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Issues: *Customer Service*
Quality of Service
Witness: *Brooke M. Richter*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *SR-2016-0202*
Date Testimony Prepared: *October 13, 2016*

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
CONSUMER AND MANAGEMENT ANALYSIS UNIT

REBUTTAL TESTIMONY

OF

BROOKE M. RICHTER

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

CASE NO. SR-2016-0202

Jefferson City, Missouri
October 2016

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RACCOON CREEK UTILITY OPERATING COMPANY, INC.

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1 **INTRODUCTION**

2 Q. What is the purpose of your rebuttal testimony?

3 A. The purpose of my rebuttal testimony is to respond to the Direct Testimony of
4 James M. Russo filed in Case No. SR-2016-0202. I will address Mr. Russo's specific comments
5 regarding the *Report of the Customer Service and Business Operations Review*, prepared by the
6 Staff's Consumer and Management Analysis Unit,¹ as the report related to the Company's
7 uncollectible accounts or bad debt. My rebuttal testimony will further address the additional
8 deposit provisions included in 4 CSR 240-13.030(2)(A-C) (also referred to as "Chapter 13")
9 not specifically addressed by Mr. Russo in his Direct Testimony. In addition, my rebuttal
10 testimony will clarify Chapter 13 rule language as it relates to customer deposit provisions.
11 Finally, my testimony will relay discussions the Consumer and Management Analysis Unit has
12 had with the Company toward pursuing additional actions that may assist the Company in
13 reducing its bad debt.

14 **STAFF'S REPORT**

15 Q. What was the purpose of the Staff's *Report of Customer Service and Business*
16 *Operations Review* in Case No. SR-2016-0202?

17 A. The objectives of the review were to document and analyze the management
18 control processes, procedures, and practices used by the Company to ensure that its customers'
19 service needs are met and to make recommendations where Staff has determined they are
20 appropriate. Staff has been performing this type of review when small water and sewer
21 companies file a request to increase rates with the Missouri Public Service Commission since
22 2001.

¹ Direct Testimony – James M. Russo p. 10.

1 Q. What specific scope did Staff focus on for its review?

2 A. Staff examined the Company's customer billing, payment remittance, credit and
3 collections, complaints and inquiries, and customer communications processes during the course
4 of its analysis.

5 Q. Did Staff develop any findings and make any recommendations as a consequence
6 of its review?

7 A. Yes. Staff conducted its review by issuing data requests, evaluating the
8 responses, and conducting interviews with Company personnel. Staff found that the Villages
9 of Whiteman (Villages) sewer system had significantly higher uncollectible account write-offs
10 (bad debt) than the Company's other two systems (West 16th Street and W.P.C. Sewer
11 Company). Staff then made a recommendation that the Company evaluate collecting and
12 refunding customer deposits, particularly in the Villages territory, consistent with Commission
13 Rule 4 CSR 240-13.030 and the Company's tariffs.

14 Q. Why would this particular service territory have higher uncollectible accounts?

15 A. It is Staff's understanding that this particular service territory includes customers
16 that move more frequently and tend to not permanently reside in the area, due to its proximity
17 with Whiteman Air Force Base ("WAFB"). In situations where service disconnections can be
18 utilized as a direct consequence of unpaid bills, customers are frequently prompted to make
19 payments or payment arrangements in order to have service restored. However, sewer service
20 itself adds further complication for uncollectible accounts as service disconnections are much
21 more difficult, time consuming, and costly to perform compared to service disconnections of
22 other utility services such as water, gas and electric. Some water and sewer service providers
23 have agreements to discontinue water service for delinquent sewer bills. Staff has reviewed the

1 Company's proposed tariff that has not yet been approved, and it contains an agreement with the
2 water utility to disconnect a customer's water service due to a delinquent sewer bill.

3 Q. Does Chapter 13 require or dictate that a regulated company must charge
4 deposits?

5 A. No. The rule language is clear and specific that a Company "may" require a
6 deposit or other guarantee as a condition of new residential service if various criteria exist
7 including: 1. the customer has a past due bill which accrued within the past five years; or, 2. the
8 customer has diverted or interfered with service; or, 3. the customer is unable to establish an
9 acceptable credit rating. The Company "may" also require a deposit as a condition of continuing
10 or re-establishing service if various criteria exist including: 1. the customer has previously had
11 service discontinued for non-payment; or, 2. the customer has interfered with or diverted service;
12 or, 3. the customer has failed to pay an undisputed bill on or before the delinquent date for
13 five (5) billing periods out of (12) twelve (referenced from Commission Rule 4 CSR 240-13.030
14 (1)(A-C) and (2)(A-C).

15 **RESPONSE TO JAMES R. RUSSO'S TESTIMONY**

16 Q. Does OPC witness Mr. Russo address Chapter 13's rule in its entirety regarding
17 Customer deposits in his Direct Testimony?

18 A. No. Mr. Russo only addresses deposits for new residential customers from
19 Commission Rule 4 CSR 240-13.030 section (1)(A-C). Mr. Russo's testimony does not address
20 the particular provisions of the rule that permit the Company to assess deposits for customers
21 who have a history of not making payments by the bill delinquent date (referenced from
22 Commission Rule 4 CSR 240-13.030 section (2)(A-C) explained in the answer prior). This
23 particular provision may be of help to this specific Company as customers who may leave the

1 Company's system with an unpaid balance could also have a late-pay history. This portion of
2 the Commission's rule may help the Company to assess a deposit during the service period
3 instead of only at connection of service and that may be used to off-set an uncollectible account.

4 Q. How can deposits help mitigate bad debt?

5 A. If a utility requires an up-front deposit for utility services it holds that amount in
6 its customer deposit accounts. The utility can then apply the assessed deposits to unpaid utility
7 bills if that customer later has an uncollectible account or if a customer pays its bill diligently,
8 upon satisfactory payment of utility charges for twelve (12) billing months the deposit will be
9 returned to the customer with interest in the form of a bill credit or refunded. Because
10 uncollectible dollars are eventually included in the rates all customers pay, deposits can help
11 lower the bills of all rate payers when uncollectible accounts are present.

12 Q. Do you believe your recommendation in Staff's Consumer and Management
13 Analysis Unit's Memorandum, which is Attachment C to the *Partial Disposition Agreement*,
14 follows Commission Rules, while it still may have the benefit of reducing future bad debt?

15 A. Yes. As the recommendation states, "Evaluate the benefits of charging and
16 refunding customer deposits consistent with Commission Rule 4 CSR 240-13.030 and the
17 Company's tariffs, particularly in the Villages Water and Sewer Company Inc. service territory."
18 The recommendation recognizes that it is within the Company's purview and judgment whether
19 or not to exercise its authority to assess customer deposits granted by the Missouri Public Service
20 Commission rules.

21 Q. Does the Company have authority to collect customer deposits in its current
22 tariff? If not, is Staff aware of the Company adding collection of customer deposits in its
23 future tariff?

1 A. No, the Company does not have in its current tariff authority to collect customer
2 deposits consistent with the provisions of Commission Rule 4 CSR 240-13.030. Staff has
3 reviewed the Company's proposed tariff that has not yet been approved, and it contains a section
4 concerning collection of customer deposits, which is consistent with Commission Rule 4 CSR
5 240-13.030. Because deposits represent a specific customer charge, they must be included in the
6 Company's Commission approved tariff.

7 Q. Has Staff and the Company discussed further options beyond the provisions of
8 Commission rules that may assist the Company in reducing its bad debt?

9 A. Yes. Staff and the Company have discussed the benefits of contracting with a
10 collection agency that may have greater expertise at collecting unpaid bills. Staff and the
11 Company have also discussed the possibility of the Company contacting the WAFB personnel
12 office to get assistance in identifying delinquent customers, including address and contact
13 information, within its service territory. Because WAFB customers appear to have more
14 frequent turn-over, it is sometimes difficult, unless a customer directly contacts the company, to
15 have complete knowledge of who is living in a given residence and receiving sewer service from
16 Raccoon Creek. By contacting WAFB, the Company may be able to obtain more accurate
17 customer residence and contact information in order to properly bill and collect from some of its
18 customers. It is Staff's understanding that the Company is in the process of contacting WAFB,
19 along with contracting with a collection agency to collect its overdue and delinquent bills.

20 Q. Does the staff believe these options may help reduce future bad debt?

21 A. Yes.

22 Q. Does this conclude your testimony?

23 A. Yes

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of a Rate)
Increase for Raccoon Creek Utility Operating)
Company Inc.)
Case No. SR-2016-0202

AFFIDAVIT OF BROOKE M. RICHTER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW BROOKE M. RICHTER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony and that the same is true and correct according to her best knowledge and belief.

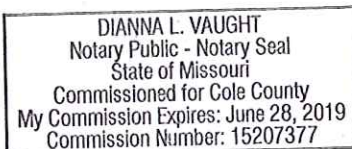
Further the Affiant sayeth not.

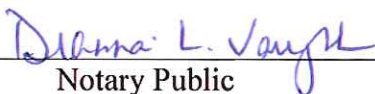


BROOKE M. RICHTER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 13th day of October, 2016.





Notary Public

CASE PARTICIPATION**BROOKE M. RICHTER**

Company Name	Case Number	Testimony/Issues
The Empire District Electric Company	ER-2014-0351	January 2015 Cost of Service Report- Plant in Service, Depreciation Reserve, Prepayments, Materials and Supplies, Customer Deposits, Customer Deposit Interest, Customer Advances, Amortization of Electric Plant, Amortization of PeopleSoft Intangible Asset, Corporate Franchise Taxes, Depreciation Expense, Amortization Expense, Dues and Donations, EEI Dues, Advertising Expense, Outside Services, and Postage.
Seges Partners Mobile Home Park L.L.C.	SR-2015-0106	January 2015 Staff Report- Rate Base, Revenues, Purchased Sewer Costs, Payroll and Payroll Taxes, Management Fee, Postage, Telephone Expense, Maintenance Expense, Insurance, Outside Services, PSC Assessment, and Rate Case Expense
The Empire District Electric Company	ER-2014-0351	March 2015 Surrebuttal Testimony- Advertising Expense, Customer Advances, and EEI Dues.
Ozark International, Inc.	WR-2015-0192	September 2015 Staff Report- Payroll, Telephone and Cell Phone Expense, Auto Expense, Insurance Expense, Bank Service Charges, Customer Deposits, Customer Deposit Interest, PSC Assessment, Revenues, Miscellaneous Income, Contract Labor, General Maintenance Expense, Electric Expense, Returned Check Fees, Outside Services, Dues and Subscriptions, and Credit Card Fees
Hillcrest Utility Operating Company, Inc.	WR-2016-0064	March 2016 Staff Report- Customer Service and Business Operations Review
Cannon Home Association	SR-2016-0112	April 2016 Staff Report- Customer Service and Business Operations Review
Roy-L Utilities, Inc.	WR-2016-0109	May 2016 Staff Report- Customer Service and Business Operations Review

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Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202	August 2016 Staff Report- Customer Service and Business Operations Review
Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202	October 2016 Rebuttal Testimony- Collection of Bad Debt