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November 24, 1999

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DANA K. JOYCE
General Counsel

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. WR-2000-68

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **NOTICE OF INTENT TO CONDUCT FURTHER INVESTIGATION AND MOTION TO FURTHER SUSPEND TARIFFS.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

David J. Stueven
Assistant General Counsel
(573) 751-6726
(573) 751-9285 (Fax)

DJS/mm
Enclosure
cc: Counsel of Record

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Service Commission

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Missouri Public
Service Commission

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

In the matter of Terre Du Lac Utilities	)	Case No. WR-2000-68
Corporation Water Rate Increase Request.	)	Tariff File 9900333
In the matter of Terre Du Lac Utilities	)	Case No. SR-2000-69
Corporation Sewer Rate Increase Request.	)	Tariff File 9900334

**NOTICE OF INTENT TO CONDUCT FURTHER INVESTIGATION
AND MOTION TO FURTHER SUSPEND TARIFF SHEETS**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through its undersigned counsel, and for its *Notice Of Intent To Conduct Further Investigation And Motion To Further Suspend Tariff Sheets* states to the Missouri Public Service Commission ("Commission") as follows:

1. By a letter dated October 23, 1998, which was received at the Commission's offices on October 26, 1998, Terre Du Lac Utilities Corporation ("Company") submitted its requests for increases in its annual operating revenues for both its water and sewer utility services ("Requests"). The Company submitted these Requests under the provisions of 4 CSR 240-2.200, the Commission's Small Company Rate Increase Procedure ("the informal rate case procedure"). By its Requests, the Company was seeking increases of \$23,000 and \$47,000 in its annual water and sewer operating revenues, respectively. Upon receipt and acceptance of the Company's Requests, the Commission's Records Department assigned file numbers 9900333 (water) and 9900334 (sewer) to the Requests, and forwarded them to the Commission's Water & Sewer Department for processing under the informal rate case procedure.

2. By a letter dated October 26, 1998, which had previously been approved by the Water & Sewer Department Staff, the Company notified its customers of its Requests. As a

result of this initial customer notice, the Staff received ninety-one customer letters and seven telephone contacts regarding the Company's Requests. For the most part, the customer comments were in regard to the amount of the requested increases; however, some customers did identify problems related to the operation of the water and/or sewer systems that they believed warranted investigation. The Staff subsequently replied to each of the customer letters and conducted investigations of the service-related problems, as deemed appropriate. Copies of the customer letters and the Staff's replies to them have previously been placed in a "letter file" for each of the subject cases. Additionally, copies of customer letters received by the Office of the Public Counsel ("OPC"), but not the Staff, have also been placed in the respective letter files.

3. In order to adequately investigate the Company's Requests, the Staff assigned personnel from its Accounting, Depreciation, Financial Analysis and Water & Sewer Departments. As is normal for small company informal rate cases, the Staff conducted an audit of the Company's financial books and records, reviewed the Company's authorized depreciation rates for possible changes, determined a fair and reasonable rate of return for the Company's investment in its utility plant and conducted an overall review of the Company's operation of its water and sewer systems. As previously noted, the Staff also reviewed the responses that the Company's customers submitted in response to the initial customer notice regarding the Requests, replied to the customer responses and conducted field inspections as deemed appropriate.

4. Based upon the results of the Staff's investigations of the Requests and subsequent negotiations with the Company, the Staff and the Company entered into a separate *Agreement Regarding Disposition of Small Company Rate Increase Request* for both the water and sewer revenue increase requests ("Agreements"). These Agreements called for increases of \$20,236

and \$14,402 in the Company's annual water and sewer operating revenues, respectively, and also included other terms and conditions necessary to dispose of all matters related to the Company's Requests.

5. Concurrent with entering into the above-referenced Agreements, the Staff and the Company also agreed to certain revisions to the Company's water and sewer tariffs that were necessary to implement the terms of the Agreements. Additionally, the Staff and Company agreed to certain other revisions to the Company's tariffs regarding miscellaneous service charges.

6. The Company submitted the above-referenced Agreements and related revised tariff sheets to the Commission by a letter dated July 21, 1999, which was received at the Commission's offices on July 26, 1999. The Company's filing transmittal letter was stamped "Filed" by the Commission's Records Department, and the subject cases (WR-2000-68 and SR-2000-69) were created, on August 3, 1999.

7. By a letter dated July 21, 1999, which had previously been approved by the Water & Sewer Department Staff, the Company notified its customers of the Company/Staff Agreements. As a result of this second customer notice, the Staff received six customer letters regarding the Agreements. As with the initial notice, most customer comments were in regard to the amount of the proposed increases; however, some customers again identified problems related to the operation of the water and/or sewer systems. Here again, copies of the customer letters received by the Staff, and the OPC, have previously been placed in a "letter file" for each of the subject cases.

8. On August 13, 1999, the OPC filed a *Request for Local Public Hearing* in each of the subject cases. As a result of the OPC's *Request for Local Public Hearing*, the Commission

issued its *Order Suspending Tariffs* in each of the subject cases on September 21, 1999. Those orders suspended the Company's revised tariff sheets until February 7, 2000. On September 24, 1999, the Commission issued its *Order Scheduling Local Public Hearing* in each of the subject cases.

9. On November 16, 1999, the Commission held a combined local public hearing for the subject cases in the auditorium of the North County High School in Bonne Terre, Missouri. Approximately seventy-five members of the public attended the local public hearing, with sixteen of the attendees (all of whom are customers of the Company) providing sworn comments for the record. Two members of the Commission, the Presiding Regulatory Law Judge, and representatives of the Staff and OPC attended the local public hearing. Employees of the Company also attended, however, the Company was not represented by counsel and thus did not formally participate in the hearing.

10. While many of the concerns raised at the local public hearing had been brought to the Staff's attention through previous customer correspondence, or had already been identified by the Staff during its investigations, the Staff believes that certain areas of concern raised at the hearing warrant further review. In that regard, the Staff plans to conduct further investigations, including reviews of at least the following areas:

- The Company's response, or lack thereof, to customer inquiries/trouble reports;
- The adequacy of the Company's response to notices of water main breaks/leaks;
- The adequacy of the Company's response to notices of low water pressure and/or water outages;

- The adequacy of the Company's responses to notices of sewer system overflows;
- "Aesthetic" water quality issues;
- Possible use of the Company's sewage treatment lagoons by outside entities;
- The appropriateness of the Company's policies and charges for sewer service connections;
- The relationship between the Company owner's development company and the Company; and
- Possible compliance issues regarding Missouri Department of Natural Resources requirements.

11. The Staff's intent in conducting its further investigations of the above-referenced areas is to determine whether modifications to the Staff's positions in these cases are warranted. The Staff believes such a determination is necessary prior to the Staff (and/or the OPC) making its final recommendation regarding the Commission's possible grant of increases in rates to the Company.

12. The Staff believes that additional time, over and above that currently provided by the tariff sheet suspension period, is needed to conduct the necessary additional investigation, to determine if modifications to its positions are appropriate and to possibly negotiate modifications to the Company/Staff Agreements, if needed. As a result, the Staff recommends that the Commission further suspend the pending tariff sheets in both cases to March 1, 2000.

13. Upon completion of its further investigation, the Staff will file a report in each of these dockets summarizing the scope and results of its investigations. To the extent that the Company/Staff Agreements and/or the pending tariff sheets are modified as a result of the Staff's

investigations and related negotiations with the Company, the Staff will also ensure that the appropriate modified documents are filed in the case papers concurrent with the filing of the above-referenced Staff reports. Staff currently anticipates filing the report no later than January 14, 2000.

14. As a result of the above, the Staff also recommends that the Commission relieve OPC of the requirement to submit its positions regarding the Company's Requests within 10 days after the completion of the local public hearing, as is set out in 4 CSR 240-2.200(1)(F). Rather, the Staff believes it would be reasonable to allow the OPC to submit its positions 10 days after the Staff files its report on the investigation of the areas set out in paragraph 10 above.

13. Subsequent to filing the above-referenced investigation reports, and the submittal of the OPC's positions regarding the Company's Requests, the Staff will file its final recommendations regarding the Company's rate increase Requests. The Staff currently intends to file its final recommendations within 10 days after the OPC submits its positions on the Company's Requests.

WHEREFORE, the Staff respectfully requests that the Commission issue an order in each of the subject cases further suspending the Company's pending tariff sheet revisions until March 1, 2000, and granting the Office of the Public Counsel leave to delay submitting its positions on these cases until after the Staff files the reports on its further investigations.

Respectfully submitted,

DANA K. JOYCE
General Counsel



David J. Stueven
Assistant General Counsel
Missouri Bar No. 51274

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 24th day of November 1999.



**Service List for
Case No. WR-2000-68
November 23, 1999**

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