

NOTICE OF AGREEMENT REGARDING DISPOSITION OF SMALL COMPANY RATE INCREASE REQUEST

APPENDIX A

Disposition Agreement and Attachments

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Hickory Hills Water & Sewer Company

MO PSC Work I.D. No. QS-2004-0009

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Company/Staff Agreement Regarding Disposition
Of Small Sewer Company Rate Increase Request

COMPANY/STAFF AGREEMENT REGARDING DISPOSITION
OF SMALL SEWER COMPANY RATE INCREASE REQUEST

HICKORY HILLS WATER & SEWER COMPANY, INC.

MO PSC WORK I.D. NO. QS-2004-0009

Background

Hickory Hills Water & Sewer Company, Inc. ("Company") initiated the small company rate increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") tracking file by submitting a letter to the Secretary of the Commission. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). The date the Company's Request was received at the Commission's offices was March 30, 2004.

In its Request, the Company represented that it was asking for Commission approval of customer rates intended to generate an increase of \$5,000 in its total annual sewer service operating revenues. The Company provides service to approximately 47 customers, which are residential customers.

Upon receipt of the Company's Request, personnel in the Commission's Data Center scanned and entered it into the Commission's electronic filing and information system and Work I.D. No. QS-2004-0009 was assigned 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 of the Commission ("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 Office of the Public Counsel ("OPC") various information regarding the results of the investigation, as well as its initial recommendations for resolution of the Company's Request.

Resolution of the Company's Rate Increase 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 hereby state the following agreements.

- (1) That for the purpose of implementing the agreements set out herein, the Company will file tariff revisions with the Commission containing the rates and language set out in the example tariff sheets attached hereto as Attachment A.
- (2) That the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the Company's total annualized cost of providing service and the agreed-upon annualized operating revenue increase of \$4,080, which is required 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 C, are designed to generate revenues sufficient to recover the Company's total annualized cost of service, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (4) That the rates included in the attached example tariff sheets are just and reasonable.
- (5) That the Company will collect signed applications for service from all customers, as required by Rule 4, Section A of the Company's tariffs.
- (6) That the Company will revise the current Notice of Intent to Discontinue Service to reflect the 30 day notice requirement in Rule 7, section (f), located on Sheet 19 of the Company's tariff.

- (7) That the Company will maintain a backup disk of the Company's computerized billing system off-site.
- (8) That the Company will document all customer complaints pursuant to 4 CSR 240-60.010(4) and (5).
- (9) That the above agreements satisfactorily resolve all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated.

Additional Matters

This Disposition Agreement is only between the Staff and the Company, in which case the Small Company Rate Increase Procedure requires that the Company send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement. In compliance with the Small Company Rate Increase Procedure, that notice will provide the Company's customers an opportunity to send comments to the OPC and the Staff within twenty (20) days after the date of the notice. In addition to that customer notice, the Company acknowledges that the OPC also has the right to request that the Commission hold a local public hearing regarding the Company's Request and the provisions of this Disposition Agreement.

The Company and the Staff acknowledge that they have previously agreed on an extension of the normal 150-day tariff filing date for small company rate increase requests to allow time for the Company and the Staff to reach the agreements set forth herein.

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

The Company acknowledges that the Staff will be making an additional filing with the Commission regarding this matter. That filing will include the Staff's recommendation for approval of the subject tariff revisions, background information regarding the Company's Request and the Staff's investigation thereof, and certain Staff workpapers regarding at least the following items: (a) the ratemaking income statement referenced in item 2 above; (b) the rate design worksheet referenced in item 3 above; (c) a residential customer billing comparison reflecting the agreed-upon changes in the Company's rates; (d) a general overview of the Company; and (e) an overview of the Company's customer service procedures and practices. Additionally, that filing will include information regarding the status of the Company's payment of its Commission assessments, the status of the Company's submission of its Commission annual reports, the status of the Company's submission of its Commission annual statement of operating revenues, any other pending cases that the Company may have before the Commission, any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources, and the status of the Company's corporate standing with the Missouri Secretary of State (if applicable).

Effective Date and Signatures

This Disposition Agreement shall be considered effective as of the date that the Company files the tariff revisions required herein with the Commission.

Agreement Signed and Dated:


Dale W. Johansen
Manager – Water & Sewer Department
Missouri Public Service Commission Staff

11/3/04
Date


Randy Clifford
Corporate President
Hickory Hills Water & Sewer Company, Inc.

11-2-04
Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking Income Statement
- Attachment C – Rate Design Worksheet

Attachment A – Example Tariff Sheets

P.S.C. MO No. 2

2nd Revised Sheet No. 4

Canceling P. S. C. MO. No. 2

1st Revised Sheet No. 4

Hickory Hills Water & Sewer Company
Name of Issuing Company

For: Hickory Hills Estates & Temple Terrace
Community, Town or City
Moniteau County, Missouri

**Rules Governing
The Rendering of Sewer Service**

+

SCHEDULE OF RATES

Availability:

Any metered customer located in the Company's service territory.

Sewer Service Rate:

The charge for sewer service is \$12.35 per month or portion thereof for each sewer service. *

Taxes:

Any applicable Federal, State or local taxes computed on a billing basis shall be added as separate items in rendering each bill.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: _____
Month/Day/Year

Effective Date: December 20, 2004
Month/Day/Year

Issued By: Randy Clifford, President
Name & Title of Issuing Officer

P.O. Box 297, Tipton, MO 65081
Company Mailing Address

Attachment B – Ratemaking Income Statement

HICKORY HILLS WATER & SEWER COMPANY

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$ 2,888
2	Other Operating Revenues *	\$ -
3	Total Operating Revenues	\$ 2,888
4	* See "Revenues - Current Rates" for Details	

Cost of Service

Item	Amount
1 Sewer Treatment Expense-Chemicals	\$ 640
2 Sewer Treatment -Testing/Laboratory Fees	\$ 900
3 Maintenance Expense-Parts/Equipment	\$ 218
4 Maintenance Expense-Outside Labor	\$ 141
5 Permit Fees	\$ 650
6 Administration & General - Salaries	\$ 2,779
7 Office Supplies	\$ 180
8 Bookkeeping	\$ 458
9 Employee Pensions & Benefits	\$ 234
10 Regulatory Commission Expense	\$ 251
11 Miscellaneous General Expenses	\$ 392
12 Sub-Total Operating Expenses	\$ 6,843
13 Property Taxes	\$ -
14 MO Franchise Taxes	\$ -
15 Employer FICA Taxes	\$ -
16 Federal Unemployment Taxes	\$ -
17 State Unemployment Taxes	\$ -
18 State & Federal Income Taxes	\$ 10
19 Sub-Total Taxes	\$ 10
20 Depreciation Expense	\$ 64
21 Amortization of Utility Plant (computer system)	\$ -
22 Sub-Total Depreciation/Amortization	\$ 64
23 Return on Rate Base	\$ 51
24 Total Cost of Service	\$ 6,968
25 Overall Revenue Increase Needed	\$ 4,080

Attachment C – Rate Design Worksheet

HICKORY HILLS 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	\$ 2,888
Agreed-Upon Overall Revenue Increase	\$ 4,080
Percentage Increase Needed	141.301%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 5.12	\$ 12.35	\$ -	\$ -
1"	\$ 5.12	\$ 12.35	\$ -	\$ -
2"	\$ 5.12	\$ 12.35	\$ -	\$ -
3"	\$ 5.12	\$ 12.35	\$ -	\$ -
4"	\$ 5.12	\$ 12.35	\$ -	\$ -
6"+	\$ 5.12	\$ 12.35	\$ -	\$ -