

KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2008-00427
ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

Witness: Michael A. Miller

181. Re. M. Miller Direct Testimony, pp. 21-22.
- a. Please provide all costs and expenses associated with the ORCOM software and Service First enhancement since inception. Include both capital costs associated with this software and as well as any O&M expenses. Include a description of each cost or expense.
 - b. For the costs and expenses shown in part a., please indicate how much of each cost and expense was charged to KAWC.
 - c. Were any prudence reviews conducted prior to purchasing the ORCOM software and Service First enhancement? If yes, please provide those reviews. If not, explain why not.
 - d. Please provide any cost-benefit studies conducted prior to purchasing the ORCOM software and Service First enhancement.
 - e. Has any other jurisdiction in which American Water operates disallowed a cost allocation for the Customer Call Centers, ORCOM software and/or the Service First enhancement? If yes, please provide the orders relating to that disallowance.

Response:

- a.
 - 1) The total investment for the Orcom System serving American Water subsidiaries was \$73,741,278. The cost of the project was made up of: 1) purchase of software and hardware, 2) Company and AWWSC labor and overheads for implementation and training, 3) consultants to configure, modify and standardize the software application and implement the systems, 4) consultants to develop training material, and 5) Company personnel and consultants to review, develop and modify each of the hundreds of individual processes involved in the customer contact, billing and collections functions.
 - 2) The total investment for the Service First System serving American Water subsidiaries was \$10,484,475. The cost of the project was made up of: 1) purchase of software and hardware, 2) Company and AWWSC labor and overheads for implementation and training, 3) consultants to configure, modify and standardize the software application and implement the systems, 4) consultants to develop training material, and 5) Company personnel and consultants to review, develop and

modify each of the individual processes involved in the field service area of customer contact, billing and collections

- b.
- 1) Kentucky American's portion of the total cost of Orcom System is \$3,329,424.
 - 2) Kentucky American's portion of the total cost of Service First System is \$412,150.
- c. The Company reviewed the ORCOM Project and its benefits at the AWW System level through a dedicated project review team. The original project report is provided with this response as KAW_R_AGDR1#181_Attachment1_122308.pdf. In addition, the project went through continuous review at the AWW System level and the KAWC level as the project implementation progressed. Attached to this response are copies of the various IP memos prepared by KAWC as implementation of the ORCOM project progressed identified as KAW_R_AGDR1#181_Attachment2_122308.pdf. Also attached to this response is a functionality document that compared the ORCOM features to the legacy customer accounting system used by AWW prior to ORCOM identified as KAW_R_AGDR1#181_Attachment3_122308.pdf. Also attached to this response are two documents that were issued regarding the Service First project identified as KAW_R_AGDR1#181_Attachment4_122308.pdf.

In 1996, utility subsidiaries of American Water began the process to replace the previous customer service legacy computer software, which had been in place for several decades. The reasons for this change were the previous system did not have Windows based interface, was not interactive, and was not part of an integrated customer service system. Over the period 1997 to 2000 these subsidiaries started the implementation of systems in various locations.

The initiative was started with the expectation that AWW would have sufficient internal resources and technical expertise to assist ORCOM in customizing, implementing and integrating the new Customer Information System. AWW began the initiative in 1996 by dedicating an internal team, as stipulated in the original ORCOM contract, to work with ORCOM on the configuration and implementation of the ECIS. Through 1999, approximately \$16.0 million had been spent. The project continued under this leadership, but AWW realized it did not have the internal resources or expertise necessary to successfully complete the ECIS configuration and installation on its own. For the first eight months of 2000, the AWW team re-evaluated the need for outside expertise. This resulted in a decision that efforts should be

coordinated and a resultant request for proposal for integrated services was issued.

In 2001, Accenture was selected to partner with AWW and ORCOM to assist in completing the installation, configuration and testing of ECIS. Over the course of the next several years, their work included development of the application functionality required to standardize the ORCOM platforms and providing functional configuration requirements allowing ORCOM to support improved business processes and reporting requirements. The configured system was then implemented to all utility subsidiaries, concluding with Indiana-American Water Company in the spring of 2004.

- d. Please refer to the ORCOM documents referenced in the answer to part c. above. Cost was certainly a consideration, particularly between the new customer service and billing software packages considered. However, the Company had little alternative but to either provide a major rewrite of its in-house EDIS customer service and billing software or replacement of that system, because the EDIS system was not Y2K compliant. Without action the Company risked having its entire customer and billing records non-operational post 1-1-2000. After considering the cost of upgrading EDIS (whose applications were limited) to purchase of a customer service and billing system, and the increased functionality and additional capabilities available from the purchase of replacement software, the Company elected to purchase and implement the ORCOM software.
- e. The Company objects to this question because the requested information is not relevant to this proceeding. Notwithstanding the objection, the Company installed the ORCOM and Service First systems in 2001 and 2005 respectively, those assets have been in service and included in prior rate base approved by the Commission, and in fact the ORCOM system is now fully depreciated. The Company's depreciation study prepared and filed in case number 2007-00143 recognized that the JDE and ORCOM software packages were fully depreciated which resulted in a major reduction in the depreciation rate recommended for account 391-computer software. Those rates were agreed to and attached to the settlement agreement in case number 2007-00143 which was approved by the Commission.

For the electronic version of this document, refer to KAW_R_AGDR1#181_122308.pdf.