

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

In the Matter of the Application of Valley)
Woods Water Co., Inc Request for an)
Increase in Annual Water System Operating)
Revenues.

**Case Nos. WR-2010-0139
SR-2010-0140**

RESULTS OF STAFF'S INVESTIGATION FROM CUSTOMER INQUIRY

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Results of Investigation from Customer Inquiry*, states as follows:

1. On June 2, 2010, the Missouri Public Service Commission (Commission) held a Local Public Hearing for Valley Woods Water Company (Valley Woods or Company).

2. On June 9, 2010, the Staff filed *Staff's Status Report* informing the Commission that, after the hearing, a customer of Valley Woods sent an email to the Commission concerning the proposed rate increase. The Staff also informed the Commission that it was investigating the contents of the email. The email from Mr. Jerry Duncan is filed in the public comments section in EFIS.

3. The Staff has investigated Mr. Duncan's claims and concerns and found that the costs associated with the collection lines in addition to meter and collection tank costs were treated as contributed plant. Therefore, the proposed rates included in the Company/Staff Agreement filed on April 2, 2010, do not require Valley Woods' customers to double pay for plant in service. Attached as Appendix A is Staff's report further detailing these findings.

4. The information obtained in the Staff's investigation does not change the Company/Staff Agreement filed in this case.

WHEREFORE, the Staff respectfully submits its *Results of Investigation from Customer Inquiry*.

Respectfully submitted,

/s/ Samuel D. Ritchie

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this Agreement Notice and the attached Appendix A has been provided, either by first-class mail, by electronic mail, by facsimile transmission or by hand-delivery, to each attorney and/or party of record for this case on this 15th day of June 2010.

/s/ Samuel D. Ritchie

Results of Staff's Investigation Post Local Public Hearing Comments

On June 2, 2010 a Local Public Hearing took place at Highlandville, MO. The public hearing was requested by Office of the Public Counsel for Case Nos. WR-2010-0139 and SR-2010-0140. The owners of Valley Woods Water and Sewer Company, and the developer of the subdivision are Mr. and Mrs. William Harris.

After the public hearing, a customer of Valley Woods Water and Sewer Company, Jerry Duncan, sent an email to the Public Service Commission ("Commission") concerning the proposed rate increase. Mr. Duncan stated:

My understanding of the explanation of this action was because he had the "expenses" of placing the plant in service. Those expenses were re-couped when he initially sold the home sites to the original buyers. I think that the advocates for the home-owners, if there were any present, did not understand that Mr. Harris's "expenses" listed were, in fact, added into the original cost of the individual lots when they were sold. We, as homeowners, are going to be paying twice for the very same services.

As interpreted by the Staff of the Missouri Public Service Commission ("Staff"), Mr. Duncan alleges that the customers paid for the utility plant in service when they purchased their property. Typically, the developer will recover the costs of the collection lines through the sale of each lot. When the Staff performed the audit for Valley Woods, the costs associated with the collection lines in addition to meter and collection tank costs were treated as contributed plant. This contributed plant is included in plant in service and also identified as contributions in aid of construction (CIAC), which reduces rate base giving customers credit for having paid for the plant through service connection fees and as part of the price paid for the lots. If these costs were not removed in this manner, the customer would ultimately pay for this plant twice. Staff determined the amounts of CIAC and removed these costs from the inception of the Water Company (1995) and the Sewer Company (1998). The amount of CIAC reduces the level of rate base and reduces the amount of monies required from the customer.

The remaining portions of the plant are costs that were invested by the Company owners. Examples of these costs include but are not limited to a new sand filtration treatment facility for the sewer system and well pumps for the water system. All prudent plant investments incurred by the Company are recovered by ratepayers through rates established by the Commission.

In addition to the plant investment required for utility services, the rate increase resulted in cost increases for items such as payroll, permits from Department of Natural Resources and the PSC assessment. The PSC assessment is a pass through cost paid to the Commission to recover the costs of regulating the water and sewer industry. Furthermore, Valley Woods Water and Sewer incurs several other expenses that have

increased since the last rate case such as utilities to operate the water and sewer facilities, chemicals, water maintenance costs and transportation costs.

Valley Woods has not had a rate increase for water since 1995 and for sewer since 2002.