

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

In the Matter of an Investigation into the)
Operation and Condition of Liberty Utilities)
(Missouri Water), LLC d/b/a Liberty Utilities) **File No. WO-2022-0253**

STAFF'S REPORT

COMES NOW Staff of the Missouri Public Service Commission (“Staff”), by and through the undersigned counsel, and respectfully states as follows:

1. On March 23, 2022, Staff filed *Staff's Motion to Open an Investigatory Docket* (“Motion”) requesting that the Missouri Public Service Commission (“Commission”) open an investigation into the operation and condition of Liberty Utilities (Missouri Water), LLC d/b/a Liberty Utilities (“Company” or “Liberty”).

2. On March 30, 2022, in its *Order Opening an Investigation* (“Order”) the Commission granted Staff’s *Motion* and ordered a fact-finding investigation into the operations and condition of Liberty. The Commission stated that it would not take any action regarding Liberty within this investigation. The Commission also ordered Staff to file a progress report regarding its investigation by September 30, 2022. Staff filed its progress report on September 30 and requested that the Commission order Staff to file its report, or another status report, by December 22, 2022. The Commission granted Staff’s request on September 30, 2022.

3. Staff completed its investigation. In order to further address issues raised in this report, Staff believes that Liberty and its customers would benefit from Liberty filing a general rate case as soon as practicable.

4. As directed by the Order, Staff's report is fact-finding only. Staff raised certain issues, determined as the result of its investigation, which Staff may raise in a subsequent rate case with the Company.

WHEREFORE, Staff respectfully requests the Commission accept its report.

Respectfully submitted,

/s/ Eric Vandergriff

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record on this 23rd day of November, 2022.

/s/ Eric Vandergriff

REPORT

TO: Missouri Public Service Commission
Official Case File, Case No. WO-2022-0253
Liberty Utilities (Missouri Water), LLC, d/b/a Liberty Utilities

FROM: Curt B. Gateley – Water, Sewer & Steam Department
Andrew Harris, P.E. – Water, Sewer & Steam Department
Keri Roth – Water, Sewer & Steam Department
Deborah Ann Bernsen – Customer Experience Department
Lisa A. Stockman – Customer Experience Department
Keith D. Foster – Auditing Department
Ashley Sarver – Auditing Department

/s/ Keri Roth / 11-23-2022
Senior Research/Data Analyst / Date

/s/ Eric Vandergriff / 11-23-2022
Staff Counsel's Office / Date

SUBJECT: Staff's Report on the Investigation into the Operations and Conditions of Liberty Utilities (Missouri Water), LLC, d/b/a Liberty Utilities

DATE: November 23, 2022

History

On March 23, 2022, Staff of the Missouri Public Service Commission ("Staff"), filed *Staff's Motion to Open an Investigatory Docket* ("Motion") requesting an order from the Missouri Public Service Commission ("Commission") opening an investigatory docket concerning the operation and condition of Liberty Utilities (Missouri Water), LLC, d/b/a Liberty Utilities ("Company" or "Liberty"). The purpose of this docket was to conduct an in-depth review of Liberty's managerial, financial, and operational capabilities. Staff's Motion cited Liberty's violations of Missouri Department of Natural Resources ("DNR") permit limits, as well as historic problems with accurate customer counts, appropriate accounting, and customer service. On March 30, 2022, the Commission granted Staff's Motion and ordered a fact-finding investigation into the operations and conditions, management, and financial capabilities of Liberty. No other entities sought to intervene in this matter. The Commission noted that it will not take any action within this investigation, and that Staff may file a formal complaint or other appropriate pleading in a new file if it sees further action is appropriate.

This Report is a culmination of Staff's investigation into the drinking water and wastewater treatment plant operations, capital investments, customer service, and bookkeeping of the Company. It includes Staff's recommendations as to the appropriate course of action needed to move Liberty towards the reliable provision of safe and adequate service to all of its customers. In some instances, Staff has identified the potential for the Company to make significant

improvements in operation practices and has included specific recommendations in those areas. Members of Staff's Auditing; Customer Experience; and Water, Sewer, and Steam Departments contributed to this Report.

Liberty is a wholly-owned subsidiary of Algonquin Power and Utilities Corporation. The Company provides water and wastewater service in several counties across Missouri, as well as gas and electric service. Liberty's current rates became effective December 8, 2018, after the resolution of its most recent rate case, docketed as WR-2018-0170. At that time, Liberty was a small utility and filed according to the Commission's small utility rate case procedures. That case was resolved by a Partial Disposition Agreement and a hearing. The Commission adopted the terms of the Partial Disposition Agreement and ordered the signatories to comply with its terms.

Facilities

Liberty provides water service to approximately 12,600 connections via 29 drinking water systems, and provides sewer service to approximately 5,400 connections via seven wastewater treatment facilities. The treatment systems vary from very simple systems with as few as 16 customers to complex facilities, such as the Bolivar system with approximately 4,700 customers. These systems are located across the southern half of Missouri in 12 counties.

Some systems are operated by Liberty employees, while others are operated by contract operators. Liberty has stated to Staff on several occasions its goal of moving most operations to Liberty employees, but faces challenges in the remoteness of some systems, Liberty's ability to recruit employees in certain areas, and completing existing contracts. As further discussed below, while some contract operators meet expectations, others create additional challenges for Liberty.

Liberty remains in a growth posture in Missouri. For example, on July 14, 2022, Liberty filed a notice of intent to purchase the sewer system owned by Olympian Village in Jefferson County. Based on conversations with Staff, Liberty plans to continue to seek further mergers and acquisitions in situations that meet its business goals.

Operational Issues

In its Motion, Staff wrote that it recently became aware of issues regarding the condition of Liberty's assets, which directly affects the Company's ability to provide safe and adequate service. At the time Staff filed its Motion, at least three of Liberty's sewer systems (Savers Farm, R.D. Sewer, and Cape Rock Village) were not compliant with DNR permit limits. The system at Savers Farm was in compliance when Liberty obtained it in early 2020, but by late 2020 it had been allowed to fall into noncompliance. Liberty states that upgrades will soon be completed which will bring the facility back into compliance. The R.D. Sewer and Cape Rock Village systems were in noncompliance for at least three years, with upgrades finally completed at Cape Rock

Village in March 2022. The violations at R.D. Sewer are significant, and remain unresolved, as described below. During inspections, Staff witnessed apparent failures to repair or upgrade systems, such as the cracked and leaking drinking water storage tank serving the Noel system. DNR engineering staff have stated that major upgrades are necessary at some of Liberty's systems. As discussed in this Report, Staff is concerned that errors in Liberty's decision-making and budgeting process is contributing to these issues with its operations.

The sections that follow summarize the current status for certain Liberty systems that need upgrades or have required other operational changes. Staff initially focused on systems that were in noncompliance with environmental regulations, and then investigated additional concerns as they became known. As it is not possible for Commission Staff or DNR to frequently inspect all systems in the state, Staff must rely on Liberty's reporting that is required by law or provided as a courtesy, as well as customer complaints.

Venice on the Lake Water System

As Staff was investigating Liberty's operations for this docket, Staff became aware that Liberty's Venice on the Lake ("Venice") water system was experiencing significant leaks and main breaks, which caused customers to be often without service. Venice is a water system in Stone County with a Certificate of Convenience and Necessity ("CCN") effective date of April 14, 2018. Staff's primary concern is customers' routine outages associated with main breaks. Some customers at the highest elevations within the service area reported that over the time period of two years, they have occasionally lost service. But at the time these customers notified Staff of the problem on June 28, 2022, these customers stated they were losing water service each evening between 4:00 p.m. and 5:00 p.m. and regaining service sometime during the night. These customers reported that they had service problems for years, but the problem became intolerable that summer. After Staff began questioning Liberty about the system, it was determined that severe leaks in the distribution system were causing the storage tank to empty during routine evening system demand. Liberty repaired several new and existing main breaks between June and September attempting to maintain service to customers.

Venice customers are losing service, because the distribution system experiences breaks in its 2" and 6" mains. A single break in a 2" water main, in the right location, causes the well pump to run almost continually. A break in a 6" main causes the storage tank to empty and customers to lose service. According to an Olsson engineering report of March 2022, the system water loss averages 44%.

During a September 26, 2022, public meeting for Venice customers, Liberty personnel described the system as being "stable". However, Liberty reported that the well now averages running 60% of the time, indicating severe leaks still plague the distribution system. In addition, a 6" main

break only two weeks prior to that meeting caused approximately 100 customers to lose service for several hours. Multiple Liberty employees requested customers to report any leaks they found. Liberty said the problem is that some of the mains were made from galvanized steel, which is a material that is exceptionally vulnerable to leaks and breaks, and is no longer used for water mains. The remaining pipes are PVC, but Liberty stated the pipes were brittle with age and installed in such a manner that even minor shifting due to temperature or moisture changes are causing breaks.

In the meetings and conversations Staff had with DNR during the water outage crisis that occurred in the summer of 2022, DNR employees expressed their opinion that the entire distribution system should have been replaced. Main breaks are occurring throughout the distribution system at a frequency (often weekly) that appears to support the DNR position. Repeating the pattern of emergency mobilization for repairs to the distribution system, similar to what occurred this past summer, is not a lower cost alternative to replacing the entire distribution system.

The Company considered installation of an emergency 6” well at the current Red Rock well and standpipe location, but on July 27, 2022, the Company communicated its intent with Staff to move forward with a previously planned larger 12” well at a new location at Venice. However, during the September 26, 2022, public meeting for Venice customers, Liberty stated that it intended to delay installation of the new well for as long as possible. Liberty also stated it was not moving forward with any significant distribution system improvements at this time.

During the September 26, 2022, public meeting customers also complained about frequent estimated bills and errors in Liberty’s billing system. Some customers reported receiving bills for \$0.00, which should not occur because, even if they did not use water, they would still be subject to the monthly customer charge. Other customers reported wildly incorrect bills, including one for \$90,000 and another for \$120,000. According to those customers, Liberty admitted the bills were in error and, in some cases, Liberty stated the errors were related to the estimated bills. Staff has not verified the amounts or circumstances surrounding these statements by the customers, but Staff encouraged the customers to contact the Commission’s Consumer Services Department for further investigation. Liberty personnel involved in reading the meters also stated that many meter pits were difficult to access due to poison ivy or pet dogs, which caused the estimated bills. It is unclear to Staff how estimated bills result in a later bill for over \$100,000 dollars, or why Liberty’s billing system did not flag the error and stop such a bill from being sent to the customer. These types of bill errors will be discussed further later in the report under the Billing section.

Savers Farm Sewer System

Savers Farm is a sewer system in Cape Girardeau County with a recirculating sand filtration plant and ultraviolet (“UV”) disinfection that was granted a CCN with an effective date of April 29, 2020. At the time of purchase, only two of four filter beds were in use, and homes in the

development were still under construction. Within a few months of Liberty's purchase of the system, it was in noncompliance for E. coli, ammonia, total suspended solids, and pH. It appears that Liberty failed to appropriately operate and maintain the treatment plant to sustain proper performance. All filters are now operational and security fencing is installed. Recirculating sand filters, particularly under loaded plants, are typically very efficient at removing conventional pollutants such as total suspended solids, and the disinfection system is designed to remove E. coli. However, recirculating sand filter plants are generally not designed to remove ammonia, and the plant has a history of inability to consistently meet ammonia limits. The plant violated effluent limits for ammonia from April through August of 2022. An upgrade for a moving bed biological reactor ("MBBR") with blowers is planned for completion November 2022.

R.D. Sewer System

R.D. Sewer is a sewer system in Stoddard County with an extended aeration plant that Liberty purchased in the summer of 2020. When Liberty obtained the plant it had already exceeded its useful life, and it needed to be replaced due to mechanical and structural failures. The plant is unable to meet E. coli limits without installation of a disinfection system, and has been out of compliance for at least three years. Additionally, the plant has a history of exceedances of both biochemical oxygen demand and ammonia limits. Liberty stated that upgrades were planned for completion in calendar year 2022 that include modification and addition to the existing plant of an equalization basin, MBBRs, clarification basins, and UV disinfection. However, as of September 28, 2022, DNR reported that Liberty had still not applied for a construction permit, and said that the consulting engineer indicated an application would not be filed for another month. Construction permit application processing by DNR can take two to six months, and subsequent construction of the upgrades will take months. Therefore, the earliest the facility is likely to be in compliance is in spring 2023. Delays in obtaining materials, which have been commonplace in 2021-2022, could also add significant time to this project. Liberty states¹ that purchase orders for equipment and materials have been submitted to vendors, and the upgrade completion is currently targeted for June 30, 2023.

On September 16, 2022, DNR issued a Letter of Warning to Liberty documenting the serious violations at this system, including releases of sludge into the receiving stream. This sewer system is not only failing to provide adequate service to the customers, it poses a threat to human health and the environment for anyone downstream.

¹ Date Request (DR) No. 0117 (unless otherwise stated, all DRs referenced are for this case, WO-2022-0253).

Cape Rock Sewer System

Cape Rock is a sewer system in Cape Girardeau County with a three-cell lagoon that was granted a CCN with an effective date of August 20, 2021. This system had been in noncompliance for over three years, failing to meet effluent limits for E. coli and ammonia. Recent upgrades, including UV disinfection, MBBRs, new power service, and security fencing are complete. Among the noncompliant systems, Liberty moved relatively quickly to upgrade this sewer system. The upgrades are expected to bring the facility into compliance, but because the facility is small and DNR compliance sampling is quarterly, not enough data exists to demonstrate continued compliance.

City of Bolivar Water and Sewer Systems

The City of Bolivar has a water system with groundwater supply source and a sewer system with oxidation ditch treatment in Polk County. Liberty was granted a CCN for Bolivar with an effective date of December 18, 2021. The drinking water system requires relatively minor upgrades. However, the wastewater system is in noncompliance due to inflow and infiltration (“I&I”) causing the treatment plant to violate permit limits, allow releases of untreated wastewater via Sanitary Sewer Overflows (“SSOs”), bypassing of portions of the treatment works allowing release of partially treated wastewater, and releases of sludge into the receiving stream. The Environmental Protection Agency (“EPA”) first issued an enforcement order against the City of Bolivar on September 18, 2007.

Due to the operational problems at other systems, and Liberty’s slow pace to resolve noncompliance through upgrades, Staff will be making additional efforts to monitor Liberty’s progress with Bolivar. Planned near-term upgrades, based on information provided by Liberty on August 18, 2022, include:

Water system: Replace chlorine gas disinfection with 12.5% sodium hypochlorite solution with a target completion date of December 31, 2022.

Sewer system: Liberty plans to complete upgrades in two phases. Phase 1 is planned for completion by November 1, 2023, and will include:

➤ **Improve the influent to the plant during high flow rain events.**

- Install a berm along the east side of property next to the creek, with new fencing.
- Evaluate influent flow during high rain events with a focus on how to handle the excess flow through the plant to reduce/SSOs throughout the system.

- Replace existing influent lift station at the plant with a larger influent station (outside the plant, possibly at the existing manhole) that has the firm pump capacity with redundancy to transport all flows, including excess I&I flows.
- Replace the current bar screen with a more capable and reliable unit sized for the necessary increased capacity.
- Replace the existing grit removal system with new equipment that has the capacity to handle, at a minimum, current peak flow events.
- Construct a new influent flow splitter structure to provide flexibility and better operational control over the current flow split of incoming wastewater to each oxidation ditch. Re-route the return activated sludge (RAS) flow to the new splitter structure for mixing prior to entering the oxidation ditches.
- Increase capacity of yard piping from ditches to clarifiers to stop SSOs, removing bottle necks.
- Add a clarifier plus convert existing units to center feed. The clarifiers are the weak point currently and cannot handle the hydraulic load during high flow events.

➤ **Sludge Disposal**

- Develop alternatives to land application of sludge to continue sludge removal during inclement weather, and acquire additional land application sites for sludge disposal.

Storage Tanks

The ground storage tank located at the Ozark Mountain water system appears to have a structural integrity concern, as a visible bend in the wall of the steel tank is present (see attachment 1). Other tanks are also in need of professional inspection. Staff discussed the structural condition of the East Reservoir ground storage tank, located at the Noel water system, during a system inspection conducted in July 2021 (see attachment 2). From findings in a 2021 inspection report (and a following Olsson engineering inspection and report requested by Staff), Liberty now plans to complete base leveling and tank lining this winter, during a period of off-peak demand. Olsson additionally recommended repairing approximately 30' of pressure injection cracking.²

As shown in the table below, Liberty does not meet the American Water Works Association (Manual M42) recommended frequency of professional tank inspections, which is to inspect every

² Structural Evaluation, Olsson, October 26, 2021.

tank at least once every three years. Professional tank inspections include draining, cleaning, and assessing interior coating integrity. Below is a summary of Liberty’s recent tank inspections.

TABLE 1: Tank Inspections

Holiday Hills	MO5190947	One tank inspection completed in 2020 and painted. Liberty inspected the second tank on the outside in 2021. Planned inside and outside inspection by contractor in Fall 2022.
Ozark Mountain	MO5198285	Liberty completed an outside tank inspection in 2021. Planned inside and outside inspection by contractor in Fall 2022.
Noel	MO5010577	Inspection completed in 2022.
Venice – Red Rock	MO5036180	Liberty completed the outside inspection in 2018. Planned inside and outside inspection by contractor in Fall 2022.
Lakeway	MO5036223	No inspection completed since acquisition by Liberty in 2018. Planned inside and outside inspection by contractor in Fall 2022.

Customer Counts and Usage Issues

In addition to Liberty’s operational issues, Staff found issues regarding Liberty’s billing practices, which has been an on-going concern since December of 2017. Specifically, there are discrepancies in Liberty’s customer counts and the amount of water sold. In its Motion opening this investigation, Staff noted that Liberty provided inconsistent customer counts in response to multiple Staff Data Requests (DRs) in its most recent rate case, Case No. WR-2018-0170. For example, in response to DR No. 0007 in that rate case, Liberty stated that it provided water and sewer service to 2,404 customers in December 2016 and to 2,367 customers in December 2017. In contrast, in its response to DR No. 0052, Liberty stated that it had 2,845 customers at the end of 2016 and 2,781 customers at the end of 2017.

Accurate customer counts are vital to ensure that Liberty is billing the correct customers for service. Due to Liberty’s discrepancies in reporting the numbers of its customers during its rate case, Staff was concerned whether Liberty was billing the correct customers for the service they were receiving. There are a number of situations where the Company may encounter difficulties in the identification of its customers and their status. These situations include: when a new customer moves into an existing address, when service is left on by a prior tenant, new construction

when the company is not aware of status, and when Liberty acquires the assets of existing systems. Failure to properly bill customers prevents a company from having an opportunity to collect its authorized revenue. It also causes inequities among customers if some are taking service but not being correctly billed, or even billed at all.

In this present investigation, Staff continues to be concerned that Liberty is unable to identify its customers. The bulk of Liberty's water and sewer systems serve relatively small, discrete subdivisions. Where Liberty provides more than one utility service to the same customer or address, new customers should be relatively easy to track as a customer for water or electricity that falls within a sewer service area because they are already a Liberty customer. But in locations where Liberty only provides sewer service, special attention is necessary to ensure that when a new tenant moves in or a new residence is constructed, that the new customer applies for service and becomes a billed customer. This situation occurs at Cape Rock, Savers Farm, and R.D. Sewer.

Liberty's responses to Staff's initial DRs in this investigation showed that it had insufficient procedures regarding its process for customer identification at Cape Rock, Savers Farm, and R.D. Sewer. At the time this investigatory docket was opened, Staff requested copies of agreements that Liberty has with external water providers for the Cape Rock, Savers Farm, and R.D. Sewer systems that allow the external water providers to terminate water service due to non-payment of sewer services.³ These agreements typically provide for notification to Liberty when a new customer requests water service from these providers. Liberty responded that agreements were not in place for Cape Rock or Savers Farm, but a contract was currently being negotiated for R.D. Sewer, which has since been approved by the local public water supply district.⁴ Staff noted that the R.D. Sewer agreement does not include notification to Liberty of new customers seeking a water connection, so it may not provide a useful remedy to the situation.

On May 12, 2022, Liberty negotiated an agreement with Public Water District #1 of Cape Girardeau County and Perry County to terminate water service due to non-payment of sewer service for Savers Farm.⁵ However, this agreement was reached over two years after Liberty acquired this sewer utility. Liberty states that the City of Cape Girardeau has no interest in negotiating the same type of agreement for Cape Rock.⁶ Liberty's practice in areas where there is not an existing contract with the water company that requires it to notify Liberty of move-ins or move-outs, is for Liberty to rely on the new tenant to contact Liberty to begin billing for their wastewater service.⁷ Therefore, new customers at Cape Rock are able to utilize sewer service

³ DR No. 0012.

⁴ Public Water Supply District of Stoddard County, Missouri, Mo. 1, DR No. 0012.1.

⁵ DR No. 0012.2.

⁶ DR No. 0012.2.

⁷ DR No. 0013.

without contacting Liberty to set up an account, which affects the accuracy of Liberty's correct customer count utilized to calculate revenues. For these reasons, Staff remains very concerned about the accuracy of customer counts at Cape Rock.

Additional concerns may arise about customer accuracy when Liberty acquires systems from another provider. Liberty states that it reviews information from the selling company regarding accounts status and it may request the seller to provide reports listing currently active accounts.⁸ Most of Liberty's water and sewer systems serve relatively small areas and at the time Liberty purchases them, many do not have sophisticated customer information or billing systems. This can make the transition to Liberty billing systems more difficult. This may necessitate a standard practice of a review of available documents including accounts and water usage, as well as on-site verifications. Staff recommends that Liberty develop specific procedures to identify and confirm the account status of the customers it is seeking in every acquisition attempt that it embarks upon.

In addition to Staff being concerned about Liberty's inability to provide accurate customer counts, Staff is also concerned that Liberty's discrepancies in the amounts of water pumped and sold shows that its data is inaccurate. For this investigation, Staff also requested information regarding the number of gallons sold to customers versus the number of gallons pumped. Liberty's initial data was alarming because of the large inconsistencies. For example, Staff identified seven systems in the year 2020 in which Liberty sold more gallons than gallons pumped, and several other systems where gallons pumped exceeded gallons sold by millions.⁹ Staff identified four systems in the year 2021 in which Liberty had sold more gallons than gallons pumped, and several other systems where gallons pumped exceeded gallons sold by millions.¹⁰ It appears that some of the discrepancies were due to unit conversions, but the apparent errors were not consistent among systems, or even with the same system among years.

Staff submitted DRs requesting Liberty to explain each discrepancy and the discrepancies between the data provided and the data reported in its 2020 and 2021 Annual Reports. Liberty's DR responses showed 192,750,495 gallons of water were sold to customers in 2020. However, in Liberty's 2020 Annual Report, gallons sold is reported as 418,480,533. For the year 2021 Liberty's DR responses showed 214,308,713 gallons of water were sold, while in Liberty's 2021 Annual Report gallons sold is reported as 574,218,965.

Staff requested an explanation in DRs issued on June 6, 2022.¹¹ Fifty days later, on July 26, 2022, Liberty responded stating that certain discrepancies were due to billing conversions, such that some systems are billed in 1,000 gallons instead of gallons. In addition, as part of Liberty's review

⁸ DR No. 0013.

⁹ DR No. 0010.1.

¹⁰ DR No. 0010.2.

¹¹ DR Nos. 0010.1-0010.5.

for responding to these DRs, it discovered certain errors in the code used for the Customer Watch Report provided in response to DR No. 0010, as well as an overstatement of gallons sold in 2020 and understatement of gallons sold in 2021 for the legacy Empire water systems. Customer Watch is one of two customer information systems Liberty utilizes to maintain customer information.¹²

Despite reconciliation of the billing systems, new data provided by Liberty,¹³ shown in the table below, reveals that in 2020 eight out of sixteen water systems sold more gallons of water to customers than were pumped. The discrepancies range from 1,512 to 2,172,109 gallons. The remaining eight systems, which pumped more gallons than sold, reveal water loss ranging from approximately less than 1% to 38%. While 38%, if accurate, is excessive, 1% is generally not considered physically possible. Some water loss occurs with all systems, even those that are brand new. For context, 10% water loss is considered to be a good performing system by DNR. Therefore, Liberty's data does not appear to be accurate.

Liberty System	2020 Gallons Pumped from Liberty's Annual Report	2020 Gallons Sold from Liberty's DR responses in this investigation	Difference (%)
Bilyeu Ridge	3,167,000	3,162,000	0.16
Empire	360,517,450	348,535,400	3.32
Franklin Water	8,712,632	7,392,830	15.15
Holiday Hills	22,105,555	19,817,190	10.35
KMB	24,842,099	24,503,786	1.36
Lakeland Heights	545,000	335,681	38.41
Moore Bend	676,000	730,000	(7.99)
Midland Water	4,731,000	4,749,000	(0.38)
Noel	126,524,103	128,696,212	(1.72)
Oakbrier	324,000	287,860	11.15
Ozark Mountain	3,476,075	3,498,368	(0.64)
Riverfork	10,975,830	11,484,830	(4.64)
Taney County	19,438,480	19,811,000	(1.88)
Timber Creek	2,904,748	2,963,823	(1.92)
Valley Woods	2,699,100	2,563,000	5.04
Whispering Hills	412,000	413,512	(0.37)

New data provided by Liberty,¹⁴ shown in the table below, reveal that in 2021, one out of sixteen water systems sold more gallons of water to customers than was actually pumped. The discrepancy

¹² DR No. 0014.3.

¹³ DR No. 0010.1.

¹⁴ DR No .0010.2.

for this system is 52,750 gallons. The remaining fifteen systems, which pumped more gallons than sold, reveal water loss ranging from less than 1% to 48%. As stated above, 48% water loss, if accurate, is excessive, and 1% water loss is not possible. It appears that Liberty's data is inaccurate.

Liberty System	2021 Gallons Pumped	2021 Gallons Sold	Difference (%)
Bilyeu Ridge	3,639,900	3,244,000	10.88
Empire	370,834,680	357,613,280	3.57
Franklin Water	8,399,745	8,202,852	2.61
Holiday Hills	24,921,900	24,271,229	2.68
KMB	28,015,751	24,100,229	13.98
Lakeland Heights	4,113,891	2,129,494	48.24
Moore Bend	1,262,832	992,000	21.45
Midland Water	5,516,105	5,488,000	0.51
Noel	155,692,000	131,129,095	15.78
Oakbrier	2,718,782	2,135,640	21.45
Ozark Mountain	6,125,204	5,908,028	3.55
Riverfork	13,659,313	13,452,000	1.52
Taney County	19,631,274	19,000,000	3.22
Timber Creek	3,532,257	3,397,292	3.82
Valley Woods	2,342,779	2,319,510	0.99
Whispering Hills	894,622	947,372	(5.90)

Liberty also provided new data to explain the discrepancies in the amounts of water sold and pumped in its annual reports.¹⁵ As previously discussed, Liberty explained certain errors were discovered in the code used for the Customer Watch Report provided in response to DR No. 0010, as well as an overstatement of gallons sold in 2020 and understatement of gallons sold in 2021 for the legacy Empire water system. However, the new data continues to show discrepancies. Note that for 2020, Liberty now reports that it sold nearly 30 million more gallons of water than it pumped, while for 2021 it now reports selling over 77 million gallons less than it pumped. As this is not possible, Liberty is still unable to provide accurate data on how much water they are selling.

Year	Annual Report Gallons Sold	Initial DRs Gallons Sold	Updated DRs Gallons Sold	Gallons Pumped
2020	418,480,533	578,944,493	621,884,540	592,051,063
2021	574,218,965	604,330,021	574,218,964	651,301,035

¹⁵ DR Nos. 0010.4 and 0010.5.

Auditing

Unlike a rate case in which Staff would perform an audit of the books and records of Liberty, Staff did not do so in this case, because this investigation does not include developing a recommended revenue requirement. However, Staff did review areas parties agreed to in the *Non-Unanimous Stipulation and Agreement*¹⁶ in Liberty's last rate case.¹⁷ Staff issued DR Nos. 0076 through 0081, to confirm Liberty complied with specific agreements related to: (1) establishing a regulatory liability to account for tax savings associated with excess Accumulated Deferred Income Taxes ("ADIT") resulting from the Tax Cuts and Jobs Act of 2017 ("TCJA"), (2) recording a regulatory liability for the difference in excess ADIT balances due to TCJA, (3) determining if Liberty is able to use the Average Rate Assumption Method ("ARAM") as a method for computing and normalizing excess ADIT and notifying the signatories if not, (4) keeping separate books and records for each of its water and sewer systems (except for KMB Properties which had already been consolidated), (5) converting its books of accounts to bring them into compliance with Commission rules regarding National Association Regulatory Utility Commission ("NARUC") Uniform System of Accounts ("USOA"), and (6) booking cost of removal and salvage in the same manner as Liberty Utilities (Midstates Natural Gas) Corp. Staff reviewed the responses and found that Liberty essentially complied with the agreements even though the *Non-Unanimous Stipulation and Agreement* was specifically excluded from the Commission's *Report and Order* issued October 24, 2018. One exception was Liberty did not notify the Commission that it was unable to use ARAM until it responded to DR No. 0078 issued in this case. Instead, Liberty stated it proposes to amortize any excess deferred taxes using the Reverse South Georgia Method. Staff reviewed the general ledgers for the period of January 1, 2019, to December 31, 2021, provided in response to DR No. 0056 to conclude Liberty is keeping separate books and records for each water and sewer system.

In addition to the agreements above, Staff reviewed (1) the current Algonquin Power & Utilities Corp. Cost Allocation Manual; (2) the plant in service, additions, and retirements for each water and sewer system since 2018; (3) Liberty's response to DR No. 0092 regarding the investment process, which requested information on how it identifies, tracks, and quantifies all costs of all new investments and how investment costs are retired due to replacement investments; and (4) Liberty's process for allocating and/or recording the labor versus non-labor expenses for each project. Staff also reviewed the description and total cost of additions booked to plant-in-service and booked by USOA accounts, split between labor and non-labor for each system for the twelve months ending 2018, 2019, 2020, and 2021. Based on that information, Staff selected all of the plant additions whereby the labor charges exceeded 80% or more of the acquisition cost.

Staff did not find any areas of concern based on the agreements in Liberty's last rate case, nor in its reviews addressed above.

¹⁶ Non-Unanimous Stipulation and Agreement, pages 2 – 4.

¹⁷ Case Number WR-2018-0170.

Customer Service

History of Water/Sewer Acquisitions and Call Center Usage

In 2005, Algonquin Water Resources of Missouri, LLC (“Algonquin Water”), d/b/a Liberty began acquiring water and sewer properties in Missouri. In Case No. WO-2005-0206 the Commission approved the sale of Silverleaf Resorts, Inc.’s water and sewer assets to Algonquin Water. As noted earlier, Liberty is a wholly-owned subsidiary of Algonquin Power and Utilities Corporation. Algonquin Water provided billing and customer care functions in Arizona, where it owned other water and sewer utilities. The Commission approved Algonquin Water’s acquisition of other Missouri utilities, specifically KMB Utility Corporation water and sewer systems and the Noel Water Co. Inc. (Cases WO-2011-0328 and WO-2011-0350) in 2011. Liberty still utilized the Arizona Company offices for customer service calls. However, the Noel Water Co. Inc. local office was maintained to assist walk-in customers in that community. Beginning in 2015 and through 2019, all customer service for water operations were handled out of the Liberty office in Noel. The Jackson, Missouri office was responsible for conducting the billing functions.¹⁸

A Commission Order was issued on October 7, 2016, authorizing Liberty to acquire the electric operations of The Empire District Electric Company (“Empire”) in Case No. EM-2016-0213. Empire utilized a call center (Empire Contact Center), located at its headquarters in Joplin, for its electric and gas customers at that time and it continued the operations there.

In June 2019, the Empire Contact Center continued to handle calls for electric and gas customers but also began handling calls for water and sewer customers, as water and sewer operations continued to grow through acquisitions. Liberty transferred its billing and customer service functions to the Customer Watch Customer Information System (“Customer Watch, CIS”) in 2019, which Empire previously used and which Liberty continues to use. Liberty also transferred the customer service number for obtaining assistance to the former Empire Contact Center in 2019. Customer calls began to be handled primarily by customer service representatives (“CSRs”) in the Joplin and Ozark, Missouri Call Centers. Liberty customer calls continue to be handled from the Joplin and Ozark call centers.

The exception to this is Savers Farm sewer customers. Since they are also natural gas customers of Liberty Utilities, Liberty decided to maintain these customers’ information in the older customer information system, Cogsdale CIS, and provide customer support by CSRs in Liberty Midstates Gas (another Liberty subsidiary) operations. Customer calls for Liberty Midstates customers may be answered by CSRs located in Jackson, Kirksville, Hannibal, Sikeston, or Caruthersville, MO; Keokuk, IA; or Girard or Vandalia, IL. Mid-States Call Center CSRs are available Monday-Friday 8am-6pm for inquiries.

¹⁸ DR No. 0074.

Customer Service Operations

Liberty's corporate office is located in Joplin, Missouri. Billing, statement processing, payment processing, and in-person customer support for all of Liberty's utilities (except for Savers Farm customers) is conducted at the corporate office.

Customers can communicate with Liberty by using a variety of methods. During normal business hours, CSRs are available by phone or walk-in at a number of locations. The Interactive Voice Response (IVR) options on the phone system allows a customer to select an option to make a payment. The customer may also choose to email or fax the Company, as well as utilize social media. "My Account" is an on-line system that allows the customer to check the status of his or her account as well as make a payment at any time.

Liberty maintains facilities at a number of locations throughout Missouri. These locations also house training rooms, vehicle garages, and material storage areas for electric operations. Most facilities are not devoted to water operations but also provide services for electric and gas operations. Liberty facilities are located in the following towns in Missouri: Branson, Bolivar, Jackson, Joplin, Neosho, Noel, and Ozark. Some facilities have offices that provide in-person customer and bill payment support. The corporate office in Joplin, as well as the Branson and Bolivar facilities, have in-person support and bill payment options including kiosks. Ozark, Neosho, and Noel facilities, while still closed to the public because of the COVID-19 pandemic, have payment drop boxes and the CSRs provide phone support and process payments. The Ozark office has a payment kiosk and drop box, and also functions as an additional contact center.¹⁹

The main Customer Contact Center is located in Joplin at a different location from the corporate office. Liberty has two customer service numbers established for its water customers. Customers can find this number on their monthly billing statements, in addition to Liberty's website. These calls are routed to CSRs at Call Centers in Joplin or Ozark, Missouri. A separate number is provided to Savers Farm customers which routes them to the Liberty Utilities (Midstates Natural Gas) Call Center. The Joplin office is staffed twenty-four hours a day, seven days a week. Normal business hours are Monday–Friday 8a.m.-6p.m. but CSRs are also available for emergency calls from 7p.m.-7a.m. seven days a week. There are a total of 53 CSRs in the Joplin and Ozark locations. Of these employees, 42 are full-time and two (2) are part-time that answer calls. The remaining nine (9) are full-time CSRs who perform back-office work, which includes escalated account inquiries, answering emails, complicated billing inquiries, and other quality assurance functions. Calls may also be taken by customer service personnel at other Liberty facilities, such as in Bolivar, if those individuals are available.

¹⁹ DR No. 0057.

The following table illustrates information regarding the number of customers the Joplin Call Center supports.²⁰ In addition to customers in Missouri, the Call Center receives calls from customers in Arkansas, Kansas, and Oklahoma. Currently, the Joplin Call Center serves 238,891 total utility customers, with the greatest number of customers (219,240) being Missouri customers. As shown in the following table, the greatest number of these customers are electric customers of Empire District Electric. However, the Call Center is unable to track and report the number of calls for each type of utility service (electric, gas, water, or sewer) nor for each state in which the caller's service is located.

Joplin Call Center

Name of Company	Types of Utility Service	State	No. of Customers
Empire District Electric	Electric	Arkansas	5,274
Empire District Electric	Electric	Kansas	9,669
Empire District Electric	Electric	Oklahoma	4,708
Empire District Electric	Electric	Missouri	159,593
Empire District Gas	Gas	Missouri	42,478
Liberty Utilities (Missouri Water) LLC	Water/Sewer	Missouri	17,169

In the past, customer calls coming into the Liberty IVR were offered a number of options to select the type of activity they wished to complete, such as reporting an outage or making a payment. The Company was unable to determine the total number of calls it has handled specifically pertaining to the type of utility. Therefore, while the Joplin Call Center may know how many total calls it handled in a given month, it was unable to provide the number of gas, electric, water, or sewer calls it had received.

On June 29, 2022, Liberty made an improvement to its IVR system that will allow it to collect the number of calls it has received for each type of utility service. When the customers call the 800 number, they will receive the options to select their particular type of utility for which they need service. Additional options will be provided later to include making a payment, obtaining account information, and selecting payment arrangements. Customers are given the option to reach a customer service representative by pressing zero (0).

This recent change allows Liberty to identify the number of calls received by utility type. Staff believes this change should improve the customer experience when trying to reach a CSR or obtain information, and also improve the monthly customer service performance report that Liberty Water provides to Staff. Staff recommends that Liberty continue to evaluate methods that could be

²⁰ DR No. 0093.

utilized to further define the number of calls by state and by category of customer inquiry handled by a CSR. The ability to determine the volume of specific types of customer calls can assist the Company in determining how to direct its customer education programs as well as for detecting possible operational problems.

Bill Processing

Liberty Utilities generates a majority of its bills from the Downtown Office in Joplin through its use of the Liberty-Empire Customer Watch CIS. As discussed earlier, the exception is the billing for the Savers Farm sewer customers.

On an average day, nine to ten thousand bills are generated at the Downtown Office, depending on the different billing cycles for electric, gas, and water.²¹

Statements are divided into two different print jobs designated as either sorted jobs or special handling jobs. Bills meeting any of the following criteria are considered special handling jobs:

1. Residential bills that are greater than \$500
2. Commercial and industrial bills greater than \$5,000
3. Multi-page bills
4. Zero charge bills
5. Refund check bills
6. Bills containing meter reads that did not meet the validation criteria

Special handling jobs are forwarded to assigned individuals in the Billing Operations Department for additional review. This review is intended to assist in ensuring that the customer receives an accurate bill.

There are three reports worked daily to help manage the number of estimates. The “High/Low Report,” the “3 or More Estimated Read Report,” and the “High Charge Report” are all used to assist in providing an accurate bill.²² Additional back-end “high/low” validation checks are performed in the nightly batch process. These validations, which are pre-programmed into the Customer Watch CIS, check for any readings that exceed eighty percent (80%) of the meter capacity.²³ When this error occurs, the meter read is logged onto an error report and the billing statement is then flagged for special handling. Billing Operations Staff have the ability to regenerate a new bill to be mailed to the customer if they cannot get the issue resolved that day.

²¹DR No. 60.

²² DR No. 69.

²³ DR No. 60.

Venice on the Lake customers who attended the meeting held with Liberty and Staff on September 26, 2022, raised a number of issues concerning consecutive estimates, exceedingly high bills, and even bills for “zero” amounts. The bill review process the Company states it conducts should assist in catching and correcting many of the errors mentioned by customers during the meeting. The review should also assist in determining the cause of the repeated estimates.

Liberty does not have figures on the volume of bills that meet the special handling jobs criteria and are sent on for Billing Operations review. Staff recommends that Liberty develop a method to measure the number of bills with irregularities sent on to Billing Operations review. Data should also be maintained on the reasons for the review, the results of these reviews, and the actions or corrections made. This will give Liberty an idea of its overall bill accuracy, which it presently does not have.

The type of meter used to serve the customer can affect the ability of the Company to obtain an actual reading. The number and frequency of estimated bills may be reduced by using remote meter reading technology. Liberty indicates it has deployed approximately 6,700 water meter and encoder receiver transmitters (ERTs) on the legacy Empire and Noel water systems. The legacy Empire system was to begin utilizing advanced metering infrastructure (AMI) readings for billing by June 15, 2022.²⁴ The utilization of automated meter reading systems would assist in reducing the number of estimated bills. Staff is unaware at this time of Liberty’s progress in expanding its use of automated meter reading (AMR) and AMI meters.

Inability to Determine Number of Customers/Account Status

As mentioned previously in this report, Liberty Water is particularly vulnerable to incomplete or inaccurate customer counts because of its acquisition of relatively small water and sewer systems. It is critical that an analysis of factors such as the present format of customer information as well as account status and meter and geographic data, be conducted in advance of its efforts to transition the customer data of the acquired company to Liberty’s systems. Liberty has indicated that it works with the seller’s representative to confirm account status. It adds that it may request the seller to provide a report that lists all currently active accounts.²⁵

In cases where the only utility service that Liberty provides to the customer is sewer service, it becomes more difficult to confirm its customers and their account status. In some instances, Liberty has been able to negotiate agreements with external water service providers to notify Liberty when a new customer requests water service from the external water service provider. However, at this time, no such agreement has been reached for all customers. In all instances, it

²⁴ DR No. 0069.

²⁵ DR Nos. 0013, 0013.1, and 0065.

is imperative that Liberty has verified information on the status of its customers in order to produce accurate billing. Staff recommends, that in the future evaluation of potential acquisitions, a thorough analysis be conducted of the transition of customer data into the Liberty systems to ensure the accuracy of customer data. In addition, if such acquisitions are completed, Staff recommends that Liberty take additional actions to verify its customers' status to ensure billings are accurate.

Staff Review of Informal Complaints

Staff reviewed informal customer complaints filed in the Commission's Electronic Filing and Information System ("EFIS") system from January 1, 2020, to August 1, 2022, for Liberty Water. Five complaints were filed by customers of Liberty Water during that time frame. Three of the complaints were filed in 2021 and two occurred in 2022. All five of the complaints were related to either water quality or billing issues. Two of the complaints concerned the customer not receiving a bill even after repeated contacts with Liberty. Another customer continued to receive bills even after the service was shut off. An additional customer complained of a high bill. The remaining customer complaint concerned low pressure and dirty water issues.

The two complaints concerning a lack of billing relate to concerns Staff expressed earlier in the Customer Count and Usage section of this report. However, in this report, Staff has detailed the large number of infrastructure problems that exist in the individual systems. Given those problems, Staff is concerned that the number of informal complaints filed is low and may not reflect the number of inquiries customers have logged with Liberty through its communication channels, such as the Call Center. Staff recommends that Liberty Water ensure CSR training include informing its customers of their rights to contact the Commission's Consumer Services Department in instances when they are unable to resolve their issue with Liberty. Staff also recommends Liberty maintain a count of the types and number of water/sewer inquiries or complaints it receives through its Call Center to assist in targeting areas for improvement.

Meeting with Venice on the Lake Customers

As briefly mentioned earlier in this report, Staff and Liberty personnel attended a customer meeting on September 26, 2022, in Forsyth, Missouri, for customers of Venice on the Lake. The meeting was conducted to allow customers of that area to be updated on Liberty's progress towards repairing a recent incident of infrastructure problems that left a number of customers often being without water. Discussion with customers at that meeting brought up several areas of concern regarding more than the infrastructure issues. Many of these issues dealt with customer service. Customers specifically mentioned the following:

- Difficulty in determining the appropriate phone number to contact the call center. Several customers indicated confusion over how to contact Liberty by phone if they did not have a

bill handy and tried to look it up on-line. The on-line information included all of the Liberty companies.

- Customers felt the initial information they received on the options available on the IVR system to handle an inquiry were also confusing and could be clearer.
- Problems were noted with accessibility to meters leading to estimates and frequent consecutive estimates. Customers believed there should be better communication over why the bill is being estimated and possibly a contact made to avert the problem. (i.e. problem with dog in yard where meter needs to be read).
- Customers were unsure of the extent of present usage and planned installation of more advanced metering allowing for more remote readings leading to less estimation.
- CSRs need to be more consistent with the information they provide and use account notes to record what actions they have taken with customers.
- Boil advisories were not communicated effectively. Liberty has used some inadequate signage hastily prepared in the past. Suggestions were made to utilize a system of texts, phone calls with messaging and other methods.
- A number of billing related issues. Bills with impossibly high levels of consumption or dollars that go over the parameters built into the system. These bills should be sorted out during normal processing to be reviewed by an individual. The review should examine the deviation from the parameters and determine the reason for it. Some action should be taken to resolve the problem and issue the customer an accurate bill. Liberty does not presently have information on the numbers of these exceptions.

The prior issues demonstrate additional concerns in the customer service area. Staff believes that these areas merit further review and actions. At this time, Staff makes the following additional recommendations regarding specific actions that should address some of the concerns expressed by customers of Venice on the Lake:

Staff recommends that Liberty Water provide clear information to its customers on how to contact the Company.

Staff recommends that Liberty Water communicate with customers the reasons for estimated bills, particularly in the case of frequent or consecutive estimates.

Staff recommends that Liberty Water CSRs utilize account notes to document conversations with customers and actions taken on accounts.

Staff recommends that Liberty Water develop more effective practices for the communication of boil water notifications.

The prior recommendations and Liberty Water's response to the actions they entail may assist customers that attended the Venice meeting that Liberty Water is responding to the concerns that were expressed at the meeting.

Findings

In Missouri, Liberty is a large water company,²⁶ and is moving toward becoming a large sewer company. Nevertheless, Liberty is a subsidiary of a multinational utility company that currently provides electric and natural gas service to thousands of customers in Missouri and other states and, therefore, it is capable of drawing upon or acquiring the necessary technical or managerial assistance to properly operate and maintain all of its utility systems. Liberty should also be able to draw upon sufficient financial resources to make timely improvements to its systems. However, as described in this Report, it has not drawn upon these resources to make timely needed improvements. It is outside this Report's scope to determine why Liberty has been unable to take advantage of company resources and why Liberty is having these issues. Staff recommends that Liberty take advantage of wider company resources in order to maintain reliable, safe, and adequate service. As recently as November 8, 2022, Staff has received DNR inspection reports that show a failure to properly operate and maintain systems.

Liberty's description of how it prioritizes capital improvements²⁷ does not include a category for upgrading the systems it acquires that are in poor condition,²⁸ and some significant upgrade projects were completed that were never reflected in the budget. Furthermore, Liberty's spending on its water and sewer utilities is eclipsed by spending for its electric and gas utilities. For 2021²⁹, Liberty only budgeted \$4,074,455 for water and sewer, but budgeted approximately \$321,000,000 for its electric and gas utilities. Even though its electric and gas utilities are larger, based upon recent and current performance, it would appear that Liberty needs to shift some resources among their utilities until it is able to maintain reliable, safe, and adequate service.

Until Staff began questioning the Company regarding the noncompliant sewer systems at Savers Farm, Cape Rock, and R.D. Sewer, it is unclear that Liberty had made upgrades to these systems a priority. While R.D. Sewer and Cape Rock were older treatment systems that were in need of upgrade when Liberty acquired them, Savers Farm is a new treatment system that Liberty allowed to rapidly fall into significant noncompliance. Typically, when a utility obtains a troubled asset, the utility quickly makes the necessary upgrades, not only because of the legal requirement to provide safe and adequate service, but so as to earn a return on that investment and increase profits. With the notable exception of Cape Rock, Liberty does not appear to have prioritized rapid upgrades to some failing systems. Liberty purchased the failing R.D. Sewer system approximately

²⁶ "Large water public utility", a public utility that regularly provides water service or sewer service to more than eight thousand customer connections and that provides safe and adequate service but shall not include a sewer district established under Section 30(a), Article VI of the Missouri Constitution, sewer districts established under the provisions of [chapter 204](#), [249](#), or [250](#), public water supply districts established under the provisions of [chapter 247](#), or municipalities that own water or sewer systems; 393.320(1) RSMo.

²⁷ DR No. 0035.

²⁸ DR Nos. 0040, 0040.1, and 0088.

²⁹ DR No. 0040.

two years ago and still has not initiated construction of an upgrade. It is critical that in any further acquisitions Liberty make any upgrades as quickly as possible to ensure safe and adequate service. For large or complex systems, such as Bolivar, this may be a multi-year effort requiring study, design, construction, and in some cases further study and additional construction. For future acquisition of simpler systems, such as R.D. Sewer, Liberty should submit a preliminary plan to complete any needed upgrades along with the application for a CCN, and complete those upgrades as quickly as possible.

The most significant disappointment to Staff was the situation at Venice described above. In response to a Staff DR about resource capacity, the Company said it had commissioned³⁰ an engineering report for additional capacity at Venice, but did not state there were current ongoing outages of a chronic nature. Staff found out from angry customers, rather than Liberty personnel, that Liberty had this additional operational problem near the end of the investigation of Liberty's *other* operational problems. Liberty has made some investments in this system, the bulk of which were done in 2019 and 2020. However, for the impacted customers served by the Red Rock well at Venice mentioned above, the spending has been rendered ineffectual due to the severe problems with the distribution system. These customers have reported losing water service routinely for at least two years. Some of these outages only impacted the five lots at the highest elevation, but others included problems with the well or main breaks that drained water from much of the system. A comprehensive plan to replace the entire distribution system, once it was clear that piecemeal repairs were insufficient, would seem to have been a more logical course. Staff's position is that replacement of the distribution system should begin as soon as possible. The well running 60-100% of the time dramatically shortens its life expectancy. Pump failure could cause customers to be without water for days.

Staff found it striking that Liberty made few efforts to reduce the impact for customers who had been routinely losing water service prior to Staff involvement. No bottled water was provided. No bill credits were offered until suggested by Staff. Based on conversations with Staff, customers did not feel their situation was receiving adequate attention or urgency from the Company. Because of the historic and ongoing reliability problems, and to communicate the plans for the emergency well and the eventual upgrades to resolve the noncompliance, Staff insisted on an informational meeting for customers. Liberty eventually held this meeting on September 26, 2022, which Staff attended. Customers credibly reported serious and repeated problems with billing, outages, and damages caused by leaking mains. A reasonable solution to the meter reading problems and resultant errant bills described above would be to install AMR or AMI, so that a meter reader would not need to have access to the meter pit. Deployment of AMR or AMI would not have to wait for the replacement of the distribution system. The customers and Staff were also disappointed by Liberty's stated position at the meeting that it was not moving forward with

³⁰ DR No. 0032.

distribution system improvements. Liberty stated it was an effort to keep rates low, but it is clear to Staff that without action Liberty will be unable to provide safe and adequate service.

Liberty's inability to produce accurate billing data not only undermines its ability to request future rate increases, but also causes concerns about current over earning. This data is also used by DNR in its roles as regulators of water systems and overseeing water resources for the state. It is also conceivably important to state and federal emergency management agencies in the instance of a natural disaster. Whatever the cause, Liberty must find the source of these errors and be able to report reasonably accurate data to state regulators.

In order to further address issues raised in this report, Staff believes that Liberty and its customers would benefit from Liberty filing a general rate case as soon as practicable. Meanwhile, Liberty should proceed with developing a documented and well planned approach to address the present recommendations by Staff included in this report. Staff recommends that Liberty file in this docket a documented plan including specific actions to be taken, resources necessary, and the estimated time frames for implementation. Liberty should also be required to file in this docket a status report on its progress within six months of the filing of Staff's report.

Staff's recommendations below reflect an eroded trust in Liberty's ability or willingness to rehabilitate some of the troubled systems it has acquired, and to maintain its other systems. This Staff Investigation found enough concerns that affect the customers' quality of service that Staff is skeptical of Liberty's ability to effectively acquire and operate additional properties. Trust can be reestablished through an earnest commitment to making prudent investments, establishing robust customer service practices, ensuring it is presenting data in rate cases that accurately support the revenue requirement, and ensuring safe and adequate service.

Staff Recommendations

1. Liberty should file a rate case within nine months of the filing date of this report.
2. Prior to the filing of a rate case, Liberty should reconcile its billing data errors so as to present proper evidence in support of its case. Liberty should include in testimony a detailed account of how the data reconciliation was conducted.
3. Liberty should continue to seek to establish contracts with water providers where the Company provides sewer but not water service, so as to establish the ability to shut off for nonpayment. This will also provide an additional opportunity for Liberty to be notified of new customers by the water providers.
4. Liberty should file, before the next rate case, revised annual reports for at least the years 2020 and 2021, to include corrected data.

5. Liberty should make changes to its prioritization of capital planning to a proactive posture designed to ensure that reliable, safe, and adequate service is the top priority. Liberty should manage its systems such that unanticipated failures, such as cracked water storage tanks, should be repaired immediately. Liberty should ensure that no water or sewer systems fall out of compliance due to anticipated failures. Liberty should also manage its systems in such a way that infrastructure is repaired or replaced before Commission inspections or DNR enforcement actions dictate investment.
6. For all DNR inspection reports that contain Unsatisfactory Findings and/or Notice of Violation, Liberty should send copies of the reports and its responses to the Manager of the Water, Sewer & Steam Department.
7. Staff recommends that Liberty continue to evaluate methods that could be utilized to further define the number of calls by state and by category (type) of customer inquiry handled by a CSR at a Call Center.
8. Staff recommends that Liberty develop a method to measure the number of bills with irregularities sent on to Billing Operations for further review. Data should also be maintained on the reasons for the review, results of the review, and any actions or corrections made.
9. Liberty should, within 90 days, conduct a physical audit of customers at the Cape Rock system and ensure, to the best of its ability, that all occupied units are presently being appropriately billed. Liberty should develop a plan for monitoring turnover of customers or construction of new units, and contacting new customers so that they are appropriately billed.
10. Staff recommends that Liberty develop specific procedures to identify and confirm the account status of the customers it is seeking in every acquisition attempt that it embarks upon.
11. Staff recommends in the future evaluation of potential acquisitions, that a thorough analysis be conducted of the transition of customer data into the Liberty systems to ensure the accuracy of customer data. In addition, if such acquisitions are completed, Liberty should take additional actions to verify its customer status to ensure billings are accurate.
12. Staff recommends that Liberty Water ensure CSR training includes informing its customers of their rights to contact the Commission's Consumer Services Department in instances when they are unable to resolve their issue with Liberty.
13. Staff recommends Liberty maintain a count of the types and number of water/sewer inquiries or complaints it receives through its Call Center.

14. Staff recommends that Liberty Water provide clear information to its customers on how to contact the Company.
15. Staff recommends that Liberty Water communicate with customers the reasons for estimated bills, particularly in the case of frequent or consecutive estimates.
16. Staff recommends that Liberty Water CSRs utilize account notes to document conversations with customers and actions taken on accounts.
17. Staff recommends that Liberty Water develop and utilize more effective practices for the communication of boil advisories at all systems.
18. The storage tank at Ozark Mountain should be replaced, or repaired sufficient to restore the structural integrity of the tank.
19. Liberty should install AMR or AMI meters at Venice on the Lake as soon as possible, to minimize the estimated bills and resulting billing errors.
20. Liberty should begin substantial replacement of the distribution system at Venice on the Lake immediately.
21. Liberty should maintain a cleaning and professional inspection schedule of all water storage structures of every three to five years, as recommended by the American Water Works Association.
22. Liberty should file an Asset Management and Capital Improvement Plan each year between January 1st and January 15th. It may include information obtained from consulting engineers and contract operators, but it should also include information from a physical inspection of the above ground assets by a Liberty employee specifically for the purpose of asset management and infrastructure planning. The Plan shall include:
 - a. Detailed descriptions of projects completed in the previous year with actual costs, and planned projects for the next three years with budgeted costs, along with the reason the projects are necessary;
 - b. For the previous year, the difference between dollars budgeted and dollars spent, with a summary of the reason for any significant discrepancies;
 - c. The date of the last physical inspection of the above ground assets for each system;
 - d. Plans for inspections and cleaning of sewer collection systems;
 - e. Inflow and Infiltration reduction efforts;
 - f. Planned security or employee safety improvements for treatment systems; and
 - g. Plans for upgrades required by the U.S. EPA or DNR.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of an Investigation into the)
Operation and Conditions of Liberty)
Utilities (Missouri Water), LLC d/b/a)
Liberty Utilities)
)
)
)
)

Case No. WO-2022-0253

AFFIDAVIT OF CURT B. GATELEY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CURT B. GATELEY, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Report*; and that the same is true and correct according to his best knowledge and belief.

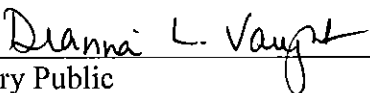
Further the Affiant sayeth not.



CURT B. GATELEY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of November, 2022.



Notary Public

DIANNA L VAUGHT
Notary Public - Notary Seal
STATE OF MISSOURI
Cole County
My Commission Expires: July 18, 2023
Commission #: 15207377

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the)
Operation and Conditions of Liberty)
Utilities (Missouri Water), LLC d/b/a)
Liberty Utilities)
)
)
)

Case No. WO-2022-0253

AFFIDAVIT OF ANDREW HARRIS

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW ANDREW HARRIS, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Report*; and that the same is true and correct according to his best knowledge and belief.

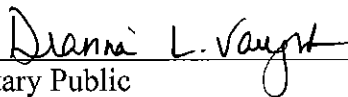
Further the Affiant sayeth not.



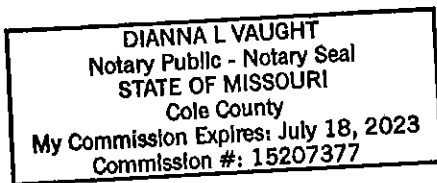
ANDREW HARRIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 22nd day of November, 2022.



Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the)
Operation and Conditions of Liberty)
Utilities (Missouri Water), LLC d/b/a)
Liberty Utilities)
)
)
)

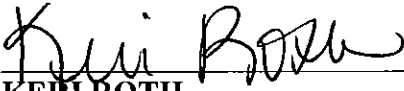
Case No. WO-2022-0253

AFFIDAVIT OF KERI ROTH

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW KERI ROTH, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

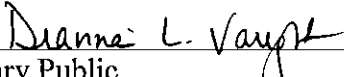
Further the Affiant sayeth not.



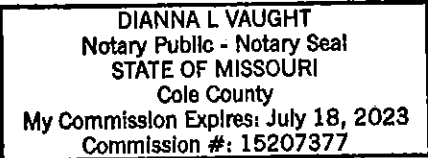
KERI ROTH

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 22nd day of November, 2022.



Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the)
Operation and Conditions of Liberty)
Utilities (Missouri Water), LLC d/b/a)
Liberty Utilities)
)
)
)
)

Case No. WO-2022-0253

AFFIDAVIT OF DEBORAH ANN BERNSEN

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

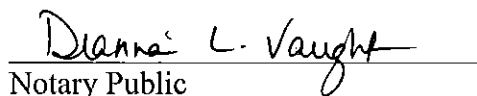
COMES NOW DEBORAH ANN BERNSEN, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


DEBORAH ANN BERNSEN

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of November, 2022.


Notary Public

DIANNA L VAUGHT Notary Public - Notary Seal STATE OF MISSOURI Cole County My Commission Expires: July 18, 2023 Commission #: 15207377
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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the)
Operation and Conditions of Liberty)
Utilities (Missouri Water), LLC d/b/a)
Liberty Utilities)
)
)
)
)

Case No. WO-2022-0253

AFFIDAVIT OF LISA A. STOCKMAN

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

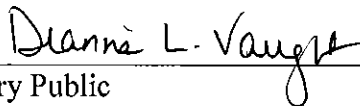
COMES NOW LISA A. STOCKMAN, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

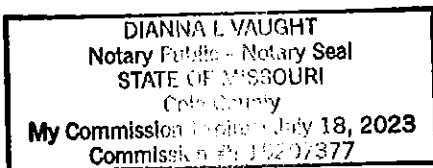
Further the Affiant sayeth not.


LISA A. STOCKMAN

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of November, 2022.


Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the)
Operation and Conditions of Liberty)
Utilities (Missouri Water), LLC d/b/a)
Liberty Utilities)
)
)
)

Case No. WO-2022-0253

AFFIDAVIT OF KEITH D. FOSTER

STATE OF MISSOURI)
)
) ss.
COUNTY OF COLE)

COMES NOW KEITH D. FOSTER, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Report*; and that the same is true and correct according to his best knowledge and belief.

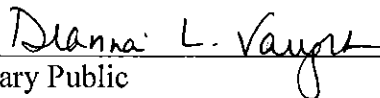
Further the Affiant sayeth not.



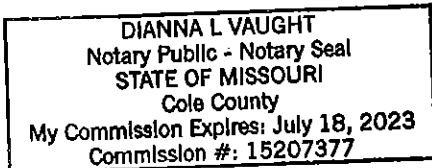
KEITH D. FOSTER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of November, 2022.



Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the)
Operation and Conditions of Liberty)
Utilities (Missouri Water), LLC d/b/a)
Liberty Utilities)
)
)
)

Case No. WO-2022-0253

AFFIDAVIT OF ASHLEY SARVER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW ASHLEY SARVER, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

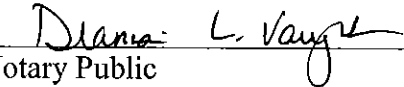
Further the Affiant sayeth not.



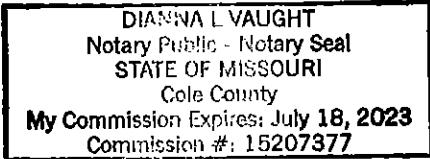
ASHLEY SARVER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of November, 2022.



Notary Public



Tank at Ozark Mountain



Staff photograph

Noel Ground Storage Tank



Staff photograph

Photograph from engineering report requested by Staff.

