

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

The Staff of the Missouri Public Service Commission, )  
)

Complainant, )

vs. )

Aqua Development Company )  
d/b/a Aqua Missouri, Inc., )

Respondent. )

**Case No. SC-2010-0150, et al.**

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and submits its Staff Recommendation as follows:

1. On April 13, 2010, Staff, The Office of the Public Counsel (OPC), and Aqua Missouri<sup>1</sup> (collectively referred to hereinafter as “the Parties”) entered into a Unanimous Partial Stipulation and Agreement Regarding Count IV (Partial Stip Regarding Count IV).

2. On April 21, 2010, the Missouri Public Service Commission (“the Commission”) issued its Order Approving Stipulations and Agreements, approving the Partial Stip Regarding Count IV and ordering the Parties to comply with its terms.

3. Provision number fifteen (15) of the Partial Stip Regarding Count IV states as follows:

In addition, within sixty (60) days of the effective date of a Commission order approving this stipulation, the Company agrees to supplement its tariff(s) with the Commission in order to tariff the Company’s procedures for rendering estimated bills, including,

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<sup>1</sup> For the purposes of this pleading, “Aqua Missouri” or “the Company” shall collectively refer to Aqua Development Company d/b/a Aqua Missouri, Inc., Aqua RU Inc. d/b/a Aqua Missouri Inc., and Aqua Missouri, Inc., respondents in this consolidated complaint case.

but not limited to those related to the water meter removal and inspection schedule found at Commission Rule 4 CSR 240-10.030(38). Staff reserves the right to state a position on these tariff changes in the context of the subsequent tariff filing.

4. On June 21, 2010, the Company submitted a series of tariffs sheets in an attempt to comply with the above-listed provision. On June 30, 2010, the Company filed substitute tariff sheets (“the tariff sheets”) in order correct certain deficiencies and to reflect informal comments that had been provided by Staff. These tariff sheets and the corresponding tracking numbers are identified in the attached Memorandum, labeled Appendix A and incorporated by reference herein.

5. As indicated in Attachment A Staff has conducted a thorough review of the tariff sheets. Although it would be Staff’s preference for the Company’s estimation practices to be based specifically upon same-season historical usage, Staff is of the opinion that the language included in the tariffs sheets accurately reflects the Company’s current practices. For this reason, and based upon Staff’s understanding of the technical limitations of the Company’s billing system, Staff believes the Company has fulfilled its obligations in respect to the above-listed provision of the Partial Stip Regarding Count IV.

6. Staff would note that the Company remains under the obligation, as ordered by the Commission in Case No. WR-2008-0269, to notify Staff of any substantial conversions to its billing system that could impact customer bills, and of any other substantial billing problems that occur in the future.

**WHEREFORE**, Staff recommends the Commission approve the tariff sheets submitted by the Company on June 30, 2010.

Respectfully submitted,

**/s/ Eric Dearmont**

Eric Dearmont  
Assistant General Counsel  
Missouri Bar No. 60892

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 6th day of July, 2010.

**/s/ Eric Dearmont**

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
Case No. SC-2010-0150, et al.

FROM: Lisa Kremer, Kay Niemeier and Benjamin Wisnewski  
Engineering and Management Services Department

Lisa Kremer    07/06/2010  
Project Coordinator/Date

Eric Dearmont    7/06/2010  
Staff Counsel's Office/Date

SUBJECT: Staff's Recommendation Regarding Aqua Missouri, Inc.'s Tariff Sheets

DATE: July 6, 2010

### **Background**

On April 13, 2010, the Staff of the Missouri Public Service Commission (the Staff), The Office of the Public Counsel (OPC), and Aqua Missouri, Inc., Aqua/RU, Inc. d/b/a Aqua Missouri, Inc. and AquaSource Development Company d/b/a Aqua Missouri, Inc. (collectively referred to herein as "Aqua Missouri" or "the Company") entered into a Unanimous Partial Stipulation and Agreement Regarding Count IV (Partial Stip Regarding Count IV). On April 21, 2010, the Commission issued its Order Approving Stipulations and Agreements, approving the Partial Stip Regarding Count IV and ordering the parties to comply with its terms.

Provision number Fifteen (15) of the Partial Stip Regarding Count IV states as follows:

In addition, within sixty (60) days of the effective date of a Commission order approving this stipulation, the Company agrees to supplement its tariff(s) with the Commission in order to tariff the Company's procedures for rendering estimated bills, including, but not limited to those related to the water meter removal and inspection schedule found at Commission Rule 4 CSR 240-10.030(38). Staff reserves the right to state a position on these tariff changes in the context of the subsequent tariff filing.

This provision was included in the Partial Stip Regarding Count IV, due to the Staff's concerns regarding the Company's procedures for estimating bills, raised during Case No. SC-2010-0150.

### **The Tariff Filing**

On June 21, 2010, the Company submitted a series of tariffs sheets in the case in an attempt to comply with the above-listed provision; however, the Company failed to submit the tariffs under the "tariff" portion of EFIS, which would have resulted in the assignment of tariff tracking numbers. The Commission's Data Center contacted the Water and Sewer Department about whether to assign tracking numbers to the tariffs, and was advised that the Company would soon

be filing replacement tariffs to correct the errors with page numbers, issue dates and effective dates. For this reason, it was agreed that the replacement pages would be assigned tariff tracking numbers accordingly upon submission.

After a review of the Company's June 21, 2010 tariff sheets and communication with the Company, the Staff filed a Motion to Extend Deadline for Filing of Staff Recommendation (Motion) on June 28, 2010, based upon the Company's indication in the informal communications with the Staff that it intended to file a series of substitute tariff sheets within a few days. The Commission issued its Order Granting Motion for Extension of Deadline on June 29, 2010, extending the Staff's filing date to July 6, 2010. On June 30, 2010 the Company filed tariff sheets intended to substitute those in its previous submission. The proposed sheets and the entities to which they apply (and which comprise Aqua Missouri) and the corresponding tracking numbers are listed as follows:

<u>Entity</u>	<u>Sheet(s)</u>
Aqua/RU Inc. d/b/a Aqua Missouri Inc. (Tracking No. YW-2010-0763)	P.S.C.MO. No. 2 2 <sup>nd</sup> (Revised) Sheet No. WRR 30 Cancelling 1 <sup>st</sup> (Revised) Sheet No. WRR 30
Aqua Missouri, Inc. (Sewer) (Tracking No. YS-2010-0761)	P.S.C.MO. No. 2 (Original) Sheet No. SRR 31A
Aqua Missouri, Inc. (Water) (Tracking No. YW-2010-0762)	P.S.C.MO. No. 1 (Original) Sheet No. WRR 28A
AquaSource Development Company d/b/a Aqua Missouri, Inc. (Tracking No. YS-2010-0760)	Original Sheet No. 21A

All of the above tariff sheets bear an effective date of July 28, 2010.

### **Staff Review**

The Engineering and Management Services Department and the Water and Sewer Department have reviewed Aqua Missouri's filings. This review included numerous conversations among the Staff, review of tariff language of Company's affiliates in other states, and conversations with Company representatives and personnel about the tariff language and the Company's actual procedures and capabilities with regard to estimating utility bills.

The Company's proposed revised tariff sheets include the following language " . . . the Company shall base its estimate on the *usage of the average of up to two years of information* for the same premise." (Emphasis added).

The Staff recognizes that estimating utility bills inherently cannot result in the accuracy that actual meter readings can produce, but the Staff believes that some methods of usage estimation do result in more accurate estimates than other methods. The Staff's preference is that estimation procedures are based upon like-seasonal usage history for water estimation, because water usage can fluctuate substantially throughout the year with significantly more usage potentially occurring during the summer months than at other times of the year. For example, this means that the Staff prefers that utilities use customers' previous August water usage to estimate a current August bill, or previous February usage to estimate a current February bill.

Despite this preference, the Company has indicated, through local counsel, that its present billing system has operational limitations that prevents the system from estimating bills in the manner the Staff recommends and prefers. In order to gain greater knowledge of how the Company's current estimation process is performed, Staff conducted a subsequent telephone conference on July 2, 2010 with the Company's National Billing Manager, Sue Chambers. After conducting the telephone conference with Ms. Chambers, it is the Staff's understanding that the following description accurately represents the Company's current estimation procedures.

When the Company is unable to obtain an actual meter reading, its billing system, known as the "Banner" billing system, begins searching the two-year billing history for the customer at the current premise (and whose bill is to be estimated) in order to locate the first actual (non-estimated) meter read. From the point the billing system locates the first actual meter reading, the Banner system utilizes that month and all subsequent usage months to develop a usage average that is then used as a billing estimate. The Company's revised tariff sheet language accurately reflects this actual practice, based upon its billing system operations, in that 'up to two years' worth of usage data may be used to develop an estimate. If a customer does not have two years of meter reading history at this premise from which to develop an estimate, the system will use the available meter reading data it does have on the customer's account. The Banner system is programmed to use a default usage based upon Missouri customer usage history in circumstances where it does not have sufficient meter reading data to develop an estimate.

The Staff recommends approval of the proposed tariff sheets as filed, based upon the Staff's understanding that the above-listed passage accurately describes the Company's billing estimation practice and that the Company's current billing system limitations prevent the Company from implementing an estimation procedure that would be of the Staff's preference.

### **Other Matters**

As an additional matter, Staff would note that the Company remains under the obligation, as ordered by the Commission in Case No. WR-2008-0269, to notify Staff of any substantial conversions to its billing system that could impact customer bills, and of any other substantial billing problems that occur in the future.

Aqua Missouri (its various operating companies) have no deficiencies with respect to past due annual assessments, as posted by the Commission's Administration Division, for fiscal years 2006 through 2010, and no deficiencies with respect to annual reports as posted by the Commission's Adjudication Division in EFIS for calendar years 2004 through 2009. Aqua Missouri has no other pending cases before the Commission, and approval of these tariff sheets will have no impact upon any other matter before the Commission.

### **Conclusion and Recommendation**

After completion of its review, the Staff believes that the Company has fulfilled its obligations of item 15 of the Partial Stip Regarding Count IV, believes that the Company's estimating procedure as contemplated by the proposed tariff language is acceptable, and recommends that the Commission approve the Company's revised tariff sheets as filed.

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Case No. SC-2010-0150

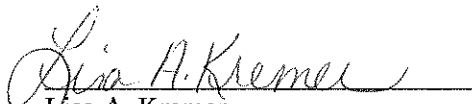
AFFIDAVIT OF LISA A. KREMER

STATE OF MISSOURI        )  
                                  )       ss.  
COUNTY OF COLE        )

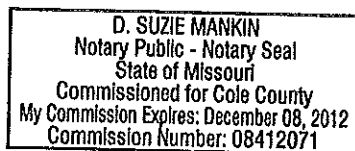
Lisa A. Kremer, being of lawful age, on her oath states: that as a Utility Regulatory Manager in the Engineering & Management Services department of the Utility Services Division, she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that she has verified that the foregoing Staff Memorandum was prepared by herself and Staff of the Commission that have knowledge of the matters set forth as described below; that she has verified with each of the Staff members listed below that the matters set forth in the Staff Memorandum are true and correct to the best of her knowledge and belief,


J. Kay Niemeier, Utility Management Analyst III  
Benjamin Wisnewski, Utility Management Analyst II

that she has knowledge of the matters set forth in such report and that such matters are true to the best of her knowledge and belief.

  
Lisa A. Kremer

Subscribed and sworn to before me this 6<sup>th</sup> day of July, 2010.



  
Notary Public