

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 9th day of June, 2021.

In the Matter of Carl Richard Mills' Request)	<u>File No. WR-2021-0177</u>
to Maintain Water System Rate)	Tariff No. YW-2021-0207

**ORDER APPROVING UNANIMOUS DISPOSITION
AGREEMENT AND REVISED TARIFF**

Issue Date: June 9, 2021

Effective Date: June 26, 2021

In File No. WA-2018-0370, the Commission issued a certificate of convenience and necessity to Carl Richard Mills for a system that provides water service to seven customers in the Carriage Oaks Estates Subdivision in Stone County, Missouri (Carriage Oaks System). In the order granting Mr. Mills a certificate, the Commission directed Mr. Mills to file a rate case with the Commission within one year of the effective date of the order. On December 21, 2020, Mr. Mills submitted a letter to begin a staff-assisted rate case, requesting no change in rates charged for water service.

As required by the Commission rule governing staff-assisted rate cases,¹ the Staff of the Commission (Staff) audited the Carriage Oaks System's books and records, reviewed system customer service and business practices, reviewed the existing tariff, and inspected and reviewed system facilities and operations.

The Commission held a local public hearing on February 2, 2021, by telephone and video conference and heard from three witnesses.² Additional comments have been posted via the Commission's electronic filing and information system. On

¹ 20 CSR 4240-10.075(8).

² *Transcript – Vol. I* (Feb. 16, 2021).

February 10, 2021, Mr. Derald Morgan, who receives service from the system, applied to intervene. On March 10, 2021, the Commission granted Mr. Morgan's unopposed application to intervene.

On May 20, 2021, Staff filed, on behalf of Staff, Mr. Mills, Mr. Morgan, and the Office of the Public Counsel (OPC), a unanimous disposition agreement (Agreement) to resolve all the issues in the rate proceeding. The Agreement provides for a decrease in the annual water revenue requirement, while also requiring some changes in system operations.

The Agreement provides for a revenue decrease of \$161 from the previous revenue level of \$8,111, resulting in total annual revenue of \$7,950. The parties agree the revenue requirement is just and reasonable and designed to recover the cost of service. The Agreement provides for monthly billing with a monthly service charge and an additional charge per 1,000 gallons of water used. Under the Agreement, the quarterly service charge of \$289.68 will be discontinued and the system will charge a monthly service charge of \$68.31 and an additional charge of \$6.3511 per 1,000 gallons of water used. Staff's analysis indicates the bill for a customer using 4,000 gallons of water per month will decrease from \$289.68 per quarter, which is \$96.56 per month, to \$93.71 per month.³ Because a portion of charges will be based on water use, customers who use less water will have lower monthly bills.

The Agreement establishes a net rate base of \$15,479. The parties also agreed to a capital structure that includes an overall recommended rate of return of 6.73%, calculated based on a hypothetical capital structure consisting of 100% equity and a

³ *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request, Attachment F: Billing Comparison Worksheet (May 20, 2021).*

return on equity of 6.73%. The Agreement also includes prescribed schedules of depreciation rates for water plant.

In addition, under the Agreement, Mr. Mills agrees to implement Staff's recommendations to: record monthly meter reads⁴ and provide reports to the Commission; provide water samples for laboratory analysis of bacterial contamination and iron content at six-month intervals; obtain an evaluation of the system from a professional engineer and file the report with the Commission; maintain a minimum pressure of 20 psi throughout the system under all flow conditions; and establish a written flushing procedure.⁵ The Agreement requires Mr. Mills to mail to customers written notice of the rates and charges included in tariff revisions after issuance of a Commission order approving the Agreement.

Section 393.150, RSMo (2016), authorizes the Commission to set rates after a hearing. The hearing requirement is met when the opportunity for hearing has been provided.⁶ The parties reached a unanimous agreement disposing of all of the issues, and no party has requested a hearing.⁷

Upon review of the Agreement and attachments, the Commission finds and concludes that the Agreement is reasonable and should be approved. Furthermore, the proposed rates set out in the tariff sheet are just and reasonable.

⁴ The Carriage Oaks System is equipped with meters for each current customer. Meter reads have not previously been used for billing. *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, Attachment I: Water and Sewer Dept. Report, p. 2.

⁵ *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, Attachment I: Water and Sewer Dept. Report, p. 11-12.

⁶ *State ex rel. Rex Deffenderfer Enters., Inc. v. Pub. Serv. Comm'n*, 776 S.W.2d 494, 496 (Mo. App. 1989).

⁷ Commission Rule 20 CSR 4240-10.075(11) establishes deadlines for requesting a hearing in a staff-assisted rate case.

As required by the Agreement, Mr. Mills filed a revised tariff sheet on May 27, 2021, assigned Tariff No. YW-2021-0207, bearing an effective date of June 26, 2021. Staff on June 4, 2021, advised the tariff sheet is in compliance with the Agreement and recommended the Commission approve the tariff sheet or allow it to take effect by operation of law.

The Commission will approve the Agreement and revised tariff sheet. To approve the tariff sheet to take effect on June 26, 2021, this order will be effective fewer than 30 days from the date of issuance.

THE COMMISSION ORDERS THAT:

1. The Agreement, filed on May 20, 2021, and attached to this order, is approved.
2. Mr. Mills, Staff, Mr. Morgan and OPC shall comply with the terms of the Agreement.
3. The tariff sheet specified below, assigned Tariff No. YW-2021-0207, is approved, effective June 26, 2021:

P.S.C. MO No. 1

1st Revised Sheet No. 4, Cancelling Original Sheet No. 4

4. This order shall be effective on June 26, 2021.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Silvey, Chm., Rupp, Coleman, Holsman, and
Kolkmeier CC., concur.

Jacobs, Regulatory Law Judge