

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Rex Deffenderfer)	
Enterprises, Inc. Request for a Increase in)	
Annual Water System Operating Revenues)	<u>Case No. WR-2011-0056</u>

**NOTICE OF AMENDED COMPANY/STAFF PARTIAL AGREEMENT
REGARDING DISPOSITION OF SMALL WATER COMPANY REVENUE INCREASE
REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and submits its *Notice of Amended Company/Staff Partial Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Amended Partial Disposition Agreement) and states as follows:

1. On January 24, 2011, Staff filed a *Notice of Company/Staff Partial Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Partial Disposition Agreement).

2. It has come to Staff's attention that a miscalculation in the amount of \$1,000 was made in determining the agreed-upon total annualized operating revenue on the settled issues included in the Partial Disposition Agreement. The correct agreed-upon total annualized operating revenue on the settled issues should have been \$181,414 instead of \$182,414.

3. Included as Appendix A, attached hereto, is a copy of the above-referenced Amended Partial Disposition Agreement and Attachments reflecting the correct agreed-upon total annualized operating revenue on the settled issues.

4. All terms of the Amended Partial Disposition Agreement have been agreed upon between Staff and the Company along with new accompanying signatures. There are no other

changes present in the Amended Partial Disposition Agreement other than the adjusted annualized operating revenue figure.

5. Because this error was simply a miscalculation, no other portion of the Amended Partial Disposition Agreement is affected, materially or otherwise. Staff and the Company still seek arbitration regarding the unresolved issues identified in the Amended Partial Disposition Agreement.

WHEREFORE, the Staff respectfully submits this Amended Partial Disposition Agreement Notice and the attached Appendix A for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Staff and the Company and initiate an arbitration procedure regarding the unresolved issues identified in the Amended Partial Disposition Agreement.

Respectfully submitted,

/s/ Rachel M. Lewis

Rachel M. Lewis
MoBar# 56073

Sam Ritchie
MoBar# 61167

Attorneys for the Staff of the
Missouri Public Service Commission
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samuel.ritchie@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this Agreement Notice and the attached Appendix A has been provided, either by first-class mail, by electronic mail, by facsimile transmission or by hand-delivery, to each attorney and/or party of record for this case on this 28th day of January, 2011.

/s/ Rachel M. Lewis

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2011-0056

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John Robinett – Engineering & Management Services Department

Benjamin Wisnewski – Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

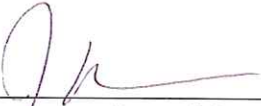
In the Matter of Rex Deffenderfer Enterprises,)
Inc. Request for a Increase in Annual Water)
System Operating Revenues)

WR-2011-0056

AFFIDAVIT OF JAMES M. RUSSO

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Amended Partial Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement") (4) that he has knowledge of the matters set forth in Disposition Agreement; and (5) that the matters set forth in the Disposition Agreement are true and correct to the best of his knowledge, information and belief.



James M. Russo
Rate & Tariff Examination Supervisor
Water and Sewer Department

Subscribed and sworn to before me this 27th day of January, 2011.



Notary Public

SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 03, 2014 Commission Number: 10942086
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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF JOHN A. ROBINETT

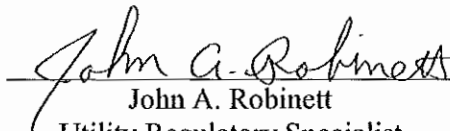
In the Matter of Rex Deffenderfer)
Enterprises, Inc. Request for a Increase in) File No. WR-2011-0056
Annual Water System Operating Revenues)

STATE OF MISSOURI

ss.


COUNTY OF COLE

COMES NOW John A. Robinett, being of lawful age, and on his oath states the following: (1) that he is a(n)) Utility Regulatory Specialist in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Amended Company/Staff Partial Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment A to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment A to the Disposition Agreement; and (6) that the matters set forth in Attachment A to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.


John A. Robinett
Utility Regulatory Specialist
Engineering & Management
Services Department

Subscribed and sworn to before me this 27th day of January, 2011.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF BENJAMIN WISNEWSKI

In the Matter of Rex Deffenderfer)
Enterprises, Inc. Request for a Increase in)
Annual Water System Operating Revenues)

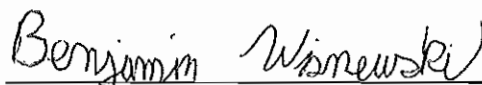
File No. WR-2011-0056

STATE OF MISSOURI

ss.

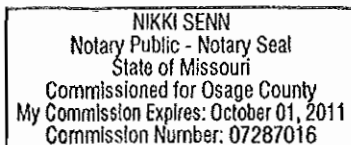
COUNTY OF COLE


COMES NOW Benjamin Wisnewski, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Management Analyst in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Amended Company/Staff Partial Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment B to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment B to the Disposition Agreement; and (6) that the matters set forth in Attachment B to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



Benjamin Wisnewski
Utility Management Analyst
Engineering & Management
Services Department

Subscribed and sworn to before me this 28th day of January, 2011.




Notary Public

Amended Company/Staff Partial Disposition Agreement

**AMENDED COMPANY/STAFF PARTIAL AGREEMENT REGARDING DISPOSITION
OF SMALL WATER COMPANY REVENUE INCREASE REQUEST**

REX DEFFENDERFER ENTERPRISES, INC.

MO PSC FILE NO. WR-2011-0056

BACKGROUND

Rex Deffenderfer Enterprises, Inc. ("RDE" or "Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on August 26, 2010, the Company set forth its request for an increase of \$79,821 in its total annual water service operating revenues. In its request letter, the Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company is located near Nixa, Missouri and provides service to approximately 1,102 customers, the vast majority of which are residential customers.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (These activities are collectively referred to hereinafter as Staff's "investigation" of the Company's Request.)

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with information regarding Staff's investigation and the results of the investigation, including Staff's initial recommendations for the resolution of the Company's Request.

PARTIAL RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's and OPC's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, Staff and the Company hereby state the following agreements:

- (1) Staff's rate design methodology of an equal percent increase to existing rates is acceptable;
- (2) The agreed-upon total annualized cost of service for the Company on the settled issues is \$181,414;
- (3) The schedule of depreciation rates attached hereto as Attachment A and incorporated by reference herein, which includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of water plant depreciation rates for the Company;
- (4) The Commission's Auditing Department conducted an audit of the Company's books and records using the 12-month period ending December 31, 2009, as the basis for the revenue requirement calculation. All revenues, expenses, and rate base investment were reviewed through this period and certain material revenue and expenses were updated through the period ending June 30, 2010.

Staff provided the Company and OPC its initial recommendations of the revenue increase for the resolution of the Company's request and Staff's EMS run. The work papers supporting the revenue requirement calculation were also provided to the Company and OPC with the results of its investigation regarding the proposed rate increase;

- (5) Within thirty (30) days of the effective date of an order approving this Amended Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment B and incorporated by reference herein. These recommendations include the following:
 - a. The Company shall complete and maintain time sheets to record work assignments and the time worked on each work assignment for all Company employees.
 - b. The Company shall ensure that all estimated bills clearly note on the customer billing statement that the bill is based on estimated usage as required by Commission Rule 4 CSR 240-13.020 (2)(D)(2);
 - c. The Company shall discontinue charging all new customers who initiate service a customer deposit, and ensure that its procedures and criteria for charging customer deposits adhere to Commission Rule 4 CSR 240-13.030 (1)C;

- d. The Company shall document all customer complaints and inquiries in an accessible format as required by Commission Rule 4 CSR 240-13.040(5); and
 - e. The Company shall develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3);
- (6) Within ninety (90) days of the effective date of an order approving this Amended Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Auditing Department Recommendation Memorandum. These recommendations include the following:
- a. The Company shall follow National Association of Regulated Utility Commissioners (NARUC) Uniform System of Accounts (USOA) guidelines for the recording of the Company's rate base, revenues and expenses;
 - b. The Company's Continuous Property Records (CPRs) and vehicle logs shall be kept up to date and complete;
 - c. The Company shall obtain signed contracts with all contractors providing regular operating services to the Company; and
 - d. The Company shall keep track of the customer uncollectible amounts on a monthly basis;
- (7) Within ninety (90) days of the effective date of an order approving this Amended Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment B and incorporated by reference herein. These recommendations include the following:
- a. The Company shall implement written contracts with all outside contractors employed by the Company;
- (8) Within ninety (90) days of the effective date of an order approving this Amended Company/Staff Disposition Agreement, the Company shall implement the recommendations of the EMSD's Depreciation Staff. These recommendations include the following:
- a. The Company shall implement a work order system to track material cost, labor cost, overhead cost, and record cost of removal and gross salvage for all new, replaced or retired plant; and
 - b. The Company shall follow NARUC USOA guidelines for the recording of cost of removal and gross salvage in the Company ledger as adjustments to plant and reserves;
- (9) Staff may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Amended Company/Staff Disposition Agreement;

(10) Staff may file a formal complaint against the Company, if the Company does not comply with the provisions of this Amended Company/Staff Disposition Agreement;

(11) The Company agrees that it has read the foregoing Amended Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this agreement; and

(12) The above agreements satisfactorily resolve all issues identified by Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

ITEMS TO BE RESOLVED THROUGH THE ARBRITRATION PROCESS

Staff and the Company hereby state that payroll, payroll taxes, employee benefits and the effect of these items on income tax have not been resolved and request that these items be addressed through the arbitration process provided for in Commission Rule 4 CSR 240.3.050(11).

A reconciliation of the differences between the parties will be developed and provided to the Commission prior to the arbitration hearing.

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Amended Company/Staff Disposition Agreement reflect compromises between Staff and the Company. The Company acknowledges that the Staff will be filing this Amended Company/Staff Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff may make other filings in this case.

Additionally, the Company agrees that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Amended Company/Staff Disposition Agreement at any agenda meeting at which this case is noticed to be considered by the Commission. Staff will be available to answer Commission questions regarding this Amended Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advanced notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.

Agreement Attachment A

Schedule of Depreciation Rates

Rex Deffenderfer Enterprises Inc.
ATTACHMENT A - SCHEDULE of DEPRECIATION RATES
(WATER Class C)
WR-2011-0056

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>DEPRECIATION RATE</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>NET SALVAGE</u>
SOURCE OF SUPPLY				
311	Structures & Improvements	2.5%	40	
314	Wells & Springs	2.0%	50	
PUMPING PLANT				
325.1	Submersible Pumping Equipment	6.7%	15	
325.2	Booster Pump Equipment	4.0%	25	
TRANSMISSION & DISTRIBUTION				
342	Distribution Reservoirs & Standpipes	2.5%	40	
343	Transmission & Distribution Mains	2.0%	50	
344	Fire Mains	2.0%	50	
345	Customer Services	2.5%	40	
346	Customer Meters	10.0%	30	
347	Customer Meter Installations	2.5%	40	
348	Hydrants	2.0%	50	
GENERAL PLANT				
391	Office Furniture & Equipment	5.0%	20	
391.1	Office Computer Equipment	20.0%	5	
392	Transportation Equipment	13.0%	7	9%
394	Tools, Shop, Garage Equipment	5.0%	20	
396	Power Operated Equipment	6.7%	15	

SIGNATURES


Agreement Signed and Dated:



LaVada Cottrill
President & Owner
Rex Deffenderfer Enterprises, Inc.

01-26-11

Date



James Busch
Manager
Water & Sewer Department
Missouri Public Service Commission Staff

1-28-11

Date

List of Attachments

Attachment A – Schedule of Depreciation Rates

Attachment B – EMSD Report

Agreement Attachment B

EMSD Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Department

Small Company Rate Increase Request

Case with File No. WR-2011-0056

RDE Water Company

Debbie Bernsen and Benjamin Wisnewski

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service and business processes, procedures, and practices at Rex Deffenderfer Enterprises, Inc. Water Company (RDE Water Company or Company) in Nixa, Missouri, in September 2010. The review was performed in conjunction with the Company's filed rate increase request submitted on August 25, 2010, and assigned Case No. WR-2011-0056. The Company's last rate increase request case was in 2001. The Company is requesting an increase of \$79,821 in its annual water system operating revenues.

The EMSD staff examined the Company's tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service and business operations. The EMSD staff submitted informal data requests and conducted an interview on September 30, 2010, with Company personnel located in Nixa, Missouri, in preparation of this report. After completing its audit, the EMSD staff is making the following six recommendations to Company management.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

1. Ensure that all Company employees, including part-time employees, complete and maintain time sheets to record work assignments and the time spent working on each work assignment. This recommendation should be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.
2. Ensure that all estimated bills clearly note on the customer billing statement that the bill is based on estimated usage as required by Commission Rule 4 CSR 240-13.020 (2)(D)(2). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.
3. Discontinue charging all new customers who initiate service a customer deposit, and ensure that its procedures and criteria for charging customer deposits adhere to Commission Rule 4 CSR 240-13.030 (1)(C). This recommendation must be completed

within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

4. Implement written contracts with all outside contractors employed by the Company within ninety (90) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.
5. Document all customer complaints and inquiries in an accessible format as required by Commission Rule 4 CSR 240-13.040(5). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.
6. Develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3). This recommendation must be completed within 30 days of the Commission Order Approving the Disposition Agreement in Case with File No. WR-2011-0056

The purpose of the Engineering and Management Services Department is to promote and encourage efficient and effective utility management. This purpose contributes to the Commission's overall mission to ensure that customers receive safe and reliable utility service at reasonable rates, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were to analyze and document the management control processes, procedures, and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review will provide the Commission with information regarding the Company's business and customer service operations.

The scope of this review focused on processes, procedures, and practices related to:

- Time Sheets
- Customer Billing
- Payment Remittance
- Credit and Collections
- Customer Communications
- Complaints and Inquiries
- Outside Contractors

- Service Calls and Maintenance
- Record Storage

Overview

RDE Water Company was granted a certificate of public convenience and necessity effective on August 15, 1977, by the Missouri Public Service Commission to provide water service to customers living in and around Nixa, Missouri, in Christian County. The Company's office is located in Nixa, Missouri, and its business hours are Monday to Friday 8 a.m. to 12 p.m. and 1 p.m. to 5 p.m. The Company began with three active meters for a mobile home park and today has approximately 1,128 active meters located in an 8 square mile area in and around Nixa, Missouri.

The Company is a family-owned business and has three full-time employees who are family members. The Company's Owner and General Manager is responsible for accounting tasks, processing daily line locates, bank deposits, invoices and bills, ordering office supplies, and handling customer complaints. The Secretary is responsible for customer billing, payment remittance, credit and collections, registering new customers, closing out customer accounts, making copies, and reviewing various Company billing reports. The Company's third employee is presently in training to eventually assume the General Manager's duties when she retires. This employee's present duties include: checking the system for water leaks, replacing water meters, reviewing Company emails, performing Company computer maintenance, and performing other minor repairs and necessary maintenance. The Company also employs several outside contractors who perform most repair jobs, meter reading duties, collect water samples, and monitor the system's water pressure.

The table below displays the Company's number of water customers for the last three years including customer numbers as of September 2010.

Year	Residential	Commercial	Total
2007	847	225	1070
2008	867	231	1098
2009	877	232	1109
2010	815	287	1102

Source: Missouri Public Service Commission Audit Department

Time Sheets

Employees of the Company currently do not utilize time sheets to track their daily activities. The Company stated that all employees are salaried and therefore do not complete a specific time sheet for their work tasks.

Customer Billing

The Company begins its billing process around the 26th day of each month, and utilizes a billing software system called Mosaics from RVS Utility Software Company to organize its customer billing processes and procedures. At the start of each month's billing cycle, the Company's Secretary prints a report of all customers who have a balance due and have not paid the previous month's bill. The Mosaics software program automatically calculates and adds a late charge onto each customer account with a past due balance. The Secretary next reviews a report containing all other adjustments such as deposit refunds or other fees assessed to customer accounts throughout the month to ensure the accuracy of the transactions. The current month's meter readings are uploaded to the billing software program and another report is printed so that the Secretary can review any abnormally high or low meter readings. The Secretary reviews one large bill for accuracy that occurs each month for a mobile home park that has many units on one bill that is charged to the mobile home park owner.

After all of these tasks are complete, the Secretary prints the customer bills in several groups. Bills for customers with more than one account are printed, followed by bills for new customers who are not part of the automated zip code ordered system. The Secretary is able to print the large majority of the bills that are in zip code order which allows for bulk mailing. The bills are printed on cards that are manually separated by the Secretary, placed into boxes, and taken to the Post Office for mailing on the first business day of the next month. The entire billing process requires two to three days to complete.

Payment Remittance

Customers usually have until the 25th day of the month to pay their bill unless the 25th is a weekend or holiday, in which case the due date is moved to the next business day. Customers are given between 23 to 28 days to pay their bill before it is considered to be delinquent. Customers can pay by cash or check, with many customers coming to the office to pay in person. The

Company has recently obtained a new check scanning device that allows checks to be deposited into the Company's bank account remotely from the business office via the Internet. The Company endorses the checks via a stamp. After checks have been scanned, the money is deposited into the Company's bank account. The checks are kept in a secure location for two weeks and then shredded. Cash payments are also kept in a secure location and are deposited at the bank every few days. The Company also has a fireproof safe at the Company office.

Credit and Collections

The Company requires all new customers who initiate service to pay a deposit in the amount of \$30. The Company indicated that the only way for a new customer to avoid paying a customer deposit is to submit a letter of credit from a customer's previous utility company within the last twelve months. Customer deposits are refunded with interest after a period of twelve months of satisfactory payment history.

The billing software will apply late fees to any account that is delinquent and print out a list of final charges due. The Office Manager will review this list to determine if a customer has a recent payment arrangement on file. Those remaining customers are mailed a past due reminder with a disconnect date ten days from the printing. Company personnel will attempt to make personal contact via phone calls on the day before the noted disconnect date. Customers may be offered payment arrangements, particularly if they have fulfilled agreements in the past. Actual disconnects will not be scheduled until the 11th day in order to ensure that the customer has had every opportunity to make payment. A letter is left on the door when a disconnection is performed. This letter explains the amount due and how the customer can have their service restored. Disconnects are not performed on a day when a reconnection could not be performed the next day. The Company does not accept money in the field and customers may come by the office to pay their bill and have service restored.

The initial list of delinquencies may be as many as 150 accounts. Through reminders and personal contact, the actual number of disconnects to be performed is reduced to an average of about 6 per month. For the period of January 2010 to August 31, 2010, the Company has completed 36 disconnects, which they believe is consistent with volume in prior years.

The Company has not utilized a collection agency in the past but may consider in the future.

Customer Communications

The Company places notes on monthly billing statements to convey pertinent information. Information may include items like when the office will be closed for state holidays or when annual water quality reports have been prepared. At the present time, the Company does not have a customer brochure.

Complaints and Inquires

Customers that have a complaint or inquiry with the Company may call or come by the office during normal business hours. If the inquiry needs to be investigated more thoroughly, the Company will print out a copy of the customer's account information and attach this to the information concerning the customer's inquiry. The inquiry will be assigned to the appropriate individual to conduct a field check or take whatever action is needed. Completed complaints and inquiries along with the accompanying documentation on actions taken are retained and filed annually. There is no easily accessible log maintained of complaints received or their resolution.

Outside Contractors

The Company relies heavily on outside contractors to perform various critical tasks, but it does not have written contracts with any of its outside contractors. Instead the Company's owner makes informal verbal arrangements with each outside contractor regarding the services that will be rendered and how compensation will be calculated.

One contractor handles all meter reading duties for the Company. Around the 18th day of each month, the contractor retrieves a hand-held PSION meter reading device from the Company's office and reads all the Company's meters over the next approximate seven days. Upon reading all the meters, the contractor returns the device to the Company's office where the Secretary uploads the data into the computer. At the end of the month, the Company pays the contractor based on the total number of meters read.

A second contractor is responsible for general maintenance tasks, service orders, line locates, and mowing. The contractor is paid a flat rate every month for these services. In addition, service orders that fall outside the concept of "maintenance" are considered extra jobs and are therefore billed separately. The contractor does some work for other entities, but the

Company states that the contractor has been able to respond to Company requests for maintenance in a timely fashion.

A third contractor serves as the Company's engineer and monitors the system for leaks, disruptions, and changes in water pressure. The contractor makes minor repairs as he is able and contacts the Company about any incidents and problems that are beyond his capabilities. The contractor is paid a flat fee for his services each month by the Company.

A fourth contractor collects the water samples for the Company and mails them to the Missouri Department of Natural Resources (DNR) for testing as this function requires a certified operator to complete this task. The Company presently does not have a licensed operator. This contractor is paid a flat fee every month for his services.

Service Calls and Maintenance

The outside contractors employed by the Company handle the large majority of repairs and maintenance tasks. The Company has one employee who is in training and performs minor maintenance tasks such as simple meter replacements without the help of a contractor. This employee has indicated that he plans to become a licensed operator in the future to allow him to perform additional duties for the Company.

Record Storage

The Company maintains its documents in electronic and paper form. Electronic files are stored on the Company's computers and critical files are backed up on a flash drive which is taken off site each day to ensure the Company has a copy of important customer files and Company documents in case of damage to the Company's office. There are some reports, customer checks, and other documents that are in paper form and are kept in a secure location. Most of these documents are also in electronic form and could be reproduced if necessary.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following discussion presents a summary of the findings, conclusions and recommendations pertaining to RDE Water Company's customer service and business office operations. This section focuses on the following areas that warrant Company management attention:

- Time Sheets
- Customer Billing
- Credit and Collections
- Outside Contractors
- Complaint and Inquiry Handling and Recording
- Customer Communications and Information

Time Sheets

Company employees currently do not maintain and complete time sheets. The three employees are all family members and do communicate to each other their work assignments. However, there is no written documentation that supports their activities.

A lack of time sheets limits the Company's ability to manage its employees and keep track of what tasks employees are working on and how much time is spent on each task. In addition, it is important for the Company's management, as well as providing documentation for the regulatory process with the Commission, to have a written record of the amount of time employees spend working on each activity.

Without documentation of the tasks performed by Company employees and the time required to complete them, Commission staff cannot verify the work Company employees have done. This lack of documentation impedes the ability of the Company to justify the salaries of its employees in the regulatory process with the Commission.

It is in the Company's administrative and financial interests to have its employees document in writing the tasks they are working on and how much time is spent on each task. The Company's management can develop a time sheet of its choosing, but it should include the date, a general description of the task, and the time required to complete the task.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure that all Company employees, including part-time employees, complete and maintain time sheets to record work assignments and the time spent working on each work assignment. This recommendation should be completed within (thirty) 30 days of the Commission's Order Approving the Disposition Agreement in Case with File No.WR-2011-0056.

Customer Billing

When the Company renders an estimated bill, it does not clearly note on the customer billing statement that the bill is based on estimated usage. This Company practice is a violation of Commission Rule 4 CSR 240-13.020 (2)(D)(2) which states:

“(D) When a utility renders an estimated bill in accordance with these rules it shall... – 2. Clearly and conspicuously note on the bill that it is based on estimated usage.”

The Company indicated that its billing software is capable of adding such a message to customer bills that are based on estimated usage. The Company should ensure that a statement is added to all customer bills that are based on estimated usage.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure that all estimated bills clearly note on the customer billing statement that the bill is based on estimated usage as required by Commission Rule 4 CSR 240-13.020 (2)(D)(2). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

Credit and Collections

The Company currently charges all new customers who initiate water service a customer deposit except those that can produce a written letter of credit from another utility company that the customer obtained service from within the last twelve months. This Company practice is a violation of Commission Rule 4 CSR 240-13.030 (1)(C) which states:

(1) A utility may require a deposit or other guarantee as a condition of new residential service if— (C) The customer is unable to establish an acceptable credit rating under standards contained in tariffs filed with and approved by the commission. The customer shall be deemed *prima facie* to have established an acceptable credit rating if the customer meets any of the following criteria: 1. Owns or is purchasing a home; 2. Is and has been regularly employed on a full-time basis for at least one (1) year; 3. Has an adequate regular source of income; or 4. Can provide adequate credit references from a commercial credit source.

The Company should ensure its procedures and criteria for requiring customer deposits adhere to Commission Rule 4 CSR 240-13.030 (1)(C).

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Discontinue charging all new customers who initiate service a customer deposit, and ensure that its procedures and criteria for charging customer deposits adhere to Commission Rule 4 CSR 240-13.030 (1)(C). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

Outside Contractors

The Company does not have written contracts or agreements concerning the services performed by its outside contractors. The Company presently utilizes four different outside contractors to perform various tasks. While the Company has indicated that this arrangement has worked in the past, it is possible that conflicts between the Company and its outside contractors could occur in the future.

The current verbal agreements with contractors contain the potential of uncertainty and a lack of clarity for both the Company and the contractor regarding the compensation for services provided by the contractor. For example, it was unclear to EMSD staff how amounts on some contractor invoices were calculated because the invoice contained a list of services rendered and materials obtained with one amount for the final bill. In addition, with verbal agreements it is unclear who is liable if something should go wrong or something unexpected happens while a contractor is performing services for the Company.

A written contract with each outside contractor can help the Company avoid costly disputes, even if the likelihood of such a dispute is small. In addition, written contracts can prevent an outside contractor from demanding changes to the current verbal arrangement at a later date and to the Company's financial detriment because a defined framework has already been agreed to. A written contract allows the Company more certainty as to what is expected between itself and the contractor as well as protection against financial disputes, changing terms, or other unforeseen circumstances.

Finally, given the Company's plans to train the third employee to take over the responsibilities of the General Manager, it may be necessary for the Company to reevaluate the duties and responsibilities of each outside contractor. This transition period can allow the

Company to establish new arrangements with the outside contractors which can be verified through written contracts. The Company should evaluate the value and use of implementing written contracts with all outside contractors that it utilizes. Given the transition in the roles and responsibilities of Company employees, the Company should implement written contracts with the outside contractors it has within 90 days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2011-0056.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Implement written contracts with all outside contractors employed by the Company within ninety (90) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

Complaint and Inquiry Handling and Recording

The Company does not record customer complaints in a readily accessible complaint log. Complaints are investigated and documentation is maintained. However, there is no easily accessible log of customer calls or inquiries that the office has received. The lack of a complaint and inquiry log makes it difficult for the Company to provide accurate documentation of the nature of its complaints and inquiries. Commission Rule 4 CSR 240-13.040(5) addresses the log for complaints and inquiries and states:

A utility shall maintain records on its customers for at least two (2) years which contain information concerning:

...

(B) The number and general description of complaints registered with the utility;

The availability of this information would provide a consolidated document pertaining to the inquiries and complaints brought forth by the customers.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Document all customer complaints and inquiries in an accessible format as required by Commission Rule 4 CSR 240-13.040(5). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

Customer Communications and Information

The Company does not have a customer brochure documenting the rights and responsibilities of the Company and its customers. The development of such information and its display and availability to customers is required by Commission Rule 4 CSR 240-13.040(3) which states:

A utility shall prepare, in written form, information which in layman's terms summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter... This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each residential customer of the utility if requested by the customer. The information shall be delivered or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request.

The availability of this written information provides useful facts related to billing procedures, payment requirements, customer deposits, discontinuance of service, inquiries and complaints. It also provides the customer with information on how to contact the Company, the Commission, and the Office of the Public Counsel.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3). This recommendation must be completed within thirty (30) days of the Commission Order approving the Disposition Agreement in Case with File No. WR-2011-0056

Implementation Review

The EMSD staff will conduct a review of the Company's progress regarding the implementation of the recommendations made in this report.