

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

In the Matter of the Application of Rate Increase            )  
For Indian Hills Utility Operating Company, Inc.            )     **Case No. WR-2017-0259**

**NON-UNANIMOUS STIPULATION AND AGREEMENT**

COMES NOW, the Staff of the Missouri Public Service Commission (Staff) and the Indian Hills Utility Operating Company, Inc. (Company or Indian Hills), by and through respective counsel, pursuant to Commission regulation 4 CSR 240-2.115, respectfully request that the Commission approve this *Non-Unanimous Stipulation and Agreement (Stipulation and Agreement)* as a complete resolution of the issues. In support of this Stipulation and Agreement, reached as the result of negotiations between Indian Hills and Staff (collectively, the signatories), the signatories state and agree as follows:

**SPECIFIC PROVISIONS**

1.     **Issues Settled:** The signatories agree and intend this *Stipulation and Agreement* to settle all issues between the signatories within the above captioned case. Staff and the Company recommend that the Commission accept this *Stipulation and Agreement* as a just and fair compromise of their respective positions.
  
2.     **Incorporation of Partial Disposition Agreement:** As agreed to in the partial disposition agreement filed September 1, 2017, the following recommendations will be implemented by the Company.
  - a. The Company shall implement the following recommendation contained in the Auditing Department Report, and provide proof of implementing the recommendations to the Manager of the Commission’s Auditing Department:

- i. Within ninety (90) days of the effective date of an order setting new rates for Indian Hills, the Company shall develop improved timesheets for employee hours spent working on each system. This timesheet shall provide a description of the job performed, number of hours spent, and breakout the hours by system.
- ii. Within one hundred and eighty (180) days of the effective date of an order setting new rates for Indian Hills, the Company shall develop and update Continuing Property Records (CPR) for all assets for its water system. A copy of the CPR shall be sent to the Manager of the Auditing Department as proof of implementation.
- iii. Within one hundred and eighty (180) days of the effective date of an order setting new rates for Indian Hills, the Company shall maintain a spreadsheet for Plant Additions and Retirement of Property (including book cost of plant retired, cost of removal, or salvage credit) along with supporting documentation (i.e. invoices) to ensure all plant assets are properly reflected in future rate case proceedings. This spreadsheet should reconcile to the invoices provided by vendor.
- iv. Within one hundred and eighty (180) days of the effective date of an order setting new rates for Indian Hills, the Company shall provide documentation that it has consulted with other banks to determine if the current types of bank fees (i.e. account analysis fees) are the most cost effective for Indian Hills.
- v. Prior to initiation of the next rate case, the Company shall document on

each invoice when each item on the invoice is placed into inventory and then subsequently the date when the item is placed into plant in service.

- vi. The Company agrees to examine all invoices and book replacement items into the appropriate plant accounts and repair items into the appropriate expense accounts.
- b. The Company shall implement the following recommendations contained in the Consumer Management & Analysis Unit (“CMAU”) Report, and provide proof of implementing the recommendation to the Manager of the Commission’s CMAU:
- i. Within thirty (30) days of the effective date of an order setting new rates for Indian Hills, the Company shall update and distribute, to all current and future customers, written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3). A dated copy of the materials distributed to customers shall serve as demonstration of implementation.
  - ii. Within ninety (90) of the effective date of an order setting new rates for Indian Hills, the Company shall evaluate the benefits of providing customers the maintenance emergency contact number directly on their bill. The Company will document the results of its evaluation.

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## Revenue Requirement

3. For the purpose of calculating the revenue requirement, the signatories agree that billing determinants are 715 customers. Since usage data prior to Indian Hills' installation of meters is not available, expected water sales of 25,740,000 gallons per year are utilized.

4. **Rate Increase:** The signatories agree to the incremental increase to Indian Hills' annual revenue requirement in the amount of **\$630,911**, for a total revenue requirement of **\$723,466**.

5. **Cost of Capital:** The signatories agree to an actual cost of debt of 14%, a return on equity (ROE) of 12%, and a hypothetical capital structure of 35 equity to 65 debt ratio (35/65).

6. **Rate of Return / Weighted Average Cost of Capital:** The Parties agree to a Rate of Return (ROR) of 13.30%.

7. **Depreciation Rates:** The signatories agree to the schedule of depreciation rates developed by Staff and incorporated herein, attached to this Stipulation and Agreement as Attachment A.

8. **Repair Expense Tracker:** The signatories agree to a two-way tracker for repair expenses related to water main repair and service line repair expense, with a \$90,000 base amount.

9. **Calculation of Specific Expense Issues:** The signatories agree to the revenue requirement calculations as they appear in the Staff's EMS run, incorporated herein by reference, and attached to this Stipulation and Agreement as Attachment B.

## **Financing**

10. Prior to the effective date of any rate change tariff sheets, the Company agrees to submit modification of loan agreement to reduce the prepayment penalty term from 20 years to 10 years.

## **Rate Design**

11. The following rate design shall be implemented.

<u>Season</u>	<u>Customer Charge</u>	<u>Commodity Charge</u>
Summer (April 1 – Sept. 30)	\$59.02	\$9.37
Winter (Oct. 1 – March 31)	\$59.02	\$7.67

## **Additional Matters**

12. Indian Hills agrees to perform an engineering study to outline the water system areas based on historical repair data and current distribution line plans that should be scheduled for main replacement, and submit the study to the OPC and PSC water and sewer staff by April 15, 2018, with a proposed initial target area for investments. Thereafter, Indian Hills shall submit progress reports as to the replacement program with its annual report.

13. On a quarterly basis, Indian Hills will submit to the Staff Water and Sewer Department monthly usage data, inclusive of water loss.

## **General Provisions**

14. This *Stipulation and Agreement* is being entered into for the purpose of disposing of the issues that are specifically addressed herein. In presenting this *Stipulation and Agreement*, none of the signatories shall be deemed to have approved, accepted, agreed, consented or acquiesced to any procedural principle, and none of the signatories shall be prejudiced or bound in any manner by the terms of this *Stipulation*

*and Agreement*, whether approved or not, in this or any other proceeding, other than a proceeding limited to the enforcement of the terms of this *Stipulation and Agreement*, except as otherwise expressly specified herein. The signatories further understand and agree that the provisions of this *Stipulation and Agreement* relate only to the specific matters referred to in this *Stipulation and Agreement*, and no signatory waives any claim or right which it otherwise may have with respect to any matter not expressly provided for in this *Stipulation and Agreement*.

15. This *Stipulation and Agreement* has resulted from extensive negotiations and the terms hereof are interdependent. If the Commission does not approve this *Stipulation and Agreement* in total, or approves it with modifications or conditions to which a signatory objects, then this *Stipulation and Agreement* shall be void and no signatory shall be bound by any of its provisions. The agreements herein are specific to this proceeding and are made without prejudice to the rights of the signatories to take other positions in other proceedings except as otherwise noted herein.

16. If the Commission does not unconditionally approve this *Stipulation and Agreement* without modification, and notwithstanding its provision that it shall become void, neither this *Stipulation and Agreement*, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any signatory has for a decision in accordance with Section 536.080, RSMo 2000, or Article V, Section 18, of the Missouri Constitution, and the signatories shall retain all procedural and due process rights as fully as though this *Stipulation and Agreement* had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this *Stipulation*

*and Agreement* shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

17. Staff enters into this *Stipulation and Agreement* in reliance upon information provided to Staff by Summit and this *Stipulation and Agreement* is explicitly predicated upon the truth of representations made by Indian Hills.

18. If the Commission unconditionally accepts the specific terms of this *Stipulation and Agreement* without modification, the signatories waive, with respect to the issues resolved herein: their respective rights (1) to call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo 2000; (2) their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1, RSMo 2000; (3) their respective rights to the reading of the transcript by the Commission pursuant to Section 536.800.2, RSMo 2000; (4) their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000; and (5) their respective rights to judicial review pursuant to Section 386.510, RSMo Supp. 2011. These waivers apply only to a Commission order respecting this *Stipulation and Agreement* issued in this above-captioned proceeding and do not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this *Stipulation and Agreement*.

19. This *Stipulation and Agreement* contains the entire agreement of the signatories concerning the issues addressed herein.

20. The intent of the signatories to this *Stipulation and Agreement* has been

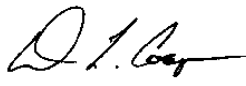


fully and exclusively expressed in this document and the attachments appended hereto.

21. Acceptance of this *Stipulation and Agreement* by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has. Thus, nothing in this *Stipulation and Agreement* is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

**WHEREFORE**, the below signatories agree to the above terms and respectfully submit this *Non-Unanimous Stipulation and Agreement* to the Commission for review and request the Commission issue an order approving this *Non-Unanimous Stipulation and Agreement*.

Respectfully Submitted,

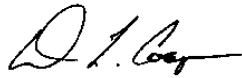
<p><b><u>/s/ Nicole Mers</u></b> Nicole Mers Associate Counsel Missouri Bar No. 66766 P.O. Box 360 Jefferson City, MO 65012 (573) 751-6651 (Telephone) (573) 751-9285 (Fax) Nicole.mers@psc.mo.gov <b>Attorney for the Staff of the Missouri Public Service Commission</b></p>	<p>BRYDON, SWEARENGEN &amp; ENGLAND P.C.</p> <p>By:  _____ Dean L. Cooper #36592 312 East Capitol Avenue P.O. Box 456 Jefferson City, MO 65102 Telephone: (573) 635-7166 E-mail: dcooper@brydonlaw.com</p> <p>ATTORNEYS FOR INDIAN HILLS UTILITY OPERATING COMPANY, INC.</p>
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## CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail or by U.S. Mail, postage prepaid, on November 21, 2017, to the following:

Nicole Mers  
Office of the General Counsel  
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