

1
2
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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 100330-WS

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

VOLUME 7

Pages 1198 through 1383

PROCEEDING: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Wednesday, December 7, 2011

TIME: Commenced at 9:34 a.m.
Concluded at 12:03 p.m.

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

REPORTED BY: LINDA BOLES, RPR, CRR
FPSC Reporter
(850) 413-6734

APPEARANCES: (As heretofore noted) DOCUMENT NUMBER: DATE

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12
13
14
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16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESSES

NAME:

PAGE NO.

KIMBERLY DISMUKES

Examination by Mr. May (Continued)	1209
Examination by Ms. Bennett	1217
Examination by Ms. Christensen	1255

SHAWN HARPIN

Examination by Mr. Curtin	1264
Prefiled Direct Testimony Inserted	1266
Examination by Ms. Christensen	1275
Examination by Mr. May	1277
Examination by Mr. Curtin	1282

KIM KURZ

Examination by Mr. Curtin	1294
Prefiled Direct Testimony Inserted	1296
Examination by Mr. Curtin	1337

ANGELA CHELETTE

Prefiled Direct Testimony Inserted	1343
------------------------------------	------

JAY W. YINGLING

Prefiled Direct Testimony Inserted	1345
------------------------------------	------

CATHERINE A. WALKER

Prefiled Direct Testimony Inserted	1346
------------------------------------	------

STEPHANIE DAUGHERTY

Prefiled Direct Testimony Inserted	1348
------------------------------------	------

SCOTT HARRISON

Prefiled Direct Testimony Inserted	1349
------------------------------------	------

DIANE LOUGHLIN

Prefiled Direct Testimony Inserted	1351
------------------------------------	------

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESSES

NAME:	PAGE NO.
RYAN SCHWARB	
Prefiled Direct Testimony Inserted	1353
RICHARD LOTT	
Prefiled Direct Testimony Inserted	1355
BENJAMIN L. PILTZ	
Prefiled Direct Testimony Inserted	1358
TOM RAUTH	
Prefiled Direct Testimony Inserted	1361
CAITLYN ECK	
Prefiled Direct Testimony Inserted	1363
KIMBERLY DODSON	
Prefiled Direct Testimony Inserted	1365
BLANCA RODRIGUEZ	
Prefiled Direct Testimony Inserted	1368
RHONDA L. HICKS	
Prefiled Direct Testimony Inserted	1370
KATHY L. WELCH	
Prefiled Direct Testimony Inserted	1374

1	EXHIBITS		
2	NUMBER:	ID.	ADMTD.
3	102		1262
4	103		1262
5	104		1262
6	105		1262
7	106		1262
8	107		1262
9	108		1262
10	109		1262
11	110		1262
12	111		1262
13	112		1262
14	113		1262
15	114		1262
16	115		1262
17	116		1262
18	117		1262
19	118		1262
20	119		1262
21	120		1262
22	121		1262
23	122		1262
24	123		1262
25	124		1262

EXHIBITS			
NUMBER:	ID.	ADMTD.	
125		1262	
126		1262	
127		1262	
128		1262	
129		1262	
130		1262	
131		1262	
136		1293	
137		1293	
138		1293	
139		1293	
185		1328	
186		1328	
194		1328	
195		1328	
140	****EXHIBIT WITHDRAWN (see pg. 1341) ***		
326		1263	
327		1263	
328	OPC's Discovery Propounded on FPL in Docket 070650	1216	1263
329	Late-Filed Exhibit 8 to 11/9/11 Dismukes Depo	1218	1263
330	2011 Customer Service Hearings	1254	1263
331	Peer Group Analysis	1254	1263

1	EXHIBITS		
2	NUMBER:	ID.	ADMTD.
3	332	Homefacts Website re: Arredondo Farms	1280
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
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16			
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19			
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P R O C E E D I N G S

1
2 (Transcript continues in sequence from Volume
3 6.)

4 **CHAIRMAN GRAHAM:** Good morning, everyone.
5 Glad to see you made it here on this rainy Tuesday [sic]
6 morning.

7 We are reconvening the hearing for Aqua
8 Utilities, Docket No. 100330. We're in the middle of
9 the cross-examination of Ms. Kimberly Dismukes.

10 **THE WITNESS:** Dismukes.

11 **CHAIRMAN GRAHAM:** Dismukes. I apologize.

12 **THE WITNESS:** That's okay.

13 **CHAIRMAN GRAHAM:** Before we start that, Mr.
14 Jaeger, is there any preliminary matters we need to
15 address?

16 **MR. JAEGER:** Yes, Chairman. Quite a few
17 things have happened since we adjourned, several
18 preliminary matters.

19 First of all, the parties and Staff have all
20 agreed that Poucher, Robert Poucher and Denise
21 Vandiver's testimony, that's the, her rebuttal testimony
22 and Poucher's supplemental rebuttal and supplemental
23 direct, can be admitted, and that they can be excused.
24 And also that their depositions and exhibits can be
25 admitted in lieu of cross.

1 The Commissioners have all indicated that they
2 have no cross for these two witnesses, and so Staff --
3 at the appropriate time, we would move in Ms. Vandiver,
4 Mr. Poucher's, and all exhibits and depositions. And,
5 but they could be excused, if that's your pleasure.

6 **CHAIRMAN GRAHAM:** So when's the appropriate
7 time to do that?

8 **MR. JAEGER:** Well, they -- when they come up
9 in the natural order of the Prehearing Order we'll do
10 that.

11 **CHAIRMAN GRAHAM:** Okay.

12 **MR. JAEGER:** They have a spot coming up after
13 Staff testimony.

14 The next thing we have is the Prehearing Order
15 shows us doing the three Aqua witnesses on rebuttal, and
16 then we're doing separate supplemental rebuttal. All
17 the parties have agreed that we can just take them up
18 together, both their rebuttal and supplemental rebuttal.
19 So we'll do them in the order listed but do them all at
20 once.

21 And, again, that'll be taken up at the very --
22 you know, that, that will come up at the very end.

23 **CHAIRMAN GRAHAM:** Okay.

24 **MR. JAEGER:** And Staff has been trying to --
25 you know, there is a question about the discovery from

1 AUF to YES and its admission. Staff has several
2 documents that it wanted in, and I think Mr. Curtin was
3 wanting them all in, and Staff has no problem with that,
4 but I don't know if he's worked out with Mr. May what
5 can come in. And it would greatly -- you know, Staff
6 wouldn't have to -- it affects our cross-examination of
7 Ms. Kurz if those documents do come in. But that's
8 something they need to see if we can work out before
9 Ms. Kurz gets up on the stand.

10 MR. CURTIN: Mr. Jaeger, I think I just talked
11 to Ms. Bennett. I don't have a problem with your
12 Interrogatory No. 40, I think it is.

13 MR. JAEGER: Yes.

14 MR. CURTIN: That can go in. And Ms. Bennett
15 showed me, I think, what you want to mark as 192. I
16 have no problem with that. That was the response. And
17 then she showed me the documents you want in; that's no
18 problem. I think it was 192.

19 MR. JAEGER: Okay. No. That is 185. And --

20 MR. CURTIN: No. The request to produce, 192.

21 MR. JAEGER: And the request to produce, 192?

22 MR. CURTIN: That's what I was --

23 MR. JAEGER: That's another one, is 195.

24 Okay.

25 YES's response to AUF's second request for

1 production of documents, Nos. 50 through 53, that's 195.
2 Is that what you're saying you have no problem with?

3 **MR. CURTIN:** I think you showed me 192. I
4 haven't seen 195. If you want to show me 195, I'll take
5 a look at it.

6 **MR. JAEGER:** 195 is AUF's response to OPC's
7 6th request, so that doesn't have anything --

8 **MR. CURTIN:** Let me look at it.

9 **MR. JAEGER:** Yeah. We can do this offline, I
10 think, and we can get that.

11 **MR. MAY:** At the appropriate time, Mr.
12 Chairman, I might be able to short, short-circuit this
13 whole process. Aqua Utilities Florida has no problem in
14 allowing all of the discovery that YES propounded on us
15 into the record, so long as we can put all of the
16 discovery responses we provided them into the record.

17 **MR. CURTIN:** And, like I said, I have no
18 problem with that except for your supplemental
19 supplemental response to the third set of
20 interrogatories, because that was given after we took
21 all the depositions of the party witnesses. I did not
22 have a chance to look at that response from, from Aqua
23 and depose your witnesses on that.

24 But as far -- you are right, Mr. Jaeger, it's
25 195. I have no problem with 195. I misspoke on the

1 exhibit. So I have no problem with I think what OPC
2 wants -- I mean, excuse me, what Staff wants to put in.
3 195 and Interrogatory No. 40 I have no problem with.

4 **MR. JAEGER:** I think earlier we also discussed
5 the 186, Interrogatory 63 through 70.

6 **MR. CURTIN:** If you want to show, you want to
7 show me that later on, I can probably agree to that,
8 too.

9 **MR. JAEGER:** Okay. We can do that on break.
10 Okay. Sorry, Chairman. I --

11 **CHAIRMAN GRAHAM:** That's all right. Let's
12 move forward with the witness that we have on the stand.
13 We'll probably take a first break somewhere, I don't
14 know, around 11:00 or so. And if you guys can work this
15 stuff out during that break.

16 **MR. JAEGER:** Okay. I believe, just two minor
17 little things. Ms. Bradley is trying to get in to see a
18 doctor this afternoon, and she's asked that she be able
19 to be excused to go to the doctor, if necessary. And I
20 think she would just waive any cross during that time
21 while she was gone.

22 **CHAIRMAN GRAHAM:** Do you have someone that is
23 going to cover the questions you have to be asked, or
24 are you just fine just waiving the cross, Ms. Bradley?

25 **MS. BRADLEY:** I think we're probably going to

1 still be on the Intervenors' testimony. And since we're
2 not allowed to ask any questions of those, I don't think
3 I will miss anything.

4 CHAIRMAN GRAHAM: Okay.

5 MS. BRADLEY: I certainly think the other
6 folks can handle it if -- I'll just be gone for like an
7 hour and a half.

8 CHAIRMAN GRAHAM: Okay.

9 MS. BRADLEY: Thank you.

10 MR. JAEGER: And the last thing I have is YES
11 wants to flip-flop Mr. Harpin and Ms. Kurz and have
12 Shawn Harpin go first, and Aqua said that's fine with
13 them, and it's okay with Staff. So in the Prehearing
14 Order we had Kim Kurz and then Shawn Harpin, and we're
15 just going to flip-flop them and do Shawn Harpin first.

16 CHAIRMAN GRAHAM: Okay.

17 MR. JAEGER: That's all Staff had.

18 CHAIRMAN GRAHAM: Any other preliminary
19 matters?

20 All right. Mr. May.

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

22 EXAMINATION (CONTINUED)

23 BY MR. MAY:

24 Q Good morning, Ms. Dismukes.

25 A Good morning.

1 Q Welcome back. I just had a couple of
2 follow-up questions.

3 When we concluded the hearing last Thursday,
4 you and I were discussing your testimony on quality of
5 service. Specifically I was asking you about your
6 testimony on page 22, lines 25 through 30.

7 A Okay.

8 Q Okay. Your footnote No. 58 makes reference to
9 a transcript of a Fort Myers customer hearing. The Fort
10 Myers customer service hearing was conducted on
11 August 20, 2011; isn't that correct?

12 A I'll accept that, subject to check.

13 Q Okay. And, again, I think I discussed with
14 you that I was at that hearing, and I don't recall there
15 being any customers testifying or appearing at that
16 hearing.

17 A Are you talking about the informal customer --

18 Q I'm referring to your footnote, where you
19 reference a quotation from the Fort Myers customer
20 service hearing, and I'm trying to get some
21 clarification.

22 **MS. CHRISTENSEN:** Can, can I get a page number
23 on that?

24 **MR. MAY:** Sure. Page 22, lines 25 through,
25 through 30. And there's a reference after the quotation

1 to a transcript of the Fort Myers customer service --
2 excuse me -- the customer hearing.

3 **MS. CHRISTENSEN:** Right. I think she's
4 referring to customer meetings, not the service
5 hearings.

6 **BY MR. MAY:**

7 Q Okay. Let me just clarify that for the
8 record, and I think we can move through this pretty
9 quickly. But your references to the Fort Myers customer
10 hearing is in fact the reference to the customer meeting
11 that was conducted prior to the PAA order being
12 protested; correct?

13 A That's correct.

14 Q Okay. And from page 9 through 23 of your
15 testimony, you make a number of references to customer
16 hearings. And I may have a series of questions that I
17 need to ask you in order to make sure I understand the
18 basis for your testimony, but in the interest of time,
19 perhaps we could just clarify for the record with just a
20 couple of questions. So bear with me if I can just give
21 it a try.

22 On pages 9 through 23, when you make reference
23 to a customer hearing, you're actually referring to the
24 customer meetings that occurred prior to the PAA order
25 being protested; correct?

1 A Yes. That's correct.

2 Q Okay. And your citations to the customer
3 hearings on pages 9 through 23 of your testimony are not
4 made in reference to the ten customer hearings that were
5 conducted by the Commission after the PAA order was
6 protested; correct?

7 A That's correct. Many of those happened after
8 we filed prefiled testimony.

9 Q Okay. Could you turn to page 19 of your
10 testimony, ma'am, specifically referring to footnote No.
11 42.

12 A Okay.

13 Q You reference a Gainesville customer hearing,
14 but you're actually referencing a customer meeting;
15 correct?

16 A That's correct.

17 Q And that meeting took place on October 21,
18 2010?

19 A I'll accept that, subject to check.

20 Q Do you know how many people from Arredondo
21 Farms testified or spoke at that customer meeting?

22 A No, I don't.

23 Q Subject to check, would it be five, two of
24 which were husband and wife?

25 **MS. CHRISTENSEN:** I think the witness already

1 responded that she didn't know how many people testified
2 to -- at Arredondo Farms, so asking specifics I'm not
3 sure is appropriate.

4 **MR. MAY:** I'll withdraw that question. I
5 think the transcript of that customer meeting is in the
6 record.

7 **BY MR. MAY:**

8 Q Do you know whether the customer meeting in
9 Gainesville that occurred on October 21st, 2010, took
10 place prior to YES's intervention in this case?

11 A No, I don't.

12 Q Okay. Ms. Dismukes, I want to take you back
13 to our conversation last week when we were talking about
14 rate case expense. And you agreed, did you not, that
15 the larger the volume of discovery in a rate case, the
16 higher the rate case expense; correct?

17 A Yes, that can happen.

18 Q Okay. I'm trying to put this rate case in
19 context with some other PSC proceedings. And I talked
20 with you about a need determination filed by FPL
21 regarding a nuclear power plant that was addressed by
22 the Commission back in the 2007/2008 time frame. Do you
23 recall that line of questioning?

24 A Yes, I do.

25 Q And I think I asked you about whether you and

1 I had had this conversation regarding the discovery in
2 that case in the last rate case, and you said you didn't
3 recall that; correct?

4 A Could you repeat the question?

5 Q Sure. Do you recall in the last case that you
6 and I had a conversation regarding the scope of the
7 discovery in the billion-dollar need determination for
8 FPL?

9 A In the last rate case?

10 Q Yes.

11 A In the 2008 rate case?

12 Q Yes.

13 A No, I don't recall that.

14 Q Do you have your testimony from that last case
15 before you?

16 A No, I don't.

17 Q Okay. On page 819 of the transcript, I asked
18 you, "Are you familiar with" -- excuse me. "Are you
19 aware of Florida Power & Light's request for a need
20 determination of a nuclear power plant in Florida?"

21 You answered, "I am aware of it generally,
22 yes."

23 Question, "Would you agree that the
24 anticipated cost of those nuclear power plants would
25 exceed \$10 billion?"

1 Answer, "At least."

2 Question, "And you would agree that the rate
3 case requested by Aqua is about \$8 million?"

4 Answer, "That's correct. It's 8 million,
5 8.4."

6 Question, "Do you know how many
7 interrogatories and requests for production of documents
8 the OPC served on FPL in the course of that
9 billion-dollar rate, need determination proceeding?"

10 Answer, "No, I don't."

11 "Subject to check, would you agree that OPC
12 served two interrogatories and 17 PODs on FPL in that
13 proceeding?"

14 Answer, "Yes."

15 So I want to ask you again, do you recall our
16 conversation?

17 A I do now.

18 **MR. MAY:** Okay. Just so our record is
19 correct, I'd like to present the witness with a, with an
20 exhibit.

21 **CHAIRMAN GRAHAM:** Mr. Jaeger, we're up to
22 Exhibit 328; is that correct?

23 **MR. JAEGER:** 328 is correct.

24 **CHAIRMAN GRAHAM:** Thank you, sir.

25 Mr. May, you got a title for this?

1 **MR. MAY:** OPC -- excuse me. OPC's Discovery
2 Propounded on FPL in Docket 070650.

3 **MS. CHRISTENSEN:** I'm going to object as to
4 relevance. The amount of discovery or lack thereof in
5 another docket, I don't see the relevance as far as, as
6 far as this case. It's not even a similar type
7 proceeding. You know, this is a rate matter and the
8 other thing is a need determination.

9 You know, if he wants to compare it to the FPL
10 rate case, I'm sure we could go into the number of
11 interrogatories and discovery served in the rate case.
12 But relevance, I don't see the relevance of this.

13 **CHAIRMAN GRAHAM:** I want to see where this is
14 going.

15 Mr. May.

16 (Exhibit 328 marked for identification.)

17 **BY MR. MAY:**

18 Q Ms. Dismukes, do you have the exhibit marked
19 as Exhibit No. 328 before you?

20 A Yes.

21 Q You're an expert in rate case matters, are you
22 not?

23 A Not all rate case matters, but generally
24 speaking I testify in a lot of rate cases.

25 Q Would you consider yourself an expert in

1 utility regulation?

2 A Yes.

3 Q Okay. What does this composite exhibit -- in
4 your professional expert opinion, what is this composite
5 exhibit?

6 A It appears to be a notice of service in
7 connection with the petition to determine the need for
8 the Turkey Point Nuclear Units 6 and 7 in connection
9 with Florida Power & Light Company, Docket No. 070650,
10 dated December 6th, 2007.

11 Q Do you know if the Office of Public Counsel --
12 you're testifying on behalf of the Office of Public
13 Counsel; correct?

14 A Yes, that's correct.

15 Q Do you know if the Office of Public Counsel
16 served any other discovery on FPL in this billion-dollar
17 rate case, other than two interrogatories and 17
18 requests for production of documents?

19 A Well, first of all, it wasn't a rate case.
20 And, no, I don't.

21 **MR. MAY:** Okay. I have no further questions.

22 **CHAIRMAN GRAHAM:** Thank you. I guess we go to
23 Staff now?

24 **MS. BENNETT:** Yes. Thank you, Chair.

25

EXAMINATION

1 **BY MS. BENNETT:**

2 Q Ms. Dismukes, my name is Lisa Bennett. We
3 spoke over the telephone by deposition earlier this
4 year.

5 I want to ask you --

6 **MS. BENNETT:** Oh, first of all, Mr. Chair, I
7 have some exhibits to hand out to the witness.

8 **CHAIRMAN GRAHAM:** Okay.

9 **MS. BENNETT:** An exhibit.

10 **CHAIRMAN GRAHAM:** Ms. Bennett, it looks like
11 you're going to get Exhibit No. 329.

12 **MS. BENNETT:** That would be the Late-Filed
13 Exhibit No. 8 to Kim Dismukes' November 9th Deposition.

14 (Exhibit 329 marked for identification.)

15 **BY MS. BENNETT:**

16 Q Okay. First I want to talk to you about
17 Issues 1 and 2, which are quality of service and OPC's
18 recommendation regarding the quality of service.

19 I want you to turn to page 8 of your
20 testimony, lines 17 and 18, and let me know when you're
21 there.

22 A I'm there.

23 Q And there you recommend that the Commission
24 order the company to gather state-specific call center
25 data on a going-forward basis if the cost of doing so is

1 reasonable; correct?

2 A Yes.

3 Q Are you recommending that this requirement be
4 implemented on a permanent basis?

5 A Yes.

6 Q Do you have a recommendation regarding the
7 cost level that you believe would be reasonable to
8 implement this type of requirement?

9 A I do not have a recommendation, but
10 nevertheless -- I don't have a specific recommendation.
11 But the, the -- as I understand it, when the calls come
12 in to the call center, the company can identify the
13 account number so that they can determine where the
14 calls are coming from so that they -- to me, it doesn't
15 sound like it would be an expensive endeavor, given the
16 fact that it would be more than likely computer,
17 something that could be done through the computer in
18 terms of gathering the call data and determining where
19 it came from.

20 Q And I really wanted to hone in, I know we
21 didn't have a specific dollar amount that you're
22 recommending, but I wanted to hone in on our discussion
23 in the deposition about the percentage of, I believe you
24 said A&G. A&G stands for --

25 A Administrative and general.

1 Q -- administrative and general expenses. And
2 you recommended that 10% was probably too high?

3 A That's correct.

4 Q But you were comfortable with 1 to 2%; is that
5 correct?

6 A Do you have a reference to my deposition?

7 Q Yes. If you would look at your deposition,
8 pages 108 and 109.

9 A (Reviewing document.) I don't see the 1 to
10 2%.

11 Q Okay. But you would agree that 10% was too
12 high, and then I think we discussed that 5% was too
13 high; is that correct?

14 A That's correct.

15 Q Is 1% too high? Let me refer you specifically
16 to your response on page 109, lines 10 through 17.
17 Perhaps you could read that into the record.

18 A "But they have, they have got a lot of
19 administrative and general expenses, and I have no basis
20 to even estimate what it costs. I mean, it could cost
21 \$20,000, and I'd say that's definitely worth it. It
22 could cost half a million. That might be worth it. But
23 if it gets up there, you know, more than that, it's
24 less, you know -- it would not be easy for me to say
25 that would be a worthwhile endeavor. I just don't

1 know."

2 Q Okay. And do you agree with the testimony you
3 provided in the deposition?

4 A Yes.

5 Q Okay. Let's move on then. We also discussed,
6 and you might want to leave your book open, your
7 deposition book open. When determining a call, call
8 center performance standards, you recommended that the
9 Commission start looking at other jurisdictions and
10 perhaps talk to them about standards they have adopted.
11 Do you remember that discussion?

12 A Yes.

13 Q And during our discussion I asked for examples
14 of other states who had acceptable call center
15 standards. Do you recall that discussion? And you were
16 going to provide me with a late-filed exhibit.

17 A Yes. I don't recall that it was acceptable
18 call center standards, but did I have any information
19 about call center statistics in other states.

20 Q And you provided a copy of the late-filed
21 exhibit, which is now Exhibit 329?

22 A Yes.

23 Q And regarding that Exhibit 329, that's the
24 Connecticut Light & Power Company call center statistics
25 for 2008 and 2009; is that correct?

1 A Yes, that's correct.

2 Q Are the statistics represented in Exhibit 329
3 reasonable results for a utility call center?

4 A I don't know the answer to that question.
5 These are actually the actual results. And there, in
6 some instances, would be a difference between the
7 statistics that an electric company would generate
8 versus what a water company would generate. In
9 particular, the average handle time per call, I believe,
10 would be typically longer for an electric utility
11 because they're more complex, they have more complex
12 customers than a water utility.

13 Q Okay. My next question, I'd like you to turn
14 to page 27 of your testimony, lines 7 through 9.

15 A I do have some information in terms of where
16 you might be able to obtain call center and benchmarking
17 data that would be useful to the water industry.

18 Q I would love to hear it. Thank you.

19 A Okay. The American Waterworks Association
20 publishes a benchmarking water utility customer
21 relations best practices. And it's, if you're a member,
22 it's \$29.

23 But basically there's a little description
24 here of what's involved. It talks about customer
25 satisfaction is important to water utilities to minimize

1 customer complaints and associated costs, maintain
2 customer goodwill, and to increase customer support for
3 utility improvement initiatives.

4 This project identifies best practices in
5 major utility customer service areas. Call center,
6 meter reading, billing, payment processing, credit
7 collections, and customer related field services.
8 High-performing organizations were identified based upon
9 specific customer service measurement metrics and/or
10 reputation for superior customer service, such as
11 winning recognized customer satisfaction awards.

12 The report will give you tools to measure a
13 utility's customer service performance using
14 standardized customer service metrics developed for the
15 research -- developed for this research study.

16 Q Thank you. Let's go ahead and move on to the
17 next set of questions I have.

18 A Okay.

19 Q And I appreciate you providing that to us.

20 I'd like to have you turn to page 27 of your
21 testimony, lines 7 through 9. And, again, we discussed
22 this in your deposition.

23 A Okay.

24 Q There you state that, while the Commission's
25 monitoring plan has forced the company to take steps to

1 make improvements, the overall perception of the quality
2 of service by customers is still poor. Is that correct?

3 A Yes.

4 Q How much weight do you believe a customer's
5 perception of quality of service holds in comparison to
6 the quality of service metrics and statistics?

7 A We did discuss this at my deposition. I think
8 the customer's perception is very important. It gives
9 the Commission an indication of what the customers
10 perceive the utility -- one of their main goals is not
11 only to provide good quality water but to also satisfy
12 their customers. And without customer satisfaction,
13 there's always going to be problems.

14 And in my deposition I indicated that if you
15 had to give a weighting in terms of what percent should
16 be placed on the metrics versus what percent should be
17 placed upon the customer's perception, I used 50% on
18 each.

19 Q And thank you. That answered my next two
20 questions, so we will move on to Issue 14. Again, this
21 is something we talked about in your deposition about
22 the billing determinants and your recommendations
23 regarding that. I believe that's beginning on page 103
24 of your testimony.

25 A Okay.

1 Q Okay. There -- I'm going to summarize.
2 You're recommending that test year revenues should be
3 increased to reverse the test year impact of reduced
4 usage that you believe are due either to AUF's high
5 rates, poor customer service, or factors that you
6 believe are beyond the control of the customers. Is
7 that a correct summary of your testimony?

8 A Yes.

9 Q And to determine the consumption or billing
10 determinants reduction in your testimony, you reviewed
11 an AUF document called a budget variance report; is that
12 correct?

13 A Yes.

14 Q And you examined the utility's budget variance
15 reports for the test year period; is that correct?

16 A That's correct.

17 Q Okay. During the test year the utility sold
18 fewer gallons than it had budgeted; correct?

19 A That's correct.

20 Q In addition, for several months in the test
21 year, these reports indicate that the utility missed its
22 revenue, revenue targets due to consumption reductions;
23 is that correct?

24 A Yes.

25 Q And for several months the difference between

1 the budget and the actual is explained by the customers
2 in the Scottish Highlands service area digging wells
3 throughout the subdivision; is that correct?

4 A Yes.

5 Q And it's your belief that this revenue loss is
6 either due to the company's high rates or its poor
7 customer service or factors that are beyond the control
8 of the customers; is that correct?

9 A Yes.

10 Q Okay. Is it correct that during our
11 deposition you did not identify a methodology that you
12 used to equate those different factors to the loss of
13 revenue?

14 A That's correct. No. There is no way to
15 really identify precisely how much the revenue loss is
16 associated with each one of those individual components.

17 Q Okay. And so the factual support that you
18 make, used for the recommended consumption reduction is
19 from the utility's budget variance report; isn't that
20 correct?

21 A Well, yes. And also the customer testimony.

22 Q Okay. And you're proposing an adjustment to
23 the utility's billing determinants that would add back
24 in the reduction in the water sold that's attributable
25 to the Scottish Highlands customers; is that correct?

1 A Yes.

2 Q Okay. And your proposed adjustment to
3 increase the utility's billing determinants would have
4 the effect of increasing test year revenues; is that
5 correct?

6 A That's correct.

7 Q Do you think it's possible that a utility
8 could have high rates purely due to the characteristics
9 of a system? For instance, having a small customer base
10 and high costs?

11 A Purely due to that one factor? I think
12 perhaps on an individual -- that's a tough question. I
13 know we talked about it in my deposition.

14 I mean, clearly, if, if you have a small
15 customer base and a lot of piping, the high rates could
16 be -- that could clearly be a factor.

17 Q Okay. Thank you. You would also agree with
18 me that ratemaking is prospective in basis; correct?

19 A Yes.

20 Q Let's consider for a moment the first 12
21 months that the new rates would be in effect after the
22 Commission makes its final vote. Do you believe that
23 after the Commission makes its final vote, the customers
24 who have installed irrigation wells will stop using the
25 wells and return to Aqua's -- to Aqua?

1 A Realistically, no.

2 Q Do you have any reason to believe that the
3 number of gallons sold during the year as reported in
4 the utility's MFRs is not reflective of the actual
5 number of gallons sold during the test year?

6 A No.

7 Q On page 90 of your testimony, line 14, let me
8 know when you're there.

9 A Okay.

10 Q There you state that, "Moreover, the company
11 is authorized by the Commission to earn a return on
12 equity, which includes a component to compensate
13 stakeholders for risk." Is that correct?

14 A Yes.

15 Q Is it true that rates should be set to provide
16 a utility the opportunity to recover its costs,
17 including an appropriate return on common equity?

18 A That's correct, yes.

19 Q And how would, how would the company have --
20 how would a company have an opportunity to earn a fair
21 return on rates if rates are used which impute revenues
22 greater than those expected to be generated during the
23 test year?

24 A Well, they could take other measures to either
25 increase revenue by providing better customer service,

1 or to reduce expenses consistent with the level of the
2 revenue reduction.

3 Q Also on page 90, line 16, you state that
4 there's an inherent risk in any company -- I'm sorry.
5 "An inherent risk in any company is the loss of revenue
6 due to a variety of reasons, like economic downturns,
7 competition, conservation, and alternative suppliers."
8 Is that correct?

9 A Yes.

10 Q The risk associated with a utility's loss of
11 revenue that you're referring to on line 16 is the risk
12 that revenues will not be achieved at the level at which
13 they were set; is that correct?

14 A That's correct, yes.

15 Q Isn't it true that you're proposing a built-in
16 loss of revenue by imputing revenues above those
17 expected to be generated by the rates?

18 A Could you repeat the question?

19 Q Sure. Isn't it true that you are proposing a
20 built-in loss of revenue by imputing revenues above
21 those expected to be generated by the rates?

22 A I am recommending that the Commission impute
23 revenues associated with the loss in revenues due to
24 poor customer service, poor quality of service, et
25 cetera.

1 Q Okay. In your opinion, do investors expect
2 utility commissions will set rates using a level of
3 revenues the Commission knows are insufficient to allow
4 the utility to earn its required return?

5 A I wouldn't necessarily, necessarily look at it
6 from that perspective. The, the way that I'm looking at
7 it from is that customers made these decisions because
8 of the high rates, the poor customer service, the bad
9 billing practices, which are within control of the
10 company. Customers cannot change that. That's
11 something that the company has to change.

12 Q Okay. In your opinion, if the Commission were
13 to set rates using --

14 **CHAIRMAN GRAHAM:** Ms. Bennett, can I get you
15 to pull that mike down a little bit? You're a little
16 hard to hear.

17 **MS. BENNETT:** Okay.

18 **BY MS. BENNETT:**

19 Q In your opinion, if the Commission were to set
20 rates using revenues greater than those expected to be
21 generated at allowed rates, would that increase
22 regulatory risk?

23 A If the Commission increased revenues greater
24 than?

25 Q Than those expected to be generated at allowed

1 rates.

2 A No.

3 Q It would not increase regulatory risk?

4 A If they increased -- in other --

5 Q If the -- let me, let me state it again.

6 A Okay. Thanks.

7 Q In your opinion, if the Commission were to set
8 rates using revenue that was greater than those that
9 were expected to be generated at allowed rates, would
10 that increase regulatory risk?

11 A That would increase regulatory risk. But let
12 me point out that the adjustment that I am recommending
13 relative to the impact on Aqua America is very small.
14 It is a .02% -- it would affect their return on equity
15 by .02%.

16 Q I next want to talk to you about Issue 21 and
17 your recommended adjustments regarding bad debt expense.
18 And we, again, talked about this in your deposition.

19 Would -- oh, you'll probably want to turn to
20 page 83 of your testimony.

21 A Okay.

22 Q Okay. Specifically lines 16 and 17 as we
23 talk. Would an accurate characterization of your
24 testimony here be that Aqua's billing, customer service,
25 and meter reading practices contribute to the test year

1 level of bad debt expense?

2 A Yes.

3 Q Isn't it true that there is no way to quantify
4 how AUF's billing practices, meter reading practices,
5 and customer service practices impact bad debt expense?

6 A That's correct.

7 Q Okay. The last set of questions I'm going to
8 ask you deal with your rate case sharing recommendation.
9 And we didn't talk about this in the deposition, but I
10 do want to explore it a little bit more with you.

11 First of all, you recommend that certain rate
12 case expenses be removed, and you could turn to page 91
13 of your testimony to confirm that. I believe it's 91
14 through 96 that you talk about expenses being removed.

15 A Yes.

16 Q And isn't it true that those expenses that
17 you're recommending be removed are, you're recommending
18 because they were what you consider unreasonable
19 expenses?

20 A That's correct.

21 Q Okay. Do I understand correctly that you also
22 propose that the rate case expense be shared 50/50
23 between the ratepayers and the shareholders?

24 A That's correct; the prudent rate case expense.

25 Q That was my next question. Is that shared

1 rate case expense to be calculated after the
2 disallowance of those expenses that you talk about on
3 page 91 through 96?

4 A Yes.

5 Q And this is because, this 50/50 sharing is
6 because you believe that rate case expense benefits both
7 the ratepayers -- well, actually the ratepayers, the
8 utility, and the shareholders; is that correct?

9 A That's correct. Predominantly it benefits the
10 shareholders.

11 Q I'm correct that the examples of benefits to
12 ratepayers include that the utility is financially
13 sound, it can provide uninterrupted service, and that
14 finance -- it can finance needed improvements; is that
15 correct?

16 A Yes. I would say predominantly financing
17 needed improvements.

18 Q And the utility itself benefits from the rate
19 case because it can cover its costs; is that correct?

20 The utility itself would benefit from a rate case
21 because it can cover its expenses; is that correct?

22 A That's correct, yes.

23 Q And then you explain that shareholders also
24 benefit from a rate case since they're likely, more
25 likely to earn a reasonable rate of return on their

1 investment; is that correct?

2 A That's correct. I don't know I say that in my
3 testimony though.

4 Q Okay. You've personally participated in rate
5 proceedings in a number of other states; is that
6 correct?

7 A Yes.

8 Q And I believe in your testimony you state that
9 Minnesota, Illinois, and New Jersey have also required a
10 50/50 sharing of rate case expense; is that correct?

11 A Yes, that's correct.

12 Q Was that by rule or by order that they
13 required sharing?

14 A I believe it's by -- it's not by rule, but
15 it's by the Commission's orders.

16 Q Based upon your participation in rate
17 proceedings in other states, do you know if any other
18 state considers some type of market rate or average rate
19 of compensation for rate case professionals?

20 A Not off the top of my head.

21 Q Okay. Isn't it true that historically Florida
22 employs a prudence review for determining whether or not
23 to allow rate case expense?

24 A Yes.

25 Q And you would agree with me that the decision

1 of prudence is one that the Commission must make based
2 on the record before it; is that correct?

3 A That's correct.

4 Q Have you had an opportunity to review --
5 excuse me. Have you had an opportunity to review the
6 testimony of Mr. Szczygiel and Ms. Vandiver in this
7 case?

8 A Yes, I have.

9 Q Isn't it true that these two witnesses apply
10 the prudency standards to Aqua's requested rate case
11 expenses?

12 A Yes, I believe they do.

13 Q And, for instance, Ms. Vandiver uses the 2010
14 Florida Bar survey to offer her views and opinions of
15 what is a prudent and reasonable cost for legal services
16 in this rate case; is that correct?

17 A Yes.

18 Q Mr. Szczygiel uses the same Bar study for a
19 different purpose in his testimony; is that correct?

20 A Yes.

21 Q And prudence of a utility's decisions are
22 decided on a case-by-case basis; is that correct?

23 A Yes, they are.

24 **MS. BENNETT:** That's all the questions I have.

25 **CHAIRMAN GRAHAM:** Commissioners?

1 Commissioner Balbis.

2 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
3 And thank you, Ms. Dismukes, for your testimony.

4 I think you hit upon what I feel is one of the
5 most important aspects as far as the questions that I
6 had concerning Aqua's operations and costs.

7 A few questions, mainly focusing on the O&M
8 expenses. Did you review Aqua's O&M expenses?

9 **THE WITNESS:** In terms of from an audit
10 perspective, no. But from a -- let me start back.

11 **COMMISSIONER BALBIS:** As far as from, in their
12 MFRs, as far as the schedules that list the test year
13 and the projected expenses?

14 **THE WITNESS:** Yes.

15 **COMMISSIONER BALBIS:** Okay. I have a couple
16 of questions for you about that. I'm not going to -- I
17 don't have any questions on the costs, salaries, and
18 wages for employees, officers, et cetera, of those that
19 are actually doing the work at the utility for Aqua
20 Florida. What I want to focus on is Account No. 634 and
21 636, which are the contractual services management fees
22 and contractual services other.

23 Are those two account numbers, do those deal
24 with what you consider affiliated charges or overhead?

25 **THE WITNESS:** That's --- yes, sir.

1 **COMMISSIONER BALBIS:** Okay. Excuse me. Okay.
2 So if you go to page 40 of your testimony, you include a
3 quote on lines 17 to 25, quoting, I guess, a Commission
4 order previously where you state on -- or it's quoted on
5 line 19 that "it is the utility's burden to prove that
6 its costs are reasonable, and following this burden is
7 even greater when the transaction is between related
8 parties." Would you consider these affiliated charges
9 between related parties?

10 **THE WITNESS:** Yes, that's what they are.

11 **COMMISSIONER BALBIS:** Okay. And then if you
12 can clarify, on page 42 of your testimony, starting on
13 line 20, where you state, "Thus, of the total operations
14 and maintenance and administration -- administrative and
15 general expenses," et cetera, and then going to the next
16 page, 43, line 2, "Therefore, 67% of costs included in
17 the test year are directly incurred by the individual
18 water and wastewater systems." Could you explain that?
19 Does that mean that 33% are overhead costs or affiliated
20 charges, or what does that mean?

21 **THE WITNESS:** Yes. It's 20.6% of the costs
22 are charged from ASI and AAI, which are the two
23 parent -- it's the parent company and the service
24 organization. And then 12.4% is charged from AUF. So
25 that, those are charges that are booked on Aqua

1 Florida's books, as opposed to being allocated from an
2 affiliate. And then the 67% are those that are directly
3 incurred by the individual water and wastewater systems.

4 **COMMISSIONER BALBIS:** So would it be correct
5 to say that 33% is what you would consider overhead or,
6 or no?

7 **THE WITNESS:** I would consider 20.6% to be
8 overhead.

9 **COMMISSIONER BALBIS:** Okay.

10 **THE WITNESS:** The other 12%, or like the
11 administrative and general type expenses at the AUF
12 level.

13 **COMMISSIONER BALBIS:** Okay. And would you
14 agree that mainly Aqua, in order to meet that burden of
15 proof, included comparisons of hourly rates for various
16 employees, whether accountants, attorneys, engineers for
17 their affiliated charges?

18 **THE WITNESS:** Yes. Mr. Szczygiel performed
19 that analysis.

20 **COMMISSIONER BALBIS:** Okay. But you performed
21 a detailed peer analysis of similar utilities in similar
22 locations to kind of compare what the overhead charges
23 were, or affiliated charges; is that correct?

24 **THE WITNESS:** Yes. That's what I did. I
25 looked at utilities, as you indicated, in the same, the

1 same counties that had similar characteristics and
2 eliminated a lot of problems that the Commission had
3 identified in the past with my peer analysis.

4 **COMMISSIONER BALBIS:** Okay. And I apologize
5 for having you rehash a lot of this, but it's been a
6 week since you've been before us. So --

7 **THE WITNESS:** That's fine.

8 **COMMISSIONER BALBIS:** -- I just want to make
9 sure I understand.

10 So then if you go to page 77 of your testimony
11 where you list the results of your peer analysis, am I
12 reading correctly on lines 10 and 11 where you have, "On
13 a per customer basis, the company's expenses are 62%
14 higher than the peer group average"?

15 **THE WITNESS:** That's correct. And that's just
16 for the administrative and general expenses. It doesn't
17 consider O&M or the cost to operate the company.

18 **COMMISSIONER BALBIS:** Okay. Those, those
19 include affiliated charges or the overhead that we
20 discussed?

21 **THE WITNESS:** That's correct.

22 **COMMISSIONER BALBIS:** Okay. A few -- and then
23 on page 80, line 4 of your testimony, you make a pretty
24 strong statement here on line 4 where "The analysis that
25 I have conducted shows that the layers of management

1 associated with ownership by Aqua America have not
2 produced any cost savings for customers and, in fact,
3 have resulted in excessive costs." Is that based on
4 that peer review that you conducted?

5 **THE WITNESS:** That's based upon my peer
6 analysis, yes.

7 **COMMISSIONER BALBIS:** Do you believe that,
8 again, where you quoted where there's a, there's a
9 burden of proof that has to be met by the utility, do
10 you believe that the utility has met their burden to
11 prove that all of their overhead, overhead or affiliated
12 charges are reasonable?

13 **THE WITNESS:** No, I don't.

14 **COMMISSIONER BALBIS:** And are you aware of any
15 previous Commission decision that removed or excluded
16 costs or charges that were deemed unreasonable?

17 **THE WITNESS:** Oh, yes.

18 **COMMISSIONER BALBIS:** Now I would assume that
19 some of their -- you would expect some overhead or
20 affiliated charges to be reasonable. Would your peer
21 analysis, along with the other information provided by
22 Aqua, would that add to -- or would that meet the burden
23 of proof that is required by a utility and help justify
24 costs?

25 **THE WITNESS:** Would my peer analysis help meet

1 the company's burden of proof?

2 **COMMISSIONER BALBIS:** Well, a similar peer
3 analysis. If the company performed a similar peer
4 analysis that showed that their costs were in line with
5 other similar utilities in similar areas with similar
6 water and wastewater treatment, would that meet the
7 burden of proof, in your opinion?

8 **THE WITNESS:** I believe if it was conducted
9 correctly, yes, in the sense that you're, you're not
10 looking at outside consultants and what their hourly
11 rates are, but you're actually looking at the utility
12 industry in Florida.

13 **COMMISSIONER BALBIS:** Okay. And, again, can
14 you summarize your recommended adjustments? Because,
15 again, you're not recommending we disallow all of their
16 affiliated charges. But based on your peer analysis and
17 these 62%, I believe, higher affiliated charges, what,
18 what -- could you summarize, please, your recommended
19 adjustments to the --

20 **THE WITNESS:** Yes. My recommended adjustment
21 for the water operations is \$653,387, and for the
22 wastewater operations it's \$322,922.

23 **COMMISSIONER BALBIS:** And in your opinion,
24 those adjustments, the costs associated with those
25 adjustments, with the information Aqua provided and your

1 peer analysis, would meet the burden of proof for
2 reasonableness that this Commission needs to take into
3 account?

4 **THE WITNESS:** Yes.

5 **COMMISSIONER BALBIS:** Okay. Thank you. I
6 have no further questions.

7 **CHAIRMAN GRAHAM:** Thank you.

8 Commissioner Brown.

9 **COMMISSIONER BROWN:** Thank you.

10 And thank you, Ms. Dismukes, for coming back
11 to Florida.

12 **THE WITNESS:** No problem.

13 **COMMISSIONER BROWN:** Just a few questions.

14 You testify that Aqua brought an unnecessary amount of
15 representatives to the service hearings. Were you in
16 attendance at any of those service hearings?

17 **THE WITNESS:** No, I was not in attendance at
18 the service hearings. But I did review the transcripts
19 of the hearings, which indicated the number of
20 individuals -- the company introduced the people that
21 were, you know, at the service hearings, as well as
22 Ms. Christensen was at the service hearings.

23 **COMMISSIONER BROWN:** In your opinion, in your
24 expert opinion, who would you recommend or deem as
25 unnecessary for purposes of the service hearings?

1 **THE WITNESS:** I don't have the individual
2 names or the individuals that were there. I'm just
3 recommending that any individuals -- more than five
4 individuals, those costs should be disallowed.

5 **COMMISSIONER BROWN:** Okay. Moving on. You
6 also recommended that the Commission defer the rate case
7 expenses approved in this proceeding until after the
8 2008 rate case has been amortized, and then to amortize
9 those expenses on a four-year basis. That would then
10 require customers to pay for the rate case expenses for
11 this instant case through 2017; is that correct?

12 **THE WITNESS:** Yes.

13 **COMMISSIONER BROWN:** And you also recommended
14 that the utility be allowed to incur carrying costs
15 during that time period. Do you have an estimate of
16 what those carrying costs would be?

17 **THE WITNESS:** I have not calculated that. But
18 that basically puts the company in a position of no
19 different than if it started amortizing the rate case
20 expense as soon as the Commission's order was issued.

21 **COMMISSIONER BROWN:** Okay. On page 93 you
22 indicate in your testimony that Aqua frustrated the
23 discovery process and caused unnecessary delays. Can
24 you please elaborate for us on that?

25 **THE WITNESS:** Yes. I've worked in a lot of

1 rate cases, I've worked with many utilities, I've worked
2 with the electric industry, the telephone industry, the
3 gas industry, and the water industry. And Aqua, in my
4 opinion, has been particularly difficult in terms of
5 providing discovery, either adequate responses, or in
6 many instances objecting way too often to our discovery
7 requests. And it's a very frustrating process, it takes
8 longer than needed. It's just always been a difficult
9 proposition with Aqua. I don't know if it's
10 management's decisions to do that or not, but -- I mean,
11 we are working, I'm working on the Gulf Power case right
12 now. Gulf Power has been cooperative. They've worked
13 with us. If we have a problem, we can, you know,
14 discuss it with them, and it just runs a lot smoother.

15 **COMMISSIONER BROWN:** Thank you. And you also
16 indicated that there was a lack of paper production of
17 documents, that the documents, the discovery was
18 available at Holland & Knight law offices?

19 **THE WITNESS:** That's correct.

20 **COMMISSIONER BROWN:** Okay. Was electronic
21 production available in addition to the site visits; do
22 you know?

23 **THE WITNESS:** We eventually -- I'm sorry.
24 Yes, we eventually received the electronic versions of
25 the documents, but we were required to go over there and

1 review the documents and then ask for the electronic
2 versions of them, rather than -- what I am very used to
3 in every jurisdiction that I work in is there is no
4 paper production of documents anymore. Everything is
5 produced electronically.

6 **COMMISSIONER BROWN:** I'm aware of that too. I
7 just wanted to get some more insight into how that
8 frustrated the discovery process, and wanted to make
9 sure that OPC had an ample opportunity to receive the
10 discovery responses and requests.

11 **THE WITNESS:** We did receive all the
12 discovery, yes.

13 **COMMISSIONER BROWN:** Okay. Thank you for your
14 testimony.

15 **CHAIRMAN GRAHAM:** Commissioner Brisé.

16 **COMMISSIONER BRISÉ:** Thank you, Mr. Chair.

17 I have a few questions in a few different
18 areas, and I guess I'll start with something that's
19 fairly simple.

20 In your testimony on page 12, starting at line
21 28 'til page 13, ending at line 3, your testimony
22 states, "A field service technician surreptitiously told
23 a customer that 'Y'all get overcharged out there. I
24 don't know why, but I got a job to protect.'"

25 In your analysis, did you actually have any

1 discussions with Aqua employees yourself?

2 **THE WITNESS:** No. This was the customer
3 testimony.

4 **COMMISSIONER BRISÉ:** Okay. So, therefore, you
5 don't have any feedback from actual employees yourself.

6 **THE WITNESS:** That's correct.

7 **COMMISSIONER BRISÉ:** So this, this was the
8 perception of -- or this was from a customer at one of
9 the meetings?

10 **THE WITNESS:** That's correct.

11 **COMMISSIONER BRISÉ:** Okay. With respect to
12 electric meters, what would you attribute the issues
13 with the electric meters to? What would you attribute
14 that to?

15 **THE WITNESS:** The biggest issue that, that
16 I've heard is that they don't, when they drive by, they
17 don't necessarily get the reading. And then they just
18 continue on their way and then circle back around
19 sometime much later in terms of trying to determine what
20 the actual reading is for those meters.

21 **COMMISSIONER BRISÉ:** Okay. What are, what are
22 some best practices that you think would be applicable
23 to, to apply to this particular situation with Aqua?

24 **THE WITNESS:** It's my understanding that -- at
25 least I believe it from the testimony of maybe

1 Mr. Poucher indicated that normally if there's a
2 misread, you don't wait to go back and check it. You
3 check it almost immediately.

4 **COMMISSIONER BRISÉ:** Okay. What best
5 practices are out there that you think you could
6 recommend? Maybe that clarifies it a little bit.

7 **THE WITNESS:** Well, I think it would be they
8 need to devise a system. And I can't tell them what
9 that system is in terms of eliminating this problem and
10 training their meter readers to correct that particular
11 deficiency. I mentioned, when I was talking with the
12 Staff attorney, about the best practices in customer
13 meter reading, and that would be one area to look at to
14 determine what in the industry is the best practice.

15 **COMMISSIONER BRISÉ:** Okay. In terms of water
16 quality, your testimony includes a general statement
17 about health concerns, and I wanted to know if there was
18 any correlation between Aqua's water problems and actual
19 health concerns. So did you come across any information
20 that attributed to some health concerns directly
21 attributable to the consumption of Aqua water?

22 **THE WITNESS:** I didn't run across anything
23 specific, other than the customer testimony saying that
24 they were concerned about it.

25 **COMMISSIONER BRISÉ:** Okay. In your analysis

1 did you find any improvement areas after -- with respect
2 to water quality and health concerns after certain
3 upgrades had been made?

4 **THE WITNESS:** I believe there has been some
5 aesthetic improvements. I know in connection with the
6 Chuluota system, which is not part of this rate case,
7 but from a water quality perspective that's an area
8 where it's my understanding that customers are more
9 satisfied with the, the quality, quality of the water.

10 **COMMISSIONER BRISÉ:** Okay. Switching over to
11 the affiliated transactions a little bit. I think
12 Commissioner Balbis hit on some of the issues there.

13 But just for my satisfaction, do you think the
14 allocation of Aqua resources are allocated
15 satisfactorily in your opinion?

16 **THE WITNESS:** From a mechanical perspective,
17 the actual allocation process?

18 **COMMISSIONER BRISÉ:** Right.

19 **THE WITNESS:** Yeah. I did, I did not find any
20 problems with the mechanical allocation of the dollars.

21 **COMMISSIONER BRISÉ:** Okay. And the last
22 question I have, you have two exhibits, one, schedule
23 10, page 1, and the other one, schedule 28, page 177,
24 which talks about compensation. And I really want to
25 know if you analyzed how much of the \$3.5 million that

1 the CEO gets compensated was allocated to regulated
2 entities like Aqua Utilities Florida.

3 **THE WITNESS:** Good question. You're asking,
4 of Mr. DeBenedictis' salary, how much is allocated to
5 the, the utility as opposed to the nonregulated
6 operations.

7 **COMMISSIONER BRISÉ:** Right.

8 **THE WITNESS:** They do have a lot of
9 nonregulated operations.

10 **COMMISSIONER BRISÉ:** From Florida.

11 **THE WITNESS:** I don't have that. I do have
12 the amount that was allocated to Florida, if that would
13 help.

14 **COMMISSIONER BRISÉ:** That's the first step,
15 yes.

16 **THE WITNESS:** (Reviewing document.) I know
17 it's in here.

18 **COMMISSIONER BRISÉ:** It's okay. We have time.

19 **THE WITNESS:** Okay.

20 **COMMISSIONER BRISÉ:** Right, Mr. Chairman?

21 **CHAIRMAN GRAHAM:** Sure thing, Mr.

22 Chairman-elect.

23 (Pause.)

24 **COMMISSIONER BRISÉ:** Well, if you can't find
25 the actual number, if you can give me a sense if, in

1 comparison to peers, are the, is it comparable?

2 **THE WITNESS:** Well, in terms of his overall --
3 you'd really have to look at it in connection with his
4 overall salary.

5 **COMMISSIONER BRISÉ:** Right.

6 **THE WITNESS:** My recollection, his, his total
7 compensation, I think, is rounding about \$3.5 million,
8 which is -- well, I don't know. It's probably less than
9 your electric companies. And I don't know how it
10 compares to other water and wastewater companies.

11 **COMMISSIONER BRISÉ:** If you can't find it,
12 that's fine. I suppose that -- do you come back again?
13 I think this is it for you.

14 **MS. CHRISTENSEN:** Commissioner, if I may make
15 a suggestion, if we could take a short break, maybe she
16 could find it within the short break.

17 **THE WITNESS:** I can file a late -- I can
18 provide a late-filed.

19 **COMMISSIONER BRISÉ:** No. I was just trying to
20 get a sense of how much of those dollars really affect
21 or benefit Florida customers.

22 **THE WITNESS:** It's under a hundred thousand
23 dollars. I can tell you that. I know that for sure.

24 **COMMISSIONER BRISÉ:** Okay. And with that, I
25 think that that satisfies what I was looking for. Thank

1 you very much.

2 **CHAIRMAN GRAHAM:** Ms. Dismukes, I have a
3 question or two. Ms. Bennett asked you a few questions
4 about customer service. And I don't know if you were
5 here when Ms. Chambers was on the stand, and I asked her
6 a couple of questions which were a little confusing to
7 me. As we traveled the state, and there is definitely
8 areas where there's a lot of complaints about customer
9 service, and there's areas where for the most part no
10 one even mentions customer service. So I figured since
11 they're not mentioning it, then they're not
12 necessarily -- they're not complaining about it. And I
13 just assumed that one area of the state had one set of
14 customer service and the other area of the state had
15 another, and Ms. Chambers had told us that everybody
16 goes to the same area, to the same bank of phones.

17 My question to you, and you may not have an
18 answer for this, do you have an idea how or why that
19 happens?

20 **THE WITNESS:** In terms of you're not hearing
21 the same customer complaint in every service territory?
22 Well, there's perhaps a couple of explanations. One is
23 that the, at least the quality of the water is
24 different, which generates a lot of concerns by the
25 customers.

1 The other is that the -- given where the
2 customer hearings are held, in, I think in instances
3 there are, they're to cover a fairly wide area in terms
4 of the utility's service territory, and so what you're
5 seeing is customers coming forth when they're in close
6 proximity to where the service hearing is.

7 And then third, many of the customer service
8 hearings were conducted during when many of the
9 transient customers, or the customers that come down
10 just for the winter, were not there.

11 **CHAIRMAN GRAHAM:** Do you know if there is any
12 analysis, looking at the areas that had the higher
13 customer complaints, if we looked at what maintenance
14 costs would be in those areas? I mean, are they, are
15 they working harder? Are they working less? Do we
16 know?

17 **THE WITNESS:** I don't know the answer to that.

18 **CHAIRMAN GRAHAM:** Okay. One last question.
19 Your, your company -- as far as you know, have you or
20 somebody from your company called customer service just,
21 I guess, out of curiosity to see what they go through,
22 what happens when you call that number?

23 **THE WITNESS:** No, I have not.

24 **CHAIRMAN GRAHAM:** Okay.

25 Commissioner Balbis.

1 **COMMISSIONER BALBIS:** Thank you. And I have
2 two quick follow-up questions just to clarify your
3 answers to the other Commissioners.

4 You responded to Commissioner Brisé concerning
5 the mechanical allocation, and I just want to clarify.
6 That would be, that would be like the software that's
7 used, or the way, the time accounting system, et cetera,
8 not the charges themselves that you're okay with?

9 **THE WITNESS:** Correct. Yes. It's basically
10 the application of the -- they use a customer allocation
11 factor. So it's the application of the percent is
12 accurately applied to the expense to get it to the
13 Florida level. I have no problems with the application,
14 the mechanical applications. What I -- my concerns are
15 with the dollars that were spent.

16 **COMMISSIONER BALBIS:** Okay. And then back to
17 Chairman Graham's line of questioning concerning
18 customer complaints, because that's something that I,
19 that I wondered about as well.

20 In your opinion, could it be the case where
21 certain areas make more complaints and the customer
22 service representatives are reacting to the volume of
23 calls and maybe changing their customer service? Is
24 that something in your experience may happen, or you
25 still don't know why it could happen?

1 **THE WITNESS:** I can't answer that.

2 **COMMISSIONER BALBIS:** Okay. Thank you. I
3 have nothing further.

4 **CHAIRMAN GRAHAM:** Ms. Christensen, redirect?

5 **MS. CHRISTENSEN:** Yes. And we have a few
6 redirect exhibits that we would like to use. So if you
7 can give us a moment to pass those out, it'll make this
8 go a lot quicker.

9 **CHAIRMAN GRAHAM:** Sure.

10 (Pause.)

11 Ms. Christensen, so I understand, there's just
12 two exhibits?

13 **MS. CHRISTENSEN:** Correct. And if we can go,
14 if you want to go ahead and identify those.

15 **CHAIRMAN GRAHAM:** Which would you like to be
16 330 and which would you like to be 331?

17 **MS. CHRISTENSEN:** 330 can be the 2011 customer
18 service hearings.

19 **CHAIRMAN GRAHAM:** Okay.

20 **MS. CHRISTENSEN:** And 331 can be the peer
21 group analysis.

22 (Exhibits 330 and 331 marked for
23 identification.)

24 **CHAIRMAN GRAHAM:** Whenever you're ready,
25 ma'am.

1 MS. CHRISTENSEN: Okay.

2 EXAMINATION

3 BY MS. CHRISTENSEN:

4 Q Ms. Dismukes, do you recall a conversation
5 with Mr. May regarding your consulting company, about
6 the practices at your consulting company?

7 A Yes.

8 Q Is the Arcadian Group a regulated company?

9 A No.

10 Q Is Arcadian a, what we would call a
11 market-based company that has to compete for customers?

12 A Yes.

13 Q Okay. And I think you and Mr. May also had a
14 discussion a little about, I'm not sure if it was about
15 confiscatory rates or about capital investment, but are
16 expenses the same as capital investments?

17 A No.

18 Q And can you explain why expenses are
19 different?

20 A Well, expenses are dollars that are expended
21 every year. Capital items are your plant, your
22 investment, items that may basically go into the ground.

23 Q Okay. And you had -- I think there was
24 discussion about Mr. Szczygiel's market-based study, and
25 I think you were asked whether or not you agree with

1 that. Do you -- can you explain whether or not you
2 disagree with his market-based study, and explain why?

3 A I do not agree with his market-based study,
4 and I spend several pages of testimony on that. But it
5 primarily focuses around the fact that it's, it's not a
6 peer comparison, it doesn't examine situations that are
7 analogous to this situation. He is comparing employees
8 of Aqua to CPA firms.

9 I looked at the list of Aqua employees at the
10 ASI level and the service company level, and I believe
11 there was only one CPA on the entire, entire list. And
12 so it's not appropriate, for example, to compare the
13 hourly rate of a CPA firm to, you know, the equivalent
14 hourly rate of what Aqua, you know, what Aqua's
15 equivalent accounting functions hourly rate is.

16 Same with legal. Many times, not always, you
17 will have legal firms that are general legal firms, but
18 you also have legal firms that specialize. Those hourly
19 rates are typically higher than, you know, what you
20 would expect to get at the, you know, at the utility
21 level.

22 Likewise, management companies, they also
23 specialize in certain areas. And it's that
24 specialization and that honing in which allows them to
25 charge that higher hourly rate. They can accomplish

1 what needs to be accomplished more quickly.

2 And so I don't believe his comparison is
3 appropriate.

4 Q Okay. Do you recall conversations with
5 Mr. May regarding the customer meetings and it not being
6 sworn testimony, and you said that you also had reviewed
7 the service hearings for similar type quotes? Do you
8 recall that conversation?

9 A Yes.

10 Q Okay. And I have provided you with Exhibit
11 330. Is this a summary of the quotes with the
12 transcript cites that you were referring to?

13 A Yes. Subsequent to the filing of my
14 testimony, we prepared this analysis, basically going
15 through the transcripts of the customer service hearings
16 and identifying customer concerns.

17 Q And in your review of the customer service
18 hearings, are the complaints that the customers had at
19 the service hearings similar to those complaints that
20 they raised at the customer meetings the year previous?

21 A Yes.

22 Q Okay.

23 **MR. MAY:** Mr. Chairman? Excuse me. We have
24 no issues with respect to the sworn testimony at the
25 customer service hearings. I am curious as to

1 whether -- are you amending your prefiled direct
2 testimony now?

3 **MS. CHRISTENSEN:** No. This is an exhibit to
4 the testimony. And Mr. May had raised the question --
5 she had summarized the customer comments from the
6 customer meetings, and he asserted that it was not sworn
7 testimony. She said she had also conducted a similar
8 analysis subsequent to that of the service hearings, and
9 this is a summary of the customer comments with, of the
10 similar in nature that was provided in the testimony.

11 So it's, it's an exhibit. It's not, we're not
12 amending or changing our original testimony, and it's,
13 and it's being offered as an exhibit.

14 **MR. MAY:** I guess, you know, again, there is
15 no doubt that the customer service hearing testimony,
16 the transcripts in that testimony is part of the record.
17 What I'm concerned about is she appears to be amending
18 her prefiled direct testimony through the redirect
19 process. And if that's the case, I'd like an
20 opportunity to assimilate this information and consider
21 it as to whether I need to pursue further
22 cross-examination of this witness.

23 **MS. CHRISTENSEN:** I don't believe it's a
24 supplemental. I think it's just an exhibit in response
25 to a question that was asked by Mr. May that's

1 appropriately addressed on redirect.

2 **CHAIRMAN GRAHAM:** I think that these questions
3 are appropriate for the redirect, as Ms. Christensen
4 just said. During your questioning, you had asked
5 specifically because of the customers -- because of what
6 she was putting forth in her direct testimony wasn't
7 sworn customers, and she's just proving or showing that
8 similar things are being said, sworn customers and not
9 sworn customers.

10 If you want to get any deeper than that, then
11 we may need to let Mr. May get back to redirect.

12 **MS. CHRISTENSEN:** And that's what that's being
13 proffered for, and obviously we have the customer
14 transcripts. So if there's any typographical errors,
15 that can -- obviously the transcripts from the service
16 hearings would be the appropriate and the official
17 transcripts.

18 **BY MS. CHRISTENSEN:**

19 Q Let me -- you were also asked by Mr. May
20 regarding, and Commissioner Balbis, whether or not there
21 were peer group analysis, whether or not the Commission
22 had ever conducted such peer group analysis and relied
23 on that. Do you recall that line of questioning?

24 A Yes, from Mr. May.

25 Q And I'm showing you Exhibit 331, entitled

1 "Commission Orders for Peer Analysis."

2 Did you contact a search for Commission orders
3 where peer group analyses were previously utilized by
4 the Commission?

5 A Yes. After the conclusion of the hearing, I
6 went and reviewed, searched basically the Commission's
7 orders, and identified several where the Commission has
8 done peer analysis, peer analyses in the past.

9 Q And are these the portions of the relevant
10 orders that discuss that peer group analysis?

11 A Yes.

12 Q Okay. I think you were asked questions about
13 your late-filed exhibit regarding the Connecticut call
14 center, electric utility call center statistics.

15 I just want to clarify, are you recommending
16 that the Commission use the Connecticut call center
17 metrics as a benchmark to measure Aqua's call center
18 performance?

19 A No.

20 Q Okay. And I think you were also asked by
21 Ms. Bennett whether, regarding whether or not a
22 utility's high rates are solely due to capital
23 investment, the type of capital investment and the small
24 number of customer groups, so I wanted to follow up on
25 that line of questioning.

1 Do you believe that Aqua's high rates are
2 solely due to the small customer base and the large
3 capital investment?

4 A No, I do not.

5 Q Okay. Can you explain what you think the
6 driver for the high rates are for Aqua?

7 A In connection with my examination of the
8 company's MFRs and its rate case, rate case data here, I
9 focused on, as you know, primarily the administrative
10 and general expenses.

11 The -- Aqua has, Aqua, Aqua Services, Aqua
12 America have many, many people performing administrative
13 tasks. At the Aqua Florida level there are 24 people
14 that perform administrative tasks. At the AAI level,
15 America -- Aqua America, Incorporated, there are ten
16 people. Those are primarily your, your presidents and
17 vice presidents. At the Aqua Services level there are
18 109 people performing administrative tasks. And then at
19 the ACO, which is the customer service organization,
20 there are another 140 people that are performing
21 administrative tasks. And these costs are allocated
22 down to AUF. There are layers and layers of management
23 that are causing, in my opinion, excessive
24 administrative and general expenses to be allocated down
25 to Florida.

1 Q And, Ms. Dismukes, do you know how large Aqua
2 Florida's customer base is?

3 A Right around 18,000 customers.

4 Q Is that for water and wastewater as well?

5 A Yes.

6 Q Okay. And one last question. Do you believe
7 there's any reason -- do you have any reason to believe
8 that the company could not decrease its expenses on a
9 going-forward basis?

10 A No.

11 MS. CHRISTENSEN: I think that's all the
12 redirect I have. Thank you.

13 CHAIRMAN GRAHAM: Ms. Christensen, do you have
14 any exhibits to put into the record?

15 MS. CHRISTENSEN: Yes, I do. I have the
16 direct exhibits from Ms. Dismukes' testimony, and that
17 would be -- let me just flip to it. I believe it starts
18 at 102 through 131.

19 CHAIRMAN GRAHAM: We will enter Exhibits 102
20 through 131.

21 (Exhibits 102 through 131 admitted into the
22 record.)

23 MS. CHRISTENSEN: And then also I would ask to
24 move in Exhibits 330 and 331.

25 MS. BENNETT: Also 326 was her errata sheet.

1 **MS. CHRISTENSEN:** Oh, I'm sorry. And 326 then
2 as well.

3 **CHAIRMAN GRAHAM:** 326, 330, 331, and 102
4 through 131.

5 (Exhibits 326, 330, and 331 admitted into the
6 record.)

7 Mr. May.

8 **MR. MAY:** Mr. Chairman, we would move
9 Exhibits 327 and 328.

10 **CHAIRMAN GRAHAM:** Ms. Bennett.

11 **MS. BENNETT:** And we would move 329.

12 **CHAIRMAN GRAHAM:** We will move 327, 328, and
13 329 also into the record.

14 (Exhibits 327, 328, and 329 admitted into the
15 record.)

16 Ms. Dismukes, I want to thank you for coming
17 back. I apologize that we weren't able to get this done
18 last week, but we're glad to see you again this week.

19 **THE WITNESS:** Thanks. I like Tallahassee. I
20 lived here for 12 years, so it's nice to come back.

21 **CHAIRMAN GRAHAM:** Thank you for your
22 testimony, ma'am.

23 Now it appears to me the next one is going to
24 be Shawn Harpin?

25 **MR. CURTIN:** Yes, Chairman.

1 **CHAIRMAN GRAHAM:** All right. We're going to
2 take about a five -- let's take about a ten-minute
3 break. If you have any exhibits for this witness --

4 **MR. CURTIN:** Only his prefiled.

5 **CHAIRMAN GRAHAM:** Okay. Thanks. All right.
6 Let's take a ten-minute break. Come back at 11:10.

7 (Recess taken.)

8 **YES,** have your witnesses been sworn?

9 **MR. CURTIN:** Ms. Kurz has not. Mr. Harpin was
10 sworn last week.

11 **CHAIRMAN GRAHAM:** Okay. Mr. Harpin is up
12 first?

13 **MR. CURTIN:** Yes. Call Mr. Shawn Harpin.
14 May I begin, Mr. Chairman?

15 **CHAIRMAN GRAHAM:** Sure.

16 **SHAWN HARPIN**

17 was called as a witness on behalf of YES Communities
18 and, having been duly sworn, testified as follows:

19 **EXAMINATION**

20 **BY MR. CURTIN:**

21 Q Mr. Harpin, can you please state your full
22 name for the record.

23 A Full name is Shawn Harpin.

24 Q And who are you employed by?

25 A YES Communities.

1 Q And what's your position with YES Communities?

2 A Senior Regional Manager for the Florida
3 Division.

4 Q And did you file eight pages of prefiled
5 testimony in this case?

6 A Yes, I did.

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

9 A I do.

10 Q What are they?

11 A Page 6, line 3, the information that was given
12 to me was by several customers in regards to the 25% of
13 outstanding payments. It's come to our realization
14 that, you know, this was an issue that, you know, Aqua
15 did ask for, but we found that there's other ways of
16 payment arrangements that Aqua has made.

17 Q Other than those revisions, if I asked you the
18 same questions, would you give the same answers?

19 A Yes.

20 Q And did you also --

21 **MR. CURTIN:** I would like to at this time
22 insert Mr. Harpin's prefiled testimony into the record
23 with the revisions he just talked about.

24 **CHAIRMAN GRAHAM:** We'll insert Mr. Harpin's
25 testimony into the record as though read.

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 YES COMPANIES, LLC

3 DIRECT TESTIMONY OF SHAWN HARPIN

4 DOCKET NO. 100330-WS

5

6

7

Q. Name and business address:

8

A. My name is Shawn Harpin. My business address is 9101 Normandy Blvd,

9

Jacksonville, FL 32221.

10

11

Q. By whom are you employed and what is your position:

12

A. I am employed by YES! Communities Inc. YES! Communities Inc. is a related

13

corporate entity to Yes Companies, LLC (“Yes”). My position is Senior Regional

14

Manager for Florida.

15

16

Q. Please describe your duties and responsibilities in that position:

17

A. I am responsible for all community operations for the 13 communities located in

18

Florida. This includes but is not limited to leasing, selling, financial performance of the

19

asset and the overall operational capacity of the portfolio.

20

21

Q. Describe your educational background and professional experience:

22

A. I received my undergraduate degree from Metropolitan State College of Denver with a

23

B.S. in Finance with an emphasis in investments. I have over 15 years of experience in

24

multiple facets of the mobile home industry including financing, wholesale, retail,

1 manufacturing, and property management. I currently manage the Florida portfolio
2 consisting of 13 communities and over 3700 home sites.

3

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

6 A. Only during this rate case, Docket 100330-WS.

7

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

9 A. The purpose of my testimony is to provide information as it relates to the negative
10 impact to the operations of Arredondo Farms as a result of high water and waste water
11 rates; poor water quality; back billing charges and errors; and poor customer service
12 quality imposed to our residents by Aqua Utilities of Florida ("Aqua"). This testimony
13 is based on my personal knowledge and a review of Yes's business records as those
14 records are kept in the ordinary course of business.

15

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

17 A. Yes, I am sponsoring the following exhibits, which are attached to my testimony:

18

19 Exhibit SH1 – Gainesville Apartment Market Trends

20 Exhibit SH2 – Gainesville Stick Built Market Trends

21 Exhibit SH3 – Arredondo Farms Repo/Lease Turn Report August 2011

22 Exhibit SH4 – Arredondo Farms 2011 Move Out Report

23

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

2

3 A. Exhibits SH1 and SH2 are industry reports specific to the rental housing industry.

4 Exhibits SH3 and SH4 were prepared by me based on my personal knowledge and from a

5 review of Yes's business records as kept by Yes in the ordinary course of business. I am

6 a custodian of those business records.

7

8 **Q. Please summarize your testimony:**

9 A. I am responsible for the entire operations of the 13 mobile home communities owned

10 by Yes in the state of Florida. I have communities located in the Tampa area,

11 Jacksonville area, and in the Gainesville area. Arredondo Farms has a great location on

12 Archer Road just 3 miles west of I-75. Arredondo Farms provides quality amenities, great

13 curb appeal / appearance, while providing large desirable homes at affordable rent levels.

14 It is one of the best options available in Gainesville for affordable housing. However,

15 there is one issue that severely threatens Yes's ability to provide affordable housing at

16 Arredondo Farms: Aqua.

17

18 I will not repeat the stories we heard from our residents that spoke with Kim Kurz at their

19 homes earlier this year or the countless residents who appear at community manager

20 Mallory Starling's office daily. I will not try to repeat what our residents said who came

21 with their own personal experiences at the Gainesville hearing on September 12, 2011.

22 Instead, I would like to focus on the impact these issues have had to our community and

23 our company.

1

2 Yes prides itself on providing affordable housing with a “Yes!” attitude. That is the
3 foundation of our business. What that means is that we strive to conduct our business
4 with the resident at the outset by providing a high level of customer service and by
5 providing value for our residents. We continue to struggle at Arredondo Farms because
6 of the issues our residents face with Aqua. Let me explain.

7

8 First, I would like it noted that I have not experienced the massive amount of move-outs
9 we incur at other properties, within my portfolio, as we see at Arredondo Farms due to
10 issues with their water service provider or water bills. The affordability market as it
11 pertains to housing at Arredondo Farms has been encumbered by Aqua’s extremely high
12 utility rates. An average household experiences a monthly water and waste water bill
13 from Aqua in the \$135-150 range. This is \$90 higher than comparable communities in
14 our portfolio and is \$76 greater than an existing utility operator within the Gainesville
15 market. Site rent at Arredondo Farms on average is \$270 and total home rent on a lease
16 is \$630. That means that our residents experience a water bill that represents 55% of
17 their entire site rent or 21% of their entire home rent respectively. Our company average
18 site rent is \$295 and average water bill is \$43.84, which constitutes only 15% of the site
19 rent. Our average total home rent on a lease is \$650 and again average water bill is
20 \$43.84, which constitutes only 7% of the home rent.

21

22 Second, due to the numerous billing errors and back charges, a resident at Arredondo
23 Farms who is managing their household finances on a paycheck by paycheck basis can be

1 faced with a \$400 to \$2,000 bill for back charges coupled with their normal water usage.
2 Aqua then either shuts off that resident's water or forces that resident to finance the back
3 charges into a payment plan while not accepting less than 25% of the outstanding balance
4 as monthly payments until paid in full. So an already high water bill is now higher. This
5 stretches an ever challenging household's budget and forces no other option but to leave
6 the community.

7

8 What we have seen as a result of these exorbitant bills is unusually high move outs and
9 turnover costs associated at Arredondo Farms. Only reviewing move-outs since January
10 2011, Arredondo Farms has experienced 59 move outs. Out of 59 move-outs, 35 residents
11 have left due to high water bills which have impacted the ability of our residents to pay
12 their discounted rent provided by Arredondo Farms. This means that 59% of our former
13 residents who have left our community left because of Aqua water issues. It is bad
14 enough knowing 3.8 families per month pack up and relocate because of this issue, but
15 let's relate it to dollars. Arredondo Farms spends on average of \$1,960 - \$3,690 to
16 remarket the home depending on whether it is a lease or loan repo on every move out.
17 Averaging this over a 9 month period (based on Jan. 2011 thru Sept. 2011) this equates to
18 \$7,448 - \$14,022 per month. Base this over an annual forecasted period it equals \$89,376
19 - \$168,264 of additional expenses per year due to Aqua's malfeasance.

20

21 Further, Yes's losses continue to be compounded by additional marketing expenses
22 incurred once the homes become vacant along with the additional payroll paid to leasing
23 agents joined with rent discounts below market levels in order to provide a total

1 affordable housing option cost in the market place. A 3-bedroom unit in Arredondo
2 Farms should easily rent for \$725. When you consider having a rental portfolio of over
3 100 rentals in Arredondo, this equates to losing \$95 per month in rent and equals a
4 \$114,000 yearly loss in revenue.

5

6 Additionally, the above financial losses do not take into consideration loss revenue once
7 the unit becomes vacant. Arredondo Farms' "days vacant" for vacant inventory is
8 anywhere from 54 days to 171 days or 1.8 months to 5.7 months. With an average site
9 rent of \$270 and an average home rent of \$630 this equates to lost revenue on a monthly
10 basis of \$4,309 to \$13,645 or \$51,708 to \$163,740 of annual loss revenue.

11

12 Finally, we have a maintenance technician, Mike Green, whose sole job is to manage the
13 water issues within our rental home portfolio at Arredondo Farms. He visits every home
14 a minimum of once a month to ensure there are no leaks in the home that would result in
15 a huge water bill due to the high rate tier Aqua imposes on our residents. He replaces
16 plumbing lines that are providing little to no water pressure due to the sediment and
17 calcium build up from the poor water quality. He replaces toilet parts that are stuck due
18 to sediment and causing the toilet to run, leading to high bills. He replaces hot water
19 elements that have corroded due to calcification as a result of the water. This community
20 had 77 rental home water quality related plumbing work orders from January – March of
21 2011 compared to 18 that its sister Gainesville property had which is on a different water
22 system. Again, this represents increase payroll and maintenance expense costs of well

1 over \$40,000 per year due to the water. Arredondo Farms incurs annual loss revenue and
2 increased expenses over \$450,000 per year.

3

1 **BY MR. CURTIN:**

2 Q And you are sponsoring four exhibits. I think
3 that's SH-1 through SH-4.

4 A That's correct.

5 Q Which are Composite Exhibits 136 through 139
6 for the record. Do you have any revisions to those
7 exhibits?

8 A I do not.

9 **MR. CURTIN:** I would tender Mr. Harpin for
10 cross-examination.

11 **CHAIRMAN GRAHAM:** Okay.

12 **MR. MAY:** Mr. Chairman, before I begin my
13 cross, which hopefully is going to be very short, could
14 I get -- I didn't hear the revisions to the testimony.

15 **BY MR. CURTIN:**

16 Q Mr. Harpin, can you just explain your
17 revisions again?

18 A Yeah, absolutely. The revisions is in regards
19 to page 6, line item 3, in regards to the 25%
20 outstanding. That was information that was given to me
21 by several customers. I realized that Aqua Utilities
22 has a better -- or I shouldn't say better, but another
23 payment plan that has been provided to customers
24 outside.

25 **MS. CHRISTENSEN:** Commissioner, I have a few

1 questions for this witness, and I didn't know if you
2 wanted to see if I wanted to go before Mr. May or after
3 Mr. May. I don't --

4 **CHAIRMAN GRAHAM:** Well, the question I had is
5 are these questions contrary to the position of YES?

6 **MS. CHRISTENSEN:** I don't know. I don't know
7 until he answers. I mean, I expect my questions are,
8 are similar, in a similar posture to the way Staff has
9 been in a posture in this case, which is I am more in a
10 neutral posture to YES. I don't -- I'm not supporting
11 their case, I'm not defending their case, but I do have
12 a few questions since this witness is an expert in real
13 estate and one of the issues here is how the quality of
14 service affects real estate. So I have a few questions
15 regarding that of this witness.

16 **CHAIRMAN GRAHAM:** It sounds to me like your
17 questions would be as friendly cross, and we said that
18 there was not going to be any friendly cross.

19 **MS. CHRISTENSEN:** Well, I wouldn't categorize
20 it as friendly. I would assume that it's more akin to
21 what Staff would ask, which is just to clarify the
22 record. You know, obviously we have to abide whatever
23 the Chairman decides, but it's not a particularly long
24 line of questioning.

25 **CHAIRMAN GRAHAM:** We'll go down this path, if

1 you're clarifying things. I'm all about making sure
2 that things are on the record clear.

3 MS. CHRISTENSEN: Would you like me to go
4 first then?

5 CHAIRMAN GRAHAM: Sure.

6 MS. CHRISTENSEN: Okay.

7 EXAMINATION

8 BY MS. CHRISTENSEN:

9 Q Mr. Harpin, let me direct you to page 2 of
10 your testimony.

11 Now, Mr. Harpin, if I'm understanding your
12 testimony correctly, you are responsible for all of the
13 communities, YES Communities located in Florida; is that
14 correct?

15 A That is correct.

16 Q And as part of that responsibility, you lease,
17 sell, and perform financing for those properties; is
18 that correct?

19 A That is correct.

20 Q Okay. And I just have a few questions to ask
21 regarding the types of things that affect real estate
22 values.

23 Would you agree that the quality of the
24 utility service, including the water service, is one of
25 the things that affects the value or the, the real

1 estate value of a property?

2 A I do believe that, yes.

3 Q Okay. And would you agree that if the water
4 quality is perceived as poor, that would have a negative
5 impact upon the value of the home in a particular
6 neighborhood?

7 A I would agree with that.

8 Q And would you agree that if the rates are too
9 high, that that can either impact the ability to sell a
10 person -- for a person to sell a home or to rent a home?

11 **MR. MAY:** I object. If she's going to
12 cross-examine the witness, she's using -- if this is not
13 friendly cross, if this is truly cross-examination in
14 the true sense, I think that line of questioning is
15 correct. If she's asking her -- she's leading the
16 witness now.

17 **MS. CHRISTENSEN:** Well, this was my last
18 question, but I can, I can end my questioning there.

19 **CHAIRMAN GRAHAM:** Okay. I was going to say,
20 because we just want to make sure we're clarifying
21 things that he had on the record, making sure that they
22 were clear.

23 **MS. CHRISTENSEN:** And I'm finished, and that's
24 fine.

25 **CHAIRMAN GRAHAM:** Okay.

1 Any other Intervenors?

2 Mr. May.

3 **EXAMINATION**

4 **BY MR. MAY:**

5 Q Thank you, Mr. Harpin, for coming in this
6 morning.

7 A Thanks for having me.

8 Q It's been a long, long, long haul, and I
9 appreciate you, you staying for the duration.

10 YES is a private for-profit company; correct?

11 A That is correct.

12 Q Okay. When did YES acquire Arredondo Farms?

13 A January 17th, 2008.

14 Q Did you assist in the due diligence of that
15 acquisition?

16 A I did not.

17 Q Do you know what due diligence is?

18 A I do.

19 Q Okay. How would you describe due diligence,
20 in the context of an acquisition of a real estate
21 development?

22 A You basically go in and value assess the asset
23 and determine on what, you know, the value of that
24 property might be worth.

25 Q In performing your due diligence, did you ever

1 inquire as to Aqua as to the amount of turnover that was
2 occurring at this real estate development prior to your
3 acquisition?

4 **MR. CURTIN:** The only objection I have is that
5 the witness has testified already he was not involved in
6 the due diligence at all, and now he's asking about what
7 due diligence it was. The witness already testified he
8 has no knowledge of that.

9 **CHAIRMAN GRAHAM:** He said he wasn't involved.
10 I didn't hear you say you had no knowledge of it.

11 **THE WITNESS:** I have, I have no knowledge.

12 **BY MR. MAY:**

13 Q So you don't know if the company performed any
14 due diligence with respect to --

15 A I'm not aware.

16 Q And you wouldn't know whether there was a high
17 turnover of customers -- excuse me -- of residents in
18 Arredondo Farms prior to YES's acquisition; correct?

19 A I would not be aware of any.

20 Q Okay. Would it surprise you that there is
21 record evidence that would show that there was a high
22 turn -- there's been a high turnover at Arredondo Farms
23 far before YES Communities acquired the development?

24 A I mean, I would, you know, like to see that
25 information to see if it's relative to the amount of

1 turnovers that we have, you know, compared to since the
2 acquisition of the properties.

3 Q Will you be around for Ms. Chambers' testimony
4 later today?

5 A I may be.

6 Q Okay. Does YES Communities utilize the
7 Internet to market its mobile home parks to potential
8 buyers and renters?

9 A It does.

10 Q Okay. In the cross-examination questions by
11 Ms. Christensen, she asked you whether the water
12 quality -- whether if the water quality was perceived to
13 be poor, would that have an impact on the value of your
14 real estate holdings. Do you recall that question?

15 A I do recall.

16 Q Okay. In your experience in real estate, it
17 would be reasonable to expect potential buyers and
18 renters to use the Internet as a tool to shop for mobile
19 homes to rent or buy; correct?

20 A I would, I would agree with that.

21 **MR. MAY:** Okay. Mr. Chairman, with
22 permission, I'd like to present the witness with an
23 exhibit.

24 **CHAIRMAN GRAHAM:** Sure.

25 **MR. MAY:** I'll give you a minute to get the

1 exhibit.

2 (Pause.)

3 **CHAIRMAN GRAHAM:** Mr. May, we'll give you
4 Exhibit Number 332.

5 **MR. MAY:** 332 is my number as well, Mr. Chair.

6 **CHAIRMAN GRAHAM:** Do you have a description
7 for this?

8 **MR. MAY:** It's the Homefacts website
9 concerning Arredondo Farms.

10 (Exhibit 332 marked for identification.)

11 **BY MR. MAY:**

12 Q Mr. Harpin, have you had time to review the
13 exhibit?

14 A Briefly.

15 Q As an expert in real estate values, you're
16 aware that there are services that review and provide
17 due diligence to potential buyers and renters regarding
18 a particular community of interest; correct?

19 A Correct.

20 Q Okay. Have you ever used the service
21 Homefacts?

22 A I'm sorry?

23 Q Have you ever used the service Homefacts,
24 which provides this type of due diligence to potential
25 buyers and renters?

1 A I have not used Homefacts, no.

2 Q Okay. You're aware of the service, aren't
3 you?

4 A I've heard of it.

5 Q And the service would provide a potential
6 buyer or renter information concerning a community that
7 would involve such things as any environmental issues,
8 any criminal offenders or sex offenders, school zones,
9 water quality, et cetera; correct?

10 A I would assume so.

11 Q What was the Homefacts rating with respect to
12 Arredondo Farms' water quality?

13 A Well, on the document that you provided me it
14 was 9.8, but I'm not necessarily sure who provided that
15 information.

16 Q If a potential buyer or renter reviewed this
17 information, do you believe that a potential buyer or
18 renter would react favorably or unfavorably to this type
19 of information about Arredondo Farms?

20 A I couldn't comment on someone who wants to
21 look at this piece of paper and identify whether that
22 person believes that this is something that they would
23 feel worth a value.

24 **MR. MAY:** I have no further questions,
25 Mr. Chairman.

1 **CHAIRMAN GRAHAM:** Okay.

2 Staff?

3 **MR. JAEGER:** Staff has no questions.

4 **CHAIRMAN GRAHAM:** Commissioners?

5 Okay. Redirect.

6 **MR. CURTIN:** Quickly, Chairman.

7 **EXAMINATION**

8 **BY MR. CURTIN:**

9 Q I know you weren't involved in the due
10 diligence and have no knowledge of the due diligence
11 conducted on the purchase of Arredondo Farms, but to
12 your knowledge, was this a single purchase or was it a
13 multiple package purchase of parks around the country?

14 A It was a multiple acquisition of 67 properties
15 in 12 states across the country.

16 Q So it wasn't just a single purchase of
17 Arredondo Farms?

18 A No, it was not.

19 Q And in your experience, and I know you didn't
20 do anything with the due diligence of this single park,
21 but would the due diligence of a package of 67, 68 parks
22 from nationwide be a different type of due diligence
23 than you would do --

24 **MR. MAY:** I'm sorry. I object to that. Your
25 witness specifically said he had nothing to do with the

1 due diligence that went into this acquisition and he had
2 no knowledge of it.

3 **MR. CURTIN:** This -- I'm sorry. This specific
4 due diligence -- he did say that -- Mr. May asked him
5 questions about what would you do for due diligence, and
6 he answered those questions and I did not object to
7 that. My specific question was not the due diligence on
8 this park, but in his experience would due diligence on
9 a package purchase of 67, 68 parks be different than a
10 due diligence of a single asset.

11 **CHAIRMAN GRAHAM:** I'll allow the question.

12 **THE WITNESS:** I, I believe the due diligence
13 would be different for, you know, a single property
14 versus a multiple property. Sure.

15 **BY MR. CURTIN:**

16 Q Now after you purchased the park -- it was in
17 2008 it was purchased?

18 A That is correct.

19 Q There was a rate, a large rate increase in
20 2009; correct?

21 A That is correct.

22 Q In your opinion, did that large rate increase
23 affect the value of the park and the affordability of
24 the residents at that park to afford the water service?

25 **MR. MAY:** I object. That's going beyond the

1 scope of cross-examination.

2 **MR. CURTIN:** Once again, they talked about,
3 Mr. Chairman, about the fact that the due diligence of
4 this park and the fact that the purchase of the park was
5 made in 2008, which Mr. May has asked about, and I want
6 to say what has changed since 2008 which may affect the
7 value of this park and affect his testimony? That was a
8 question specifically asked when they purchased this
9 park. So I just want to put it on the record, when they
10 purchased the park there was a rate increase shortly
11 thereafter and what effect that may have on the park.

12 **CHAIRMAN GRAHAM:** I'll allow it.

13 **BY MR. CURTIN:**

14 Q In your opinion, was that rate increase, which
15 was in 2009, approximately a year after you purchased
16 the park, did that affect the values of the park and the
17 ability of the residents to afford water and wastewater
18 services at that park?

19 A Yes, it did.

20 Q I want to turn to that Homefacts exhibit from
21 the Internet. Turn to the last page there. And it
22 talks about chemicals tested and found, three. But that
23 wasn't expanded to see what chemicals were found;
24 correct?

25 A Correct.

1 Q And it says, "Chemicals tested and not found,
2 62," but that was not expanded; correct?

3 A Correct.

4 Q And it said, "Chemicals not tested, 157," or
5 it says, "No tests were run for these chemicals." That
6 wasn't expanded, so you don't know what was tested for
7 in this park and what wasn't tested?

8 A That is correct.

9 Q And do you have any knowledge of how
10 Homefacts.com rates their 9.8 out of 10?

11 A I don't.

12 MR. CURTIN: No further questions.

13 CHAIRMAN GRAHAM: I have a question. How do
14 you know that the chemical tested was not expanded past
15 three? Or how do you know the last three questions that
16 you were just asked, how do you know they didn't go any
17 further than what you see right here on the sheet?

18 THE WITNESS: Well, I can only go based off
19 the information that's provided in front of me. I have
20 no detailed analysis of where this information really
21 came from.

22 CHAIRMAN GRAHAM: So the answer to that
23 question is just based on what's in front of you?

24 THE WITNESS: Correct.

25 CHAIRMAN GRAHAM: Okay. So now back to the

1 question that Mr. May had asked you, based on what's in
2 front of you, with this thing being 9.8 out of 10, would
3 that have an adverse effect or a favorable effect of
4 somebody looking to move into that area?

5 **THE WITNESS:** Well, I think it depends on, you
6 know, whether they had that information in front of
7 them. And I think, yes, if they had that information in
8 front of them, it would probably be, it would be
9 favorable.

10 **CHAIRMAN GRAHAM:** Okay.. Thank you.

11 **MR. CURTIN:** No questions.

12 **CHAIRMAN GRAHAM:** Okay. All right.

13 Commissioner Brown.

14 **COMMISSIONER BROWN:** Thank you. Mr. Chairman,
15 I -- this exhibit says page 3 of 7. I'm interested in
16 seeing the rest of the pages of the exhibit, if
17 possible.

18 **CHAIRMAN GRAHAM:** Well, this exhibit is just
19 these three pages. If you want for him to include the
20 entire report --

21 **COMMISSIONER BROWN:** I'm curious if there's
22 anything relevant. At the top it says, "Page 3 of 7,"
23 and I'm curious what the remaining pages are.

24 **MR. MAY:** In the interest of brevity -- we'll
25 be glad to supply all the chemicals and break this down

1 exactly what was done and what wasn't done with respect
2 to this exhibit just for full disclosure, because I
3 think it will show that there are, you know, there's no
4 exceedances. Well, I'm not going to testify, but the
5 exhibit will speak for itself.

6 **COMMISSIONER BROWN:** I just want a complete
7 exhibit.

8 **MR. MAY:** Okay. We'd love that opportunity,
9 to provide you that.

10 **CHAIRMAN GRAHAM:** Is there any objection to
11 expanding Exhibit 332 to not just be these three pages
12 but the entire 7 out of 7?

13 **MR. CURTIN:** Well, I would have an objection
14 to the whole exhibit as hearsay. We don't have anybody
15 from Homefacts to testify of when these tests were done.
16 The tests, if you look at it, are only from, it appears
17 to be only from 2004 to 2008. They don't have any test
18 2009, '10, '11.

19 So the whole ability of this exhibit and the
20 ability for me cross-examine someone on this exhibit is
21 not here. I think the way the exhibit is, is put in, it
22 was put in this way. They could have brought these
23 extra pages. If you look on the first page, it's 1 of
24 8, the second page is 3 of 8, the third page is 3 of 7.
25 So I don't know if these are multiple pages from the

1 same document or from different web pages.

2 If they wanted to put an exhibit in, they
3 should have put it in in the beginning. And I don't
4 think this exhibit has any evidentiary value whatsoever,
5 and I would object to it totally coming in. I would
6 object to expanding it at all, also.

7 **CHAIRMAN GRAHAM:** Well, I don't have a problem
8 with him just bringing the pages that he wanted to
9 question into, into this hearing. I have a Commissioner
10 that wants to see the entire piece of the website and
11 not just one or two pages, and I don't have a problem
12 with that. So I guess I'll overrule your objection.

13 Is there any other objection to bringing the
14 entire piece?

15 Staff?

16 **MR. JAEGER:** We don't have any objections.
17 One thing I do note, it was like 1 of 8 and 3 of 8 and
18 then 3 of 7. Was there -- did you want the eight pages
19 also or just the last seven? It seems like there's --
20 I'm not sure what's going on.

21 **MR. CURTIN:** And I don't know if the 1 of 8
22 and 3 of 8 are from the same set of pages. It could be
23 from two separate sets of pages.

24 And the only other thing I would ask this
25 Commission is -- I'm going to go look at this web page

1 tonight, and I would like to reserve to bring in
2 anything I may want to bring in tomorrow on this and add
3 it to this exhibit from this web page. I don't know if
4 there's going to be anything. But if things are going
5 to be added, I would like to look at the web page and
6 also see if I might have --

7 **CHAIRMAN GRAHAM:** I don't have a problem with
8 giving you the opportunity to clarify what this web page
9 says or does not say, or what it leaves in and does not
10 leave out. And I'll allow Mr. May to also address
11 whatever you bring tomorrow. I think that's fair.

12 Commissioner Brown, I think that you're
13 looking for specifically this website dealing with
14 Arredondo Farms.

15 **COMMISSIONER BROWN:** That's correct. And I
16 want to make sure that we have a complete exhibit with
17 reference to Arredondo Farms. So if it's eight pages,
18 then it's eight pages in its entirety, or seven.

19 **MR. MAY:** Just so, just so everyone is clear,
20 this is, this, as Mr. Harpin has testified, this is a,
21 this is a service that is on the Internet for potential
22 buyers and renters. There are a number of different
23 categories of issues. You can go into hazardous
24 substances, you can go into local school zones. I was
25 just providing the information with respect to water

1 quality for purposes of this hearing.

2 So that's what I would propose to do is to
3 bring the entire spectrum of issues with respect to
4 water quality that this service has provided on the
5 website.

6 **COMMISSIONER BROWN:** And, Mr. Chairman, I
7 think that's relevant and that's what we're considering
8 at this point, so thank you.

9 **MR. CURTIN:** And just for the record, when I
10 say I'm going to go back and look at this web page and
11 bring what I may or may not want to bring in, that is
12 notwithstanding -- I understand, Mr. Chairman, it's your
13 ruling that you're going to allow it in.

14 My objection totally to any of this coming in
15 and supplemental, and Mr. May supplementing it at all, I
16 maintain that objection. But if you're going to
17 overrule that objection, I would also like to have the
18 opportunity. But for the record I want to make sure
19 that for any appellate purposes that I'm maintaining
20 that objection to anything of this web page coming in.

21 **CHAIRMAN GRAHAM:** Well, if you were to bring
22 something tomorrow that makes me want to revisit that
23 objection, that opportunity is still here.

24 **MR. CURTIN:** And I will -- I just want to make
25 sure that objection is still there.

1 **MR. MAY:** But I just, again, I want to make it
2 clear, the basis for me offering this exhibit was based
3 precisely on Ms. Christensen's cross-examination. She
4 asked would water quality -- "Would customers'
5 perception of water quality affect the value of the real
6 estate?" The only reason I offered this into evidence
7 was because Ms. Christensen --

8 **CHAIRMAN GRAHAM:** No. No. I understand the
9 reason why you asked that question. And, once again,
10 that's the reason why when it was all said and done I
11 went back and asked him the same question, because I
12 didn't think that it was answered.

13 Ms. Helton.

14 **MS. HELTON:** Mr. Chairman, I was just going to
15 add -- first, I agree with your ruling. But I was going
16 to add another layer to it, and that is that counsel's,
17 to YES's, objection should have been made
18 contemporaneously with the questions concerning the
19 exhibit. So his, his objection at this point is a
20 little bit late.

21 I do agree that this is hearsay, but you are
22 allowed to include hearsay evidence in the record of the
23 proceeding and rely on it if it is substantiated by
24 other evidence throughout the proceeding.

25 **MR. CURTIN:** And for the record, you don't

1 have to make a contemporaneous objection to questions on
2 information which may be hearsay. The objection is to
3 entering it into the evidence. It was not entered into
4 evidence at the time. And Mr. May, as I'm sure, will be
5 entering it into evidence, and that is why I made the
6 objection on it.

7 But we'll -- that's a legal objection. That's
8 for a higher court than you and I.

9 **CHAIRMAN GRAHAM:** Actually I think
10 Commissioner Brown entered it into the record.

11 Okay. Well, it sounds like we entered 332
12 into the record.

13 Commissioner Brown, thank you.

14 And anything else for this witness that needs
15 to be entered into the record?

16 **MR. CURTIN:** Exhibits, I think KK-1 through
17 KK-4, which was attached to his prefiled, are
18 Exhibits 132 through 135 of the Comprehensive Exhibit
19 List. And I would like to enter those into the record.

20 **CHAIRMAN GRAHAM:** And that's 136?

21 **MR. CURTIN:** I think it's 132 through 135, if
22 I have -- or excuse me. No. 136 through 139. Excuse
23 me. Ms. Kurz's is 132 through 135.

24 **CHAIRMAN GRAHAM:** 136, 137, 138, 139, we'll
25 enter that into the record as well.

1 (Exhibits 136, 137, 138, and 139 admitted into
2 the record.)

3 Okay.

4 **MR. JAEGER:** Chairman, I misheard. There was
5 a noise. What did we decide on 332? Are we waiting to
6 admit that or is it deemed admitted and then we're going
7 to get additional documentation tomorrow?

8 **CHAIRMAN GRAHAM:** Actually I think you're
9 probably -- Mr. Jaeger, the better way to handle that.
10 Let's just wait until after we get the full
11 documentation in and we'll enter that into the record
12 tomorrow.

13 **MR. JAEGER:** Thank you, sir.

14 **CHAIRMAN GRAHAM:** Any other thing for this
15 witness?

16 Seeing none, sir, thank you very much.

17 **THE WITNESS:** Thank you.

18 **CHAIRMAN GRAHAM:** YES, your next witness.

19 **MR. CURTIN:** Ms. Kurz, Kim Kurz.

20 **CHAIRMAN GRAHAM:** Ms. Kurz, I take it you are
21 not sworn; is that correct?

22 **THE WITNESS:** I am not.

23 **CHAIRMAN GRAHAM:** Are there any other
24 witnesses here that are going to be testifying that have
25 not been sworn? I don't see any.

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KIM KURZ

was called as a witness on behalf of YES Communities
and, having been duly sworn, testified as follows:

EXAMINATION

BY MR. CURTIN:

Q Good morning, Ms. Kurz. Can you please state
your name for the record.

A Kim Kurz.

Q Who are you employed by?

A YES Communities.

Q And what's your position with YES Communities?

A I'm the Director of Special Projects.

Q And did you file 29 pages of prefiled
testimony in this case?

A I did.

Q Do you have any revisions or clarifications to
that prefiled testimony?

A I do not.

Q If I asked you the same questions today, would
you give the same answers?

A Yes.

MR. CURTIN: I would like to insert -- I
believe actually it's always inserted, but I would like
to insert Ms. Kim Kurz's testimony into the record. I
think it was inserted last week.

1 **MR. JAEGER:** I don't think it was inserted but
2 it was stipulated to last week. So we can insert it
3 here.

4 **MR. CURTIN:** That would be fine. I would like
5 to insert it.

6 **CHAIRMAN GRAHAM:** We will enter the prefiled
7 direct testimony into the record as though read.

8 **BY MR. CURTIN:**

9 Q And you are sponsoring four exhibits, KK-1
10 through KK-4, which are Composite Exhibits 132 through
11 135?

12 A Yes.

13 Q Do you have any revisions to those exhibits?

14 A I do not.

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 YES COMPANIES, LLC

3 DIRECT TESTIMONY OF KIM KURZ

4 DOCKET NO. 100330-WS

5

6

7 **Q. Name and business address:**8 A. My name is Kim Kurz. My business address is 2401 15th Street, Ste. 350, Denver, CO

9 80202.

10

11 **Q. By whom are you employed and what is your position:**

12 A. I am employed by YES! Communities Inc. YES! Communities Inc. is a related

13 corporate entity to Yes Companies, LLC ("Yes"). My position is Director of Special

14 Projects.

15

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

17 A. I am responsible for all of the utility expense and pass through charges to our residents

18 in all of Yes's 68 communities, to include the functionality of our billing system. I am

19 responsible for other special projects as assigned.

20

21 **Q. Describe your educational background and professional experience:**

22 A. I received my undergraduate degree from Elon College with a B.S. in Accounting. I

23 have over 20 years of experience in accounting and property management of mobile

24 home communities.

25

1 **Q. Have you previously appeared and presented testimony before state regulatory**
2 **bodies?**

3 A. Only during this rate case, Docket 100330-WS.

4

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

6 A. The purpose of my testimony is to provide information as it relates to the residents of
7 Arredondo Farms who experience the following regarding their water and waste water
8 services supplied by AQUA Utilities of Florida ("Aqua"):

9 1. Rate increases and generally high rates

10 2. Poor water quality regarding taste and sediment build up

11 3. Billing and/or meter reading errors

12 4. Poor customer service quality

13 Moreover, this testimony is based on my personal knowledge of Yes's operations and a
14 review of Yes's business records kept in the ordinary course of Yes's business.

15

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

17 A. Yes, I am sponsoring the following exhibits, which are attached to my testimony:

18

19 Exhibit KK1 - Yes Water/Waste Water rate comparisons spreadsheet

20 Exhibit KK2 - Aqua rate increase analysis

21 Exhibit KK3- Resident Complaint forms, with statements, and copy of bills

22 Exhibit KK4 - Photos of plumbing parts and sediment damage

23

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

1

2 A. Yes. Exhibits KK1 and KK2 were prepared directly by me or prepared directly under
3 my supervision. Exhibit KK3 includes complaint forms completed by residents in
4 Arredondo Farms, bills provided by Aqua, and other documents prepared by me. This all
5 constitutes the business records of Yes and are kept in the ordinary course of business of
6 Yes. I am a custodian of those business records. Additionally, Exhibit KK4 includes
7 photos of damaged plumbing parts and sediment damage at Arredondo Farms. These
8 photos were taken by me or under my supervision between March and April, 2011.

9

10 **Q. Please summarize your testimony:**

11 A. Yes owns and operates 68 mobile home communities in 12 states. The company
12 provides affordable housing to over 15,000 residents in these communities. Part of the
13 affordability factor for our residents is the cost of their utilities.

14

15 Out of those 68 communities, the residents of 26 of these are billed for water and waste
16 water directly by a utility company. One of those is Arredondo Farms, which is serviced
17 by Aqua. None of the other 25 communities are experiencing the combination of high
18 rates, poor quality, billing errors, and poor customer service issues like those that the
19 Arredondo Farms residents are experiencing with Aqua. Seven (7) communities are
20 serviced with a well and/or waste water treatment facility which Yes owns and operates.

21

22 The other 35 communities are sub-metered by YES. Yes bills the residents in order to
23 recapture water and waste water provided by a utility company to a master meter. Yes
24 reads meters, monitors rates, provides monthly bills, and collects payments monthly for

1 over 8,000 residents in these communities. Yes understands the challenges Aqua faces to
2 manage utility billing communities. However, Yes does not understand or experience the
3 chronic billing errors, high delinquency, and unhappy customers that arise at Arredondo
4 Farm by virtue of Aqua's predatory billing practices, high rates, and poor quality service.
5 In addition, these 35 communities' average cost of water and waste water for 5,000
6 gallons of usage is \$43.84. This is reflected in Exhibit KK-1. The same usage with Aqua
7 is \$135.60. That is a higher bill by \$91.76 or a difference of over 200%.

8

9 I got involved with the issues at Arredondo Farms in 2010 when the previous Manager
10 Sandee Johns stated that she was receiving frequent complaints from her residents
11 regarding the service provider, Aqua. Frankly, it was not until our new manager, Mallory
12 Starling, got involved that we thoroughly understood the nature and extent of the
13 problem. Ms. Starling sent me example bills of our vacant homes that had no usage that
14 were being charged \$52.72. She also sent me examples of bills from residents using
15 normal usage of 6000 gallons that were being billed almost \$145. I began investigating
16 their bill structure and found that Aqua imposed a 93% rate increase at the end of 2009.
17 This is reflected in Exhibit KK-2.

18

19 As Ms. Starling continued to address resident concerns, she found that not only were
20 residents' rates increased but many were receiving extremely high bills due to back
21 billing errors. In addition, she also found that residents were complaining of poor
22 customer service from Aqua's customer service line when residents called to ask about
23 their bill. I have spoken to a number of Aqua employees in order to fix billing errors.

24

1 We put together a complaint form for Ms. Starling to use to begin tracking the nature of
2 the complaints. By the end of 2010 we had 64 written complaints which were all
3 submitted on the PSC website. This is reflected in Exhibit KK-3. She also began
4 obtaining copies of the residents' bills when billing issues were brought to her attention.
5 Upon review of the bills, we noticed many types of billing errors and back billing
6 corrections. Residents were receiving large back charges due to different types of
7 charges not being assessed over a 12 month period. Some were waste water facility
8 charges, which for 12 months amounts to over \$400. Others were waste water usage
9 charges which could accumulate to thousands of dollars in charges. Many residents were
10 not being charged usage for water or waste water for over a year resulting in back usage
11 charges that were being billed at the highest usage tier as if they used all the water in one
12 month. This is clearly a predatory practice by Aqua. When the resident, or Ms. Starling,
13 or I tried to call the 1-800 customer number, we were handled very unprofessionally with
14 no resolution. I visited the community in March 2011 in order to speak to residents
15 directly. Here are just some examples of what I heard. Additional examples may be
16 provided at the final hearing in this matter. The records of these correspondences are
17 business records of Yes and kept in the ordinary course of business of Yes. I am a
18 custodian of those records.

19

20 *Eugene Davis:* 7117 SW Archer Rd, #46

21 352-240-6596

22 *I met with Eugene Davis at his home to discuss the water provided by Aqua. He*
23 *has owned his home in the community since August 2007. His complaint is a*
24 *major billing problem. He received a \$900+ charge on his bill in October 2010.*

1 *When he called Aqua's customer service line, he was told that they had neglected*
2 *to charge him for sewer for a period of time and was now back billing him.*
3 *Eugene told them that he would not be able to pay the full bill. They agreed to*
4 *place him on a payment plan of \$60 extra per month until it is paid off.*

5
6 ***Katherine Smith:*** *7117 SW Archer Rd. #35*
7 *352- 792-2934*

8 *Katherine was paying her bill monthly since her move in. However, Aqua was not*
9 *registering a read for usage each month. They were only charging her for the*
10 *base fees. She received an \$800+ charge on her bill in February 2011. When*
11 *Katherine called Aqua's customer service line, she was told that they had*
12 *neglected to charge her for the usage portion of water and sewer for a 12 month*
13 *period of time, which had accumulated to 33,800 gallons of usage and was now*
14 *back billing her. Katherine brought her bill to us to review. After review, we*
15 *noticed that this bill showed the usage for just one period. Therefore she was*
16 *being charged at the highest usage tier.*

17
18 ***Justin Houlker:*** *7117 SW Archer Rd, #97*
19 *352- 494-7935*

20 *Mr. Houlker's complaint is a major billing problem. He received a \$900+ charge*
21 *on his bill in November 2010. When he called Aqua's customer service line, he*
22 *was told that they had neglected to charge him for usage for a period of time and*
23 *was now back billing him. Justin told them that he would not be able to pay the*

1 *full bill. They agreed to place him on a payment plan of \$38 extra per month until*
2 *it is paid off.*

3
4 **MaryAnn Walker:** 7117 SW Archer Rd. #2205

5 *No longer in home*

6 *MaryAnn rented her home from Yes since March 2008. As a result of a billing*
7 *error which resulted in a high water bill she has since moved out and abandoned*
8 *her home. The community was charged \$606.25 on this account due to the*
9 *abandonment. The home remains vacant resulting in lost rent of \$530 per month.*

10
11 *This account is a perfect example of a number of billing errors all on one*
12 *account. Aqua was showing this site as inactive, meaning they did not think*
13 *anyone lived there. When they realized it, they attempted to get meter reads, had*
14 *to swap out the meter. When they did, they used the beginning read from the old*
15 *meter and ending read from the new meter resulting in a billing 222,500 gallons.*
16 *They finally fixed that but charged the resident for 12 months base facility*
17 *charges.*

18
19 **Monica Thomas:** 7117 SW Archer Rd. #2321

20 352-353-9357

21 *I met with Monica Thomas at her home to discuss the water provided by Aqua.*
22 *She has owned her home in the community since December 2007. She had*
23 *several complaints. Her first complaint is a major billing problem. She received*
24 *a \$900+ charge on her bill in October 2010. When she called Aqua's customer*

1 *service line, she was told that they had neglected to charge her for sewer for a*
2 *period of time and was now back billing her. Monica told them that she would*
3 *not be able to pay the fill bill. They refused to allow her to pay on a payment*
4 *plan. They turned her water off in December. Her two children had to move to*
5 *their grand-mother's home while they were without water. She ended up*
6 *borrowing money in order to pay the balance in full which was required to get the*
7 *water turned back on. She also states that the water often smells of bleach.*
8 *Monica's story demonstrates the predatory billing practices employed by Aqua.*

9
10 ***William and Margaret Wright:*** 7117 SW Archer Rd. #2407

11 352-335-5147

12 *I met with Bill and Margaret Wright and their daughter Judy Donovan at their*
13 *home to discuss the water provided by Aqua. They have owned the home in the*
14 *community since 1999. Bill and Margaret are retired seniors on fixed incomes.*
15 *They had several complaints. They pay on time consistently. They do not drink*
16 *the water because it is foul tasting. The water is hard and needs additional*
17 *special cleaning supplies for getting out spots and soap.*

18
19 *The first complaint is a major billing problem. They received a \$2,088+ charge*
20 *on their bill in February 2011. When Margaret called Aqua's customer service*
21 *line, she was told that they had neglected to charge her for the usage portion of*
22 *water and sewer for a 19 month period of time, which had accumulated to 93,700*
23 *gallons of usage and was now back billing her. Margaret told them that she*
24 *would not be able to pay the fill bill. After speaking to many supervisors she*

1 spoke to someone named Patrick. Patrick asked her how much she could afford.
2 She was already paying \$52.72 for facility fees and now usage. She said she
3 could afford \$25 more or \$75 per month. The payment plan was written for \$25
4 per month for 84 months. What nobody at the customer service department
5 reviewed or corrected was that this the bill showed this 93,700 usage for the
6 billing period of 1/11-2/8, not 19 months, and it charged Margaret at the highest
7 tier of over \$20 per 1000 gallons.

8
9 The next bill the Wrights received was for 5600 gallons. I looked at the meter and
10 it was not spinning and reflecting no leaks. I was unable to determine how this
11 couple could be using this much water. This represents a bill for \$138.68 plus the
12 \$25 payment plan - \$163.68 per month. Again, this is a predatory billing practice
13 by Aqua.

14
15 **Joyce Helms:** 7117 SW Archer Rd, #2621
16 352-284-5811

17 I met with Joyce Helms at her home to discuss the water provided by AQUA
18 Utilities. She has rented her home from the community since January 2010.
19 Joyce has several complaints.

20
21 The first complaint is that the rates are excessive. There are 2 people in the
22 household and their water bill averages \$100-130 per month.

23

1 *In August 2010, Joyce received a large bill for \$424.97. The billing period was*
2 *from 1/28/10-8/12/10 which had already been billed and paid for.*

3
4 *Joyce does not drink the water straight from the tap. She purchases bottled water*
5 *to drink and filters water with a Brita to cook.*

6
7 *Finally, Joyce has experienced plumbing issues and clogs that the Yes*
8 *maintenance staff has handled. In December 2010, Joyce brought us a particle*
9 *from her home that was clogging her plumbing that was the size of the head of a*
10 *pencil.*

11
12 ***Teresa Jarvis:*** 7117 SW Archer Rd. #2
13 352-262-8604

14 *I met with Teresa Jarvis at her home to discuss the water provided by Aqua. She*
15 *has rented her home from Yes since June 2008. She had several complaints.*

16
17 *Her first complaint is that the water is disgusting. She will not drink it or allow*
18 *her 2 kids to drink it. She has a 7 month old and a 9 year old. They do cook with*
19 *it unless it is boiled first. The water stains dishes and she told me that special*
20 *cleaning products are needed to get the stains off of the shower doors and other*
21 *surfaces.*

22
23 *She explained that the water is too expensive, especially given the low quality*
24 *provided by Aqua. When she first moved in the water ran about \$60 per month.*

1 *Her household of 4 pays over \$120 per month, a 40-50% increase. This in*
2 *addition to the cost of purchasing bottled water. She cannot afford Aqua's bills.*

3
4 ***Kathleen Delano:*** *7117 SW Archer Rd. #34*
5 *352-871-7205*

6 *I met with Kathleen Delano at her home to discuss her water provided by Aqua.*
7 *She rents her home from Yes. She had several complaints.*

8
9 *Her first complaint concerned the rate. Her household has 4 people. She*
10 *currently pays \$180-200 per month for an average bill.*

11
12 *Her second complaint was regarding the water quality. Kathleen is helping to*
13 *raise her 4 month old grand-daughter. She stopped using the water directly from*
14 *the tap after her grand-daughter got sick to her stomach after having formula*
15 *prepared with the water. She purchases bottled water for any cooking and*
16 *consumption.*

17
18 *While I was there, Kathleen wanted me to read a notice from Aqua that she*
19 *received in the mail. It was regarding a rate change to be effective April 1, 2011.*
20 *It stated to look up the proper schedule to see the rate change. Arredondo is in*
21 *Group 4 for water yet the notice did not include a schedule for Group 4.*

22
23 *Finally, Kathleen stated that when she called the customer service line for AQUA,*
24 *the representative was very rude and was unable to assist with her problem.*

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Lola Ferguson: 7117 SW Archer Road #2010

352-371-9043

I met with Lola Ferguson at her home to discuss the water provided by Aqua. She has owned her home in the community since September 1999. She had several complaints.

Her first complaint is about sand in her water lines. She had to have her water heater replaced in June 2010 because of sand that built up inside the unit. She was also experiencing low water pressure. She had to get her lines cleaned and replaced in her guest bathroom. The lines were full of sand.

She attended the hearings that the PSC held in Gainesville regarding the last Aqua rate increase. She spoke about the sand in her lines. An Aqua representative promised her he would coordinate getting her lines flushed and nothing ever happened. I have found it is common for Aqua to make promises before the PSC that they do not intend to follow through with.

Lola does not drink the water unless she has boiled it.

She has also experienced a serious billing problem. She was given a notice of an unpaid balance that she had paid. They shut her water off. It was off all weekend. They turned it back on when they found out they had not applied the payment properly. This is yet another predatory billing practice by Aqua.

1 *Her household of 4 pays over \$120 per month, a 40-50% increase. This in*
2 *addition to the cost of purchasing bottled water. She cannot afford Aqua's bills.*

3
4 ***Kathleen Delano:*** *7117 SW Archer Rd. #34*
5 *352-871-7205*

6 *I met with Kathleen Delano at her home to discuss her water provided by Aqua.*
7 *She rents her home from Yes. She had several complaints.*

8
9 *Her first complaint concerned the rate. Her household has 4 people. She*
10 *currently pays \$180-200 per month for an average bill.*

11
12 *Her second complaint was regarding the water quality. Kathleen is helping to*
13 *state that the calcium build up has plugged his water lines on several occasions*
14 *creating very low pressure until cleaned out. He has had to replace his hot water*
15 *heater due to the calcium build up and corrosion. His shower heads clog*
16 *frequently, requiring removal and cleaning. The poor water quality leads to a*
17 *high amount of maintenance and cost for this struggling household.*

18
19 *When Randy first moved in it took AQUA 3 weeks to fix a leak near the meter at*
20 *his home.*

21
22 ***Beverly Jane Turner:*** *7117 SW Archer Rd #2409*
23 *352-226-5997*

1 *I met with Beverly Jane Turner at her home to discuss her water provided by*
2 *Aqua. She owns her home and rents the site from the community. She had*
3 *several complaints.*

4
5 *Her first complaint was regarding the rate. Her household has 3 people. She*
6 *currently pays \$118-128 per month for an average bill. When she moved into the*
7 *community in 1993 her water bill was \$8.*

8
9 *Her second complaint was regarding the water quality. Beverly will not drink or*
10 *use the water directly from the tap. She states that the water often has flakes of*
11 *what looks like dandruff in the water. She has purchased a Brita picture and*
12 *filters all water she consumes, including the water she uses for brushing her teeth.*

13
14 *Several months ago, she had an unexplained charge on her bill. When she called*
15 *Aqua they stated she would need to pay it or have her water turned off. She paid*
16 *it but believes it was from a home behind her that was moved out. This is clearly*
17 *a predatory billing practice by Aqua.*

18
19 *Finally, she shared complaints about her sewer services. She often experiences*
20 *smells from the treatment plant. She also experienced a sewer back up into her*
21 *tub. Despite calling AQUA regarding the problem, the problem still persisted*
22 *over 3 days. The problem was corrected by her daughter who snaked the line out*
23 *for her.*

24

1 **Virginia Witt:** 7117 SW Archer Rd. #2602

2 352-375-1213

3 *I met with Virginia at her home to discuss the water provided by AQUA Utilities.*

4 *She has owned her home in the community since 2001. She is a senior on fixed*
5 *income and is the only one in her household. She has several complaints.*

6

7 *Virginia does not drink the water. It tastes terrible. It also leaves spots on*
8 *everything. She pays monthly for a water softening system. That system costs \$38*
9 *per month for the softener system and about \$15 per month for salt. She changed*
10 *companies and even for the short period without the softener she could not stand*
11 *the water quality.*

12

13 *The other issue is that her bill and usage has been very consistent between 1800-*
14 *2300 gallons. The March 2011 bill is showing 4,800 gallons and a cost of*
15 *\$125.25. I read her meter and determined that it was not moving. She said she*
16 *has experienced no leaks. Aqua is appearing to charge her for water she did not*
17 *use.*

18

19 **Michelle Einmo:** 7117 SW Archer Rd. #2604

20 352-374-9555

21 *I met with Michelle Einmo at her home to discuss the water provided by AQUA*

22 *Utilities. Michelle, her husband Eric, and their 3 children have lived in their*

23 *home in the community since October 2006. They own their home and purchased*

24 *it new.*

1
2 *Michelle's first concern is regarding her children's dental history. When her*
3 *family moved to Arredondo Farms her oldest daughter was 7 years old; her son*
4 *was 1; and her 2 year old was born after they moved in. Her daughter had no*
5 *cavities when they moved to Arredondo. She now has 3 fillings. Her middle son*
6 *has 9 cavities and 2 of them require crowns. Her youngest already has one*
7 *cavity. She has been advised that the lack of fluoride in the water provided by*
8 *Aqua has caused these dental issues for her family.*

9
10 *Additionally, the Einmo family has experienced very hard water. It leaves a film*
11 *and spots on everything. It requires extra expenses for detergent and cleaners. In*
12 *addition, it has ruined a number of her appliances. The home is just out of*
13 *warranty. Her hot water heater keeps tripping the breaker. They believe it needs*
14 *to be replaced due to sediment from the water. The refrigerator water line is*
15 *clogged and frozen. The dishwasher jet dry pump is clogged or jammed. She has*
16 *replaced her coffee maker due to deposits from Aqua's water.*

17
18 *In about 2008, the Einmo family received a bill from Aqua for \$999,000 which*
19 *was obviously an error. After speaking to a number of levels of supervisors in the*
20 *customer service department, someone agreed to correct the problem. The*
21 *problem was due to the meter being swapped for a new one. The beginning*
22 *reading was from the old meter and the ending read was from the new meter*
23 *resulting in a full meter turn and usage of millions of gallons. The Einmo's*
24 *thought they had the problem rectified but later began receiving collection calls*

1 *from Aqua regarding their outstanding balance. These calls are a prime example*
2 *of Aqua's predatory billing practices.*

3
4 *Finally, this family of 5 pays on average about \$180-200 for water each month.*
5 *This constitutes a 40-50% increase from only a couple years ago. This in*
6 *addition to purchasing bottled water is extremely expensive and unaffordable for*
7 *this struggling family.*

8
9 **Q. Are you aware whether these problems have continued since your visit to**
10 **Arredondo Farms in March, 2011?**

11
12 A. These problems have not only continued but actually gotten worse. Many of the
13 residents of Arredondo Farms testified in opposition to Aqua at a public hearing in this
14 case before the Public Service Commission in Gainesville, Florida on September 12,
15 2011. These verbal reports by residents of Arredondo Farms constitute business records
16 of Yes and have been kept in the regular business of Yes. I am a custodian of those
17 business records. This testimony demonstrates not only the poor water quality and high
18 cost of Aqua's water, but also the predatory billing practices employed by Aqua in the
19 collection of payment from residents of Arredondo Farms. A summary of many
20 residents' testimony is provided below.

21
22 **Clifton Pridgen:** 7117 SW Archer Rd. #2129

1 *Mr. Pridgen testified that his bills from Aqua have fluctuated greatly during his*
2 *time at Arredondo Farms. He has had bills as high as \$450. He testified that in*
3 *June or July of 2011, he received an outrageously high bill from Aqua and Aqua*
4 *actually cut off his water when he could not pay the amount of the bill. When he*
5 *spoke with Aqua about the situation, he was forced to deal with an extremely rude*
6 *and condescending customer service representative.*

7
8 ***Laura Denmark:*** *7117 SW Archer Rd. #2119*

9
10 *Ms. Denmark testified that her water and wastewater bill from Aqua is higher*
11 *than her electricity bill! She cannot believe that water and wastewater can cost*
12 *so much. Ms. Denmark also testified that Aqua's water has made her physically*
13 *sick. She was particularly upset about the rude customer service representatives*
14 *at Aqua, and the fact that those customer service representatives have harassed*
15 *her and threatened her with collections when she has had difficulty paying Aqua's*
16 *high bills. She considers this a predatory billing practice.*

17
18 ***Ms. Evans:*** *7117 SW Archer Rd. #2425*

19
20 *Ms. Evans testified that she once received a bill for \$700 from Aqua for a full*
21 *year of service that Aqua allegedly failed to bill her for! She was forced into an*
22 *expensive payment plan from Aqua. She then testified that in January, 2011, she*
23 *received a bill for over \$1,000 from Aqua and when she had difficulty paying this*
24 *bill, Aqua stooped to shutting off water service to her home. When this occurred,*

1 *she had to leave her home with young children for three days and was only able*
2 *to return to the home when she borrowed money to pay Aqua's bill. Ms. Evans is*
3 *on a fixed income and cannot afford her regular Aqua bill, let alone bills for over*
4 *\$1,000. Ms. Evans is appalled at Aqua's predatory billing practices.*

5
6 ***Eugene Davis:*** *7117 SW Archer Rd. #46*

7
8 *Mr. Davis testified about the \$900 bill he received that is referenced earlier in*
9 *this testimony. Mr. Davis added that he was threatened with water shut off when*
10 *he was unable to pay this bill. Mr. Davis is upset about not only the predatory*
11 *billing practices of Aqua and the high cost of its service, but also the poor quality*
12 *of Aqua's water. He testified that he cannot wash his car with Aqua's water*
13 *because it will turn the car white. He also testified that the water is of such poor*
14 *quality that he wouldn't feed it to his cat. Mr. Davis believes that Aqua is*
15 *"robbing" the residents of Arredondo Farms with its predatory billing practices*
16 *and high rates.*

17
18 ***Ben Anderson and Derek Boles:*** *7117 SW Archer Rd. #2629*

19
20 *Mr. Anderson and Mr. Boles testified that Aqua bills them on average \$120 a*
21 *month for water and wastewater service. Mr. Anderson testified in particular that*
22 *this constitutes an almost quadrupling of his bill from only four years ago. The*
23 *testimony further showed that the water is non-potable and destroys plates,*
24 *silverware, glasses, and clothing. They believe Aqua should be ashamed.*

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Willard Miller: 7117 SW Archer Rd. #2205

Mr. Miller testified that he cannot afford Aqua's current rates, let alone an increase in the current rates. He testified that the quality of water provided by Aqua is so poor that even a horse wouldn't drink it.

Michael Burke: 7117 SW Archer Rd. #131

Mr. Burke testified that he was a maintenance operator in Arredondo Farms for three years and Aqua has known about the sediment and plumbing issues caused by its water for years and has taken absolutely no action to correct the problem. He testified that Aqua's customer service agents are rude, condescending, and unwilling to respond to service calls in Arredondo Farms, even when the problem is caused by Aqua's substandard water. Mr. Burke testified that in his experience with Arredondo Farms, the service provided by Aqua is getting worse, not better.

Jack Waters: 7117 SW Archer Rd. #89

Mr. Waters testified that on two separate occasions, he discovered that raw sewage from Aqua's wastewater system had backed up the pipes and filled his bathtub. He was absolutely horrified and disgusted by these experiences and the poor quality of service provided by Aqua.

1 **Regina Lewis:** 7117 SW Archer Rd. #2639

2

3 *Ms. Lewis testified that the poor quality of water provided by Aqua is causing her*
4 *medical issues. In particular, the sedimentation present in Aqua's water is*
5 *clogging the lines in her oxygen machine that relies upon to breathe.*

6

7 **Joyce Helms:** 7117 SW Archer Rd. #2621

8

9 *Ms. Helms testified that she pays nearly \$150 a month for water and wastewater*
10 *from Aqua. She testified that when she boils baby bottles for her grandchildren, a*
11 *thick film develops on the bottles and that film is caused by the poor quality*
12 *water. She testified that she often goes months without getting a bill from Aqua*
13 *and must actually call Aqua to receive a bill. When the bill eventually comes, it is*
14 *for an exaggerated and unaffordable amount. In one instance she received a*
15 *\$500 bill. Due to these predatory billing practices of Aqua, Ms. Helms is looking*
16 *for a new place to live.*

17

18 **Annette Filer:** 7117 SW Archer Rd. #2016

19

20 *Ms. Filer testified that the water provided by Aqua smells bad; similar to the odor*
21 *of smelly feet. Further, she testified that the poor quality of water is causing*
22 *medical issues for her family. She testified that the water is of such poor quality*
23 *that her three year old doesn't even want to take a bath in the water. Her 10 year*

1 *old child finds that her medical condition of Eczema flares up after contact with*
2 *Aqua's water.*

3
4 **Donald Hainley:** 7117 SW Archer Rd. #2104

5
6 *Mr. Hainley testified that Aqua's bills are extremely unaffordable. He wants to*
7 *leave Aqua but feels that he is stuck. He also believes that Aqua engages in*
8 *unfair, predatory billing practices. In a recent bill, he noticed that Aqua is*
9 *attempting to double bill him for one month's service without any explanation for*
10 *the double-payment.*

11
12 **Barbara Sacks:** 7117 SW Archer Rd. #2615

13
14 *Ms. Sacks testified that she has lived at Arredondo Farms for fourteen years and*
15 *the rates were reasonable and tolerable until approximately five years ago. In the*
16 *past five years, however, the rates have "gone crazy." Ms. Sacks believes the*
17 *current rates charged by Aqua are absolutely ridiculous and no increase should*
18 *be given to Aqua. Further, she testified that the water provided by Aqua is of*
19 *extremely poor quality, undrinkable, and not even fit for a dog .*

20
21 **Khanhung D. Chu:** 7117 SW Archer Rd. #2126 and 2627

22
23 *Mr. Chu testified at length about Aqua's predatory billing practices and absurdly*
24 *high rates. He testified that Aqua does not properly read its meters and often*

1 *sends exaggerated, "estimated" bills. Mr. Chu has also suffered extensive*
2 *plumbing damage in his mobile home due to Aqua's poor quality of water. When*
3 *he has contacted Aqua, both over the telephone and in writing, he has received no*
4 *substantive response from Aqua to his complaints.*

5
6 ***Patricia Copeland:*** 7117 SW Archer Rd. #113

7
8 *Ms. Copeland testified that the water is non-drinkable and disgusting. She*
9 *testified that she has had raw sewage from Aqua's wastewater system back up*
10 *into her home. Finally, she testified that due to Aqua's high rates, she cannot*
11 *continue to afford her home and will likely have to leave Arredondo Farms.*

12
13 ***Mary Washington:*** 7117 SW Archer Rd. #110

14
15 *Ms. Washington has lived in Arredondo Farms for 11 years. During that time,*
16 *she has noticed that the quality of water has decreased dramatically, and in*
17 *particular, during the past five years. She testified that the rates charged by Aqua*
18 *are excessive and unaffordable, and due to the poor quality of water, she has the*
19 *additional expense of purchasing bottled water.*

20
21 ***Earl McKeever:*** 7117 SW Archer Rd. #137

22
23 *Mr. McKeever testified that the quality of water provided by Aqua is poor and the*
24 *cost is excessive. He also testified that due to the hardness of the water, he has*

1 *been forced to purchase expensive water softening devices that he cannot afford.*
2 *Aqua's rude customer service representatives have provided no financial*
3 *assistance toward the purchase of these devices or credit toward the cost of water*
4 *service. Additionally, Mr. McKeever must also purchase over 100 bottles of*
5 *water each week for cooking and drinking because the water provided by Aqua is*
6 *non-potable.*

7
8 ***Will Conrad:*** *7117 SW Archer Rd. #151*

9
10 *Mr. Conrad testified about Aqua's predatory billing practices. Mr. Conrad*
11 *testified that he will not receive a bill some months and then get hit with a double*
12 *or triple bill the following month. This is a routine practice of Aqua and he*
13 *cannot afford to pay these high bills.*

14
15 ***Gloria Sheppard:*** *7117 SW Archer Rd. #37*

16
17 *Ms. Sheppard testified that she routinely receives \$130 bills from Aqua. These*
18 *bills are completely unaffordable to Ms. Sheppard. Additionally, she finds that*
19 *Aqua's customer services representatives are rude and condescending when she*
20 *calls to discuss her exorbitant bills or problems with the quality of the water. She*
21 *also believes the water currently provided by Aqua is the worst water she has*
22 *experience in the eleven years she has been at Arredondo Farms. She was also*
23 *told by a doctor that the water is of such poor quality, it should not be given to a*
24 *young child.*

1

2 **James Bowers:** 7117 SW Archer Rd. #23

3

4 *Mr. Bowers testified about Aqua's predatory billing practices. Mr. Bowers's*
5 *water was shut off when he couldn't afford to pay an excessive bill provided by*
6 *Aqua. When his water was eventually turned back on, he was assessed a number*
7 *of additional fees and charges that he could not afford. As a result, his \$180 bill*
8 *that month increased to over \$300. He cannot afford to pay a \$300 bill. In July*
9 *2011, Mr. Bowers was sent a \$500 bill by Aqua. He believes no bill is due*
10 *because he didn't use any water the previous month.*

11

12 **Mitchell Young:** 7117 SW Archer Rd. #2417

13

14 *Mr. Young testified that he routinely receives bills from Aqua ranging up to \$190*
15 *per month. He believes the rates charged by Aqua are unfair, excessive, and*
16 *predatory. He also believes that the customer service representatives of Aqua are*
17 *rude, condescending, and not interested in working with Aqua's customers.*

18

19 **Charles Milton:** 7117 SW Archer Rd. #2330

20

21 *Mr. Milton testified that he once received a \$2,000 bill from Aqua. Mr. Milton*
22 *was advised by Aqua that the high bill was caused by a leak and fixing that leak*
23 *was Mr. Milton's responsibility. Mr. Milton believes that Aqua routinely engages*
24 *in predatory billing practices. In his words, if you are "one penny short or one*

1 *day late," Aqua will cut off your water service. He believes that Aqua forces its*
2 *customers into punitive and unaffordable payment plans in order to maintain*
3 *water service. Because of the predatory rates and billing practices, Mr. Milton is*
4 *planning to relocate from Arredondo Farms.*

5
6 **Norma Bradley:** *7117 SW Archer Rd. #2106*

7
8 *Ms. Bradley testified about Aqua's predatory billing practices. In particular, she*
9 *testified that Aqua will not send her a bill for several months and then provide an*
10 *exaggerated back bill for several months which she cannot afford. She further*
11 *explained that Aqua is eager to shut off its customers' water and will only provide*
12 *one notice before doing so.*

13
14 **Judy Donovan:** *7117 SW Archer Rd. #2407*

15
16 *Ms. Donovan recounted an experience suffered by her parents residing at unit*
17 *2407 in Arredondo Farms. She testified that in one instance, her parents received*
18 *a \$2,000 bill for 99,000 gallons of water usage. When contacted regarding the*
19 *mistake, Aqua explained that they were back billing for over 19 months of usage.*
20 *Ms. Donovan believes this is a predatory practice of Aqua. Further, Ms.*
21 *Donovan explained that current bills show over 6,500 gallons of water usage per*
22 *month, which she estimates is completely inaccurate and exaggerated.*
23 *Additionally, her current bills show an attempt by Aqua to improperly double bill*
24 *for a single month of usage. Ms. Donovan is appalled at the cost of Aqua's*

1 *service and the predatory billing practices employed by Aqua. Given the poor*
2 *quality of service provided by aqua, she is not seeing any benefit to the high cost*
3 *of water charged by Aqua.*

4
5 **Susan Beier:** 7117 SW Archer Rd. #34 and 4

6
7 *Ms. Beier is a power of attorney for the owner of units 34 and 4 in Arredondo*
8 *Farms. These are income producing properties but they are not presently*
9 *producing any income because of Aqua's predatory billing practices and*
10 *exorbitant cost. Ms. Beier testified that the renters in these units have seen bills*
11 *ranging from \$255 to \$377 for one month. Aqua's only response to these*
12 *exaggerated bills was to blame the customer and respond that the high cost was*
13 *due to leaks in the home. Ms. Beier testified that the exorbitant cost of Aqua*
14 *service is making it impossible to profitably rent or keep these units occupied.*

15
16 **Q. How would you conclude your testimony in this case?**

17
18 **A.** AQUA's extremely high rates, predatory and unfair billing practices, and poor billing
19 accuracy has made it unaffordable to live at Arredondo Farms. These issues are unlike
20 any we have seen in all of our communities. They have negatively impacted our ability
21 to stabilize occupancy, stabilize expenses, and stabilize rents, thus encumbering the value
22 of the community and our ability to obtain financing.

23

1 The water quality at Arredondo Farms is extremely poor. It is so poor that many
2 residents will not drink it and instead must purchase water. Therefore on top of the high
3 rates, residents incur additional costs to purchase water. The water is very hard and has
4 sediment. The sediment causes clogs in plumbing lines and fixtures. Residents
5 experience running toilets and other leaks as a result of the damage the water causes.
6 Therefore on top of the high rates, residents incur additional costs due to water leaks and
7 plumbing repairs. Our own maintenance staff experiences high maintenance expenses
8 replacing water lines, appliances, hot water heater elements, faucets, shower heads, and
9 toilet parts as a result of the damage caused by the poor water quality. Quality and rate
10 go hand in hand. The residents do not feel they are receiving a quality product for the
11 rate that is being charged and given the amount of money they have to spend on bottled
12 water and maintenance. Further, the customer service provided by Aqua is rude and
13 condescending.

14

15

1 BY MR. CURTIN:

2 Q Would you like to summarize your testimony?

3 A I would. Thank you.

4 Q Please proceed.

5 A Ladies and gentlemen, Chairman, Commissioners,
6 thank you for this opportunity to summarize my testimony
7 regarding the increase requested by Aqua Utilities to be
8 imposed to the ratepayers of Arredondo Farms in
9 Gainesville, Florida.

10 My name is Kim Kurz. I'm the Director of
11 Special Projects for YES Communities.

12 The ratepayers at Arredondo Farms are also our
13 residents. The issues with Aqua are extreme, unusual,
14 and nothing like anything that we've experienced at YES.
15 They have impacted our residents' ability to pay their
16 bills and stay in the community. And for no other
17 reason, that is why we had to intervene in this case.

18 The 93% rate increase Aqua implemented in 2009
19 was the tipping point for our Arredondo residents. It
20 was the point when the product and service became no
21 longer worth the price. That is when we started to
22 experience an overwhelming number of complaints about
23 Aqua. It is when the problem -- it is not when the
24 problem began, but when the problem became inequitable.

25 I began to research the issues and visited

1 with many residents. Please let me explain what I
2 found. Above and beyond the extremely high rates, I
3 found chronic billing issues which make resident bills
4 even higher. As a matter of fact, I believe billing
5 errors are happening at Arredondo at a much higher
6 frequency than in Aqua's billing system as a whole.

7 Examples of errors you will find in my
8 testimony are: New customer accounts not being set up
9 timely, and so therefore their first bills cover many
10 months; new customers set up on the wrong site address,
11 again, not receiving a bill for many months; customers
12 with no base sewer charge; customers with no sewer or
13 water usage charges; customers charged incorrectly on
14 the highest usage rate tier, again, incorrectly; meters
15 or readers not functioning properly, registering zero
16 for a long period of time; and meter swaps and exchanges
17 not noted in their billing system.

18 Each one of these issues requires our customer
19 to track down the issue with numerous calls to customer
20 service, resulting in their lost time and frustration.
21 Then, once that is corrected, these issues result in a
22 minimum charge, back charge of \$400, and often over a
23 thousand dollars in back charges. This results in even
24 higher monthly bills that our customers just can't
25 afford, and many have been moving out. So Aqua's own

1 errors results in water shutoffs, unaffordable payment
2 plans, resident move outs, and higher bad debt at
3 Arredondo Farms for Aqua.

4 Errors can happen in any system. I realize
5 that. However, the frequency and chronic nature of
6 those that I found at Arredondo are extreme. Their
7 customer service representatives are unable to handle
8 the problems professionally, and Aqua has not
9 successfully implemented necessary safeguards to prevent
10 them.

11 Our YES staff has spent countless hours trying
12 to resolve Aqua's customer problems and to get Aqua's
13 management to respond. It was not until we intervened
14 in this case that Aqua showed any signs of listening.
15 Some progress has been made through the YES/Aqua joint
16 task force. However, I respectfully ask that you keep
17 Aqua on a formal monitoring program in order to ensure
18 their cooperation continues, especially since Aqua's
19 national customer service manager deems an increase from
20 8 to 40 residents who testify from 2009 to 2011 is an
21 improvement.

22 Another problem I heard frequently is the rude
23 and disrespectful customer service our residents have
24 received when they call about their service or billing
25 problems. I've heard many stories of horrible comments

1 and treatment, and I find no reason to discount them.

2 However, I can only share my own personal experience.

3 I called the 1-800 number because we were sent
4 to collections. YES was sent to collections by Aqua on
5 some of our final bills on the homes that we own. I
6 showed in our system that all of those were paid. On my
7 first call to the customer service phone number, I was
8 told by the representative that they experience problems
9 with write-off accounts frequently, and the
10 representative would research the account and call me
11 back. I did not receive a call back. I called two
12 other times, got the representative's voice mail, and no
13 return phone call.

14 So I started over again, and I called the
15 1-800 number line again. The new representative
16 listened to my issue again, looked on the computer. We
17 had discussion regarding the address where the bill was
18 actually sent. And when -- it seemed to me when the
19 representative realized it was not our address, she
20 asked me to hold. The representative did not return to
21 the line. I was on hold for 15 minutes before I gave
22 up.

23 **CHAIRMAN GRAHAM:** And that's your five
24 minutes.

25 **THE WITNESS:** If I could finish, please. I'm

1 very close to the end, and I have one other small issue
2 that I think is very important.

3 **CHAIRMAN GRAHAM:** I think maybe you can handle
4 it in redirect.

5 **MR. CURTIN:** We open her for cross-
6 examination.

7 **CHAIRMAN GRAHAM:** Okay.
8 Any questions of the Intervenors?
9 Mr. May.

10 **MR. MAY:** We have no questions.

11 **CHAIRMAN GRAHAM:** Staff?

12 **MR. JAEGER:** Commissioners, during the break I
13 got -- the parties have all agreed that the
14 Comprehensive Exhibit List, they agree that 185 and 186
15 may be stipulated, and 194 and 195 may be stipulated
16 into the record. And Staff is withdrawing 184 and 193.
17 So Staff would move 185, 186, and 194 and 195 based on
18 those stipulations.

19 **CHAIRMAN GRAHAM:** So we'll move 184 and 85
20 into the record.

21 **MR. JAEGER:** I'm sorry. Did I misspeak? 185,
22 186, and 194, 195.

23 **CHAIRMAN GRAHAM:** 194 and 195 all into the
24 record.

25 (Exhibits 185, 186, 194, and 195 admitted into

1 the record.)

2 **MR. JAEGER:** Okay. With those exhibits being
3 stipulated in, Staff has no cross.

4 **CHAIRMAN GRAHAM:** Commissioners?
5 Commissioner Brown.

6 **COMMISSIONER BROWN:** I just have a quick
7 question for you. You said that you recommend that this
8 Commission order for Aqua to continue a formal
9 monitoring program. Are you aware that if this
10 Commission goes ahead and orders them to continue a
11 formal monitoring program, that the company may be
12 allowed to recover their prudently incurred costs
13 associated with that monitoring program?

14 **THE WITNESS:** I'm sorry. I don't understand
15 the question.

16 **COMMISSIONER BROWN:** You recommend that this
17 Commission continue the formal monitoring program. If
18 we do that, I want to make sure, are you aware that the
19 company may be allowed to recover their prudently
20 incurred costs associated with that?

21 **THE WITNESS:** I see what you're saying. I
22 certainly don't want to see our Arredondo ratepayers who
23 are at the highest band and very inequitable take any
24 more burden. You know, YES Communities' position is
25 that we would like to see the problem solved. And from

1 our experience, we tried to do that outside of this.
2 This is not the money that we would like to spend on the
3 property. As a matter of fact, we can't allocate this
4 to the property. It's inequitable.

5 So, you know, to answer your question, I would
6 not like to see the ratepayers at Arredondo take any
7 further burden. I would like to see, and YES would like
8 to see the problem solved. So whatever way we can keep
9 Aqua cooperating is what I'm asking from the Commission.

10 **COMMISSIONER BROWN:** Okay. Thank you.

11 **CHAIRMAN GRAHAM:** Commissioner Balbis.

12 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

13 I just have one quick question.

14 You mentioned that once YES became an
15 intervenor in this case that Aqua started, I think you
16 said, paying attention to you.

17 **THE WITNESS:** Yes, sir.

18 **COMMISSIONER BALBIS:** Can you give an example
19 of that or --

20 **THE WITNESS:** Yes. When I started working on
21 the issue and found many, many problems when I visited
22 the community and a very high frequency of problems, I
23 started, as Aqua has asked us to, with the 1-800 number
24 to, to ask what, what my next steps are, their manager,
25 the person on the line. And I even spoke to other folks

1 in their management, line of management, and kept being
2 redirected to the 1-800 line.

3 So at YES, we tried very, very hard to get
4 management's attention on this informally and got
5 nowhere. So it was not until we came to the hearings
6 here that we were listened to and were, you know,
7 receiving phone calls back from the, from Aqua's
8 representatives to start working on the problem. And
9 that's when the task force started to -- we started
10 having discussions about having the task force.

11 **COMMISSIONER BALBIS:** Okay. Thank you.

12 **CHAIRMAN GRAHAM:** Commissioner Balbis.

13 I'm sorry. Brisé.

14 **COMMISSIONER BRISÉ:** No problem.

15 Thank you for your testimony this morning. A
16 lot of people have testified, and I haven't heard anyone
17 who has actually interacted with someone on the customer
18 service line. And so you said that you experienced a
19 call or a few calls. I want to know if you found that
20 the service was inappropriate in terms of rudeness and
21 things of that nature.

22 **THE WITNESS:** I think being put on hold
23 purposely and not coming back is, in my book, you know,
24 very rude.

25 I have been, you know, cut off or those types

1 of things. But, you know, that's, that's the extreme
2 nature of my own personal experience. You know, I've
3 heard far worse stories.

4 And I know that this Commission has asked
5 several witnesses, people testifying, about why they
6 think it's heavier in some areas and not in others. And
7 my hypothesis, for what it's worth, is that it's because
8 we're having more problems. We are having a large
9 number of problems. And, again, it's when that tipping
10 point happens where, you know, the quality and the high
11 rate and the billing problems are no longer equitable.

12 And so I believe the customer service
13 representatives, as a matter of fact, I have a lot of
14 empathy for them, because I think they are experiencing
15 a large number of phone calls from some areas, and
16 that's frustrating. And they're not equipped with the
17 nine different, you know, ways that a bill can, you
18 know, be an error, so they're not equipped with the
19 ability to solve the customers' problems.

20 Do I think they want to? Absolutely. Who
21 wouldn't? But I think the frequency to which they're
22 getting called and the frustration on even trying to
23 figure out what the problem is is frustrating. And by
24 the time -- you know, from a customer's standpoint,
25 you've called two or three times because the first two

1 didn't help you, that customer is also frustrated.

2 So, you know, I think we need to listen to
3 where we do have the problems, and not assume globally
4 that Aqua doesn't have a problem.

5 **COMMISSIONER BRISÉ:** Thank you. One other
6 question about the actual experience through the phone
7 system.

8 **THE WITNESS:** Uh-huh.

9 **COMMISSIONER BRISÉ:** When you placed the call,
10 because I asked this question earlier about how calls
11 get routed, and I think that's very important to me. So
12 when you called, you called because you had a billing
13 issue. In the IVR, did it ask you did you have a
14 billing issue, and then you, you --

15 **THE WITNESS:** I don't recall that.

16 **COMMISSIONER BRISÉ:** -- hit a particular
17 number to go that route?

18 **THE WITNESS:** No. My, my recall on the phone
19 call is that it rang and I got a representative. That's
20 my recall.

21 **COMMISSIONER BRISÉ:** It rang and you got a
22 representative.

23 **THE WITNESS:** Uh-huh.

24 **COMMISSIONER BRISÉ:** So there was no initial
25 steps to the call.

1 **THE WITNESS:** I don't believe there was.

2 **COMMISSIONER BRISÉ:** Okay. Thank you.

3 **CHAIRMAN GRAHAM:** I guess a continuation of
4 that question. Are you calling on the same toll-free
5 number that everybody else calls in on, or do you have a
6 different number that goes directly to --

7 **THE WITNESS:** YES Communities is a customer of
8 Aqua. We pay bills on every, you know, vacant home. It
9 goes into our name. And that, the number on the bill is
10 what I called.

11 **CHAIRMAN GRAHAM:** Okay. Now do you know, if
12 the -- you being a business and not being a resident, do
13 you know if it's the same number as the residents call
14 or if it's a different number?

15 **THE WITNESS:** I believe -- certainly the bill
16 looks exactly the same. Whether I've compared them -- I
17 have not compared them. I don't get a resident bill. I
18 am assuming it's the same number.

19 **CHAIRMAN GRAHAM:** Okay.
20 Commissioner Edgar.

21 **COMMISSIONER EDGAR:** Thank you.

22 During your comments and your answers you, and
23 your summary, I believe, you made a couple of references
24 to a YES/Aqua joint task force. Can you elaborate on
25 who that is, what that is, and what they either have

1 done or are doing?

2 **THE WITNESS:** Sure. Again, after, after we
3 showed up at the last hearing and spoke, we were
4 approached by the previous president, Aqua president.
5 So it took a while for it to form with the change,
6 Aqua's president change. But Rick Fox is on the task
7 force, as well as Troy Rendell, Sue Chambers. I'm sure
8 I'm forgetting somebody. I think Kim Joyce. Several of
9 those that I talked to prior to the hearing. Myself,
10 Shawn Harpin, Jeremy Gray, and Mallory Starling from
11 our, from YES Communities.

12 **COMMISSIONER EDGAR:** And you have regular
13 meetings or discussions? Is there set goals,
14 specific --

15 **THE WITNESS:** The number one set goal is to
16 reduce billing errors. That's been our number one set
17 goal. I believe we've met three times since the last
18 hearing. I believe that we have, frankly, put together,
19 you know, a number of things that we highlighted. Our
20 billing errors, I think we have been able to jointly
21 improve specifically the new customer, how the new
22 customer is handled by implementing a specific
23 Aqua-generated application.

24 And I think that's helped them not question
25 our, our customers quite as much to, to get started, and

1 rely on our leasing and closing process that we, that we
2 do at Arredondo to, to get the proper information to set
3 up the customer account properly.

4 **COMMISSIONER EDGAR:** In your written testimony
5 you talk about, looking at page 6, you talk about -- and
6 it says that many residents were not being charged usage
7 for water or wastewater for over a year, resulting in
8 back usage charges. What time -- is this testimony here
9 referring to the time period of 2010?

10 **THE WITNESS:** The billing errors on the --

11 **COMMISSIONER EDGAR:** Yes. Specifically about,
12 not -- I see billing errors as a much larger category,
13 and perhaps this issue of no bill for a period of time,
14 and then a bill that covers usage over a period of
15 months as maybe one category of billing error.

16 **THE WITNESS:** Sure. I can only testify for
17 the ones that I've looked at. I don't have further
18 history on that. But I have seen them, that particular
19 issue in 2010 and 2011.

20 **COMMISSIONER EDGAR:** You use the phrase in
21 this written testimony, I quote, line 12, "This is
22 clearly a predatory practice by Aqua." That sentence to
23 me makes a statement of intent, and the phrase "error"
24 to me does not imply intent. So these instances that
25 you describe here, is it your testimony that it is your

1 opinion that they are purposeful?

2 **THE WITNESS:** It is my opinion that, that they
3 stopped working on the problem and deemed Arredondo
4 customers the problem. And I think that that
5 disconnect, it was certainly not their intention to
6 resolve but to continue the conflict. So I think
7 there's some intention when you just say, well, that's
8 Arredondo and they're the problem. So I think that's
9 where the intention is.

10 **COMMISSIONER EDGAR:** Okay. Thank you.

11 **CHAIRMAN GRAHAM:** YES.

12 **MR. CURTIN:** Thank you, Chairman.

13 **EXAMINATION**

14 **BY MR. CURTIN:**

15 Q Ms. Kurz, I want to ask you a little bit about
16 what Commissioner Edgar and Commissioner Balbis talked
17 about, the task force. This task force was something
18 that YES was trying to get together even before they
19 intervened in this action?

20 A That's correct.

21 Q And what was the response to Aqua when you
22 talked to their management, their 1-800 number, about
23 getting some sort of discussion going on on these
24 continuous billing problems before you intervened?

25 A We were told solutions such as, well, they

1 could put, you know, a flier in the customer mail with
2 the bill. They could, you know, do those types of, just
3 general, let the customer know kind of, types of things.
4 And there was no joint cooperation to, to recognize the,
5 what the root causes were.

6 Q And the actual task force which was formed,
7 that was formed after you came here for the PAA hearing?

8 A Correct.

9 Q And was that formed after the actual appeal of
10 that PAA order and YES's cross-petition of that appeal?

11 A I believe so.

12 Q Have you had any issues on the actual task
13 force of cooperation and things like that?

14 A Yes. We've had some departure of the
15 procedure that we put in place and all agreed upon.
16 We've had, we've been given -- and I say this in true
17 appreciation of the progress we've made. I do not want
18 to take that away from the efforts of everybody on the
19 task force. But it just, it's inherent to the, you
20 know, the -- there needs to be a continued focus,
21 because, you know, you take your eye off the ball, it
22 seems like another, another issue happens.

23 We were also given some kind of upper level
24 customer service representatives, and some of those have
25 been -- and I've not had this personal experience, but

1 some of those representatives have not been completely
2 helpful with Mallory Starling.

3 Q Mallory Starling is the actual on-site
4 manager?

5 A Yes. She's the one managing the details.

6 Q And many people, many of your residents, they
7 go to Mallory when they have complaints about Aqua?

8 A Absolutely. She deals with them daily.
9 Uh-huh.

10 MR. CURTIN: No further questions.

11 CHAIRMAN GRAHAM: Thank you. Do we have
12 anything to put into the record for this, or did we
13 already do this through Staff?

14 MR. CURTIN: Yes. I believe Exhibits 132
15 through 135 have already been put in. But if they have
16 not, I would like to put them in now. But I think they
17 were put in last week.

18 CHAIRMAN GRAHAM: 132, 3, 4, 5?

19 MR. CURTIN: Yes.

20 MR. JAEGER: And they have been already
21 admitted.

22 CHAIRMAN GRAHAM: Okay.

23 Ma'am, thank you. Thank for your testimony.

24 THE WITNESS: You bet.

25 CHAIRMAN GRAHAM: Mr. Jaeger, I have our next

1 witness as being Paul Stallcup.

2 **MR. JAEGER:** We have 15 stipulated witnesses
3 that we need to insert before Mr. Stallcup.

4 **CHAIRMAN GRAHAM:** Okay.

5 **MR. JAEGER:** And the first one is -- and
6 basically we moved all the exhibits for the stipulated
7 witnesses already, and we took six witnesses out of turn
8 and their exhibits have been moved in.

9 So, and something I want to just do right now.
10 Staff's intent was to move all stipulated exhibits as
11 listed on the Comprehensive Exhibit List, and we went
12 over them real quickly at the beginning of the hearing.
13 I just wanted to make sure that all stipulated exhibits
14 were moved in case I somehow inadvertently left one out.
15 And so we would want to do that now.

16 **CHAIRMAN GRAHAM:** Okay. So which ones do you
17 not think that were moved?

18 **MR. JAEGER:** Well, I think we moved them all,
19 but just as a, sort of a cover-all, is if we
20 accidentally left a stipulated exhibit out, that it
21 would be included and then moved.

22 **CHAIRMAN GRAHAM:** Let the record show we will
23 move all stipulated exhibits into the record.

24 **MR. JAEGER:** Okay. And now I think we can
25 just go through the 15 staff witnesses and have their

1 testimony inserted.

2 Ms. -- just an explanation. Ms. Helton is
3 saying, though, what about the other three witnesses of
4 YES? Their testimony was in the service hearing at
5 Gainesville, and there's nothing else to be inserted.
6 So, although they're listed at this point, they are
7 actually coming in under the Gainesville service hearing
8 testimony.

9 Mr. Curtin, do you agree with that?

10 **MR. CURTIN:** Yes. And I believe the testimony
11 is in there in Gainesville and the exhibits were
12 attached and put into evidence already.

13 **MR. JAEGER:** Okay. And one other thing.
14 There's an Exhibit 140, which is duplicative of service
15 hearing Exhibit 14. We've moved service hearing 14. So
16 140 is duplicative and I think it can also be withdrawn
17 or just not admitted.

18 **MR. CURTIN:** Agreed. It is duplicative.

19 (Exhibit 140 withdrawn.)

20 **MR. JAEGER:** Okay. Now we can go to the 15
21 Staff witnesses.

22 Angela Chelette, and we would move her
23 testimony into the record as though read.

24 **CHAIRMAN GRAHAM:** Let's just go ahead and --

25 **MR. JAEGER:** Okay. All 15 at once. Chelette,

1 Yingling, Walker, Daugherty, Harrison, Loughlin,
2 Schwarb, Lott, Piltz, Rauth, Eck, Dodson, Rodriguez,
3 Hicks, and Welch.

4 **CHAIRMAN GRAHAM:** Let me check to make sure
5 that there's no objection to entering all those
6 witnesses' direct testimony into the record as though
7 read.

8 **MR. CURTIN:** No objection from YES.

9 **MS. CHRISTENSEN:** No objection.

10 **CHAIRMAN GRAHAM:** Okay. We will enter all
11 those direct testimonies into the record.

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1 DIRECT TESTIMONY OF ANGELA CHELETTE

2 Q. Please state your name and business address.

3 A. My name is Angela Renee Chelette and my business address is the Northwest Florida
4 Water Management District located at 81 Water Management Dr., Havana, Florida 32333.

5 Q. Please provide a brief description of your educational background and experience.

6 A. I have Bachelor of Science in Geology from Florida State University. I have 17 years
7 experience in water resource management and regulation.

8 Q. What are your general responsibilities at the Water Management District?

9 A. As Chief of the Bureau of Ground Water Resource Regulation my responsibilities
10 include managing a multi-program, regulatory bureau responsible for water well permitting,
11 water well contractor licensing, and permitting of consumptive uses of water. I oversee and
12 direct these programs to provide equally for water use needs, public health and safety, and the
13 protection of natural resources. I formulate and provide programmatic recommendations to
14 the Agency's Division Director, Executive Director and District Governing Board. I
15 coordinate the Bureau's regulatory actions and enforcement issues with state and federal
16 agencies. I direct and participate in the technical, administrative and statutory review,
17 evaluation, and processing of permits in all programs. I evaluate violations and approve
18 enforcement actions. I also execute administrative responsibilities in the processing of permit
19 applications and the adoption of proposed rule revisions into law.

20 Q. Are you familiar with the Aqua Utilities Florida, Inc. (AUF) water system at Sunny
21 Hills Community in Washington County, within the Northwest Florida Water Management
22 District?

23 A. Yes.

24 Q. For the AUF system covered in this proceeding that is located in the Northwest
25 District, would you please summarize the consumptive/water use permit compliance status?

1 A. A review was conducted of the compliance status of the AUF water system located at
2 Sunny Hills Community (Water Use Permit (WUP) No. 19842730). It was not found to have
3 significant WUP compliance issues in calendar years 2009, 2010 or 2011 to-date.

4 Q. Does this conclude your testimony?

5 A. Yes.

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1 DIRECT TESTIMONY OF JAY YINGLING

2 Q. Please state your name and business address.

3 A. My name is Jay William Yingling and my business address is the Southwest Florida
4 Water Management District (SWFWMD) located at 2379 Broad Street, Brooksville, Florida
5 34604.

6 Q. Please provide a brief description of your educational background and experience.

7 A. I have Bachelor of Science and Master of Science degrees in Food and Resource
8 Economics from the University of Florida and have 25 years of experience in water resource
9 and regulatory economic analysis at the St. Johns River and SWFWMDs.

10 Q. What are your general responsibilities at the Water Management District?

11 A. My general responsibilities include: economic analysis of District regulatory and non-
12 regulatory programs; assistance in rule development (including development of statutorily
13 required Statements of Estimated Regulatory Costs), rule implementation and enforcement;
14 demographic analysis; and acting liaison to the Public Service Commission in accordance with
15 our Memorandum of Understanding.

16 Q. Are you familiar with the Aqua Utilities Florida, Inc. (AUF) water systems in Desoto,
17 Highlands, Pasco, and Polk counties that are within the SWFWMD?

18 A. Yes. See Exhibit JWY-1.

19 Q. For each AUF system covered in this proceeding that is located in the Southwest
20 District, would you please summarize the consumptive/water use permit compliance status?

21 A. A review was conducted of the compliance status of each of the AUF water systems
22 located in the SWFWMD. None were found to have significant WUP compliance issues in
23 calendar years 2009, 2010 or 2011.

24 Q. Do you have anything further to add?

25 A. No, I do not.

1 DIRECT TESTIMONY OF CATHERINE A. WALKER, P.E.

2 Q. Please state your name and business address.

3 A. My name is Catherine Anne Walker and my business address is the St. Johns River Water
4 Management District located at 4049 Reid Street, Palatka, FL 32177.

5 Q. Please provide a brief description of your educational background and experience.

6 A. I have Bachelor of Science in Engineering from the University of Central Florida and a
7 Masters Degree in Business Administration from the University of Phoenix. I am a
8 Professional Engineer registered in the state of Florida. I have 25 years of experience in water
9 resource management, having worked in environmental permitting and compliance for both
10 public and privately owned utilities for approximately 19 years prior to joining the water
11 management district. I've worked for 7 years at the SJRWMD in Water Use Regulation.

12 Q. What are your general responsibilities at the Water Management District?

13 A. I am the Director of the Division of Water Use Regulation. In that role, my general
14 responsibilities include supervising, reviewing and approving the work and recommendations
15 of a staff of Hydrologists, Engineers, Environmental Specialists, and Water Resource
16 Representatives regarding Consumptive Use Permitting and compliance; coordinating rule
17 development (including development of statutorily required Statements of Estimated
18 Regulatory Costs), rule implementation and enforcement; and acting liaison to the Public
19 Service Commission in accordance with our Memorandum of Understanding.

20 Q. Are you familiar with the Aqua Utilities Florida, Inc. (AUF) water systems in Alachua,
21 Brevard, Lake, Marion, Orange, Putnam, Seminole and Volusia counties that are within the St.
22 Johns River Water Management District?

23 A. Yes. See Exhibit CAW-1.

24 Q. For each AUF system covered in this proceeding that is located in the St. Johns River
25 Water Management District, would you please summarize the consumptive/water use permit

1 | compliance status?

2 | A. A review was conducted of the compliance status of each of the AUF water systems
3 | located in the St. Johns River Water Management District. Comments on each of the systems
4 | is included in Exhibit CAW-1. In general, Aqua does not submit compliance submittals in a
5 | timely manner, but once the data is requested, the utility is able to provide it.

6 | The District entered into a consent order in April 2010 for the Twin Rivers and
7 | Tomoka View systems for withdrawing water from a well exceeding Consumptive Use Permit
8 | (CUP) thresholds without the requisite CUP. A copy of that order is attached as Exhibit
9 | CAW-2. That consent order resolved that non-compliance issue and the issue is closed,
10 | effective April 7, 2010.

11 | Q. Do you have anything further to add?

12 | A. No, I do not.

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DIRECT TESTIMONY OF STEPHANIE DAUGHTERY

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- 2 Q. Please state your name and business address.
- 3 A. Stephanie Daugherty, 315 W Main St, Tavares FL 32778.
- 4 Q. Please provide a brief description of your educational background and experience.
- 5 A. I received a BS degree in 1977. I have been a Lake County Health Department
6 employee for 13 years, and currently supervise facility and water programs.
- 7 Q. What are your general responsibilities at the Lake County Health Department?
- 8 A. I supervise facility and water programs for the Lake County Health Department
- 9 Q. Are you familiar with the Aqua Utilities Florida, Inc. (AUF) water systems in Lake
10 County?
- 11 A. I am familiar with the name Aqua Utilities and I am familiar with the Stone Mountain
12 water system file.
- 13 Q. Is this system in compliance with all applicable construction permits?
- 14 A. Pursuant to the file records, the system appears to be in compliance with all
15 construction permits.
- 16 Q. Have any of these AUF systems been the subject of any FDEP or Lake County Health
17 Department compliance enforcement action within the past three years?
- 18 A. I regulate water systems under the Florida Department of Health requirements, and
19 Stone Mountain appears to be in compliance with all requirements. I am not familiar with any
20 DEP violations and would refer that question to DEP.
- 21 Q. Is the overall operation and maintenance of the water treatment plant and distribution
22 facilities satisfactory?
- 23 A. Yes.
- 24 Q. Do you have anything further to add?
- 25 A. No, I do not.

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DIRECT TESTIMONY OF SCOTT HARRISON

Q. Please state your name and business address.

A. Scott A. Harrison, R.S., Environmental Manager of the Water Operations Section including the Drinking Water Program, Palm Beach County Health Department (PBCHD), Division of Environmental Public Health, 800 Clematis St, West Palm Beach, FL 33402.

Q. Please provide a brief description of your educational background and experience.

A. I have a B.S. Degree in Biology and Chemistry with 10 years of Environmental Public Health Experience.

Q. What are your general responsibilities at the Palm Beach County Health Department?

A. I am currently the Environmental Manager of the Water Operations Section which includes the Drinking Water, Healthy Beaches, Swimming Pool, Well Surveillance and Fire Hydrant programs.

Q. Are you familiar with the AUF water systems in Palm Beach County, particularly the Lake Osborne Estates facility?

A. Yes. Lake Osborne Estates is a regulated consecutive water system. They purchase their water from the City of Lake Worth.

Q. Has this AUF system been the subject of any DOH compliance enforcement action within the past three years?

A. Yes. Lake Osborne Estates was issued a non-compliance letter because they did not sample for Lead and Copper in the second semester of 2010. Their parent supplier, the City of Lake Worth, had recently changed their water source which would require a return to routine monitoring. The PBCHD did not pursue any penalties or take further action for the violation since the City of Lake Worth neglected to inform Lake Osborne Estates of the source water change. The action is now closed.

1 Q. Other than any violations discussed above, is AUF in compliance with all DOH
2 requirements for their water systems in (Counties)?

3 A. Yes as of the date of this testimony.

4 Q. Is the overall operation and maintenance of these water treatment plants and
5 distribution facilities satisfactory?

6 A. Yes. The physical system appears to be maintained. However, the system does not
7 maintain documentation for the operation and maintenance logs, flushing program, calibration
8 verifications for and instruments. These issues were addressed in their most recent inspection
9 report.

10 Q. Do you have anything further to add?

11 A. Lake Osborne Estates had a boil water notice in November of 2010 and one in April of
12 2011. They issued the boil water notices to the customers and to the PBCHD within 24 hours
13 of the incident as required.

14 Q. Does this conclude your testimony?

15 A. Yes.

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1 DIRECT TESTIMONY OF DIANE LOUGHLIN

2 Q. Please state your name and business address.

3 A. Diane Loughlin, Florida Department of Environmental Protection (FDEP), South
4 District, 2295 Victoria Avenue, Suite 364, Fort Myers, FL 33902.

5 Q. Please provide a brief description of your educational background and experience.

6 A. I received a Bachelor of Science degree from the University of Central Florida. I have
7 been with the Department of Environmental Protection since November of 2010.

8 Q. What are your general responsibilities at the Department of Environmental Protection?

9 A. I am a wastewater compliance and enforcement inspector. My typical duties and
10 responsibilities include: identifying and documenting violations found during compliance
11 inspections, preparing compliance and enforcement documents, and conducting compliance
12 and enforcement meetings.13 Q. Are you familiar with the AUF wastewater systems in Highlands County, particularly
14 the Leisure Lakes Utilities WWTP?

15 A. Yes.

16 Q. Is this system in compliance with all applicable construction and operating permits?

17 A. Yes.

18 Q. Has this AUF system been the subject of any FDEP compliance enforcement action
19 within the past three years?20 A. A Warning Letter was sent to AUF on February 23, 2010, regarding potential
21 violations revealed at the Leisure Lakes Utilities WWTP during compliance inspections
22 performed on January 8 and January 15, 2010. On these dates, a copy of the current permit
23 was not available on site, and evidence was found that suggested that wastewater may have
24 been leaking from the wastewater treatment plant structure. In addition, it appeared that a
25 sludge spill may have occurred on site and solids and debris were observed in the percolation

1 pond, but the Department had no record of receiving an abnormal event report regarding
2 possible violations or spills. The Department and AUF met for an enforcement meeting on
3 March 25, 2010, and a facility visit on March 31, 2010, to discuss the violations identified in
4 the Warning Letter. At that time, it was determined that AUF had corrected and resolved the
5 violations, so no further enforcement actions were taken.

6 Q. Other than any violations discussed above, is AUF in compliance with all FDEP
7 requirements for their wastewater systems in Highlands County?

8 A. Yes.

9 Q. Is the overall operation and maintenance of these wastewater treatment plants and
10 collection facilities satisfactory?

11 A. Yes.

12 Q. Do you have anything further to add?

13 A. No, I do not.

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DIRECT TESTIMONY OF RYAN SCHWARB

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- 2 Q. Please state your name and business address.
- 3 A. Ryan Schwarb, Florida Department of Environmental Protection (DEP), DEP South
4 District, 2295 Victoria Ave., Suite 364, Fort Myers, FL 33901.
- 5 Q. Please provide a brief description of your educational background and experience.
- 6 A. I have a Bachelors Degree in Zoology, and three years of potable water compliance
7 and enforcement with the DEP South District.
- 8 Q. What are your general responsibilities at the Department of Environmental Protection?
- 9 A. My duties include Compliance and Enforcement inspections of potable water facilities
10 in Highlands and Glades Counties.
- 11 Q. Are you familiar with the AUF water systems in Highlands County, particularly the
12 Lake Josephine Heights PWS# 6280162, Sebring Lakes Water PWS# 5284137 and
13 Leisure Lakes PWS# 6280064?
- 14 A. Yes.
- 15 Q. Are these systems in compliance with all applicable construction permits?
- 16 A. Yes.
- 17 Q. Have any of these AUF systems been the subject of any DEP compliance enforcement
18 action within the past three years?
- 19 A. No.
- 20 Q. Other than any violations discussed above, is AUF in compliance with all DEP
21 requirements for their water systems in Highlands County?
- 22 A. Yes.
- 23 Q. Is the overall operation and maintenance of these water treatment plants and
24 distribution facilities satisfactory?
- 25 A. Yes.

1 Q. Do you have anything further to add?

2 A. No, I do not.

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1 DIRECT TESTIMONY OF RICHARD LOTT

2 Q. Please state your name and business address.

3 A. Richard Lott, 3319 Maguire Blvd, Suite 232, Orlando, Florida 32803

4 Q. Please provide a brief description of your educational background and experience.

5 A. I have a Bachelor of Science Degree in Geology from the University of South Florida
6 (1979) and a Master's Degree in Environmental Science from the University of Central
7 Florida (1990). I worked for 14 years as a consultant, performing work in the areas of
8 hydrology, groundwater, groundwater contamination remediation, drainage, and stormwater
9 design. I am a Florida-registered Professional Engineer (No. 45930) and Florida-registered
10 Professional Geologist (No. 685).

11 Q. What are your general responsibilities at the Department of Environmental Protection?

12 A. I supervise a staff of five engineers in the permitting section for the review of water
13 main extension and water treatment process permit applications in the DEP Central District
14 Drinking Water Program. I review, sign and seal all permits in the Central District Drinking
15 Water Program. In addition, I supervise and review capacity analysis reports, four-log virus
16 inactivation studies, sole source aquifer studies, and permit determinations for all drinking
17 water public water systems in the Central District.

18 Q. Are you familiar with the Aqua Utilities of Florida, Inc. (AUF) water systems in
19 Brevard, Indian River, Lake, Marion, Orange, Osceola, Seminole, and Volusia Counties?

20 A. In Volusia County, the drinking water program has been delegated to the Volusia
21 County Health Department. I am familiar with the following systems of Aqua Utilities of
22 Florida, Inc. for which permits have been issued since 2009: Silver Lake Estates, Belleaire
23 Subdivision, Chuluota, Tangerine Water Company, Forty-Eight Estates, East Lake Harris, and
24 Western Shores. Permits are issued for 5 years.

25 Permits that have been issued in the Central District since 2009 for these facilities

1 include the following: (1) Silver Lake Estates- Permit WD35-0080523-009 issued on January
2 12, 2009 and cleared for service on January 5, 2010, Permit WD35-0080523-010 issued on
3 March 11, 2009 and cleared for service on May 19, 2010, Permit WD35-0080523-011 issued
4 on December 1, 2010 but not yet cleared for service, and Permit WD35-0080523-012 issued
5 on April 29, 2011 but not yet cleared for service; (2) Belleaire Subdivision-Permit WC42-
6 0301521-001 issued on March 11, 2009 and not yet cleared for service; and Permit WC42-
7 0301521-002 issued on December 23, 2010 but not yet cleared for service; (3) Chuluota –
8 Permit WC59-0080853-028 was issued on September 25, 2008 and cleared for service on
9 February 12, 2010, Permit WC59-0080853-029 was issued on January 15, 2010 and cleared
10 for service on June 24, 2010, PermitWC59-0080853-030 was issued on March 25, 2010 and
11 cleared for service on August 3, 2010, and Permit WC59-0080853-031 was issued on July 2,
12 2010 and cleared for service on August 3, 2010; Tangerine Water Company-Permit WD48-
13 0080758-011 was issued on March 26, 2010 and cleared for service on May 25, 2010 and
14 Permit WC48-0080758-012 was issued on February 9, 2010 and cleared for service on
15 November 4, 2010; East Lake Harris-Permit WC352-0080475-002 was issued on January 12,
16 2009 but not yet cleared for service; and Western Shores-Permit WC35-0161019-005 was
17 issued on January 12, 2009 but not yet cleared for service.

18 Q. Are these systems in compliance with all applicable construction permits?

19 A. Yes, approval for systems that have been cleared for service by the Department are
20 presumed to be in compliance with the permit and Chapter 62-555, F.A.C. based upon
21 submittal of the Engineer's signature and professional seal on Form 62-555.900(9) entitled
22 "Certification of Construction Completion and Request for Clearance to Place Permitted PWS
23 Components into Operation". Permits that have not yet been cleared for service are not
24 indicative that the system is out-of-compliance, only that a full clearance has not been
25 submitted for that permit within the five year timeframe.

1 Q. Do you have anything further to add?

2 A. No, I do not.

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DIRECT TESTIMONY OF BENJAMIN L. PILTZ

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2 Q. Please state your name and business address.

3 A. Benjamin L. Piltz, Florida Department of Environmental Protection (DEP), Northeast
4 District Office, 7825 Baymeadows Way, Suite B-200, Jacksonville, Florida 32256.

5 Q. Please provide a brief description of your educational background and experience.

6 A. I received a Bachelors of Science degree in Biology from the University of North
7 Florida in 2004. After graduation, I worked at Levine-Fricke Recon as a Biologist I,
8 conducting Phase I assessments, wetland restoration oversight, and quarterly sampling
9 events for systems in the Dry Cleaning Remediation Program until I joined the
10 Northeast District Potable Water Section in 2006.

11 Q. What are your general responsibilities at the Department of Environmental Protection?

12 A. In January 2006, I began employment with the Northeast District DEP in the Potable
13 Water Section as an Environmental Specialist I. My work entails Sanitary Surveys,
14 Compliance Inspections, review and entry of chemical and microbiological reports, ensuring
15 that water systems remain in compliance with the applicable parts of the Florida
16 Administrative Code pertaining to Potable Water systems. I am also responsible for initiating
17 enforcement in order to assist potable water systems in returning to compliance status.

18 Q. Are you familiar with the AUF water systems in Putnam County, particularly the
19 Beechers Point, Hermit's Cove, Palm Port, Pomona Park, River Grove, Saratoga Harbor,
20 Welaka Mobile Home Park and Wootens water systems?

21 A. Yes, I am.

22 Q. Are these systems in compliance with all applicable construction permits?

23 A. No permits relating to water plant construction or upgrades have been submitted to the
24 Department for the water systems listed above since 2009. However, a Distribution System
25 Permit for a water main extension for the Pomona Park Potable Water System was issued on

1 July 2, 2009. This work has not been currently been completed, but may be completed
2 concurrently with a road widening project sometime in the future.

3 Q. Have any of these AUF systems been the subject of any FDEP compliance
4 enforcement action within the past three years?

5 A. Yes. Aqua Utilities Florida failed to conduct the analyses for the River Grove potable
6 water system for Disinfection Byproducts in 2009 during the July through September
7 timeframe. The violation was resolved by Consent Order and is now closed.

8 Q. Other than any violations discussed above, is AUF in compliance with all DEP
9 requirements for their water systems in Putnam County?

10 A. The facilities are in compliance with DEP Potable Water Requirements as of this time.

11 Q. Is the overall operation and maintenance of these water treatment plants and
12 distribution facilities satisfactory?

13 A. Minor deficiencies were observed during the recent inspections at the Aqua Utilities
14 water plants in Putnam County. Beecher's Point WTP was observed to have some minor
15 piping corrosion. Hermit's Grove WTP had minor biogrowth on the piping at the wellhead
16 and some piping corrosion. These deficiencies have already been corrected and the
17 Department was notified in a timely manner. The well casings at Palm Port WTP, Well #1 at
18 Pomona Park WTP, and River Grove Subdivision WTP are less than 12" above the well pad.
19 AUF will not be required to fix this until there is work done on the wells, or if the system has
20 bacteriological or chemical problems in the future. The flowthrough tank at Wootens WTP
21 was observed to be in poor shape during a Compliance Inspection completed May 24, 2011.
22 If removing the flowthrough tank does not change the permitted capacity of the water plant,
23 then a permit is not required and Aqua Utilities is only required to provide notification before
24 removing the tank.

25

1 Q. Do you have anything further to add?

2 A. Aqua Utilities have had the following precautionary boil water notices (PBWNs).

3 Beechers Point (Consecutive) 09/09 (Wholesale system had a line break)

4 12/10 (Main break)

5 Hermit's Cove 06/09 (Main Break)

6 11/10 (Well pump not left in Auto)

7 05/11 (Distribution system upgrades)

8 Palm Port 02/11 (Distribution system upgrades)

9 03/11 (Main Break)

10 Pomona Park 8/10 (Well pump replacement)

11 River Grove 02/09 (Plant repairs)

12 01/11 Distribution system upgrades)

13 Saratoga Harbor 04/09 (Main Break)

14 Welaka MHP None for maintenance issues.

15 Wootens 02/10 (Tank replacement)

16 Notification to the Department has always been the day of incident (or following business day
17 in some cases due to occurring late at night or during weekends) via direct contact with me, or
18 through voicemail. As a follow up to the notification, written notification is provided through
19 their internal Malfunction reports being cc'd to me when routing them with Aqua Utilities.

20 These reports have indicated in the past that that the public is notified the same day the
21 Department is. Notification to customers and the Department associated with tank inspections
22 were done the week prior to the inspections.

23 Q. Does this conclude your testimony?

24 A. Yes.

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DIRECT TESTIMONY OF TOM RAUTH

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- 2 Q. Please state your name and business address.
- 3 A. Tom Rauth; 7825 Baymeadows Way Suite B200, Jacksonville, FL 32256.
- 4 Q. Please provide a brief description of your educational background and experience.
- 5 A. I graduated with a BS in Chemical Engineering; Currently I have worked at the FDEP
6 for over 4 years, mostly in wastewater permitting, and now as the Compliance and
7 Enforcement Supervisor.
- 8 Q. What are your general responsibilities at the Department of Environmental Protection?
- 9 A. I oversee all of the compliance and enforcement activities for wastewater in the
10 Northeast District of FDEP.
- 11 Q. Are you familiar with the AUF wastewater systems in Alachua and Putnam Counties,
12 particularly Arredondo Farms, Palm Port, Park Manor, and Silver Lake Oaks?
- 13 A. Yes.
- 14 Q. Are these systems in compliance with all applicable construction and operating
15 permits?
- 16 A. Currently, yes.
- 17 Q. Have any of these AUF systems been the subject of any FDEP compliance
18 enforcement action within the past three years?
- 19 A. Yes, Arredondo Farms: A short form consent order was executed on October 5, 2010
20 for violations of multiple Sanitary Sewage Overflows (SSOs) from 2008 to 2010. Fines of
21 \$4,500 were paid and the case closed on October 19, 2010.
- 22 Q. Other than any violations discussed above, is AUF in compliance with all DEP
23 requirements for their wastewater systems in the counties noted above?
- 24 A. Yes.
- 25 Q. Is the overall operation and maintenance of these wastewater treatment plants and

1 collection facilities satisfactory?

2 A. Yes.

3 Q. Do you have anything further to add?

4 A. No, I do not.

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DIRECT TESTIMONY OF CAITLYN ECK

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2 Q. Please state your name and business address.

3 A. Caitlyn Eck, 2295 Victoria Ave, Fort Myers FL 33901

4 Q. Please provide a brief description of your educational background and experience.

5 A. I have a Bachelors Degree in Environmental Science and have worked at Florida
6 Department of Environmental Protection since January 2007

7 Q. What are your general responsibilities at the Department of Environmental Protection?

8 A. I conduct compliance inspections, conduct compliance meeting, and identify and
9 properly document all violations found during facility inspections. I also collect and properly
10 document samples to identify effluent violations. Further, I conduct enforcement
11 investigations, prepare enforcement documents, such as warning notices, notices of violations,
12 consent orders, and case reports, and represent the Department as an expert witness in court.

13 Q. Are you familiar with the AUF wastewater systems in Lee County, particularly South
14 Seas?

15 A. Yes.

16 Q. Is this system in compliance with all applicable construction and operating permits?

17 A. Yes

18 Q. Has this AUF system been the subject of any FDEP compliance enforcement action
19 within the past three years?

20 A. Yes. They have been under enforcement for the past three years. They are working
21 with us to resolve the case at South Seas. We are sending them a Short Form Consent Order
22 (SFCO) with a \$9,500 penalty attached to it. Since they have made repairs to the tanks and
23 other various repairs and upgrades to the system, once they have settled the penalties in the
24 SFCO, they will be returned to compliance from formal enforcement.

25

1 Q. Other than any violations discussed above, is AUF in compliance with all DEP
2 requirements for their wastewater systems in Lee?

3 A. Yes.

4 Q. Do you have anything further to add?

5 A. No, I do not.

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DIRECT TESTIMONY OF KIM DODSON

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2 Q. Please state your name and business address.

3 A. Kimberly Dodson, Florida Department of Environmental Protection (FDEP), 3319
4 Maguire Blvd., Suite 232, Orlando, Florida 32803.

5 Q. Please provide a brief description of your educational background and experience.

6 A. I received a B.A. in Environmental Studies from Rollins College, Winter Park, Florida
7 in 1995. I worked in environmental analytical laboratories from 1991 to 1996. I have worked
8 for the Florida Department of Environmental Protection Drinking Water Program since 1996,
9 where my responsibilities have included inspection of drinking water systems, Consumer
10 Confidence Report (CCR) rule, enforcement, and managing the compliance and enforcement
11 section.

12 Q. What are your general responsibilities at the Department of Environmental Protection?

13 A. I am currently the Program Manager for the Drinking Water Compliance and
14 Enforcement Section. As Program Manager for Drinking Water Compliance and Enforcement
15 Section, I oversee all activities of the field and compliance monitoring sections. I review
16 enforcement documents, non-compliance letters, and inspection reports generated by field and
17 compliance monitoring staff.

18 Q. Are you familiar with the AUF water systems in Brevard, Lake, Marion, Orange, and
19 Seminole Counties, particularly the following public drinking water systems: Kingswood,
20 Oakwood, 48 Estates, Carlton Village, East Lake Harris, Fairways at Mt. Plymouth, Fern
21 Terrace, Friendly Center, Grand Terrace, Hainescreek, Hobby Hills, Holiday Haven, Imperial
22 Terrace, Kings Cove, Morningview, Palms MHP, Picciola Island, Piney Woods/Spring Lake,
23 Quail Ridge, Ravenswood, Silver Lake Estates, Skycrest, Summit Chase, Valencia Terrace,
24 Venetian Village, Western Shores, 49th Street, Belleair, Belleview Hills Estates, Belleview
25 Hills, Chappell Hills, Fairfax Hills, Hawks Point, Marion Hills, Ocala Oaks, West view,

1 Woodberry Forest, Tangerine, Chuluota, Harmony Homes?

2 A. Yes. I am familiar with these water systems via review of Department records. Please
3 note that in 2007, it was determined that Stone Mountain Estates, PWS ID 3351282, no longer
4 met the criteria of a public water system and was transferred to the Department of Health for
5 regulation, because the population was 13 and there were only 10 service connections.

6 Q. Are these systems in compliance with all applicable construction permits?

7 A. Richard Lott is providing testimony on this issue.

8 Q. Have any of these AUF systems been the subject of any FDEP compliance
9 enforcement action within the past three years?

10 A. Yes. The Chuluota Water System, PWS ID 3590186, was under enforcement action
11 from September 2006 through December 2010 for violations of the maximum contaminant
12 level (MCL) for total trihalomethanes (TTHMs), a type of disinfection byproduct (DBP). In
13 response to the MCL violations, AUF installed an ion exchange treatment system at their main
14 water treatment plant. Since the treatment went online in July of 2010, results have steadily
15 decreased below the MCL, and the system is no longer in violation.

16 Q. Other than any violations discussed above, is AUF in compliance with all DEP
17 requirements for their water systems in Brevard, Indian River, Lake, Marion, Orange,
18 Osceola, and Seminole Counties?

19 A. No. Friendly Center Subdivision, PWS ID 3350426, exceeded the MCL for Odor on
20 October 1, 2009. The MCL is set at 3 threshold odor number (T.O.N.) and the result was 12
21 T.O.N. Because Odor is a secondary contaminant, the system population is less than 3,300,
22 and no customer complaints regarding Odor have been received for this system, corrective
23 action was not required. The system is scheduled to test again for Odor during 2012.

24 All other AUF systems are currently in compliance with DEP requirements.

25 Q. Is the overall operation and maintenance of these water treatment plants and

1 | distribution facilities satisfactory?

2 | A. Yes. An inspection records review for the referenced AUF drinking water systems
3 | indicates satisfactory maintenance. Many of the most recent sanitary survey inspections
4 | indicated no deficiencies. Some of the inspections indicated a few minor deficiencies which
5 | AUF corrected in a timely manner. It is not uncommon to find a number of small deficiencies
6 | at any facility. In general, AUF is doing a good job of maintaining these facilities.

7 | Q. Do you have anything further to add?

8 | A. Please see the attached excel spreadsheet (Exhibit KD-1) for the requested listing of all
9 | precautionary boil water notices (PBWNs) issued by AUF since 2009. AUF issued the
10 | PBWNs as required, completed necessary corrective actions, conducted follow-up sampling,
11 | and rescinded the notices as required and in a timely manner. The utility does not always have
12 | control over the chain of events that necessitate the issuance of PBWNs, and it is not
13 | uncommon to find a number of PBWNs issued for any facility.

14 | Q. Does this conclude your testimony?

15 | A. Yes.

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1 DIRECT TESTIMONY OF BLANCA RODRIGUEZ

2 Q. Please state your name and business address.

3 A. Blanca R. Rodriguez, Engineer Specialist IV, 7825 Baymeadows Way, Suite B-200,
4 Jacksonville, FL 32256.

5 Q. Please provide a brief description of your educational background and experience.

6 A. I have a Bachelor in Chemical Engineering and 27 years experience as an engineer
7 with the Florida Department of Environmental Protection (FDEP) in the Drinking Water
8 Program. My experience includes permitting, compliance and enforcement activities within
9 the program. I have 12 more years of experience in the private sector as a chemical engineer
10 mainly in the chemical industries.

11 Q. What are your general responsibilities at the Department of Environmental Protection?

12 A. I am the Compliance Team Leader in my office and also the County Inspector for the
13 water systems in Alachua and Hamilton Counties. My responsibilities include inspection of
14 the water systems, and requesting and reviewing compliance data (bacteria and chemical data)
15 from the facilities for compliance with the Drinking Water Regulations under Chapter 62,
16 Florida Administrative Code. My duties include conducting any necessary enforcement
17 actions to bring the water systems into compliance with the Drinking Water Regulations.

18 Q. Are you familiar with the AUF water systems in Alachua County, particularly the
19 Arredondo Systems?

20 A. Yes. I am familiar with Arredondo Farms Water System – PWS ID: 2010042, and
21 Arredondo Estates Water System – PWS ID: 2010041 located in Alachua County.

22 Q. Are these systems in compliance with all applicable construction permits?

23 A. Yes, as far as I know.

24 Q. Have any of these AUF systems been the subject of any FDEP compliance
25 enforcement action within the past three years?

1 A. No.

2 Q. Other than any violations discussed above, is AUF in compliance with all FDEP
3 requirements for their water systems in Alachua?

4 A. Yes.

5 Q. Is the overall operation and maintenance of these water treatment plants and
6 distribution facilities satisfactory?

7 A. Yes.

8 Q. Do you have anything further to add?

9 A. The two systems have had precautionary boil water notices (PBWNs) on various
10 occasions since 2009. I am not completely sure if they have notified the customers in a timely
11 manner in each occasion. Sometimes we have been notified various days after the
12 interruption of service by the utility. Complaints about the interruption of service due to water
13 main breaks or other problems (power failure, repairs) have been received by the local Health
14 Department, and they have forwarded the complaints to us. I investigated some of the
15 complaints. Lately, the utility has been responding better to PBWN issues and notification to
16 the customers.

17 Q. Does this conclude your testimony?

18 A. Yes.

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DIRECT TESTIMONY OF RHONDA L. HICKS

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Q. Please state your name and address.

A. My name is Rhonda L. Hicks. My address is 2540 Shumard Oak Boulevard;
Tallahassee, Florida; 32399-0850.

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

A. I am employed by the Florida Public Service Commission (Commission) as Chief of
the Bureau of Consumer Assistance in the Division of Service Reliability and
Consumer Assistance.

Q. Please give a brief description of your educational background and professional
experience.

A. I graduated from Florida A&M University in 1986 with a Bachelor of Science degree
in Accounting. I have worked for the Commission for 25 years. I have varied
experience in the electric, gas, telephone, and water and wastewater industries. My
work experience includes rate cases, cost recovery clauses, depreciation studies, tax,
audit, consumer outreach, and consumer complaints. I currently work in the Bureau
of Consumer Assistance within the Division of Service Reliability and Consumer
Assistance where I manage consumer complaints and inquiries.

Q. What is the function of the Bureau of Consumer Assistance?

A. The bureau's function is to resolve disputes between regulated companies and their
customers as quickly, effectively, and inexpensively as possible.

Q. Do all consumers, who have disputes with their regulated company, contact the Bureau
of Consumer Assistance?

A. No. Consumers may initially file their complaint with the regulated company and
reach resolution without the bureau's intervention. In fact, consumers are encouraged
to allow the regulated company the opportunity to resolve the dispute prior to any

1 Commission involvement.

2 Q. What is the purpose of your testimony?

3 A. The purpose of my testimony is to advise the Commission of the number of consumer
4 complaints filed against Aqua Utilities Florida, Inc. (Aqua) under Rule 25-22.032,
5 Florida Administrative Code, for consumer complaints, from January 1, 2009 through
6 September 30, 2011. My testimony will also provide information on the type of
7 complaints filed and information on apparent rule violations, if any.

8 Q. What do your records indicate concerning the number of complaints filed against
9 Aqua?

10 A. From January 1, 2009, through September 30, 2011, customers filed 400 complaints
11 against Aqua with the Commission. During 2009, 176 complaints were filed against
12 Aqua while 144 and 81 complaints were filed in 2010 and 2011, respectively.

13 Q. What have been the most common types of complaints against Aqua?

14 A. During the specified time period, approximately 284 (71%) of the complaints filed
15 with the Commission concerned billing issues, while approximately 117 (29%) of the
16 complaints involved quality of service issues.

17 Q. How many of the complaints referenced in your testimony has staff determined to be
18 an apparent violation of Commission rules?

19 A. Of the 401 complaints filed, 46 (11%) were determined to be apparent violations of
20 Commission rules.

21 Q. What was the nature of the apparent rule violations?

22 A. The majority of the apparent rule violations were for failure to respond to either the
23 customer or the Commission within the time required by Rule 25-22.032, Florida
24 Administrative Code (WB/WS-49; WB/WS-50; WB/WS-51). Other violations include
25 improper backbilling (WB-19), inaccurate meter readings (WB-04), failure to read the

- 1 meter at regular intervals (WB-03), and improper disconnection (WS-12).
- 2 Q. How are apparent rule violations addressed?
- 3 A. During the complaint resolution process, complaint staff determine if the complaint is
- 4 a possible rule violation. If it is determined that the complaint is a possible rule
- 5 violation, an infraction close-out code is applied to the complaint so that it can be
- 6 tracked.
- 7 Q. Is technical staff informed of every instance of a possible rule violation?
- 8 A. No. Technical staff is not informed of every instance of a possible rule violation
- 9 unless there appears to be a significant number of possible violations of the same rule
- 10 or a large quantity of possible violations received in a short time frame.
- 11 Q. Did Aqua receive a significant number of apparent rule violations?
- 12 A. No. As previously mentioned in my testimony, 46 (11%) of the 401 complaints filed
- 13 against Aqua since 2009, were determined to be possible violations of
- 14 Commission rules.
- 15 Q. How many apparent rule violations occurred in 2009, 2010, and 2011?
- 16 A. During 2009 and 2010, Aqua received 21 and 18 apparent rule violations, respectively.
- 17 As of September 30, 2011, Aqua received 7 apparent rule violations.
- 18 Q. Do you have any exhibits attached to your testimony?
- 19 A. Yes. I am sponsoring Exhibits RLH-1, RLH-2, and RLH-3 which provide a summary
- 20 listing of complaints filed in 2009, 2010, and 2011, against Aqua under Rule 25-
- 21 22.032, Florida Administrative Code. As previously noted, the complaints were filed
- 22 during the period January 1, 2009 through September 30, 2011. I am also sponsoring
- 23 Exhibit RLH-4, which is a listing of complaint close-out codes used to identify the
- 24 resolution of the complaint.
- 25 Q. Does this conclude your testimony?

i | A. Yes, it does.
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DIRECT TESTIMONY OF KATHY L. WELCH

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

3 A. My name is Kathy L. Welch, and my business address is 3625 N.W. 82nd Ave.,
4 Suite 400, Miami, Florida, 33166.

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

6 A. I am employed by the Florida Public Service Commission as a Public Utilities
7 Supervisor in the Office of Auditing and Performance Analysis.

8 **Q. How long have you been employed by the Commission?**

9 A. I have been employed by the Florida Public Service Commission since June, 1979.

10 **Q. Briefly review your educational and professional background.**

11 A. I have a Bachelor of Business Administration degree with a major in accounting
12 from Florida Atlantic University and a Masters of Adult Education and Human Resource
13 Development from Florida International University. I have a Certified Public Manager
14 certificate from Florida State University. I am also a Certified Public Accountant licensed
15 in the State of Florida, and I am a member of the American and Florida Institutes of
16 Certified Public Accountants. I was hired as a Public Utilities Analyst I by the Florida
17 Public Service Commission in June of 1979. I was promoted to Public Utilities
18 Supervisor on June 1, 2001.

19 **Q. Please describe your current responsibilities.**

20 A. Currently, I am a Public Utilities Supervisor with the responsibilities of
21 administering the District Office and reviewing work load and allocating resources to
22 complete field work and issue audit reports when due. I also supervise, plan, and conduct
23 utility audits of manual and automated accounting systems for historical and forecasted
24 data.

25 **Q. Have you presented testimony before this Commission or any other**

1 **regulatory agency?**

2 **A.** Yes. I have testified in several cases before the Florida Public Service
3 Commission. Exhibit KLW-1 lists these cases.

4 **Q. What is the purpose of your testimony today?**

5 **A.** The purpose of my testimony is to sponsor the staff audit report of Aqua Utilities
6 Florida, Inc. (AUF) which addresses the transactions between Aqua Utilities Florida, Inc.
7 and its affiliates for Docket No. 100330-WS. We issued an audit report in this docket on
8 October 15, 2010. This audit report is filed with my testimony and is identified as Exhibit
9 KLW-2.

10 **Q. Was this audit prepared by you or under your direction?**

11 **A.** Yes, it was prepared under my direction.

12 **Q. Please describe how Aqua America Inc. (Aqua Corporate) the parent**
13 **company of AUF is organized and how the costs of Aqua Corporate and its affiliates**
14 **are distributed to AUF.**

15 **A.** Aqua Corporate has two divisions that allocate costs to the individual states. The
16 first is Aqua Services Inc. (ASI). ASI accumulates and allocates common payroll from
17 the Aqua Corporate Pennsylvania office. It also accumulates invoices that are common to
18 all the states. These costs are allocated in two separate billings to the states. The payroll
19 is charged based on time sheet hours. The hours are multiplied by a rate that includes
20 estimated payroll costs, benefits, taxes, pension costs, and space costs. The invoices are
21 charged through a sundry allocation that allocates the costs based on meters.

22 The second division is the Aqua Customer Organization (ACO). The ACO does
23 customer billing and handles the call center. The ACO accumulates all of its costs
24 including payroll, space, and various invoices and allocates to the states that use the
25 billing system based on number of meters.

1 In addition to the two divisions, Aqua Corporate allocates certain costs directly to
2 the states. Insurance is separately allocated from Aqua Corporate. Each policy is
3 allocated based on information provided to the insurance companies. Aqua Corporate and
4 ASI also charge the states for some items paid on a consolidated basis but, are considered
5 direct charges because the bills can be specifically identified by state. These costs include
6 fleet charges, lock box charges, and health insurance.

7 All of the costs discussed above are charged to a headquarters cost center in
8 Florida which is part of Aqua Utilities Florida, Inc. (AUF). AUF has two counties that
9 are not regulated by the PSC and one system that is regulated by the PSC but not included
10 in the filing. In addition to the Aqua Corporate costs, AUF headquarters has its own
11 payroll and office costs. The AUF headquarters allocates all of the Aqua Corporate and
12 AUF headquarters costs based on two allocations. The payroll related costs are allocated
13 based on direct labor and the other costs are allocated based on number of customers.

14 **Q. Please describe the work you performed in the audit of the transactions**
15 **between AUF and its affiliates.**

16 **A.** We reviewed the external audit work papers to determine if we could rely on the
17 internal controls of Aqua Corporate and AUF. We reviewed the Board of Directors
18 minutes to determine if any changes to future operations would change the test year.

19 We reviewed the allocation methodology used for ASI, the ACO, Corporate, and
20 AUF headquarters by recalculating the allocation percents and verifying numbers of
21 customers to source documents. We also tested direct charges from Aqua Corporate to
22 AUF headquarters. We reviewed the information provided to the insurance companies
23 and recalculated the Florida portion.

24 AUF allocated the information technology assets to the individual AUF operating
25 divisions in its adjustments to rate base in the AUF MFRs for each rate band. The only

1 Aqua Corporate assets that are allocated to AUF are the information technology
2 improvements allocated by individual invoice to AUF. AUF allocated these costs using a
3 number of customer allocation method. We tested the additions to the total AUF amount
4 by selecting several work orders. From those work orders, we selected individual entries
5 and traced them to source documentation. We verified the allocation methodology by
6 recalculating the amounts using the number of customers for each division. No errors
7 were found.

8 We performed an analytical review of expenses for ASI and the ACO to determine
9 if there were unusual trends or amounts. We selected items based on these reviews and
10 obtained supporting documentation for them.

11 We audited ASI and the ACO payroll. We selected a sample of ASI sundry
12 expenses and ACO expenses and traced them to source documentation. We traced
13 insurance information to policies and invoices and reviewed the allocation methodology.

14 We audited the AUF payroll. We selected a sample of AUF headquarter expenses
15 and traced to supporting documentation. We reviewed payroll, benefits and taxes for all
16 of AUF. We reconciled the allocation schedules to the MFRs for the test year.

17 We obtained supporting documentation for all of the normalizing and proforma
18 adjustments to Net Operating Income that related to any allocated amount. We
19 recalculated and traced them to the test year amounts.

20 We obtained total payroll amounts for ASI, the ACO, and the entire AUF payroll.
21 We traced a sample to the W-2 forms.

22 The payroll for ASI is charged to AUF by individual employee. The employee
23 hours are based on the time sheets. We selected a sample of the time sheets and traced
24 them to the service bills. The amounts per hour were recalculated. The hourly rates
25 include benefits, pension, taxes, and office space. The rates are based on estimates

1 developed at the beginning of the year. We selected a sample of employees and verified
2 the rates used to the supporting documentation. For some of the employees, the estimates
3 were compared to actual costs. Total ASI payroll was 9.63% higher in the test year than
4 in 2008.

5 The ACO payroll was included in the allocation of the organization costs and was
6 allocated to AUF based on meter count. For the ACO, the payroll in the test year was
7 15.62% higher than in 2008. A portion of this increase (6%) is due to additional
8 employees.

9 For AUF, we selected time sheets for some employees and reconciled the hours to
10 the payroll documentation. We also traced a sample of entries from the payroll data sheet
11 to the ledger. We reconciled the payroll data to the MFRs. We also reviewed the
12 supporting documentation for the normalizing and proforma payroll adjustments to Net
13 Operating Income in the MFRs for AUF. The Florida payroll was approximately 11%
14 less in the test year than in 2008.

15 We selected samples from the ledgers of ASI and the ACO and traced them to
16 supporting documentation. We also reviewed invoices that are charged to AUF from
17 Aqua Corporate and ASI but are based on direct charges as opposed to an allocation
18 methodology, such as fleet services and bill processing.

19 We sampled the expenses charged to AUF operating companies from the AUF
20 Headquarters division. These expenses include items paid on a consolidated basis but, are
21 considered direct charges because the bills can be specifically identified by state. These
22 costs include fleet charges, lock box charges, and health insurance.

23 We reviewed the capital structure and traced the cost of capital information,
24 excluding deposits and deferred taxes from the MFRs to the source documents. We traced
25 the debt and equity components to the ledger. We obtained and traced the loan

1 documents to the debt schedules. We recalculated the cost rate for equity using the latest
2 Commission order. We read the Aqua America, Inc. annual report.

3 **Q. Please review the audit findings in this audit report, Exhibit KLW-2.**

4 **A.** There were eight findings in this audit.

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6 Audit Finding 1

7 Audit Finding 1 concerns the development of the percentages used in the
8 allocation process to costs charged from the various affiliated companies to AUF. Aqua
9 starts with a customer count but actually adjusts the customers to a meter count in
10 determining the percentage of costs to allocate to AUF. As pointed out in Audit Finding
11 1 the Commission has used the Equivalent Residential Connection (ERC) allocation
12 methodology in another rate case involving an operating utility and the costs allocated to
13 it from its affiliated companies. We did not have ERCs in this case. However, if the
14 allocation of expenses is based on customers in this rate case, expenses would be reduced
15 by \$5,144.

16 Audit Finding 2

17 Audit Finding 2 relates to the Sundry Expense allocation from ASI. We selected a
18 sample of invoices that were charged through the sundry allocation from ASI and
19 determined certain expenses not related to AUF operations or non-recurring in nature
20 should be removed. As discussed in more detail in Audit Finding 2, expenses should be
21 reduced by \$5,586.01 for the total filed cases.

22 Audit Finding 3

23 Audit Finding 3 addresses investor relations, promotions, and sponsorship of
24 events. We sampled the ASI expenses and found several promotional items. We found
25 that expenses in this rate case should be reduced by \$681.24.

1 Audit Finding 4

2 Audit Finding 4 discusses the expenses charged to AUF from the AUF
3 Headquarters division that we sampled. We found that allocated expenses should be
4 reduced by \$53,695.19 for this rate case.

5 Audit Finding 5

6 Audit Finding 5 shows the amount of director and officer liability insurance
7 charged to AUF. This expense was disallowed in Commission Order PSC-09-0385-FOF-
8 WS. Expenses should be reduced by \$10,577.34 for this rate case if this expense is
9 disallowed.

10 Audit Finding 6

11 Audit Finding 6 relates to the allocation of AUF's salary adjustments for net
12 terminations, new hires and administrative salary increases. These adjustments were
13 allocated only to the utilities in this rate case and should have been be allocated to all
14 AUF utilities. The recalculation of the allocation of these adjustments results in a
15 decrease to operating expenses of \$100,087.

16 Audit Finding 7

17 Audit Finding 7 relates to AUF's health insurance allocation. AUF arrived at a
18 total increase in health insurance and allocated it based on number of customers.
19 However, actual health insurance is allocated based on labor in AUF's ledger. The
20 recalculation of the allocation of these adjustments results in a decrease to operating
21 expenses of \$11,196.

22 Audit Finding 8

23 Audit Finding 8 identified a correction to AUF's proforma adjustment for its
24 Market Based Salary Study. The Audit finding concluded that operating expenses should
25 be reduced by \$23,693. However, after reviewing AUF's response to the staff audit

1 report we have concluded that the Utility's calculation was correct and that Audit Finding
2 8 should be withdrawn.

3 Q. Are you sponsoring any other Exhibits?

4 A Yes, I prepared Exhibit KLW-3 which summarizes the Aqua Corporate allocations
5 to AUF. This exhibit summarizes the Aqua Corporate charges by rate band. I am also
6 sponsoring audit workpaper 48-4 from the Aqua Utilities Florida, Inc. Affiliate Audit No.
7 10-181-4-1 which shows the detail of the Aqua Corporate charges by rate band presented
8 in Exhibit KLW-3. Audit workpaper 48-4 is identified as KLW-4.

9 Finally, I am sponsoring Volume 5 of 5 of the Aqua Utilities Florida, Inc. Affiliate
10 Audit No. 10-181-4-1. The Commission granted AUF's request for confidential
11 classification for Volume 5 of the workpapers for Audit No. 10-181-4-1 by Order No.
12 PSC-11-0413-CFO-WS, issued September 26, 2011, in Docket No. 100330-WS.
13 Included with my testimony is a redacted version of Volume 5 identified as KLW-5. The
14 original un-redacted version is on file with the Commission Clerk

15 Q. Does that conclude your testimony?

16 A. Yes.

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(Transcript continues in sequence with Volume
8.)

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

3

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

6

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

9

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

12

DATED THIS 27th day of December,
 13 2011.

14

15

Linda Boles
 LINDA BOLES, RPR, CRR
 16 FPSC Official Commission Reporter
 (850) 413-6734

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