

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

In the Matter of Missouri-American Water)	
Company’s Request for Authority to Implement)	Case No. WR-2011-0337
A General Rate Increase for Water and Sewer)	SR-2011-0338
Service Provided in Missouri Service Areas.)	

MAWC’S RESPONSE TO STAFF’S STATUS REPORT

Comes now Missouri-American Water Company (MAWC or Company), and, in response to Staff’s Status Report, Request for Extension of Time, and Request for Company Response, states as follows to the Missouri Public Service Commission (Commission):

I. BACKGROUND

1. On December 19, 2011, the Staff of the Commission (Staff) filed a document entitled “Staff’s Status Report, Request for Extension of Time, and Request for Company Response” (Status Report). This Status Report concerns various issues concerning the customer comment cards/local public hearing notices sent by MAWC to its customers. Among other things, Staff requested that “the Commission order MAWC to file a Response explaining the discrepancy regarding the number of sent notices that contradicts its pleading and an explanation of the returned mail Staff has received as a result of this mailing.” Also on December 19, 2011, the Commission issued its Order Directing Filing, therein directing MAWC to respond to paragraphs 3 through 13 of the Status Report by December 30, 2011.

2. As a matter of introduction, MAWC was somewhat surprised by the tone of this pleading. As mentioned in the Status Report (para. 13), MWC personnel had a call with Staff personnel on December 12, 2011, to discuss in detail various issues that had arisen with the mailing. MAWC thought at that point that it had addressed those issues to the satisfaction of

Staff. The filing MAWC received on December 19, obviously indicated otherwise.

3. Had the Staff simply requested an extension in its report due date, the Company would not have opposed that request. Instead, however, Staff used its filing to raise doubt about the comment card process, in general, and to question the effectiveness of MAWC's participation in that process. MAWC has been diligent in its efforts to comply with the Commission's orders pertaining to the comment card/local hearing notice and desires to set the record straight in regard to Staff statements of concern.

II. USE OF CUSTOMER CARDS

4. MAWC did not initially suggest or support a mass mailing of comment cards to the public. That suggestion was first raised by the Office of Public Counsel (OPC) in an August 15, 2011 filing. While the Company did not object in principle to the use of comment cards, it did express concerns regarding logistical problems in the handling of responses to such a large mass mailing and legal questions regarding the use of responses in the context of a rate proceeding. The Company stated that to the extent these cards were used, they should be provided only for allowing OPC the opportunity to collect comments from customers and therefore should be addressed to OPC, not to the Commission, as had been suggested by OPC. Company also noted, however, that OPC had expressed agreement to receive and process the cards if the Commission was unable or unwilling to do so.

5. On August 24, 2011, the Commission issued an Order requiring Staff, OPC and the Company to "...jointly file an agreed-upon, proposed customer comment card that will include, at minimum, specific questions to determine if customers have experienced service quality or billing issues." Staff filings dated September 1, 2011 and September 14, 2011 indicate

that all three parties were working together to make such a filing. While the Company did not agree with all the language initially proposed, it did work with the other parties in a spirit of cooperation and compromise to develop wording that would elicit the type of information being sought by the Commission. On September 28, 2011, the Commission issued an Order approving the comment card language that had been jointly proposed by the three parties. It now appears that the Staff is trying to distance itself from the development of those comment cards. For example, a letter from Jim Busch, Manager – Water and Sewer Unit of the Missouri Public Service Commission to Loren and Patricia Lund, dated December 21, 2011 and included as Attachment A to a Staff December 20, 2011 filing states, in part:

First, the mailing that you and every customer received was prepared by Missouri-American Water Company (MAWC or Company). Staff of the Commission (Staff) and the Office of the Public Counsel (Public Counsel), the ratepayer advocate in Missouri, did provide some assistance to the process, but the numbers that you are referring to in your letter were not reviewed or approved by Staff, Public Counsel, or the Commission.

6. Mr. Busch is technically correct that the comment cards were prepared by the Company, in that it was the Company's printer that actually put the ink on the paper. However, his statement that other parties only provided some assistance is misleading. All three parties took an equally active role in the development of and agreement with the language included in the comment cards. The numbers were calculated in accordance with the express language agreed to by all three parties. To the extent that the language was not clear, as suggested in that same letter by Mr. Busch, it was not the fault of any single party – but that of the entire group.

7. The Company admits that this is the first time it has participated in a mass mailing of comment cards of this type (28 versions were created and mailed to over 400,000 separate addresses) and, obviously, with the benefit of hindsight, improvements could have been made. It

regrets any resulting confusion but believes that the comment cards were conscientiously developed jointly by three parties in an attempt to provide meaningful information to customers and that all three parties can learn from the experience.

III. ISSUES

A. Actual Mailing

8. Staff identifies a concern resulting from the discrepancy between the “approximately 457,000 cards” referenced in MAWC’s Motion to Modify Comment Card Order (filed September 30, 2011) and the 417,000 comment cards that were actually mailed by the Company. The difference between the two figures results from MAWC’s attempt to minimize costs associated with this mailing. MAWC generates bills associated with approximately 457,000 meters.¹ This is the number of “customers” generally cited in descriptions of MAWC. However, some persons/entities are responsible for multiple bills (or meters).

9. Rather than sending multiple comment cards to those customers with multiple meters, MAWC ran its customer list through a “de-duplication” process at the printing/mailing vendor. This process eliminated duplicate addresses within each district, saving postage and eliminating the multiple mailings those customers (normally commercial or industrial customers) would otherwise receive.

10. The process was conducted by district. Thus, if a customer is responsible for meters in multiple districts, the customer would still receive a mailing for each district. Accordingly, MAWC believes that Staff’s general statement that if a “customer’s multiple accounts are located in

¹ Actual numbers at the time of mailing reflected 453,060 meters and a mailing of 417,542, for a difference of 35,518.

different districts, the customer did not receive the district specific information for all accounts”² is wrong. If Staff is aware of specific customers who have had this experience, MAWC would appreciate receiving those names so that MAWC can follow up with additional information.

B. Returned Mail

11. The Status Report states that Staff has received 2,322 returned customer comment cards that have been noted by the postal service as “Forward Time Expired,” Return to Sender,” “Undeliverable Addresses,” “Vacant,” or “Deceased.” Staff states that this “large volume of returned mail causes concern among Staff, as it suggests that the Company might not be mailing customer bills to the proper address or that MAWC might be billing customers that it should not be billing for service, as no one is at that location.” Status Report, para. 5.

12. However, MAWC’s experience demonstrates that this is not “a large volume of returned mail,” as alleged by Staff. The result of this mailing is not unusual for either MAWC or the utility industry in general. The numbers reported by Staff indicate that approximately 20 days after the mailing, about one half of one percent (i.e. 0.5%) of the comment cards have been returned as undeliverable. American Water's experience and the experience of mailing houses, like the firm used by MAWC, typically would anticipate an undeliverable rate of from one to two percent (i.e. 1.0% to 2.0%).³ MAWC has several standardized processes in place that it uses in an attempt to improve upon this typical rate. These practices help MAWC maintain a comparatively low rate of return mail for Missouri bills -- 1.12% in 2010 and 1.25% percent through November, 2011. Based on these numbers, MAWC would have expected to have 4,000 to 5,000 of the mailings returned.

13. Undeliverable mail is an ongoing issue that MAWC must manage, as customers

² Status Report, para. 13.

are not always vigilant in providing MAWC with updates. These situations can result from a variety of circumstances from forced exits from premises (evictions), to delays in notification during voluntary moves, to untimely death of a customer, to customers who are aggressively working to not be found, as well as many other situations.

14. MAWC has several ways to address this problem. For example, MAWC has several standardized processes in place that its customer service representatives use on a regular basis to capture address updates from customers when they contact the Company for service. MAWC also has a rigorous process in place that uses the information from the return mail to correct customer addresses. An information services company is first used to locate the correct addresses for those customers (which typically locates 30 to 40 percent of customers). The company then researches the balance of undeliverable addresses internally, resulting in a success rate of about 13 percent.

C. Timing of Mailing

15. Staff states that MAWC did not “notify the Staff that such mailing was definitely sent, thus Staff was not forewarned of the possibility of questions.” Status Report, para., 3. MAWC agrees that it could have provided additional “advance” notice concerning the mailing of the comment cards/local hearing notices. However, MAWC does not understand why the Staff was surprised by this mailing. The Commission’s Order Granting Motion to Modify, issued on October 3, 2011, directed MAWC to “mail the Commission-approved cards to each of its customers no later December 2, 2011.” This December 2, 2011 deadline was repeated by the Commission in its Order Approving Local Public Hearing Notice, issued November 14, 2011.

3 The U.S. Postal Service estimates that historically 4 – 5% of mail is “undeliverable as addressed.”

Ultimately, MAWC mailed the comment cards/local hearing notices very close to the deadline (on November 29 and 30, 2011). So Staff's claim of surprise is a bit perplexing.

16. The Status Report indicates that "on or about December 5, 2011, the Commission's Consumer Services Department began receiving mail and telephone calls regarding these customer comment cards." Status Report, para. 3. Given the Commission's orders, this is exactly when one would have expected to start receiving customer contacts. MAWC can see where Staff might have been caught off guard if MAWC would have been able to send the cards earlier than expected. However, the only way Staff should have been surprised in this situation is if Staff believed MAWC would not comply with the Commission's order.

D. Commission Return Address

17. Staff further indicates that MAWC "did not inform Staff that this mass mailing would be sent with the Commission's return address." Status Report, para. 3. MAWC utilized the Commission's return address on the envelope in an attempt to provide address control and consistency with the survey inside. MAWC thought the use of this address would help ensure that customers would understand that the surveys were to be returned to the Commission.

18. There are two primary ways that comment cards might be returned – either by active participation by a recipient, or by postal authorities as a result of not being able to deliver the initial mailing. To address the return comment card to the Staff but address return envelopes to the Company seems inconsistent, against the spirit and intention of the Commission's Order and in opposition to maintenance of audit controls to insure that all customers had an opportunity to respond.

E. Empty Envelopes.

19. Staff further indicates that some envelopes were empty. Status Report, para. 3. If Staff will provide contact information concerning the situations of which it is aware where no notice has been received, MAWC will gladly provide the relevant notice to those persons.

F. Use of Third Party Vendor.

20. Staff complains that MAWC never mentioned that it was going to use a third party vendor to print and complete its mailing of comment cards. Status Report, para. 4. As stated by Staff, MAWC does not have the available personnel and mailing equipment to handle a one-time printing and mailing of 28 versions of a document, totaling more than 400,000 pieces of mail, within the required timeframe. However, there is nothing new about this situation. The Company has historically contracted with a professional provider for at least part of these services for local hearing notices as a standard practice in past rate cases. MAWC has reported cost and vendor information about these services to the Staff in every recent rate case filing. Thus, the only thing that would have been abnormal, would have been if MAWC had not used a third party vendor.

G. Mailing Labels.

21. Staff's December 19 filing states that MAWC "informed Staff it would send a mailing label which would allow Staff to send mail . . . to the Company to be handled" and that "as of December 16, 2011, Staff was unable to mail these documents back due to no mailing label and an insufficient account number received from the Company for which to charge the mailing." Status Report, para. 6. MAWC did promise to provide its UPS account number with the Customer Service Center (CSC) mailing address in order to make it easier for Staff to send

multiple shipments of mail. The UPS account number was emailed from Nichole Houston to Gay Fred on December 16, 2011, prior to the December 19 filing of this pleading. In fact, as of December 20, 2011, MAWC had received the pieces of mail Staff sought to send to the Company.

22. A team of customer service representatives has been assigned to the task of reviewing each item of returned mail. The team is in the process of researching and updating any address changes into our system using the process described earlier. They will also be tallying any mailing errors, such as survey cards mailed with incomplete addresses.

H. MAWC Referred Customers to the Commission.

23. Staff states that it has been “informed by customers that representatives of MAWC have recommended that the customer contact the . . . Commission to receive answers to case specific information.” Status Report, para., 10. Staff further states that this, along with the contents of MAWC’s web site, “causes concern with Staff regarding the information and training MAWC’s Customer Service Representatives have received with regard to the rate case MAWC filed.” *Id.*

24. Attached as **Appendix A** is the Customer Service Center and employee fact sheet that was distributed to Customer Service Representative. As can be seen from this sheet, there is no suggestion that CSR’s refer customers to the Commission. This having been said, it is a common situation that many times customers do not want to receive information from the Company or want to confirm with the Staff information that has been provided by the Company. In those instances, a CSR would certainly not discourage a customer from contacting the Commission and might even suggest that the customer contact the Commission so that the

customer can receive information from a third party. This is a valuable service provided by the Commission and something that is likely unavoidable for the foreseeable future.

25. The Staff also indicates that it is forwarding any open issues identified through the comment cards to the Company for follow-up with customers. As of December 20th, MAWC has received only twelve such customer contacts.

I. Burden on Staff.

26. Lastly, Staff explains how the customer card responses have placed a “heavy burden on the Commission’s Consumer Services Department and Staff in general.” Status Report, para. 11. MAWC is not surprised by this situation. In MAWC’s Response to Request for Local Public Hearings and Customer Comment Cards, filed August 19, 2011, MAWC stated as follows:

. . . Public Counsel’s request further suggests that the cards be received and processed “by the Commission as are other customer comments and concerns” (Public Counsel Request, para. 7). MAWC is somewhat unsure what this means. At first glance, it appears that the Public Counsel is requesting that the Commission go back down the difficult road it traveled in Case No. GR-2009-0355 (Missouri Gas Energy rate case). The return of these cards to the Commission would again beg the questions as to what they are (evidence? If so, of what?) and what use may be made of them.

8. If the MGE customer response is indicative of generally expected customer response, the Commission can expect over 12,000 of these cards to be returned, as MAWC and Missouri Gas Energy have similarly sized customer bases.

9. MAWC believes that to the extent these cards are used, they should be provided for the purpose of allowing the Public Counsel the opportunity to collect comments from its customers. Accordingly, the forms should be addressed to the Public Counsel, and not the Commission. Public Counsel recognizes this as a possible result of its request, as it states “if the Commission is unable or unwilling to receive and process the customer comment cards, Public Counsel would agree to have the customer comment cards be addressed to Public Counsel for receipt and processing” (Public Counsel Request, para. 7). Therefore, to the extent the cards are used, they should be mailed to the Public Counsel.

27. As can be seen from this excerpt, the Company has long been aware of the likely

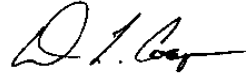
challenges of this mailing and predicted an even heavier burden than has been placed on Staff thus far. The Company can sympathize with the volume of information inundating the Staff and the time and resources necessary to process phone and mail processing, documentation and response. The Company therefore has no objection to the Staff's Request for an Extension of Time.

28. The Company notes that comment cards are a costly and time-consuming process to this rate proceeding and has previously questioned the effectiveness and usefulness of this mechanism. It believes that the experience developed in this proceeding may help to improve approaches taken in future rate cases. This process was clearly intended to be, and initially was, collaborative in nature. The Company notes that its customer service and billing processes have been the subject of numerous data requests and review by the parties to this case and it believes the processes currently in place are operating effectively.

WHEREFORE, MAWC respectfully requests the Commission consider this response and

thereafter issue such orders as it shall find to be reasonable and just.

Respectfully submitted,



William R. England, III MBE# 23975
Dean L. Cooper MBE# 36592
BRYDON, SWEARENGEN & ENGLAND P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102-0456
Telephone: (573) 635-7166
Facsimile: (573) 635-3847
trip@brydonlaw.com
dcooper@brydonlaw.com

ATTORNEYS FOR MISSOURI-AMERICAN
WATER COMPANY

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 30th day of December, 2011, to:

Rachel Lewis
General Counsel's Office
rachel.lewis@psc.mo.gov
Kevin.thompson@psc.mo.gov

Michael A. Evans
Hammond, Shinnars, et al.
mevans@hammondshinnars.com

Stuart Conrad
David Woodsmall
Finnegan, Conrad & Peterson
stucon@fcplaw.com
dwoodsmall@fcplaw.com

Eric Steinle
Joseph P. Bednar, Jr.
Spencer Fane
jbednar@spencerfane.com
esteinle@spencerfane.com

Diana M. Vuylsteke
Bryan Cave, L.L.P.
dmvuylsteke@bryancave.com

Byron E. Francis
Kent Lowry
Armstrong Teasdale LLP
bfrancis@armstrongteasdale.com
klowry@armstrongteasdale.com

Lisa Gilbreath
Sonnenschein Nath, et al.
lisa.gilbreath@snrdenton.com

Leland B. Curtis
Curtis Heinz, et al.
lcurtis@lawfirmemail.com

Christina Baker
Office of the Public Counsel
christina.baker@ded.mo.gov

Thomas Schwarz
Marc H. Ellinger
Blitz, Bardgett & Deutsch
MEllinger@blitzbardgett.com
tschwarz@blitzbardgett.com

Lisa C. Langeneckert
Sandberg Phoenix, et al.
llangeneckert@sandbergphoenix.com

James Fischer
Larry Dority
Fischer & Dority
lwdority@sprintmail.com
jfischerpc@aol.com

Mark W. Comley
Newman, Comley & Ruth
comleym@ncrpc.com

William D. Steinmeier
William D. Steinmeier, P.C.
wds@wdspsc.com

Craig Johnson
Johnson & Sporleder, LLP
cj@cjaslaw.com

