

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

The Office of the Public Counsel, at al.)	
COMPLAINANT,)	
)	
v.)	Case No. WC-2014-0138, et al.
)	
Missouri-American Water Company,)	
RESPONDENT.)	

MAWC’S RESPONSE TO STAFF REPORT

COMES NOW Missouri-American Water Company (MAWC or Company) and, respectfully states the following to the Missouri Public Service Commission (Commission) as its response to the Staff Report:

1. MAWC is a Missouri corporation with its principal office and place of business at 727 Craig Road, St. Louis, Missouri 63141. MAWC currently provides water service to approximately 457,000 customers in the State of Missouri to include the public in and around the cities of St. Joseph, Joplin, Brunswick, Mexico, Warrensburg, Parkville, Riverside, Jefferson City, and parts of St. Charles, Warren, Jefferson, Morgan, Pettis, Benton, Barry, Stone, Greene, Taney, Christian and Platte Counties, and most all of St. Louis County, Missouri. MAWC also provides sewer service to approximately 4,200 customers in Callaway, Jefferson, Pettis, Cole, Morgan, Platte, Stone, Christian, Taney and Warren Counties, Missouri.

2. Beginning in October 2013, several residents of Stonebridge Village, Branson West, Missouri began filing formal complaints against MAWC concerning billing and customer service issues. On November 22, 2013, the Commission issued its *Order Consolidating Cases and Granting Extensions of Time* consolidating the complaint cases and instructing Staff to investigate and file a report on its investigation. Later complaints were also consolidated. MAWC filed a consolidated answer to the complaints.

3. A Staff Report was filed on March 14, 2014. On March 24, 2014, MAWC filed its Motion for Extension of Time, wherein it requested that it be given until April 18, 2014, to respond to the Staff Report. MAWC's motion was granted during the April 2, 2014 procedural conference.

BACKGROUND

4. The American Water system underwent a software implementation, which included the implementation of a new customer billing system, in May 2013. The formal complaints that are the subject of this consolidated case were received after that implementation. The first formal complaint was filed on October 16, 2013.

5. Beginning in 2009, American Water undertook its Business Transformation (BT) program to update and modernize its business processes and information technology systems. Over the life of the BT program, there were four primary areas of focus:

- Replace legacy systems near the end of useful lives
- Promote operating excellence, efficiency, and economies of scale
- Enhance the customer experience
- Increase employee effectiveness and satisfaction

There were three projects that comprised the core of the BT program: Enterprise Resource Planning (ERP); Enterprise Asset Management (EAM), and Customer Information System (CIS):

- ERP systems support human resources, finance, and procurement/supply chain management.
- EAM systems support the management of asset lifecycles including the design, construction, commissioning, operations, maintenance, decommissioning and replacement of plant, equipment and facilities as well as work management for both short-term (service turn-ons, leak inspections, etc.) and long-term (main replacements, etc.) work.

- CIS contains all billing and personal data pertaining to American Water's customers including billing rates, historical utility consumption, associated charges and meter information and the strategy for managing and nurturing MAWC's interactions with its customers.

6. American Water selected SAP as its new software platform. The ERP system was deployed as planned in August 2012, and CIS and EAM were deployed for MAWC in May 2013. MAWC's President, Frank Kartmann appeared before the Commission for its Agenda meetings on two different occasions – February 27, 2013, (after ERP deployment and before the CIS/EAM deployment), and September 11, 2013, (after the CIS/EAM deployment) -- to brief the Commission as to the progress of the BT implementation process.

7. Over time, it is anticipated that CIS will assist MAWC in improving the management of every aspect of the customer relationship – from customer inquiry to billing and collecting for services provided through:

- More system functionality, such as group billing and budget billing, which will better meet customer needs
- Opportunities for enhanced bill presentment options including additional detail of billed charges and transactional account activity (e.g., charges, payments, transfers, and adjustments)
- Greater first contact resolution because of greater automation in the billing process and redirected resources providing the opportunity to resolve customer requests in a timely manner
- Ability to introduce tools that would reduce or eliminate manually intensive processes and allow employees to work more efficiently.

8. In the February, 2013 Agenda meeting, Mr. Kartmann explained that challenges were expected as employees and information technology systems adjusted throughout the implementation process. He expected that the new bill format would generate a greater number of customer calls and questions. Mr. Kartmann further predicted that the Commission might see evidence of this bill change in customer complaints. Mr. Kartmann further stated that it would be unrealistic to expect that the implementation would take place without problems. He

compared it to his experience with bringing treatment plants on-line and the unforeseen difficulties that always seemed to occur, no matter how much preparation there has been. In the case of the software implementation, Mr. Kartmann suggested that the transfer of customer data might not happen appropriately in some instances and, as a result, a small percentage of customers could receive bills that are incorrect or such bills could be sent to a wrong address.

9. After the implementation, Mr. Kartmann returned to visit with the Commission at its September 11, 2013 Agenda meeting, in order to update the Commission as to the progress of the implementation and what had transpired to that point in regard to both successes and errors. A portion of this September presentation concerned complaints that had been received, and were being addressed, by the Company. Mr. Kartmann discussed instances where no bills were issued and incorrect bills were issued. The errors were related to data input errors and not the operation of the system itself. Mr. Kartmann outlined MAWC's further efforts to continue to address errors and improve the process. However, he also suggested that it might take a year or more to work out all of the issues.

RESPONSE TO STAFF REPORT

10. As predicted and reported by MAWC to the Commissioners, there have been growing pains associated with the software implementation. However, MAWC does not agree with Staff's allegation that these growing pains represent violations of Commission rules. MAWC also does not agree with Staff's characterization of the discovery process in this case.

11. MAWC continues to believe that when the new system has settled, it will improve customer service, billing, information, and reporting provided to MAWC customers and Staff because the system will be more efficient and include advance tracking and retrieval mechanisms.

12. As issues have developed during the implementation and after the system went live, MAWC has worked to correct those issues. As seen above, MAWC reported many of these issues directly to the Commission in September of last year.

13. MAWC also worked with groups of customers and individual customers as to these issues. For example, in Stonebridge Village:

- MAWC Representatives met with the Stonebridge Village Property Owners Association Board of Directors in order to further identify and discuss the Stonebridge residents' billing concerns.
- Representatives of MAWC, the Commission Staff and the Public Counsel participated in a public meeting, in Stonebridge Village, to generally discuss the billing issues.
- MAWC has implemented an email address and a telephone number reserved specifically for Stonebridge Village residents to contact MAWC with questions regarding recent bills and to provide explanations for the corrected invoices customers are now receiving.
- Representatives of MAWC held face-to-face meetings in Stonebridge Village for the purpose of answering individual customer questions.
- MAWC performed individual audits of subdivision bills and then created a statement for each customer as to the customer's account and the customer's current balance.

14. Each customer is important to MAWC and each customer's issue must and will be addressed by MAWC. MAWC continues to monitor address issues as they arise and to address those issues in a timely manner. This having been said, the number of problems experienced in relation to MAWC's overall customer base must be stated in order to provide

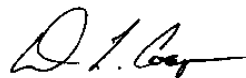
some perspective. Only a small percentage of MAWC's approximately 457,000 customers in Missouri were impacted by these billing issues. MAWC understands that even one, is one too many. However, given the complete implementation that was brought on line in May, the impacts experienced do not represent "unacceptable customer service" during the period in question, as alleged by Staff.

STAFF RECOMMENDATIONS

15. The Staff Report made twenty recommendations concerning MAWC's billing and service. MAWC is not opposed in concept to prospective conditions that address its customer service and billing. However, MAWC cannot agree to the Staff recommendations in the form proposed. MAWC is willing to discuss these recommendations with Staff and other parties to see if a set of conditions that addresses the parties' concerns can be developed and agreed to in order to resolve this matter short of the filing of testimony and hearing.

WHEREFORE, respectfully requests that the Commission consider this Response and grant such relief as the Commission deems reasonable and just.

Respectfully submitted,



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Certificate of Service

I hereby certify that copies of the foregoing have been mailed by U.S. Mail, postage prepaid, or transmitted by electronic mail to the following on this 18th day of April, 2014:

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