

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held by telephone and internet audio conference on the 26th day of August, 2020.

In the Matter of The Raytown Water	)	
Company's Request for Annual Operating	)	<b><u>File No. WR-2020-0264</u></b>
Revenue Increase	)	Tariff No. YW-2021-0022

**ORDER APPROVING UNANIMOUS DISPOSITION AGREEMENT**

Issue Date: August 26, 2020

Effective Date: September 8, 2020

The Raytown Water Company on March 2, 2020, submitted a letter requesting an increase in its annual overall operating revenues in accordance with the Commission's staff assisted rate case procedure.<sup>1</sup> Raytown Water provides water service to about 6,582 customers in and near Raytown, Missouri, in Jackson County. Raytown Water sought an increase of \$663,332.92. In response to Raytown Water's request, as required by Commission Rule 20 CSR 4240-10.075(8), the Commission's Staff (Staff) audited the company's books and records, reviewed the company's customer service and business practices, reviewed the company's existing tariff, and inspected and reviewed company facilities and operations.

The Commission held a virtual local public hearing on July 9, 2020, and heard from three witnesses.<sup>2</sup> Additional written comments were submitted by the public and added to the record by Staff.<sup>3</sup> Additional comments have been posted to the case via the Commission's electronic filing and information system.

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<sup>1</sup> Commission Rule 20 CSR 4240-10.075.

<sup>2</sup> *Transcript of Virtual Local Public Hearing*, File No. WR-2020-0264, (July 23, 2020).

<sup>3</sup> *Notice of Submission of Written Public Comments for the Case Record*, File No. WR-2020-0264 (July 31, 2020).

On August 4, 2020, Staff filed, on behalf of Staff, Raytown Water, and the Office of the Public Counsel (OPC), a Unanimous Disposition Agreement (Agreement) to resolve all the issues in this matter and provide for an increase in overall annual revenue. All of the parties signed the Agreement. The Agreement provides for a revenue increase of \$482,575, a 12.3% increase, to be added to the existing final adjusted revenues of \$3,917,699, resulting in a total annual revenue requirement of \$4,400,274. The parties agree the revenue requirement is just and reasonable and designed to recover the cost of service.<sup>4</sup> Staff's analysis for an average customer indicates the rate increase under the Agreement will increase the minimum service charge from \$11.31 to \$12.86 monthly, with combined service and usage charges increasing from an average of \$39.75 to \$45.18 per month.<sup>5</sup>

The Agreement establishes a rate base of \$5,314,088. The parties also agreed to a capital structure that includes an overall recommended rate of return of 7.24%, calculated based on a hypothetical capital structure consisting of 4.79% debt and 95.21% equity, with a cost of debt of 3.44% and a cost of equity of 7.50%. The Agreement also includes prescribed schedules of depreciation rates for water plant.

In addition, Raytown Water agrees to implement recommendations to improve its usage estimating and billing processes, discontinue minimum monthly charges after service termination and update written information provided to customers to reflect current Commission rules. The Agreement includes provisions for improvement of Raytown Water's system, including a requirement that the company file a new case with the

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<sup>4</sup> Items included in the cost of service calculation, including a line item for return on equity, are specified in Attachment A1 to the Agreement.

<sup>5</sup> *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request, The Raytown Water Company*, File No. WR-2020-0264, Attachment G: Billing Comparison Worksheet (August 4, 2020).

Commission to seek financing for system improvements; complete all leak repairs and right of way requirements within eight months of discovery, weather permitting; improve water loss tracking; and post to the company's website the results of annual leak detection surveys. The Agreement requires Raytown Water to mail to customers written notice of the rates and charges included in tariff revisions after issuance of a Commissioner order approving the Agreement.

On August 13, 2020, the Commission directed the parties to respond to a set of queries concerning the company's capital improvement plan; revenue figures stated in attachments to the Agreement; leak repairs, leak surveys and water loss; and the customer status of a business owned by the company's president. Staff, on behalf of all of the parties, submitted a *Joint Response to the Commission's Questions* (Joint Response) on August 20, 2020.

Section 393.150, RSMo (2016), authorizes the Commission to set rates after a hearing. The hearing requirement is met when the opportunity for hearing has been provided.<sup>6</sup> The parties' Agreement disposed of all of the issues among the parties, and no party has requested a hearing.<sup>7</sup>

As required by the Agreement, Raytown Water filed revised tariffs on August 10, 2020, bearing an effective date of September 8, 2020, which is 29 days after the date of filing.<sup>8</sup> Section 393.140(11), RSMo (2016), requires that a tariff change filing provide at least 30 days' notice to the Commission, except as modified by the Commission

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<sup>6</sup> *State ex rel. Rex Deffenderfer Enters., Inc. v. Pub. Serv. Comm'n*, 776 S.W.2d 494, 496 (Mo. App. 1989).

<sup>7</sup> Commission Rule 20 CSR 4240-10.075(11) establishes time lines for requesting a hearing in a staff-assisted rate case.

<sup>8</sup> The Agreement calls for revision of five tariff sheets. Raytown Water filed seven tariff sheets, including two sheets not contemplated by the Agreement. Staff on August 18, 2020, recommended the Commission reject those two tariff sheets, and also recommended the Commission reject a third sheet that was contemplated by the Agreement, Second Revised Sheet No. 10, Cancelling First Revised Sheet No. 10. The company on August 19, 2020, withdrew the three tariff sheets disapproved by Staff.

upon a showing of good cause. In staff assisted rate cases, Commission Rule 20 CSR 4240-10.075(11)(B) requires a utility to submit to the Commission, within five business days of Staff's filing of a unanimous disposition agreement, new and/or revised tariff sheets bearing an effective date not fewer than 30 days later.

On August 24, 2020, Staff advised the errant effective date in Raytown Water's revised tariffs was the result of an inadvertent miscalculation. Staff suggests the Commission excuse the deviation of one day, given Staff's August 18, 2020 recommendation that four of the tariffs filed by Raytown are in compliance with the Agreement. OPC on August 24, 2020, stated no objection to Staff's recommendation to approve four of the revised tariffs. Because deviation from the 30-day requirement is minimal and Staff provided a reasonable explanation for the error, the Commission finds good cause to waive strict compliance with the 30-day notice requirement, pursuant to Section 393.140(11) and 20 CSR 4240-10.075(15).<sup>9</sup>

Staff on August 18, 2020, advised four of the tariff sheets filed by the company are in compliance with the Agreement and recommended approval of those sheets, filed under Tariff No. YW-2021-0022. The Commission has reviewed the Agreement, including its attachments, as well as Staff's recommendation concerning the revised tariffs, the Joint Response, and the parties' August 24, 2020 filings concerning the revised tariffs. The Commission independently finds and concludes that the Agreement is reasonable and should be approved. Furthermore, the proposed rates set out in the tariff sheets are just and reasonable.

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<sup>9</sup> Effective dates may be revised by filing a revised tariff or by filing a notice extending an effective date, as allowed by Commission Rule 20 CSR 4240-2.065(6).

The Commission will approve the Agreement and revised tariff sheets, filed under Tariff No. YW-2021-0022. To allow the revised tariff sheets to take effect on September 8, 2020, this order will be effective fewer than 30 days from the date of issuance.

**THE COMMISSION ORDERS THAT:**

1. The Unanimous Disposition Agreement, filed on August 4, 2020, and attached to this order, is approved.
2. Raytown Water, Staff, and the Office of the Public Counsel shall comply with the terms of the Unanimous Disposition Agreement.
3. The 30-day notice requirement of Section 393.140(11) and 20 CSR 4240-10.075(11)(B) is modified and waived for good cause.
4. The tariff sheets specified below, filed in Tariff No. YW-2021-0022, are approved, effective September 8, 2020:

**P.S.C. MO No. 5**

Fourth Revised Sheet No. 9, Cancelling Third Revised Sheet No. 9  
Second Revised Sheet No. 11, Cancelling First Revised Sheet No. 11  
Second Revised Sheet No. 35, Cancelling First Revised Sheet No. 35  
Second Revised Sheet No. 36, Cancelling First Revised Sheet No. 36

5. This order shall be effective on September 8, 2020.



**BY THE COMMISSION**

A handwritten signature in cursive script that reads "Morris L. Woodruff".

Morris L. Woodruff  
Secretary

Silvey, Chm., Kenney, Rupp, Coleman, and  
Holsman CC., concur.

Jacobs, Regulatory Law Judge