

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

In the Matter of Central Rivers Wastewater    )  
Utility, Inc.'s Small Company Rate            )     File No. SR-2014-0247  
Increase Request.                                 )

**THE OFFICE OF THE PUBLIC COUNSEL'S OBJECTION AND EVIDENTIARY  
HEARING REQUEST AND REQUEST FOR LOCAL PUBLIC HEARING**

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Objection and Evidentiary Hearing Request and Request for Local Public Hearing states as follows:

1. On March 11, 2014, Central Rivers Wastewater Utility, Inc. (Central Rivers), initiated a small company rate increase proceeding with the Missouri Public Service Commission (Commission) requesting an increase of \$91,789.57 (approx. 100%) in its total annual sewer system operating revenues.
2. On October 7, 2014, the Staff of the Missouri Public Service Commission (Staff) filed a Notice of Company/Staff Agreement Regarding Partial Disposition of Small Company Rate Increase Request. The attached Partial Disposition Agreement between Staff and Central Rivers reflects an agreed-upon annualized operating revenue increase in the amount of \$34,461 (31.9%) and an agreed-upon sewer system net rate base of \$110,300. The Partial Disposition Agreement also reflects an agreed-upon capital structure which includes 61.53% equity and a return on that equity of 8.60%. The Partial Disposition Agreement indicates agreement that the unresolved issues be addressed through the contested case process. Public Counsel did not join in the Partial Disposition Agreement.
3. On October 8, 2014, the Commission issued an Order directing Staff and Public Counsel to respond and explain how the Partial Disposition Agreement complies with Commission Rule

4 CSR 240-3.050 and what procedures should be implemented to resolve the remaining disputed issues.

#### **Compliance With Rule 4 CSR 240-3.050**

4. Commission Rule 4 CSR 240-3.050 states:

(11) No later than one hundred fifty (150) days after a case is opened, the staff shall file a disposition agreement between at least the staff and the utility providing for a full or partial resolution of the utility's revenue increase request. At any time prior to the filing of the disposition agreement, the assigned regulatory law judge **may** be called upon to meet with the participants and mediate discussions to assist them in reaching at least a partial agreement. If the disposition agreement filed by the staff provides for only partial resolution of the utility's request, it **may** contain provisions whereby the signatories request that the assigned regulatory law judge initiate an arbitration procedure regarding unresolved issues identified in the agreement. [Emphasis added.]

5. The Partial Disposition Agreement filed by Staff provides for a partial resolution of the utility's revenue increase between at least Staff and Central Rivers. Mediation could have been requested by the parties under the Rule, but there is no requirement to do so. Similarly, arbitration could have been requested by the parties under the Rule, but again there is no requirement to do so. Therefore, the Partial Disposition Agreement complies with 4 CSR 240-3.050(11).

#### **Objection and Evidentiary Hearing Request**

6. As the Partial Disposition Agreement was filed between Central Rivers and Staff in compliance with 4 CSR 240-3.050, Public Counsel has the opportunity to respond to preserve its right to evidentiary hearing.

7. Commission Rule 4 CSR 240-2.115(2) states:

(B) Each party shall have seven (7) days from the filing of a nonunanimous stipulation and agreement to file an objection to the nonunanimous stipulation and agreement. Failure to file a timely objection shall constitute a full waiver of that party's right to a hearing.

8. Public Counsel has reviewed the filing by Staff and now states that it does not agree with the agreed-upon annualized operating revenue increase as reflected in the Partial Disposition Agreement. Therefore, Public Counsel objects to the Partial Disposition Agreement and requests an evidentiary hearing.

9. Commission Rule 4 CSR 240-3.050 states:

(20) If the public counsel files a request for an evidentiary hearing, the request shall include a specified list of issues that the public counsel believes should be the subject of the hearing. The utility's pending tariff revisions shall then be suspended, and the utility's case shall be resolved through contested case procedures conducted in the time remaining in the rate case process, consistent with the requirements of section (24), the requirements of due process, and fairness to the participants in the matter and the utility's ratepayers.

10. In the Notice of Company/Staff Agreement Regarding Partial Disposition of Small Company Rate Increase Request, Staff informed the Commission that the following issues remain for determination after hearing: (1) the refunding of previously collected connection fees in excess of the tariffed amount; (2) the amount of the connection fee to be included in the tariff; (3) whether parties other than the Company's affiliated construction company should be allowed to install the STEP and STEG systems; and (4) the contract operations salary amounts allowed in rate case expense. Public Counsel agrees that these items are unresolved and reflect issues which should be taken up by the Commission at the evidentiary hearing.

11. It is also Public Counsel's position that the above-stated unresolved issues may have a material effect on the revenue requirement for Central Rivers as reflected in the Partial Disposition Agreement. Plant balances, rate base, contributions-in-aid of construction (CIAC) balances, depreciation/depreciation reserve balances, and ultimately the capital structure and return on equity may need to be modified and updated.

12. Public Counsel also believes that if refunds of previously collected connection fees in excess of the tariffed amount are ordered, the Commission will need to determine what timeframe for refunds is just and reasonable, and whether it is just and reasonable to include interest in the refund calculation.

13. Also, as with any evidentiary hearing, rate case expense is a viable issue before the Commission in this case. However, Public Counsel is unsure whether the stated issue regarding the contract operations salary amounts allowed in rate case expense will ultimately be only a rate case expense issue or whether it will affect and possibly require modification of the salary amounts included in the cost of service calculations in the Partial Disposition Agreement.

14. Public Counsel also has concerns that the non-STEP CIAC calculations reflected in the Partial Disposition Agreement have not been updated to reflect the update period in this case.

15. Additionally, Public Counsel has concerns regarding customer deposit refunds. The Partial Disposition Agreement contemplates customer deposit refunds to be completed over two years. Public Counsel believes that two years is an excessive amount of time for customers to wait in order to have their deposits returned as required by Commission Rule, especially when being asked to bear a rate increase immediately. It is also Public Counsel's position that a determination of a just and reasonable rate base applicable to the completion of customer deposit refunds should be made in this case.

16. Given Public Counsel's objection to the Partial Disposition Agreement and request for evidentiary hearing, it is not just and reasonable that tariffs reflecting the Partial Disposition Agreement be contemplated at this time. Should tariffs be filed by Central Rivers seeking to implement the Partial Disposition Agreement, the revenue requirement, rate base, capital structure and return would all be at issue pending the outcome of the evidentiary hearing.

Therefore, any proposed tariffs seeking to implement the Partial Disposition Agreement must be suspended by the Commission per 4 CSR 240-3.050(20).

**Request for Local Public Hearing**

17. Affording customers the opportunity to speak to the Commission at a hearing is a critical part of the ratemaking process. The agreed-upon annualized operating revenue increase in the Partial Disposition Agreement is quite significant for the customer. Also the pending unresolved issues including refunding of previously collected connection fees in excess of the tariffed amount and whether parties other than the Company's affiliated construction company should be allowed to install the STEP and STEG systems affect the customers directly. Therefore, Public Counsel requests that the Commission schedule a local public hearing in this case.

18. Public Counsel does not object to the Commission scheduling the hearing promptly, as long as customers are given sufficient notice.

**WHEREFORE**, Public Counsel respectfully submits its objection and evidentiary hearing request and request for a local public hearing.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

**/s/ Christina L. Baker**

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 10<sup>th</sup> day of October 2014:

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**/s/ Christina L. Baker**

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