

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 29th day  
of April, 2009.

In the Matter of the Application of Cannon Home	)	<b><u>File No. SR-2009-0144</u></b>
Association for a Small Company Rate Increase.	)	Tariff No. YS-2009-0684

**ORDER APPROVING SMALL COMPANY RATE INCREASE  
AND APPROVING TARIFF**

Issue Date: April 29, 2009

Effective Date: May 7, 2009

This order approves the Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request between the Staff of the Commission and Cannon Home Association, Inc. It also approves the depreciation rates for the Company and approves a tariff implementing the agreed-upon rate increase.

On October 20, 2008, Cannon Home Association initiated a small company rate increase request under Commission Rule 4 CSR 240-3.050, for an increase of \$7,000 in its total annual sewer service operating revenues. The company provides service to approximately 95 customers in the affected service areas, the vast majority of which are residential customers.

Staff initiated an investigation of the company, which included an audit of Cannon Home Association's books and records; a review of customer service, general business practices, and the operation of facilities; a review of the existing tariff; and an inspection of the Company's facilities.

On March 16, 2009, Staff and Cannon Home Association filed an agreement purporting to resolve all issues in this matter. Staff and Cannon Home Association agreed as follows:

(1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A, with those proposed tariff revisions bearing an effective date of May 7, 2009.

(2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$4,317 needed to recover the Company's cost of service.

(3) That the audit work papers attached hereto as Attachment C, which include consideration of a capital structure of 73.24% equity for the Company and a return on that equity of 10.44%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (2) above.

(4) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment D, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.

(5) That the rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment E.

(6) That the rates included in the attached example tariff sheets are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.

(7) That the schedule of depreciation rates attached hereto as Attachment F, which includes the depreciation rates used by Staff in its revenue requirement analysis, should be the prescribed schedule of sewer plant depreciation rates for the Company.

(8) That the Company will maintain all of its financial records in accordance with the Commission approved 1973 Uniform System of Accounts (USOA), as revised in July 1976.

(9) That the Company will, with Staff's assistance, correct the plant and contributions in aid to construction (CIAC) plant balances as of December 31, 2008, by May 31, 2009. The Company agrees to use these account balances on a going forward basis.

(10) That the Company will maintain complete and on-going plant records, which will include, new plant items, retirements, CIAC, and a detailed listing of all connections made to the sewer system and will have such records available for review by Staff by June 30, 2009.

(11) That the Company will inspect every new sewer connection pursuant to the Company's tariff and will collect the amount specified in the tariff for the connection and inspection. The Company will develop and maintain records of these inspections and have them available for review by Staff by June 30, 2009.

(12) Within three (3) months of the effective date of an order approving this Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Department (EMSD) Report. These recommendations include the following:

- a. The Company will store all customer payments, Company billing information and all business documents in a fireproof file cabinet(s) or fireproof vault(s).

(13) The Company will mail its customers a written notice of the rates and charges included in its proposed tariff revisions within fifteen (15) days of the issuance of the Commission Order approving the terms of this Disposition Agreement. The notice will include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it will also send a copy to Staff and Staff will file a copy in the subject case file.

(14) That Staff will conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

(15) That Staff may file a formal complaint against the Company, if the Company does not comply with the provisions of this Disposition Agreement.

(16) That the above agreements satisfactorily resolve all issues identified by Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

The Office of the Public Counsel did not join in the agreement. Public Counsel filed its Position Statement on April 24, 2009. In its position statement Public Counsel notes that it “agreed with most of Staff’s audit positions” with the exception of “the development and appropriate allocation of electricity, repairs & maintenance, transportation, software, land line telephone, internet and cell phone costs between Cannon and the non-regulated Timberidge Resort also owned by the owners of Cannon.”<sup>1</sup> Public Counsel further stated, however, that because the dollar amounts of the disputed costs are so small, it did not oppose approval of the agreement by the Commission.

On March 23, 2009, Cannon Home Association filed proposed tariff sheets to implement the terms of the agreement. Staff recommended on April 24, 2009, that the tariff sheets be approved as submitted.

The Commission has the legal authority to accept a stipulation and agreement as offered by the parties pursuant to Section 536.060, RSMo 2000. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence.<sup>2</sup> Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the agreement.

The Commission finds that the agreement is reasonable and shall be approved. Cannon Home Association and the Staff shall be directed to comply with the terms and recommendations set out in the agreement. Furthermore, Cannon Home Association’s proposed tariff sheets, and the rates they establish, are just and reasonable and shall be approved. The Commission also finds that the depreciation rates proposed by Staff as

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<sup>1</sup> *Office of the Public Counsel’s Position Statement*, p. 2.

<sup>2</sup> *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

Attachment F to the Agreement are reasonable and will order Cannon Home Association to utilize them.

**THE COMMISSION ORDERS THAT:**

1. The Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request is approved.
2. Cannon Home Association, Inc., is directed to comply with the terms of the Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request.
3. The following tariff sheets, filed by Cannon Home Association, Inc., on March 23, 2009, and assigned Tariff File No. YS-2009-0684, are approved for service on and after May 7, 2009:

**P.S.C. MO. No. 1**

**First Revised Sheet No. 6, Canceling Original Sheet No. 6  
First Revised Sheet No. 7, Canceling Original Sheet No. 7**

4. The depreciation rates attached to the Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request as Attachment F are approved and such depreciation rates are to be used by Cannon Home Association, Inc.
5. This order shall become effective on May 7, 2009.

( S E A L )

Clayton, Chm., Murray, Davis,  
Jarrett, and Gunn, CC., concur.

Dippell, Deputy Chief Regulatory Law Judge

**BY THE COMMISSION**



Colleen M. Dale  
Secretary