

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 15th day
of December, 2005.

In the Matter of the Small Company Rate Increase)	<u>Case No. WR-2006-0212</u>
Request of Middlefork Water Company)	Tariff File No. YW-2006-0383

ORDER APPROVING SMALL COMPANY RATE INCREASE

Issue Date: December 15, 2005

Effective Date: December 17, 2005

Syllabus: This order approves an agreement between the Staff of the Commission, the Office of the Public Counsel, and Middlefork Water Company regarding disposition of the company's rate increase request. The order also approves a schedule of depreciation rates for the company and approves a tariff implementing the agreed-upon rate increase of \$30,000 in the company's annual water service operating revenues.

On April 28, 2005, Middlefork initiated a small company rate increase under Commission rule 4 CSR 240-3.635. Middlefork requested a rate increase that would generate an additional \$30,000 in annual water service operating revenues. The company's current rates went into effect on October 6, 1992. Middlefork provides water service to approximately two customers, the cities of Stanberry and Grant City.

On November 17, Middlefork filed a tariff designed to increase its rates for water service. That tariff carries an effective date of December 17. Along with its tariff, Middlefork filed a letter indicating that it has reached an Agreement Regarding Disposition of Small Company Rate Increase Request with Staff and Public Counsel. Staff filed that Agreement on November 23.

Also on November 23, the Commission issued an order adding the Missouri Department of Natural Resources (DNR) as a party, and directing it to file a pleading indicating whether the company is currently in compliance with DNR's requirements. DNR submitted its response on December 5, indicating that although the company has had documented unlawful trihalomethanes and haloacetic acids levels in the past, the company and DNR entered into a Bilateral Compliance Agreement on November 14, 2004. DNR states that the company is proceeding in an acceptable manner to implement the necessary remedial action. Moreover, DNR does not consider the water supply to be in significant noncompliance or a threat to public health or the environment at this time.

On December 5, Staff filed a recommendation urging the Commission to approve Middlefork's tariff, the disposition agreement, and the depreciation rates found in Attachment D to the Agreement. Based upon its audit of Middlefork'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 \$30,000 increase in the company's annual water service operating revenues is necessary for the company to recover its cost of service. Staff also recommended that modified depreciation rates be prescribed for the company. In addition, Staff stated that based on its discussions with DNR and a review of the information provided by DNR, Staff understands that the company has not received a Notice of Violation from DNR during the test year used for the rate increase request and has not received any such notices since the end of the test year to date.

On December 12, Staff filed a supplemental pleading, clarifying that the Bilateral Compliance Agreement referenced by DNR did not result from the issuance of a Notice of Violation. Instead, the Bilateral Compliance Agreement represents the agreed-upon

approach between DNR and Middlefork to address certain operational and compliance matters. Staff also points out that DNR's most recent "Routine Surveillance Report" of the company, dated February 4, 2005, indicates that "[s]ystem personnel and administration are complimented for their diligent efforts to meet the terms of the BCA and improve the water system."

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 Middlefork have fully complied with the procedural requirements for approval of a disposition agreement found in Commission rule 4 CSR 240-3.635. The Commission further finds that the disposition agreement between Staff, Public Counsel, and Middlefork is reasonable, and will be approved.¹ Furthermore, Middlefork's tariff, and the rates it establishes, are just and reasonable and will be approved. The Commission also finds that the depreciation rates proposed are reasonable and will order Middlefork to utilize them.

IT IS THEREFORE ORDERED:

1. That the Agreement Regarding Disposition of Small Company Rate Increase Request filed by Middlefork Water Company, the Office of the Public Counsel, and the Staff of the Commission is approved.

¹ The Agreement was filed before the Commission added the Missouri Department of Natural Resources as a party. Pursuant to Commission rule 4 CSR 240-2.115(2), the Agreement may be treated as a unanimous agreement as DNR did not file an objection to it.

2. That Middlefork Water Company is directed to comply with the terms of the Agreement Regarding Disposition of Small Company Rate Increase Request.

3. That the following tariff sheets filed by Middlefork Water Company and assigned Tariff File No. YW-2006-0383, are approved for service on or after December 17, 2005:

P.S.C. MO No. 1

1st Revised Sheet No. 6, Canceling Original Sheet No. 6

1st Revised Sheet No. 7, Canceling Original Sheet No. 7

4. That the depreciation rates found in Attachment D to the Agreement Regarding Disposition of Small Company Rate Increase Request are approved and such depreciation rates are to be used by Middlefork Water Company.

5. That this order shall become effective on December 17, 2005.

6. That this case may be closed on December 18, 2005.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

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

Ruth, Senior Regulatory Law Judge