

SK & M Water and Sewer

P.O. Box 212

Perryville, MO 63775

573-513-2391

December 5, 2007

Ms. Colleen Dale
Secretary of the Commission
Missouri Public Service Commission
Attn: Data Center
P.O. Box 360
Jefferson City, MO 65102-0360

RE: Requests for Increases in Annual Sewer and Water System Operating Revenues
MO PSC Sewer Utility and Water Utility Small Company Rate Increase Procedures

Dear Secretary Dale:

SK & M Water and Sewer Company ("SK & M" or "the Company") holds certificates of public convenience and necessity granted by the Missouri Public Service Commission (the Commission), under which the Company provides sewer collection and treatment services and water supply and distribution services in Perry County, Missouri. The Commission first authorized the Company to provide regulated water and sewer utility service in November of 1974. The Company currently provides service to approximately 159 sewer customers and approximately 284 water customers within its certificated area under the provisions of its Commission-approved tariffs. The Company's rates for both services were last changed in September, 2007. Prior to that rate increase, the Company had not changed its rates or rules of service for its water operations since 1991 and had not changed its rates or rules of service for its sewer operations since 1980.

In accordance with 4 CSR 240-3.635, SK&M requests authority to implement rates that will produce \$28,396 in additional annual revenues from its sewer operations and \$29,923 in additional annual revenue from its water operations. Based upon current customer rates and customer numbers, these increases represent changes of approximately 64.65% in its annual sewer operating revenues and an increase of approximately 46.93% in its annual water operating revenue. The Company understands that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions will also be reviewed during the Commission Staff's review of the rate increase requests, and may thus be the subject of Staff recommendations at the conclusion of the rate increase process. 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.

A rate adjustment is necessary to cover operating costs under new management, which has been in place since November, 2006. Putting SK&M on solid financial footing under the new management through an increase in its rates is critical to enable the Company to continue to provide safe and adequate service to its customers. Specifically, SK & M seeks to raise its annual operating revenue for the following reasons: increases in electricity costs, increases in utility

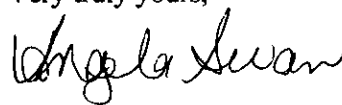
Missouri Public Service Commission
Re: Increase in Operating Revenues
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plant investment, increases in operation and maintenance expenses, upgrades to accounting system software, and the necessity of a meter replacement program.

Please be advised that SK&M has fully paid all annual assessments due to the Missouri Public Service Commission and a copy of the Company's 2006 annual report is on file.

Thank you for your attention to this important matter. Please contact me at your convenience if you need additional information regarding this request.

Very truly yours,



Angela Swan
General Manager

Cc: Lewis R. Mills, Jr., OPC
Tom Gibbar Accounting
Kim R. Moore, Atty.
Russ Mitten, Atty.