

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

Timothy and Diane Grady,)	
)	
Complainants,)	
)	
vs.)	<u>Case No. SC-2015-0139</u>
)	
Missouri-American Water Company,)	
)	
Respondent.)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and, as directed by the Commission's *Order* of December 16, 2014, hereby tenders to the Commission the report of its investigation into this matter and hereby recommends that the Commission **DISMISS** the *Complaint* filed herein by Complainants for the reasons set out in Staff's attached *Memorandum*.

Respectfully submitted,

/s/ Kevin A. Thompson
KEVIN A. THOMPSON
Missouri Bar Number 36288
Chief Staff Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
573-751-6514 (Voice)
573-526-6969 (Fax)
kevin.thompson@psc.mo.gov

Attorney for Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all counsel of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, on this **14th Day of January, 2015.**

/s/ Kevin A. Thompson

STAFF REPORT OF INVESTIGATION

TO: Missouri Public Service Commission Official Case File
Case No. SC-2015-0139
Timothy and Diane Grady v Missouri-American Water Company

FROM: James A. Busch, Manager – Water and Sewer Unit

DATE: January 14, 2015

/s/ James A. Busch 1/14/15
Water & Sewer Department/Date

/s/ Kevin Thompson 1/14/15
Staff Counsel's Office/Date

BACKGROUND

Timothy and Diane Grady (the Gradys or Customer) reside at 1960 Dry Hollow Road, Saddlebrooke, MO. The Gradys live in the Village of Saddlebrooke, which is just north of Branson. Missouri-American Water Company (MAWC or Company) provides water and sewer service to the residents of Saddlebrooke. The Gradys receive sewer service from MAWC but not water service. The Gradys' water is supplied via a customer-owned well on their property.

The Gradys are complaining that they are being overcharged for their wastewater service by MAWC. The Gradys complain that, since they do not receive water service from MAWC and thus do not have a water meter, that MAWC is incorrectly billing them for usage. The Gradys want their rate reduced to the monthly minimum charge and to be refunded the amounts that they believe they were overcharged.

MAWC obtained a Certificate of Convenience and Necessity (CCN) from the Commission to provide water and sewer service in the Saddlebrooke service area in Case No. WA-2012-0066. The Commission order approving the CCN became effective on July 21, 2012. Approved tariffs became effective on August 10, 2012, and MAWC commenced providing water and wastewater service to the customers within Saddlebrooke.

In Spring of 2014, MAWC became aware that there were two residences in Saddlebrooke that were receiving service, but were not being charged for that service. The residences in question were located at 1956 Dry Hollow Road and 1960 Dry Hollow Road (the Gradys' residence). Unlike every other Saddlebrooke customer, these two customers are wastewater only. In addition to the lack of a water utility connection, these two residences are gated and access to them is limited. Other customers in Saddlebrooke informed MAWC that these residences were connected to the Company's collection system.

The problem of unknown connections to a sewer collection system is unfortunately a common occurrence for sewer utilities. This is because the connection made to hook a

premise into the system is not visible by simple observation. Thus when a new entity purchases an existing system, it sometimes takes some time to determine exactly how many customers are connected to the collection system and are using the wastewater treatment facilities.

Generally, when a previously unknown sewer customer is found, the sewer utility simply starts charging the customer for the service. However, this situation was different because of MAWC's approved rate structure for sewer service in the Saddlebrooke service area. Most MAWC wastewater customers in the state of Missouri are charged a flat rate for wastewater service. Most of those customers pay a tariffed rate of \$65.22 each month for that service. In Saddlebrooke, wastewater is based on a monthly minimum charge and a water-usage commodity charge. For a residential customer with a 5/8" meter charge, the monthly minimum charge is \$40.97. The commodity charge is \$6.0324 per 1,000 gallons of usage. The monthly commodity charge for the year is determined for each customer by using the customer's average of water usage in December, January, and February.

For the Gradys and the other sewer-only customer, determining sewer billing by using the customer's monthly water usage data is not possible at this time, due to the fact that the customers use their own well for water service and there is no water meter in use. In and around April of 2014, MAWC contacted Staff. The contact indicated that there were two customers who were on MAWC's wastewater system, that the customers were not receiving bills, that the customers did not receive water service from the Company, and there was not a good way to apply the approved sewer rates.

The Company was able to locate the customer's information and conferred with Staff regarding the best way to charge these customers. Staff reviewed the tariff and noted that it consisted of a monthly minimum charge and a commodity charge. The tariff language indicates that the commodity charge is to be based on the average monthly water usage in the months of December, January, and February. Since these customers did not have any usable water use data, an alternative method for determining usage needed to be found. It was decided, and Staff agreed, that the average winter usage of all customers in Saddlebrooke would be used as a surrogate for the usage of these two customers. MAWC determined that the average winter usage of all of MAWC's Saddlebrooke customers was 4,140 gallons. The 4,140 gallons was the amount used to determine the commodity portion of these two customer's sewer bills.

After nearly two years of receiving free service from MAWC, the residences in question were sent bills in September 2014.

FINDINGS

Staff has reviewed the Gradys' complaint. The complaint consists both of the formal case that was filed on December 2, 2014, and an informal complaint that was submitted

to Staff on September 15, 2014. The bills that the customer received consisted of the following for wastewater service:

<u>Billing Date</u>	<u>Wastewater Charge</u>
August 12, 2014	\$34.69
September 8, 2014	\$65.94
October 2, 2014	\$65.94
November 4, 2014	\$65.94
December 2, 2014	\$65.94

Staff's opinion is that these charges are consistent with the tariff approved by the Commission, when applying the Saddlebrooke-wide average winter water usage. In Staff's opinion, the characteristics of the customers in the Saddlebrooke service territory are similar and the actions of MAWC related to the Gradys' billing reflect the most equitable manner to charge the sewer-only customers in Saddlebrooke.

SUMMARY AND STAFF'S RECOMMENDATION

It is Staff's opinion that applying the Saddlebrooke-wide average winter water use to these two sewer-only customers is reasonable, and doing so does not violate the tariff. Based on Staff's review of the situation, it is Staff's opinion that Missouri-American Water Company has not violated its tariff. Staff recommends that the Commission dismiss this complaint.

If the Commission wishes to address this situation in an alternative manner, Staff recommends the following:

- The Commission could authorize MAWC to file this methodology for sewer billing in its tariff No. 16.
- The Commission could authorize MAWC to file a flat rate in its tariff No. 16, based on average Saddlebrooke water usage, to apply to customers who are sewer-only customers in Saddlebrooke.
- The Commission could authorize MAWC and the customer to work together to apply tariff Rule 4(h) located on Original Sheet No. 9, in P.S.C. MO. NO. 16. This Rule states:

When sewer charges are based on water usage, the Company reserves the right to refuse sewer service to any applicant unless said applicant agrees to install a water meter accessible to the Company, so that there will be a basis for sewer charges.