

APPENDIX A

4 CSR 240-50.060 Revenue Stabilization Mechanism

PURPOSE: This rule allows the establishment of a Revenue Stabilization Mechanism (RSM), which permits water and sewer corporations to defer under- and/or over-collection of a Commission authorized revenue requirement for recovery or refund in a future general rate case.

(1) Applications to Establish or Modify an RSM. Only water and sewer corporations, in a general rate proceeding, may file an application with the commission to establish, modify, or discontinue an RSM by filing tariff schedules. Any party in a general rate proceeding in which an RSM is proposed or in effect may seek to continue, modify, support, or oppose the proposed or existing RSM. After a full hearing in a general rate proceeding, the commission shall approve, modify, or reject the application to establish or modify an RSM. The final approved RSM shall be designed to permit the water or sewer corporation to track on a monthly basis actual revenues against the Commission authorized revenue requirement during the period between general rate cases. If MAWC acquires a new water or sewer corporation, its revenue requirement will be adjusted to account for the newly acquired customers.

(A) The water or sewer corporation shall include in the general rate case in which an RSM is first proposed, a description of how the water or sewer corporation proposes the RSM would operate and the applicable customer rate classifications. Industrial customers will not be considered an applicable customer rate

classification included in the RSM.

(B) The RSM will account for both under- and over-collection of the Commission authorized revenue requirement by rate classification of revenues and production costs (power, chemicals, purchased water, and waste disposal). The under- and over-collections shall be netted against each other and deferred for recovery or refund in the utility's next general rate case.

(C) RSM over-collections for each applicable rate classification will be divided equally by the number of customers in the rate classification and refunded, and RSM under-collections for each applicable rate classification will be charged proportionally based on customer volumetric billed amounts within the rate classification.

(2) Application for Discontinuation of an RSM. An RSM shall be discontinued only after providing the opportunity for a full hearing in a general rate proceeding. The commission shall consider all relevant factors that affect the cost or overall rates and charges of the petitioning water or sewer corporation. Any party to the general rate proceeding may oppose the discontinuation of an RSM on the grounds it would result in a detriment to the public interest. If the commission finds that discontinuance of the RSM is not in the public interest, the commission shall not permit the RSM to be discontinued, and shall order its continuation or modification. To continue or modify the RSM under such circumstances, the commission must find that it provides the water or sewer corporation a sufficient opportunity to earn a fair rate of return.