

Suburban Water and Sewer Company  
1501 Vandiver Dr. #88  
Columbia, MO 65202  
(573) 474-4242

RECEIVED  
DEC 03 2004

December 1, 2004

RECEIVED

UTILITY OPERATIONS  
DIVISION

DEC 09 2004

Secretary of the Commission  
Missouri Public Service Commission  
Attn: Data Center  
PO Box 360  
Jefferson City, MO 65102

*Records*  
*Public Service Commission*

RE: Request for Increase in Annual Water System Operating Revenues Small Company  
Rate Increase Procedure

Dear Secretary:

Suburban Water and Sewer Company, Incorporated (the Company) holds a Certificate of Public Convenience and Necessity granted by the Missouri Public Service Commission (the Commission), under which the Company provides water supply and distribution services in Boone County, Missouri. The Commission first authorized the Company to provide regulated water utility service in 1971. The Company currently provides service to approximately 76 water customers within its certification service area under the provisions of the Commission-approved tariffs.

In September 1993, the Commission approved the Company's increase in customer rates for water service. Those rates were in effect until the Company, in February 2004, notified all its customers of a rate increase that would become effective as of April 1, 2004. This increase was necessary due to an increase in operating expenses for water main repair and routine maintenance on other system facilities. There was no opposition to this increase. The Company collected this additional revenue from the effective date of the rate increase through the October 2004 billing cycle. Upon recommendation from the Commission staff, the increase has been rescinded. All customers affected by this unapproved rate increase will be reimbursed for the overage.

As detailed in the attached report, the Company is proposing a significant change in water service to its customers. This change will result in improved water quality and system operating pressure; however, it will require an increase in the monthly rates for water. Comparing the Current Average Annual Income minus Expense, the Company is grossing a net annual profit of \$2,391.85. Under the Proposed Rate Structure, the anticipated Annual Income minus Expenses will yield \$9,460.20 gross profit.

Pursuant to 4 CSR 240-3.635, the Commission's rule pertaining to rate increase requests made by small water utilities, the Company is hereby requesting approval of this rate increase that will result in an increase of approximately \$7, 100.00 in its annual water system operating revenues. The Company understands that the design of its customers rates, its service charges, its customer service practices, its general business practices and the general tariff provisions will also be reviewed during the Commission staff's review of the rate increase request, and may be the subject of Staff recommendations at the conclusion of the rate increase process.

The specific reasons for the requested increase in the Company's Annual Operating Revenues is the change in the source of water supply, namely Boone County Consolidated Water District #1, the installation of additional water meters such as the individual metering of certain multi-family housing units, the increase in billing expenses due to the added water meters, and the need to maintain a minimum surplus to account for delinquent payments by existing customers. Should the Water District increase the cost for water, that is, the cost per thousand gallons of usage, the Company will need approval to automatically pass this increase on to its customers.

The company is current on the payment of its Commission annual assessments and the filing of the Commission Annual Reports. Additionally, the Company will remain current on these items during this small rate increase procedure.

Thank you for the assistance provided by staff personnel in this procedure. Please feel free to contact me or our Engineer Michael Logston at Marshall Engineering and Surveying, Inc. if you need additional information regarding this request.

Sincerely,

A handwritten signature in cursive script that reads "Gordon Burnam".

Gordon Burnam

**JUSTIFICATION FOR  
RATE INCREASE  
SUBURBAN  
WATER & SEWER COMPANY**

**Prepared by:**

**Michael Logston, P.E.  
Marshall Engineering and Surveying, Inc.  
300 Saint James Street  
Columbia, MO 65201  
573.875.8832**

# **SUBURBAN WATER AND SEWER COMPANY**

## **PROPOSED WATER RATE INCREASE**

**DECEMBER 2004**

### **BACKGROUND**

Suburban Water and Sewer Company (the Company) is a privately owned utility company located in Central Boone County, Missouri. The company maintains a Certificate of Convenience and Necessity through the Missouri Public Service Commission (PSC) to supply drinking water and wastewater collection and treatment to residents of Bon-Gor Lake Estates. The Boone County Regional Sewer District assumed ownership and operation of the wastewater collection and treatment system in the mid-1980's.

In September of 1993, the Company requested and was granted the authority to increase the water rates. Those rates have remained in effect since that time. In February 2004, the Company notified its customers of a rate increase that would take effect in April 2004. Unfortunately, approval to raise the existing rates was not obtained from the PSC. As of October 2004, due to advice from the staff of the PSC, the rate increase was rescinded and the company has reduced customers' water rates below the original rate until the amount collected in excess of the approved rate structure has been reimbursed to the customers.

In response to a report of inspection of the water supply facilities by the Department of Natural Resources in September 2003, the owners began evaluating the needs of the water supply system to bring it back into compliance with state regulations. One of the options was to abandon the present water supply well and standpipe, and purchase all water from the Boone County Consolidated PWSD No.1. After evaluating the other options, which included either upgrading the water distribution system and turning it over to the Water District or selling to another owner, the decision was made to continue operation of the distribution system and purchase all water from the District. This decision will necessitate an increase in water rates.

### **PROPOSED RATE INCREASE**

The current average monthly water bill for customers of the Company is \$14.57 based on an average of 5,000 gallons usage. The source of supply is one well and a standpipe that provides 17,000 gallons of storage. The well produces water that meets Recommended Drinking Water standards, but does contain elements such as iron and hydrogen sulfide that cause aesthetic problems. The volume of total storage is slightly more than one-half days' supply with only 7,174 gallons above the minimum accepted pressure level. When full the standpipe produces a maximum of 35 pounds per square inch, PSI, of pressure.

As stated above, the decision to purchase water from the Water District will result in an increase in the monthly water cost. However, the customers will recognize definite advantages to this change. The water supplied by the District does not contain hydrogen sulfide, which causes a rotten egg odor, and it has less dissolved iron, which causes laundry and plumbing stains. The Water District also maintains a higher water pressure, so customers will appreciate that feature.

When considering the operating expenses for the Company, the past five years records of Profit and Loss Statements were reviewed. The Average Annual Operating Expenses (AAOE) has been \$13,069.23. These expenses include items such as electrical power for the well, chemicals for disinfection of the water, repairs and maintenance, labor, water testing and testing fees, professional services, bookkeeping and office expenses. The items causing the greatest fluctuations in total annual expenses have been repairs to the well.

If the expenditures directly attributed to the well and the chemicals necessary for disinfection (chlorination) of the water are removed, the Average Annual Operating Expenses are \$7,260.48. This figure was used as the basis for calculating the Cost of Providing Service to the customers of the Company. The current owners should expect a reasonable profit for providing water service, so a figure of 7% was used. This raises the Average Annual Operating Expenses to \$7,768.71. In the purchasing of water from the Water District, the Company will be considered a Commercial Customer and will be subject to a monthly assessment of \$20.00 as the Base Rate, which adds \$240.00 per year to the AAOE bringing the total to \$8,008.71. All water passing through the master meter will be billed at the rate of \$4.10 per one thousand gallons. This rate will be passed along to the Company's metered customers.

#### **CURRENT CUSTOMER BASE**

The Company currently meters water to 38 single-family homes, 18 Duplexes and 20 Fourplexes, serving a total population of 450 persons. This can be broken down as 3.7 persons/single-family home; 3.0 persons / duplex unit; and 10.0 persons / fourplex. Water consumption based on these figures, at the current consumption of 60 gallons per day per person, will yield: 6,660 gallons per month for each single-family, 5,400 gallons per month for each duplex unit, and 18,000 gallons per month for each fourplex. Under the current rate structure, the Company reports an Average Annual Income of \$15,461.08.

The owners wish to install an additional water meter at each Duplex, making each individual residence a separate customer. The current arrangement of metering each fourplex as a single customer will continue. This will result in a customer base of 74 single-family services and 20 multi-family customers, however, the base water rate will be calculated on the bases of 154 "Dwelling Units" ( $74 + (20 \times 4) = 154$ ).

By taking the AAOE of \$8,008.71 and dividing by the 154 dwelling units, a base monthly user charge of \$4.33 results.

$$\frac{\$8,008.71}{12 \text{ months}} = \frac{\$667.39/\text{mo}}{154 \text{ D.U.}} = \$4.33/\text{MO/D.U.}$$

This rate will be applied to each dwelling unit, so each single-family customer will pay this amount and each multi-family customer will pay \$17.32/mo (4 X \$4.33). All customers will be charged \$4.10 for every 1000 gallons of water consumed.

In addition to the new rate structure, customers will be subject to additional charges for water services. These are:

|                      |         |
|----------------------|---------|
| Meter Deposit        | \$50.00 |
| New Account Fee      | \$10.00 |
| Restored Service Fee | \$30.00 |
| After Hours Service  | \$25.00 |
| Reconnection Fee     | \$50.00 |

A meter deposit will be required for all new meter installations along with the New Account Fee. If water service has been turned off, such as when occupancy changes, the Restored Service Fee will apply. If water service has been discontinued for non-payment, the Reconnection Fee will be charged. For any restoration of service that must be performed after hours or on weekends, the After Hours Service Fee will be assessed.

## CONCLUSION

After the proposed changes in water service to the duplex housing units are complete and water service is being provided by Boone County Consolidated PWSD #1, the Average Monthly Water Bills will be (approximately):

$$\text{For Single-Family} = \$4.33 + (6,660 \times \$4.10/1000) = \$4.33 + \$28.70 = \$33.03$$

$$\text{For Duplex Unit} = \$4.33 + (5,400 \times \$4.10/1000) = \$4.33 + \$24.60 = \$28.93$$

$$\text{For Fourplexes} = \$17.32 + (18,000 \times \$4.10/1000) = \$17.32 + \$73.80 = \$91.12$$

These figures will yield a Total Average Monthly Income of:

$$38 \times \$33.03 + 36 \times \$28.93 + 20 \times \$91.12 = \$4,119.02$$

The Total Average Monthly Payment to Boone C-1 is: **\$3,330.67** (calculated as follows)

38 X 6,660 gal = 253,080 gal (single-family) +

36 X 5,400 gal = 194,400 gal (duplex units) +

20 X 18,000 gal = 360,000 gal (fourplexes) = 807,480 gal X \$4.10/1000 = \$3,310.67

Monthly base charge = \$20.00

This results in an Estimated Monthly Surplus of **\$788.35** to cover delinquent payments and other above average monthly operating expenses plus company profit. It should be noted, if the Water District makes an adjustment in water rates, that adjustment, whether an increase or decrease, will need to be passed along to the customers of Suburban Water and Sewer Company.