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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Riverside Utility Company's Tariff)
Revision Designed to Increase Rates for Water Service) **Case No. WR-97-185**
Pursuant to the Commission's Informal Rate Procedure.)
)

REPORT AND ORDER

Issue Date: April 1, 1997

Effective Date: April 15, 1997

OF THE STATE OF MISSOURI

Case No. WR-97-185

APPEARANCES

and

Thomas H. Luckenbill, Deputy Chief.

REPORT AND ORDER

Procedural History

On November 4, Riverside filed proposed tariff sheets designed to implement a rate increase under this Commission's small company rate procedure.

The tariff sheets reflect a revenue requirement and rate design proposed by the Staff and agreed to by Riverside for its three water service areas. Those tariff sheets bore an effective date of January 1, 1997. On November 26, 1996, the Office of the Public Counsel requested a local public hearing for customers of the Riverside Estates service area near Hollister, Missouri. On December 20, 1996, the Commission issued an order suspending the tariff sheets until February 15, 1997 and setting a local public hearing at the College of the Ozarks at Point Lookout, Missouri to receive the views of Riverside Estates customers.

On January 6, 1997, the Commission held a local public hearing at the College of the Ozarks. At that hearing, Riverside's counsel made statements about the improvements that have been made to Riverside's system. Many of Riverside's customers at the Riverside Estates location testified at the public hearing. Several expressed concern about the amount of the proposed increase. Others had specific service quality concerns that they voiced at the hearing.

On January 16, the Office of the Public Counsel (Public Counsel) filed a recommendation. On January 17, Public Counsel filed a corrected recommendation. Public Counsel agrees with the Staff of the Missouri Public Service Commission (Staff) and Riverside with regard to the Rankin Acres water service area proposal. However, Public Counsel proposes lower rates for Riverside Estates and higher rates for White Branch as compared with recommendations by Riverside and Staff. The proposals of Staff and Public Counsel are demonstrated in Attachment A.

On January 29, Staff filed a response to Public Counsel's recommendation. On January 31, Public Counsel filed a reply to Staff's response. On February 3, Staff filed a memorandum to the official case file which recommended that the Commission approve the proposed tariff sheets despite the

fact that Public Counsel does not agree with Staff and Riverside about the appropriate rate design.

On February 11, the Commission further suspended the proposed tariff sheets until May 1, 1997 and set a prehearing conference. The Commission ordered the parties to file a unanimous stipulation and agreement or a joint recommended procedural schedule by March 6, 1997. On March 4, Staff, Public Counsel, and Riverside filed a Stipulation And Agreement with the Commission.

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.

The parties unanimously agree to a total annual water revenue requirement increase for Riverside of \$24,066. The parties unanimously agree on the rate design for the Rankin Acres subdivision whereby the customer's monthly charge will remain at the current level of \$22.34. The parties do not agree, however, with respect to the rate design for Riverside's customers at the Riverside Estates and White Branch subdivisions.

The parties request that the Commission issue a Report And Order determining the rate design for Riverside from the alternatives provided by Staff and Public Counsel. The parties state that the Staff's memorandum, the Public Counsel's recommendation, and the information and attachments submitted with the Stipulation And Agreement constitute competent and substantial evidence upon which the Commission may base its decision.

The parties waive any right to cross-examine witnesses concerning that evidence. The parties waive their respective rights to present oral argument or

file written briefs under Section 536.080.1¹; their respective rights to reading of the transcript by the Commission under 536.080.2; their respective rights to judicial review under 386.510, and their respective rights to rehearing before the Commission under 386.500. The parties state that these waivers apply only to a Commission Report And Order issued in this proceeding and does not apply to any matters raised in a subsequent Commission proceeding, or any matters not explicitly addressed by the Stipulation And Agreement.

There is no dispute among the parties that Riverside should receive an increase in its revenue requirement of \$24,066 on an annualized basis, and that the Rankin Acres rate should not change. The current monthly rates for residential customers at issue are: \$25.04 at White Branch² and \$14.06 at Riverside Estates³. Under Public Counsel's recommendation the monthly rates for residential customers would be: \$31.49 at White Branch and \$18.22 at Riverside Estates. Under Staff's proposal the monthly rates for residential customers would be: \$26.03 at White Branch and \$22.29 at Riverside Estates.

Upon review of the pleadings and the verified affidavits submitted in this docket, the Commission does not find any rationale for supporting a rate design where Rankin Acres and White Branch customers should pay charges disproportionately larger than charges paid by customers at the Riverside Estates division. The Commission finds that the rate design proposed by Staff is reasonable because this proposal tends to more fairly distribute the costs of the

¹ All statutory references are to Revised Statutes of Missouri 1994.

² White Branch customers can be on a "Full-Time" rate, or a "Part-Time" or "Seasonal" rate. This figure assumes customers on a "Full-Time" rate. This includes a monthly surcharge of \$9.15 relating to an Environmental Improvement and Energy Resources Authority loan to the White Branch division. Based on Public Counsel's recommendation, these payments will terminate on or about August 10, 1998.

³ This assumes usage of 5,000 gallons. A Riverside Estates customer with usage of 10,000 gallons would pay \$18.64.

Riverside utility system across all three divisions. The Commission finds that Riverside and Staff should take whatever measures are necessary to implement tariff sheets containing terms consistent with the Staff's proposal as soon as reasonably practicable. These tariff sheets shall be processed as tariff sheets filed in compliance with this Report And Order.

Conclusions of Law

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

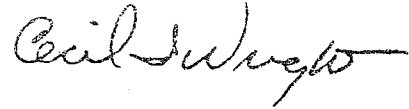
The parties have waived their rights to cross-examine witnesses and the Commission may use the verified statements of witnesses as a basis to approve the proposed Stipulation and Agreement. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Comm'n*, 776 S.W.2d 494, 496 (Mo. App. 1989). The Commission may accept the Stipulation And Agreement to resolve this matter. Section 536.060.

IT IS THEREFORE ORDERED:

1. That the Stipulation And Agreement filed by Riverside Utility Company, the Staff of the Missouri Public Service Commission, and the Office of the Public Counsel on March 4, 1997, is hereby approved (Attachment A).
2. That the Staff of the Missouri Public Service Commission and Riverside Utility Company shall file tariff sheets in this docket as soon as reasonably practicable to implement the rate design proposed by the Staff.

3. That this Report And Order shall become effective on April 15, 1997.

BY THE COMMISSION

A handwritten signature in cursive script, appearing to read "Cecil I. Wright".

Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., McClure, Crumpton
and Drainer, CC., concur.

Dated at Jefferson City, Missouri,
on this 1st day of April, 1997.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
MAR 4 - 1997

PUBLIC SERVICE COMMISSION

In the Matter of Riverside Utility Company's)
Tariff Revision Designed to Increase Rates)
for Water Service Pursuant to the)
Commission's Informal Rate Procedure.)

Case No. WR-97-185

STIPULATION AND AGREEMENT

COMES NOW Riverside Utility Company (Riverside or Company), the Staff of the Missouri Public Service Commission (Staff) and the Office of the Public Counsel (Public Counsel) and stipulate and agree as follows:

1. On November 4, 1996, Riverside filed proposed tariff sheets pursuant to the Missouri Public Service Commission's (Commission) Small Company Rate Procedure. The tariffs reflected a revenue requirement and rate design proposed by the Staff and agreed to by Riverside for Riverside's three water service areas: Riverside Estates, White Branch and Rankin Acres. The Commission suspended these proposed tariff sheets from the effective date of January 1, 1997 to February 15, 1997.

2. A local public hearing was held by the Commission on January 6, 1997, at Point Lookout, Missouri, for the residents of Riverside Estates to voice their concerns about the proposed increase and service quality.

3. On January 16, 1997, the Public Counsel filed its Recommendation, which agrees with the Riverside's filed tariff sheets with regard to the Rankin Acres service area. However, the Public Counsel's proposed rates for Riverside Estates are lower than the Staff's proposal, but higher than the

Staff's proposal for White Branch. The Public Counsel's proposed rate design for Riverside Estates and White Branch, reflects the following recommended rate increases:

	CURRENT	RECOMMENDED
<u>Rankin Acres</u>		
Monthly Charge	\$22.34	\$22.34
<u>Riverside Estates</u>		
Monthly Minimum (includes 3,000 gal.)	\$ 9.48	\$10.98
Commodity (All usage over 3,000 gal. per 1,000 gal.)	\$ 2.29	\$ 3.62
Average Bill (5,000 gal.)	\$14.06	\$18.22 (29.59%)
<u>White Branch</u>		
Seasonal	\$12.71	\$17.83
Surcharge	<u>\$ 9.15</u>	<u>\$ 9.15</u>
Total	\$21.86	\$26.98
Non-Seasonal	\$15.89	\$22.34
Surcharge	<u>\$ 9.15</u>	<u>\$ 9.15</u>
Total	\$25.04	\$31.49 (25.76%)

The Public Counsel's view regarding the above rates and its reasons for recommending the rate design was originally explained in detail in Public Counsel's Rate Recommendation with its accompanying Attachment by Kimberly Bolin, Public Utility Accountant with the Office of the Public Counsel. Kimberly Bolin's Attachment and Affidavit is attached hereto as Attachment 1.

4. On January 29, 1997, the Staff filed its Response To Public Counsel's Recommendation, which among other things, objected to the fact that the residents of White Branch were not notified of a greater percentage increase than they were originally believed would occur, and (2) the recommended rate design of the Public Counsel. Staff requested that the Commission to reject the Public Counsel's rate design.

5. On January 31, 1997, the Public Counsel filed its Reply To Staff's Response stating that notice was sufficient in this case because the White Branch ratepayers received two notices of Company's rate increase request (which is equal to or greater than Public Counsel's proposed rates for White Branch) and because the second notice also stated clearly that Public Counsel had not yet taken a position on the settlement agreed upon between Staff and Company. Public Counsel also restated its belief that it is unreasonable to move Company's divisions towards a more consolidated rate design if it means a one-time 58.5% rate shock to Riverside ratepayers.

6. On February 3, 1997, Staff filed its Memorandum which proposed the following recommended rate design for Rankin Acres, Riverside Estates and White Branch:

	CURRENT	RECOMMENDED
<u>Rankin Acres</u>		
Monthly Charge	\$22.34	\$22.34
<u>Riverside Estates</u>		
Monthly Minimum	\$ 9.48	\$15.03
(includes 3,000 gal.)		
Commodity (All usage over	\$ 2.29	\$ 3.63
3,000 gal. per 1,000 gal.)		
Average Bill (5,000 gal.)	\$14.06	\$22.29 (58.5%)
<u>White Branch</u>		
Seasonal	\$12.71	\$13.50
Surcharge	<u>\$ 9.15</u>	<u>\$ 9.15</u>
Total	\$21.86	\$22.65
Non-Seasonal	\$15.89	\$16.88
Surcharge	<u>\$ 9.15</u>	<u>\$ 9.15</u>
Total	\$25.04	\$26.03 (3.95%)

Staff's assumptions used to calculate the above rates is set out in further detail in the Affidavit of Wes Henderson, Assistant Manager of Rates for the Water and Sewer Department of the Missouri Public Service Commission, attached hereto as Attachment 2.

7. On February 11, 1997, the Commission issued an Order Further Suspending Tariff Sheets and Setting Early Prehearing Conference. The Order suspended the proposed tariff sheets filed by Riverside to May 1, 1997, set a prehearing conference for February 25, 1997, and ordered the Parties to file a unanimous stipulation and agreement or a joint recommended procedural schedule by March 6, 1997 as a result of said prehearing conference.

8. As a result of discussions between the parties held on February 25, 1997, said parties hereby submit to the Commission for its consideration and approval of the following Stipulation and Agreement:

A. Riverside, the Staff and the Public Counsel unanimously agree to the proposed total annual water revenue increase for Riverside Utility of \$24,066.

B. Riverside, the Staff and the Public Counsel agree with the proposed rate design for Riverside's customers in the Rankin Acres subdivision, wherein a customer's monthly charge would remain at its current level of \$22.34.

C. However, the Staff and the Public Counsel do not agree regarding the rate design for Riverside's customers at the Riverside Estates and White Branch subdivisions.

D. Based upon the Staff's Memorandum, the Public Counsel's Recommendation, and the information in the Attachments submitted with this Stipulation and Agreement, the Parties respectfully request that the Commission issue a Report and Order determining the rate design for Riverside Utility Company from the alternatives provided by the Staff and the Public Counsel. Such information constitutes "competent and substantial evidence" on which the Commission may base its decision. All of the parties waive any right to cross examine witnesses concerning that evidence. The Parties also waive their respective rights to present oral argument and written briefs pursuant to

Section 536.080.1 RSMo 1994;¹ their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2; their respective rights to judicial review pursuant to Section 386.510, and their respective right to rehearing before the Commission pursuant to Section 386.500. This waiver applies only to a Commission Report and Order issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation and Agreement.

E. This Stipulation and Agreement represents a negotiated settlement. Except as specified herein, the Signatories to this Stipulation and Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation and Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the commission decide not to approve this Stipulation and Agreement in the instant proceeding, or in any way condition its approval of the same.

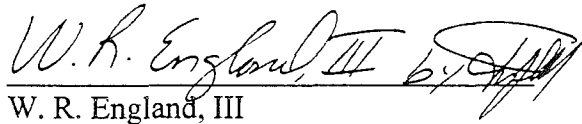
F. The provisions of this Stipulation and Agreement have resulted from negotiations among the Signatories and are interdependent. In the event the Commission does not approve and adopt the terms of this Stipulation and Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

G. The Signatory Parties respectfully request the Commission to issue its Order approving this Stipulation and Agreement at its earliest convenience, but no later than March 14, 1997. To accommodate the approval date, the Parties agree to waive the normal ten day effective period.

¹ All statutory references are to Revised Statutes of Missouri 1994, unless otherwise noted.

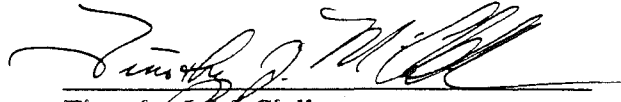
WHEREFORE, the Signatory Parties respectfully request that the Commission issue its order approving the terms of this Stipulation and Agreement.

Respectfully submitted,



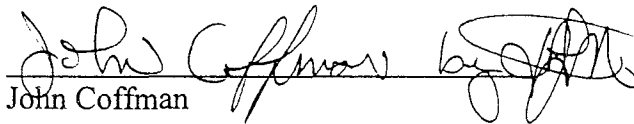
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ATTORNEY FOR THE STAFF OF THE
MISSOURI PUBLIC SERVICE COMMISSION

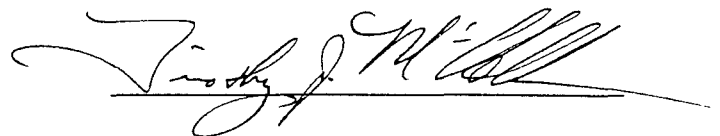


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ATTORNEY FOR THE
OFFICE OF THE PUBLIC COUNSEL

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 4th day of March, 1997.



ATTACHMENT 1

**RIVERSIDE UTILITY COMPANY
CASE NO. WR-97-185**

PUBLIC COUNSEL'S RATE RECOMMENDATION

My name is Kimberly Bolin. I am employed by the Office of the Public Counsel of the State of Missouri (Public Counsel or OPC) as a Public Utility Accountant. Under the direction of the Chief Public Utility Accountant, I am responsible for performing audits and examinations of the books and records of public utilities operating in the State of Missouri.

Riverside Utility Company filed proposed tariff sheets under the Commission's small company rate procedure, reflecting rate increases for Riverside's Benton and Taney County service areas.

The Missouri Public Service Commission Staff (Staff) performed an audit of the Company's books and records. After the audit, Staff recommended a rate design in which one division of Riverside's customers did not receive a rate increase while another division received a 58.5% rate increase. Staff is trying to move to a more "consolidated" rate for all three of the divisions.

Public Counsel believes the 58.5% increase to the Riverside Estates division customers is unreasonably high for this division's customers to have to bear in order to have their rates "consolidated" with the other divisions' customer rates. Public Counsel has arrived at a rate design which gives one division no rate increase, one division a 23.42% (part-time customers) or 25.76% (full-time customers) increase to the customer's total bill, and the third division's average customer will see a 29.59% increase. This rate

design also moves all divisions to a more "consolidated" rate (See Schedule A).

Rankin Acres

Public Counsel proposes no increase to the division's rates since it is the highest current rate of all three divisions. Rankin Acres is not a metered system.

White Branch

Public Counsel increased White Branch's full-time customers rates to the level of Rankin Acres customers. Like Rankin Acres, White Branch is not a metered system and thus it is reasonable that both systems have the same customer charge. Public Counsel increased the part-time customer rate to the amount company originally proposed. This is a lesser percentage increase than the increase to the full-time customers.

White Branch customers are charged a \$9.15 monthly surcharge due to a State Environmental Improvement and Energy Resources Authority of the State of Missouri loan to the White Branch division. It is important to note that this loan will mature on August 10, 1998, thus the monthly surcharge will be eliminated from the customer's bills in approximately 18 months.

Riverside Estates

Riverside Estates is a metered system which charges a commodity charge for monthly usage over 3,000 gallons. Public Counsel has assigned a 29.59% increase to this division by raising both the monthly minimum charge and the commodity charge.

RIVERSIDE UTILITY COMPANY
CASE NO. WR-97-185

	Current Rate	Company Proposed	% Increase	Staff Proposed	% Increase	OPC Proposed	% Increase
Rankin Acres	\$ 22.34	\$ 22.29		\$ 22.34		\$ 22.34	
White Branch							
Full-Time	\$ 15.89	\$ 22.89		\$ 16.88		\$ 22.34	
Part-Time	\$ 12.71	\$ 17.83		\$ 13.50		\$ 17.83	
Commerical	\$ 15.89	\$ 22.89		\$ 16.88		\$ 22.34	
Surcharge	\$ 9.15	\$ 9.15		\$ 9.15		\$ 9.15	
TOTAL CUSTOMER BILL							
Full-Time	\$ 15.89	\$ 22.89		\$ 16.88		\$ 22.34	
Surcharge	<u>\$ 9.15</u>	<u>\$ 9.15</u>		<u>\$ 9.15</u>		<u>\$ 9.15</u>	
	\$ 25.04	\$ 32.04	(27.96%)	\$ 26.03	(3.95%)	\$ 31.49	(25.76%)
Part-Time	\$ 12.71	\$ 17.83		\$ 13.50		\$ 17.83	
Surcharge	<u>\$ 9.15</u>	<u>\$ 9.15</u>		<u>\$ 9.15</u>		<u>\$ 9.15</u>	
	\$ 21.86	\$ 26.98	(23.42%)	\$ 22.65	(3.61%)	\$ 26.98	(23.42%)
Riverside Estates							
Monthly Minimum	\$ 9.48	\$ 15.03		\$ 15.03		\$ 10.98	
Commodity	\$ 2.29	\$ 3.63		\$ 3.63		\$ 3.62 *	
A CUSTOMER USING 5,000 GALLONS							
Minimum	\$ 9.48	\$ 15.03		\$ 15.03		\$ 10.98	
Commodity	<u>\$ 4.58</u>	<u>\$ 7.26</u>		<u>\$ 7.26</u>		<u>\$ 7.24</u>	
	\$ 14.06	\$ 22.29	(58.53%)	\$ 22.29	(58.53%)	\$ 18.22	(29.59%)

* Correction

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

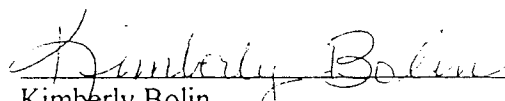
In the matter of Riverside Utility Company's tariff)	
revision designed to increase rates for water service)	Case No. WR-97-185
pursuant to the Commission's informal rate procedure.)	File No. 9700088

AFFIDAVIT OF KIMBERLY BOLIN

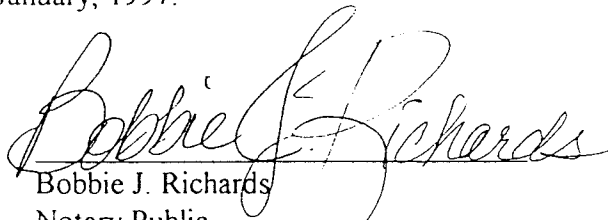
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Kimberly Bolin, of lawful age and being first duly sworn, deposes and states:

1. My name is Kimberly Bolin. I am a Public Utility Accountant for the Office of the Public Counsel.
2. I hereby swear and affirm that the information contained in Public Counsel's Corrected Recommendation attached hereto is true and correct to the best of my knowledge and belief.


Kimberly Bolin

Subscribed and sworn to me this 17th day of January, 1997.


Bobbie J. Richards
Notary Public

My commission expires November 3, 2000.

Bobbie J. Richards,
Notary Public, State of Missouri
County of Cole
My Commission Exp. 11/03/2000

ATTACHMENT 2

