

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

In the Matter of Small Company Rate)
Increase of S.K.& M. Water & Sewer)
Company) Case No. SR-2010-0155

**NOTICE OF UNANIMOUS 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 Unanimous Agreement Regarding Disposition of Small Company Rate Increase Request* (Notice) states the following:

1. On November 20, 2009, the Missouri Public Service Commission (Commission) received a Rate Increase Request Letter from S. K. & M. Water & Sewer Company (SK&M or Company), requesting the Commission allow an increase of \$7,932.53 in its annual operating revenues from its sewer services pursuant to Commission Rule 4 CSR 240-3.050 (Small Utility Rate Case Procedure).

2. Subsequent to Staff's investigation and pursuant to negotiations between the Company, Staff, and the Office of Public Counsel (OPC), all parties have been able to reach a *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Unanimous Agreement).

3. Included in Appendix A, attached hereto, is a copy of the above-referenced Unanimous Agreement, as well as various attachments related to the Unanimous Agreement. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

4. As agreed-upon by the parties to this case, the Unanimous Agreement provides for an increase of \$11,500.00 in the Company's annual sewer operating revenues.

5. Pursuant to Rule 4 CSR 240-3.050(13), “[i]f the disposition agreement filed by the staff provides for a full resolution of the utility’s request and is executed by the utility, the staff and the public counsel, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than (30) days after they are filed, to implement the agreement.” The Company will file the substitute tariff P.S.C. MO No. 2 cancelling P.S.C. MO No. 1, on April 13, 2010, seeking to implement the terms of the Unanimous Agreement. This tariff sheets bears the minimum 30-day effective date of May 13, 2010.

6. The Company is current on its payment of Commission assessments and on its filings of annual reports and statements of revenue; and has no other cases pending before the Commission.

WHEREFORE, Staff respectfully submits this Notice and the attached Appendix A for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Staff, the Company, and OPC.

Respectfully submitted,

/s/ Jaime N. Ott

Jaime N. Ott

Missouri Bar No. 60949

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360

Jefferson City, MO 65102

(573) 751-8700 (Telephone)

(573) 751-9285 (Fax)

jaime.ott@psc.mo.gov (e-mail)

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of April 2010.

/s/ Jaime N. Ott

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND UNANIMOUS DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. SR-2010-0155

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Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Deborah Bernsen – Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

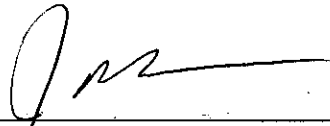
STATE OF MISSOURI)

) SS

COUNTY OF COLE)

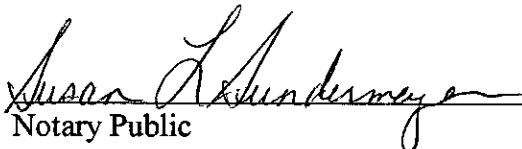
CASE NO. SR-2010-0155

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he was responsible for the preparation of the following *Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("*Unanimous Agreement*"); (4) that he was responsible for the preparation of Attachments A, B, C, and E to the Unanimous Agreement; (5) that he has knowledge of the matters set forth in the Unanimous Agreement and the above-referenced attachments thereto; and (6) that the matters set forth in the Unanimous Agreement and the above-referenced attachments thereto are true and correct to the best of his knowledge, information and belief.



James M. Russo
Rate & Tariff Examination Supervisor
Water and Sewer Department

Subscribed and sworn to before me this 7th day of April, 2010.



Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF DEBORAH A. BERNSEN

STATE OF MISSOURI

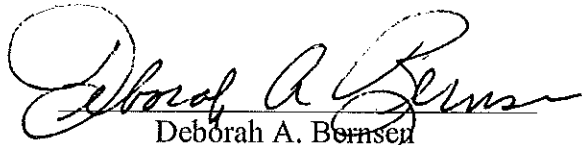
ss.

COUNTY OF COLE

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Case No. SR-2010-0155

COMES NOW DEBORAH A. BERNSEN, being of lawful age, and on her oath states the following: (1) that she is a(n) Utility Management Analyst in the Missouri Public Service Commission's Engineering and Management Services Department ; (2) that she participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that she has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment D to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment D to the Disposition Agreement; and (6) that the matters set forth in Attachment D to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.



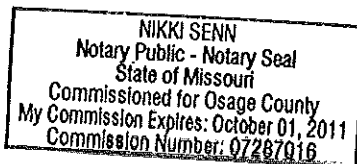
Deborah A. Bernsen

Utility Management Analyst
Engineering and Management Services

Subscribed and sworn to before me this 6th day of April, 2010.



Notary Public



Unanimous Disposition Agreement

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

S. K. & M. WATER & SEWER COMPANY

MO PSC CASE NO SR-2010-0155

BACKGROUND

S. K. & M. Water & Sewer Company ("Company") initiated the small company revenue increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") Case 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, which was received at the Commission's offices on November 20, 2009, the Company set forth its request for an increase of \$7,933 in its total annual sewer service operating revenues. In its Request letter, the Company also acknowledged 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 Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides sewer service to approximately 152 customers, the vast majority of which are residential customers. The Company is located near Perryville in Perry County.

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, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Collectively referred as "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 ("OPC") with the results of the investigation, with Staff's initial recommendations for the resolution of the Company's Request, and with other information regarding Staff's investigation.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

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

- (1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A and incorporated herein, with those proposed tariff revisions bearing an effective date of May 13, 2010.
- (2) That the agreed-upon rates set out in the example tariff sheets, attached hereto as Attachment A and incorporated herein, are just and reasonable and result in an agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$11,500, designed to recover the Company's cost of service.
- (3) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment B and incorporated herein, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.
- (4) That the rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment C and incorporated herein.
- (5) That the rates included in the attached example tariff sheets are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (6) Within thirty (30) days of the effective date of an order approving this Disposition Agreement, the Company shall implement the following provisions and provide proof of such implementation to the Manager of the Commission's Auditing Department:
 - a. Begin using the Uniformed System of Accounts (USOA) guidelines to record entries in the general ledger.
 - b. Add a column in the general ledger that contains a description of the expense incurred.
 - c. Develop and maintain timesheets for Company personnel that include at least the date worked, work performed and the amount of time spent on each task.
- (7) Within sixty (60) days of the effective date of an order approving this Disposition Agreement, the Company shall implement the following provisions and provide proof of such implementation to the Manager of the Commission's Auditing Department:

- a. Develop and maintain separate Continuing Property Records (CPRs) for the water and sewer systems.
- (8) That Staff or OPC may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.
- (9) That Staff or OPC may file a formal complaint against it, if the Company does not comply with the provisions of this Unanimous Disposition Agreement.
- (10) That the Company, Staff and OPC agree that they have read the foregoing Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request; that upon the Company's, Staff's, and OPC's best knowledge and belief the facts stated therein are true; that the foregoing conditions accurately reflect the agreement reached between the Company, OPC and Staff; and that the Company, Staff, and OPC freely and voluntarily enter into this agreement.
- (11) That the above agreements satisfactorily resolve all issues identified by the Staff, OPC and the Company regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Unanimous Disposition Agreement reflect compromises between Staff, OPC and the Company. In arriving at the amount of the annual operating revenue increase specified herein neither party has agreed to any particular ratemaking principle.

Staff has included the Engineering and Management Services Department (EMSD) Customer Service and Business Operations Review as Attachment D to this Unanimous Disposition Agreement. In addition, Staff has completed a Summary of Case Events and has included that summary as Attachment E to this Company/Staff/Public Counsel Disposition Agreement.

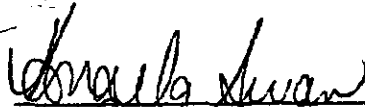
The Company and OPC acknowledge that Staff will be filing this Unanimous Disposition Agreement and the attachments hereto. The Company and OPC also acknowledge that Staff may make other filings in this case.

Additionally, the Company and OPC agree that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Disposition Agreement at any agenda meeting at which that case is noticed to be considered by the Commission. Staff will be available to answer Commission questions regarding this Unanimous Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company and OPC with advanced notice of

any such agenda meeting so that they may have the opportunity to also be represented at the meeting.

SIGNATURES

Agreement Signed and Dated:



Angela Swan
General Manager
S. K. & M. Water & Sewer Company



Date



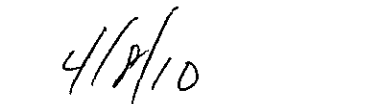
Christina Baker
Senior Public Counsel
Office of the Public Counsel



Date



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



Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Rate Design Worksheet
- Attachment C – Billing Comparison Worksheet
- Attachment D – EMSD Report
- Attachment E – Summary of Events

Agreement Attachment A

Example Tariff Sheets

P.S.C. MO No. 2
Cancelling P.S.C. MO. No. 1

Original Sheet No. 1

S. K. & M. Water and Sewer Co.
Name of Issuing Company

For: Unincorporated Area
Certificated Service Area
Perry County, MO

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

Tariff Title Page

S. K. & M. Water and Sewer Co.

**SCHEDULE OF RATES, RULES, REGULATIONS
AND CONDITIONS OF SERVICE GOVERNING THE
PROVISION AND TAKING OF SEWER SERVICE**

- * Indicates new rate or text
- + Indicates change

Date of Issue April 13, 2010
Month Day Year

Date Effective May 13, 2010
Month Day Year

Issued By Angela Swan - Vice President
Name and Title of Issuing Officer

P.O. Box 212 Perryville, MO
Company Address

S. K. & M. Water and Sewer Co.
Name of Issuing Company

For: Unincorporated Area
Certificated Service Area
Perry County, MO

Rules and Regulations Governing
the Rendering of Sewer Service

INDEX

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3	Map of Service Area
4	Legal Description of Service Area
5	Schedule of Rates
6	Schedule of Service Charges

<u>Sheet Number</u>	<u>Rule Number</u>	<u>Rule Subject</u>
7	1.	Definitions
10	2.	General Rules and Regulations
11	3.	Limited Authority of Company Employees
12	4.	Applications for Sewer Service
14	5.	Inside Piping and Customer Service Sewer
17	6.	Improper or Excessive Use
19	7.	Discontinuance of Service by Company
21	8.	Interruptions in Service
22	9.	Bills for Service
24	10.	Special Contract for Excess Capacity
25	11.	Extension of Collecting Sewers

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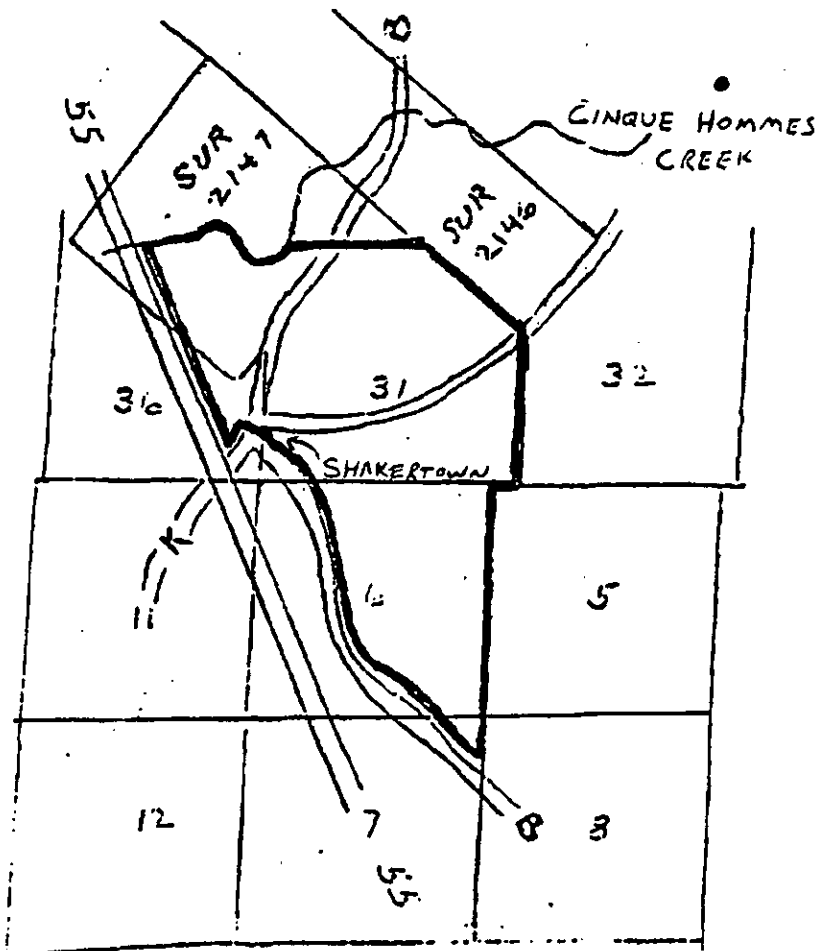
P.O. Box 212 Perryville, MO
Company Address

S. K. & M. Water and Sewer Co.
Name of Issuing Company

For: Unincorporated Area
Certificated Service Area
Perry County, MO

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

Map of Service Area



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S. K. & M. Water and Sewer Co.
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Rules and Regulations Governing
the Rendering of Sewer Service

Legal Description of Service Area

Beginning at the Southeast corner of Section 6, Township 34 North, Range 11 East of the Fifth Principal Meridian; Thence South along the East line of Section 7 in the aforesaid Township and Range to the intersection of the said line with the Northeast right-of-way line of State Highway 'B'; Thence Westerly along aforesaid right-of-way line to the North side of the intersection of State Highway 'B' and State Highway 'K'; Thence Westerly to the West right-of-way line of State Highway 'k' to the intersection of said right-of-way line of Interstate No. 55; Thence Northwesterly along the Northeast right-of-way line of Interstate No. 55 to the intersection of said right-of-way line with the center of Cinque Hommes Creek in U.S. Survey NO. 2147, Township 35 North, Ranges 10 and 11 East; Thence along the centerline of Cinque Hommes Creek to a point where the projections of the North line of Section 31, Township 35 North, Range 11 East meets the center of Cinque Homees Creek; Thence East along the projection of and the North line of aforesaid Section 31 to the intersection of said line with the Southwest line of the U.S. Survey No. 2146, Township 35 North, Ranges 10 and 11 East; Thence Southeasterly along the Southwest line of aforesaid U.S. Survey 2146 to a point where said Southwest line meets the East line of aforesaid Section 31; Thence South along the East line if aforesaid Section 31 to the line between TYowndship 34 North and 35 North; Thence West along said Township line to the Northeast corner of aforesaid Section 6; Thence South along the East line of aforesaid Section 6 to the point of beginning

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P.O. Box 212 Perryville, MO
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S. K. & M. Water and Sewer Co.
Name of Issuing Company

For: Unincorporated Area
Certificated Service Area
Perry County, MO

Rules and Regulations Governing
the Rendering of Sewer Service

Schedule of Rates

Availability

Available to any sewer customer located on the Company's sewer collecting mains suitable for supplying the service requested.

Monthly Rate

Single Family	\$29.36
Multi-Family	\$23.48
Commercial	\$29.36

Taxes

Any applicable federal, state, or local taxes computer on billing basis shall be added as separate items in rendering bill.

Late Charges

Billings will be made and distributed at monthly intervals. Bills will be rendered new, 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.

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For: Unincorporated Area
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Perry County, MO

Rules and Regulations Governing
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Schedule of Service Charges

Sewer Connection Fee \$600 or actual cost

Returned Check Charge

A returned check charge of \$29 per check will be paid by customers on all checks returned unpaid from the bank

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S. K. & M. Water and Sewer Co.
Name of Issuing Company

For: Unincorporated Area
Certificated Service Area
Perry County, MO

Rules and Regulations Governing
the Rendering of Sewer Service

Rule 1 DEFINITIONS

- A. An "APPLICANT" is a person, firm, corporation, governmental body, or other entity which has applied for service or a sewer extension; two or more such entities may make one application for a sewer extension, and be considered one APPLICANT.
- B. "B.O.D" denotes biochemical oxygen demand. It is the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory conditions expressed in milligrams per liter.
- C. A "COLLECTING SEWER" is a pipeline, including force lines, gravity sewers, interceptors, laterals, trunk sewers, manholes, lampholes, and necessary appurtenances, including service wyes, which is owned and maintained by the company, located on public property or on private easements, and used to transport sewage waste from the customer's service connection to the point of disposal.
- D. The "COMPANY" is S. K. & M. Water and Sewer Co., acting through its officers, managers, or other duly authorized employees or agents.
- E. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the company for sewer service or is receiving service from company, or whose facilities are connected for utilizing such service.
- F. The "DATE OF CONNECTION" shall be the date the permit for a service connection is issued by the company. In the event no permit is taken and a service connection is made, the date of connection shall be determined based on available information, such as construction/occupancy permits, or water or electric service turn-on dates.
- G. A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.

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Rules and Regulations Governing
the Rendering of Sewer Service

- H. "DISCONTINUANCE OF SERVICE" is intentional cessation of the use of sewer service by action of the company not at the request of the customer. Such DISCONTINUANCE OF SERVICE may be accomplished by methods including physical disconnection of the service sewer, or disconnection of water service by the water utility at the request of the company.
- I. "DOMESTIC SEWAGE" is sewage, excluding storm and surface water, resulting from normal household activities; and, "NON-DOMESTIC SEWAGE" is all sewage other than DOMESTIC SEWAGE including, but not limited to, commercial or industrial wastes. (See Rule 6 pertaining to Improper Waste and Excessive Use.)
- J. A "FOUNDATION DRAIN" is a pipe installed inside or outside the foundation of a structure for the purpose of draining ground or subsurface water away from the foundation.
- K. "pH" is the relative degree of acidity or alkalinity of water as indicated by the hydrogen ion concentration. PH is indicated on a scale reading from 1-14, with 7 being neutral, below 7 acid, and above 7 alkaline; more technically defined as the logarithm of the reciprocal of the hydrogen ion concentration.
- L. A "SERVICE CONNECTION" is the connection of a service sewer to the company collecting sewer either at the bell of a wye branch or the bell of a saddle placed on the barrel of the collecting sewer.
- M. A "SERVICE SEWER" is a pipe with appurtenances installed, owned and maintained by the customer, used to conduct sewage from the customer's premises to the collecting sewer, excluding service wyes or saddles.
- N. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes resubdivision thereof.

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Name of Issuing Company

For: Unincorporated Area
Certificated Service Area
Perry County, MO

Rules and Regulations Governing
the Rendering of Sewer Service

- O. "SUSPENDED SOLIDS" are the insoluble materials suspended or dispersed in waste water, expressed in milligrams per liter on a dry weight basis, as determined by standard procedures.
- P. "TERMINATION OF SERVICE" is the cessation of the use of sewer service requested by the customer. Such TERMINATION OF SERVICE shall be accomplished by a method verified and recognized by the company, and may include physical disconnection of the service sewer, termination or disconnection of water service by the water utility, or the company's observation of non-occupancy of the unit served.
- Q. The word "UNIT", or LIVING UNIT shall be used herein to define the premises or property of a single sewer user, whether or not that sewer user is the customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, owned or leased. Each mobile home in a mobile home park, and each rental unit of a multi-tenant rental property are considered as separate UNITS for each single family or firm occupying same as a residence or place of business.

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S. K. & M. Water and Sewer Co.
Name of Issuing Company

For: Unincorporated Area
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**Rules and Regulations Governing
the Rendering of Sewer Service**

Rule 2 GENERAL RULES AND REGULATIONS

- A. Every customer, upon signing an application for service or accepting service rendered by the company, shall be considered to have expressed consent to be bound by these rates and rules.
- B. The company's rules governing rendering of service are set forth in the numbered sheets of this tariff. The rates applicable to appropriate class of service are set forth in rate schedules and constitute a part of this tariff.
- C. The company reserves the right, subject to the authority from the Public Service Commission of Missouri, to prescribe additional rates or to alter existing rates or rules as it may deem necessary or proper.
- D. At the effective date of these rules, all new facilities, construction contracts and written agreements shall conform to these rules in accordance with the statutes of the State of Missouri and authority of the Public Service Commission of Missouri. Pre-existing facilities that do not conform with these rules may remain, if said facilities do not cause any service problems and reconstruction is impractical.
- E. The company shall have the right to enter upon the customer's premises for the purpose of inspecting for compliance with these rules. Company personnel shall identify themselves and such inspections shall be conducted during reasonable hours.

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Rules and Regulations Governing
the Rendering of Sewer Service

Rule 3 LIMITED AUTHORITY OF COMPANY EMPLOYEES

- A. Employees or agents of the company are expressly forbidden to demand or accept any compensation for any service rendered to its customers except as covered in the company's rules.
- B. No employee or agent of the company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these rules.

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Rules and Regulations Governing
the Rendering of Sewer Service

Rule 4 APPLICATIONS FOR SEWER SERVICE

- A. A written application for service, signed by the customer, and accompanied by the appropriate fees as provided in the Schedule of Rates, Service Charges, or Rule 11 - Extension of Collecting Sewers, and other information required by these rules, must be received from each customer before service is provided to any unit. Said application must be filed in writing 24 hours in advance stating the street, house number, name of the applicant, name of the property owner, and the time, at which connection is to be made. The company shall have the right to refuse service for failure to comply with the rules herein, or if the customer owes a past due bill not in dispute for sewer service at any location within the company's service area. In any case where a sewer extension, or unusual construction or equipment expense is necessary to furnish the service, the company may require a contract for service specifying a reasonable period of time for the company to provide the service. If the customer is a tenant, the company shall notify the owner of the property that the owner may be responsible for payment of the sewer service bill.
- B. A prospective commercial or industrial customer shall, upon request of the company, present in writing to the company a list of devices that will discharge to the collecting sewers, the amount and specifications of any discharge, and the location of any buildings. The company will then advise the customer of the form and the character of the wastewater collection facilities available. If a sewer extension as provided for in Rule 11 - Extension of Collecting Sewers will be necessary, or if the customer will be required to own, operate, and maintain a pretreatment facility, the customer will also be so advised.
- C. When sewer charges are based on water usage, the company reserves the right to refuse sewer service to any applicant unless said applicant agrees to install a water meter accessible by the company, so that there will be a basis for sewer charges. The company and customer may agree to an estimated water use amount, on an interim basis for a period not to exceed six (6) months, to allow time to install suitable metering equipment.

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- D. The company will determine or approve the location of the service connection. Service sewers will not be extended along public streets or roadways or through property of others in connecting with collecting sewers. If a service connection is requested at a point not already served by a collecting sewer of adequate capacity, the collecting sewer shall be extended in accordance with Rule 11 - Extension of Collecting Sewers, unless, in the company's judgment such a collecting sewer would serve no other purpose and a service sewer may be constructed to serve the customer's premises in a reasonable manner.
- E. A new service connection shall be authorized when all conditions of Paragraphs A, B, C, and D, above, are met.
- F. When a service sewer is to be connected to the collecting sewer, the plumber employed by the customer shall obtain the connecting accessories from the company. The plumber shall advise the company 24 hours in advance of when he expects to make the connection so a representative of the company can inspect the installation. The company must inspect any connection made by the customer prior to trench backfilling.
- G. No substantial addition to the water using equipment or appliances connected to the sewer system shall be made by commercial or industrial customers except upon written notice to and with the written consent of the company.
- H. Any change in the location of an existing service connection and/or service sewer requested by the customer shall be made at the customer's expense.

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Rule 5 INSIDE PIPING AND CUSTOMER SERVICE SEWER

- A. The customer is obligated to construct, repair, and maintain the service sewer from the collecting sewer to the building, and make the connection to the collecting sewer. The customer shall notify the company prior to cleaning or repairing the service sewer.
- B. Construction of the service sewer, and connection to the collecting sewer shall be subject to the inspection and approval of the company. No backfill shall be placed until the work has been inspected by the company. In the event the customer or the customer's agent shall damage a wye branch or saddle, or cause damage to the collecting sewer, then the customer shall be responsible for the cost to repair any such damage, including replacement of pipe or appurtenances as necessary.
- C. Plumbing specifications of all governmental agencies having jurisdiction, and the company's rules, in effect at the time of connection must be met. The company may deny service or may discontinue service where foundation drains, downspouts, or other sources of surface or storm water are permitted to enter the sewer system through either the inside piping or through the building sewer.
- D. A separate and independent service sewer shall generally be required for every building. Exceptions are:
- (1) When one building stands at the rear of another building on an interior lot where a proper service sewer cannot be constructed through an adjoining easement. In that situation, the service sewer from the front building may be extended to the rear building and it will be considered as one service sewer.
 - (2) When two or more buildings are a part of a complex that cannot be subdivided.

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- E. The service sewer shall be one of the following: ductile iron pipe, vitrified clay sewer pipe (VCP), or polyvinyl chloride pipe (PVC), ASTM specification or equal; or other suitable material approved by the company. Only those jointing materials and methods that are approved by the company may be used. Joints shall be tight and waterproof. Any part of the service sewer that is located within ten (10) feet of a water service pipe shall be constructed of ductile iron or PVC pressure pipe. The pipe shall be bedded according to the manufacturer's specifications, and on undisturbed earth or fill compacted to at least 95% proctor density. Fill may be non-organic soil or aggregate.
- F. The size and slope of the service sewer shall be subject to the approval of the company, but in no event shall the diameter be less than four (4) inches. The slope of such four (4) inch pipe shall not be less than one-eighth (1/8) inch per foot.
- G. Whenever possible the service sewer shall be brought to the building at an elevation below the basement floor. No building sewer shall be laid parallel to or within three (3) feet of any bearing wall. The depth shall be sufficient to afford protection from frost. The service sewer shall be laid at a uniform grade and in straight alignment insofar as possible. Changes in direction shall be made only with properly curved pipes and fittings.
- H. Existing service sewers may be used in connection with new buildings only when they are found on examination and test to meet all requirements of the company.
- I. In any building in which a building drain is too low to permit the required slope of the service sewer, sanitary sewage carried by such drain shall be lifted by approved artificial means and discharged to the service sewer. No water operated sewage ejector shall be used.
- J. All excavations required for the installation of a service sewer and connection to the collecting sewer shall be open trench work unless otherwise approved by the company. Pipe laying and backfill shall be performed in accordance with the latest published engineering specifications of the manufacturer of the materials used, and all applicable local plumbing codes.

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- K. The connection of the service sewer to the collecting sewer shall be made at the wye branch, if such branch is available at a suitable location. If the collecting sewer is vitrified clay pipe of 12" diameter or less and there is no properly located wye branch at a suitable location, a wye branch shall be installed at a location specified by the company. If the collecting sewer is greater than 12" in diameter, or is PVC of any size, a neat hole may be cut at a location specified by the company, and a saddle installed to which the service sewer will be connected. The invert of the service sewer at the point of connection shall be at the centerline or higher elevation of the collecting sewer. The connection shall be secure and watertight. A wye branch or a saddle may be obtained from the company at cost.
- L. Company personnel may not work on piping or facilities not owned by the company unless authorized by the customer.

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Rule 6 IMPROPER OR EXCESSIVE USE

- A. The following requirements for the use of sewer service provided by the company shall be observed. Violation of the requirements will result in the discontinuance of service to the customer or an additional charge where discharge limits are exceeded.
- B. The company may require a customer discharging non-domestic sewage to install a pretreatment facility, grease trap or other device on the premises, to prevent exceedence of discharge limits or other adverse impacts upon the company's system. The installation of any such device as well as its operation and maintenance shall be the responsibility of the customer, and subject to approval and inspection by the company.
- C. No customer shall discharge or cause to be discharged any storm water, surface water, ground water, swimming pool water, roof runoff, sub-surface drainage, or cooling water into the collecting sewers.
- D. The customer shall be required to take any action necessary to meet the following described waste water limits before the wastewater is discharged into the collection sewer:
- (1) Maximum temperature of 150 degrees Fahrenheit.
 - (2) Maximum strength of 400 parts per million Biological Oxygen Demand (B.O.D.).
 - (3) A maximum of 100 parts per million, by weight, any fat, oil or grease.
 - (4) A maximum of 25 parts per million, by weight, any soluble oils.
 - (5) No gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid or gas.

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- (6) No garbage that has not been properly shredded.
- (7) No ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood or any other solid or viscous substance capable of causing obstruction to the flow in sewers or other interference with the proper operation of the sewer system.
- (8) No waste water having a pH less than 5.0 or greater than 9.0, or having any other corrosive property, capable of causing damage or hazard to structures, equipment or personnel of the company.
- (9) No waste water containing heavy metals, toxic material, or Chemical Oxygen Demand (C.O.D.), in sufficient quantity to disrupt the operation of treatment facilities, or exceeding any limits which may be specified in a service contract for any such substance.

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Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY

- A. The company reserves the right of discontinuance of service for any of the following reasons:
- (1) For failure to comply with these rules.
 - (2) For nonpayment of the sewer utility bill (see Rule 9).
 - (3) For resale of sewer service.
 - (4) For an unauthorized service connection to the company's collecting sewer.
- B. For purposes of this rule, discontinuance of sewer service for non-payment of a sewer bill may be accomplished by discontinuance of water service by the customer's water utility at the request of the company. In such cases, customers will be notified by the terms of these rules, and not by those of any water utility.
- C. Discontinuance of service to a customer for violation of these Rules shall not prevent the company from pursuing any lawful remedy by action at law or otherwise for the collection of monies due from the customer.
- D. In the event of discontinuance of service by the company for any violation of these rules, then any monies due the company shall become immediately due and payable.
- E. The company reserves the right of discontinuance of service to a customer, or to refuse service to any applicant or for any unit to protect itself against fraud or abuse.
- F. At least thirty (30) days prior to discontinuance of service, the company will mail a written notice to the customer, and to the property owner if different than the customer, by certified mail, return receipt requested, with a copy of the notice sent to the Public Service Commission. Said notice shall state the nature of the violation,

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the amount of money owed if for a past due bill including the amount of any service charges owed, and that service may be discontinued at any time after the expiration of the notice period, provided satisfactory arrangements for continuance of the service have not been made by the customer. The thirty (30) day notice may be waived if there is any waste discharge that might be detrimental to the health and safety of the public, or cause damage to the sewer system. In the event of discontinuance of service without the thirty (30) day notice as above provided, the customer and the Public Service Commission shall be notified immediately with a statement of the reasons for such discontinuance of service. If service is provided to a multi-tenant building or complex, the company will make an effort to notify tenants by door hangars or other type of notice of the possibility of discontinuance of service.

- G. Reconnection of any customer after discontinuance of service by authority of this rule will be made subject to payment of the cost of reconnection.
- H. Where the owner of rental property is the customer and has been notified of the intent of disconnection, the tenants shall be given the opportunity in a reasonable and timely manner to pay delinquent bills in lieu of disconnection of service.
- I. Termination of service at the customer's request may be accomplished at the expense of the customer, as provided in Rule 9 B.

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Rule 8 INTERRUPTIONS IN SERVICE

- A. The company reserves the right to limit sewer service in its collecting sewers at any time, in a reasonable and non-discriminatory manner, for the purpose of making repairs to the sewer system.
- B. Whenever service is limited for repairs, all customers affected by such limitation will be notified in advance whenever it is possible to do so. Every effort will be made to minimize limitation of service.
- C. No refunds of charges for sewer service will be made for limitations of service unless due to willful misconduct of the company.

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Rule 9 BILLS FOR SERVICE

- A. The charges for sewer service shall be at the rates specified in this tariff, which is on file with the Missouri Public Service Commission and at the company's office. The point of assumption of sewer service shall be at the service connection. Service charges for connection or disconnection are set forth in the Schedule of Service Charges.
- B. A customer who is or has been taking sewer service at one or more units connected to the collecting sewer shall be held liable for payment of any applicable charges for service furnished to such units from the date of connection until the date requested by the customer in writing for service to be terminated, or until service is discontinued by the company. If termination of service must be accomplished by physical disconnection, the customer shall notify the company of the date and time of the disconnect in writing at least five days prior to the disconnection. If termination is accomplished by discontinuance or termination of water service, such notice shall be on or before the date of the water turnoff. Service may not be terminated for one unit of a multi-unit building if the building is served by one service sewer, unless accomplished by discontinuance or termination of water service. The method used for termination of service shall be determined by the company.
- C. Bills for sewer service will be mailed or delivered to the customer's last address as shown by the records of the company, but failure to receive the bill will not relieve the customer from the obligation to pay the same.
- D. Payments shall be made at the office of the company or at a convenient location designated by the company, or by mailing to the company's office.
- E. Separate bills shall be rendered for each location at which sewer service is provided, even though one entity may be the customer at such separate locations.

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- F. The company shall have the right to render bills monthly in advance. Bills shall have the due date indicated on the bill. The company shall have the right to charge customers on a monthly basis in arrears when the sewer charges are based on water usage.
- G. Neither the company nor the customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.
- H. All bills for sewer service become delinquent after the due date stated on the bill. Service may be discontinued after thirty (30) days written notice by certified mail return receipt requested from the company as provided by Rule 7, Discontinuance of Service by Company.
- I. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be for the proportionate part of the monthly charge, or where water usage is the basis for the charge, at the appropriate rate for water used. Customers terminating after taking service for less than one month shall pay not less than the monthly minimum.
- J. The owner of the property served will be held responsible for ultimate payment of a bill. Copies of all notices of violations of the rules, or of disconnection of service shall also be sent to the owner of the property.

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Rule 10 SPECIAL CONTRACT FOR EXCESSIVE CAPACITY

- A. In the event that the customer to be served proposes to discharge into the company's system an abnormally high volume or strength of waste as to require an enlargement of the company's existing sewage treatment plant or the construction of a temporary sewage treatment plant, and/or the construction or reconstruction of sewer lines or pump facilities, service shall be provided to such customer under the terms and conditions of a mutually satisfactory contract, in a form approved by the Public Service Commission, pursuant to which the cost of such improvements will be financed in such a manner as to be fair and reasonable to both parties and so as not to constitute a burden upon the company or the existing customers of the company.

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Rule 11 EXTENSION OF COLLECTING SEWERS

- A. Collecting sewers will be extended within the company's certificated service area, at the applicant's cost, if service is requested by the applicant at a location where facilities do not exist (the "applicant" is sometimes referred to in this rule as the "original applicant"). The applicant shall enter into a contract with the company. The applicant may choose to have the company perform all work under the terms and conditions of Paragraph C, following, or have a private contractor perform the work under the terms and conditions of Paragraph D, following. For purposes of this rule, an extension could include, in addition to a collecting sewer, one or more pump station or treatment plant facilities, as necessary to provide the service.
- B. The pipe used in making extensions shall be of a type and size that will be reasonably adequate for the area to be served. Such determination as to size and type of pipe shall be left solely to the judgment of the company. If the company desires a pipe size, lift station, treatment plant, or any other facility larger than reasonably required to provide service to the applicant, the additional cost due to larger size shall be borne by the company.
- C. The company will extend collecting sewers for the applicant under the following terms and conditions:
- (1) Upon receipt of written application for service as provided in Rule 4, Applications for Service, the company will provide the applicant an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including reconstruction of existing facilities if necessary, and the direct costs associated with supervision, engineering, permits, and bookkeeping. Applicable income tax cost calculated at the maximum rate will be added to this estimate.

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(2) The applicant shall enter into a contract with the company for the installation of said extension and shall tender to the company a contribution-in-aid-of-construction equal to the amount determined in Paragraph C (1) above, plus any appropriate fees as provided in the Schedule of Rates or the Schedule of Service Charges.

(3) If, as a result of reasonably unforeseen circumstances, the actual cost of the extension exceeds the estimated cost of the extension, the applicant shall pay the additional cost.

D. When the applicant elects to construct an extension, the company will connect said extension to its existing collecting sewers under the following terms and conditions:

(1) Applicant shall enter into a contract with the company that provides that the applicant construct said collecting sewers and/or other facilities to meet the requirements of all governmental agencies and the company's rules. Plans for the extension shall be submitted to the company for approval prior to construction. Applicant's choice of construction contractor is subject to approval by the company. Applicant shall contribute said facilities to the company with a detailed accounting of the actual cost of construction, contribute to the company an amount equal to the company's estimated income tax cost calculated at the maximum rate, and contribute to the company the estimated cost of the company's inspection.

(2) The company, or its representative, shall have the right to inspect and test the extension prior to connecting it to the existing collecting sewers and acceptance of ownership.

(3) Connection of the extension to existing company collecting sewers shall be made only by representatives of the company.

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(4) The company shall have the right to refuse ownership and responsibility for the sewer extension until applicant has met the contractual obligations as provided in Paragraph D (1).

E. The cost to additional applicants connecting to the sewer contributed by the original applicant shall be as follows:

(1) For a single-family residential applicant applying for service in a platted subdivision, the company shall divide the actual cost of the extension, including income taxes, by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots that abut existing sewers shall be excluded.

(2) For a single-family residential applicant requesting service to areas that are not platted in subdivision lots, the applicant's cost shall be equal to the total cost of the extension times 100 feet divided by the total length of the extension in feet.

(3) For an industrial, commercial, or multi-family residential applicant, the cost will be equal to the amount calculated for a single-family residence in E (1) above or E (2) above, as appropriate, multiplied by a water usage factor. The water usage factor shall be determined by dividing the average monthly usage in gallons by 7,000 gallons, but shall not be less than 1.

F. Refunds of contributions shall be made to the original applicant as follows:

(1) Should the actual cost of an extension constructed by the company under Paragraph C, or actual costs for inspection by the company under Paragraph D, above, be less than the estimated cost, the company shall refund the difference as soon as the actual cost has been ascertained.

(2) After the company has closed its books for the year, in which a contribution was made, it will determine actual income tax cost associated with each extension and refund excess income tax costs collected from the applicant.

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- (3) During the first ten years after the extension is completed, the company will refund to the original applicant who paid for the extension monies collected from additional applicants in accordance with Paragraph E above.
- (4) The sum of all refunds to the applicant shall not exceed the total contribution, including income tax and inspection costs associated with the extension, which the applicant has paid.
- (5) If two or more entities are considered an original applicant, the refund shall be distributed to each entity based upon the percentage of the actual extension cost contributed by each entity.

G. Any extension made under this rule shall be and remain the property of the company in consideration of its perpetual upkeep and maintenance.

H. The company reserves the right to connect additional extensions to a collecting sewer contributed by the applicant. The connection of new customers to such additional extensions shall not entitle the applicant to any refund.

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Agreement Attachment B

Rate Design Worksheet

S. K. & M. WATER & SEWER COMPANY

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	\$ 41,769
Agreed-Upon Overall Revenue Increase	\$ 11,500
Percentage Increase Needed	27.533%

Customer Rates

Customer Type	Current Service Charge	Proposed Service Charge
Single Family	\$ 23.02	\$ 29.36
Multi Family	\$ 18.41	\$ 23.48
Commercial	\$ -	\$ 29.36

Agreement Attachment C

Billing Comparison Worksheet

S. K. & M. WATER & SEWER COMPANY

Residential Customer Bill Comparison-Sewer

Rates for Residential Customer

Current Base Customer Charge	Proposed Base Customer Charge
\$23.02	\$29.36

current service charge is monthly charge

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 23.02
Usage Charge	\$ -
Total Bill	\$ 23.02

Proposed Rates

Customer Charge	\$ 29.36
Usage Charge	\$ -
Total Bill	\$ 29.36

INCREASES

Customer Charge

\$ Increase	\$6.34
% Increase	27.53%

Total Bill

\$ Increase	\$6.34
% Increase	27.53%

Agreement Attachment D

EMSD Report

Review of S.K. & M. Water and Sewer Company

Customer Service and Business Operations Review Engineering and Management Services Department Small Company Rate Increase Requests Case Nos. WR-2010-0154 and SR-2010-0155

Debbie Bernsen

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service processes, procedures and practices at S.K. & M. Water and Sewer Company (S.K. & M. or Company) on October 19, 2006. The findings of this review were developed into a report and filed in December 2006 in Case No. WR-2007-0460.

The EMSD staff performed a follow-up review in December of 2007 of the Company's actions taken in response to the December 2006 report. This 2007 follow-up review was performed in conjunction with a small company rate increase request submitted by the Company and assigned Tracking Nos. QW-2008-0009 and QS-2008-0008. The Company eventually withdrew these cases. The EMSD staff completed its report on the actions taken to address the recommendations made in the first review. This report was provided to and discussed with the Company.

The present review is being conducted in conjunction with a small company rate increase request submitted by the Company on November 20, 2009, and given Case Nos. WR-2010-0154 and SR-2010-0155. The status of the recommendations made in the prior EMSD report will be reported upon, as well as additional areas that may require the Company's attention.

The purpose of the EMSD is to promote and encourage efficient and effective utility management. This purpose contributes to the Commission's overall mission to ensure that customers receive safe and adequate service at just and reasonable rates, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were to document and analyze the management control processes, procedures and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review will also provide the Commission with information regarding the Company's customer service operations.

The scope of this review focused on processes, procedures and practices related to:

- Employee Contracts
- Customer Billing and Remittance
- Credit and Collections
- Late Fees
- Returned Check Fees
- Contact Prior to Discontinuance
- Communication with Customers

Overview

S. K. & M. Water and Sewer Company was originally certificated on November 16, 1973. The Company indicated that it provides water service to 283 customers and sewer service to 152 customers in Perryville, Missouri. The Company has seen a reduction in service connections due to downsizing at a trailer park. It currently has 283 water customers utilizing two wells in the Shakertown subdivision. Sewer lines cover 152 customers in Shakertown, Whippoorwill, Raintree and Lynnwood.

The business operations of the Company are performed by the General Manager, who assumed responsibilities in November 2006. According to Company job descriptions, the General Manager reports regularly to the Board of Directors, is on call 24/7, acts as the Company liaison for the Department of Natural Resources (DNR) and the Commission, prepares for and participates in all inspections and maintains the emergency plan. The General Manager holds a current Drinking Water D, Wastewater D and Drinking Water Distribution licenses with the DNR. Although the General Manager resides out of state, she attempts to spend approximately 40 hours on site every 3-4 months. In addition, she provides consulting as needed on a daily basis.

The Company contracts with Carol A. Word, CPA PC in Perryville, Missouri to perform most of the daily administrative functions including billing, payment receipt and record keeping functions. The firm also provides general accounting services such as accounts receivable, payroll, accounts payable and tax services. Monthly reports are sent to the General Manager to summarize general ledger information, usage and disconnects.

The field operations are performed by the Field Operations Supervisor and several different contract employees. Company job descriptions for the Field Operations Supervisor position include the supervision of outside contractors (i.e. meter readers and chlorine technicians), inspection and maintenance of all plant sites and monthly water samples. Presently, this position is part-time and funded based upon 18 hours of work per week. This position also has responsibility for overseeing the work of a contract operator, a chlorination technician, and a meter reader. All three of these positions are utilized on an as-needed basis and operate under a contract.

STATUS OF RECOMMENDATIONS MADE IN PRIOR EMSD REPORT IN TRACKING FILE NOS. QS-2008-0008 AND QW-2008-0009

Employee Contracts

The prior EMSD report identified a deficiency in that the Company did not utilize signed written contracts with all of its contractors. In this review, the EMSD staff was provided with contracts for outside vendors performing services for the Company. The Company has indicated it will review these contracts annually. The EMSD staff believes this recommendation is completed.

Customer Billing and Remittance

The prior EMSD report identified a deficiency in that the Company did not have a policy in place to calculate bills when the Company is unable to obtain an actual reading and must estimate the customer's usage. The Company has now developed a policy of utilizing the last three months of service usage to develop an average usage. This average is then used as the estimate for that month's bill. The EMSD staff believes this recommendation is completed.

Credit and Collections

The prior EMSD report identified a violation of Commission Rule 4 CSR 240-13.030(1)(C) in that the Company was inappropriately charging a security deposit to all customers that were renting property. The Commission Rule provides the following criteria for determining when deposits may or may not be assessed:

The customer is unable to establish an acceptable credit rating under standards contained in tariffs filed with and approved by the commission. The customer shall be deemed *prima facie* to have established an acceptable credit rating if the customer meets any of the following criteria:

1. Owns or is purchasing a home;
2. Is and has been regularly employed on a full-time basis for at least one (1) year;
3. Has an adequate regular source of income; or
4. Can provide adequate credit references from a commercial credit source.

The Company cannot charge a customer a deposit based solely upon their status as a renter. The Company has discontinued utilizing this as criteria for assessing a deposit; however, the EMSD staff does not believe that it is yet clearly applying the provisions of the Commission Rule regarding deposits. This will be discussed in more detail in a later section of this report that addresses new issues identified during this audit.

Late Fees

The prior EMSD report identified a deficiency in that the Company was not applying its tariffed late fee penalty to its delinquent paying sewer customers. As an incentive for customers to make timely payments, delinquent accounts should be assessed a late fee. In March 2008, the Company began applying these charges to delinquent sewer accounts.

Returned Check Fees

The prior EMSD report identified a deficiency in that the Company was charging a \$29.00 returned check fee when their tariff only allowed for a \$25.00 fee. In addition, the Company does not provide the customer with a due date for resolving their returned check situation. Although the Company's bank charge is \$29.00, the Company must adhere to its tariff charges. If the bank fees have changed, the Company should seek to amend its tariff to reflect current rates. The Company has determined that it would again use the tariffed \$25.00 charge until such time as it could seek approval of a change in the fees. In addition, it is including a due date for resolving the returned check payment. These actions complete the EMSD staff's two recommendations in this area.

Contact Prior to Discontinuance

The prior EMSD report identified a deficiency in that the Company does not contact customers at least twenty-four hours preceding a discontinuance of service due to nonpayment. The Company has indicated that it is now attempting to make multiple phone contacts to the customer, as well as sending written notices, prior to a disconnect. The EMSD staff believes this recommendation is complete.

Communication with Customers

The prior EMSD report identified a deficiency in that the Company did not have available a document that summarizes the rights and responsibilities of the utility and its customers, as required by Commission Rule 4 CSR 240-13.040(3). The Company has now completed a document that meets these requirements and has made it available to customers at the business offices of Carol Word, CPA. The EMSD staff believes this recommendation is complete.

Issues Identified During Present Audit

The Company is not applying customer deposits for water service according to Commission Rule 4 CSR 240-13.030. The Commission Rule provides the following criteria for determining when deposits may or may not be assessed:

The customer is unable to establish an acceptable credit rating under standards contained in tariffs filed with and approved by the commission. The customer shall be deemed *prima facie* to have established an acceptable credit rating if the customer meets any of the following criteria:

1. Owns or is purchasing a home;
2. Is and has been regularly employed on a full-time basis for at least one (1) year;
3. Has an adequate regular source of income; or
4. Can provide adequate credit references from a commercial credit source.

The Company's water tariff also addresses the conditions under which a deposit may be applied to a customer account.

The Company may require a security deposit or other guarantee as a condition of new service if the customer: still has an unpaid account with a utility providing the same type of service accrued within the last five years; or

has diverted or interfered with the same type of service in an unauthorized manner within the last five (5) years; or is unable to establish a credit rating with the Company. Adequate credit rating for a residential customer shall be established if the Customer: owns or is purchasing a home; or is and has been regularly employed full time for at least one year; or has an adequate and regular source of income; or can provide credit references from a commercial credit source.

The Company utilizes a written application for service in order to initiate service at an address. The application for service notes a \$35.00 deposit required for water service and a \$30.00 deposit for sewer service. These deposits are required of all new customers without giving the customer an opportunity to satisfy any of the criteria contained in the Billing Rules or the Company tariff.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Apply criteria contained in Commission Rule 4 CSR 240-13.030(1)(C) and the Company's water and sewer tariffs when making a determination to assess customer deposits.

The Company is not refunding its customer deposits according to Commission Rule 4 CSR 240-13.030(4)(B) and (D). This section requires that the deposit shall bear interest and will be returned to the customer upon satisfactory payment for the last twelve billing months. The Company has indicated that if a new customer does not meet the twelve months of prompt payment rule in the first year that the customer forfeits any claim to the deposit in the future. This is a violation of the refund with interest provisions of the Commission Billing Rules.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Refund customer deposits with interest according to Commission Rule 4 CSR 240-13.030(4).

Follow-up

The recommendations made by the EMSD staff that address rule violations should be completed by the Company within thirty days of the effective date of the Commission's Order Approving the Disposition Agreement in Case Nos. WR-2010-0154 and SR-2010-0155.

Agreement Attachment E

Summary of Case Events

S. K. & M. Water & Sewer Company
Case # SR-2010-0155
Summary of Case Events

Date Filed	November 20, 2009
Day 150	April 19, 2010
Extension?	No
If yes, why?	
Amount Requested	\$ 7,933
Amount Agreed Upon	\$ 11,500
Number of Customers	152
Rate of Return	8.65%
Return on Equity	11.23%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	WR-2010-0154
Status with Secretary of State	Good Standing
DNR Violations	None
Significant Service/Quality Issues	None