

FILED  
January 13, 2011  
Data Center  
Missouri Public  
Service Commission

Exhibit No.:  
Issues: Time Reporting  
Witness: Nila S. Hagemeyer  
Sponsoring Party: MoPSC Staff  
Type of Exhibit: Direct Testimony  
File No.: SR-2010-0320  
Date Testimony Prepared: November 23, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**NILA S. HAGEMEYER**

**TIMBER CREEK SEWER COMPANY**

**FILE NO. SR-2010-0320**

*Jefferson City, Missouri  
November 2010*

Exhibit No. 11  
Date 1-5-11 Reporter DA  
File No. SR-2010-0320

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**NILA S. HAGEMEYER**  
**TIMBER CREEK SEWER COMPANY**  
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1 Department (EMSD) and subsequently promoted in June 2006 to my current position as Utility  
2 Management Analyst III.

3 Q. What are your current job duties?

4 A. As a Utility Management Analyst, my responsibilities include planning and  
5 performing reviews of management operating and control systems at utility companies under the  
6 Commission's jurisdiction and analyzing statistics reported by various utility companies.

7 Q. Have you participated in other Company reviews at the Commission?

8 A. Yes. In addition to Timber Creek Sewer Company (Timber Creek or Company), I  
9 have participated in and conducted customer service and business office operations reviews of  
10 numerous water and/or sewer companies, including AquaSource/CU, Inc., Evergreen Lake  
11 Water Company, Gladlo Water and Sewer Company, Inc., Hickory Hills Water and Sewer Co.,  
12 Lake Region Water & Sewer Company, Mill Creek Sewers, Inc., Missouri-American Water  
13 Company, Noel Water Company, Port Perry Service Company, Inc., Rogue Creek Utilities, Inc.,  
14 Roy-L Utilities, and Terre du Lac Utilities Corporation. I have also performed customer service  
15 reviews of the meter reading function of Laclede Gas Company, Aquila, Inc. (now operating as  
16 KCP&L-Greater Missouri Operations), and Missouri Gas Energy, performed a review of  
17 The Empire District Electric Company's Call Center in conjunction with the December 2007  
18 ice storm, assisted with a review of the processes and procedures at Atmos Energy Corporation's  
19 Call Center in Amarillo, TX, and assisted with a management audit of Aquila, Case  
20 No. EO-2006-0356. I have participated in the analysis of a number of customer complaints, both  
21 informal and formally filed and have reviewed numerous audit reports and testimony prepared  
22 by other management analysts within the EMSD.

1 **PURPOSE OF TESTIMONY**

2 Q. What is the purpose of your testimony?

3 A. The purpose of my testimony is to address the value and necessity of time  
4 reporting and request that the Commission order Timber Creek Sewer Company to establish and  
5 maintain a time reporting mechanism for work activities performed by each of its  
6 individual employees, including the General Manager in charge of the Company's operations.

7 **BACKGROUND**

8 Q. With reference to Case with File No. SR-2010-0320, what Company information  
9 have you examined regarding its customer service operations?

10 A. I have examined Timber Creek's tariffs, annual reports, Commission complaint  
11 and inquiry records, and other documentation provided by the Company in response to the  
12 Missouri Public Service Commission Staff's (Staff) informal, as well as formal, data requests. I  
13 also interviewed Company personnel at Timber Creek's office near Platte City, Missouri, and  
14 spoke with Company employees via conference calls.

15 Q. What knowledge and experience do you have regarding Timber Creek's sewer  
16 rate increase tariff filings that are the subject of Case with File No. SR-2010-0320?

17 A. I have performed three customer service and business operations reviews of  
18 Timber Creek. The first review was in September 2003 with Tracking No. QS-2004-0001. The  
19 second review was in April 2007 with Tracking No. QS-2007-0008. The third review was  
20 performed beginning in June 2010 in conjunction with the current case (File No. SR-2010-0320).  
21 In each of these cases, I reviewed responses to Staff's data requests from Timber Creek, along  
22 with Company tariffs and annual reports, as well as customer complaint records. I conducted

1 and participated in interviews of Timber Creek personnel at the Company's office near  
2 Platte City, Missouri, relating to each of these rate increase requests.

3 Q. What is the purpose of customer service and business office operations review in  
4 the context of small water and sewer company rate increase requests?

5 A. The objectives of these reviews are to document and analyze the management  
6 control processes, procedures, and practices used by utilities to ensure adequate customer service  
7 is provided. One aspect of adequate customer service includes compliance with Missouri Public  
8 Service Commission rules and utility tariffs. In addition, the EMSD staff reviews the business  
9 office operations of the utilities for efficiency and effectiveness. The resultant reports include  
10 recommendations, when appropriate, to improve the quality of service that utilities provide their  
11 customers, as well as the Company's efficiency and effectiveness.

## 12 **RECOMMENDATIONS**

13 Q. What recommendations did you make to the Company in the Report of Customer  
14 Service and Business Operations Review (Report), which was filed as Attachment B to the  
15 Unanimous Partial Agreement Regarding Disposition of Small Sewer Company Revenue  
16 Increase Request on October 7, 2010, in Case with File No. SR-2010-0320?

17 A. I made two recommendations in the Report. I recommended that the Company  
18 *"Develop and maintain daily time sheets to record work assignments and the time spent working*  
19 *on each project."* The Company has not agreed to implement this recommendation. I also  
20 recommended that the Company *"Display the Company logo on Timber Creek's truck."* The  
21 Company has agreed in the Unanimous Partial Disposition Agreement filed October 7, 2010, to  
22 complete the recommendation with regard to displaying the Company logo on its truck.

**TIME REPORTING**

Q. What was the EMSD staff's recommendation as to how the Company is to keep time records?

A. The EMSD staff recommends that each of Timber Creek's employees, including the General Manager, record their daily time noting appropriate descriptions of their work performed, broken into specific time increments. This time reporting should be in sufficient detail to identify regulated, as well as non-regulated, work activities of Company employees. Time reporting is not intended to be burdensome, but rather to be a useful managerial and regulatory tool.

Q. Why is time reporting important?

A. Time reporting is a fundamental managerial responsibility and supports the managerial responsibilities of planning, organizing, directing, and controlling organizational resources.

Q. What is the purpose of time reporting?

A. Time records serve the following specific functions:

- Track time spent on all projects and activities;
- Create a historical record of the work and projects that have been accomplished;
- Demonstrate that expected and defined job duties are being completed, which support performance evaluations;
- Assist in projecting and managing required staffing levels. Time reporting alerts management to the number of hours being worked, including overtime hours, and provides justification for adding needed staff, reducing staff, and/or combining or segregating job activities;

- 1 • Link the data in time records to accounting records to provide necessary support
- 2 for financial reporting and allocation of costs;
- 3 • Provide documentation to demonstrate that all employees are working on
- 4 regulated utility operation activities and not charging time to the regulated utility
- 5 for non-Timber Creek regulated activities; and
- 6 • Support the pay and benefits that regulated utilities will receive from customer
- 7 rates. Time records of regulated utilities serve as documentation to the Company
- 8 and the Missouri PSC Staff for the utility staffing that customers are paying for in
- 9 their rates. In effect, employee time records are the 'invoices' for services
- 10 performed by regulated utilities on behalf of the customers they serve within a
- 11 certificated service territory.

12 Q. Please explain some of the benefits to be gained by maintaining time records.

13 A. Time records assist management in projecting required staffing levels which may  
14 eventually be required to increase due to the potential for a substantial increase in customers.  
15 The number of Timber Creek's customers has increased significantly from 268 in 2000 to  
16 1,525 customers in 2010. In addition, there are at least 1,800 undeveloped lots in current  
17 subdivisions served by the Company. As these lots are developed, the number of customers will  
18 continue to grow. On April 21, 2010, the Commission granted Timber Creek a certificate of  
19 convenience and necessity in Case with File No. SA-2010-0063 to provide service to a  
20 2,900-acre parcel of land located east and just south of Platte City, Missouri, that wraps around  
21 the current Timber Creek and Summerset Subdivisions, as well as two other tracts of land  
22 located north of Platte City, Missouri. At some point, the present Company employees will be  
23 unable to complete all of the work associated with Timber Creek's expanding service territory,



1 and additional employees will need to be hired. Time sheets would document the number of  
2 hours, including overtime, and jobs and projects worked to provide support for justifying  
3 additional staffing and determining necessary positions.

4 One point of the Commission's mission is to ensure that Missourians receive safe and  
5 reliable service at just and reasonable rates. Time sheets provide a record of accountability,  
6 noting time that each employee spends working on specific projects. Time sheets support the  
7 pay and benefits that regulated utilities will receive in customer rates.

8 Q. Has the Commission ever expressed an opinion about the value of time reporting  
9 for regulated utilities?

10 A. Yes. In the rate increase request of Hickory Hills Water and Sewer Company,  
11 Case Nos. SR-2006-0249 and WR-2006-0250, the Commission stated in its Report and Order at  
12 page 7:

13 The Commission agrees that there are many tasks such as fielding  
14 phone calls from customers that were never entered into the hourly  
15 log. However, the Commission is not inclined to allow any public  
16 utility to claim a wage expense for hours not actually worked or  
17 documented sufficiently for the Commission to review. . . the  
18 Commission will not allow compensation for time not documented  
19 in the time log. To do otherwise would invite other public utilities  
20 to make similar claims and seek additional expenses in rates that  
21 are not supported by documentation.

22 The Commission at that time determined that sufficiently documented work hours was  
23 necessary for a public utility to claim a wage expense.

24 Q. Has the Staff made recommendations regarding maintaining time sheets to other  
25 small water and sewer companies?

26 A. Yes. In the more recent past reviews of small water and/or sewer companies that  
27 EMSD staff has performed, we have made recommendations regarding time sheets. Some of  
28 those companies include: Port Perry Service Company, Terre du Lac Utilities Corp.,

1 I. H. Utilities, Inc., Roark Water and Sewer Company, Lakeland Heights Water Company,  
2 Oakbrier Water Company, and Suburban Water and Sewer Company.

3 Q. What is Staff's recommendation to the Commission in regard to the time  
4 reporting issue?

5 A. The Staff requests that the Commission order Timber Creek Sewer Company to  
6 establish and maintain a time reporting mechanism for all employees to record their daily work  
7 activities in specific time increments beginning with the effective date of the Commission's  
8 Order. The Company would be required to develop a time reporting system for each of its  
9 employees, including the General Manager. Timber Creek would need to produce such  
10 documentation upon request by the Commission and its Staff.

11 Q. Does this conclude your direct testimony?

12 A. Yes, it does.


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

In the Matter of the Application of )  
Timber Creek Sewer Company Request for a ) File No. SR-2010-0320  
Rate Increase. )

AFFIDAVIT OF NILA S. HAGEMEYER

STATE OF MISSOURI       )  
                                  )       ss.  
COUNTY OF COLE       )

Nila S. Hagemeyer, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 8 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

  
\_\_\_\_\_  
Nila S. Hagemeyer

Subscribed and sworn to before me this 23<sup>rd</sup> day of November, 2010.



  
\_\_\_\_\_  
Notary Public