

[SK&M Letterhead]

November 1, 2006

Dear Customer:

On October 16, 2006, SK&M Water and Sewer Company (Company) submitted a request for permanent increases in its water and sewer rates to the Missouri Public Service Commission (Commission), under the provisions of the Commission's small company rate increase procedure.

By its request, the Company is seeking increases in its customer rates intended to generate an increase in its annual water and sewer operating revenues of \$50,818 (approximately 89%) and \$36,876 (approximately 97%), respectively. The Company believes these increases in its operating revenues are necessary due to: 1) significant increases in costs that have occurred since the Company last increased its rates and 2) the need to put the Company on solid financial footing so that it can obtain the funds required to replace aging plant and meet the obligations imposed by federal and state environmental and water quality laws. The Company also has requested certain changes to its service charges and connection fees, its general business practices, customer service practices, general tariff provisions, and the design of its customer rates. Set out at the end of this notice is a table that includes a comparison of the Company's current customer rates and the proposed rates as well as the requested changes in service charges and connection fees. A monthly bill comparison, which is based upon an assumed water usage of 6,000 gallons, is also shown.

In the near future, the Staff of the Public Service Commission (Commission Staff) will conduct an independent audit of the Company's books and records, and an investigation of the Company's business and system operations. Based upon that audit and investigation, the Commission Staff will develop its positions regarding the Company's requested increases in its annual operating revenues. Additionally, the Commission Staff will develop positions regarding the need for changes in the Company's service charges, connection fees, general tariff provisions, business operations and system operations, and in the design of the Company's customer rates.

The Office of the Public Counsel (OPC), a state agency responsible for representing the interests of utility consumers before the Commission, may also conduct its own audit and investigation. At a minimum, the OPC will review the results of the Commission Staff's audit and investigation.

Any customer who has questions or comments regarding the Company's rate increase request, or who has comments regarding recent service-related problems, should contact the Commission Staff and/or the OPC, within 30 days of the date of this notice. To do so, please use the mailing addresses, telephone numbers, fax numbers or e-mail addresses shown below, and please also include a reference to request numbers QS-2007-0007 and QW-2007-0006. As a part of their investigations into the Company's rate increase request, the Commission Staff and the OPC will review all customer comments they receive in response to this notice.

Public Service Commission
Attn: Water/Sewer Dept.
P.O. Box 360
Jefferson City, MO 65102
Phone: 800-392-4211
Fax: 573-751-1847
E-Mail: water.sewer@psc.mo.gov

Office of the Public Counsel
Attn: Lewis Mills
P.O. Box 2230
Jefferson City, MO 65102
Phone: 573-751-4857
Fax: 573-751-5562
E-Mail: mopco@ded.mo.gov

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Upon completion of the Commission Staff's and the OPC's investigations, the Company may be required to send out a second customer notice regarding the results of the investigations. Additionally, the OPC may request that the Commission hold a local public hearing. However, neither a second customer notice nor a local public hearing will happen automatically. Therefore, please take the time now to express your views about the Company's rate increase request, and its business and system operations, to the Commission Staff and the OPC.

Regardless of whether the Company sends out a second customer notice, or whether a local public hearing is eventually held, no increase in rates will take effect without the specific approval of the Public Service Commission.

If you have questions about this notice, or about anything else with which I may be of assistance, please feel free to contact me at the telephone number listed at the top of the first page of this notice.

Sincerely,

Michael J. Sutterer
Owner/Operator

	WATER	
<u>Type of Charge</u>	<u>Current Rates</u>	<u>Rates Increased by 89%</u>
Monthly Minimum Charge	\$4.69	\$8.86
Usage per 1,000 gallons	\$1.98	\$3.74
Total Monthly Bill (at 6,000 gallons usage)	\$16.57	\$31.30
Service Connection Fee		
• To existing line	\$10.00	\$50.00
• To new line	\$10.00	\$550.00
Disconnection Due to Delinquency	\$15.00	\$50.00
Returned Check Fee	\$29.00	\$30.00

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	SEWER	
<u>Type of Charge</u>	<u>Current Rates</u>	<u>Rates Increased by 97%</u>
Monthly Minimum Charge	\$19.58	\$38.57
Total Monthly Bill	\$19.58	\$38.57
Service Connection Fee		
• To existing line	\$100.00	\$50.00
• To new line	\$100.00	\$500.00
Disconnection Due to Delinquency	\$15.00	\$50.00
Returned Check Fee	\$29.00	\$30.00