

AQUA UTILITIES FLORIDA, INC.

DIRECT TESTIMONY

OF

CHRISTOPHER H. FRANKLIN

(Docket No. 080121-WS)

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FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

AQUA UTILITIES FLORIDA, INC.

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Q. What is your name and business address?

A. My name is Christopher H. Franklin. My business address is 762 Lancaster Avenue Bryn Mawr, PA 19010.

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

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

Q. Please describe your education and business experience.

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

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

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

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

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

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

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

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

21 **Q. Please describe AUF.**

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

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

1 **time of purchase.**

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

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

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

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

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

19 **RESPONSE TO AUF CUSTOMER CONCERNS**

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

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

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

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

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

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

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

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

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

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

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

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

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

2 Q. **Does this conclude your testimony?**

3 A. Yes, it does.