

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

In the Matter of the Water Rate)
Increase Request of)
Hillcrest Utility Operating)
Company, Inc.)
)
Consolidated with,)
)
In the Matter of the Sewer Rate)
Increase Request of)
Hillcrest Utility Operating)
Company, Inc.)

Case No. WR-2016-0064

**PARTIAL DISPOSITION AGREEMENT AND REQUEST FOR
EVIDENTIARY HEARING**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and Hillcrest Utility Operating Company, Inc. (Hillcrest), by and through counsel, and for their *Partial Disposition Agreement* in these matters hereby state:

1. On September 15, 2015, Hillcrest filed a letter with the Missouri Public Service Commission (Commission) requesting that the Commission approve increases in both its annual water and sewer operating revenues, which resulted in the Commission opening two cases, Case Nos. WR-2016-0064 and SR-2016-0065. On October 9, 2015, Staff filed a *Motion to Consolidate*, which the Commission granted on October 21, 2015, consolidating both cases under Case No. WR-2016-0064. Hillcrest and Staff filed a joint *Motion for Extension* to extend the requirement to file an executed disposition under Commission Rule 4 CSR 240-3.050(11), by 10 days. The Commission granted that extension and set as the new filing date February 26, 2016. The Office of the Public Counsel (OPC) filed a Request for a Local Public Hearing, which was set for Wednesday March 9 and held accordingly. Prior to the February 26, 2016, due date,

Staff and Hillcrest requested an additional extension to the disposition agreement filing date to accommodate for further settlement discussions. The Commission extended the filing date and ordered the parties to file a disposition agreement no later than March 18, 2016. Staff and Hillcrest on March 18 requested an additional three days to file, which the Commission granted, setting a filing date of March 21 for the partial disposition agreements, request for evidentiary hearing and procedural schedule.

2. In accordance with Hillcrest's request for rate increase, Staff has conducted a full investigation of Hillcrest, met with the company and the Office of the Public Counsel (OPC) and provided both parties the results of its investigation. Staff and Hillcrest have each provided the parties with several proposed settlements of this matter. After negotiations, Staff and Hillcrest have reached a partial agreement or disposition (Disposition) regarding the resolution of both of Hillcrest's water and sewer rate increase requests, a copy of which is attached hereto as Appendix A for water and Appendix B for sewer. Appendixes A and B also include various attachments related to the dispositions.

3. The dispositions reflect an agreed-upon annualized operating revenue increase for water in the amount of \$144,630, and an agreed-upon annualized operating revenue increase for sewer in the amount of \$167,263. They also reflect an agreed-upon net rate base for water in the amount of \$538,197, and an agreed-upon net rate base for sewer in the amount of \$610,466. The capital structure for both water and sewer will be 25% equity with a 12.88% return on equity and a 9.88% rate of return as a result of the agreements. Staff has determined that these amounts are reasonable

and justified. Hillcrest has agreed to file revised tariffs reflecting the agreements in this paragraph.

4. The dispositions attached as Appendixes A and B also reflect additional agreements between Staff and Hillcrest, not outlined in detail in this pleading.

5. The issues left unresolved between Staff and Hillcrest include:
a) Payroll; b) Property Taxes; c) Auditing and Income Tax Preparation Fees; and
d) Rate of Return.

6. Because Staff and Hillcrest have not reached an agreement on the remaining issues listed in paragraph 5, Staff hereby requests those issues be resolved through an evidentiary hearing, in accordance with standard contested case procedures, pursuant to 4 CSR 240-3.050(21), which states:

If at any time after a case is opened it becomes clear to the utility or the staff that agreements cannot be reached on even a portion of the issues related to the utility's request, even through the use of mediation or arbitration, either may file a motion asking that the utility's request be resolved through contested case procedures conducted in the time remaining in the rate case process. . . .

Staff is filing a proposed procedural schedule in conjunction with this filing, attached as Appendix C.

7. Hillcrest is current on its annual report filings and has no other actions pending before the Commission at this time.

WHEREFORE, Staff prays that the Commission will approve these partial dispositions, grant this request for an evidentiary hearing; and grant such other and further relief as the Commission considers just in the circumstances.

Respectfully,

/s/ Whitney Payne

Whitney Payne

Legal Counsel

Missouri Bar No. 64078

Attorney for the Staff of the

Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 751-8706 (Telephone)

(573) 751-9285 (Fax)

whitney.payne@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 25th day of March, 2016, to all counsel of record.

/s/ Whitney Payne

APPENDIX C

JOINT PROPOSED PROCEDURAL SCHEDULE

The Parties to this matter hereby propose and respectfully request the Commission adopt the following conditions and dates:

Discovery Conditions

1. The Parties agree to provide all workpapers, in electronic format, whenever feasible, within two business days following the date on which the related testimony is filed.
2. Where workpapers or data request responses include models or spreadsheets or similar information originally in a commonly-available format where inputs or parameters may be changed to observe changes in inputs or outputs, if available in that original format, the Party providing the workpaper or response shall provide this type of information in the original format.
3. The Parties agree to the following with respect to data requests:
 - a. After direct testimony is filed, response time for all data requests shall be five (5) calendar days, with two (2) calendar days to object or notify the requesting party how much additional time will be required for response.

Proposed Procedural Schedule

<u>Date</u>	<u>Event</u>
April 13	Direct Testimony of all Parties
May 11	Rebuttal Testimony of all Parties
May 13	List of Issues/Witnesses and Order of Cross/ Openings
May 13	Statement of Positions

May 19 and 20

Evidentiary Hearing

June 3

Initial Briefs

June 15

Reply Briefs