

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

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

**UNANIMOUS PARTIAL STIPULATION AND AGREEMENT
REGARDING COUNT IV**

COME NOW the Staff of the Missouri Public Service Commission (“Staff”), the Office of the Public Counsel (“OPC”), and Aqua Missouri¹ (collectively referred to hereinafter as “the Signatories”) and submit their Unanimous Partial Stipulation and Agreement Regarding Count IV. This partial stipulation is intended to resolve all issues related to Count IV of the complaints filed in consolidated Case No. SC-2010-0150 et al. The agreement to this effect is as follows:

Procedural Background

1. On November 20, 2009, Staff filed with the Missouri Public Service Commission (“the Commission”) a series of formal complaints (collectively referred to hereinafter as “the complaint cases”) against Aqua Development Company d/b/a Aqua Missouri, Inc. (Case No. SC-2010-0150), Aqua Missouri, Inc. (Case Nos. WC-2010-0151 and SC-2010-0152) and Aqua RU, Inc. d/b/a Aqua Missouri, Inc. (Case No. WC-2010-0153). These complaint cases allege violations of previous Commission orders and certain Commission rules.

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

2. On April 7, 2010, Staff, OPC, and Aqua Missouri filed in the complaint cases their Unanimous Partial Stipulation and Agreement Regarding Counts I, II, III and V (referred to hereinafter as “the First Unanimous Partial Stipulation”), intended to resolve all issues related to Counts I, II, III and V of the complaints filed in consolidated Case No. SC-2010-0150 et al., but not Count IV of the same. For additional procedural background please see the First Unanimous Partial Stipulation.

Stipulated Facts Regarding Count IV

3. The Signatories agree to those facts stipulated to in the First Unanimous Partial Stipulation and incorporate all such facts by reference herein.

4. The Signatories agree that on December 7, 2007, Aqua Missouri, Inc., Aqua Development Company d/b/a Aqua Missouri, Inc. and Aqua RU, Inc. d/b/a Aqua Missouri, Inc. initiated small company rate increase requests, designated by the Commission as Case Nos. WR-2008-0266, SR-2008-0267, SR-2008-0268, and WR-2008-0269, respectively. These cases were settled. On August 28, 2008, the Commission issued in these cases an Order Approving Unanimous Disposition Agreement and Approving Tariff (hereinafter referred to as “the Commission’s 2008 Order”), approving the unanimous stipulation and agreements filed by the Company, Staff, and OPC.

5. On July 15, 2009, Aqua Development Company d/b/a Aqua Missouri, Inc., Aqua RU, Inc. d/b/a Aqua Missouri, Inc., and Aqua Missouri, Inc. initiated small company rate increase requests, designated by the Commission as Case Nos. SR-2010-0023, WR-2010-0025, SR-2010-0026, and WR-2010-0027, respectively (hereinafter referred to as “the rate cases”). In conjunction with these increase requests, Staff audited the Company’s books and records, reviewed the Company’s tariffs, inspected the Company’s facilities, and reviewed the

Company's customer service, general business practices, and facilities operations, and made an on-site visit to one of the Company's national call centers, located in Kankakee, Illinois (hereinafter referred to as "Staff's investigation").

6. Pursuant to Staff's investigation, Staff determined that during the test year used in the rate cases the Company exchanged a number of customer water meters in an attempt to comply with the Commission's water meter removal and inspection schedules found at Commission Rule 4 CSR 240-10.030(38). This regulation generally requires water utilities to remove and inspect residential water meters every ten (10) years, though Companies often find it more cost effective to simply replace these old meters. Approximately three hundred ninety-five (395) water meters, a large portion of the meters exchanged during the test year, were replaced during the summer of 2009. Staff does not allege in the complaint cases that these meter replacements, in and of themselves, were in violation of the Commission's rules, but rather asserts allegations related to the effect of these replacements on bills received by customers.

7. Prior to the filing of the rates cases, Aqua America, the parent corporation of Aqua Missouri, developed a "Meter Exchange Black-Out Policy" in order to provide a smooth transition for when planned meter replacements occur under its new billing system. This policy provides guidelines for when installation of new meters should occur in coordination with the Company's billing cycle and for posting the new information to the Company's customer information system ("CIS").

8. During a conference call on or about April 5, 2010, Company representatives explained to Staff that the national "Meter Exchange Black-Out Policy" was not followed by Aqua Missouri in all instances in which the Company replaced meters during the test year in the rate cases.

9. As a direct result, a minimum of thirty-four (34) bills were estimated during the meter exchange period that occurred during the summer of 2009. As a result, the Company issued at least this number of bills, which reflected less than twenty-six (26) or more than thirty-five (35) days of service and contained an amount reflecting actual usage.

10. While these bills did state that the customer's meter had been exchanged during this time period, some customers expressed confusion. Similarly, these billing abnormalities created confusion among Staff in the context of the rate cases. Upon review, this billing abnormality could have been avoided if the Company had better coordinated and followed its own "Meter Exchange Black-Out Policy" during its meter exchange program in the summer of 2009 and throughout the rate case test year.

11. Staff has asserted that Aqua Missouri's failure to follow the national "Meter Exchange Black Out Policy" has resulted in a violation of the Commission's 2008 Order, which incorporated the EMSD recommendation that the Company "[d]evelop internal control procedures and a tracking mechanism that ensure monthly billing periods do not exceed 35 days and are in accordance with the Commission's Rules".

12. The Company asserts that it has acted in good faith in attempting to comply with the EMSD recommendations incorporated into the Commission's 2008 Order. However, after much discussion and negotiation, the Signatories have reached agreement on the following issues:

The Agreement Regarding Counts IV
Billing Periods

13. In settlement of Count IV, the Company shall issue its customers credits against their future water and sewer bills in the aggregate amount of Two Thousand Dollars (\$2,000.00). These credits shall be reflected as a separate line item/credit called "PSC credit" on bills as follows:

- A. The entire credit amount, based upon active customer counts and irrespective of customer class designations or district pricing disparities (i.e. \$2,000.00/total number of customers), shall appear within ninety (90) days after the effective date of an order approving the terms of this stipulation and agreement. To be clear, in the event that an entity receives both water and sewer services, such credit shall be reflected equally on both the water and sewer bills;
 - B. The amount of the credit agreed upon in provision 1(A) above may be aggregated in amount and combined with the “PSC credit” description of the credit mandated by the provisions of the First Unanimous Partial Stipulation. This credit issued under the terms of this stipulation shall not however extend the time by which both credits shall be issued beyond the terms contained in the First Unanimous Partial Stipulation;
 - C. Each such credit shall offset the water charges and sewer charges (if applicable), until the total credit is reduced to zero;
 - D. The Company shall within sixty (60) days of the end of the billing cycle in which credits are issued under the terms of this stipulation and agreement provide Staff with an accounting of the customer refund and with copies of thirty-five (35) random customer billing statements, in the form received by customers, reflecting these credits. The sample shall include bills from each service area and the random sampling method shall be approved by the Staff. In addition, Staff and/or OPC shall have the ability to audit the books and records of the Company to determine compliance with the customer-refund provisions of this stipulation and agreement; and
 - E. Any and all expenses related to the issuance of the above-referenced credits (including those related to employee time) shall be documented separately for tracking purposes and shall not be collected from customers. Such expenses shall not be considered in any manner in any future general rate case proceeding.
14. In addition, the Company agrees to amend, implement, and subsequently follow, a “Meter Exchange Black-Out Policy” for the exchange and/or replacement of meters under the Commission’s water meter removal and inspection schedule found at Commission Rule 4 CSR 240-10.030(38). This policy shall be implemented immediately upon the effective date of a Commission order approving the terms of this stipulation and shall state as follows:
- “Meter Exchange Black-Out Period”:** All meter exchanges related to the Commission’s ten year meter inspection rules must be completed at least five (5) days prior to a regular billing read and must not commence until three (3) days after a regular billing read. In addition, all meter exchanges conducted in accordance

with this policy shall be posted to C.I.S (Banner) via ServiceLink within two (2) calendar days after completion of a meter exchange.

15. In addition, within sixty (60) days of the effective date of a Commission order approving this stipulation, the Company agrees to supplement its tariff(s) with the Commission in order to tariff the Company's procedures for rendering estimated bills, including, but not limited to those related to the water meter removal and inspection schedule found at Commission Rule 4 CSR 240-10.030(38). Staff reserves the right to state a position on these tariff changes in the context of the subsequent tariff filing.
16. The Signatories acknowledge and agree that it is the intent of this stipulation, including the implementation of the "Meter Exchange Black-Out Policy", to eliminate, subject to the exceptions contained herein, bills reflecting estimated usage and/or bills for less than twenty-six (26) or more than thirty-five (35) days of service related to meters replaced under the Commission's water meter removal and inspection schedules. The Signatories acknowledge and agree that this stipulation, including but not limited to the implementation of the "Meter Exchange Black-Out Policy" and those exceptions thereto, shall not be read to create or to constitute a waiver of the Commission's rules regarding billing practices.
17. Staff acknowledges that in the service areas in and around Shell Knob and Reed Spring there may be instances when the Company will be unable to use ServiceLink to process meter exchanges within two (2) calendar days due to the lack of a strong internet connection. Under these circumstances and in only these service areas, the Company will be allotted an additional three (3) calendar days, so that all meter exchanges conducted in these service areas in accordance with the "Meter Exchange Black-Out Period" shall be posted to C.I.S (Banner) via ServiceLink within five (5) calendar days after completion of a meter exchange. The Company agrees to document these occurrences and to provide such documentation to Staff upon request.
18. In addition, the Signatories acknowledge that there will be certain limited instances when additional information from the field is needed to process the meter exchange in the Company's customer information system and the Company will therefore not have the ability to comply with the two (2) calendar day upload timeframe. Under these circumstances the Company will be allotted an additional five (5) calendar days, so that all meter exchanges conducted in accordance with the "Meter Exchange Black-Out Period" shall be posted to C.I.S (Banner) via ServiceLink within seven (7) calendar days after completion of a meter exchange. The Company agrees to document these occurrences and to provide such documentation to Staff upon request.
19. In addition, Staff acknowledges that under certain circumstances (i.e. a malfunction meter, request for meter replacement by a customer, or an inside

meter that must be exchanged during a scheduled appointment) meters may have to be exchanged during the “Meter Exchange Black-Out Period” listed above. The Company shall also post these exchanges to C.I.S. (Banner) via ServiceLink within seven (7) calendar days after completion of such meter exchanges. The Company agrees to document these meter exchanges and to note on each meter change-out form the reason why such exchange could not be completed in accordance with the above-referenced “Meter Exchange Black-Out Policy”. The Company shall provide a meter reading black-out report documenting those meter exchanges occurring outside of the period covered by the “Meter Exchange Black-Out Period”. Beginning on the effective date of a Commission order approving the terms of this stipulation this report will be provided to the EMSD staff on a quarterly basis until the filing or submission of the Company’s next rate increase request.

20. Should the Company desire to abrogate, amend, or change in any way the above-listed “Meter Exchange Black-Out Policy”, the Company shall notify the EMSD staff of the desired change and shall seek from the Commission a formal waiver of any order issued by the Commission incorporating the terms of this stipulation.
21. Within thirty (30) days of the effective date of a Commission order approving the terms of this stipulation and agreement the Company shall provide Staff with documentation demonstrating that all Company employees located in the State of Missouri have been informed of the implementation of the “Meter Exchange Black-Out Policy” listed above.
22. The Company shall take corrective action in the event that a Company employee does not follow Company’s “Meter Exchange Black-Out Policy” when appropriate and shall document such corrective action. This information shall be provided to Staff upon request and shall be designated as “Highly Confidential” material.
23. In addition, for one year (four quarters) beginning on the effective date of a Commission order approving the terms of this stipulation, the Company shall provide to Staff a quarterly reporting of all meters exchanged pursuant to the Commission’s water meter removal and inspection schedule found at Commission Rule 4 CSR 240-10.030(38). This report shall include the date the service order for the meter exchange was generated in ServiceLink, the date of the meter exchange, the date the meter exchange was processed in the Company’s C.I.S. (Banner), the name of customer receiving the exchange, the premise and the customer number of the customer receiving the exchange, and the address of the premise where the exchange was conducted. In addition, The Company shall provide at the request of the EMSD staff, a copy of the first billing statement, in the form received by the customer, received by such customer after a meter exchange contained on this report.

Additional General Provisions

24. Although not specifically alleged in the complaint cases, the Company acknowledges that it is the position of Staff that at least thirty-four (34) bills estimated during the meter exchange period were estimated in violation of Commission Rule 4 CSR 240-13.020(2)A. As stated above, within sixty (60) days of the effective date of a Commission order approving this stipulation, the Company agrees to supplement its tariff(s) on file with the Commission in order to tariff the Company's procedures for rendering estimated bills, including, but not limited to those related to the water meter removal and inspection schedule found at Commission Rule 4 CSR 240-10.030(38). Staff reserves the right to state a position on these tariff changes in the context of the subsequent tariff filing. The Company acknowledges that Staff may continue to review and investigate the Company's estimation policies and procedures and the Company agrees to work with Staff in this effort.

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

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

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

in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

28. If the Commission has questions for the Signatories' witnesses or the Signatories, the Signatories will make available, at any on-the-record session, their witnesses and attorneys on the issues resolved by this stipulation, so long as all signatories have had adequate notice of that session. The Signatories agree to cooperate in presenting this stipulation to the Commission for approval, and will take no action, direct or indirect, in opposition to the request for approval of this stipulation.

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

Respectfully submitted,

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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 13th day of April, 2010.

/s/ Eric Dearmont