

On January 7, 1994, The Raytown Water Company (Raytown or the company) submitted to the Missouri Public Service Commission (Commission) proposed tariff sheets reflecting increased rates for water service provided to the customers in its Missouri service area. The tariff sheets were designed to produce an increase of approximately \$685,674, or 40 percent, in revenues and to take effect on February 8, 1994. The Commission suspended the proposed tariff sheets until December 8, 1994, and established a procedural schedule by order issued January 12, 1994. The case was set for a hearing on September 12 through 16, 1994. On February 18, 1994, the Commission granted the application to intervene filed by the City of Raytown, Missouri. The Office of the Public Counsel (OPC) filed a motion for a local public hearing which was granted and a

local public hearing was held in Raytown, Missouri, on June 30, 1994. The parties, with the exception of the City of Raytown, participated in a prehearing conference beginning on July 18, 1994. The parties resolved the issues and filed their Stipulation and Agreement on August 3, 1994.

On August 19, 1994, in open hearing, the parties presented the Stipulation and Agreement to the Commission for approval and placed their prefiled testimony on the record. The parties waived cross-examination of the witnesses and the reading of the transcript by the Commission. Following that hearing, also on August 19, 1994, the OPC filed a Clarification of Position wherein OPC agreed to dismiss its judicial appeal of the Commission's order in the related interim rate case WR-94-300, upon the issuance of a Commission order approving the Stipulation and Agreement filed on August 3, 1994, without modification.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

On January 7, 1994, Raytown Water Company filed proposed tariff sheets reflecting increased rates for water service provided to the customers in its Missouri service area. The tariff sheets were designed to produce an increase of approximately \$685,674, or 40 percent, in revenues and to take effect on February 8, 1994. The Commission suspended the proposed tariff sheets until December 8, 1994, and established a procedural schedule by order issued January 12, 1994. The case was set for a hearing on September 12 through 16, 1994.

On August 3, 1994, Raytown, the Commission Staff, and the Office of the Public Counsel filed a Stipulation and Agreement with the Commission signed by all parties, including intervenor, which proposed to settle the issues. That Stipulation and Agreement is attached to this Report and Order and incorporated herein by reference as Attachment 1. The Commission conducted a hearing on August 19, 1994, for the purpose of receiving prefiled testimony into the record and considering the parties' stipulation for approval. The parties waived cross-examination of the witnesses and the reading of the transcript by the Commission.

The Stipulation and Agreement provides for Raytown to file revised tariff sheets, effective for service on and after September 15, 1994, designed to produce an increase in overall Missouri Jurisdictional gross annual water revenues of \$420,000, exclusive of any applicable license, occupation, franchise, gross receipts tax, or other similar fees or taxes. The parties have agreed that the water surcharge rates approved in Case No. WR-92-85 shall be cancelled upon the effective date of the new tariff filed pursuant to an order approving the Stipulation and Agreement in this case. The interim rate schedule resulting from Case No. WR-94-300 will expire by its own terms upon the filing of a new tariff pursuant to an order approving the Stipulation and Agreement in this case.

The company has agreed to proceed with the computerization of its records and: complete computerization of its general ledger by December 31, 1994; complete computerization of work orders by June 1, 1995; continue the computerization of its operational records.

The company has agreed to maintain use logs for vehicles and equipment to record work and personal uses.

The company's President and General Manager has agreed to maintain hourly work logs and make them available to Staff on a quarterly basis for 18 months following the effective date of this Report and Order.

The company has agreed that it will not pay preferred stock dividends for 18 months following the effective date of this Report and Order.

The company has agreed to provide Staff with quarterly reports on its financial condition, results of operations, and changes in cash flow on a quarterly basis for 18 months following the effective date of this Report and Order.

The company has agreed to pay its current and past-due PSC assessments in four equal installments of \$6,987.13 which will be due on or before September 15, 1994, October 15, 1994, January 15, 1995, and April 15, 1995. Company has agreed to pay future assessments when due.

The company has agreed that, within six months after the effective date of this Report and Order, it will become current on returns of customer deposits, in accordance with its tariff and with Commission rule 4 CSR 240-13.030. The company has also agreed to amend its tariff to provide for interest on customer deposits of one percent above the prime lending rate. Beginning on September 15, 1994, the company will pay interest on customer deposits equal to the prime rate plus one percentage point as published in the Wall Street Journal on September 14, 1994. Beginning on January 1, 1995, and thereafter the company will pay interest on customer deposits equal to the prime rate plus one percentage point as published in the Wall Street Journal for the last business day of the preceding calendar year.

The parties have agreed to use an unaccounted-for water factor of 8.7 percent until the Company's next general rate case.

The parties have agreed that Staff will initiate a full compliance audit within 18 months of the effective date of this Report and Order.

The OPC has agreed to dismiss its judicial appeal of the Commission's order in the related interim rate case, WR-94-300, upon the issuance of a Commission order approving without modification the Stipulation and Agreement filed on August 3, 1994.

The Commission finds that, except to the extent specified in the Stipulation and Agreement filed herein, neither the Commission nor any party to this case has approved or acquiesced in any ratemaking principle or method of cost determination or cost allocation underlying, or allegedly underlying, the Stipulation and Agreement filed August 3, 1994, or the rates for which it provides. The Commission is of the opinion that the agreement reached by the parties will result in continued service to ratepayers at reasonable cost while preserving the financial integrity of the company, and establishes an appropriate mechanism for resolving the concerns expressed by Staff and OPC regarding management and cash flow problems. The Commission finds that the Stipulation and Agreement represents a reasonable resolution of the issues raised in this case and is in the public interest. Therefore, the Commission adopts the Stipulation and Agreement filed August 3, 1994, and incorporates that document herein by reference.

Conclusions of Law

The Missouri Public Service Commission, has arrived at the following conclusions of law:

Applicant The Raytown Water Company is a public utility subject to the jurisdiction of the Missouri Public Service Commission pursuant to Chapters 386 and 393 of the Revised Statutes of Missouri, as amended. The Commission

concludes that it has legal authority to accept a unanimous Stipulation and Agreement as offered by the parties as a resolution of the issues raised in this case, pursuant to Section 536.060, RSMo (1986).

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by the parties to this case on August 3, 1994, be adopted by the Commission for resolution of all issues.

2. That the proposed tariff submitted by The Raytown Water Company on January 7, 1994, to increase general revenue is rejected and the company is authorized to file, in lieu thereof, revised tariff sheets designed to increase revenue by \$420,000 for service on and after September 15, 1994, in accordance with the Stipulation and Agreement approved in Ordered Paragraph 1.

3. That the water surcharge rates approved in Case No. WR-92-85 shall terminate on September 15, 1994.

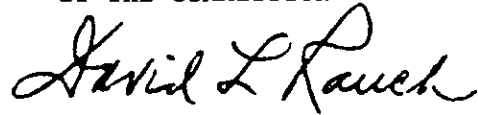
4. That the interim rate schedule established in Case No. WR-94-300 shall expire on September 15, 1994.

5. That The Raytown Water Company shall amend its tariff to define interest on customer deposits as 1% above the prime lending rate as published in The Wall Street Journal in accordance with the Stipulation and Agreement approved in Ordered Paragraph 1.

6. That all parties shall comply in full with the terms and conditions of the Stipulation and Agreement approved in Ordered Paragraph 1 and with this Report and Order.

7. That this Report and Order shall become effective on
September 15, 1994.

BY THE COMMISSION

A handwritten signature in cursive script, reading "David L. Rauch".

David L. Rauch
Executive Secretary

(S E A L)

McClure, Kincheloe, and
Crumpton, CC., Concur.
Mueller, Chm., and Perkins, C.,
Absent.

Dated at Jefferson City, Missouri,
on the 26th day of August, 1994.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
AUG 3 1994
MISSOURI
PUBLIC SERVICE COMMISSION

In the matter of The Raytown)
Water Company's tariff sheets)
designed to increase rates)
for water service provided to)
customers in the Missouri)
service area of the Company.)

Case No. WR-94-211

STIPULATION AND AGREEMENT

On January 7, 1994, The Raytown Water Company ("Company") filed revised tariffs with the Missouri Public Service Commission ("Commission") designed to produce an annual increase of \$685,674.00 in the Company's revenues. The Company also proposed to cancel the surcharge tariff sheet approved in Case No. WR-92-85 and to roll the surcharge amount into its base rates.

On January 12, 1994, the Commission issued an order suspending the tariffs to December 8, 1994, and establishing a procedural schedule. In the suspension order, the Commission set an intervention date of February 11, 1994, and also ordered Company to file its prepared direct testimony by February 11, 1994. On January 26, 1994, the Commission granted Company's Motion for Extension of Time to file direct testimony and exhibits to February 25, 1994. On February 14, 1994, the City of Raytown, Missouri, filed an application to intervene.

On February 18, 1994, the Commission issued its procedural order and allowed the intervention of the City of Raytown, Missouri. The procedural schedule directed, inter alia, that the Missouri Public Service Commission Staff ("Staff"), Office of Public Counsel ("Public Counsel") and all intervenors should file

their direct testimony by June 17, 1994; that Staff, Public Counsel and intervenors should file rate design testimony by June 24, 1994; that a prehearing conference would be held in Jefferson City, Missouri, on July 18-22, 1994; that all parties should file their rebuttal testimony by August 5, 1994; that a hearing memorandum and reconciliation should be filed by August 12, 1994; that all parties should file their surrebuttal testimony by August 19, 1994; and that the hearing in this case would be held at Jefferson City, Missouri, on September 12-16, 1994.

On February 25, 1994, Company filed its prepared direct testimony and exhibits.

On March 11, 1994, Public Counsel filed its recommendation requesting the Commission to adopt a test year of 12 months ending December 31, 1993, adjusted for known and measurable changes through March 31, 1994. On March 14, 1994, Staff filed its recommendation requesting the Commission to adopt a test year of the 12 months ending December 31, 1993; Staff did not propose an additional update period but stated that it may propose adjustments based on isolated changes where Staff believes those changes to be known and measurable. On April 1, 1994, the Commission issued its order establishing a test year of the 12 month period ending December 31, 1993.

On March 28, 1994, Company filed a petition with the Commission requesting that it be granted an increase in the rate for water usage on an interim subject to refund basis. Company stated in its request that the interim rate request was to pass

through a rate increase due May 1, 1994, by its wholesale water supplier, the City of Kansas City, Missouri. This case was docketed as Case No. WR-94-300. On April 4, 1994, Public Counsel filed motions opposing the request and to dismiss the petition. On April 12, 1994, Company filed a response to Public Counsel's motions.

On April 13, 1994, the Commission issued an order giving notice of the Petition for Interim Rate Relief and established a procedural schedule, including a hearing, to consider the matter. On April 15, 1994, Company filed a tariff showing the interim rate proposed to be charged. On April 22, 1994, the Commission Staff filed a memorandum recommending the Commission approve the proposed tariff.

On April 27, 1994, an evidentiary hearing was held before the Commission in this interim proceedings, Case No. WR-94-300. On April 29, 1994, the Commission issued its Report and Order finding that an emergency situation existed because the financial condition of the Company was sufficiently serious to warrant approval of the rate increase to cover the increased cost of wholesale water from its supplier. Therefore, the Commission approved the increase on an interim basis subject to refund.

On May 13, 1994, Public Counsel filed its Application for Rehearing. On June 1, 1994, the Commission entered its Order on Rehearing and Reconsideration affirming its Report and Order of April 29, 1994, in Case No. WR-94-300, in its entirety.

On June 6, 1994, the Commission extended the time for Staff, Public Counsel and intervenors to file their prefiled direct testimony to June 29, 1994, in the permanent proceeding, Case No. WR-94-211. Staff and Public Counsel filed their direct testimony on June 29, 1994. No direct testimony was filed by intervenor City of Raytown.

On June 22, 1994, Public Counsel filed its Petition for Writ of Review with the Circuit Court of Cole County, Missouri, regarding the Company's interim rate approved in Case No. WR-94-300. On June 27, 1994, Company filed its Motion to Intervene which was granted by the Cole County Circuit Court on June 30, 1994. Thereafter, on June 30, 1994, Company filed its Motion to Dismiss Public Counsel's Petition for Writ of Review. On July 9, 1994, Public Counsel filed its Motion to Stay and Response to Motion to Dismiss in the court case. On July 21, 1994, Staff filed its Notice of Completion of Return to Writ of Review with the Cole County Circuit Court.

The prehearing conference in the permanent proceeding, Case No. WR-94-211, commenced as ordered on July 18, 1994, at 10:00 a.m. with Company, Staff and Public Counsel represented. The intervenor, City of Raytown, Missouri, did not participate in the prehearing conference. As a result of this prehearing conference, Company, Staff and Public Counsel hereby stipulate and agree as follows:

1. The Company shall be authorized to file revised water tariff sheets containing rate schedules designed to produce an

On June 6, 1994, the Commission extended the time for Staff, Public Counsel and intervenors to file their prefiled direct testimony to June 29, 1994, in the permanent proceeding, Case No. WR-94-211. Staff and Public Counsel filed their direct testimony on June 29, 1994. No direct testimony was filed by intervenor City of Raytown.

On June 22, 1994, Public Counsel filed its Petition for Writ of Review with the Circuit Court of Cole County, Missouri, regarding the Company's interim rate approved in Case No. WR-94-300. On June 27, 1994, Company filed its Motion to Intervene which was granted by the Cole County Circuit Court on June 30, 1994. Thereafter, on June 30, 1994, Company filed its Motion to Dismiss Public Counsel's Petition for Writ of Review. On July 9, 1994, Public Counsel filed its Motion to Stay and Response to Motion to Dismiss in the court case. On July 21, 1994, Staff filed its Notice of Completion of Return to Writ of Review with the Cole County Circuit Court.

The prehearing conference in the permanent proceeding, Case No. WR-94-211, commenced as ordered on July 18, 1994, at 10:00 a.m. with Company, Staff and Public Counsel represented. The intervenor, City of Raytown, Missouri, did not participate in the prehearing conference. As a result of this prehearing conference, Company, Staff and Public Counsel hereby stipulate and agree as follows:

1. The Company shall be authorized to file revised water tariff sheets containing rate schedules designed to produce an

increase in overall Missouri jurisdictional gross base rate water revenues in the amount of \$420,000 over the level of base rate revenues approved in Case No. WR-92-85. This amount includes an increase of \$118,365 for the roll-in of the surcharge approved in Case No. WR-92-85. This results in an increase of \$301,635 in total revenues for the Company above the level approved in Case No. WR-92-85, as increased in Case No. WR-93-275 by the passthrough of an increase in wholesale water costs. The parties agree that the water surcharge rates approved in Case No. WR-92-85 shall be cancelled upon the effective date of new tariffs filed in this case. The interim rate schedule resulting from Case No. WR-94-300 expires by its own terms upon the filing of a new tariff pursuant to the order of the Commission in this case. The agreed-upon increase is exclusive of any applicable license, occupation, franchise, gross receipts taxes, primacy fee or other similar fees or taxes. The new tariffed rate schedules shall be effective for service rendered on and after September 15, 1994.

2. The parties agree that rates should be increased in this case in accordance with the cost of service allocation as determined by the Functional Cost Method of cost allocation set forth in the direct testimony of staff witness Henderson.

3. The Company agrees to complete the computerization of its general ledger by December 31, 1994 and the computerization of work orders by June 1, 1995.

4. The Company agrees to continue the computerization of operational records.

5. The Company agrees to maintain use logs for vehicles and equipment for both work and personal uses. Logs should be updated each time equipment or vehicles are used and should include the purpose of the use (preferably tied to a specific work order) and destination of the vehicle.

6. The Company's President and General Manager agrees (a) to maintain hourly worklogs and (b) to provide those logs to the staff within 30 days of the close of each quarter for a period of 18 months from the effective date of the order in this case.

7. The Company agrees to timely file regular semi-annual management audit status reports as required by Commission order in Case No. WO-93-194.

8. The Company agrees not to pay preferred stock dividends for 18 months after the effective date of the order in this case.

9. The parties wish to inform the Commission that the Company has eliminated one management position and that the Chairman of the Board has retired from the day-to-day operating activities of the Company.

10. For a period of 18 months from the effective date of the order in this case, the Company agrees to provide the Staff with quarterly reports on financial conditions, results of operations and changes in cash flow within 45 days after the close of each quarter beginning with the first quarter of 1995. The Company will notify Public Counsel as soon as each quarterly report is provided to the Staff.

11. The Staff will initiate a full compliance audit of the Company within 18 months of the effective date of the order in this case. The Staff will be performing a periodic review of the Company in the interim.

12. The Company agrees to pay its current and past-due PSC assessments in four equal installments of \$6,987.13, and to stay current on future PSC assessments. The installments are for assessments for the years beginning July 1, 1993, and July 1, 1994. The first payment is due before the effective date of tariffs in this case. The subsequent payments are due on or before October 15, 1994, January 15, 1995, and April 15, 1995.

13. Within six months from the effective date of the tariff sheets in this case, the Company agrees to be current, in accordance with the Company's tariff and Commission Rule 4 CSR 240-13.030, on the return of customer deposits. The Company agrees that the return of such deposits will occur regularly during the six month period until the entire obligation is satisfied. The Company agrees to submit to the Staff and Public Counsel a status report showing compliance within seven months after the effective date of the tariff sheets in this case.

14. The Company agrees to amend its tariff to define interest on customer deposits as 1% above the prime lending rate as published in The Wall Street Journal. This rate shall be implemented on September 15, 1994, and shall be based upon the prime lending rate which is published in The Wall Street Journal on September 14, 1994. This rate will be adjusted annually by again

using the prime lending rate published in The Wall Street Journal on the last business day of December of each year with the revised rate to be implemented on the first day of January of each year.

15. The parties agree to use an unaccounted-for-water factor of 8.7% until the Company's next general rate case, if the Company files for a passthrough of future increases in the wholesale cost of water. Staff and Public Counsel reserve the right to challenge the passthrough of such increases.

16. The direct testimony, schedules, exhibits, and minimum filing requirements prefiled by Company, Staff, and Public Counsel shall be received into evidence without the necessity of their witnesses taking the stand.

17. Except to the extent specified herein, none of the parties shall be deemed to have approved or acquiesced in any ratemaking principle or any method of cost determination or cost allocation or any service or payment standard underlying this Stipulation and Agreement and the rates provided for herein.

18. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, or in the event revised water rate schedules do not become effective in accordance with the provisions contained herein, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

19. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights to cross-examine witnesses and to present oral argument and 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 a judicial review of the permanent rate case pursuant to Section 386.510 RSMo 1986. Public Counsel fully reserves its right to seek judicial review of the Report and Order issued by the Commission in the Company's interim rate case, Case No. WR-94-300.

20. 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 five (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 practicable, 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 issued in this case.

WHEREFORE, the signatories respectfully request that the Commission issue an order which approves this Stipulation and Agreement and authorize the Company to file tariff sheets conforming to the terms hereof.

Respectfully submitted,

Derron D. Gunderman by Wm K Haas

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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 3rd day of August, 1994.

Wm K Haas

Service List for Case No. WR-94-211

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