

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

In the Matter of Roy-L Utilities Request for an)
Increase in Water System Operating Revenue) **Case No. WR-2013-0543**

In the Matter of Roy-L Utilities Request for an)
Increase in Sewer System Operating Revenue) **Case No. SR-2013-0544**

**NOTICE OF UNANIMOUS AGREEMENT REGARDING DISPOSITION OF
SMALL WATER & SEWER COMPANY
REVENUE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Notice of Unanimous Agreement Regarding Disposition of Small Water & Sewer Company Revenue Increase Request* (“*Unanimous Agreement Notice*”), states the following:

1. On June 26, 2013, the Missouri Public Service Commission (Commission) received a Rate Increase Request Letter (“Request Letter”) from Roy-L Utilities, Inc. (“Roy-L” or “Company”), requesting the Commission allow an increase of 47.9% in its annual water system operating revenues and 150.8% in its annual sewer system operating revenues pursuant to Commission Rule 4 CSR 240-3.050.

2. Subsequent to Staff’s investigation and pursuant to negotiations between the Company, Staff and the Office of the Public Counsel (“Public Counsel”), (collectively referred to hereafter as “parties”) all parties have been able to reach a *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (“*Unanimous Agreement*”).

3. Included in Appendix A, attached hereto, is a copy of the above-referenced *Unanimous Agreement*, as well as various attachments related to the *Unanimous Agreement*.

4. As agreed-upon by the parties to this case, the *Unanimous Agreement* provides of an increase of \$1,514 for the Company's water operations and \$7,393 for the sewer operations in annual operating revenues.

5. Pursuant to Commission Rule 4 CSR 240-3.050(13), "[i]f the disposition agreement filed by the staff provides for a full resolution of the utility's request and is executed by the utility, the staff and the public counsel, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than thirty (30) days after they are filed to implement the agreement." Roy-L will withdraw any previously filed tariff sheet(s) and will file new tariffs, compliant with this Agreement, as soon as reasonably possible. These tariff sheets will bear an effective date not less than thirty (30) days later than the date of filing.

8. Roy-L is current on its payment of Commission assessments and on its filings of annual report and statements of revenue. Roy-L has no other cases pending before the Commission at this time.

WHEREFORE, the Staff respectfully submits this *Unanimous Agreement* and the attached appendices for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Staff, the Company and Public Counsel.

Respectfully submitted,

/s/ Kevin A. Thompson

Kevin A. Thompson
Chief Staff Counsel
Missouri Bar Number 36288

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Attorney for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all parties of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, **on this 9th day of May, 2014.**

/s/ Kevin A. Thompson

**UNANIMOUS AGREEMENT REGARDING DISPOSITION
OF SMALL COMPANY REVENUE INCREASE REQUEST**

ROY-L UTILITIES, INC.

MO PSC FILE NOS. WR-2013-0543 & SR-2013-0544

BACKGROUND

On June 26, 2013, the Missouri Public Service Commission (Commission) received a letter from Roy-L Utilities, Inc. (Roy-L or Company) requesting Commission approval of an increase of 47.9% in its annual water system operating revenues and an increase of 150.8% in its annual sewer system operating revenues. Roy-L's requests for its water and sewer operations were assigned Commission File Nos. WR-2013-0543 and SR-2014-0544, respectively.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Roy-L, Staff and Public Counsel hereby state the following agreements as a resolution of the Company's rate increase requests:

- (1) The agreed upon revenue requirement increases of \$1,514 for the Company's water operations and \$7,393 for the sewer operations as set out in the ratemaking income statements attached hereto as Attachment A and incorporated herein, are just and reasonable and result in an agreed-upon total annualized cost of service for the Company. (Attachment B attached hereto, and incorporated herein, contains explanations of each of the items included in the subject ratemaking income statements.);
- (2) The test year consisting of the 12-month period ending December 31, 2012, updated to March 31, 2014, was utilized as the basis for the revenue requirement increases as determined above;
- (3) That the agreed-upon net rate base balances for the Company are \$40,572 for the water operations and \$41,275 for the sewer operations;
- (4) The schedules of depreciation rates in Attachment C, incorporated by reference herein, includes the depreciation rates that shall be the prescribed schedule of water and sewer plant depreciation rates for the Company;
- (5) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission implementing the agreed-upon annualized operating revenue increases as set out in this agreement. The rates to be included in the forthcoming proposed tariff revisions will be designed in

the same manner as the rates that were included in the proposed tariff revisions that the Company submitted to the case files on April 7, 2014;

(6) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the following recommendation and provide proof of implementing the recommendation to the Manager of the Commission's Water & Sewer Unit:

(a) The Company will develop a written plan to address system deficiencies;

(7) Within thirty (30) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the following recommendation and provide proof of implementing the recommendation to the Manager of the Commission's EMSU Unit:

(a) The Company will update and distribute, to all current and future customers, written information specifying the rights and responsibilities of the Company and its customers;

(8) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the following recommendation and provide proof of implementing the recommendation to the Manager of the Commission's EMSU Unit:

(a) The Company will evaluate and consistently apply late fees to adequately cover the Company costs associated with processing and handling delinquent accounts;

(9) Within one hundred eighty (180) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the following recommendation and provide proof of implementing the recommendation to the Manager of the Commission's Auditing Unit:

(a) The Company will maintain the Company's books and records in accordance with National Association of Regulated Utility Commissioners (NARUC) Uniform System of Accounts (USOA). Staff provided the Company with a copy of the NARUC USOA Class D for both water and sewer;

(b) The Company will develop continuing property records (CPRs) for all of the Company's Plant in Service and Contribution in Aid of Construction (CIAC) that include, where applicable, the amount of plant, depreciation reserve, CIAC, and CIAC reserve agreed to in this case;

(c) The Company will keep the Company CPR's up to date and complete;

(d) The Company will develop a general ledger for its entire rate base, revenues and expenses;

(e) The Company will calculate depreciation expense on a monthly basis and include the amounts in the Company's books and records;

- (f) The Company will maintain a record of the additional hours, cost of materials and mileage reimbursements, if the Company incurs additional contract operator costs for additional maintenance or emergency services per the operator contract; and
- (g) The Company will develop a list of duties and responsibilities for any employee that performs work for the Company and maintains records of the number of hours worked with a description of the functions performed by the employee;
- (10) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Unanimous Disposition Agreement. The notice shall 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 shall also send a copy to Staff Case Coordinator who will file a copy in the Commission case files;
- (11) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Unanimous Disposition Agreement;
- (12) Staff or Public Counsel may file a formal complaint against the Company, if the Company does not comply with the provisions of this Unanimous Disposition Agreement;
- (13) Roy-L, Staff and Public Counsel agree that they have read the foregoing Unanimous Disposition Agreement, that facts stated therein are true and accurate to the best of their knowledge and belief, that the foregoing conditions accurately reflect the agreement reached between the Company, Staff and Public Counsel; and that the Company freely and voluntarily enters into this Disposition Agreement; and
- (14) The above agreements satisfactorily resolve all issues identified by Roy-L, Staff and Public Counsel regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

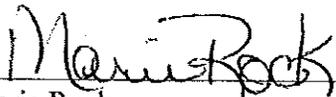
Other than the specific conditions agreed upon and expressly set out herein, the terms of this Unanimous Disposition Agreement reflect compromises between Roy-L, Staff and Public Counsel. In arriving at the amount of the annual operating revenue increase specified herein, no party has agreed to any particular ratemaking principle.

Roy-L and Public Counsel acknowledge that Staff will be filing this Unanimous Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff and Public Counsel may make other filings in this case.

Additionally, Roy-L agrees that subject to the rules governing practice before the Commission, Staff and Public Counsel shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Disposition Agreement at any agenda meeting at which this case is noticed to be considered by the Commission. Subject to the rules governing practice before the Commission, Staff and Public Counsel will be available to answer Commission questions regarding this Unanimous Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.

SIGNATURES

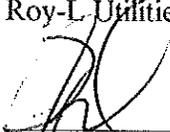
Agreement Signed and Dated:



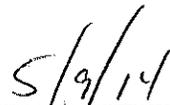
Marie Rock
Secretary
Roy-L Utilities, Inc.



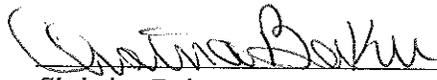
Date



James Busch
Manager
Water & Sewer Unit
Missouri Public Service Commission Staff



Date



Christina Baker
Deputy Public Counsel
Office of the Public Counsel



Date

List of Attachments

Attachment A – Ratemaking Income Statements

Attachment B – Ratemaking Income Statement Explanations

Attachment C – Schedule of Depreciation Rates

**Roy-L Utilities
Attachment A**

	Water	Sewer
Operating Revenues at Current Rates		
Revenues	17,815	6,914
Misc Revenues	255	213
Total Settlement Operating Revenues	\$ 18,070	\$ 7,127
Cost of Service		
Administrative and General Salaries (Marie/Jean)	4,936	3,064
Operators and Contract Services (Hydro Services)	295	757
Outside Services - Accounting	105	105
Electricity (Pumping)	2,356	-
Chemicals (Chlorine)	203	600
Property & Liability Insurance	509	259
Maintenance and Repairs	138	431
Mowing	260	422
Office Supplies	147	147
Postage	174	163
Telephone	471	441
Building Rent	620	580
MO DNR Fees	200	200
PSC Assessment	102	767
Membership Dues	118	-
Real & Personal Property Taxes	223	195
Rate Case Expense	646	646
Corporate Registration/Franchise	20	20
Main Break Repairs	2,155	-
Payroll Taxes	22	22
CIAC Amortization	(24)	-
Depreciation	1,757	1,681
Miscellaneous Expense	2,625	2,460
Total Settlement Expenses	\$ 18,058	\$ 12,960
Debt/Interest Expense	1,526	1,560
Total Settlement Cost of Service	\$ 19,584	\$ 14,520
Overall Settlement Revenue Increase	\$ 1,514	\$ 7,393
Plant	44,071	43,482
Materials & Supplies (Meters)	1,664	-
Depreciation Reserve	4,375	2,207
CIAC	(831)	-
CIAC Depreciation	43	-
Rate Base	40,572	41,275
Capital Structure	20/80	20/80

Roy-L Utilities

Attachment B

Ratemaking Income Statement Explanations

Test Year and Update Period: A test year consisting of the twelve months ending December 31, 2012, updated for known and measurable changes through March 31, 2014, was used to develop the revenue requirement increases in this case.

Revenues: The water revenues are based on 22 full-time and 39 part-time water customers using the current flat monthly water rates of \$28.23 for full-time and \$21.78 for part-time customers. The sewer revenues are based on 18 full-time and 39 part-time sewer customers using the current flat monthly sewer rates of \$10.82 for full-time customers and \$9.78 for part-time customers.

Miscellaneous Revenues: The miscellaneous revenues are based on Roy-L Utilities' tariffed late fee charge of \$5.00 or 3% per month multiplied by the unpaid balance, based on whichever amount is highest. A multi-year average was used to normalize the miscellaneous revenues amounts for water and sewer.

Administrative and General Salaries (Marie/Jean): The cost of service includes a total amount for the salaries of Ms. Marie Rock and Ms. Jean Longstreet. A multi-year average of the number of hours that Ms. Rock worked for Roy-L Utilities was multiplied by an hourly salary of \$19.09 to annualize her payroll. The number of hours that Ms. Jean Longstreet worked for Roy-L Utilities during calendar year 2012 was multiplied by an hourly salary of \$10 per hour to

annualize her payroll. This expense was allocated evenly between the water and sewer operations.

Operators and Contract Services (Hydro Services): The cost of service includes normalized amounts for water and sewer based on a multi-year average of the actual vendor invoices paid by Roy-L Utilities.

Outside Services – Accounting: The cost of service includes an annualized amount of vendor invoices paid by Roy-L Utilities, allocated evenly between the water and sewer operations.

Electricity (Pumping): The cost of service includes an annualized amount of electricity costs based on the current rate level paid by Roy-L Utilities for its electrical expense. The test year electricity costs were adjusted by using a multi-year average to reflect a normalized level of electricity.

Chemicals (Chlorine): The cost of service includes an annualized amount of chemical costs for water and sewer. Roy-L Utilities uses chlorine to treat the water sold to its customers. In addition, Roy-L Utilities is required by the Missouri Department of Natural Resources (DNR) to treat its sewer water prior to discharging it. Roy-L Utilities uses chlorine tablets to disinfect the discharged water for seven months of the year (April through October) as required by DNR.

Property & Liability Insurance: The cost of service includes the actual policy premium water and sewer amounts of property and liability insurance paid by Roy-L Utilities.

Maintenance and Repairs: The cost of service includes a multi-year average of various operation and maintenance expenses for the water and sewer systems.

Mowing: The cost of service includes a normalized amount for mowing based on a multi-year average of the actual invoices paid by Roy-L Utilities, allocated evenly between the water and sewer operations.

Office Supplies: The cost of service includes a normalized amount for office and billing supplies (paper, printer ink, billing forms, etc.) based on a multi-year average, allocated evenly between the water and sewer operations.

Postage: The cost of service includes an annualized amount for postage based on the number of customers for each system and the current cost of stamps multiplied by twelve.

Telephone: Currently Roy-L Utilities is operated out of Ms. Longstreet's personal residence. Ms. Longstreet's and Ms. Rock's personal cell phones are used to conduct business for Roy-L Utilities. The cost of service includes an annualized amount for telephone expense, allocated based on customer numbers between the water and sewer operations.

Building Rent: Currently Roy-L Utilities is operated out of Ms. Longstreet's personal residence. The cost of service includes an annualized amount for rent expense, allocated based

on customer numbers between the water and sewer operations. This amount includes utilities, property taxes and other expenses that would be associated with a stand-alone office.

MO DNR Fees: The cost of service includes an annualized amount for water and sewer Missouri Department of Natural Resources (DNR) permit fees, degradation fees and lab fees.

PSC Assessment: The cost of service includes the water and sewer 2014 Missouri Public Service Commission (PSC) annual assessment amounts.

Membership Dues: The cost of service includes the update period actual amounts for water membership dues paid by Roy-L Utilities.

Real & Personal Property Taxes: The cost of service includes the update period actual amounts for water and sewer of real estate and personal property taxes paid by Roy-L Utilities.

Rate Case Expense: The cost of service includes a normalized level of rate case expense, allocated evenly between the water and sewer operations.

Corporate Registration/Franchise: The cost of service includes an annualized amount of MO Secretary of State Registration fees, allocated evenly between the water and sewer operations.

Main Break Repairs: The cost of service includes a normalized level of main break repairs for water and sewer based on a multi-year average of the actual invoices paid by Roy-L Utilities.

Payroll Taxes: The cost of service includes an annualized amount of payroll taxes, allocated evenly between the water and sewer operations.

CIAC Amortization: The cost of service includes an annualized amount of amortization for the water system contributions in aid of construction (CIAC) as of March 31, 2014 in Roy – L Utilities’ Income Statement..

Depreciation: The cost of service includes an annualized amount of depreciation for the water and sewer system plant. The depreciation rates shown in Attachment C were used to develop the annualized level of depreciation expense for Roy-L Utilities based on its plant in service as of March 31, 2014.

Miscellaneous Expense: The cost of service includes miscellaneous expenses for water and sewer which reflect the amount needed to reach the agreed-upon revenue increases needed by Roy-L Utilities.

Debt/Interest Expense: The cost of service includes annualized amounts of water and sewer debt/interest expense for the loan that was the subject of Roy-L Utilities’ recent financing case, WF-2014-0211.

Plant: The plant amounts were calculated using the amounts agreed upon by all parties in Roy-L Utilities' last rate cases (PSC File Nos. SR-2008-0303 & WR-2008-0304) with adjustments made for any subsequent plant additions or retirements as of March 31, 2014.

Materials & Supplies (Meters): The water system materials & supplies amount includes water meters on-hand but not installed as of March 31, 2014.

Depreciation Reserve: The depreciation reserve amounts were calculated using the amounts agreed upon by all parties in Roy-L Utilities' last rate cases (Case Nos. SR-2008-0303 & WR-2008-0304) with adjustments made for any subsequent plant additions or retirements as of March 31, 2014.

CIAC: The water system contributions in aid of construction (CIAC) for rate base amount was calculated as of March 31, 2014.

CIAC Amortization: The water system contributions in aid of construction (CIAC) amortization for rate base amount was calculated as of March 31, 2014.

Rate Base: The rate base amounts were calculated using the amounts agreed upon by all parties in Roy-L Utilities' last rate cases (PSC File Nos. SR-2008-0303 & WR-2008-0304) with adjustments made for any subsequent plant additions or retirements as of March 31, 2014.

Roy-L Utilities, Inc.
DEPRECIATION RATES

(SEWER)

SR-2013-0544

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
352.2	Collection Sewers (Gravity)	2.0%	50
354	Services to Customers	2.0%	50
372	Oxidation Lagoons	4.0%	25
373	Treatment & Disposal Facilities	4.5%	22
375	Outfall Sewers	2.0%	50
391.1	Office Computer Equipment	20.0%	5
396	Power Operated Equipment	14.3%	7

Roy-L Utilities, Inc.
DEPRECIATION RATES

(WATER)

WR-2013-0543

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATES %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
314	Wells & Springs	2.0%	50
321	Structures & Improvements	2.5%	40
325	Electric Pumping Equipment	10.0%	10
331	Structures & Improvements	2.5%	40
332	Water Treatment Equipment	10.0%	10
341	Structures & Improvements	2.5%	40
342	Distribution Reservoirs & Standpipes	2.5%	40
343	Transmission & Distribution Mains	2.0%	50
345	Services	2.5%	40
346	Meters	10.0%	10
391.1	Office Computer Equipment	20.0%	5
396	Power Operated Equipment (lawn)	14.3%	7