

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water and
Wastewater rates in Alachua, Brevard,
Highlands, Lake, Lee, Marion, Orange,
Palm Beach, Pasco, Polk, Putnam, Seminole,
Sumter, Volusia, and Washington Counties
by Aqua Utilities Florida, Inc. _____ /

Docket No. 100330-WS

Filed: October 27, 2011

REBUTTAL & SUPPLEMENTAL TESTIMONY

OF

EARL POUCHER

On Behalf of the Citizens of the State of Florida

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1 **REBUTTAL & SUPPLEMENTAL TESTIMONY**
2 **OF**
3 **EARL POUCHER**

4
5 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

6 A. My name is Earl Poucher. My business address is 111 W. Madison Street, Room
7 812, Tallahassee, FL 32399-1400.

8
9 **Q. WHO ARE YOU EMPLOYED BY, WHAT IS YOUR POSITION AND**
10 **HOW LONG HAVE YOU BEEN EMPLOYED THERE?**

11 A. I am a Chief Legislative Analyst with the Office of Public Counsel, State of
12 Florida, where I have been employed for the past 20 years.

13
14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. I am presenting rebuttal testimony to the testimony filed by staff witnesses
16 Stallcup and Hicks in this docket. In addition, I am presenting supplemental
17 testimony on behalf of the Office of Public Counsel in order to incorporate the
18 customer input received during the customer service hearings that concluded after
19 Intervenors' direct testimony was filed on September 22, 2011, in this docket.

20
21 **Q. DID YOU HAVE AN OPPORTUNITY TO REVIEW THE CUSTOMER**
22 **SERVICE HEARING TRANSCRIPTS AND ATTEND SOME OF THE**
23 **CUSTOMER SERVICE HEARINGS?**

24 A. Yes. As I stated I would in my direct testimony, I have reviewed the transcripts
25 from the Service Hearings held in August, September, and October 2011. I was

1 also able to attend the Service Hearings held in New Port Richey and Lakeland,
2 Florida. Based on my review of the service hearing transcripts and attending the
3 October service hearings, I have been able to further clarify my opinions and draw
4 some final conclusions regarding Aqua's quality of service and the affordability of
5 rates. Further, my review of the customer testimony and the testimony filed on
6 behalf of Commission staff requires that I rebut some of the assumptions made in
7 Commission staff's testimony.

8
9 **Q. PLEASE SUMMARIZE THE CUSTOMER INPUT AT THE SERVICE**
10 **HEARINGS BASED ON YOUR REVIEW.**

11 A. The customer hearing phase of this docket resulted in sworn testimony from 174
12 witnesses. Despite receiving testimony from this many witnesses, the
13 Commission should take note of several factors. First, the number of witnesses
14 who chose to testify represented only a fraction of the total attendance at the
15 hearings. For example, there were at least 113 people who attended the New Port
16 Richey hearing with direct testimony coming from 36 witnesses. There were
17 several hearings similar to New Port Richey. Second, during the course of the
18 testimony, the Commission received ample evidence that the hearing dates in this
19 docket excluded many customers from being able to attend and participate
20 because many of the Aqua systems serve a majority of snowbirds who are not in
21 Florida during the summer and early fall months. Finally, the Commission should
22 also consider the fact that the times for many of the hearings were inconvenient
23 for many working members of the various communities, and numerous witnesses
24 stated they were representing themselves as well as others who could not attend
25 because of work, disability, child care or parental care responsibilities.

1 In my initial testimony, I noted that the PSC complaints filed by customers
2 represented the tip of the iceberg of the overall customer complaints received by
3 Aqua. I would reemphasize the point that the witnesses who physically attended
4 and testified at the customer hearings presented evidence that is reflective of the
5 larger total customer base.

6
7 **Q. DID ANY OF THE CUSTOMER TESTIMONY PROVIDED AT THE**
8 **OCTOBER HEARINGS CHANGE THE RECOMMENDATIONS YOU**
9 **MADE IN YOUR INITIAL TESTIMONY?**

10 A. No. These October customer service hearings reinforce my primary
11 recommendation that the Commission should reach a finding Aqua's service is
12 unsatisfactory. The customers also provide ample evidence to support a conclusion
13 that Aqua's proposed rates are not fair, reasonable or affordable.

14
15 **Q. DID THE LATEST ROUND OF CUSTOMER HEARINGS PROVIDE**
16 **ADDITIONAL EVIDENCE THAT AQUA'S SERVICE IS**
17 **UNSATISFACTORY AND ITS RATES ARE NOT FAIR, REASONABLE**
18 **AND AFFORDABLE?**

19 A. Yes. Based on my review of the record, the overwhelming majority of the
20 customers who testified regarding Aqua service quality found it to be
21 unacceptable or unsatisfactory. The Commission should not ignore the strong
22 testimony that was submitted during the course of these most recent customer
23 service hearings. During customer meetings and the hearings held in this docket
24 as well as the hearings held in the last rate case, much of the testimony was
25 directed toward poor water quality and operational deficiencies. In addition to the

1 negative service quality that customers continue to complain about, many Aqua
2 customers testified in the recent hearings that they would not be able to keep their
3 homes if the proposed rates were approved and that the existing as well as
4 proposed rates are unaffordable.

5
6 The major difference I perceive from the last rate case in reviewing the transcripts
7 is that the rate increases from Docket No. 080121 have now been imposed on
8 customers, along with the interim rate increases from the current Docket No.
9 100330. During the recent customer service hearings, customers testified
10 extensively about the adverse impacts that these combined rate increases are
11 already having upon their lives and the economic fabric of their communities.
12 The conclusion I reach is that the evidence shows that Aqua's service is
13 unsatisfactory and that its rates are not fair, they are not reasonable and they are
14 not affordable.

15
16 **AFFORDABILITY**

17 **Q. COMMISSION STAFF WITNESS STALLCUP STATES THAT THE**
18 **COMMISSION HAS TAKEN APPROPRIATE ACTION TO ACHIEVE**
19 **AFFORDABLE RATES IN PAA ORDER. DO YOU AGREE?**

20 **A.** I disagree with Mr. Stallcup's conclusions and the customer testimony received in
21 the hearings specifically contradicts his testimony as it relates to affordability. I
22 disagree with Mr. Stallcup's testimony with regard to the affordability of Aqua
23 rates as well as his interpretation of compensatory rates.

1 Q. WHAT IS THE COMMISSION'S STANDARD AS IT RELATES TO
2 RATES?

3 A. I am not a lawyer, so I will not address the legal issues surrounding fair and
4 reasonable rates. My 30 years experiences in the telecom industry, my work as a
5 staff member of the State/Federal Joint Board for Universal Service and my 20
6 years with the Office of Public Counsel provide me with a working definition of
7 the relevant terms that I believe should be applied since the Florida Statutes do
8 not define these terms.

9
10 Section 367.081(2)(a)1, Florida Statutes, states that rates must be just, reasonable,
11 compensatory and not unfairly discriminatory. This section also provides that the
12 Commission shall consider the cost of providing service, including a fair rate of
13 return on the utility's investment. The Florida Statutes relating to rates is similar
14 to those in other state and federal statutes that go back to the earliest days of
15 regulation of public utilities. Aqua provides a monopoly service within its
16 certified service areas that must be regulated by the Commission in the public
17 interest because customers have no choice as to their service provider. The
18 Statutes provide direction as to the Commission's obligations to require fair, just
19 and reasonable rates.

20
21 The conventional definition of fair, or just, is that rates must be set so as to be fair
22 to the companies and fair to customers. "Reasonable" is self explanatory and this
23 term is commonly described in terms of affordability or affordable rates such as in
24 the Telecommunications Act of 1996 where there is a clear mandate that the rates
25 for basic services shall be affordable in order to achieve the goals of universal

1 service. See, 47 USC 254. Fair or affordable rates to me means that the service
2 should be provided at affordable levels within the means of the customer body;
3 without having to sacrifice basic essentials such as food and medicine or having
4 to endure unusual sacrifice or hardship. Any indications that rates are not
5 affordable should trigger an assumption that the rates are not reasonable. So the
6 Commission's obligation under Florida Statutes is to ensure that the rates they
7 approve are fair, just and reasonable, which would also include the concept that
8 rates must be affordable. The Commission's own mission statement as of
9 November 2010 states "... making sure that Florida's consumers receive some of
10 their most essential service - electric, natural gas, telephone, water, and
11 wastewater - in a safe, affordable, and reliable manner."

12
13 **Q. DO YOU HAVE PERSONAL EXPERIENCE IN DEALING WITH THE**
14 **CONCEPTS OF FAIR, JUST, REASONABLE AND AFFORDABLE**
15 **RATES?**

16 A. Yes, I do. As a 12 year veteran as a Staff Member of the State/Federal Joint
17 Board for Universal Service, I have worked extensively with consumer groups,
18 the National Association of State Utility Advocates, NARUC and the FCC in
19 assisting the Joint Board in fulfilling its obligations under the
20 Telecommunications Act of 1996. In addition, our goal when I worked with
21 BellSouth was to produce fair, just, reasonable and affordable rates for quality
22 services.

1 Q. IN YOUR OPINION, IS THE CONCEPT OF AFFORDABILITY
2 ENCOMPASSED IN THE TERMS “FAIR AND REASONABLE” AS USED
3 IN FLORIDA STATUTES?

4 A. Yes. The Telecommunications Act of 1996 which dealt with the issues of fair and
5 reasonable rates in a more expansive manner than the Florida Statutes sheds light
6 on this issue. In 1995, when faced with a bill that attempted to rewrite the
7 telecommunications landscape for the entire country, Congress included specific
8 language in that Act to define the full concept of “fair and reasonable” rates in the
9 federal law by including a mandate that “Quality services at rates that are just,
10 reasonable, and affordable should be available.” See, 47 U.S.C. 254.

11
12 When we speak of the mandates of the Telecommunications Act, the preceding
13 definition captures the goals of the Act and the goals of fair (or just) and
14 reasonable rates as my fellow Joint Board Staff members have viewed it over the
15 past 15 years. The mandates of the Telecommunications Act of 1996 are a
16 clarification of the fair, just and reasonable concepts that public utility regulators,
17 including those in Florida, have followed for decades. While the Florida Statutes
18 fail to use the term affordable, it would be consistent to assume that in the setting
19 of rates that reasonable rates would also be affordable.

20
21 Q. AS YOU HAVE NOTED, THE FLORIDA STATUTES ALSO MAKE
22 REFERENCE TO COMPENSATORY RATES THAT MUST NOT BE
23 UNFAIRLY DISCRIMINATORY. HOW DOES THAT PART OF THE
24 FLORIDA STATUTES SQUARE WITH THE REQUIREMENT TO SET
25 FAIR, JUST, REASONABLE AND AFFORDABLE RATES?

1 A. I start with the observation that simply because a company shows proof that it has
2 spent dollars for a specific purpose does not mean that the Commission should
3 automatically provide cost recovery without regard to the other requirements of
4 the Florida Statutes. The Florida Statutes should not be interpreted narrowly, nor
5 should one requirement receive greater priority than the other requirements. The
6 end result of the Commission's decision in this docket should reflect a balancing
7 of all of the requirements included in the Florida Statutes, and it is my opinion
8 that the decision should demonstrate a sincere effort to achieve such balance. For
9 that reason, I differ with Staff Witness Stallcup's testimony in this regard.

10
11 **Q. DO YOU AGREE WITH WITNESS STALLCUP'S APPLICATION OF**
12 **THE TERM COMPENSATORY IN SECTION 367.081, FLORIDA**
13 **STATUTES?**

14 A. No. As I stated before, Section 367.081, Florida Statutes, reads that rates must be
15 just, reasonable, compensatory and not unfairly discriminatory. The issue of
16 compensatory is just one element in the statute that must be considered by the
17 Commission. Witness Stallcup appears to suggest the Commission must
18 compensate AUF for whatever it spends and the Commission's hands are tied.
19 However, the statutes also require those same rates must be fair and reasonable.
20 The point is that the Commission must exercise latitude to apply sometimes
21 conflicting provisions in the statutes that must be balanced to include the
22 Commission's role as the consumer protector from a monopoly service provider
23 who is not subject to market pressures. The Commission must also consider the
24 substantial testimony from customers that the existing and proposed Aqua rates
25 are not reasonable and are not affordable.

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Q. ISN'T STAFF SIMPLY FOLLOWING THE FLORIDA STATUTES WHEN IT INSISTS THAT IT MUST APPROVE COMPENSATORY RATES?

A. The first question is what the statutes mean by “compensatory.” Webster’s New Collegiate Dictionary, defines compensatory “to supply an equivalent” and compensation to mean “payment and remuneration.” (“compensatory” and “compensate” Webster’s New Collegiate Dictionary, 5th ed. 1977.) The word payment which is the act of paying includes the definition “to make due return for services rendered or property delivered.” (“pay” Def. 1a, Webster’s New Collegiate Dictionary, 5th ed. 1977.) Compensatory also includes the concept of equilibrium between a payment for value received, services rendered or damages incurred. (See “recompense” Webster’s New Collegiate Dictionary, 5th ed. 1977.) Thus, the dictionary definitions include the concept of providing payment equivalent to the value of the service or product sold. For purposes of this docket, the determination should be to set rates that are fair, just, reasonable, affordable and compensatory to customers based upon the value of the product and services they are receiving from Aqua.

While I specifically take issue with Mr. Stallcup’s testimony in this case as it relates to compensatory rates, I also take issue with what appears to be staff’s assumptions that the rate of return should be set at the same level as other regulated companies who meet their obligations of the Florida Statutes to provide satisfactory product and service at fair, just, reasonable and affordable rates. When the statutes refer to compensatory rates, it should not be assumed that, simply because the company spent the money, the ratepayers should be charged

1 for the expense. The Commission should look deeper when there is evidence that
2 a utility's business plan may produce excessively high rates that may be
3 unaffordable to customers or that are not comparable to the rates charged by
4 similar providers with like circumstances.

5
6 **Q. STAFF HAS ALSO PROPOSED TIERED RATES AND CONSERVATION**
7 **GALLONAGE CHARGES THAT WERE INCLUDED IN THE PAA**
8 **ORDER. DO YOU AGREE THAT THE STAFF PROPOSED RATES ARE**
9 **FAIR AND REASONABLE?**

10 A. Normally, Public Counsel does not take issue with rate structures once the
11 revenue requirement is determined by the Commission because a reduction in
12 rates for one group of customers must then be made up by increases imposed on
13 other customers. Public Counsel represents all customers and does not take sides
14 in the rate structure issues of a docket. However, Staff witness Stallcup's
15 testimony that the Commission has done all it can do fails to deal with
16 affordability issues that have arisen due to the overall rate structure.

17
18 **Q. WHY DOES AQUA'S RATE STRUCTURE HAVE AN IMPACT ON**
19 **AFFORDABILITY?**

20 A. If you will recall from the hearings and my direct testimony that dealt with billing
21 and complaints about high bills, there were numerous customers that complained
22 about the devastating financial impacts they encountered when suddenly and
23 without warning, they were billed for thousands of dollars by Aqua. Many of
24 these customers were then threatened with disconnection if they did not pay for
25 these exceptional bills on a timely basis. Many of those same customers were

1 forced by Aqua to agree to payments plans amounting to thousands of dollars in
2 order to avoid disconnection.

3
4 While the conservation gallonage charges included in the PAA Order No. PSC-11-
5 0256-PAA-WS undoubtedly represented staff's best efforts; the Commission
6 should take another look at these issues as they relate to affordability. While
7 water conservation is a worthy and important goal for the State of Florida, it is
8 obviously not the intent of the Water Management Districts to impose financially
9 destructive conservation rates on Florida citizens. For instance, the gallonage
10 differential included in the PAA Order for Rate Band 1 is as follows:

- 11
- 12 • **0-6,000 gal., per thousand gal. \$3.59**
 - 13 • **6,001-12,000 gal., per thousand gal. \$6.70**
 - 14 • **Over 12,001 gal., per thousand gal. \$10.04**

15
16 The first step in the inclining rate structure is almost double the lowest gallonage
17 charge and the third step up is almost triple the rate at the first step.

18
19 All other Aqua customers fall into the Rate Band 2 and the conservation rates for
20 those customers are as follows:

- 21
- 22 • **0-6,000 gal., per thousand gal. \$6.20**
 - 23 • **6,001-12,000 gal, per thousand gal. \$9.30**
 - 24 • **Over 12,001 gal, per 1000 gal. \$12.39**

1 For Rate Band 2 customers, the gallonage charge increases by 50% at the
2 first step and is doubled at the second step above 12,001 gallons.

3
4 **Q. HOW DO THE AQUA CONSERVATION RATES COMPARE TO**
5 **FLORIDA'S CURRENT ELECTRIC CONSERVATION RATES?**

6 A. The typical conservation rates for Florida major electric companies involves a two
7 cent differential between usage bands which represents approximately a 25%
8 increase in the per kwh rate that is applicable to the Energy Charge. That
9 compares to the Aqua conservation differential of almost 300% for Rate Band 1
10 customers and 100% for Rate Band 2 customers, for the gallonage charges that
11 appear on Aqua customer bills.

12
13 **Q. WHAT IS THE REASON FOR THE DIFFERENCES BETWEEN THE**
14 **AQUA CONSERVATION RATES AND THE FLORIDA ELECTRIC**
15 **CONSERVATION RATES?**

16 A. I do not know. I have seen no explanation why there is such a significant usage
17 penalty for Aqua customers' water usage as opposed to the conservation rates paid
18 by Florida electric consumers.

19
20 **Q. DO THE AQUA CONSERVATION RATES IMPACT CUSTOMERS FROM**
21 **AN AFFORDABILITY STANDPOINT?**

22 A. Later in my testimony, I provide an overview of customer service hearing input
23 regarding affordability issues. I believe there is significant evidentiary support
24 that suggests Aqua's current rates have created undue hardships on many Aqua
25 customers who are forced to take extreme measures to limit their usage and hold

1 their bills to affordable levels. I define affordable rates as rates that do not impose
2 undue hardship or sacrifice on customers. It is up to the Commission, as it
3 considers the issue of fair, just, reasonable and affordable rates, to make the
4 difficult decisions needed to achieve the proper balance between conservation
5 goals and affordability.

6
7 **Q. DO THE CONSERVATION RATES IMPACT REVENUES AND**
8 **EARNINGS?**

9 A. There is no doubt the conservation rates currently imposed on Aqua customers are
10 reflective of significant elasticity of demand. Inclining rate structures are
11 designed to achieve that purpose, and less demand due to inclining rates for usage
12 can produce less revenue for the company. As rates increase, demand decreases
13 accordingly and, in the case of Aqua, customers have testified that they are forced
14 to make difficult lifestyle choices or move out of their homes to a non-Aqua
15 territory. The impact customers have described in the customer service hearings
16 is a downward spiral where both the customers, the communities they live in, and
17 the company end up in worse shape at the end of the day. When customers are
18 forced to make lifestyle changes in order to use less water to lower their bills, or
19 move out of their homes, then both the company and its remaining customers are
20 harmed. As Kim Dismukes describes in her testimony, Aqua customers failed to
21 use as much water as the Aqua model had projected under the 2009 rates and
22 there was a revenue shortfall.

23
24 **Q. ARE YOU SUGGESTING THAT THE CONSERVATION RATES BE**
25 **REDUCED?**

1 A. I am suggesting the Commission take a close look at this issue and consider the
2 possibility that a reduction in the most severe rates in the Aqua rate structure
3 might produce higher revenues and earnings in their authorized range for the
4 company while at the same time achieving more affordable rates for customers.

5

6 **Q. HOW CAN A RATE REDUCTION PRODUCE HIGHER EARNINGS?**

7 A. Elasticity of demand works both ways. While a rate increase can reduce demand
8 (while increasing customer hardship), a rate decrease for the usage component
9 could increase demand, reduce customer hardships and increase earnings. The
10 elasticity models used by Commission Staff and Aqua can provide insight into the
11 demand/revenue/cost/ factors that are all at work in the model.

12

13 **Q. IF CUSTOMERS USE MORE WATER AND RATES GO DOWN, WON'T**
14 **AQUA'S EARNINGS ALSO GO DOWN?**

15 A. Not necessarily. If the company's fixed infrastructure costs, O&M, administrative
16 and return costs have been recovered by the base charge and the average usage
17 rates, then the incremental cost for the next gallon of water is insignificant. The
18 inclining rate structure is based on conservation goals and is not cost-based. For
19 purposes of the current docket, it is worthy to note that the conservation rates
20 imposed by the Commission in the 2009 docket produced less revenue than
21 forecast by the model.

22

23 **Q. DO YOU AGREE THAT THE TERM COMPENSATORY REQUIRE THAT**
24 **THE COMMISSION ESTABLISH THE CURRENT BILLING**

1 **DETERMINANTS AT THE LEVEL THAT WOULD ADJUST THE**
2 **REVENUE DUE TO THE 2009 SHORTFALL?**

3 A. No. I agree with OPC witness Dismukes that the billing determinants should be
4 increased to correct for the reduction in usages below the amount of repression
5 accounted for in the consumption calculation from the last rate case. For the
6 reasons I provided previously, I do not believe the term compensatory should be
7 used in isolation to justify increasing the revenue requirement which leads to
8 higher rates. This is especially true when the increased reduction in consumption
9 has been caused by the direct action of the Company as a result of its high rates
10 and poor customer service.

11
12 **Q. PLEASE DESCRIBE THE CUSTOMER SERVICE HEARING**
13 **TESTIMONY YOU HAVE REFERRED TO AS IT RELATES TO FAIR,**
14 **JUST, REASONABLE AND AFFORDABLE RATES.**

15 A. The full testimony taken at the customer service hearings is a part of the record in
16 this docket and each of the Commissioners attended some of those hearings.
17 Since the Commissioners have already heard much of that testimony, I will not
18 repeat each and every customer statement regarding either affordability issues or
19 service quality issues. The substantial record submitted by Aqua's customers
20 regarding these issues stands on its own. The testimony was far reaching and
21 compelling as to the undue hardships created by Aqua rates that are not currently
22 affordable. The affordability complaints entered into the record by customers
23 time and time again include the following categories that I am highlighting for
24 you:

25 **UNDUE HARDSHIPS**

- 1 • Stopped watering lawns,
- 2 • Forced to sink a well,
- 3 • Showers every other day or once a week,
- 4 • Do not flush toilets every time,
- 5 • Wash clothes at Laundromat,
- 6 • Use dishwasher once a week,
- 7 • Use bricks in bathtub to save water,
- 8 • Food versus water, and
- 9 • Choice between eating and watering grass;

10 **NEIGHBORHOOD BLIGHT**

- 11 • Cannot water their lawns,
- 12 • Neighborhood blight,
- 13 • People are moving out,
- 14 • Foreclosures,
- 15 • Yards have become weed farms, and
- 16 • Taking out lawns;

17 **HOME RESALE IMPACTS**

- 18 • Home sales impacted,
- 19 • Cannot sell their home,
- 20 • People have stopped moving there. Don't want to deal with Aqua,
- 21 • Selling house, can't afford, and
- 22 • Driving neighbors from neighborhood;

23 **AFFORDABILITY/UNABLE TO PAY THE BILL**

- 24 • Can't pay the bill,

- 1 • People getting billed for \$1,000, \$1,500,
- 2 • First bill \$1,500,
- 3 • 223% rate increase,
- 4 • 384% rate increase,
- 5 • 250% rate increase,
- 6 • 230% rate increase, and
- 7 • Not billed for 1 ½ years. Then billed \$58,000,

8 **COMPARABLE RATES**

- 9 • Aqua bill for 1,500 gallons = \$63.91, increased from \$28.43,
- 10 Orange County, 4,000 gallons = \$11.92,
- 11 • Double the rates in Palatka that includes garbage pickup, and
- 12 • Aqua rate \$65, Pasco rate \$40.

13

14 **SERVICE QUALITY**

15 **Q. YOU HAVE ALSO STATED YOU ARE REBUTTING STAFF WITNESS**
16 **HICKS IN THIS TESTIMONY. PLEASE EXPLAIN.**

17 A. Ms. Hicks testimony serves solely to place into the record all of the FPSC
18 complaints received from Aqua customers since 2009. She is the only staff
19 witness dealing with customer service issues. The testimony submitted in this
20 docket by Public Counsel Witnesses Dismukes, Vandiver and Poucher fully
21 characterizes the broader view of the full record before this Commission as it
22 relates to the customer service issues. Public Counsel would take exception to any
23 conclusions that may be drawn from the input of Ms. Hicks based solely on the
24 FPSC complaints that have been received and I would point out that Ms. Hicks

1 draws no conclusions as to the overall quality of service provided by Aqua in her
2 testimony.

3
4 **Q. WHAT ARE YOUR SPECIFIC EXCEPTIONS YOU TAKE TO MS.**
5 **HICKS' TESTIMONY?**

6 A. Ms. Hicks' testimony is only 4 pages in length that serves to place into the record
7 the customer complaints filed with the Commission against Aqua received since
8 2009. Ms. Hicks' testimony with regard to the number of complaints is consistent
9 with my direct testimony on PSC complaints except that it covers a longer period
10 of time. However, I take issue with her discussion regarding rule violations. The
11 Consumer Services staff's main job is resolution of the customer problems. The
12 Commission technical staff generally determines whether a rule violation has
13 occurred or not after a full and complete review of the Complaint. So whether
14 Consumer Services staff checked off a rule violation or not was not relevant in my
15 review of Commission complaints. That is why in my direct testimony I ignored
16 the issue of rules violations in the review of Commission complaints.

17
18 Second, due to the small number of rules that apply to water companies, a
19 determination as to the quality of service for a water company should not be
20 conditioned on any specific number of perceived rule violations. For instance,
21 numerous customers have complained that they were suddenly billed for
22 thousands of dollars due to faulty meters that were not timely repaired. Yet, the
23 Consumer Services staff generally found these were not rule violations, except for
24 three cases. While the Consumer Services staff found only three cases of failure
25 to read the meter at regular intervals since 2009, I found 37 cases involving

1 “backbilling” complaints against in Aqua during the past year in the
2 Commission’s complaint files. Whether or not these particular complaints
3 involve a specific rule violation is not the issue. Backbilling complaints are
4 evidence of bad service by Aqua when the company fails to bill for usage over an
5 extended period of time. Therefore, I take issue with bad customer service
6 provided by Aqua to its customers whether that is a rule violation or not.

7
8 **Q. WHAT ARE YOUR CONCLUSIONS TAKEN FROM THE CUSTOMER**
9 **SERVICE HEARINGS?**

10 A. The testimony from the most recent customer hearings simply reinforces the
11 testimony already in the record that demonstrates Aqua’s business plan is
12 producing an unacceptable quality of service for a product that is not drinkable at
13 rates that are unaffordable.

14
15 **Q. PLEASE SUMMARIZE THE CUSTOMER SERVICE COMPLAINTS**
16 **THAT WERE MADE DURING THE CUSTOMER SERVICE HEARINGS.**

17 A. The customer complaints received during the customer service hearings from 174
18 customers was simply a repeat of prior testimony, customer letters and PSC
19 complaints that have already been received by this Commission about Aqua
20 service and included in the direct testimony of OPC witnesses Dismukes,
21 Vandiver and Poucher. New issues have risen regarding AMR (automatic meter
22 reading) activities that are generating serious complaints about inaccurate,
23 inconsistent and non-existent monthly billing for usage. The complaints that
24 Aqua is now receiving relating to high bills (billing spikes) and backbilling for
25 unbilled usage are serious issues that have replaced the numerous complaints we

1 used to receive about the company's failure to read customer meters on a
2 consistent and timely basis.

3
4 **Q. HOW HAVE THE MOST RECENT CUSTOMER HEARINGS CHANGED**
5 **THE SERVICE QUALITY TESTIMONY YOU FILED IN YOUR DIRECT**
6 **TESTIMONY?**

7 A. None whatsoever. The most recent customer hearings simply reinforce my prior
8 testimony and recommendations. More importantly, I waited until all of the
9 customers had been heard by this Commission regarding Aqua service, and I have
10 yet to see any measure of support for the company's rates or service coming out
11 of the most recent hearings. I can remember only a couple of customers stating
12 that their service was satisfactory, their water quality was good or that their rates
13 were fair and reasonable during any of the hearings. The closest endorsement for
14 the company that I heard came from Lake Osborne customers who said they had
15 good water. However, Lake Osborne customers were also quick to add that their
16 water came straight from Lake Wales and that Aqua had no wells or storage tanks,
17 and Aqua provided only the water lines and meters.

18
19 **Q. DID YOU EXPECT TO SEE IMPROVED CUSTOMER RESPONSES**
20 **DURING THE MOST RECENT CUSTOMER HEARINGS?**

21 A. I certainly did. Following the 2009 docket, Aqua was put on notice that it needed
22 to improve its service and was given what has turned out to be over a year to do
23 so. The company was fully aware that its efforts were being monitored. It is
24 reasonable to expect that the latest round of hearings would produce customer
25 support on behalf of the company. That did not happen.

1 **Q. HAVE YOU HIGHLIGHTED THE CUSTOMER COMPLAINTS?**

2 A. Yes. The full transcripts are in the record in this docket. The Commissioners
3 attended most of the hearings and have already heard most of the customer input.
4 I have, therefore, highlighted the issues presented during those hearings as
5 follows:

6 **BACKBILLING AND BILLING ISSUES**

- 7 • Went from 3,000 to 200,000 gallons and nobody came to check,
- 8 • Backbilled for sewer for \$700. Service disconnected,
- 9 • Bill went from \$56 to \$456 in one month,
- 10 • Bill went from \$40 something to \$900, and
- 11 • Customer service issues;

12 **WATER QUALITY ISSUES**

- 13 • Water looks like urine,
- 14 • Water is great,
- 15 • Water smells like sulfur. Told that nothing they could do,
- 16 • Water quality adequate. Don't smell as much as it used to,
- 17 • Had water leak. Had to pay \$600,
- 18 • Won't or can't drink the water,
- 19 • Nobody drinks my water....not even my dog.
- 20 • Quality of water is garbage,
- 21 • TTHMs getting worse,
- 22 • Water still smells,
- 23 • Water is nasty,
- 24 • Sludge coming out of shower,

- 1 • No improvement,
- 2 • Water gets brown when they flush lines,
- 3 • Water quality extremely poor,
- 4 • Sediment in water,
- 5 • Water quality is deplorable, and
- 6 • Can't wash your clothes there.

7 **BOIL WATER NOTICE ISSUES**

- 8 • Failed to receive boil water notices, and
- 9 • Multiple boil water notices;

10 **OPERATIONAL ISSUES**

- 11 • Customer critical of repair activities,
- 12 • Water pressure problems,
- 13 • Water main break – took 5.5 hours to arrive at Lake Gibson. No alarm.
- 14 Unable to reach Aqua,
- 15 • Workers could not locate shutoff valves, and
- 16 • Slow to respond to break in line;

17 **GENERAL**

- 18 • Customer service - Rude service representatives,
- 19 • Takes 2-3 days to get in touch with Aqua, and
- 20 • 50% of PSC complaints come from Aqua.

21

22 **Q. IS AQUA SERVICE QUALITY STILL UNSATISFACTORY?**

23 A. Yes it is. The evidence is conclusive and compelling that Aqua's quality of
24 service is unsatisfactory. Moreover, Aqua needs continuing service improvement

1 incentives to improve the quality of its product and its service. Closing this
2 docket without an effective service improvement incentive as recommended by
3 the Office of Public Counsel would put Aqua's entire Florida customer base at
4 risk of abuse from a company that continues to fail to measure up to the
5 expectations of its customer and the requirements of the Florida Statutes.

6
7 **Q. DO YOU HAVE ANY FURTHER RECOMMENDATIONS FOR THE**
8 **COMMISSION RELATING TO AFFORDABLE RATES?**

9 A. The Commission should take extra steps to ensure that they have fully explored
10 any and all options available to deliver on the Commission's statutory obligations
11 to achieve affordable water rates for Florida Citizens.

12
13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes, it does

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was furnished by e-mail and U.S. Mail this 27th day of September, 2011 to:

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