

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

In the Matter of the Tariff Filing of Aqua)	
RU, Inc., d/b/a Aqua Missouri, Inc. to)	
Implement a Rate Increase for Water)	
Service Provided to Customers in its)	<u>Case No. WR-2007-0021</u>
Missouri Service Areas.)	Tariff No. JW-2007-0015

**OFFICE OF PUBLIC COUNSEL’S RESPONSE TO STAFF’S
RECOMMENDATION REGARDING DISPOSITION OF SMALL
COMPANY RATE INCREASE REQUEST**

COMES NOW the Office of the Public Counsel and for its Response to Staff’s Recommendation Regarding Disposition of Small Company Rate Increase states as follows:

1. On September 8, 2006, the Commission issued its Order Setting Hearing, Directing Filing, and Directing Witness to Appear in the instant case, wherein it ordered the Staff to file its recommendation regarding Aqua Missouri’s pending tariff by no later than September 13 and ordered that any responses to the Staff’s recommendation shall be filed no later than September 20.
2. On the due date, Staff filed a request for an extension of five days. On September 15, the Commission granted that extension.
3. On September 14, in anticipation of the Commission granting Staff’s extension request, Public Counsel requested that its response to the Staff also be extended. Because the transcript of second public hearing had not been filed¹ and because the Staff recommendation

¹ Public Counsel inquired as to the whereabouts of the transcript on September 13, and was told that the due date of the second transcript was September 14. It was not until after the Commission’s Agenda meeting on September 19 that a draft of the transcript was made available. And as of September 21 – the date of the hearing – Public Counsel has still not received a paper copy of that transcript.

was not to be filed until September 18, Public Counsel asked for a one-week extension. This short extension would have afforded Public Counsel some time to review the Staff recommendation and the transcript before responding to the Staff recommendation and before the hearing. Despite having granted Staff's eleventh-hour request and allowing Staff an additional five days, the Commission denied Public Counsel's request and allowed Public Counsel only a few extra hours. The Commission ordered that any responses to the Staff's recommendations be filed no later than 9:30 am on September 21. The Commission also denied Public Counsel's request for continuance of the hearing.

4. In its September 18 recommendation, Staff requested that the Commission issue an order that:

- a. Approves the revised tariff sheets that the Company filed on July 12, 2006, to be effective for service rendered on and after September 30, 2006;
- b. Approves the Company/Staff Disposition Agreement submitted in this case;
- c. Directs the Company to comply with the terms of the Company/Staff Disposition Agreement;
- d. Prescribes the depreciation rates set out on Attachment D to the Disposition Agreement submitted in this case as the depreciation rate authorized for the Company's use; and
- e. Conditions its approval of the Company's pending revised tariff sheets on the Company's implementation of the Staff's recommendations regarding the Company's handling of customer contacts, as are set forth in the Staff's local public hearing follow-up report regarding the Company's call center procedures.

5. Staff's local public hearing follow-up report regarding the Company's call center procedures, mentioned in subpart 4(e) above, can be found in Appendix A of the Staff's Report on its Investigation of Comments Received at Local Public Hearing which was filed with the

Commission on September 18, 2006. Staff's recommendations regarding the Company's handling of customer contacts consist of the following:

- a. Initiate efforts within the Call Center to ensure that the appropriate Company personnel are notified of customers requiring additional information and develop procedures to verify that the necessary follow-up actually occurs;
- b. Establish a practice of recording all customer contacts that occur at the Company's Jefferson City office. The documentation associated with these calls should be sufficient to verify the customers who are referred to the Company's Call Center and to ensure that the customers expecting follow-up from the Jefferson City office manager get their concerns resolved;
- c. Investigate specific customer complaints about the lack of information regarding planned outages and determine where the Company's internal communication procedure may not have been followed; and
- d. Increase efforts to inform all Company personnel on a regular basis of the established procedure for communicating information about planned and unplanned outages to the Call Center.

6. Public Counsel does not agree with the Staff recommendation. Such a large increase is not warranted, is not supported, and is an unconscionable burden on rate payers. Even if such an increase was supported, it should be phased in. In Case Nos. EO-85-17 and ER-85-160 (the Callaway cases), the Commission ordered that a large rate increase for Union Electric Company be phased in. In that case, the Commission rejected a 25 percent increase as the first step of the phased-in rates because of ratepayer impact. The Commission allowed a first-step increase of 14 percent, with the remainder phased in over eight years.² If the Commission finds that an increase of greater than 15 percent should be allowed based on the evidence in this case, then that increase should be phased in.

² Case Nos. EO-85-17 and ER-85-160, In the matter of the determination of in-service criteria for the Union Electric Company's Callaway Nuclear Plant and Callaway rate base and related issues., In the matter of Union Electric Company of St. Louis, Missouri, for authority to file tariffs increasing rates for electric service provided to customers in the Missouri service area of the company. 27 Mo. P.S.C. (N.S.) 183, at 228-235.

7. Even if the Commission allows a significant rate increase, recovery of future phase-in increases should be expressly conditioned upon concrete, verifiable improvements in customer service. These milestones must be established and the company ordered to comply with them before any rate increase is granted.

WHEREFORE, the Office of the Public Counsel respectfully requests that the Commission reject the Staff memorandum and reject the pending tariffs.

Respectfully submitted,

OFFICE OF THE Public Counsel

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 21st day of September 2006:

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