

# Notice of Unanimous Supplemental Agreement Regarding Disposition of Small Company Rate Increase Request

## APPENDIX A

### Supplemental Agreement and Attachments

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## Unanimous Supplemental Disposition Agreement

**Unanimous Supplemental Agreement Regarding  
Disposition of Small Company Rate Increase Request**

**RAYTOWN WATER COMPANY**

**MO PSC WORK I.D. No. QW-2003-0023**

**MO PSC Case No. WR-2005-0052**

**Background**

On August 25, 2004 (unless noted otherwise, all dates herein refer to the year 2004), Raytown Water Company ("Company") filed a new revised tariff to, in the most part, implement the provisions of an "Agreement Regarding Disposition of Small Company Rate Increase Request" reached between the Company and the Commission Staff ("Company/Staff Disposition Agreement" and "Staff") pertaining to the above-referenced small company rate increase request. As a result of that tariff filing, the above-referenced rate case was established.

On September 1, the Staff filed the Company/Staff Disposition Agreement in the case papers for the above-referenced rate case (hereafter, all references to "filings" refer to filings in the case papers for the above-referenced rate case, unless noted otherwise). On September 17, the Staff filed a pleading titled "Informational Filing Regarding Small Company Rate Increase Request", with which it included various work papers related to the audit process that concluded with the execution of the Company/Staff Disposition Agreement.

On September 20, a local public hearing regarding the Company's pending rate increase was held in Raytown, Missouri.

On September 29, the Office of the Public Counsel ("OPC") filed a pleading titled "Public Counsel's Agreement In Part, And Disagreement In Part, With The Tariff Sheets Filed By Raytown Water Company And Request For Hearing" ("Position Statement").

In its Position Statement the OPC stated that it agreed with all but one of the tariff sheets that the Company filed on August 25. The tariff sheet to which the OPC objected was Tariff Sheet No. 4, which includes provisions for implementing a special rate surcharge for the Company's recovery of the principal and interest payments of a bank loan that the Company obtained to finance a major main replacement project known as the "Gateway Project", with that recovery to occur over the life of the loan (5 years).

As a part of its Position Statement, the OPC also suggested an alternative to the special rate surcharge proposed by the Company, and agreed to by the Staff, with that alternative intended to also result in the Company's recovery of the principal and interest payments related to Gateway Project loan over the life of the loan, but without that recovery being accomplished through a separate, special rate surcharge.

On September 30, subsequent to its review of the OPC's Position Statement, the Staff initiated discussions with the OPC and the Company regarding the OPC's objection to the special rate surcharge for the Gateway Project and its proposed alternative to the surcharge.

By a letter dated September 30, which was received at the Commission's offices and filed in the case papers of the Company's rate case on October 5, the Company extended the proposed effective date of its pending revised tariff from October 10 to November 1, in order to allow time for the Company, the Staff and the OPC (hereafter collectively referred to as the "Parties") to possibly resolve the OPC's objection to the proposed special rate surcharge.

#### **Resolution of the OPC's Objection to Tariff Sheet No. 4**

As a result of the above-referenced discussions, the Parties have reached an agreement regarding an alternative to the proposed special surcharge for the Gateway Project. That agreement provides that the amount of the annual principal and interest payments for the Gateway Project loan (\$60,943) will be added to the calculation of the Company's overall annualized cost of service as a special amortization, without rate

base treatment for the replaced main, which is the same approach used for the special amortization originally agreed to by the Staff and the Company, and not opposed by the OPC, for the loan related to the Company's upgrade of its computer system. In conjunction with this agreement, the Parties have also agreed to the following matters.

- (1) That the revenue calculation worksheet regarding the Company's annual revenues generated at its current rates that is included in the ratemaking workbook attached hereto as Attachment 1 accurately reflects the Company's current annualized revenues used in calculating the proposed increase in the Company's annual operating revenues.
- (2) That the ratemaking income statement worksheet that is included in the ratemaking workbook attached hereto as Attachment 1 accurately reflects the Company's total annualized cost of providing service, including the two special loan amortizations, and the agreed-upon annualized operating revenue increase needed to recover the Company's cost of providing service.
- (3) That for accounting purposes the Company will set up a separate asset account and a separate depreciation reserve account for the computer system upgrade and the Gateway Project main, with the following entries to be made in these accounts.

Computer System Upgrade

Asset Account: \$122,159

Depreciation Reserve Account: \$24,432 annual entry for 5 years

Gateway Project Main

Asset Account: \$258,013

Depreciation Reserve Account: \$51,603 annual entry for 5 years

- (4) That the design of the Company's proposed rates will include recovery of all components of the Company's cost-of-service, including the two special loan amortizations, through a percentage increase in the current monthly service charge and commodity rate for metered customers and in the current annual charge for private fire service customers. The percentage increase to be applied to the current rates will be calculated by dividing the agreed-upon increase in the Company's annual operating revenues by the revenues generated by the current rates. The development of the new proposed rates is shown on the rate design worksheet that is included in the ratemaking workbook attached hereto as Attachment 1.
- (5) That the Company will file a substitute tariff for its pending tariff that will not include Sheet No. 4 but that will include the new proposed rates shown on the rate design worksheet that is included in the ratemaking workbook attached hereto as Attachment 1.

- (6) That the revenue calculation worksheet regarding the Company's annual revenues that will be generated at the new proposed rates that is included in the ratemaking workbook attached hereto as Attachment 1 accurately reflects the Company's annualized revenues that will be generated by the new rates.
- (7) That the customer impact worksheet that is included in the ratemaking workbook attached hereto as Attachment 1 accurately reflects the impact of the proposed rate increase on a customer receiving service through a 5/8" meter and using 6,000 gallons of water per month.
- (8) That the rates included in the rate design worksheet that is included in the ratemaking workbook attached hereto as Attachment 1, which will be included in the substitute tariff that the Company will be submitting in accordance with item (5) above, are just and reasonable.
- (9) That the Company agrees to submit a small company rate increase request within two years after the effective date of the tariff revisions resulting from this case, and again no later than six months prior to the maturity date of the loans for the Gateway Project and the computer system upgrade. (This provision does not preclude the Company from submitting rate increase requests on a more frequent basis than set out herein.)
- (10) That the agreements set out herein, in conjunction with the agreements set out in the original Company/Staff Disposition Agreement that are not affected by the agreements herein, satisfactorily resolve all issues identified by the Parties regarding the Company's rate increase request.

### **Additional Matters**

The Company and the OPC acknowledge that the Staff will be making an additional filing with the Commission regarding the Company's rate increase request and the two disposition agreements submitted in this case. That filing will include the following items: (a) the Staff's recommendation for approval of the subject tariff revisions; (b) background information regarding the Company's rate increase request and the Staff's investigation thereof; (c) the Staff workpapers regarding its overall audit of the Company's books and records; and (d) a general overview of the Company, including an overview of the Company's customer service procedures and practices. Additionally, that filing will include information regarding the status of the Company's payment of its Commission assessments, the status of the Company's submission of its Commission annual reports, any other pending cases that the Company may have before the Commission, any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources,

and the status of the Company's corporate standing with the Missouri Secretary of State. So as to provide the Commission with the most time possible to consider the Company/Staff Disposition Agreement and this Unanimous Supplemental Disposition Agreement, and to issue an order regarding the Company's rate increase request, the Staff agrees to make the above-referenced filing on or before October 15.

The Parties recognize that the Commission may have questions regarding the proposed resolution of the Company's rate increase request, as set out in the Company/Staff Disposition Agreement and this Unanimous Supplemental Disposition Agreement, and thus agree that the Commission may schedule this matter for discussion at one of its regularly scheduled Agenda Sessions or at an on-the-record conference. To the extent that it may be necessary, the Parties also agree that they do not object to the Commission issuing its report and order regarding the resolution of the Company's rate increase request as late as its regularly scheduled Agenda Session of October 26.

**Effective Date and Signatures**

This agreement shall be considered effective as of the date that the Company makes the substitute tariff filing required herein.

Agreement Signed and Dated:

  
Dale W. Johansen

Manager – Water & Sewer Department  
Missouri Public Service Commission Staff

10/08/04  
Date

  
Ruth O'Neill

Senior Public Counsel  
Office of the Public Counsel

10/12/04  
Date

  
Neal Cleavenger

President/General Manager  
Raytown Water Company

Oct. 7, 2004  
Date

**List of Attachments**

Attachment 1 – Ratemaking Workbook

- \* Operating Revenues at Current Rates
- \* Ratemaking Income Statement
- \* Rate Design Worksheet
- \* Operating Revenues at Proposed Rates
- \* Customer Impact Worksheet



# Unanimous Supplemental Disposition Agreement

## Attachment 1 – Ratemaking Workbook

## Operating Revenues at Current Rates

# RAYTOWN WATER COMPANY

## Revenue Annualizations at Current Rates

### Annualized Customer Counts and Service Charge Revenues

#### Retail Metered Customers

Meter Size	Residential	Business	Independence	Total Meters	Service Charge	Annual Revenue
5/8"	5,441	273	748	6,462	\$ 12.87	\$ 498,996
1.0"	70	74	0	144	\$ 23.33	\$ 20,157
1.5"	15	23	0	38	\$ 40.57	\$ 9,250
2.0"	27	25	0	52	\$ 61.26	\$ 19,113
3.0"	8	3	0	11	\$ 109.48	\$ 7,226
4.0"	1	0	0	1	\$ 178.36	\$ 1,070
<b>Total</b>	<b>5,562</b>	<b>398</b>	<b>748</b>	<b>6,708</b>		<b>\$ 555,812</b>

Service Charge is Bi-Monthly Charge

#### Private Fire Service

Rate Class	Number	Service Charge	Annual Revenue
Hydrant	57	\$ 144.31	\$ 8,226
2" Tap	0	\$ 17.22	\$ -
4" Tap	3	\$ 68.50	\$ 206
6" Tap	1	\$ 144.31	\$ 144
8" Tap	4	\$ 259.75	\$ 1,039
10" Tap	0	\$ 438.45	\$ -
<b>Total</b>	<b>65</b>		<b>\$ 9,614</b>

Service Charge is Annual Charge

### Annualized Commodity Sales - Volumes and Revenues

Sales Shown in Mgallons

Meter Size	Residential	Business	Independence	Total Sales	Rate	Annual Revenue
5/8"	312,750.9	19,094.5	41,782.4	373,627.8	\$ 4.041	\$ 1,509,830
1.0"	14,670.4	12,119.2	-	26,789.6	\$ 4.041	\$ 108,257
1.5"	6,179.9	8,772.4	-	14,952.3	\$ 4.041	\$ 60,422
2.0"	18,923.6	16,038.4	-	34,962.0	\$ 4.041	\$ 141,281
3.0"	18,367.8	5,078.3	-	23,446.1	\$ 4.041	\$ 94,746
4.0"	1,130.9	-	-	1,130.9	\$ 4.041	\$ 4,570
<b>Total</b>	<b>372,023.5</b>	<b>61,102.8</b>	<b>41,782.4</b>	<b>474,908.7</b>		<b>\$ 1,919,106</b>

Annualized Adjustment for Billing Adjustments for Over-Reads & Leaks

\$ 4,980

**Net Annualized Commodity Revenues**

**\$ 1,914,126**

**Calculated Annualized Commodity Sales**

**473,676.3**

#### Other Operating Revenues

Bulk Water Sales	\$ 1,426
Sales to Other Public Authorities	\$ 2,681
Late Charge Fees	\$ 36,339
Turn-Off/Turn-On/Penalty Charges	\$ 40,431
Miscellaneous Revenues - Service Lines	\$ 10,453
Rents from Water Property - Tower Rental	\$ 91,187
Discounts Earned	\$ 828
<b>Total Other Revenues</b>	<b>\$ 183,345</b>

#### TOTAL OPERATING REVENUES

Service Charges - Retail Customers	\$ 555,812
Commodity Revenues - Retail Customers	\$ 1,914,126
Private Fire Protection Services	\$ 9,614
<b>Sub-Total Tariffed Rate Revenues</b>	<b>\$ 2,479,552</b>
<b>Other Operating Revenues</b>	<b>\$ 183,345</b>
<b>Total Operating Revenues</b>	<b>\$ 2,662,897</b>

## Ratemaking Income Statement

# RAYTOWN WATER COMPANY

## Ratemaking Income Statement

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues	\$ 2,479,552
2	Other Operating Revenues	\$ 183,345
3	<b>Total Operating Revenues</b>	<b>\$ 2,662,897</b>

### Cost of Service

	Item	Amount
1	Purchased Water Expense	\$ 817,808
2	Operation Supervision - T & D	\$ 21,637
3	Storage Facilities - T & D	\$ 16,390
4	Tower & Distribution Lines Expense	\$ 52,330
5	Meter Expense - T & D	\$ 197
6	Miscellaneous Expense - T & D	\$ 8
7	Maintenance Supervision Expense - T & D	\$ 737
8	Maintenance of Structures & Improvements	\$ 97
9	Maintenance of Reservoirs & Standpipes	\$ 86,378
10	Maintenance of T & D Mains	\$ 103,084
11	Maintenance of Services	\$ 24,068
12	Maintenance of Hydrants	\$ 8,555
13	Maintenance of Miscellaneous Plant	\$ 70
14	Supervision - Customer Accounts	\$ 4,617
15	Meter Reading Expense - Customer Accounts	\$ 23,141
16	Customer Records & Collection Expense	\$ 188,328
17	Customer Turn-Off/Turn-On Expense	\$ 17,348
18	Uncollectible Accounts	\$ 15,767
19	Safety Meetings & Equipment	\$ 1,623
20	Administration & General - Salaries	\$ 106,382
21	Office Supplies	\$ 39,535
22	Permit Fees - Right of Way	\$ 5,243
23	Payroll Offset - Capitalization	\$ (42,386)
24	Outside Services Employed	\$ 53,388
25	Property Insurance	\$ 28,852
26	Injuries & Damages Insurance	\$ 12,642
27	Employee Pensions & Benefits	\$ 157,052
28	Regulatory Commission Expense	\$ 15,279
29	Rate Case Expense	\$ 7,990
30	Miscellaneous General Expenses	\$ 9,184
31	Directors Fees & Expenses	\$ 10,879
32	Maintenance of General Plant	\$ 11,474
33	Interest on Customer Deposits	\$ 967
34	<b>Sub-Total Operating Expenses</b>	<b>\$ 1,798,664</b>
35	Property Taxes	\$ 106,047
36	MO Franchise Taxes	\$ 2,384
37	Employer FICA Taxes	\$ 32,503
38	Federal Unemployment Taxes	\$ 891
39	State Unemployment Taxes	\$ 1,104
40	State & Federal Income Taxes	\$ 222,577
41	<b>Sub-Total Taxes</b>	<b>\$ 365,506</b>
42	Depreciation Expense	\$ 260,258
43	Amortization of Utility Plant (main replacement loan)	\$ 60,943
44	Amortization of Utility Plant (computer system loan)	\$ 28,854
45	<b>Sub-Total Depreciation/Amortization</b>	<b>\$ 350,055</b>
46	<b>Return on Rate Base *</b>	<b>\$ 483,372</b>
47	<b>Total Cost of Service</b>	<b>\$ 2,997,597</b>

48	<b>Overall Revenue Increase Needed</b>	<b>\$ 334,700</b>
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Percent Increase Compared to Current Rate Revenues 13.498%

\* Rate Base Does Not Include the Plant Recovered by the Special Amortizations

## Rate Design Worksheet

# RAYTOWN WATER COMPANY

## Development of Proposed Rates

(1) Increase the currently tariffed rates by a percentage equal to the overall revenue increase divided by the revenues generated by the current tariffed rates. (2) Change the current bi-monthly service charge to a monthly service charge.

<b>Revenues Generated by Current Tariffed Rates</b>	<b>\$ 2,479,552</b>
<b>Agreed-Upon Overall Revenue Increase</b>	<b>\$ 334,700</b>
<b>Percentage Increase Needed to Current Tariffed Rates</b>	<b>13.498%</b>

### Metered Customer Rates

<b>Meter Size</b>	<b>Current Base Service Charge</b>	<b>Proposed Base Service Charge</b>	<b>Current Usage Rate</b>	<b>Proposed Usage Rate</b>
5/8"	\$ 12.87	\$ 7.30	\$ 4.041	\$ 4.586
1.0"	\$ 23.33	\$ 13.24	\$ 4.041	\$ 4.586
1.5"	\$ 40.57	\$ 23.02	\$ 4.041	\$ 4.586
2.0"	\$ 61.26	\$ 34.76	\$ 4.041	\$ 4.586
3.0"	\$ 109.48	\$ 62.13	\$ 4.041	\$ 4.586
4.0"	\$ 178.36	\$ 101.22	\$ 4.041	\$ 4.586

Current Service Charge is Bi-Monthly Charge

New Service Charge is Monthly Charge

Usage Rate is per 1,000 Gallons Used

### Private Fire Service Rates

<b>Rate Class</b>	<b>Current Charge</b>	<b>Proposed Charge</b>
Hydrant	\$ 144.31	\$ 163.79
2" Tap	\$ 17.22	\$ 19.54
4" Tap	\$ 68.50	\$ 77.75
6" Tap	\$ 144.31	\$ 163.79
8" Tap	\$ 259.75	\$ 294.81
10" Tap	\$ 438.45	\$ 497.63

Both Charges are Annual Charges

## Operating Revenues at Proposed Rates



# RAYTOWN WATER COMPANY

## Revenue Annualizations at Proposed Rates

### Annualized Customer Counts and Service Charge Revenues

#### Retail Metered Customers

Meter Size	Residential	Business	Independence	Total Meters	Service Charge	Annual Revenue
5/8"	5,441	273	748	6,462	\$ 7.30	\$ 566,350
1.0"	70	74	0	144	\$ 13.24	\$ 22,878
1.5"	15	23	0	38	\$ 23.02	\$ 10,499
2.0"	27	25	0	52	\$ 34.76	\$ 21,693
3.0"	8	3	0	11	\$ 62.13	\$ 8,201
4.0"	1	0	0	1	\$ 101.22	\$ 1,215
<b>Total</b>	<b>5,562</b>	<b>398</b>	<b>748</b>	<b>6,708</b>		<b>\$ 630,835</b>

Service Charge is Monthly Charge

#### Private Fire Service

Rate Class	Number	Service Charge	Annual Revenue
Hydrant	57	\$ 163.79	\$ 9,336
2" Tap	0	\$ 19.54	\$ -
4" Tap	3	\$ 77.75	\$ 233
6" Tap	1	\$ 163.79	\$ 164
8" Tap	4	\$ 294.81	\$ 1,179
10" Tap	0	\$ 497.63	\$ -
<b>Total</b>	<b>65</b>		<b>\$ 10,912</b>

Service Charge is Annual Charge

### Annualized Commodity Sales - Volumes and Revenues

sales shown in Mgalloons

Meter Size	Residential	Business	Independence	Total Sales	Rate	Annual Revenue
5/8"	311,939.3	19,044.9	41,674.0	372,658.2	\$ 4.586	\$ 1,709,180
1.0"	14,632.3	12,087.8	-	26,720.1	\$ 4.586	\$ 122,550
1.5"	6,163.9	8,749.6	-	14,913.5	\$ 4.586	\$ 68,400
2.0"	18,874.5	15,996.8	-	34,871.3	\$ 4.586	\$ 159,935
3.0"	18,320.1	5,065.1	-	23,385.3	\$ 4.586	\$ 107,255
4.0"	1,128.0	-	-	1,128.0	\$ 4.586	\$ 5,173
<b>Total</b>	<b>371,058.1</b>	<b>60,944.2</b>	<b>41,674.0</b>	<b>473,676.3</b>		<b>\$ 2,172,495</b>

Volumes Adjusted as Needed per Net Revenue Annualization at Current Rates

### Other Operating Revenues

Bulk Water Sales	\$ 1,426
Sales to Other Public Authorities	\$ 2,681
Late Charge Fees	\$ 36,339
Turn-Off/Turn-On/Penalty Charges	\$ 40,431
Miscellaneous Revenues - Service Lines	\$ 10,453
Rents from Water Property - Tower Rental	\$ 91,187
Discounts Earned	\$ 828
<b>Total Other Revenues</b>	<b>\$ 183,345</b>

### TOTAL OPERATING REVENUES

Service Charges - Retail Customers	\$ 630,835
Commodity Revenues - Retail Customers	\$ 2,172,495
Private Fire Protection Services	\$ 10,912
<b>Sub-Total Tariffed Rate Revenues</b>	<b>\$ 2,814,242</b>
<b>Other Operating Revenues</b>	<b>\$ 183,345</b>
<b>Total Revenues at Proposed Rates</b>	<b>\$ 2,997,587</b>

#### Revenue Check - Proposed Rates vs. Current Rates

Total Revenues at Proposed Rates	\$ 2,997,587
Total Revenues at Current Rates	\$ 2,662,897
Increase In Revenues at Proposed Rates	\$ 334,690
Agreed-Upon Increase in Operating Revenues	\$ 334,700

## Customer Impact Worksheet

# RAYTOWN WATER COMPANY

## Residential Customer Bill Comparison

Rates for 5/8" Meter			
Current Base Service Charge	Proposed Base Service Charge	Current Usage Rate	Proposed Usage Rate
\$12.87	\$7.30	\$4.041	\$4.586

Current Service Charge is Bi-Monthly Charge

New Service Charge is Monthly Charge

Usage Rate is per 1,000 Gallons Used

### MONTHLY BILL COMPARISON

6,000 gallons/month usage

#### Current Rates

Service Charge *	\$6.44
Usage Charge	\$24.25
Total Bill	\$30.68

#### Proposed Rates

Service Charge	\$7.30
Usage Charge	\$27.52
Total Bill	\$34.82

#### INCREASES

##### Service Charge

\$ Increase	\$0.87
% Increase	13.50%

##### Usage Charge

\$ Increase	\$3.27
% Increase	13.50%

##### Total Bill

\$ Increase	\$4.14
% Increase	13.50%

\* Monthly Equivalent of Bi-Monthly Charge