

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

The Staff of the Missouri Public)	
Service Commission,)	
)	
Complainant,)	
)	<u>Case No. SC-2010-0150, et al.</u>
vs.)	
)	
Aqua Development Company)	
d/b/a Aqua Missouri, Inc.,)	
)	
Respondent.)	

**UNANIMOUS PARTIAL STIPULATION AND AGREEMENT
REGARDING COUNTS I, II, III, AND V**

COME NOW the Staff of the Missouri Public Service Commission (“Staff”), the Office of the Public Counsel (“OPC”), and Aqua Missouri¹ (collectively referred to hereinafter as “the Signatories”) and submit their Unanimous Partial Stipulation and Agreement Regarding Counts I, II, III and V. This partial stipulation is intended to resolve all issues related to Counts I, II, III and V of the complaints filed in consolidated Case No. SC-2010-0150 et al., but not Count IV of the same. The agreement to this effect is as follows:

Procedural Background

1. On November 20, 2009, Staff filed with the Missouri Public Service Commission (“the Commission”) a series of formal complaints (collectively referred to hereinafter as “the complaint cases”) against Aqua Development Company d/b/a Aqua Missouri, Inc. (Case No. SC-2010-0150), Aqua Missouri, Inc. (Case Nos. WC-2010-0151 and SC-2010-0152) and Aqua RU,

¹ For the purpose this agreement, “Aqua Missouri”, “the Company”, or “the Respondents” shall collectively refer to Aqua Development Company d/b/a Aqua Missouri, Inc., Aqua RU Inc. d/b/a Aqua Missouri Inc., and Aqua Missouri, Inc.

Inc. d/b/a Aqua Missouri, Inc. (Case No. WC-2010-0153). These complaint cases allege violations of previous Commission orders and certain Commission rules.

2. On December 23, 2009, the Respondents filed a series of answers in the complaint cases, responding to Staff's allegations and presenting certain affirmative defenses.

3. On January 2, 2010, the Commission issued its Order Consolidating Cases and Setting Prehearing Conference, consolidating the above-referenced cases and designating Case No. SC-2010-0150 as the lead case.

4. On March 3, 2010, the Commission issued its Order Directing Staff to Amend Its Complaints, directing Staff to amend the complaints to include certain quality of service issues that surfaced at the local public hearings conducted in Case Nos. SR-2010-0023, WR-2010-0025, SR-2010-0026, and WR-2010-0027 (collectively referred to hereinafter as "the rate cases").

5. On March 8, 2010, Staff filed into the rate cases its Notice of Staff Report Regarding Quality of Service Issues ("Notice of Staff Report"), presenting the results of a Staff investigation into such quality of service issues.

6. On March 9, 2010, Staff filed in the complaint cases a Motion to Stay Amendment of Staff Complaint, requesting that the Commission issue an order staying its Order Directing Staff to Amend Its Complaints in light of the information contained in the Notice of Staff Report.

Stipulated Facts

7. Respondent Aqua Development Company d/b/a Aqua Missouri, Inc. is a Texas corporation, listed as in "good standing" with the Office of the Missouri Secretary of State.

8. Respondent Aqua Development Company d/b/a Aqua Missouri, Inc. is a “sewer corporation” and a “public utility” as those terms are defined in Section 386.020, RSMo (Cum. Supp. 2009)² and is subject to the jurisdiction and supervision of the Commission as provided by law.

9. Respondent Aqua Missouri, Inc. is a Missouri corporation, listed as in “good standing” with the Office of the Missouri Secretary of State.

10. Respondent Aqua Missouri, Inc. is a “water corporation,” a “sewer corporation,” and a “public utility” as those terms are defined in Section 386.020 and is subject to the jurisdiction and supervision of the Commission as provided by law.

11. Respondent Aqua RU, Inc. d/b/a Aqua Missouri, Inc. is a Missouri corporation, listed as in “good standing” with the Office of the Missouri Secretary of State.

12. Respondent Aqua RU, Inc. d/b/a Aqua Missouri, Inc. is a “water corporation” and a “public utility” as those terms are defined in Section 386.020 and is subject to the jurisdiction and supervision of the Commission as provided by law.

13. On May 17, 2005, Aqua Missouri, Inc. and Aqua RU, Inc. d/b/a Aqua Missouri, Inc. initiated small company rate increase requests, designated by the Commission as Case Nos. WR-2007-0020, SR-2007-0023 and WR-2007-0021, respectively. These cases were settled. On September 28, 2006, the Commission issued in these cases an Order Approving Unanimous Stipulation and Agreement and Approving Tariff, approving a Unanimous Stipulation and Agreement Regarding Disposition of Cases filed by the Company, Staff, and OPC.

14. On December 7, 2007, Aqua Missouri, Inc., Aqua Development Company d/b/a Aqua Missouri, Inc. and Aqua RU, Inc. d/b/a Aqua Missouri, Inc. initiated small company rate

² Unless otherwise noted, all references to statute refer to the Missouri Revised Statutes (2000), as currently supplemented.

increase requests, designated by the Commission as Case Nos. WR-2008-0266, SR-2008-0267, SR-2008-0268, and WR-2008-0269, respectively. These cases were settled. On August 28, 2008, the Commission issued in these cases an Order Approving Unanimous Disposition Agreement and Approving Tariff (hereinafter referred to as “the Commission’s 2008 Order”), approving the unanimous stipulation and agreements filed by the Company, Staff, and OPC.

15. On July 15, 2009, Aqua Development Company d/b/a Aqua Missouri, Inc., Aqua RU, Inc. d/b/a Aqua Missouri, Inc., and Aqua Missouri, Inc. initiated small company rate increase requests, designated by the Commission as Case Nos. SR-2010-0023, WR-2010-0025, SR-2010-0026, and WR-2010-0027, respectively. In conjunction with these increase requests, Staff audited the Company’s books and records, reviewed the Company’s tariffs, inspected the Company’s facilities, and reviewed the Company’s customer service, general business practices, and facilities operations.

The Agreement Regarding Counts I, II, III and V
Count I Plant Retirements & Count II Capital Construction Procedures

16. In settlement of Counts I and II, the Company shall issue its customers credits against their future water and sewer bills in the aggregate amount of Three Thousand Dollars (\$3,000.00). These credits shall be reflected as a separate line item/credit called "PSC credit" on bills as follows:
- A. The entire credit amount, based upon active customer counts and irrespective of customer class designations or district pricing disparities (i.e. \$3,000.00/total number of customers), shall appear within ninety (90) days after the effective date of an order approving the terms of this stipulation and agreement. To be clear, in the event that an entity receives both water and sewer services, such credit shall be reflected equally on both the water and sewer bills. In the event that Count IV of Staff’s Complaint results in a stipulation mandating additional customers credits the Company may extend the above ninety-day period by an additional thirty (30) days in an attempt to incorporate both credits into a single billing cycle.
 - B. Each such credit shall offset the water charges and sewer charges (if applicable), until the total credit is reduced to zero;

- C. The Company shall within sixty (60) days of the end of the billing cycle in which credits are issued under the terms of this stipulation and agreement provide Staff with an accounting of the customer refund and with copies of thirty-five (35) random bills reflecting these credits. In addition, Staff shall have the ability to audit the books and records of the Company to determine compliance with the customer-refund provisions of this stipulation and agreement; and
 - D. Any and all expenses related to the issuance of the above-referenced credits (including those related to employee time) shall be documented separately for tracking purposes and shall not be collected from customers. Such expenses shall not be considered in any manner in any future general rate case proceeding.
17. In addition, beginning on the effective date of a Commission order approving the terms of this stipulation and agreement the Company shall comply with the following terms:
- A. On or about the 25th of every month, Company representatives will convene a conference call to review plant retirements and capital construction projects. After each call, a summary of the meeting will be circulated to the President of Aqua Missouri, the Regional Controller, the Regional Director of Accounting and the Manager of Planning. The summary document shall also be made available to Staff upon request. The purpose of the above-referenced call shall be to confirm and to review compliance with the following plant retirement and capital construction procedures and processes, which the Company hereby agrees to implement:
 - i. The Company shall generate a monthly CWIP (Construction Work In Progress) Report and send such report to Company representatives at its Jefferson City Office (hereinafter referred to as the “local office”) on or about the 18th of each month;
 - ii. Upon receipt of the monthly CWIP Report, the local office shall print a detail report, showing the amount of each capital project, broken out by each invoice. From this detail report, the local office shall ensure that, at a minimum, the following items are reviewed and completed:
 - a. The local office shall review all construction invoices to determine whether such invoices correctly match the amount as listed on the above-referenced detail CWIP Reports;

- i. Any discrepancies between the construction invoices and the amounts listed on the detail CWIP Report shall be brought to the attention of Aqua America corporate and/or regional staff during the meeting discussed in provision 3(A)(iii) below. In addition, an explanation of the cause of the discrepancy shall be discussed in such meeting in order to determine what steps should be taken to resolve the issue and to revise applicable procedures.
 - b. The local office shall then provide the project numbers, asset locations (major and minor), quantities, prices and descriptions of each item as listed on the construction invoice, as well as an indication as to whether the item was new or was a retirement/replacement item, and to whether the invoice should be unitized (i.e. placed on the Company's books as "used and useful");
 - c. In the event the invoice is for a retirement/replacement item, the local office shall provide the asset ID number of the item being replaced along with the vintages and any other information required by the Company's Continuing Property Records (CPR) Department necessary to make an appropriate determination of the amount of the retirement to be placed on the Company's books and records.
- iii. On or about the 25th of each month, the local office shall discuss and review the completed CWIP Report (which will then include all information provided by the local representatives pursuant to the terms of this stipulation and agreement) with the Regional Engineer, the Regional Director of Accounting, the Regional Manager and the CPR Department. This discussion shall include all plant retirement issues, any changes or tradeoffs to blanket project accounts (including specifically the emergency repair project), any unusual events related to the items on the CWIP Report, and all other necessary corrections. All corrections and or resolutions to these issues shall then be made by the appropriate personnel and the completed CWIP Report returned to the CPR Department on about the 1st of the following month for retirement/closing action;
- iv. In order to ensure that local office representatives are following all procedures and minimizing errors, the Company shall perform scheduled audits of the local books and records. Beginning on the effective date of a Commission order approving the terms of this

stipulation and agreement, the Company shall conduct a quarterly audit in each of the following four quarters (one year), and then at least annually for the following three (3) years. Each audit shall identify all problems discovered and describe all corrective actions taken to rectify each stated problem. A copy of the audit results shall be made available upon the request of Staff.

- v. Beginning with the next Capital Budget process (effective January 1, 2011), the Company shall no longer carry-over from year to year “blanket” project account numbers. In the alternative, new numbers shall be set up every year so that there is no repeat use of project account numbers;
- vi. On a “blanket” project account, the Company shall set up individual numbers or perform project number “tradeoffs” to identify projects that may be closed prior to the completion of a larger “blanket” project. Blanket accounts will be reduced to a minimum. Some accounts, for example emergency funds, will still need to be a blanket item, with the understanding that at any time a portion of the project may be unitized, the Company shall follow the above methods to ensure the items are processed during the monthly CWIP Report review process;
- vii. In accordance with DNR compliance schedules, Staff acknowledges that it is possible for a project to remain open from one year to the next, depending on the schedule given to the Company by DNR for the submission and completion of required items. However, the Company agrees to review these items each month during its CWIP Report review process in order to ensure that when the project is complete that it is unitized in a timely manner. DNR compliance schedules shall be provided by the Company upon request by Staff.

- B. In the future, if the Company implements a nationwide change to its plant accounting procedures, the Company shall give full consideration to the adoption of such procedures by the Company’s operations in the State of Missouri, in a reasonable time frame as compared to other states.

Count III – Call Recording and Retention

- 18. Within thirty (30) days of the effective date of a Commission order approving the terms of this stipulation and agreement, the Company shall request from the Commission a

formal waiver of the provision of the Commission's 2008 Order requiring the Company to record call-center calls for six months.

19. Beginning on the effective date of a Commission order approving the terms of this stipulation and agreement the Company shall redirect calls, except developer calls, to the call center and call center calls shall be recorded and maintained for a period of three (3) months, reflecting the database's current capabilities.

Count V – Customer Contacts

20. As contained in the Disposition Agreements filed in the rate cases, the Company shall "Document all customer contacts with the Company's Jefferson City office that require follow-up actions and/or communications from the Company, ensure that all customers expecting follow-up actions and/or communications from the Jefferson City office receive appropriate responses to their request and make certain that customers are referred to the Company's Call Center when necessary."

21. In addition, the Jefferson City Office shall on a monthly basis distribute the above-referenced customer contact log to the President of Aqua Missouri, the Manager of Regulatory Affairs, the Manager of the Northern Call Center and Vice President of Customer Service, and shall make such contact log available upon request of Staff.

Additional General Provisions

22. By the effective date of a Commission order approving the terms of this stipulation and agreement, the Company shall provide Staff with a list comprised of the name(s), title(s) and contact information of all Company employee(s) who have sufficient expertise in Company billing systems and processes as to be able to respond to future Staff billing inquiries and shall make such individuals available to respond to such inquiries in the future.

23. The Staff and/or OPC may engage in such follow-up investigation as is necessary to document compliance with the terms of this stipulation and agreement and may file a formal Complaint based upon a reasonable belief that the Company has violated one or more of its terms.

24. In the event that the Company fails to properly account for plant retirements or to maintain appropriate capital construction accounting procedures the Company acknowledges that in addition to forming the basis of a Complaint, such actions may result in recommendations for additional ratemaking adjustments, as deemed appropriate by Staff and/or OPC in the context of a subsequently filed rate case.

25. This stipulation has resulted from extensive negotiations and the terms hereof are interdependent. This stipulation contains the entire agreement of the Signatories concerning the issues addressed herein.

26. This stipulation does not constitute a contract with the Commission. Acceptance of this stipulation by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has. Thus, nothing in this stipulation is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

27. If the Commission has questions for the Signatories' witnesses or the Signatories, the Signatories will make available, at any on-the-record session, their witnesses and attorneys on the issues resolved by this stipulation, so long as all signatories have had adequate notice of that session. The signatories agree to cooperate in presenting this stipulation to the Commission

for approval, and will take no action, direct or indirect, in opposition to the request for approval of this stipulation.

WHEREFORE, Staff, OPC, and Aqua Missouri submit this Unanimous Partial Stipulation and Agreement Regarding Counts I, II, III and V and respectfully request that the Commission issue an order in this case approving such agreement without modification.

Respectfully submitted,

/s/ Eric Dearmont
Eric Dearmont (#60892)
Assistant General Counsel
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-5472 (Telephone)
(573) 751-9285 (Fax)
eric.dearmont@psc.mo.gov

Attorney for the Staff of the
Missouri Public Service Commission

/s/ Christina L. Baker
Christina L. Baker (#58303)
Senior Public Counsel
Office of the Public Counsel
P. O. Box 2230
Jefferson City, MO 65102
(573) 751-5565 (Telephone)
(573) 751-5562 (Fax)
christina.baker@ded.mo.gov

Attorney for the
Office of the Public Counsel

/s/ Marc H. Ellinger
Marc H. Ellinger, (#40828)
BLITZ, BARDGETT & DEUTSCH, LC
308 East High Street, Suite 301
Jefferson City, MO 65101
(573) 634-2500 (Telephone)
(573) 634-3358 (Fax)
mellinger@blitzbardgett.com

Attorneys for Aqua Missouri, et al.

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 7th day of April, 2010.

/s/ Eric Dearmont