

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 19th
day of May, 1995.

In the matter of (Davis Water Company's tariff revision)
designed to increase rates for water service at Lakeland)
Estates pursuant to the Commission's informal rate pro-) Case No. WR-95-294
cedure.)
)

ORDER APPROVING RATE INCREASE

On November 15, 1994, Dan Dowell, receiver for Davis Water Company, submitted a request to increase rates for water service pursuant to the Commission's informal rate case procedures in 4 CSR 240-2.060(8). Commission Staff conducted an audit of the Davis Water Company system and on March 31, 1995, Dowell filed a tariff sheet which modified the requested rate increase to the rates agreed to by Staff and Dowell as a result of the audit. The tariff sheet proposed to increase rates as follows:

	<u>Current</u>	<u>Proposed</u>
Full Time	\$10.72	\$18.51
Part Time	\$ 8.04	\$14.81
Commercial Minimum (include 7,000 gallons)		\$18.51
All Commercial usage over 7,000 gallons per 1,000		\$ 3.08

On April 7, 1995, Office of Public Counsel (OPC) filed a request for a local hearing so that interested customers could address the Commission regarding the rate increase as reflected in the proposed tariff sheet. The hearing was held as scheduled. Twenty-three customers made statements concerning the proposed rate increase and service problems. All but one of the customers

opposed a rate increase and raised questions concerning Dowell's response time to complaints, the debris around the well house, the quality of the water, the number of times there was no water, and the failure to repair leaks in a timely manner.

On May 5, 1995, OPC filed a recommendation concerning the proposed rate increase. OPC states that it supports the rate increase subject to certain conditions. Those conditions are:

1. That the Environmental Improvement and Energy Resources Authority (EIERA) surcharge, currently \$4.67, be reduced to \$4.23 to reflect customer growth;
2. That Dowell be required to respond to customer calls and letters in a more timely manner;
3. That Dowell be required to remove the litter from the area around the well house; and
4. That Dowell maintain accurate travel logs.

On May 11, 1995, Commission Staff filed a memorandum supporting the proposed increase in rates. Staff states that as a result of its audit the revenues of Davis Water Company must be increased to cover increased expenses and capital improvements. Staff recommends that certain conditions be placed on Dowell in conjunction with the rate increase. These conditions are:

1. That the company install meters on all commercial customers within six months of the effective date of this order;
2. That Dowell maintain accurate employee time sheets;
3. That Dowell keep operational and maintenance logs;
4. That Dowell be granted authority to defer expenses incurred while operating as receiver from January 1, 1995, until the effective date of this order; these expenses will be deferred until the company's next rate case;

5. That Dowell clean up the trash around the well house and other property;
6. That Dowell complete an accurate annual report for 1994 and future years; and
7. That Dowell maintain accurate customer records to determine the EIERA surcharge amount and payments.

The Commission has reviewed the proposed tariff sheet, Staff's recommendation, OPC's pleadings and the transcript of the local hearing. Based upon that review the Commission finds that there is sufficient evidence to support the increase in rates requested. This evidence indicates that Dowell has made major capital improvements in the Davis Water Company system including replacing a well pump and two high service pumps, installing additional pressure tanks and piping, and upgrading the electrical wiring in the well house. These improvements, based upon Staff's memorandum, have increased pressure in the system and the boil order from the Department of Natural Resources has been lifted.

The Commission is aware of the company's problem with providing safe and adequate service to customers and understands customer frustration with increased rates for service that is inconsistent. The water system for this area, though, was not adequate when Dowell became receiver and the rates were less than required to maintain an adequate system. Now that Dowell is attempting to patch and improve a less-than-adequate system, customers must bear the additional costs as long as improved service occurs and the increases are reasonable.

The Commission finds that the increase is justified because of the expense of improving the water system. The Commission, though, finds that the conditions proposed by OPC and Staff are reasonable and necessary to ensure improvements continue. The Commission finds that Dowell should specifically

address the problems identified with the trash and discharge around the trailer utilized by Dowell. The Commission will require Dowell to file a thirty-day tariff to change the surcharge for this system. The surcharge change was not part of the proposed rate increase filed by Dowell on March 31, 1995, and so no notice of the change was given in this case. Since this surcharge will be reduced and customers did receive notice when the current tariff was approved that annual updates are required, approval of the surcharge reduction is reasonable.

The Commission is also approving deferral of certain receivership costs for Dowell to the next rate case. The ratemaking treatment of these expenses will be reserved. Recovery of these expenses will be based upon their reasonableness and the improvement of Dowell's service and response to customer complaints. Dowell has a significant amount of work to perform to bring his service in line with customer expectations. Specific problems, such as slow response, "scum" in the water and unrepaired leaks, should be monitored by Staff to ensure each customer receives safe and adequate service.

The Commission believes that the hiring of a secretary by Dowell should improve his response time to calls and letters. The Commission believes Dowell should seriously consider having a local person on call for emergency situations on the Davis Water system. The Commission believes this would address additional concerns expressed by customers concerning unrepaired leaks and would allow quicker response to emergencies.

IT IS THEREFORE ORDERED:

1. That the tariff sheet filed by Dan Dowell, receiver for Davis Water Company, is hereby approved for service on and after May 22, 1995. The tariff sheet approved is:

P.S.C.MO. No. 1

4th Revised Sheet No. 16, Cancelling 3rd Revised Sheet No. 16

2. That the rate increase approved in this order is subject to the conditions as described in this order.

3. That Dan Dowell, receiver for Davis Water Company, is hereby authorized to defer certain receivership expenses incurred from January 1, 1995, to May 22, 1995, until the company's next rate case.

4. That Dan Dowell, receiver for Davis Water Company, shall file a proposed thirty (30) day tariff sheet changing the Environmental Improvement and Energy Resources Authority surcharge from \$4.67 to \$4.23.

5. That this order shall become effective on the 22nd day of May, 1995.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

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