

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File, Case Nos. SR-2013-0435 and WR-2013-0436, Rouge Creek Utilities, Inc.

FROM: Martin Hummel, Water and Sewer Unit, Regulatory Review

/s/ James A. Busch 4/16/2013                      /s/ Sarah Kleithermes 4/16/2013  
Water and Sewer Unity/Date                      Staff Counsel's Office/Date

SUBJECT: Immediate operational needs constituting immediate threat to the provision of safe and adequate service in Rouge Creek Utilities, Inc. Case No. WR-2013-0436 and SR-2013-0435

DATE: April 15, 2013

Rogue Creek Utilities, Inc. ("Rogue Creek" or "Company") filed a rate increase request with the Missouri Public Service Commission ("Commission") on March 27, 2013. On that date, the Company also filed a request to implement interim rates and a special surcharges pending resolution of its request of the small utility rate case procedures.

Water and Sewer Unit Staff have inspected the system and its operations. Of particular concern to the ongoing operation of the system in a safe and adequate manner are the following items:

- The water system does not consistently maintain adequate pressure (greater than 20 psi) and must have the pressure control switch at the well replaced.
- Most of the water meters are over thirty years old and have never been replaced since initial placement. The leaks associated with these meters further reduce system pressure. These meters are now regularly developing leaks. The Company has needed assistance in completing at least six such leak repairs in the last month. The company does not have cash to pay for a contractor to do these repairs.
- The water tank has a leak in the roof, and is also scheduled for a complete DNR-mandated inspection as soon as funds are available. An estimate has been provided, but this estimate may increase as time passes.

- The collector sewer on Watercrest Road has a break that allowed raw wastewater to exit and flow into the lake and this break must be repaired. Although sewage is not currently leaking, additional main cleaning is needed in the Watercrest Road area where the DNR-directed sewer main repairs were recently completed to prevent another break.
- A tributary sewer on Rogue Creek Road has a blockage that the Company has been unable to open, and this blockage has resulted in an overflow from a clean out on the line and is also causing slow drainage from connected houses.

Because the sewer pipes and the water pipes are not separated as required by standards, some of the items discussed above are more critical to the provision of safe and adequate service. It is important to maintain pressure on a water system to prevent contamination from the soil or liquids in the soil surrounding the piping. In this instance, the possibility of sewage leaking in close proximity to water lines with inadequate pressure poses an immediate and obvious threat to safe and adequate service.

Additional items of concern include the fact that since the current rates became effective in 2002, the operational costs have increased dramatically and many repairs that have been required due to the age of the infrastructure, both substantially increasing the cost of service.

One cost that has increased dramatically that directly affects the Company's ability to provide safe and adequate service is the expense of a contract operator. Those costs are not built into the current rate structure because the initial receiver was also an operator. Since the costs were not built into rates, the Company is unable to pay those fees. The Company has been unable to pay these required fees since January. It is Staff's understanding that the current contract operator is no longer providing service due to lack of payment.



