

No.:
Issue:
Witness: _____
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Missouri Office of Public Counsel
Case No.: WR-2017-0259
Date Testimony Prepared: November 13, 2017

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

In the Matter of the Rate Increase)
Request of Indian Hills Utility Operating)
Company, Inc.)
_____)

Case No. WR-2017-0259

Surrebuttal Testimony and Schedules of

Greg R. Meyer

On behalf of

Missouri Office of Public Counsel

PUBLIC VERSION
****Denotes Confidential Information**
that has been Redacted**

November 13, 2017



Project 10499

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Rate Increase
Request of Indian Hills Utility Operating
Company, Inc.

)
)
) Case No. WR-2017-0259
)
)

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS) SS

Affidavit of Greg R. Meyer

Greg R. Meyer, being first duly sworn, on his oath states:

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Office of Public Counsel in this proceeding on its behalf.

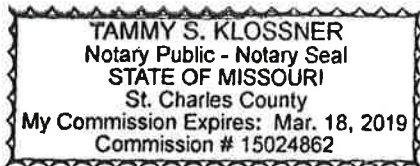
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. WR-2017-0259.

3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.



Greg R. Meyer

Subscribed and sworn to before me this 13th day of November, 2017.





Notary Public

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

In the Matter of the Rate Increase Request of Indian Hills Utility Operating Company, Inc.))))))	Case No. WR-2017-0259
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Surrebuttal Testimony of Greg R. Meyer

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q ARE YOU THE SAME GREG R. MEYER WHO PREVIOUSLY FILED TESTIMONY
5 IN THIS PROCEEDING?**

6 A Yes. On October 13, 2017, I filed direct testimony, respectively, on behalf of the
7 Missouri Office of Public Counsel.

8 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

9 A This testimony is presented on behalf of the Missouri Office of Public Counsel.

10 **Q WHAT IS THE PURPOSE OF YOUR SUREBUTTAL TESTIMONY?**

11 A I will respond to the rebuttal testimonies of Indian Hills Utility Operating Company, Inc.
12 (“Indian Hills” or “Company”) witnesses Joshia Cox and Michael E. Thaman, Sr.
13 related to the loan application process, the 14% debt cost, the exit plan, and the
14 claimed savings from refinancing. To the extent that I do not address a specific
15 position of the Company, it should not be considered an agreement to that position.

1 Q ON SEPTEMBER 1, 2017, INDIAN HILLS AND THE STAFF FILED WITH THE
2 COMMISSION A PARTIAL DISPOSITION AGREEMENT AND REQUEST FOR
3 EVIDENTIARY HEARING (“AGREEMENT”). IN THAT AGREEMENT, DID THE
4 PARTIES STIPULATE TO A LEVEL OF EXPENSE?

5 A Yes. The Agreement stipulates that the Staff and Indian Hills have agreed to a level
6 of \$143,010 for the operations and maintenance (“O&M”) expense portion of the
7 revenue requirement. However, Indian Hills’ revenues for the 12 months ended April
8 2017 amount to approximately \$100,000. This would have created a 12-month loss
9 of approximately \$43,000 to cover the direct O&M expenses of Indian Hills. If this
10 shortfall created financial harm to Indian Hills, then Indian Hills could have considered
11 filing for interim rate relief.¹ However, the management of First Round Central States
12 Water Resources, Inc. (“CSWR”) did not. To the best of my knowledge, Indian Hills
13 could avail itself of interim rate relief when it can show that current revenues are not
14 sufficient to provide adequate service to its customers.

15 Interim rate relief should not be a common place remedy for a utility, but
16 should only be used when rates are substantially inadequate to provide adequate
17 service. In this case, given the operating expenses identified above, a filing for
18 interim rate relief may have been justified depending on the Company’s access to
19 capital and access to interim financing to smooth the ongoing obligations.

¹Interim rate relief may be granted by the Commission to halt a deteriorating financial situation which constituted a threat to the company’s ability to render adequate service.

1 Q HOW HAS INDIAN HILLS BEEN ABLE TO CONTINUE OPERATIONS
2 CONSIDERING ITS INABILITY TO COVER O&M EXPENSES?

3 A The Agreement does not provide a breakdown of the \$143,010 total to specific O&M
4 expense functions for Indian Hills. However, I believe that this total was inclusive of
5 the following O&M expense functions:

- 6 • Water Operator – Midwest Water Operations
- 7 • Electricity – Crawford Electric
- 8 • Billing Services & Bank Fees – NITOR Billing Expense
- 9 • Chemicals Expense
- 10 • Maintenance Expense (Non-Leak Repairs)

11 In his rebuttal testimony, Mr. Cox claims that Indian Hills has already required
12 intracompany transfers to operate the system, and Indian Hills has also presumably
13 relied on its debt to pay for operating expense.

14 Q ON PAGES 3-4 OF MR. COX'S REBUTTAL TESTIMONY, HE DISCUSSES THE
15 LOAN APPLICATION PROCESS. PLEASE COMMENT ON THAT PROCESS.

16 A Mr. Cox lists several steps in the loan process and I have included them below.

17 Step 1: Contact the bank and find the appropriate lending personnel for
18 commercial loans.

19 Step 2: Company must have an in-depth conversation, either in person or on a
20 conference call about the regulated water/sewer utility business, the
21 specific water/sewer utility project and the regulatory environment
22 surrounding investor-owned utilities.

23 Step 3: Company's bank application is sent and reviewed by the lending
24 institution.

25 Step 4: If bank is interested, then specific terms would be discussed.

1 In my direct testimony, on page 12, I discussed the difficulty I had in
2 determining what information, if any, was provided to the financial institutions.
3 Although outlining the steps in the loan process was helpful, I continue to support my
4 direct testimony concerning what steps were actually completed in each loan
5 application process.

6 **Q DID MR. COX PROVIDE ANY INSIGHT INTO THE PROGRESS HE MADE WITH**
7 **THE LOAN APPLICATIONS?**

8 A Yes. On page 4 of his rebuttal testimony, Mr. Cox states:

9 “To date, no bank has been interested enough in a CSWR water or sewer
10 utility project to discuss specific terms such as capital structure, interest
11 reserves, etc.”

12 From this statement, I have concluded that no bank has shown enough
13 interest to begin Step 4 of the loan process. This means that the loan application
14 process stopped at either Step 2 or Step 3.

15 **Q WHAT CONCERNS DO YOU HAVE IF THE LOAN PROCESS STOPPED AT**
16 **STEP 2?**

17 A I am concerned about the discussions that took place between Mr. Cox and the bank
18 concerning the regulatory environment of Missouri and the specific projects for the
19 water utility.

20 In discussing the regulatory environment of Missouri, I have reviewed
21 documents from Mr. Cox, which describes the regulatory environment in Missouri as
22 “backwards.” By backwards, Mr. Cox is referencing the use of historical test years
23 that the PSC generally endorses.

1 I have also reviewed documents where Mr. Cox refers to the rate case
2 timeline as taking 11 months. This timeline does not reflect the current small
3 water/sewer rate case timeline, which anticipates rate relief much quicker than 11
4 months. Under the small water/sewer rate case timeline, rates can be implemented
5 much sooner than 11 months if the utility requests reasonable levels of cost of
6 service. If the utility presents a reasonable cost of service request, rates can be
7 implemented within 180 days. Again, misinformation about the small water/sewer
8 rate case timeline may hamper the ability to move forward in the loan application
9 process. I have attached the small water/sewer rate case timeline as
10 Schedule GRM-SUR-1.

11 Finally, Mr. Cox continues to describe Indian Hills as a distressed utility. I do
12 not agree that Indian Hills is a distressed utility. Indian Hills has a customer base of
13 715 customers which ranks it as one of the larger small water companies regulated
14 by the Commission. This level of customers should allow for investments to be made
15 that will provide safe and adequate service at just and reasonable rates. If Mr. Cox is
16 labeling Indian Hills distressed because it needs major repairs, then I would argue
17 there are better ways to convey that message than to describe the utility as
18 distressed. Once again, the terms or conditions Mr. Cox uses to describe a utility
19 may have negative influences on banks considering loaning money to Indian Hills.

20 **Q WHAT CONCERNS WOULD ARISE IF THE LOAN PROCESS STOPPED AT**
21 **STEP 3?**

22 **A** Reaching Step 3 requires Indian Hills to submit a bank application to the lending
23 institution. In this process, I am concerned that only historic financial information is
24 provided. In the case of Indian Hills, the historic financial information would not be

1 adequate to justify the loan amounts sought by Mr. Cox. It is imperative for Mr. Cox
2 to provide future or pro forma financials that show timely rate recovery of the
3 investments made to the system. Once again, a discussion of the correct timeline for
4 small water companies or the discussion of interim rate relief is essential for
5 convincing a bank to loan money to Indian Hills. Without these discussions, it is
6 obvious why a loan application would be rejected.

7 **Q YOU AGAIN MENTION INTERIM RATE RELIEF. HOW COULD YOU SEE THAT**
8 **MECHANISM WORKING FOR LARGE AMOUNTS OF CAPITAL INVESTMENTS?**

9 A Once the investment has been placed in service, Indian Hills could file for interim rate
10 relief to begin collecting in customer rates sufficient revenues to meet the annual
11 principal and interest payments of the applicable loan. It is generally recognized that
12 a small utility which does not have a substantial revenue stream will need some form
13 of rate relief when investing large sums for plant to serve utility customers. If interim
14 rate relief is discussed and sought by the utility, I believe this could be a positive
15 signal to a bank or financial institution to engage in loan discussions.

16 **Q IN THE TESTIMONY OF MR. COX AND MICHAEL E. THAMAN, SR. THERE IS A**
17 **GENERAL THEORY THAT LOANS OF 14% ARE NOT UNREASONABLE FOR**
18 **SETTING RATES FOR INDIAN HILLS. DO YOU HAVE ANY INFORMATION**
19 **REGARDING THIS CLAIM?**

20 A Yes. In his rebuttal testimony in Raccoon Creek Utility Operating Company, Inc.'s
21 rate case (File No. SR-2016-0202), OPC witness Charles Hyneman included a
22 schedule to his rebuttal testimony which listed the debt costs for small water/sewer
23 utility rate cases from the last five years. I have included as Schedule GRM-SUR-2 a

1 listing of those cases and the debt cost included in rates. As one can see, the
2 interest rates in those cases are much lower than the 14% requested in this case with
3 the exception of Hillcrest Utility Operating Company, Inc., which is also
4 operated/owned by Mr. Cox. I think it is quite obvious from a review of this schedule
5 that a 14% interest rate is excessive when determining the rates for a small
6 water/sewer company.

7 **Q HAS ANY COMMISSIONERS VOICED CONCERNS ABOUT THE 14% INTEREST**
8 **RATE?**

9 A Yes. Chairman Hall, Commissioner Stoll and Commissioner Coleman have all voiced
10 concerns over the 14% interest rate. I have included the following portion of the
11 October 20, 2016, Volume 2, pages 36-38, Transcript from Raccoon Creek Utility
12 Operating Company, Inc.'s rate increase (File No. SR-2016-0202).

13 "CHAIRMAN HALL: Yeah. And I think that's 100 percent accurate, because
14 we approved a 14 percent cost of debt the last time this company was here.
15 There's a Stipulation that is approving a 14 percent cost of debt this time, and
16 maybe the next time this company comes we may approve a 14 percent cost
17 of debt. But I'll tell you, two, three, four, five times, we ain't going to approve
18 it. So I think your counsel is 100 percent accurate, and I think that does
19 address your concerns, Commissioner Stoll, that the company understands
20 that it has an interest to find lower cost of debt.

21
22 COMMISSIONER STOLL: Yeah. Not to prejudge a future case, but the -- I
23 just again fail to see the incentive because I question the arm's length lack of -
24 - maybe lack of arm's length relationship out there, but I'll leave it at that. But I
25 agree with you. I'm -- I'll stop there.

26 ...

27 COMMISSIONER COLEMAN: ... it's -- it seems like it's not arm's length to
28 me. It seems that it's kind of hard to explain to people how it isn't the same.
29 And so Commissioner Hall's -- Chairman Hall's statement about coming back
30 over and over and over again with these types of requests, I think we should
31 all be concerned about any -- about where we're going here because it's --
32 we're talking real money that affects real people. And it seems that you
33 certainly are always going to have these types of disagreements and concerns

1 when it comes to asking people to dig deeper in their pockets. So we need
2 you to dig deeper and find some real significant financing.”

3 Clearly, from this portion of the transcript, one can hear the frustration this
4 Commission has with the 14% interest rates and the question of an arm’s-length
5 transaction between the utility company and the investors – the Glarners.

6 **Q DO YOU HAVE ANY CONCERNS ABOUT THE ARM’S-LENGTH TRANSACTIONS**
7 **BETWEEN THE INVESTOR – THE GLARNERS, AND THE UTILITY OWNERS –**
8 **MR. COX AND THE GLARNERS?**

9 A Yes, I definitely have concerns. I discussed these concerns in my direct testimony
10 and Mr. Cox and the other witnesses failed to address my concerns in their rebuttal
11 testimony. There are obvious reasons for concerns between the Glarners and Mr.
12 Cox and those concerns have not been answered. In particular, the 14% interest rate
13 and the prepayment penalty are provisions which can only make the investors
14 (Glarners) millions of dollars if these systems are refinanced or sold pursuant to the
15 exit plan discussed in my direct testimony. These loan conditions, given the
16 relationship between the Glarners and Mr. Cox, call into question whether the loan
17 application process and the ultimate loan conditions are performed objectively and in
18 an arm’s-length manner.

1 Q YOU DISCUSSED THE EXIT PLAN IN YOUR DIRECT TESTIMONY. IN HIS
2 REBUTTAL TESTIMONY, MR. COX DEFENDS HIS EXIT PLAN BY CLAIMING
3 THAT AN EXIT PLAN COULD ASSIST IN THE ATTRACTION OF BANK DEBT.
4 MR. THAMAN ALSO DISCUSSES HOW AN EXIT PLAN IS CUSTOMARY FOR AN
5 EARLY-STAGE COMPANY. PLEASE COMMENT.

6 A ** _____
7 _____
8 _____
9 _____
10 _____
11 _____
12 _____
13 _____
14 _____.

15 Q FINALLY, MR. COX DISPUTES YOUR STATEMENT THAT HE HAS MISLEAD THE
16 COMMISSION IN REGARDS TO THE PREPAYMENT PENALTY. PLEASE
17 COMMENT.

18 A ** _____
19 _____
20 _____
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3 **Q DO YOU HAVE ANY SUMMARY COMMENTS?**

4 A Yes. I continue to contend that the interest rate included in the Indian Hills' loan is
5 excessive. Mr. Cox failed to demonstrate that the information and discussions he has
6 with banks/financial institutions provides a complete picture of the regulatory process
7 in Missouri. Mr. Cox has also failed to avail himself of interim rate relief which would
8 help him in the loan process.

9 Mr. Cox, however, working on behalf of CSWR, which is ** ____ ** owned by
10 the Glarners who are the investors for the loans, has not shown that this process is
11 carried out in an arm's-length manner.

12 I continue to make the following recommendations for this case:

- 13 ➤ Require Mr. Cox to resubmit his loan applications to certain banks mutually
14 agreed to by the Staff and OPC. Require that either OPC or Staff monitor this
15 process to truly determine if the process is pursued objectively and that
16 reasonable financing is not available.
- 17 ➤ If the 14% interest loan rate is approved, require Mr. Cox to seek a new loan after
18 three years of operations.
- 19 ➤ Specifically state that the prepayment clause is not considered a component of
20 any approved loan for Indian Hills.

21 I have seen nothing in the rebuttal testimony of Indian Hills to change these
22 recommendations. In fact, given some of the statements and analyses in the Indian
23 Hills' rebuttal testimony, I am even more convinced these recommendations are
24 needed for this case.

1 Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

2 A Yes, it does.



*Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996.

4 CSR 240-3.015 Filing Requirements for Utility Company Applications for Waivers or Variances

PURPOSE: This rule provides a reference to the commission's practice and procedure rule regarding this subject.

(1) The requirements for filing applications for waivers or variances from commission rules and tariff provisions, as well as those statutory provisions that may be waived, are contained in Chapter 2 of the commission's rules in rule 4 CSR 240-2.060.

AUTHORITY: section 386.250, RSMo 2000. Original rule filed Aug. 16, 2002, effective April 30, 2003.*

*Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996.

4 CSR 240-3.020 Filing Requirements Regarding Utility Company Name Changes

PURPOSE: This rule provides a reference to the commission's practice and procedure rule regarding this subject.

(1) The requirements for filings regarding utility company name changes are contained in Chapters 2 and 3 of the commission's rules in rules 4 CSR 240-2.060, 4 CSR 240-3.520, 4 CSR 240-3.525 and 4 CSR 240-3.545.

AUTHORITY: section 386.250, RSMo 2000. Original rule filed Aug. 16, 2002, effective April 30, 2003. Amended: Filed March 19, 2004, effective Nov. 30, 2004.*

*Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996.

4 CSR 240-3.025 Utility Company Tariff Filings Which Create Cases

PURPOSE: This rule provides a reference to the commission's practice and procedure rule regarding this subject.

(1) The commission's rule regarding tariff filings which create cases, which includes various filing requirements, is contained in Chapter 2 of the commission's rules in rule 4 CSR 240-2.065.

AUTHORITY: section 386.250, RSMo 2000. Original rule filed Aug. 16, 2002, effective April 30, 2003.*

*Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996.

4 CSR 240-3.030 Minimum Filing Requirements for Utility Company General Rate Increase Requests

PURPOSE: This rule prescribes the information which must be filed by all electric utilities, all large local exchange telecommunications companies, all large gas, water and sewer utilities, and all steam heating utilities when filing for a general company-wide increase in rates. Additional requirements regarding this subject matter are also found in 4 CSR 240-3.160 for electric utilities and 4 CSR 240-3.235 for gas utilities.

(1) This rule applies to all electric utilities; to all local exchange telecommunications companies with more than five thousand (5,000) access lines; to all gas utilities with more than one thousand five hundred (1,500) customers; to all water utilities with more than five thousand (5,000) customers; to all sewer utilities with more than five thousand (5,000) customers; and to all steam heating utilities, under the jurisdiction of the commission.

(2) A general rate increase request is one where the company or utility files for an overall increase in revenues through a company-wide increase in rates for the utility service it provides, but shall not include requests for changes in rates made pursuant to an adjustment clause or other similar provisions contained in a utility's tariffs.

(A) With regard to any telecommunications company subject to this rule, any increase in revenues as a result of an increase in rates within a previously approved rate band for a transitionally competitive or competitive service pursuant to sections 392.500 and 392.510, RSMo will not be considered a general rate increase and thereby not be subject to these minimum filing requirements.

(3) At the time a tariff(s) is filed by any company or utility subject to this rule which contains a general rate increase request, an original and fourteen (14) copies of the following information shall be filed with the secretary of the commission and two (2) copies shall be provided to the Office of the Public Counsel:

(A) A letter transmitting the proposed tariff changes to the secretary of the commission of the Missouri Public Service Commission;

(B) General information concerning the filing which will be of interest to the public and suitable for publication, including:

1. The amount of dollars of the aggregate annual increase and the percentage of increase over current revenues which the tariff(s) proposes;

2. Names of the counties and communities affected;

3. The number of the customers to be affected in each general category of service and in all rate classifications within each general category of service;

4. The average change requested in dollars and percentage change from current rates for each general category of service and for all rate classifications within each general category of service;

5. The proposed annual aggregate change by general categories of service and by rate classification within each general category of service including dollar amounts and percentage of change in revenues from current rates;

6. Copies of any press releases relative to the filing issued by the company or utility prior to or at the time of the filing; and

7. A summary of the reasons for the proposed changes or a summary explanation of the reasons the additional rate is needed.

(4) For good cause shown, the commission may grant a waiver of any of the provisions of this rule.

AUTHORITY: section 386.250, RSMo 2000. Original rule filed Aug. 16, 2002, effective April 30, 2003.*

*Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996.

4 CSR 240-3.050 Small Utility Rate Case Procedure

PURPOSE: This rule provides procedures whereby certain small utilities may request increases in their overall annual operating revenues, without complying with the rules pertaining to general rate cases set forth elsewhere in this chapter.

(1) Notwithstanding the provisions of any other commission rule to the contrary, a gas utility serving ten thousand (10,000) or fewer customers, a water or sewer utility serving eight thousand (8,000) or fewer customers, or a steam heat utility serving fewer than one hundred (100) customers shall be considered a small utility under this rule.



(2) A small utility may initiate a rate case by filing a letter requesting an increase in its overall annual operating revenues with the secretary of the commission. A utility filing such a request shall specify the amount of the revenue increase that it is seeking, but shall not submit any proposed tariff revisions with the request. A utility that provides service in multiple, non-interconnected service areas or that provides more than one kind of utility service may only submit a company-wide request applicable to all of its services in all of its service areas.

(3) When a small utility's letter is filed, the secretary shall cause a rate case to be opened, but no specific actions shall be taken in that case, pending completion of the process set out in this rule, including the possible mediation or arbitration of issues among the parties. The regulatory law judge assigned to the case may be asked at any time to mediate disputes that may arise while the case is pending. If the commission staff (staff) and the utility do not reach agreement on a full resolution of the utility's revenue increase request, they may elect to arbitrate unresolved issues. Such arbitration shall allow the utility, the staff and the public counsel to present their positions on the unresolved issues to the regulatory law judge, who shall establish, on a case-by-case basis, procedures for identification and submission of issues and the presentation of the parties' positions. Parties need not be represented by counsel during arbitration, and each issue shall be determined using the "final offer" method, under which the position of one of the parties shall be adopted based upon the evidence presented and commission precedent. The regulatory law judge shall issue a written opinion resolving all issues presented for arbitration within twenty (20) days of the close of the arbitration proceeding. The arbitration decision and any partial, unanimous or non-unanimous disposition agreement shall be submitted to the commission for its consideration in issuing its decision regarding the resolution of the utility's revenue increase request.

(4) If it is found that a utility was not current on the payment of all of its commission assessments, the submission of its most recently required commission annual report or annual statement of operating revenue, or that it was not in good standing with the Missouri secretary of state, if applicable, at the time it filed its request then the commission may dismiss the case. The commission may also dismiss the case at any time if the utility fails to be in current compliance regarding commission assessments, annual reports or

annual statements of operating revenue, fails to remain in good standing with the Missouri secretary of state, if applicable, or fails to timely provide the staff or the public counsel with the information needed to investigate the utility's request.

(5) Within one (1) week after a case is opened, the staff shall file a timeline under which the case will proceed, specifying, at a minimum, due dates for the activities required by sections (9), (10) and (11).

(6) After a case is opened, the staff shall, and the public counsel may, conduct an investigation of the utility's request. This investigation may include a review of any and all information and materials related to the utility's cost of providing service and its operating revenues, the design of the utility's rates, the utility's service charges or fees, all provisions of the utility's tariffs, and any operational or customer service issues that are discovered during the investigation. If the public counsel wishes to conduct an independent investigation of the request, it must do so in a time frame that will not result in a delay in the utility's and the staff's resolution of the utility's request.

(7) No later than thirty (30) days after a case is opened, the utility shall mail written notice of the request to each of its customers. The notice, which must be approved by the staff and the public counsel prior to being mailed, shall invite the customers to submit comments about the utility's rates and quality of service within thirty (30) days after the date shown on the notice, and shall include instructions as to how comments can be submitted electronically, by telephone or in writing. When the utility mails the notice to its customers, it shall also send a copy to the staff and the staff shall file a copy in the case file. For small steam heating utility requests, the notice shall also be sent to each gas service and each electric service provider in the area affected by the request.

(8) For small steam heating utility requests, any customer, gas service provider or electric service provider that timely responds to the notice required by section (7) shall be entitled to copies of all filings subsequently made in the utility's case, except that information classified as highly confidential or proprietary will only be available under the terms of a commission issued protective order, and may participate in any conferences or hearings related to the case.

(9) No later than ninety (90) days after a case is opened, the staff shall provide a preliminary report of its investigation and audit to the utility and the public counsel.

(10) No later than one hundred twenty (120) days after a case is opened, the staff shall provide a settlement proposal to the utility and the public counsel. This proposal shall include the staff's recommended changes pertaining to the following: the utility's annual operating revenues; the utility's customer rates; the utility's service charges and fees; the utility's plant depreciation rates; the utility's tariff provisions; the operation of the utility's systems; and the management of the utility's operations. The staff shall also provide the following with its settlement proposal: draft revised tariff sheets reflecting the staff's recommendations; a draft disposition agreement reflecting the staff's recommendations; its audit workpapers; its rate design workpapers; and any other documents supporting its recommendations. A disposition agreement is a document that sets forth the signatories' proposed resolution of some or all of the issues pertaining to the utility's revenue increase request.

(11) No later than one hundred fifty (150) days after a case is opened, the staff shall file a disposition agreement between at least the staff and the utility providing for a full or partial resolution of the utility's revenue increase request. At any time prior to the filing of the disposition agreement, the assigned regulatory law judge may be called upon to meet with the participants and mediate discussions to assist them in reaching at least a partial agreement. If the disposition agreement filed by the staff provides for only partial resolution of the utility's request, it may contain provisions whereby the signatories request that the assigned regulatory law judge initiate an arbitration procedure regarding unresolved issues identified in the agreement.

(12) The staff and the small utility may agree that the deadlines set out in sections (9), (10) and (11) be extended for up to two (2) months. If an extension is agreed upon, the staff shall file a written agreement regarding the extension and an updated timeline reflecting the extension in the case file.

(13) If the disposition agreement filed by the staff provides for a full resolution of the utility's request and is executed by the utility, the staff and the public counsel, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than thirty (30) days after they are filed, to implement



the agreement. In such a situation, a local public hearing will not be held unless ordered by the commission.

(14) If the disposition agreement filed by the staff provides for a full resolution of the utility's request but is executed by only the utility and the staff, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than forty-five (45) days after they are filed, to implement the agreement. No later than five (5) working days after it makes its tariff filing, the utility shall mail written notice of the proposed tariff revisions, including a summary of the proposed rates and charges and the impact of the rates on an average residential customer's bill, to each of its customers. The notice must be approved by the staff and the public counsel prior to being mailed, shall invite customers to submit comments on the proposed tariff changes within twenty (20) days after the date of the notice, and shall include comment submission instructions as described in section (7). When the utility mails the notice to its customers, it shall also send a copy to the staff and the staff shall file a copy in the case file.

(15) No later than five (5) working days after the end of the comment period for the notice referenced in section (14), the public counsel shall file a pleading stating its position regarding the utility/staff agreement and the related tariff revisions, or requesting that the commission hold a local public hearing or an evidentiary hearing, and providing the reasons for its position or request.

(16) If the disposition agreement filed by the staff provides for only a partial resolution of the utility's request and for the use of an arbitration process to resolve specified issues, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than forty-five (45) days after they are filed, that reflect the terms of the agreement and its position on the issues to be arbitrated. No later than five (5) working days after it makes its tariff filing, the utility shall mail written notice of the proposed tariff revisions, including a summary of the proposed rates and charges and the impact of the rates on an average residential customer's bill, to each of its customers. The notice must be approved by the staff and the public counsel prior to being mailed, shall invite customers to submit comments on the proposed tariff changes within twenty (20) days after the date of the notice, and shall include comment submission instructions as described in section (7). When the utility mails the notice to its customers, it shall also send a copy to the staff and the staff shall file a copy in the case file.

(17) No later than five (5) working days after the end of the comment period for the notice referenced in section (16), the public counsel shall file a pleading stating its position regarding the utility/staff agreement and the related tariff revisions, and providing the reasons for its position, and stating whether it will participate in the proposed arbitration process. The public counsel's request for a local public hearing or an evidentiary hearing, and the reasons for its request, shall also be included in this pleading.

(18) If a local public hearing is set, the utility shall mail written notice of that hearing to its customers. The notice must be consistent with the order setting the hearing and must be approved by the staff and the public counsel before it is mailed. When the utility mails the notice to its customers, it shall also send a copy to the staff and the staff shall file a copy in the case file.

(19) If a local public hearing is held, the staff shall file a pleading no later than five (5) working days after the hearing indicating whether any material information not previously available was provided at the local public hearing and stating whether that information might result in changes to the utility/staff disposition agreement. No later than ten (10) working days after the local public hearing, the public counsel shall file a pleading stating its position regarding the utility/staff agreement and the related tariff revisions, or requesting that the commission hold an evidentiary hearing, and providing the reasons for its position or request.

(20) If the public counsel files a request for an evidentiary hearing, the request shall include a specified list of issues that the public counsel believes should be the subject of the hearing. The utility's pending tariff revisions shall then be suspended, and the utility's case shall be resolved through contested case procedures conducted in the time remaining in the rate case process, consistent with the requirements of section (24), the requirements of due process, and fairness to the participants in the matter and the utility's ratepayers.

(21) 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, consistent with the requirements of section (24), the requirements of due process, and fairness

to the participants in the matter and the utility's ratepayers.

(22) If the commission approves tariff revisions resulting from a small utility rate case, the utility shall mail written notice of that approval, including a summary of the revised rates and charges and the impact of the revised rates on an average residential customer's bill, to each of its customers. The notice must be approved by the staff and the public counsel prior to being mailed and shall be mailed to the customers prior to or with the first billing issued under the revisions. When the utility mails the notice to its customers, it shall also send a copy to the staff and the staff shall file a copy in the case file.

(23) If at any time after a case is opened the utility and the staff agree that an increase in the utility's annual operating revenues is not necessary, or if the utility advises the staff that it no longer wishes to pursue an increase, the staff shall file a verified statement to that effect in the case file, whereupon the regulatory law judge shall issue a notice closing the case.

(24) The proposed full resolution of a small utility rate case must be finally presented to the commission no later than nine (9) months after the case is opened, regardless of how it is presented, and the commission's decision and order regarding the case shall be issued and effective no later than eleven (11) months after the case was opened.

(25) The commission shall set just and reasonable rates, which may result in a revenue increase more or less than the increase originally sought by the utility, or which may result in a revenue decrease. In doing so, the commission may approve, reject or alter a disposition agreement, or an arbitration opinion and any related partial disposition agreement.

AUTHORITY: sections 386.040, 386.250, 393.140 and 393.290, RSMo 2000, and 393.291, RSMo Supp. 2007. Original rule filed Nov. 15, 2007, effective May 30, 2008.*

**Original authority: 386.040, RSMo 1939; 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996; 393.140, RSMo 1939, amended 1949, 1967; 393.290, RSMo 1993, amended 1967; and 393.291, RSMo 2003.*

4 CSR 240-3.100 Definitions Pertaining Specifically to Electric Utility Rules

PURPOSE: This rule sets forth the definitions of certain terms used in rules 4 CSR

INDIAN HILLS UTILITY OPERATING COMPANY INC.

Water and Sewer Utility Debt Cost

<u>Line</u>	<u>Company</u>	<u>Case No.</u>	<u>Debt Cost</u>
1	RDE Water Company	WR-2016-0267	4.31%
2	Roy-L Utilities	WR-2016-0109/SR-2016-0110	5.00%
3	Hillcrest Utility Operating Company, Inc.	WR-2016-0064/SR-2016-0065	14.00%
4	Raytown Water Company	WR-2015-0246	3.17%
5	Valley Woods Utility, LLC	WR-2015-0197/SR-2015-0198	5.00%
6	Taney County Water, LLC	WR-2015-0196	5.00%
7	Riverfork Water Company	WR-2015-0195	5.00%
8	Moore Bend Water Utility, LLC	WR-2015-0194	5.00%
9	Midland Water Company	WR-2015-0193	5.00%
10	Bilyeu Ridge Water Company	WR-2015-0192	5.00%
11	Central Rivers Wastewater Utility, Inc.	SR-2014-0247	9.75%
12	Terre Du Lac Utilities Corp	WR-2014-0104/SR-2014-0105	5.40%
13	Roy-L Utilities	WR-2013-0543/SR-2013-0544	5.00%
14	Lake Region Water & Sewer	WR-2013-0461/SR-2013-0459	5.00%
15	Rogue Creek Utilities, Inc.	WR-2013-0436/SR-2013-0435	7.22%
16	Lincoln County Sewer & Water, LLC	WR-2013-0322/SR-2013-0321	4.50%
17	Gladlo Water & Sewer Company, Inc.	WR-2013-0259/SR-2013-0258	6.21%
18	W.P.C. Sewer Company	SR-2013-0053	6.00%
19	Emerald Pointe Utility Company	WR-2013-0017/SR-2013-0016	5.35%
20	Raytown Water Company	WR-2012-0405	4.28%
21	House Springs Sewer Company	SR-2012-0399	6.95%
22	Oakbrier Water Company, Inc.	WR-2012-0267	3.30%
23	Lakeland Heights Water Company, Inc.	WR-2012-0266	3.30%
24	R.D. Sewer Company LLC	SR-2012-0263	3.30%
25	Taney County Water Company	WR-2012-0163	5.88%