

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION  
3 TRANSCRIPT OF PROCEEDINGS  
4 On-The-Record Presentation  
5 March 12, 2010  
6 Jefferson City, Missouri  
7 Volume 7  
8  
9 In the Matter of the Application)  
10 of Ozark Meadows, Aqua )  
11 Development Company, dba Aqua )  
12 Missouri, Inc. Request for )  
13 Increase in Annual Sewer System )File No. SR-2010-0023  
14 Operating Revenues MPC Sewer )  
15 Utility Small Company Rate )  
16 Increase Procedures )  
17  
18 In the Matter of Aqua RU, Inc., )  
19 dba Aqua Missouri Request for )  
20 Increase in Annual Water System )File No. WR-2010-0025  
21 Operating Revenues MPSC Water )  
22 Utility Small Company Rate )  
23 Increase )  
24  
25 In the Matter of Aqua Missouri, )  
Inc. (CU) Request for Increase )  
in Annual Sewer System Operating)File No. SR-2010-0026  
Revenue MPSC Sewer Utility Small)  
Company Rate Increase Procedures)  
In the Matter of Aqua Missouri, )  
Inc. (CU) Request for an )  
Increase in the Annual Water )File No. WR-2010-0027  
System Operating Revenues MPSC )  
Water Utility Small Company )  
Rate Increase Procedures )  
HAROLD STEARLEY, Presiding  
SENIOR REGULATORY LAW JUDGE  
REPORTED BY:  
PAMELA FICK, RMR, CCR # 447, CSR  
MIDWEST LITIGATION SERVICES

1 APPEARANCES

2

3 MARC ELLINGER, Attorney at Law  
4 BLITZ, BARDGETT & DEUTSCH  
5 308 East High Street, Suite 301  
Jefferson City, Missouri 65101  
(573) 634-2500

6

7

8 CHRISTINA BAKER, Senior Public Counsel  
Office of the Public Counsel  
9 P.O. Box 2230  
200 Madison Street, Suite 650  
10 Jefferson City, MO 65102-2230  
(573)751-4857  
11  
12 FOR: Office of the Public Counsel  
and the Public.

13

14

15 ERIC DEARMONT, Legal Counsel  
Missouri Public Service Commission  
16 P.O. Box 360  
200 Madison Street  
17 Jefferson City, MO 65102  
(573)751-3234  
18  
19 FOR: Staff of the Missouri Public  
Service Commission.

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1 P R O C E E D I N G S

2 JUDGE STEARLEY: All right. We're going  
3 to go on the record. Good morning. It's Friday,  
4 March 12th, 2010. The Commission has set this time  
5 for an on-the-record proceeding in four rate cases  
6 filed by Aqua Missouri, Incorporated or one of its  
7 affiliated entities.

8 If you'll bear with me, I'm going to  
9 read the styles of those cases into the record, first  
10 being File No. SR-2010-0023, In the Matter of the  
11 Application of Ozark Meadows Aqua Development  
12 Company, Doing Business As Aqua Missouri,  
13 Incorporated, Request for Increase in Annual Sewer  
14 System Operating Revenues, MPC Sewer Utility Small  
15 Company Rate Increase Procedures.

16 File No. WR-2010-0025, In the Matter of  
17 Aqua RU, Incorporated, Doing Business As Aqua  
18 Missouri, Request for Increase in Annual Water System  
19 Operating Revenues MPSC Water Utility Small Company  
20 Rate Increase.

21 File No. SR-2010-0026, In the Matter of  
22 Aqua Missouri, Incorporated (CU), Request for  
23 Increase in Annual Sewer System Operating Revenue  
24 MPSC Sewer Utility Small Company Rate Increase  
25 Procedures.

1                   And File No. WR-2010-0027, In the Matter  
2   of Aqua Missouri, Incorporated (CU), Request for an  
3   Increase in the Annual Water System Operating  
4   Revenues MPSC Water Utility Small Company Rate  
5   Increase Procedures.

6                   My name is Harold Stearley. I'm the  
7   regulatory law judge presiding over this proceeding.  
8   Our court reporter this morning is Pam Fick. And we  
9   will begin by taking entries of appearance, beginning  
10  with Aqua Missouri.

11                  MR. ELLINGER: Thank you, Judge. Marc  
12  Ellinger, law firm of Blitz, Bardgett & Deutsch,  
13  308 East High, Suite 301, Jefferson City, Missouri  
14  65101, on behalf of Aqua Missouri and subsidiaries.

15                  JUDGE STEARLEY: Thank you,  
16  Mr. Ellinger. For the Office of the Public Counsel?

17                  MS. BAKER: Thank you, your Honor.  
18  Christina Baker, P.O. Box 2230, Jefferson City,  
19  Missouri 65102, appearing on behalf of the Office of  
20  the Public Counsel and the ratepayers.

21                  JUDGE STEARLEY: Thank you, Ms. Baker.  
22  For the Staff of the Missouri Public Service  
23  Commission?

24                  MR. DEARMONT: Thank you, Judge. Eric  
25  Dearmont on behalf of the Staff of the Missouri

1 Public Service Commission, P.O. Box 360, Jefferson  
2 City, Missouri 65102.

3 JUDGE STEARLEY: Okay. Thank you,  
4 Mr. Dearmont. And initially I do need to remind you  
5 as a matter of course, any of you having cell phones,  
6 BlackBerries, other electronic devices, I would ask  
7 that you please shut those devices off completely as  
8 they can interfere with our webcasting and our  
9 recording.

10 For preliminary matters, I do want to  
11 bring up one matter regarding sort of a companion  
12 case, our complaint case file which is SC-2010-0150,  
13 and I believe counsel is the same for all parties in  
14 that case, so I do have everyone present here for  
15 today.

16 The Commission is taking official notice  
17 of that case, the Staff of the Missouri -- Missouri  
18 Public Service Commission versus Aqua Missouri and  
19 its subsidiaries. And I did want to bring up one  
20 matter, providing no party has any objection, that  
21 there is an outstanding motion in that case that was  
22 filed by Staff on March 9th requesting that the  
23 Commission stay an order that the Commission issued  
24 asking its Staff to amend its complaints. If there  
25 are no objections, I want to --

1 MR. ELLINGER: Judge, if I may?

2 JUDGE STEARLEY: Yes.

3 MR. ELLINGER: We certainly don't have  
4 an objection to taking up that pending motion.  
5 However, we're not -- my understanding is this is the  
6 rate case presentation and not the hearing on the  
7 complaint case, and I want to at least be cautious --

8 JUDGE STEARLEY: Sure.

9 MR. ELLINGER: -- and put -- put at  
10 least my official notice in that we're not taking up  
11 the complaint case today nor is anything that occurs  
12 in this hearing part of or a component of that rate  
13 case, with the exception of the one motion that's  
14 pending where we consent for it to be taken up.

15 JUDGE STEARLEY: That -- that's correct,  
16 Mr. Ellinger, and I do want to make that clear as  
17 well. This is just a good opportunity since the  
18 deadline for filing that motion was actually today's  
19 date, and the Commission hasn't issued an order in  
20 response yet to Staff. And I just wanted to let  
21 Staff know that as of this time, that order is  
22 stayed. And I didn't think, Mr. Ellinger, you'd have  
23 any objections to that.

24 MR. ELLINGER: None whatsoever, Judge.

25 JUDGE STEARLEY: Are there any other

1 preliminary matters we need to take up?

2 (NO RESPONSE.)

3 JUDGE STEARLEY: Okay. The Commission  
4 was going to direct its Staff to offer as exhibits in  
5 this case the four disposition agreements and the  
6 report it filed regarding the quality of service  
7 issues. And before we take opening statements and/or  
8 get any type of testimony, I thought we'd just  
9 dispense and get that out of the way and have those  
10 exhibits marked and offered.

11 MR. DEARMONT: Great. Thank you, Judge.  
12 As you mentioned, I have the four disposition  
13 agreements that were filed in the four cases to be  
14 heard today. In addition, I also have the notice of  
15 Staff report regarding quality of service issues that  
16 was filed, I believe, Monday of this week.

17 And as far as that's concerned, I would  
18 just like to note that it has an appendix that is HC  
19 and I have provided that separately. So the joint  
20 copy has the NP version of that appendix and there is  
21 also an HP.

22 JUDGE STEARLEY: All right. Let's mark  
23 the disposition agreement for the 23 case as  
24 Exhibit 1; for the 25 case, Exhibit 2; the 26 case  
25 will be Exhibit 3; 27, Exhibit 4. And I will give

1 our court reporter a chance to catch up. Staff  
2 report will be marked as Exhibit 5, and your separate  
3 HC appendices we can mark as Exhibit 6.

4 (EXHIBIT NOS. 1 THROUGH 5 AND  
5 EXHIBIT 6 HC WERE MARKED FOR IDENTIFICATION BY THE  
6 COURT REPORTER.)

7 JUDGE STEARLEY: All right. Are there  
8 any objections to the admission of Exhibits 1 through  
9 6?

10 MR. ELLINGER: No objection.

11 MS. BAKER: No.

12 JUDGE STEARLEY: Hearing none, they will  
13 be admitted and received into the record.

14 (EXHIBIT NOS. 1 THROUGH 5 AND  
15 EXHIBIT 6 HC WERE RECEIVED INTO EVIDENCE AND MADE A  
16 PART OF THE RECORD.)

17 JUDGE STEARLEY: I did also want to make  
18 an announcement regarding the Commissioners  
19 themselves. I'm sure as you've noticed, I'm the only  
20 one sitting on the bench today. The Commissioners  
21 are involved in many different engagements, and  
22 unfortunately, none could appear in person today.

23 However, some are viewing the webcast  
24 and all of them have discussed and submitted to me  
25 items for questioning for the parties. So they --



1 they will -- if they're not actively watching the  
2 webcast, they will be reviewing the recordings of  
3 this procedure. And I wanted to let you know that  
4 they are -- while they may not be here physically,  
5 they are here in spirit.

6 With that, if there's no other  
7 preliminary matters, I will take opening statements  
8 from the parties. And Aqua Missouri, would you wish  
9 to make an opening statement first?

10 MR. ELLINGER: Yes, please, Judge. May  
11 it please the Commission, Judge. Thank you very much  
12 for the opportunity to appear here to present the  
13 four disposition agreements and comment on those and  
14 file the four rate cases we're appearing in front of  
15 you on.

16 The Company has worked very diligently  
17 with the Staff and with OPC's oversight also involved  
18 to arrange disposition agreements which are not only  
19 enforceable as a matter of law, but able to be  
20 complied with as a matter of fact also. I think you  
21 will hear testimony, depending on what format it  
22 comes in today, as to many of the terms that are  
23 contained in these disposition agreements and that  
24 the Company not only acknowledges what are contained  
25 in those disposition agreements but intends fully to

1   comply with not only the spirit but the letter of  
2   each of those terms that are contained in that --  
3   those disposition agreements.

4                   Aqua Missouri has been in the state for  
5   a relatively short period of time compared to many  
6   other utilities that have appeared before the  
7   Commission, but Aqua Missouri is diligent in making  
8   efforts to improve their service and will continue to  
9   make efforts to improve their service.

10                   There is a modest revenue increase  
11   contained in these disposition agreements. It is  
12   candidly far less than the Company would have liked,  
13   but it is sufficient to move this case forward to  
14   agree to the disposition that's contained and to work  
15   cooperatively with the Staff of the Public Service  
16   Commission, in particular, and also the Office of  
17   Public Counsel, should they desire to improve service  
18   for all customers and to continue -- as the Staff's  
19   report has noted, to continue to provide quality  
20   water service.

21                   And I think that's one thing that is  
22   important to note throughout this -- this entire  
23   hearing today and this process. The Staff's report  
24   does reflect that the Company is providing quality  
25   water service.

1                   There may be other issues and I'm sure  
2   you have questions beyond -- on your own or on behalf  
3   of the Commission, but the question of quality of  
4   water, in other words, the safety of the folks who  
5   drink water and obtain it and the treatment of fluent  
6   with respect to the sewer companies is really not an  
7   issue that is of any significant dispute in this  
8   matter. There are other issues and I will  
9   acknowledge that and the Company is committed to  
10  working on that.

11                   In accordance, we would ask the  
12  Commission to approve the disposition agreements as  
13  they've been drafted between the parties. Thank you.

14                   JUDGE STEARLEY: Thank you,  
15  Mr. Ellinger. Opening statement from Staff?

16                   MR. DEARMONT: Thank you, Judge. As  
17  everyone is aware, we are here today for an  
18  on-the-record presentation regarding the disposition  
19  agreements filed in the rate increase requests of the  
20  water and sewer service providers that I shall refer  
21  to collectively as Aqua Missouri.

22                   Although I do and will refer to these  
23  entities collectively, I think it's important that  
24  the Commission understand that Aqua Missouri is  
25  structurally comprised of three separate entities;

1 one providing only regulated water service, one  
2 provided -- providing only regulated sewer service  
3 and one entity providing both regulated water and  
4 sewer services. These entities provide such services  
5 in the central and southwest portions of the state  
6 throughout 11 distinct rate divisions.

7                   On July 15th of 2009, these entities  
8 initiated our small utility rate case procedure  
9 requesting a total annual increase of just under  
10 \$567,000. After extensive negotiation and pursuant  
11 to the small utility rate case procedure, Staff  
12 and the Company were able to reach a series of  
13 Company/Staff disposition agreements which are not  
14 opposed by the Office of the Public Counsel. These  
15 disposition agreements, those currently before the  
16 Commission today, reflect an overall agreed-upon rate  
17 increase of \$350,000.

18                   Of additional significance I would point  
19 out that the disposition agreements contain a number  
20 of conditions regarding the implementation of various  
21 accounting, management and customer communication  
22 procedures as well as a provision precluding the  
23 filing of an additional rate increase request until  
24 September 1st, 2011.

25                   Following the filing of these

1 disposition agreements, the Commission held six local  
2 public hearings regarding the proposed increases.  
3 These hearings were held in Reeds Spring, Shell Knob,  
4 Republic, Warsaw, Sedalia and Jefferson City.  
5 Although attendance at the Reeds Spring, Republic and  
6 Sedalia hearings was rather sparse, a relatively  
7 large number of customers attended and testified at  
8 Shell Knob, Warsaw and here in Jefferson City.

9               As you know, a number of these customers  
10 expressed dissatisfaction with the amount of the  
11 proposed increase as well as with the quality of  
12 service that they receive from the Company. I assure  
13 you that Staff has taken this information quite  
14 seriously and has since investigated these issues to  
15 the full extent possible.

16               The result of this investigation was  
17 presented to the Commission recently in the form of a  
18 Staff report which finds, in summary, that Aqua is  
19 neither providing unsafe or inadequate water service,  
20 although continued efforts in water quality  
21 monitoring may result in further aesthetic  
22 improvements at a reasonable cost to consumers.

23               In conclusion, Staff continues to  
24 support the disposition agreements filed in those  
25 cases before the Commission today and Staff asks that

1 the Commission approve these agreements as filed. As  
2 you can see, there are a number of Staff experts  
3 present and ready to answer any questions that the  
4 Commission might have. Thank you, Judge.

5 JUDGE STEARLEY: All right. Thank you,  
6 Mr. Dearmont. Opening statement by the Office of  
7 Public Counsel?

8 MS. BAKER: Thank you, your Honor. The  
9 Office of the Public Counsel is tasked to -- to fight  
10 for the customers' right to receive safe and adequate  
11 utility service at just and reasonable prices. With  
12 Aqua and previous cases that have come before the  
13 Commission, the issues of quality of service and the  
14 sufficiency of the customer service that the  
15 customers are receiving from Aqua have certainly been  
16 a major point with the customers and with the  
17 Commission.

18 So therefore, Public Counsel could not  
19 in all consciousness look at the disposition  
20 agreements that were -- that were proposed and signed  
21 by Staff and the Company and also taking into account  
22 the pending complaint cases that are -- that are  
23 alleging that the previous rate cases' disposition  
24 agreements have not been met by the Company, Public  
25 Counsel could not sign or agree to the disposition

1 agreements.

2                   We continue to have issues and concerns  
3 about the quality of service, the quality and  
4 sufficiency of the customer service that's coming  
5 from this Company. We hope that this disposition --  
6 these disposition agreements will be met by the  
7 Company and these issues will continue to improve.

8                   So Public Counsel trusts that given the  
9 leeway to address these issues with the proposed rate  
10 increase, that the Company will be successful in  
11 meeting the needs of their customers and that this  
12 will not be such an issue in previous -- or in -- in  
13 future rate cases before the Commission.

14                   Therefore, Public Counsel states that  
15 while we do not agree with the disposition  
16 agreements, we do not oppose their implementation.  
17 And I have with me Mr. Russ Trippensee who reviewed  
18 the Staff audit and the disposition agreements. I  
19 also have Ms. Barb Meisenheimer who can answer  
20 questions as well.

21                   JUDGE STEARLEY: Thank you, Ms. Baker.

22                   Before the Commission proceeds with some  
23 specific questions, do any of the parties wish to  
24 place any of their witnesses on the stand to offer  
25 any specific testimony with regard to any of these

1 agreements?

2 MR. DEARMONT: Staff does not.

3 MS. BAKER: Public Counsel does not.

4 MR. ELLINGER: The Company does not.

5 JUDGE STEARLEY: Very well. The witness  
6 list that was provided to the Commission prior to  
7 this hearing for Staff includes Lisa Hanneken, Erin  
8 Carle, Jim Busch, Jim Russo, Jim Merciel, Jerry  
9 Scheible, David Spratt, Lisa Kremer, Kay Niemeier,  
10 Gary Bangert and Benjamin Wisnewski. Hopefully I  
11 didn't butcher anybody's names too badly there. For  
12 Public Counsel, as Ms. Baker mentioned, is Russ  
13 Trippensee and Barbara Meisenheimer. Are all those  
14 individuals present today?

15 MS. BAKER: Yes, your Honor.

16 JUDGE STEARLEY: Okay. What I'm going  
17 to do is I'm going to swear all the witnesses in  
18 en masse, and when the Commission directs questions,  
19 counsel can answer questions or counsel may direct  
20 questions to particular witnesses of theirs. I'd  
21 just ask that when we are speaking, that we speak one  
22 at a time so our court reporter can make a clear  
23 record of things.

24 MR. ELLINGER: Judge, if I could?

25 JUDGE STEARLEY: Yes.



1                   MR. ELLINGER: We also have Tina  
2 Hill-Rush who is the regional manager of Aqua  
3 Missouri since I anticipate there may be questions  
4 regarding Aqua Missouri also. If you would not mind  
5 swearing her in also, if the parties don't have  
6 objection to her being -- appearing as a witness on  
7 behalf of the Company.

8                   JUDGE STEARLEY: I'm seeing no  
9 objections, so I don't see that as a problem. I will  
10 ask all the witnesses to please raise their right  
11 hand.

12                   (The witnesses were sworn.)

13                   JUDGE STEARLEY: We will let the record  
14 reflect that every witness answered affirmatively.

15                   If I could have counsel first approach  
16 the bench just very briefly. This will address that  
17 first question I have for you-all. I have -- what  
18 I'm providing counsel -- and you can be seated if you  
19 like at this time -- is a copy of a ratemaking income  
20 statement that was filed in a different small company  
21 utility case. It was from the Peace Valley case  
22 SR-2009-0146.

23                   And the only reason I pass this out as  
24 the question that the Commission has is that when the  
25 disposition agreements were filed in this case,

1    although they contained several working sheets to  
2    present information to the Commission, these  
3    dispositions -- disposition agreements did not  
4    include this type of worksheet, and so the question  
5    is why?

6                   MR. DEARMONT:  I think that I can answer  
7    that, Judge, on behalf of Staff.  This is what we  
8    generally refer to as a black box settlement, which  
9    was a product of extensive negotiation in this case.  
10   I believe that auditing staff would be happy to  
11   answer any additional questions about that, but it  
12   was not an oversight.  It was bargained for, Judge.

13                  JUDGE STEARLEY:  That's what I was  
14   assuming the answer was going to be to that question,  
15   which brings a follow-up question for the auditors,  
16   then, who actually went through all the Company's  
17   books.

18                  And since we don't have that type of  
19   detail when -- for the Commission, the question is  
20   are the auditors to the best of their knowledge,  
21   information and belief, one, did they complete a  
22   thorough and complete audit of the Company, and two,  
23   are they satisfied that the revenue requirement  
24   they're trying to achieve with the rates that are  
25   proposed are, in fact, accurate and correct for this

1 Company?

2 MR. DEARMONT: On behalf of Staff, I  
3 believe that I will defer that question to Lisa  
4 Hanneken. She was the lead auditor in -- on these  
5 cases.

6 JUDGE STEARLEY: Ms. Hanneken?

7 MS. HANNEKEN: Yes, Judge. The auditing  
8 staff did perform a complete audit of all the 11  
9 districts in this case and we did prepare some  
10 accounting schedules based on our findings.

11 Subsequent to that, we did enter into  
12 negotiations with the Company, and auditing staff  
13 does agree that the rates established in this case  
14 for review from the Commission do reflect the  
15 necessary increases for the Company to maintain safe  
16 and adequate service.

17 JUDGE STEARLEY: All right. And Office  
18 of the Public Counsel, do you have any position  
19 regarding what we've just heard from the auditors?

20 MS. BAKER: As far as reviewing the  
21 audit, I will refer our questions to that -- to  
22 Mr. Trippensee for -- for comments on his review.

23 JUDGE STEARLEY: Okay. Mr. Trippensee?

24 MR. TRIPPENSEE: Can you hear me from  
25 back here, Judge?

1 JUDGE STEARLEY: Yes, I can.

2 MR. TRIPPENSEE: Office of Public  
3 Counsel looked at the Staff work papers developed in  
4 the case, did not find any glaring deficiencies in  
5 that -- those work papers, and we believe the  
6 disposition -- the settlement that was reached in the  
7 black -- as far as the revenue requirement reflects  
8 adequate ratemaking, proper ratemaking, however you  
9 wish to -- to say it in this context.

10 JUDGE STEARLEY: All right. Very well.  
11 Thank you, Mr. Trippensee.

12 Does Aqua Missouri have any issues or  
13 would like to make any comments regarding what I've  
14 just -- the questions I've just directed to Staff and  
15 Public Counsel?

16 MR. ELLINGER: I would defer that  
17 comment to Tina Hill-Rush who is the regional manager  
18 for Aqua Missouri.

19 MS. HILL-RUSH: Judge, we believe that  
20 the Public Service Commission completed a thorough  
21 audit of the Company and that this reflects a fair  
22 rate of return.

23 JUDGE STEARLEY: All right. Thank you  
24 very much.

25 So the general consensus the Commission

1 seems to be hearing here is that the Commission  
2 approves these disposition agreements, that they will  
3 be setting just and reasonable rates which are  
4 sufficient for the Company to provide safe and  
5 adequate service. Is that a fair statement?

6 MR. DEARMONT: Staff would agree with  
7 that statement, Judge.

8 MR. ELLINGER: The Company would agree  
9 with that statement, Judge.

10 MS. BAKER: As the entity who is not  
11 opposing these statements, we would agree with that.

12 JUDGE STEARLEY: All right. Thank you.  
13 Staff has filed a report regarding service quality  
14 issues that were raised at the local public hearings.  
15 It's a very detailed report, it indicates a lot of  
16 footwork and going out door to door and investigating  
17 some of these issues.

18 And that was filed just this week, and  
19 there hasn't been any ten-day time period for  
20 responses, obviously, which has not transpired prior  
21 to this hearing. So I would -- I would want to ask  
22 specifically the Office of Public Counsel if you have  
23 any comments, replies with regard to Staff's  
24 investigation?

25 MS. BAKER: Public Counsel certainly

1 appreciates the efforts to listen to the customers  
2 who commented during the local public hearing and  
3 to -- and Staff's attempt to contact them to try to  
4 work on the issues that -- that the customers had.

5 As far as actually reviewing the report,  
6 it just came out a couple of days ago. Public  
7 Counsel has not exactly had the time to come up with  
8 a position on that as far as the complaint case is  
9 concerned.

10 And so Public Counsel would really at  
11 this point just say that it was certainly appreciated  
12 that the customers were contacted, and I'm sure the  
13 customers appreciated that.

14 JUDGE STEARLEY: All right. Thank you  
15 very much, Ms. Baker. Any other parties wish to  
16 comment regarding Staff's report?

17 MR. ELLINGER: Judge, excuse me. The  
18 Staff did do a thorough investigation of the issues  
19 that were raised, and we do not have any further  
20 comments about the report.

21 JUDGE STEARLEY: All right. Thank you,  
22 Mr. Ellinger.

23 With regard to the service quality  
24 issues that were raised and the call center issues  
25 that were raised, and this is directed to Aqua

1 Missouri, how does the Company intend to address  
2 these issues?

3 MR. ELLINGER: I'd ask Ms. Rush to  
4 answer those questions.

5 MS. HILL-RUSH: As far as the call  
6 center goes, there are ongoing efforts to improve  
7 that and to improve the training and specifically to  
8 note that there is a retraining process of the  
9 regulations of the State of Missouri to make sure  
10 that each and every customer service representative  
11 is aware of those regulations.

12 As far as the water quality, I think  
13 it's best stated in here by the Staff's report that  
14 Aqua is currently providing safe -- safe and adequate  
15 water and that resulting cost to improve that would  
16 be sought recovery from the State. So we're going to  
17 compare the cost with installing flush valves as  
18 compared to higher cost of things that would reflect  
19 to our customers our rate recovery on those items.

20 JUDGE STEARLEY: All right. Thank you,  
21 Ms. Rush. Mr. Dearmont, is Staff planning any type  
22 of follow-up investigation?

23 MR. DEARMONT: Judge, I believe that  
24 Staff has followed up quite a few matters that were  
25 brought to their attention in the context of the

1 local public hearings, but to the extent that  
2 additional information becomes available in the  
3 future, yes, Staff -- Staff will and does plan to  
4 follow up on that information.

5 I would also add that Staff, both in the  
6 context of the complaint case and in the context of  
7 this case as far as the quality of physical service  
8 is concerned, that Staff is continually working with  
9 the Company and has been working with the Company to  
10 propose and develop solutions to some of these  
11 problems such as flush valves and such as a number of  
12 the provisions that are actually contained in these  
13 agreements.

14 JUDGE STEARLEY: Thank you, Mr. Dearmont.

15 Ms. Baker, does the Office of Public  
16 Counsel wish to offer any suggestions with following  
17 up on investigations in terms of these quality  
18 service issues?

19 MS. BAKER: Our -- our recommendations  
20 would always be that Staff and their engineering  
21 services department and engineers continue to, you  
22 know, look at the Company and to suggest improvements  
23 through -- through the engineering staff.

24 JUDGE STEARLEY: All right. Thank you,  
25 Ms. Baker.



1 MR. DEARMONT: If I may --

2 MS. BAKER: Oh, and I will -- I will  
3 also let Ms. Meisenheimer answer that.

4 JUDGE STEARLEY: Okay. Very good.

5 MS. MEISENHEIMER: The Staff's  
6 engineering and management services department for  
7 many years has followed specific issues related to  
8 this Company's service -- customer service delivery  
9 and I -- I appreciate that work. It provides an  
10 ongoing documentation of -- to what extent the  
11 Company is and is not meeting the commitments that  
12 they've made and the obligations that they have.

13 And so I think that that's an important  
14 tool, and we certainly benefit from having the Staff  
15 prepare that and will continue to review it as the  
16 Staff updates those reports.

17 MR. DEARMONT: To add to that, Judge, I  
18 would just like to specifically state that in the  
19 quality of service report filed with the Commission  
20 on Monday, there are, I believe, four conditions that  
21 pertain to planned future actions of the Commission's  
22 engineering management services department. So that  
23 department, as evidenced by those conditions, plans  
24 to continue to follow up on the management and  
25 customer communication aspects of this case and those

1 cases in the future.

2 JUDGE STEARLEY: Okay. Thank you,  
3 Mr. Dearmont. The Commission's happy to get that  
4 into the record.

5 Each of these disposition agreements  
6 contains a report from the Commission's engineering  
7 management service department, and each of these  
8 disposition agreements contains conditions that were  
9 outlined by staff in that department. And I believe,  
10 Mr. Ellinger, you've already stated for us today on  
11 the record that it is Aqua Missouri's intent to  
12 comply with all of these conditions?

13 MR. ELLINGER: Yes, Judge, that is the  
14 intent of Aqua Missouri, to comply with both the  
15 spirit and the letter of the conditions that are  
16 contained in these disposition agreements.

17 JUDGE STEARLEY: Okay. Is there any  
18 party recommending any additional conditions beyond  
19 what is already contained in these agreements?

20 MR. DEARMONT: Staff does not.

21 MS. BAKER: Public Counsel does not.

22 JUDGE STEARLEY: All right. Are the  
23 parties satisfied that through the Commission's  
24 complaint procedure that these -- some of these  
25 issues can be addressed that way as opposed to being

1 taken up further in these rate cases?

2 MR. DEARMONT: Staff is extremely  
3 optimistic that that will be the outcome, Judge.

4 MS. BAKER: And Public Counsel does  
5 acknowledge that the complaint procedure is there and  
6 available for specific customers and has been used by  
7 specific customers in the past.

8 JUDGE STEARLEY: All right. Thank you.  
9 All of these agreements have essentially what's a  
10 rate case moratorium built into them, there's a  
11 clause built into those. And if the Commission is  
12 reading these correctly, no additional rate increase  
13 could be sought by the Company -- no filings for that  
14 until September 1st, 2011; is that correct?

15 MR. DEARMONT: Yes, Judge.

16 MR. ELLINGER: Yes, Judge.

17 JUDGE STEARLEY: And that would be the  
18 initiation of any such proceeding?

19 MR. DEARMONT: Yes, Judge.

20 JUDGE STEARLEY: So -- so based upon a  
21 small company timeline, the earliest a rate -- new  
22 rate could be imposed would be nine months following  
23 that, or approximately June of 2012; is that correct?

24 MR. DEARMONT: Judge, I would need to  
25 review that rule again, but that's my current

1 understanding, yes.

2 JUDGE STEARLEY: Right. I mean,  
3 theoretically, cases could be resolved prior to that  
4 time -- time period.

5 MR. DEARMONT: Yes.

6 JUDGE STEARLEY: But we'd be looking at  
7 roughly that frame, providing it went the full  
8 course, or possibly 11 months if it got extended by  
9 two months.

10 MR. DEARMONT: Approximately, Judge.  
11 If -- if that small utility rate case procedure  
12 played itself out in full, I agree that we would be  
13 looking at approximately 9 to 11 months after  
14 September of 2011.

15 JUDGE STEARLEY: Okay. So are the  
16 parties satisfied that should the Commission grant  
17 the rate increases proposed in these agreements, that  
18 that's going to be sufficient revenues to cover the  
19 Company throughout this period of lag? And if you've  
20 signed the disposition agreements, the Commission  
21 assumes you're signing on for that, so just  
22 confirming that on this record.

23 MR. ELLINGER: The Company does  
24 understand that the moratorium has agreed to it and  
25 understands and will comply with the provisions

1 contained therein and that the revenues that would be  
2 generated would be sufficient for the time period  
3 covered by the moratorium and any lag period  
4 extending thereon -- there beyond if not.

5 JUDGE STEARLEY: All right. Thank you,  
6 Mr. Ellinger.

7 And then that brings my next question.  
8 If there's some sort of emergent or exigent set of  
9 circumstances that Aqua Missouri would face, is there  
10 some mechanism whereby that moratorium could be laid  
11 aside?

12 MR. DEARMONT: Really, in the opinion of  
13 Staff, the Company could always seek a waiver of that  
14 provision, the disposition agreements or the  
15 resulting Commission order. And procedurally, I  
16 think that's -- would be the appropriate avenue.  
17 Staff would have to evaluate its position in the  
18 event that that did take place.

19 JUDGE STEARLEY: Very well. Any  
20 comments on that, Ms. Baker?

21 MS. BAKER: No, your Honor.

22 JUDGE STEARLEY: If the Commission  
23 approves these disposition agreements, have the  
24 parties thought about, agreed to or are in any way  
25 proposing a specific date that these tariffs should

1 go into effect? Right now they're suspended till  
2 June 15th.

3 MR. DEARMONT: I don't believe that  
4 Staff has identified any -- any date for those to go  
5 into effect.

6 JUDGE STEARLEY: For the Company,  
7 Mr. Ellinger, is Aqua seeking a specific time frame  
8 for these to go into effect?

9 MR. ELLINGER: I don't think we've  
10 identified a specific date. We'd obviously like them  
11 to go into effect as quickly as possible upon  
12 Commission approval of the disposition in the file  
13 and the tariff dates.

14 JUDGE STEARLEY: All right. Very well.  
15 Public Counsel, are you looking at a specific date  
16 that you believe these tariffs should go into effect?

17 MS. BAKER: No, your Honor.

18 JUDGE STEARLEY: All right. Does any  
19 party present here wish to cross-examine any of the  
20 witnesses that are -- been made available to the  
21 Commission today?

22 MR. DEARMONT: Staff does not.

23 MS. BAKER: Public Counsel does not.

24 MR. ELLINGER: Company does not.

25 JUDGE STEARLEY: Okay. So we're all

1     waiving cross-examination. All right. Do any of the  
2     parties have anything additionally they would like to  
3     offer the Commission?

4                     MR. DEARMONT: Not at this time, Judge.

5                     MS. BAKER: No --

6                     MR. ELLINGER: Nothing further from the  
7     Company.

8                     MS. BAKER: No, your Honor, nothing from  
9     Public Counsel.

10                    JUDGE STEARLEY: Okay. There is one  
11     matter the Commission has asked me to address to the  
12     parties with regard to briefing an issue for the  
13     Commission. And I want to make clear before I  
14     explain this that this issue is not an issue that's  
15     actually going to be taken up or addressed with a  
16     decision made in current disposition agreements that  
17     are pending, but it's an issue that the Commission  
18     wants information about and wants to be looking on a  
19     forward-going basis.

20                    What the Commission would like to have  
21     the parties brief is should the Commission at some  
22     point, whether it be a future rate case or  
23     additional -- a different future proceeding, be  
24     looking at the possibility of consolidating all of  
25     these rate districts for purposes of ratemaking

1 purposes? I see some head nodding there. I think  
2 that the parties understand what the Commission is  
3 asking.

4 And along with that, Mr. Dearmont, I'll  
5 direct this to you and the auditors and accountants,  
6 can the Staff prepare a scenario based upon the data  
7 in this case to give the Commission a projection of  
8 what this rate increase would have looked like had it  
9 been spread out over all the rate districts as  
10 opposed to the individual rate districts? Mr. --  
11 maybe Mr. Busch can answer that question.

12 MR. BUSCH: Yes, we could do that.

13 JUDGE STEARLEY: Okay. It would be a  
14 hypothetical scenario, but it would be something the  
15 Commission would have for purposes of comparison.

16 MS. BAKER: Your Honor, will this come  
17 out in an order so that we can see the exact wording  
18 of what the question would be?

19 JUDGE STEARLEY: I would be happy to  
20 issue an order.

21 MS. BAKER: Thank you.

22 MR. DEARMONT: Thank you, Judge.

23 JUDGE STEARLEY: And because this is  
24 reflective on possible future action of the  
25 Commission and because I know all the parties here



1 are actively involved in a lot of other matters, I  
2 would take suggestions from the parties in terms of a  
3 deadline for such a briefing.

4 We should be looking at 60 days out, 75  
5 days out, something to accommodate the parties  
6 because I know we have Ameren rate cases starting  
7 next week, I've got different small water and sewer  
8 company, we've got various other cases in the  
9 pipeline, and I want to give the parties adequate  
10 time to address this.

11 MR. DEARMONT: Can we have just a few  
12 minutes to discuss this amongst ourselves, Judge?

13 JUDGE STEARLEY: Certainly.

14 MS. BAKER: Your Honor, while Staff is  
15 talking, Public Counsel would -- would say that  
16 basically given the workload that -- that we have, we  
17 would be looking at like a six-month time frame for  
18 something like this.

19 MR. DEARMONT: Judge, on behalf of  
20 Staff, I think that we would actually concur in that  
21 recommendation.

22 JUDGE STEARLEY: Okay.

23 MR. DEARMONT: Due to the complexity of  
24 the question presented and given Staff's current  
25 workload with Missouri American and the totality of

1 the rate cases that are currently before the Commission.

2 JUDGE STEARLEY: So we'd be looking at  
3 sometime around September?

4 MS. BAKER: Yes, your Honor.

5 MR. ELLINGER: And Judge, the Company  
6 doesn't have any objection to that schedule either as  
7 long as at least we all agree that this doesn't impact  
8 the approval of the disposition agreements for the  
9 filing of tariffs. Pending that filing of the briefing,  
10 it's kind of a -- more of a follow-up briefing than  
11 it is --

12 JUDGE STEARLEY: That is correct.  
13 That's correct.

14 MR. ELLINGER: Okay. Thank you, Judge.

15 JUDGE STEARLEY: Why don't we mark  
16 September 1st on our calendars. And I would assume  
17 we would probably look for reply briefs as well, and  
18 we could set a -- maybe a 20-day schedule on that for  
19 September 22nd.

20 MR. DEARMONT: Would it be okay if we  
21 shot for a 30-day reply, Judge?

22 JUDGE STEARLEY: Certainly.

23 MR. DEARMONT: Yes.

24 MS. BAKER: There will be a voluminous  
25 amount of specific documentation to look at. I would

1 support at least a 30-day reply.

2 JUDGE STEARLEY: Understood. Why don't  
3 we shoot for October 6th.

4 MR. DEARMONT: I'm free.

5 JUDGE STEARLEY: All right. Well, are  
6 there any other matters the Commission needs to take  
7 up at this time with the parties?

8 MS. JOYCE: Judge, this is -- this is  
9 Kim Joyce on the phone. Could I just ask a quick  
10 clarifying question?

11 JUDGE STEARLEY: Go ahead, Ms. Joyce.

12 MS. JOYCE: You know, as -- as  
13 Mr. Ellinger said, I think we're obviously supportive  
14 of the -- the follow-up information requested by the  
15 Commission. I just wanted to kind of understand  
16 the -- where the data is going to come from. And I  
17 think I heard, but I just wanted to clarify that the  
18 data that Staff would use and the Public Counsel  
19 would use would already -- would be already that  
20 which was provided from this rate case.

21 JUDGE STEARLEY: That's correct. What  
22 the Commission would like in terms of briefing would  
23 be any legal arguments supporting the consolidation  
24 of these districts, any social policy arguments, pro  
25 or con, for this type of consolidation and then for

1 Staff to prepare a scenario based upon the data that  
2 was collected in these cases.

3 MR. ELLINGER: And I think just to clarify,  
4 Judge, not to provide additional data, but simply  
5 based upon the data that has already been supplied?

6 JUDGE STEARLEY: That's absolutely correct.

7 MR. ELLINGER: Thank you.

8 JUDGE STEARLEY: We're not asking for  
9 any of the parties to be engaging in data requests  
10 seeking new documents or materials. Solely based  
11 upon what's already been done in this matter.

12 MS. JOYCE: Thank you, Judge. That --  
13 that answers my question.

14 JUDGE STEARLEY: Very good. Is there any  
15 party wanting an expedited transcript of this  
16 proceeding?

17 (NO RESPONSE.)

18 JUDGE STEARLEY: All right. Then it will  
19 be filed in the normal course of business. And if  
20 there's no other matters for us to take up at this time?

21 (NO RESPONSE.)

22 JUDGE STEARLEY: Seeing none, we stand  
23 adjourned and thank you all very much.

24 (Whereupon, the On-The-Record  
25 Presentation was adjourned.)

1	EXHIBITS INDEX		
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4	Exhibit No. 1		
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## C E R T I F I C A T E

STATE OF MISSOURI    )  
                              ) ss.  
COUNTY OF COLE        )

I, Pamela Fick, Registered Merit Reporter  
and Certified Shorthand Reporter do hereby certify  
that I was personally present at the proceedings had  
in the above-entitled cause at the time and place set  
forth in the caption sheet thereof; that I then and  
there took down in Stenotype the proceedings had; and  
that the foregoing is a full, true and correct  
transcript of such Stenotype notes so made at such  
time and place.

Given at my office in the City of  
Jefferson, County of Cole, State of Missouri.

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PAMELA FICK, RMR, CCR #447, CSR

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