

RATE INCREASE REQUEST LETTER – COMBINED SEWER & WATER SERVICE

November 9, 2015

Secretary of the Commission
Missouri Public Service Commission
Attn: Data Center
P.O. Box 360
Jefferson City, MO 65102

FILED
November 9, 2015
Data Center
Missouri Public
Service Commission

RE: Requests for Increases in Annual Sewer and Water System Operating Revenues
MO PSC Small Utility Rate Case Procedure

Dear Secretary:

Roy L Utilities, Inc. (the Company) holds certificates of public convenience and necessity granted by the Missouri Public Service Commission (the Commission), under which the Company provides sewer collection and treatment services and water supply and distribution services in Montgomery County, Missouri. The Commission first authorized the Company to provide regulated sewer utility service in April 1975 and regulated water utility service in April 1975. The Company currently provides service to approximately 57 sewer customers and approximately 60 water customers within its certificated area under the provisions of its Commission-approved tariffs. The Company's customer rates for sewer service were last changed in May 2014. The Company's customer rates for water service were last changed in May 2014.

Pursuant to 4 CSR 240-3.050, the Commission's rule pertaining to rate increase requests made by qualifying small utilities, the Company is hereby requesting an increase of \$3,000 in its annual sewer system operating revenues and an increase of \$6,000 in its annual water system operating revenues. Based upon current customer rates and customer numbers, these increases represent changes of approximately 28% in the Company's annual sewer system operating revenues and approximately 35% in the Company's annual water system operating revenues. The Company understands that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions will also be reviewed during the Commission Staff's review of the rate increase requests, and may thus be the subject of Staff recommendations at the conclusion of the rate increase process.

The specific reasons for the requested increases in the Company's annual operating revenues for sewer service include: increases in utility plant investment; increases in operation and maintenance expenses; and increases in the Department of Natural Resources' annual sewer discharge permit fees.

The specific reasons for the requested increases in the Company's annual operating revenues for water service include: increases in utility plant investment; and increases in operation and maintenance expenses.

Currently there are 28 out of 60 customers who are metered. These metered rates are new structure of rates as of May 2014. These need to be looked at and adjusted now that more than one year of this type of charges has been made. The metered rates were new rates with the last rate case and the company feels they were created to the best of the ability of the Public Service Commission. They simply need to be adjusted. When the meters were first installed a huge water leak was detected which substantially played a part in the miscalculation of water usage. The company feels that the base cost of the part time meter customers' needs to be increased. Also need to look into adjusting the part time/full time rates. The company still has the expense of maintaining lines whether the customer is part time or full time. It is not less expensive to the company to provide service if the customer is part time. This is just one reason why rates need to be increased.

The company would like to implement a surcharge/contingency fund to the customers for \$2 per month per customer. This surcharge would be used for improvements and unanticipated repairs and maintenance by the company.

Currently rates are based on previous history over a 3 year period average. This does not allow for improvements and unexpected repairs. With the age of the system, the repairs will continue to increase. Water lines and sewer lines need to be replaced. Sewer man holes need to be repaired. When a rate case is filed, the company has already spent money not included in the current rates. After approx. 9 months for the case to be final there is usually even more expense. The company gets further and further behind. How are they ever to "catch up"? The surcharge is an opportunity to have cash on hand to pay any unexpected bills and not get behind in paying bills that are already accounted for in the rates. Money to be paid to the manager and owner is always the last on the list of bills to get paid, if and when that is possible. Is it right for a contracted person not to get paid on a regular basis? The work continues to get completed without a guarantee that the contracted person will be compensated. The company is to provide safe and adequate drinking water to the customers. Adequate funds are required to do this.

Below is a partial list of expenses that have recently come up. Some of these projects have already been completed:

- A sewer line needs to be dug ' 15 deep by approx. 20' long and replaced. With the possibility of a second dig on the same line. (\$1500 in expenses has already occurred to determine this).
- The retaining wall around the pump house has not been erected.
- A new computer was needed.
- A "room" needs to be built around the chlorinator.
- A water line needs to be aborted and a new line needs to be installed as the old line is only 18" deep and is constantly being repaired. (Approx. 1800 ft. of line.) During this time 4 to 7 meter pits will be installed.
- Sewer man holes need repair.

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- Refurbished meter reader and cut holes in existing meter lids.
- Create an “all weather” access road to the lagoon. This is required from DNR.

These expenses add up to approx. \$20,500.

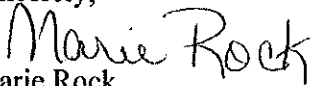
None of these expenses are able to be paid for by the Company in addition to the “normal” expenses with the current rates. The Manager has loaned the company money to help pay for some of these unexpected expenses. The manager is under no obligation to invest or loan the company money since they are not the owner. If a finance case has to be filed with the next rate case then that could increase the expense of the company by another \$10,000 in which case will be passed on to the customers. Once again how long will it take for the company to recover this expense? It is a vicious circle of never being able to catch up! These large expenses are another reason why the rates need to be increased.

Furthermore, the Company requests a waiver of Commission Rule 4 C SR 240-4.020(2), requiring notice to be filed with the secretary of the Commission a minimum of sixty days prior to filing a small company rate case, because the Company needs to have new rates take effect as soon as possible and the Company cannot wait an additional sixty days to file.

Lastly, I wish to advise you that the Company is current on the payment of its Commission annual assessments (all past and current assessments have been paid in full) and the filing of its Commission annual reports. Additionally, the Company will remain current on these items during this small company rate increase procedure.

Thank you for your attention to this important matter. Please contact me at your convenience if you need additional information regarding this request.

Sincerely,


Marie Rock
Manager, Roy L Utilities, Inc.
636-358-6150

Copies: Jim Russo – Commission Staff
Christina Baker– Office of the Public Counsel