

# NOTICE OF AGREEMENT REGARDING DISPOSITION OF SMALL SEWER COMPANY RATE INCREASE REQUEST

## APPENDIX A

### Disposition Agreement and Attachments

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

# Table of Contents for Sewer Disposition Agreement Filing Packet

## Roark Water & Sewer Company

MO PSC Work I.D. No. QS-2003-0006

|          |                                                                                     |
|----------|-------------------------------------------------------------------------------------|
| Item 1:  | Company/Staff Disposition Agreement                                                 |
| Item 2:  | Attachment 1 to Agreement – Example Tariff Sheets                                   |
| Item 3:  | Attachment 2 to Agreement – Revenue Calculation Worksheet at Current Rates          |
| Item 4:  | Attachment 3 to Agreement – Revenue Calculation Worksheet at Modified Current Rates |
| Item 5:  | Attachment 4 to Agreement – Ratemaking Income Statement                             |
| Item 6:  | Attachment 5 to Agreement – Rate Design Worksheet                                   |
| Item 7:  | Attachment 6 to Agreement – Revenue Calculation Worksheet at Proposed Rates         |
| Item 8:  | Attachment 7 to Agreement – Customer Impact Worksheet                               |
| Item 9:  | Attachment 8 to Agreement – Schedule of Depreciation Rates                          |
| Item 10: | Attachment 9 to Agreement – Customer Notice                                         |

Company/Staff Agreement Regarding Disposition  
Of Small Sewer Company Rate Increase Request

**COMPANY/STAFF AGREEMENT REGARDING DISPOSITION**  
**OF SMALL SEWER COMPANY RATE INCREASE REQUEST**

**ROARK WATER & SEWER COMPANY**

**MO PSC WORK I.D. No. QS-2003-0006**

**BACKGROUND**

Roark Water & Sewer Company ("Company") initiated the small company rate increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") tracking file by submitting a letter to the Secretary of the Commission ("request letter"). The date the Company's request letter was received at the Commission's offices was August 9, 2002 (the Company subsequently amended its request letter by a letter that was received at the Commission's offices on September 16, 2002). The Company submitted its request letter under the provisions of the Commission's then existing Small Company Rate Increase Procedure found at 4 CSR 240-2.200, which was superceded effective April 30, 2003 with rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure.

By its request letter, as amended, the Company was requesting Commission approval of customer rates intended to generate an increase of \$206,030 in its annual sewer service operating revenues. In its request letter, the Company also noted that changes to the design of its customer rates, and the levels of its service connection fees service charges should also be considered. The Company provides service to approximately 360 customers, the majority of which are residential customers.

Upon receipt of the Company's request letter, personnel in the Commission's Data Center scanned and entered the letter into the Commission's electronic filing and information system and Work I.D. No. QS-2003-0006 was assigned to the Request. The Request was then forwarded to the Commission's Water & Sewer Department for processing under the Small Company Rate Increase Procedure.

Pursuant to the provisions of the Small Company Rate Increase Procedure and related internal operating procedures, the Staff of the Commission ("Staff") initiated an audit of the Company's books and records, a review of certain of the Company's general business practices, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Hereafter, these activities will be collectively referred to as the Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, the Staff provided the Company and the Office of the Public Counsel ("OPC") various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's Request.

#### **RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST**

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the Staff's investigation of the Company's Request, the Staff and the Company hereby state the following agreements.

- \* That the Company will file tariff revisions with the Commission containing the rates, charges, fees and language set out in the example tariff sheets that are attached hereto as Attachment 1, for the purpose of implementing the agreements set forth herein, as necessary.
- \* That the revenue calculation worksheet that is attached hereto as Attachment 2 accurately reflects the Company's annualized revenues at its current rates and the customer numbers used in the Staff's analysis of the Request.
- \* That the revenue calculation worksheet that is attached hereto as Attachment 3 accurately reflects the Company's annualized revenues at its current rates, as modified to change the amount of water included in the monthly minimum charge from 4,000 gallons to 2,000 gallons, and the customer numbers used in the Staff's analysis of the Request.
- \* That except as otherwise noted in the items below, the ratemaking income statement that is attached hereto as Attachment 4 accurately reflects the Company's annualized cost of providing service, the Company's annualized revenues generated by its current customer rates and the agreed-upon annualized operating revenue increase of \$14,841, which is being applied to the recovery of the Company's annualized cost of providing service. (As noted in Attachment 4, "over-earnings" from the Company's water service operations are being used as an offset to the operating revenue increase that would otherwise be needed to recover the Company's cost of providing sewer service.)

- \* That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet that is attached hereto as Attachment 5, are designed to generate revenues sufficient to recover the annualized cost of service shown on the attached ratemaking income statement, as subsidized by the water service over-earnings, and to reflect the change in the gallons of usage included in the monthly minimum charge.
- \* That the revenue calculation worksheet that is attached hereto as Attachment 6 accurately reflects the Company's annualized revenues at the rates included in the attached example tariff sheets and the customer numbers used in the Staff's analysis of the Request.
- \* That the customer impact worksheet attached hereto as Attachment 7 accurately reflects the changes in the monthly bill for a residential customer using 6,000 gallons of water per month that will occur if the rates set out in the attached example tariff sheets are implemented.
- \* That the depreciation rates set out on Attachment 8 hereto should be the prescribed sewer plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- \* That the "Connection (CIAC) Fees" included in the example tariff sheets attached hereto are reflective of the Company's average actual cost of installing the on-premise customer service facilities that the fees are intended to recover, and are thus intended, on average, to not result in ratemaking rate base additions being necessary as a result of the installation of such on-premise customer service facilities. With further regard to these fees, the Company acknowledges that the fees are intended to recover all labor costs associated with the installation of the subject facilities, and that it is thus not anticipated that additional labor charges related to such installations will be charged to the Company by its parent company's service company.
- \* That the rates and charges agreed upon by the Company and the Staff are just and reasonable, considering the agreements under which they were developed.
- \* That for the purpose of the Company's next request for an increase in its operating revenues, the rates resulting from that request will be designed on the basis of an analysis of how the Company's cost-of-service components should be allocated between customer related functions and usage related functions, with consideration also to be given to the different types and sizes of customers that the Company serves.
- \* That the Company acknowledges that the Staff's investigation of the Company's next request for an increase in operating revenues will include a review of the corporate status of the Company and the Company's parent company, the relationship between the Company and its parent company and whether these matters have a bearing on the approach that should be taken to establish the Company's ratemaking capital structure and the ratemaking cost of capital to be used in calculating the Company's overall cost of providing service.

- \* That the Company has, for the purpose of resolving this Request, agreed to the use of the Staff's position on certain issues upon which it does not agree with the Staff's position. In particular, the Company does not agree with the following three Staff positions.
  - \* The Staff's position of not including, *at this time*, the recovery of legal fees incurred by the Company in on-going litigation that has resulted in an injunction preventing the Company from collecting the sewer service connection Contribution in Aid of Construction fees of \$2,400 per connection set out in its properly filed and approved tariffs, which has resulted in \$396,000 in uncollected CIAC to date, and a challenge to the validity and applicability of the Company's properly filed and approved tariff governing the extension of sewer service within the Company's certificated service area, due to a dispute with developers in the service area.
  - \* The Staff's reduction of operations management fees charged to the Company by the Company's parent company's service company.
  - \* The Staff's reduction of the general and administrative expenses allocated to the Company from the Company's parent company.
- \* That the above agreements satisfactorily resolve all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated.

#### **ADDITIONAL MATTERS**

This Disposition Agreement is only between the Staff and the Company, in which case the Small Company Rate Increase Procedure requires that the Company send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement. In compliance with the Small Company Rate Increase Procedure, that notice, a near-final version of which is attached hereto as Attachment 9, will provide the Company's customers an opportunity to send comments to the OPC and the Staff within twenty (20) days after the date of the notice. In addition to that customer notice, the Company acknowledges that the OPC also has the right to request that the Commission hold a local public hearing regarding the Company's Request and the provisions of this Disposition Agreement.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff and the Company, and neither party has agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company and the Staff acknowledge that they have previously agreed, on at least three occasions, to extensions of the 150-day tariff filing date that normally applies to small company rate increase requests in order for the most up-to-date information possible to be used in the evaluation of the Company's cost-of-service, and to allow them time to subsequently reach the agreements set forth herein.

The Company acknowledges that the Staff will be making an additional filing with the Commission regarding this matter, with that filing including the following: (a) the Staff's recommendation for approval of the subject tariff revisions, and any related recommendations; (b) background information regarding the Company's Request and the Staff's investigation thereof; (c) the Staff's audit workpapers; and (d) a general overview of the Company, including an overview of the Company's customer service procedures and practices.

Additionally, that filing will include information regarding the status of the Company's payment of its Commission assessments, the status of the Company's submission of its Commission annual reports, the status of the Company's submission of its Commission annual statement of operating revenues, any other pending cases that the Company may have before the Commission, any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources, and the status of the Company's corporate standing with the Missouri Secretary of State.

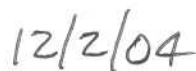



**EFFECTIVE DATE AND SIGNATURES**

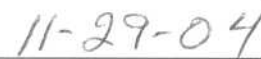
This Disposition Agreement shall be considered effective as of the date that the Company files the tariff revisions required herein with the Commission.

Agreement Signed and Dated:

  
\_\_\_\_\_  
Dale W. Johansen  
Manager – Water & Sewer Department  
Missouri Public Service Commission Staff

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Cy Murray – Manager  
Roark Water & Sewer Company

  
\_\_\_\_\_  
Date

**List of Attachments**

- Attachment 1: Example Tariff Sheets
- Attachment 2: Revenue Calculation Worksheet at Current Rates
- Attachment 3: Revenue Calculation Worksheet at Modified Current Rates
- Attachment 4: Ratemaking Income Statement
- Attachment 5: Rate Design Worksheet
- Attachment 6: Revenue Calculation Worksheet at Proposed Rates
- Attachment 7: Customer Impact Worksheet
- Attachment 8: Schedule of Depreciation Rates
- Attachment 9: Customer Notice

## Attachment 1 – Example Tariff Sheets

|                                                                                                                                                                                                                                   |                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <p>P.S.C. MO No. 1</p> <p><u>Roark Water &amp; Sewer Company</u><br/>Name of Issuing Company</p>                                                                                                                                  | <p>Original Title Page</p> <p>For: <u>Stone and Taney Counties, Missouri</u><br/>Certificated Service Area</p> |
| <h2 style="margin: 0;">Sewer Tariff Title Page</h2>                                                                                                                                                                               |                                                                                                                |
| <h3 style="margin: 0;"><u>ROARK WATER &amp; SEWER COMPANY</u></h3><br><br><h4 style="margin: 0;">SCHEDULE OF RATES, RULES, REGULATIONS<br/>AND CONDITIONS OF SERVICE GOVERNING THE<br/>PROVISION AND TAKING OF SEWER SERVICE</h4> |                                                                                                                |
| <div style="display: flex; justify-content: space-between;"><div style="width: 45%;">* Indicates New Rate or Text</div><div style="width: 45%;">+ Indicates Changed Rate or Text</div></div>                                      |                                                                                                                |

P.O. Box 969; Branson, MO 65615  
Company Mailing Address

**EXAMPLE TARIFF SHEET**

|                                                                             |                                                                             |          |                    |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------|----------|--------------------|
| P.S.C. MO No. 1                                                             | <u>1st</u>                                                                  | Revised  | Sheet No. <u>A</u> |
|                                                                             | Canceling                                                                   | Original | Sheet No. <u>A</u> |
| <u>Roark Water &amp; Sewer Company</u><br>Name of Issuing Company           | For: <u>Stone and Taney Counties, Missouri</u><br>Certificated Service Area |          |                    |
| <b>Rules and Regulations Governing<br/>the Rendering of Sewer Service *</b> |                                                                             |          |                    |
| <b><u>INDEX</u></b>                                                         |                                                                             |          |                    |
|                                                                             | <u>Subject</u> *                                                            |          | <u>Sheet No.</u> * |
|                                                                             | Legal Description of Service Area                                           |          | B – D              |
|                                                                             | Map of Service Area                                                         |          | E                  |
|                                                                             | Schedules of Rates                                                          |          | 1 & 1A +           |
|                                                                             | Schedule of Service Charges & Deposits                                      |          | 2                  |
| <u>Rule No.</u>                                                             | <u>Subject</u> *                                                            |          | <u>Sheet No.</u> + |
| 1                                                                           | Definitions                                                                 |          | 3                  |
| 2                                                                           | General                                                                     |          | 5                  |
| 3                                                                           | Limited Authority of Company Employees                                      |          | 6                  |
| 4                                                                           | Applications for Service                                                    |          | 7                  |
| 5                                                                           | Inside Piping & Customer Sewer Service                                      |          | 10                 |
| 6                                                                           | Improper or Excessive Use                                                   |          | 14                 |
| 7                                                                           | Discontinuance of Service by Company                                        |          | 16                 |
| 8                                                                           | Interruptions in Service                                                    |          | 18                 |
| 9                                                                           | Bills for Service                                                           |          | 19                 |
| 10                                                                          | Special Contract for Excessive Capacity                                     |          | 21                 |
| 11                                                                          | Collecting Sewer Extensions                                                 |          | 22                 |
| * Indicates New Rate or Text<br>+ Indicates Changed Rate or Text            |                                                                             |          |                    |

Issue Date: Month Day, Year  
Month/Day/Year

Effective Date: Month Day, Year  
Month/Day/Year

Issued By: Cy Murray – Manager  
Name and Title of Issuing Officer

P.O. Box 969; Branson, MO 65615  
Company Mailing Address

**EXAMPLE TARIFF SHEET**

P.S.C. MO No. 1

3rd

Revised

Sheet No. 1

Canceling

2nd

Revised

Sheet No. 1

Roark Water & Sewer Company

Name of Issuing Company

For: Stone and Taney Counties, Missouri

Certificated Service Area

**Rules and Regulations Governing  
the Rendering of Sewer Service \***

**SCHEDULE OF SEWER RATES +**

**Rate Schedule A \***

**Applicability +**

These rates apply to customers connected to a collecting sewer constructed with Company funds. +

**Monthly Minimum Charges + (1)**

| <u>Meter Size</u> | <u>Monthly Charge</u> |   |
|-------------------|-----------------------|---|
| 5/8"              | \$26.78               | + |
| 3/4"              | \$34.83               | + |
| 1.0"              | \$50.91               | + |
| 1.5"              | \$91.13               | + |
| 2.0"              | \$139.39              | + |
| 3.0"              | \$252.01              | + |
| 4.0"              | \$412.91              | + |

**Commodity Charge + (1)**

\$5.27 per 1,000 gallons for usage over the amount included in the monthly minimum charge +

(1) The monthly minimum charges include the first 2,000 gallons of usage. Residential customers' monthly commodity charge amounts for the entire year will be based upon the average monthly water usage in the months of December, January and February. Commercial customers' commodity charge amounts will be based upon actual monthly water usage. +

**Connection (CIAC) Fees +**

The Company is authorized to condition service to the initial applicant for sewer service at a single-family residence upon the payment of a one-time charge of \$5,700. The charge for commercial premises will be \$1,425 per 1,000 gallons of average monthly water use, but with a minimum charge of \$5,700. +

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: Month Day, Year  
Month/Day/Year

Effective Date: Month Day, Year  
Month/Day/Year

Issued By: Cy Murray – Manager  
Name and Title of Issuing Officer

P.O. Box 969; Branson, MO 65615  
Company Mailing Address

**EXAMPLE TARIFF SHEET**

P.S.C. MO No. 1

Original Sheet No. 1a

Roark Water & Sewer Company  
Name of Issuing Company

For: Stone and Taney Counties, Missouri  
Certificated Service Area

**Rules and Regulations Governing  
the Rendering of Sewer Service \***

**SCHEDULE OF SEWER RATES cont'd \***

**Rate Schedule B \***

**Applicability +**

These rates apply to customers connected to a collecting sewer that was constructed or paid for by a developer or customer under the sewer extension rule. +

**Monthly Minimum Charges + (1)**

| <u>Meter Size</u> | <u>Monthly Charge</u> |   |
|-------------------|-----------------------|---|
| 5/8"              | \$23.98               | + |
| 3/4"              | \$31.19               | + |
| 1.0"              | \$45.58               | + |
| 1.5"              | \$81.60               | + |
| 2.0"              | \$124.81              | + |
| 3.0"              | \$225.65              | + |
| 4.0"              | \$369.71              | + |

**Commodity Charge + (1)**

\$4.85 per 1,000 gallons for usage over the amount included in the monthly minimum charge +

(1) The monthly minimum charges include the first 2,000 gallons of usage. Residential customers' monthly commodity charge amounts for the entire year will be based upon the average monthly water usage in the months of December, January and February. Commercial customers' commodity charge amounts will be based upon actual monthly water usage. +

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: Month Day, Year  
Month/Day/Year

Effective Date: Month Day, Year  
Month/Day/Year

Issued By: Cy Murray – Manager  
Name and Title of Issuing Officer

P.O. Box 969; Branson, MO 65615  
Company Mailing Address

## Attachment 2 – Revenue Calculation Worksheet at Current Rates

# ROARK WATER & SEWER COMPANY

## Revenue Annualizations at Current Rates - Sewer Service

### Annualized Customer Counts and Service Charge Revenues

#### Retail Metered Customers

| <b>Meter Size</b> | <b>Residential</b> | <b>Business</b> | <b>Total Meters</b> | <b>Monthly Minimum</b> | <b>Annual Revenue</b> |
|-------------------|--------------------|-----------------|---------------------|------------------------|-----------------------|
| 5/8"              | 255                | 65              | 320                 | \$ 33.37               | \$ 128,141            |
| 3/4"              | 0                  | 0               | 0                   | \$ 40.54               | \$ -                  |
| 1.0"              | 1                  | 26              | 27                  | \$ 54.87               | \$ 17,778             |
| 1.5"              | 0                  | 12              | 12                  | \$ 90.69               | \$ 13,059             |
| 2.0"              | 0                  | 2               | 2                   | \$ 133.68              | \$ 3,208              |
| 3.0"              | 0                  | 0               | 0                   | \$ 233.99              | \$ -                  |
| 4.0"              | 0                  | 0               | 0                   | \$ 377.29              | \$ -                  |
| <b>Total</b>      | <b>256</b>         | <b>105</b>      | <b>361</b>          |                        | <b>\$ 162,186</b>     |

Monthly Minimum Charge Includes First 4,000 Gallons of Usage

### Annualized Commodity Sales - Volumes and Revenues

Sales Shown in Mgallons - Rate is per 1,000 Gallons

| <b>Meter Size</b> | <b>Residential</b> | <b>Business</b> | <b>Total Sales</b> | <b>Rate</b> | <b>Annual Revenue</b> |
|-------------------|--------------------|-----------------|--------------------|-------------|-----------------------|
| 5/8"              | -                  | 2,645.3         | 2,645.3            | \$ 4.76     | \$ 12,592             |
| 3/4"              | -                  | -               | -                  | \$ 4.76     | \$ -                  |
| 1.0"              | -                  | 3,423.3         | 3,423.3            | \$ 4.76     | \$ 16,295             |
| 1.5"              | -                  | 1,450.0         | 1,450.0            | \$ 4.76     | \$ 6,902              |
| 2.0"              | -                  | 895.0           | 895.0              | \$ 4.76     | \$ 4,260              |
| 3.0"              | -                  | -               | -                  | \$ 4.76     | \$ -                  |
| 4.0"              | -                  | -               | -                  | \$ 4.76     | \$ -                  |
| <b>Total</b>      | <b>-</b>           | <b>8,413.6</b>  | <b>8,413.6</b>     |             | <b>\$ 40,049</b>      |

#### Other Operating Revenues

|                                  |                 |
|----------------------------------|-----------------|
| Miscellaneous Revenues - Hauling | \$ 1,985        |
| <b>Total Other Revenue</b>       | <b>\$ 1,985</b> |

#### Total Operating Revenues

|                                         |                   |
|-----------------------------------------|-------------------|
| Service Charges - Retail Customers      | \$ 162,186        |
| Commodity Revenues - Retail Customers   | \$ 40,049         |
| <b>Sub-Total Tariffed Rate Revenues</b> | <b>\$ 202,235</b> |
| <b>Other Operating Revenues</b>         | <b>\$ 1,985</b>   |
| <b>Total Operating Revenues</b>         | <b>\$ 204,220</b> |



## Attachment 3 – Revenue Calculation Worksheet at Modified Current Rates

# ROARK WATER & SEWER COMPANY

## Revenue Annualizations at Modified Current Rates - Sewer Service

Modified to Reflect 2,000 Gallons in Monthly Minimum vs. 4,000 Gallons in Monthly Minimum

### Annualized Customer Counts and Service Charge Revenues

#### Retail Metered Customers

| Meter Size   | Residential | Business   | Total Meters | Monthly Minimum | Annual Revenue    |
|--------------|-------------|------------|--------------|-----------------|-------------------|
| 5/8"         | 255         | 65         | 320          | \$ 23.85        | \$ 91,584         |
| 3/4"         | 0           | 0          | 0            | \$ 31.02        | \$ -              |
| 1.0"         | 1           | 26         | 27           | \$ 45.35        | \$ 14,693         |
| 1.5"         | 0           | 12         | 12           | \$ 81.17        | \$ 11,688         |
| 2.0"         | 0           | 2          | 2            | \$ 124.16       | \$ 2,980          |
| 3.0"         | 0           | 0          | 0            | \$ 224.47       | \$ -              |
| 4.0"         | 0           | 0          | 0            | \$ 367.77       | \$ -              |
| <b>Total</b> | <b>256</b>  | <b>105</b> | <b>361</b>   |                 | <b>\$ 120,946</b> |

Monthly Minimum Charge Modified to Include First 2,000 Gallons of Usage

### Annualized Commodity Sales - Volumes and Revenues

Sales Shown in Mgalloons - Rate is per 1,000 Gallons

| Meter Size   | Residential    | Business       | Total Sales     | Rate    | Annual Revenue   |
|--------------|----------------|----------------|-----------------|---------|------------------|
| 5/8"         | 5,605.2        | 3,287.4        | 8,892.6         | \$ 4.76 | \$ 42,329        |
| 3/4"         | -              | -              | -               | \$ 4.76 | \$ -             |
| 1.0"         | -              | 3,893.0        | 3,893.0         | \$ 4.76 | \$ 18,531        |
| 1.5"         | -              | 1,707.1        | 1,707.1         | \$ 4.76 | \$ 8,126         |
| 2.0"         | -              | 943.4          | 943.4           | \$ 4.76 | \$ 4,491         |
| 3.0"         | -              | -              | -               | \$ 4.76 | \$ -             |
| 4.0"         | -              | -              | -               | \$ 4.76 | \$ -             |
| <b>Total</b> | <b>5,605.2</b> | <b>9,830.9</b> | <b>15,436.1</b> |         | <b>\$ 73,476</b> |

#### Other Operating Revenues

|                                  |                 |
|----------------------------------|-----------------|
| Miscellaneous Revenues - Hauling | \$ 1,985        |
| <b>Total Other Revenues</b>      | <b>\$ 1,985</b> |

#### Total Operating Revenues

|                                         |                   |
|-----------------------------------------|-------------------|
| Service Charges - Retail Customers      | \$ 120,946        |
| Commodity Revenues - Retail Customers   | \$ 73,476         |
| <b>Sub-Total Tariffed Rate Revenues</b> | <b>\$ 194,422</b> |
| <b>Other Operating Revenues</b>         | <b>\$ 1,985</b>   |
| <b>Total Operating Revenues</b>         | <b>\$ 196,407</b> |

#### Change in Revenues Due to Modification in Gallons Included in Monthly Minimum

|                                           |                   |
|-------------------------------------------|-------------------|
| Service Charges - Retail Customers        | \$ (41,241)       |
| Commodity Revenues - Retail Customers     | \$ 33,427         |
| <b>Sub-Total Tariffed Rate Revenues *</b> | <b>\$ (7,814)</b> |
| <b>Other Operating Revenues</b>           | <b>\$ -</b>       |
| <b>Total Operating Revenues</b>           | <b>\$ (7,814)</b> |

\* Rates Need to be Changed to Collect This Difference in Addition to the Changes Needed to Collect the Increased Cost-of-Service

## Attachment 4 – Ratemaking Income Statement

# ROARK WATER & SEWER COMPANY

## Rate-making Income Statement - Sewer Service

### Operating Revenues at Current Rates

|   |                                 |                   |
|---|---------------------------------|-------------------|
| 1 | Tariffed Rate Revenues          | \$ 202,235        |
| 2 | Other Operating Revenues        | \$ 1,985          |
| 3 | <b>Total Operating Revenues</b> | <b>\$ 204,220</b> |

### Cost of Service

|    | Item                                          | Amount            |
|----|-----------------------------------------------|-------------------|
| 1  | Purchased Power-Sewer                         | \$ 12,301         |
| 2  | DNR Primacy Fees                              | \$ 713            |
| 3  | Treatment & Disposal Expense-Chemicals        | \$ 3,338          |
| 4  | Maintenance of Structures & Improvements      | \$ 5,357          |
| 5  | Maintenance of Treatment & Disp. Plant        | \$ 9,331          |
| 6  | Maintenance of Sewer Collection System        | \$ 45             |
| 7  | Maintenance of Service to Customers           | \$ 224            |
| 8  | Maintenance of Pumping Equipment              | \$ 36             |
| 9  | Sludge Hauling                                | \$ 1,424          |
| 10 | Miscellaneous General Plant                   | \$ 4,482          |
| 11 | Billing & Collection                          | \$ 6,868          |
| 12 | Administration & General - Salaries           | \$ 3,600          |
| 13 | Office Supplies                               | \$ 1,096          |
| 14 | Bookkeeping                                   | \$ 2,858          |
| 15 | Vehicle Expenses                              | \$ 1,631          |
| 16 | Outside Services Employed                     | \$ 733            |
| 17 | Property Insurance                            | \$ 1,087          |
| 18 | Regulatory Commission Expense                 | \$ 16,583         |
| 19 | Rate Case Expense                             | \$ 600            |
| 20 | Miscellaneous General Expenses                | \$ 194            |
| 21 | Franchise Requirements                        | \$ 998            |
| 22 | Maintenance of General Plant                  | \$ 27,508         |
| 23 | <b>Sub-Total Operating Expenses</b>           | <b>\$ 101,007</b> |
| 24 | Property Taxes                                | \$ -              |
| 25 | MO Franchise Taxes                            | \$ 10             |
| 26 | Employer FICA Taxes                           | \$ -              |
| 27 | Federal Unemployment Taxes                    | \$ -              |
| 28 | State Unemployment Taxes                      | \$ -              |
| 29 | State & Federal Income Taxes                  | \$ 22,221         |
| 30 | <b>Sub-Total Taxes</b>                        | <b>\$ 22,231</b>  |
| 31 | <b>Depreciation Expense</b>                   | <b>\$ 61,338</b>  |
| 32 | <b>Return on Rate Base</b>                    | <b>\$ 90,877</b>  |
| 33 | <b>Total Cost of Service</b>                  | <b>\$ 275,453</b> |
| 34 | <b>Revenue Increase Needed at Full C.O.S.</b> | <b>\$ 71,233</b>  |
| 35 | Reduction Due to Water Service Overearnings   | \$ (59,337)       |
| 36 | Increase Due to Revenue Annualization Error   | \$ 2,945          |
| 37 | <b>Net Revenue Increase to be Applied</b>     | <b>\$ 14,841</b>  |

## Attachment 5 – Rate Design Worksheet

# ROARK WATER & SEWER COMPANY

## Development of Tariffed Rates - Sewer Service

### Rate A

(1) Reduce the current monthly minimum charge to reflect a change from 4,000 gallons to 2,000 gallons being included in the charge. (2) Increase the current commodity rate to recoup the reduction in monthly minimum revenue that results from the change in the gallons included in the monthly minimum charge. (3) Increase the modified monthly minimum charge by a percentage equal to the agreed-upon operating revenue increase divided by the revenues generated by the modified monthly minimum charge.

|                                                             |    |        |
|-------------------------------------------------------------|----|--------|
| Commodity Revenues at Current Rate at Modified Sales Volume | \$ | 73,476 |
| Increase Needed Due to Change in Monthly Minimum Revenues   | \$ | 7,814  |
| Percent Increase Needed in Commodity Charge                 |    | 10.63% |

|                                                       |    |         |
|-------------------------------------------------------|----|---------|
| Revenues Generated by Modified Monthly Minimum Charge | \$ | 120,946 |
| Revenue Increase to be Applied to Sewer Service       | \$ | 14,841  |
| Percentage Increase Needed                            |    | 12.27%  |

### Metered Customer Rates

| Meter Size | Current Monthly Minimum | Proposed Monthly Minimum | Current Usage Rate | Proposed Usage Rate |
|------------|-------------------------|--------------------------|--------------------|---------------------|
| 5/8"       | \$ 23.85                | \$ 26.78                 | \$ 4.76            | \$ 5.27             |
| 3/4"       | \$ 31.02                | \$ 34.83                 | \$ 4.76            | \$ 5.27             |
| 1.0"       | \$ 45.35                | \$ 50.91                 | \$ 4.76            | \$ 5.27             |
| 1.5"       | \$ 81.17                | \$ 91.13                 | \$ 4.76            | \$ 5.27             |
| 2.0"       | \$ 124.16               | \$ 139.39                | \$ 4.76            | \$ 5.27             |
| 3.0"       | \$ 224.47               | \$ 252.01                | \$ 4.76            | \$ 5.27             |
| 4.0"       | \$ 367.77               | \$ 412.90                | \$ 4.76            | \$ 5.27             |

Current Monthly Minimum Charge Modified to Include First 2,000 Gallons of Usage

Proposed Monthly Minimum Charge Includes First 2,000 Gallons of Usage

Usage Rate is per 1,000 Gallons for Usage Over 2,000 Gallons

### Rate B

Based on the relationships that exist between the current Rate A and Rate B monthly minimum charges and commodity rates, adjust the proposed monthly minimum charge and commodity rate for Rate A so that the relationships that now exist between the Rate A and Rate B components will remain the same. (Adjusting the proposed Rate A components in this manner will result in Rate B components reflecting the inclusion of 2,000 gallons usage in the monthly minimum charge.)

### Calculation of Monthly Minimum Charge

|                                                                     |           |              |
|---------------------------------------------------------------------|-----------|--------------|
| Current Rate A Monthly Minimum Charge (5/8" meter)                  | \$        | 33.37        |
| Current Rate B Monthly Minimum Charge (5/8" meter)                  | \$        | 29.88        |
| Percent Reduction from Rate A to Rate B                             |           | 10.46%       |
| Proposed Rate A Monthly Minimum Charge (5/8" meter)                 | \$        | 26.78        |
| Percent Reduction to Apply to Rate A Charge                         |           | 10.46%       |
| <b>Proposed Rate B Monthly Minimum Charge (5/8" meter)</b>          | <b>\$</b> | <b>23.98</b> |
| (charges for other meter sizes to be calculated in the same manner) |           |              |

### Calculation of Commodity Rate

|                                           |           |             |
|-------------------------------------------|-----------|-------------|
| Current Rate A Commodity Rate             | \$        | 4.76        |
| Current Rate B Commodity Rate             | \$        | 4.38        |
| Percent Reduction from Rate A to Rate B   |           | 7.98%       |
| Proposed Rate A Commodity Rate            | \$        | 5.27        |
| Percent Reduction to Apply to Rate A Rate |           | 7.98%       |
| <b>Proposed Rate B Commodity Rate</b>     | <b>\$</b> | <b>4.85</b> |

## Attachment 6 – Revenue Calculation Worksheet at Proposed Rates

# ROARK WATER & SEWER COMPANY

## Revenue Annualizations at Proposed Rates - Sewer Service

### Annualized Customer Counts and Service Charge Revenues

#### Retail Metered Customers

| Meter Size   | Residential | Business   | Total Meters | Monthly Minimum | Annual Revenue    |
|--------------|-------------|------------|--------------|-----------------|-------------------|
| 5/8"         | 255         | 65         | 320          | \$ 26.78        | \$ 102,821        |
| 3/4"         | 0           | 0          | 0            | \$ 34.83        | \$ -              |
| 1.0"         | 1           | 26         | 27           | \$ 50.91        | \$ 16,496         |
| 1.5"         | 0           | 12         | 12           | \$ 91.13        | \$ 13,123         |
| 2.0"         | 0           | 2          | 2            | \$ 139.39       | \$ 3,345          |
| 3.0"         | 0           | 0          | 0            | \$ 252.01       | \$ -              |
| 4.0"         | 0           | 0          | 0            | \$ 412.90       | \$ -              |
| <b>Total</b> | <b>256</b>  | <b>105</b> | <b>361</b>   |                 | <b>\$ 135,786</b> |

Monthly Minimum Charge Includes First 2,000 Gallons of Usage

### Annualized Commodity Sales - Volumes and Revenues

Sales Shown in M gallons

| Meter Size   | Residential    | Business       | Total Sales     | Rate    | Annual Revenue   |
|--------------|----------------|----------------|-----------------|---------|------------------|
| 5/8"         | 5,605.2        | 3,287.4        | 8,892.6         | \$ 5.27 | \$ 46,864        |
| 3/4"         | -              | -              | -               | \$ 5.27 | \$ -             |
| 1.0"         | -              | 3,893.0        | 3,893.0         | \$ 5.27 | \$ 20,516        |
| 1.5"         | -              | 1,707.1        | 1,707.1         | \$ 5.27 | \$ 8,996         |
| 2.0"         | -              | 943.4          | 943.4           | \$ 5.27 | \$ 4,972         |
| 3.0"         | -              | -              | -               | \$ 5.27 | \$ -             |
| 4.0"         | -              | -              | -               | \$ 5.27 | \$ -             |
| <b>Total</b> | <b>5,605.2</b> | <b>9,830.9</b> | <b>15,436.1</b> |         | <b>\$ 81,348</b> |

#### Other Operating Revenues

|                                  |                 |
|----------------------------------|-----------------|
| Miscellaneous Revenues - Hauling | \$ 1,985        |
| <b>Total Other Revenue</b>       | <b>\$ 1,985</b> |

#### Total Operating Revenues

|                                         |                   |
|-----------------------------------------|-------------------|
| Service Charges - Retail Customers      | \$ 135,786        |
| Commodity Revenues - Retail Customers   | \$ 81,348         |
| <b>Sub-Total Tariffed Rate Revenues</b> | <b>\$ 217,134</b> |
| <b>Other Operating Revenues</b>         | <b>\$ 1,985</b>   |
| <b>Total Operating Revenues</b>         | <b>\$ 219,119</b> |

#### Revenue Check - Proposed Rates vs. Current Rates

|                                            |            |
|--------------------------------------------|------------|
| Total Revenues at Proposed Rates           | \$ 219,119 |
| Total Revenues at Current Rates            | \$ 204,220 |
| Increase In Revenues at Proposed Rates     | \$ 14,899  |
| Agreed-Upon Increase in Operating Revenues | \$ 14,841  |



## Attachment 7 – Customer Impact Worksheet

# ROARK WATER & SEWER COMPANY

## Residential Customer Bill Comparison - Sewer Service

### Rates for 5/8" Meter - Rate A

| <u>Current Monthly<br/>Minimum Charge</u> | <u>Proposed Monthly<br/>Minimum Charge</u> | <u>Current<br/>Usage Rate</u> | <u>Proposed<br/>Usage Rate</u> |
|-------------------------------------------|--------------------------------------------|-------------------------------|--------------------------------|
| <b>\$23.85</b>                            | <b>\$26.78</b>                             | <b>\$4.76</b>                 | <b>\$5.27</b>                  |

Both Monthly Minimum Charges Include First 2,000 Gallons of Usage

Usage Rate is per 1,000 Gallons for Usage Over 2,000 Gallons

### MONTHLY BILL COMPARISON

Calculated Based on Usage of 6,000 Gallons

| <u>Current Rates</u> | <u>Billed Amounts</u> | <u>Proposed Rates</u> | <u>Billed Amounts</u> |
|----------------------|-----------------------|-----------------------|-----------------------|
| Service Charge       | \$23.85               | Service Charge        | \$26.78               |
| Usage Charge         | \$19.04               | Usage Charge          | \$21.08               |
| Total Bill           | \$42.89               | Total Bill            | \$47.86               |

### Changes in Billed Amounts

#### Service Charge

|                  |               |
|------------------|---------------|
| <b>\$ Change</b> | <b>\$2.93</b> |
| <b>% Change</b>  | <b>12.27%</b> |

#### Usage Charge

|                  |               |
|------------------|---------------|
| <b>\$ Change</b> | <b>\$2.04</b> |
| <b>% Change</b>  | <b>10.71%</b> |

#### Total Bill

|                  |               |
|------------------|---------------|
| <b>\$ Change</b> | <b>\$4.97</b> |
| <b>% Change</b>  | <b>11.58%</b> |

**Note:** Billing comparison is not shown for changes to Rate B since there are no customers currently receiving service in the area to which Rate B applies.

## Attachment 8 – Schedule of Depreciation Rates

# ROARK WATER & SEWER COMPANY

## Sewer Depreciation Rates

MO PSC Work I.D. No. QS-2003-0006

| <b>Account<br/>Number</b> | <b>Account Description</b>      | <b>Depreciation<br/>Rates - %</b> | <b>Avg. Service<br/>Life - Years</b> |
|---------------------------|---------------------------------|-----------------------------------|--------------------------------------|
| 351                       | Structures & Improvements       | 2.5%                              | 40                                   |
| 352.1                     | Collection Sewers (Force)       | 2.0%                              | 50                                   |
| 352.2                     | Collection Sewers (Gravity)     | 2.0%                              | 50                                   |
| 354                       | Flow Measurement Devices        | 3.3%                              | 30                                   |
| 362                       | Receiving Wells & Pump Pits     | 4.0%                              | 25                                   |
| 363                       | Pumping Equipment               | 10.0%                             | 10                                   |
| 372                       | Treatment & Disposal Facilities | 5.0%                              | 20                                   |
| 373                       | Plant Sewers                    | 2.5%                              | 40                                   |
| 374                       | Outfall Sewers                  | 2.0%                              | 50                                   |
| 391                       | Office Furniture & Equipment    | 5.0%                              | 20                                   |
| 393                       | Stores Equipment                | 4.0%                              | 25                                   |
| 394                       | Tools, Shop, Garage Equipment   | 5.0%                              | 20                                   |

## Attachment 9 – Customer Notice

**ROARK WATER & SEWER COMPANY**

P.O. BOX 969

BRANSON, MO 65615

417/335-9335

Month Day, Year

Dear Customer:

On August 9, 2002, Roark Water & Sewer Company (Company) submitted a request for a permanent increase in its sewer service and water service rates and charges, under the provisions of the Missouri Public Service Commission's small company rate increase procedure. Subsequently, on September 16, 2002, the Company submitted a revised request to the Commission to clarify the amounts of the increases it was seeking. By its request, as revised, the Company was seeking to establish customer rates that would generate an increase of \$206,030 (approximately 151%) in its annual sewer operating revenues and an increase of \$64,670 (approximately 51%) in its annual water service operating revenues. The Company's request was based upon its then existing levels of operating revenues, expenses and plant investments, with those items being reflective of service being provided to approximately 205 sewer customers and 225 water customers.

As a result of the Company's request, the Staff of the Public Service Commission (Commission Staff) conducted an independent audit of the Company's books and records, and an investigation of the Company's business and system operations. Based upon the results of its audit and investigation, the Commission Staff has concluded that an increase of approximately \$74,180 (approximately 36%) in the Company's annual sewer operating revenues is currently warranted and that a decrease of approximately \$59,340 (approximately 32%) in the Company's annual water operating revenues is currently warranted. The Staff's audit and investigation were based upon the Company's operating revenues, expenses and plant investments existing at March 31, 2004, with those items being reflective of service being provided to approximately 360 sewer customers and 375 water customers.

In order to implement these audit results, the Staff has proposed that the net increase of approximately \$14,840 in the Company's annual operating revenues be applied to the sewer service rates and that the water service rates not be changed, except as necessary to implement a change in the design of the Company's monthly minimum charge. Regarding the monthly minimum charges, the Staff has proposed that these charges be modified to reflect inclusion of the first 2,000 gallons of usage rather than the first 4,000 gallons of usage that is currently reflected in the charges, and that the commodity rates be adjusted as needed to reflect this change. Also, the Staff has concluded that the Company's service connection fees should be modified to reflect the Company's current costs of installing on-premise customer service facilities such as meter sets, grinder pumps and service line installations.

Although the Company does not agree with all of the Commission Staff's positions regarding the calculation of the Company's cost of providing service, it has agreed with the Staff's proposals noted above, and has filed tariff revisions to implement those proposals. A table summarizing the proposed revisions to the Company's rates and charges affecting its current residential customers, which includes an example monthly residential customer bill comparison, is set out on the third page of this notice.

The Office of the Public Counsel (OPC), a state agency responsible for representing the interests of utility consumers before the Commission, has reviewed the results of the Commission Staff's investigation. However, the OPC has not yet taken a final position regarding those results.

Any customer that has questions or comments about the Company's proposed revisions to its rates and charges, or that has comments regarding recent service-related problems, should contact the Commission Staff and/or the OPC, within 20 days of the date of this notice. To do so, please use the mailing addresses, telephone numbers, fax numbers or e-mail addresses shown below, and please include a reference to Commission Case No. **SR-2005-XXXX** or **WR-2005-XXXX**.

Public Service Commission  
Attn: Water/Sewer Dept.  
P.O. Box 360  
Jefferson City, MO 65102  
Phone: 800/392-4211  
Fax: 573/751-1847  
E-Mail: [pscisd@psc.mo.gov](mailto:pscisd@psc.mo.gov)

Office of the Public Counsel  
Attn: M. Ruth O'Neill  
P.O. Box 2230  
Jefferson City, MO 65102  
Phone: 573/751-4857  
Fax: 573/751-5562  
E-Mail: [mopco@ded.mo.gov](mailto:mopco@ded.mo.gov)

Depending upon the responses to this notice, the OPC may request that the Public Service Commission hold a local public hearing. However, regardless of whether a local public hearing is held, no increase in rates will take effect without the specific approval of the Public Service Commission.

Lastly, please be advised that all currently available information regarding the Company's proposed rate increase request may be obtained via the Public Service Commission's Website as follows, and please also note that this information will be updated as the subject cases move forward.

- \* Go to <http://www.psc.mo.gov>.
- \* On that page, click on the "EFIS" button near the top on the right side of the page.
- \* On the next page, after reading the disclaimer, click on "I agree to terms above" and then click "Yes" when asked if you want to display the unsecured information.
- \* On the next page, click on "Resources" near the top right of the page.
- \* On the next page, click on "Case Information".
- \* On the next page, click on "Case Filing/Submission" and then click "Yes" when asked if you want to display the unsecured information.
- \* On the next page, check the box to the left of "Case No."; enter **SR-2005-XXXX** or **WR-2005-XXXX** in the box to the right of "Case No."; scroll to the bottom of the page and click on "Search".
- \* On the next page, click on **SR-2005-XXXX** or **WR-2005-XXXX** and this will bring up a screen that contains all of the documents that have been filed in the case to date.
- \* To view a document, click on the number in the "Item No." column.

If you have questions about this notice, or about anything else with which I may be of assistance, please feel free to contact me at the telephone number listed at the top of the first page of this notice.

Sincerely,

**/s/ Cy Murray**

Cy Murray – Manager  
Roark Water & Sewer Company

**Summary of Proposed Revisions to Rates and Charges Affecting Residential Customers**

**Sewer Service Rates**

Monthly Minimum Charge

Current \*     \$23.85

Proposed     \$26.78

Commodity Rate

Current \*     \$4.76

Proposed     \$5.27

Monthly Bill with 6,000 gallons usage

Current     \$42.89

Proposed     \$47.86

Service Connection Fee

Current     \$2,400

Proposed     \$5,700

**Water Service Rates**

Monthly Minimum Charge

Current \*     \$13.84

Proposed     \$13.72

Commodity Rate

Current \*     \$3.14

Proposed     \$3.20

Monthly Bill with 6,000 gallons usage

Current     \$26.40

Proposed     \$26.52

Service Connection Fee

Current     \$1,100

Proposed     \$ 300

\* Current rates and charges modified to reflect the inclusion of the first 2,000 gallons of usage in the Monthly Minimum Charge rather than the first 4,000 gallons of usage.