

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
March 14, 2000**

CASE NO: WR-2000-68, SR-2000-69

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

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

Mr. Jim Kwon, President
Terre Du Lac Utilities Corporation
P. O. Box 191
Bonne Terre, MO 63628

Patricia D. Perkins
221 Bolivar St., Suite 300
P. O. Box 1069
Jefferson City, MO 65102

Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 14th
day of March, 2000.

In the Matter of Terre Du Lac Utilities)	Case No. <u>WR-2000-68</u>
Corporation Water Rate Increase Request.)	Tariff File <u>9900333</u>

In the Matter of Terre Du Lac Utilities)	Case No. <u>SR-2000-69</u>
Corporation Sewer Rate Increase Request.)	Tariff File <u>9900334</u>

ORDER APPROVING TARIFFS
AND FIRST AND SUPPLEMENTAL AGREEMENTS

On July 26, 1999, Terre Du Lac Utilities Corporation (Company) filed revised tariff sheets pursuant to an agreement between the Company and the Commission's Staff for both water and sewer rate increases pursuant to the Commission's Small Company Rate Increase Procedure under 4 CSR 240-2.200. The Company initiated the small company rate increase procedures for its water and sewer rates on October 26, 1998. On August 10, 1999, the Commission issued its Notice to Supplement File and the Company complied with that notice by filing the requested information on August 14, 1999. The agreements between Staff and the Company are attached to this order as Attachments A (water) and B (sewer).

The revised tariff sheets, Tariff File Nos. 9900333 and 9900334, filed pursuant to the agreement between the Company and Staff had an issue date of August 25, 1999, and an effective date of October 10, 1999.

On August 13, 1999, the Office of the Public Counsel (Public Counsel) filed a Request for Local Public Hearing in these cases. The

Commission granted the Public Counsel's request and held a local public hearing for these cases on November 16, 1999. In addition, the Commission issued orders suspending the effective dates of the proposed tariffs for 120 days to February 7, 2000, to allow time for these additional proceedings.

Approximately 75 people attended the hearing. Sixteen customers of the Company provided sworn comments for the record. The sworn comments provided new information and also supplemented information provided to the Commission in correspondence concerning the rates and service provided by the Terre Du Lac Utilities Corporation. Based on the record, significant issues were raised concerning whether the service instrumentalities and facilities provided by the Company were safe and adequate and whether services are provided in a manner that is just and reasonable.

On November 24, 1999, the Commission's Staff filed its Notice of Intent to Conduct Further Investigation and Motion to Further Suspend Tariff Sheets in each of these cases. On the same date, the Public Counsel filed its Request for Variance to Allow Additional Time for Filing of Recommendation in each of these cases.

As a result of the local input and the requests of Staff and the Public Counsel, the Commission issued an order on December 14, 1999, that extended the suspension of the proposed tariffs until April 7, 2000. The order also provided a procedural schedule for purposes of bringing these cases to a resolution.

On January 24, 2000, the Staff filed its Staff Report on Additional Investigation. Based upon the staff report and subsequent

negotiations, the Company, the Staff and the Public Counsel reached a supplemental agreement (Attachment C to this order) applicable to both cases which was filed on February 4, 2000. The Company submitted substitute tariff sheets pursuant to the supplemental agreement on February 9, 2000. The Staff filed its recommendation in support of the agreements and supplemental agreement for each case and recommending approval of the substitute tariff sheets on February 9, 2000. The Public Counsel filed its recommendation for each case on February 14 2000, endorsing the supplemental agreement.

STAFF RECOMMENDATION:

Specifically, the Staff stated that the supplemental agreement satisfactorily addresses the issues presented in the January 14, 2000, staff report. Staff stated that the substitute tariff sheets were consistent with the agreed terms and conditions. The Staff recommended that the Commission approve the Company/Staff agreements (Attachments A and B) filed on August 3, 1999; that the Commission approve the Company/Staff/Public Counsel supplemental agreement (Attachment C) filed on February 4, 2000; that the Commission approve the tariff sheets substituted on February 9, 2000. The requirements of the agreements will not be set forth in detail here because the agreements are attached and incorporated by reference to this order.

However, it is noted that the parties have requested that these cases be held open for Staff to monitor the Company's compliance and file a report by September 30, 2000. The Public Counsel will be afforded the option of filing a report also. The parties have agreed that the increased

rates reflected in the substitute tariff sheets will be regarded as interim subject to the Commission's final order in this case.

RECOMMENDATION OF THE PUBLIC COUNSEL:

In its recommendation, the Public Counsel states that the supplemental agreement presents a just and reasonable resolution of the matters raised in these cases. The Public Counsel stated that the agreements address most of the concerns raised by customers in communications with the Public Counsel and raised during the Commission's local public hearing on November 16, 1999.

The Public Counsel expressly noted that the provision that the rates reflected in the substitute tariffs be interim and conditioned upon the Company's compliance to all the terms and conditions of the supplemental agreement, was essential to its signature to the agreement. The Public Counsel stated that, if for any reason, the Company does not comply with any of the conditions in the supplemental agreement, the Commission will have the opportunity to address that matter in its final order.

COMMISSION FINDINGS:

Under the Commission's small company rate increase procedure at 4 CSR 240-2.190, the Company may file tariff sheets in accordance with an agreement between the Staff and the Company or the Staff, the Company and the Public Counsel. The supplemental agreement (Attachment C) which also incorporates the prior agreements (Attachments A and B) and imposes express conditions on the parties represents an agreement between the Staff, the

Company and the Public Counsel. The Company has filed its substitute tariff sheets in accordance with the supplemental agreement.

Based on the representations by Staff, the Company, the Public Counsel and the information provided to the Commission at the local public hearing, as well as the terms of the agreements and supplemental agreement, the agreements and the supplemental agreement will be approved. The substitute tariff sheets are approved on an interim basis pending the Commission's final order in these cases. The agreements, supplemental agreement and the substitute tariff sheets serve the public interest by supporting water and sewer service by the Company on a basis that will be safe and adequate and under terms that are just and reasonable pursuant to Section 393.130, RSMo 1994.;

The parties recommended approval of the substitute tariff sheets effective March 1, 2000. The Commission will not approve the retroactive effect of tariff sheets and thus the order of the Commission will provide for the substitute tariff sheets to be effective April 1, 2000.

IT IS THEREFORE ORDERED:

1. That the Company/Staff Agreement Regarding Disposition of Small Company Rate Increase Request, filed on August 3, 1999, in Case No. WR-2000-68 (Attachment A) is approved.

2. That the Company/Staff Agreement Regarding Disposition of Small Company Rate Increase Request, filed on August 3, 1999, in Case No. SR-2000-69 (Attachment B) is approved.

3. That the Company/Staff/Public Counsel Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request, filed on

February 4, 2000, in Case No. WR-2000-68 and Case No. SR-2000-69 (Attachment C) is approved.

4. That the substitute tariff sheets set out below are approved for service rendered on and after April 1, 2000, for an interim basis pending the Commission's final order in this case.

P.S.C. MO. No. 1 (Water Service)

4th Revised Sheet No. 8, Canceling 3rd Revised Sheet No. 8
Original Sheet No. 8A

P.S.C. MO. No. 1 (Sewer Service)

5th Revised Sheet No. 9, Canceling 4th Revised Sheet No. 9
2nd Revised Sheet No. 9A, Canceling 1st Revised Sheet No. 9A

5. That the Staff of the Public Service Commission shall file its report on compliance and recommendations in each of these cases no later than September 30, 2000.

6. That the Office of the Public Counsel may file a report on compliance and recommendations in each of these cases no later than September 30, 2000.

7. That the Terre Du Lac Utilities Corporation may file its response to any report filed by the Staff of the Public Service Commission or by the Office of Public Counsel within thirty days of each report.

8. That this order shall become effective on April 1, 2000.

BY THE COMMISSION

Dale Hardy Roberts

**Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge**

(S E A L)

Lumpe, Ch., Crumpton, Drainer,
Murray, and Schemenauer, CC., concur.

Thornburg, Regulatory Law Judge

Agreement Regarding Disposition of
Small Company Rate Increase Request

Terre Du Lac Utilities Corporation

Tariff File No. 9900333 (Water)

Terre Du Lac Utilities Corporation (Company) initiated the small company rate increase request (Request) for water service that is the subject of the above-referenced Commission "file" through its submittal of a letter to the Commission's Executive Secretary. 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). The date the Company's Request was received at the Commission's offices was October 26, 1998. In its Request, the Company represented that it was asking for Commission approval of customer rates intended to generate an increase of \$23,000 in its total annual water service operating revenues. The Company provides water service to approximately 1,015 customers.

Upon review and acceptance of the Company's Request, the Commission's Records Department assigned Tariff File No. 9900333 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.

Pursuant to the provisions of the informal rate case procedure, the Staff of the Commission (Staff) initiated an audit of the Company's books and records and an inspection of the Company's system and the operation thereof.

Based upon the results of the Staff's audit, the Company and the Staff hereby state their agreement that: (1) an increase of \$20,236 (approximately 12.4%) in the Company's annual water revenues is reasonable; (2) a bad check charge of \$15.00 per returned check shall be implemented; and, (3) a Reconnection of Service for "Seasonal" Termination Charge should be implemented.

The Company and Staff also agree that the Company will maintain complete electronic billing records for a period of two years after its monthly bill mailing.

The Company and the Staff further agree that the tariff sheets filed contemporaneously with this Agreement properly reflect the terms of the Agreement.

Additionally, the Company acknowledges that the Staff will file additional information about the details of its audit with the Commission following the creation of a formal docket.

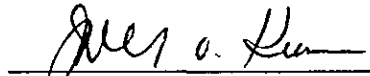
This Agreement is only between the Company and the Staff, as the Office of the Public Counsel (OPC) is waiting to decide whether it will request a public hearing after it evaluates customer response to the second customer notice. At the request of the OPC, and in compliance with 4 CSR 240-2.200(1)(E), the Company has sent to its customers a notice reflecting the terms of this Agreement. This notice provides the customers an opportunity to comment on the Company/Staff agreed-upon sewer service rates and billing conditions, within twenty (20) days pursuant to 4 CSR 240-2.200(1)(E).

Lastly, the Company and the Staff ask the Commission to note that no action need be taken on the Company's tariff sheets until after the Staff files its formal recommendation for approval of the tariff sheets. That filing will take place after the second customer notice response period expires and after the Staff is made aware of the OPC's position regarding the Request. Other than the specific conditions agreed to by the Company, this agreement is a compromise that has resulted from extensive negotiations between Staff and the Company and no party has agreed to any particular ratemaking principal (except those items specifically stated in this agreement) in arriving at the dollar amount.

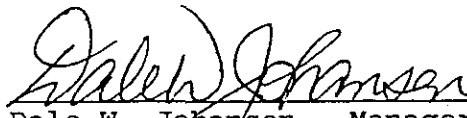
Terre Du Lac Utilities Corporation - File No. 9900333 Water
Small Company Rate Procedure "Agreement"

This Agreement is effective as of the 21st day of July 1999.

Agreement Signed and Dated:

 7/24/99

James Kwon, President
Terre Du Lac Utilities, Inc.

 7/21/99

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

Agreement Regarding Disposition of
Small Company Rate Increase Request

Terre Du Lac Utilities Corporation

Tariff File No. 9900334 (Sewer)

Terre Du Lac Utilities Corporation (Company) initiated the small company rate increase request (Request) for sewer service that is the subject of the above-referenced Commission "file" through its submittal of a letter to the Commission's Executive Secretary. 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). The date the Company's Request was received at the Commission's offices was October 26, 1998. In its Request, the Company represented that it was asking for Commission approval of customer rates intended to generate an increase of \$47,000 in its total annual sewer service operating revenues. The Company provides Sewer service to approximately 880 customers.

Upon review and acceptance of the Company's Request, the Commission's Records Department assigned Tariff File No. 9900334 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.

Pursuant to the provisions of the informal rate case procedure, the Staff of the Commission (Staff) initiated an audit of the Company's books and records and an inspection of the Company's system and the operation thereof.

Based upon the results of the Staff's audit, the Company and the Staff hereby state their agreement that: (1) an increase of \$14,402 (approximately 8.1%) in the Company's annual sewer revenues is reasonable; (2) a bad check charge of \$15.00 per returned check should be implemented; and, (3) a Reconnection of Service for "Seasonal" Termination Charge should be implemented.

Terre Du Lac Utilities Corporation - File No. 9900334 Sewer
Small Company Rate Procedure "Agreement"

The Company and Staff also agree that the Company will maintain complete electronic billing records for a period of two years after its monthly bill mailing.

The Company and the Staff further agree that the tariff sheets filed contemporaneously with this Agreement properly reflect the terms of the Agreement.

The Company and Staff agree that the Company will not seek nor receive over 50% of the cost of the "trunk" sewer line, in TDL's Plat No's. 21, 22, 23, 24, 27 and 30, for future ratebase treatment.

Staff and the Company agree that this increase in sewer revenue reflects rate base recognition of 50% of the cost of the "trunk" sewer line extensions made in Terre Du Lac Plat No's. 21, 22, 23, 24, 27 and 30, which were completed and in service as of the end of the Staff's audit.

Additionally, the Staff agrees that it will provide rate base treatment for 50% of the cost of approximately 0.5 miles of "Trunk Line G" in Plat No. 24 as part of its revenue requirement analysis for the Company's next rate increase request. This approximate 0.5-mile section of "Trunk Line G" was not completed and in service by the end of the Staff's audit for the current Request. (The last part of the "Trunk Line G" has recently been completed and is now in service.)

The Company and Staff further agree that all new sewer line extensions made in the above-referenced Plats, after the effective date of this agreement, will be made in accordance with the Company's main extension policy. Such policy is premised on all monies received from extension revenue being booked as contributions in aid of construction.

Additionally, the Company acknowledges that the Staff will file additional information about the details of its audit with the Commission following the creation of a formal docket.

This Agreement is only between the Company and the Staff, as the Office of the Public Counsel (OPC) is waiting to decide whether it will

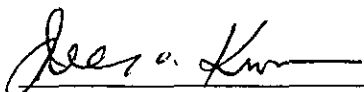
Terre Du Lac Utilities Corporation - File No. 9900334 Sewer
Small Company Rate Procedure "Agreement"

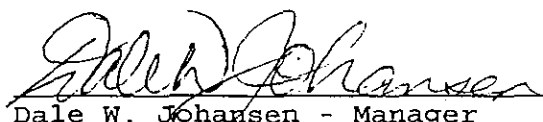
request a public hearing after it evaluates customer response to the second customer notice. At the request of the OPC, and in compliance with 4 CSR 240-2.200(1)(E), the Company has sent to its customers a notice reflecting the terms of this Agreement. This notice provides the customers an opportunity to comment on the Company/Staff agreed-upon sewer service rates and billing conditions, within twenty (20) days pursuant to 4 CSR 240-2.200(1)(E).

Lastly, the Company and the Staff ask the Commission to note that no action need be taken on the Company's tariff sheets until after the Staff files its formal recommendation for approval of the tariff sheets. That filing will take place after the second customer notice response period expires and after the Staff is made aware of the OPC's position regarding the Request. Other than the specific conditions agreed to by the Company, this agreement is a compromise that has resulted from extensive negotiations between Staff and the Company and no party has agreed to any particular ratemaking principal (except those specifically stated in this agreement) in arriving at the dollar amount specified.

This Agreement is effective as of the 21st day of July 1999.

Agreement Signed and Dated:

 7/21/99
James Kwon, President
Terre Du Lac Utilities, Inc.

 7/21/99
Dale W. Johansen - Manager
Water and Sewer Department
Public Service Commission Staff

Supplemental Agreement Regarding Disposition
Of Small Company Rate Increase Request

Terre Du Lac Utilities Corporation

MO PSC Case Nos. WR-2000-68 and SR-2000-69

This *Supplemental Agreement Regarding Disposition Of Small Company Rate Increase Request* (Supplemental Agreement) is entered into between Terre Du Lac Utilities Corporation (Company), the Staff of the Missouri Public Service Commission (Staff) and the Office of the Public Counsel (OPC).

Background

The Company initiated the small company rate increase requests (Requests) for water and sewer service that are now the subject of the above-referenced Commission cases under the provisions of Commission rule 4 CSR 240-2.200, Small Company Rate Increase Procedure (the informal rate case procedure). The date the Company's Requests were received at the Commission's offices was October 26, 1998.

In its Requests, the Company represented that it was asking for Commission approval of customer rates intended to generate increases of \$23,000 and \$47,000 in its annual water and sewer operating revenues, respectively. The Company provides water service to approximately 1,015 customers and provides sewer service to approximately 880 customers.

Pursuant to the provisions of the informal rate case procedure, the Staff conducted an audit of the Company's books and records, as well as an inspection of the Company's systems and the operation thereof. Based upon

the results of the Staff's audit and related negotiations, the Company and the Staff agreed that increases of \$20,236 and \$14,402 in the Company's annual water and sewer operating revenues, respectively, were reasonable. On August 3, 1999, the Company filed revised water and sewer tariff sheets including customer rates designed to generate the referenced operating revenue increases. In conjunction with those tariff filings, the Company also filed an *Agreement Regarding Disposition of Small Company Rate Increase Request* pertaining to each of its Requests (the Agreements). Those Agreements reflected settlement of the Company's Requests between the Company and the Staff.

On August 13, 1999, the OPC filed its *Request for Local Public Hearing* in the subject cases. On September 24, 1999, the Commission issued its *Order Scheduling Local Public Hearing*, in which it set the date, time and location for a local public hearing for the subject cases. On November 16, 1999, the Commission held the local public hearing as previously scheduled.

On November 24, 1999, the Staff filed its *Notice of Intent to Conduct Further Investigation and Motion to Further Suspend Tariff Sheets* in the subject cases. On that same date, the OPC filed its *Request for Variance to Allow Additional Time for Filing of Recommendation* in the subject cases.

On December 14, 1999, the Commission issued its *Order Suspending Tariffs and Providing Procedural Schedule*, in which it suspended the tariff sheets pending in these cases until April 7, 2000 and set out a schedule for additional case activities and filings.

On January 14, 2000, the Staff filed its *Notice of Filing of Commission Ordered Report* in the subject cases, to which was attached the Staff Report on Additional Investigation (Report).

Additional Company/Staff/OPC Agreements

Based upon the above-referenced Staff Report and subsequent negotiations, the Company, the Staff and the OPC have reached the additional agreements set out below. Unless specifically noted, these additional agreements have no effect on the provisions of the Company/Staff Agreements filed in these cases on August 3, 1999, and those Agreements remain in effect.

A. Beginning March 1, 2000, the Company will maintain a record of all customer calls received, including those received via its telephone answering machines, and will ensure that all entries on such records are completed. For service-related calls, the Company will use its "work order" record. For other types of customer calls, such as billing inquiries, the Company will use a record to be developed with the Staff and the OPC.

B. Beginning March 1, 2000, the Company will complete a "work order" record for all system leaks discovered by Company personnel and/or reported by customers and will attach documentation of leak repairs, such as material lists and work notes, to such records pertaining to repaired leaks.

C. The Company will continue to cooperate with the Staff in evaluating problems identified in its water system regarding low system pressure and will work with the Staff and the OPC in

developing proposed solutions to those problems upon completion of the additional evaluations. As noted in the Staff's January 14 Report, additional evaluations are planned for early to mid summer.

D. The Company will continue to evaluate the condition of the sewer collection system in the Lac Carmel area through its own efforts and through cooperative efforts with the Staff. The initial evaluation program and a Company/Staff joint report on the results of that program will be completed by May 31, 2000. Upon completion of the report, a copy of the report will be provided to the OPC. Representatives of the Company, the Staff and the OPC will then work to develop an agreed-upon plan of corrective actions and an acceptable schedule under which the corrective actions will be carried out.

E. The Company will provide a copy of the results of the forthcoming "total water quality" tests, which are to be conducted by the Department of Natural Resources, of the Company's three wells to the Staff. Subsequent to receipt of those test results, the Staff will forward a copy of the results to the OPC and the Terre Du Lac Property Owners Association (POA). The Staff will then organize a meeting with representatives of the Company, the OPC and the POA to discuss possible corrective actions, if such actions appear warranted.

F. Beginning March 1, 2000, the Company will keep time records for all persons that receive compensation from Company funds as employees of the utility company. Such persons include the

Company's field operations personnel, the Operations Manager, the Office Manager and the Company's owner.

G. Beginning March 1, 2000, the Company will keep usage logs for all equipment and vehicles that it shares with its owner's development company, with those usage logs showing separately the amount of time the equipment and/or vehicles were used for utility company business and development company business.

H. The Company agrees to implement a policy whereby work pertaining to establishing service to new customers is done on a "first-come, first-served" basis. The Company also agrees to implement a policy whereby emergency utility company work is given priority over all other work in which the Company's employees may be involved. Such policies will be in place and a copy of them will be provided to the Staff and the OPC by May 30, 2000.

I. The Company agrees to conduct a survey of its sewer system to identify structures that now have the collection system available for service, but which are not yet connected to the collection system. The Company will complete this survey and provide a report on it to the Staff by May 30, 2000. Subsequent to receipt of that report, the Staff will forward a copy of the report to the OPC and the POA. The Staff will then organize a meeting with representatives of the Company, the OPC and the POA to discuss possible resolutions of such situations.

J. The Company, the Staff and the OPC agree that the increased customer rates previously agreed to between the Company and

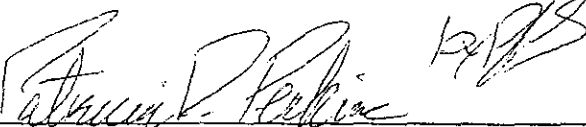
the Staff should go into effect on March 1, 2000, but that those rates shall be considered interim and conditioned upon the Company's compliance with the terms and conditions of this Supplemental Agreement. In that regard, the Staff will file, and the OPC may file, a report in the instant dockets regarding the Company's compliance by September 30, 2000.

K. The Company, Staff and the OPC agree that the instant dockets should remain open for receipt of the reports referenced in Paragraph J, for such other actions as may subsequently be necessary and for a final order of the Commission regarding the rates.

Additional Actions That Will Take Place

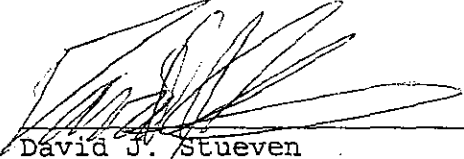
In addition to the filing of this Supplemental Agreement, the Company will file substitute tariff sheets consistent with this Supplemental Agreement and the Staff will file its formal recommendation regarding the subject cases. Both of those filings will take place on or before February 9, 2000. As previously scheduled, the OPC may also file a recommendation regarding the instant cases, with that filing to be made on or before February 11, 2000.

This Supplemental Agreement Regarding Disposition of Small Company
Rate Increase Request is effective as of February 4, 2000, as authorized
by the signatures shown below.




Patricia D. Perkins
Missouri Bar No. 29606

Attorney for Terre Du Lac
Utilities Corporation



David J. Stueven
Assistant General Counsel
Missouri Bar No. 51274

Attorney for the Staff of the
Missouri Public Service Commission



John B. Coffman
Deputy Public Counsel
Missouri Bar No. 36591

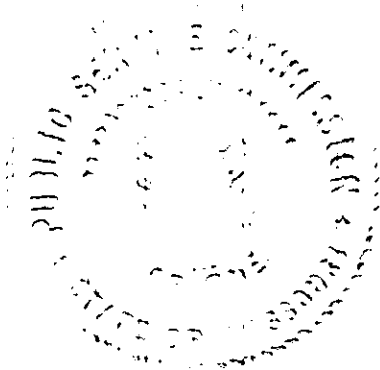
Office of the Public Counsel

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

I have compared the preceding copy with the original on file in this office and

I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 14th day of March 2000.



A handwritten signature in dark ink, reading "Dale Hardy Roberts". The signature is written in a cursive style with a horizontal line underneath.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge