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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 20th  
day of June, 1997.

In the Matter of the Application of St. Louis )  
County Water Company for an Accounting Authority )  
Order Establishing an Account 253 Regulatory ) Case No. WO-97-319  
Liability to Accumulate the Refunds associated )  
With Union Electric Company's One-Time Credits. )  
)

**ORDER DENYING APPLICATION FOR ACCOUNTING AUTHORITY ORDER**  
**AND DIRECTING CUSTOMER ACCOUNT CREDITS**

On February 11, 1997, St. Louis County Water Company (County Water or the Company) filed an Application For Accounting Authority Order. The Company requests an Accounting Authority Order (AAO) establishing an Account 253 Regulatory Liability to accumulate refunds that the Company receives from Union Electric Company (UE). County Water is a UE customer. Under UE's incentive regulation plan County Water receives ratepayer refunds from UE.

The Company wants to establish a Uniform System of Accounts (USOA) regulatory liability under Account 253 with the intent to record all UE refunds received from UE in that account.<sup>1</sup> County Water states that this would establish a regulatory liability to facilitate return of the UE

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<sup>1</sup> According to the NARUC USOA for Class A Water Utilities (1984), Account 253 includes "gains on disposition of property, net of income taxes, deferred by authorization of the Commission, advance billings and receipts and other deferred credit items, not provided elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received."

ratepayer credits to County Water's ratepayers in a manner consistent with the Commission's direction in the Company's last rate case (WR-95-145).

On April 25 the Staff of the Missouri Public Service Commission (Staff) filed a memorandum to the official case file. Staff states that County Water received approximately \$181,000 in UE ratepayer refunds during January and February, 1997.

Staff opposes the establishment of an AAO for the purpose of authorizing County Water to establish a USOA Account 253 to facilitate a credit to the accounts of the Company's customers. Staff states that County Water's request is inappropriate because it is not consistent with this Commission's prior findings relating to AAOs. This Commission has used AAOs to defer current costs deemed to be extraordinary and to allow recovery or consideration of recovery of those costs in future fiscal periods. In this case the Company has received refunds and wishes to return the money to its customers. Staff states that the Company is not requesting consideration of the credits in its current rate case (WR-97-382).

Staff states that establishment of an AAO is unnecessary to facilitate return of funds to ratepayers. Staff states that the Company has accumulated the refunds in a short-term liability account and that entries to that account could be made at the time refunds are made to County Water's customers. Staff sees no advantage to setting up another account through which the refunds would be made.

Staff does not oppose the refund to the Company's customers. Staff believes the form of the refund employed in the Company's last rate case, WR-95-145, is reasonable. Staff believes the Company's use of billing determinants for the twelve months ending November of 1996 for

purposes of calculating credits to customers' accounts is reasonable. Staff states that if the Commission agrees that a refund should be made, the order in this case should authorize this one-time credit to County Water's customers to prevent any conflict with Section 393.140(11), RSMo,<sup>2</sup> which prohibits County Water from charging rates different than those which are in its tariff.

On May 5 the Office of the Public Counsel (Public Counsel) recommended that the Commission deny County Water's request for an AAO. Public Counsel states that AAOs should only be used for Acts of God and that the use of AAOs violates prohibitions against single-issue ratemaking and retroactive ratemaking. Public Counsel maintains that the UE refunds are not extraordinary events and the Commission does not have to resort to an extraordinary accounting mechanism to ensure that customers receive appropriate credits. Public Counsel requests that the Commission deny the request for an AAO and simply authorize County Water to make one-time credits to its customers to reflect the UE refunds.

The Commission finds that the establishment of an AAO to authorize County Water to accumulate the refunds from UE is not necessary to facilitate credits to County Water's customers. The Company, Staff and Public Counsel agree that the refunds should be made and they agree upon the method to calculate the credits.

Apparently, County Water wants to use the extraordinary relief of an AAO as a means to gain assurance from the Commission that the electricity credits will not be counted twice against it. That is, County Water wants to avoid a scenario where the UE ratepayer refunds are applied

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<sup>2</sup> All references are to the Revised Statutes of Missouri 1994 or 1996 Supplement.

to its customers' accounts and then the Commission accounts for the UE ratepayer refunds as a reduction in electricity expense for purposes of setting County Water's rates. This situation does not warrant an AAO. Since no party objects to County Water crediting customer accounts, the Commission will authorize County Water to credit customers' accounts. Since County Water will be transferring funds to its customers in an amount representative of the January-February 1997 UE refunds, these specific UE refunds should not be accounted for as a reduction in electricity expense for purposes of the Company's pending rate case (WR-97-382).

County Water shall implement credits to customers' bills for the refunds it received in January and February of 1997 immediately. The Company shall use billing determinants for the twelve months ending November of 1996 for purposes of calculating the credits to customers' accounts. The Commission finds that an AAO is not necessary or appropriate in this situation.

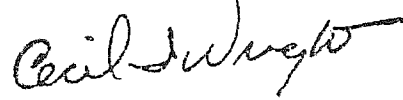
**IT IS THEREFORE ORDERED:**

1. That St. Louis County Water Company shall implement credits to customers' accounts reflecting the refund from Union Electric Company received by St. Louis County Water Company during January and February of 1997 at its earliest convenience but no later than August 1, 1997.

2. That the application for an accounting authority order and a special Account 253 for the purpose of accumulating the amount of the Union Electric Company refunds to St. Louis County Water Company is hereby denied.

3. That this order shall become effective on July 1, 1997.

**BY TO THE COMMISSION**

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

**Cecil I. Wright  
Executive Secretary**

( S E A L )

Zobrist, Chm., Crumpton,  
Drainer, Murray and Lumpe,  
CC., concur.

ALJ: Luckenbill