

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 28th day
of August, 2008.

In the Matter of Aqua Missouri, Inc.'s Request for an)	
Increase in Rates for Sewer Service Pursuant to the)	<u>Case No. SR-2008-0267</u>
Commission's Small Company Rate Increase)	Tariff No. YS-2009-0020
Procedure.)	

**ORDER APPROVING UNANIMOUS DISPOSITION AGREEMENT
AND APPROVING TARIFF**

Issue Date: August 28, 2008

Effective Date: September 7, 2008

This order approves a Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request among the Staff of the Commission ("Staff"), the Office of the Public Counsel ("Public Counsel"), and Aqua Missouri, Inc. ("Aqua Missouri" or "Company"), regarding Aqua Missouri's small company rate increase request, with certain conditions. It also approves the depreciation rates for the Company and approves a tariff implementing the agreed-upon rate increase. This agreement was made in conjunction with the settlement of related cases, WR-2008-0266, SR-2008-0268, and WR-2008-0269. The four cases followed the same procedural timeline.

Aqua Missouri provides water service to approximately 1,795 customers in its Jefferson City sewer district and approximately 394 customers in its Maplewood sewer district.

On December 7, 2007, Aqua Missouri initiated a small company rate increase request under Commission Rule 4 CSR 240-3.330. The request was assigned Tracking

No. QS-2008-0005 in the Commission's Electronic Filing and Information System. On February 19, 2008, the Commission opened this case for purposes of setting local public hearings and receiving comments related to the proposed rate increase request. Staff initiated an investigation of the Company, which included an audit of Aqua Missouri's books and records; a review of customer service, general business practices, and the operation of facilities; a review of the existing tariff; and an inspection of the Company's facilities.

Local public hearings were held in Reeds Spring, Shell Knob, Republic, Sedalia, Jefferson City, and Warsaw, Missouri, at which customers of Aqua Missouri presented their comments on the proposed rate increase. A second local public hearing was subsequently held in Jefferson City.

In its initial submissions to Staff, Aqua Missouri requested a rate increase that would generate an additional \$700,892 in annual sewer service operating revenues. After Staff's investigation, negotiations were held between Staff, Public Counsel, and Aqua Missouri which resulted in the July 3, 2008 filing of the Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request ("Company/Staff Agreement"). Also on July 3, 2008, Aqua Missouri filed a proposed tariff (Tariff No. YS-2009-0020) bearing an effective date of August 18, 2008. Aqua Missouri voluntarily stayed the effective date of its July 3, 2008 tariff sheets to September 7, 2008.

The parties filed their Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request ("Unanimous Agreement")¹ on August 26, 2008. The Unanimous Agreement replaces the Company/Staff Agreement. The parties agreed that a \$379,540 increase in the company's annual sewer service operating

¹ This is the title of the document as corrected by Staff's Corrections for Filings filed August 28, 2008.

revenues is necessary for the company to recover its cost of service. The agreement also indicated that certain changes to bookkeeping, system operations, and administrative operations are appropriate.

In addition, Staff, Aqua Missouri, and Public Counsel agreed as follows:

- (1) That for the purpose of implementing the agreements set out herein, the Company will file substitute tariffs with the Commission to be consistent with this agreement before September 7, 2008 containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A, with those proposed tariff revisions bearing an effective date of September 7, 2008.
- (2) That the rates set out in the attached example tariff sheets, attached hereto as Attachment A, are designed to generate additional revenues of \$379,540.
- (3) That the rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment B.
- (4) That the rates included in the attached example tariff sheets are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (5) That the schedule of depreciation rates attached hereto as Attachment C, should be the prescribed schedule of sewer plant depreciation rates for the Company.
- (6) That the Company will develop, implement and maintain records at the Jefferson City office of all new construction connections and develop and implement written procedures to enter this information into the Company's customer billing system daily. These records will at a minimum include the customer name, address, date of connection, dollar amount of tap-on fees, CIAC charges, connection fees and inspection fees. The Company will provide the Staff with written documentation it has implemented this process by November 30, 2008.
- (7) That the Company will develop and implement a process to ensure that new customer information is promptly entered into the billing system for all new construction customers connecting to the sewer system and all customers that purchase an existing home already connected to the sewer system. Part of this process will include running a monthly exception report which will document move-ins, move-outs and final bill customers. This report will be used by the local office to verify the status change of the listed

customers. The Company will provide the Staff with written documentation that it has implemented this process by November 30, 2008.

- (8) That the Company will provide Staff and OPC in the Company's Jefferson City office, access to maps of its systems and update any missing maps to the extent it is feasible and possible prior to the filing of the Company's next rate case.
- (9) That the Company will maintain and update customers counts on a going forward basis and provide these updated counts to the managers of the Auditing and Water & Sewer Departments of Staff by April 15th and November 15th of each year.
- (10) That the Company will immediately notify Staff of any substantial conversions in its billing system that could impact customer bills, and of any other substantial billing problems that occur in the future. This notification will be made to the managers of the Commission's Consumer Services and Water and Sewer Departments.
- (11) That the Company will provide a summary to Staff and OPC of call center training and personnel reviews for the call center representatives and regional office personnel by December 31, 2008.
- (12) That the Company will redirect all calls, except developer calls, to the call center and all call center calls will be recorded and retained for as long as technically feasible, but in no case less than six months.
- (13) That the Company will modify its employee time sheets to distinguish time spent on capital improvement projects versus operation and maintenance expense. The Company will continue to track employee's time by district. The Company will provide copies of the new time sheets to Staff by November 30, 2008.
- (14) That the Company will make adjustments to its books and records regarding the plant-in-service, depreciation reserve, and CIAC balances necessary to reflect the amounts used by the Staff in the calculation of the Company's overall cost of service calculation at December 31, 2007. The Company agrees these balances will be used as the starting point for entries subsequent to that date.
- (15) That the Company will develop Continuing Property Records and maintain these records regarding utility plant-in-service, depreciation reserves, CIAC, operating revenues and operating expenses in a manner sufficient to allow the Staff to conduct district specific cost-of-service analyses for future rate increase requests. The Company will provide copies of these records to the Staff by November 30, 2008.

- (16) That the Company will record plant retirements at the time the replacement plant items are put into service and confirm that the item retired is actually being replaced by the item being placed in service.
- (17) That the Company will maintain all of its financial records in accordance with the Commission's Uniform System of Accounts.
- (18) That the Company will maintain detailed time records for the skid loader that at a minimum includes hours spent using the loader, the project worked on, the district in which the loader was used, and all supporting documentation.
- (19) That the Company will develop and implement the use of formal written procedures for all capital construction work orders that, at a minimum, include all individuals' responsibilities in the process, establish procedures for authorization of purchases, identify procedures for proper tracking of all purchases, including district separation, and ensure that all projects are closed in a timely manner.
- (20) That the Company maintain, by district, a log of elder valves and water meters that includes when each item was purchased, when it was removed from inventory, and where it was installed and identifies the type of use (new, replacement of defective part or part of a meter replacement program).
- (21) That the Company will update the tariff language for its collecting sewer extension rule. The Company agrees to file proposed tariff changes to this rule by September 30, 2008.
- (22) That the Company will develop and implement the use of written procedures to process accounts payable that will eliminate duplicate payments and late fees. Copies of these procedures will be provided to Staff by November 30, 2008.
- (23) That the Company will develop, provide to Staff for Staff's review and implement the use of written procedures for the processing of the credit-card purchases made by employees. Copies of these written procedures will be provided to Staff by November 30, 2008.
- (24) That the Company will develop and implement the use of written procedures to ensure the proper assignment of costs to each of its districts. Copies of these procedures will be provided to Staff by November 30, 2008.
- (25) That the Company will designate a position, and identify the person currently in that position that will be responsible for ensuring and reporting that each one of the items in this agreement is completed.

- (26) That the Company will not back bill "newly found" customers. The Company will issue a credit and/or refund if a newly found customer is already billed and/or paid. Newly found is defined from the date the Company filed this rate case on December 7, 2007 to the date the new proposed tariffs go into effect.
- (27) The tariffs the PSC approves will contain the following language under Rule 9, titled Bills for Service:

Billing Adjustments

In the event of an undercharge due to errors in bill calculation, estimation or taxation, an adjustment shall be made for the entire period that the undercharge can be shown to have existed not to exceed twelve (12) monthly billing periods. The customer may request to pay for this undercharge over a period of time not to exceed the number of months for which an adjustment was made. When there is evidence of tampering or diversion found, the Company will calculate the billing adjustment for the entire period during which the condition existed.

Back-billing

As the result of the settlement in Case No. SR-2008-0267 the Company shall not back-bill customers that are newly identified, i.e. customers that were on Aqua Missouri's system but were not receiving bills, at any time up to and including the conclusion date of the physical audit that will take place in the fourth quarter of 2008.

This new language will be filed with the tariff sheets filed by the company reflecting the Company/Staff agreed upon change in rates.

- (28) That the Company will implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment D no later than November 30, 2008.
- (29) The Company will mail its customers a written notice of the rates and charges included in its proposed tariff revisions within 15 days of entry of the Commission-approved Order. The notice will include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it will also send a copy to the Staff and the Staff will file a copy in the subject case file.
- (30) That the Company will notify Staff and OPC when each item in this Unanimous Agreement is completed.
- (31) That the Company acknowledges that the Staff will, and the OPC may, conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

- (32) That the Company acknowledges that the Staff or the OPC may file a formal complaint against it, if the Company does not comply with the provisions of this Disposition Agreement, and that the Staff or the OPC are not precluded from filing complaints under any other circumstances or fact situations.
- (33) That the above agreements satisfactorily resolve all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated.

On August 26, 2008, Aqua Missouri filed substitute tariff sheets which replace the tariff sheets submitted on July 3, 2008. The Commission convened a hearing regarding the Unanimous Agreement on August 27, 2008. At the hearing, the parties indicated that there was no objection to the tariffs as submitted on August 26, 2008, and that there was no objection to those tariffs taking effect on September 7, 2008.

The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of issues raised in this case.² In reviewing the agreement, the Commission notes that³

Every decision and order in a contested case shall be in writing, and, except in default cases, or cases disposed of by stipulation, consent order or agreed settlement, the decision, including orders refusing licenses, shall include or be accompanied by findings of fact and conclusions of law. * * *

Consequently, the Commission need not make either findings of fact or conclusions of law in this order.

²Section 536.060, RSMo Cum. Supp. 2007.

³Section 536.090, RSMo Cum. Supp. 2007. This provision applies to the Public Service Commission. *State ex rel. Midwest Gas Users' Association v. Public Service Commission of the State of Missouri*, 976 S.W.2d 485, 496 (Mo. App., W.D. 1998).

The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence.⁴ Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the agreement.

The Commission determines that in order to ensure the implementation of all of the provisions of the Unanimous Agreement, additional conditions on the approval of the Unanimous Agreement are necessary. The Commission shall require the following conditions:

A. The maps required under paragraph (8) of the Unanimous Agreement shall be made available no later than November 30, 2008;

B. The designation of a person and a specific position within the Company to be responsible for ensuring and reporting compliance with the Unanimous Agreement as stated in paragraph (25) shall be provided no later than September 7, 2008; and

C. The Company shall verify that all customers have been found and are being billed properly no later than December 31, 2008.

The Commission finds that the Unanimous Agreement, with the additional conditions set out above, is reasonable and shall be approved. Aqua Missouri shall be directed to comply with the terms and recommendations set out in the Unanimous Agreement. Furthermore, Aqua Missouri's tariffs, and the rates they establish, are just and reasonable and shall be approved. The Commission also finds that the depreciation rates proposed by Staff are reasonable and will order Aqua Missouri to utilize them.

⁴ *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

IT IS ORDERED THAT:

1. The Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request is approved with the additional conditions set out in Ordered Paragraphs 2 through 4 below.

2. Aqua Missouri, Inc., shall make available the maps required under paragraph (8) of the Unanimous Agreement no later than November 30, 2008.

3. Aqua Missouri, Inc., shall file in this case the name of the person and the specific position within the Company to be responsible for ensuring and reporting compliance with the Unanimous Agreement, as stated in paragraph (25), no later than September 7, 2008.

4. Aqua Missouri, Inc., shall verify that all customers have been found and are being billed properly, and shall file notification of the same in this case, no later than December 31, 2008.

5. Aqua Missouri, Inc., is directed to comply with the terms of the Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request.

6. The following tariff sheets, filed by Aqua Missouri, Inc., on August 26, 2008, and assigned Tariff File No. YS-2009-0020, are approved for service on and after September 7, 2008:

P.S.C. MO. No. 2

**3rd (Revised) SHEET No. SR1, Canceling 2nd (Revised) SHEET No. SR1
(1st Revised) SHEET No. SRR31, Canceling (Original) SHEET No. SRR31**

7. The depreciation rates attached to the Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request as Attachment C are

approved and such depreciation rates are to be used by Aqua Missouri, Inc. The depreciation rates are attached hereto.

8. This order shall become effective on September 7, 2008.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton,
Jarrett, and Gunn, CC., concur.

Dippell, Deputy Chief Regulatory Law Judge