



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

In the Matter of Suburban Water and Sewer     )  
Company's Water Utility Rate Increase         )  
Request   )

**Case No. WR-2005-0455**

**NOTICE OF AGREEMENT REGARDING DISPOSITION  
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through Counsel, and for its Notice of Agreement Regarding Disposition of Small Company Rate Increase Request states the following to the Missouri Public Service Commission ("Commission").

1. On May 31, 2005, Suburban Water & Sewer Company ("Company") submitted to the Commission revised tariff sheets to implement increases in its water service rates and charges, and other tariff changes, and the instant case was established.

2. As is noted in the Company's tariff filing transmittal letter, the tariff changes contained in the subject revised tariff sheets are based upon a *Unanimous Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement") entered into by the Company, the Staff and the Office of the Public Counsel. As is also noted in the Company's tariff filing transmittal letter, the Disposition Agreement pertains to the small company rate increase request that the Company submitted to the Commission on December 3, 2004 (Work I.D. No. QW-2005-0001).

3. Included in the document that is attached hereto and identified as Appendix A are copies of the Disposition Agreement, and related attachments, which are referenced in the Company's tariff filing transmittal letter.

4. Although not addressed in the Disposition Agreement, the Staff notes that the Company and the Staff previously entered into a written agreement for an extension of the 150-day tariff filing period that normally applies to small company rate increase requests. A copy of that extension agreement is included in the above-referenced tracking file for the Company's rate increase request as Item No. 4.

5. Consistent with established internal procedures regarding small company rate increase requests, the Staff intends to file its recommendation in this case by the end of business on June 20, 2005.

**WHEREFORE**, the Staff respectfully submits the above-referenced Disposition Agreement, and related attachments, for the Commission's information and consideration in this case.

Respectfully Submitted,

DANA K. JOYCE  
General Counsel

/s/ Keith R. Krueger

Keith R. Krueger  
Deputy General Counsel  
Missouri Bar No. 23857

Attorney for the Staff of the  
Missouri Public Service Commission

P.O. Box 360  
Jefferson City, MO 65102  
573-751-4140 (telephone)  
573-751-9285 (facsimile)  
keith.krueger@psc.mo.gov (e-mail)

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 6th day of June 2005.

**/s/ Keith R. Krueger**

# APPENDIX A

## DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2005-0455

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

### Table of Contents

Company/Staff/OPC Disposition Agreement

Agreement Attachment 1 – Example Tariff Sheets

Agreement Attachment 2 – Ratemaking Income Statement

Agreement Attachment 3 – Rate Design Worksheet

Agreement Attachment 4 – Schedule of Depreciation Rates

## Company/Staff/OPC Disposition Agreement

**UNANIMOUS AGREEMENT REGARDING DISPOSITION**  
**OF SMALL WATER COMPANY RATE INCREASE REQUEST**

**SUBURBAN WATER & SEWER COMPANY**

**MO PSC WORK LD. No. QW-2005-0001**

**BACKGROUND**

Suburban Water & Sewer Company ("Company") initiated the small company rate increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") tracking file by submitting a letter to the Secretary of the Commission. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). The date the Company's Request was received at the Commission's offices was December 3, 2004.

By its request letter, the Company was requesting Commission approval of customer rates intended to generate an increase of \$7,000 in its total annual water service operating revenues. In its request letter, the Company also stated its understanding that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would also be reviewed during the Commission Staff's review of the rate increase request, and could thus be the subject of Staff recommendations at the conclusion of the rate increase process. The Company provides service to approximately 110 customers, all of which are residential customers.

Upon receipt of the Company's Request, personnel in the Commission's Data Center entered the Request into the Commission's electronic filing and information system and Work I.D. No. QW-2005-0001 was assigned to the Request. The Request was then forwarded to the Commission's Water & Sewer Department for processing under the Small Company Rate Increase Procedure.

Pursuant to the provisions of the Small Company Rate Increase Procedure and related internal operating procedures, the Staff of the Commission ("Staff") initiated an audit of the Company's books and records, a review of certain of the Company's general business practices, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Hereafter, these activities will be collectively referred to as the Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, the Staff provided the Company and the Office of the Public Counsel ("OPC") various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's Request.

#### **RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST**

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the Staff's investigation of the Company's Request, the Staff, the Company and the OPC hereby state the following agreements.

- (1) That for the purpose of implementing the agreements set out herein, the Company will file tariff revisions with the Commission containing the rates and language set out in the example tariff sheets that are attached hereto as Attachment A.
- (2) That the ratemaking income statement that is attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the Company's total annualized cost of providing service and the agreed-upon annualized operating revenue increase of \$4,192, which is required to recover the Company's cost of service.
- (3) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet that is attached hereto as Attachment C, are designed to generate revenues sufficient to recover the Company's total annualized cost of service, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (4) That the rates included in the attached example tariff sheets are just and reasonable.
- (5) That the schedule of depreciation rates that is attached hereto as Attachment D hereto includes the water plant depreciation rates that should be prescribed for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.



(6) That the Company will review its customer records and determine if any of its present customers paid a deposit that should be refunded with appropriate interest. *X*

(7) That the Company will refund the overcharges that occurred from April 2004 through October 2004. Such refunds will consist of a credit placed on the customers' bills and the refunds will be completed over a three month period starting with the first billing period after the effective date of revised tariff sheets that will be filed pursuant to this agreement. *JP*

(8) That the Company will develop and distribute to all customers a brochure detailing the rights and responsibilities of the utility and its customers.

(9) That the Company will develop a continuous property record system for plant that at a minimum includes the date plant is placed in service, the purchase price of plant and the dates of retirement of property. *JP*

That the Company will install meters for all buildings no later than August 31, 2005.

That the Company will implement a ten year replacement program for existing meters.

(12) That the Company will install flush valves with the flushing capability of at least 3 feet per second in all mains.

(13) That the Company will replace the standpipe with an inlet high enough to provide adequate circulation and detention time.

(14) That the Company will contract with a certified operator to maintain the Company's well and distribution system.

(15) That the Company will provide quarterly reports regarding monthly customer meter usage data and monthly master meter usage data to the Auditing Staff of the Commission for the period July 1, 2005 through December 31, 2006.

(16) That the above agreements satisfactorily resolve all issues identified by the Staff, the Company and the OPC regarding the Company's Request, except as otherwise specifically stated.

#### ADDITIONAL MATTERS

Since this Disposition Agreement is only between the Staff, the Company and the OPC, the Small Company Rate Increase Procedure does not require that the Company send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement, nor does it provide for a local public hearing, unless the Commission orders otherwise.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff, the Company and the OPC, and none of the parties have agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company and the OPC acknowledge that the Staff will be making an additional filing with the Commission regarding this matter, with that filing including the following: (a) the Staff's recommendation for approval of the subject tariff revisions, and any related recommendations; (b) background information regarding the Company's Request and the Staff's investigation thereof; (c) the Staff's audit workpapers; (d) a general overview of the Company, including an overview of the Company's customer service procedures and practices; (e) information regarding the status of the Company's payment of its Commission assessments; (f) the status of the Company's submission of its Commission annual reports; (g) the status of the Company's submission of its Commission annual statement of operating revenues; (h) any other pending cases that the Company may have before the Commission; (i) any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources; and (j) the status of the Company's corporate standing with the Missouri Secretary of State.

Additionally, the Company and the OPC agree that the Staff shall have the right to provide whatever oral explanation the Commission may request regarding the rate case that will be created when the Company files the tariff revisions called for in this agreement, at any agenda meeting at which that case is noticed to be considered by the Commission. To the extent reasonably practicable, the Staff will provide the Company with advance notice of any such agenda meeting so that it may have the opportunity to also be represented at the meeting.

**EFFECTIVE DATE AND SIGNATURES**

This Disposition Agreement shall be considered effective as of the date that the Company files the tariff revisions required herein with the Commission.

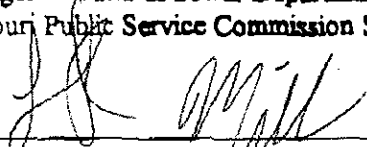
Agreement Signed and Dated:



Dale W. Johansen  
Manager - Water & Sewer Department  
Missouri Public Service Commission Staff

5/31/05

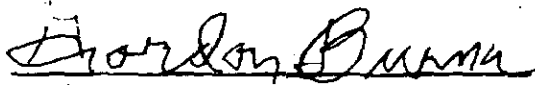
Date



Lewis Mills  
Public Counsel  
Office of the Public Counsel

5-31-05

Date



Gordon Burman  
President  
Suburban Water & Sewer Company

5-26-05

Date

**List of Attachments**

- Attachment A - Example Tariff Sheets
- Attachment B - Rate-making Income Statement
- Attachment C - Rate Design Worksheet
- Attachment D - Schedule of Depreciation Rates

# Agreement Attachment 1

## Example Tariff Sheets

P.S.C. MO No. 1

2nd Revised Sheet No. 4

Canceling 1st Revised Sheet No. 4

Suburban Water & Sewer Company  
Name of Issuing Company

For: Bon Gor Lake Estates  
Certificated Service Area

**Rules & Regulations Governing  
the Rendering of Water Service**

**Rate Schedules**

Rate Schedule W-1 – General Service

Availability: This rate is available to any metered water customer on Company's mains suitable for supplying the service requested.

Monthly Minimum	\$ 2.96	+
Commodity Charge (per 1,000 gallons)	\$ 1.87	+
Turn-on Fee	\$ 25.00	
Turn-off Fee	\$ 25.00	
Un-metered Monthly Rate	\$ 12.30	*

Rate Schedule W-2 – Fire Protection Service

Availability: Fire hydrants will be installed by the Company if Bon Gor Development Corporation or any other entity owning or controlling property within the certificated area requests installation in writing.

Rate: For each customer \$ 1.00 per month to be billed in addition to the above charges.

Taxes

Any applicable Federal, State or Local taxes computed on billing basis shall be added as separate items in rendering each bill.

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: May 31, 2005  
Month/Day/Year

Effective Date: June 30, 2005  
Month/Day/Year

Issued By: Gordon Burman President  
Name & Title of Issuing Officer

1501 Vandiver Dr. #188 Columbia MO 65202  
Company Mailing Address

Suburban Water & Sewer Company  
Name of Issuing Company

For: Bon Gor Lake Estates  
Certificated Service Area

**Rules & Regulations Governing  
the Rendering of Water Service**

Rule 29.

Payments may be made in person at the office of the Company or at designated sub-pay stations, or by mail sent to the Company. No employees of the Water Company are permitted to accept payment of water bills, except authorized collectors.

DISCONTINUANCE OF SERVICE BY COMPANY

Rule 30.

If a Consumer violates any of the Rules and Regulations of the Company, the Company reserves the right, after due notice has been given to the Consumer, as provided in Rule No. 11 of General Order No. 20 of the Public Service Commission of Missouri, to annul the contract for water supply and discontinue service.

Rule 31.

In all cases of non-payment of bill within ten days after the same becomes due, and following 48 hours prior written notice, the supply will be cut off and not turned on again except upon payment of the amount due together with an additional fee of Twenty-five Dollars (\$25.00) for turning on the water. +

Rule 32.

Water shall not be taken through fire hydrants, fire risers or fire lines, for any other purpose other than for fire protection.

Rule 33.

Service may be discontinued by Consumer, by giving not less than twenty-four (24) hours' notice to the Company during its regular office hours that water service is to be discontinued. Final bill for service shall become (cont'd. on next page) +

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: May 31, 2005  
Month/Day/Year

Effective Date: June 30, 2005  
Month/Day/Year

Issued By: Gordon Burman President  
Name & Title of Issuing Officer

1501 Vandiver Drive #188 Columbia MO 65202  
Company Mailing Address

## Agreement Attachment 2

### Ratemaking Income Statement

# SUBURBAN WATER & SEWER COMPANY

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	18,823
2	Unauthorized by Tariff Flat Fee	\$	-
3	<b>Total Operating Revenues</b>	\$	<b>18,823</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

Item			
1	Pumping Equipment-Purchased Power	\$	2,411
2	Labor	\$	3,387
3	Water Treatment -Chemicals	\$	1,275
4	Maintenance of Parts/Equipment	\$	8,319
5	Outside Services Employed	\$	1,700
6	Meter Reading Expense	\$	620
7	Purchased Water	\$	-
8	Regulatory Commission Expense	\$	327
9	Miscellaneous General Expenses	\$	614
10	<b>Sub-Total Operating Expenses</b>	\$	<b>18,653</b>
11	Property Taxes	\$	-
12	MO Franchise Taxes		
13	Employer FICA Taxes		
14	Federal Unemployment Taxes		
15	State Unemployment Taxes		
16	State & Federal Income Taxes	\$	-
17	<b>Sub-Total Taxes</b>	\$	-
18	Depreciation Expense	\$	2,792
19	Amortization of Utility Plant (computer system)	\$	-
20	<b>Sub-Total Depreciation/Amortization</b>	\$	<b>2,792</b>
21	<b>Return on Rate Base</b>	\$	<b>1,570</b>
22	<b>Total Cost of Service</b>	\$	<b>23,015</b>
23	<b>Overall Revenue Increase Needed</b>	\$	<b>4,192</b>



## Agreement Attachment 3

### Rate Design Worksheet

# **SUBURBAN WATER & SEWER COMPANY**

## **Development of Tariffed Rates-Water**

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 18,823
Agreed-Upon Overall Revenue Increase	\$ 4,192
Percentage Increase Needed	22.271%

Metered Customer Rates				
Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
5/8"	\$ 2.42	\$ 2.96	\$ 1.530	\$ 1.871

Agreement Attachment 4

Schedule of Depreciation Rates

# **Suburban Water & Sewer Company**

## **DEPRECIATION RATES (WATER)**

**QW-2005-0001**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT DESCRIPTION</b>	<b>DEPRECIATION RATE</b>	<b>AVERAGE SERVICE LIFE (YEARS)</b>
314	Wells & Springs	2.00%	50
321	Structures & Improvements	2.50%	40
325	Electric Pumping Equipment	10.00%	10
342	Distribution Reservoirs & Standpipes	2.50%	40
343	Transmission & Distribution Mains	2.00%	50
346	Meters	3.30%	30
347	Meter Installations	2.50%	40

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

In the Matter of the Request of Suburban       )  
Water & Sewer Company for a Rate               )  
Increase Pursuant to the Commission's        )  
Small Company Rate Increase Procedure        )

**Case No. WR-2005-0455**

Tariff I.D. No. YW-2005-1074

**RECOMMENDATION REGARDING DISPOSITION  
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through Counsel, and for its Recommendation Regarding Disposition of Small Company Rate Increase Request states the following to the Missouri Public Service Commission ("Commission").

1. Suburban Water & Sewer Company ("Company") initiated the subject small company rate increase request ("Request") by submitting a letter to the Secretary of the Commission, which was stamped "Received" at the Commission's offices on December 3, 2004. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure").

2. Consistent with the Small Company Rate Increase Procedure, the Staff, the Company and the Office of the Public Counsel ("OPC") have negotiated and executed a *Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request* ("Disposition Agreement") regarding the Company's Request.

3. By a letter that was stamped "Received" at the Commission's offices on May 31, 2005<sup>1</sup>, the Company submitted revised tariff sheets to the Commission for the purpose of implementing the provisions of the above-referenced Disposition Agreement, and the instant case was established. (The revised tariff sheets bore a proposed effective date of June 30.)

4. On June 6, the Staff filed the above-referenced Disposition Agreement in the case papers for this case.

5. The Staff's recommendations to the Commission regarding this case are set out on page 5 of the Staff Memorandum that is attached hereto and labeled Appendix A.

6. Included with the attached Staff Memorandum are various documents regarding the Company's Request and the Staff's investigation of the Request, including the Staff's audit and rate design workpapers.

7. The Commission has the authority to approve the subject proposed tariff revisions in accordance with Sections 393.140(11) and 393.150, RSMo 2000. In addition, Section 393.130.1, RSMo 2000 provides that all charges made by any water corporation for water service rendered or to be rendered shall be "just and reasonable." The Staff's and the OPC's agreements with the proposed tariff revisions are evidence that the rates and charges contained in the tariff revisions are just and reasonable, as that statute requires.

8. The procedure followed in this case complies with the requirements of the Small Company Rate Increase Procedure in general, and with 4 CSR 240-3.635(1)(C) in particular.

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<sup>1</sup> Unless noted otherwise, all dates hereafter refer to the year 2005.

**WHEREFORE**, the Staff respectfully requests that the Commission issue an order consistent with the recommendations set out on page 5 of the Staff's Official Case File Memorandum.

Respectfully Submitted,

DANA K. JOYCE  
General Counsel

/s/ Keith R. Krueger

Keith R. Krueger  
Deputy General Counsel  
Missouri Bar No. 23857

Attorney for the Staff of the  
Missouri Public Service Commission

P.O. Box 360  
Jefferson City, MO 65102  
573-751-4140 (telephone)  
573-751-9285 (facsimile)  
keith.krueger@psc.mo.gov (e-mail)

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 13th day of June 2005.

/s/ Keith R. Krueger

Keith R. Krueger

## STAFF RECOMMENDATION

### APPENDIX A

#### Case File Memo and Attachments

Case No. WR-2005-0455

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

#### Table of Contents

- |         |  |
|---------|--|
| Item 1: | Case File Memorandum   |
| Item 2: | Attachment 1 to Case File Memo – Ratemaking Income Statement, Rate Design Worksheet and Customer Bill Comparison |
| Item 3: | Attachment 2 to Case File Memo – Revenue Requirement Audit Workpapers  |
| Item 4: | Attachment 3 to Case File Memo – Overview of Company and Customer Service Operations                             |



## Official Case File Memorandum

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. WR-2005-0455 - - Suburban Water and Sewer Company

FROM: Dale W. Johansen -- Project Coordinator  
Water & Sewer Department  
Dana Eaves -- Auditing Department  
Jolie Mathis -- Engineering & Management Services Department  
Debbie Bernsen -- Engineering & Management Services Department  
Matt Barnes -- Financial Analysis Department  
James M. Russo -- Water & Sewer Department  
Martin Hummel -- Water & Sewer Department

<u>/s/ Dale W. Johansen</u>	<u>06/13/05</u>
Project Coordinator	Date

<u>/s/ Keith R. Krueger</u>	<u>06/13/05</u>
General Counsel's Office	Date

SUBJECT: Staff Recommendation for Approval of Tariff Revisions, Approval of Depreciation Rates and Approval of Unanimous Agreement Regarding Disposition of Small Water Company Rate Increase Request

DATE: June 13, 2005

### BACKGROUND

Suburban Water & Sewer Company ("Company") initiated the subject small company rate increase request ("Request") by submitting a letter to the Secretary of the Commission, which was received at the Commission's offices on December 3, 2004. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure").

By its Request, the Company was seeking Commission approval of customer rates intended to generate an increase of \$7,100 in its total annual water service operating revenues. As stated by the Company in its Request letter, the reasons for the requested increase in its water service operating revenues are: a change in the source of water supply, increases in operation and maintenance expenses due to the installation of water meters, and the need to maintain a minimum surplus to account for delinquent payments by existing customers.

The Company provides water service to approximately 110 customers, all of which are residential customers. The Company's current rates (those resulting from the Company's last rate case) went into effect on November 1, 1993.

Upon receipt of the Company's letter that initiated the Request, personnel in the Commission's Data Center entered the letter into the Commission's electronic filing and information system ("EFIS") and the system assigned Work I.D. No. QW-2005-0001 to the Request. The Company's letter was then forwarded to the Commission's Water & Sewer Department ("W/S Dept") for processing under the Small Company Rate Increase Procedure. A copy of the Company's request letter is identified as item number 1 in the EFIS tracking file for the Request.

By a letter dated December 29, 2004, which Staff members in the W/S Dept had previously approved, the Company notified its customers of the Request. As a part of this initial customer notice, the Company requested that its customers' questions or comments be directed to the Commission Staff and/or the Office of the Public Counsel ("OPC"). A copy of the initial customer notice is identified as item number 2 in the EFIS tracking file for the Request.

#### **STAFF'S INVESTIGATION AND CONCLUSIONS**

As noted at the beginning of this Memorandum, Staff members from the Accounting, Engineering & Management Services, Financial Analysis and Water & Sewer Departments participated in the Staff's investigation of the Company's Request. All Staff participants, and all of their respective up-line supervisors, were provided the opportunity to review and comment on this Memorandum prior to it being filed. Jim Russo of the W/S Dept created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein to create this final version of the Memorandum.

In response to the Company's initial customer notice, the W/S Dept Staff received one phone call from a customer regarding the proposed increase. This customer questioned the level of the proposed increase, but felt that changing the source of water would result in better water quality and water pressure. A copy of the customer's comment is included in item number 3 in the EFIS tracking file for the Request. The W/S Dept provided copies of the customer's comment to the OPC and the Company shortly after the customer comment period ended.

Based upon an audit of the Company's books and records, a determination of the Company's rate base investments and necessary operating expenses, an evaluation of the Company's depreciation rates and an analysis of the Company's capital structure and cost of capital, and an investigation of the Company's business and system operations, the Staff concluded that an increase of \$4,192 in the Company's annual water service operating revenues is warranted.

In addition to its conclusion regarding the increase in the Company's annual operating revenues, the Staff concluded that new depreciation rates need to be prescribed for the Company, and that certain changes in the Company's business operations and system operations are warranted.

On March 14, 2005\*, the Staff forwarded information regarding the above items to representatives of the Company and the OPC for their review and response.

### **RESPONSES TO STAFF'S FINDINGS AND SUBSEQUENT ACTIONS**

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the results of the Staff's investigation of the Company's Request, a written Unanimous Agreement Regarding Disposition of Small Company Rate Increase Request ("Disposition Agreement") was reached between the Staff, Company and OPC ("the Parties"). The Parties also reached an agreement regarding the tariff revisions needed to implement the terms of the Disposition Agreement. (Because the Disposition Agreement is between the Staff, the Company and the OPC, the Company was not required to send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement, and the OPC was not provided the opportunity to request a local public hearing.)

The Disposition Agreement reflects the following agreements: (1) that an increase of \$4,192 in the Company's sewer annual operating revenues is necessary; (2) that certain changes to the Company's administrative operations are appropriate; (3) that new depreciation rates need to be prescribed for the Company; (4) that the rates included in the above-referenced agreed-upon tariff revisions are designed to generate revenues sufficient to recover the Company's total annualized cost of service; and (5) that the rates included in the above-referenced agreed-upon tariff revisions are just and reasonable. (The specific agreements between the Company, Staff and OPC are set out on page 2 of the Disposition Agreement, which the Staff filed in this case on June 6, and which can be found in the EFIS file for case WR-2005-0455 as item number 2)

By a letter that was stamped "Received" by personnel in the Commission's Data Center on May 31, the Company submitted revised tariff sheets, including the agreed-upon tariff revisions that are necessary to implement the terms of the Disposition Agreement. Upon receipt of that tariff filing, Data Center personnel entered the filing into EFIS and the instant case was created (the transmittal letter and revised tariff sheets are included in item number 1 in the EFIS case file). As required by the Small Company Rate Increase Procedure, the subject revised tariff sheets bore an effective date that was more than 30 days past the issue date. As is also required by the Small Company Rate Increase Procedure, the above-referenced Disposition Agreement has been filed in the case papers. (As noted previously, the Staff filed the Disposition Agreement on June 6.)

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\* Unless noted otherwise, all dates hereafter refer to the year 2005.

### **ADDITIONAL INFORMATION**

In addition to the documents that have already been submitted to the EFIS tracking file and EFIS case file for this case, as noted previously herein, the following documents are included with this Memorandum: (1) the Staff's ratemaking income statement, rate design worksheet and customer bill comparison are included in Attachment 1; (2) the Staff's revenue requirement audit workpapers are included in Attachment 2; and (3) the Staff's overview of the Company and its customer service procedures and practices is included in Attachment 3.

Pursuant to a review of available electronic information maintained by the Commission's Budget & Fiscal Services Department and Data Center, and in EFIS, the Staff notes that the Company was current on the payment of its Commission assessments and on the filing of its Commission annual reports when it submitted its Request, as is required by the Small Company Rate Case Procedure. The Staff also notes that the Company is current on those matters as of the writing of this Memorandum. The assessment information reviewed covers fiscal years 1996 through 2005 and the annual report information reviewed covers calendar years 1997 through 2004.

The Staff notes that the Company has no other matters pending before the Commission, and that approval of the subject tariff revisions will thus not affect any other matter before the Commission with regard to the Company.

The Staff notes that the Company received no "notices of violations" from the Missouri Department of Natural Resources during the test year used for the Request and has also not received any since the end of the test year to date.

Lastly the Staff notes that the Disposition Agreement contains provisions allowing the Staff to answer Commissioner questions regarding this case during any Commission agenda session during which the case is noticed to be considered by the Commission.

### **STAFF'S RECOMMENDATIONS**

Based upon the above, the Staff recommends that the Commission issue an order in this case that:

- \* Approves the revised tariff sheets that the Company filed on May 31 to be effective for service rendered on and after June 30;
- \* Approves the schedule of depreciation rates that is included as Attachment 4 to the Disposition Agreement submitted in this case as the schedule of depreciation rates prescribed for the Company's use;
- \* Approves the Disposition Agreement submitted in this case; and
- \* Directs the Company to comply with the terms of the Disposition Agreement.

### **List of Attachments**

- Attachment 1:     Ratemaking Income Statement, Rate Design  
Worksheet and Customer Bill Comparison
- Attachment 2:     Revenue Requirement Audit Workpapers
- Attachment 3:     Overview of Company and Customer Service Operations

Attachment 1 – Ratemaking Income Statement, Rate Design  
Worksheet and Customer Bill Comparison

# SUBURBAN WATER & SEWER COMPANY

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	18,823
2	Unauthorized by Tariff Flat Fee	\$	-
3	<b>Total Operating Revenues</b>	\$	<b>18,823</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

#### Item

1	Pumping Equipment-Purchased Power	\$	2,411
2	Labor	\$	3,387
3	Water Treatment -Chemicals	\$	1,275
4	Maintenance of Parts/Equipment	\$	8,319
5	Outside Services Employed	\$	1,700
6	Meter Reading Expense	\$	620
7	Purchased Water	\$	-
8	Regulatory Commission Expense	\$	327
9	Miscellaneous General Expenses	\$	614
10	<b>Sub-Total Operating Expenses</b>	\$	<b>18,653</b>
11	Property Taxes	\$	-
12	MO Franchise Taxes		
13	Employer FICA Taxes		
14	Federal Unemployment Taxes		
15	State Unemployment Taxes		
16	State & Federal Income Taxes	\$	-
17	<b>Sub-Total Taxes</b>	\$	-
18	Depreciation Expense	\$	2,792
19	Amortization of Utility Plant (computer system)	\$	-
20	<b>Sub-Total Depreciation/Amortization</b>	\$	<b>2,792</b>
21	<b>Return on Rate Base</b>	\$	<b>1,570</b>
22	<b>Total Cost of Service</b>	\$	<b>23,015</b>
23	<b>Overall Revenue Increase Needed</b>	\$	<b>4,192</b>



# **SUBURBAN WATER & SEWER COMPANY**

## **Development of Tariffed Rates-Water**

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 18,823
Agreed-Upon Overall Revenue Increase	\$ 4,192
Percentage Increase Needed	22.271%

Metered Customer Rates				
Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
5/8"	\$ 2.42	\$ 2.96	\$ 1.530	\$ 1.871

# **SUBURBAN WATER & SEWER COMPANY**

## **Residential Customer Bill Comparison-Water**

<b>Rates for 5/8" Meter</b>			
<b>Current Base Service Charge</b>	<b>Proposed Base Service Charge</b>	<b>Current Usage Rate</b>	<b>Proposed Usage Rate</b>
<b>\$2.42</b>	<b>\$2.96</b>	<b>\$1.53</b>	<b>\$1.87</b>

current service charge is monthly charge

usage rate is per 1,000 gallons used

### **MONTHLY BILL COMPARISON**

6,000 gallons/month usage

#### **Current Rates**

Service Charge	\$	2.42
Usage Charge	\$	9.18
Total Bill	\$	11.60

#### **Proposed Rates**

Service Charge	\$	2.96
Usage Charge	\$	11.22
Total Bill	\$	14.18

#### **INCREASES**

##### **Service Charge**

<b>\$ Increase</b>	<b>\$0.54</b>
<b>% Increase</b>	<b>22.27%</b>

##### **Usage Charge**

<b>\$ Increase</b>	<b>\$2.04</b>
<b>% Increase</b>	<b>22.27%</b>

##### **Total Bill**

<b>\$ Increase</b>	<b>\$2.58</b>
<b>% Increase</b>	<b>22.27%</b>

## Attachment 2 – Revenue Requirement Audit Workpapers

Suburban W & S  
 Case: QW-05-0001  
 Year ending Dec. 31, 2004

Revenue Requirement

Line		21.00%	Return
(2)		(3)	
1	Net Orig. Cost Rate Ratio (Sch 2)	\$	14,270
2	Rate of Return		11.00%
3	Net Operating Income Requirement	\$	1,570
4	Net Income Available (Sch 8)	\$	(2,622)
5	Additional NCIT Needed	\$	4,192
6	Income Tax Requirement (Sch 10)		0
7	Required Current Income Tax	\$	0
8	Test Year Current Income Tax	\$	0
9	Additional Current Tax Required	\$	0
10	Required Deferred ITC	\$	0
11	Test Year Deferred ITC	\$	0
12	Additional Deferred ITC Required	\$	0
13	Total (Additional) Tax Required	\$	0
14	Gross Revenue Requirement	\$	4,192

Suburban W & S  
Case: 04-05-0001  
Year ending Dec.31, 2004

Rate Base

Plant Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 25,219
Subtract from Total Plant	
2 Depreciation Reserve (Sch 5)	\$ 49,549
3 Net Plant in Service	\$ 15,670
Add to Net Plant in Service	
4 Cash Working Capital (Sch 4)	\$ 0
5 Materials and Supplies-Exempt	0
6 Unpaid Insurance	0
Subtract from Net Plant	
7 Federal Tax Offset 0.0000 %	\$ 0
8 State Tax Offset 0.0000 %	0
9 City Tax Offset 0.0000 %	0
10 Interest Expense Offset 0.0000 %	0
11 Customer Advances for Construction	0
12 Contribution in Aid of Construction	0
13 CRAC Depreciation	0
14 Customer Deposits	1,400
15 Total Rate Base	\$ 14,370

Suburban W & S  
 Case: QM 05 0001  
 Year ending Dec.31, 2004

Total Plant in Service

Line No.	Acct Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
(A)		(B)	(C)	(D)
<b>Intangible Plant</b>				
1	301-000 Organization	\$ 750	\$ 0 P-1	\$ 750
2	302-000 Franchises	0	0 P-2	0
3	303-000 Miscellaneous Intangible Plant	0	0 P-3	0
4	<b>Total</b>	\$ 750	\$ 0	\$ 750
<b>Source of Supply Plant</b>				
5	310-000 Land & Land Rights	\$ 1,500	\$ 0 P-4	\$ 1,500
6	311-000 Structures and Improvements	14,504	(14,504) P-5	0
7	312-000 Collecting and Impounding Reservoir	0	0 P-6	0
8	313-000 Lake, River and Other Intakes	0	0 P-7	0
9	314-000 Walls and Springs	24,515	(12,296) P-8	12,219
10	315-000 Infiltration Galleries and Tunnels	0	0 P-9	0
11	316-000 Supply Main	0	0 P-10	0
12	317-000 Other Water Source Plant	0	0 P-11	0
13	<b>Total</b>	\$ 41,319	\$ (27,200)	\$ 14,119
<b>Pumping Plant</b>				
14	320-000 Land & Land Rights	\$ 0	\$ 0 P-12	\$ 0
15	321-000 Structures & Improvements	0	1,200 P-13	1,200
16	322-000 Boiler Plant Equipment	0	0 P-14	0
17	323-000 Other Power Production Equipment	0	0 P-23	0
18	324-000 Steam Pumping Equipment	0	0 P-14	0
19	325-000 Electric Pumping Equipment	17,630	(170) P-15	17,460
20	326-000 Diesel Pumping Equipment	0	0	0
21	327-000 Hydraulic Pumping Equipment	0	0	0
22	<b>Total</b>	\$ 17,630	\$ 1,030	\$ 18,660
<b>Water Treatment Plant</b>				
23	330-000 Land & Land Rights	\$ 0	\$ 0 P-17	\$ 0
24	331-000 Structures & Improvements	0	0 P-18	0
25	332-000 Water Treatment Equipment	2,241	(83) P-19	2,158
26	<b>Total</b>	\$ 2,241	\$ (83)	\$ 2,158

Accounting Schedule: 3 Revised  
Footnote  
10:35 03/01/2005

Suburban W & S  
Case: 00 05-0001  
Year ending Dec.31, 2004

Total Plant in Service

Line	Acct	Description	Missouri	Jurisdictional	Adjusted
			Jurisdictional	Adjustment	Jurisdictional
		(A)	(B)	(C)	(D)
<b>Transmission and Distribution Plant</b>					
27	340.000	Land and Land Rights	\$ 0	\$ 0	\$ 0
28	341.000	Structures and Improvements	0	0	0
29	342.000	Distribution Reservoirs and Standup	6,810	3,135 E-20	3,675
30	343.000	Transmission and Distribution Mains	14,112	700 P-21	14,812
31	344.000	Fire Mains	0	0	0
32	345.000	Services	0	0	0
33	346.000	Meters	975	3,687 P-22	4,662
34	349.000	Other Transmission & Distri. Plant	0	0	0
35		Total	\$ 21,927	\$ 7,522	\$ 29,449
<b>General Plant</b>					
36	389.000	Land and Land Rights	\$ 0	\$ 0	\$ 0
37		Total	\$ 0	\$ 0	\$ 0
38		Total Plant in Service	\$ 83,950	\$ (18,734)	\$ 65,216

Accounting Schedule: 3-2 Revised



Sulairan W & S  
 Case: QM 05-0001  
 Year ending Dec.31, 2004

Adjustments to Total Plant

Adj or Description	Total Co Adjustment	Mo. Chris Adjustment
*****		
Organization P-1		
*****		
1.		
*****		
Structures and Improvements P-5		\$ (14,804)
*****		
1. To record retirement of plant for the year end 2004 and to		\$ (14,804)
transfer company to records.		
(Bases)		
*****		
Land, River and Other Facilities P-7		
*****		
1.		
*****		
Wells and Springs P-8		\$ 112,295
*****		
1. To adjust plant balance for year end 2004 and to correct		\$ (12,295)
company records.		
(Bases)		
2.		
*****		
Land & Land Rights P-10		
*****		
1.		



Accounting Schedule: 4 Revised  
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 10:38 03/01/2005

Suburban W.P.S.  
 Case: 04-05-0001  
 Year ending Dec.31, 2004

Adjustments to Total Plant

Adj No Description	Total Co Adjustment	No Juris Adjustment
Structures & Improvements P-13		\$ 1,200
1. To adjust plant balance for year end 2004 and to correct company's records. (Revised)		\$ 1,200
Electric Pumping Equipment P-15		\$ (173)
1. To adjust plant balance for year end 2004 and to correct company's records. (Revised)		\$ (173)
Steam Pumping Equipment P-15		
1. (Revised)		
Water Treatment Equipment P-13		\$ (53)
1. To adjust plant balance for year end 2004 and to correct company's records. (Revised)		\$ (53)
High Pressure Reservoirs and Standby P-20		\$ 3,135
1. To adjust plant balance for year end 2004 to correct company's record. (Revised)		\$ 3,135

Accounting Schedule: 4-2 Revised

Accounting Schedule 4 Revised  
 12/31/03 03/01/2005

Suburban M & S  
 Case: QW-05-0001  
 Year ending Dec. 31, 2004

Adjustments to Total Plant

No.	Description	Total Co Adjustment	No. Units Adjustment
*****			
Transmissions and Distribution Mains	P-21	\$	700
*****			
1. To adjust plant balance for year end 2004 and to correct company's records.		\$	700
(Eaves)			
*****			
Motors	P-22	\$	3,687
*****			
1. To adjust plant balance for year end 2004 and to correct company's records.		\$	3,687
(Eaves)			

Accounting Schedule 4-1 Revised

Accounting Schedule: 5 Revised  
 Dates: 10/08 01/01/2005

Robertson W & S  
 Case: GW-05-0003  
 Year ending Dec. 31, 2004

Depreciation Expense

Line No.	Asset Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
(A)		(B)	(C)	(D)
<b>Intangible Plant</b>				
1	301.000 Organization	\$ 750	0.0000	\$ 0
2	302.000 Franchises	0	0.0000	0
3	303.000 Miscellaneous Intangible Plant	0	0.0000	0
4	Total	\$ 750		\$ 0
<b>Source of Supply Plant</b>				
5	310.000 Land & Land Rights	\$ 1,500	0.0000	\$ 0
6	311.000 Structures and Improvements	0	0.0000	0
7	312.000 Collecting and Impounding Reservoir	0	0.0000	0
8	313.000 Lake River and Other Intakes	0	0.0000	0
9	314.000 Wells and Springs	12,619	2.0000	252
10	315.000 Infiltration Galleries and Tunnels	0	0.0000	0
11	316.000 Supply Mains	0	0.0000	0
12	317.000 Other Water Source Plant	0	0.0000	0
13	Total	\$ 14,119		\$ 252
<b>Pumping Plant</b>				
14	320.000 Land & Land Rights	\$ 0	0.0000	\$ 0
15	321.000 Structures & Improvements	1,200	2.0000	240
16	322.000 Boiler Plant Equipment	0	0.0000	0
17	323.000 Other Power Production Equipment	0	0.0000	0
18	324.000 Steam Pumping Equipment	0	0.0000	0
19	325.000 Electric Pumping Equipment	17,460	10.0000	1,746
20	326.000 Diesel Pumping Equipment	0	0.0000	0
21	327.000 Hydraulic Pumping Equipment	0	0.0000	0
22	Total	\$ 18,660		\$ 1,775
<b>Water Treatment Plant</b>				
23	330.000 Land & Land Rights	\$ 0	0.0000	\$ 0
24	331.000 Structures & Improvements	0	0.0000	0
25	332.000 Water Treatment Equipment	2,241	2.0000	448
26	Total	\$ 2,241		\$ 448

Accounting Schedule: 5-1 Revised

Suburban M & S  
 Case: UN-01-0001  
 Year ending Dec.31, 2004

Depreciation Expense

Line	Asset	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
(A)			(B)	(C)	(D)
Transmission and Distribution Plant					
27	340,000	Land and Land Rights	\$ 0	100.0000	\$ 0
28	341,000	Structures and Improvements	0	0.0000	0
29	342,000	Distribution Reservoirs and Standp.	9,975	2.5000	249
30	343,000	Transmission and Distribution Mains	14,812	2.0000	296
31	344,000	Pole Mains	0	0.0000	0
32	345,000	Services	0	0.0000	0
33	346,000	Meters	16,562	3.3000	154
34	349,000	Other Transmission & Distrib. Plant	0	0.0000	0
35		Total	\$ 25,449		\$ 699
General Plant					
36	389,000	Land and Land Rights	\$ 0	0.0000	\$ 0
37		Total	\$ 0		\$ 0
38	Total Depreciation Expense		\$ 55,219		\$ 2,992



Cuburghon M A S  
 Case: 09-05-0001  
 Year ending Dec.31, 2004

Depreciation Reserve

Line No.	Acct Description	Missouri Jurisdictional	Interjurisdictional Adjustment	Adjusted Jurisdictional
(A)		(B)	(C)	(D)
<b>Intangible Plant</b>				
1	301.000 Organization	\$ 0	\$ 0	\$ 0
2	302.000 Franchises	0	0	0
3	303.000 Other Plant & Miscellaneous Equip	0	0	0
4	Total	\$ 0	\$ 0	\$ 0
<b>Source of Supply Plant</b>				
5	310.000 Land & Land Rights	\$ 0	\$ 0	\$ 0
6	311.000 Structures and Improvements	14,904	(14,904) R-2	0
7	312.000 Collecting and Impounding Reservoir	0	0 R-3	0
8	313.000 Lake, River and Other Intakes	0	0 R-4	0
9	314.000 Wells and Springs	18,542	(11,490) R-5	6,744
10	315.000 Infiltration Galleries & Tunnels	0	0 R-6	0
11	316.000 Supply Mains	0	0 R-7	0
12	317.000 Other Water Source Plant	0	0 R-8	0
13	Total	\$ 33,446	\$ (26,492)	\$ 6,744
<b>Pumping Plant</b>				
14	320.000 Land and Land Rights	\$ 0	\$ 0	\$ 0
15	321.000 Structures and Improvements	0	0 R-9	0
16	322.000 Boiler Plant Equipment	0	0 R-11	0
17	323.000 Other Power Production Equip.	0	0 R-12	0
18	324.000 Steam Turbine Equipment	0	0	0
19	325.000 Electric Pumping Equipment	9,937	6,903 R-13	16,840
20	326.000 Diesel Pumping Equipment	0	0	0
21	327.000 Hydraulic Pumping Equipment	0	0	0
22	328.000 Other Pumping Equipment	0	0	0
23	Total	\$ 9,937	\$ 6,903	\$ 16,840
<b>Water Treatment Plant</b>				
24	330.000 Land and Land Rights	\$ 0	\$ 0 R-14	\$ 0
25	331.000 Structures and Improvements	0	0 R-15	0
26	332.000 Water Treatment Equipment	2,158	(88) R-16	2,070
27	Total	\$ 2,158	\$ (88)	\$ 2,070

Accounting Schedule: 5 Revised  
 Eastern  
 10:30 03/01/2005

Suburban WPA S  
 Case: QW-CF-0001  
 Year ending Dec 31, 2004

Depreciation Reserve

Item No	Description	Minimum Jurisdictional	Discretionary Adjustment	Adjusted Jurisdictional
(1)	(2)	(3)	(4)	(5)
<b>Transmission &amp; Distribution Plant</b>				
26	340,000 Land and Land Rights	\$ 0	\$ 0	\$ 0
27	341,000 Structures and Improvements	0	0	0
30	342,000 Distribution Reservoirs and Standp.	6,840	(445) R-17	6,395
31	343,000 Transmission & Distribution Means	8,513	5,016 R-16	13,529
32	344,000 Fire Mains	0	0	0
33	345,000 Services	0	0	0
34	346,000 Meters	773	3,202 R-20	3,975
35	348,000 Hydrants	0	0	0
36	349,000 Other Transmission & Distri. Plant	0	0	0
37	<b>Total</b>	\$ 16,122	\$ 7,773	\$ 23,895
<b>General Plant</b>				
38	385,000 Land and Land Rights	\$ 0	\$ 0	\$ 0
39	<b>Total</b>	\$ 0	\$ 0	\$ 0
40	<b>Total Depreciation Reserve</b>	\$ 61,363	\$ (11,814)	\$ 49,549

Accounting Schedule: 6-2 Revised

Summit W & R  
 Case: CW-05-0001  
 Year ending Dec. 31, 2006

Cash Working Capital

Line No.	Account Description	Task Year Expenses	Revenue Inq	Expense Inq	Net Log (C) - (D)	Factor (Col E/355)	CWC Req (B) x (F)
		(B)	(C)	(D)	(E)	(F)	(G)
	Operation and Maintenance Expense						
11	Cash Vouchers	\$ 18,653	0.0000	0.0000	\$0.0000	0.0000000	\$
2	Total Operation and Maintenance Expense	\$ 18,653					\$
3	Total Taxes	\$ 0					\$
4	Total Cash Working Capital Req						\$

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Suburban W &amp; S

Case: OW-65-0001

Year ending Dec.31, 1964

## Adjustments to Depreciation Reserve

Adj	Description	Total Co Adjustment	Mo Basis Adjustment
1	Structures and Improvements R-2		\$ (14,904)
	1. No adjust depreciation reserve		\$ (14,904)
	(Eaves)		
	Wells and Springs R-5		\$ (11,498)
	1. No adjust depreciation reserve		\$ (11,498)
	(Eaves)		
	Supply Pumps R-7		
	1		
	Other Motor/Generator Plant R-8		
	1		
	(Eaves)		
	2		
	Boiler Plant Equipment R-11		
	1		
	Other Power Production Equip. R-12		
	1		



Suburban W & E  
 Case: 05-0001  
 Year ending Dec 31, 2004

Adjustments to Depreciation Reserve

Adj. No. Description	Total Cr. Adjustment	Mo. Jan. Adjustment
Electric Pumping Equipment R-13		\$ 6,903
To adjust depreciation reserve.		\$ 6,903
(Rever)		
Land and Land Rights R-14		
Structures and Improvements R-15		
To adjust depreciation reserve.		
(Rever)		
Water Treatment Equipment R-16		\$ (48)
To adjust depreciation reserve.		\$ (48)
(Rever)		
Distribution Reservoirs and Standp. R-17		\$ (445)
To adjust depreciation reserve.		\$ (445)
(Rever)		
Transmission & Distribution Mains R-18		\$ 5,016
To adjust depreciation reserve.		\$ 5,016
(Rever)		

Accounting Schedule 7 Revised  
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10:48 03/01/2005

Suburban W & S  
Case: 00-05-0001  
Year ending Dec. 31, 2004

Adjustments to Depreciation Reserve

Adj	Total Co	No Dis
W/Depreciation	Adjustment	Adjustment
*****		
Net	200	\$ 3,302
*****		
Adjusted depreciation reserve		\$ 3,302
(Reves)		

Accounting Schedule 7 Revised

Suburban W & E  
 Case: GW-05-0001  
 Year ending Dec.31, 2004

Income Statement

Line	Account	Description	Ministry	Jurisdictional	Adjustment	Adjusted
			Jurisdictional	Adjustment		Jurisdictional
			(B)	(C)		(D)
<b>Operating Revenues</b>						
1	571.100	Flat Rate Res. Revenues	\$ 15,230	\$ 2,593	S-1	\$ 15,623
2	572.100	Measured Res. Revenues	0	0	S-2	0
3	572.200	Measured Commercial Revenues	0	0	S-3	0
4	572.000	Miscellaneous Operating Revenues	0	0	S-4	0
	Total		\$ 15,230	\$ 2,593		\$ 15,623
<b>Operation &amp; Maintenance Expense</b>						
6	620.000	Electric Utilities Expenses-Water	\$ 3,014	\$ (603)	S-10	\$ 2,411
7	625.100	Maintenance of Water Plant - Pump	0	0	S-5	0
8	625.200	Maintenance of Water Plant- Well	1,990	0	S-6	1,990
9	625.300	Maint. of Water Plant - Water Line	6,329	0	S-7	6,329
10	600.000	Labor	3,387	0	S-18	3,387
11	531.000	Chemicals	1,504	(319)	S-8	1,275
12	535.000	Outside Services Employed	1,700	0	S-17	1,700
13	542.000	Mater. Reading Expenses	620	0	S-12	620
14	502.000	Customer Records and Collection Exp	0	0	S-13	0
15	525.000	Employees Pension & Benefits	0	0	S-14	0
16	527.000	Franchise Requirements	0	0	S-20	0
17	528.000	Regulatory Commission Expense	327	0	S-21	327
18	529.000	Transportation	0	0	S-23	0
19	530.100	Miscellaneous Expenses	614	0	S-11	614
20	530.200	Misc General Expense	0	0	S-22	0
	Total		\$ 19,575	\$ (322)		\$ 18,653
<b>Depreciation Expense</b>						
22		Depreciation Expense	\$ 0	\$ 2,792	S-60	\$ 2,792
	Total		\$ 0	\$ 2,792		\$ 2,792
24		Other Operating Expenses	\$ 0	\$ 0		\$ 0
25		Total Operating Expenses	\$ 19,575	\$ 1,370		\$ 21,445



Accounting Schedule: 8 Revised  
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 10:36 03/01/2005

Suburban W & S  
 Case: 07-05-0001  
 Year ending Dec.31, 2004

Income Statement

Line No.	Acc:	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
25		Net Income Before Taxes	\$ (3,043)	\$ 723	\$ (2,320)
26		Current Income Taxes			
27		Current Income Taxes	\$ 0	\$ 0	\$ 0
28		Total	\$ 0	\$ 0	\$ 0
29		Deferred Income Taxes			
30		Deferred Income Taxes	\$ 0	\$ 0	\$ 0
31		Total	\$ 0	\$ 0	\$ 0
32		Net Operating Income	\$ (3,043)	\$ 723	\$ (2,320)

Accounting Schedule: 8 2 Revised

Suburban W & S  
 Case: QW-05-0001  
 Year ending Dec.31, 2004

Adjustments to Income Statement

Adj	NO Description	Total Co	Mo Juris
		Adjustment	Adjustment
	Miscellaneous Revenues	S-1	\$ 2,593
	Revenue based upon 45 Single Family customers at 6666 gallons per month usage and 100 Rental customers at 4,800 gallons per month at \$1.53/1000 gallons plus \$2.42 minimum charge. (Basis)		\$ 2,593
	Measured Res. Revenues	S-2	
	Measured Commercial Revenues	S-3	
	Miscellaneous Operating Revenues	S-4	
	Chemicals	S-5	\$ (319)
	1. To disallow 20% of expenses associated with the excessive water loss. (Basis)		\$ (319)

Accounting Schedule: 9 Revised  
Boutery  
10:26 03/03/2005

Suburban W.E.B  
Cause: JW-05-0001  
Year ending Dec.31, 2004

Adjustments to Income Statement

No Description	Total Co Adjustment	No Juris Adjustment
*****		
Electric Utilities Expense Water	S-10	\$ (603)
*****		
1. To diminish 10% of expenses associated with the excessive water loss. (have)		\$ (603)
*****		
Miscellaneous Expenses	S-11	
*****		
1.		
*****		
Water Reading Expense	S-12	
*****		
1.		
*****		
Customer Records and Collection Exp	S-13	
*****		
1.		
2.		
*****		
Franchise Requirement	S-20	
*****		
1.		
2.		

Accounting Schedule: 9 Revised



Accounting Schedule: 9 Revised  
Boateng  
10:18 03/01/2005

Schubert W & S  
Case: QN-05-0001  
Year ending Dec 31, 2004

Adjustments To Income Statement

Adj No. Description	Total Co Adjustment	No. Juris Adjustment
***** Transportation 5-22 *****		
***** Misc General Expense 5-23 *****		
***** Depreciation Expense 5-60 *****		\$ 2,782
***** Using depreciation expenses for the year 2004. (Boateng)		\$ 2,752

Accounting Schedule: 10 3 Revised

Suburban W & S  
Class: QW-05-0001  
Year ending Dec. 31, 2004

Income Tax

Line	Test	11.00%
	Year	Return
(A)	(B)	
1 Net Income Before Taxes (Sch-B)	\$ (2,622)	\$ 1,570
2 Book Depreciation Expense	\$ 2,792	\$ 2,792
3 Total	\$ 2,792	\$ 2,792
Subtr. from Net Income Before Taxes		
4 Interest Expense 0.0000%	\$ 0	\$ 0
5 Book Depreciation	0	0
6 Total	\$ 0	\$ 0
7 Net Taxable Income	\$ 170	\$ 4,362
Provision for Federal Income Tax		
8 Net Taxable Income	\$ 170	\$ 4,362
9 Deduct Missouri Income Tax 200.00%	\$ 0	\$ 0
10 Deduct City Income Tax	0	0
11 Federal Taxable Income	170	4,362
12 Total Federal Tax	\$ 0	\$ 0
Provision for Missouri Income Tax		
13 Net Taxable Income	\$ 170	\$ 4,362
14 Deduct Federal Income Tax 50.00%	\$ 0	\$ 0
15 Deduct City Income Tax	0	0
16 Missouri Taxable Income	170	4,362
17 Total Missouri Tax	\$ 0	\$ 0



Suburban W & S  
 Case: QW-05-0001  
 Year ending Dec. 31, 2004

Income Tax

	Cost	11.00%
	Year	Rebate
(12)	(16)	
Provision for City Income Tax		
18 Net Taxable Income	\$ 170	\$ 4,363
19 Deduct Federal Income Tax	\$ 0	\$ 0
20 Deduct Missouri Income Tax	\$ 0	\$ 0
21 City Taxable Income	170	4,363
22 Total City Tax	\$ 0	\$ 0
Summary of Provision for Income Tax		
23 Federal Income Tax	\$ 0	\$ 0
24 Missouri Income Tax	0	0
25 City Income Tax	0	0
26 Total	\$ 0	\$ 0
Deferred Income Taxes		
27 Deferred Investment Tax Credit	\$ 0	\$ 0
28 Deferred Repair Allowance	0	0
29 Deferred Tax Depreciation	0	0
30 Amort of Deferred Tax Depreciation	0	0
31 Amort of Repair Allowance	0	0
32 Amort of Deferred LTC	0	0
33 Deferred Unfilled	0	0
34 Total	\$ 0	\$ 0
35 Total Income Tax	\$ 0	\$ 0

## Attachment 3 – Overview of Company and Customer Service Operations

## **SUBURBAN WATER AND SEWER COMPANY**

### **CUSTOMER SERVICE OPERATIONS**

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service processes, procedures and practices at Suburban Water and Sewer, Inc. (Suburban or Company) on February 16, 2005. Prior to the on-site interviews, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records and other documentation related to the Company's customer service operations. The EMSD staff participated in two meetings with Company personnel in January and February of 2005.

The purpose of the Engineering and Management Services Department is to promote and encourage efficient and effective utility management. This purpose contributes to the Commission's overall mission to ensure that customers receive safe and adequate service at the lowest possible cost, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were to document and analyze the management control processes, procedures and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review will also provide the Commission with information regarding the Company's customer service operations.

The scope of this review focused on processes, procedures and practices related to:

- Customer Records
- Applications for Service
- Customer Deposits
- Meter Reading
- Customer Billing
- Credit and Collections

- Complaints/Inquiries Handling and Documentation

This report contains the results of the EMSD staff's review.

### **Overview**

Suburban Water and Sewer Company was authorized by the Commission September 30, 1972, to provide regulated water service to customers in a certificated area in central Boone County, Missouri. The Company was originally granted a Certificate of Convenience and Necessity to supply water and wastewater collection and treatment to residents of Bon-Gor Lake Estates. Bon Gor Lake Estates was a real estate development undertaken by Gordon and Bonnie Burnam, who are still the owners of the water Company. In the mid-1980's, the Boone County Regional Sewer District assumed ownership and operation of the wastewater collection and treatment system.

The Company office is located at 1501 Vandiver #88 in Columbia, Missouri. The Company has no employees but operates the water system under a billing and maintenance informal agreement with Vista Home Management Company (Vista). Vista is a property management company solely owned by Gordon and Bonnie Burnam. Gordon Burnam is the President of Vista. The Executive Vice President and the Assistant Manager of Vista conduct the business functions necessary to keep Suburban running and respond to the customer. These two employees of Vista are salaried and a small portion of their time is allocated to the activities associated with Suburban Water Company. Four other employees assist with meter reading and maintenance duties as needed and their time is entered on a timesheet that is provided for payroll to the owners of Vista on a bi-monthly basis. In addition to the Suburban Water Company, these employees also take care of operations related to another small water company at Mobile Village Home Park.

### **Customer Records**

Records going back approximately three years are kept on site at the Company office. These records include monthly summaries, meter readings, customer information sheets, any correspondence and complaint information. In addition, information is kept

on testing, inspections, public notices and security information. There is a fireproof safe at the Company offices for money or documents that need to be secured.

Financial information records are retained by Bonnie Burnam, one of the owners, and filed at her residence in Columbia, Missouri. This includes bank statements, annual reports, tax information, general ledgers and balance sheets.

### **Applications for Service**

New customers must complete an application form when applying to have service put in their name at a location. The form includes information on address, phone, place of employment and emergency contact. If the customer calls and does not want to come in, the Company will agree to send or fax it to the customer to complete. Approximately two years ago, the Company mailed an update form to verify the current customer information that is on file. The form is anticipated to be used once a year to assure that the customer records remain current.

### **Customer Deposits**

Deposits were first charged when the Company was established in the 1970s. However, deposits have not been required since those initial years. The Company has had very few problems with customers paying their bills and therefore believes the deposits are unnecessary. The Company is unsure of the original deposit amounts collected or if any have been refunded since that time. The owners have instructed the Executive Vice President to return a deposit to any customer who indicates they had submitted a deposit in the past and were not yet refunded. The Company has indicated that no customer has come forward to request a refund.

### **Meter Reading**

The Company has forty-six residential water customer meters, which are read on a monthly basis. The Company also provides water service for 106 rental units, which are not metered. A flat rate of \$7.50 per unit per month is being charged to the three owners of these properties. However, this flat rate charge is not authorized by the

Company's tariff. The Auditing Department and Water Engineering staff of the Missouri Public Service Commission (MoPSC) will address the problems associated with this billing practice in its reports. Around the 10<sup>th</sup> of each month, two of the servicemen read all of the meters that day. Meter reading is normally done in conjunction with the collection of water samples for testing purposes.

Servicemen are given a sheet with the customer address, the old reading and a space for the new reading. If there is water in the meter well, it is pumped out or the meter is read with a long glass tube that allows the servicemen to see the meter numbers. When weather conditions are really hazardous, the office will produce an estimated bill and note this on the bill. The Company indicates that this has happened very seldom.

### **Customer Billing**

The Company utilizes a computer based billing program for generating and printing customer bills. This computer program was written for the Company by an individual many years ago. (Company management was unsure of the age of the program but indicated it was quite dated.)

Meter readings are taken around the 10<sup>th</sup> of the month and these sheets are submitted to the office and the Assistant Manager develops the bill by the next day. The current meter readings are entered for each location and the program calculates the bill. Once the information for all of the locations has been entered, bills are printed on full sheets of paper, stuffed into envelopes and mailed.

The bill shows the service dates, number of gallons used and the current amount due. It also alerts the customer that their payment is due by the 5<sup>th</sup> of the month and provides a mailing address for customers to send their payment to. The bill includes office hours and a telephone number and notes that this number can also be used for emergencies .

In April 2004, the Company implemented and applied a water rate increase to customer bills without first seeking approval of the MoPSC. These increased rates were applied to customer bills from April through October 2004. The Company was directed to rescind this increase in November 2004 when the MoPSC Staff became aware of the

unauthorized rate change. These over-charges were to be refunded, however, at this time, this has not yet been done.

### **Credit and Collection**

The Company maintains another sheet to record credit and payment information. This sheet shows the customer name, current charges due, a paid date with the amount and any balance due. If the customer has a credit balance, this will be noted on the sheet.

Customers can make their payments by mail or in person at the office. There is also a drop box outside the office to accept after-hours payments. Payments can be made by cash, check or money orders. Credit or debit cards are not accepted.

If a customer is delinquent on their bill, the Company will attempt to contact the customer by phone or by visiting the residence. They will also send or leave a notice indicating that their payment is overdue and they are in danger of their service being disrupted. A \$25 reconnection fee will be assessed if they have their service discontinued because of a delinquent payment.

Company management has indicated that it has had very few situations where they have had to discontinue service due to non-payment of a bill. The Assistant Manager recalled only two or three situations in the last three years where the Company was required to contact the customer for payment.

### **Complaints/Inquiries Handling and Documentation**

The Company stated that customers are able to contact Company personnel at all times. The office is staffed from 9 a.m. to 5 p.m. on a daily basis from Monday through Friday. Customers can call or stop by the office to issue inquiries or pay bills. The Company receives very few calls from customers regarding their service or bills. The Company began keeping a log of customer inquiries after the Office Manager came on in September of 2002. There were a total of five calls documented on the log sheet. One call was received in January of 2005 in response to the rate increase letters sent to customers. The Consumer Services Department of the MoPSC has indicated that it has not received any complaints on the Company in the last three years.

After hours, the phones will roll over to a messaging service. The message gives the customer a telephone number if it is an emergency. Emergency calls go to the Executive Vice President who carries a cell phone to accept calls that need some immediate assistance. She and the Assistant Manager will take turns accepting these calls. Servicemen also take turns being on call over the weekends and on evenings in case of an emergency.

### **Findings, Conclusions and Recommendations**

The following discussion presents a summary of the findings, conclusions and recommendations pertaining to the Company's customer service operations. The information presented in this section focuses on the following areas that require Company management's attention:

- Time Reporting
- Customer Records
- Customer Deposits
- Customer Billing
- Refund of Overcharges
- Utility Rights and Responsibilities Brochure

### **Time Reporting**

The Company does not utilize a detailed timesheet to track the time attributable to activities related to water specific functions performed by the office personnel. As indicated previously, the Company operates with personnel provided under a verbal agreement with Vista Home Management Company and does not directly employ any personnel. The EMSD staff has reviewed the services being provided and finds it reasonable for the customer levels for which services are provided. However, it is still important that personnel keep some detail of work hours and what they are attributable to since these personnel conduct activities for more than one company. Maintenance personnel do keep detailed time records by project or work-order.



THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Institute time reporting by specific activity for the employees involved in functions associated with the water operations.

### **Customer Records**

Customer records are maintained in different formats and the computer billing system does not correlate easily with these records. For example, billing and payment records are separate from usage records. One central record by premise would allow the office personnel to keep all types of updated information on the service location and customer in one place.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Review the present records to determine if there could be a consolidation of the various types of information kept.

The review of an alternative automated billing system should include an evaluation of record keeping capabilities.

### **Customer Deposits**

The Company has not maintained the documentation required under Commission Rule 4 CSR 240-13.030(4)(E) relating to the receipt of customer deposits. The Company is unsure of which customers have deposits still in place and has not attempted to refund customer deposits originally placed with them to secure service. The Company should make an effort to review historical billing records and determine if there are present customers on the water system who have remitted a deposit in the past. If these customers have demonstrated a good payment record, these deposits should be refunded with the appropriate interest.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Make a reasonable effort to review customer records to determine if any of its present customers have paid a deposit. If so, these deposits should be refunded with the appropriate interest.

At the present time, there is \$1,400 classified as customer deposits. If these cannot be refunded to the original customers, the amount should be reclassified as Contributions in Aid of Construction (CIAC).

If in the future, the Company determines a necessity to charge deposits, the procedures to charge deposits and refund them should be in compliance with the Commission's Billing Rules. The appropriate documentation regarding deposits should also be issued and maintained.

### **Customer Billing**

The Company is using a customer billing system that is quite dated and does not maintain the customer data and records in an easily accessible format. Office personnel do the best job possible with this limited software but the Company should evaluate other more current methods available to maintain records and produce customer bills.

#### *THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Evaluate various alternatives available to maintain customer records and produce bills.*

This evaluation should also include an evaluation of the possible costs and benefits associated with postcard billing. The EMSD Staff would recommend that the Company contact other small water companies as well as trade associations to determine what is appropriate for small water companies.

### **Refund of Overcharges**

The Company has not yet refunded the unauthorized overcharges to the customers that were placed on the April 2004 through October 2004 bills. Commission Rule 4 CSR 240-13.025 on Billing Adjustments requires that these overcharges be refunded. These could be more easily undertaken and tracked within the implementation of a new customer billing system.

#### *THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Examine the overcharges that occurred during the April through October 2004 timeframe and determine an effective method to refund the monies*

owed to customers as recommended by the Auditing Department of the MoPSC.

### **Utility Rights and Responsibilities Brochure**

The Company has not prepared a brochure detailing the rights and responsibilities of the Company and its customers. The development of such a brochure and its prominent display and availability to customers is required per Commission Rule 4 CSR 240-13.040(3). Since many of the Company's customers apply for service over the telephone, this brochure could be mailed to them after their service application form is received.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Develop and distribute to all current and future customers a brochure detailing the rights and responsibilities of the utility and its customers.*