

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 17th
day of February, 1995.

In the matter of the Joint Application)
of Rankin Acres Water Company, Inc. and)
Riverside Utility Company for authority)
1) for Rankin Acres Water Company to)
sell and transfer its franchise, works)
or system to Riverside Utility Company;)
and 2) for Riverside Utility Company)
to expand the present certificated)
service area of Rankin Acres Water)
Company; and 3) for Riverside Utility)
Company to implement interim rates for)
water service.)

Case No. WM-94-240

ORDER APPROVING STIPULATION AND AGREEMENT

On February 7, 1994, Rankin Acres Water Company, Inc. (Rankin) and Riverside Utility Company (Riverside) filed an application pursuant to Sections 393.170, 393.190, and 393.150, RSMo. 1994, seeking authorization of the Commission: (1) approving the sale and transfer of the franchise, works and water system of Rankin to Riverside; (2) approving a distribution of the proceeds of the sale to Rankin's shareholders; (3) approving Rankin to discontinue providing water service in its presently certificated service area as of the date of the sale; (4) granting Riverside a certificate of public convenience and necessity to provide service to the certificated area of Rankin; (5) allowing Riverside to expand the certificated area currently held by Rankin; (6) approving the implementation by Riverside, effective with the date of the sale, interim rates for water service; and (7) allowing the joint applicants to do or perform all acts necessary to effectuate the transaction.

Subsequent amendments to the original joint application were filed on December 23, 1994, and January 17, 1994 revising the proposed

certificated area and stating that no franchise or permission is required from Greene County for Riverside to assume the operation of the proposed service area. The revised certificated area includes the original Rankin area and an additional area with approximately 12 customers.

On February 16, 1994, the Commission issued an order and notice providing for the notice to and intervention of interested parties. No interventions were requested. On April 18, 1994, at the request of the Office of Public Counsel, an on-the-record public hearing was held in Springfield, Missouri.

Finally, on January 24, 1995, a Stipulation and Agreement was filed by the parties, proposing the Commission adopt the terms and conditions contained in the agreement. In accordance with paragraph numbered 15 of that agreement, the Commission requested an oral presentation by the Staff, held on February 7, 1995. The proposed Stipulation and Agreement, together with a map of the proposed service area contained in the first amended application, are appended to this order, incorporated herein as if fully set out, and marked Attachment A.

The terms and conditions of the Stipulation and Agreement include agreement by the parties that the proposed sale is not detrimental to the public, and that the proposed expansion of the service area serves a public need. A rate schedule is agreed to, as incorporated in Attachment A. This rate schedule specifies a progressive schedule of rates to avoid rate shock, allowing a 6-month partial rate increase prior to the full rate taking affect. The parties agree that this rate schedule is just and reasonable.

Riverside agrees, in turn, that it will not initiate a rate case prior to January 1, 1996, and will do so only in a consolidated fashion, incorporating all of its divisions in one case.

The parties agreed to the implementation of a metering program in the proposed service area to be completed in a 5-year span of time.

Finally, the parties agreed that Riverside would eliminate some undocumented assets in its plant-in-service and depreciation accounts.

The remainder of the Stipulation and Agreement contains various pro forma clauses considered standard in this type of agreement.

Rankin Acres is a Missouri corporation engaged in the provision of water service to the public and regulated by the Commission. Rankin Acres was established along with the construction of the residential neighborhood of approximately 88 customers which it serves. The buyer, Riverside Utilities, is also a Missouri corporation engaged in the provision of water and sewer service to the general public in several small communities in various locations in the state, and is also regulated by the Commission. In the proposed Stipulation and Agreement, the parties agree that Riverside, because of its experience and expertise, is capable of operating the Rankin service area in adequate fashion to provide safe and efficient service to the customers. It is also agreed that acquisition of the service will not be detrimental to the public interest and that the proposed rate increase is both necessary and reasonable.

At the public hearing in this matter the Commission noted that a fairly large number of customers appeared and expressed their views on this proposed purchase. Complaints centered almost exclusively around service problems, as opposed to the proposed substantial increase in rates. At the agenda meeting of February 7, 1995, the Commission ascertained that, while the system itself is relatively old, unsophisticated, and requires updating and improving, many of the service

problems can be corrected with proper daily operation.

In addition, representatives from the purchaser were candid in informing the Commission that some capital outlay would be required for proper operation of the system and to complete needed modernization which would be done as opportunity presented itself over the course of several years. As a result of the condition of the system, and in order to raise the necessary capital to remedy those problems, a substantial rate increase is proposed in the Stipulation and Agreement as set out in Attachment A.

The Commission has carefully considered the proposed Stipulation and Agreement, particularly in regard to the apparent condition of the system and resultant service problems, and finds that Riverside, as a result of its experience and expertise, is well able to operate the system in a fashion which will provide safe and efficient service to the residents of Rankin Acres.

The Commission also finds, in accordance with the proposed agreement, that the rate increase is necessary to operate this system and to make repairs and improvements which have clearly become necessary.

The Commission notes that the proposed, agreed-upon rate structure could be considered one involving the phase-in of rates. The purpose of this structure is to avoid rate shock to the customers. While the Commission finds this proposal to be reasonable for a company engaged in operating several small systems throughout the state, the Commission would note that this structure is part of an overall agreement between the parties and approval by the Commission does not constitute general endorsement of this type of rate structure.

Further, while the Commission understands the purpose of the proposed metering program, approval by the Commission of this agreement

does not constitute agreement by the Commission that metering is economically efficient for small water companies such as this one.

After review of the proposed agreement, and with the information provided to the Commission as the result of the public hearing and agenda discussion, the Commission finds that no evidentiary hearing is necessary in this matter. The Commission finds no detriment to the public as a result of this proposed purchase. The Commission further finds that the proposed extension of the Rankin service area to include approximately 12 extra customers is reasonable and in the public interest and will also be approved. The Commission will, therefore, approve the Stipulation and Agreement, granting Riverside a certificate of convenience and necessity to operate the system as set out and described in Attachment A herein. The Commission also finds that sufficient guaranties and conditions are contained in the proposed Stipulation to insure that the proposed rate increase is, and will remain, reasonable and that Riverside will remain financially sound, and the Commission, therefore, finds the proposed rate schedule to be reasonable.

The Commission will, therefore, approve the Stipulation and Agreement, appended hereto as Attachment A, together with the rate schedule as set out therein, and grant Riverside a certificate of convenience and necessity to operate water service in the proposed service area.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement attached hereto as Attachment A is hereby approved.

2. That Riverside Utility Company is hereby ordered to file with the Commission tariffs in full compliance with the Commission's order in this case before commencing operation.

3. That a certificate of convenience and necessity is hereby issued to Riverside Utility Company to construct, install, own, operate, control, manage and maintain a water system for the service area and in the manner as set out in the application and amended applications in this case, and as modified and agreed to in the attached Stipulation and Agreement incorporated in this decision.

4. That the certificate of convenience and necessity issued to Rankin Acres is cancelled effective as set out in Attachment A hereto, and Rankin Acres Water Company, Inc. may discontinue providing water service as of that date.


5. That the sale and transfer of Rankin Acres' franchise, works and system to Riverside Utility Company in accordance with the terms of the Agreement for sale of water system attached to the original application herein is approved.

6. That Rankin Acres Water Company, Inc. may distribute the proceeds of this sale to its shareholders.

7. That the applicants perform all acts necessary to effectuate this transaction.

8. That this order shall become effective on the 28th day of February, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

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

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the joint)
application of Rankin Acres)
Water Company, Inc. and)
Riverside Utility Company for)
authority 1) for Rankin Acres)
Water Company to sell and)
transfer its franchise, works)
or system to Riverside)
Utility Company; and 2) for)
Riverside Utility Company to)
expand the present)
certificated service area of)
Rankin Acres Water Company;)
and 3) for Riverside Utility)
Company to implement interim)
rates for water service.)

Case No. WM-94-240

FILED
JAN 24 1995
MISSOURI
PUBLIC SERVICE COMMISSION

STIPULATION AND AGREEMENT

On February 7, 1994, Rankin Acres Water Company, Inc., (Rankin Acres) and Riverside Utility Company (Riverside Utility) filed an Application requesting authority for Rankin Acres to sell its water system to Riverside Utility, for Riverside Utility to expand the present certificated area, and for Riverside Utility to implement interim rates for water service.

By its Order and Notice issued February 16, 1994, the Missouri Public Service Commission (Commission) established March 18, 1994, as the deadline for applications to intervene in this matter. No applications to intervene were filed.

The Order and Notice also directs the Commission Staff (Staff) to make a recommendation as to the necessity for interim rates and/or recommend permanent rates if the sale is approved. The Order and Notice further directs the Staff to make a detailed

recommendation concerning any existing or potential deficiencies in the water system in the Rankin Acres service area and in the proposed newly certificated area, a plan to correct such deficiencies, and Riverside Utility's financial ability to meet existing and projected costs for providing safe and adequate service. These matters are addressed herein.

On March 16, 1994, a petition was filed by approximately 40 current customers of Rankin Acres objecting to the proposed increase in rates as a result of the sale, and requesting a public hearing in this matter. By its Order and Notice setting local public hearing, the Commission scheduled a public hearing on April 18, 1994, in Springfield, Missouri. The public hearing was held as scheduled with approximately 40 customers in attendance. The public witnesses stated their concerns about the proposed rate increase and about several quality of service issues.

In response to the Commission's Order and Notice of February 16, 1994, the Staff offers the following comments expressing its opinion about the adequacy of the water system. Rankin Acres provides water service to approximately eighty customers in the Rankin Acres subdivision. The water system utilizes a single well, a pressure type storage tank, and a distribution system consisting of up to four (4) inch pipe. It was constructed prior to 1972 when the subdivision was developed and for the purpose of providing domestic water service to the residents of the subdivision. This system was not designed to provide fire protection, and does not have that capability. The well and storage tank should be able to

provide an adequate amount of water for approximately one hundred customers. There were a number of complaints at the local public hearing, held on April 18, 1994, about low pressure, water outages, and bad taste or odor. However, a subsequent investigation did not reveal substantial ongoing problems. For the most part, the outage and pressure complaints could be attributed to main breaks that have occurred over the years. Although there have apparently been occurrences of bad taste or odor, it does not seem to be a continual problem, and no problem was actually observed by the investigator. Some such complaints were from customers on "dead end" mains, in which case flushing would resolve the problem at the time it occurs.

Riverside Utility has indicated that it will extend its mains into the expanded service area utilizing its existing extension rule. If substantial development occurs, then at some point another source of supply would also need to be constructed by Riverside Utility. Neither the Staff nor Riverside Utility anticipate such development at this time. The Staff is of the opinion that there is no system upgrading needed immediately. Further, the Staff believes that the problems expressed by some customers may be handled by good day-to-day operations.

Riverside Utility and its regulated affiliate, Capital Utilities, Inc., have in the past demonstrated the ability to attract capital. Therefore, Staff believes that Riverside Utility has the financial ability to meet the existing and projected costs

for providing safe and adequate service within the existing and proposed service area.

On November 2, 1994, the Commission issued an Order and Notice Setting Early Prehearing Conference. The early prehearing conference was held on November 21, 1994, as scheduled. Rankin Acres, Riverside Utility, Office of Public Counsel, and Staff appeared and participated at the prehearing conference.

On December 23, 1994, Rankin Acres and Riverside Utility filed an Amended Application which decreased the size of the requested expanded service area. On January 17, 1995, Rankin Acres and Riverside Utility filed a Second Amended Application which states that no franchise or other consent is required by Greene County, Missouri, in order for Riverside Utility to operate as a water utility within the proposed certificated area.

As a result of negotiations, the undersigned Signatories have reached the following stipulations and agreements:

1. The Signatories agree that the proposed sale is not detrimental to the public interest and therefore the Commission should approve the sale and transfer of Rankin Acres' franchise, works and system to Riverside Utility.

2. The parties agree that there is a public need for the provision of water service in an area adjacent to Rankin Acres' currently certificated service area. There are at least (10) existing residents in the area, most of which are immediately adjacent to the currently served subdivision. Riverside Utility is in a position to provide service to these residents, and has the

capability to provide service to residents of future development adjacent to the currently certificated service area.

3. The Signatories agree that the Commission should grant Riverside Utility a certificate of public convenience and necessity consistent with the metes and bounds description contained in Exhibit 1 attached hereto, effective on the effective date of the tariffs described in paragraph 6 herein. The description includes the existing certificated area served by Rankin Acres and includes the additional area requested by Riverside Utility in the Amended Application.

4. The Signatories agree that the rates set forth in Exhibit 2 attached hereto are just and reasonable for Riverside Utility to provide service within the certificated area described in Exhibit 1, and should be approved by the Commission. These rates are exclusive of any applicable franchise and occupational taxes or other such fees or taxes. The two-step rate increase from the current rate of \$7.50 per month should help ameliorate the rate shock to Rankin Acres' current customers.

5. Riverside Utility agrees that it will not initiate a rate increase, either formal or informal, before January 1, 1996 for the Rankin Acres division. Riverside Utility further agrees that any rate case initiated after January 1, 1996, will be a consolidated rate filing for all of Riverside Utility's divisions. Until January 1, 1996, Riverside Utility may file for a rate increase on a divisional basis for its other divisions.

6. The Signatories agree that Riverside Utility shall file with the Commission to amend its tariff such that its rules which are applicable to all of Riverside Utility's divisions shall become applicable to the Rankin Acres division. Furthermore, Riverside Utility shall file with the Commission to amend its tariff to include rates, service charges and service area sheets applicable specifically to the Rankin Acres division, consistent with this Stipulation. Such tariff filing shall be made at least 15 days before the effective date stated thereon. The effective date stated on the tariff filing will be the date for which the closing on the sale is scheduled.

7. The Signatories agree that the tariff and certificate of public convenience and necessity of Rankin Acres shall be cancelled on the effective date of the tariffs described in paragraph 6 above.

8. Riverside Utility shall initiate a meter installation program so that all customers are metered within 5 years of the effective date of the tariffs described in paragraph 6 above. Existing commercial customers shall be metered within 6 months of the said effective date; meters shall be installed on new customers at the time of construction of the customer service line with remaining customers to be metered at the reasonable discretion of Riverside Utility.

9. Riverside Utility agrees to eliminate undocumented assets that Rankin Acres has recorded in Plant In Service and Depreciation Reserve. As a result, Rankin Acres' books and records will reflect

a net plant investment of \$15,286.31 as of December 31, 1993. The Signatories also agree that the rate base will include amounts for a standby pump (\$2,637.50) and a pump (\$2,793.00) that was replaced during 1994.

10. This Stipulation and Agreement represents a negotiated settlement for the sole purpose of disposing of this case. None of the Signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in any other proceeding, except as otherwise specified.

11. None of the Signatories shall be deemed to have approved or acquiesced in any ratemaking principle or any method of cost determination or cost allocation underlying or allegedly underlying this Stipulation and Agreement except to the extent specified herein.

12. The Stipulation and Agreement has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent.

13. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, the Stipulation and Agreement shall be void and no Signatory shall be bound by any of the agreements or provisions hereof.

14. In the event the Commission accepts these specific terms of this Stipulation and Agreement, the Signatories waive their respective rights to cross-examine witnesses and to present oral argument in written briefs pursuant to Section 536.080.1 RSMo 1986, their respective rights to the reading of the transcript by the

Commission pursuant to Section 536.080.2 RSMo 1986, and their respective rights to judicial review pursuant to 386.510 RSMo 1986.

15. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within 5 days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other Signatories to the Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practical, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for

such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any protective order in this case.

WHEREFORE, for the foregoing reasons, the undersigned Signatories respectfully request that the Commission issue an order:

- (a) Approving the specific terms and conditions of this Stipulation and Agreement;
- (b) Approving the sale and transfer of Rankin Acres' franchise, works and system to Riverside Utility in accordance with the terms of the Agreement for sale of water system attached to the original Application;
- (c) Authorizing Rankin Acres to distribute the proceeds of the sale to its shareholders;
- (d) Cancelling the tariff and certificate of Rankin Acres effective on the effective date of tariffs to be filed as described in paragraph (g) below, and authorizing Rankin Acres to discontinue providing water service in its presently certificated area as of that date;
- (e) Granting Riverside Utility a certificate of public convenience and necessity consistent with the metes and bounds description contained in Exhibit 1 attached hereto, to be effective on the effective date of tariffs to be filed as described in paragraph (g) below;

- (f) Authorizing Riverside Utility to implement rates for water service as set forth in Exhibit 2 attached hereto; and
- (g) Directing Riverside Utility to file to amend its tariff so that its rules which are applicable within the Riverside Utility division are applicable to the Rankin Acres division, and to include rates, service charges, and service area sheets specifically applicable to Rankin Acres division. Such tariff filing shall be made at least 15 days before the effective date stated thereon.

Respectfully submitted,

STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION

William K. Haas
William K. Haas
Assistant General Counsel
P.O. Box 360
Jefferson City, MO 65102

RANKIN ACRES WATER COMPANY, INC.

W.R. England, III by TAB
W.R. England, III
Brydon, Swearingen & England, P.C.
312 E. Capitol Ave
P.O. Box 456
Jefferson City, MO 65102-0456

OFFICE OF PUBLIC COUNSEL

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

RIVERSIDE UTILITY COMPANY

W.R. England, III by TAB
W.R. England, III
Brydon, Swearingen & England
312 E. Capitol Ave.
P.O. Box 456
Jefferson City, MO 65102-0456

The following is a legal description of the proposed certificated service area (including the existing certificated area of the Rankin Acres Water Company):

" A PART OF GREENE COUNTY, Missouri more particularly described as followed:

BEGINNING at the Northwest corner of the Southeast Quarter of the Southeast Quarter of Section 16, Township 28 North, Range 23 West, Greene County, Missouri; thence south along the west line of said Southeast Quarter of the Southeast Quarter of Section 16 to the south line of said Section 16; thence east along said south line of Section 16 to the Northwest corner of Section 22, Township 28 North, Range 23 West, Greene County, Missouri; thence south along the west line of said Section 22 to a point 200 feet south of the north line of said Section 22; thence east along a line 200 feet south of and parallel to said north line of Section 22 to the intersection with the east line of the Northwest Quarter of said Section 22; thence north along said east line of the Northwest Quarter of Section 22 and the east line of the Southwest Quarter of Section 15, Township 28 North, Range 23 West, Greene County, Missouri to the Northeast corner of the Southeast Quarter of the said Southwest Quarter of Section 15; thence west along the north line of the South Half of the said Southwest Quarter of Section 15 and the north line of the South Half of the Southeast Quarter of Section 16, Township 28 North, Range 23 West, Greene County, Missouri to the POINT OF BEGINNING."

Rates for Water ServiceFirst Six Months After Effective Date of Certificate and Tariff

Flat Rate	\$17.50 per month
Metered Rate	
Minimum Bill (includes 6,000 gallons)	\$17.50 per month
Over 6,000 gallons	\$ 2.06 per 1000 gallons

After Six Months From Effective Date of Certificate and Tariff

Flat Rate	\$22.34 per month
Metered Rate	
Minimum Bill (includes 6,000 gallons)	\$22.34 per month
Over 6,000 gallons	\$ 2.36 per 1000 gallons

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 24th day of January, 1995.

Wm K Hase

Service List for Case No. WM-94-240

W.R. England, III
Brydon, Swearengen & England
312 E. Capitol Ave.
P.O. Box 456
Jefferson City, MO 65102

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