

MEMORANDUM

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MISSOURI
PUBLIC SERVICE COMMISSION

TO: Missouri Public Service Commission Official Case File
Case No. SR-94-180; Ozark Water & Wastewater Management, Inc.

FROM: Wendell R. Hubbs *WRH*
Water & Sewer Department - Rates *WJH 5/1/98*

Wendell Hubbs 5-1-98 *Wm K Haas 5/1/98*
Utility Operations Division/Date General Counsel's Office/Date

SUBJECT: Staff's Status Report and Recommendation Regarding Ozark Water and Wastewater Management's (OWWM) Environmental Improvement and Energy Resources Authority (EIERA) Loan Payment Surcharge

DATE: May 1, 1998

On December 9, 1993, the Commission approved a financing arrangement and a surcharge in this case, which involved the financing of a sewer system clarifier with EIERA loan funds. EIERA funds are granted under the auspices of the Small Private Water and Sewer Company Revolving Loan Fund Program, which is a joint effort between the Commission and the EIERA.

Pursuant to the Order Approving Permanent Tariff (Order) issued on May 2, 1995, in this case, the Staff was directed to investigate annually the status of the surcharge to determine whether a refund is in order and what adjustments should be made to the surcharge based on the number of billing units. The Staff was also directed to provide a report of its investigation on May 1 of each year. I am filing this Status Report and Recommendation to comply with the Commission's Order.

OWWM's current EIERA loan payment surcharge is \$3.02 per customer per month (based on 416, then existing, customers). Based upon what OWWM states is its current number of customers (443) and the monthly EIERA loan payment (\$1,256.64), the technically correct EIERA loan payment surcharge would be \$2.84 per customer per month. I recommend that the Commission order OWWM to reduce the surcharge rate to \$2.84 per customer bill for the remaining term of the surcharge.

Due to a special surcharge payment provision in OWWM's tariff, OWWM's surcharge payment history and the fact that OWWM is in the last year of the surcharge's existence, I also believe that a "pre-ending surcharge audit" is now warranted.

The "Special Tariff Provision"

The above-referenced "special tariff provision" requires that OWWM use any monthly customer surcharge collections that are greater than the OWWM's EIERA loan payment for prepayment of the principal balance on the EIERA loan. The Staff has received confirmation that no prepayments of the loan have occurred, even though it appears that over the past year more customers were billed the surcharge than the number of customers that were used to develop the existing rate. It therefore appears that there may have been funds received in excess of the loan payment, and that those excess funds have not been paid to reduce the principal balance as required by the tariff. Further, a comparison of the surcharge tariff sheet that was in effect at the time the current surcharge was set and the surcharge tariff sheet now in effect shows that the referenced special provision was not in effect when the surcharge was last changed. I have attached copies of these tariff sheets for the Commission's review.

The Loan Repayment History

The Staff filed a formal complaint against OWWM (Case No. WC-96-236), in which issues related to the untimely repayment of the EIERA loan were at issue. A copy of the Commission's order in Case No. WC-96-236 is attached. OWWM's untimely repayment of the loan will, in essence, have acted to increase the loan balance causing an increase in interest expense for which Staff believes the OWWM customers should not be responsible. The Commission should note that OWWM is current on its loan payments through the end of March.

The Term of the Surcharge

The tariff currently authorizing OWWM to apply the surcharge to customer bills reads:

... The surcharge will terminate when the EIERA loan approved in Case No. SF-94-105 is paid off, or on January 1, 1999, whichever shall occur first.

OWWM, by billing the surcharge through and including the billing month of December 1998, may collect funds in excess of those needed to completely pay the principal balance.

Staff's Initiation of a "Pre-ending Surcharge Audit"

The Staff is initiating a "pre-ending surcharge audit" to assure that the surcharge funds received by OWWM have been handled in compliance with the applicable tariff provisions existing over the term of the surcharge. This audit will also determine when exactly the surcharge should be ended, given the actual history of the collections of the surcharge and the repayment of the EIERA Loan. Additionally, the audit will determine the appropriate accounting for the surcharge fund receipts and disbursements with regard to the correct booking to OWWM's accounts. As a result of its "pre-ending surcharge audit", the Staff will report to the Commission whether the surcharge should end earlier than currently scheduled and whether a refund of surcharge funds is called for.

Summary of Staff's Current Recommendations:

Based on the above, the Staff recommends that the Commission order OWWM to file a revised tariff sheet, with a ten-day effective date, which would change its EIERA loan payment surcharge to \$2.84.

Additionally, this docket should remain open until the billing of the EIERA surcharge has ended and a "final surcharge audit" has been performed by the Staff (after all surcharge activity has ended), and all necessary actions regarding this matter have been addressed by the Commission.

Attachments

Copies: Director - Utility Operations Division
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Director - Utility Services Division
General Counsel
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Manager - Financial Analysis Department
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