

Exhibit No.: _____
Issue: Staffing & Payroll
Witness: Charles A. Hernandez
Type of Exhibit: Surrebuttal
Sponsoring Party: Algonquin Water
Resources of Missouri, LLC
Case No.: WR-2006-0425
Date Prepared: January 12, 2007

MISSOURI PUBLIC SERVICE COMMISSION

ALGONQUIN WATER RESOURCES OF MISSOURI, LLC

CASE NO. WR-2006-0425

SURREBUTTAL TESTIMONY OF

CHARLES A. HERNANDEZ

FILED²

FEB 08 2007

Missouri Public
Service Commission

Algonquin Exhibit No. 7
Case No(s). WR-2006-0425
Date 1-22-07 Rptr KP

AFFIDAVIT

STATE OF Arizona)
COUNTY OF Maricopa)

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I, Charles Hernandez, state that I am employed by Algonquin Water Services, LLC; that the Surrebuttal Testimony attached hereto has been prepared by me or under my direction and supervision; and, that the answers to the questions posed therein are true to the best of my knowledge, information and belief.

Charles Hernandez

Subscribed and sworn to before me this 11th day of January, 2007

Barbara Riden
Notary Public

My Commission Expires:

Feb. 3, 2007
(SEAL)

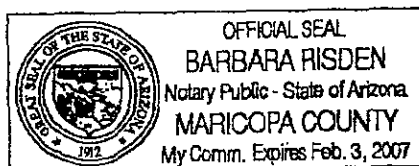


TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
WITNESS INTRODUCTION	1
PAYROLL EXPENSE/STAFFING	2

WITNESS INTRODUCTION

1
2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS**
3 **ADDRESS?**

4 A. My name is Charles A. Hernandez and my business address is 12725 W. Indian
5 School Road, Suite D101, Avondale, Arizona 85323.

6 **Q. ARE YOU THE SAME CHARLES A. HERNANDEZ THAT PREVIOUSLY**
7 **FILED REBUTTAL TESTIMONY IN THIS CASE?**

8 A. Yes.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
10 **PROCEEDING?**

11 A. The purpose of my testimony is to respond to the Rebuttal Testimony of Graham
12 A. Vesely concerning his recommendations to disallow recovery of certain costs
13 related to two employees that provide services to Algonquin Water Resources of
14 Missouri, LLC.

15 **Q. HAVING REVIEWED THE ALLEGATIONS MADE BY MR. VESELY,**
16 **DO YOU HAVE AN OPINION AS TO WHETHER ALGONQUIN'S**
17 **ACTIONS AND EXPENSITURES IN REGARD TO STAFFING WERE**
18 **REASONABLE AND PRUDENT?**

19 A. Yes.

20 **Q. WHAT IS THAT OPINION?**

1 A. I believe that employment of the subject employees in support of the Missouri
2 water and wastewater systems is reasonable and prudent and provides benefits to
3 Algonquin's customers.

4 **Q. WOULD YOU LIKE TO RESPOND TO ANY OF THE ISSUES THAT**
5 **WERE RAISED IN THE REBUTTAL TESTOMONY OF MR. VESELY?**

6 A. Yes.

7 **PAYROLL EXPENSE/STAFFING**

8 **Q. HOW MANY EMPLOYEES ARE ASSIGNED TO ALGONQUIN'S**
9 **MISSOURI OEPRATIONS?**

10 A. Three. A Wastewater/Water Utilities Superintendent, a Missouri Facility
11 Accountant and a Missouri Utilities Assistant.

12 **Q. WHAT HAS STAFF RECOMMENDED AS TO RECOVERY OF THE**
13 **COSTS OF THESE THREE EMPLOYEES?**

14 A. As described in Mr. Vesely's Rebuttal Testimony, Staff has recommended that
15 100% of the cost of the Missouri Facility Accountant be recovered, 50% of the
16 cost of the Wastewater/Water Utilities Superintendent be recovered and that none
17 of the cost of the Missouri Utilities Assistant be recovered.

18 **Q. HAVE THE WASTEWATER/WATER UTILITIES SUPERINTENDENT**
19 **AND MISSOURI UTILITIES ASSISTANT POSITIONS ALWAYS BEEN A**
20 **PART OF THE MISOSURI OPERATIONS?**

21 A. No. These positions were added since Algonquin purchased the systems.

22 **Q. WHAT LED ALGONQUIN TO ADD THESE POSITIONS?**

1 A. I was receiving numerous complaints from Silverleaf Resorts management
2 concerning unplanned water outages caused by a lack of communication between
3 our contract operations staff and the Silverleaf Resorts staff. During a Saturday
4 morning telephone conference with Silverleaf Resorts management concerning
5 possible damages due to loss of water over a weekend, they strongly requested on
6 site management. Additionally, there was a need to assess the condition of
7 equipment and the necessity of repairs. This is a function that a Facility
8 Accountant with little water or wastewater knowledge is not qualified to perform.
9 Related to this was the need for qualified personnel to follow-up concerning
10 required safety repairs. Lastly, a desire to improve customer service had led us to
11 increase the reporting requirements for the Missouri operations, so that I could
12 maintain proper oversight.

13 **Q. COULD THESE NEEDS HAVE BEEN ADDRESSED BY HAVING YOU**
14 **ON-SITE MORE OFTEN?**

15 A. No. The cost of having to fly me in from Arizona to review and follow up on
16 these issues would not be cost and time effective and my other locations would
17 suffer.

18 **Q. MR. VESELY POINTS OUT THAT THESE POSITIONS WERE NOT**
19 **ADDED IMMEDIATELY AFTER ALGONQUIN'S ACQUISITION OF**
20 **THE SYSTEMS. WHY DID IT TAKE ALMOST A YEAR FOR**
21 **ALGONQUIN TO ADD THE TWO POSITIONS?**

22 A. I was trying to operate the utilities in the most efficient fashion that I could.
23 However, when problems keep arising, especially on holiday weekends at a resort

1 property, it was necessary to resolve the issues. With the benefit of that
2 experience, it became apparent that I needed to add positions to manage the
3 contract operations, review projects and costs being charged to Algonquin by
4 outside contractors and improve customer service.

5 **Q. WHAT PURPOSE DOES THE POSITION OF THE MISSOURI**
6 **UTILITIES SUPERINTENDENT SERVE?**

7 A. Basically the position is to manage the Missouri Utilities, to include the contract
8 operation's staff, construction projects, follow up on repairs and review costs
9 along with assuring that preventive maintenance is started. We inherited safety
10 problems when the utilities were acquired and they were not being resolved in a
11 timely manner. Safety is important to Algonquin and needed to be resolved. We
12 have also been actively looking for and resolving water leaks along with other
13 problems related to the condition of the property. If the Missouri Utilities
14 Superintendent was not on site to perform these duties, I would have to fly to
15 Missouri every time something came up, which is not feasible or cost effective.

16 **Q. MR. VESELY POINTS OUT THAT THE WASTEWATER/WATER**
17 **UTILITIES SUPERINTENDENT POSITION PURPORTS TO BE**
18 **ASSIGNED TO THE "DEPARTMENT OF MISSOURI/ILLINOIS**
19 **OPERATIONS." WHAT IS THE PURPOSE OF THIS REFERENCE TO**
20 **ILLINOIS OEPRATIONS?**

21 A. I added the Illinois facility to the Superintendent's list of utilities when I updated
22 the "Job Description." The Illinois facility by contract is self sufficient and
23 requires less management so I added it to the Missouri Utilities Superintendent

1 job description thinking that this would be an additional responsibility that would
2 take minimal time.

3 **Q. WHAT PERCENTAGE OF THE WASTEWATER/WATER UTILITIES**
4 **SUPERINTENDENT'S TIME HAD BEEN, AND WILL BE, SPENT ON**
5 **ILLINOIS MATTERS?**

6 A. To date the Superintendent has not spent anytime reviewing or working on any
7 Illinois operations or maintenance work. In the future he may spend less than 5%
8 of his time on Illinois operations and maintenance.

9 **Q. MR. VESELY RECOMMENDS CHARGING ANY OF THE MISSOURI**
10 **UTILITIES ASSISTANT'S COMPENSATION TO MISSOURI**
11 **RATEPAYERS BECAUSE HE STATES IT WOULD "APPEAR TO PROPOSE**
12 **AN UNNECESSARY BURDEN ON RATEPAYERS. WHAT PURPOSE**
13 **DOES THE POSITION OF THE MISSOURI UTILITIES ASSISTANT**
14 **SERVE?**

15 A. As stated above, Algonquin's main customer, Silverleaf Resorts, had been
16 complaining about water outages and lack of communication on the other issues
17 until they complained to me in Arizona. This position is designed to improve
18 customer relations, by giving the customers a person to go to with complaints and
19 to keep up with the extra required paperwork and reports to be sent to me.

20 **Q. MR. VESELY POINTS OUT THAT THE JOB DESCRIPTIONS OF THE**
21 **SUBJECT EMPLOYEES WERE UPDATED IN THE FALL OF 2006.**
22 **WHY WERE THE JOB DESCRIPTIONS UPDATED AT THAT TIME?**

1 A. I wanted to give Mr. Vesely current job descriptions in response to one of his
2 requests. Consequently, I updated a few minor items and included a revision date.
3 I used the original job description forms from when the employees were working
4 in Arizona for Algonquin and added the water duties to them since they were both
5 only wastewater before.

6 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

7 A. Yes.