

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

In the Matter of Rex Deffenderfer)	#	
Enterprises, Inc. Request for a Increase in)		
Annual Water System Operating Revenues)		<u>Case No. WR-2011-0056</u>

**NOTICE OF UNANIMOUS AGREEMENT REGARDING
DISPOSITION OF SMALL WATER COMPANY REVENUE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Notice of Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Unanimous Agreement Notice) states the following:

1. On August 26, 2010, the Missouri Public Service Commission (Commission) received a Rate Increase Request Letter (Request Letter) from Rex Deffenderfer Enterprises, Inc. (RDE or Company), requesting the Commission allow an increase of \$79,821 in its annual water system operating revenues pursuant to Commission Rule 4 CSR 240-3.050.

2. Subsequent to Staff's investigation and pursuant to negotiations between the Company, Staff and the Office of the Public Counsel (Public Counsel), (collectively referred to hereafter as "parties") all parties have been able to reach a *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Unanimous Agreement).

3. Included in Appendix A, attached hereto, is a copy of the above-referenced Unanimous Agreement, as well as various attachments related to the Unanimous Agreement. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

4. As agreed-upon by the parties to this case, the Unanimous Agreement provides of an increase of \$31,081 in RDE's annual operating revenues.

5. Pursuant to Commission Rule 4 CSR 240-3.050(13), “[i]f the disposition agreement filed by the staff provides for a full resolution of the utility’s request and is executed by the utility, the staff and the public counsel, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than thirty (30) days after they are filed to implement the agreement.” RDE will file a substitute tariff sheet seeking to implement the terms of the Unanimous Agreement. This tariff sheet will be filed no later than April 1, 2011, and will bear an effective date of May 1, 2011, which complies with the minimum 30-day requirement.

6. RDE is current on its payment of Commission assessments and on its filings of annual report and statements of revenue. RDE has no other cases pending before the Commission at this time.

WHEREFORE, the Staff respectfully submits this Unanimous Agreement and the attached Appendix A for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Staff, the Company and Public Counsel.

Respectfully submitted,

/s/ RACHEL M. LEWIS

Rachel M. Lewis

Deputy Counsel

Missouri Bar No. 56073

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526.6715 (Telephone)
(573) 751-9285 (Fax)
rachel.lewis@psc.mo.gov

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 25th day of March, 2011.

/S/ RACHEL M. LEWIS

UNANIMOUS AGREEMENT REGARDING DISPOSITION
OF SMALL WATER COMPANY REVENUE INCREASE REQUEST

REX DEFFENDERFER ENTERPRISES, INC.

MO PSC FILE NO. WR-2011-0056

BACKGROUND

Rex Deffenderfer Enterprises, Inc. ("RDE" or "Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on August 26, 2010, the Company set forth its request for an increase of \$79,821 in its total annual water service operating revenues. In its request letter, the Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company is located near Nixa, Missouri and provides service to approximately 1,102 customers, the vast majority of which are residential customers.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (These activities are collectively referred to hereinafter as "Staff's investigation" of the Company's Request.)

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("Public Counsel") with the results of the investigation and with Staff's initial recommendations for the resolution of the Company's Request. On January 24, 2011, Staff and the Company filed a notice indicating that those parties had reached a partial agreement resolving part of the Company's Request and requesting the remaining issues be heard at Arbitration. On January 28, 2011, Staff and the Company filed an amended partial

agreement. Public Counsel requested additional issues be added to the Arbitration on February 8, 2011.

On February 8, 2011, Public Counsel requested a local public hearing in this matter. The parties participated in procedural conferences on February 28, 2011 and March 7, 2011 to discuss the Arbitration process.

The local public hearing took place on March 23, 2011. No material information was obtained during this hearing that was not already known to the parties.

SETTLEMENT OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's and Public Counsel's receipt of the above-referenced information regarding Staff's investigation of the Company's Request and subsequent to the procedural conferences and discussions between all Parties, Staff, Company and Public Counsel hereby state the following unanimous agreements:

- (1) For the purpose of implementing the agreements set out herein, the Company will file with the Commission proposed tariff revisions containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A and incorporated by reference herein, with those proposed tariff revisions bearing an effective date of May 1, 2011;
- (2) The agreed-upon total annualized cost of service to recover in rates for the Company is \$277,000 and the resulting agreed-upon annualized revenue increase of \$31,081 is just and reasonable and designed to recover the Company's cost of service;
- (3) The rates set out in the attached example tariff sheets are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company;
- (4) The rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment B and incorporated by reference herein;
- (5) The agreed-upon net rate base is \$432,218, the development of which is shown on the rate base worksheet attached hereto as Attachment C and incorporated by reference herein;

The Company agrees to adjust its general ledger used for regulatory ratemaking purposes to agree with the plant and reserve account balances shown in Attachment D.

(6) Within thirty (30) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations contained in Staff's Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment E and incorporated by reference herein. These recommendations are:

- a. The Company shall complete and maintain time sheets to record work assignments and the time worked on each work assignment for all Company employees.
- b. The Company shall ensure that all estimated bills clearly note on the customer billing statement that the bill is based on estimated usage as required by Commission Rule 4 CSR 240-13.020 (2)(D)(2);
- c. The Company shall discontinue charging all new customers who initiate service a customer deposit, and ensure that its procedures and criteria for charging customer deposits adhere to Commission Rule 4 CSR 240-13.030 (1)C;
- d. The Company shall document all customer complaints and inquiries in an accessible format as required by Commission Rule 4 CSR 240-13.040(5); and
- e. The Company shall develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3);

(7) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations made by Staff's Auditing Department. These recommendations are:

- a. The Company shall follow National Association of Regulated Utility Commissioners (NARUC) Uniform System of Accounts (USOA) guidelines for the recording of the Company's rate base, revenues and expenses;
- b. The Company's Continuous Property Records (CPRs) and vehicle logs shall be kept up to date and complete; and
- c. The Company shall keep track of the customer uncollectible amounts on a monthly basis;

(8) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the following recommendation based on EMSD Staff's recommendation in Attachment E and amended by agreement from all Parties. The recommendation is:

- a. The Company shall make reasonable efforts to obtain and/or continue to receive written contracts with all contractors employed by the Company;

- (9) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations of the EMSD's Depreciation Staff. These recommendations are:
- a. The Company shall implement a work order system to track material cost, labor cost, overhead cost, and record cost of removal and gross salvage for all new, replaced or retired plant; and
 - b. The Company shall follow NARUC USOA guidelines for the recording of cost of removal and gross salvage in the Company ledger as adjustments to plant and reserves;
- (10) Staff and Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Unanimous Disposition Agreement;
- (11) Staff and Public Counsel may file a formal complaint against the Company, if the Company does not comply with the provisions of this Unanimous Disposition Agreement;
- (12) The Company agrees that it has read the foregoing Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between Staff, the Company and Public Counsel; and that the Company freely and voluntarily enters into this agreement;
- (13) Public Counsel agrees that it has read the foregoing Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that facts stated therein are true and accurate to the best of Public Counsel's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between Staff, the Company and Public Counsel; and that Public Counsel freely and voluntarily enters into this agreement; and
- (14) The above agreements satisfactorily resolve all issues identified by Staff, the Company, and Public Counsel regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS


Other than the specific conditions agreed upon and expressly set out herein, the terms of this Unanimous Disposition Agreement reflect compromises between Staff, the Company and Public Counsel. In arriving at the amount of the annual operating revenue increase specified herein, no party has agreed to any particular ratemaking principle.

The Company and Public Counsel acknowledge that the Staff will be filing this Unanimous Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff may make other filings in this case.

Additionally, the Company and Public Counsel agree that subject to the rules governing practice before the Commission that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Disposition Agreement at any agenda meeting at which this case is noticed to be considered by the Commission. Staff will be available to answer Commission questions regarding this Unanimous Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company and Public Counsel with advanced notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.

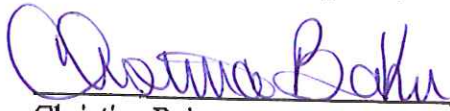
SIGNATURES

Agreement Signed and Dated:



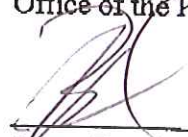
LaVada Cottrell
President & Owner
Rex Deffenderfer Enterprises, Inc.

03-25-2011
Date



Christina Baker
Senior Public Counsel
Office of the Public Counsel.

3-25-11
Date



James Busch
Manager
Water & Sewer Department
Missouri Public Service Commission Staff

3/25/11
Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Billing Comparison Worksheet
- Attachment C – Rate Base Worksheet
- Attachment D – Plant in Service and Accumulated Depreciation Reserve Worksheet
- Attachment E – EMSD Report

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2011-0056

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- Agreement Attachment C: Rate Base Worksheet
- Agreement Attachment D: Plant and Depreciation Reserve Worksheet
- Agreement Attachment E: EMSD Report

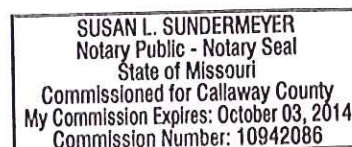
Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Paula Mapeka-Auditing Department

Benjamin Wisnewski – Engineering & Management Services Department

John Robinett-Engineering & Management Services Department



BEFORE THE PUBLIC SERVICE COMMISSION


OF THE STATE OF MISSOURI

AFFIDAVIT OF PAULA MAPEKA

In the Matter of Rex Deffenderfer Enterprises,)
Inc. Request for a Increase in Annual Water) File No. WR-2011-0056
System Operating Revenues)

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

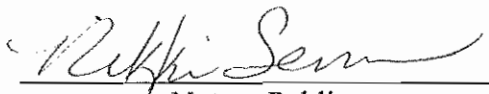
COMES NOW Paula Mapeka, being of lawful age, and on her oath states the following: (1) that she is a(n) Utility Regulatory Auditor in the Missouri Public Service Commission's Auditing Department; (2) that she participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that she has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachments B to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachments B to the Disposition Agreement; and (6) that the matters set forth in Attachments B to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.



Paula Mapeka
Utility Regulatory Auditor III
Auditing Department

Subscribed and sworn to before me this 24th day of March, 2011.





Notary Public

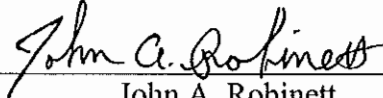
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
AFFIDAVIT OF JOHN A. ROBINETT

In the Matter of Rex Deffenderfer)
Enterprises, Inc. Request for a Increase in)
Annual Water System Operating Revenues)

File No. WR-2011-0056

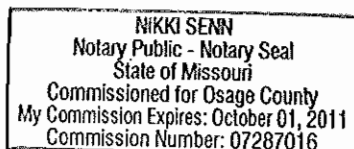
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

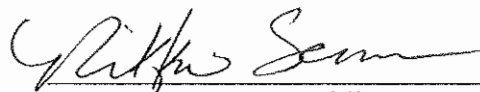
COMES NOW John A. Robinett, being of lawful age, and on his oath states the following: (1) that he is a(n)) Utility Regulatory Specialist in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment D to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment D to the Disposition Agreement; and (6) that the matters set forth in Attachment D to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



John A. Robinett
Utility Regulatory Specialist
Engineering & Management
Services Department

Subscribed and sworn to before me this 25th day of March, 2011.





Notary Public

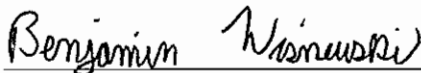
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
AFFIDAVIT OF BENJAMIN WISNEWSKI

In the Matter of Rex Deffenderfer Enterprises,)
Inc. Request for a Increase in Annual Water)
System Operating Revenues)

File No. WR-2011-0056

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

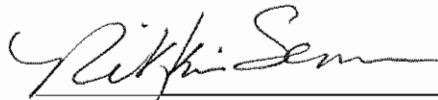
COMES NOW Benjamin Wisnewski, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Management Analyst in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment E to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment E to the Disposition Agreement; and (6) that the matters set forth in Attachment E to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



Benjamin Wisnewski
Utility Management Analyst
Engineering & Management
Services Department

Subscribed and sworn to before me this 25th day of March, 2011.





Notary Public

Unanimous Agreement

Agreement Attachment A

Example Tariff Sheets

P.S.C. MO No. 1

7th Revised Sheet No. 4

Canceling P.S.C. MO No. 1

6th Revised Sheet No. 4

Rex Deffenderfer Enterprises, Inc (RDE)
Name of Issuing Company

For: The RDE Certificated Unincorporated Area in
Northern Christian County

Rules of Governing
Rendering of Water Service

SCHEDULE OF RATES

Availability:

Any metered customer located in the Company's service territory.

Water Service Rates:

Minimum Monthly Charge: +
(No water included)

5/8" Meter	\$7.25 per Month
1" Meter	\$18.13 per Month
2" Meter	\$58.02 per Month
4" Meter	\$181.31 per Month

Commodity Charge \$1.73 per 1,000 gallons +
(for all metered volumes)

Taxes:

Any applicable Federal, State or local taxes computed on a billing basis shall be added as separate items in rendering each bill.

Delayed Payment Clause:

+
The Company on or about the end of each month will read meters and statements shall be rendered within five (5) days of the readying. Statements are due upon receipt and shall be considered delinquent twenty-one days thereafter. A late fee of 3% will apply to delinquent bills.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: April 1, 2011
Month/Day/Year

Effective Date: May 1, 2011
Month/Day/Year

Issued By: Lavada Cottrill, President
Name & Title of Issuing Officer

1670 North Owen Road, Nixa, Missouri 65714
Company Mailing Address

P.S.C. MO No. 1

1st Revised Sheet No. 4B

Canceling P.S.C. MO No. 1

Original Revised Sheet No. 4B

Rex Deffenderfer Enterprises, Inc (RDE)
Name of Issuing Company

For: The RDE Certificated Unincorporated Area in
Northern Christian County

Rules of Governing
Rendering of **Water Service**

SCHEDULE OF SERVICE CHARGES (CONT.)

New Connection Charge (any meter size) actual cost +

(Includes labor, material and overheads for installation of the Service Connection and
Meter Setting: Sheet No. 23, Rule 11)

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: April 1, 2011
Month/Day/Year

Effective Date: May 1, 2011
Month/Day/Year

Issued By: Lavada Cottrill, President
Name & Title of Issuing Officer

1670 North Owen Road, Nixa, Missouri 65714
Company Mailing Address

Agreement Attachment B

Billing Comparison Worksheet

REX DEFFENDERFER ENTERPRISES, INC. WATER COMPANY

Residential Customer Bill Comparison-Water

Rates for 5/8" Meter

Current Base Customer Charge	Proposed Base Customer Charge	Current Usage Rate	Proposed Usage Rate
\$6.44	\$7.25	\$1.540	\$1.735

current service charge is monthly charge

usage rate is per 1,000 gallons used

MONTHLY BILL COMPARISON

6,000 gallons/month usage

Current Rates

Customer Charge	\$ 6.44
Usage Charge	\$ 9.24
Total Bill	\$ 15.68

Proposed Rates

Customer Charge	\$ 7.25
Usage Charge	\$ 10.41
Total Bill	\$ 17.66

INCREASES

Customer Charge

\$ Increase	\$0.81
% Increase	12.64%

Usage Charge

\$ Increase	\$1.17
% Increase	12.64%

Total Bill

\$ Increase	\$1.98
% Increase	12.64%

Agreement Attachment C

Rate Base Worksheet

RDE Water Company
 Informal Case/Rate Case
 Tracking Number WR-2011-0056
 Test Year Ending 12-31-2009 Updated thru 6/30/2010
 Rate Base Required Return on Investment Schedule - Water

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount
1	Plant In Service	\$1,810,613
2	Less Accumulated Depreciation Reserve	<u>\$691,811</u>
3	Net Plant In Service	\$1,118,802
4	Other Rate Base Items:	\$0
	Materials & Supplies	\$5,771
	Customer Deposits	-\$11,080
	Customer Credit Balance	\$0
	CIAC Depreciation Offset	\$421,438
	Contribution in Aid of Construction	-\$1,102,713
	Accumulated Deferred Income Taxes	\$0
5	Total Rate Base	<u>\$432,218</u>

Agreement Attachment D

Plant & Depreciation Reserve Worksheet

Rex Deffenderfer Enterprises, Inc.
Case with File Number WR-2011-0056
Plant in Service and Accumulated Depreciation Reserve as of 06/30/2010
Attachment D

Account Number	Account Description	Plant in Service	Accumulated Depreciation Reserve
Intangible Plant			
303	Misc. Intangible Plant - Computer Software	\$1,821	\$0
TOTAL Intangible Plant		\$1,821	\$0

Source of Supply Plant			
310	Land & Land Rights	\$27,281	\$0
311	Structures & Improvements	\$35,702	\$12,656
314	Wells & Springs	\$62,819	\$50,276
TOTAL Source of Supply Plant		\$125,802	\$62,932

Pumping Plant			
325	Electrical Pump Equipment	\$35,000	\$53,035
325.2	Booster Pumping Equipment	\$55,017	\$81,228
TOTAL Pumping Plant		\$90,017	\$134,263

Transmission & Distribution Plant			
342	Distribution Reservoirs & Standpipes	\$170,330	\$56,993
343	Transmission and Distribution Mains	\$983,729	\$284,096
344	Fire Mains	\$167,761	\$45,752
345	Services	\$82,190	\$29,213
346	Meters	\$21,744	\$8,763
347	Meter Installations	\$62,374	\$14,811
348	Hydrants	\$81,524	\$44,945
TOTAL Transmission & Distribution Plant		\$1,569,652	\$484,573

General Plant			
391	Office Furniture & Equipment	\$4,743	\$3,122
391.1	Office Computer Equipment	\$18,046	\$6,885
393	Stores Equipment	\$532	\$36
TOTAL General Plant		\$23,321	\$10,043

TOTAL Plant in Service / Total Depreciation Reserve		\$1,810,613	\$691,811
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Agreement Attachment E

EMSD Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Department

Small Company Rate Increase Request

Case with File No. WR-2011-0056

RDE Water Company

Debbie Bernsen and Benjamin Wisnewski

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service and business processes, procedures, and practices at Rex Deffenderfer Enterprises, Inc. Water Company (RDE Water Company or Company) in Nixa, Missouri, in September 2010. The review was performed in conjunction with the Company's filed rate increase request submitted on August 25, 2010, and assigned Case No. WR-2011-0056. The Company's last rate increase request case was in 2001. The Company is requesting an increase of \$79,821 in its annual water system operating revenues.

The EMSD staff examined the Company's tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service and business operations. The EMSD staff submitted informal data requests and conducted an interview on September 30, 2010, with Company personnel located in Nixa, Missouri, in preparation of this report. After completing its audit, the EMSD staff is making the following six recommendations to Company management.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

1. Ensure that all Company employees, including part-time employees, complete and maintain time sheets to record work assignments and the time spent working on each work assignment. This recommendation should be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.
2. Ensure that all estimated bills clearly note on the customer billing statement that the bill is based on estimated usage as required by Commission Rule 4 CSR 240-13.020 (2)(D)(2). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.
3. Discontinue charging all new customers who initiate service a customer deposit, and ensure that its procedures and criteria for charging customer deposits adhere to Commission Rule 4 CSR 240-13.030 (1)(C). This recommendation must be completed

within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

4. Implement written contracts with all outside contractors employed by the Company within ninety (90) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.
5. Document all customer complaints and inquiries in an accessible format as required by Commission Rule 4 CSR 240-13.040(5). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.
6. Develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3). This recommendation must be completed within 30 days of the Commission Order Approving the Disposition Agreement in Case with File No. WR-2011-0056

The purpose of the Engineering and Management Services Department is to promote and encourage efficient and effective utility management. This purpose contributes to the Commission's overall mission to ensure that customers receive safe and reliable utility service at reasonable rates, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were to analyze and document the management control processes, procedures, and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review will provide the Commission with information regarding the Company's business and customer service operations.

The scope of this review focused on processes, procedures, and practices related to:

- Time Sheets
- Customer Billing
- Payment Remittance
- Credit and Collections
- Customer Communications
- Complaints and Inquiries
- Outside Contractors

- Service Calls and Maintenance
- Record Storage

Overview

RDE Water Company was granted a certificate of public convenience and necessity effective on August 15, 1977, by the Missouri Public Service Commission to provide water service to customers living in and around Nixa, Missouri, in Christian County. The Company's office is located in Nixa, Missouri, and its business hours are Monday to Friday 8 a.m. to 12 p.m. and 1 p.m. to 5 p.m. The Company began with three active meters for a mobile home park and today has approximately 1,128 active meters located in an 8 square mile area in and around Nixa, Missouri.

The Company is a family-owned business and has three full-time employees who are family members. The Company's Owner and General Manager is responsible for accounting tasks, processing daily line locates, bank deposits, invoices and bills, ordering office supplies, and handling customer complaints. The Secretary is responsible for customer billing, payment remittance, credit and collections, registering new customers, closing out customer accounts, making copies, and reviewing various Company billing reports. The Company's third employee is presently in training to eventually assume the General Manager's duties when she retires. This employee's present duties include: checking the system for water leaks, replacing water meters, reviewing Company emails, performing Company computer maintenance, and performing other minor repairs and necessary maintenance. The Company also employs several outside contractors who perform most repair jobs, meter reading duties, collect water samples, and monitor the system's water pressure.

The table below displays the Company's number of water customers for the last three years including customer numbers as of September 2010.

Year	Residential	Commercial	Total
2007	847	225	1070
2008	867	231	1098
2009	877	232	1109
2010	815	287	1102

Source: Missouri Public Service Commission Audit Department

Time Sheets

Employees of the Company currently do not utilize time sheets to track their daily activities. The Company stated that all employees are salaried and therefore do not complete a specific time sheet for their work tasks.

Customer Billing

The Company begins its billing process around the 26th day of each month, and utilizes a billing software system called Mosaics from RVS Utility Software Company to organize its customer billing processes and procedures. At the start of each month's billing cycle, the Company's Secretary prints a report of all customers who have a balance due and have not paid the previous month's bill. The Mosaics software program automatically calculates and adds a late charge onto each customer account with a past due balance. The Secretary next reviews a report containing all other adjustments such as deposit refunds or other fees assessed to customer accounts throughout the month to ensure the accuracy of the transactions. The current month's meter readings are uploaded to the billing software program and another report is printed so that the Secretary can review any abnormally high or low meter readings. The Secretary reviews one large bill for accuracy that occurs each month for a mobile home park that has many units on one bill that is charged to the mobile home park owner.

After all of these tasks are complete, the Secretary prints the customer bills in several groups. Bills for customers with more than one account are printed, followed by bills for new customers who are not part of the automated zip code ordered system. The Secretary is able to print the large majority of the bills that are in zip code order which allows for bulk mailing. The bills are printed on cards that are manually separated by the Secretary, placed into boxes, and taken to the Post Office for mailing on the first business day of the next month. The entire billing process requires two to three days to complete.

Payment Remittance

Customers usually have until the 25th day of the month to pay their bill unless the 25th is a weekend or holiday, in which case the due date is moved to the next business day. Customers are given between 23 to 28 days to pay their bill before it is considered to be delinquent. Customers can pay by cash or check, with many customers coming to the office to pay in person. The

Company has recently obtained a new check scanning device that allows checks to be deposited into the Company's bank account remotely from the business office via the Internet. The Company endorses the checks via a stamp. After checks have been scanned, the money is deposited into the Company's bank account. The checks are kept in a secure location for two weeks and then shredded. Cash payments are also kept in a secure location and are deposited at the bank every few days. The Company also has a fireproof safe at the Company office.

Credit and Collections

The Company requires all new customers who initiate service to pay a deposit in the amount of \$30. The Company indicated that the only way for a new customer to avoid paying a customer deposit is to submit a letter of credit from a customer's previous utility company within the last twelve months. Customer deposits are refunded with interest after a period of twelve months of satisfactory payment history.

The billing software will apply late fees to any account that is delinquent and print out a list of final charges due. The Office Manager will review this list to determine if a customer has a recent payment arrangement on file. Those remaining customers are mailed a past due reminder with a disconnect date ten days from the printing. Company personnel will attempt to make personal contact via phone calls on the day before the noted disconnect date. Customers may be offered payment arrangements, particularly if they have fulfilled agreements in the past. Actual disconnects will not be scheduled until the 11th day in order to ensure that the customer has had every opportunity to make payment. A letter is left on the door when a disconnection is performed. This letter explains the amount due and how the customer can have their service restored. Disconnects are not performed on a day when a reconnection could not be performed the next day. The Company does not accept money in the field and customers may come by the office to pay their bill and have service restored.

The initial list of delinquencies may be as many as 150 accounts. Through reminders and personal contact, the actual number of disconnects to be performed is reduced to an average of about 6 per month. For the period of January 2010 to August 31, 2010, the Company has completed 36 disconnects, which they believe is consistent with volume in prior years.

The Company has not utilized a collection agency in the past but may consider in the future.

Customer Communications

The Company places notes on monthly billing statements to convey pertinent information. Information may include items like when the office will be closed for state holidays or when annual water quality reports have been prepared. At the present time, the Company does not have a customer brochure.

Complaints and Inquires

Customers that have a complaint or inquiry with the Company may call or come by the office during normal business hours. If the inquiry needs to be investigated more thoroughly, the Company will print out a copy of the customer's account information and attach this to the information concerning the customer's inquiry. The inquiry will be assigned to the appropriate individual to conduct a field check or take whatever action is needed. Completed complaints and inquiries along with the accompanying documentation on actions taken are retained and filed annually. There is no easily accessible log maintained of complaints received or their resolution.

Outside Contractors

The Company relies heavily on outside contractors to perform various critical tasks, but it does not have written contracts with any of its outside contractors. Instead the Company's owner makes informal verbal arrangements with each outside contractor regarding the services that will be rendered and how compensation will be calculated.

One contractor handles all meter reading duties for the Company. Around the 18th day of each month, the contractor retrieves a hand-held PSION meter reading device from the Company's office and reads all the Company's meters over the next approximate seven days. Upon reading all the meters, the contractor returns the device to the Company's office where the Secretary uploads the data into the computer. At the end of the month, the Company pays the contractor based on the total number of meters read.

A second contractor is responsible for general maintenance tasks, service orders, line locates, and mowing. The contractor is paid a flat rate every month for these services. In addition, service orders that fall outside the concept of "maintenance" are considered extra jobs and are therefore billed separately. The contractor does some work for other entities, but the

Company states that the contractor has been able to respond to Company requests for maintenance in a timely fashion.

A third contractor serves as the Company's engineer and monitors the system for leaks, disruptions, and changes in water pressure. The contractor makes minor repairs as he is able and contacts the Company about any incidents and problems that are beyond his capabilities. The contractor is paid a flat fee for his services each month by the Company.

A fourth contractor collects the water samples for the Company and mails them to the Missouri Department of Natural Resources (DNR) for testing as this function requires a certified operator to complete this task. The Company presently does not have a licensed operator. This contractor is paid a flat fee every month for his services.

Service Calls and Maintenance

The outside contractors employed by the Company handle the large majority of repairs and maintenance tasks. The Company has one employee who is in training and performs minor maintenance tasks such as simple meter replacements without the help of a contractor. This employee has indicated that he plans to become a licensed operator in the future to allow him to perform additional duties for the Company.

Record Storage

The Company maintains its documents in electronic and paper form. Electronic files are stored on the Company's computers and critical files are backed up on a flash drive which is taken off site each day to ensure the Company has a copy of important customer files and Company documents in case of damage to the Company's office. There are some reports, customer checks, and other documents that are in paper form and are kept in a secure location. Most of these documents are also in electronic form and could be reproduced if necessary.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following discussion presents a summary of the findings, conclusions and recommendations pertaining to RDE Water Company's customer service and business office operations. This section focuses on the following areas that warrant Company management attention:

- Time Sheets
- Customer Billing
- Credit and Collections
- Outside Contractors
- Complaint and Inquiry Handling and Recording
- Customer Communications and Information

Time Sheets

Company employees currently do not maintain and complete time sheets. The three employees are all family members and do communicate to each other their work assignments. However, there is no written documentation that supports their activities.

A lack of time sheets limits the Company's ability to manage its employees and keep track of what tasks employees are working on and how much time is spent on each task. In addition, it is important for the Company's management, as well as providing documentation for the regulatory process with the Commission, to have a written record of the amount of time employees spend working on each activity.

Without documentation of the tasks performed by Company employees and the time required to complete them, Commission staff cannot verify the work Company employees have done. This lack of documentation impedes the ability of the Company to justify the salaries of its employees in the regulatory process with the Commission.

It is in the Company's administrative and financial interests to have its employees document in writing the tasks they are working on and how much time is spent on each task. The Company's management can develop a time sheet of its choosing, but it should include the date, a general description of the task, and the time required to complete the task.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure that all Company employees, including part-time employees, complete and maintain time sheets to record work assignments and the time spent working on each work assignment. This recommendation should be completed within (thirty) 30 days of the Commission's Order Approving the Disposition Agreement in Case with File No.WR-2011-0056.

Customer Billing

When the Company renders an estimated bill, it does not clearly note on the customer billing statement that the bill is based on estimated usage. This Company practice is a violation of Commission Rule 4 CSR 240-13.020 (2)(D)(2) which states:

“(D) When a utility renders an estimated bill in accordance with these rules it shall... – 2. Clearly and conspicuously note on the bill that it is based on estimated usage.”

The Company indicated that its billing software is capable of adding such a message to customer bills that are based on estimated usage. The Company should ensure that a statement is added to all customer bills that are based on estimated usage.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure that all estimated bills clearly note on the customer billing statement that the bill is based on estimated usage as required by Commission Rule 4 CSR 240-13.020 (2)(D)(2). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

Credit and Collections

The Company currently charges all new customers who initiate water service a customer deposit except those that can produce a written letter of credit from another utility company that the customer obtained service from within the last twelve months. This Company practice is a violation of Commission Rule 4 CSR 240-13.030 (1)(C) which states:

(1) A utility may require a deposit or other guarantee as a condition of new residential service if— (C) The customer is unable to establish an acceptable credit rating under standards contained in tariffs filed with and approved by the commission. The customer shall be deemed *prima facie* to have established an acceptable credit rating if the customer meets any of the following criteria: 1. Owns or is purchasing a home; 2. Is and has been regularly employed on a full-time basis for at least one (1) year; 3. Has an adequate regular source of income; or 4. Can provide adequate credit references from a commercial credit source.

The Company should ensure its procedures and criteria for requiring customer deposits adhere to Commission Rule 4 CSR 240-13.030 (1)(C).

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Discontinue charging all new customers who initiate service a customer deposit, and ensure that its procedures and criteria for charging customer deposits adhere to Commission Rule 4 CSR 240-13.030 (1)(C). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

Outside Contractors

The Company does not have written contracts or agreements concerning the services performed by its outside contractors. The Company presently utilizes four different outside contractors to perform various tasks. While the Company has indicated that this arrangement has worked in the past, it is possible that conflicts between the Company and its outside contractors could occur in the future.

The current verbal agreements with contractors contain the potential of uncertainty and a lack of clarity for both the Company and the contractor regarding the compensation for services provided by the contractor. For example, it was unclear to EMSD staff how amounts on some contractor invoices were calculated because the invoice contained a list of services rendered and materials obtained with one amount for the final bill. In addition, with verbal agreements it is unclear who is liable if something should go wrong or something unexpected happens while a contractor is performing services for the Company.

A written contract with each outside contractor can help the Company avoid costly disputes, even if the likelihood of such a dispute is small. In addition, written contracts can prevent an outside contractor from demanding changes to the current verbal arrangement at a later date and to the Company's financial detriment because a defined framework has already been agreed to. A written contract allows the Company more certainty as to what is expected between itself and the contractor as well as protection against financial disputes, changing terms, or other unforeseen circumstances.

Finally, given the Company's plans to train the third employee to take over the responsibilities of the General Manager, it may be necessary for the Company to reevaluate the duties and responsibilities of each outside contractor. This transition period can allow the

Company to establish new arrangements with the outside contractors which can be verified through written contracts. The Company should evaluate the value and use of implementing written contracts with all outside contractors that it utilizes. Given the transition in the roles and responsibilities of Company employees, the Company should implement written contracts with the outside contractors it has within 90 days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2011-0056.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Implement written contracts with all outside contractors employed by the Company within ninety (90) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

Complaint and Inquiry Handling and Recording

The Company does not record customer complaints in a readily accessible complaint log. Complaints are investigated and documentation is maintained. However, there is no easily accessible log of customer calls or inquiries that the office has received. The lack of a complaint and inquiry log makes it difficult for the Company to provide accurate documentation of the nature of its complaints and inquiries. Commission Rule 4 CSR 240-13.040(5) addresses the log for complaints and inquiries and states:

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;

The availability of this information would provide a consolidated document pertaining to the inquiries and complaints brought forth by the customers.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Document all customer complaints and inquiries in an accessible format as required by Commission Rule 4 CSR 240-13.040(5). This recommendation must be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in Case with File No. WR-2011-0056.

Customer Communications and Information

The Company does not have a customer brochure documenting the rights and responsibilities of the Company and its customers. The development of such information and its display and availability to customers is required by Commission Rule 4 CSR 240-13.040(3) which states:

A utility shall prepare, in written form, information which in layman's terms summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter... This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each residential customer of the utility if requested by the customer. The information shall be delivered or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request.

The availability of this written information provides useful facts related to billing procedures, payment requirements, customer deposits, discontinuance of service, inquiries and complaints. It also provides the customer with information on how to contact the Company, the Commission, and the Office of the Public Counsel.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3). This recommendation must be completed within thirty (30) days of the Commission Order approving the Disposition Agreement in Case with File No. WR-2011-0056

Implementation Review

The EMSD staff will conduct a review of the Company's progress regarding the implementation of the recommendations made in this report.