

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 25th  
day of September, 1992.

In the matter of the joint application of (1) Richard G. )  
Snoderly and Estelle Lea Atkins, owners of White Branch )  
Service, a/k/a White Branch Water Company, for authority )  
to sell and transfer their franchise, works or system to )  
Riverside Utility Company; (2) Riverside Utility Company ) Case No. WM-93-43  
for authority to implement interim rates for water )  
service; and (3) Riverside Utility Company for authority )  
to implement a connection/reconnection fee for water )  
service. )

ORDER APPROVING TRANSFER OF ASSETS

On August 14, 1992, Richard G. Snoderly and Estelle Lea Atkins, owners  
of and d/b/a White Branch Water Company (Sellers or White Branch) and Riverside  
Utility Company (Buyer or Riverside) made joint application with the Commission  
pursuant to Section 393.170, 393.190 and 393.150, RSMo Supp. 1991, for Sellers  
to sell and Buyer to purchase all of Sellers' franchise, works and system  
necessary to provide water service to the White Branch certificated area. In  
addition, request was made and granted for expedited treatment of this matter.

Applicants also requested dismissal of litigation currently pending in  
the Circuit Court of Benton County, Missouri in which the Commission is seeking  
to obtain appointment of a receiver to assume control of the assets and operation  
of White Branch Water Company. As a result of the proposed sale, the  
receivership action in Circuit Court was continued by Staff on August 17, 1992,  
pending the outcome of this joint application.

It was determined by the Commission that a local hearing should take  
place in this matter as the customers of White Branch had not been informed as  
to the sale or the future intent of Buyer in regard to service and proposed  
tariffs. After due notice, a local hearing was held on September 3, 1992, in  
Warsaw, Missouri. Approximately 40 customers of White Branch attended, 9 of whom  
testified concerning the proposed sale.

On September 18, 1992, Commission Staff filed a memorandum concerning the proposed sale. On September 14, 1992, the Office of Public Counsel filed a pleading indicating it supported the sale.

The Commission's decision in this matter is based upon the information contained in the application, the testimony of customers at the local hearing, the memorandum of Commission Staff and Public Counsel's pleading. The information before the Commission indicates that the Commission must address two major issues in determining whether to approve the application. First, the Commission must address the issue of whether it would be detrimental to the public interest to approve the sale, and second, whether the rates proposed by Buyer are just and reasonable.

In regard to the first issue, the Commission finds that Riverside Utility Company is an experienced and financially sound regulated utility in the State of Missouri. Prior to offer of purchase, Riverside became familiar with the existing White Branch system and put forth a plan for markedly improved service as stated on the record at the local hearing. Riverside's owner, Milton Leeds, stated that once the sale was approved he would place a qualified maintenance person at White Branch to ensure necessary maintenance was performed on the system until a permanent maintenance person could be hired and trained.

The Commission finds that it is in the best interest of the customers of White Branch to install a provider who is financially sound, capable, and willing to provide prompt and efficient service while having the expertise necessary to maintain, repair, and improve the existing physical plant, which has been neglected by the current owners. The Commission finds that Riverside, having engaged in the business of providing water service in the State of Missouri for some years, is capable of providing such service to the White Branch area and possessed of the necessary expertise to do so.

Several customers stated at the local hearing that a water district had been formed which included the White Branch area. These customers indicated that the water district is on the ballot in the next election and they recommended the Commission not approve the sale to Riverside but wait and allow the water district to take over the system.

The Commission understands the customers' desires for having some control over the entity that provides water service to their property, as they would have if White Branch became part of a water district. The Commission though is faced with the immediate problem of ensuring customers are provided safe and adequate service as soon as possible. The Commission has only two realistic alternatives. One is to approve this sale or two is to proceed with the circuit court action to place White Branch in receivership. The Commission cannot realistically wait for the water district to be able to take over the system and the Commission cannot leave the system in its current condition under its current owners.

The Commission is also of the opinion that the court action to place White Branch into receivership contains too many uncertainties when measured against the service Riverside would provide. There is no assurance a court would order White Branch be put into receivership, there is no certainty as to when a receiver could take over if the court granted the Commission's request and the Commission does not believe that a receiver would be any more qualified than Riverside to provide safe and adequate service.

Based upon these considerations the Commission finds that the sale of White Branch to Riverside would not be detrimental to the public interest and in fact will more expeditiously provide safe and adequate service to White Branch customers. The Commission will therefore approve the sale.

Riverside has proposed tariffs which would substantially increase the rates paid for service by White Branch customers. The current rates are \$5.17

per month for seasonal customers and \$6.89 per month for non-seasonal customers. Riverside has proposed to charge \$12.71 per month for seasonal customers and \$15.89 per month for non-seasonal customers. In addition, Riverside has proposed a \$300.00 fee for new connections, a \$300.00 fee for reconnections, a \$25 meter test fee and a \$10.00 turn-on fee. Riverside proposed that the monthly rates be made interim subject to refund for an 18-month period.

The proposed rates would be an increase over the present rate of well over 100% but no substantial objection to the proposed rate was made at the local hearing. In addition, Staff considers the proposed rate to be reasonable, based partly on the major capital improvements currently needed on the White Branch physical plant with which Riverside will be faced. Staff states, as the result of a recent informal audit, it was discovered that the current state of the accounting records of White Branch is uncertain and deficient. As a result, all parties acknowledge that the proposed rate requested by Riverside is based on data which may be inaccurate to a greater or lesser degree.

The Office of Public Counsel also recommends approval of the proposed rates. OPC also adds, as does Staff, a recommendation that these rates be interim for a period of no longer than 18 months.

Riverside has proposed the \$300.00 connection charge and reconnection charge to cover the cost of these services plus the installation of a meter at these locations. Staff has supported the \$300.00 connection charge but has obtained agreement from Riverside to reduce its proposed reconnection charge to \$250. Staff has removed the amount associated with the cost of a meter from the reconnection charge.

The difference between connection and reconnection fees has been blurred and confused by various parties in this matter and, judging from the testimony given at the local hearing, by many customers of White Branch also. The only difference that can be determined is that the connection fee is for new

customers at new locations and the reconnection fee is for customers who have defaulted in payment of their bill, have had service terminated, and are being reinstated. At any rate, the justification for the full \$300.00 for reconnection expense is that White Branch is currently unmetered and it would in the future be desirable to install meters and meter stands for each end user, to more efficiently and fairly provide service. It is Riverside's position that this can be done in a piecemeal fashion during the course of disconnecting and reconnecting individual water lines. Riverside proposes to install shut-off valves together with meters and meter stands at each given opportunity during the course of providing new service or reconnecting service to existing locations. Riverside proposes to pass this cost directly to the customer by way of the connection or reconnection fee, which Riverside alleges to be economically justifiable.

In deciding this matter, the Commission must first give some regard to the customers of White Branch, and the provision of safe and adequate service to these customers at a reasonable rate. Testimony at the local hearing from these customers was practically uniform in that the imposition of a fee of \$300.00 for connection, to be passed on to the customer, was unacceptable. Moreover, White Branch has been plagued with poor service, inadequate drinking water, leaks in the lines, and a host of other problems causing substantial contention between the residents of White Branch and the current operators. Some consideration must therefore be given to the customers of White Branch in determining new rates.

In addition, while metering and the installation of meters and meter stands is a desirable efficiency, it is not, in this case, an immediate necessity. Considering the apparent poor condition of White Branch's physical plant, it might be preferable for Riverside to focus its effort and capital on system improvement and maintenance and postpone any metering until such time as current service difficulties are clearly remedied.

Therefore, the Commission finds that the \$250.00 reconnection fee proposed by Staff and agreed to by Riverside will be approved only for those customers who have defaulted in payment to Riverside, and not those who currently may be in default to Richard G. Snoderly and Estelle Lea Atkins d/b/a White Branch Water Company. The Commission does not approve the installation of meters at this time, preferring Riverside to focus its capital on system improvement and maintenance as set out above. In addition, Riverside's request for a \$300.00 connection fee is not approved since it includes the cost of a meter. The Commission will approve a \$250 connection fee for new customers at new locations.

As the result of a multiplicity of disputes between the current operators and customers, and due to the generally poor quality of service recently received by White Branch customers, it is the Commission's decision that Riverside should reconnect and provide service as soon as possible to all customers of White Branch regardless of their current standing with the Sellers. Finally, Riverside may not take any action whatsoever to enforce or collect amounts alleged to be due or past due to the Sellers by White Branch customers. All White Branch customer accounts with Riverside must begin with a zero balance or credit, where appropriate.

Riverside proposes in its tariff two additional charges, one a \$25.00 meter test fee and the other a \$10.00 turn-on fee. As the Commission has not approved the installation of meters at this time, the \$25.00 meter test fee is unnecessary and is therefore not approved. The Commission approves the \$10.00 turn-on charge as being a minimal service charge.

It is further recommended by Staff and determined by the Commission that it will be necessary for Riverside to file additional tariff sheets depicting a map and legal description of the White Branch service area. This will avoid any future problems in delineating the exact service area, should the proposed water district become a reality and wish to provide service to an

adjacent area, and in providing Riverside with an exact idea of the area purchased and a method of ascertaining the physical plant contained within that area.

Historically, the Commission has granted few requests for interim rates. The Commission standards for interim rate relief include a conclusive showing that an emergency exists together with a showing that (1) additional funds are needed immediately, (2) the need may not be postponed, and (3) no other alternative exists to meet the need. Re: Mo. Public Service Company, 20 Mo. PSC (NS) 244, 250 (Oct. 1975). In this instance the Commission finds that an emergency exists based upon the condition of the system and the fact the Commission has placed White Branch in receivership. Since the rates will be interim, the Commission will order Riverside to file a general rate case in eighteen months so that its operations can be audited and rates adjusted if necessary. Any refunds made at that time shall be calculated with interest at six percent per annum.

The Commission finds finally that once the sale is completed and tariffs approved for service it will withdraw its action for receivership in circuit court.

IT IS THEREFORE ORDERED:

1. That the sale and transfer of assets from Richard G. Snoderly and Estelle Lea Atkins, d/b/a White Branch Water Company to Riverside Utility Company, be approved and is ordered completed on or before October 6, 1992.

2. That the current certificate of convenience and necessity issued to Richard G. Snoderly and Estelle Lea Atkins, d/b/a White Branch Water Company, be hereby cancelled as of the date of transfer of assets to Riverside Utility Company and tariffs are approved for service by Riverside Utility Company.

3. That Riverside Utility Company shall file tariffs setting out a map and legal description of the White Branch Water Company service area and setting

water rates in accordance with the Commission decision herein for service on and after October 6, 1992. The tariffs setting rates for service will be interim subject to refund.

4. That a certificate of convenience and necessity will be granted to Riverside Utility Company to provide water service in the area now served by White Branch Water Company when the tariffs required in Ordered 3 are approved.

5. That Riverside Utility Company shall file a general rate case pursuant to 4 CSR 240-2.060(8) within eighteen (18) months of the effective date of this Order.

6. That this Order shall become effective on the 6th day of October, 1992.

BY THE COMMISSION

*Brent Stewart*

Brent Stewart  
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Perkins,  
and Kincheloe, CC., Concur.  
Rauch, C., Dissents.