

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

In the Matter of a Request from Raytown	)	<b><u>Case No. WR-2010-0304</u></b>
Water Company for an Increase in its	)	
Operating Revenues.	)	

**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 as follows:

1. On April 30, 2010, the Missouri Public Service Commission ("the Commission") received a Rate Increase Request Letter ("Request Letter") from Raytown Water Company ("Raytown" or "the Company") requesting Commission approval of an increase of \$471,205 in its annual operating revenues pursuant to Commission Rule 4 CSR 240-3.050.

2. Upon completion of its investigation of the Company's request, Staff provided Raytown and the Office of the Public Counsel ("OPC") with materials related to Staff's investigation and with Staff's initial recommendations for the resolution this matter.

3. Pursuant to negotiations conducted after receipt of above-referenced information, Staff and Raytown reached an agreement regarding the Company's request ("the Company/Staff Disposition Agreement"). This agreement was filed on September 27, 2010, and among other items, recommended an annualized operating revenue increase in the amount of \$344,163.

4. On November 1, 2010, OPC filed a pleading requesting that the Commission hold a local public hearing in reference to the Company's request. The Commission held a local public hearing in Raytown, Missouri on December 1, 2010.

5. Since the filing of the Company/Staff Disposition Agreement, Staff, OPC, and Raytown (collectively referred to as “the Parties”) have continued to negotiate the terms of a global settlement and have now reached a unanimous agreement (“the Unanimous Disposition Agreement”).

6. Included in Appendix A, attached hereto, is a copy of the Unanimous Disposition Agreement, as well as other related attachments. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of the Company’s request. Among other items, the Unanimous Disposition Agreement recommends approval an annualized operating revenue increase in the amount of \$336,867, prescribes a schedule of water plant depreciation rates, and requires the Company to implement certain agreed-upon conditions. The difference in the annual revenue increase contained in the Company/Staff Disposition Agreement and the annual revenue increase contained in the Unanimous Disposition Agreement is \$7,296. This difference is 2.12% of the amount reflected in the Company/Staff Disposition Agreement.

7. Pursuant to the terms of the Unanimous Disposition Agreement Raytown will file tariff sheets seeking to implement the provisions contained therein. The tariff sheets will be filed December 21, 2010, and will bear a thirty-day effective date of January 31, 2011.

8. Raytown is current in its payment of Commission assessments and on its filings of annual reports and statements of revenue. Raytown has no other cases pending before the Commission at this time.

**WHEREFORE**, Staff respectfully submits this Unanimous Agreement Notice and requests that the Commission enter an order adopting the terms agreed upon by the Parties.

Respectfully submitted,

**/S/ ERIC DEARMONT**

Eric Dearmont  
Assistant General Counsel  
Missouri Bar No. 60892

Attorney for the Staff of the  
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](mailto:eric.dearmont@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 14<sup>th</sup> day of December, 2010.

**/S/ ERIC DEARMONT**

# APPENDIX A

## STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2010-0304

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

### **Table of Contents**

Staff Participant Affidavits

Unanimous Agreement

Agreement Attachment A:	Example Tariff Sheets
Agreement Attachment B:	Billing Comparison Worksheet
Agreement Attachment C:	Schedule of Depreciation Rates
Agreement Attachment D:	EMSD Report
Agreement Attachment E:	Summary of Case Events

## Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Arthur Rice – Engineering & Management Services Department

Gary Bangert – Engineering & Management Services Department

Nila Hagemeyer – Engineering & Management Services Department

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

**AFFIDAVIT OF JAMES M. RUSSO**

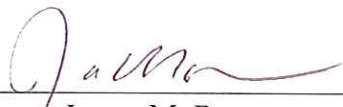
STATE OF MISSOURI     )

) SS

CASE NO. WR-2010-0304

COUNTY OF COLE     )

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer 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 Water Revenue Increase Request* ("*Disposition Agreement*"); (4) that he was responsible for the preparation of Attachments, A, B, and E to the Disposition Agreement; (5) that he has knowledge of the matters set forth in the Disposition Agreement and the above-referenced attachments thereto; and (6) that the matters set forth in the Disposition Agreement and the above-referenced attachments thereto are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
James M. Russo  
Rate & Tariff Examination Supervisor  
Water and Sewer Department

Subscribed and sworn to before me this 9<sup>th</sup> day of December, 2010.

  
\_\_\_\_\_  
Notary Public

SUSAN L. SUNDERMEYER  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Callaway County  
My Commission Expires: October 03, 2014  
Commission Number: 10942086

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF ARTHUR W. RICE, PE**

In the Matter of a Request from Raytown )  
Water Company for an Increase in its )  
Operating Revenues )

Case No. WR-2010-0304

STATE OF MISSOURI

ss.

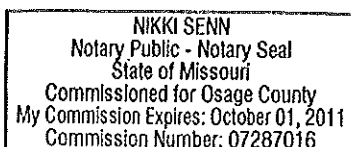
COUNTY OF COLE

**COMES NOW** Arthur W. Rice, PE, being of lawful age, and on his oath states the following: (1) that he is a Utility Regulatory Engineer I in the Missouri Public Service Commission's Engineering and 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 following *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment C to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment C to the Disposition Agreement; and (6) that the matters set forth in Attachment C to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



Arthur W. Rice, PE  
Utility Regulatory Engineer I  
Engineering and Management  
Services Department

Subscribed and sworn to before me this 9<sup>th</sup> day of December, 2010.



  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF GARY R. BANGERT**

In the Matter of a Request from Raytown )  
Water Company for an Increase in its )  
Operating Revenues )


Case No. WR-2010-0304

STATE OF MISSOURI

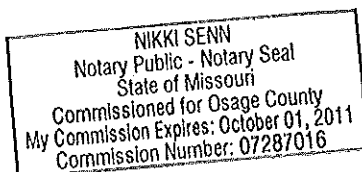
SS.

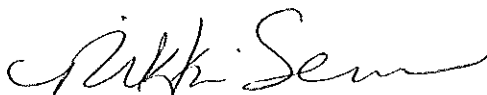
COUNTY OF COLE

COMES NOW Gary R. Bangert, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Management Analyst III 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.

  
\_\_\_\_\_  
Gary R. Bangert  
Utility Management Analyst III  
Engineering & Management  
Services Department

Subscribed and sworn to before me this 9<sup>th</sup> day of December, 2010.



  
\_\_\_\_\_  
Notary Public



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF NILA S. HAGEMEYER**

In the Matter of a Request from Raytown )  
Water Company for an Increase in its ) Case No. WR-2010-0304  
Operating Revenues )

STATE OF MISSOURI

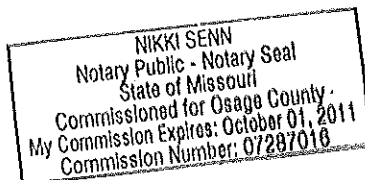
ss.

COUNTY OF COLE

**COMES NOW** Nila S. Hagemeyer, being of lawful age, and on her oath states the following: (1) that she is an Utility Management Analyst III in the Missouri Public Service Commission's Engineering and Management Services 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 following *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment D to the Disposition Agreement; (5) that she 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 her knowledge, information, and belief.

Nila S. Hagemeyer  
Nila S. Hagemeyer  
Utility Management Analyst III  
Engineering and Management Services Department

Subscribed and sworn to before me this 9<sup>th</sup> day of December, 2010.



Nikki Senn  
Notary Public

## Unanimous Agreement

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

**RAYTOWN WATER COMPANY**

**MO PSC CASE NO. WR-2010-0304**

**BACKGROUND**

Raytown Water Company ("Raytown" 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") case number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, the Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on April 30, 2010, the Company set forth its request for an increase of \$471,205 in its total annual water service operating revenues. In its request letter, the Company also acknowledged that the submission would create a Commission case and that the Company planned to adhere to the time lines set out in the case. The Company provides service to approximately 6,578 customers, the vast majority of which are residential customers in the city limits of Raytown and Independence, Missouri.

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 ("OPC") with the results of the investigation and with Staff's initial recommendations for the resolution of the Company's Request. On September 27, 2010, Staff and the Company filed a notice indicating that those parties had reached an agreement resolving the Company's Request. On November 1, 2010, OPC requested a local public hearing. This hearing was held in Raytown, Missouri, on December 1, 2010.

## **RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST**

Following the December 1, 2010 local public hearing and pursuant to negotiations held in this matter Staff, OPC and the Company (“the Parties”) hereby state the following 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 set out in the example tariff sheet attached hereto as Attachment A and incorporated by reference herein, with those proposed tariff revisions bearing an effective date of January 31, 2011;
- (2) The agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$336,867, is just and reasonable and designed to recover the Company's cost of service;
- (3) The rates set out in the attached example tariff sheet 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 sheet 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 rates included in the attached example tariff sheet are just and reasonable, and the provisions of the attached example tariff sheet also properly reflect all other agreements set out herein, where necessary;
- (6) The schedule of depreciation rates, attached hereto as Attachment C and incorporated herein, shall be the prescribed schedule of water plant depreciation rates for the Company;
- (7) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the following:
  - a. The Manager of Raytown Water Company shall begin and continue to record on his time sheet all of his time spent on regulated and non-regulated activities during regular work hours; and
  - b. The Company shall begin and continue to record on its books miscellaneous revenues associated with meter scrap, fire hydrant sales and vehicle sales. In addition, in accordance with the Uniform System of Accounts (“USOA”) for Class A Water Utilities, the Company shall record these items as salvage to the depreciation reserve for the account associated with the salvage proceeds;
- (8) Within one hundred eighty (180) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the following:
  - a. Raytown shall complete or cause to be completed a comprehensive study of

its current overhead costs in order to determine how to allocate such overhead costs to Raytown's construction activities on an ongoing basis. This study shall specifically take into account the question of how much office employee payroll cost should be assigned to construction activities. This study shall be provided to Staff and OPC no later than one hundred eighty (180) days after the effective date of an order approving this Unanimous Disposition Agreement.

- (9) The Engineering & Management Services Department Report ("EMSD") is attached hereto as Attachment D and incorporated by reference herein;
- (10) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Unanimous Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to the Staff Case Coordinator, who will file a copy in this case;
- (11) Staff or OPC 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;
- (12) Staff or OPC may file a formal complaint against the Company if the Company does not comply with the provisions of this Unanimous Disposition Agreement;
- (13) The Company, Staff and OPC agree that it has read the foregoing Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that the facts stated therein are true and accurate to the best of the Company's, Staff's and OPC's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between the Company, Staff, and OPC; and that all Parties freely and voluntarily enter into this agreement; and
- (14) The above agreements satisfactorily resolve all issues identified by Staff, the Company, and OPC 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 OPC. In arriving at the amount of the annual operating revenue increase specified herein no party has agreed to any particular ratemaking principle.

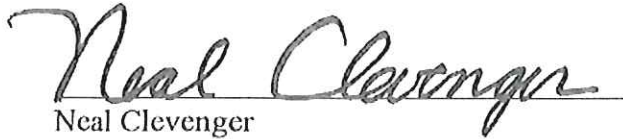
Staff has completed a Summary of Case Events and has included that summary as Attachment E to this Unanimous Disposition Agreement.

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

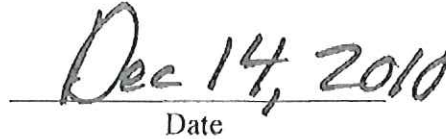
Additionally, the Company agrees that subject to the rules governing practice before the Commission that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Disposition Agreement at any agenda meeting at which this case is noticed to be considered by the Commission. Subject to the rules governing practice before 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 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:



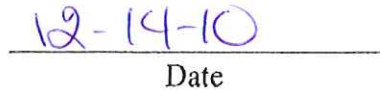
Neal Clevenger  
President/General Manager  
Raytown Water Company



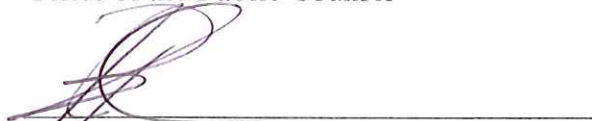
Date



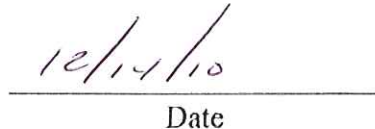
Christina Baker  
Senior Public Council  
Office of the Public Counsel



Date



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



Date

**List of Attachments**

- Attachment A – Example Tariff Sheets
- Attachment B – Billing Comparison Worksheet
- Attachment C – Schedule of Depreciation Rates
- Attachment D – EMSD Report
- Attachment E – Summary of Case Events

## Agreement Attachment A

### Example Tariff Sheets



PSC FORM NO. 5

First Revised Sheet No. 9

Cancelling Original Sheet No. 9

The Raytown Water Company  
Name of Issuing Company

For: Raytown, MO & Territory Adjacent Thereto  
Certificated Service Area

**Rules & Regulations  
Governing Rendering of Water Service**

**SCHEDULE OF RATES**

**Rules and Regulations:** The Rules and Regulations set forth in this Tariff shall cover the supply of service under this rate.

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

**Water Rates:** There shall be a monthly minimum charge on the size of the water meters as follows: \*

<u>Meter Size</u>	<u>Charge</u>	<u>Meter Size</u>	<u>Charge</u>
5/8"	\$8.80	2.0"	\$41.90
1.0"	\$15.96	3.0"	\$74.89
1.5"	\$27.74	4.0"	\$122.00

There shall be a metered usage charge applied on a monthly basis, and billed by the Company on a monthly basis of \$5.53 per 1000 gallons. \*

**+Bulk Water Service Rate:**

Bulk Water sales shall be at the rate of \$0.25 per 45.2 gallons.

**Payment Terms:** Bills are due and payable within twenty-one (21) days after rendition of the bill.

Online payment thru OPAY: third party fee assessed by and paid directly to OPAY

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: December 21, 2010  
Month/Day/Year

Effective Date: January 31, 2011  
Month/Day/Year

Issued By: Neal Clevenger, President  
Name & Title of Issuing Officer

9820 E. 63<sup>rd</sup> Street, Raytown, MO 64133  
Company Mailing Address

## Agreement Attachment B

### Billing Comparison Worksheet

# RAYTOWN WATER COMPANY

## Residential Customer Bill Comparison-Water

### Rates for 5/8" Meter

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
\$7.86	\$8.80	\$4.94	\$5.53

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	\$ 7.86
Usage Charge	\$ 29.64
Total Bill	\$ 37.50

#### Proposed Rates

Customer Charge	\$ 8.80
Usage Charge	\$ 33.17
Total Bill	\$ 41.96

#### INCREASES

##### Customer Charge

\$ Increase	\$0.94
% Increase	11.90%

##### Usage Charge

\$ Increase	\$3.53
% Increase	11.90%

##### Total Bill

\$ Increase	\$4.46
% Increase	11.90%

## Agreement Attachment C

### Schedule of Depreciation Rates

# RAYTOWN WATER COMPANY

## Attachment C - Schedule of Depreciation Rates (WATER) Date prepared 8/19/2010

WR-2010-0304

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
340	Land and Land Rights	0.0%	NA	NA
342	Distribution Reservoirs & Standpipes	2.5%	40	0%
343	Transmission & Distribution Mains	2.0%	50	0%
343.11	Gateway Transmission Project	0.0%	Amortized 5 yr	0%
345	Services	2.5%	40	0%
346.10	Meters, pre 1997, Bronze	3.3%	27	10%
346	Meters post 1997, Plastic	10.0%	10	0%
347	Meter Installations	2.5%	40	0%
348	Hydrants	2.0%	48	5%
390	Structures & Improvements	2.5%	40	0%
391	Office Furniture & Equipment	0.0%	Fully Depreciated	0%
391.1	Office Electronic Equipment	14.3%	7	0%
391.2	Computer System Upgrade	0.0%	Amortized 5 yr	0%
392	Transportation Equipment	7.8%	12	7%
394	Tools, Shop, Garage Equipment	5.0%	20	0%
395	Laboratory Equipment	5.0%	20	0%
396	Power Operated Equipment	6.7%	14	6%
397	Communication Equipment	6.7%	15	0%

## Agreement Attachment D

### EMSD Report

**Focused Review of Raytown Water Company  
Customer Service and Business Operations Implementation Review  
Small Company Rate Increase Request  
Case No. WR-2010-0304  
Nila Hagemeyer and Gary Bangert**

The Engineering and Management Services Department (EMSD) staff initiated a focused review of the meter reading and customer billing processes, procedures and practices at Raytown Water Company (RWC or Company) on June 10, 2010, following the Company's request for an increase of \$471,205 in its overall annual operating revenues under the Commission's Small Utility Rate Case Procedure. The focused review was by design limited in scope, as the EMSD staff performed larger customer service and business operations reviews in both March 2003 and September 2008, with follow-up implementation reviews in December 2009 (Attachment 1) and March 2010 (Attachment 2). As a result of this review, the EMSD staff deems the Company's responses to Staff's 2003 informal review recommendations and Staff's 2008 Case No. WR-2009-0098 recommendations as complete, with the exception of an "in progress" recommendation regarding tracking and monitoring payments collected by the Company's contracted collection agencies.

The purpose of the EMSD is to promote and encourage efficient and effective utility management. This purpose contributes to the Commission's overall mission to guarantee that customers receive safe and adequate service at a reasonable cost, while providing utilities the opportunity to earn a fair return on their investments.

The objectives of this review were to document and analyze 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 also provide the Commission with information regarding the Company's customer service operations.

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

- Meter Reading
- Customer Billing
- Collection Agency

## **Overview**

The Company's business office is located at 9820 East 63<sup>rd</sup> Street, Raytown, MO 64133. Business office hours are 7 a.m. to 4 p.m. Monday through Friday. RWC's Web site address is [www.raytownwater.net](http://www.raytownwater.net).

As noted in a previous report, the Company purchases the water it provides to its customers from the City of Kansas City, Missouri. Thus, the Company is not actively involved in the production or treatment of water.

The Company provides water service to 6,578 customers (calculated as an average for 2009) in a service area located mostly in Raytown, Missouri, with some customers in Independence, Missouri. The Company's General Manager stated that in recent years the number of customers has declined due to the downturn in economy and home foreclosures. The Company's future growth is likely limited because a large majority of its service territory has already been developed, and it is bounded on all sides by a public water district and a municipal water system.

Although customers and water sales have been trending downward, the Company's General Manager stated that the City of Raytown has an active city government and recently hired an employee to address community development. He is hopeful that the new community development representative will be instrumental in improving the business climate in Raytown.

The Company's General Manager stated that some of RWC's older pipe is seeping water. The Company indicated that it is involved in several construction projects replacing outdated 2" galvanized main with 6" PVC pipe and will also be adding new hydrants while replacing main.

According to the Company's General Manager, RWC's long-term plans include installation of an Automated Meter Reading (AMR) system and replacement of its office that was built in 1925.

## **Meter Reading**

The Company manually reads meters and records readings using Hersey handheld devices. The recently acquired Hersey handhelds operate on a Windows platform and readings are uploaded to RWC's billing software. RWC replaced its Neptune handhelds, as Neptune was no longer offering support and some of the devices had been rain-damaged.



The Company's two meter readers manually read 58 routes on a monthly basis, with anywhere from 80 to 150 accounts per route. One or two routes are loaded into each of the handhelds each business day, enabling the meter readers to read approximately  $\frac{1}{4}$  of the month's routes each week. Meter readers enter the reads into the handheld units. The handhelds display the route number, customer name, premise address, meter identification number, and a message (if included). The handheld units also have a preset range of high and low meter readings that the meter reader is able to view. If a read is entered that is out-of-range, the handheld will emit a beep, and the meter reader must re-enter the read and select the appropriate code for one of several preset notes, e.g., seasonal, high use, meter buried, frozen, leaking, tampered, can't read, condemned, or meter gone. These codes will produce an exception report, which is used to determine if a re-read or maintenance is required. Notification letters are mailed to customers whose reads register either higher or lower than the pre-set range.

In addition to the exception report, a variety of management reports are generated from data on the handheld units. Route statistics reports include the number of accounts to read, total reads taken, missed reads, total read time, percentage of customers with zero and/or minimum usage, account numbers, and normal read range. Route reports contain the route identification number, meter identification number, customer name, location, account number, read date and time, reading, and consumption.

Meters, both active and inactive, are read each day in order to maintain the read and billing schedules. After the daily routes are completed, meter readers perform other tasks, i.e., move-ins/move-outs and leak detection. Meter readers also perform disconnects on Tuesdays. Overtime is only required to meet a scheduled billing date.

The Company estimates reads only when there are extraordinary events such as bad weather, dogs in the yard, or vehicles parked over the meter. Meter readers document the reason the read was estimated, and RWC mails a letter alerting the customer of the need to correct any customer-related issues, such as removing brush from the meter. Company management stated that it attempts to avoid estimated reads, as the City of Raytown bases its monthly customers' sewer charges on RWC's water meter reads. In the event a customer experiences a broken water pipe, RWC notifies the City of Raytown so that Raytown will not bill the customer for sewer service based on an excessive amount of water usage.

The Company's General Manager stated that he meets with the meter readers each morning to discuss any issues before they read their respective routes. Any needed route changes are brought to the attention of the billing clerk. The billing clerk and meter readers have authorization to change the order of route addresses so they can be read in a specific sequence. While in the field, meter readers can also scroll through the route on the handheld to the premise location where they want to begin taking reads. Unread meters will display on the handheld unit, enabling the reader to obtain the reads while still in a particular area.

The Company reads the eight master meters on its system at the beginning of each month and compares these reads to the amount purchased from the City of Kansas City. The Company has created a "Water Purchase/Sales" report to compare the monthly amount of water purchased from the City of Kansas City to the monthly amount of gallons sold. This report enables RWC to monitor trends in its water sales, as well as track the amount of water loss from its system.

The Company has developed an Identity Theft Prevention Program that contains information to assist meter readers and the field crew in detecting instances of theft. The Company's General Manager stated that RWC experiences problems with theft of service at least once a week and that this theft generally amounts to a few hundred gallons. When detected, water theft is shown on the exceptions report. When this occurs, RWC either locks or pulls the meter.

The Company is currently piloting a project to phase-in AMRs in the Raytown Plaza, an area in close proximity to RWC's office. RWC installed transmitters in 15 meters for commercial accounts and began using the Hersey Street Machine™ receiver to capture drive-by meter readings in May 2010. In addition to meter reads, the devices enable RWC to obtain leak detection data. This information is held for 60 to 90 days, and RWC plans to closely monitor the data. RWC continues to manually verify the radio reads to ensure accuracy during implementation of the pilot project. Meter reads obtained via the Hersey Street Machine™ interface directly with the Company's billing software.

The Company is also presently installing approximately 100 AMRs in 5/8" residential meters and 40 AMRs in 1" meters at apartments near RWC's office in an area with some hard-to-read meters and high school traffic congestion. RWC plans to run the pilot project for about 18 to 24 months in order to gain working data on the AMR and ensure that the devices interface successfully with its billing software before converting the entire system.

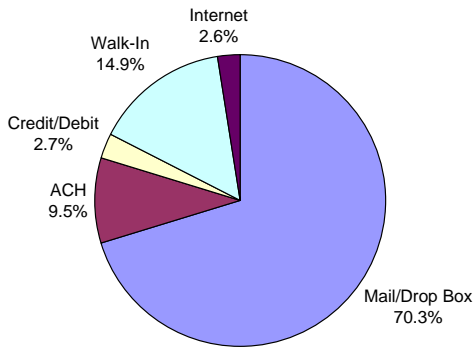
## **Customer Billing**

The Company uses a customer information system and billing software called CUBIC to calculate and print customers' monthly bills. The CUBIC software enables the Company to maintain account information on its customers and to prepare customer bills. Meter reading data is uploaded directly from handheld devices into CUBIC on a daily basis. Every Monday, Company personnel run the program to calculate and print the full-page bills. Any inserts are included with the bills and return envelopes. The Company verifies the accuracy of the bills through a visual inspection of some of the bills. Company personnel mail the bills at the downtown post office on the same day they are prepared. Customers are given 21 days from the date of bill rendition to pay their bills. If customers do not remit payment by the date specified on the bill, they are assessed the late charge of \$5.00 or 1% of the bill, whichever is greater. These late fee practices are included in the Company's tariff.

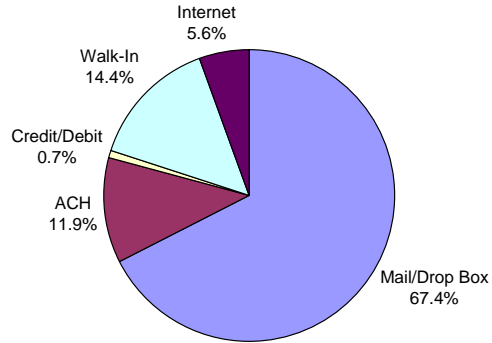
The Company offers several payment options to its customers. These options include 1) mail or drop box, 2) automatic withdrawal from the customer's checking or savings account, 3) credit or debit card payments over the phone or in the office, 4) walk-in payments at the Company's business office, and 5) Internet online payments through O-Pay. O-Pay enables customers to view and pay their bills using Visa, MasterCard, Discover, and American Express. All credit and debit card payments, including those made in the business office, require the application of a \$1.95 third party fee. Information in the following set of four charts compares customers' payment remittance patterns between the First Quarter of 2009 and the First Quarter of 2010. The top two charts show the percentage of customers using each of the five payment options and the bottom two charts show the percentage of revenue received through each of the options.

## Raytown Water Company Customer Payment Remittance Patterns

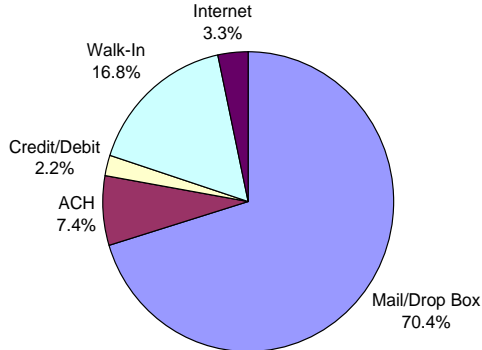
**1st Quarter 2009**  
**Percentage of Payments by Payment Option**



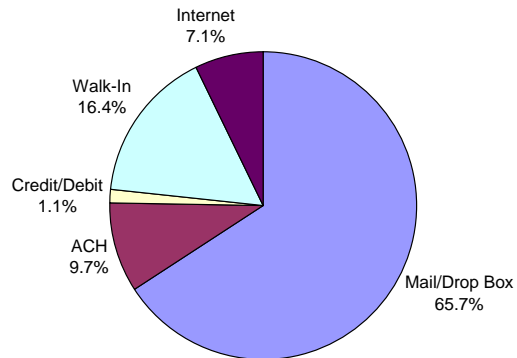
**1st Quarter 2010**  
**Percentage of Payments by Payment Option**



**1st Quarter 2009**  
**Percentage of Revenue by Payment Option**



**1st Quarter 2010**  
**Percentage of Revenue by Payment Option**



*Source: Company data and EMSD staff analysis*

Although customers may use a credit or debit card when they make a walk-in payment, the walk-in percentages include only cash, check, and money order payments taken at the counter. The chart data indicates that an increasing number of customers are paying their water bills over the Internet and through automatic withdrawal (ACH in this case). The information also shows a significant decreasing trend in the number of customers using a credit or debit card. It is also apparent that the percentage of customers using the various payment options does not coincide

directly with the revenue generated by each of the payment options. For example, in both 2009 and 2010, the percentage of customers using automatic withdrawal is higher than the percentage of revenue resulting from automatic withdrawal. Conversely, the percentage of customers paying over the Internet is less than the percentage of revenue generated from Internet payments.

Aside from the previously illustrated five payment options, an increasing number of customers are choosing the electronic bill payment service at their local bank. After the customer initiates the payment transaction on their bank's Web site, the bank prepares a check and mails it to the Company. Company management stated that, due to its small service area, it has not initiated the use of outside, authorized pay stations such as grocery stores or convenience stores.

Customer rates for water service are included in the Company's tariffs and stated in the customer information brochure provided to all customers. Residential customers' water bills are based on a monthly flat rate of \$7.86 and a usage charge of \$4.94 per 1,000 gallons of usage. A random check of customer accounts showed that customers are currently being billed the correct amounts in accordance with the Company's tariffs.

### **Collection Agency**

In the Customer Service and Business Operations Review in Case No. WR-2009-0098, the EMSD staff recommended, among other recommendations, that Company management:

*Develop and utilize a report that monthly tracks the payments collected by the Company's collection agency. Monitor the information on a regular basis.*

During implementation reviews on December 22, 2009 (Attachment 1), and March 25, 2010 (Attachment 2), the EMSD staff deemed this recommendation as in progress. The results of the current review lead EMSD staff to conclude that the recommendation remains in progress.

In April 2006, RWC paid \$10,000 to NCO to collect \$30,000 in written-off accounts. However, during 2007 and 2008, NCO collected 3.51% of RWC's written-off accounts and 6.1% in 2009. By researching written-off accounts, RWC was able to collect \$2,195.32 directly from customers when they applied for service at different locations within the Company's service territory. The EMSD staff recommended that due to the poor performance of NCO, that RWC contract with a second collection agency.

In a conference call between EMSD staff and RWC on June 18, 2010, RWC stated that its 3-year contract with NCO had expired, and it was RWC's understanding that NCO intended to phase-out the collection part of their business. The Company stated that collections on write-offs continued to trickle in from NCO.

The Company signed a contract with Green Flag, a subsidiary of Transworld Systems, Inc. on May 14, 2010. Green Flag will provide collection services to RWC for uncollectible accounts over \$30.00. According to the contract, Green Flag will keep 40% of the amount collected. Green Flag allows RWC to upload files directly into their system and send messages at any time alerting Green Flag to changes in account status, such as customers who have filed bankruptcy. RWC can view information input into Green Flag's system the following day.

Green Flag, through Transworld Systems, Inc., has access to all three credit reporting agencies. Transworld Systems, Inc. has its own network of attorneys, enabling prosecution of large commercial accounts, even if the customer moves, for example, from Missouri to another state.

The Company forwarded March and April 2010 write-offs in the amount of \$1,308.32 to Green Flag. The Company has initiated implementation action toward the EMSD recommendation by creating a spreadsheet to track the status of these accounts. Once RWC forwards an account to Green Flag, the collection agency sends a "soft" letter of introduction and informs the customer that their account has been forwarded to Green Flag for collection. As a regulated entity of both the state and the Federal Fair Debt Collection Practices Act, Green Flag must then wait 30 days before taking further action. As of July 19, 2010, RWC has received \$163.58 from Green Flag for one of those write-offs.

The Company plans to evaluate contracting with a second collection agency once the accounts are built up with Green Flag. The time frame to evaluate a second collection agency will depend on available write-offs to forward for collection.

Although a spreadsheet report that contains written-off accounts forwarded for collection has been developed, the Company has not been able to fully utilize the spreadsheet due to their new relationship with Green Flag. The EMSD staff strongly encourages the Company to utilize a monthly performance report to aid in monitoring the accounts that it has submitted to Green Flag. A monthly performance report would show trends in the rate of collection, as well as provide the Company a tool to use in its decision making process to contract with a second

collection agency. Since Green Flag offers the capability for RWC to check account status at any time, RWC should take advantage of this tool on a regular basis and contact Green Flag with any concerns. The EMSD staff deems this recommendation as in progress.

The EMSD staff has no further recommendations in the Meter Reading, Billing, and Collection areas.

**Review of Raytown Water Company  
Customer Service and Business Operations Implementation Review  
Small Company Rate Increase Request  
Case No. WR-02009-0098  
J. Kay Niemeier**

The Engineering and Management Services Department (EMSD) staff performed an Implementation Review of Raytown Water Company (RWC or Company) Tuesday, December 22, 2009, when Mr. Neal Clevenger, President/General Manager, provided a presentation to the MO Public Service Commission (PSC) staff and the Office of Public Counsel in Room 130 of the Governor Office Building. The implementation of the recommendations made in the EMSD's report was a portion of Mr. Clevenger's presentation. Staff members attending the presentation included Jim Busch, Eric Dearthmont, Lisa Kremer, Steve Loethen, Zephania Marevangepe, Jim Merciel, Kay Niemeier and Jim Russo. Participating via conference call were Erin Carle, John Cassidy and Lisa Hanneken. Ted Robertson, the office of Public Counsel, also attended the presentation. The EMSD staff also conducted telephone conference calls Monday, January 4, Wednesday, January 6 and Tuesday, January 12, 2010 with RWC employees.

The Company's response to the EMSD staff's recommendation is contained in the book "Raytown Water Company 2009 Disposition Agreement MO PSC Case No. WR-2009-00989" and are included below in the original EMSD report. The Company's response is in bold following each recommendation.

**Findings, Conclusions and Recommendations**

The following discussion presents a summary of the findings, conclusions and recommendations pertaining to the Company's customer service operations. The information presented in this section focuses on the following areas that require Company management's attention:

- Meter Reading Routes
- Master Meters



- Payments Received in Drop Box
- Payment Options
- Credit and Collections
- Collection Agency
- Work Orders
- Communication with Customers
- Employee Performance Evaluations
- Employee Overtime Compensation

### **Meter Reading Routes**

The meter reading routes have not been evaluated for more than nine years. Through a review of its meter reading routes, the Company may determine some competencies that would provide a more efficient and effective method of meter reading. Although the Company does not experience a large increase in the number of meters on a yearly basis, the EMSD staff would recommend the Company evaluate its meter reading routes at least every five years.

***THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

***Develop a procedure to ensure the Company's meter reading routes are periodically evaluated, such as every five years. If appropriate, make necessary changes to the Company's meter reading routes.***

**The Company stated that it has developed a policy to ensure its meter reading routes are periodically evaluated and changed as needed. The two meter readers are to notify the billing person for necessary modifications to the meter reading routes. The two meter readers have read and signed the new policy and the policy is an ongoing process. The EMSD staff is of the opinion the Company has completed this recommendation.**

### **Master Meters**

The Company is not currently reading its eight master meters. Therefore, the Company is not able to track or monitor the amount of water removed from its water supply to the amount of water registered through its customers' meters each month. The Company stated that the City of Kansas City reads the eight master meters and bills the Company monthly.

The implementation of the program to track and monitor the amount of water removed from its supply as compared to the amount registered through its customers' meters on a monthly basis would be beneficial. Leak detection at the water supply system or at the customers' meters, as well as any other problems would be more timely and accurately identified by the Company.

***THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Implement a procedure to ensure that the eight master meters are read on a monthly basis. Develop a monthly report that tracks and monitors the Company's master meter reads on its system as compared to its customers' actual meter readings.*

**The Company is currently reading all eight master meters at the beginning of each month and the readings are placed into the meter readers' hand-held devices. The Company now lists the master meters in its month-end reports and remains on the billing clerk's computer screen until completed. The Company has also developed a Water Purchase/Sales report that shows the monthly amount of cubic feet of water purchased from the City of Kansas City, the monthly amount of gallons of water purchased from the City of Kansas City and the monthly amount of gallons sold. The EMSD staff is of the opinion the Company has completed this recommendation.**

#### **Payments Received in Drop Box**

The Company's drop box located on the counter inside the office is unsecured. Although the Company indicated it has never experienced a problem with the drop box, it remains an unsafe situation. The Company has the responsibility of protecting the payments in the lock box until the payments are processed. The EMSD staff is of the opinion the lock box should be made secure or discontinue the use of the lock box as customers have two other lock boxes located at the office to insert payments.

***THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Secure the lock box located on the office counter or discontinue use of the lock box.*

**The Company has removed the lock box on its office counter and now has a slot in the counter top for customers' payments to be deposited into a deep drawer that is accessed**

**only from the office side of the counter. The slot has a sign that states “If no receipt is needed please place payment in slot” and that payments received after 1:00 p.m. are posted the next business day. The EMSD staff is of the opinion that the Company has completed this recommendation.**

### **Payment Options**

The Company’s procedure for credit card payments charges the customer \$3.00, while the Company’s software program procedure would charge the customer \$1.95. Currently, the Company is able to accept Visa and MasterCard. The employee enters the customer’s payment information into the Company’s system and the customer is provided an authorization number. Next, the employee adds the convenience fee of \$3.00 to the customer’s bill. The employee processes the payment through the cash drawer to ensure the daily payments and the payments with the bank balance. The EMSD staff was informed that the bank’s monthly charge for processing the Company’s credit card payments is based upon the number of payments and the total dollar amount of payments processed by the bank. The Company evaluated the number and dollar amount of credit card payments to determine its \$3.00 convenience fee.

The Company’s software program accepts payments through Visa, MasterCard, American Express and Discover, but the Company has not implemented this procedure. Currently, when the customer pays with a credit card, the employee accesses the internet inquiry through the Company’s system and retrieves the customer’s account in the Company’s website in order to process the payment online. The customer is informed of the \$1.95 fee prior to completing the transaction and is provided a confirmation number after the payment process is completed. The employee processes the credit card payment through the cash drawer to ensure the daily payments and the payments with the bank balance.

The EMSD staff is of the opinion that utilizing the Company’s system might be a more efficient and effective method of handling its credit card payments than processing through its bank. The employee’s tasks would be simplified and the customer would be charged \$1.05 less per payment.

***THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

***Evaluate the use of the Company’s software program to process credit card payments instead of the Company’s current procedure of processing through its bank. If deemed a more efficient and effective procedure, discontinue the***

Company's current procedure and implement the procedure to process credit card payments through the Company's software program.

The Company evaluated its software program and implemented on May 1, 2009 the new procedure to process its credit card payments through the Company's software instead of through the Company's bank. Customers are now charged \$1.95 per transaction under \$150 and the employees have indicated that the process requires less labor and time. The EMSD staff is of the opinion that the Company has completed this recommendation.

### **Credit and Collections**

After delinquent disconnect accounts are finalized, the customer is provided an additional 35 days to make payment before the account is forwarded to a collection agency; the Company does not attempt to collect on these accounts prior to forwarding to its collection agency. The Company stated that almost all of the accounts forwarded to its collection agency are delinquent disconnect accounts. If efforts are not going to be made to collect on these accounts, the EMSD staff is of the opinion that the success of collecting on these accounts might improve if provided to the collection agency immediately after the account is processed by the Company.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

Evaluate the possibility of increasing the Company's efforts to collect on finalized delinquent disconnect accounts prior to forwarding to the collection agency. If deemed appropriate, forward these accounts to the Company's collection agency immediately following disconnection.

The Company has implemented a new procedure which includes the following: 1) Upon finalizing an account, a final bill is mailed allowing 21 days to remit payment, 2) If not paid within 21 days, on day 22 a RWC collection letter is mailed allowing 14 days to remit payment and 3) If not paid within 14 days, on day 15 the account is provided to the Company's collection agency. Additionally, the Company has a standing order with the USPS to supply it all forwarding addresses. The EMSD staff deems this recommendation complete.

## **Collection Agency**

The Company does not track and monitor the number of accounts or the dollar amount of written-off accounts forwarded to its collection agency. The Company should maintain this information to determine any trends in its written-off accounts that are forwarded to its collection agency and to also determine the accuracy of the collection agency's reports to the Company.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and monitor a report that monthly tracks the number of accounts and the dollar amount of written-off accounts forwarded to the Company's collection agency.*

**The Company stated that it monitors its written-off accounts through a software program. After accounts are entered, a report is run and saved on the public drive. The EMSD staff explained to the Company that the report should contain the total dollars forwarded to the collection agency each month and the total dollars collected by the collection agency each month so that trends can be easily determined by Company employees. The Company has informed the EMSD staff that the spreadsheet will be developed and provided to the EMSD staff. The EMSD staff deems this recommendation as in progress.**

The Company does not track and monitor the performance of its collection agency through the use of a monthly collection report. Although the Company can obtain the information through the collection agency's website, the Company does not maintain the information documenting payments received from its collection agency. By not having this information located in a report, the Company's ability to monitor and analyze the performance of its collection agency is difficult.

The Company contracted with this collection agency during the past twelve months and the Company should be closely monitoring the collection agency's performance. The Company is aware that its write-offs have steadily trended upward during the past few years. By closely monitoring the performance of its collection agency, the Company would hopefully be able to address its trend of increasing write-offs.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Develop and utilize a report that monthly tracks the payments collected by the Company's collection agency. Monitor the information on a regular basis.*

**The Company stated that the payments collected by its collection agency are entered in the Budgetary Posting Journal Monthly Report and is produced through its software program. The EMSD staff explained to the Company that the report should contain the total dollars forwarded to the collection agency each month and the total dollars collected by the collection agency each month so that trends can be easily determined by Company employees. The Company has informed the EMSD staff that the spreadsheet will be developed and provided to the EMSD staff. The EMSD staff deems this recommendation as in progress.**

The Company does not receive the benefit of contracting with more than one collection agency. The Company currently has a contract with only one collection agency, NCO. NCO's success of collecting for the Company has been poor. During 2007 and 2008, NCOI collected \$907.75 of the \$25,865.16 that was forwarded to it, which is 3.51%.

The benefits of contracting with more than one collection agency include the following:

- Increased collection rate due to the competitiveness of the collection agencies.
- Negotiable collection fees.
- Availability of backup if one collection agency is no longer contracted with the Company.

Although the Company is obligated to NCO until NCO has collected three times the Company's \$10,000 initial payment, or \$30,000, the Company could benefit by contracting with more than one collection agency.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Evaluate the benefits of the Company contracting with more than one collection agency. If implemented, the Company should ensure that the collection agency contract's expiration dates are staggered.*

**The Company is currently checking the references of two collection agencies. The Company's goal is to have an additional collection agency contract signed by the end of**

**2009, but this has not yet been completed. The EMSD staff is of the opinion this recommendation is in progress.**

### **Work Orders**

The Company does not track all of its work orders as some of the work orders are worked from a listing or a sheet of paper and are not included in the Company's count of work orders. Examples of these include rereads if high or low usage is recorded and the meter changes. To ensure that the Company's recorded number of work orders performed is accurate, the EMSD staff would encourage the Company to implement a procedure that ensures all work orders are included in the Company's work order count.

***THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

***Implement a procedure that ensures all work orders are included in the Company's work order count.***

**The Company no longer provides the manual list of reread work orders for the field personnel. Instead, through a recent upgrade, its software allows reread work orders to be generated. The work orders are Job Code 903, Pre-Billing Reread. Therefore, the reread work orders are now being included in the monthly work order count. The EMSD staff is of the opinion this recommendation is complete.**

### **Communication with Customers**

The Company does not have a written document that conveys the rights and responsibilities of the Company and its customers, which is in violation of Commission Rule 4 CSR 240-13.040(3). The Rule 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. The form shall be submitted to the consumer services department of the Missouri Public Service Commission, and to the Office of the Public Counsel. 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 written information shall indicate

conspicuously that it is being provided in accordance with the rules of the commission, and shall contain information concerning, but not limited to: (A) – (L).

The EMSD staff provided the Company with a sample of a document that would meet the requirements of the Rule.

***THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Develop in written form, the information that summarizes the rights and responsibilities of the utility and its customers and make such documentation available to customers. The document should adhere to Commission Rule 4 CSR 240-13.040(3).*

**The Company has produced a brochure that summarizes the rights and responsibilities of the utility and its customers and provided a copy to the EMSD staff. The information included in the brochure adheres to Commission Rule 4 CSR 240-13.040(3) except for item (A). The brochure does not provide information regarding estimated billing procedures. The Company has stated that it will add the estimated billing procedures information and provide the EMSD staff a copy of the revised brochure. The EMSD staff deems this recommendation as being in progress.**

**Employee Performance Evaluations**

Employee performance evaluations are not currently being completed by the Company for all employees. The performance appraisal is an observation and evaluation of the employee's job performance in order to determine the degree to which the employee is performing effectively. The process includes a written assessment of the defined performance standards set for each employee. Following the observation and evaluation, the supervisor and employee meet to discuss the evaluation. Performance evaluations contribute to the Company's decisions regarding salary increases, promotions, demotions and disciplinary actions. Although not a requirement by the Fair Labor Standards Act (FLSA), the EMSD staff is of the opinion that employee performance evaluations are beneficial for Company management and Company employees.



**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Develop a procedure to ensure an employee performance evaluation is annually performed for each employee. In addition, develop a procedure to document all employee evaluations.*

**The Company has developed a procedure to ensure that performance evaluations are performed and recorded annually. The procedure is included in the Company's policy manual. The evaluations will be performed before the end of each calendar year. The EMSD staff is of the opinion this recommendation is complete.**

**Employee Overtime Compensation**

The Company unnecessarily compensates employees at time and a half when 40 hours have not been worked by the employee. The federal overtime provisions which are contained in the FLSA state that unless exempt, employees covered by the Act must receive overtime pay for actual hours worked over 40 in a workweek at a rate not less than time and one-half their regular rates of pay. The Act does not require overtime pay for work on Saturdays, Sundays, holidays, or regular days of rest, unless overtime is worked on such days.

When the EMSD staff discussed this matter with Company management, the Company stated that it plans to inform employees of this change in compensation and discontinue this practice effective January 1, 2009.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Discontinue the practice of compensating Company employees at a rate of time and one-half unless the employee has worked the required 40 hours for that specific pay period.*

**The Company has discontinued the practice of compensating its employees at a rate of time and one-half when less than 40 hours have been worked for that specific pay period. Employees now receive compensation at a rate of time and one-half only if they have worked the required forty hours for that specific pay period. The EMSD staff deems this recommendation to be complete.**

**Review of Raytown Water Company  
Customer Service and Business Operations Implementation Review  
Small Company Rate Increase Request  
Case No. WR-2009-0098  
J. Kay Niemeier and Ben Wisnewski**

The Engineering and Management Services Department (EMSD) staff performed an on-site Implementation Review of Raytown Water Company (RWC or Company) Thursday, March 25, 2010. We met with Company employees to discuss the remaining issues of the Implementation Review performed December 22, 2009. This report contains the recommendations of the December 22, 2009 review that were deemed in progress or incomplete at that time. The Company's response is in bold following each recommendation.

Following the interview at the Company's office, the EMSD staff accompanied Company employees to a presentation given by Hersey-Meters at Cass County Public Water District No. 9. This water district recently implemented their automatic meter read meters. RWC is considering implementing this meter reading system.

**Findings, Conclusions and Recommendations**

The following discussion presents a summary of the findings, conclusions and recommendations pertaining to the Company's customer service operations that remain incomplete at this time. The information presented in this section focuses on the following areas that require Company management's attention:

- Collection Agency
- Communication with Customers

**Collection Agency**

The Company does not track and monitor the number of accounts or the dollar amount of written-off accounts forwarded to its collection agency. The Company should maintain this

information to determine any trends in its written-off accounts that are forwarded to its collection agency and to also determine the accuracy of the collection agency's reports to the Company.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Develop and monitor a report that monthly tracks the number of accounts and the dollar amount of written-off accounts forwarded to the Company's collection agency.*

**December 22, 2009 Implementation Review:** The Company stated that it monitors its written-off accounts through a software program. After accounts are entered, a report is run and saved on the public drive. The EMSD staff explained to the Company that the report should contain the total dollars forwarded to the collection agency each month and the total dollars collected by the collection agency each month so that trends can be easily determined by Company employees. The Company has informed the EMSD staff that the spreadsheet will be developed and provided to the EMSD staff. The EMSD staff deems this recommendation as in progress.

**March 25, 2010 Implementation Review:** The Company stated that it creates a report of written-off accounts at the end of each month and that all accounts greater than \$30.00 are forwarded to its collection agency. The EMSD staff deems this recommendation as complete.

The Company does not track and monitor the performance of its collection agency through the use of a monthly collection report. Although the Company can obtain the information through the collection agency's website, the Company does not maintain the information documenting payments received from its collection agency. By not having this information located in a report, the Company's ability to monitor and analyze the performance of its collection agency is difficult.

The Company contracted with this collection agency during the past twelve months and the Company should be closely monitoring the collection agency's performance. The Company is aware that its write-offs have steadily trended upward during the past few years. By closely monitoring the performance of its collection agency, the Company would hopefully be able to address its trend of increasing write-offs.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Develop and utilize a report that monthly tracks the payments collected by the Company's collection agency. Monitor the information on a regular basis.*

**December 22, 2009 Implementation Review:** The Company stated that the payments collected by its collection agency are entered in the Budgetary Posting Journal Monthly Report and is produced through its software program. The EMSD staff explained to the Company that the report should contain the total dollars forwarded to the collection agency each month and the total dollars collected by the collection agency each month so that trends can be easily determined by Company employees. The Company has informed the EMSD staff that the spreadsheet will be developed and provided to the EMSD staff. The EMSD staff deems this recommendation as in progress.

**March 25, 2010 Implementation Review:** The Company has not yet developed a spreadsheet that contains the total dollars collected by the collection agency each month. With this information, the Company could easily determine any trends in the amount of written-off accounts collected by its collection agency. This would provide the Company information regarding the performance of its collection agency and assist in its decision making process.

The Company has contracted with NCO for \$10,000 to collect \$30,000. During 2007 and 2008, NCO collected 3.51% of the written-off accounts forwarded to it, which is a poor performance. The collection agency's performance for 2009 was 6%. The EMSD staff strongly encourages the Company to develop and utilize a monthly performance report that will assist the Company in its monitoring of this collection agency. The EMSD staff also encouraged the Company to speak regularly with a collection agency employee and to monitor the written-off accounts the collection agency is performing collection efforts. The EMSD staff informed the Company that the written-off accounts should not be disregarded after forwarding to its collection agency. The EMSD staff deems this recommendation as in progress.

The Company does not receive the benefit of contracting with more than one collection agency. The Company currently has a contract with only one collection agency, NCO. NCO's

success of collecting for the Company has been poor. During 2007 and 2008, NCOI collected \$907.75 of the \$25,865.16 that was forwarded to it, which is 3.51%.

The benefits of contracting with more than one collection agency include the following:

- Increased collection rate due to the competitiveness of the collection agencies.
- Negotiable collection fees.
- Availability of backup if one collection agency is no longer contracted with the Company.

Although the Company is obligated to NCO until NCO has collected three times the Company's \$10,000 initial payment, or \$30,000, the Company could benefit by contracting with more than one collection agency.

***THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Evaluate the benefits of the Company contracting with more than one collection agency. If implemented, the Company should ensure that the collection agency contract's expiration dates are staggered.*

**December 22, 2009 Implementation Review:** The Company is currently checking the references of two collection agencies. The Company's goal is to have an additional collection agency contract signed by the end of 2009, but this has not yet been completed. The EMSD staff is of the opinion this recommendation is in progress.

**March 25, 2010 Implementation Review:** The Company stated that it had researched some collection agencies and that it was currently negotiating with another collection agency. The Company provided the EMSD staff with a proposal from Transworld Systems, Inc. (Transworld) on May 24. The EMSD staff was informed that the Company signed a contract on May 14 with Transworld and had forwarded its March and April written-off accounts to it. The EMSD staff deems this recommendation as complete.

**Communication with Customers**

The Company does not have a written document that conveys the rights and responsibilities of the Company and its customers, which is in violation of Commission Rule 4 CSR 240-13.040(3). The Rule 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. The form shall be submitted to the consumer services department of the Missouri Public Service Commission, and to the Office of the Public Counsel. 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 written information shall indicate conspicuously that it is being provided in accordance with the rules of the commission, and shall contain information concerning, but not limited to: (A) – (L).

The EMSD staff provided the Company with a sample of a document that would meet the requirements of the Rule.

***THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Develop in written form, the information that summarizes the rights and responsibilities of the utility and its customers and make such documentation available to customers. The document should adhere to Commission Rule 4 CSR 240-13.040(3).*

**December 22, 2009 Implementation Review:** The Company has produced a brochure that summarizes the rights and responsibilities of the utility and its customers and provided a copy to the EMSD staff. The information included in the brochure adheres to Commission Rule 4 CSR 240-13.040(3) except for item (A). The brochure does not provide information regarding estimated billing procedures. The Company has stated that it will add the estimated billing procedures information and provide the EMSD staff a copy of the revised brochure. The EMSD staff deems this recommendation as being in progress.

**March 25, 2010 Implementation Review:** The Company provided its brochure following the inclusion of the estimated billing procedures information, which it is currently using. The EMSD staff deems this recommendation as complete.

Agreement Attachment E

Summary of Case Events

Raytown Water Company  
Case # WR-2010-0304  
Summary of Case Events

Date Filed	April 30, 2010
Day 150	September 27, 2010
Extension?	No
If yes, why?	
Amount Requested	\$471,205
Amount Agreed Upon	\$336,867
Item(s)/Dollar(s) Driving Rate Increase	Increase in rate base. Decrease in revenues due to lower consumption and less customers. Increase in cost of purchased water. Increase in payroll and benefits.
Number of Customers	6,578
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	No
Status with Secretary of State	Good Standing
DNR Violations	No
Significant Service/Quality Issues	None