

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 29th day
of April, 2009.

In the Matter of the Application of Peaceful Valley)	
Service Company Request for an Increase in Water)	<u>File No. WR-2009-0145</u>
Operating Revenues)	Tariff No. YW-2009-0686

In the Matter of the Application of Peaceful Valley)	
Service Company Request for an Increase in Sewer)	<u>File No. SR-2009-0146</u>
Operating Revenues)	Tariff No. YS-2009-0685

**ORDER APPROVING COMPANY/STAFF DISPOSITION AGREEMENTS
AND APPROVING TARIFFS**

Issue Date: April 29, 2009

Effective Date: May 7, 2009

Background

On October 21, 2008, Peaceful Valley Service Company ("Peaceful Valley") initiated small water and sewer company rate increase actions pursuant to Commission Rule 4 CSR 240-3.050. Peaceful Valley is a wholly owned subsidiary of Peaceful Valley Property Owners Association providing water and sewer service in Owensville, Missouri. Peaceful Valley currently provides service to approximately 369 water customers and to approximately 167 sewer customers under the provisions of its Commission-approved tariffs. Peaceful Valley's customer rates for water service were last changed in July 1985 and its rates for sewer service were last changed March 1981.

Peaceful Valley originally requested an increase of \$6,154.20 in its annual water system operating revenues and an increase of \$7,344.00 in its annual sewer operating revenues. Based upon current customer rates and customer numbers, these increases

represent changes of approximately 18% in Peaceful Valley's annual water system operating revenues and approximately 76% in Peaceful Valley's annual sewer system operating revenues.

After discussions with the Commission's Staff ("Staff"), Peaceful Valley and Staff agreed that Peaceful Valley's annualized water system operating revenue should be decreased by \$3,454.00 and its annual sewer system operating revenues should be increased by \$13,209.00. On March 20, 2009,¹ Staff and Peaceful Valley filed Disposition Agreements (individually "Agreement", and collectively "Agreements") that included comprehensive accounting schedules, a review of Peaceful Valley's customer service and business operation and example tariffs designed to implement the agreed upon revenue requirements. On March 23, Peaceful Valley filed revised tariff sheets reflecting certain rate and language changes to bring the tariffs into full conformity with the Agreements. Those tariffs are assigned tracking numbers YW-2009-0686 (water) and YS-2009-0685 (sewer) and bear an effective date of May 7.

Disposition Agreements

Peaceful Valley and Staff agreed to the following with respect to the water company:

(1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission 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 May 7, 2009.

(2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the

¹ All dates from this point forward refer to the year 2009 unless otherwise noted.

resulting agreed-upon annualized operating revenue decrease of \$3,454 needed to recover the Company's cost of service.

(3) That the audit workpapers attached hereto as Attachment C, which include consideration of a capital structure of 100.0% equity for the Company and a return on equity of 9.50%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (2) above.

(4) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment D, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.

(5) 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 E.

(6) 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.

(7) That the schedule of depreciation rates attached hereto as Attachment F, which includes the depreciation rates used by the Staff in its revenue requirement analysis, will be the prescribed schedule of water plant depreciation rates for the Company.

(8) That the Company will maintain all of its financial records, including monthly financial records, in accordance with the Commission's approved 1973 Uniform System of Accounts (USOA), as revised July 1976.

(9) That the Company will develop and maintain time sheets, separating the time spent between the water and sewer operations. Staff will review these time sheets by June 30, 2009.

(10) That the Company will maintain and retain proper plant and CIAC records. The Auditing Department will meet with the Company to assist in the development of these records by June 30, 2009.

(11) The Company will implement cost-effective disconnect procedures as stated in Commission rule 4 CSR 240-13.050(5) as recommended in the Engineering & Management Services Department (EMSD) Report by the effective date of the tariff(s) within the case.

(12) The Company will develop a customer disconnect notice as stated in

Commission Rule 4 CSR 240-13.050(4) as recommended in the Engineering & Management Services Department (EMSD) Report by the effective date of the tariff(s) within the case.

(13) Within three (3) months of the effective date of an order approving this Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Department (EMSD) Report. These recommendations include the following:

- a. The Company shall review 4 CSR 240-13 governing water utilities.
- b. The Company will analyze automated billing software and initiate use of a cost-effective automated system that would more efficiently and accurately handle the calculation and preparation of customer bills.
- c. The Company will increase collection timelines for delinquent water availability customers and implement policies determined to be effective and efficient.
- d. The Company will ensure all customer complaints received by Company personnel are documented according to Commission Rule 4 CSR 240-13.040(5). These records will be kept on file for at least (2) years.
- e. The Company will develop, in written form, the information that summarizes the rights and responsibilities of the utility and its customers and make such documentation available to customers as stated in Commission Rule 4 CSR 240-13.040(3).
- f. The Company will store all critical paper files in a fire proof container, implement cost-effective billing software with adequate storage capability, and develop back-up data storage and recovery procedures for electronic files.

(14) 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.

(15) That Staff will conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

(16) That Staff may file a formal complaint against it if the Company does not comply with the provisions of this Disposition Agreement.

(17) 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.

As is shown in Attachments D and E to the Agreement, Peaceful Valley will decrease its water rates as follows:

Revenues Generated by Current Tariffed Rates	\$ 37,039
Agreed-Upon Overall Revenue Increase	\$ (3,454)
Percentage Increase Needed	-9.325%

Customer Rates		
Customer Class	Current Service Charge	Proposed Service Charge
Residential	\$ 32.25	\$ 29.24
Private Hydrants	\$ 32.25	\$ 29.24
Commercial	\$ 32.25	\$ 29.24
Private Hydrants	\$ 16.15	\$ 14.64
Availability Charge	\$ 9.00	\$ 8.16

Rates for Residential Customer	
6,000 gallons/month usage	
Current Base Customer Charge	Proposed Base Customer Charge
\$32.25	\$29.24

Peaceful Valley and Staff agreed to the following with respect to the sewer company:

(1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission 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 May 7, 2009.

(2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$13,219 needed to recover the Company's cost of service.

- (3) That the audit workpapers attached hereto as Attachment C, which include consideration of a capital structure of 100.00% equity for the Company and a return on equity of 9.50%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (2) above.
- (4) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment D, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.
- (5) 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 E.
- (6) 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.
- (7) That the schedule of depreciation rates attached hereto as Attachment F, which includes the depreciation rates used by the Staff in its revenue requirement analysis, should be the prescribed schedule of sewer plant depreciation rates for the Company.
- (8) That the Company will maintain all of its financial records in accordance with the Commission approved 1973 Uniform System of Accounts (USOA), as revised in July 1976.
- (9) That the Company will develop and maintain time sheets, separating the time spent between the water and sewer operations. Staff will review these time sheets by June 30, 2009.
- (10) That the Company will maintain and retain proper plant and CIAC records. The Auditing Department will meet with the Company to assist in the development of these records by June 30, 2009.
- (11) That the Company will maintain and retain proper records of sewer tap-
ons and their associated expenses. The Auditing Department will meet with the Company to assist in the development of these records by June 30, 2009.
- (12) The Company will implement cost-effective disconnect procedures as stated in Commission rule 4 CSR 240-13.050(5) as recommended in the Engineering & Management Services Department (EMSD) Report by the effective date of the tariff(s) within this case.

(13) The Company will develop a customer disconnect notice as stated in Commission Rule 4 CSR 240-13.050(4) as recommended in the Engineering & Management Services Department (EMSD) Report by the effective date of the tariff(s) within this case.

(14) Within three (3) months of the effective date of an order approving this Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Department (EMSD) Report. These recommendations include the following:

- a. The Company shall review 4 CSR 240-60 and -61 governing sewer utilities.
- b. The Company will analyze automated billing software and initiate use of a cost-effective automated system that would more efficiently and accurately handle the calculation and preparation of customer bills.
- c. The Company will ensure all customer complaints received by Company personnel are documented according to Commission Rule 4 CSR 240-60.010(4). These records will be kept on file for at least two (2) years.
- d. The Company will develop, in written form, the information that summarizes the rights and responsibilities of the utility and its customers and make such documentation available to customers. The document will adhere to Commission Rule 4 CSR 240-13.040(3).
- e. The Company will store all critical paper files in a fire proof container, implement cost-effective billing software with adequate storage capability, and develop back-up data storage and recovery procedures for electronic files.

(15) 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.

(16) That Staff will conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

(17) That Staff may file a formal complaint against it, if the Company does not comply with the provisions of this Disposition Agreement.

(18) 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.

As is shown in Attachments D and E to the Agreement, Peaceful Valley will increase its sewer rates as follows:

Revenues Generated by Current Tariffed Rates		\$ 9,713
Agreed-Upon Overall Revenue Increase		\$ 13,219
Percentage Increase Needed		136.101%

Customer Rates		
Customer Class	Current Service Charge	Proposed Service Charge
Residential	\$ 14.20	\$ 33.53
Commercial	\$ 14.20	\$ 33.53
Commercial w/Restaurant	\$ 28.40	\$ 67.05
Public or Camping Areas	\$ 7.10	\$ 16.76

Rates for Residential Customer	
Current Base Customer Charge	Proposed Base Customer Charge
\$14.20	\$33.53

current service charge is monthly charge

On April 27, Staff filed recommendations that the Commission approve the Agreements and their associated tariffs.

Public Counsel's Response

The Office of the Public Counsel ("Public Counsel") did not join in the Agreements. Instead, on April 24, Public Counsel filed position statements in both cases. Public Counsel states that it did not join in the Agreements because, while agreeing with most of Staff's audit positions, it had concerns regarding the development and appropriate allocation of some costs included in the proposed rates. However, after discussions with the President of the Peaceful Valley Homeowners Association, which owns the utility,

Public Counsel determined that all customers are members of the homeowners association and have an equal voice in the operation of the utility if they wish to participate. Consequently, Public Counsel believes its concerns about these costs have been alleviated to a degree that opposition to the Agreements and the related tariff revisions would not be in the best interests of ratepayers. Public Counsel states it will not oppose approval of the Agreements by the Commission.

Decision

The Commission has the legal authority to accept stipulations and agreements as offered by the parties pursuant to Section 536.060, RSMo 2000. 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.² Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the Agreements.

The Commission finds that both disposition agreements are reasonable and shall be approved. Peaceful Valley and Staff shall be directed to comply with the terms and recommendations set out in the Agreements. Furthermore, Peaceful Valley's proposed tariff sheets, and the rates they establish, are just and reasonable and shall be approved. The Commission also finds that the depreciation rates proposed by Staff as Attachment F to the Agreements are reasonable and will order Peaceful Valley to utilize them.

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

THE COMMISSION ORDERS THAT:

1. The Company/Staff Disposition Agreement with regard to Peaceful Valley Service Company's request for an increase in water revenue, File No. WR-2009-0145, entered into by the Staff of the Missouri Public Service Commission and Peaceful Valley Service Company, filed on March 20, 2009, is approved.

2. The Company/Staff Disposition Agreement with regard to Peaceful Valley Service Company's request for an increase in sewer revenue, File No. SR-2009-0146, entered into by the Staff of the Missouri Public Service Commission and Peaceful Valley Service Company, filed on March 20, 2009, is approved.

3. The signatories to the agreements referenced in ordered paragraphs 1 and 2 shall comply with the terms of the Disposition Agreements. A copy of each Agreement is attached to this order as Appendix A and Appendix B.

4. Peaceful Valley Service Company shall implement the depreciation rates attached to the Company/Staff Disposition Agreements for File Nos. WR-2009-0145 and SR-2009-0146, as described in ordered paragraphs 1 and 2.

5. The following revised tariff sheets filed by Peaceful Valley Service Company on March 23, 2009, and assigned Tariff File Nos. YW-2009-0686 and YS-2009-0685, are approved to become effective for service provided on or after May 7, 2009. The tariff sheets approved are:

P.S.C. MO No. 2 (water)

1st Revised Sheet No. 6, Canceling Original Sheet No. 6
1st Revised Sheet No. 7, Canceling Original Sheet No. 7

P.S.C. MO No. 2 (sewer)

1st Revised Sheet No. 6, Canceling Original Sheet No. 6
1st Revised Sheet No. 7, Canceling Original Sheet No. 7
Original Sheet No. 7a

6. This order shall become effective on May 7, 2009.

7. This case shall be closed on May 8, 2009.

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)

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

Stearley, Senior Regulatory Law Judge