

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

In the Matter of a Small Utility Rate)
Case Procedure for Rogue Creek)
Utilities, Inc.) **File No. SR-2013-0435**

In the Matter of a Small Utility Rate)
Case Procedure for Rogue Creek)
Utilities, Inc.) **File No. WR-2013-0436**

**NOTICE OF COMPANY/PUBLIC COUNSEL AGREEMENT REGARDING
DISPOSITION OF SMALL COMPANY RATE INCREASE REQUESTS**

COMES NOW the Office of the Public Counsel (Public Counsel or OPC), by and through counsel, and on behalf of itself and Rogue Creek Utilities, Inc. (Rogue Creek or Company) and for its Notice of Company/Public Counsel Agreement Regarding Disposition of Small Company Rate Increase Requests states as follows:

1. On March 27, 2013, the Missouri Public Service Commission (Commission) received a letter from Rogue Creek, operating under the control of its receiver, Johansen Consulting Services, requesting Commission approval of an increase of \$48,565.00 in its annual sewer system operating revenues and an increase of \$40,425.00 in its annual water system operating revenues, pursuant to Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure. The Company's requests for its sewer and water operations were assigned Commission Case Nos. SR-2013-0435 and WR-2013-0436, respectively.

2. On November 8, 2013, Rogue Creek and the Staff of the Missouri Public Service Commission (Staff) filed a *Joint Staff and Company Disposition Agreement and Request for Arbitration* (Company/Staff Agreement) in each case. In the Company/Staff Agreement, the

parties attached two partial disposition agreements between Staff and Rogue Creek regarding the resolution of Rogue Creek's water and sewer revenue increase requests. Staff and Rogue Creek requested arbitration of the unresolved issues in these cases.

3. On November 15, 2013, Public Counsel stated its opposition to the Company/Staff Agreement and the attached partial disposition agreements between Staff and Rogue Creek, and requested an evidentiary hearing on its concerns.

4. On December 23, 2013, Public Counsel filed a Notice with the Commission stating that it believed a resolution had been achieved and that in the near future an agreement and related tariff revisions would be filed with the Commission which adequately resolved Public Counsel's concerns. As a result of this pending resolution, Public Counsel withdrew its request for an evidentiary hearing.

5. Pursuant to negotiations between the parties, Rogue Creek and Public Counsel have been able to reach a *Company/OPC Agreement Regarding Disposition of Sewer and Water Revenue Increase Requests* (Company/OPC Agreement) as a full resolution of all issues in the above stated cases. Included in Appendix A, attached hereto, is a copy of the above-referenced Company/OPC Agreement, as well as various attachments related to the Company/OPC Agreement.

6. The Company/OPC Agreement includes an agreed-upon annualized operating revenue increase of \$25,521 for the Company's water operations and \$36,453 for the Company's sewer operations.

7. Staff and the Department of Natural Resources have indicated to Rogue Creek and Public Counsel that they do not oppose the Company/OPC Agreement.

WHEREFORE, on behalf of itself and Rogue Creek Utilities, Inc., Public Counsel submits this Notice of Agreement and the attached Appendix A for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Rogue Creek and Public Counsel.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ Christina L. Baker

By: _____

Christina L. Baker (#58303)
Deputy Public Counsel
P O Box 2230
Jefferson City, MO 65102
(573) 751-5565
(573) 751-5562 FAX
christina.baker@ded.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 4th day of February 2014:

General Counsel Office
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
staffcounsel@psc.mo.gov

Amy Moore
General Counsel Office
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
amy.moore@psc.mo.gov

Dale Johansen
Rogue Creek Utilities, Inc.
915 Country Ridge Drive
Jefferson City, MO 65109
dalewjconsult@gmail.com

Jeremy Knee
Missouri Department of Natural Resources
P.O. Box 899
221 West High
Jefferson City, MO 65102
jeremy.knee@ago.mo.gov

/s/ Christina L. Baker

Appendix A

**COMPANY/OPC AGREEMENT REGARDING DISPOSITION
OF SEWER AND WATER REVENUE INCREASE REQUESTS**

ROGUE CREEK UTILITIES, INC.

MO PSC CASE NOS. SR-2013-0435 & WR-2013-0436

BACKGROUND

On March 27, 2013, the Missouri Public Service Commission (Commission) received a letter from Rogue Creek Utilities, Inc. (Company), operating under the control of its receiver, Johansen Consulting Services, requesting Commission approval of an increase of \$48,565.00 in its annual sewer system operating revenues and an increase of \$40,425.00 in its annual water system operating revenues, pursuant to Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure. The Company's requests for its sewer and water operations were assigned Commission Case Nos. SR-2013-0435 and WR-2013-0436, respectively.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUESTS

Pursuant to negotiations, the Company and the Office of the Public Counsel (OPC) hereby state the following agreements as a resolution of the Company's rate increase requests:

- (1) That the agreed-upon annualized operating revenue increase of \$25,521 for the Company's water operations and \$36,453 for the Company's sewer operations, as set out in the ratemaking income statements attached hereto as Attachment A and incorporated herein, are just and reasonable and result in an agreed-upon total annualized cost of service for the Company. (Attachment B attached hereto, and incorporated herein, contains explanations of each of the items included in the subject ratemaking income statements.)
- (2) That the agreed-upon net rate base balances for the Company's water and sewer operations are \$22,642 and \$39,080, respectively, as of September 30, 2013.
- (3) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission implementing the agreed-upon annualized operating revenue increases as set out in this agreement. The rates to be included in the forthcoming proposed tariff revisions will be designed in the same manner as the rates that were included in the proposed tariff revisions that the Company submitted to the case files on November 20, 2013.
- (4) That the Company agrees to file sewer and water revenue increase requests with the Commission under the Commission's small utility rate increase procedures within 12 months of the effective date of a Commission Order approving this Agreement. Additionally, the Company agrees not to withdraw these rate increase requests without the agreement of Public Counsel.

- (5) That the agreements set out in paragraphs 8, 9, & 11 of the "resolution section" of the Company/Staff partial disposition agreements that were filed in the subject case files on November 8, 2013 are agreed to and incorporated herein.
- (6) That the schedules of depreciation rates attached as Attachment D to the Company/Staff partial disposition agreements that were filed in the subject case files on November 8, 2013 shall be the prescribed schedules of depreciation rates for the Company.
- (7) That OPC or Staff may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Agreement.
- (8) That OPC or Staff may file a formal complaint against the Company, if the Company does not comply with the provisions of this Agreement.
- (9) That the above agreements satisfactorily resolve all issues identified by the Company and OPC regarding the Company's revenue increase requests, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

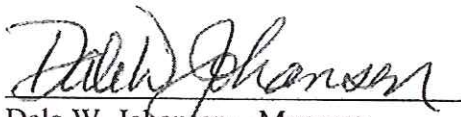
Other than the specific conditions agreed upon and expressly set out herein, the terms of this Agreement reflect compromises between OPC and the Company. The Company acknowledges that OPC will be filing this Agreement and the attachments hereto. The Company also acknowledges that OPC or Staff may make other filings in these cases.

Additionally, the Company agrees that OPC and Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Agreement at any agenda meeting at which that case is noticed to be considered by the Commission. OPC will be available to answer Commission questions regarding this Agreement. To the extent reasonably practicable, OPC shall provide the Company with advanced notice of any such agenda meeting so that it may have the opportunity to also be represented at the meeting.

SIGNATURES

The undersigned Company and OPC representatives state as follows: that they have read this Agreement in its entirety; that upon their best knowledge and belief the facts stated herein are true; that the conditions contained herein accurately reflect the agreements reached between the Company and OPC; and that they freely and voluntarily enter into this agreement.

Agreement Signed and Dated:



Dale W. Johansen – Manager
Johansen Consulting Services, LLC
Court-Appointed Receiver
Rogue Creek Utilities, Inc

2/3/14
Date



Christina Baker
Deputy Public Counsel
Office of the Public Counsel

2-3-14
Date

List of Attachments

Attachment A – Ratemaking Income Statements

Attachment B – Ratemaking Income Statement Explanations

Attachment A – Ratemaking Income Statements

Rogue Creek Utilities - Water Ratemaking Income Statement

Operating Revenues at Current Rates

1	Tariffed Rate Revenues	\$	15,789
2	Miscellaneous Revenues	\$	168
3	Total Operating Revenues	\$	15,957

Cost of Service

	Item		Amount
1	Receivership Fees - monthly base charge	\$	7,200
2	Receivership Fees - travel expenses	\$	2,456
3	Receivership Fees - excess hours	\$	2,197
4	Electricity	\$	1,663
5	Chemicals	\$	3,032
6	Certified Operator Fees	\$	7,200
7	System Maintenance (local labor)	\$	600
8	Outside Services - Contractors	\$	2,111
9	Meter Reading	\$	720
10	Office/Billing Supplies	\$	294
11	Postage	\$	284
12	MO DNR Fees	\$	200
13	PSC Assessment	\$	70
14	Amortization - 18 months (Floyd Medley)	\$	720
15	Amortization - 18 months (Johansen Consulting Services)	\$	10,642
16	Miscellaneous Expenses	\$	2,089
17	Total Cost of Service	\$	41,478

Revenue Increase Needed

\$ 25,521

Rogue Creek Utilities - Sewer Ratemaking Income Statement

Operating Revenues at Current Rates

1	Tariffed Rate Revenues	\$	17,068
2	Miscellaneous Revenues	\$	168
3	Total Operating Revenues	\$	17,236

Cost of Service

	Item		Amount
1	Receivership Fees - monthly base charge	\$	7,200
2	Receivership Fees - travel expenses	\$	2,456
3	Receivership Fees - excess hours	\$	2,197
4	Electricity	\$	4,061
5	Chemicals	\$	600
6	Sludge Removal	\$	3,000
7	Certified Operator Fees	\$	7,200
8	System Maintenance (local labor)	\$	600
9	Outside Services - Contractors	\$	4,358
10	Office/Billing Supplies	\$	294
11	Postage	\$	284
12	MO DNR Fees	\$	150
13	PSC Assessment	\$	1,625
14	Amortization - 18 months (Floyd Medley)	\$	640
15	Amortization - 18 months (Johansen Consulting Services)	\$	10,642
16	Amortization - 36 months (initial sludge hauling)	\$	300
17	Amortization - 36 months (DNR-directed system repairs)	\$	5,027
18	Miscellaneous Expenses	\$	3,055
19	Total Cost of Service	\$	53,689

Revenue Increase Needed

\$ 36,453

Attachment B – Ratemaking Income Statement Explanations

Rogue Creek Utilities

Ratemaking Income Statement Explanations

Test Year and Update Period: A test year consisting of the twelve months ending December 31, 2012, with an update period through September 30, 2013, was used to develop the revenue requirement in this case.

Tariffed Rate Revenues: Water tariffed rate revenues were developed by multiplying the fixed minimum monthly charge of \$13.16 by the number of active metered customers (99) to derive the amount of total customer charge revenues over twelve monthly billing periods and adding to that the annualized commodity revenues that were derived by multiplying the commodity rate by the gallons sold to which the commodity rate is applicable. Sewer tariffed rate revenues were developed by multiplying the fixed minimum monthly charge of \$15.27 by the number of active customers (92) over twelve monthly billing periods.

Miscellaneous Revenues: A normalized level of \$168 for water and \$168 for sewer was included for money received for late payment fees, reconnect fees and other miscellaneous revenue.

Receivership fees (monthly base charge): The base compensation for services provided by the receiver is at the rate of \$1,200 per month plus travel expenses. This base rate includes the first 20 hours of work time. These expenses were normalized at \$14,400 annually and split evenly between water and sewer.

Receivership fees (travel expenses): The travel expense was annualized based on an average of 1.5 trips per month and is the sum of the mileage traveled by the receiver to and from Rogue Creek (260 miles per trip) times the IRS allowed mileage reimbursement rate, the cost of one meal at the federal CONUS rate, and \$20 per hour for five and one half hours of travel time per trip. These expenses were split evenly between water and sewer.

Receivership fees (excess hours): The excess hours expense was annualized based on the average number of hours the receiver works on a monthly basis above the 20 hours per month included in the receiver's base monthly fee multiplied by an hourly rate of \$40.

Electricity: The test year electric expense was adjusted using a two-year average of Rogue Creek's actual electric expenses to normalize the amount.

Chemicals: Rogue Creek uses salt to treat the water sold to its customers. In addition, Rogue Creek is required by MDNR to treat its sewer water prior to discharging it. Rogue Creek uses chlorine tablets to disinfect the discharged water for seven months of the year (April through October) as required by MDNR.

Sludge Removal: This is an estimated annual expense that is based upon the number of customers connected to the sewer system and the capacity of the sewage treatment plant.

Certified Operator Fees: This expense was annualized based on the compensation for a contracted certified operator paid by Rogue Creek during the test year (\$1,200 per month). The annual expense of \$14,400 was split evenly between water and sewer.

System Maintenance (local labor): Local resident Floyd Medley performs various miscellaneous maintenance and operations activities for Rogue Creek and is paid \$100/month for these services. The resulting annual amount of \$1,200 is split evenly between water and sewer.

Outside Services – Contractors: The normalized level is based on a two-year average of the actual vendor invoices paid by Rogue Creek.

Meter Reading: Local resident Floyd Medley provides meter reading services for Rogue Creek. He is paid a rate of \$15 per hour and spends approximately four hours per month reading meters. An annualized level of \$720 for meter reading has been included.

Office/Billing Supplies: An annualized amount of \$588 for office and billing supplies (paper, printer ink, billing forms, etc.) was split evenly between water and sewer.

Postage: An annualized amount of \$568 for postage was split evenly between water and sewer. The amount was based on the number of customers for each system and the current cost of stamps multiplied by twelve.

MO DNR Fees: The actual expense of \$200 per year for water lab fees and \$150 per year for MDNR sewer permit fees was included.

PSC Assessment: Rogue Creek's July 1, 2013, PSC Assessment fee of \$70 for water and \$1,625 for sewer was included.

Amortization – 18 months (Floyd Medley): As of September 30, 2013 Mr. Medley is owed back-payment for his services in the amount of \$1,080 for water services and \$960 for sewer services. An 18-month amortization of these one-time amounts has been included.

Amortization – 18 months (Johansen Consulting Services): As of September 30, 2013 Johansen Consulting Services is owed back-payments for receiver fees, excess hours and travel expenses in the amount of \$31,926. An 18-month amortization of these one-time amounts has been included, split evenly between water and sewer.

Amortization Expense – 36 months (initial sludge hauling): The estimated cost of \$900 for initial sludge hauling has been amortized over 36-months.

Amortization – 36 months (MDNR-directed system repairs): The actual cost of repairs directed by and paid for by MDNR due to a sewer overflow (\$15,081) has been amortized over 36-months.

Miscellaneous Expenses: The miscellaneous expenses reflect the amount needed to reach the agreed-upon revenue increases needed by Rogue Creek.