

# S K & M Water and Sewer

P.O. Box 212

Perryville, MO 63775

573-768-4309

October 16, 2006

Ms. Colleen Dale  
Secretary  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102-0360

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Public Service Commission*

Dear Secretary Dale:

In accordance with 4 CSR 240-3.635, SK&M Water Services ("SK&M" or "Company") requests authority to increase its rates for water and sewer service provided to 279 water customers and 158 sewer customers in the Company's Perry County service area. As part of its request, SK&M seeks authority to make various changes to its tariff that relate to the rules governing the conditions under which the Company provides services to its customers.

SK&M seeks authority to implement rates that will produce \$50,818 in additional annual revenue from its water operations and \$36,876 in additional annual revenues from its sewer operations. A notice advising customers of the requested increase in rates, including estimates of how the proposed increases will affect a typical customer's bills, will accompany bills sent during the Company's next billing cycle.

The Company has not changed its rates or rules of service for its water operations since 1991 and has not changed its rates or rules of service for its sewer operations since 1986. During the period that current rates have been in effect, the costs of providing service have increased significantly, and current revenues are not sufficient to provide the Company a reasonable opportunity to cover its prudently incurred operating costs, earn a fair rate of return on the value of its investment devoted to the public service, and make necessary capital improvements to its water and sewer systems. Putting SK&M on solid financial footing through an increase in its rates is critical to enable the Company to continue to provide safe and adequate service to its customers and to obtain the funds that will be required to replace aging plant and meet the obligations imposed on water and sewer utilities by federal and state environmental laws.

SK&M has fully paid all annual assessments due to the Missouri Public Service Commission and a copy of the Company's 2005 annual report is on file. Angela Swan will be your contact for this proposal at the phone number listed above.

Very truly yours,



Michael J. Sutterer  
Owner/Operator

Cc: Tom Gibbar Accounting  
Kim R. Moore, Atty.  
Russ Mitten, Atty.