

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 27th day of June, 2006.

In the Matter of Taneycomo Highlands, Inc.) **Case No. SR-2006-0379**
to Implement a Rate Increase for Sewer Service) **Tariff No. YS-2006-0749**

ORDER APPROVING SMALL COMPANY RATE INCREASE
AND ACCOMPANYING TARIFF

Issue Date: June 27, 2006

Effective Date: July 7, 2006

This order approves an agreement between the Staff of the Commission, the Office of the Public Counsel, and Taneycomo Highlands, Inc. regarding disposition of Taneycomo's small company rate increase request. It also approves depreciation rates for the company and approves a tariff implementing the agreed upon rate increase.

Taneycomo provides sewer service to approximately 20 customers¹ in the Taneycomo Highlands, Inc. development located near Branson, Missouri. On November 7, 2005, Taneycomo initiated a small company rate increase under Commission Rule 4 CSR 240-3.330.² In its initial submissions to the Commission's Staff, Taneycomo requested a rate increase that would generate an additional \$9,250 in annual sewer service operating revenues.

¹ According to Attachment C of Staff's Recommendation filed May 12, 2006.

² The request was assigned Tracking No. QS-2006-0004 in the Commission's Electronic Filing and Information System (EFIS).

On April 3, 2006, after discussions and negotiations with Staff and the Office of the Public Counsel, Taneycomo filed a tariff designed to increase its rates for sewer service to generate only an additional \$5,006 in annual revenues. Along with its tariff, Taneycomo filed a letter indicating that it had reached an Agreement Regarding Disposition of Small Sewer Company Rate Increase Request with the Staff and the Public Counsel (Disposition Agreement). Staff filed that agreement on April 6, 2006.

On May 12, 2006, Staff filed a recommendation urging the Commission to approve Taneycomo's tariff and the Disposition Agreement. Based upon its audit of Taneycomo's books and records, an evaluation of the company's depreciation rates, and an analysis of the company's capital structure and cost of capital, Staff concluded that a \$5,006 increase in the company's annual sewer service operating revenues is necessary for the company to recover its cost of service. In addition, the agreement provides, and the Staff recommends, that certain changes to the service charges, the system operations, and the administrative operations should be made. In addition, Staff recommended new depreciation rates. Finally, the agreement states that the new rates are designed to generate the necessary revenues and are just and reasonable. Staff noted that Taneycomo is current on payment of Commission assessments and on the filing of its Commission annual reports.

On May 18, 2006, the Commission received notification from the Department of Natural Resources (DNR) that, while Taneycomo did not receive a notice of violation during the test year in this case, it had been in noncompliance with reporting requirements for approximately seven straight quarters. Specifically, Taneycomo had not submitted a quarterly Discharge Monitoring Report since August of 2004.

On May 19, 2006, the Commission issued its Order Directing Filings and Adding a Party, which , among other things: 1) added the DNR as a party; 2) ordered Staff to file a revised recommendation and memorandum incorporating and addressing DNR's information on Taneycomo's noncompliance by June 16, 2006; 3) required any responses to Staff's recommendation and memorandum to be filed no later than June 23, 2006; and 4) ordered the Public Counsel and the Commission's Staff to each file notice reflecting their current position on the Disposition.

On June 16, 2006, Staff filed its revised recommendation in this case and notification of its current position on the Disposition Agreement. On June 22, 2006, Staff filed supplemental information in support of its revised recommendation. In these verified pleadings, Staff reaffirmed its support of the Disposition Agreement. Based upon its investigation of Taneycomo's reporting violations, Staff discovered: 1) that Taneycomo had been taking the required effluent monitoring samples and having them tested by a laboratory as required; 2) due to miscommunications between Taneycomo and the lab, the required reports had not been submitted to the DNR; and 3) once the error was realized, Taneycomo had all the reports sent to the DNR. Through communications with DNR personnel, Staff has confirmed that the DNR has now received the subject monitoring reports. Further, the Staff has been advised that the DNR no longer anticipates that it will take any formal enforcement actions regarding the reporting issues.

On June 19, 2006, the Office of the Public Counsel filed notice reaffirming its support of the Disposition Agreement and concurring with Staff's revised recommendation. Public Counsel recommends that the Commission:

- approve the revised tariff sheet that Taneycomo Highlands, Inc. filed on April 3, 2006, to be effective for service rendered on and after July 1, 2006, or as soon thereafter as is possible;
- approve the Disposition Agreement submitted in this case;
- direct Taneycomo Highlands, Inc. to comply with the terms of the Disposition Agreement; and prescribe the depreciation rates set out on Attachment D to the Disposition Agreement

On June 26, 2006, the DNR notified the Commission its information to Staff was in error and one of Taneycomo's quality reports is missing. DNR further advised the Commission that it was working with Taneycomo to fix the issue and does not oppose the proposed rate increase.

Commission Rule 4 CSR 240-3.635 states that when Staff, Public Counsel, and the company file an agreement in a small company rate increase case, the company may file tariff sheets with an effective date that is not fewer than 30 days after the tariff's issue date. No additional customer notice or local public hearing is required unless otherwise ordered by the Commission. The Commission finds that Staff, Public Counsel, and Taneycomo have fully complied with the procedural requirements for approval of a disposition agreement found in Commission Rule 4 CSR 240-3.635.

Having considered all the verified pleadings filed in this case, which are hereby admitted into evidence, the Commission finds that the Disposition Agreement is reasonable and shall be approved. Taneycomo shall be directed to comply with the recommendations of Staff as contained in the agreement. Furthermore, Taneycomo's tariff and the rates it establishes are just and reasonable and shall be approved. The Commission also finds that the depreciation rates proposed by Staff are reasonable and will order Taneycomo to utilize them.

IT IS ORDERED THAT:

1. The Agreement Regarding Disposition of Small Sewer Company Rate Increase Request between the Commission's Staff, the Office of the Public Counsel and Taneycomo Highlands, Inc., is approved.
2. Taneycomo Highlands, Inc., is directed to comply with the terms of the Agreement Regarding Disposition of Small Sewer Company Rate Increase Request.
3. The following tariff sheet filed by Taneycomo Highlands, Inc., and assigned Tariff File No. YS-2006-0749, is approved for service on or after July 7, 2006:

P.S.C. MO No. 1

1st Revised Sheet No. 4 Canceling Original Sheet No. 4

4. The depreciation rates attached to the Agreement Regarding Disposition of Small Sewer Company Rate Increase Request as Attachment D are approved and such depreciation rates are to be used by Taneycomo Highlands, Inc.
5. This order shall become effective on July 7, 2006.
6. This case may be closed on July 8, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Gaw, Clayton,
and Appling, CC., concur.

Voss, Regulatory Law Judge