

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 22<sup>nd</sup> day  
of April, 2009.

In the Matter of a Small Company Rate ) **Case No. WR-2009-0098**  
Increase by Raytown Water Company ) Tariff No. YW-2009-0587

**ORDER APPROVING UNANIMOUS DISPOSITION AGREEMENT**

Issue Date: April 22, 2009

Effective Date: May 2, 2009

**Procedural History**

On September 12, 2008, RWC initiated a small water company rate increase action pursuant to Commission Rule 4 CSR 240-3.050. RWC requested an increase of \$405,402 in operating revenues. RWC serves approximately 6,216 residential customers and 390 commercial customers in Raytown and Independence, Missouri.<sup>1</sup>

After discussions with Staff, RWC and Staff agreed that RWC's annualized operating revenue increase should be reduced to \$317,990 and on February 9, 2009,<sup>2</sup> Staff and RWC filed a Disposition Agreement ("Agreement-1"). On February 17, RWC filed tariff sheets, bearing an effective date of April 2; those sheets reflect the reduction from their originally requested rates and contain all other provisions necessary to implement the terms of the Agreement-1. Also on February 17, Staff filed a recommendation that the Commission:

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<sup>1</sup> The Company's growth is limited because a large percentage of the land in its service territory has already been developed and its service territory is bounded on all sides by a public water district and a municipal water system. The Company's 20 square-mile service territory is generally bounded by 50th Street to the north, Woodson Road to the east, 350 Highway to the south and Blue Ridge Cutoff to the west.

<sup>2</sup> All dates from this point forward refer to the year 2009 unless otherwise noted.

- (a) approve the revised tariff sheets that the Company submitted to the Commission on February 17, 2009 to be effective for service rendered on and after April 2, 2009;
- (b) approve Agreement-1 submitted by Staff and RWC;
- (c) direct the Company to comply with the terms of the Agreement-1; and,
- (d) prescribe the schedule of depreciation rates included as Attachment F to Agreement-1 as the schedule of depreciation rates authorized for RWC's use.

The Office of the Public Counsel ("Public Counsel") did not join in Agreement-1. Instead, on March 16, Public Counsel filed a notice stating that it believed resolution of the issues had been achieved and that a Unanimous Disposition Agreement may be forthcoming. However, Public Counsel also stated that it wished to reserve its right to have a local public hearing in case resolution is not achieved. Consequently, Public Counsel requested the Commission schedule a public hearing.

On March 18, the Commission granted Public Counsel's request for a local public hearing and a set date, location and time for the hearing. Notice of the hearing was directed to be issued on March 31, and the hearing was held on April 16.<sup>3</sup>

After the Commission issued its order granting Public Counsel's request for a local public hearing, Public Counsel filed a motion to reject or suspend RWC's tariff. Public Counsel observed that Commission Rule 4 CSR 240-3.050(14) requires RWC to have filed a tariff with an effective date no fewer than 45 days following the date of issuance. RWC's tariff, having been filed on February 17, allowed for only 44 days before becoming effective,

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<sup>3</sup> Commission Rule 4 CSR 240-3.050 dictates timelines for RWC to issue sufficient notice to its customers so they may attend the local public hearing. Additionally, Commission Rule 4 CSR 240-2.110(1) requires the Commission to set the time and place for hearings and serve notice as required by law, and Sections 536.067(4) and 386.390.5, RSMo 2000, require at least ten days notice be given prior to a hearing. Complying with the required timelines, and factoring in the time necessary for RWC to draft and issue notice to its customers, necessitates holding the local public hearing no earlier than April 10.

and as such violates the Commission's Rule. Additionally, Public Counsel objected to the Commission allowing the tariff to become effective prior to holding a local public hearing. Public Counsel states that should the Commission allow this to happen, the Commission will essentially be unjustly refusing to consider testimony from RWC's customers prior to making a decision about RWC's rate increase request. Public Counsel requested the Commission to either reject the tariff as being in violation of the Commission's rules, or to suspend it to allow adequate time to conduct the local public hearing prior to determining if the proposed rates should be allowed to go into effect.

On March 20, RWC responded to Public Counsel's motion by filing a substitute tariff bearing an effective date of May 4. The May 4 effective date satisfies the requirements of Commission Rule 4 CSR 240-3.050(14), and allows the Commission sufficient time to conduct the local public hearing prior to the tariff's effective date. Consequently, the grounds supporting Public Counsel's motion no longer exist.

On March 24, the parties jointly filed a "Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request" ("Agreement-2"). Public Counsel also withdrew its request for a local public hearing.

### **Unanimous Disposition Agreement**

Following the negotiations between RWC, Staff, Company and OPC, the parties unanimously agree to the following:

1. For the purpose of implementing the agreements set out herein and in order to reflect the rates, charges and language as agreed to by the Company, Staff, and OPC, the Company agrees to substitute Sheet Number Nine (9) found within the Company's currently-pending tariff revisions filed with the Commission on March 20, 2009. This substitute sheet shall bear an effective date of May 4, 2009.

2. The resulting agreed-upon annualized operating revenue increase of \$299,837 reflects the annualized operating revenue increase needed to recover the Company's cost of service.

3. The Company, Staff and OPC agree to a step-down in the metered tariff rates (i.e. customer charge and commodity rates) effective November 1, 2009. Step-down rates will equal an expense reduction of the total \$89,797 annual amortization cost included in Staff's Final Revised Accounting Schedules for the Gateway Project Main and the Computer System Upgrade which are \$28,854 and \$60,943, respectively. Staff will, and OPC may, contact the Company no later than October 1, 2009 to ensure that the November 1, 2009 step-down rates will be implemented. Company will provide documentation to Staff and OPC of the implementation of the step-down rates by December 1, 2009.

4. Rate design calculations to develop the step-down rates will utilize the same Income Statement and Rate Base Return amounts as those utilized to resolve the current case; except that, only the total \$89,797 annual amortization cost included in Staff's Final Revised Accounting Schedules for the Gateway Project Main and the Computer System Upgrade will be excluded from the rate design income statement and all calculations.

5. Within six (6) months of the effective date of the Commission order approving this Disposition Agreement, the Company agrees to put procedures in place to ensure that the Kansas City Meters are read on a monthly basis, that monthly bills for Kansas City are provided as agreed and that the rates charged are those authorized by the Missouri Public Service Commission and agreed to in the contract. Further, within one (1) month after the implementation of the procedures agreed-upon in this provision, Company will provide documentation to both Staff and OPC that verifies the procedures have been implemented.

6. Company will agree to track and record the booking, write-off and recovery of bad debts appropriately. (See #15.e, f, g and h below)

7. Company will maintain clear and concise records of cell phones provided to noncritical employees and family members through the Company's account with itemized reimbursements by employees back to the Company. The Company shall be consistent in the processing of cell phone charges for non-field employees and family members of Raytown employees. The Company shall either eliminate cell phones not justified by work duties, or ensure that all appropriate charges for these cell phones are fully reimbursed by the Company's employees.

8. The Company agrees to a six- (6) year amortization of the EIERA Water Facilities Refunding and Improvement Revenue Bonds Series 2008 issuance

costs and a ten- (10) year amortization for the legal costs of getting the bond financing approved by the Commission.

9. Within six (6) months of the effective date of the Commission order approving this Disposition Agreement the Company will implement procedures and training of its employees to ensure that the recording of inventory costs to work orders will follow FERC USOA and Commission requirements. Further, within one (1) month after the implementation of these procedures, Company will provide documentation to both Staff and OPC that verifies the procedures implemented and the training that occurs.

10. The Company will provide the following regarding Tower Maintenance:

a. Monthly in-house financial statements (Income Statement and Balance Sheet);

b. Year End Audit by Marr and Company;

c. Income Tax Returns;

d. Annual Report; and,

e. Twelve (12) months financial statements ended June 30, 2010 (Balance Sheet, Income Statement, General Ledger and updated Staff Accounting Schedules of Rate Base, Capital Structure and Utility Operating Income) filed with Staff and OPC no later than July 31, 2010.

11. The Company operates under a capital structure of 81.03% equity and agrees upon a return on equity of 9.57% as applied to that capital structure.

12. The rates reflected on the tariff sheets to be filed by the Company are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.

13. The depreciation rates used by Staff in its revenue requirement analysis shall be the prescribed schedule of water plant depreciation rates for the Company. A schedule of these depreciation rates is attached as Appendix A.

14. The over-accrual in Account 392 at the end of the test year (December 2008) is approximately \$140,000. Depreciation Reserve: Account 343, Transmission and Distribution Mains are under-accrued. Within six (6) months, the Company shall transfer the excess accumulated depreciation from the Transportation Equipment account to the Mains account which will correct both accounts.

15. Within six (6) months of the effective date of the Commission order approving this Disposition Agreement the Company shall implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report. These recommendations include the following:

a. The Company shall develop a procedure to ensure the Company's meter reading routes are periodically evaluated, such as every five years. If appropriate, the Company shall make necessary changes to the Company's meter reading routes.

b. The Company shall implement a procedure to ensure that the eight (8) master meters are read on a monthly basis. The Company shall also develop a monthly report that tracks and monitors the Company's master meter reads on its system as compared to its customers' actual meter readings.

c. The Company shall secure the drop box located on the Company's office counter or shall discontinue use of the drop box.

d. The Company shall evaluate the use of the a software program to process credit card payments as opposed to the Company's current policy of processing such payments through its bank. The Company shall implement the use of such software programming if found to be efficient and effective as compared to the use of the bank.

e. The Company shall evaluate the possibility of increasing the Company's efforts to collect on finalized delinquent disconnect accounts prior to assigning the collection of such accounts to a collection agency. If deemed appropriate, the Company shall assign the collection of these accounts to the Company's collection agency immediately following disconnection.

f. The Company shall develop and monitor a report that tracks monthly the number of accounts and the dollar amount of those "written-off" accounts which are forwarded to the Company's collection agency.

g. The Company shall develop and utilize a report that tracks monthly the payments collected by the Company's collection agency. The Company shall monitor the information on a regular basis.

h. The Company shall evaluate the benefits of the Company contracting with more than one collection agency. If the decision is made to hire multiple agencies, the Company shall ensure that the contracts for such collection agencies expire at staggered times.

i. The Company shall implement a procedure that ensures all work orders are included in the Company's work order count.

j. The Company shall develop in written form, information that summarizes the rights and responsibilities of the utility and its customers and make such documentation available to customers. The document shall adhere to Commission Rule 4 CSR 240-13.040(3).

k. The Company shall develop a procedure to ensure that an employee performance evaluation is performed annually for each employee. In addition, the Company shall develop a procedure to document all employee evaluations.

l. The Company shall discontinue the practice of compensating Company employees at a rate of time and one-half unless the employee has worked the required forty (40) hours for that specific pay period.

16. With the first billing cycle issued under the revised tariffs, the Company shall mail its customers a written notice of the rates and charges included in those revised tariffs. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to Staff. Staff shall file a copy of the notice in the subject case file.

17. The Company acknowledges that Staff will, and OPC may, conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

18. The Company acknowledges that Staff or OPC may file a formal complaint against the Company if the Company does not comply with the provisions of this Disposition Agreement.

19. The rates reflected in tariff sheets to be filed by the Company are just and reasonable, and where necessary, the provisions contained in those tariff sheets properly reflect all other agreements set out herein.

20. The Company shall maintain its books and records in accordance with the Uniform System of Accounts (USOA).

21. Company policies in the areas of leave and time management shall be equally applied to, and equally enforced upon, all company employees. Specifically, Company policies relating to the accrual of vacation time for part-time and full-time employees shall be equally applied to, and equally enforced upon, all Company employees. Employees shall work their scheduled hours unless they receive prior approval from management.

Furthermore, the Company understands that Staff strongly discourages the practice of employees being allowed to work on weekends to enable them to accumulate vacation time.

22. The Company shall train all employees to properly record both regular and over time hours and to properly maintain accurate timecards.

23. The Company shall conduct a thorough review of the contracts with its tower tenants to ensure the providers are fully meeting the terms of each contract.

24. The Company acknowledges that based upon the information submitted by the Company that it is Staff's current position that (a) the renewal periods of the Chapel and Hydropillar towers end on December 31 and (b) that quarterly payments on the Chapel and Hydropillar towers are to be made to the Company in *advance*.

25. In order to avoid additional charges, the Company shall make an additional effort to ensure that payments to vendors who assess late fees and finance charges are made in a timely manner.

26. The Company shall record all revenues received for tap fees as part of Contribution in Aid of Construction (CIAC) with an appropriate deduction to Depreciation Expense. Any costs associated with these taps shall be included by the Company in the appropriate plant in service account.

27. The Company shall ensure that its employees document all time spent using Company vehicles for personal use, showing times in and out.

28. The above agreements satisfactorily resolve all issues identified by Staff, the Company and OPC regarding the Company's Request, except as otherwise specifically stated.

RWC complied with the first condition, to file a substitute tariff Sheet Number Nine, reflecting the rates, charges and language as agreed to by the Company, Staff, and Public Counsel, on March 30.

### **Proposed Rate Increase**

The parties agree that RWC Sewer needs an annualized operating revenue increase of \$299,837 to recover its cost of service. However, the parties also agreed to a "step-down" in metered tariff rates to go into effect on November 1, 2009. Step-down rates will



equal an expense reduction of \$89,797 annual amortization cost included in Staff's Final Revised Accounting Schedule for the Gateway Project Main and the Computer System Upgrade. As is shown in Attachments D and E to Agreement-2, RWC would increase its rates, and Step Down rates are as follows:

<b>Revenues Generated by Current Tariffed Rates</b>	<b>\$ 2,724,440</b>
<b>Agreed-Upon Overall Revenue Increase</b>	<b>\$ 299,837</b>
<b>Percentage Increase Needed</b>	<b>11.005%</b>

<b>Metered Customer Rates</b>				
<b>Meter Size</b>	<b>Current Service Charge</b>	<b>Proposed Service Charge</b>	<b>Current Usage Rate</b>	<b>Proposed Usage Rate</b>
5/8"	\$ 7.30	\$ 8.10	\$ 4.590	\$ 5.10
1"	\$ 13.24	\$ 14.70	\$ 4.590	\$ 5.10
1.5"	\$ 23.02	\$ 25.55	\$ 4.590	\$ 5.10
2"	\$ 34.76	\$ 38.59	\$ 4.590	\$ 5.10
3"	\$ 62.13	\$ 68.97	\$ 4.590	\$ 5.10
4"	\$ 101.22	\$ 112.36	\$ 4.590	\$ 5.10

### **Residential Customer Bill Comparison-Water**

<b>Rates for 5/8" Meter</b>			
<b>Current Base Customer Charge</b>	<b>Proposed Base Customer Charge</b>	<b>Current Usage Rate</b>	<b>Proposed Usage Rate</b>
<b>\$7.30</b>	<b>\$8.10</b>	<b>\$4.590</b>	<b>\$5.095</b>

current service charge is monthly charge

usage rate is per 1,000 gallons used

### **MONTHLY BILL COMPARISON**

6,000 gallons/month usage

	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Percent Increase</b>
Customer Charge	\$7.30	\$8.10	11.01%
Usage Charge	\$27.54	\$30.57	11.01%
Total Bill	\$34.84	\$38.67	11.01%
Total Increase		\$3.83	11.01%

<b>Revenues Generated by Current Tariffed Rates</b>	<b>\$ 2,724,440</b>
<b>Agreed-Upon Overall Revenue Increase</b>	<b>\$ 210,040</b>
<b>Percentage Increase Needed</b>	<b>7.709%</b>

<b>Metered Customer Rates</b>				
<b>Meter Size</b>	<b>Current Service Charge</b>	<b>Proposed Service Charge</b>	<b>Current Usage Rate</b>	<b>Proposed Usage Rate</b>
5/8"	\$ 7.30	\$ 7.86	\$ 4.590	\$ 4.94
1"	\$ 13.24	\$ 14.26	\$ 4.590	\$ 4.94
1.5"	\$ 23.02	\$ 24.79	\$ 4.590	\$ 4.94
2"	\$ 34.76	\$ 37.44	\$ 4.590	\$ 4.94
3"	\$ 62.13	\$ 66.92	\$ 4.590	\$ 4.94
4"	\$ 101.22	\$ 109.02	\$ 4.590	\$ 4.94

### **Residential Customer Bill Comparison-Water**

<b>Rates for 5/8" Meter</b>			
<b>Current Base Customer Charge</b>	<b>Proposed Base Customer Charge</b>	<b>Current Usage Rate</b>	<b>Proposed Usage Rate</b>
<b>\$7.30</b>	<b>\$7.86</b>	<b>\$4.590</b>	<b>\$4.944</b>

current service charge is monthly charge

usage rate is per 1,000 gallons used

### **MONTHLY BILL COMPARISON**

6,000 gallons/month usage

	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Percent Increase</b>
Customer Charge	\$7.30	\$7.86	7.71%
Usage Charge	\$27.54	\$29.66	7.71%
Total Bill	\$34.84	\$37.53	7.71%
Total Increase		\$2.69	7.71%

Upon review of Agreement-2 and the proposed rates, the Commission finds the agreement and the proposed rates to be just and reasonable. The Commission also finds the depreciation rates proposed by Staff, attached to the Agreement as Attachment F, are just and reasonable and will direct RWC Sewer to implement them.

**THE COMMISSION ORDERS THAT:**

1. The Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request entered into among the Staff of the Commission, the Office of the Public Counsel and Raytown Water Company, filed on March 24, 2009, is approved.

2. The parties to this matter are directed to comply with the terms of the Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request. A copy of the Agreement is attached to this order as Appendix A.

3. Raytown Water Company shall implement the depreciation rates attached to the Agreement Regarding Disposition of Small Water Company Revenue Increase Request.

4. The substitute tariff sheets filed by Raytown Water Company on March 20, 2009, and March 30, 2009, and assigned Tariff File No. YW-2009-0587, are approved to become effective for service provided on or after May 4, 2009. The tariff sheets approved are:

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

Original Sheets No. 1 through No. 49, Canceling all Previous Schedules

5. This order shall become effective on May 2, 2009.

6. This case shall be closed on May 3, 2009

( S E A L )

**BY THE COMMISSION**



Colleen M. Dale  
Secretary

Clayton, Chm., Murray, Davis, Jarrett,  
and Gunn, CC., concur.

Stearley, Senior Regulatory Law Judge