

**COMPANY/STAFF PARTIAL AGREEMENT REGARDING DISPOSITION  
OF SMALL SEWER COMPANY REVENUE INCREASE REQUEST**

**RACCOON CREEK UTILTY OPERATING COMPANY, INC.**

**MO PSC FILE NO. SR-2016-0202**

**BACKGROUND**

Raccoon Creek Utility Operating Company, Inc. ("Company") initiated a small company revenue increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, received by the Commission on February 2, 2016, the Company set forth its request for an increase of \$529,557 in its total annual sewer service operating revenues. The Company also acknowledged that the design of its customer rates, service charges, customer service practices, general business practices and general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff's recommendations. In the acquisition case the Company purchased three small utilities (West 16<sup>th</sup>, WPC, and the Villages) located in close proximity and combined them into one company. Since the acquisition significant upgrades have been made to all three wastewater treatment systems. The Company provides service to approximately 500 residential customers, and as part of the Request the Company proposed one rate and tariff for all customers.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, an inspection of the Company's facilities and review of their operations, as well as a review of the Company's customer service and general business practices, and the Company's existing tariff. (These activities are collectively referred to hereinafter as "Staff's investigation of the Company's Request" or "Staff's investigation.")

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("Public Counsel") with information regarding Staff's investigation and the results of its investigation, including Staff's initial recommendations for the resolution of the Company's Request. Because there is no agreement at this time on an overall revenue requirement, Staff is not presenting workpapers that support the derivation of the

revenue requirement at this time. Staff and the Company will continue negotiations in pursuit of reaching a settlement of the remaining issues.

### **RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST**

Pursuant to negotiations held subsequent to the Company's and Public Counsel's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, Staff and the Company hereby state the following agreements:

(1) The Auditing Unit conducted a full and complete audit of the Company's books and records using the 9-month period ended December 31, 2015, updated to March 31, 2016, as the basis for the revenue requirement determined above. The audit findings can be found in Attachment A, incorporated by reference herein;

(2) The schedule of depreciation rates in Attachment B, incorporated by reference herein, includes the depreciation rates used by Staff in its revenue requirement analysis and shall be the prescribed schedule of sewer plant depreciation rates for the Company;

(3) The Company shall implement the following recommendation contained in the CMAU Report attached hereto as Attachment C and incorporated by reference herein, and provide proof of implementation to the Manager of the Commission's CMAU:

(a) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will evaluate the benefits of charging and refunding customer deposits consistent with Commission Rule 4 CSR 240-13.030 and the Company's tariffs, particularly in the Villages Water and Sewer Company Inc. service territory.

(4) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall utilize timesheets for all employees to record work assignments and the time associated with each work assignment, function, and for each system. Time records assist in tracking the amount of time employees spend working on each sewer system, and aids in the development of corporate allocations. Timesheet information should be maintained in sufficient detail to capture the amount of time each employee spends on each system and each regulated utility operation/maintenance activities, as opposed to construction activities. Timesheets should also be used to track time by employee on non-regulated, merger and acquisition related activities. The Company shall provide proof of implementing this requirement to the Manager of the Commission's Auditing Department.

(5) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement the following recommendation contained in the CMAU Report attached hereto as Attachment C and incorporated by reference herein, and provide proof of implementation to the Manager of the Commission's CMAU:

(a) The Company will develop and utilize time sheets for all employees to record the time associated with Company work activity.

(6) Within one hundred and eighty (180) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall:

(a) update its books and records to conform to the National Association Regulatory Utility Commission (NARUC) Uniform System of Accounts (USOA) for Class A and B Sewer Utilities;

(b) develop Continuing Property Records (CPR) for all assets for its sewer systems.

(c) The Company shall provide proof of implementing these requirements to the Manager of the Commission's Auditing Department.

(7) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or in conjunction with its next billing cycle. This shall be completed after issuance of the Commission report and order approving the rates following the evidentiary hearing. 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's Case Coordinator who will file a copy in this case;

(8) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Company/Staff Disposition Agreement;

(9) Staff or Public Counsel may file a formal complaint against the Company, if the Company does not comply with the provisions of this Company/Staff Disposition Agreement;

(10) The Company, Staff and Public Counsel agree that they have read the foregoing Company/Staff Disposition Agreement, that facts stated therein are true and accurate to the best of the Company's knowledge and belief, that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this Disposition Agreement; and

(11) The above agreements satisfactorily resolve all issues identified by Staff, Public Counsel and the Company regarding the Company's Request, except as otherwise specifically stated herein.

### **ISSUES FOR EVIDENTIARY HEARING**

Staff and the Company could not find a resolution for the following issues: cost of capital; rate of return; finder's fees; net rate base; capital structure; revenue requirement; and the resulting tariff sewer rates. Staff intends to file a request to present these issues at an evidentiary hearing for the Commission's determination, unless a further settlement is reached.

### **ADDITIONAL MATTERS**

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Company/Staff Disposition Agreement reflect compromises between Staff and the Company.

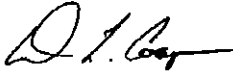
Staff of the Water and Sewer Department conducted an inspection of the facilities at the three utilities and completed a report, which is included as Attachment D. Staff has completed a Summary of Case Events and has included that summary as Attachment E, to this Company/Staff Disposition Agreement.

The Company acknowledges that Staff will be filing this Company/Staff Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff may make other filings in this case.

Additionally, the Company agrees that subject to the rules governing practice before the Commission, Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Disposition Agreement at any agenda meeting at which this case is scheduled to be considered by the Commission. Subject to the rules governing practice before the Commission, Staff will be available to answer Commission questions regarding this Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that it may have the opportunity to be present and/or represented at the meeting.

**SIGNATURES**

Agreement Signed and Dated:

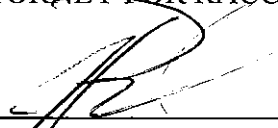


\_\_\_\_\_  
Josiah Cox  
President  
Raccoon Creek Utility Operating Company, Inc.

\_\_\_\_\_  
30 August 2016  
Date

By:  
Dean L. Cooper - #36592  
312 E. Capital Ave.  
P.O. Box 456  
Jefferson City, MO 65102  
Phone: (573) 635-7166  
Fax: (573) 636-6450  
Email: [dcooper@brydonlaw.com](mailto:dcooper@brydonlaw.com)

ATTORNEY FOR RACCOON CREEK UTILITY OPERATING COMPANY, INC.



\_\_\_\_\_  
James Busch  
Manager  
Water & Sewer Department  
Missouri Public Service Commission Staff

\_\_\_\_\_  
8/30/16  
Date

**List of Attachments**

- Attachment A – Auditing Unit Recommendation Memorandum
- Attachment B – Schedule of Depreciation Rates
- Attachment C – CMAU Report
- Attachment D – Water & Sewer Unit Memorandum
- Attachment E – Summary of Events