

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

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| In the Matter of the Application of Lakeland) | |
| Heights Water Company, Inc. for a Small) | <u>Case No. WR-2009-0227</u> |
| Company Rate Increase) | |

**RECOMMENDATION REGARDING DISPOSITION
OF SMALL COMPANY REVENUE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through the undersigned counsel, and for its *Recommendation Regarding Disposition of Small Company Revenue Increase Request* ("Recommendation") states the following:

1. On April 30, 2009, Lakeland Heights Water Company, Inc. ("Company") filed proposed revised tariff sheets with the Missouri Public Service Commission ("Commission") to implement miscellaneous changes to its tariff. The Company's tariff submission has been assigned Tracking No. YW-2009-0764 in the Commission's Electronic Filing and Information System ("EFIS").

2. As is noted in the Company's tariff filing transmittal letter, the changes contained in the proposed revised tariff sheet are based upon a *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement") entered into by the Company and Staff. As is also noted in the Company's tariff filing transmittal letter, the Disposition Agreement pertains to the small company revenue increase request ("Request") that the Company submitted to the Commission on November 26, 2008, under the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Procedure").

3. On April 27, 2009, Staff filed the above-referenced Disposition Agreement. Included with the agreement were the attachments listed below, as well as affidavits from the Staff members that were responsible for the preparation of each of the attachments.

- * Attachment A – Example Tariff Sheets
- * Attachment B – Ratemaking Income Statement
- * Attachment C – Audit Workpapers
- * Attachment D – Rate Design Worksheet
- * Attachment E – Billing Comparison Worksheet
- * Attachment F – Schedule of Depreciation Rates
- * Attachment G – EMSD Implementation Review
- * Attachment H – Summary of Case Events

4. The agreements between the Company and Staff regarding the disposition of the Company's Request are set out on pages 2 through 6 of the Disposition Agreement.

5. Since the Disposition Agreement was only executed between the Company and Staff, the Company was required to send a second written notice to its customers regarding the agreement. The notice was mailed to customers by the Company on May 5, 2009. A copy of the notice was filed by Staff on May 14, 2009.

6. Pursuant to a review of available electronic information maintained by the Commission's Budget & Fiscal Services Department and in the Commission's electronic filing and information system, Staff notes that the Company had no delinquencies regarding the payment of its Commission assessments or the submission of its Commission annual reports when it submitted its Request. Further, Staff notes that the Company remains current on those matters as of the date of this Recommendation.

7. Based upon contacts with appropriate personnel at the Department of Natural Resources ("DNR") Staff notes that the Company currently has no outstanding DNR compliance issues.

8. The Company currently has no other matters pending before the Commission. As a result, approval of the Company's proposed revised tariff sheets will not affect any other matter before the Commission with regard to the Company.

9. The Commission has the authority to approve the subject proposed tariff revisions in accordance with §§ 393.140(11) and 393.150, RSMo.

10. Additionally, § 393.130.1, RSMo provides that all charges made by any water corporation for water service rendered or to be rendered shall be "just and reasonable". Staff's agreement with the proposed tariff revisions support that the rates and charges contained in the tariff revisions are just and reasonable, and necessary to maintain effective operation of the Company for safe and adequate service to its customers.

11. The procedure followed in this case complies with the requirements of the Small Utility Rate Case Procedure found in Commission Rule 4 CSR 240-3.050.

WHEREFORE, based upon the above, the Staff respectfully recommends that the Commission issue an order that: (a) approves the proposed revised tariff sheets that the Company submitted to the Commission on April 30, 2009, to be effective for service rendered on and after June 15, 2009; (b) approves the Disposition Agreement submitted in this case; (c) directs the Company to comply with the terms of the Disposition Agreement submitted in this case; and (d) prescribes the schedule of depreciation rates included as Attachment F to the Disposition Agreement submitted in this case as the schedule of depreciation rates authorized for the Company's use.

Respectfully Submitted,

/s/ Samuel D. Ritchie

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CERTIFICATE OF SERVICE

I hereby certify that copies of this Recommendation have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 10th day of July, 2009.

/s/ Samuel D. Ritchie