

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

In the Matter of Taneycomo Highlands, Inc. to)
Implement a Rate Increase for Sewer Service)

Case No. SR-2006-0379

**NOTICE OF AGREEMENT REGARDING DISPOSITION
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through Counsel, and for its Notice of Agreement Regarding Disposition of Small Company Rate Increase Request ("Agreement Notice") states the following to the Missouri Public Service Commission ("Commission").

1. On April 3, 2006, Taneycomo Highlands, Inc. ("Company") submitted to the Commission revised tariff sheets to implement increases in its sewer service rates and charges, and the instant case was established.

2. As is noted in the Company's tariff filing transmittal letter, the changes contained in the subject revised tariff sheets are based upon a *Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request* ("Unanimous Agreement") entered into by the Company, the Staff and the Office of the Public Counsel. As is also noted in the Company's tariff filing transmittal letter, the Unanimous Agreement pertains to the small company rate increase request that the Company submitted to the Commission on November 7, 2005 (Tracking File No. QS-2006-0004).

3. Included in the document that is attached hereto and identified as Appendix A are copies of the above-referenced Unanimous Agreement and related attachments.

4. Consistent with established internal procedures regarding small company rate increase requests, the Staff intends to file its recommendation in this case no later than the end of business on April 19, 2006.

WHEREFORE, the Staff respectfully submits this Agreement Notice for the Commission's information and consideration in this case.

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)
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CERTIFICATE OF SERVICE

I hereby certify that copies of this Agreement Notice have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 6th day of April 2006.

/s/ Keith R. Krueger

APPENDIX A

DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. SR-2006-0379

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Company/Staff/OPC Disposition Agreement

UNANIMOUS AGREEMENT REGARDING DISPOSITION OF
SMALL SEWER COMPANY RATE INCREASE REQUEST

TANEYCOMO HIGHLANDS, INC.

MO PSC WORK I.D. No. QS-2006-0004

BACKGROUND

Taneycomo Highlands, Inc. ("Company") initiated the small company rate increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") tracking file by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). In its request letter, which was received at the Commission's offices on November 7, 2005 the Company set forth its request for an increase of \$9,250 in its total annual sewer service operating revenues. In its request letter, the Company also stated its understanding that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would also be reviewed during the Commission Staff's review of the rate increase request, and could thus be the subject of Staff recommendations at the conclusion of the rate increase process. The Company provides service to approximately 20 residential customers.

Upon receipt of the Company's request letter, personnel in the Commission's Data Center entered the letter into the Commission's electronic filing and information system and Work I.D. No. QS-2006-0004 was assigned to the Request. The Request was then forwarded to the Commission's Water & Sewer Department for processing under the Small Company Rate Increase Procedure.

Pursuant to the provisions of the Small Company Rate Increase Procedure and related internal operating procedures, the Staff of the Commission ("Staff") initiated an audit of the Company's books and records, a review of certain of the Company's general business practices, an inspection of the Company's

facilities and a review of the Company's operation of its facilities. (Hereafter, these activities will be collectively referred to as the Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, the Staff provided the Company and the Office of the Public Counsel ("OPC") various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's Request.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

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

- (1) That for the purpose of implementing the agreements set out herein, the Company will file tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheet attached hereto as Attachment A.
- (2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the Company's total annualized cost of providing service and the agreed-upon annualized operating revenue increase of \$5,006, which is required to recover the Company's cost of service.
- (3) That the rates set out in the attached example tariff sheet, the development of which is shown on the rate design worksheet attached hereto as Attachment C, are designed to generate revenues sufficient to recover the Company's total annualized cost of service, and that the provisions of the attached example tariff sheet also properly reflect all other agreements set out herein, where necessary.
- (4) That the rates included in the attached example tariff sheet are just and reasonable.
- (5) That the depreciation rates set out on Attachment D hereto should be the prescribed sewer plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- (6) That the Company will record the date of payment, method of payment and the payer's check number when recording payments in the Company's ledger.
- (7) That the above agreements satisfactorily resolve all issues identified by the Staff, the Company and the OPC regarding the Company's Request, except as otherwise specifically stated.

ADDITIONAL MATTERS

Since this Disposition Agreement is between the Staff, the Company and the OPC, the Small Company Rate Increase Procedure does not require that the Company send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement, nor does it provide for a local public hearing, unless the Commission orders otherwise.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff, the Company and the OPC, and none of the parties have agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company and the OPC acknowledge that the Staff will be making an additional filing with the Commission regarding this matter, with that filing including the following: (a) the Staff's recommendation for approval of the subject tariff revisions, and any related recommendations; (b) background information regarding the Company's Request and the Staff's investigation thereof; (c) the Staff's audit workpapers; (d) a general overview of the Company, including an overview of the Company's customer service procedures and practices; (e) information regarding the status of the Company's payment of its Commission assessments;


(f) the status of the Company's submission of its Commission annual reports; (g) the status of the Company's submission of its Commission annual statement of operating revenues; (h) any other pending cases that the Company may have before the Commission; (i) any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources; and (j) the status of the Company's corporate standing with the Missouri Secretary of State. Additionally, the Company and the OPC agree that the Staff shall have the right to provide whatever oral explanation the Commission may request regarding the rate case that will be created when the Company files the tariff revisions called for in this agreement, at any agenda meeting at

which that case is noticed to be considered by the Commission. To the extent reasonably practicable, the Staff will provide the Company and the OPC with advance notice of any such agenda meeting so that they may have the opportunity to also be represented at the meeting.

EFFECTIVE DATE AND SIGNATURES



This Disposition Agreement shall be considered effective as of the date that the Company files the tariff revisions required herein with the Commission.

Agreement Signed and Dated:



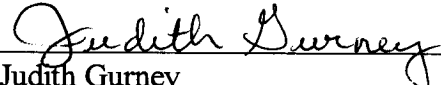
Dale W. Johansen
Manager – Water & Sewer Department
Missouri Public Service Commission Staff

03/30/06
Date

Lewis Mills
Public Counsel
Office of the Public Counsel

3-30-2006
Date



Judith Gurney
Vice President
Taneycomo Highlands, Inc.

3-30-2006
Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking Income Statement
- Attachment C – Rate Design Worksheet
- Attachment D – Schedule of Depreciation Rates

Agreement Attachment A

Example Tariff Sheets

P.S.C. MO No. 1

1st Revised Sheet No. 4

Canceling Original Sheet No. 4

Taneycomo Highlands, Inc.
Name of Issuing Company

For: Taneycomo Highlands Subdivision
Certificated Service Area

**Rules & Regulations Governing
the Rendering of Sewer Service**

Schedule of Rates

Any customer using sewer services will be charged using the following rates:

Flat Rate of \$38.00 monthly +

Any applicable Federal, State or local tax will be computed and added as a separate item on each bill.

Late Charges: *

Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which payment will then be considered delinquent is 21 days after rendition of the bill. A charge of \$5.00 or three percent (3%) per month times the unpaid balance, whichever is more, will be added to delinquent amounts.

Returned Check Charge: *

A returned check charge of \$20 per check will be paid by customers on all checks returned from the bank for insufficient funds.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: March 30, 2006
Month/Day/Year

Effective Date: April 30, 2006
Month/Day/Year

Issued By: Judith Gurney, Vice President
Name & Title of Issuing Officer

HC-2 Box 2086 Shell Knob MO 65747
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

TANEYCOMO HIGHLANDS, INC.

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

| | | | |
|---|--|-----------|--------------|
| 1 | Tariffed Rate Revenues * | \$ | 4,571 |
| 2 | Other Operating Revenues * | \$ | - |
| 3 | Total Operating Revenues | \$ | 4,571 |
| 4 | * See "Revenues - Current Rates" for Details | | |

Cost of Service

| Item | Amount |
|---|-----------------|
| 1 Sewer Treatment Expense-Chemicals | \$ 98 |
| 2 Sewer Treatment -Testing/Laboratory Fees | \$ 407 |
| 3 Fuel or Power for Sewage Treatment | \$ 852 |
| 4 Maintenance Expense-Parts/Equipment | \$ 570 |
| 5 Maintenance Expense-Outside Labor | \$ 1,584 |
| 6 Maintenance Expense-Treatment & Disp Plan | \$ 546 |
| 7 Permit Fees | \$ 200 |
| 8 Sludge Hauling | \$ 275 |
| 9 General Insurance | \$ 673 |
| 10 Customer Records & Collection Expense | \$ 147 |
| 11 Transportation | \$ 601 |
| 12 Regulatory Commission Expense | \$ 373 |
| 13 Miscellaneous General Expenses-Interest | \$ - |
| 14 Sub-Total Operating Expenses | \$ 6,326 |
| 15 Property Taxes | \$ 427 |
| 16 MO Franchise Taxes | \$ - |
| 17 Employer FICA Taxes | \$ - |
| 18 Federal Unemployment Taxes | \$ - |
| 19 State Unemployment Taxes | \$ - |
| 20 State & Federal Income Taxes | \$ - |
| 21 Sub-Total Taxes | \$ 427 |
| 22 Depreciation Expense | \$ 2,442 |
| 23 Amortization of CIAC-Dep Expense | \$ (842) |
| 24 Sub-Total Depreciation/Amortization | \$ 1,600 |
| 25 Return on Rate Base | \$ 1,224 |
| 26 Total Cost of Service | \$ 9,577 |
| 27 Overall Revenue Increase Needed | \$ 5,006 |

Agreement Attachment C

Rate Design Worksheet

TANEYCOMO HIGHLANDS, INC.

Development of Tariffed Rates-Sewer

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

| | |
|--|----------|
| Revenues Generated by Current Tariffed Rates | \$ 4,571 |
| Agreed-Upon Overall Revenue Increase | \$ 5,006 |
| Percentage Increase Needed | 109.504% |

Flat Rate Customer Rates

| Meter Size | Current Service Charge | Proposed Service Charge | Current Usage Rate | Proposed Usage Rate |
|------------|------------------------|-------------------------|--------------------|---------------------|
| 3/4" | \$ 18.14 | \$ 38.00 | \$ - | \$ - |

Agreement Attachment D

Schedule of Depreciation Rates

TANEYCOMO HIGHLANDS

DEPRECIATION RATES (SEWER)

QS-2006-0004

| ACCOUNT NUMBER | ACCOUNT DESCRIPTION | DEPRECIATION RATE | AVERAGE SERVICE LIFE (YEARS) |
|---------------------------|---------------------------------|------------------------------|---|
| 351 | Structures & Improvements | 2.50% | 40 |
| 352.2 | Collection Sewers (Gravity) | 2.00% | 50 |
| 353 | Services | 2.00% | 50 |
| 362 | Receiving Wells | 4.00% | 25 |
| 363 | Electric Pumping Equipment | 10.00% | 10 |
| 373 | Treatment & Disposal Facilities | 5.00% | 20 |