

Exhibit No.:
Issues: Meter Reading; Customer
Billing; Credit and Collections;
Complaints and Inquiries; and
Customer Communication
Witness: Gary R. Bangert
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: WR-2006-0425
Date Testimony Prepared: December 1, 2006

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

GARY R. BANGERT

ALGONQUIN WATER RESOURCES OF MISSOURI, LLC

CASE NO. WR-2006-0425

FILED²

FEB 08 2007

Missouri Public
Service Commission

Jefferson City, Missouri
December 2006

Staff Exhibit No. 24
Case No(s) WR-2006-0425
Date 1-22-07 Rptr KF

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI


In the Matter of the Tariff Filing Algonquin Water)
Resources of Missouri, LLC to Implement a)
General Rate Increase for Water and Sewer Service)
Provided to Customers in Its Missouri Service)
Areas.)

Case No. WR-2006-0425

AFFIDAVIT OF GARY R. BANGERT


STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Gary R. Bangert, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

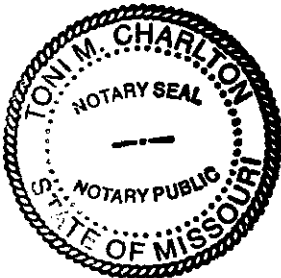


Gary R. Bangert

Subscribed and sworn to before me this 30th day of November 2006.



Notary Public



TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

DIRECT TESTIMONY
OF
GARY BANGERT
ALGONQUIN WATER RESOURCES OF MISSOURI, LLC
CASE NO. WR-2006-0425

Q. Please state your name and business address.

A. Gary Bangert, P.O. Box 360, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am a Utility Management Analyst III for the Missouri Public Service Commission (Commission).

Q. Describe your educational background.

A. I graduated from Concordia Teachers College in Seward, Nebraska, in 1973 with a Bachelor of Science degree in Education. I continued my education in 1975 by doing graduate work in mathematics at the University of Evansville in Evansville, Indiana.

Q. Please describe your duties while employed by the Commission.

A. I have been employed by the Commission since 1977 when I entered the Management Services Department as a Management Analyst. The name of the Management Services Department was changed to the Engineering and Management Services Department in February 2000 when the Department was joined with the Commission's Depreciation Department. My responsibilities at the Commission include planning, performing, and directing reviews of management operating and control systems at utility companies under the Commission's jurisdiction. I have been the project manager or performed in a support role on a number of management audits of public utilities operating within the State of Missouri

1 under the jurisdiction of the Commission. In addition, I have participated in other types of
2 utility investigations and review projects. I have served as the Commission's representative
3 on the State of Missouri Homeland Security Advisory Committee and as project manager on
4 many special project assignments. At the direction of the Commission, during 2001, the
5 Engineering and Management Services Department began reviewing the customer service
6 practices of small water and sewer utilities when they request rate increases. I have
7 performed six reviews of this type since then.

8 Q. Have you previously filed testimony before this Commission?

9 A. Yes. Schedule 1 includes a list of the cases in which I have filed testimony.

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to provide the Commission with information
12 regarding Algonquin's customer service operations in Missouri.

13 **EXECUTIVE SUMMARY**

14 Q. Please summarize your testimony.

15 A. My testimony will provide an overview of customer service activity at
16 Algonquin in the areas of meter reading, customer billing, credit and collections, complaints
17 and inquiries, and customer communication. I will also discuss the findings, conclusions, and
18 recommendations associated with my review. Schedule 2 includes the report I prepared
19 which provides this information.

20 Q. Were there any specific customer service issues that you identified as
21 problems?

22 A. Yes. I found that the Company was not applying 6% interest on deposits it
23 refunds to customers that is required in its tariff. I also noted that a record is not kept of all

1 complaints as required in the Commission's rules pertaining to the service provided by water
2 and sewer utilities.

3 Q. Has the Company acknowledged these problems?

4 A. Yes. Company management is aware of these issues and has agreed to address
5 them.

6 Q. How does the Staff propose to verify that these matters will be addressed by
7 the Company?

8 A. The Engineering and Management Services staff intends to follow up with the
9 Company within three months to ensure that these matters are resolved.

10 Q. Does this conclude your direct testimony?

11 A. Yes, it does.

TESTIMONY SUMMARY

GARY R. BANGERT

DATE FILED	ISSUES	CASE NUMBER	FILING TYPE	COMPANY NAME
6/3/1983	Management Efficiency	ER83163	Direct	Union Electric Company
7/15/1983	Management Efficiency	ER83163	Rebuttal	Union Electric Company
8/3/1983	Management Efficiency	ER83206	Direct	Arkansas Power & Light Company
1/27/1984	Management Efficiency	EO8473	Direct	Union Electric Company
8/4/2000	Billing	GR2000512	Direct	Union Electric Company d/b/a AmerenUE
5/22/2001	Customer Service	GR-2001-292	Rebuttal	Missouri Gas Energy
10/24/2003	Customer Service	GR-2003-0517	Direct	Union Electric Company d/b/a AmerenUE

**Engineering and Management Services Department
Report on the Customer Service Operations
at Algonquin Water Resources of Missouri, LLC
Case No. WR-2006-0425**

Gary Bangert – November 30, 2006

Algonquin Water Resources of Missouri, LLC (Algonquin, Company) filed a rate increase request on May 5, 2006, for water and sewer service it provides in its Missouri service area. The Engineering and Management Services Department (EMSD) staff initiated an informal review of customer service processes, procedures, and practices at Algonquin on November 9, 2006. This customer service review was done in conjunction with the Company's rate increase request. Prior to on-site interviews, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service operations.

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

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 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
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

This report contains the results of the EMSD staff's review.

Overview

On August 4, 2005, the Commission issued an order approving the sale of Silverleaf Resorts, Inc.'s water and sewer assets to Algonquin Water Resources of Missouri, LLC, effective August 14, 2005. Algonquin has a principal office located in Litchfield Park, Arizona. The Algonquin service territory in Missouri is divided among the three resorts of Holiday Hills, Ozark Mountain, and Timber Creek. Algonquin provides water service to 474 customers at the Holiday Hills Resort near Branson, Missouri. It also provides service to 250 water and 234 sewer customers at the Ozark Mountain Resort near Kimberling City, Missouri. In addition, Algonquin provides service to 28 water and 24 sewer customers at the Timber Creek Resort near Desoto, Missouri. The business office for Missouri operations is located at the Holiday Hills Resort. Local business office hours are 8:00 – 12:00 and 1:00 – 4:00, Monday through Friday.

Algonquin staffing in Missouri includes a Facilities Accountant, Utilities Superintendent, and Utilities Assistant. In addition, the Manager of Operations is based in Arizona. Prior to June 2006, an Office Manager (the current Facilities Accountant) performed all business office functions. All outside plant functions including meter reading, construction, and maintenance are performed by an outside contractor. The Facilities Accountant has primary responsibility for interacting with the contract meter readers and performing responsibilities associated with billing, credit and collections, complaints and inquiries, and customer communication. The Utilities Superintendent is the primary interface with the outside contractor regarding construction and maintenance activity. The Utilities Assistant provides an initial response to customers who call or walk in to the business office.

There has been minimal growth in the provision of water and sewer service. A total of eight water services and two sewer services have been added since 2004. No significant growth is anticipated.

Meter Reading

The outside contractor who reads water meters usually picks up meter route sheets from the Facilities Accountant around the middle of the month and typically reads the meters by the 20th of each month. Company personnel indicated that it takes at least two days to read the meters. Every water meter, including inactive meters, is read each month. The meter readings are manually recorded on the meter route sheet and returned to the Facilities Accountant who enters them into the computer. The meter route sheet includes high and low meter reading

parameters that enable the Facilities Accountant to identify meter reading errors or unusual water usage.

The Company has recently initiated the installation of a new Badger remote meter reading system. Company management stated that safety considerations were a primary reason for implementing a remote meter reading system. Many meters are located in crawl spaces and other difficult places to obtain a meter reading. These areas can have snakes and other dangers that can make obtaining meter readings a hazardous task. One hundred water meters equipped with a transmitter have been installed in the Ozark Mountain service area. Training on the use of the system will be conducted in December 2006. Meter readings from the meters equipped with a transmitter will be transferred to a laptop computer in the vehicle of an individual reading meters. The meter readings will then be downloaded into the billing system. Company management stated that, of the remaining meters that are read manually, approximately 10% will be converted each year until all of the meters are read remotely.

Company personnel stated that meter readings are rarely estimated. There have been approximately 20 estimated meter readings since 2004, and most of these estimates have been associated with one meter that is very difficult to access.

Master meters are located on the wells and the distribution system. Monthly reports are prepared that compare the amount of water pumped with the actual usage.

Customer Billing

The Company uses CBS software to calculate and print the customers' post card bills. As previously mentioned, beginning in December 2006, meter readings from 100 accounts will be automatically downloaded into the billing system. The meter readings for the rest of the accounts will be keyed in. All customer bills are mailed by the 28th of each month. The bills are due on the 20th and delinquent on the 21st of the month. The Company charges a late payment fee of the greater of 5% of the bill or \$2.00 on all bills paid after the due date.

Customers are billed for water and sewer service on a monthly basis. Water customers with a standard ¾ inch meter are charged a customer charge of \$3.00 plus a commodity charge of \$3.02 per 1,000 gallons of water usage. Sewer customers with a ¾ inch water meter are charged a customer charge for sewer service of \$6.00 plus a commodity charge of \$7.57 per 1,000 gallons of water usage.

Company personnel estimated that about 80% of the customers mail their bill payments and almost 20% of the customers use the drop box or bring their payment into the business office. In addition, about 30 customers use an automatic bank draft for payments and a few are starting to use online bill payment services. All bill payments are keyed into the CBS billing system. The payments are stored in a fireproof safe and deposited at a bank once a week.

Credit and Collections

All new water and sewer customers are required to complete a written application for service. The Company may charge a security deposit of any new customer that is unable to establish an acceptable credit rating as defined in the Company's tariffs. New water customers may pay a \$35 deposit and new water and sewer customers may pay a \$40 deposit. The Company refunds the deposits of customers with a satisfactory payment history after 12 months or if they move from the Company's service territory. However, no interest is paid on the refunded deposits. In 2005, security deposits were collected from 101 customers and refunded to 146 customers. As of November 9, 2006, security deposits had been collected from 67 customers and refunded to 96 customers.

On the next business day after the 21st of each month, a delinquent account report is prepared. Delinquent notices are mailed to this list of customers giving them at least 10 calendar days to pay. Twenty-four hours prior to disconnection, a disconnect notice is placed on each delinquent customer's door. Another notice is placed on the door after the disconnection is performed. Disconnections are performed on Wednesdays. The Company does not disconnect sewer service for non-payment. Prior to restoration of service, customers must pay all past due balances and a \$25 reconnection fee. Company personnel stated that customers are typically reconnected the same day or the next business day after making satisfactory payment. A \$25 charge is assessed for insufficient funds checks, although Company personnel stated that this has not been a significant problem.

Company personnel stated that the number of late-paying customers varies, but there were about 20 delinquent accounts in October 2006. Most of these customers pay prior to being disconnected. The Company performed approximately 30 non-pay disconnections in 2005 and about 10 as of October 2006. There was \$186 in bad debt expense written off in 2004 and \$13 in 2005. Company personnel stated that the low level of uncollectible accounts does not support consideration for the use of an outside collection agency.

Complaints and Inquiries

Customers with questions or concerns may call the Company contact number appearing on the bill. During business hours, the Utilities Assistant will take calls and forward them to the Facilities Accountant or Utilities Superintendent, as required. Calls outside of business hours are taken by an answering service. Any emergency calls are forwarded to the Utilities Superintendent for resolution. A Customer Complaints form is used to document certain complaints that typically require some type of maintenance or follow-up action; however, the Company does not log all complaints and inquiries that are received. A review of Commission complaint/inquiry records showed no customer contacts since January 2004.

Customer Communication

The Company uses several methods to communicate information to its customers. Letters are sometimes used to convey necessary information. Notices are occasionally posted at the business office. The billing system also has the capability to print a short, three-line note on the postcard bill.

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 two issues that require Company management's attention:

- Deposit Refund Interest
- Complaint and Inquiry Documentation

Deposit Refund Interest

The Company's practice of not paying interest on security deposits refunded to customers is not consistent with a tariff provision that requires the payment of 6% interest compounded annually. Customers with 12 months of satisfactory payment history, or customers that move from the Company's service territory and have a satisfactory payment history, receive a full refund of their deposit, but no interest is included with the deposit. The Company's tariff states:

Interest at the rate of 6% per annum compounded annually shall be payable on all deposits ... After a customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one year, credit shall be established or re-established, and the deposit and any interest due shall be refunded.

It is critical that the Company's practice regarding the refunding of deposits is consistent with its Commission-approved tariff.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Initiate action that will ensure consistency between the Company's practice and its tariff regarding the payment of interest on deposits that are returned to customers.

Complaint and Inquiry Documentation

The Company does not keep a record of all complaints and inquiries that are received. Company personnel stated that a Customer Complaints form is used to document certain complaints that typically require some type of maintenance or follow-up action, but the information from most customer contacts is not recorded.

Rules conveying customer contact documentation requirements that are applicable to water and sewer companies are contained in Commission Rules 4 CSR 240-13 and 4 CSR 240-60, respectively. In the section titled "Inquiries" of 4 CSR 240-13.040(5), it states:

A utility shall maintain records on its customers for at least two (2) years which contain information concerning: ... (B) The number and general description of complaints registered with the utility;

Commission Rule 4 CSR 240-60.010(4) states:

The utility shall maintain a file of customer complaints received on the service it provides. The file shall include the name and address, as well as the nature of the complaint and date of occurrence. A detailed explanation of what the utility did to correct the trouble which originated the complaint shall be recorded.

This rule for sewer companies also has a record retention requirement of at least two years.

The availability of documented customer contact information would enable Company management to evaluate why customers contact the Company and to determine if any corrective measures could be taken to reduce customer contacts and improve customer satisfaction. The availability of documentation regarding customer contacts would also help to show the Company's responsiveness in addressing customer issues.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and initiate a process for documenting customer contacts and maintain this information for at least two years.