

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

CASE NO. SR-84-221

In the matter of St. Louis County Sewer Company for authority to file tariffs increasing rates for sewer service provided to customers in the Missouri service area of the Company.

CASE NO. SC-84-257

In the matter of an investigation into the reasonableness of sewer rates charged by the Martigney Creek Sewer Company.

CASE NO. SR-85-34

In the matter of Martigney Creek Sewer Company for authority to file tariffs increasing rates for sewer service provided to customers in the Missouri service area of the Company.

CASE NO. SR-85-50

In the matter of St. Louis County Sewer Company for authority to file a tariff establishing a surcharge on rates for sewer service provided to customers in the Missouri service area of the Company.

APPEARANCES: Ms. Shulamith Simon, Attorney at Law, Husch, Eppengerger, Donohue, Elson & Cornfeld, 100 North Broadway, Suite 1800, St. Louis, Missouri 63102, for St. Louis County Sewer Company and Martigney Creek Sewer Company.

Martin C. Rothfelder and Thomas M. Byrne, Assistant General Counsels, Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

Daniel Maher, Assistant Public Counsel, Office of the Public Counsel, P. O. Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the Public.

REPORT AND ORDER

On April 26, 1984, St. Louis County Sewer Company (St. Louis County) of St. Louis, Missouri, submitted proposed tariffs reflecting increased rates for sewer service provided to customers in its Missouri service area. The proposed tariffs had a requested effective date of June 1, 1984, and are designed to produce an increase of approximately 46.2 percent in charges for sewer service. The tariffs were suspended by Commission order and the case was assigned docket number SR-84-221.

The Staff of the Public Service Commission filed its Petition for Investigation Docket on May 29, 1984. The Commission by order dated June 8, 1984, established docket number SC-84-257 to investigate the reasonableness of the sewer rates charged by Martigney Creek Sewer Company (Martigney) of St. Louis, Missouri.

On August 8, 1984, Martigney submitted proposed tariffs reflecting increased rates for sewer service provided to customers in its Missouri service area. The proposed tariffs had a requested effective date of September 10, 1984, and are designed to produce an increase of approximately 47.7 percent in charges for sewer service. The tariffs were suspended by Commission order and the case was assigned docket number SR-85-34.

St. Louis County submitted a proposed tariff reflecting the establishment of a surcharge on rates for sewer service provided to customers in its Missouri service area on August 14, 1984. The proposed tariff had a requested effective date of September 18, 1984, and is for a one-time surcharge of \$18.76 on each customer billing unit. The tariff was suspended by Commission order and the case was assigned docket number SR-85-50.

The Commission subsequently consolidated these four cases for hearing. An evidentiary hearing was held on October 4, 1984, wherein the parties presented the Stipulation and Agreement.

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 Stipulation and Agreement presented by the parties is a settlement of all issues in these cases. The Stipulation and Agreement is as follows:

STIPULATION AND AGREEMENT

The Staff of the Missouri Public Service Commission (Staff), Martigney Creek Sewer Company (Martigney), St. Louis County Sewer Company (SLCSC), and the Office of Public Counsel (Public Counsel) stipulate and agree as follows:

1. On May 29, 1984, the Staff of the Missouri Public Service Commission (Staff) petitioned the Commission to create a docket to investigate the reasonableness of rates charged by Martigney Creek Sewer Company. On June 8, 1984, the Commission granted the motion and established Case No. SC-84-257. On August 8, 1984, Martigney submitted tariffs to the Commission reflecting a general rate increase. On August 17, 1984, the Commission suspended these tariffs and created Case No. SR-85-34.
2. On April 26, 1984, SLCSC submitted tariffs to the Commission reflecting a general increase in its rates for sewer service. On May 18, 1984, the Commission suspended these tariffs and created Case No. SR-84-221. On August 14, 1984, SLCSC submitted to the Commission a tariff reflecting the establishment of a surcharge on rates for sewer service which, according to the Company's filing, was for the purpose of financing the expense of repair of manholes in paved areas pursuant to the Commission's Order of Case No. SC-83-255 dated June 7, 1984.
3. Via orders issued June 9, 1984, August 17, 1984 and August 31, 1984, the Commission consolidated Case Nos. SR-84-221, SC-84-257, SR-85-34, and SR-85-50 and set a prehearing conference in this matter on September 17, 1984. This STIPULATION AND AGREEMENT is the result of a prehearing conference held on September 17, 1984 in consolidated Case Nos. SC-84-257, SR-85-34, SR-84-221, and SR-85-50 and terminates those cases.
4. Martigney shall file tariffs designed to reduce revenues by \$23,104 (twenty-three thousand one hundred and four dollars), exclusive of gross receipts, franchise and other local taxes, below that which current rates provide. SLCSC shall be authorized to file tariffs designed to increase revenues by \$104,857 (one hundred four thousand eight hundred fifty-seven dollars) related to Case No. SR-84-221 and \$86,207 (eighty-six thousand two hundred seven dollars) related to Case No. SR-85-50, or a total of \$191,064 (one hundred ninety-one thousand

sixty-four dollars) exclusive of applicable gross receipts, franchise or other local taxes above that which current rates (i.e., interim rates pursuant to Case No. SR-84-193) provide. The filing of tariffs by both companies shall be simultaneous.

5. The settlement of Case No. SR-85-50 equals approximately one-third of the cost of the work ordered by the Commission in Case No. SC-83-255 over a three year period, plus carrying costs.

6. The rates resulting from this STIPULATION AND AGREEMENT are the rates shown in the Appendix attached hereto and are incorporated herein by reference.

7. The following depreciation rates shall be prescribed for Martigney for the assets involved in this rate case:

Account 391 (Office Furniture and Equipment)	10%
Account 396 (Power Operated Equipment)	12.5%

8. None of the parties to this STIPULATION AND AGREEMENT shall be deemed to have approved or acquiesced in any ratemaking principle, or any method of cost of service determination, or any cost allocation underlying any of the rates provided for in this STIPULATION AND AGREEMENT, except as specified herein.

9. SLCSC agrees to file with the Commission estimates of its increases in gross receipts for its operations in each city or county in its certified area which imposes a business license tax pursuant to Section 63.300, 92.045, 94.110, 94.270, or 94.360 RSMo, along with a description of how the estimate was developed on or before October 25, 1984. If the Commission finds the methodology for development of the estimate unreasonable, the Company shall expeditiously file estimates under methodologies deemed reasonable by the Commission.

10. Martigney shall, by January 1, 1986, complete the maintenance shown in the testimony submitted in Case No. SC-84-257 by Charles C. Gillespie, Schedule CKG-1, Subdivision B, denoted as "replace all sparjair pipes in contact zone and re-airation (sic) zone", "repair and weld supply pipe to headers for contact and re-aeration zones and install metal skirts to keep water from splashing onto catwalk" and "sand blast and paint inside and outside of plant."

11. SLCSC shall, by January 1, 1986, complete the maintenance shown in testimony submitted in Case No. SC-84-257 by Charles K. Gillespie, Schedule CKG-1, Subdivision C, denoted as "repair steel (air leaks)", "dewater and repair center column" and "replace aluminum drop pipe assemblies."

12. SLCSC and Martigney agree that beginning November 1, 1984, they shall develop and maintain detailed records of all services rendered by consultants to the Company. These records shall include: the name of the consultant who

performed each service rendered, the date each service was rendered, and the amount of time spent by the consultant in rendering each service. For purposes of this paragraph, the term consultant shall include all professionals hired by the Company to render services.

13. The settlement in this case anticipates Commission approval of financing related to SLCSC's manhole maintenance as ordered in Commission Case No. SC-83-255 and of financing related to Martigney's purchase of certain machinery. Requests for such approvals are currently pending in Case No. SF-85-80 and Case No. SF-85-33, respectively. The Commission should act expeditiously on these items.

14. In the event the Commission accepts the specific terms of this STIPULATION AND AGREEMENT, the prefiled testimony of the witnesses for the Staff, Martigney, and SLCSC in these consolidated cases shall be received into evidence without the necessity of those witnesses taking the witness stand.

15. In the event the Commission accepts the specific terms of this STIPULATION AND AGREEMENT, the parties waive their rights in these consolidated cases to present oral argument and written briefs, pursuant to Section 536.080(1), R.S.Mo. 1978; to the reading of the transcript by the Commission, pursuant to Section 536.080(2), R.S.Mo. 1978; and to judicial review, pursuant to Section 386.510, R.S.Mo. 1978.

16. This STIPULATION AND AGREEMENT has resulted from extensive negotiations among the signatory parties and are interdependent; that in the event the Commission does not approve and adopt this STIPULATION AND AGREEMENT in total, and in the event the revised tariffs agreed to herein do not become effective for service rendered on and after November 1, 1984, then, under those circumstances, the parties agree that this STIPULATION AND AGREEMENT shall be void and that no party shall be bound by any of the agreements or provisions hereof.

Respectfully submitted,

/s/

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Attorney for the Office of the
Public Counsel and the Public

The Commission notes that St. Louis County Water Company submitted a request for a one-time surcharge of \$18.76 on each customer billing unit in Case No. SR-85-50. The surcharge was designed to finance the expense of repair of manholes in paved areas required by the Commission's order of June 7, 1984, in PSC Case No. SC-83-255. Upon receiving a firm bid for the work required in Case No. SC-83-255, the Company revised its surcharge request to \$16.38 per customer billing unit. The parties subsequently have agreed, by the instant Stipulation, to spread the costs of the work ordered as a result of Case No. SC-83-255 over a three-year period, plus carrying charges.

The Commission finds that the parties' proposal is reasonable. At the hearing in this matter, the Company's attorney did state that because of the number of working days required to complete the project, the surcharge could have been spread over two quarters without requiring the Company to incur any interest costs related to financing the project. However, even with a spread of the surcharge over two quarters, the Commission believes that the amount of the

surcharge (\$8.19 per quarter, in addition to the quarterly service rate) might cause a hardship to some of the Company's customers. The Commission feels that the additional financing costs in question are not excessive, and that this additional small amount (\$1.32 per customer per year) for financing will have a less adverse impact on the average customer than would two \$8.19 payments in addition to quarterly service rates (which are themselves being increased herein). A single-family residential customer, for example, would have to pay \$27.27 per quarter for two quarters under a two-payment surcharge plan, and then \$19.08 per quarter for service thereafter, rather than \$20.76 each quarter under the rates approved herein.

To be certain that this surcharge does not continue past the three years agreed to by the parties and approved by the Commission, the Commission directs its Staff to review the tariff filings of St. Louis County Sewer Company on or before November 1, 1987, and, if determined necessary, to institute action before the Commission to reduce Company's rates by the amount of the surcharge.

Conclusions

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

St. Louis County and Martigney are public utilities subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, RSMo 1978. The Companies' proposed tariffs were suspended pursuant to the authority vested in this Commission by Section 393.150, RSMo 1978.

For ratemaking purposes, the Commission may accept a stipulated settlement on any contested matter submitted by the parties. The Commission determines that the Stipulation and Agreement is reasonable and proper and should be accepted.

It is, therefore,

ORDERED: 1. That the Stipulation and Agreement entered into by St. Louis County Sewer Company, Martigney Creek Sewer Company, the Staff of the

Missouri Public Service Commission and the Office of Public Counsel as set forth herein is hereby accepted and adopted in disposition of all matters in these cases.

ORDERED: 2. That for the purpose of implementing the Stipulation and Agreement entered into in this proceeding, the proposed tariffs submitted by St. Louis County Sewer Company on April 26, 1984, in Case No. SR-84-221, and on August 14, 1984, in Case No. SR-85-50, be, and the same are, hereby disapproved and the Company is authorized to file in lieu thereof, for approval by this Commission, tariffs designed to comply with the Stipulation and Agreement as set forth herein.

ORDERED: 3. That for the purpose of implementing the Stipulation and Agreement entered into in this proceeding, the proposed tariffs submitted by Martigney Creek Sewer Company on August 8, 1984, be, and the same are, hereby disapproved and the Company is authorized to file in lieu thereof, for approval by this Commission, tariffs designed to comply with the Stipulation and Agreement as set forth herein.

ORDERED: 4. That the tariffs to be filed with the Commission for its approval pursuant to this Report and Order may be effective for service rendered on and after November 1, 1984.

ORDERED: 5. That this Report and Order shall become effective on the
1st day of November, 1984.

BY THE COMMISSION

Harvey G. Hubbs

Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Musgrave and
Fischer, CC., Concur.
Hendren, C., Concur in part and
dissents in part.
Mueller, C., Not participating.

Dated at Jefferson City, Missouri,
on the 30th day of October, 1984.

STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

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OPINION OF COMMISSIONER CONNIE B. HENDREN
CONCURRING IN PART AND DISSENTING IN PART

With reference to the Report And Order in these cases, I concur fully with the majority in regard to the rates set for Martigney Creek Sewer Company, and dissent on the surcharge portion of St. Louis County Sewer Company for the following reason.

It appears more reasonable to me to have the customers pay the \$16.38 surcharge over two quarterly billing periods than to force the company to borrow the funds and then require each residential customer to pay the company the original \$16.38 plus an additional \$3.96 in interest over a three-year period. The borrowed

funds will be paid in full at the end of a three-year period; however, there is no requirement for the company to reduce its rates once those funds have been repaid.

In view of the dollars involved for the surcharge, \$2.73 per month for six months, I feel it is not in the public interest to force the company to borrow at approximately 14 percent and the customer to have to pay these carrying costs.

Respectfully submitted,

Connie B. Hendren

Connie B. Hendren
Commissioner

Dated at Jefferson City, Missouri,
this 30th day of October, 1984.