

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

In the Matter of S. K. & M. Water and)
Sewer Company's Rate Increase Request)

Case No. SR-2007-0461

**UNANIMOUS AGREEMENT REGARDING DISPOSITION
OF SMALL SEWER COMPANY REVENUE INCREASE REQUEST**

COME NOW S. K. & M. Water and Sewer Company ("Company"), the Staff of the Missouri Public Service Commission ("Staff") and the Office of the Public Counsel ("OPC") and for their Unanimous Agreement Regarding Disposition of Small Company Revenue Increase Request ("Unanimous Agreement") state the following to the Missouri Public Service Commission ("Commission").

BACKGROUND

On October 19, 2006, the Company initiated the small company revenue increase request ("Request") for sewer service that is now the subject of the instant case 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, the Company set forth its request for an increase of \$36,876 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 be reviewed during the Staff's review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 160 residential customers.

Attachment A

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 the system assigned Tracking File No. QS-2007-0007 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 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 OPC various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's 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 and the Company entered into an agreement regarding the proposed disposition of the Company's Request. This resulted in the Company's filing of its currently pending tariff revisions on May 31, 2007, which in turn resulted in this case being opened.

Other case activities that have taken place since the Company filed its currently pending tariff revisions include, but are not limited to, the following: (1) the Staff filed the Company/Staff agreement; (2) the Company sent a notice to its customers regarding the rates that would result from approval of the Company/Staff agreement; (3) the OPC requested a local public hearing, and such a hearing was held; (4) the OPC filed a pleading stating its disagreement with the Company's

currently pending tariff revisions; (5) the Commission issued an order suspending the Company's currently pending tariff revisions, establishing a procedural schedule and setting the date for an evidentiary hearing; and (6) the parties to the case filed an agreed-upon list of issues to be heard and the Commission issued an order adopting that list of issues.

DISPOSITION OF THE COMPANY'S REQUEST

Pursuant to negotiations held subsequent to the Company's filing of its currently pending tariff revisions, the Company, the Staff and the OPC hereby state the following agreements, which, as stated in item (15) below, satisfactorily resolve all of the identified issues for this case.

- (1) That for the purpose of implementing the agreements set out herein, the Company will submit a substitute tariff sheet containing the rates, charges and language set out in the example tariff sheet attached hereto as Attachment A, to replace the corresponding pending revised tariff sheet.
- (2) That the Staff and the OPC agree that the substitute tariff sheet that the Company will be submitting should be approved to be effective for service rendered on or after September 1, 2007, or as soon thereafter as is possible; provided that the Company submits the substitute sheet by August 20, 2007.
- (3) That the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon annualized cost of service to be recovered through the Company's customer rates, and the resulting agreed-upon annualized operating revenue increase of \$6,566, which is required to recover the agreed-upon cost of service.
- (4) That the workpapers attached hereto as Attachment C, which include consideration of a capital structure of 63.38% equity for the Company and a pre-tax rate of return on equity of 10.10%, accurately reflect the agreed-upon annualized cost of service and provide the basis for the ratemaking income statement referenced in item (3) above.
- (5) 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 D, are designed to generate revenues sufficient to recover the agreed-upon annualized cost of service.

- (6) That the rates included in the attached example tariff sheet will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment E.
- (7) That the rates included in the attached example tariff sheet are just and reasonable, and that the provisions of the attached example substitute tariff sheet also properly reflect all other agreements set out herein, where necessary.
- (8) That the schedule of depreciation rates attached hereto as Attachment F should be the prescribed schedule of sewer plant depreciation rates for the Company.
- (9) That the Company will contract with a properly licensed chief operator within ninety (90) days of the effective date of the tariff revisions resulting from this Unanimous Agreement; or the Company's general manager, who is a properly licensed operator, will fulfill the duties of the chief operator.
- (10) That if the Company does not comply with the provisions of item (9) above, it will file a revised rate tariff sheet including customer rates designed to reduce its annualized revenues by an amount corresponding to the amount that was included in the agreed-upon cost of service for the operator's salary and related payroll taxes.
- (11) That the Company will implement the recommendations contained in the Staff's Engineering & Management Services Department Report attached hereto as Attachment G within one-hundred twenty (120) days after the effective date of the tariff revisions resulting from this Unanimous Agreement.
- (12) That the Company will send its customers a notice regarding the impact of the rates resulting from this Unanimous Agreement either prior to or with the first billing under those rates, and will file a copy of that notice in the case file within ten (10) days after the date it sends the notice to its customers.
- (13) That the Company acknowledges that the Staff will, and the OPC may, conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Unanimous Agreement.
- (14) That the Company acknowledges that the Staff or the OPC may file a formal complaint against it, if the Company does not comply with the provisions of this Unanimous Agreement.
- (15) That the above agreements satisfactorily resolve all issues identified by the Staff and the OPC regarding the Company's Request, except as otherwise specifically stated.
- (16) That the agreements set out in items (1) through (14) above supersede the agreements reached by the Company and Staff, which were set out in the Company/Staff agreement that the Staff filed in this case on June 7, 2007.

ADDITIONAL MATTERS

Other than the specific agreed-upon conditions expressly set out herein, the terms of this Unanimous Agreement reflect compromises between the Company, the Staff and the OPC, and none of those 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 agree that the Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Agreement at any agenda meeting at which the agreement 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

This Unanimous Agreement shall be considered effective as of the date that the Company submits the substitute tariff sheet required herein to the Commission.

WHEREFORE, the Company, the Staff and the OPC respectfully submit this Unanimous Agreement for the Commission's consideration, and further respectfully request that the Commission issue an order approving the agreement and ordering the parties to comply with it.

Respectfully Submitted,

/s/ **L. Russell Mitten**

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**ATTORNEY FOR THE
OFFICE OF THE PUBLIC COUNSEL**

The undersigned certifies that a complete and conformed copy of the foregoing document was emailed to each attorney who represents any party to the foregoing action.

/s/ Christina L. Baker
Dated August 17, 2007