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**STATE OF MISSOURI**
**PUBLIC SERVICE COMMISSION**

At a Session of the Public Service Commission held at its office in Jefferson City on the 29th day of January, 1998.

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| In the Matter of West Elm Place Corporation's Request for an Increase in Its Gross Annual Sewer Revenues Pursuant to the Commission's Small Company Rate Increase Procedure. | ) ) ) ) ) | **Case No. SR-98-270** |

## ORDER APPROVING STIPULATION AND AGREEMENT, AMENDMENT AND TARIFFS

On December 31, 1997, West Elm Place Corporation (West Elm) filed tariffs for the purpose of raising its annual revenue requirement by $85,000, or approximately 8.96 percent, pursuant to the Commission's small company rate increase procedure as set out in 4 CSR 240-2.200. The tariffs bear an effective date of February 1, 1998.

On December 31, 1997, a unanimous stipulation and agreement was filed in which the parties agreed as to the proposed increase and other matters as set out in the proposed tariffs. On January 8, 1998, the Staff of the Commission (Staff) filed suggestions in support of the proposed stipulation. The stipulation and agreement is appended to this order as Attachment A. On January 23, 1998, Amendment No. 1 to the unanimous stipulation was filed and is appended to this order as Attachment B.

The stipulation reflects that the parties are in agreement as to the reasonableness of the proposed increase in annual revenue of $85,000. The Staff states that, after audit and application of the standard small sewer company depreciation rates, set out in Attachment 1 of the amendment to the unanimous stipulation, an increase in annual revenue of $93,605 could be justified.

The stipulation provides that the proposed tariffs should be approved for service on or after February 1, 1998 without suspension. The Staff notes that West Elm bills on a calendar quarterly basis in advance and that, therefore, the first quarter 1998 bills do not include the pro rata proposed increase to be effective February 1, 1998. For that reason the stipulation specifies that, upon approval, West Elm will issue a supplemental first quarter bill, with explanation as specified in Exhibit H to the stipulation.

The amendment provides that the depreciation rates as set out in Attachment 1 to the amendment are agreed upon and will be adopted by West Elm.

Finally, the stipulation provides for resolution of Staff concerns regarding outside professional services, Jefferson County property taxes and the billing of commercial customers.

The Commission has determined that no formal hearing is necessary in this matter as the parties have agreed on all issues. Further, the Commission finds no need to suspend the proposed tariffs.

The Commission has reviewed the proposed stipulation and agreement, amendment, attached documentation and Staff suggestions in support thereof, and found the stipulation and agreement, amendment and proposed rates to be just and reasonable. The Commission will approve the stipulation and agreement and amendment and approve the proposed rates and other tariffs filed December 31, 1997, for service on or after February 1, 1998.

**IT IS THEREFORE ORDERED:**

1. That the unanimous stipulation and agreement, as amended, filed by the parties December 31, 1997 and January 23, 1998, is hereby approved, and West Elm Place Corporation is hereby ordered to abide by all terms and conditions of that unanimous agreement.

2. That the following tariffs, filed December 31, 1997 by West Elm Place Corporation, are hereby approved for service on or after February 1, 1998.

P.S.C. MO. No. 2

11th Revised Sheet No. 1, Canceling 10th Revised Sheet No. 1
6th Revised Sheet No. 1A, Canceling 5th Revised Sheet No. 1A
2nd Revised Sheet No. 1B, Canceling 1st Revised Sheet No. 1B

3. That, in accordance with the terms and conditions of the stipulation and agreement, as amended, the West Elm Place Corporation is ordered to adopt the depreciation rates as set out in Attachment B to this order.

4. That order shall become effective on February 1, 1998.

**BY THE COMMISSION**

Dale Hardy Roberts

**Dale Hardy Roberts**
**Secretary/Chief Regulatory Law Judge**

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.

Derque, Regulatory Law Judge

FILED
DEC 31 1997
MISSOURI
PUBLIC SERVICE COMMISSION

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

| | | |
|---|---|---|
| In the matter of West Elm Place Corporation's request for an increase in its gross annual sewer revenues pursuant to the Commission's Small Company Rate Increase Procedure. | ) ) ) ) ) | Case No. SR-98-270<br>File No. 9700403 |

## UNANIMOUS STIPULATION AND AGREEMENT

COMES NOW West Elm Place Corporation (West Elm or Company), the Staff of the Missouri Public Service Commission (Staff) and the Office of the Public Counsel (OPC) and for their Unanimous Stipulation and Agreement (Stipulation) state as follows:

(1) By a letter dated December 17, 1996, and received at the Commission's offices on December 23, 1996, West Elm requested an increase in its gross annual sewer revenues of $85,000. The Company submitted this request under the provisions of the Commission's Small Company Rate Increase Procedure, 4 CSR 240-2.200 (the informal rate case rule).

(2) As required by the informal rate case rule, West Elm was current on its annual report filings and on the payment of its Commission assessment. As a result, the Commission's Records Department accepted the Company's request and assigned it File No. 9700403 for purposes of identification and processing.

(3) During the Staff's audit of the Company, West Elm and the Staff agreed to two extensions of time for completing the audit process, as provided for in the informal rate case rule.

(4) The Staff completed its initial audit of the Company's books and records on or about October 8, 1997, and provided the results of the audit to West Elm and the OPC shortly thereafter. Subsequent discussions between the Staff and the Company resulted in several changes to the Staff's initial audit findings.



ATTACHMENT A

(5) On November 21, 1997, the Staff hosted a conference call involving representatives of the Staff, the Company and the OPC (the parties). On December 19, 1997, the Staff hosted a meeting attended by representatives of the parties. Based upon the discussions during the referenced conference call and meeting, the parties have agreed to the terms set out in the following paragraphs.

(6) Tariff Sheets

(a) The parties agree that the tariff sheets filed by West Elm on December 31, 1997, which bear a proposed effective date of February 1, 1998 and resulted in the creation of the instant docket, are designed to produce an increase in gross annual revenues (exclusive of any gross receipts taxes) of approximately $85,000 (8.96%) and to effectuate the terms of this Stipulation.

(b) The parties further agree that the Commission should approve the subject tariffs without suspension or further condition. The parties do not believe that any hearing or formal presentation is necessary in this proceeding, but stand ready to provide additional information to the Commission if requested to do so.

(7) Initial Billing Under New Rates: Since the Company bills its customers on a calendar quarterly basis in advance, and because of the February 1 effective date of the overall rate increase, it will need to bill its customers for the February and March incremental rate increases in some manner. The parties agree that at the Company's option it may bill its customers for the incremental rate increases for these two months either through a supplemental first quarter billing after February 1, or by adding the increase to its next regular quarterly billing. In either event, the Company will place an explanatory note on the customers' bills regarding the need for the special billing and the level of the overall rate increase.

(8) Outside Professional Services

(a) West Elm agrees to obtain and review proposals from at least three different alternative sources for accounting services, and to provide the results to the OPC and the Staff within three months from the date that the rate increase reflected in the referenced tariffs takes effect. This review and analysis will consist of West Elm attempting to obtain proposals from at least three such providers for the particular type of service, with such proposals to contain prices, relevant experience and references. The review of such proposals will be as deemed appropriate by West Elm management.

(b) West Elm further agrees that in its next request for ratemaking recognition of expenses for outside accounting, legal, engineering and contract sewer maintenance services, in amounts greater than $10,000 annually for each such category, it will produce a documented review and analysis of comparable service providers for those services to show that ratepayers are benefitting from the competitive procurement of the services. This document review and analysis will consist of West Elm attempting to obtain proposals from at least three such providers for the particular type of service, with such proposals to contain prices, relevant experience and references. The analysis of such proposals will be as deemed appropriate by West Elm management.

(9) Jefferson County Property Taxes

(a) During 1997, the Jefferson County taxing authorities informed West Elm that they had reassessed its property tax liability. The result of that reassessment meant a substantial increase in West Elm's property taxes. The Staff and West Elm agreed to include the increased level of 1997 property taxes in this rate case:

(b) After reviewing the basis of the 1997 tax increase, both West Elm and the Staff believed that errors existed in the methodology employed by the Jefferson County taxing authorities to calculate West Elm's property taxes. With the support of the Staff, West Elm filed an appeal with the Board of Equalization in Jefferson County (Board). Representatives of both West Elm and the Staff appeared before the Board and presented their positions. The Board granted part of the appeal and reduced the assessed valuation somewhat, but denied the other positions of West Elm and the Staff.

(c) The Staff continues to believe that the positions presented to the Board were correct and plans to discuss these concerns further with the State Tax Commission. If the Staff is successful in its discussions with the State Tax Commission, West Elm agrees to flow the actually experienced property tax savings, net of the increased revenue requirement determined in this proceeding, to the ratepayers of West Elm in the following manner:

(i) The amount by which the total of West Elm's actual real estate and personal property tax bills for the year 1997 exceeds the same for the year 1998 will be reduced by $8,605 to produce the amount of any prospective rate reduction. Within thirty (30) days of receiving such 1998 tax bills (expected to be in October 1998), West Elm agrees to file a proposed tariff with the Commission on 30 days' notice, to prospectively reduce annual revenue by the requisite amount. The Company will apply any such reduction as a uniform percentage decrease in the quarterly service charges for all rate classes for sewer service.

(d) If West Elm has a formal rate case pending before the Commission at the time of any tariff filing to reduce rates as provided in (9(c)(i) above, it will file such rate reduction tariffs as "interim" tariffs subject to a final Commission order in the formal rate case.

(10) Prospective Change in Method of Billing: The parties have agreed to a prospective change in the Company's billing practices for its commercial customers. West Elm currently bills its commercial customers in advance based upon a minimum quarterly service charge and an estimate of the customers' expected water usage, and then makes a correction in the following quarter for actual water usage. The parties agree that the Company should modify this practice so that its commercial customers' bills will be based on the customers' actual water usage for the prior quarter, in addition to the minimum quarterly service charge, which will eliminate the need for water usage estimates and subsequent billing adjustments. The parties agree that the filed tariff sheets contain provisions that will result in the agreed-upon billing change, and that the change will thus take place after the Commission has approved the subject tariff sheets. The Staff and the OPC waive any claim that West Elm's prior practice was a violation of any Commission rule or Company tariff provision.

(11) Other Provisions

(a) If the tariffs referenced in this Stipulation take effect on February 1, 1998, then with respect to the matters set out herein the signatories waive their rights to call, examine or cross examine witnesses, pursuant to §536.070(2) RSMo 1994; to present oral argument and written briefs, pursuant to §536.080.1 RSMo 1994; and to judicial review pursuant to §386.510 RSMo 1994.

(b) Except as specifically provided herein, no party will be bound by any of the provisions hereof in any future proceeding, or in any proceeding currently pending under a separate docket number. None of the signatories to this Stipulation are deemed to have approved of or acquiesced in any ratemaking principle or any method of cost determination, rate design or cost allocation underlying or allegedly underlying this Stipulation. This Stipulation represents a negotiated settlement for the sole purpose of disposing of the subject small company rate increase request, and the parties will not refer to or cite it as precedent in any other proceeding, except as necessary to enforce the provisions hereof.

(c) The provisions of this Stipulation have resulted from extensive negotiations among the signatories and are interdependent. If the tariffs referenced herein do not take effect on February 1, 1998, the Stipulation will be void and no party will be bound by any of the provisions hereof.

(d) The Staff will file a pleading titled "Suggestions in Support of Stipulation and Agreement" (Suggestions) in the instant docket, which will include the documents normally associated with the processing of tariffs filed under the informal rate case rule. These Suggestions will also include further explanation regarding the Jefferson County property tax issue and a general explanation of the Staff's reasoning for entering into this Stipulation.

(e) At the Commission's request, the Staff may give the Commission further written explanation of its rationale for entering into this Stipulation, if the Staff also gives a copy of its explanation to each signatory to the Stipulation. In that event, each signatory may give the Commission a responsive written explanation within five (5) business days of receipt of the Staff's explanation, if the responding signatory contemporaneously gives a copy of such responsive written explanation to all other signatories. Each signatory agrees to keep the Staff's and other signatories' explanation confidential, and to treat them as privileged to the same extent as settlement negotiations under the Commission's rules. No signatory acquiesces in or adopts the explanations of another signatory. Such explanations will not become a part of this case's record, nor bind or prejudice any signatory in any proceeding.

(f) The Staff may also provide whatever oral explanation the Commission requests at any agenda meeting, if the Commission has given notice that it may consider this Stipulation or the underlying proposed tariff sheets at such meeting(s). The Staff will inform the other signatories as soon as practicable when the Staff learns that the Commission will request such an explanation. The Staff's explanation in agenda will be subject to public disclosure, except to the extent it pertains to matters protected from disclosure.

WHEREFORE, the parties respectively request that the Commission approve the tariffs associated with this Stipulation and Agreement, which bear an effective date of February 1, 1998, without suspension.

Respectfully submitted,

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**Before The Public Service Commission**

**Of The State Of Missouri**

| | | |
|---|---|---|
| In the Matter of West Elm Place Corporation's Request for an Increase in Its Gross Annual Sewer Revenues Pursuant to the Commission's Small Company Rate Increase Procedure. | ) | Case No. SR-98-270<br>File No. 9700403 |

## Amendment No. 1 to Unanimous Stipulation and Agreement

COMES NOW West Elm Place Corporation (West Elm), the Staff of the Missouri Public Service Commission (Staff) and the Office of the Public Counsel (collectively, the parties) and for their Amendment No. 1 to Unanimous Stipulation and Agreement (Amendment) state as follows:

(1) On December 31, 1997, the parties entered into and filed a Unanimous Stipulation and Agreement (Stipulation) in this case.

(2) On January 8, 1998, the Staff filed its Suggestions in Support of Stipulation and Agreement (Suggestions) in this case. As a part of its Suggestions, the Staff discussed its review of West Elm's prescribed depreciation rates (paragraph (5), page 2) and attached a schedule of recommended depreciation rates to its Suggestions as Appendix F.

(3) A schedule of recommended depreciation rates was not attached to the parties' Stipulation, nor was the issue of depreciation rates discussed in the body of the Stipulation. The parties agree that it would be appropriate to request that the Commission issue an order authorizing and approving a complete set of depreciation rates for West Elm.

(4) The parties agree that the depreciation rates set out in Attachment 1 hereto are the depreciation rates used by the Staff for its calculation of West Elm's revenue requirement needs in this case. The parties also agree that the Commission should issue an order authorizing



ATTACHMENT B

and approving West Elm's use of the depreciation rates set out in Attachment 1 as a part of its order in this case. It should be noted, however, that the depreciation rates set out in Attachment 1 are not the same as those set out in Appendix F to the Staff's Suggestions. The parties agree that the depreciation rates set out in Appendix F to the Staff's Suggestions were not the appropriate rates for West Elm and shall not be considered to apply to West Elm.

(5) Contemporaneous with the filing of this Amendment, the Staff is filing Supplemental Suggestions in Support of Amended Stipulation and Agreement (Supplemental Suggestions) wherein it explains the reason why Attachment 1 hereto is the appropriate "schedule" of depreciation rates for this case. The Staff's Supplemental Suggestions will also include an Appendix F - Amended, which will contain the same depreciation rates as are set out in Attachment 1 hereto.

WHEREFORE, the parties have agreed to amend their Stipulation dated December 31, 1997, to include a schedule of depreciation rates for West Elm and that the Commission should issue an order authorizing and approving West Elm's use of said rates.

Respectively Submitted,

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# West Elm Place Corporation
## Depreciation Rates
## Case No. SR-98-270

| Account No. | Account Description | Annual Rate |
|---|---|---|
| 301 | Organization | 10.00% |
| 302 | Franchise & Consents | 0.00% |
| 310 | Land | 0.00% |
| 352.1 | Collection Mains - Force | 1.50% |
| 352.2 | Collection Mains - Gravity | 1.50% |
| 352.2 | Manholes | 1.50% |
| 354 | Flow Measuring Devices | 4.00% |
| 355 | Flow Measuring Installations | 4.00% |
| 361 | Structures & Improvements Piping | 2.00% |
| 363 | Pumping Equipment | 5.00% |
| 371 | Structures & Improvements T&D | 2.00% |
| 373 | Treatment & Disposal Equipment | 4.00% |
| 390 | Structures & Improvements General | 2.00% |
| 391 | Office Furniture & Equipment | 5.00% |
| 392 | Transportation Equipment | 10.23% |
| 394 | Shop & Power Equipment | 9.50% |
| 395 | Laboratory Equipment | 9.50% |
| 396 | Power Operated Equipment | 9.50% |
| 397 | Communication Equipment | 5.00% |

Attachment 1

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown below this 23rd day of January, 1998.

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Office of the Public Counsel
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Gary Duffy
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RECEIVED

JAN 30 1998

COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION