

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

In the Matter of a Small Company Rate Increase)
for Franklin County Water Company, Inc.) Case No. WR-2007-0103

**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 ("Agreement Notice") states the following to the Missouri Public Service Commission ("Commission").

1. On September 15, 2006 (unless noted otherwise, all dates herein refer to calendar year 2006), Franklin County Water Company, Inc. ("Company") submitted to the Commission revised tariff sheets to implement increases in its water service rates and charges, and other tariff changes, and the instant case was established.

2. As is noted in the Company's tariff filing transmittal letter, the changes contained in the subject revised tariff sheets are based upon a *Unanimous Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Unanimous Agreement") entered into by the Company, the Staff and the Office of the Public Counsel. As is also noted in the Company's tariff filing transmittal letter, the Unanimous Agreement pertains to the small company rate increase request that the Company submitted to the Commission on December 12, 2005, and which was assigned Tracking File No. QW-2006-0005.

3. Included in Appendix A attached hereto, which is incorporated herein by reference, are copies of the above-referenced Unanimous Agreement and related attachments.

4. Included as a part of the Unanimous Agreement is acknowledgement of agreements between the Company and the Staff regarding extensions of the 150-day tariff filing period that normally applies to small company rate increase requests. (See the last paragraph on Page 3 of the agreement.) Additionally, copies of the extension agreements are included in the above-referenced tracking file for the Company's rate increase request as item Nos. 4 and 5.

5. Consistent with established internal procedures regarding small company rate increase requests, the Staff intends to file its recommendation in this case by the end of business on October 2.

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

Respectfully Submitted,

/s/ Keith R. Krueger

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

Attorney for the Staff of the
Missouri Public Service Commission

P.O. Box 360
Jefferson City, MO 65102
573-751-4140 (telephone)
573-751-9285 (facsimile)
keith.krueger@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of this Agreement Notice 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 20th day of September 2006.

/s/ Keith R. Krueger

APPENDIX A

DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2007-0103

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

Table of Contents

Company/Staff/OPC Disposition Agreement

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

Company/Staff/OPC Disposition Agreement

UNANIMOUS AGREEMENT REGARDING DISPOSITION OF
SMALL WATER COMPANY RATE INCREASE REQUEST

FRANKLIN COUNTY WATER COMPANY, INC.

MO PSC TRACKING FILE NO. QW-2006-0005

BACKGROUND

Franklin County Water Company, Inc. ("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 December 12, 2005, the Company set forth its request for an increase of \$24,000 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 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 175 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 (EFIS) and Tracking File No. QW-2006-0005 was established for the Request. The Request was then routed 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 sheet attached hereto as Attachment A.
- (2) That the ratemaking income statement 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 \$4,342, which is required to recover the Company's cost of service.
- (3) That the rates set out in the attached example tariff sheet, the development of which is shown on the rate design worksheet attached hereto as Attachment C, are designed to generate revenues sufficient to recover the Company's total annualized cost of service, and that the provisions of the attached example tariff sheet also properly reflect all other agreements set out herein, where necessary.
- (4) That the rates included in the attached example tariff sheet are just and reasonable.
- (5) That the depreciation rates set out on Attachment D hereto should be the prescribed water plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- (6) That the Company will implement a ten-year replacement program for existing meters.
- (7) That the Company will maintain a separate checking account to be used exclusively for its water utility business.
- (8) That the Company will maintain its accounting records in conformity with the Uniform System of Accounts.

(9) That the Company will correct its billing program to make the delinquent date appearing on the bills consistent with the provisions of 4 CSR 240-13.020 and the Company's tariff.

(10) That the Company will take the actions necessary to be in compliance with the provisions of 4 CSR 240-13.040(2), which require qualified personnel to be available at all times during normal business hours.

(11) That the Company will develop an information brochure in compliance with the provisions of 4 CSR 240-13.040.

(12) That the Company will develop and maintain a record of customer inquiries and complaints as required by the provisions of 4 CSR 240-13.040.

(13) 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 the 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 Staff acknowledge that they have previously agreed to two extensions of the normal 150-day deadline for executing an agreement regarding the disposition of a small company rate increase request, in order to allow the Company additional time to propose modifications to the Staff's recommendations regarding the disposition of the Company's Request. Copies of these extension agreements have been submitted to the EFIS Tracking File for the Request.

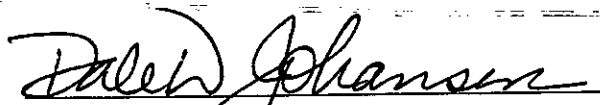
The Company and the OPC acknowledge that the Staff will be making an additional filing with the Commission regarding this matter, with that filing including the following: (a) the Staff's recommendation for approval of the subject tariff revisions, and any other related recommendations; (b) background 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) information regarding the status of the Company's submission of its Commission annual reports; (g) information regarding the status of the Company's submission of its Commission annual statement of operating revenues; (h) information regarding any other pending cases that the Company may have before the Commission; (i) information regarding any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources; and (j) information regarding 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 and the OPC with advance notice of any such agenda meeting so that they may have the opportunity to also be represented at the meeting.

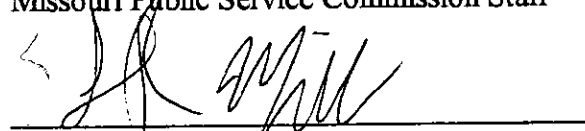
EFFECTIVE DATE AND SIGNATURES

This Disposition Agreement shall be considered effective as of the date that the Company files the tariff revisions required herein with the Commission.

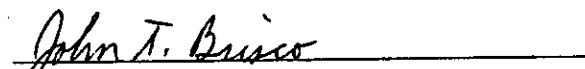
Agreement Signed and Dated:


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

9/12/06
Date


Lewis Mills
Public Counsel
Office of the Public Counsel

9-14-2006
Date


John T. Brisco
Vice President
Franklin County Water Company, Inc.

9-1-06
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 A

Example Tariff Sheets

P.S.C. MO No. 2

1st Revised Sheet No. 4

Canceling Original Sheet No. 4

Franklin County Water Company, Inc
Name of Issuing Company

For: Lake St. Clair, MO.
Certificated Service Area

**Rules & Regulations Governing
the Rendering of Water Service**

SCHEDULE OF RATES

Availability:

This rate is available in the service area to single family residences or campers for domestic water usage only.

Rate:

Customer Charge:	\$ 5.70	per month	+
Water Usage Charge:	\$ 2.61	per 1,000 gallons	+

Late Charges:

*

Billings will be made and distributed at monthly 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.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: _____
Month/Day/Year

Effective Date: _____
Month/Day/Year

Issued By: LaVerne Faulkenberry, President
Name & Title of Issuing Officer

P. O. Box 586 St. Clair MO 63077
Company Mailing Address

P.S.C. MO No. 2

1st Revised Sheet No. 5

Canceling

Original Sheet No. 5

Franklin County Water Company, Inc.
Name of Issuing Company

For: Lake St. Clair, MO.
Certificated Service Area

**Rules & Regulations Governing
the Rendering of Water Service**

SCHEDULE OF SERVICE CHARGES

Returned Check Charge:

*

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

Connection Fee:

\$600.00

+

Connection fees for new customers shall be payable in advance, and shall be charged per residence or camp site, in addition to customer contribution-in-aid-of-construction under Rule 14, if applicable.

Delinquent shut-off reconnection charge:

\$ 15.00

+

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: _____
Month/Day/Year

Effective Date: _____
Month/Day/Year

Issued By: LaVerne Faulkenberry, President
Name & Title of Issuing Officer

P. O. Box 586 St. Clair MO 63077
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

FRANKLIN COUNTY WATER COMPANY, INC.

Rate Making Income Statement

Operating Revenues at Current Rates

1	Tariffed Rate Revenues	\$	30,974
2	Other Operating Revenues	\$	-
3	Total Operating Revenues	\$	30,974

Cost of Service

Item	Amount
1 Electricity-Pumping	\$ 2,391
2 Water Treatment -Testing/Laboratory Fees	\$ 200
3 Maintenance Expense-Parts/Equipment	\$ 7,680
4 Maintenance Expense-Outside Labor	\$ 2,100
5 Meter Reading	\$ 1,566
6 Administration & General - Salaries	\$ 6,000
7 Billing Service	\$ 1,800
8 Accounting	\$ 250
9 Office Rent	\$ 1,800
10 Legal	\$ 200
11 Telephone & Pagers	\$ 718
12 Postage	\$ 624
13 Insurance	\$ 1,257
14 Regulatory Commission Expense	\$ 139
15 Miscellaneous General Expenses	\$ 430
16 Sub-Total Operating Expenses	\$ 27,155
17 Property Taxes	\$ 455
18 MO Franchise Taxes	\$ -
19 Employer FICA Taxes	\$ 718
20 Federal Unemployment Taxes	\$ -
21 State Unemployment Taxes	\$ -
22 State & Federal Income Taxes	\$ -
23 Sub-Total Taxes	\$ 1,173
24 Depreciation Expense	\$ 8,492
25 Amortization of CIAC	\$ (4,958)
26 Sub-Total Depreciation/Amortization	\$ 3,534
27 Return on Rate Base	\$ 3,454
28 Total Cost of Service	\$ 35,316
29 Overall Revenue Increase Needed	\$ 4,342

Agreement Attachment C

Rate Design Worksheet

FRANKLIN COUNTY WATER COMPANY, INC.

Development of Tariffed Rates

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	\$ 30,974
Agreed-Upon Overall Revenue Increase	\$ 4,342
Percentage Increase Needed	14.017%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
<u>5/8"</u>	<u>\$ 5.00</u>	<u>\$ 5.70</u>	<u>\$ 2.290</u>	<u>\$ 2.611</u>

Agreement Attachment D

Schedule of Depreciation Rates

Franklin County Water Company

DEPRECIATION RATES

(WATER)

QW-2006-0005

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
311	Structures & Improvements	2.5%	40	
314	Wells & Springs	2.0%	50	
325	Electric Pumping Equipment	10.0%	10	
342	Distribution Reservoirs & Standpipes	2.5%	40	
343	Transmission & Distribution Mains	2.0%	50	
345	Services	2.5%	40	
346	Meters	10.0%	10	
347	Meter Installations	2.5%	40	