

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

BB
RLO Binder

CASE NO. WR-88-215

In the matter of Capital City Water
Company of Jefferson City, Missouri,
for authority to file tariffs
increasing rates for water service
provided to customers in the
Missouri service area of the company.

APPEARANCES: Kathy Lee Pape, Senior Attorney, General Waterworks Management
and Service Company, 950 Haverford Road, Bryn Mawr, Pennsylvania
19010, for Capital City Water Company.

Mark D. Wheatley, Assistant Public Counsel, Office of the Public
Counsel, P. O. Box 7800, Jefferson City, Missouri 65102, for
Office of the Public Counsel and the Public.

Andrew J. Snider, Assistant General Counsel, Missouri Public
Service Commission, P. O. Box 360, Jefferson City, Missouri
65102, for Staff of the Missouri Public Service Commission.

HEARING

EXAMINER: Beth O'Donnell

REPORT AND ORDER

On February 16, 1988, Capital City Water Company of Jefferson City,
Missouri (Company), submitted to this Commission tariffs reflecting increased rates
for water service provided to customers in its Missouri service area. The proposed
tariffs were designed to produce an increase of approximately 15.25 percent.
(\$361,696) in charges for water service. These revised tariffs bore an effective
date of March 17, 1988.

By order of the Commission the tariffs were suspended and set for hearing.
The Commission's Staff (Staff) and the Office of the Public Counsel (Public Counsel)
participated in the case. As a result of the prehearing conference commencing
September 7, 1988, the parties to this case reached a Stipulation and Agreement as to
all matters at issue in this case except one.

A hearing was held on October 11, 1988, at which the Stipulation and Agreement as well as the prefiled testimony and schedules of the witnesses appearing on behalf of the parties to this case were received into evidence pursuant to the provisions set forth in the Stipulation and Agreement. Representatives of Jefferson City, Missouri (City), appeared at the hearing and requested that the Commission grant the City leave to intervene in this case. This application to intervene is denied herein for the reasons set forth below. Twelve public witnesses were granted an opportunity to be heard at the hearing addressing such issues as Company's quality of service, level of rates and plant capacity.

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.

By order issued March 16, 1988, the Commission suspended the proposed tariffs and established an intervention deadline of April 15, 1988. No timely applications for intervention were received. Water use restrictions were established beginning June 22, 1988. The Staff prefiled its direct testimony on August 17, 1988. The prehearing conference was held September 7-9, 1988.

A Stipulation and Agreement was filed with the Commission on September 30, 1988. The Stipulation adequately delineates the matters of agreement among the parties to this case including the final disposition of all but one of the matters at issue herein. Attached to this Stipulation are Appendices A and B which set forth the revised tariffs to which the parties agree. The Stipulation, including its appendices, is attached to this Report and Order as Appendix I and incorporated herein by reference.

The tariffs attached to this Stipulation as Appendix A provide for an increase in Company's Missouri jurisdictional gross annual water revenues of approximately \$125,000, exclusive of license, occupational, franchise, gross re jpts, Water District No. 2 revenue, or other similar fees or taxes. The parties

have agreed that these tariffs are to be effective for service rendered on and after October 21, 1988. This figure represents a 5.2 percent overall increase in gross annual revenues.

The tariffs attached to this Stipulation as Appendix B establish rates for interruptible customers. The parties have agreed that these tariffs are to be effective thirty days after filing.

The Stipulation also addresses the one issue remaining unresolved among the parties. This issue involves the form of the continuing property records kept by the Company. The parties have agreed to make their respective cases on this issue through prefiled testimony and have waived their rights to cross-examine the witnesses on this issue. The Commission will render its decision as to this matter by Supplemental Report and Order.

At the hearing held in this case the City applied to intervene out-of-time. The Commission reserved its ruling on the application and took the issue to be decided with the case. The Commission allowed the City to present its case and the opportunity to cross-examine witnesses who had prefiled testimony in this matter.

The Commission determines that this application to intervene must be denied. Sufficient good cause has not been shown for intervention at this late stage of the proceedings. However, the Commission grants the City participation without intervention pursuant to Commission Rule 4 CSR 240-2.110(15).

The Commission is of the opinion that the evidence in this case indicates a need to address the status of Company's plant capacity. In his direct testimony, Mr. Merciel of the Commission's Staff noted that Company has sufficient plant capacity now for normal needs and for the next several years if reasonable demand management measures are used in hot, dry periods. Mr. Merciel recommends, based upon the present growth rate, that the Company should make a decision within the next two years as to how it should increase its capacity. As part of the Stipulation concluded among the parties to this case, the Company has agreed to perform a

Projection Study which will determine the potential for future capacity requirements necessary to meet increased demand.

The Commission determines that Company should file this Projection Study with the Commission's Secretary on or before March 31, 1989. The Commission further determines that its Secretary should establish forthwith a docket to investigate Company's capacity wherein such Study should be placed.

At the hearing, the City and Chesebrough-Ponds, Inc. (Chesebrough) expressed an interest in participating in any docket established to address Company's capacity. Therefore, the Commission determines that its Secretary should notify the City, Chesebrough and other interested entities of the creation of the capacity docket to afford these entities an opportunity to intervene. The Commission further determines that its Secretary should add to the service list in the capacity docket established herein the names of those parties notified of its creation. The Secretary should consult with the Commission's Water and Sewer Department as to entities likely to have an interest in this docket.

The Commission believes that the establishment of such a docket will be useful in addressing Company's capacity to meet abnormal water demands such as those experienced this past summer. Many of the public witnesses at the hearing voiced concerns about Company's capacity to meet unusual demands and plant capacity was the primary concern articulated by the City at the hearing.

Quality of service concerns unrelated to plant capacity were also voiced by public witnesses at the hearing and these have been referred to the Company and the Commission's Staff for resolution. A few of the public witnesses voiced opposition to the Company's proposed rate increase. The Commission is sympathetic to the effect of increased water rates on those with fixed or limited incomes. However, the Commission does not find that these statements provide a basis for rejecting the Stipulation concluded by the parties.

The Commission notes that several of the public witnesses complained of frequent increases in water rates. Since Company has not received a rate increase

for five years, the Commission surmises that the increase noted on the customers' water bills is a result of an increase in the City's sewer tax which is billed on behalf of City by Company. The Commission is of the opinion that Company might wish to investigate the cost-effectiveness of prominently labeling this charge as one levied by the City. This approach might prevent customer confusion by distinguishing those charges set by the Commission from those charges set by the City.

The City in its application for intervention also requested that the Commission provide the Company's customers with a public hearing following the notice of Company to its customers of a proposed rate increase. The Commission determines that an additional public hearing is unnecessary since the Company's customers were provided an opportunity to address the proposed rate increase and other matters at the hearing held on October 11, 1988.

Notice of Company's proposed rate increase of 15.25 percent was provided to the residents of Company's service area by newspaper in March, 1988. On September 9, 1988, Company mailed individual notices of this proposed rate increase to all of its customers. This personal notice contained notification of the date, time and place of hearing on the matter. It does not constitute lack of notice that the parties to the case concluded a Stipulation for a rate increase of a lesser amount (5.2%) than the increase contained in the notice.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

Company is a public utility subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, RSMo 1986, as amended. The Company's revised tariffs, which are part of the subject matter of this proceeding, were suspended pursuant to the authority vested in this Commission by Section 393.150, RSMo 1986.

The Commission may accept a stipulated settlement on any contested matter submitted by the parties pursuant to Section 536.060, RSMo 1986. The Commission determines that the terms of agreement among the parties as set forth in the

Stipulation and Agreement are reasonable and proper and should be accepted including the final disposition of all the matters at issue in this case except the issue concerning continuing property records.

It is, therefore,

ORDERED: 1. That the Stipulation and Agreement entered into among the parties to this case, as set forth herein, is accepted and adopted hereby including the final disposition of all but one of the matters at issue in this case as set forth above.

ORDERED: 2. That for purposes of implementing the Stipulation and Agreement approved herein, the revised tariffs herein suspended are disapproved hereby and Capital City Water Company of Jefferson City, Missouri, is authorized hereby to file in lieu thereof tariffs consistent with the Stipulation and Agreement. Said tariffs are to be filed within two (2) working days of the issuance of this Report and Order as provided for in the Stipulation and Agreement.

ORDERED: 3. That the application to intervene and the request for a public hearing, both made by Jefferson City, Missouri, are denied hereby for the reasons set forth above.

ORDERED: 4. That Jefferson City, Missouri, is granted hereby participation without intervention in the instant case pursuant to Commission Rule 4 CSR 240-2.110(15).

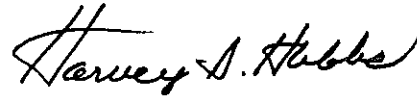
ORDERED: 5. That the Commission's Secretary is directed hereby to establish a docket for the investigation of Company's plant capacity for receipt from Capital City Water Company of the Projection Study ordered herein. This docket is to be denominated Case No. WO-89-76.

ORDERED: 6. That Capital City Water Company is directed hereby to file with the Commission's Secretary on or before March 31, 1989, in Case No. WO-89-76, the Projection Study provided for in the Stipulation and Agreement approved herein.

ORDERED: 7. That the Commission's Secretary is directed hereby to send notice and establish a service list as to Case No. WO-89-76 as provided above.

ORDERED: 8. That this Report and Order shall become effective on the 21st day of October, 1988.

BY THE COMMISSION

A handwritten signature in cursive script, reading "Harvey G. Hubbs".

Harvey G. Hubbs
Secretary

(S E A L)

Steinmeier, Chm., Musgrave, Mueller,
Hendren and Fischer, CC., Concur.

Dated at Jefferson City, Missouri,
this 14th day of October, 1988.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Capital City)
 Water Company, Jefferson City,)
 Missouri for authority to file) Case No. WR-88-215
 tariffs increasing rates for)
 water service in the Missouri)
 service area of the Company.)

STIPULATION AND AGREEMENT

The Staff of the Commission has conducted an audit of the Company's books and records and each of the parties to this case, including the Company, the Staff, and the Office of the Public Counsel, have participated in a prehearing conference and have conducted negotiations over the results of the Staff's audit. As a product of these negotiations, the parties stipulate and agree as follows:

1. That Company should be authorized to file revised tariffs designed to increase its Missouri jurisdictional gross annual revenues above its present rate revenues by approximately \$125,000, exclusive of license, occupation, franchise, gross receipts, Water District #2 revenue, or other similar fees or taxes effective for service rendered on and after October 21, 1988; that although such date is prior to the thirty (30) days notice required by Section 393.140 RSMo, good cause has been shown by virtue of the investigation of the Staff of the Public Service Commission over the preceding six months and its entry into this Stipulation and Agreement; and that should the Commission issue such an order permitting the tariffs to become effective in the manner set out herein, Company will make the appropriate tariff filing to implement the terms of said order within two working days of the issuing of a Report and Order accepting the terms of this Stipulation.

2. That tariffs designed to implement said revenue increase are attached hereto as Appendix A and made a part hereof for all purposes, and do in fact, implement the revenue increase agreed to herein;

3. That within two working days of the issuing of a Commission Report and Order accepting the terms of this Stipulation, together with its revised tariff filing, the Company

will file a new tariff to establish rates for interruptible customers, in substantial conformance with the tariff sheet attached hereto as Appendix B. Such tariff shall become effective thirty days after filing.

4. That this Stipulation and Agreement is a negotiated dollar settlement and, among other items, the parties have taken into account any decreases in Company's gross annual revenue requirement for its Missouri jurisdictional water operations which have resulted or may result from the enactment of the Federal Tax Reform Act of 1986 and interpretative rulings or regulations issued thereunder; and that as a consequence, should the Commission approve this Stipulation and Agreement, the Company should be released from any further responsibilities or requirements under the Commission's Tax Reform Docket, Case No. AO-87-48;

5. That one issue remains unresolved between the parties, that being the form or adequacy of the continuing property records of the Company. The parties hereby request a review and decision by the Commission on this dispute. Each party proposes to make its case on this issue through the prefiling of testimony with the Company filing rebuttal testimony on September 23, 1988, and all other parties prefiling surrebuttal testimony on September 28, 1988. The parties do not foresee the need for live testimony or any cross-examination on this issue, and in any case, can submit any objection it has to said prefiled testimony, or raise the need for any oral presentation, live testimony or cross-examination on or before September 30, 1988. The parties respectfully ask the Commission to advise the parties whether or not it desires to examine witnesses on this issue, at some time before the date set for hearing, in order to facilitate travel arrangements for the Company's witness.

6. All parties also agree on several issues which do not have a dollar impact in the current case, but which will impact cost of service in the future. These issues are as follows:

a. The Company agrees to redesign the time sheets

which are prepared by the District employees so as to provide the information which is detailed on the time sheets utilized by General Waterworks Management and Service Company.

- b. The Company agrees to implement a methodology, other than a log, for tracking backhoe and vehicle costs which are transferred to construction.
- c. The Company agrees to perform a Projection Study which will determine the potential for future capital requirements and timing thereof which are necessary to meet increased system demands.
- d. The Company will perform a Depreciation Study and submit it as part of its next rate case.
- e. The Company agrees to complete a General Plant Property Inventory prior to its next rate case.

7. That apart from matters otherwise specified, the parties to this Stipulation and Agreement shall not be deemed to have approved or acquiesced to any ratemaking principle, valuation method, or cost of service method, cost allocation or rate design proposal; and any dollar amounts used in this Stipulation and Agreement or in the rates and tariffs provided for by this Stipulation and Agreement shall not prejudice, bind, or affect any party hereto except to the extent necessary to give effect to the terms of this Stipulation and Agreement, if approved by the Commission.

8. Prefiled direct testimony and schedules of Company witnesses Gerald M. Hill, Frank L. Fitzpatrick, and David M. Brooks, and Public Counsel witness Diane M. Deardeuff, and of Staff witnesses William A. Meyer, Jr., Melvin T. Love, Rebecca L. Rucker, Michael J. Wallis, Jay W. Moore, Mehdi Nazeri, James A. Merciel, Jr., Wess A. Henderson, and Teresa A. Ralston as well as any prefiled rebuttal or surrebuttal testimony, may be received into evidence in this proceeding without the necessity of the witness taking the witness stand.

9. Any party shall have the right to provide to the Commission an explanation of its rationale for entering into this Stipulation and Agreement, and to provide to the Commission whatever detailed written support the Commission may request. Such party memorandum or explanation shall not become a part of the record of this proceeding and shall not bind or prejudice such party in any future proceeding or in this proceeding in the event the Commission does not approve this Stipulation and

Agreement. It is understood by the parties hereto that any rationale advanced in such memorandum or explanation is not acquiesced in or otherwise adopted by any other party.

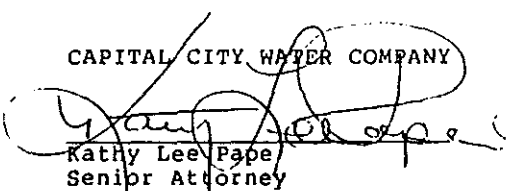
10. That in the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive their respective rights to cross-examine witnesses and to present oral arguments or written briefs, to require the reading of the transcript pursuant to Section 536.080 RSMo 1986, and to their respective rights of judicial review pursuant to Section 386.510 RSMo 1986, except as otherwise stated.

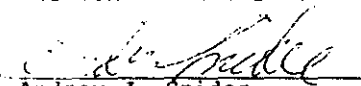
11. That the agreements contained in this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent; that in the event the Commission does not approve and adopt the terms of this Stipulation and Agreement and in the event the tariffs agreed to herein do not become effective in accordance with the provisions contained herein, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

Respectfully submitted,

CAPITAL CITY WATER COMPANY

MISSOURI PUBLIC SERVICE COMMISSION


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FORM NO. 13 P.S.C.MO. No. 3 5th ~~(Original)~~ SHEET No. 1
(Revised)
Cancelling P.S.C. MO. No. 3 4th ~~(Original)~~ SHEET No. 1
(Revised)
Capital City Water Company For Jefferson City, Mo. and Cole County

Missouri, adjacent to Jefferson City, MO.

RATE A
METER RATE - CITY AND SUBURBAN

APPLICATION - This schedule is applicable to residential, commercial, industrial, municipal and other general service.

*RATE TABLE - For water use as determined by meter:

First 100 Cubic Feet per Month Minimum Service Charge
Next 31,400 Cubic Feet per Month @ \$1.536 per 100 cu. ft.
Over 31,500 Cubic Feet per Month @ \$.91 per 100 cu. ft.

*SERVICE CHARGE - The following monthly service charges must be paid regardless of the quantity of water used. It entitles the customer to 100 cubic feet of water.

| <u>METER SIZE</u> | <u>MONTHLY SERVICE CHARGE</u> |
|--------------------|-------------------------------|
| 5/8" Water Meter | \$ 5.15 |
| 1" Water Meter | 7.26 |
| 1-1/2" Water Meter | 10.76 |
| 2" Water Meter | 14.97 |
| 3" Water Meter | 24.78 |
| 4" Water Meter | 38.81 |
| 6" Water Meter | 73.36 |

There is no minimum other than the above listed monthly service charge.

TERMS OF PAYMENT - All bills for service under this schedule will be rendered in arrears monthly. The bills at the above rates are due and payable when rendered, and become delinquent after 21 days.

*Indicates new rate or text
+Indicates change

DATE OF ISSUE _____

Date Effective _____

ISSUED BY J. A. Dysard, Manager

Jefferson City, Missouri

FOR 10. 13 P.S.C.MO. No. 3 5th (Original) SHEET No. 3
(Revised)
Cancelling P.S.C. MO. No. 3 4th (Original) SHEET No. 3
(Revised)
Capital City Water Company For Jefferson City, Mo. and Cole County
Missouri, adjacent to Jefferson City, MO.

RATE D
PRIVATE FIRE SERVICE RATES

APPLICATION - This rate is applicable to fire hydrants and fire protection systems installed on private property.

CONSTRUCTION PROVISION - The expense of the installation of the fire protection system will be borne by the customer. A detector meter of an approved make and size must be incorporated in each fire protection system. The tap size must be approved by the company.

TERMS OF PAYMENT - All bills under this schedule will be rendered in arrears monthly. The bills at the listed rates are due and payable when rendered, and become delinquent after 21 days.

*RATE TABLE-

| <u>TAP SIZE</u> | <u>MINIMUM ANNUAL CHARGE</u> |
|---|------------------------------|
| 2" or less | \$ 41.95 |
| 4" | 167.80 |
| 6" | 377.55 |
| 8" | 671.20 |
| 10" | 1,048.75 |
| Each Private Fire Hydrant Located in Company Mains | 377.55 |

For private fire services where fire booster pumps are utilized by the customer, the annual charge shall be determined by an equivalent (tap) size. The equivalent tap size shall be the standard pipe size that would deliver, at a velocity of 5 feet per second, the flow capacity of the fire booster pumps.

SPECIAL PROVISIONS-

1. Private fire hydrants and protection systems are to be used solely for the extinguishing of fires or for fire drills.
2. No connections for water service for uses other than fire protection shall be made to any private fire protection system.

*Indicates new rate or text
+Indicates change

DATE OF ISSUE _____

Date Effective _____

ISSUED BY J. A. Dysard, Manager

Jefferson City, Missouri

FORM NO. 13 P.S.C.MO. No. 3 5th (~~Original~~) SHEET No. 4
(Revised)
Cancelling P.S.C. MO. No. 3 4th (~~Original~~) SHEET No. 4
(Revised)
Capital City Water Company For Jefferson City, Mo. and Cole County

Missouri, adjacent to Jefferson City, MO.

RATE E
RATE FOR MANUFACTURERS AND LARGE QUANTITY USERS OF WATER

APPLICATION - This rate is applicable to Manufacturers and Large Quantity Users of Water whose use is fairly constant throughout the year and is not less than 60,000 cubic feet per month.

This rate is not available to users of water in residences, apartment dwellings, hotels, hospitals, educational institutions, or for irrigation or construction purposes.

*RATE - For all water used as registered by meter:

First 60,000 Cubic Feet per Month - Minimum Service Charge
Over 60,000 Cubic Feet per Month @ \$0.91 per 100 cubic feet

*SERVICE CHARGE - The following monthly service charges must be paid regardless of the quantity of water used. It entitles the customer to 60,000 cubic feet of water.

| <u>METER SIZE</u> | <u>MONTHLY SERVICE CHARGE</u> |
|-------------------|-----------------------------------|
| 2" Water Meter | \$ 559.43 |
| 3" Water Meter | 569.24 |
| 4" Water Meter | 583.27 |
| 6" Water Meter | 617.82 |

MINIMUM CHARGE - The minimum charge in any month shall be 60% of the maximum charge that occurred for any of the months of June, July, August, or September in the twelve (12) months period preceding the month for which the bill is rendered, except that the minimum shall not be less than the service charges stated above.

If the customer is forced to close the operations of its plant for a period of 10 days or more because of accidents, fires, damage to plant, strikes of its own employees, acts of God, Governmental regulations or other cause not reasonably within its control, and the customer gives Water Company written notice not later than thirty days after such occurrence, the customer will be entitled to a pro-rated reduction in the monthly minimum charge for the period the customer is unable to use full water service for such cause.

*Indicates new rate or text

+Indicates change

DATE OF ISSUE _____

Date Effective _____

ISSUED BY J. A. Dysard, Manager

Jefferson City, Missouri

FOR O. 13 P.S.C.MO. No. 3 3rd (Original) S T No. 2
(Revised)
Cancelling P.S.C. MO. No. 3 2nd (Original) SHEET No. 2
(Revised)
Capital City Water Company For Jefferson City, Mo. and Cole County

Missouri, adjacent to Jefferson City, MO.

RATE SCHEDULE B

SPECIAL RATE FOR INTERRUPTIBLE CUSTOMERS

Rate For:

MISSOURI STATE PENITENTIARY

Rate: Minimum annual rate (includes 7,464 Ccf usage) - \$9,605.76

Monthly Usage Rates:

0 - 315 Ccf @ \$ 1.65 per Ccf
All usage in excess of 315 Ccf @ \$.91 per Ccf

Should the prison not use enough water to exceed the annual minimum bill allowance by June 15 of each fiscal year, the Company will bill the prison for the difference.

Definition of an Interruptible Customer:

A customer whose service may be turned off if its usage will cause the Company's daily need for water to exceed the Company's daily production capacity.

Service Conditions:

An interruptible customer shall notify the Company when it turns on the supply from the Company. The customer shall estimate its daily use and advise the Company within 24 hours.

DATE OF ISSUE _____

Date Effective _____

ISSUED BY _____

FORM NO. 13 P.S.C.MO. No. 3 (Original) SHEET No. 2-A
(Revised)
Cancelling P.S.C. MO. No. _____ (Original) SHEET No. _____
(Revised)
Capital City Water Company For Jefferson City, Mo. and Cole County
Missouri, adjacent to Jefferson City, MO.

RATE SCHEDULE B

SPECIAL RATE FOR INTERRUPTIBLE CUSTOMERS

Rate For:

CAPITOL COMPLEX

Rate: Minimum annual rate (includes 2,040 Ccf usage) - \$4,028.04

Monthly Usage Rates:

0 - 170 Ccf @ \$ 1.97

171 - 315 Ccf @ \$ 1.536

All usage in excess of 315 Ccf @ \$.91 per Ccf

Should the Capitol Complex not use enough water to exceed the annual minimum bill allowance by June 15 of each fiscal year, the Company will bill the Capitol Complex for the difference.

Definition of an Interruptible Customer:

A customer whose service may be turned off if its usage will cause the Company's daily need for water to exceed the Company's daily production capacity.

Service Conditions:

An interruptible customer shall notify the Company when it turns on the supply from the Company. The customer shall estimate its daily use and advise the Company within 24 hours.

DATE OF ISSUE _____

Date Effective _____

ISSUED BY _____