

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**In the Matter of the Application of)
Middle Fork Water Company for an)
Order Initiating an Investigation to)
Ascertain the Value of the Company's)
Property Devoted to the Public Service)**

Case No. WO-2007-0266

**STAFF'S RESPONSE TO THE OFFICE OF THE PUBLIC COUNSEL'S
REQUEST FOR AN EVIDENTIARY HEARING**

COMES NOW the Staff of the Missouri Public Service Commission and, for its Response to the Office of the Public Counsel's Request for an Evidentiary Hearing, states to the Missouri Public Service Commission as follows.

On March 21, 2008, the Office of the Public Counsel ("OPC") filed its Request for an Evidentiary Hearing. Two days later, on March 23, 2008, Middlefork Water Company ("Middlefork") filed its response in opposition to the OPC's request for an evidentiary hearing.

The Commission's decision in this case needs to be based on competent and substantial evidence. The only statement under oath in this case that could form the basis for a finding of fact is the Staff Memorandum, which was attached to the Staff Recommendation and filed in this case on November 20, 2007. In that Memorandum, the Staff stated as follows: "The Net Contribution in Aid of Construction at September 30, 2007 is \$1,230,830." Neither Middlefork nor the OPC has submitted any testimony or other statements under oath. However Middlefork disputes the amount that should be classified as CIAC.

The Staff desires to have the opportunity to present the expert testimony of an accounting witness regarding the proper classification of the surcharge payments that the cities of Grant City and Stanberry have made to Middlefork.

The Staff also desires to have the opportunity to present evidence concerning the treatment of surcharges that have been paid to water and sewer utilities in similar circumstances. This is necessary in order to fully respond to a question that Commissioner Jarrett asked at the oral argument that was held in this case on February 5, 2008. His question and the responses thereto are as follows:

COMMISSIONER JARRETT: Has the Commission ever had a case with similar – similar facts come before it?

MR. KRUEGER: Not that I know of. It –

MS. BAKER: Not similar facts but certainly ones where contributions in aid of construction that has been paid for by another entity has been removed from rate base. That – that is a ...

(Transcript, Volume 1, page 40, lines 18-25.)

Since the date of that oral argument, the Staff has identified seven cases in which surcharge collections used for loan principal payments have been accounted for as contributions-in-aid-of-construction. A listing of these cases is attached hereto as Attachment A. The Staff believes that these cases have similar facts to the present case, and that the Commission would benefit by receiving testimony regarding the accounting treatment in these case.

The Staff also notes that Rule 4 CSR 240-50.030 (1) prescribes the Uniform System of Accounts (“USOA”) issued in 1973, as revised in 1976, for water utilities. In a pleading that it filed on January 11, 2008, Middlefork quoted from the 1996 version of the USOA, which differs from the prescribed version of the USOA. The Staff believes the Commission would benefit from hearing testimony regarding the application of the correct version of the USOA to the facts in this case.

WHEREFORE, the Staff submits its Response to the Office of the Public Counsel’s Request for an Evidentiary Hearing.

Respectfully submitted,

/s/ **Keith R. Krueger**

Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-4140 (Telephone)
(573) 751-9285 (Fax)
keith.krueger@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or e-mailed to all counsel of record on this 7th day of April 2008.

/s/ **Keith R. Krueger**

INFORMATION REGARDING SMALL WATER & SEWER COMPANY RATE SURCHARGES AND RELATED RATEMAKING TREATMENT

SMALL WATER & SEWER COMPANY E.I.E.R.A. LOAN PROGRAM

SUMMARY OF INFORMATION FOR INVOLVED COMPANIES

Cat-Pac Waterworks *	Quarterly Surcharge of \$3.82/customer Finance Case = WF-94-84 (loan = \$14,600) Surcharge Expiration Date = 10/01/98
KMB/Davis Water Company *	Monthly Surcharge of \$4.67/customer (original amount) Finance Case = WF-94-64 (loan = \$50,000) Surcharge Expiration Date = 11/30/98
KMB/Lakewood Hills *	Monthly Surcharge of \$6.10/customer (original amount) Finance Case = WF-94-64 (loan = \$30,000) Surcharge Expiration Date = 11/01/98
L.W. Sewer *	Monthly Surcharge of \$5.42/customer (original amount) Finance Case = SF-94-202 (loan = \$50,000) Surcharge Expiration Date = 07/21/99
Ozark Water & Wastewater	Monthly Surcharge of \$3.04/customer (original amount) Finance Case = SF-94-105 (loan = \$65,000) Surcharge Expiration Date = 01/01/99
Riverside Utility *	Monthly Surcharge of \$9.15/customer Finance Case = WF-93-270 (loan = \$80,000) Surcharge Expiration Date = 07/01/98
Swiss Villa	Monthly Surcharges of \$0.75/residential customer and \$6.00/commercial customer Finance Case = SF-94-350 (loan = \$5,000) Surcharge Expiration Date = 07/02/99

RATEMAKING TREATMENT RELATED TO SURCHARGES

Surcharge collections used for loan principal payments accounted for as contributions-in-aid-of-construction as offset to cost of plant constructed with loan proceeds. Principal payments made with other company funds, due to shortfall in surcharge collections, accounted for as investment by company in plant constructed with loan proceeds.

- * Ratemaking treatment implemented through small company revenue increase requests processed after establishment of surcharge.

**METER REPLACEMENT/INSTALLATION
SURCHARGE FOR KMB UTILITY CORPORATION ***

A monthly surcharge of \$1.50 will be added to the bills of any customer that has a meter replaced or that has a meter installed where one did not previously exist, pursuant to the provisions of the *Unanimous Supplemental Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Supplemental Agreement") filed in Commission Case No. WR-2006-0286. Specifically, this surcharge is applicable to all meter replacements or installations made in the Warren Woods, Hillshine and Crestview Acres service areas and ten specific meters located in the Cedar Hill service area, where such replacements and installations are made in accordance with the schedules set out in the Supplemental Agreement. This surcharge will be in effect for customers in the affected service areas that have an existing meter replaced or that receive a new meter installation from the month of the meter replacement or installation for a period of seven years from the effective date of this tariff sheet or until such time as the Company's rates change a result of a rate case, whichever occurs first.

The total proceeds from this surcharge will be accounted for separately from other Company funds and the portion of the proceeds that is equivalent to \$1.00/month/customer will be used to offset the Company's investment in the subject meter replacements and installations for ratemaking purposes.

All meter replacements and installations will be verified by the Commission Staff in accordance with the provisions of the Supplement Agreement referenced herein. To the extent the replacement/installation schedule set out in the Supplemental Agreement for each affected service area is not met in its entirety, the provisions of this tariff sheet will cease immediately for all customers located in the service area where the schedule has not been met.

- * Surcharge Approved in Case No. WR-2006-0286
Original Sheet No. 6F of Tariff; Effective 04/21/06