



The York Water Company

April 20, 2015

John Clista
Audit Manager
Bureau of Audits
Pennsylvania PUC
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Focused Management and Operations Audit, D-2014-2409384

Dear Mr. Clista-

In accordance with your letter dated March 31, 2015, I have attached our Implementation Plan for the above referenced audit. This is being emailed to the following addresses: JCLISTA@pa.gov, npaul@pa.gov, chpyle@pa.gov. If there are other locations this should be sent to, please let me know ASAP.

Thank you again for all of your efforts during this process.

Sincerely,

A handwritten signature in blue ink, appearing to read "JRH", is positioned above the typed name of the sender.

Jeffrey R. Hines, P.E.
President and Chief Executive Officer



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: V – Financial Management

Recommendation Number: V-1, Pg. 23

Benefit/Time: Low, 0-6 months

Recommendation:

Implement cross-subsidization safeguards between the Water Service Line Protection Program (WSLPP) and regulated utility service by maintaining separate accounts, allocating all expenses, and including additional language in WSLPP's disclaimer.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: Separate below-the-line accounts have already been set up for the WSLPP. We will insure that all material personnel and resource costs involved in the WSLPP are allocated to the proper accounts.

Individual Responsible: Kathy Miller

Date recommendation is to be implemented: Completed on April 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: VI – Water Operations

Recommendation Number: VI – 1, pg. 37

Benefit/Time: Low, 0-6 months

Recommendation:

Update the Drought Contingency Plan.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: The Drought Contingency Plan will be updated

Individual Responsible: John Strine

Date recommendation is to be implemented: August 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter VI – Water Operations

Recommendation Number: VI - 2

Benefit/Time: Medium, 0-6 months

Recommendation:

Develop a distribution valve inspection manual and/or policy.

YORK WATER RESPONSE:

The recommendation is fully accepted. The York Water Company has an active and aggressive valve maintenance program and maintains all records of inspections, however, there is no single manual that incorporates all of the inspection requirements and procedures.

Action to be Taken: The company will develop a valve inspection manual and procedure that outlines the current valve exercise and maintenance program.

Individual Responsible: John Strine

Date recommendation is to be implemented: July 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter VI – Water Operations

Recommendation Number: VI- 3

Benefit/Time: Medium, 0-12 months

Recommendation:

Update the cross connection control program manual and incorporate administrative controls to ensure testing for commercial and industrial customer backflow devices is completed.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: York Water has a highly effective and fully implemented cross connection control program. However, the current cross connection control manual needs to be updated. A study will be completed on how to best incorporate administrative controls to ensure testing is completed.

Individual Responsible: John Strine

Date recommendation is to be implemented: September 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter VI – Water Operations

Recommendation Number: VI - 4

Benefit/Time: Medium, 0-12 months

Recommendation:

Develop an electronic meter record database and a meter testing policy and/or procedure.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: York Water currently has a thorough meter testing policy. However, the company will update a meter testing procedure that outlines the current meter testing program. A study will be completed on how to best incorporate an electronic meter record database into our database system.

Individual Responsible: John Strine

Date recommendation is to be implemented: November 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter VI – Water Operations

Recommendation Number: VI - 5

Benefit/Time: Medium, 0-12 months

Recommendation:

Develop a comprehensive damage prevention program manual.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: York Water agrees that although a “damage prevention program manual” is not required, we agree with Commission staff that a written comprehensive damage prevention program should be put into place.

Individual Responsible: JT Hand

Date recommendation is to be implemented: December 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter VIII – Purchasing/Materials Management

Recommendation Number: VIII - 1

Benefit/Time: Medium, 0-12 months

Recommendation:

Establish inventory reorder points and formalize the use of minimum/maximum levels in the Inventory Management System.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: York Water currently utilizes a manual inventory control program. A study will be completed to determine the ability and the costs/benefits to use minimum/maximum levels in our current inventory system efficiently.

Individual Responsible: John Strine

Date recommendation is to be implemented: December 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter VIII – Purchasing/Materials Management

Recommendation Number: VIII - 2

Benefit/Time: High, 0-6 months

Recommendation:

Classify designated emergency stock in the Inventory Management System.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: York Water currently lists emergency stock on an Excel Spreadsheet. A study will be completed on the feasibility, costs, and benefits of designating emergency stock in the Inventory Management System.

Individual Responsible: John Strine

Date recommendation is to be implemented: September 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter VIII – Purchasing/Materials Management

Recommendation Number: VIII - 3

Benefit/Time: High, 0-6 months

Recommendation:

Implement a cycle counting procedure and reduce inventory count variances.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: In addition to the current annual inventory count, a cycle counting procedure will be developed and implemented.

Individual Responsible: John Strine

Date recommendation is to be implemented: October 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter IX – Customer Service

Recommendation Number: IX - 1

Benefit/Time: Medium, 12+ months

Recommendation:

Perform periodic customer satisfaction surveys.

YORK WATER RESPONSE:

The recommendation is fully accepted

Action to be Taken: York Water generally hires a consultant to provide a customer survey every 4-5 years. Earlier this year the Company hired Polk-Lepson Associates to conduct the survey. The survey was completed by April 1, 2015 and results should be received by June 1, 2015.

Individual Responsible: Jeff Hines

Date recommendation is to be implemented: June 1, 2015.



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter IX – Customer Service

Recommendation Number: IX - 2

Benefit/Time: Low, 0-12 months

Recommendation:

Investigate and evaluate the feasibility of an Interactive Voice Response system and implement call reporting software.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: York Water is currently working with telephone and network vendors to procure and install an updated phone system with IVR and call reporting capabilities and conduct a study of the costs/ benefits of full implementation of the features of the system.

Individual Responsible: JT Hand

Date recommendation is to be implemented: October 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter IX – Customer Service

Recommendation Number: IX - 3

Benefit/Time: Medium, 0-12 months

Recommendation:

Reduce billing lag to more reasonable levels.

YORK WATER RESPONSE:

The recommendation is partially accepted and partially rejected pending further study.

Action to be Taken: York Water agrees with Audit Staff that a reduced billing lag has some benefits. We do not believe an average lag as low as 2 days billing lag is feasible while still providing our current validation procedure that helps us maintain one of the lowest complaint rates in the state. Our average billing lag, as calculated by the PUC auditors, of 7.4 days likely included weekends and holidays. Our calculation of billing lag without weekends and holidays produces an average billing lag of 6.0 days. We have worked to improve our billing lag significantly over the past few years and believe we are very efficient, however we will continue to review ways to reduce lag.

As Audit Staff has stated, we agree that there are minimal cash flow benefits during the current low interest rate environment. As far as being able to mail the bills that passed validation immediately and just hold those that did not, we have the following issues:

1. Our billing programs would have to be modified to allow for multiple processing of the same billing cycle.
2. We would have to schedule more than one mail pick up for each cycle, increasing costs.
3. We would incur more postage cost as a result of breaking the cycle into smaller parts not qualifying for bulk mail rates.
4. We would create uncertainty with our customers regarding the day of the month they receive their bills. This would also increase our customer service costs responding to customer inquiries about bill timing.
5. The Audit Staff's billing lag analysis does not take into account that all of York Water's bills are mailed from our office in York and not from an out-of-state mail processing facility. We believe this gets the bill into the customer's hands 1-3 days faster than an out of state mail processing facility.

By not mailing all bills at the same time, there is more likelihood of something falling through the cracks during the process, more confusion caused by potentially working on two cycles at the same time, and inconsistency of billing dates, mailing times, etc. for customers in the same cycle, causing more confusion for our customers and our customer service.

York Water will agree to continue to look at the customers within a given billing cycle, and make sure that we have our meter reading routes optimized for efficiency. York Water will also continue to look at fixed reading systems and other new technology to make fully automated reading system even more efficient. York Water will investigate the benefits of mailing bills from our own facility and quantifying the reduction in bill lag. Finally, York Water will conduct a cost/benefit study and analysis to determine the costs and consequences of the billing lag compared to our peers.

Individual Responsible: Kathy Miller

Date recommendation is to be implemented: February 1, 2016



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter X – Fleet Management

Recommendation Number: X - 1

Benefit/Time: Low, 0-12 months

Recommendation:

Document authorized users/passengers within the vehicle use policy.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: A written authorized users/passengers section within the vehicle use policy will be implemented.

Individual Responsible: Bruce McIntosh

Date recommendation is to be implemented: September. 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter XI – Human Resources and Diversity

Recommendation Number: XI - 1

Benefit/Time: High, 0-6 months

Recommendation:

Strive to achieve industry average or better Occupation Safety and Health Administration incidence rates by monitoring and continually modifying safety programs to address the most current safety issues.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: York Water agrees that improvements in safety will benefit the Company and its employees, contractors, and the public. York Water will continue to strive to achieve industry average or better Occupation Safety and Health Administration incidence rates by monitoring and continually modifying safety programs to timely address current and upcoming safety issues.

Individual Responsible: Bruce McIntosh

Date recommendation is to be implemented: September 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter XI – Human Resources and Diversity

Recommendation Number: XI - 2

Benefit/Time: Medium, 0-12 months

Recommendation:

Develop and update Human Resources policies and procedures.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: York Water has a fully implemented system of Human Resource policies and procedures. However, some of those policies were determined to need updating. All policies will be reviewed and updated as needed.

Individual Responsible: Bruce McIntosh

Date recommendation is to be implemented: December 1, 2015



THE YORK WATER COMPANY
PUC FOCUSED MANAGEMENT AND OPERATIONS AUDIT
IMPLEMENTATION PLAN FOR AUDIT D-2014-2409384

Chapter Number: Chapter XI – Human Resources and Diversity

Recommendation Number: XI - 3

Benefit/Time: Medium, 0-12 months

Recommendation:

Reduce manual operating aspects of the Human Resource function by fully utilizing the capabilities of the Human Resource Information System.

YORK WATER RESPONSE:

The recommendation is fully accepted.

Action to be Taken: Although there are certain automated functions within the Oracle software, York Water does not currently utilize these functions fully. York Water will conduct a study and cost/benefit analysis to determine which of these automated functions should be implemented.

Individual Responsible: Kathy Miller

Date recommendation is to be implemented: January 1, 2015