

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Capital City Water Company)
for authority to file tariffs increasing rates) CASE NO. WR-90-118
for water service provided to customers in the) REMAND
Company's Missouri service area.)

APPEARANCES: W. R. England, III, Attorney at Law, Brydon, Swearingen,
& England, P. C., P. O. Box 456, Jefferson City,
Missouri 65102 and Kathy Lee Pape, Attorney at Law,
2004 Renaissance Boulevard, King of Prussia,
Pennsylvania 19406, for Capital City Water Company.

James M. Fischer, Attorney at Law, 102 East High Street,
Suite 200, Jefferson City, Missouri 65101, and
B. Allen Garner, City Counselor, 320 East McCarty Street,
Jefferson City, Missouri 65101, for the City of
Jefferson, Missouri.

Lewis R. Mills, Jr., Deputy Public Counsel, P. O. Box 7800,
Jefferson City, Missouri 65102, for the Office of the
Public Counsel and the Public.

Robert J. Hack, General Counsel, P. O. Box 360, Jefferson City,
Missouri 65102, for the Staff of the Missouri Public Service
Commission.

Hearing
Examiner: Mark A. Grothoff

REPORT AND ORDER

On March 2, 1993, The Missouri Court of Appeals, Western District,
issued a decision reversing a ruling of the Circuit Court of Cole County,
Missouri which affirmed the June 19, 1991 Report and Order on Rehearing issued
in this case by the Commission. The Court of Appeals found that the Commission
was unreasonable in utilizing Rate E when valuing the water supplied to Public
Water Supply District No. 2 without excluding depreciation applicable to the
water supplied from the District's own facilities and excluding a return on
investment on all supplied water. The Court of Appeals directed the Circuit
Court to remand this cause to the Commission for further proceedings consistent
with the Court of Appeals' decision.

On May 27, 1993, the Circuit Court issued its Order remanding this matter to the Commission. On July 9, 1993, the Commission issued an Order and Notice directing the parties to this case to file a proposed procedural schedule or a proposed disposition of the issues remanded by the Court of Appeals.

On September 9, 1993, a Stipulation and Agreement (Stipulation) was filed by the parties for Commission consideration. On September 15, 1993, a hearing was held in which the Stipulation was placed on the record. All the parties waived cross-examination and reading of the transcript by the Commission. Also, Capital City Water Company (Capital City) indicated that it had no objection to the Commission issuing an order in this matter which had an effective date of less than ten days after the order is issued.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

On March 2, 1993, the Missouri Court of Appeals, Western District, issued its decision in *State of Missouri ex rel. Capital City Water Company v. Missouri Public Service Commission, et al.*, 850 S.W.2d 903 (Mo. App. 1993) wherein the Court reversed the judgment of the Circuit Court of Cole County, Missouri, affirming the June 19, 1991, Report and Order on Rehearing issued in this case by the Commission. Specifically, the Court of Appeals found that "it was unreasonable for the Commission to utilize Rate E when valuing the water supplied to the [Public Water Supply] District [No. 2] without adjusting the rate to exclude depreciation applicable to the water supplied from the District's own facilities and to exclude a return on investment on all water supplied." *Capital City*, 850 S.W.2d at 915. The Court of Appeals remanded the cause to the Circuit Court with directions to remand the cause to the Commission for further proceedings consistent with the Court of Appeals' decision.

On September 9, 1993, the parties filed a Stipulation (Attachment A to this Report and Order and incorporated herein by reference) which proposed to settle all issues in this case. All of the parties are signatories to the Stipulation and all appeared at a hearing on September 15, 1993, at which the Stipulation was received into the record.

The Stipulation provides that Capital City would be authorized to file revised tariff sheets designed to increase its gross annual revenues, exclusive of applicable gross receipts and franchise taxes, by \$90,000. The \$90,000 revenue increase would be spread among existing rates consistent with the rate design approved by the Commission in its Report and Order issued in this case on October 31, 1990. The revised rates would be effective for service on and after September 21, 1993.

The Stipulation represents a negotiated dollar settlement for the purpose of disposing of this case and complying with the decision of the Court of Appeals. The parties indicated that the \$90,000 amount was agreed upon after consideration of the depreciation and return on investment as required by the Court of Appeals' remand. None of the parties have agreed to or acquiesced in any ratemaking principle, method of cost of service determination, or cost allocation underlying the Stipulation.

The Commission has reviewed the Stipulation agreed to by the parties and finds that its provisions are reasonable. The Commission also finds that the Stipulation is in compliance with the decision of the Court of Appeals. Thus, the Commission finds that the Stipulation is just and reasonable and should be approved.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law:

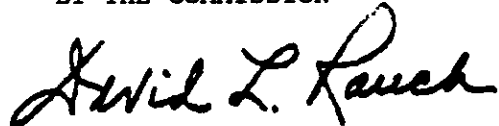
The Commission has jurisdiction over this matter pursuant to Sections 386 and 393, RSMo 1986, as amended. The standard for Commission approval of the Stipulation is whether it is just and reasonable.

The Commission may approve the Stipulation in this case if it finds that the Stipulation is just and reasonable. The Commission has so found and thus concludes that the Stipulation should be approved. The Commission also concludes that Capital City should file tariff sheets in compliance with the Stipulation and this Report and Order.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed in this case (Attachment A) is hereby approved and adopted.
2. That Capital City Water Company is hereby authorized to file tariff sheets consistent with the Stipulation and Agreement and this Report and Order for service on and after September 21, 1993.
3. That this Report and Order shall become effective on September 21, 1993.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,
and Kincheloe, CC., Concur.
Crompton, C., Absent.

Dated at Jefferson City, Missouri,
on this 17th day of September, 1993.

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OF THE STATE OF MISSOURI

In the matter of Capital City Water)	
Company for authority to file tariffs)	
increasing rates for water service)	Case No. WR-90-118
provided to customers in the company's)	
Missouri service area.)	

STIPULATION AND AGREEMENT ON REMAND

On March 2, 1993, the Missouri Court of Appeals, Western District, issued its decision in State of Missouri ex rel. Capital City Water Company v. Missouri Public Service Commission, et al., 850 S.W.2d 903 (Mo. App. 1993), wherein the Court reversed the judgment of the Circuit Court of Cole County affirming the June 19, 1991 Report and Order on Rehearing of the Missouri Public Service Commission (Commission) issued in the above-referenced matter. Specifically, the Court of Appeals found that "it was unreasonable for the Commission to utilize Rate E when valuing the water supplied to the [Public Water Supply] District [No. 2] without adjusting the rate to exclude depreciation applicable to the water supplied from the District's own facilities and to exclude a return on investment on all water supplied." (850 S.W.2d at 915) The Court of Appeals remanded the cause to the Circuit Court with directions to remand the cause to the Commission for further proceedings consistent with the Court of Appeals' decision.

On May 27, 1993, the Circuit Court of Cole County, Missouri issued its Order remanding the matter to the Commission.

On July 9, 1993, the Commission issued its Order and Notice directing the Parties to file a proposed procedural schedule or a

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proposed disposition of the issues remanded by the Court of Appeals.

On July 29 and August 5, 1993, representatives of the Capital City Water Company (Company), the Office of Public Counsel (Public Counsel), the City of Jefferson City, Missouri (City) and the Commission Staff (Staff) met to discuss the possibility of resolving the differences that existed between them regarding an appropriate revenue requirement for the Company in light of the Court of Appeals' directive.

On August 9, 1993, the Staff filed, on behalf of all of the Parties, a proposed procedural schedule.

As a result of subsequent discussions among the Parties, all of the Parties stipulate and agree as follows:

1. The Company shall be authorized to file revised tariffs for water service which are designed to increase its gross annual revenues (exclusive of applicable gross receipts and franchise taxes) by \$90,000. The revenue deficiency of \$90,000 shall be spread to existing rates consistent with the Parties' agreement regarding rate design, which was adopted by the Commission in its Report and Order issued October 31, 1990 in the above-captioned matter. A schedule of the rates for water service necessary to recover the revenue deficiency of \$90,000 is attached hereto as Appendix A. Finally, the Parties agree that these rates shall become effective for water service rendered on and after September 21, 1993.

2. This Stipulation and Agreement represents a negotiated dollar settlement for the purpose of disposing of the instant case and complying with the decision of the Court of Appeals, and none of the Parties to this Stipulation and Agreement shall be prejudiced or bound by the terms of this Stipulation and Agreement in any future proceedings, or in this proceeding, in the event the Commission does not approve this Stipulation and Agreement in its entirety.

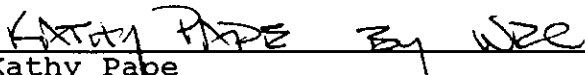
3. None of the Parties to this Stipulation and Agreement shall be deemed to have approved of or acquiesced in any ratemaking principle or any method of cost of service determination or cost allocation underlying any of the rates for which provision has been made in this Stipulation and Agreement.


4. The Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement and to provide the Commission whatever further explanation the Commission requests. The Staff's memorandum shall not become a part of the record of this proceeding. If the Commission does not approve this Stipulation and Agreement, the memorandum shall not bind or prejudice the Staff in this proceeding. Regardless of whether the Commission approves the Stipulation and Agreement, the memorandum shall not bind or prejudice the Staff in any future proceeding. Any rationales advanced by the Staff in such a memorandum are its own and are not acquiesced in or otherwise adopted by the other Signatories.

5. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties agree that the Commission need not reopen the record to take any additional evidence and that the procedural schedule to which the Parties previously agreed may be abandoned. Accordingly, the Parties waive their rights 1) to present evidence and cross examine witnesses pursuant to § 536.070 RSMo. 1986; 2) to present oral argument and written briefs pursuant to Section 536.080 RSMo. 1986; 3) pertaining to the reading of the transcript by the Commission pursuant to Section 536.080 RSMo. 1986; and 4) to judicial review pursuant to Section 386.510 RSMo. 1986.

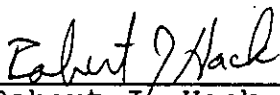
6. The agreements in this Stipulation and Agreement have resulted from extensive negotiations among the Parties and are interdependent; in the event the Commission does not approve and adopt this Stipulation and Agreement in its entirety and in the event the rates agreed to herein do not become effective for water service rendered on and after September 21, 1993, the Parties agree that this Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof.

Respectfully submitted,

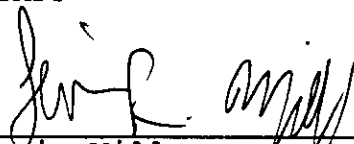

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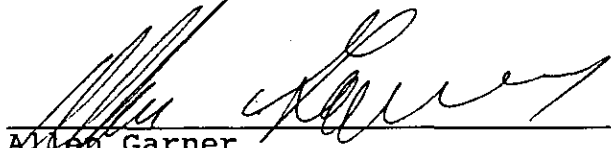

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RATE CALCULATION

08-Sep-93
08:39 AM

Customer Billing: \$358,203 divided by 116,592 bills = \$3.0723 Customer Billing

Customer Service: \$201,377 divided by 12,450 M.E.Q. divided by 12 \$1.3479 Base Meter Charge

Meter Size	Flow Factor	Base Meter Charge	CUSTOMER BILLING	Customer Charge
5/8"	1.0000	\$1.3479	\$3.0723	\$4.4202
3/4"	1.5000	\$1.3479	\$3.0723	\$5.0941
1"	2.5000	\$1.3479	\$3.0723	\$6.4420
1 1/2"	5.0000	\$1.3479	\$3.0723	\$9.8118
2"	8.0000	\$1.3479	\$3.0723	\$13.8555
3"	15.0000	\$1.3479	\$3.0723	\$23.2909
4"	25.0000	\$1.3479	\$3.0723	\$36.7699
6"	50.0000	\$1.3479	\$3.0723	\$70.4675

Monthly Minimum

Meter Size	CUSTOMER Charge	COST OF CCF	Customer Charge
5/8"	\$4.4202	\$1.5345	\$5.9546
3/4"	\$5.0941	\$1.5345	\$6.6286
1"	\$6.4420	\$1.5345	\$7.9765
1 1/2"	\$9.8118	\$1.5345	\$11.3463
2"	\$13.8555	\$1.5345	\$15.3900
3"	\$23.2909	\$1.5345	\$24.8253
4"	\$36.7699	\$1.5345	\$38.3044
6"	\$70.4675	\$1.5345	\$72.0020

Commodity Rates

Component #1	\$1,348,966	divided by	1,425,386 ccf	\$0.9464
Component #2	\$703,936	divided by	1,197,039 ccf	\$0.5881
	Comp 1		Comp 2	Total
Commodity Rate #-1	\$0.9464		\$0.5881	\$1.5345 1-315 ccf per ccf
Commodity Rate #-2			\$0.9464	\$0.9464 All usage over 315 ccf per ccf