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March 23, 2001

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Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

FILED<sup>3</sup>  
MAR 23 2001 *mh*

Missouri Public  
Service Commission

**RE: Case No. WR-2001-457**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF RECOMMENDATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Keith R. Krueger  
Deputy General Counsel  
(573) 751-4140  
(573) 751-9285 (Fax)

KRK/lb  
Enclosure  
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>3</sup>  
MAR 23 2001  
Missouri Public  
Service Commission

In the Matter of the Request of RDE )  
Water Company for a General Rate )  
Increase Pursuant to the Small Company )  
Rate Increase Procedure, 4 CSR 240- )  
2.200. )

Case No. WR-2001-457  
Tariff No. 200100050

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, and for its recommendation, states to the Missouri Public Service Commission as follows:

1. RDE Water Company ("Company") requested an increase in its water rates, pursuant to the Commission's Small Company Rate Increase Procedure, by a letter that the Commission received on July 17, 2000.

2. In the attached Memorandum, which is labeled Appendix A, the Staff recommends that the Commission issue an order approving the revised tariff sheet, to be effective for service on and after April 7, 2001.

3. The Commission has the authority to approve the tariffs in accordance with Sections 393.140(11) and 393.150, RSMo 2000.

4. The Staff and the Company have negotiated and executed an Agreement Regarding Disposition of Small Company Rate Increase Request ("Disposition Agreement"). The Office of the Public Counsel ("OPC") did not sign the Disposition Agreement, but on March 12, 2001, the OPC filed its Response of the Office of the Public Counsel to RDE's Request to Increase Rates, stating that it agrees to the terms of the proposed agreement. The Disposition Agreement and following proposed tariff sheets have previously been filed in the case papers:

P.S.C. MO No. 1, 5th Revised Sheet No. 4, canceling 4th Revised Sheet No. 4;

5

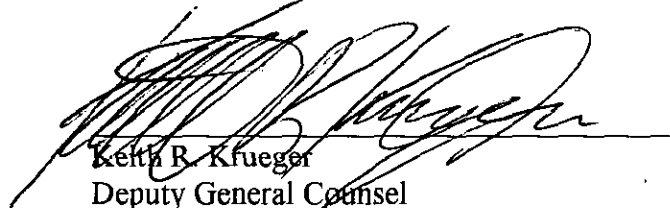
P.S.C. MO No. 1, 1st Revised Sheet No. 4A, canceling Original Sheet No. 4A.

5. The Commission's Small Company Rate Increase Procedure is described in Rule 4 CSR 240-2.200. The procedure followed in this case complies with the requirements of that rule in general and with 4 CSR 240-2.200(1)(D), in particular.

**WHEREFORE**, the Staff respectfully requests that the Commission issue an order approving the revised tariff sheet, to be effective for service on and after April 7, 2001.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

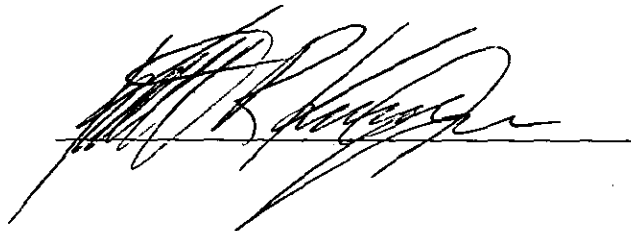


Keith R. Kfueger  
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Missouri Bar No. 23857

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### **Certificate of Service**


I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 23rd day of March, 2001.



## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. WR-2001-457; Tariff File No. 2001 00050  
RDE Water Company

FROM: Wendell R. Hubbs – Project Coordinator  
Mark Griggs – Accounting Department  
Rosella Schad – Engineering & Management Services Department  
Ron Bible – Financial Analysis Department  
Steve Loethen – Water & Sewer Department

  
Project Coordinator/Date 3/23/01

 3/23/01  
General Counsel's Office/Date

SUBJECT: Staff's Recommendation for Approval of Tariff Sheets to Effect an Increase in  
Customer Water Rates Pursuant to the Commission's Small Company Rate Increase  
Procedure

DATE: March 22, 2001

### Background

RDE Water Company (Company) initiated the subject small company rate increase request (Request) by its submittal of a letter to the Secretary of the Commission, which was received at the Commission's offices on July 17, 2000 (see Attachment A). The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-2.200, Small Company Rate Increase Procedure (the informal rate case procedure).

By its Request, the Company was asking for Commission approval of customer rates intended to generate an increase of \$42,000 in its total annual water service operating revenues. The Company provides service to approximately 908 regulated water service customers.

Upon review and acceptance of the Company's Request, the Commission's Records Department assigned Tariff File No. 2001 00050 to the Request for purposes of identification and tracking. The Records Department then forwarded the Request to the Commission's Water & Sewer Department for processing under the informal rate case procedure.

By a letter dated August 14, 2000, which the Water & Sewer Department Staff had

previously approved, the Company notified its customers of the Request (see Attachment B). As a part of this 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).

### **Staff's Investigation, Findings and Conclusions**

The Staff initiated its investigation of the Company's Request by assigning personnel from the Accounting, Engineering & Management Services, Financial Analysis and Water & Sewer Departments to participate in the review of the Request. The participants from each of those Departments are listed at the beginning of this Memorandum. The Commission should note that these Staff participants, as well as their respective up-line supervisors, were given the opportunity to review and comment on this Memorandum prior to it being filed. Wendell R. Hubbs of the Water & Sewer Department created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein for creation of this final version of the Memorandum.

In response to the Company's initial customer notice, which was sent out on or about August 14, 2000, the Staff received thirteen (13) customer contacts. Three of those contacts were related to the removal and replacement of a fire hydrant. Two of the contacts were related to the impact of the increase on the occupants of rental property. The remaining contacts were related to low or fluctuating pressure at their homes. The OPC received seven (7) of the same customer contacts received by the Staff. A list of customer contacts and a Staff report on service inquiries along with customer letters and faxes have been placed in a "letter file" in the case papers.

Based upon its audit of the Company's books and records, an evaluation of the Company's depreciation rates and an analysis of the Company's capital structure and cost of capital, the Staff concluded that the Company could justify an increase of \$36,582 (approximately 21.2 %) in its annual water service operating revenues. Additionally, the Staff identified that the Company needs a charge for after-hours reconnection of service.

On or about January 12, 2001, the Staff forwarded its final revenue requirement accounting run, rate design workpapers, a customer bill comparison and proposed tariff revisions reflecting its findings and conclusions (the settlement packet) to the Company and the OPC for their review,

consideration and response. Subsequent to that, the Staff also began drafting a settlement agreement for this case.

### **Responses to Staff's Findings & Conclusions and Subsequent Actions**

Pursuant to negotiations held subsequent to the mailing of the Staff's settlement packet, an *Agreement Regarding Disposition of Small Company Rate Increase Request* (Disposition Agreement) was reached between the Company and the Staff. The Company and the Staff also reached an agreement regarding the tariff revisions needed to implement the terms of the Disposition Agreement. In response to the Staff's settlement packet, Ms. Ruth O'Neill of the OPC advised the Staff that the OPC had not yet determined whether it would support the settlement agreement regarding the Company's Request. As a result, and as provided for in the Commission's informal rate case procedure, a second customer notice reflecting the terms of the Company/Staff Disposition Agreement was sent to all customers.

The Company/Staff Disposition Agreement referenced above reflects the following agreements: (1) that an increase of \$36,582 in the Company's annual water service operating revenues is appropriate; (2) that the depreciation rates set out as Attachment A to the Disposition Agreement should be the Commission prescribed rates for the Company; and (3) that an "after hours reconnection charge" of \$40, applicable to when service has been discontinued for non-payment, is reasonable.

For reference purposes, copies of the Staff's revenue requirement accounting run (as used in the revenue requirement analysis) and the Staff's rate design worksheets, all of which are consistent with the terms of the Disposition Agreement, are included with this Memorandum as Attachment C.

By a letter that was received and stamped "filed" by the Commission's Records Department on February 21, 2001, the Company submitted to the Commission revised tariff sheets that include the proposed rates and charge necessary to implement the terms of the Disposition Agreement between the Company and the Staff. Consistent with the informal rate case procedure, the subject tariff sheets bore an effective date that was more than forty-five (45) days past the issue date. The filing of those tariff sheets resulted in the creation of the instant docket, Case No. WR-2001-457.

Additionally, as is required by the informal rate case procedure, the Company included a copy of the Company/Staff Disposition Agreement with its tariff filing. Attachment D included with this Memorandum contains copies of the Company's tariff filing transmittal letter, the revised tariff sheets and the Company/Staff Disposition Agreement.

By a letter received by the Commission on March 1, 2001, the Company sent to its customers the second customer notice that is provided for in the Commission's small company rate increase procedure. In compliance with the procedure, the Company's second notice reflected the terms of the Company/Staff Disposition Agreement and provided the Company's customers an opportunity to send comments to the OPC and the Staff within twenty (20) days of the date of that notice. Attachment E included with this Memorandum is a copy of the second notice that was sent to Company's customers. In response to the second customer notice, the Staff received eight (8) customer contacts and the OPC received two (2) of those same contacts. These contacts are listed and their letters provided in the "letter file" in the case papers. All of these contacts dealt with either low or fluctuating pressure.

On March 12, 2001, the OPC filed its Response of the Office of the Public Counsel to RDE's Request to Increase Rates in the case papers, wherein it was stated that the OPC agrees with the Disposition Agreement between the Company and the Staff.

### **Staff's Recommendations**

Based upon the above, the Staff recommends that the Commission issue an order in the instant case approving the revised tariff sheets that the Company filed on February 21, 2001, for service rendered on and after April 7, 2001. The Staff also recommends that the depreciation rates shown on Attachment A of the Company/Staff Disposition Agreement be those authorized by the Commission for RDE.

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Official Case File Memorandum  
March 22, 2000; Page 5 of 5 Pages

**List of Attachments**

Attachment A	Company Letter Requesting Rate Increase
Attachment B	Initial Customer Notice
Attachment C	Staff's Accounting & Rate Design Schedules
Attachment D	Tariff & Agreement Filing
Attachment E	Second Customer Notice



**Service List for  
Case No. WR-2001-457  
March 26, 2001 (sw)**

**Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, MO 65102**

**Lavada Cottrill, President  
RDE Water Company  
1670 North Owen Road  
Nixa, MO 65714**