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090392-WS

From: Michele Parks [michele@RSBattorneys.com]
Sent: Monday, February 15, 2010 4:11 PM
To: Filings@psc.state.fl.us
Cc: Jared Deason; Jennifer Brubaker; Steve Lubertozzi; keweeks@uiwater.com; Patrick Flynn; jdwilliams@uiwater.com; frank seidman; Christian W. Marcelli
Subject: Docket No.: 090392-WS; Utilities, Inc. of Pennbrooke
Attachments: PSC Clerk 11 (Response to Staff's 3rd Data Request).ltr.pdf

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- b. Docket No.: 090392-WS; Application for Increase in Water and Wastewater Rates in lake County, by Utilities, Inc. of Pennbrooke
- c. Utilities, Inc. of Pennebrooke
- d. 6 pages
- e. The Utility's response to Staff's Third Data Request dated January 26, 2010

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February 15, 2010

E-FILING

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No. 090392-WS; Application for Increase in Water and Wastewater Rates
in Lake County by Utilities, Inc. of Pennbrooke
Our File No.: 30057.177

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket is the response of Utilities, Inc. of Longwood (the "Utility") to Staff's request for information dated January 26, 2010. Staff has requested the following information in order to complete its analysis in the above-referenced docket.

1. On MFR Schedules B-7 and B-8, the salaries have increased by \$44,620 or 65.17 percent for Account Nos. 601 and 603 and \$31,774 or 49.27 percent for Account Nos. 701 and 703 since 2005. In prior Utilities, Inc. (UI) cases, UI cited customer growth and increased revenues as the justification for adding several new customer support employees, both in the state of Florida as well as positions in Northbrook, IL whose salaries were allocated to UI's subsidiaries.
 - (a) Due to the recent sale of UI systems (including, but not limited to, Miles Grant, Wedgefield, and a large subsidiary in North Carolina)

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which should cause a decline in UI's revenues, please explain why no reductions to salaries have been made.

- (b) Please provide all the Utility's support justifying its salary increases since 2005. At a minimum, please include in your response each employee's name, title, salary amount for all direct employees, gross salary amount and allocated salary amount for all indirect employees, and a detailed description of the duties and responsibilities of all direct and allocated personnel employed in 2005 and those employed in 2008. Please include as an explanation and a detailed support for any new direct or allocated salary employees and provide support for any salary increases from 2005 to 2008 for existing direct and allocated salary employees that are still employed by UI in 2008.

RESPONSE: To be provided under separate cover.

2. In past rate proceedings for several of Pennbrooke's sister utilities, UI has stated that the purpose of the Project Phoenix was to improve the Utility's capabilities and processes in their accounting, customer service, customer billing, and financial and regulatory reporting areas. As Project Phoenix has been fully deployed for nearly one year, please provide the benefits realized as a result of the Project Phoenix in regard to the Utility's accounting, customer service, customer billing, and financial and regulatory reporting areas, including the cost savings realized (*i.e.*, personnel reductions) and all quantifiable benefits.

RESPONSE: The purpose of Project Phoenix was to improve the Utility's capabilities and processes in our accounting, customer service, customer billing and financial and regulatory reporting areas. Project Phoenix has been completed for one year as of December 3, 2009 and the Company has already realized many benefits in the above listed areas.

UI management selected JD Edwards Enterprise One ("JDE") as the financial system, including asset management, and Oracle's Customer Care and Billing System ("CC&B") as the customer information system. These systems are integrated in a manner

that allows for the sharing of crucial information between the Company's different operational organizations, as well as providing access from multiple locations because the system is web based.

JDE is a significant asset to UI and its operating subsidiaries, it allows for enhanced tracking and integration components, which improve the Company's ability to record and retrieve data. UI is utilizing the accounts payable system for cash management. It is used to issue checks, perform electronic funds transfers, and perform bank reconciliations and expense reimbursements. The system has enhanced record keeping and retrieval functions, making the production of financial and regulatory reports easier; this is evidential in many sectors but specifically in the time capture module, which enables all employees to enter their time for tracking purposes, have time approved by their supervisor, and charge it directly to capital projects, if applicable. In addition, the reports are becoming more accurate. The system also reduces manual effort and reliance on spreadsheets, which again improves the reliability of reports, which is evidential in the fixed assets reporting function that covers the asset management requirements of UI. Assets are tracked throughout their entire lifetime, including automatic depreciation, retirements and tax calculations, which ultimately benefits customers by improving the management decision making process and allowing the Company to more efficiently deliver reliable information to regulators. The capital project and job cost functionality covers the project budget setup and schedule, and also allows management to monitor its costs. UI uses these functionalities in order to improve visibility of project status. As cost and purchases are updated in JDE, this same information is viewed in real-time. Capital project approvals are also included in JDE using the procurement module approval process. JDE is allowing employees to manage projects and costs in a more effective manner, which benefits the Company and customers. JDE also allows UI to utilize requisitioning which is dealt with within the procurement module of JDE, covering purchases from outside vendors. The procurement module is used to record and track purchases against capital projects, assets such as maintenance and replacement parts, IT related purchases and various other purchases such as office supplies and furniture. The procurement module approval process is used to record capital project approval as well.

UI's legacy customer care and billing system was fully customized and unsupported. The system had several weaknesses. Customer and premises information were linked in one account. As residents moved, the service order history at the premises was purged and prior service activities eventually became unavailable for

viewing. This resulted in the loss of valuable information. In addition, field personnel were sent daily service orders either through email or fax. They did not have access to the legacy billing system. Upon completion of the service orders, the information was emailed or faxed back to the billing office for closure of the orders. The process was manually intensive and led to untimely responses due to incomplete fax transmissions. Additionally, as residents moved from one premises to another within the Company, they were issued a new account number. There was no efficient means of tracking a customer and transferring payment information, service history and billed services (debt) from one account to another.

CC&B allows the Company to focus on either a customer or a premises. Field activity information at a premises is stored in the records indefinitely, allowing field personnel to retain prior history of past service issues at a residence. This allows them to act in a cost effective manner when considering repair or replacement of equipment or lines at a premises. In addition, CC&B automates field activities to the field. A background process makes key decisions about assignments and timing. CC&B automates field activity dispatching and allows for uploading and downloading to hand-held devices. The system allows the field operators to complete field activities in a live environment so that CSR's (customer service representatives) have the information available to them as soon as the order is completed.

CC&B system has several other improvements when compared to the legacy system. For instance, the billing estimation function is improved. It now includes a three tier process that incorporates customer history from last years' same period, customer history for last three to six months, and trend data from the customer's trend area (CIS Division) and trend class (Residential and Commercial). In addition to the billing estimation function, the system also provides for the automatic proration of billings based on number of days in a read period or bill period. This functionality has reduced the type of bill proration issues UI subsidiaries have faced in the past. CC&B also allows for the automated dispatching of Field Orders/Field Activities to operators for a more timely response to customer and service issues. The system also allows for an efficient means of billing customers who have one account, but more than one premises. In addition, CC&B also allows customer service representatives more customer history and information to better facilitate questions from customers by providing both a history of meter reads and a history of billings (the Legacy system only held the previous twelve months). Field Operations now has access to customer premises and service point information as well as meters and meter readings. The system also allows account

numbers to stay with the customer for life. This gives the Company the ability to track a customer from location to location. The system also produces randomly generated account numbers, which has reduced the number of misapplied payments. CC&B provides with more information displayed on one screen for customer service to assist customers. The legacy system required moving from one screen to another. CC&B also features an automatic collections and severance process which reduces error from input, accidental disconnections for a customer for non-payment have been reduced. And finally, updates to the system are real time with respect to the completion of field activities, customer payments and adjustments and customer information.

There have been many advantages and improvements to Utilities, Inc. and its subsidiaries since the implementation of Project Phoenix, and there are many more that will be realized over time, but, at this point it is difficult to determine the quantifiable cost savings and benefits because the system is still being acclimated to all aspects of the company.

3. In Pennbrooke's response to Audit Finding No. 4, the Utility states that it believes that the Audit Staff has a typo in their numbers. Could you please be more specific about this possible typographical error?

RESPONSE: The error is in audit staff's numbers in the "restated average per company" column. Please see the table below.

NARUC A/C	OBJECT A/C	A/C DESCRIPTION	COMPANY BALANCE	AUDIT STAFF BALANCE	DIFFERENCE
108.1	2001	A/D - COMMUNICATION EQPT	(3,105)	(3,455.00)	350
108.1	2330	COMP SYSTEM AMORTIZATION	(7,127)	(7,051.00)	(76)
340.5/390.7	1590	COMP SYSTEM COST	104,033	102,823.00	1,210

The correction of the error amounts to a rate base impact for Pennbrooke of \$1,484.

4. In Pennbrooke's response to Audit Finding No. 1 the Utility states that it uses monthly depreciation. In the Utility's response to Audit Finding No. 6, the Utility states that it uses a half-year convention on WSC assets. Does the company use monthly or half-year depreciation?

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
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RESPONSE: The Company uses monthly depreciation for its individual company assets. However, half-year convention has been traditionally utilized for assets at the WSC level and regional levels.

Should you or the Staff have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,



CHRISTIAN W. MARCELLI
For the Firm

CWM/der

cc: Steven M. Lubertozzi, Executive Director of Regulatory Accounting & Affairs
(via e-mail)
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