

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water and )  
wastewater rates in Alachua, Brevard, DeSoto, )  
Highlands, Lake, Lee, Marion, Orange, )  
Palm Beach, Pasco, Polk, Putnam, )  
Seminole, Sumter, Volusia, and Washington )  
Counties by Aqua Utilities Florida, Inc. )  
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DOCKET NO. 080121-WS

Dated: November 19, 2008

**REBUTTAL TESTIMONY**

**OF**

**GARY S. PRETTYMAN**

**on behalf of**

**Aqua Utilities Florida, Inc.**

DOCUMENT NUMBER-DATE

10807 NOV 19 08

FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**AQUA UTILITIES FLORIDA, INC.**

**REBUTTAL TESTIMONY OF GARY S. PRETTYMAN**

**DOCKET No. 080121-WS**

1 **Q. Please state your name, occupation and business address.**

2 A. My name is Gary S. Prettyman and I am a Principal of AUS Consultants. My  
3 business address is 155 Gaither Drive, Suite A, Mt. Laurel, New Jersey, 08054.

4 **Q. Have you previously filed testimony in this proceeding?**

5 A. Yes.

6 **Q. Are you sponsoring any exhibits to your rebuttal testimony?**

7 A. Yes, I am sponsoring Exhibit GSP-1.

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

9 A. The purpose of my testimony is to respond to portions of the direct testimony  
10 of OPC witness Ms. Kimberly Dismukes relating to billing issues. In  
11 particular, my testimony responds to claims by Ms. Dismukes that she has  
12 discovered errors in AUF's billing records. I also explain that Ms. Dismukes  
13 has misinterpreted how I conducted the billing analysis for AUF, and distorts  
14 AUF's effort to ensure its conversion to a new billing system was done  
15 properly.

16 **Q. Have you performed billing analyses for other utilities?**

17 A. Yes, I have prepared bill analyses for the majority of the companies listed on  
18 Appendix A attached to my prefiled direct testimony.

19 **Q. In your opinion, is it common for other utilities to use consultants to**  
20 **perform their bill analyses?**

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1 A. Yes.

2 **Q. On Page 48, Ms. Dismukes claims that her Schedule 7 summarizes**  
3 **“errors” in the Company’s billing records. Do you agree with her claim?**

4 A. No. Ms. Dismukes' claim that there were billing errors is based on her  
5 misunderstanding of information that AUF provided in response to OPC's  
6 Request for Production of Documents No. 153. Contrary to Ms. Dismukes'  
7 assertion, that information does not show billing "errors." Instead, it  
8 demonstrates that the Company made adjustments or true ups during the test  
9 year which are typical in the normal course of utility business. In fact, the  
10 majority of the amount of adjustments or true ups were the result of the interim  
11 rate refund that the Commission ordered the Company to make. I explained  
12 this during my deposition. Unfortunately, Ms. Dismukes continues to  
13 misinterpret the nature of this information. Consequently, her analysis in  
14 Schedule 7 is flawed.

15 **Q. Can you please elaborate?**

16 A. In preparing Schedule 7, Ms. Dismukes starts with gross billed revenue and  
17 compares that gross revenue figure to the booked revenue. She then labels the  
18 variance between gross billed revenues and booked revenues as “Errors or  
19 Adjustments,” and calls the variance percentage “Error Percentage.” She has  
20 essentially assumed a billing error because there is a variance between gross  
21 billed revenues and booked revenues. This is a faulty assumption because  
22 gross billed revenues rarely, if ever, match booked revenues.

23 **Q. Did you explain this during your deposition on September 19, 2008?**

24 A. Yes. There was an extensive discussion on this issue during my deposition on  
25 September 19, 2008, beginning at page 10, line 25 through Page 18, line 3.

1 That discussion focuses on the steps I took to summarize the raw billing data  
2 that I received from the Company, and points out that, in conducting a proper  
3 billing analysis, it is extremely important to capture all billing information that  
4 ultimately gets booked to revenue. I also explained that you have to deduct the  
5 credit adjustments from the gross billing data in order to get the net billing  
6 information. These credit adjustments include everyday items such as  
7 surcharges, reconnect charges, refunds and bad check charges. It is the net  
8 billing number that needs to be reconciled to the booked revenues. In  
9 preparing Schedule 7, Ms. Dismukes fails to account for (subtract) the credit  
10 adjustments depicted in the "Summary" tab of AUF's response to OPC's  
11 Request for Production No. 153. Without doing this, her schedule is seriously  
12 flawed.

13 **Q. Have you prepared an exhibit that shows the flaws in Ms. Dismukes'**  
14 **Schedule 7?**

15 A. Yes. In Exhibit GSP-1, I address Ms. Dismukes' calculations for Lake Gibson  
16 Estates Water System. In that exhibit, I identify the credit adjustments that she  
17 failed to take into account, and then depict how the calculation should have  
18 been made. My schedule shows that without taking into account the credit  
19 adjustments, Ms. Dismukes arrives at a variance of 51.45%. After the raw data  
20 adjustments are included, the variance is 10.85%. The bottom of this schedule  
21 shows that after detailed analysis the variance between net billed revenue and  
22 booked revenue was only .49%. To get from the raw data variance of 10.85%  
23 to the final variance of .49%, I went through a series of detailed steps.

24 **Q. Please summarize the steps you took as part of your billing analysis to**  
25 **arrive at final net billed revenue number?**

1 A. First, I reviewed the data that was downloaded from AUF's billing system, and  
2 sorted the data into each of the separate systems because that data was  
3 downloaded in total. This raw data included any bill or adjustment that  
4 affected the customer's account. After an initial review of the raw data, the  
5 variance between booked and billed revenue was approximately 5%. Thus, I  
6 made a preliminary determination that the data was reliable to move forward  
7 with my detailed analysis.

8 After I made this preliminary review of the raw data, I proceeded with  
9 my detailed analysis. I sorted the raw data by the different rate codes and  
10 meter sizes. I reviewed cancelled bills and sorted them out because they were  
11 replaced by a new bill. I then needed to account for certain records related to  
12 the April 2007 interim rate increase.

13 The next step was to look at average number of service period days by  
14 each grouping (customer class and meter size). The Company considers a full  
15 period bill to be within 26 to 33 days. The majority of the averages were  
16 approximately 30 to 31 days. Occasionally, if the service period was larger  
17 than 35 days, I would look closer to see if there was a bill with a long service  
18 period that needed to be adjusted. This would generally only occur with a  
19 commercial grouping with a small number of bills.

20 After all of those functions were performed, I would take the number of  
21 bills and consumption and prepare a bill analysis summary, similar to Schedule  
22 E-2. I would then price out the bills and consumption at present rates and  
23 compare the result to booked revenue. If that comparison had a variance of  
24 approximately 2% or greater, I would then look further to see if there were any  
25 issues with booked revenue, such as a credit in January that belongs to billing

1 data from the prior December. In that case, for comparative purposes only, I  
2 would adjust the booked revenue. The final E-2 schedule would reflect the  
3 actual booked revenue. If the bill analysis revenue was under the booked  
4 revenue, I would review the query working tab that was provided in AUF's  
5 response to OPC's Request for Production No. 153 to see if there was a  
6 specific reason.

7 Lastly, if after all the analysis a system had a variance that was close  
8 but still over 1%, I made an adjustment to the benefit of AUF customers.

9 **Q. Please elaborate on the final adjustments that were made to the benefit of**  
10 **AUF's customers?**

11 A. There were certain systems where the analysis that I performed still had a  
12 variance between bill analysis and booked revenues of greater than 1 percent.  
13 For example, if I came across a variance that was 1.19 percent like in the Lake  
14 Gibson Estates system, my personal goal was to be within 1 percent. So, I  
15 would make an adjustment to bring the variance to within 1 percent. These  
16 were not large adjustments – just minor tweaks with which I felt comfortable to  
17 bring the variance to within my personal goal of 1 percent and to benefit the  
18 customers.

19 **Q. Ms. Dismukes suggests that you made the consumption adjustment to**  
20 **"fudge" consumption data to give an unwarranted appearance of**  
21 **accuracy. Do you agree with her characterization?**

22 A. No, I strongly disagree. I made the final minor consumption adjustment to  
23 bring the variance to within my personal goal of 1 percent. Prior to making  
24 this last adjustment, a variance of AUF's combined water and wastewater  
25 systems was approximately 2.70%. In my opinion, it would have been entirely

1 appropriate to use those present rate revenues for billing determinants without  
2 making the final consumption adjustment.

3 **Q. Please explain why you say that this consumption adjustment was in the**  
4 **interest of the customer.**

5 A. Because, if I did not make this adjustment, the present rate revenues would  
6 have been lower, causing the requested increase to be greater.

7 **Q. Ms. Dismukes suggests that the Commission should be concerned about**  
8 **the test year billings because of customer complaints regarding estimated**  
9 **bills. Do you agree?**

10 A. No. The billing data that was provided to me for the 2007 test year contained  
11 data which reflected actual or trued up bills. This is automatically done in the  
12 billing system after an actual read is obtained. Therefore, estimated reads in  
13 the test year were updated with actual data.

14 **Q. Ms. Dismukes refers to an internal audit report in her testimony. Have**  
15 **you read this report?**

16 A. Yes.

17 **Q. Do you agree with how Ms. Dismukes characterizes that report in her**  
18 **testimony?**

19 A. No. Ms. Dismukes improperly attempts to portray the report as some type of  
20 evidence that there were significant billing problems during the test year. I  
21 strongly disagree with that characterization. After reading the entire report, it  
22 appears that the Company wanted to make sure that the conversion to its new  
23 billing system was done properly.

24 **Q. After reading the report, does it affect your analysis?**

25 A. No. In fact, I am encouraged that the Company initiated such an audit and it

1           seems like a prudent thing to have done after such a conversion. Also, as I  
2           noted previously, the billing data that was provided to me for the 2007 test year  
3           contained data which reflected actual or trued up bills. This is automatically  
4           done in the billing system after an actual read is obtained. Therefore, estimated  
5           reads in the test year referenced in the report were updated with actual data.

6           **Q. After all of Ms. Dismukes' discussions about billing determinants, did she**  
7           **recommend any adjustments to the as-filed level of present rate revenues?**

8           A. No, Ms. Dismukes did not recommend an adjustment.

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

10          A. Yes it does.



Aqua Florida  
 Lake Gibson Estates 6434

			<u>Kim Dismukes</u>	<u>What She Forgot</u>	<u>What she should Have</u>
<b>Billed revenues per database</b>					
F353	Residential	182,172.40	182,172.40		182,172.40
F351	Commercial	8,108.98	8,108.98		8,108.98
F473	Surcharge	19,023.72	19,023.72		19,023.72
<b>Misc service revenues</b>					
Reconnect					
FD27	Turnon	1,725.00	1,725.00		1,725.00
FF15	RTNF	320.00	320.00		320.00
FC28	RECN	425.00	425.00		425.00
FB27	RFND	2,450.41	2,450.41		2,450.41
<b>Customer deposits</b>					
FU26	Return Deposit	(3,160.60)			
FV26	appl'd interest R	(691.82)			
FV11	appl'd interest C	(3.57)			
	<b>Total</b>	<b>210,369.52</b>	<b>214,225.51</b>		<b>214,225.51</b>
<b>Total from file unsorted</b>		<b>210,369.52</b>			
<b>Billing from above</b>		<b>209,305.10</b>			
<b>Adjustments</b>					
	Turnon	1,725.00			
	RTNF	320.00			
	RECN	425.00			
	RFND	2,450.41			
F353		(53,111.14)		(53,111.14)	
F351		(2,329.74)		(2,329.74)	
F473		(1,957.58)		(1,957.58)	
FC28		(50.00)		(50.00)	
FD27		35.00		35.00	
FF15		(20.00)		(20.00)	
	<b>Total</b>	<b>156,792.05</b>		<b>(57,433.46)</b>	<b>(57,433.46)</b>
	<b>Booked</b>	<b>141,451.22</b>	<b>141,451.22</b>		<b>141,451.22</b>
		15,340.83	72,774.29		15,340.83
		10.8453%	51.45%		10.85%
			38,439.00 Refund		
			34,335.29 Adjusted		
			24.27%		
<b>As filed bill analysis</b>					<b>140,764.00</b>
<b>( See Deficeny 23A attachment)</b>					<b>-687.22</b>
					<b>-0.49%</b>