

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
November 21, 2000**

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

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

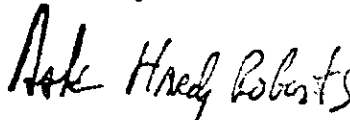
General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

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 21st
day of November, 2000.

In the Matter of Terre Du Lac Utilities)
Corporation Water Rate Increase Request.) Case No. WR-2000-68

In the Matter of Terre Du Lac Utilities)
Corporation Sewer Rate Increase Request.) Case No. SR-2000-69

ORDER DIRECTING FILING

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 (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 Commission issued its Order Approving Tariffs and First and Supplemental Agreements on March 14, 2000. Under the Supplemental Agreement, the tariffs were approved for service rendered on and after April 1, 2000, on an interim basis and these cases held open to address the matters set out in the Supplemental Agreement. (Supplemental Agreement/Attachment C to the Commission's Order Approving Tariffs and First and Supplemental Agreements and reattached to this order also marked as Attachment C for consistency). The Supplemental Agreement addresses service, quality and management concerns raised by the public and verified by the Staff and the Office of the Public Counsel (Public Counsel).

The Staff was directed to file its report on compliance and recommendations related to the Supplemental Agreement no later than September 30, 2000. The Public Counsel was provided an opportunity to file a similar report no later than September 30, 2000. The Company was

26

provided an opportunity to respond not later than thirty days. These dates were extended at Staff's request to October 13, 2000, and November 10, 2000, respectively, in the Commission's Order Granting Motion for Extension of Time to File Report.

Staff filed its report on October 13, 2000. Public Counsel did not file a report. The Company did not respond to the Staff report. Staff's report is not a complete or final review of the matters presented in the Supplemental Agreement.

The Supplemental Agreement presented items A - K as additional agreed upon actions. Items A - I presented additional undertakings by the Company. Items J and K provided for approving the subject tariffs on an interim basis, the compliance reporting for Items A - I, and keeping these cases open to accept the reports and issue a final order. Staff's report indicates substantial compliance for Items A, B, F, and G. Items C, D, E, H and I are not resolved. This order reviews the Staff report to determine the actions that are still required.

Item 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.

Staff stated that the Company is keeping its records according to this provision. Staff stated that it would continue to monitor the Company's compliance during its routine inspections. Staff stated that no further actions regarding this provision are necessary.

Item 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.

Staff stated that the Company is keeping its records according to this provision. Staff stated that it would continue to monitor the Company's compliance during its routine inspections. Staff stated that no further actions regarding this provision are necessary.

Item 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.

Staff states that the Company has cooperated to identify particular areas or locations of concern and conduct pressure tests. In one location the problem was discovered to be with a customer's interior plumbing and not in the Company's system. In two other locations water system pressures fluctuated, but in each case the pressures were considered adequate by Staff and the tests showed system pressures were well above the minimum pressure required by the Department of Natural Resources. The Staff indicated that Staff and the Company should continue to conduct pressure checks in response to customer complaints.

Staff and Company also identified potential system improvements to address this concern. The improvements under consideration provide for installation of telemetry system controls for the Company's wells and additional equipment at the Company's water storage tank. The costs would

range from \$8,950 to \$18,980 depending on the particular improvements implemented. Staff intends to meet with the Company and the Public Counsel to obtain their input to determine and analyze whether the benefits of the system improvements would be justified in relation to the costs.

Item D

The Company will continue to evaluate the condition of the sewer collections 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.

Staff stated that the Company had undertaken an evaluation through its own efforts as well as with Staff. Staff stated that the Company had acted to address some problems by purchasing a sewer "rodding machine" which is being used to clear clogged manholes and sewer lines and to clear tree roots from the system. Staff stated that a joint report has not yet been completed.

Staff intends to obtain additional information from the Company and prepare a report addressing the issues presented by the Company's sewer collection system. Staff stated that the report could be prepared and provided to the Company and the Public Counsel by November 17, 2000. Staff indicated that following the completion of the report a plan of corrective actions based on the report is still needed.

Item 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.

Staff stated that it had not received the Company's "total water quality" report. Staff did not provide any information concerning why this report had not been provided or indicate when it would be provided. Staff stated that this report is required to identify water aesthetic quality issues and to take the additional actions required in the supplemental agreement.

Item 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.

Staff stated that the Company is keeping its records according to this provision. Staff stated that it would continue to monitor the Company's compliance during its routine inspections and would review these records in future rate case audits. Staff recommended that the Company continue to keep these records.

Item 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.

On August 14, 2000, the Company advised the Staff that equipment sharing between the Company and the development company was no longer occurring. The Company indicated that it would keep usage logs in the

future if equipment were shared. Staff stated that no further actions would be required.

Item 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.

Staff reported that the Company had advised Staff that it was following the policies described. However, the Company had not reduced the policies to writing. The Staff reported that the Company should be directed to prepare written policies for defining its practices and priorities for responding to service calls and submit them to Staff and Public Counsel no later than November 30, 2000.

Item 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 resolution of such situation.

According to Staff, the Company provided a listing initially identifying 53 homes in the Terre Du Lac development where the sewer collection system was available for service, but which were not yet connected. The Company and the POA sent letters to these homeowners and as of July 12, 2000, 22 of the 53 homes had connected to the system. The Company and the POA were considering contacting the St. Francois County

Health Department regarding the 31 homes that had not yet connected to the system.

The Staff stated that it would obtain an update identifying structures serviceable by the sewer collection system but not connected to the sewer collection system and review the connection issues with the Company, the Public Counsel and the local owners association to determine if any further actions are needed in regard to this situation.

Action Required for Final Disposition of Small Company Rate Increase Cases

The Supplemental Agreement was entered into between the Company, the Staff and the Public Counsel to address public concerns regarding the management and operations of the Company that were brought to the Commission's attention by the public during the consideration of the Company's rate increase requests. The parties presented a plan to address the concerns presented by the public in their Supplemental Agreement. The Commission approved the agreements presented by the parties and approved the agreed-upon rate increases on an "interim" basis as agreed by the parties. See Order Approving Tariffs and First and Supplemental Agreements, Case Nos. WR-2000-68 and SR-2000-69, March 14, 2000. Until the parties complete the items presented in the Supplemental Agreement the Commission cannot issue a final order in these cases. The parties will be directed to complete the items presented in the Supplemental Agreement.

IT IS THEREFORE ORDERED:

1. That with respect to Item C, the Commission's Staff shall file a recommendation not later than December 22, 2000, advising the Commission whether the water service provided by the Terre Du Lac Utilities Corporation is presently safe and adequate absent the system improvements under consideration. The Staff recommendation shall also advise the Commission

whether the system improvements under consideration would provide a significant improvement in the quality of the water service provided by the Terre Du Lac Utilities Corporation. The Terre Du Lac Utilities Corporation and the Office of the Public Counsel shall file a written response to the Staff recommendation not later than January 12, 2001.

2. That with respect to Item D, the Commission's Staff shall file a copy of its report regarding the sewer collection system of Terre Du Lac Utilities Corporation not later than December 22, 2000. The joint corrective action plan of the Staff, the Terre Du Lac Utilities Corporation and the Office of the Public Counsel regarding the sewer collection system shall be filed not later than January 12, 2001.

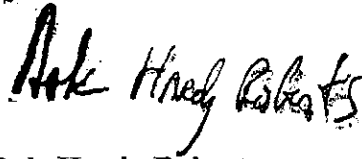
3. That with respect to Item E, the Terre Du Lac Utilities Corporation shall provide a copy of the results of the total water quality tests to the Commission's Staff not later than December 22, 2000. The joint corrective action plan of the Staff, the Terre Du Lac Utilities Corporation and the Office of the Public Counsel regarding aesthetic water quality issues shall be filed not later than January 12, 2001.

4. That with respect to Item H, the Terre Du Lac Utilities Corporation shall prepare and file its written policies with the Staff and the Office of the Public Counsel and file a notice of that filing with the Commission not later than December 22, 2000.

5. That with respect to Item I, the Commission's Staff shall file a report describing the options available to the Terre Du Lac Utilities Corporation to require structures to be connected to its sewer collection system no later than December 22, 2000. The Terre Du Lac Utilities Corporation and the Office of the Public Counsel shall respond to that recommendation not later than January 12, 2001, and advise the Commission whether Terre Du Lac Utilities Corporation will or should pursue those options.

6. That this order shall become effective on December 1, 2000.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read "Dale Hardy Roberts". The signature is written in a cursive, somewhat stylized font.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

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

Thornburg, Regulatory Law Judge

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

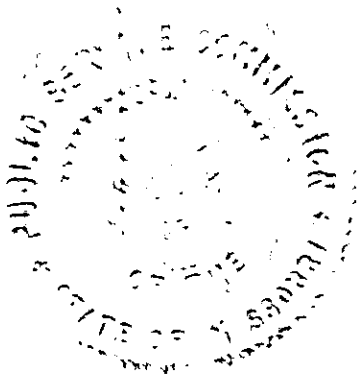
Office of the Public Counsel

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 21st day of Nov. 2000.



Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge