A I don't see any specific reference to her noted 13
7 phone calls or 150 minutes that she spoke with us. Again
8 though, we did not, we did not address issues if we couldn't
9 find them documented in our system. Again, customers sometimes
10 believe they're either longer on the call or made more phone
11 calls, and therefore it would be inappropriate for us to
12 acknowledge what was not in our system or we don't have
13 documented on our side.

14 Q Do you recall that she brought her phone bills from
15 Sprint with her showing exactly where the 150 minutes came
16 from?

17 A I don't recall that, but I'll take your word.

18 Q Okay. Let's turn to your description of
19 Ms. Barretta's in your Exhibit CHF-1.

20 A Do you have a page on that, Mr. Beck?

21 Q Page 20 of 28. And in sequence Ms. Barretta would be
22 Number 59.

23 A Thank you. I see it.

24 Q Okay. And you have a number of green color coded
25 responses in response to Ms. Barretta, is that right, one of

1 which is treatment by customer service representative?

2 A Yes.

3 Q And what does green mean again?

4 A That means the company has little to no
5 responsibility in the issue.

6 Now I think what we mean by that, Mr. Beck --
7 certainly the customer shouldn't have to call back ten times
8 for anything, let alone two times for anything, and we
9 acknowledge that. And I think what we're saying in the, in the
10 green is that as she called, we took the call. Whether or not
11 there was a complex billing issue that needed to be done in the
12 background I can't speak to. I don't recall the specific issue
13 and resolution to Ms. Barretta's case.

14 But I think what the, what the green indicates is
15 that when she called, the CSR answered the phone call, was
16 courteous, gave her the information, and told her whatever,
17 whatever the information was, and not as to whether or not at
18 that particular time the issue was resolved. So I think that
19 may be the difference in the green color.

20 Q You certainly wouldn't describe Ms. Barretta as a
21 satisfied customer of yours, would you?

22 A It doesn't appear that way from her testimony,
23 although I don't know today -- she had an abatement and our,
24 the latest piece of information I had was that she is a
25 satisfied customer at this point. But I'd imagine having to

1 call back multiple times, at that time she was not.

2 Q And your reaction that she is a satisfied customer at
3 that point, what's that based on? Is that based on your
4 customer service reps telling you she's satisfied?

5 A I know this was a PSC, this was a Commission
6 complaint, and so I can only go by what I was told in terms of
7 resolving that complaint.

8 MR. BECK: Thank you, Mr. Franklin. That's all I
9 have.

10 COMMISSIONER EDGAR: Thank you.

11 Ms. Bradley, any questions?

12 MS. BRADLEY: Just a few.

13 CROSS EXAMINATION

14 BY MS. BRADLEY:

15 Q You mentioned putting a lot of emphasis on your meter
16 changeout and that seemed to lead to a lot of problems with the
17 extra zero; correct?

18 A That seemed to lead to a lot of problems,
19 Ms. Bradley?

20 Q With the extra zero.

21 A Well, that's what we thought at the time of the
22 hearings. We were speculating in some of the meetings. But we
23 have done extensive research and found that it wasn't actually
24 an added zero issue. You'll recall the discussion about the
25 contractor who installed our meters. Obviously it was not

1 cost-effective for us to install those meters in a confined
2 period of time, let's call it a year and a half, with our
3 existing staff, so we needed to hire a contractor. We did go
4 out to bid and hired a qualified contractor.

5 However, in many instances that contractor's response
6 time in moving the information once that meter had been
7 installed back to the company so that we could get into the
8 billing system was, was less than speedy, let's call it, which
9 as a result caused us to read using, using the billing, the
10 meter in the billing system which was not the new meter that
11 had been installed in the ground. And, therefore, estimated
12 bills were generated and in some cases sizable because the
13 meter, the estimate was, was based on history.

14 Q Were you aware of some of your customers calling the
15 company that made the meter?

16 A I don't recall that, no.

17 Q Do you remember Ms. Dirk (phonetic)?

18 A I don't recall, but I'll take your word for it.

19 Q So you're not aware that she called the company and
20 they explained that there was an extra zero on the meter that
21 shouldn't be read?

22 A That's correct that there is in some cases two extra
23 zeros. There's painted on dials. As a matter of fact, we
24 brought examples of those meters to each of the, the public
25 input sessions so the customers could become familiar with how

1 to read their own meter when they looked at it. There's a
2 dial, moveable dials, and then stationary zeros at the end.
3 And so as to not confuse the customers, we taught them to look
4 for those painted on zeros. So, yes, I am aware of that.

5 Q The problem though seemed to be with your, your
6 folks, not the customers and their reading of it, because they
7 were getting bills with an extra zero on it; correct?

8 A No. After our, after our research I think we only
9 identified one account where there was an extra zero added.
10 The others were all as a result of this information not being
11 updated into our billing system.

12 In other words, when you do, when you do a meter
13 exchange, one of the things that's very important to do is get
14 that information back to the billing system prior to the next
15 read or next bill so that you have an actual bill based on the
16 new meter. So you'd have some usage based on the old meter,
17 some usage based on the new meter, and together that gives you
18 your total consumption.

19 Q When we were at the hearings people were complaining
20 about it, and you indicated that night that it would be taken
21 care of; correct?

22 A That -- I'm sorry. That night?

23 Q At Chuluota when we did the hearings, you had people
24 in the room and you indicated they would take care of it that,
25 at that time.

1 A Yes, ma'am. We, we, we indicated that there were
2 customer service folks there live on our, on our billing
3 system, and we tried to, tried to correct as many, many issues
4 as we could when they arose right there on the premises. Yes.
5 Yes, we did.

6 Q And I'm sure you're aware that sometime after that
7 meeting some of those same people were still calling our office
8 and the Office of Public Counsel saying they had not heard
9 anything more, it had not been taken care of; correct?

10 A I recall one, one of those.

11 Q You only recall one of those?

12 A I believe you sent me two e-mails in July. One of
13 those was a follow-up to the Chuluota hearing. Maybe they both
14 were by recollection. But those are the only ones that I'm
15 aware of.

16 Q You're not aware of the subsequent ones that were
17 sent to you and your staff by our office and OPC?

18 A They were sent directly to my, my staff maybe. I
19 don't recall.

20 Q You don't -- do you really think it -- you know, I'm
21 concerned about your customer service because it seems like our
22 office and OPC has become part of that. Do you really think
23 people should have to call public officials, Representative
24 Adams, Attorney General, Office of Public Counsel, in order to
25 get results?

1 A No, ma'am. And as a matter of fact, I think we take
2 approximately 4,500 calls per day, per week at our call center
3 and we resolve a lot of issues. So, no, I don't believe that
4 they should or need to call anyone other than the company to
5 get their issues resolved. Again, I am not aware of, of a high
6 level of calls that go through any other office other than
7 directly to Aqua.

8 Q There are a number of people that have indicated that
9 they called repeatedly and you've responded that your system
10 didn't show that, and yet in at least one case that we're aware
11 of people brought their phone bills to the meeting to show that
12 in fact they had made those calls. Have you looked at
13 improving your system so it adequately responds and records the
14 calls that are made?

15 A Yes, ma'am. As a matter of fact, I'm glad you raised
16 that issue. We, we have had a fairly dramatic increase in our
17 quality scores. Every CSR, of which we have approximately 70
18 CSRs, customer service representatives, is listened to
19 approximately ten times per month. And they're rated and
20 coached at some point and sometimes disciplined based on those,
21 those phone calls, those, the quality scores. Those quality
22 scores have risen from 75 in about the second or third quarter,
23 I'm sorry, the first or second quarter of 2008 up to about
24 90 percent, now 92 percent in November. So I think we've had a
25 fairly intensive training program, and associated with that

1 have been a fairly dramatic increase in quality scores.

2 In addition, our call center metrics are, are, are in
3 line. As a matter of fact, the American Waterworks Association
4 benchmark study referenced by Ms. Dismukes in her testimony
5 indicates that the industrywide abandonment rate, this is the
6 calls where people call and they say they can't get through,
7 industrywide, not water but utility industrywide, is
8 9.2 percent. In the third quarter of 2008 our score was 6.4.
9 Just prior to that, the quarter before we had a bump up, in
10 full disclosure, 9.6. Not very far off that industrywide
11 benchmark. And the two quarters before that were 5.9 and 3.9.
12 So I think our, our abandonment rate is fairly directly in
13 line.

14 Additionally, companies are rated on their service
15 level, and that service level, again, benchmark industrywide
16 is 67.5 percent. And when we talk about service level, what we
17 talk about is the number of calls answered under the target.
18 The target is to answer the calls within 90 seconds. And so
19 industrywide, again, 67.5 percent. Aqua's target is to answer
20 80 percent of the calls within that time and we're achieving
21 67 percent. So although we did not achieve our target of
22 80 percent, we did achieve the 67, 67 percent target.

23 So I guess the short answer, Ms. Bradley, is that
24 we've worked very, very hard and we've heard what the customers
25 have had to say and we've worked very, very hard to continually

1 improve our call center and our metrics.

2 Q Do you do tape recordings or just video, or I mean do
3 you do video or just tape?

4 A We do, we do, we do both. When we say video, I think
5 what you mean is the screen, the movement of the screens as the
6 customer service representative handles the call. Is that what
7 you --

8 Q No, that wasn't what I mean. I mean, do you
9 videotape your customer service agents?

10 A No, we do not. What we do is we have a system called
11 NICE, N-I-C-E, and that system records all of our calls and it
12 also records along with it the screen movements so that we can
13 see how the CSRs are moving through the screens and how they're
14 handling the call at the same time to see if they're doing it
15 not only efficiently but they're looking at the right screens.
16 And so all of those are tape recorded.

17 Now unfortunately we keep those calls for six months.
18 As a result of the Florida hearings a lot of those calls had
19 already lapsed and we were already out with the project to
20 increase that -- it's really computer space -- to increase that
21 computer space for a longer period of time so that in the
22 future we can actually go back, let's call it a year.

23 Q Are these ten calls a month done randomly?

24 A They are.

25 Q What do you do about -- I don't mean to pick on one

1 of your staffers, but everybody seems to be, including some guy
2 that -- we had got a gentleman that we got an e-mail from the
3 night before last who is complaining about Tamika again, and
4 that seemed to be a very frequent name at the Chuluota hearing
5 at least. Do you -- someone that obviously is not getting
6 along with customers, are you providing any type of extra
7 training?

8 A Tamika is -- the short answer is we are providing a
9 lot of training, as I indicated, and our quality scores have
10 risen. Tamika is the woman that handles the tougher of our
11 complaints. She's one of the folks that performed so well over
12 the years that we actually moved her up to handle more
13 complaints. She was mentioned in five separate, by five
14 separate customers at Chuluota. We, upon hearing that, I
15 immediately suspended Tamika from her job pending an
16 investigation. That investigation was done independent of me.
17 It was done by -- because I want the right thing done. So I
18 assigned it to a manager to fully investigate that case where
19 she was, where she was handling those customers.

20 And what we found, Ms. Bradley, is unfortunately
21 Tamika was on the front line of some very frustrated customers
22 along the lines mostly of these meter exchanges. I'm not --
23 I'd have to go back and look at those five customers
24 specifically. But she was on the front line of handling
25 already frustrated customers. And the investigation indicated

1 that, that she, according to, you know, all the steps she
2 should take, had performed her job adequately.

3 Now what I didn't hear was that she was argumentative
4 or rude, I don't believe. Again, I'd have to go back and
5 subject to check, but I think it was that, that it was
6 efficiency and not rudeness. And I think that efficiency could
7 have been misperceived because of the fact that she was maybe
8 the, the, the last person that talked to them.

9 But I'll suffice it to say the investigation
10 indicated that Tamika had done nothing specifically that we
11 could find that was against the regulations.

12 Q But you are aware that a number of customers who had
13 talked to her were very unhappy.

14 A We were, and that's why I immediately suspended her.

15 Q But she is, I assume, back on, on her duty at that
16 area because, since we got this recent e-mail from her; is that
17 correct?

18 A She has been reinstated. After approximately four
19 months she was reinstated.

20 Q Did you ever consider transferring somebody else into
21 that position since she was having so much problems there?

22 A We did. Again, that's why I suspended her. And, and
23 we had several other people play that role in her absence.

24 Q You made a statement at one of the hearings, and you
25 correct me if this is not accurate, but about you were talking

1 with some of, I think Oviedo or some other place about the
2 possibility of selling this water system to them, and you said
3 something about your sale would be rate based; correct?

4 A Well, I think -- first, yes, you're right that, that
5 we talked, that we talked to Oviedo. And as you'll recall,
6 that was what I believe was the primary reason that Chuluota is
7 not currently in the interim rate process.

8 But the discussions with the, the City of Oviedo
9 initially were promising. You'll recall the mayor attended the
10 hearings and, and was very open about outstretching her hand in
11 discussions about either a sale or some, some relationship with
12 the, with the City.

13 Since that time though I wrote two letters
14 immediately following there in my supplemental direct testimony
15 urging that discussion to take place. And I would say that
16 the, the prospects of a sale were somewhat -- are, are minimal
17 at this point. The discussion has now morphed into the
18 pipeline, and we're working on a, on a proposal of a pipeline
19 to bring Oviedo water into Chuluota. And, again, that's in the
20 feasibility study stage. I hope to have something back by the
21 end of January.

22 But I think what you're referring to when you talk
23 about rate base, we, we suggested to the, to the City of Oviedo
24 that they, they could purchase the system for what is rate
25 base, basically the depreciated value of the system.

1 Q If you get the current rate increase that you're
2 seeking, that would increase the rate you would be seeking for
3 sale, would it not?

4 A No, it would not.

5 Q It would not affect that at all?

6 A The, the thought was rate base. If they could afford
7 to purchase it at rate base, that would stay. That would not
8 be impacted by the rate case.

9 Q Isn't it true that the problem with the sale was that
10 Oviedo didn't feel like they could pay as much as you were
11 asking?

12 A Well, again, the discussion was around a sale at rate
13 base. And apparently -- and Oviedo should speak for
14 themselves, but my understanding was that the current rates in
15 Oviedo could not support purchase at rate base.

16 I mean, I know that Oviedo in 2003 increased their
17 rate twice by 19 percent each time, and then they just
18 announced in the last week or two another rate increase at
19 12 percent nextdoor again to Chuluota. And so possibly at the,
20 as a result of that increase maybe it would be more affordable
21 to them. I don't know.

22 Q Do you understand how frustrating it is for people in
23 Chuluota who are dealing with filthy water and water they feel
24 is unsafe and now you're asking them to pay twice as much and
25 their neighbors a mile down the road in Oviedo are paying, you

1 know, \$30 or \$40 for clean water? Do you understand at all the
2 frustration these people are feeling?

3 A Yes, ma'am, I understand the frustration. I heard it
4 first-hand, as you know, at the hearings, and there is no
5 shortage of frustration. We continue to spend a lot of money.
6 As you know, the switchover from, from free chlorine to
7 chloramination costs approximately \$700,000. We had, we have
8 hired a well-known Florida expert, Mr., Dr. James Taylor. He's
9 now helping us, assisting us in that. We continue to keep an
10 engineering group on. The water in Chuluota is, is delicate,
11 as you know, in terms of treatment.

12 But I will say this, that in terms of meeting
13 standards, we, we have met three quarters in a row the
14 standards. I mentioned that in my opening. And if we post a,
15 a good sample again in the, in the first quarter of '09, we
16 will have met the standard, will be back in full compliance in
17 terms of TTHMs. But I do understand the frustration.

18 Q Even if you meet the minimum standards for TTHMs,
19 people are still complaining that they can't use this water to
20 wash their clothes because it stains them and all. What are
21 you doing about, you know, the effect it's having on other
22 things?

23 A Yeah. I think we want to, we want to save those
24 questions for Mr. Luitweiler, if you don't mind.
25 Mr. Luitweiler is our Vice President of Water Quality and is

1 well-versed in these issues and I think could probably give you
2 a much more technically based and better answer than I could.

3 Q What's your understanding though?

4 A My understanding? My understanding is, is that we do
5 have a, a treatment method to, to address the sulfur issues and
6 that we are looking at three alternatives and weighing those
7 out with our well-known experts. And, again, I think
8 Mr. Luitweiler could articulate those, those various options
9 much more clearly than I could.

10 Q You said something about you didn't address the
11 issues for Ms. Barretta because they didn't show up in your
12 system. Have you made any changes to address issues that are
13 not in your system?

14 A If I said that, I'm not sure that's what I meant,
15 that they weren't in our system. I think what I said was that
16 they were in the, they were in the, there was a PSC complaint,
17 correct, and we addressed them through that, through that
18 manner?

19 Q I understood you, and you can correct me if I'm
20 wrong, to say you were not going to address the number of times
21 she called because it wasn't in your system.

22 A I'm sorry. Right. What we do is we look at what --
23 when we, when we do our investigation, if a customer indicates
24 that they called -- in the one case Mr. Beck showed me the
25 customer indicated he called 60 times. Well, when we look it

1 up in the system and he called six times and that's what we
2 have documented and we have in our system that they were
3 answered each of those times -- by the way, our CSRs are
4 well-versed and well-trained on, on documentation and
5 disciplined if they don't. That's all we can base our, our,
6 our results on, our response on. And certainly we could feel
7 empathetic because it's frustration on their part, I assume.
8 But, but on the other hand, we can only go by the facts that we
9 have.

10 Q So what your staff is telling you counts and what the
11 customers are telling you doesn't count?

12 A No, absolutely not. As you know, I spend an
13 exorbitant amount of my time -- if I weighted my time on the
14 Florida customers versus all other customers in the company, I
15 would say that my time is heavily, heavily weighted to
16 improving customer service for Florida customers. I spent each
17 of the hearings down here, met with many customers, came down
18 to many of the Aqua Connects programs, and I work very hard to
19 listen to and follow up on what customers have to say. So, no,
20 no, not at all. I would say that the customers' weight is
21 primary.

22 Q Well, Ms. Barretta said she called 12 times.

23 A Yes, ma'am.

24 Q But you said it wasn't in your system.

25 A I can only go by what's documented in our system.

1 The other gentleman said he called 60 times too. I can only go
2 by what I have in responding.

3 Q So it's not recorded in your system that the person
4 says that they called 12 times or 60 times or however many
5 times these people have said they called?

6 A I can only go case by case, Ms. Bradley. And in
7 those cases I'm going by exactly what, what was put into our
8 system when those individuals called.

9 MR. MAY: Mr. Chairman, I think this question has
10 been asked and answered four times.

11 MS. BRADLEY: I have another question, Your Honor,
12 different.

13 CHAIRMAN CARTER: Just move on from -- I think he's
14 right about that. Go ahead, Ms. Bradley. Move forward.

15 BY MS. BRADLEY:

16 Q This may be a rhetorical question, Mr., Mr. Franklin,
17 but I can't help but ask. With all the Culligan water that
18 you're providing to the schools and all, does Aqua have any
19 interest in Culligan?

20 A Purchasing the company?

21 Q Any stock interest or --

22 A Not that I'm aware of. I don't think so.

23 Q When a person calls in, do you note that they've said
24 that they've been hung up on or disconnected repeatedly? Does
25 that become part of your record?

1 A Yes. If they call and they say, you know, I was hung
2 up on before or mistreated, we want to know about that. And
3 that's, that's supposed to be escalated and noted on the
4 customer's account.

5 Q And who does that?

6 A The CSR who takes the call. And as you probably
7 know, in a system of 70 or so call takers, the chances of
8 getting the same person twice are, are probably minimal. And
9 so the CSRs will regularly write down if somebody says I was
10 mistreated the time before, they'll escalate that. This is a
11 team that wants to perform. And, and if, if someone has
12 mistreated someone, it will be documented on the account.

13 Q What do you consider mistreating?

14 A Mistreating?

15 Q Yes.

16 A Rudeness would be, would be mistreatment.

17 Q Hanging up would be mistreated?

18 A Of course.

19 Q What incentives are there for people to note that if
20 they're the people committing the mistreatment?

21 A Well, because the, the CSRs are, are on a, on an
22 incentive program based on their performance and their
23 performance as a unit as well, and so they all need to do well
24 and they all need to perform. And so there is no incentive to
25 anybody to be rude or to hang up on customers.

1 Q So you go by what's documented for that incentive
2 program?

3 A No. We go by exactly what's documented when the call
4 comes in.

5 Q Were you aware of the sewage that was backing up in
6 the middle of the street in Chuluota back in September?

7 A In general terms I am, yes. I knew there was an
8 issue. I knew we responded to a, to a sewage issue.

9 Q Were you told why this occurred after you've built
10 this new sewage plant?

11 A Well, my recollection was it was not at the plant.
12 But, again, I think Mr. Lihvarcik is our Chief Operating
13 Officer in Florida. I think he could be much more specific in
14 his response, response than I could be.

15 Q What was your understanding though?

16 A I understood it was in the street, not at the plant.

17 Q Well, what was your understanding as to the cause of
18 this?

19 A Well, I think the initial, the initial assessment was
20 that it had been run over by a, in other words, the weight of a
21 truck or something like that. But I'm not certain that when --
22 that that was the final analysis. Again, Mr. Lihvarcik could
23 probably be much more specific.

24 Q Are you aware of all the flushing that's going on?

25 A Yes, I am.

1 Q And have you taken steps to remedy that?

2 A That's a critical component to, to the water quality
3 program. It is not a long-term solution. It's not a long-term
4 solution. But as you're probably aware from being around water
5 issues, and I know you've spent some time around this recently,
6 that that, that flushing is not an anomaly only here at
7 Chuluota. Flushing is a, is a key component to a lot of water
8 quality programs, particularly in this area of the state.
9 Mr. Luitweiler is going to get into detail on the flushing
10 program, why, how much, you know, how long, all those sorts of
11 things in his testimony though.

12 Q But you're aware that that would have an effect on
13 some of your used and useful and excess water issues?

14 A I'm not aware of that. No.

15 Q Oh, you weren't here yesterday, were you?

16 A No, I wasn't.

17 Q Okay. Do you also have concern about the fact that
18 if you have TTHMs and you're flushing this water out to get rid
19 of them, that that's going to put those TTHMs into the aquifer?

20 A Ma'am, the TTHMs have been meeting the standards now
21 for three quarters. So the water being flushed from the system
22 is meeting the current standard.

23 Q Going back to my question though, do you have any
24 concern about the TTHMs that have been in your water that are
25 being flushed, that those will be sent into the aquifer?

1 A No, I don't have --

2 MR. MAY: Excuse me. I think, Mr. Chairman, she just
3 asked that question and he answered that question.

4 CHAIRMAN CARTER: Ms. Bradley, he's --

5 MS. BRADLEY: With all due respect, I don't believe
6 he answered the question, which is why I asked it again.

7 CHAIRMAN CARTER: He's, he's probably going to answer
8 the same question regardless of how many ways it's asked of
9 him.

10 But I do think that -- let's do this. Let's take
11 five minutes.

12 (Recess taken.)

13 **CHAIRMAN CARTER:** We are back on the record.

14 Ms. Bradley.

15 **MS. BRADLEY:** Thank you, sir.

16 BY MS. BRADLEY:

17 **Q** Mr. Franklin, let me ask you a couple more quick
18 questions. Are you aware that your staff has refused to drink
19 the Chuluota water?

20 **A** No, I'm not aware of that.

21 **Q** Did you see the e-mail where the man complained that
22 Mr. Lihvarcik came to his home or some area where he was and
23 refused to drink the water out of the tap, but accepted bottled
24 water?

25 **A** I don't know the particular circumstances of that

1 case, but certainly we have individuals who live there and
2 drink the water.

3 **MR. MAY:** Mr. Chairman, I'm going to object on that
4 line of questions. Mr. Lihvarcik is here in the room, he will
5 be a witness, and she can ask that very question of him. He is
6 prepared to answer it.

7 **CHAIRMAN CARTER:** Sustained. Move on, Ms. Bradley.

8 **MS. BRADLEY:** Okay, sir.

9 BY MS. BRADLEY:

10 **Q** Have you ever drank the Chuluota water?

11 **A** Not that I'm aware of, although I have been to
12 Chuluota only a few times.

13 **Q** Okay. I have heard the comment made a couple of
14 times here, I think even in opening statements, that Aqua has
15 not asked for a rate increase in 12 years. How long has Aqua
16 owned this water system?

17 **A** Approximately four years.

18 **Q** And you asked for a rate increase about a year ago,
19 and then subsequently withdrew it?

20 **A** That's correct.

21 **Q** So this is actually the second time in four years?

22 **A** The second request?

23 **Q** Yes.

24 **A** Yes, ma'am.

25 **MS. BRADLEY:** Okay. Nothing further.

1 **CHAIRMAN CARTER:** Thank you.
2 Staff.

3 **MR. JAEGER:** Just a very few questions. Most of
4 staff's questions have been asked.

5 CROSS EXAMINATION
6 BY MR. JAEGER:

7 **Q** In addition to Tamika, I think Gloria was prominently
8 mentioned at the Chuluota hearings. Have you taken the same
9 steps with Gloria as you did with Tamika?

10 **A** My understanding, Mr. Jaeger, is that the Gloria
11 indicated in the transcripts is no longer with the company.

12 **Q** Okay. Also, you say in your testimony on Page 13
13 there was only one single incident where the added digit zero
14 actually occurred. Can you tell me which customer that was?

15 **A** I don't recall the particular customer's name without
16 doing a little bit of research, which I would be happy to do.

17 **Q** Well, Mr. Murray testified about, you know, going out
18 and that there was a running added zero. Do you remember if it
19 was Mr. Robert Murray?

20 **A** I don't recall, I'm sorry, which particular customer
21 it was.

22 **Q** In any event, all other customers were just because
23 of some problem with the meter swap-out and reading of the
24 meters and estimated bills, is that what you're saying?

25 **A** Yes. In large part, the investigation determined

1 that the information that was collected by the installer, the
2 contractor, did not make it into the billing in a timely
3 fashion. Whether it was late in arriving from the contractor
4 or there was misinformation on the detail that came from the
5 contractor, they were the particular issues that seemed to be
6 prevalent.

7 **Q** Now, I know you weren't here on Monday. Have you
8 been filled in on the customer testimony that occurred on
9 Monday?

10 **A** Yes, sir.

11 **Q** Can you explain why the customers are still
12 complaining about having their calls -- having their calls not
13 returned?

14 **A** I don't believe from everything that I look at and as
15 close as I am to the management team of our customer service, I
16 don't believe that that is a prevalent issue. Although,
17 certainly on an individual basis there are occurrences that I
18 would be happy to investigate and research, but I don't believe
19 that that is a prevalent issue with our call centers at this
20 point.

21 **Q** And I think they also complained about difficulty
22 with reaching a supervisor. If they ask for a supervisor, are
23 they put through to a supervisor?

24 **A** If a supervisor is available, then yes. Obviously
25 sometimes our supervisors are tied up in talking to other

1 customers, and in that case they are typically either offered
2 to hold or call back.

3 Now, the supervisor call-back issue was discussed in
4 some detail during the hearings, and what we did is we put a
5 system in place, Mr. Jaeger, where the supervisors, when they
6 get a call-back, when they have a call-back, they need to
7 respond within 24 hours. And those supervisors need to
8 document those call-backs on a system that even I can access on
9 any given day, and often do. And, therefore, we put some
10 checks and balances and documentation in place to ensure that
11 in the future our supervisors are calling back in a timely
12 manner.

13 **MR. JAEGER:** That's all the questions staff has.

14 **CHAIRMAN CARTER:** Commissioner Edgar.

15 **COMMISSIONER EDGAR:** Thank you.

16 Good morning, Mr. Franklin.

17 **THE WITNESS:** Good morning.

18 **COMMISSIONER EDGAR:** You answered some questions
19 earlier about the situation with the preschool and with the
20 elementary school, but I'm still not completely clear just in
21 my own mind on what that situation is. I would like to clarify
22 that if I may.

23 With the preschool, let's start with that one. I
24 believe you said in response to a question from Mr. Beck that
25 bottled water was being supplied by Aqua to the preschool and

1 that it was, you thought, primarily because of that system
2 being at the end of the line and that there was maybe a looping
3 project to come. Could you clarify for me or elaborate as to
4 what the situation with the preschool is and their water?

5 **THE WITNESS:** Yes, Commissioner. And I think Mr.
6 Lihvarcik could probably best answer the specific looping
7 project that is taking place out there as we speak and due to
8 be completed in the next few weeks. As to whether or not that
9 school is on this project or on a future project, I think he
10 could specifically answer that. But that is my recollection,
11 that we are providing bottled water at the time, and maybe even
12 currently, I'm not certain, to that school, to that preschool
13 because of its location.

14 **COMMISSIONER EDGAR:** And that was going to be my next
15 question, if that was still the on-going status, and I'll ask
16 Mr. Lihvarcik when he comes up.

17 And then also with the elementary school, is it
18 correct that the elementary school is within the Aqua Chuluota
19 system, but most of the residences of the students are not?

20 **THE WITNESS:** That's correct. I can't speak to most,
21 but I do know there are students that come from outside of the
22 service area.

23 **COMMISSIONER EDGAR:** And is the elementary school
24 being supplied with bottled water?

25 **THE WITNESS:** Not to my knowledge.

1 **COMMISSIONER EDGAR:** When there have been notices
2 about water quality concerns, those notices are provided to the
3 elementary?

4 **THE WITNESS:** Yes, ma'am. As a matter of fact, when
5 our samples pass or when there is any correspondence, we
6 actually hand-deliver those notices to the principal so that
7 they can go home with the children.

8 **COMMISSIONER EDGAR:** Thank you.

9 **CHAIRMAN CARTER:** Commissioner McMurrian.

10 **COMMISSIONER McMURRIAN:** Thank you.

11 And a few of my questions have already come up and
12 been answered with staff and Commissioner Edgar's. I had one
13 other question about the school, and that was very helpful,
14 Commissioner Edgar.

15 The elementary school, why are they not getting the
16 bottled water? Is it that there is a different situation at
17 the elementary school versus the daycare or the preschool?

18 **THE WITNESS:** Commissioner, my understanding is that
19 where the preschool is located, it is at the end of a dead-end
20 main, whereas I don't believe the school is. Again, the
21 specifics of where the mains run, I think, are going to be much
22 better placed to Mr. Lihvarcik. I'm just not certain.

23 **COMMISSIONER McMURRIAN:** Okay. And with respect to
24 Ms. Humphrey's testimony that OPC passed out, it mentioned in
25 there that she had asked for the test results from the water

1 that they tested. And I believe Ms. Humphrey is the one that
2 owns the preschool. Did she ever get the results to the
3 testing that was done?

4 **THE WITNESS:** Commissioner, are you referring to the
5 test done by the DEP?

6 **COMMISSIONER McMURRIAN:** I don't think so, because I
7 believe this was in her original testimony. She said that,
8 "When I asked for the test, the test results from the water
9 that they tested, no one will provide them. But they
10 mysteriously showed up with huge quantities of bottled water
11 from the head local people who were sitting in the back row,"
12 et cetera. So I think that was before we talked about the DEP
13 testing, I'm just not sure. But I'm not sure if it is the DEP
14 test or the test that you did that matter. I guess what I'm
15 asking is does the customer have a way of seeing what the test
16 results are?

17 **THE WITNESS:** Yes. I attached the test results to my
18 supplemental direct testimony, and those test results were
19 actually done by the DEP, and they are in there for review.
20 And I also sent a letter to all Chuluota customers, which I
21 don't believe has been entered into evidence, although it went
22 out in October. And in that letter I indicate that the test
23 results from the DEP came back clean, and I also indicate in
24 that letter that those test results are available by contacting
25 DEP directly, as we didn't believe it was our place to furnish

1 test results from a government agency.

2 **COMMISSIONER McMURRIAN:** So if you did testing, and
3 it sounds like from her testimony that she was thinking that
4 you all had tested the water, but, again, I'm not sure what
5 happened, because she said the test results from the water that
6 they tested. And, again, I think she was talking about the
7 utility, I'm not sure. But if you do test the water because of
8 a customer complaint, is a customer able to get those test
9 results from you, if your company does the testing?

10 **THE WITNESS:** Yes, Commissioner. If we go out and do
11 specific testing, we do share those results with the customer.
12 As you know, we take a lot of samples on a continual basis, as
13 a responsible company would do and as required by law. But
14 those are less specific than I think what we are talking about
15 here. Those would be at the plant or the distribution system,
16 not specifically at this customer location. I'm sorry, I'm not
17 familiar with a specific test that was taken at this customer's
18 location and then not shared. I'm just not familiar with that.

19 **COMMISSIONER McMURRIAN:** I'm not sure, either. I do
20 recall her testimony and talking about the concerns she had
21 about her preschool, and I'm not sure if there was a test
22 specifically. And I do remember we had some discussion there
23 about whether or not the tests were done at the plant. That
24 generally that is where you all test, and that tests aren't
25 usually taken at each customers' residence or place of

1 business. But then the DEP discussion we had after that, I
2 believe they were going to do some testing with her, so I may
3 be mixing those two things up.

4 But I guess generally I was wondering is a customer
5 able to get the results of any testing that you did that are
6 specific to their residence, if that is done. And it doesn't
7 sound like you normally would do that.

8 **THE WITNESS:** We wouldn't normally test unless a
9 customer requested it. But if they did request, then we would
10 share the results, absolutely. I would assume that the
11 customers would have a desire to know and we would want to
12 share those results.

13 **COMMISSIONER McMURRIAN:** I think the next question I
14 had was about Mr. Deal's (phonetic) testimony that OPC passed
15 out, as well, and Mr. Beck talked to you about the black gook
16 coming out of his faucet drain. Is black gook considered --
17 does the company consider black gook coming out of a customer's
18 faucet to be the company's responsibility? And I guess I ask
19 that sort of in conjunction with the chart and some of the
20 questions Mr. Beck asked about whether or not you felt like the
21 issue was the company's responsibility or not.

22 **THE WITNESS:** Well, primarily we have a
23 responsibility to treat and put water into our system that
24 meets the state and federal guidelines, and so that's what we
25 attempt to do. So if there is a particular issue occurring at

1 a customer residence, while we are happy to be involved with
2 that, investigate it, and be a partner either with the customer
3 or with other agencies, with a plumber, it's not necessarily
4 our responsibility to look at those issues. And if we are
5 providing potable water meeting standards leaving the plant and
6 our distribution system.

7 **COMMISSIONER McMURRIAN:** You do agree, though, that
8 some issues of aesthetics, while they may be complying with
9 state and federal standards, that that is still, of course, to
10 the customer a sign of your customer service. And that if you
11 hear repeated issues of that kind of black gook, or stains in
12 things and faucets and drains, that you have an issue that you
13 need to be looking at more closely.

14 **THE WITNESS:** Yes. As a matter of fact, I would say
15 that it is a priority of ours. We discussed a lot of the
16 aesthetic issues during hearings and that continues to be a
17 priority. I think as we have talked about many times, the
18 triage is occurring, and meeting those state and federal
19 standards is paramount. And then, of course, being able to
20 render a bill that meets the standards as is good meters. And
21 now moving to the aesthetic, we need to spend our time, our
22 brain power, and our capital on those aesthetic issues, and
23 that is the next tier.

24 **COMMISSIONER McMURRIAN:** I have a few more,
25 Mr. Chairman.

1 **CHAIRMAN CARTER:** You may proceed.

2 **COMMISSIONER McMURRIAN:** The Aqua Connect meetings,
3 we talked about some of those earlier, and I just wanted to
4 make sure -- are those meetings still -- are you still planning
5 to continue those Aqua Connect meetings in the future?

6 **THE WITNESS:** Yes. We have twelve Aqua Connects
7 budgeted for 2009, and I think those are meant to be an
8 educational type meeting. I think there were -- in many
9 instances, attendance at those meetings that didn't meet our
10 standards. However, I think we have learned a lot of things
11 this year. One of those is that if we do a homeowners
12 association specific Aqua Connects we get much better turnout.
13 As a matter of fact, I think Mr. Lihvarcik could give you exact
14 numbers, but by recollection is we had two homeowners
15 association type Aqua Connects where we had 87 and 100 people
16 at each of them.

17 And so I think working with the homeowners
18 association and getting more specific we can tailor those. But
19 we know that it needs to be a -- there needs to be a
20 conversation with our customers, and the Commission has
21 indicated that over time that our customers don't know us, and
22 we know that that is our responsibility.

23 And we're looking for a method to do that that is
24 cost-effective, and by cost-effective I mean the company
25 executives give up their time, because they are not hourly

1 employees, and they go -- these are typically at night or after
2 hours, they give up their time to put these on. So it is a
3 continual conversation twelve of which in 2009.

4 **COMMISSIONER McMURRIAN:** And we heard some concerns
5 from customers about the location and timing, and I think you
6 just touched on that some. It sounds like you are looking at
7 going forward maybe doing that a little bit differently. I
8 know at least in one meeting I remember them talking about it
9 was a little out of the way, they weren't really familiar with
10 the location and had trouble finding it.

11 So you're taking -- I assume you are taking feedback
12 from those customers, and that when you do these in the future
13 that you will try to address that, and perhaps also the
14 seasonal nature of a lot of your customer base there, too.

15 **THE WITNESS:** Both issues have come up, and I agree,
16 we need to do both of those. And I think that is the nature of
17 working with the homeowners associations in these developments
18 much more closely, we can tailor them to season, and we can
19 tailor them to location, and therefore increase attendance and
20 make it worth the while of both the customers and the company,
21 the executives who spend their time after hours.

22 **COMMISSIONER McMURRIAN:** Okay. Now I'll shift gears
23 a little bit to the customer notification. In some of the
24 customer meetings I remember you talking about that you all
25 were looking at a reverse 911 system to put out boiled water

1 notices, and there was a lot of concerns from customers about
2 door hangers. And I realize that sometimes customers like or
3 don't like certain things that another customer feels
4 completely opposite about. But what is your latest, I guess,
5 research, or what have you decided about the customer
6 notification for your company?

7 **THE WITNESS:** Commissioner, we purchased from a
8 company called 21st Century, and they don't like to call it
9 reverse 911, although that is what I call it, too, because the
10 concept is the same, a massive out-going call upon an emergency
11 type nature, whether it is boiled water or some other emergency
12 nature. And that system is currently being tested in
13 Pennsylvania, and we hope to have it operational system-wide.

14 I did want to have a conversation with the Commission
15 at some point about what the expectations are if we were to
16 implement a system like that, and 21st Century has indicated
17 that they would be willing to come to Florida, and I believe
18 there are other Florida utilities already using the system, and
19 have that discussion. But we are in the testing stage now, and
20 I would hope that that would be live in the near future.

21 **COMMISSIONER McMURRIAN:** Okay. We had a lot of
22 discussion about the calls to the customer service center and
23 we talked about some being recorded, and then there was
24 something about ten calls per month being done randomly. Are
25 the ten calls per month what you monitor?

1 If you could just clarify for me which calls are
2 recorded, who records them, or are they all recorded without
3 regard to the customer service representative, they are just
4 done by the company. And then clarify for me about the ten
5 calls per month being done randomly. I didn't quite get that.

6 **THE WITNESS:** Certainly. We tape record all incoming
7 calls that go to customer service representatives. As a result
8 of the Florida hearings, we have initiated a project to hold
9 those calls longer. We now hold them for -- it actually goes
10 by the space that you buy on the computer, but that space is in
11 the range of six months now. So we want to extend that period,
12 and we are trying to understand the cost/benefit of that
13 extension before I give you a length of time that we will hold
14 them.

15 And, secondly, we are going to begin including some
16 of our supervisory staff. Tamika's name came up. It would be
17 those positions that would also be included so that we can get
18 a full view of what is happening.

19 Now, in terms of our quality monitoring program, each
20 customer service representative is monitored by a team of I
21 believe it is five, it could be six, it could be four, training
22 team individuals, and so every month each CSR is listened to a
23 minimum of ten times. It could be more than ten calls, but
24 each CSR is listened to a minimum of ten times by what you
25 would consider supervisory type staff, and they are given a

1 grade each time that they are listened to. And in order to be
2 eligible for their monthly incentive program, they need to make
3 the grade, and I am going to say it is 85 percent. It is at
4 least 85 percent, though it might be 90.

5 **COMMISSIONER McMURRIAN:** Okay. And how many
6 supervisors are there? You mentioned 70-something customer
7 service reps. That number of supervisors, are they included in
8 the 70-something?

9 **THE WITNESS:** No. We have a manager in each of our
10 three call centers, and then we have a supervisor that
11 basically handles most of our incoming normal customer calls,
12 and then a supervisor that handles what we call credit and
13 collections, and they back each other up. But that is
14 essentially the setup in each of our three call centers. So
15 one manager, two supervisors.

16 Now, the team that I talked about, although those
17 folks listen to calls, as well, but the team I talked about is
18 the training team supervised by a woman named Sue Guilday
19 (phonetic) who attended many of the Florida hearings, and she
20 has got a group of people that actually listen to the calls and
21 then rate the CSRs.

22 **COMMISSIONER McMURRIAN:** Okay. But the 70-something
23 were your total number of call center customer service
24 representatives that are nonmanagerial or nonsupervisory?

25 **THE WITNESS:** Yes, Commissioner.

1 **COMMISSIONER McMURRIAN:** Okay. And you mentioned
2 that you are going to try to keep the calls, the number of
3 calls that you have recorded for longer. That you have been
4 keeping them for six months and you are looking at making it
5 incremental or lease space to a year. When will that be done?

6 **THE WITNESS:** We have initiated a project inspecting
7 the project and are waiting for costs now. We didn't
8 anticipate holding calls longer than six months because we
9 didn't really anticipate hearings, rate hearings. We did tape
10 recording for two reasons primarily. One, to train. As I
11 said, we tape record the screen movement, too, so we can train
12 on what we see. And, secondly, as customers have any kind of
13 ill treatment they typically call back within a very short
14 period of time, elevate it to a supervisor or a manager, and
15 then we review the call and handle the appropriate discipline.
16 But that is typically a very short period of time. So, as we
17 look at rate cases, we know that we will probably need to
18 extend that period for the reason of rate cases.

19 **COMMISSIONER McMURRIAN:** So you are definitely still
20 looking at extending that period despite the fact that we are
21 to the hearing, at this point in the hearing? You are still
22 looking going forward at extending it past the six months
23 keeping them?

24 **THE WITNESS:** Yes.

25 **COMMISSIONER McMURRIAN:** Mr. Chairman, I think that

1 is finally it. Thank you.

2 **CHAIRMAN CARTER:** Okay. Commissioner Skop.

3 **COMMISSIONER SKOP:** Thank you, Mr. Chairman. Good
4 morning, Mr. Franklin.

5 **THE WITNESS:** Good morning, Commissioner.

6 **COMMISSIONER SKOP:** I just have three general areas
7 of questions I would like to ask briefly. The first one
8 involves the migration to the RF meters. And since Aqua has
9 taken steps in Florida to deploy the radio frequency meters,
10 what improvements has Aqua seen in terms of reading accuracy
11 and billing accuracy?

12 **THE WITNESS:** A very good question. We are now
13 reading at approximately 1.2 percent monthly estimate rate.
14 Meaning that 1.2 percent of all bills that go out the door are
15 estimated today, which is a dramatic improvement. As a matter
16 of fact, I think history will show it is about a quarter of
17 what we were estimating prior. And that allows us to get an
18 accurate read. It also allows us to get reading out of the
19 hands of contractors. It allows us to re-sequence our meters
20 to more efficiently read them, bring everything to more trained
21 meter readers in-house, and so I think that is why we have seen
22 the improvement in the estimate rate.

23 **COMMISSIONER SKOP:** And with respect to the
24 implementation of the meters, what long-term cost savings does
25 Aqua anticipate achieving and perhaps passing on to the

1 consumers?

2 **THE WITNESS:** When you look at a return on investment
3 on radio frequency, they are very difficult to calculate unless
4 you get into the soft or the gray zone. You might imagine I
5 would say, and Florida would be very typical, we should be able
6 to reduce the total number of calls to our call center. We
7 should be able to reduce the complexity of those calls,
8 therefore, shorter calls.

9 So, I guess, Commissioner, the short answer is I
10 don't have an ROI that I can give you off the top of my head
11 and say here is what it looks like, here is our savings.
12 Although I will say that as we continue to grow, we will be
13 able to -- we have already taken the contractors out and the
14 existing meter reading force we have redeployed to other
15 activities hopefully in the effort to continually improve the
16 service to the customers.

17 **COMMISSIONER SKOP:** Let me shift my focus briefly to
18 customer service issues. Based on many of the service hearings
19 it appeared that customers throughout the state were
20 disappointed in terms of being able to remedy disagreements
21 they had either due to billing error, water quality, a various
22 host of other issues, and I would like to thank Aqua at least
23 for having its customer service team available at those
24 respective customer meetings because I think it was a godsend
25 to the consumers. And I know each of my colleagues numerous

1 times had directed the consumers to go talk to the Aqua people
2 in the back of the room so they could finally solve their
3 problems after numerous failed attempts. So that was a
4 positive.

5 But as a follow-up to that and some of the comments
6 that were made during those hearings, what progress, if any,
7 has Aqua made towards having a dedicated customer service
8 manager or a customer service czar in the State of Florida such
9 that a consumer could get directly to that person and that
10 person could be a problem solver? Not just an answering
11 machine, but somebody that could have managerial authority,
12 sole managerial authority to arbitrate in the consumer's favor
13 at a moment's notice?

14 **THE WITNESS:** We hired a gentleman named Stacy Barnes
15 (phonetic), and Stacy Barnes' name you will see on some of
16 these letters that we send to customers. Stacy Barnes is our
17 in Florida customer service -- I like the term czar. He would
18 probably like that, too -- but our in-state customer service
19 manager. He has the ability then to handle those issues, and
20 when we have particular issues, you know, as you look at an
21 issue that involves field activity in particular. So you have
22 a billing side issue and a meter issue. He is the connection
23 between the two.

24 Stacy, we have sent him to Texas to train with what I
25 would consider our best of the best, the gentleman that runs

1 our Texas customer service, and we have also brought him to our
2 company headquarters where he has trained in Bryn Mawr, and he
3 has a responsibility for what I will call general customer
4 service and meter reading. So we really put Stacy in a role
5 where we expect big things.

6 **COMMISSIONER SKOP:** And I am hopeful that, again, as
7 I think we have heard from Ms. Bradley from the Attorney
8 General's Office, as well as Public Counsel that they have
9 received numerous complaints, as has the Commission and each of
10 my colleagues on service quality issues. And I think having a
11 little bit more dedicated customer service would go a long way
12 into making the customers happy and the phones stop ringing.

13 With respect to the water quality issues, I am going
14 to talk directly to Chuluota. Again, I am from the central
15 Florida area originally and familiar with that area. With
16 respect to the concerns that have been raised, I think that I
17 heard in the prefiled testimony or direct testimony of Aqua's
18 desire to potentially remedy the problem through
19 interconnection with the City of Oviedo and/or Seminole County,
20 but I think the City of Oviedo resonates in my mind.

21 What progress has been made with respect to that
22 interconnection, you know, what would be the potential cost
23 impacts? Again, has any substantial progress been made in
24 resolution of that issue to provide relief to consumers that
25 have been very vocal in opposition to any requested rate

1 increase on the sole basis of the water quality? What progress
2 has been made to try and look at alternatives such as
3 interconnection to provide bulk water and bring relief to those
4 consumers in Chuluota?

5 **THE WITNESS:** A very good question. I wish I could
6 report that we were further advanced than we are.
7 Commissioner, you will recall in my testimony I put two letters
8 trying to stoke the fire and get the discussions going with
9 Oviedo. Eventually they did, and I will say the current status
10 is this, we have signed a contract with CHP Engineers. CHP
11 Engineers has the role now of working with the City of Oviedo,
12 that is the city's engineering firm, has the role of coming up
13 with cost and feasibility of moving Oviedo water from the city
14 into Chuluota.

15 There are a lot of factors, as you know, as this gets
16 into the political realm. But Oviedo is also in for their
17 consumptive use permit which came up and was okayed by the St.
18 Johns Water Management District in the September/October time
19 frame. And so I think that played into maybe Oviedo's view
20 that they wanted to wait and see what happened there before
21 they got into could we possibly serve more water to Aqua and
22 Chuluota. So that may be part of the reason for the holdup.
23 But, we expect to hear the report back, and I doubled checked
24 this yesterday. We expect to hear the report back from CHP
25 Engineers by the end of January, so we are about 35 days or

1 40 days out, whatever.

2 **COMMISSIONER SKOP:** Okay. And to that point, I can
3 understand some of the other limitations they may have on bulk
4 water sales. But, again, I think that, again, trying to find a
5 long-term viable solution that can be readily implemented and
6 not just abandoned after this proceeding at bench would be
7 something I think that would go greatly towards benefiting the
8 customers. And with respect to the on-going discussions, I
9 would hope that Representative Adams is being kept abreast of
10 those discussions, also, is that correct?

11 **THE WITNESS:** She is. As a matter of fact, I have
12 copied her on every letter that I have written so that she was
13 kept in the loop. Commissioner, I want to say that the Oviedo
14 pipeline is only one of several situations we have. I know Mr.
15 Luitweiler is going to expand on those when he takes the stand,
16 but that is certainly not the only work that we have been
17 doing. There is a whole series of issues we are working on to
18 try and stabilize and get water quality up even in the interim
19 period before the final solution is.

20 **CHAIRMAN CARTER:** Thank you.

21 Commissioner McMurrin.

22 **COMMISSIONER McMURRIAN:** Thank you.

23 I asked something similar to this, and I thought I
24 had asked it, but I don't think I did quite get there. It is
25 pertaining to the number of calls that come into the system and

1 how customers are saying they are calling a certain number of
2 times, and when you check it is not coming up with the same
3 number. And, again, I asked something similar to this, but how
4 do you determine how many calls you got from a customer? Are
5 you looking through phone records or is it that the customer
6 service rep whenever they get maybe the second call from an
7 individual they are responsible for putting in under that
8 customer's account that they called a second and a third time?
9 Is it a possibility that somehow the customer service rep isn't
10 recording the number of calls that are coming in, or are you
11 strictly looking at phone bill information?

12 **THE WITNESS:** There is a couple of things going on
13 there. First, I'm not going by phone bill information, so I am
14 going by the documentation in our billing system. When a call
15 comes in, the customer service representative no matter how
16 small that call is is to record that on the customer's account.
17 The date, the transaction or the discussion, and then their
18 initials so we know exactly who it was. And by the way, they
19 are trained and disciplined on that. That is one of our key,
20 key issues at the company that they must do that.

21 And so, if a customer calls, though, and decides that
22 their wait time is too long, you call on a Monday, for example,
23 all call centers seem to be inundated on Monday, so your wait
24 times are typically a little bit longer on Monday than they are
25 the rest of the week and drops off. Or they get into our IVR,

1 and they choose the wrong button, or for some reason don't stay
2 with the IVR and they call back later. Those would not be
3 recorded and I would have no knowledge, although I wouldn't
4 dispute them because I would take the customer's word for it.
5 But they wouldn't be recorded in our system as the number of
6 total calls logged.

7 **CHAIRMAN CARTER:** Thank you.

8 Mr. Franklin, would you turn to your direct
9 testimony? I just want to -- I've got a couple of questions.
10 I have some statements, too, but let's just kind of go there.
11 On Page 1, and I am looking at the numbers on the bottom of the
12 pages.

13 **THE WITNESS:** Okay, Chairman.

14 **CHAIRMAN CARTER:** Line 23. What are your duties as
15 Regional President of Southern Operations. Do you see that?

16 **THE WITNESS:** Yes.

17 **CHAIRMAN CARTER:** And your answer to that question?

18 **THE WITNESS:** As regional president, I am responsible
19 for Aqua America's utility operations in Texas, Florida,
20 Virginia, North Carolina, and South Carolina.

21 **CHAIRMAN CARTER:** Okay. What I am interested in is
22 Florida. Hopefully, like I say, I have got some questions, but
23 maybe -- I think I've got three questions. It may just be one
24 question, but in the 18 counties that we went through in those
25 service areas where we had the hearings and all, as recent as

1 yesterday I know you weren't here, but someone from your staff
2 probably told you that Ms. Sullivan was here from Chuluota, Ms.
3 Evans, Ms. Schaefer (phonetic), and they probably told you
4 that, right?

5 **THE WITNESS:** Yes, Chairman.

6 **CHAIRMAN CARTER:** A lot of the questions that you
7 receive from both here at the bench, Ms. Bradley, Mr. Beck, and
8 those tie into some things that the customers are still asking
9 about. You know when we have these hearings, the public
10 hearings, we tell the people, my colleagues and I, we say we
11 come to have these public hearings because we want to hear from
12 you. We want input from you in terms of service quality,
13 customer service, the quality of the water and those kinds of
14 things and all like that. And I've got to tell you is that as
15 recently as yesterday they were still saying the same thing as
16 they said when we had the first series of hearings.

17 And I kind of get -- I want to give you that as a
18 backdrop because as the guy responsible for the southern --
19 Regional President for Southern Operations, the buck stops with
20 you.

21 **THE WITNESS:** Absolutely.

22 **CHAIRMAN CARTER:** The concern we have is we are still
23 having the same customer service issues. For an example, let
24 me just ask you this before I get into the customer service
25 issues, is that you were here this morning when Mr. Beck was

1 asking Mr. Szczygiel some questions about contractual services
2 on South Seas, that area there?

3 **THE WITNESS:** Yes.

4 **CHAIRMAN CARTER:** Who else do you have that will be
5 responding, because I didn't get the warm and fuzzies on his
6 response to the adjustments? Who else will be here today that
7 is on the list that will be responding to those issues?

8 **THE WITNESS:** The financial adjustments, Chairman?

9 **CHAIRMAN CARTER:** Yes.

10 **THE WITNESS:** I am not certain if Mr. Szczygiel is
11 coming back later today. I believe he is.

12 **CHAIRMAN CARTER:** I do want to explore that. I
13 wanted to say that before I forget it. I just wanted to -- as
14 the person responsible, I just want to kind of make sure that
15 we are letting you know, I want to let you know what issues I
16 have with the company.

17 **THE WITNESS:** Sure.

18 **CHAIRMAN CARTER:** They are consistent with what the
19 customers are having. I think if you are going to go and
20 contract out a service, if you are doing that to save
21 resources, and if you are doing that to save resources there
22 should be some offset.

23 The customer service problems, first, water quality.
24 All of us are human beings, and I know that you were touched
25 and I certainly was touched by a lot of the people who were

1 talking about some of the health concerns and problems that
2 they had with the water quality there. And it seems as late as
3 yesterday there are still some concerns with that.

4 I mean, you know, that is a very serious issue. One
5 of the things they were talking about was the black gook, and
6 they probably could pick, you know, whether the gook is black
7 or green or whatever the case may be, it doesn't sound good.
8 Some of the discussions -- Commissioner McMurrian was asking
9 about some of the things that have been asked earlier about
10 does the customers rely on testing from you or is the testing
11 from them.

12 One of the customers said that after he had expended
13 a tremendous amount of resources to bring a contractor to go
14 and -- because they told him that the problem was on your side
15 of the gauge, the water gauge. So as they went and expended
16 those resources, then the contractor said, hey, there is
17 nothing wrong with your system, and that is a significant
18 amount of resources.

19 So that is a significant problem. I just want to
20 know what kind of procedures and policies are going to be put
21 in place for dealing with those kinds of situations.

22 **THE WITNESS:** All very important issues. And I, like
23 you, was touched by the folks who spoke in Chuluota. You
24 couldn't help but empathize with the folks that have health
25 concerns for themselves or the children.

1 I think, you know, we have tested as best we could.
2 As a matter of fact, I think Mr. Luitweiler is going to testify
3 at some length about what we have done in Chuluota, Chairman,
4 and we will continue to work to improve water quality. I think
5 first is meeting those standards, and what causes the residue
6 in customers' homes and what causes other issues are important
7 issues. I think the primary concern for us was let's get this
8 THM under control, TTHMs under control. And we have posted
9 three quarters now in a row where we have met that standard.
10 But that is not the end of the day, and we acknowledge that
11 fully. That even when we meet the federal standard for TTHMs
12 that is not going to be the end of the day.

13 We need to do the best we can to provide water that
14 customers can drink confidently, and I understand that. And as
15 you said, the buck stops here. And I think to give you a much
16 greater feel and probably answer your question much more
17 articulately and detailed than I could do, Mr. Luitweiler is
18 here today and he is going to be able to give you a much better
19 picture of what we have done, what we are planning to do, and
20 the resources we have brought to bear in Chuluota.

21 Now, on a statewide basis in terms of aesthetic
22 quality, we need to focus our coming years on that. Again,
23 there is a cost/benefit, and we need to determine as
24 customers -- and this is part of what Aqua Connects provides,
25 an opportunity for our senior management to get together with

1 customers and say the ultimate solution in your area to give
2 you pristine water, if that is such a thing in the area to your
3 faucet is a cost of -- take, for example, a Greensand filter,
4 and that cost is going to be maybe sizable.

5 Is that something you would prefer, or is that
6 something that maybe we would be better off using point of use
7 fitters. But that discussion has to take place, and I think we
8 have got to present our customers with the options to say, you
9 know, as to ultimately what is going to bring them the quality
10 of water and the confidence that they need to drink that water.
11 But it is of great concern to me that long-term, even though we
12 meet the standards, that we meet customer satisfaction, as
13 well.

14 **CHAIRMAN CARTER:** What I was trying to do is --
15 although I can't, I was just trying to give you a feel for the
16 frustration that is on the people. You know, I know my
17 personal emotions are inadequate to demonstrate the frustration
18 that the people have when they are saying, you know, who do I
19 go to? I am buying water. I'm not an engineer. I'm not a
20 hydrologist. I'm not a scientist. You know, I'm buying water
21 and I expect when I turn the tap on I am going to get clean
22 water.

23 That is kind of a -- you know, in America we take
24 things like that for granted. So I'm trying to -- I'm just
25 trying to convey to you the pain that I saw on the faces and

1 the voices of so many people around our state that we heard at
2 the hearings and all. I want you to be able to feel that in
3 the context of those issues because -- you know, and people
4 come up with self-help remedies. Some say they don't even
5 drink the water.

6 One lady, I forget where we were, but she was saying
7 that she is spending more -- one lady said that she doesn't
8 even bathe her children in the water. Another lady said she is
9 spending money -- that she is a single parent, but she is
10 spending money to go and purchase water so they will have water
11 to drink in the household. So I want to kind of convey to you
12 as the person in charge the kind of helplessness people feel
13 when they think that they are getting something and they are
14 not getting it. So I want to try to convey that to you on the
15 water quality issue.

16 The other thing is that adds fuel to the fire in
17 terms of the same emotions that the customers had on customer
18 service, is that I am kind of an old school guy. When I call,
19 I don't want to talk to the computer. I want to talk to a
20 person. And I don't cuss or nothing like that, but I do get
21 kind of huffy when people hang up on me. You know, I really
22 do. And we have had -- it is not anecdotal, because there is a
23 person involved in it. A person called and say we called them,
24 they didn't call me back. We called them and they didn't call
25 them back. Then we called them and they hung up on me. You

1 know, it is frustrating.

2 And God love Chameka, or Tamika, whatever her name
3 is, but still is that when folks have these kind of problems,
4 things like health, safety, and welfare, water is
5 something that is -- I mean, you have got to have water. So
6 when people are calling about something like that they are not
7 just calling to say, hey, what do you think of the ballgame
8 last night? They are saying, look, I've got a legitimate
9 concern. My children need clean drinking water. We need clean
10 water to cook with.

11 Do you understand what I am saying to you? I just
12 want you to feel the kind of passion and emotion that we have
13 felt for our fellow citizens as they dealt with this. So I
14 wanted to kind of convey that to you in the context of you
15 being the person responsible, is that they are saying, look,
16 you know, how many times do I have to call before someone gets
17 me? And then when they bring it to our attention, then the
18 company says, well, we don't have any record of you calling.
19 So, do you understand how frustrating that it is for the
20 people? I want you to understand how frustrating that is for
21 the people.

22 **THE WITNESS:** I do. I understand both on the water
23 quality side -- I mean, I can just imagine, Chairman, this has
24 been a struggle for 40 years, I think someone testified
25 yesterday at the hearing, or 30 years. Let's just say a long

1 time in Chuluota they have been struggling with water quality
2 issues. And, heck, I would like to be the guy -- I think
3 somebody said why don't we be the guy on the white horse. We
4 would like to be that guy on the white horse, but it takes
5 careful, careful consideration.

6 Somebody called it a chemistry project. I got my
7 briefing yesterday. But somebody called it a chemistry
8 project. It is a very delicate project, and you are going to
9 hear that from Mr. Luitweiler, and the ultimate solution is
10 going to be more cost. We know that. We are not going to be
11 shy about that. So, if that is the case, we want to make sure
12 we do it carefully, prudently, and we make the right choice so
13 that when that cost comes to bear, you know, that we have made
14 the right decision. And so I am very empathetic. Believe me,
15 I have recounted what I have heard and felt in Chuluota many
16 times and it is on the top of my mind.

17 Customer service. I spent the last several years
18 with that as one of my daily responsibilities, and I can tell
19 you that we have had some struggles over the last year. We
20 have recounted them many times with our conversion, our midwest
21 conversion which caused an excessive number of calls to come
22 into our call centers. A lot of that has settled down now.

23 Our quality scores are up. All I can say is this, I
24 subscribe to the thinking that you have to put the customer
25 first. So, let's take the customer at their word. Whether or

1 not they called five times, 50 times, 60 times, or they felt
2 like they did, that customer is not a satisfied customer,
3 right? And we need to do our part to make them satisfied.

4 I believe in general, I truly believe in general the
5 folks that call our call center on any given day are getting
6 excellent service and it is the few that have issues. And I
7 further believe that the complexity of the issues that
8 surrounded the change-out of every meter in our system in
9 Florida within a period of let's call it 18 months, exacerbated
10 the complexity of some of those issues. And as we wind down
11 that project, I believe that the complexity drops, and the call
12 volume drops, and the customer satisfaction rises.

13 In fact, in my testimony, Chairman, I submitted a
14 chart. We take a survey of our customers, and it is a
15 transactional survey which is very, very different than the
16 average customer survey that most companies take, which is a PR
17 piece, right? I call all the customers and they all say I am
18 great because they haven't had any transactions with me lately
19 other than paying their bill.

20 What we do, we call it a transactional survey. We
21 actually survey only the customers that call our call center
22 and we get their responses. And for the last three quarters
23 that has moved up. And, again, that is in part of my
24 testimony. And it is taken by a third party, not by Aqua.

25 So I am not saying we are perfect yet, but I am

1 saying that we have made a commitment. We are working very,
2 very hard, and it is showing in our results in the last three
3 quarters.

4 **CHAIRMAN CARTER:** The reason I wanted to convey this
5 passion to you is everybody can't be here. I mean, we have got
6 reams of paper. I think I have got one here that is about
7 three feet tall. I've got another one that is about four feet
8 tall, but each one of those pieces of paper represents a
9 person, and I just wanted to give you the full effect.

10 Because, I mean, it is not just numbers; these are
11 human beings, and I wanted to convey that to you particularly
12 in the context of our current economic environment. You know,
13 folk want to pay for stuff, but they want to make sure they are
14 getting what they pay for.

15 Now, the other thing, you talked about your
16 testimony. Now, in your supplemental testimony you talked
17 about responding to the issues, and Mr. Beck asked you a series
18 of questions on your CHF-1, and you went on that chart there.
19 And then he juxtaposed that against the letters.

20 Now, when a person writes a letter and they get a
21 responding letter, what they are looking for in your response
22 is something specific to what they wrote you about. And from
23 my review of the letters, the letters seem fairly standard
24 boilerplate. And when you already have a volatile situation --
25 when I say volatile, I mean emotional, and a person says, look,

1 you know, my family is on the line, my health is on the line,
2 my home, my most valuable asset, my home is on the line. I am
3 writing these guys a letter because I need to get this black
4 goo out of the pipes.

5 I am writing these guys a letter because I want to
6 make sure that this water is clean enough for my children to
7 bathe in. I am writing these guys a letter because they told
8 me they were going to come out and check things out, but I
9 haven't seen anyone in six months of Sundays and all. And then
10 I get a letter back saying, you know, other than that, Mrs.
11 Lincoln, how did you enjoy the play? You know, that is kind
12 of -- so I think that is that going through that that just kind
13 of stoked me up a little bit.

14 And I say these things, I wanted to put a little bit
15 of passion and emotion on that because I want you to understand
16 the level of emotion that the people have for that. Yes, there
17 are some things that we need to do and all like that, but by
18 the same token is that this ties into the whole customer
19 service perspective. If I am asking about one, two, and three,
20 is that -- let me give you a hypothetical. Let me say that I
21 loaned you my -- this is hypothetical. I loan you my car,
22 which is really hypothetical, and you say I will bring your car
23 back tomorrow. I see you tomorrow and you say, look, I have
24 got this nice T-shirt for you, and see you later.

25 Now, it may very well be a nice T-shirt, Versace

1 design, great and all like that, but I'm not concerned about
2 the T-shirt. I may consider the T shirt after you give me my
3 car back, but -- I mean, I have got the T-shirt and it looks
4 great. Blue is my favorite color, but I still don't have my
5 car. Do you see what I'm dealing with here? So the
6 communication perspective on these letters is that the person
7 said, well, you know, you didn't respond. The average person
8 would say you didn't respond to my concern.

9 **THE WITNESS:** Valid criticism. If I could give you a
10 little background because I think it is important here. First,
11 my involvement. I actually created -- whether you think this
12 chart is good methodology or not, but I created this and worked
13 with the team to populate it because I thought this would
14 capture the essence and the details of the customer complaints.

15 Let me take you back to my first responsibility in
16 the southern region was to withdraw a 2007 rate case, and I
17 worked very closely with several banks, and we sent a letter to
18 every customer that came to those hearings in the last round.
19 In those letters we put excruciating detail. We put in reads
20 of meter readings, out reads. We put meter numbers. We put
21 such excruciating detail that when it came time it was
22 impossible to be absolutely correct on all of those and we got
23 some criticism.

24 So we said when we addressed the letters this year,
25 let's put a chart together with great detail. Let's follow up

1 every customer complaint with a phone call, with field action,
2 and with a manager call, whatever it took to get that customer
3 either satisfied or to get them their information or answer
4 from the hearings. And then let's document it in the chart as
5 best we can, and then let's send them a letter that addresses
6 at least in broad terms what the issue was as a conclusion that
7 this issue we believe or the company has put the lid on if you
8 will, and put the last chapter on and put it to bed.

9 But the letters were never meant to outline every
10 detail and acknowledge every detail and get it right with our
11 answer. Because frankly, Mr. Chairman, I think we would have
12 made some mistakes and could have ended up hurting the
13 relationship with the customer more than we helped it. And
14 that is why the decision was made to make the letters less than
15 perfectly specific, but to supplement those letters with this
16 chart in my testimony with all the great detail.

17 **CHAIRMAN CARTER:** I like what you say, but the thing
18 about it is the customers say they didn't get a phone call in
19 terms of follow-up calls. They didn't a response to the issue.
20 Do you understand what I'm saying to you? .

21 **THE WITNESS:** Well, I do, Chairman. I read Mr.
22 Poucher's testimony, though, and he sent a letter to each of
23 those customers. And by my count, and we could probably go
24 customer-by-customer, but by my count there were only three
25 customers that had open issues. And of those three issues, as

1 I look at them they were not issues that were particularly
2 raised at the hearing. They seemed to be supplemental issues.
3 And so I guess my view of it was that we did handle those
4 issues fairly well. I would be open to discussion further on
5 where we didn't, but, boy, oh, boy, did we work hard on it.

6 **CHAIRMAN CARTER:** Okay. But I just wanted you to
7 understand from the standpoint of the customer service
8 perspective the concerns that were raised by the customers.
9 And we haven't really talked about the 800-pound gorilla, which
10 are the rate increases. That is another thing. And none of
11 the -- well, I don't remember. I think there was one person
12 said that, you know, he would be in favor of a rate increase if
13 certain things were done. And that is the whole thing about it
14 is that a lot of times when we have hearings we get to the nuts
15 and the bolts, but we don't put a human face on it.

16 I just wanted to -- and I appreciate my colleagues
17 allowing me to do this, but I wanted to kind of put a human
18 face on what we are dealing with here, and let you know from
19 the standpoint of the passion and the hurt and the pain and the
20 concern and the frustration that we felt when we went to talk
21 to our neighbors around the state of Florida.

22 So, we understand the statute, how it works, to where
23 a company is entitled to a rate of return assuming they do
24 certain things. And so what we are trying to do is to assure
25 that the rates are reasonable, fair, and also the water quality

1 is safe and people are getting a bargain for their purchase and
2 all. So in the context of balancing those kinds of things is
3 that sometimes we forget about there is a human element to it.

4 And that is why I just -- I mean, it is not
5 necessarily a personal attack on you or anything like that, but
6 I wanted to go to the source. You are the guy where the buck
7 stops, so I wanted you to be able to get a full feeling for
8 what we are going through here as well as look at the kind of
9 situation in terms of what this case has done. And as I said
10 to you, there are people that came as late -- and they paid
11 their own way to come up here yesterday. And even though we
12 had all of those public hearings around the state, we still had
13 people to drive all the way up here to make sure that they were
14 heard. And we gave them an opportunity, as we said to them at
15 the public hearings around the state, is that we want to hear
16 from you.

17 And then I think Public Counsel and the Attorney
18 General's Office, Mr. May, your attorneys there, they all agree
19 that we did that, and we wanted to do that because I think that
20 if people felt like things were going to change, they were
21 going to get good quality product. If they felt like things
22 were going to change, when they call they want to get someone
23 that is going to deal with their concern. If people felt like
24 they were going to get a change, is that if there is a
25 situation where they don't have water pressure for fire

1 service, they don't have pressure for the kind of prices that
2 they pay for, and if they feel like they were going to get a
3 change, for an example that they are not going to read the
4 extra zero and those kinds of things, I think that that
5 gentleman who said that if things were fair he probably
6 wouldn't have a problem with the rate. He didn't say he would
7 go with the amount that was requested, but he certainly felt
8 like it would be reasonable.

9 So, I just wanted to -- this may be my only chance to
10 say this to you in the context of these questions and concerns
11 that the customers have raised here, but I wanted to share that
12 with you and let you know that customer service, water quality,
13 responding to the customers, and a lot of the -- and the rate
14 increases were some of the major concerns that customers raised
15 and they are still there.

16 **THE WITNESS:** Chairman, I understand. There are
17 those that probably could do my job by sitting up at
18 headquarters and letting the Florida team handle the Florida
19 hearings. I don't take that view. I came, I sat through all
20 of the hearings that I could. I believe it was eight of ten.
21 I heard first-hand what customers had to say, and I understand.
22 And I have done my best on a lot of levels to address those
23 concerns to the best of our ability, and I think we have made
24 some substantial progress.

25 I think there are still customers, and if we are

1 speaking about the customers that came in yesterday, I
2 understand some of their issues, some of them very well. Those
3 are some of the first folks I met when I came to this job. I
4 will say, though, that it is important to note that as we look
5 at total cost to customers for water that we also be mindful
6 about the amount of water we use.

7 Let's remember that in our system across Florida the
8 average customer uses about 5,000 gallons a month. In Chuluota
9 they use 10,000 gallons a month. That is double the system
10 average. In Texas, which is a fairly arid area, the average
11 customer uses 8,000 gallons. So I think we need to help
12 customers understand that the volume of water they use also
13 drives the cost that they pay. And, therefore, I do believe
14 that the company has a role in education along those lines.

15 And so, I hear you loud and clear, and believe me I
16 empathize in many of the situations. And I continue to work as
17 hard as I can, and I know the members of my team are doing the
18 same thing to resolve as many of the issues that we can, and I
19 think we have made substantial progress.

20 **CHAIRMAN CARTER:** Thank you. I just wanted to share
21 that with you.

22 You know, everybody wants to do the right thing. I
23 believe in human nature. I believe that everybody is basically
24 good. People want to do the right thing, and I believe that
25 there is a way to get there, but I do think that when people

1 have legitimate concerns, whether we think they are legitimate
2 or not, they are legitimate, and we need to address those.

3 Commissioners, anything further from the bench for
4 this witness? Commissioner Skop, you're recognized.

5 **COMMISSIONER SKOP:** Thank you, Mr. Chairman. And
6 thank you for your comments. I think that you have shared the
7 concerns that each of us have having sat through many customer
8 service hearings, and we still hear the same resonating
9 complaints. And, you know, I note some progress may be being
10 made, but equally it is important for us in terms of the case
11 before us and the rate setting impacts that we have to make
12 sure that all issues are fully vetted, and ensuring that the
13 interests of the stakeholders, being the consumers, are
14 adequately protected. And I was going to ask one additional
15 pointed question, but I think that that is going to be
16 encompassed in cross by staff, so I will reserve that question.
17 Thank you.

18 **CHAIRMAN CARTER:** Thank you, Commissioner.

19 We have gone to staff already. Did you have
20 questions?

21 **MR. JAEGER:** I think any other questions we have are
22 going to be in rebuttal. We did ask our questions.

23 **CHAIRMAN CARTER:** Okay. Mr. May. Commissioner Skop,
24 you're recognized, sir.

25 **COMMISSIONER SKOP:** Let me just go there. And I hate

1 to do this, but, again, I think, you know, it is important to
2 get an answer from the witness while we have him on the stand.

3 Under the case, the Supreme Court case precedent of
4 Gulf Power, certainly the Commission has the discretion to
5 adjust return on equity when it is appropriate for management
6 problems. Why, Mr. Franklin, given the customer service
7 concerns that we have had and we continue to have, and I
8 recognize in terms of water quality it can be somewhat
9 discretionary, the DEP results can say the water is fine and
10 the consumers may have a difference of opinion.

11 But, in light of the billing issues, the water
12 quality issues, all the other issues that we have heard, why in
13 the company's perspective would it be not appropriate for the
14 Commission to entertain using its discretion for such an
15 adjustment in this case?

16 **THE WITNESS:** Commissioner Skop, it is obviously in
17 the Commission's discretion. You are going to weigh all of
18 what you have heard and seen. And I will say this, that we
19 tend to hear in a case where the product is ingested, number
20 one, it is not an electric case or a gas case, this is an
21 ingested product we serve so automatically it gets more
22 attention, and should probably.

23 Number two, customers have not had a chance to vent
24 their frustration with what I would consider a fairly sizeable
25 proposal in terms of rates because of multiple years and a

1 large capital investment. And so if I am going to propose a
2 fairly substantial rate increase, as warranted as it might be,
3 it is going to attract a large number of folks giving us their
4 opinion.

5 But, third, I would say a study, a thorough study of
6 the specific issues, and there has been so such discussion that
7 you really need to take it down into the specifics of
8 individual customer issues, and when you do that and you look
9 at this grid that I created, I think -- and we may have
10 differences of opinion on the specific colors and the specific
11 issues, but by and large, I believe while we have a set of
12 frustrated customers in many instances, that frustration is not
13 as a direct result in all cases of our customer service.

14 And I believe if you look at what we are producing,
15 and all I can look at is anecdotal information and overall
16 statistical information and compare it, the average customer
17 gets very good customer service, I believe, from our call
18 centers and from our billing group every day.

19 There are issues that were complicated issues
20 associated with the meter exchange program that exacerbated our
21 issues this year, although we have made that investment and
22 that is largely behind us. But I think in large part -- and,
23 again, I can only go, Commissioner, by our customer survey
24 again that I put in my supplemental testimony that customers on
25 a transactional basis believe that our service has continually

1 improved over the last several quarters. And so I think we are
2 doing the right thing, but we are not quite perfect yet.

3 **COMMISSIONER SKOP:** Thank you, and I do appreciate
4 that. I think it was important to hear that from the company,
5 and I have seen some improvements. But, again, I think there
6 is still a lot of room for improvement. And in terms of
7 bringing the rate case, I think that as the Commission has
8 experienced in the past, certainly it is much easier when you
9 have overwhelming consumer support.

10 I mean, we have actually had rate cases in the past
11 where consumers have come forth and said yes, they should be
12 rewarded. And I really haven't kind of heard that in this
13 particular case, so I am reserving judgment and listening to
14 all the evidence and testimony before us. But, again, there
15 are some issues that I feel need to be addressed, and I think
16 Chairman Carter hit on all of those issues. Thank you.

17 **CHAIRMAN CARTER:** Thank you. Mr. May.

18 **MR. MAY:** Thank you, Mr. Chairman. I just have a
19 couple of very brief questions, and hopefully we can wrap this
20 one up.

21 REDIRECT EXAMINATION

22 BY MR. MAY:

23 **Q** Mr. Franklin, do you recall questions from Mr. Beck
24 concerning the conditions of the Florida Water and AquaSource
25 plants at the time that Aqua America acquired those plants?

1 **A** Yes, I do.

2 **Q** Were you part of the due diligence team that
3 investigated plant conditions at the time of acquisition?

4 **A** No, I was not.

5 **Q** Are you a utility plant engineer?

6 **A** No, I'm not.

7 **Q** Are you an environmental compliance officer of the
8 company?

9 **A** No, I am not.

10 **Q** And who is the chief environmental compliance officer
11 for Aqua?

12 **A** Preston Luitweiler.

13 **Q** And will Mr. Luitweiler be a witness in this case?

14 **A** Yes, he will today or tomorrow.

15 **Q** Is he the better person to explain the condition of
16 the plants at the time of acquisition?

17 **A** Far more qualified to make that assessment than I am.

18 **Q** Mr. Beck and Ms. Bradley asked a series of questions
19 concerning Chuluota, do you recall that?

20 **A** I do.

21 **Q** Other than Chuluota, how many water systems does Aqua
22 Utility Florida operate under the Florida Commission's
23 jurisdiction?

24 **A** Fifty-four, I believe.

25 **Q** Other than Chuluota, how many wastewater systems does

1 Aqua --

2 **A** Twenty-four.

3 **Q** I think Chairman Carter and Commissioner Skop both
4 asked you questions regarding Aqua's commitment to a long-term
5 water quality solution for Aqua systems, do you recall that?

6 **A** Long-term solution, yes, sir.

7 **Q** Is Aqua committed to a long-term solution in Florida?

8 **A** Absolutely.

9 **Q** I think you discussed with Commissioner Skop and
10 Chairman Carter the cost of some of those long-term solutions,
11 is that correct?

12 **A** I did.

13 **Q** Is the company offering a rate structure in this case
14 which is specifically designed to address and facilitate
15 long-term water quality solutions?

16 **A** We have recommended a single tariff price that would
17 be in the \$40 range, \$42 range for all customers, which is by
18 national standards well within the affordability range.

19 **Q** In your view, why would a uniform rate facilitate a
20 long-term solution?

21 **A** The capital would be spread over all customers over a
22 given period of time and will prevent any single rate step,
23 large step in any single system thereby having a nice smooth
24 rise over a longer period of time.

25 **MR. MAY:** That's all the questions I have.

1 **CHAIRMAN CARTER:** Okay. Let's see. We've got,
2 Commissioners, Exhibit -- Mr. May, I think it is 67 through 70,
3 is that correct? Actually, let's see, it may go through 72.

4 **MR. MAY:** I think it is Exhibit Number 66 through 72.

5 **MR. JAEGER:** No, 67 through 72.

6 **CHAIRMAN CARTER:** Any objections? Without objection,
7 show it done.

8 (Exhibit Numbers 67 through 72 admitted into the
9 record.)

10 **CHAIRMAN CARTER:** Give me one second, Mr. Beck. I
11 will get back to you. Mr. Beck.

12 **MR. BECK:** Mr. Chairman, we would move in Exhibit
13 189.

14 **CHAIRMAN CARTER:** Any objections? Without objection,
15 show it done.

16 (Exhibit Number 189 admitted into the record.)

17 **CHAIRMAN CARTER:** Let's see here. Let me kind of get
18 a feel for where we are, Commissioners. I don't think
19 Lihvarcik, who is our next witness, is going to be a short one,
20 is it? Mr. Reilly.

21 **MR. REILLY:** Modest questions.

22 **CHAIRMAN CARTER:** Okay. Commissioners, let's do
23 this. We have been going at it guns blazing. I really wanted
24 to see just how far could we go today before we actually took a
25 break, and I appreciate our court reporter. We have had a

1 change-out and kept on trucking. How about 1:30? Okay, we are
2 on recess.

3 (Recess.)

4 (Transcript continues in sequence with Volume 5.)

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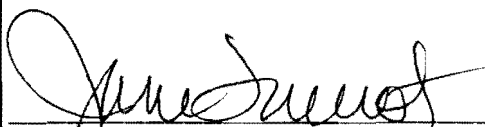
COUNTY OF LEON)

WE, JANE FAUROT, RPR, and LINDA BOLES, RPR, CRR, Official Commission Reporters, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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

DATED THIS 10th DAY OF DECEMBER, 2008.



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