

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Small Company Rate)
Increase Request of Stockton Hills Water)
Company

Case No. WR-2006-0091

**NOTICE OF AGREEMENT REGARDING DISPOSITION
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through Counsel, and for its Notice of Agreement Regarding Disposition of Small Company Rate Increase Request states the following to the Missouri Public Service Commission ("Commission").

1. On August 30, 2005¹, Stockton Hills Water Company, Inc. (Company) submitted to the Commission revised tariff sheets to implement an increase in its sewer service rates and charges, and other tariff changes, and the instant case was established.

2. As stated in the Company's tariff filing transmittal letter, the rates, charges and other tariff changes contained in the subject revised tariff sheets are based upon a *Unanimous Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement") entered into by the Company, the Staff and the Office of the Public Counsel, which pertains to the small company rate increase request that the Company submitted to the Commission on April 18 (Work I.D. No. QW-2005-0003.)

3. Included in the document that is attached hereto and identified as Appendix A is a copy of the Disposition Agreement that is referenced in the Company's tariff filing transmittal letter. Documents referenced in the Disposition Agreement are also included in Appendix A.

¹ Unless noted otherwise, all dates herein refer to the year 2005.

WHEREFORE, the Staff respectfully submits the attached information for the Commission's information and consideration in this case.

Respectfully Submitted,

DANA K. JOYCE
General Counsel

Respectfully Submitted,

DANA K. JOYCE
General Counsel

/s/ Keith R. Krueger

Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

Attorney for the Staff of the
Missouri Public Service Commission

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keith.krueger@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 2nd day of September 2005.

/s/ Keith R. Krueger

APPENDIX A

DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2006-0091

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Company/Staff/OPC Disposition Agreement

UNANIMOUS AGREEMENT REGARDING DISPOSITION
OF SMALL WATER COMPANY RATE INCREASE REQUEST

STOCKTON HILLS WATER COMPANY

MO PSC WORK I.D. No. QW-2005-0003

BACKGROUND

Stockton Hills Water Company ("Company") initiated the small company rate increase request ("Request") for water 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 in accordance with the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). In its request letter, which was received at the Commission's offices on April 14, 2005, the Company set forth its request for an increase of \$5,725 in its total annual water service operating revenues. In its request letter, the Company also stated its understanding that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would also be reviewed during the Commission Staff's review of the rate increase request, and could thus be the subject of Staff recommendations at the conclusion of the rate increase process. The Company provides service to approximately 145 residential customers.

Upon receipt of the Company's request letter, personnel in the Commission's Data Center entered the letter into the Commission's electronic filing and information system and the system assigned Work I.D. No. QW-2005-0003 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, the Company and the OPC 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, charges and language set out in the example tariff sheets that are attached hereto as Attachment A.
- (2) That the ratemaking income statement that is 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 \$5,417.
- (3) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet that is attached hereto as Attachment C, are designed to generate revenues sufficient to recover the agreed-upon annualized operating revenue increase of \$5,417, 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 schedule of depreciation rates that is attached hereto as Attachment D should be the prescribed schedule of water plant depreciation rates for the Company, as the depreciation rates set out in that schedule were the rates used by the Staff in its revenue requirement analysis.
- (6) That the Company will change the yearly billed customers to quarterly billed customers consistent with Commission Rule 4 CSR 240-13.015 and 4 CSR 240-13.020.
- (7) That the Company will implement a ten year replacement program for existing meters.
- (8) That the Company will consider automating record keeping functions and consider using Microsoft Excel and Word for the more repetitive office functions.

(9) That the Company will revise its policies related to collecting deposits from new customers consistent with Commission Rule 4 CSR 240-13.030, refund customer deposits in a timely manner with the appropriate interest and create a log of customer deposits with a quarterly review process.

(10) That the above agreements satisfactorily resolve all issues identified by the Staff, the Company and the OPC regarding the Company's Request, except as otherwise specifically stated.

ADDITIONAL MATTERS

Since this Disposition Agreement is between the Staff, the Company and the OPC, the Small Company Rate Increase Procedure does not require 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, nor does it provide for a local public hearing, unless the Commission orders otherwise.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff, the Company and the OPC, and none of the parties have agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company and the OPC acknowledge that the Staff will be making an additional filing with the Commission regarding this matter, with that filing including the following: (a) the Staff's recommendation for approval of the subject tariff revisions, and any other related recommendations; (b) background information regarding the Company's Request and the Staff's investigation thereof; (c) the Staff's audit workpapers; (d) a general overview of the Company, including an overview of the Company's customer service procedures and practices; (e) information regarding the status of the Company's payment of its Commission assessments; (f) the status of the Company's submission of its Commission annual reports; (g) the status of the Company's submission of its Commission annual statement of operating revenues; (h) any other pending cases that the Company may have before the Commission; (i) any recent Notices of

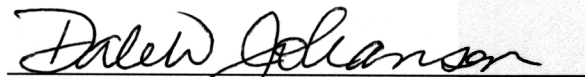
Violations issued to the Company by the Missouri Department of Natural Resources; and (j) the status of the Company's corporate standing with the Missouri Secretary of State.

Additionally, the Company and the OPC agree that the Staff shall have the right to provide whatever oral explanation the Commission may request regarding the rate case that will be created when the Company files the tariff revisions called for in this agreement, at any agenda meeting at which that case is noticed to be considered by the Commission. To the extent reasonably practicable, the Staff will provide the Company with advance notice of any such agenda meeting so that it may have the opportunity to also be represented at the meeting.

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.

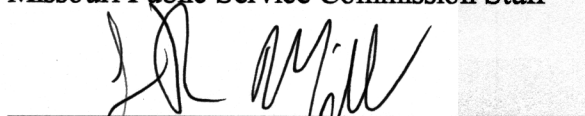
Agreement Signed and Dated:



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

8/30/05

Date



Lewis Mills
Public Counsel
Office of the Public Counsel

8-29-05

Date



Wanda Cassell
Owner
Stockton Hills Water Company

8/24/05

Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking Income Statement
- Attachment C – Rate Design Worksheet
- Attachment D – Schedule of Depreciation Rates

Agreement Attachment 1

Example Tariff Sheets

P.S.C. MO No. 2 Canceling P.S.C. MO No. 2	2nd Revised Sheet No. <u>6</u> 1st Revised Sheet No. <u>6</u>
<u>Stockton Hills Water Company</u> Name of Issuing Company	For: <u>Stockton Hills Rural Subdivision Cedar County MO</u> Certificated Service Area

Section 1: The monthly rate for water service to customers of the waterworks system to be constructed in the franchise area.

Bulk Tank Rate

\$2.60 per 1,000 gallons +

Wholesale Rate

\$2.60 per 1,000 gallons +

Residential Monthly Minimum (Includes 1,000 gallons)	\$10.62	+
Residential Quarterly Minimum (Includes 3,000 gallons)	\$31.86	*

All usage over amount included in minimum \$2.60 per 1,000 gal. +

Late Charges: *

Billings will be made and distributed at monthly or quarterly intervals. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which payment will then be considered delinquent is 21 days after rendition of the bill. A charge of \$5.00 or three percent (3%) per month times the unpaid balance, whichever is more, will be added to delinquent amounts.

Returned Check Charge *

A returned check charge of \$20 per check will be paid on all checks returned from the bank for insufficient funds.

* Indicates New Rate or Text
 + Indicates Changed Rate or Text

Issue Date: 08/31/05
 Month/Day/Year

Effective Date: 9/30/05
 Month/Day/Year

Issued By: Wanda Cassell, Owner
 Name & Title of Issuing Officer

P.O. Box 276 Stockton MO 65785
 Company Mailing Address

Agreement Attachment 2

Ratemaking Income Statement

STOCKTON HILLS WATER COMPANY

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	22,682
2	Other Operating Revenues *	\$	25
3	Total Operating Revenues	\$	22,707
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Water Tower Exterior Painting	\$ 366
2 Water Treatment -Testing/Laboratory Fees	\$ 672
3 Maintenance Shop Electricity	\$ 162
4 Purchased Power	\$ 2,279
5 Permit Fees	\$ 200
6 Administration & General - Salaries	\$ 15,091
7 Legal Services	\$ 300
8 Bookkeeping	\$ 265
9 Insurance Expense	\$ 822
10 Regulatory Commission Expense	\$ 178
11 Bad Debt Expense	\$ 59
12 Telephone Expense	\$ 300
13 Billing expense	\$ 206
14 Office Rent	\$ 360
15 Office Utilities	\$ 156
16 Sub-Total Operating Expenses	\$ 21,416
17 Property Taxes	\$ 190
18 MO Franchise Taxes	\$ -
19 Employer FICA Taxes	\$ -
20 Federal Unemployment Taxes	\$ -
21 State Unemployment Taxes	\$ -
22 State & Federal Income Taxes	\$ 639
23 Sub-Total Taxes	\$ 829
24 Depreciation Expense	\$ 3,870
25 Amortization of Utility Plant (CIAC)	\$ (1,458)
26 Sub-Total Depreciation/Amortization	\$ 2,412
27 Return on Rate Base	\$ 3,467
28 Total Cost of Service	\$ 28,124
25 Overall Revenue Increase Needed	\$ 5,417

Agreement Attachment 3

Rate Design Worksheet

STOCKTON HILLS WATER COMPANY

Development of Tariffed Rates-Water

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	\$ 22,682
Agreed-Upon Overall Revenue Increase	\$ 5,417
Percentage Increase Needed	23.883%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 8.57	\$ 10.62	\$ 2.100	\$ 2.60
1"	\$ -	\$ -	\$ -	\$ -

Agreement Attachment 4

Schedule of Depreciation Rates

STOCKTON HILLS WATER COMPANY
DEPRECIATION RATES
(WATER)
QW-2005-0003

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)
311	Structures & Improvements	2.50%	40
314	Wells & Springs	2.00%	50
321	Structures & Improvements	2.50%	40
325	Electric Pumping Equipment	5.00%	20
332	Water Treatment Equipment	2.90%	35
342	Distribution Reservoirs & Standpipes	2.50%	40
343	Transmission & Distribution Mains	2.00%	50
345	Services	2.50%	40
346	Meters	10.00%	10
348	Hydrants	2.00%	50