

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

In the Matter of the Tariff Filing of Aqua)
Missouri, Inc. to Implement a Rate Increase)
for Sewer Service Provided to Customers in)
its Missouri Service Areas.)

Case No. SR-2007-0023
Tariff No. YS-2007-0016

**STAFF’S REPORT ON ITS INVESTIGATION OF
COMMENTS RECEIVED AT LOCAL PUBLIC HEARINGS**

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and, for its Report on its Investigation of Comments Received at Local Public Hearings, states the following to the Missouri Public Service Commission.

1. On September 8, 2006, the Commission issued its **Order Setting Hearing, Directing Filing, and Directing Witness to Appear** in the instant case, wherein it ordered the Staff to file, by no later than September 19, 2006, a status report regarding its follow-up with members of the public who offered comments at the local public hearings on the requests by Aqua Missouri, Inc. (the “Company”) in this case for a rate increase. Commissioner Steve Gaw specifically requested that the Staff investigate and report on four issues. Those issues are: the noise level at the Company’s Kleffner Ridge wastewater treatment facility; whether the Department of Natural Resources could do something about the sewage spills, apparently at the Company’s Quail Valley treatment facility, and perhaps elsewhere; whether the Staff had informed a customer that the recommended rate increase would allow the Company to recover the acquisition premium that it paid for the purchase of a facility; and a request for a copy of Staff’s EMS run regarding the Company’s cost of service.

2. Attached hereto as Appendix A is the Staff Report of Investigation, which addresses each of the four issues that Commissioner Gaw asked the Staff to investigate. The Staff Report of Investigation also addresses three other issues that were raised at the local public hearings in this

case. Those issues are: a customer's claim that the Company failed to properly repair a road cut after doing some water line repair work in January 2006; a customer's claim that the water pressure on the Company's Lake Carmel system is low and that the water quality there is poor; and testimony by several customers that the Company failed to timely respond to messages that customers left with the Company's local staff. The Staff concludes that the issues raised deserve investigation, but are not detrimental to the Company's pending rate case.

3. Attached hereto as Appendix B is the Staff's Engineering and Management Services Department Report Regarding Aqua Missouri Call Center Procedures. In this report, the Staff responds to complaints raised by customers at the local public hearings regarding the Company's failure to satisfactorily respond to customer complaints and inquiries. The Staff recommends that the Company make several changes in its procedures, to improve its response to customer complaints and inquiries.

WHEREFORE, the Staff respectfully submits for the Commission's consideration its Report on its Investigation of Comments Raised at Local Public Hearings.

Respectfully Submitted,

/s/ Keith R. Krueger

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 18th day of September 2006.

/s/ Keith R. Krueger

APPENDIX A

LOCAL PUBLIC HEARING FOLLOW-UP REPORT

WATER & SEWER DEPARTMENT REPORT

CASE NO. SR-2007-0023

Staff Report of Investigation

Case Nos. WR-2007-0020, WR-2007-0021 and SR-2007-0023

Investigation of Matters Raised at the Local Public Hearings

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Approved By:

**Dale W. Johansen – Manager
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September 18, 2006

INTRODUCTION

Local Public Hearings were held regarding the subject Aqua Missouri (Company) rate cases on August 28, 2006 in Sedalia, Missouri, and on August 30, 2006 in Jefferson City, Point Lookout and Reeds Spring, Missouri (unless noted otherwise, all dates hereafter refer to calendar year 2006). During these hearings, customers raised several issues that had not previously been brought to the attention of the Commission's Water & Sewer Department Staff (Staff). In addition to the matters addressed in this report, a report prepared by the Engineering & Management Services Department is also being filed, with that report addressing customer contact-related issues raised during the local public hearings.

INVESTIGATIONS AND FINDINGS

During the August 30 hearing, Commissioner Steve Gaw specifically requested that the Staff investigate and report on the following issues:

- Sharon Scheulen testified that the noise level from the Company's Kleffner Ridge wastewater treatment facility near her home is bothersome, especially when witnessed from the deck on the rear of her home. I contacted Mrs. Scheulen on the phone and performed a site visit to the facility and the Scheulen home, where I visited with Mr. Carl Scheulen, on August 31. The treatment plant, which is approximately 150 yards from the rear of the Scheulens' home, operates on a timer and did not run during my site visit. Therefore, I contacted the company and met with Tena Hale-Rush, Company Regional Manager, at the facility on September 7. The treatment plant was running at the time. Ms. Hale-Rush and I verified the noise level was typical for motor and blower operation for that type of extended aeration facility and there appeared to be no mechanical defect causing excessive noise. I also went up on the deck on the Scheulens' home. The noise level I witnessed there was certainly perceptible, but in my opinion, not so much that one would have to raise one's voice in a normal conversation. There are no

rules or regulations in place that address acceptable noise levels from a treatment facility, so any action by the company to resolve the issue would be voluntary. Ms. Hale-Rush offered that Company staff would install an insulation-type board to the inside of the fiberglass hood that covers and protects the facility motors and blowers from the elements. She claims to have had some success at noise reduction using this method at one of their similar treatment plants. The installation is to occur by the end of September. I have notified the Scheulens of the company's plan and that I will contact them for an update after the insulation-type board has been installed. I also suggested that the Scheulens consider planting coniferous trees near the property line as a noise barrier, which they intend to do immediately. The Scheulens' next-door neighbor, Steve Supanus, contacted Staff on August 30th also complaining of the noise. Mr. Supanus's complaint is being handled in conjunction with the Scheulens' complaint. It should also be noted that the treatment facility was in place prior to construction of either the Scheulen or the Supanus homes.

- Keith Kempker, who is served by the Hidden Valley treatment facility, asked the question, "Can't DNR do something about the spills?" or words to that effect. I contacted Mr. Kempker by phone on August 31. His statement regarding spills was made as a follow-up in response to a comment made in previous testimony by James Howard, a customer on the Quail Valley treatment facility, regarding overflowing lift-stations. Mr. Kempker has not witnessed any spills or overflows at his location in Hidden Valley. Regarding the overflows reported by Mr. Howard, I spoke with Tena Hale-Rush on August 31. She stated that she is unaware of any sewage overflows at Quail Valley that made it to the lake in the past several years, and definitely not since the lift-station pumps were upgraded approximately two years ago. Mr. Howard mentioned to me in a discussion in the hallway outside of the hearing room, that there was a problem with the lift-station by his home earlier in August. Ms. Hale-Rush said an alternator went out in the station which caused the sewage level to rise in the pit enough to trigger the high level alarm, which is what Mr. Howard would have witnessed. The alternator was consequently replaced by Company staff. No sewage overflow occurred.
- Doug Ritchie testified that he had previously been told by the Staff that acquisition premiums were included in the rates. Jim Russo, Rate and Tariff Examination Supervisor of the Water and Sewer Department, called and spoke to Mr. Ritchie directly on August 31 and explained that the Staff performed the rate calculations for all of the subject service areas and that any acquisition premiums that exist are indeed not included in the Staff's rate calculations.
- Harry Waterson requested a copy of the Staff's rate calculation work papers for the subject cases. Jim Russo faxed him the information he requested on August 31.

In addition to the above issues, for which Commissioner Gaw specifically requested an investigation and report, the Staff also performed investigations of the following issues raised at the local public hearings:

- At the hearing held at Sedalia on August 28, Elayne Gordon testified that a road cut made across Monsees Drive during a water line repair in January has not been repaired completely, in that the repair site has not been repaved. Staff understands that Aqua Missouri contracts line repair work with an outside source and had been waiting for the contracted company to return to the site and perform the final repair of the street. On September 14, I called the Gordon residence and spoke to William Gordon. He was able to confirm that the street repair was satisfactorily completed within the week following the hearing.
- Joseph and Margie Crowe testified at the August 30 hearing in Jefferson City that the water pressure on the Lake Carmel system fluctuates and that the water quality, though greatly improved since the installation of the storage standpipe in 2004, is still poor at times due to discoloration and sedimentation. Debra Barr, a neighbor to the Crowes, later testified that occasional discoloration and sedimentation still occurs, also noting the dramatic improvement since the installation of the standpipe. I placed a pressure recorder on an outside water spigot at the Crowe residence from August 31 to September 7, which included recording over the Labor Day Holiday. The recorded pressure was very consistent, ranging from 49 to 51 pounds, thus not indicating a low pressure or pressure fluctuation problem during the recording period. I also took a sample of water in a clear 2-litre soda bottle that shows no sign of discoloration to date. Though no immediate pressure or quality problems were observed, I have recommended that the Company continue to monitor the water quality and pressure and flush the water main lines, specifically the main serving the Crowe and Barr residences, on a more frequent basis.

CONCLUSIONS

The issues raised at the local public hearings that are addressed herein, while certainly deserving of investigation, are not deemed by the Staff to be detrimental to the progress of the subject rate cases. Additionally, the Staff will continue to monitor any problem issues and will work with the customers and the Company to reach resolutions of such issues outside of the context of the rate cases.

APPENDIX B

LOCAL PUBLIC HEARING FOLLOW-UP REPORT

ENGINEERING & MANAGEMENT SERVICES DEPARTMENT REPORT

CASE No. SR-2007-0023

Engineering and Management Services Department Report Regarding Aqua Missouri Call Center Procedures

Aqua America, Inc. filed small company rate increase requests with the Missouri Public Service Commission (Commission) on May 17, 2005, on behalf of its operating companies that provide water and sewer service to Aqua Missouri (Company) customers. Local public hearings regarding the rate increase requests were held in Sedalia on August 28, 2006, and in Jefferson City, Point Lookout and Reeds Spring on August 30, 2006. At these hearings, particularly the August 30 hearing, several customers raised concerns and questions pertaining to the Company's handling of complaints and inquiries. Specifically, these issues pertain to the Company's Call Center procedures for responding to customer calls and conveying information about planned outages.

The EMSD staff met with Company management on September 11, 2006, at the Aqua Missouri Regional Headquarters in Jefferson City, Missouri, to discuss these issues. The Call Center manager at the Company's Aqua Services facility in Kankakee, Illinois, also participated in the discussion. The following information provides a summary of the Company's Call Center operations related to the customer issues presented at the August 30, 2006, public hearings.

Procedures for Responding to Customer Calls

The Company moved responsibility for handling all Aqua Missouri customer inquiries and complaints from the Jefferson City headquarters to its Call Center in Kankakee, Illinois, in May 2004. The Call Center is currently staffed with seven representatives including two supervisors. The Call Center staff will increase to 22 in January 2007, when the Call Center becomes responsible for additional service territory of Aqua America, Inc.

The installation of an Abaya Phone System was completed on August 15, 2006. This phone system has the capability to produce a variety of automated reports about Call Center operations and will enable supervisors to monitor select customer calls.

The Call Center manager stated the new phone system is currently providing total Company complaint numbers, but the information is not currently tracked for Missouri-only customers. The EMSD staff had found during a 3rd Quarter 2005 customer service review that the Company was not complying with Commission Rule 4 CSR 240-13.040(5), which states:

(5) 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.

During the September 11, 2006, EMSD staff conversation with the Call Center manager, the Company made a commitment to immediately implement a procedure to track all Missouri customer calls by service area and type.

Company management at the Aqua Missouri Regional Headquarters in Jefferson City, Missouri, stated that all customers who call the Jefferson City office are referred to the Company's toll-free number answered at the Illinois Call Center. If no one is available to answer the telephone in Jefferson City, an answering machine or answering service provides the toll-free number of the Call Center.

The manager of the Call Center stated that representatives attempt to resolve every customer concern while the customer is on the telephone. If a representative cannot provide an answer to a customer, the Call Center manager said the customer is transferred to an individual with the necessary knowledge. However, during the August 30 public hearings, customers complained that Company management in Jefferson City failed to return these phone calls.

Based on the previous information, the EMSD staff recommends that the Company:

Initiate efforts within the Call Center to ensure that the appropriate Company personnel are notified of customers requiring additional information and develop procedures to verify that the necessary follow-up actually occurs.

The manager in the Company's Jefferson City office said that calls are rarely referred back to the Jefferson City office for a response. No log is kept of customer contacts that do take place out of the Jefferson City office. The manager of the Call Center stated that an increased effort would be made to communicate with the Jefferson City office when the customer has an expectation that follow-up from Company management in Jefferson City is required.

Although the Call Center manager committed to immediately start recording the number and type of calls received from customers at the Illinois Call Center, no record is kept of customer contacts at the Aqua Missouri Jefferson City office. Some customer contacts occur in situations where customers are referred to the Call Center for a response and occasionally the manager in the Jefferson City office may need to follow up with customers based on referrals from the Call Center. The absence of any record in the Jefferson City office of customer contacts makes it impossible to verify that customers are referred to the Call Center or that customers get a follow-up response to their questions.

Based on the previous information, the EMSD staff recommends that the Company:

Establish a practice of recording all customer contacts that occur at the Company's Jefferson City office. The documentation associated with these calls should be sufficient to verify the customers who are referred to the Company's Call Center and to ensure that the customers expecting follow-up from the Jefferson City office manager get their concerns resolved.

Communication Procedures Related to Service Outages

Customers also expressed concern during the August 30 public hearings that Call Center representatives are not always aware of planned outages. Aqua Missouri management explained the communication procedure that should be used for both planned and unplanned outages. The Company provides prior notice about planned outages to its customers through letters, and sometimes through a note included with the bill.

In addition to customer notice, an e-mail is supposed to be sent to the Call Center providing specific information about the planned outage. An e-mail is then forwarded to all of the Call Center representatives informing them of the nature of any planned outages.

The communication procedure associated with unplanned outages is very similar to what is established for planned outages, except for the ability to provide prior notice to the affected customers. When unplanned outages occur in the Company's service area, Company personnel are supposed to notify Company management in Jefferson City. Notification is then provided to the Call Center and each representative is notified through an e-mail.

Based on information provided by Company management, it is the EMSD staff's opinion that appropriate procedures are in place to respond to customer calls and make them aware of planned outages. However, based upon the customer comments received at the public hearings, it appears that Company procedures are not being consistently followed.

Based on the previous information, the EMSD staff recommends that the Company:

Investigate specific customer complaints about the lack of information regarding planned outages and determine where the Company's internal communication procedure may not have been followed.

Increase efforts to inform all Company personnel on a regular basis of the established procedure for communicating information about planned and unplanned outages to the Call Center.