

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held by telephone and internet audio conference on the 30th day of December, 2020.

In the Matter of Elm Hills Utility Operating Company, Inc.'s Request for a Water and Sewer Rate Increase) **File No. WR-2020-0275**
) Tariff Nos. YW-2021-0057 and
) YS-2021-0058

**ORDER APPROVING SECOND DISPOSITION AGREEMENT AND
SMALL COMPANY RATE INCREASE**

Issue Date: December 30, 2020

Effective Date: January 29, 2021

On March 6, 2020,¹ Elm Hills Utility Operating Company, Inc. (Elm Hills) filed notices opening two staff assisted rate cases under Commission Rule 20 CSR 4240-10.075.² The cases asked for both a rate increase and a rate consolidation for four sewer systems.³ Elm Hills sought an increase of \$135,745 in its total annual water service operating revenues and a \$393,919 increase in sewer operating revenues. Elm Hills serves approximately 127 water customers and 378 sewer customers.

The Commission held a local public hearing by video and teleconference and heard from fourteen witnesses.⁴ Seventy-eight public comments were filed, apart from those received during the local public hearings.

On September 9, Elm Hills and the Staff of the Missouri Public Service Commission (Staff) filed a Nonunanimous Disposition Agreement Regarding Disposition of Small Utility Company Revenue Increase Request (First Disposition Agreement). Also on September 9, Elm Hills filed replacement tariffs with an effective date of October 24.

¹ Unless otherwise specified, all date references are to the year 2020.

² SR-2020-0274 was consolidated into this case on March 25.

³ The only water rates at issue in this case are those in the Missouri Utilities service area. The sewer system rates to be consolidated are as follows: Twin Oaks/Preserve; Rainbow Acres; State Park Village; and Missouri Utilities.

⁴ Due to COVID-19, the hearing was held via WebEx on July 14. See Transcript Volume I.

Tariff Nos. YS-2021-0058 and YW-2021-0057 were suspended by the Commission until February 21, 2021.⁵ On September 14, the Office of the Public Counsel (OPC) objected to the First Disposition Agreement and requested a hearing.

On December 14, Elm Hills and OPC filed a Nonunanimous Disposition Agreement Regarding Disposition of Small Utility Company Revenue Increase Request (Second Disposition Agreement). The Second 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 (see Appendix 1, which includes all internally referenced attachments).

On December 14, Staff filed its Notice of Non-Opposition. All parties have either signed the Second Disposition Agreement or stated its non-objection. No party requested an evidentiary hearing. The requirement for a hearing is met when the opportunity for a hearing has been provided.⁶ Without an evidentiary hearing, information regarding the rate increases and consolidations is contained solely in the Second Disposition Agreement and its supplemental filings.⁷

Pursuant to the Commission's staff assisted rate case rule, Staff conducted an audit of Elm Hills' books and records, a review of its customer service and general business practices, a review of Elm Hills' existing tariff, an inspection of Elm Hills' facilities and a review of the operation of its facilities. Subsequent to this investigation by Staff, the First Disposition Agreement was filed making fifteen specific agreements. These fifteen agreements were largely incorporated in the Second Disposition Agreement.

⁵ Order Granting Request for Evidentiary Hearing, Waiving Deadlines, Suspending Tariffs, and Directing New Joint Proposed Schedule, issued September 30.

⁶ *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

⁷ Attachments E and F to the Second Disposition Agreement were filed on December 15, and are included in the attached Second Disposition Agreement (Appendix 1).

The Second Disposition Agreement provides for an increase to Elm Hills' water revenue requirement of \$64,361. Added to the previous water revenues of \$28,745, this results in overall annual water revenues of \$93,106. The Second Disposition Agreement also provides for a sewer revenue requirement increase of \$326,474. Added to the previous sewer revenues of \$126,587, this results in overall annual sewer revenues of \$453,061. The revenue requirements detailed in the Second Disposition Agreement were the result of negotiations among the signatories following a full and complete audit of Elm Hills' books and records using the twelve month period ended December 31, 2019, updated to March 31, 2020. The agreed upon net rate base is \$343,843 for water and \$1,607,013 for sewer.

Metered water system customers with a 5/8" meter will have an increase to in their customer charge, going from an average monthly customer charge of \$7.13 to \$31.04. The related commodity charge will increase from \$2.47 to \$7.07. Flat rates for customers with a 5.8" meter connection but without a functioning meter will increase from an average monthly customer charge of \$7.13 to \$60.15. Sewer system customers will see an increase to their sewer rate, from an average monthly customer charge of \$20.60 to \$99.88 per month.⁸

The Second Disposition Agreement also provides that within six months of the effective date of this order, Elm Hills shall have installed meters measuring flows into and out of the Elm Hills Mobile Home Park. Within three years, Elm Hills shall have made necessary repairs and installations such that all other water customers are served by

⁸ Rates for four sewer systems are consolidated by the Second Disposition Agreement to a single rate. The four systems, and the prior monthly customer charge for each are as follows: Mo Utilities, \$19.21; Rainbow Acres, \$15.00; State Park Village, \$45.00; and Twin Oaks/Preserve, \$3.18.

functioning meters, with the exception of those commercial customers for which the installation of meters is infeasible.

Within ninety days of the effective date of this order and pursuant to the Second Disposition Agreement, Elm Hills shall implement the recommendations of the Auditing Department. These recommendations are summarized as below:

- (a) track all work conducted on behalf of Elm Hills by Central States Water Resources, Inc. in the form of a time record;
- (b) document when plant is placed in service on the related invoice;
- (c) maintain a spreadsheet for plant additions and retirement of property.

Under the Second Disposition Agreement, Elm Hills also agrees to modify its operations and maintenance contractor bidding process. The bidding process will now include a single request for proposals that will include all systems up for bid by Elm Hills, with bid responses including both separate and aggregate bids by pre-qualified prospective contractors. The bidding pool will be expanded, and bidders will be able to include bids for services outside the scope of those requested as well as include omissions for any portion of the bid the bidder cannot provide. Elm Hills will also seek and evaluate references from bidders.

Within three months of the effective date of this order as further provided by the Second Disposition Agreement, Elm Hills will meet with Staff and OPC to discuss long-term capitalization and financing. Financing discussions with prospective lenders shall involve OPC (and Staff, should it so choose). Additionally, Elm Hills will provide the data and documents necessary to discuss its financial situation, subject to the Commission rules governing discovery.

The terms of the Second Disposition Agreement reflect compromises between OPC and Elm Hills, 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.⁹ The Commission has the authority to approve a disposition agreement.¹⁰

The Commission finds and concludes that the Second Disposition Agreement 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.

THE COMMISSION ORDERS THAT:

1. The Second Disposition Agreement filed on December 14, 2020, summarized in the body of this order and hereto attached as Appendix 1, is approved. All signatories shall comply with the terms of the Second Disposition Agreement.

2. Elm Hills is authorized to file tariffs in compliance with the Second Disposition Agreement.

3. Tariff Nos. YS-2020-0058 and YW-2020-0057, which were submitted on September 9, 2020, are rejected.

4. This order shall become effective on January 29, 2021.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

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

Hatcher, Regulatory Law Judge

⁹ Commission Rule 20 CSR 4240-10.075(14).

¹⁰ Commission Rule 20 CSR 4240-10.075(11).