

Agreement Regarding Disposition of Small Company Rate Increase Request

Timber Creek Sewer Company, Inc.

MO PSC Work I.D. No. QS-2004-0001

Background

Timber Creek Sewer Company, Inc. ("Company") initiated the small company rate increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") "file" by submitting a letter to the Secretary of the Commission. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure ("Small Company Procedure"). The date that the Company's Request was received at the Commission's offices was July 15, 2003.

In its Request, the Company represented that it was asking for Commission approval of customer rates intended to generate an increase in its total annual sewer service operating revenues of \$80,000. The Company serves approximately 640 retail customers in its certificated service areas, the vast majority of which are residential customers, and also provides contract wholesale treatment service to the City of Platte City for approximately 365 residential dwelling units.

Upon review and acceptance of the Company's Request, personnel in the Commission's Data Center scanned the Request into the Commission's electronic filing and information system and Work I.D. No. QS-2004-0001 was assigned to the Request. The Request was then forwarded to the Commission's Water & Sewer Department for processing under the Small Company Procedure.

APPENDIX A

Pursuant to the provisions of the Small Company 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, and an inspection of the Company's 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 and the Company 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, charges and language set out in the example tariff sheets attached hereto as Attachment A.
- (2) That the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's current annualized sewer operating revenues and the Company's current annualized cost-of-service.
- (3) That the rate design worksheet attached hereto as Attachment C accurately reflects the monthly customer rates needed to recover the operating revenue increase of \$80,000 upon which the Company and the Staff have agreed.
- (4) That the rates set out in the attached example tariff sheet are designed to generate revenues sufficient to recover the operating revenue increase referenced in item (3) above, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.

- (5) That the rates included in the attached example tariff sheets are just and reasonable.
- (6) That the depreciation rates set out on Attachment D hereto should be the prescribed sewer plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- (7) That increasing the base contribution-in-aid-of-construction connection fee charge from \$1,000/connection to \$1,600/connection is reasonable.
- (8) That the implementation of a Late Payment Charge of 10% per month on the unpaid balance is reasonable.
- (9) That the implementation of a Bad Check Charge of \$25 per bad check is reasonable.
- (10) That the implementation of a Disconnect/Reconnect Charge equal to the total actual cost of the physical disconnection and reconnection of service is reasonable.
- (11) That effective with the implementation of the tariff revisions resulting from this agreement the Company will obtain an application for service from all new customers, consistent with Rule 4 of its Commission-approved tariff. Additionally, the Company will review its records for existing customers to see if any additional information is needed for those records, consistent with the information obtained in applications for service.
- (12) That the Company will institute automated monthly billing of its customers.
- (13) 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 herein.

Additional Matters

This Disposition Agreement is only between the Staff and the Company, in which case the Small Company Procedure requires that a notice regarding the agreement be mailed to the Company's customers. However, the OPC has advised the Company and the Staff that it intends to request a local public hearing regarding the Company's Request and the Staff/Company Disposition Agreement shortly after the Company files the tariff revisions resulting from this agreement. As a result, the OPC has suggested that a single customer notice pertaining to the Disposition Agreement

and the local public hearing would be appropriate in this instance, and the Company and the Staff agree. Accordingly, the Company will not send a notice to its customers regarding this agreement until after the Commission acts on OPC's forthcoming request for a local public hearing. (That notice will contain the information normally required of the second customer notice for a Small Company Procedure and information regarding the local public hearing, assuming that one is to be held.)

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff and the Company, and neither have agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company acknowledges that the Staff will be making an additional filing with the Commission regarding this matter. That filing will include the Staff's recommendation for approval of the subject tariff revisions, background information regarding the Company's Request and the Staff's investigation thereof, and certain Staff workpapers regarding at least the following items: (a) the ratemaking income statement referenced in item (2) above; (b) the rate design worksheet referenced in item (3) above; (c) a residential customer billing comparison reflecting the agreed-upon changes in the Company's rates; (d) a general overview of the Company; and (e) an overview of the Company's customer service procedures and practices. Additionally, that filing will include information regarding the status of the Company's payment of its Commission assessments and the Company's filing of its Commission annual reports, as well as information regarding any other pending matters that the Company may have before the Commission.

Effective Date and Signatures

This Disposition Agreement shall be considered effective as of the date that the tariff revisions resulting from the agreement are filed with the Commission.

Agreement Signed and Dated:



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

4/12/04
Date



Willis C. Sherry
President
Timber Creek Sewer Company, Inc.

4/13/04
Date

List of Attachments

Attachment A	Example Tariff Sheets
Attachment B	Ratemaking Income Statement
Attachment C	Rate Design Worksheet
Attachment D	Depreciation Rates

Timber Creek Sewer Company
Name of Issuing Company

For: Certificated Areas in Platte County, MO
Certificated Service Area

Rules Governing Rendering of Sewer Service

Schedule of Rates

Residential Rate:

Sewer Service Rate	\$26.97/month	+
Contribution-in-Aid-of-Construction (CIAC)	\$1,600/connection	+

Commercial Rate:

Sewer usage factor (SUF) is the sum of the largest 3 months water use, excluding consumptive use like lawn watering and swimming pool, divided by 18,000 gallons rounded to the nearest tenth. The minimum factor is one.

Sewer Service Rate	Residential Rates times SUF	+
CIAC	Residential CIAC times SUF	+

Example

* indicates new rate or text

+ indicates change

Disposition Agreement – Attachment A-1
(QS-2004-0001)

Issue Date: April 15, 2004
Month/Day/Year

Effective Date: June 1, 2004
Month/Day/Year

Issued By: Willis C. Sherry - President
Name and Title of Issuing Officer

P.O. Box 511, Platte City, MO 64079
Company Mailing Address

Timber Creek Sewer Company
Name of Issuing Company

For: Certificated Areas in Platte County, MO
Certificated Service Area

**Rules Governing Rendering
of Sewer Service**

Schedule of Service Charges cont'd.

Late Charge *

Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which the payment is considered delinquent is 21 days after rendition of the bill. A charge of 10% times the unpaid balance will be added to delinquent amounts.

Bad Check Charge *

A charge of \$25 per check will be due on all checks returned from the bank for insufficient funds.

Disconnection/Reconnection *

The charge for reconnection after service disconnection by the Company for violation of Rule 7 herein shall be the total actual cost of disconnection and reconnection of service.

Example

* indicates new rate or text

+ indicates change

**Disposition Agreement – Attachment A-2
(QS-2004-0001)**

Issue Date: April 15, 2004
Month/Day/Year

Effective Date: June 1, 2004
Month/Day/Year

Issued By: Willis C. Sherry - President
Name and Title of Issuing Officer

P.O. Box 511, Platte City, MO 64079
Company Mailing Address

Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Work I.D. No. QS-2004-0001

Rate Making Income Statement

Operating Revenues

Revenue at Current Customer Rates	\$	126,126
Current Other Revenues		
Inspection Fees	\$	9,600
Plan Reviews	\$	2,117
Permit Fees	\$	6,800
Interest/Misc. Revenues	\$	3,454
Contract Service Revenues	\$	15,320
Total Other Revenues	\$	37,291
Total Operating Revenues	\$	163,417

Cost of Service

Liability Insurance	\$	2,386
Worker's Compensation	\$	7,477
Health Insurance	\$	2,102
Licenses & Permits	\$	3,600
Postage and Delivery	\$	1,100
PSC Assessment	\$	9,206
Legal Fees	\$	577
Accounting Fees	\$	2,800
Office Expense	\$	900
Sludge Removal	\$	9,224
Maintenance and Repair	\$	10,168
Trash Service	\$	840
Telephone Service	\$	1,844
Electric Service	\$	15,991
Gas Service	\$	2,221
Water Utilities	\$	2,405
Taxes Other	\$	1,681
Tractor/Truck Maint/Fuel	\$	858
Payroll	\$	66,040
Subtotal - Operating Expenses	\$	141,420
Depreciation Expense	\$	74,331
Return on Investment	\$	73,373
Total Cost of Service	\$	289,124

Revenue Increase Needed	\$	125,707
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(to recover total cost of service)

Revenue Increase Requested	\$	80,000
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Revenue Needed per Increase Requested	\$	243,417
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Timber Creek Sewer Company, Inc.
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Development of Customer Rate

Current Customer Numbers

Timber Creek Subdivision	47
Timber Park Subdivision	590
Total Customers	637

Annual Customer Bills	7,644
(total customers x 12)	

Agreed-Upon Revenue Increase	\$ 80,000
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Required Increase in Monthly Rate	\$ 10.47
(\$80,000 divided by 7,644 annual bills)	

Current Monthly Rate	\$ 16.50
Increase Required	\$ 10.47
Proposed Monthly Rate	\$ 26.97

Annual Revenues at Proposed Rate

Rate Revenue	\$ 206,159
Other Revenue	\$ 37,291
Total Annual Revenue	\$ 243,450

Timber Creek Sewer Company, Inc.
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Sewer System Depreciation Rates

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate</u>	<u>Average Service Life (Years)</u>
351	Structures & Improvements	2.5%	40
352.1	Collection Sewers (Force)	2.0%	50
352.2	Collection Sewers (Gravity)	2.0%	50
362	Receiving Wells & Pump Pits	4.0%	25
363	Pumping Equipment	10.0%	10
372	Treatment & Disposal Facilities	5.0%	20
391.1	Office Computer Equipment	14.3%	7
396	Power Operated Equipment	6.7%	15