

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 19th day
of June, 2019.

In the Matter of S.K. & M. Water and Sewer)
Company's Application For Increases in)
Annual Sewer and Water System Operating)
Revenues)

File No. SR-2019-0157
Tariff Nos. JS-2019-0213
and JW-2019-0214

**ORDER APPROVING DISPOSITION AGREEMENTS AND SMALL
COMPANY RATE INCREASE**

Issue Date: June 19, 2019

Effective Date: July 5, 2019

On November 27, 2018, S.K. & M. Water and Sewer Company ("SK&M" or "the Company") submitted a letter in accordance with the Commission's Staff Assisted Rate Case Procedure¹ seeking an annual water rate increase of \$200,000 and an annual sewer rate increase of \$100,000.² The Company serves approximately 302 water customers and 156 sewer customers.

The Staff of the Missouri Public Service Commission ("Staff") conducted a full and complete audit of SK&M's books and records. On May 29, 2019, SK&M and Staff filed a non-unanimous disposition agreement purporting to resolve all the issues in this matter and agreeing to an annual revenue increase.

¹ 4 CSR 240-10.075.

² On December 7, 2018, the Commission issued an order consolidating the water rate case, File No. WR-2019-0158, with the sewer rate case, File No. SR-2019-0157. EFIS Item No. 7.

Procedural History

On November 29, 2018, SK&M requested the Commission approve interim/emergency rates for both water and sewer utilities. Staff recommended approval of the request, and the Commission ordered approval of the interim/emergency rates.³ The Commission found that conditions supporting the approval included water line breaks, sewer line collapses, and replacement of inoperable meters among other operational concerns. The Commission also noted Staff's review of SK&M's general ledger, which concluded that due to the deteriorated nature of the system, the financial condition to continue to provide safe and adequate service was at risk, and no other alternative existed to alleviate this risk but emergency rate relief. Rates for both SK&M's sewer and water systems were otherwise last revised in 2010.

The parties jointly requested the Commission schedule a local public hearing to hear ratepayer input.⁴ The local public hearing occurred in Perryville, Missouri, on January 17, 2019. As discussed at the hearing, the Commission hereby takes notice of all written comments submitted.⁵

On May 17, 2019, Staff and SK&M submitted a *Notice of Non-Unanimous Disposition Agreement* which included a *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request* ("Disposition") for the Commission's approval. The Office of the Public Counsel noted a typographical error in

³ The interim tariffs expire automatically upon completion of this case, or August 27, 2019, whichever occurs first. See YS-2019-0110, P.S.C. MO No. 3, 1st Revised Sheet No. 5; and YW-2019-0111, P.S.C. MO No. 2, 3rd Revised Sheet No. 6,

⁴ *Joint Request for Local Public Hearing*.

⁵ A total of 24 written comments were submitted to the Commission and filed in EFIS.

the Disposition⁶, which was corrected and refiled on May 29, 2019. The Disposition resolves all outstanding contested issues. New tariff sheets were filed on May 20, 2019, with an effective date of July 5, 2019.⁷

Commission Rule 4 CSR 240-10.075(11)(D) states that non-signatory parties to a disposition have five days to file a pleading stating its position. Over five days have elapsed since the submission of the Disposition and tariff sheets, and the Office of the Public Counsel, the only non-signatory party, has not filed said pleading. The Office of the Public Counsel informed the other parties that it does not oppose the Disposition as amended and filed on May 29, 2019.⁸

Disposition Discussion

In the Disposition, Staff and SK&M agree that SK&M will file revised tariff sheets with rate schedules. New tariff sheets were filed on May 20, 2019, with an effective date of July 5, 2019.⁹ The Disposition provides for an increase of \$13,280 (13%) for SK&M's water revenues.¹⁰ When added to the interim/emergency water rate-increase revenues of \$105,822, the total increase in annual water revenues is \$119,102. The current water usage rate of \$2.76 per 1,000 gallons will decrease to \$2.50.¹¹ The current \$6.55 minimum monthly charge for water service for 5/8" customers will increase to \$27.01, while the \$16.36 minimum monthly charge for 1" customers will increase to \$46.91.¹²

⁶ *Response to Order Directing Filing*, p. 2, items 2-4. The error was in Appendix A, "The agreed upon net rate base for sewer is zero dollars as of January 1, 2019." The corrected version reads "The agreed upon net rate base for sewer is \$880 as of January 1, 2019."

⁷ JS-2019-0213 and JW-2019-0214. Tariff Tracking Number JW-2019-0214 was updated on June 14, 2019 to include the original sheet page numbers.

⁸ *Response to Order Directing Filing*, p. 2, item 5.

⁹ JS-2019-0213 and JW-2019-0214.

¹⁰ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 2.

¹¹ JW-2019-0214, p. 4.

¹² JW-2019-0214, p. 4

The Disposition also provides for an increase of \$15,598 (24%) in sewer revenues.¹³ When added to the interim/emergency water rate-increase revenues of \$65,460, the total increase in annual sewer revenues is \$81,058. The current rate schedule for monthly sewer charges is as follows:

single family monthly sewer service charge of \$29.36;
multi-family monthly charge of \$23.48;
and commercial monthly charge of \$29.36.

The new monthly sewer charge schedule¹⁴ is based on water meter size as follows:

customers with a 5/8 water connection will pay \$47.87 monthly;
customers with a 1" water connection will pay \$82.07 monthly;
customers with a 1 1/2" water connection will pay \$133.37 monthly;
customers with a 2" water connection will pay \$304.38 monthly.

The capital structure is 25% common equity and 75% long-term debt.¹⁵ The Disposition establishes a return on equity of 11.53%, and an after-tax rate of return of 8.37%.¹⁶ Under the terms of the Disposition, SK&M also agrees to implement recommendations contained in the Auditing Department Report,¹⁷ the Customer Experience Department Report,¹⁸ and the Water & Sewer Department Report.¹⁹

¹³ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 2.

¹⁴ JS-2019-0213, p. 4.

¹⁵ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 2.

¹⁶ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 2.

¹⁷ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 3.

¹⁸ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 4.

¹⁹ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 4-5.

The Disposition implements an Environmental Improvement Contingency Fund charge of \$2.14 each month for water customers and \$5.11 for sewer customers.²⁰ SK&M also agrees that sewer maintenance fees will cease to be collected,²¹ and agrees to file a rate case for both water and sewer utilities no later than January 31, 2022.²²

No party requested an evidentiary hearing. The requirement for a hearing is met when the opportunity for a hearing has been provided.²³ Pursuant to Commission Rule 4 CSR 240-10.075(14), 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.²⁴

As the Disposition and tariff sheet filings are unopposed, the Company complied with Commission Rule 4 CSR 240-10.075(11)(C) by filing tariff sheets with a minimum 45 day effective date. So that these tariff sheets may go into effect expeditiously to allow SK&M to begin needed repairs, the Commission will make this order effective in less than 30 days.

The Commission independently 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.

²⁰ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 5.

²¹ *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 5.

²² *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*, p. 6.

²³ *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

²⁴ Commission Rule 4 CSR 240-10.075(11) and (14).

THE COMMISSION ORDERS THAT:

1. The *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request* filed on May 29, 2019, and hereto attached as Attachment 1, is approved.

2. S.K. & M. Water and Sewer Company and the Commission's Staff shall comply with the terms of the *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*.

3. Tariff No. JS-2019-0213, submitted on May 20, 2019, is approved to become effective July 5, 2019. The tariff sheets approved are:

P.S.C. MO No. 5
Cancelling P.S.C. MO No. 3

4. Tariff No. JW-2019-0214, submitted on May 20, 2019, is approved to become effective July 5, 2019. The tariff sheets approved are:

P.S.C. MO No. 4
Cancelling P.S.C. MO No. 2

5. The interim/emergency rates previously approved in this case and filed under Tariff numbers YS-2019-0110 and YW-2019-0111, shall expire upon the effective date of this Report and Order.

6. This order shall become effective on July 5, 2019.

BY THE COMMISSION



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

Morris L. Woodruff
Secretary

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

Hatcher, Regulatory Law Judge.