

At a session of the Public Service Commission held at its office in Jefferson City on the 28th day of September, 2006.

**ORDER APPROVING UNANIMOUS STIPULATION AND AGREEMENT
AND APPROVING TARIFF**

Effective Date: September 30, 2006

Aqua Missouri provides water service to approximately 430 customers in its Cole and Pettis County water service areas. On May 17, 2005, Aqua Missouri initiated a small company rate increase under Commission Rule 4 CSR 240-3.635. The request was assigned Tracking No. QW-2005-0011 in the Commission's Electronic Filing and Information System.

In its initial submissions to the Commission's Staff, Aqua Missouri requested a rate increase that would generate an additional \$65,209 in annual water service operating revenues. On July 12, 2006, Aqua Missouri filed a tariff designed to increase its rates for water service that would generate only \$45,341 in additional annual revenues. Along with

its tariff, Aqua Missouri filed a letter indicating that it had reached an agreement regarding the disposition of its rate increase request with the Staff. Staff filed that agreement on July 21, 2006.

The Commission made the Missouri Department of Natural Resources a party to this case and directed DNR to file information relating to the company's compliance with environmental regulations. DNR filed its response stating that Aqua Missouri's water supply was not considered "to be in significant non-compliance or a threat to public health or the environment"

Public Counsel requested that local public hearings be held regarding this rate increase and therefore, the Commission suspended the tariff until September 30, 2006, so that those hearings could be held. The Commission held local public hearings on August 28, 2006, in Sedalia, and simultaneously in Point Lookout, Reeds Spring, and Jefferson City on August 30, 2006. After the local public hearings, Public Counsel filed a pleading indicating that it "disagreed" with the tariffs filed by the company and requested an evidentiary hearing on the matter. The request for an evidentiary hearing was later withdrawn, though Public Counsel continued to object to the tariffs.

The Commission convened a hearing regarding the agreement between Staff and the company and directed Mr. Nicholas DeBenedictis, President of Aqua America, to appear to answer Commission questions. That hearing was held on September 21, 2006. At the conclusion of that hearing the parties indicated that they had reached a settlement agreement in principle and would present it to the Commission for approval. Also at the hearing, Mr. DeBenedictis, on behalf of Aqua Missouri, agreed to report back to the Commission regarding issues alleged at the local public hearings. The Commission will direct Aqua Missouri to file that report with the Commission.

On September 28, 2006, the parties presented their Unanimous Stipulation and Agreement Regarding Disposition of Cases to the Commission for approval. The parties indicated that the effective date of the tariff was an element of the settlement agreement and as such, should become effective.

The parties agreed that a \$45,341 increase in the company's annual water service operating revenues is necessary for the company to recover its cost of service. The agreement also indicated that certain changes to bookkeeping, meter replacement, system operations, and administrative operations are appropriate. In addition, new depreciation rates have been agreed upon. Finally, the company agreed not to request any additional rate increases until after February 1, 2007.

Based on the agreement, the Commission finds that the agreement is reasonable and shall be approved. Aqua Missouri shall be directed to comply with the terms and recommendations set out in the agreements. Furthermore, Aqua Missouri's tariffs, and the rates they establish, are just and reasonable and shall be approved. The Commission also finds that the depreciation rates proposed by Staff are reasonable and will order Aqua Missouri to utilize them.

IT IS ORDERED THAT:

1. The Unanimous Stipulation and Agreement Regarding Disposition of Cases is approved. The agreement is attached hereto.
2. Aqua Missouri, Inc., is directed to comply with the terms of the Unanimous Stipulation and Agreement Regarding Disposition of Cases.
3. Aqua Missouri, Inc., shall file a report no later than October 6, 2006, indicating what steps it has taken to review and remedy customer service complaints with regard to the comments made at the local public hearings.

4. The following tariff sheets, filed by Aqua Missouri, Inc., and assigned Tariff File No. JW-2007-0014, are approved for service on or after September 30, 2006:

P.S.C. MO. No. 1

First Revised Title Page, Canceling Original Title Page
1st Revised SHEET No. W-2, Canceling Original SHEET No. W-2
1st Revised SHEET No. WR1, Canceling Original SHEET No. WR1

5. The depreciation rates attached to the Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request as Attachment D are approved and such depreciation rates are to be used by Aqua Missouri, Inc. The depreciation rates are attached hereto.

6. This order shall become effective on September 30, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Clayton, and Appling, CC., concur.
Gaw, C., dissents; a separate dissenting opinion
may follow.
Murray, C., absent.

Dippell, Deputy Chief Regulatory Law Judge