

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

In the Matter of the Highway H Utilities,)
Inc.'s Small Sewer Company Rate Increase)
Request.)

Case No. SR-2009-0392

In the Matter of the Highway H Utilities,)
Inc.'s Small Water Company Rate Increase)
Request.)

Case No. WR-2009-0393

**THE OFFICE OF THE PUBLIC COUNSEL'S SUGGESTIONS IN SUPPORT OF
STIPULATION AND AGREEMENT**

COMES NOW the Office of the Public Counsel (Public Counsel) and for its Suggestions in Support of Stipulation and Agreement states as follows:

1. On April 30, 2009, Highway H Utilities, Inc. (Highway H) initiated small company rate increase proceedings with the Missouri Public Service Commission (Commission) requesting an increase in its sewer rates of \$34,000 (78%) per year and an increase in its water rates of \$66,000 (56%) per year.
2. On September 23, 2009, the Staff of the Missouri Public Service Commission (Staff) filed a Notice of Staff/Company Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request and a Notice of Staff Company Agreement Regarding Disposition of Small Water Company Revenue Increase Request (Staff/Company Agreements) indicating agreements between Staff and Highway H for a sewer rate increase of \$17,592 annually (approximately 36.11%) and a water rate increase of \$19,254 annually (approximately 16.83%). The Staff/Company Agreements also included several recordkeeping and company practice

requirements. Public Counsel did not join in the agreements because it believed that the Staff/Company Agreements overstated the revenue requirement of Highway H.

3. In its October 29, 2009 Request for Local Public Hearing, or in the alternative, Request for Evidentiary Hearing, Public Counsel informed the Commission that it had concerns regarding the Staff/Company Agreements' inclusion of plant that may have been previously paid for by the customers through the purchase price of lots. Public Counsel also informed the Commission of specific issues of concern including the amount of contributed plant, salary expenses, rent expenses, meter reading expenses and waste management services fees. As a result of Public Counsel's request a local public hearing was scheduled for December 17, 2009 and an evidentiary hearing was scheduled for December 21 and 22, 2009.

4. On December 4, 2009, Public Counsel withdrew its request for a local public hearing stating that the parties had been engaged in discussions, and informing the Commission that Public Counsel believed that a resolution to this matter had been reached and an agreement was forthcoming.

5. On December 11, 2009, a Stipulation and Agreement was filed in the above stated cases which was signed by Highway H and Public Counsel, and which was not opposed by Staff. The Stipulation and Agreement included an agreement that Highway H's water annual revenue requirement would be increased by \$14,750 annually and the sewer annual revenue requirement would be increased by \$13,100. The Stipulation and Agreement also included the recordkeeping and company practice requirements which had originally been agreed to by Highway H in the Staff/Company Agreements.

6. During the December 23, 2009 Commission Agenda Session, the Stipulation and Agreement filed in the above stated cases was brought before the Commission for approval.

During the agenda session, Commissioner Davis made several disparaging remarks about Public Counsel's integrity regarding the Stipulation and Agreement which Public Counsel would like to address as support for the Stipulation and Agreement.

7. Public Counsel wishes to respond to Commissioner Davis' indication that he believes Public Counsel used its negotiating power to somehow inappropriately strong-arm Highway H into agreeing to the Stipulation and Agreement. Public Counsel is a party to these cases as equally as Highway H and Staff. Given Public Counsel's statutory mission to protect the interests of utility customers, it should not be surprising that Public Counsel would have a different position on what a just and reasonable rate would be from that of Highway H. Similarly, it should not be unexpected that Public Counsel might have a different position from that of Staff. Having a different position and arguing, or even negotiating, to the best of its ability for the customers does not equate to inappropriate strong-arming. In fact, it would be misconduct for Public Counsel not to work hard to protect its client's interests.

8. Both Highway H and Staff had the same opportunity to refuse to continue discussions to come to a resolution in this matter. An evidentiary hearing was already scheduled in this matter just a few days away, and all parties had the ability to place their evidence before the Commission for decision. Public Counsel was ready and willing to go to an evidentiary hearing to present its evidence, that's why it requested the hearing. If the parties felt that their evidence was so strong that the Commission could not possibly find against them, or even if a party just wanted to take a chance that the Commission would find their way, the forum was already set. The option was there. Instead, Highway H agreed to a settlement with Public Counsel which Staff decided not to oppose. Public Counsel did not strong-arm the other parties,

nor did it hold a gun to their heads. Highway H simply took advantage of the opportunity to come to a mutual agreement with Public Counsel rather than have an evidentiary hearing.

9. Commissioner Davis seems to be suggesting that Stipulations and Agreements between the parties are somehow automatically suspect if Public Counsel is a signatory, and that an evidentiary hearing would be preferred. If Public Counsel's integrity is to be questioned with every Stipulation and Agreement it signs, Public Counsel might very well be tempted not to waste its already stretched resources and agree with Commissioner Davis' preference. But, the result of this would be that Public Counsel would never agree to any Stipulation and Agreement, would never even attempt to negotiate a mutually beneficial agreement between the parties, and would automatically subject the utilities and their customers and to an extremely costly and time consuming evidentiary hearing in every case. Somehow, Public Counsel does not believe that would be an appropriate way for the Commission to ensure that customers have safe and adequate utility service at fair and reasonable rates.

WHEREFORE, Public Counsel respectfully submits its suggestions in support of the Stipulation and Agreement.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ Christina L. Baker

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 23rd day of December 2009:

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