

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

SEP 23 2006

Missouri Public
Service Commission

In the Matter of the Tariff Filing of Aqua)
Missouri, Inc. to Implement a Rate Increase)
for Water Service Provided to Customers in)
its Missouri Service Areas.)

Case No. WR-2007-0020

Tariff File No. JW-2007-0014

In the Matter of the Tariff Filing of Aqua RU,)
Inc. d/b/a Aqua Missouri, Inc. to Implement a)
Rate Increase for Water Service Provided to)
Customers in its Missouri Service Areas.)

Case No. WR-2007-0021

Tariff File No. JW-2007-0015

In the Matter of the Tariff Filing of Aqua)
Missouri, Inc. to Implement a Rate Increase)
for Sewer Service Provided to Customers in)
its Missouri Service Areas.)

Case No. SR-2007-0023

Tariff File No. YS-2007-0016

UNANIMOUS STIPULATION AND AGREEMENT
REGARDING DISPOSITION OF CASES

COME NOW Aqua Missouri, Inc. ("Company"), the Staff of the Missouri Public Service Commission ("Staff") and the Office of the Public Counsel ("OPC") (collectively, the "Parties"), and for their Unanimous Stipulation and Agreement Regarding Disposition of Cases ("Stipulation") state the following to the Missouri Public Service Commission ("Commission").

PROCEDURAL HISTORY

1. On July 12, 2006 (unless noted otherwise, all dates herein refer to the year 2006), the Company submitted to the Commission revised tariff sheets to implement increases in its water service rates and its sewer service rates effective August 26, and the instant cases were established.

2. As noted in the Company's tariff filing transmittal letters, the changes contained in the subject revised tariff sheets are based upon written agreements entered into by the Company and the Staff pertaining to their agreed-upon disposition of the small company rate increase requests that the Company submitted to the Commission on May 17, 2005. (Hereafter,

these agreements will be referred to as the Company/Staff Disposition Agreements.) When the Company submitted its rate increase requests, they were assigned the tracking file numbers set out below, which are shown in conjunction with the formal rate case numbers that were established when the Company filed its revised tariff sheets on July 12.

- | | | |
|-----|-----------------------|--------------------------------|
| (a) | Case No. WR-2007-0020 | Tracking File No. QW-2007-0011 |
| (b) | Case No. WR-2007-0021 | Tracking File No. QW-2007-0009 |
| (c) | Case No. SR-2007-0023 | Tracking File No. QS-2005-0010 |

3. On July 19, the OPC filed its requests for local public hearings.

4. On July 21, the Staff filed the Company/Staff Disposition Agreements.

5. On August 11, the Commission issued its **Order Setting Local Public Hearings and Suspending Tariff**, in which it set August 28 and August 30 as the dates for local public hearings in these cases and suspended the Company's pending revised tariff sheets until September 30.

6. On August 21, the Staff made its standard "pre-local public hearing informational filing" in each of these cases, with those filings including the documents listed below.

Summary of Company's Annual Operating Revenues at Current Rates

Ratemaking Income Statement

Rate Design Worksheet

Summary of Company's Annual Operating Revenues at Proposed Rates

Residential Customer Billing Comparison

Revenue Requirement Audit Workpapers

7. The local public hearings were held as scheduled on August 28 in Sedalia and on August 30 in Jefferson City, Reeds Spring and Point Lookout.

8. On September 6 and/or September 7, the OPC filed pleadings in each of these cases in which it stated its disagreement with the proposed increases reflected in the Company's pending revised tariff sheets and its objection to the Return on Equity ("ROE") developed by the Staff and reflected in the Company and Staff agreements, and in which it requested that the Commission order the Staff to investigate the numerous complaints raised by customers during the local public hearings.

9. On September 8, the Commission issued an order scheduling a hearing regarding the Company/Staff Disposition Agreements, and directing the President of the Company's parent company to be present at that hearing to answer questions from the Commissioners. As a part of this order, the Commission also directed the Staff to file its recommendations for these cases and to file a report regarding its investigation of the matters that the Company's customers raised during the local public hearings.

10. On September 18, the Staff filed a report of its investigations into various matters that the Company's customers raised during the August 28 and August 30 local public hearings, and also filed its recommendation for each of these cases. In its recommendations, the Staff recommended that the Commission approve the Company's pending revised tariff sheets subject to certain conditions regarding the Company's handling of customer calls.

11. On September 21, the OPC filed its responses to the Staff's recommendations, in which it stated that: (a) it disagrees with the Staff's recommendations for approval of the proposed increases; (b) it did not believe the proposed increases are warranted or supported; (c) the proposed increase would be an "unconscionable burden" upon rate payers; (d) an increase such as the one proposed, even if warranted, should be phased-in; (e) approval of increases in the Company's rates should be conditioned upon improvement of customer service.

12. Also on September 21, the Commission held the scheduled hearing regarding the Company/Staff Disposition Agreements.

13. As a result of discussions held during, and subsequent to, the September 21 hearing, the Parties reached agreements regarding the increased operating revenues that the Company's rates resulting from these cases will be intended to recover, and other matters, which in turn result in an overall settlement of these cases.

PROVISIONS OF THE SETTLEMENT

14. The parameters of the agreement regarding the increased operating revenues that the Company's rates resulting from these cases will be intended to recover, and other agreements reached by the Parties, are set out below.

(a) The Parties agree that the Company's pending revised water and sewer tariff sheets containing rates that result in a monthly bill of \$25.00 or less for a residential customer using 5,000 gallons of water per month, or containing a residential monthly flat rate of \$25.00 or less, should be approved as currently proposed without change. A listing of the pending revised tariff sheets that will not be changed is included in Appendix A attached hereto.

(b) The Parties agree that the Company's pending revised water and sewer tariff sheets containing rates that result in a monthly bill of more than \$25.00 for a residential customer using 5,000 gallons of water per month, or containing a residential monthly flat rate of more than \$25.00, will be replaced with new revised tariff sheets containing rates that will recover 65% of the revenue increase that would have resulted from the rates contained in the subject pending revised tariff sheets. A listing of the pending revised tariff sheets that will be replaced as noted above is included in Appendix B attached hereto.

(c) Since the submission of the "replacement" tariff sheets discussed in subparagraph (b) above will necessarily occur after the Commission issues its order approving this Stipulation, the OPC and the Staff hereby state that they will not object to a request for those tariff sheets to be approved on an expedited basis.

(d) The Company will not file a general rate case or submit a small company rate increase request before February 1, 2007.

15. A worksheet showing the effect of the rate/revenue settlement on the Company's annualized operating revenues and the impact of the settlement on the Company's full-time residential customers in each of the Company's service areas is included in Appendix C attached hereto.

16. In addition to the rate/revenue settlement set forth herein, the Parties agree that the non-rate/revenue related agreements set out in the Company/Staff Disposition Agreements remain in effect and are considered a part of the overall agreed-upon resolution of these cases. For the Commission's convenience, the non-rate/revenue related agreements included in the Company/Staff Disposition Agreements are included in Appendix D attached hereto.

17. In addition to the rate/revenue settlement set forth herein, the Parties agree that the Company's implementation of the Staff recommendations set out in the local public hearing follow-up report prepared by the Engineering & Management Services Department is considered a part of the overall agreed-upon resolution of these cases. For the Commission's convenience, those recommendations are included in Appendix E attached hereto.

GENERAL PROVISIONS

18. This Stipulation has resulted from negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then it shall be void and no signatory shall be bound by any of the agreements or provisions hereof. The stipulations and agreements herein are specific to the resolution of the subject cases, and are all made without prejudice to the rights of the signatories to take other positions in other cases.

19. In lieu of the Staff's filing of suggestions in support of this Stipulation and the other parties having the opportunity to file responsive suggestions, as is normally done when a stipulation is presented as the resolution of a case before the Commission, the Parties agree that they will each have representatives available to answer questions from the Commission regarding the details of and the basis for this Stipulation, and their rationale for entering into the Stipulation, at any Agenda meeting at which this Stipulation is noticed to be considered by the Commission. Any oral explanations offered by the Parties at an Agenda meeting shall be subject to public disclosure as there has been no protective order issued for these cases.

WHEREFORE, the Parties respectfully submit this Stipulation for the Commission's consideration in its deliberations regarding the disposition of the subject cases.

Respectfully Submitted,

/s/ Marc H. Ellinger by KRK

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ATTORNEY FOR THE STAFF OF THE
MISSOURI PUBLIC SERVICE COMMISSION

APPENDIX A

PENDING REVISED TARIFF SHEETS TO BE APPROVED WITHOUT CHANGE

Tariff File No. JW-2007-0014 (WR-2007-0020)

All Pending Revised Tariff Sheets

Tariff File No. JW-2007-0015 (WR-2007-0021)

1st Revised Sheet No. Title Page

8th Revised Sheet No. W-2 (index sheet)

2nd Revised Sheet No. WR4 (rate sheet for Rankin Acres service area)

1st Revised Sheet No. WR8 (rate sheet for LTA service area)

Tariff File No. YS-2007-0016 (SR-2007-0023)

1st Revised Sheet No. Title Page

3rd Revised Sheet No. S-2 (index sheet)

1st Revised Sheet No. SR2 (rate sheet for Maplewood service area)

APPENDIX B

PENDING REVISED TARIFF SHEETS THAT WILL BE REPLACED

Tariff File No. JW-2007-0015 (WR-2007-0021)

2nd Revised Sheet No. WR1 (rate sheet for Riverside Estates service area)

3rd Revised Sheet No. WR2 (rate sheet for White Branch service area)

1st Revised Sheet No. WR5 (rate sheet for Ozark Mountain service area)

1st Revised Sheet No. WR6 (rate sheet for Spring Valley service area)

1st Revised Sheet No. WR7 (rate sheet for Lakewood Manor service area)

Tariff File No. YS-2007-0016 (SR-2007-0023)

2nd Revised Sheet No. SR1 (rate sheet for Jefferson City service area)

APPENDIX C

ANNUALIZED OPERATING REVENUE AND CUSTOMER IMPACT WORKSHEET

Summary of Aqua Missouri Rate Case Settlement Agreement

Prepared by Jim Russo

Revenue increase by tariffed area	Company Request		Company/Staff Agreement		Company/OPC/Staff Agreement	
	Dollars	Percent	Dollars	Percent		
QS-2005-0008 Aqua Development	\$2,268	19.00%	(\$4,732)	-70.42%	(\$4,732)	-70.42%
QW-2005-0009 Aqua R/U	\$330,464	131.00%	\$159,937	63.40%	\$109,122	43.26%
QS-2005-0010 Aqua Missouri C/U	\$568,675	118.00%	\$203,317	42.19%	\$148,215	30.75%
QW-2005-0011 Aqua Missouri C/U	\$65,209	120.00%	\$45,341	56.39%	\$45,341	56.39%
	\$966,616	120.74%	\$403,863	50.45%	\$297,946	37.22%

Monthly Bills by Certificated Area		Company/Staff Agreement						Company/OPC/Staff Agreement			
		Current Rate *	Proposed Rate *	% Change	Agreed Rate *	% Change	Dollar Impact	Agreed Rate *	% Change	Dollar Impact	
Jefferson City-Sewer	Flat	\$22.53	\$48.63	115.84%	\$30.55	35.62%	\$157,434	\$27.75	23.15%	\$102,332	\$55,102
Maplewood-Sewer	Met	\$12.93	\$27.91	115.84%	\$20.80	60.93%	\$45,883	\$20.80	60.93%	\$45,883	\$0
Ozark Meadow-Sewer	Flat	\$35.00	\$75.54	115.84%	\$10.35	-70.42%	(\$4,732)	\$10.35	-70.42%	-\$4,732	\$0
Jefferson City-Water	Met	\$10.20	\$36.34	256.27%	\$15.96	56.39%	\$45,341	\$15.96	56.39%	\$45,341	\$0
Lakewood Manor-Water	Met	\$15.71	\$36.34	131.32%	\$38.20	143.25%	\$7,716	\$30.33	93.05%	\$5,015	\$2,701
LTA-Water	Met	\$14.41	\$36.34	152.19%	\$24.32	68.73%	\$12,168	\$24.32	68.73%	\$12,168	\$0
Ozark Mountain-Water	Met	\$19.95	\$36.34	82.16%	\$33.81	69.43%	\$63,540	\$28.96	45.16%	\$41,301	\$22,239
Rankin Acres-Water	Met	\$22.34	\$42.76	91.41%	\$24.73	10.70%	\$2,582	\$24.73	10.70%	\$2,582	\$0
Riverside Estates-Water	Met	\$22.29	\$36.34	63.08%	\$28.79	29.16%	\$22,244	\$26.52	18.95%	\$14,459	\$7,785
Spring Valley-Water	Met	\$22.58	\$36.34	60.94%	\$41.19	82.40%	\$24,026	\$34.68	53.57%	\$15,617	\$8,409
White Branch-Water	Flat	\$16.88	\$42.76	153.32%	\$29.93	77.33%	\$27,661	\$25.36	50.25%	\$17,980	\$9,681
Total							\$403,863		\$297,946		\$105,917 ***

* includes 5,000 gallons usage if metered

	Total Customers	Customer Charge Difference	Total Commodity Difference	Total Impact
Jefferson City-Sewer	1626	\$ 2.80	\$ 298	\$ 54,931
Maplewood-Sewer	386	\$ -	\$ -	\$ -
Ozark Meadow-Sewer	16	\$ -	\$ -	\$ -
Jefferson City-Water	480	\$ -	\$ -	\$ -
Lakewood Manor-Water	34	\$ 4.52	\$ 849.37	\$ 2,694
LTA-Water	98	\$ -	\$ -	\$ -
Ozark Mountain-Water	434	\$ 3.43	\$ 4,385.24	\$ 22,249
Rankin Acres-Water	90	\$ -	\$ -	\$ -
Riverside Estates-Water	252	\$ 1.53	\$ 3,142.74	\$ 7,769
Spring Valley-Water	121	\$ 3.62	\$ 3,174.33	\$ 8,431
White Branch-Water	192 **	\$ 9,679	\$ -	\$ 9,679

** includes part and full time customers

\$ 105,752 ***

*** difference of \$165 due to rounding to two decimal points.

APPENDIX D

NON-RATE/REVENUE AGREEMENTS FROM COMPANY/STAFF DISPOSITION AGREEMENTS

Non-Rate/Revenue Agreements from the Company/Staff Disposition
Agreement for Case No. WR-2007-0020 (Tracking File No. QW-2005-0011)

- * That the schedule of depreciation rates that is included in Attachment D hereto should be the prescribed schedule of water plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- * That the Company will make adjustments to its books and records regarding the plant-in-service, depreciation reserve and CIAC balances necessary to reflect the agreed-upon ratemaking rate base that was used in the calculation of the Company's overall revenue requirement. These adjustments will reflect the referenced agreed-upon balances as of 03/31/05, with those balances to be used as the starting point for entries subsequent to that date. Further, the Company and Staff agree to use their best efforts to reach agreement on the referenced balances for the period ending 12/31/05 in time for the Company to use those balances for the completion of its CY2006 Commission annual report.
- * That the Company will develop Continuing Property Records for all of its Missouri utility plant-in-service and will maintain records regarding contributions-in-aid-of-construction (CIAC) so that it can be determined who made such contributions and on what date the contributions were made or paid.
- * That the Company will maintain its records regarding utility plant-in-service, depreciation reserves, CIAC, operating revenues and operating expenses in a manner sufficient to allow the Staff to conduct system-specific cost-of-service analyses for future rate increase requests.
- * That the Company will maintain its financial records in accordance with the Commission's Uniform System of Accounts (USOA).
- * That the Company will implement a ten year replacement program for its existing meters.

Non-Rate/Revenue Agreements from the Company/Staff Disposition
Agreement for Case No. WR-2007-0021 (Tracking File No. QW-2005-0009)

- * That the schedule of depreciation rates that is included in Attachment D hereto should be the prescribed schedule of water plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- * That the Company will make adjustments to its books and records regarding the plant-in-service, depreciation reserve and CIAC balances necessary to reflect the agreed-upon ratemaking rate base that was used in the calculation of the Company's overall revenue requirement. These adjustments will reflect the referenced agreed-upon balances as of 03/31/05, with those balances to be used as the starting point for entries subsequent to that date. Further, the Company and Staff agree to use their best efforts to reach agreement on the referenced balances for the period ending 12/31/05 in time for the Company to use those balances for the completion of its CY2006 Commission annual report.
- * That the Company will develop Continuing Property Records for all of its Missouri utility plant-in-service and will maintain records regarding contributions-in-aid-of-construction (CIAC) so that it can be determined who made such contributions and on what date the contributions were made or paid.
- * That the Company will maintain its records regarding utility plant-in-service, depreciation reserves, CIAC, operating revenues and operating expenses in a manner sufficient to allow the Staff to conduct system-specific cost-of-service analyses for future rate increase requests.
- * That the Company will maintain its financial records in accordance with the Commission's Uniform System of Accounts (USOA).
- * That the Company will implement a ten year replacement program for its existing meters.

Non-Rate/Revenue Agreements from the Company/Staff Disposition
Agreement for Case No. SR-2007-0023 (Tracking File No. OS-2005-0010)

- * That the schedule of depreciation rates that is included in Attachment D hereto should be the prescribed schedule of sewer plant depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.
- * That the Company will make adjustments to its books and records regarding the plant-in-service, depreciation reserve and CIAC balances necessary to reflect the agreed-upon ratemaking rate base that was used in the calculation of the Company's overall revenue requirement. These adjustments will reflect the referenced agreed-upon balances as of 03/31/05, with those balances to be used as the starting point for entries subsequent to that date. Further, the Company and Staff agree to use their best efforts to reach agreement on the referenced balances for the period ending 12/31/05 in time for the Company to use those balances for the completion of its CY2006 Commission annual report.
- * That the Company will develop Continuing Property Records for all of its Missouri utility plant-in-service and will maintain records regarding contributions-in-aid-of-construction (CIAC) so that it can be determined who made such contributions and on what date the contributions were made or paid.
- * That the Company will maintain its records regarding utility plant-in-service, depreciation reserves, CIAC, operating revenues and operating expenses in a manner sufficient to allow the Staff to conduct system-specific cost-of-service analyses for future rate increase requests.
- * That the Company will maintain its financial records in accordance with the Commission's Uniform System of Accounts (USOA).

APPENDIX E

EMSD LOCAL PUBLIC HEARING FOLLOW-UP RECOMMENDATIONS

- * Initiate efforts within the Call Center to ensure that the appropriate Company personnel are notified of customers requiring additional information and develop procedures to verify that the necessary follow-up actually occurs.
- * Establish a practice of recording all customer contacts that occur at the Company's Jefferson City office. The documentation associated with these calls should be sufficient to verify the customers who are referred to the Company's Call Center and to ensure that the customers expecting follow-up from the Jefferson City office manager get their concerns resolved.
- * Investigate specific customer complaints about the lack of information regarding planned outages and determine where the Company's internal communication procedure may not have been followed.
- * Increase efforts to inform all Company personnel on a regular basis of the established procedure for communicating information about planned and unplanned outages to the Call Center.