

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held by telephone/internet audio conference on the 8<sup>th</sup> day of April, 2020.

In the Matter of Confluence Rivers Utility     )  
Operating Company, Inc.'s Request for a     ) **File No. WR-2020-0053**  
Water Rate Increase     )

**ORDER APPROVING UNANIMOUS DISPOSITION AGREEMENT AND  
SMALL COMPANY RATE INCREASE WITH ACCOMPANYING TARIFFS**

Issue Date: April 8, 2020

Effective Date: July 1, 2020

**Procedural history**

On August 29, 2019, Confluence Rivers Utility Operating Company, Inc. (Confluence Rivers) filed notices opening two staff assisted rate cases under Commission Rule 20 CSR 4240-10.075.<sup>1</sup> The cases asked for both a rate increase and a rate consolidation for 9 water systems and 9 sewer systems.<sup>2</sup> Confluence Rivers sought an increase of \$368,360 in its total annual water service operating revenues and a \$527,721 increase in sewer operating revenues. Confluence Rivers serves approximately 542 water customers and 627 sewer customers.

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<sup>1</sup> SR-2020-0054 was consolidated into this case on October 15, 2019.

<sup>2</sup> The systems to be combined include: the Willows Service Area, water and sewer; Gladlo Service Area, water and sewer; Eugene Service Area, water only; Smithview Service Area, water only; ROY-L Service Area, water and sewer; Mill Creek Service Area, sewer only; Majestic Lakes Service Area, water and sewer; Auburn Lake Service Area, water and sewer; Calvey Brook Service Area, water and sewer; Lake Virginia Service Area, sewer only; Villa Ridge Service Area, sewer only; Evergreen Lake Service Area, water only;

The Commission held three local public hearings and heard from a total of 18 witnesses.<sup>3</sup> Eighty-six public comments were filed, apart from those received during the local public hearings.

On February 10, 2020, the parties filed a *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request (Disposition Agreement)*.<sup>4</sup> The *Disposition Agreement* purports to resolve all issues in this matter, agrees to annual revenue increases for all systems, and combines the multiple systems' water rates and sewer rates into single rates. Different from past small company staff assisted rate cases, information regarding the rate increases and consolidations is contained solely in the *Disposition Agreement* and its supplemental filings.

Commission rules allow parties five days to respond to small company rate case disposition agreements. Five days have elapsed and no party has objected or otherwise responded to the filing of the *Disposition Agreement*.

On March 18, 2020, the Commission, on its own motion, held an on-the-record presentation for the parties to submit a presentation on the *Disposition Agreement* and answer further questions from the Commission. The Staff of the Missouri Public Service Commission (Staff) filed corrected billing comparisons and an updated table of rates on March 24, 2020. Staff filed a further correction of billing comparisons on March 30, 2020. No parties objected to the Staff's filed corrections.

Meanwhile, on March 13, 2020, Confluence Rivers filed new water and sewer tariffs, YW-2020-0155 and YS-2020-0156, respectively. Those tariffs each bear an

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<sup>3</sup> Hearings were held in Eureka and O'Fallon, Missouri, on November 4, 2019, and Jefferson City on November 5.

<sup>4</sup> Signatory parties to the *Disposition Agreement* include: Confluence Rivers; the Staff; and the Public Counsel.

effective date of April 12, 2020. On March 24, 2020, Staff filed its recommendation to approve the tariffs, finding that they comply with the terms of the *Disposition Agreement*.

Commission rules allow parties ten days to respond to pleadings unless otherwise ordered. Ten days have elapsed and no party has objected or otherwise responded to the filing of the tariffs.

Parties were ordered to respond in a shorter time to the Staff's recommendation. No responses or objections were received to the Staff's recommendation to approve the tariffs filed in compliance with the *Disposition Agreement*.

On March 30, 2020, the Commission directed the parties to respond to a proposal to delay the effective date of the tariffs due to the COVID-19 pandemic and its related economic disruptions. Confluence Rivers responded affirmatively that they would voluntarily delay the effective date of the tariffs to July 1, 2020.

## **Discussion**

In the *Disposition Agreement*, the parties agreed that Confluence Rivers would file compliance tariffs for water service and for sewer service. Both single-rate tariffs were filed March 13, 2020, with effective dates of April 12, 2020.

The *Disposition Agreement* provides for an *increase* to Confluence Rivers' water revenue requirement of \$306,355 (201%). Added to the previous water revenues of \$152,322, this results in overall annual water revenues of \$458,676.

The *Disposition Agreement* also provides for a sewer revenue requirement *increase* of \$345,597 (173%). Added to the previous sewer revenues of \$199,751, this results in overall annual sewer revenues of \$545,349.

The Customer Experience Department conducted a review of Confluence Rivers' procedures and practices used to ensure that its customers' service needs are met. That review resulted in a section of the *Disposition Agreement* requiring Confluence Rivers to

develop and implement a process to ensure all customer complaints received are documented and maintained for at least 2 years.

Within 3 years, Confluence Rivers shall have replaced all nonfunctioning meters in the Smithview subdivision. All customers with a currently nonfunctioning meter will be placed temporarily on a flat, unmetered, rate. Once a customer's meter is replaced, that customer will transition to the metered rate.

The Water and Sewer Department also conducted a review of the water and sewer systems. That review found that most of the system improvements are still under construction, and therefore, the costs of these improvements are not included in this rate case. The deadline for inclusion was November 12, 2019. This was further explained at the March 18, 2020, on-the-record presentation as a basis for dividing the capital improvements between rate cases: 15% for this case, reserving 85% for a future rate case(s).

Water system customers will average a 207% increase to their water service rate, to \$42.20 per month with a commodity charge of \$7.01 per 1,000 gallons. Sewer system customers will average a 179% increase to their sewer rate, to \$72.48 per month. Three of the 9 water systems last adjusted rates in 2011, 2005, and 1995. The three longest standing sewer system rates date from 2014 (2), and 1995.

The Commission's Water and Sewer Department supports a single rate structure for all water and sewer customers among the various systems, based on the unique circumstances of this case.

Staff submitted an updated table of rates comparing projected rates among the systems as stand-alone entities compared to the consolidated basis proposed in the *Disposition Agreement*. In 16 of the 22 rates among the 18 systems, the *consolidated* customer charge is lower than the stand-alone customer charge. Commodity charges

show similar numbers, with 5 of 7 systems have a lower *consolidated* commodity charge versus a stand-alone commodity charge.

The terms of the *Disposition Agreement* reflect compromises between the Staff, the Office of the Public Counsel (Public Counsel) and Confluence Rivers, and no party has agreed to any particular ratemaking principle in arriving at the amount of the specified annual operating revenue increases.

The Commission is tasked with setting just and reasonable rates, which may result in a revenue increase more or less than the increase originally sought by the utility. The Commission has the authority to approve a disposition agreement.

The Commission finds and concludes that the *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request* is reasonable and should be approved. Furthermore, the unopposed proposed rates are just and reasonable in order to provide safe and adequate service to the ratepayers.

Due to the global pandemic caused by COVID-19, Confluence Rivers has offered to delay the implementation of the rate increases until July 1, 2020. The Commission accepts Confluence Rivers' offer, and will make this order effective July 1, 2020. Confluence Rivers may extend the effective date of its tariffs by filing an appropriate notice in this file. If it has not done so by April 9, 2020, the presiding judge may issue an order by delegation to suspend those tariffs until July 1, 2020.

**THE COMMISSION ORDERS THAT:**

1. The *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request* filed on February 10, 2020, and hereto attached as Attachment 1, is approved.

2. All parties shall comply with the terms of the *Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*.

3. Tariff Nos. YS-2020-0156 and YW-2020-0155, submitted on March 13, 2020, are approved. As discussed in the body of this order, the Commission intends the tariffs to go into effect on July 1, 2020. If Confluence Rivers does not submit a notice extending the effective date of the tariffs to July 1, 2020, the regulatory law judge is directed to suspend the tariff until that date.

4. This order shall become effective on July 1, 2020.



**BY THE COMMISSION**

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive, flowing style.

Morris L. Woodruff  
Secretary

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

Hatcher, Regulatory Law Judge