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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 13th
day of January, 1995.

In the matter of Missouri-American Water Company's)
tariff revisions designed to increase rates for sewer)
service provided to customers in the Missouri service) Case No. SR-95-206
area of the company.)
)

SUSPENSION ORDER AND NOTICE

On January 6, 1995, Missouri-American Water Company (Company) submitted to the Commission tariffs reflecting increased rates for sewer service provided to customers in the Missouri service area of the Company. The proposed tariffs bear a requested effective date of February 5, 1995. The proposed tariffs are designed to produce an annual increase of approximately \$6,096 (16 percent) in the Company's revenues. The tariffs submitted on January 6, 1995, include increases for the former areas certificated to Missouri Cities Water Company which were merged into Company on January 1, 1995.

To allow sufficient time to study the effect of the proposed tariffs and to determine if they are just, reasonable and in the public interest, the Commission is of the opinion that the proposed tariffs should be suspended for a period of 120 days plus an additional six months beyond the requested effective date, unless otherwise ordered by the Commission.

The Commission in its Order Approving Merger in Case No. WM-95-150 indicated that this tariff filing would be suspended and placed on the same procedural schedule approved in Case No. WR-95-174. Since the burden of proof that the proposed rates are just and reasonable is upon the company proposing such rates, the Commission is of the opinion that Company should file its prefiled direct testimony in support of its proposed rate increase on February 3,

1995, as previously established. Company shall include in its prefiled testimony its recommendation concerning the proper test year to be used in these proceedings. The Commission is of the opinion that the Company should submit any request for a true-up in a motion concurrent with its prefiled direct testimony. This request should include a proposed date to which the Company's financial data is to be brought forward as well as a proposed time for a true-up hearing. The Company's proposal should also specify a complete list of accounts or items of expense, revenues and rate base designed to prevent any improper mismatch in those areas. The Commission will not consider a true-up of isolated adjustments, but will examine only a "package" of adjustments designed to maintain the proper revenue-expense-rate base match at a proper point in time. **Re: Kansas City Power & Light Company**, 26 Mo. P.S.C. (N.S.) 104, 110 (1983).

The Commission will schedule the hearing dates for this case on the same dates as those previously approved for Case No. WR-95-174. Commission Staff and the Office of Public Counsel filed a proposed procedural schedule for the additional filing dates for prefiled testimony, the prehearing conference, the hearing memorandum, and the reconciliation. The Commission will address this schedule by separate order. By utilizing the same hearing dates as those established in WR-95-174, the Commission will ensure this matter is heard as expeditiously as possible. The Commission also finds that Company should give notice to customers as directed in the ordered paragraphs below.

Since the instant case is subject to a statutory time limit, the Commission's general policy provides for the filing of the transcript within two (2) weeks after the conclusion of the hearing. If any party seeks to expedite the filing of the transcript, such a request shall be tendered, in writing, to the hearing examiner at least five (5) days prior to the date of hearing. The

hearing examiner, in consultation with the chief hearing reporter, will determine whether the transcript can, and should, be expedited.

The Commission's Staff, the Public Counsel and all intervenors shall state their positions regarding the Company's true-up and test year proposals as hereinafter ordered. The test year is the twelve-month period which is used to audit a company's books to determine the proper amounts of rate base, expenses and revenues to be used in calculating a revenue requirement for a company. A resolution of the test year issue must be made early in the proceedings so that parties' testimony can be reconciled to the same period. The test year involves an audit of all books and records of a company so that a total revenue requirement can be calculated.

Company's, Staff's and other parties' test year proposals should include a specific twelve-month period as a test year and should include any additional period for which Staff or another party has updated significant items from the test year. The test year with the additional period will be called a test year as updated, or updated test year. In addition to a proposed test year or a proposed test year as updated, a party may request isolated changes, such as those imposed by governmental bodies, as part of its case and the Commission will consider whether those isolated changes are known and measurable and whether they should be included in Company's revenue requirement. An issue to be considered in this determination is whether the proposed adjustment affects the matching of rate base, expenses and revenue.

Missouri Cities Water Company had a pending rate case at the date of the merger of the two companies, Case No. SR-95-173. The Commission had ordered notice for that case sent to mayors and county commissions and a press release sent to newspapers and members of the General Assembly. That rate case has been withdrawn and since this rate case merely reflects the merger of the

two companies but no changes in the sewer rates proposed by the separate companies, the Commission finds no additional notice to these persons is necessary, except for notice of the changed hearing dates for the Missouri Cities Water Company rate case, SR-95-173.

The Commission, though, will require individual customer notice of the hearings and proposed increases in this case. The notice will be set out in the ordered paragraphs below and a shortened intervention period will be established.

Any city, county, or other proper entity desiring to intervene in this proceeding shall file its application to intervene on or before the date set in this order as provided by 4 CSR 240-2.110(12) and shall serve a copy of the application on the Company's attorney, W.R. England, III, Brydon, Swearngen & England, P.C., 312 East Capitol Avenue, Post Office Box 456, Jefferson City, Missouri 65102.

Testimony and schedules shall not be filed under seal and treated as proprietary or highly confidential unless a protective order has first been established by the Commission. The party which considers information to be proprietary or highly confidential should request a protective order to ensure the information is treated as designated. Any testimony or schedule filed without a protective order first being established shall be considered public information. The Commission has a form protective order which will be used in this proceeding.

In this order the Commission will authorize Staff to file a complaint seeking a reduction in Company's revenues if its audit reflects that Company's earnings are excessive.

IT IS THEREFORE ORDERED:

1. That all proposed tariff sheets submitted on January 6, 1995, by Missouri-American Water Company for the purpose of increasing rates for sewer

service are hereby suspended for a period of one hundred twenty (120) days from February 5, 1995, to June 5, 1995.

2. That the tariffs suspended in ordered paragraph 1 are hereby suspended an additional six (6) months beyond June 5, 1995, to December 5, 1995, unless otherwise ordered by the Commission.

3. That any proper person or entity desiring to intervene and participate in this proceeding shall, except for good cause shown, file its application to intervene and serve a copy of same upon the Company's attorney on or before February 3, 1995.

4. That the Company shall file fifteen (15) copies of its prepared direct testimony and schedules and minimum filing requirements with the Executive Secretary of the Commission on or before February 3, 1995. Company shall provide eleven (11) additional copies of its testimony to Staff.

5. That Company shall include with the filing of its prepared testimony and exhibits in this matter its recommendation concerning the proper test year for use in this case.

6. That Company shall file any request for a true-up audit and hearing in a separate pleading concurrent with its prepared direct testimony and exhibits.

7. That Commission Staff, the Office of Public Counsel and intervenors shall file, on or before March 3, 1995, a pleading indicating concurrence in Company's recommended test year, or shall recommend alternatives to Company's recommended test year.

8. That Commission Staff, the Office of Public Counsel and intervenors shall file, concurrent their prefiled direct testimony, a pleading stating their recommendation concerning a true-up.

9. That an evidentiary hearing is hereby scheduled for this case beginning July 17, 1995, to continue through July 21, 1995. The hearing will commence at 10:00 a.m. on July 17, 1995, and be held in the Commission's hearing room, Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri. Any person with special needs as addressed by the Americans with Disabilities Act shall notify the Chief Hearing Examiner (314/751-7497) at least ten (10) days prior to the hearings.

10. That Company shall notify each affected customer of the hearings scheduled in this case by either a notice on or accompanying a bill, or in a separate notice, at least ten (10) days prior to the first day of the hearings, unless otherwise ordered by the Commission. The notice shall be in the following form:

NOTICE

Missouri-American Water Company has filed revised tariffs, which include Missouri Cities Water Company sewer customers, with the Missouri Public Service Commission (PSC) which would increase Company's Missouri jurisdictional annual gross revenues by approximately 16 percent. For the average residential customer in the Platte County service area, the proposed increase would be \$5.03 a month.

An evidentiary hearing has been set before the PSC at 10:00 a.m., July 17, 1995, in the PSC's hearing room on the fifth floor of the Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri. If you wish to comment or secure information, you may contact the Office of Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, telephone (314) 751-4857.

If any person has special needs as addressed by the Americans With Disabilities Act, please contact the Missouri Public Service Commission at least ten (10) days prior to the hearing at one of the following numbers: Consumer Services Hotline -- 1-800-392-4211, or TDD Hotline -- 1-800-829-7541.

11. That testimony and any attachments to a witness's testimony shall be marked and filed only in the manner prescribed by 4 CSR 240-2.130(11).

12. That all counsel and parties to this proceeding shall review 4 CSR 240-4.020, comply with its terms and communicate the meaning and importance of that rule to all personnel whom counsel believes or reasonably should believe ought to be made aware of that rule.

13. That all counsel shall immediately report to the Commission all future possible violations of any Commission rule by any party, including the party they represent.

14. That the Information Office of the Commission shall send a copy of a press release to the mayors, county commissions, members of the General Assembly and newspapers in the former certificated area of Missouri Cities Water Company, indicating the completed merger of Missouri Cities Water Company into Missouri-American Water Company and the new hearing dates.

15. That requests for expedited transcript shall be filed as described in this order.

16. That prefiled testimony shall only be filed under seal pursuant to a protective order approved by the Commission.

17. That Commission Staff is authorized to file a complaint seeking a reduction in Company's revenues if its audit reflects that Company's earnings are excessive.

18. That this order shall become effective on the date hereof.

BY THE COMMISSION

A handwritten signature in black ink, reading "David L. Rauch". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

**David L. Rauch
Executive Secretary**

(S E A L)

Mueller, Chm., McClure, Perkins
and Crumpton, CC., concur.
Kincheloe, C., absent.