

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

In the Matter of Small Company Rate)
Increase of S.K.& M. Water & Sewer)
Company)
Case No. WR-2010-0154

**NOTICE OF UNANIMOUS 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 Unanimous Agreement Regarding Disposition of Small Company Rate Increase Request* (Notice) states the following:

1. On November 20, 2009, the Missouri Public Service Commission (Commission) received a Rate Increase Request Letter from S. K. & M. Water & Sewer Company (SK&M or Company), requesting the Commission allow an increase of \$11,989.79 in its annual operating revenues from its water services pursuant to Commission Rule 4 CSR 240-3.050 (Small Utility Rate Case Procedure).

2. Subsequent to Staff’s investigation and pursuant to negotiations between the Company, Staff, and the Office of Public Counsel (OPC), all parties have been able to reach a *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Unanimous Agreement).

3. Included in Appendix A, attached hereto, is a copy of the above-referenced Unanimous Agreement, as well as various attachments related to the Unanimous Agreement. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

4. As agreed-upon by the parties to this case, the Unanimous Agreement provides for an increase of \$11,239.00 in the Company’s annual water operating revenues.

5. Pursuant to Rule 4 CSR 240-3.050(13), “[i]f the disposition agreement filed by the staff provides for a full resolution of the utility’s request and is executed by the utility, the staff and the public counsel, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than (30) days after they are filed, to implement the agreement.” The Company will file the substitute tariff sheets P.S.C. MO No. 2, 1st Revised Sheet Nos. 6, 7, 8, 9, 18, 19, 20, 23, 24, 25, 32, 33, 34, cancelling P.S.C. MO No. 3 Original Sheet Nos. 6, 7, 8, 9, 18, 19, 20, 23, 24, 25, 32, 33, 34 on April 13, 2010, seeking to implement the terms of the Unanimous Agreement. This tariff sheets bears the minimum 30-day effective date of May 13, 2010.

6. The Company is current on its payment of Commission assessments and on its filings of annual reports and statements of revenue; and has no other cases pending before the Commission.

WHEREFORE, Staff respectfully submits this Notice and the attached Appendix A for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Staff, the Company, and OPC.

Respectfully submitted,

/s/ Jaime N. Ott

Jaime N. Ott

Missouri Bar No. 60949

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360

Jefferson City, MO 65102

(573) 751-8700 (Telephone)

(573) 751-9285 (Fax)

jaime.ott@psc.mo.gov (e-mail)

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of April 2010.

/s/ Jaime N. Ott

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND UNANIMOUS DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2010-0154

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Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Deborah Bernsen – Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

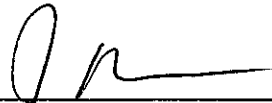
STATE OF MISSOURI)

) SS

CASE NO. WR-2010-0154

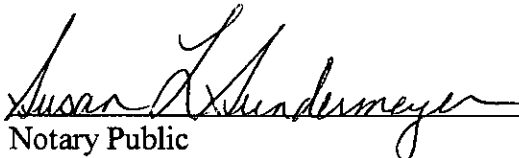
COUNTY OF COLE)

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he was responsible for the preparation of the following *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("*Unanimous Agreement*"); (4) that he was responsible for the preparation of Attachments A, B, C, and E to the Unanimous Agreement; (5) that he has knowledge of the matters set forth in the Unanimous Agreement and the above-referenced attachments thereto; and (6) that the matters set forth in the Unanimous Agreement and the above-referenced attachments thereto are true and correct to the best of his knowledge, information and belief.



James M. Russo
Rate & Tariff Examination Supervisor
Water and Sewer Department

Subscribed and sworn to before me this 7th day of April, 2010.



Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

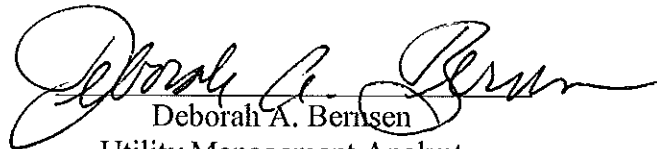
BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI


AFFIDAVIT OF DEBORAH A. BERNSEN

STATE OF MISSOURI)
)
 ss.) Case No. WR-2010-0154
)
 COUNTY OF COLE)
)

COMES NOW DEBORAH A. BERNSEN, being of lawful age, and on her oath states the following: (1) that she is a(n) Utility Management Analyst in the Missouri Public Service Commission’s Engineering and Management Services Department ; (2) that she participated in the Staff’s investigation of the small company rate increase request that is the subject of the instant case; (3) that she has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (“Disposition Agreement”); (4) that she was responsible for the preparation of Attachment D to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment D to the Disposition Agreement; and (6) that the matters set forth in Attachment D to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.


Deborah A. Bernsen
Utility Management Analyst
Engineering and Management Services

Subscribed and sworn to before me this 6th day of April, 2010.


Notary Public

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Unanimous Disposition Agreement

**UNANIMOUS AGREEMENT REGARDING DISPOSITION
OF SMALL WATER COMPANY REVENUE INCREASE REQUEST**

S. K. & M. WATER & SEWER COMPANY

MO PSC CASE NO WR-2010-0154

BACKGROUND

S. K. & M. Water & Sewer Company ("Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") Case Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its Request letter, which was received at the Commission's offices on November 20, 2009, the Company set forth its request for an increase of \$11,899 in its total annual water service operating revenues. In its Request letter, the Company also acknowledged 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 ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 274 residential customers near Perryville in Perry County.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Collectively referred as "Staff's investigation").

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with the results of the investigation, with Staff's initial recommendations for the resolution of the Company's Request, and with other information regarding Staff's investigation.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's and OPC's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, OPC, Staff, and the Company hereby state the following agreements.

(1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A and incorporated herein, with those proposed tariff revisions bearing an effective date of May 13, 2010.

(2) That the agreed-upon rates set out in the example tariff sheets, attached hereto as Attachment A and incorporated herein, are just and reasonable and result in an agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$11, 239, designed to recover the Company's cost of service.

(3) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment B and incorporated herein, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.

(4) That the rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment C and incorporated herein.

(5) That the rates included in the attached example tariff sheets are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.

(6) Within thirty (30) days of the effective date of an order approving this Disposition Agreement, the Company shall implement the following provisions and provide proof of such implementation to the Manager of the Commission's Auditing Department:

- a. Begin using the Uniformed System of Accounts (USOA) guidelines to record entries in the general ledger.
- b. Add a column in the general ledger that contains a description of the expense incurred.
- c. Develop and maintain timesheets for Company personnel that include at least the date worked, work performed and the amount of time spent on each task.

(7) Within thirty (30) days of the effective date of an order approving this Disposition Agreement, the Company will implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report

attached hereto as Attachment D and incorporated herein. These recommendations include the following:

- a. Apply criteria contained in Commission Rule 4 CSR 240-13.030(1) (C) and the Company's water tariff when making a determination to assess customer deposits.
 - b. Refund customer deposits with interest according to Commission Rule 4 CSR 240-13.030(4).
- (8) Within sixty (60) days of the effective date of an order approving this Disposition Agreement, the Company shall implement the following provisions and provide proof of such implementation to the Manager of the Commission's Auditing Department:
- a. Develop and maintain separate Continuing Property Records (CPRs) for the water and sewer systems.
- (9) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission Order approving the terms of this Company/Staff/Public Counsel Disposition Agreement. The notice will include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it will also send a copy to Staff Case Coordinator who will file a copy in the subject case file.
- (10) That Staff or OPC may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.
- (11) That Staff or OPC may file a formal complaint against it, if the Company does not comply with the provisions of this Unanimous Disposition Agreement.
- (14) That the Company, Staff and OPC agree that they have read the foregoing Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request; that upon the Company's, Staff's, and OPC's best knowledge and belief the facts stated therein are true; that the foregoing conditions accurately reflect the agreement reached between the Company, OPC and Staff; and that the Company, Staff and OPC freely and voluntarily enter into this agreement.
- (15) That the above agreements satisfactorily resolve all issues identified by the Staff, OPC and the Company regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Unanimous Disposition Agreement reflect compromises between Staff, OPC and the Company. In

arriving at the amount of the annual operating revenue increase specified herein neither party has agreed to any particular ratemaking principle.


Staff has completed a Summary of Case Events and has included that summary as Attachment E to this Company/Staff/Public Counsel Disposition Agreement.

The Company, OPC and Staff acknowledge that Staff will be filing this Unanimous Disposition Agreement and the attachments hereto. The Company and OPC also acknowledge that Staff may make other filings in this case.

Additionally, the Company and OPC agrees that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Disposition Agreement at any agenda meeting at which that case is noticed to be considered by the Commission. Staff will be available to answer Commission questions regarding this Unanimous Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advanced notice of any such agenda meeting so that they may have the opportunity to also be represented at the meeting.

SIGNATURES

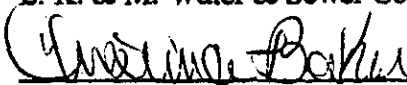
Agreement Signed and Dated:



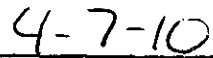
Angela Swan
General Manager
S. K. & M. Water & Sewer Company



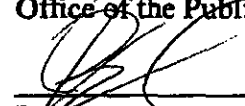
Date




Christina Baker
Senior Public Counsel
Office of the Public Counsel



Date



James Busch
Manager
Water & Sewer Department
Missouri Public Service Commission Staff



Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking Income Statement
- Attachment C – Audit Workpapers
- Attachment D – Rate Design Worksheet
- Attachment E – Billing Comparison Worksheet
- Attachment F – Schedule of Depreciation Rates
- Attachment G – EMSD Report
- Attachment H – Summary of Events

Agreement Attachment A

Example Tariff Sheets

S.K.& M. Water and Sewer Company
Name of Issuing Company

For: Unincorporated Area in Perry County, MO
Certificated Service Area

**SCHEDULE OF RATES
FOR WATER SERVICE**

Rate Schedule No. W-1 – General Service

Availability

Availability to any water customer located on the company's water distribution mains suitable for supplying the service requested.

<u>Minimum Monthly Charge</u>	5/8" Meter	\$6.55	+
	1" Meter	\$16.36	+
<u>Water Usage Charge</u>	\$2.76 per thousand gallons used		+
<u>Bulk Sales</u>	\$2.75 per 1,000 gallons		+

Taxes

Any applicable federal, state or local taxes computed on billing basis shall be added as separate items in rendering each bill.

Meter Replacement / Installation Surcharge: *

A monthly surcharge of \$1.50 will be added to the bills of any customer that has a meter replaced or that has a meter installed where one did not previously exist. The total proceeds from this surcharge will be accounted for separately from other Company funds and the portion of the proceeds that is equivalent to \$1.00/month/ customer will be used to offset the Company's investment in meter installations for ratemaking purposes. The surcharge proceeds collected will be reviewed annually and the surcharge will be subject to change based upon changes in the cost of replacing or installing meters, billing and collection history, or other such good cause as may exist; provided, however, that the Commission must approve any changes to the surcharge. The surcharge will terminate for each affected meter replacement or installation when the Company's rates change as a result of a rate case, or eight years after the date of the subject replacement or installation, whichever occurs first.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: April 13, 2010
Month/Day/Year

Effective Date: May 13, 2010
Month/Day/Year

Issued By: Angela Swan – Vice President
Name & Title of Issuing Officer

P.O. Box 212; Perryville, MO 63775
Company Mailing Address

S.K. & M. Water and Sewer Company
Name of Issuing Company

For: Unincorporated Area in Perry County, MO
Certificated Service Area

SCHEDULE OF RATES FOR WATER SERVICE

These charges are applicable to the Company's services provided for in the corresponding rules:

Reconnection Charge after service disconnection by Company for violation of the Company's Rules and Regulations (See Rule 7)	\$15.00 per trip +
Turn-Off and Turn-On Charges Applicable to customers requesting temporary disconnection (See Rule 8)	\$10.00 per trip +
Inspection Fee (See Rules 4 & 5)	\$10.00 per trip +

Late Charges:

Billing 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 day after rendition of the bill. A charge of \$5.00 or three percent (3%) per month time the unpaid balance, whichever is more, will be added to delinquent amounts.

Returned Check Charge:

+

A returned check charge of \$29 per check will be paid by customers on all checks returned unpaid from the bank.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: April 13, 2010
Month/Day/Year

Effective Date: May 13, 2010
Month/Day/Year

Issued By: Angela Swan – Vice President
Name & Title of Issuing Officer

P.O. Box 212; Perryville, MO 63775
Company Mailing Address

S.K. & M. Water and Sewer Co.

For: Unincorporated Area in
Perry County, MO
Certificated Service Area

Name of Issuing Company

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

Rule 1 DEFINITIONS

*

- (a) An "APPLICANT" is a person, firm, corporation, governmental body, or other entity that has applied for service; two or more APPLICANTS may make one application for a main extension.
- (b) The "COMPANY" is S.K. & M. Water and Sewer Co., acting through its officers, managers, or other duly authorized employees or agents.
- (c) A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the company for water service or is receiving service from company, or whose facilities are connected for utilizing such service.
- (d) The "DATE OF CONNECTION" shall be the date of the permit for installation and connection issued by the company. In the event no permit is taken and a connection is made, the date of connection may be the date of commencement of construction of the building upon the property.
- (e) A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.
- (f) "DISCONTINUANCE OF SERVICE" is the intentional cessation of service by the company not requested by the customer.
- (g) The "MAIN" is a pipeline that is owned and maintained by the company, located on public property or private easements, and used to transport water throughout the company's service area.
- (h) The "METER" is a device used to measure and record the quantity of water that flows through the service line, and is installed in the meter setting.

* Indicates new rate or text
+ Indicates change

Date of Issue April 13, 2010
Month Day Year

Date Effective May 13, 2010
Month Day Year

Issued By: Angela Swan, Vice President
Name and Title of Issuing Officer

P.O. Box 212 Perryville, MO
Company Address

S.K. & M. Water and Sewer Co.

For: Unincorporated Area in
Perry County, MO
Certificated Service Area

Name of Issuing Company

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

- (i) The "METER SETTING" includes the meter box, meter yoke, lid, and appurtenances, all of which shall be owned and maintained by the company.
- (j) The "SERVICE CONNECTION" is the pipeline connecting the main to the customer's water service line, or outdoor meter setting including all necessary appurtenances. This service connection will be installed, owned, and maintained by the company. If the property line is in a street, the said service connection shall be deemed to end at the edge of the street abutting the customer's property.
- (k) A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes resubdivision thereof.
- (l) "TERMINATION OF SERVICE" is cessation of service requested by the customer.
- (m) The word "UNIT", or LIVING UNIT shall be used herein to define the premises or property of a single water consumer, whether or not that consumer is the customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, or owned or leased. Each mobile home in a mobile home park, and each rental unit of a multi-tenant rental property are considered as separate units for each single family or firm occupying same as a residence or place of business.
- (n) The "WATER SERVICE LINE" is a pipe with appurtenances installed, owned and maintained by the customer, used to conduct water to the customer's unit from the property line or outdoor meter setting, including the connection to the meter setting. If the property line is in a street, then the water service line shall be deemed to begin at the edge of the street abutting the customer's property.

* Indicates new rate or text
+ Indicates change

Date of Issue April 13, 2010
Month Day Year

Date Effective May 13, 2010
Month Day Year

Issued By: Angela Swan, Vice President
Name and Title of Issuing Officer

P.O. Box 212 Perryville, MO
Company Address

S.K. & M. Water and Sewer Co.

For: Unincorporated Area in
Perry County, MO
Certificated Service Area

Name of Issuing Company

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

Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY

(a) The company may discontinue service for any of the following reasons:

1. Nonpayment of a delinquent account not in dispute.
2. Failure to post a security deposit or guarantee acceptable to the utility.
3. Unauthorized interference, diversion or use of the utility service situated or delivered on or about the customer's premises.
4. Failure to comply with the terms and conditions of a settlement agreement.
5. Refusal to grant access at reasonable times to equipment installed upon the premises of the customer for the purpose of inspection, meter reading, maintenance or replacement.
6. Violation of any of these rules on file with and approved by the Public Service Commission, or for any condition which adversely affects the safety of the customer or other persons, or the integrity of the utility's delivery system. +
7. Non-payment of a sewer bill issued by the company, or by a sewer utility requesting discontinuance of water service by an approved agreement between the company and such sewer utility. When water service is discontinued for this reason, any service charges for turn on/off or disconnection/reconnection within these rules shall not apply, and notice to the customer shall be provided by rules and procedure applicable to the customer's sewer service in lieu of notification required by these rules. *

* Indicates new rate or text
+ Indicates change

Date of Issue April 13, 2010
Month Day Year

Date Effective May 13, 2010
Month Day Year

Issued By: Angela Swan, Vice President
Name and Title of Issuing Officer

P.O. Box 212 Perryville, MO
Company Address

S.K. & M. Water and Sewer Co.

For: Unincorporated Area in
Perry County, MO
Certificated Service Area

Name of Issuing Company

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

- (b) The company may discontinue service after notice by first class mail is sent to the customer at least ten (10) days prior to the date of the proposed discontinuance. If written notice is hand delivered to the customer, it shall be done at least ninety-six (96) hours prior to discontinuance. If the company intends to discontinue service to a multi-tenant dwelling, a notice shall also be conspicuously posted in the building ten (10) days prior to the proposed discontinuance. Service of notice by mail is complete upon mailing. Discontinuance shall not occur more than eleven (11) business days after the date given as the discontinuance date. +
- (c) The company shall make reasonable effort to communicate with the customer, at least twenty-four (24) hours prior to any discontinuance, regarding the reasons(s) for discontinuance of service, and the resolution. If discontinuance of service would affect an occupant who is not the company's customer, or is not responsible for payment of the bill, then the company shall make reasonable effort to inform such occupant(s). *
- (d) The company shall postpone the discontinuance if personnel will not be available to restore service the same day, or if personnel will not be available to restore service the following day. The company also shall postpone discontinuance if a medical emergency exists on the premises, however the postponement may be limited to 21 days, and the company may require proof of a medical emergency.
- (e) Discontinuance of service will be made during reasonable hours. Company personnel shall identify themselves and announce the intention to disconnect service, or leave a conspicuous notice of the disconnect.
- (f) The provisions of paragraphs (c) and (e) above may be waived if safety of company personnel while at the premises is a consideration.
- (g) Discontinuance of service to a unit for any reason shall not prevent the company from pursuing any lawful remedy by action at law or otherwise for the collection of monies due from the customer.

* Indicates new rate or text
+ Indicates change

Date of Issue April 13, 2010
Month Day Year

Date Effective May 13, 2010
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Issued By: Angela Swan, Vice President
Name and Title of Issuing Officer

P.O. Box 212 Perryville, MO
Company Address

S.K. & M. Water and Sewer Co.

For: Unincorporated Area in
Perry County, MO
Certificated Service Area

Name of Issuing Company

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

- (h) In case the company discontinues its service for any violation of these rules, then any monies due the company shall become immediately due and payable.
- (i) The company has the right to refuse or to discontinue service to any unit to protect itself against fraud or abuse.
- (j) The company shall deal with customers and handle customer accounts in accordance with the Public Service Commission's Utility Billing Practices, 4 CSR 240 - 13.

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+ Indicates change

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Issued By: Angela Swan, Vice President
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P.O. Box 212 Perryville, MO
Company Address

S.K. & M. Water and Sewer Co.

For: Unincorporated Area in
Perry County, MO
Certificated Service Area

Name of Issuing Company

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

Rule 10 BILLS FOR SERVICE

*

- (a) The charges for water service shall be at the rates specified in the rate schedules on file with the Missouri Public Service Commission. Other service charges, such as for turn-off or turn-on, are set forth in the Schedule of Service Charges in these rules.
- (b) A customer who has made application for water service to a unit shall be responsible for payment for all water service provided to him at said unit from the date of connection until the date requested by the customer by proper notification to the company to terminate service.
- (c) Each customer is responsible for furnishing the company with the correct address. Failure to receive bills will not be considered an excuse for non-payment nor reason to permit an extension of the date when the account would be considered delinquent. Bills and notices relating to the company or its business will be mailed or delivered to the mailing address entered in the customer's application unless the company is notified in writing by the customer of a change of address.
- (d) Payments shall be made at the office of the company or at such other places conveniently located as may be designated by the company or by ordinary mail. However, payment must be received by the close of business on the date due.
- (e) Neither the company nor the customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.
- (f) A separate bill shall be rendered for each customer with itemization of all water service charges. All bills for service shall state the due date. The company shall have the right to render bills monthly.
- (g) Bills shall be due twenty-one (21) calendar days from the date of rendition, unless such due date falls on a Sunday, a legal holiday, or other day when the office is closed, in which case the due date shall be extended to the next business day. Bills unpaid after the stated due date will be delinquent and the company shall have the

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Issued By: Angela Swan, Vice President
Name and Title of Issuing Officer

P.O. Box 212 Perryville, MO
Company Address

S.K. & M. Water and Sewer Co.

For: Unincorporated Area in
Perry County, MO
Certificated Service Area

Name of Issuing Company

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

right to discontinue service in accordance with Rule 7. The company shall not be required to restore or connect any new service for such delinquent customers until the unpaid account due the company under these Rules and Regulations has been paid in full or arrangements satisfactory to the company have been made to pay said account.

- (h) When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be the monthly minimum plus an amount based on the water used at the commodity (water usage) rate or one-half (1/2) of the flat rate if applicable.
- (i) The company may require a security deposit or other guarantee as a condition of new service if the customer: still has an unpaid account with a utility providing the same type of service accrued within the last five years; or has diverted or interfered with the same type of service in an unauthorized manner within the last five (5) years; or is unable to establish a credit rating with the company. Adequate credit rating for a residential customer shall be established if the customer: owns or is purchasing a home; or is and has been regularly employed full time for at least one year; or has an adequate and regular source of income; or can provide credit references from a commercial credit source.
- (j) The company may require a security deposit or other guarantee of payment as a condition of continued service if: the water service of the customer has been discontinued for non-payment of a delinquent account not in dispute; or the utility service to the unit has been diverted or interfered with in an unauthorized manner; or the customer has failed to pay undisputed bills before the delinquency date for five (5) billing periods out of twelve (12) consecutive monthly billing periods, or two (2) out of four (4) consecutive quarterly billing periods.
- (k) The amount of a security deposit shall not exceed utility charges applicable to one (1) billing period plus thirty (30) days, computed on estimated or actual annual usage.

* Indicates new rate or text
+ Indicates change

Date of Issue April 13, 2010
Month Day Year

Date Effective May 13, 2010
Month Day Year

Issued By: Angela Swan, Vice President
Name and Title of Issuing Officer

P.O. Box 212 Perryville, MO
Company Address

S.K. & M. Water and Sewer Co.

For: Unincorporated Area in
Perry County, MO
Certificated Service Area

Name of Issuing Company

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

- (l) Interest at the rate of 6% per annum compounded annually shall be payable on all deposits, but shall not accrue after the utility has made reasonable effort to return the deposit. Interest may be credited to the customer's account.
- (m) After a customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one year, credit shall be established or re-established, and the deposit and any interest due shall be refunded. The utility may withhold full refund of the deposit pending resolution of a disputed matter.
- (n) The utility shall give a receipt for deposits received, but shall also keep accurate records of deposits, including customer name, service address, amounts, interest, attempts to refund and dates of every activity regarding the deposit.
- (o) All billing matters shall be handled in accordance with the Public Service Commission's Utility Billing Practices, 4 CSR 240-13.

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+ Indicates change

Date of Issue April 13, 2010
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**Rules and Regulations Governing
the Rendering of Water Service**

Rule 14 EXTENSION OF WATER MAINS

*

- (a) This rule shall govern the extension of mains by the company within its certified area where there are no water mains.
- (b) Upon receipt of a written application for a main extension, the company will provide the applicant(s) an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including valves, fire hydrants, booster stations, storage facilities, reconstruction of existing mains (if necessary), and the direct costs associated with supervision, engineering, permits, and bookkeeping.
- (c) Applicant(s) shall enter into a contract with the company for the installation of said extension and shall tender to the company a contribution in aid of construction equal to the amount determined in paragraph (b) above, plus any applicable customer connection fee. The contract may allow the customer to contract with an independent contractor for the installation and supply of material, except that mains of 12" or greater diameter must be installed by the company, and the reconstruction of existing facilities must be done by the company.
- (d) The cost to an applicant or applicants connecting to a main extension contributed by other applicant(s) shall be as follows:
 - (1) For single-family residential applicants that are applying for service in a platted subdivision, the company shall divide the actual cost of the extension (including income taxes) by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots that abut existing mains shall be excluded.
 - (2) For single-family residential applicants that are applying for service in areas that are unplatted in subdivision lots, the applicants' cost shall be equal to the total cost of the main extension divided by the total length of the main extension in feet times 100 feet.

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+ Indicates change

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Name of Issuing Company

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

(3) For industrial, commercial, or multifamily residential applicants, the cost will be equal to the amount calculated for a single-family residence in paragraphs d(1) or d(2) above multiplied times the flow factors of the applicants' meter. The flow factors of the various sizes of meters are as follows:

<u>Meter Size</u>	<u>Flow Factor</u>
5/8	1
1	2.5
1 1/2	5
2	8
3	16
4	25

- (e) Refunds of contributions shall be made to applicant(s) as follows:
 - (1) Should the actual cost of the extension be less than the estimated cost, the company shall refund the difference as soon as the actual cost has been ascertained.
 - (2) During the first ten years after the main extension is completed, the company will refund to the applicant(s) who paid for the extension moneys collected from applicant(s) in accordance with paragraph (d) above. The refund shall be paid within a reasonable time after the money is collected.
 - (3) The sum of all refunds to any applicant shall not exceed the total contribution which the applicant(s) has paid.
 - (f) Extensions made under this rule shall be and remain the property of the company.
 - (g) The company reserves the right to further extend the main and to connect mains on intersecting streets and easements. Connecting new customers to such further extensions shall not entitle the applicant(s) paying for the original extension to a refund for the connection of such customers.
- * Indicates new rate or text
+ Indicates change

Date of Issue April 13, 2010
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Company Address

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For: Unincorporated Area in
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Name of Issuing Company

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

- (h) Extensions made under this rule shall be of company-approved pipe sized to meet water service requirements. If the company chooses to size the extension larger in order to meet the company's overall system requirements, the additional cost caused by the larger size of pipe shall be borne by the company.
- (i) No interest will be paid by the company of payments for the extension made by the applicant(s).
- (j) If extensions are required on private roads, streets, through private property, or on private property adjacent to public right-of-way, a proper deed of easement must be furnished to the company without cost to the company, before the extension will be made.

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Date of Issue April 13, 2010
Month Day Year

Date Effective May 13, 2010
Month Day Year

Issued By: Angela Swan, Vice President
Name and Title of Issuing Officer

P.O. Box 212 Perryville, MO
Company Address

Agreement Attachment B

Rate Design Worksheet

S. K. & M. WATER & SEWER 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	\$ 58,663
Agreed-Upon Overall Revenue Increase	\$ 11,239
Percentage Increase Needed	19.159%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
5/8"	\$ 5.50	\$ 6.55	\$ 2.320	\$ 2.76
1"	\$ 13.73	\$ 16.36	\$ 2.320	\$ 2.76

Agreement Attachment C

Billing Comparison Worksheet

S. K. & M. WATER & SEWER COMPANY

Residential Customer Bill Comparison-Water

Rates for 5/8" Meter

<u>Current Base</u> <u>Customer Charge</u>	<u>Proposed Base</u> <u>Customer Charge</u>	<u>Current</u> <u>Usage Rate</u>	<u>Proposed</u> <u>Usage Rate</u>
\$5.50	\$6.55	\$2.320	\$2.764

current service charge is monthly charge

usage rate is per 1,000 gallons used

MONTHLY BILL COMPARISON

6,000 gallons/month usage

Current Rates

Customer Charge	\$ 5.50
Usage Charge	\$ 13.92
Total Bill	\$ 19.42

Proposed Rates

Customer Charge	\$ 6.55
Usage Charge	\$ 16.59
Total Bill	\$ 23.14

INCREASES

Customer Charge

\$ Increase	\$1.05
% Increase	19.16%

Usage Charge

\$ Increase	\$2.67
% Increase	19.16%

Total Bill

\$ Increase	\$3.72
% Increase	19.16%

Agreement Attachment D

EMSD Report

Review of S.K. & M. Water and Sewer Company

Customer Service and Business Operations Review Engineering and Management Services Department Small Company Rate Increase Requests Case Nos. WR-2010-0154 and SR-2010-0155

Debbie Bernsen

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service processes, procedures and practices at S.K. & M. Water and Sewer Company (S.K. & M. or Company) on October 19, 2006. The findings of this review were developed into a report and filed in December 2006 in Case No. WR-2007-0460.

The EMSD staff performed a follow-up review in December of 2007 of the Company's actions taken in response to the December 2006 report. This 2007 follow-up review was performed in conjunction with a small company rate increase request submitted by the Company and assigned Tracking Nos. QW-2008-0009 and QS-2008-0008. The Company eventually withdrew these cases. The EMSD staff completed its report on the actions taken to address the recommendations made in the first review. This report was provided to and discussed with the Company.

The present review is being conducted in conjunction with a small company rate increase request submitted by the Company on November 20, 2009, and given Case Nos. WR-2010-0154 and SR-2010-0155. The status of the recommendations made in the prior EMSD report will be reported upon, as well as additional areas that may require the Company's attention.

The purpose of the EMSD is to promote and encourage efficient and effective utility management. This purpose contributes to the Commission's overall mission to ensure that customers receive safe and adequate service at just and reasonable rates, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were to document and analyze the management control processes, procedures and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review will also provide the Commission with information regarding the Company's customer service operations.

The scope of this review focused on processes, procedures and practices related to:

- Employee Contracts
- Customer Billing and Remittance
- Credit and Collections
- Late Fees
- Returned Check Fees
- Contact Prior to Discontinuance
- Communication with Customers

Overview

S. K. & M. Water and Sewer Company was originally certificated on November 16, 1973. The Company indicated that it provides water service to 283 customers and sewer service to 152 customers in Perryville, Missouri. The Company has seen a reduction in service connections due to downsizing at a trailer park. It currently has 283 water customers utilizing two wells in the Shakertown subdivision. Sewer lines cover 152 customers in Shakertown, Whippoorwill, Raintree and Lynnwood.

The business operations of the Company are performed by the General Manager, who assumed responsibilities in November 2006. According to Company job descriptions, the General Manager reports regularly to the Board of Directors, is on call 24/7, acts as the Company liaison for the Department of Natural Resources (DNR) and the Commission, prepares for and participates in all inspections and maintains the emergency plan. The General Manager holds a current Drinking Water D, Wastewater D and Drinking Water Distribution licenses with the DNR. Although the General Manager resides out of state, she attempts to spend approximately 40 hours on site every 3-4 months. In addition, she provides consulting as needed on a daily basis.

The Company contracts with Carol A. Word, CPA PC in Perryville, Missouri to perform most of the daily administrative functions including billing, payment receipt and record keeping functions. The firm also provides general accounting services such as accounts receivable, payroll, accounts payable and tax services. Monthly reports are sent to the General Manager to summarize general ledger information, usage and disconnects.

The field operations are performed by the Field Operations Supervisor and several different contract employees. Company job descriptions for the Field Operations Supervisor position include the supervision of outside contractors (i.e. meter readers and chlorine technicians), inspection and maintenance of all plant sites and monthly water samples. Presently, this position is part-time and funded based upon 18 hours of work per week. This position also has responsibility for overseeing the work of a contract operator, a chlorination technician, and a meter reader. All three of these positions are utilized on an as-needed basis and operate under a contract.

STATUS OF RECOMMENDATIONS MADE IN PRIOR EMSD REPORT IN TRACKING FILE NOS. QS-2008-0008 AND QW-2008-0009

Employee Contracts

The prior EMSD report identified a deficiency in that the Company did not utilize signed written contracts with all of its contractors. In this review, the EMSD staff was provided with contracts for outside vendors performing services for the Company. The Company has indicated it will review these contracts annually. The EMSD staff believes this recommendation is completed.

Customer Billing and Remittance

The prior EMSD report identified a deficiency in that the Company did not have a policy in place to calculate bills when the Company is unable to obtain an actual reading and must estimate the customer's usage. The Company has now developed a policy of utilizing the last three months of service usage to develop an average usage. This average is then used as the estimate for that month's bill. The EMSD staff believes this recommendation is completed.

Credit and Collections

The prior EMSD report identified a violation of Commission Rule 4 CSR 240-13.030(1)(C) in that the Company was inappropriately charging a security deposit to all customers that were renting property. The Commission Rule provides the following criteria for determining when deposits may or may not be assessed:

The customer is unable to establish an acceptable credit rating under standards contained in tariffs filed with and approved by the commission. The customer shall be deemed *prima facie* to have established an acceptable credit rating if the customer meets any of the following criteria:

1. Owns or is purchasing a home;
2. Is and has been regularly employed on a full-time basis for at least one (1) year;
3. Has an adequate regular source of income; or
4. Can provide adequate credit references from a commercial credit source.

The Company cannot charge a customer a deposit based solely upon their status as a renter. The Company has discontinued utilizing this as criteria for assessing a deposit; however, the EMSD staff does not believe that it is yet clearly applying the provisions of the Commission Rule regarding deposits. This will be discussed in more detail in a later section of this report that addresses new issues identified during this audit.

Late Fees

The prior EMSD report identified a deficiency in that the Company was not applying its tariffed late fee penalty to its delinquent paying sewer customers. As an incentive for customers to make timely payments, delinquent accounts should be assessed a late fee. In March 2008, the Company began applying these charges to delinquent sewer accounts.

Returned Check Fees

The prior EMSD report identified a deficiency in that the Company was charging a \$29.00 returned check fee when their tariff only allowed for a \$25.00 fee. In addition, the Company does not provide the customer with a due date for resolving their returned check situation. Although the Company's bank charge is \$29.00, the Company must adhere to its tariff charges. If the bank fees have changed, the Company should seek to amend its tariff to reflect current rates. The Company has determined that it would again use the tariffed \$25.00 charge until such time as it could seek approval of a change in the fees. In addition, it is including a due date for resolving the returned check payment. These actions complete the EMSD staff's two recommendations in this area.

Contact Prior to Discontinuance

The prior EMSD report identified a deficiency in that the Company does not contact customers at least twenty-four hours preceding a discontinuance of service due to nonpayment. The Company has indicated that it is now attempting to make multiple phone contacts to the customer, as well as sending written notices, prior to a disconnect. The EMSD staff believes this recommendation is complete.

Communication with Customers

The prior EMSD report identified a deficiency in that the Company did not have available a document that summarizes the rights and responsibilities of the utility and its customers, as required by Commission Rule 4 CSR 240-13.040(3). The Company has now completed a document that meets these requirements and has made it available to customers at the business offices of Carol Word, CPA. The EMSD staff believes this recommendation is complete.

Issues Identified During Present Audit

The Company is not applying customer deposits for water service according to Commission Rule 4 CSR 240-13.030. The Commission Rule provides the following criteria for determining when deposits may or may not be assessed:

The customer is unable to establish an acceptable credit rating under standards contained in tariffs filed with and approved by the commission. The customer shall be deemed *prima facie* to have established an acceptable credit rating if the customer meets any of the following criteria:

1. Owns or is purchasing a home;
2. Is and has been regularly employed on a full-time basis for at least one (1) year;
3. Has an adequate regular source of income; or
4. Can provide adequate credit references from a commercial credit source.

The Company's water tariff also addresses the conditions under which a deposit may be applied to a customer account.

The Company may require a security deposit or other guarantee as a condition of new service if the customer: still has an unpaid account with a utility providing the same type of service accrued within the last five years; or

has diverted or interfered with the same type of service in an unauthorized manner within the last five (5) years; or is unable to establish a credit rating with the Company. Adequate credit rating for a residential customer shall be established if the Customer: owns or is purchasing a home; or is and has been regularly employed full time for at least one year; or has an adequate and regular source of income; or can provide credit references from a commercial credit source.

The Company utilizes a written application for service in order to initiate service at an address. The application for service notes a \$35.00 deposit required for water service and a \$30.00 deposit for sewer service. These deposits are required of all new customers without giving the customer an opportunity to satisfy any of the criteria contained in the Billing Rules or the Company tariff.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Apply criteria contained in Commission Rule 4 CSR 240-13.030(1)(C) and the Company's water and sewer tariffs when making a determination to assess customer deposits.

The Company is not refunding its customer deposits according to Commission Rule 4 CSR 240-13.030(4)(B)and (D). This section requires that the deposit shall bear interest and will be returned to the customer upon satisfactory payment for the last twelve billing months. The Company has indicated that if a new customer does not meet the twelve months of prompt payment rule in the first year that the customer forfeits any claim to the deposit in the future. This is a violation of the refund with interest provisions of the Commission Billing Rules.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Refund customer deposits with interest according to Commission Rule 4 CSR 240-13.030(4).

Follow-up

The recommendations made by the EMSD staff that address rule violations should be completed by the Company within thirty days of the effective date of the Commission's Order Approving the Disposition Agreement in Case Nos.WR-2010-0154 and SR-2010-0155.

Agreement Attachment E

Summary of Case Events

S. K. & M. Water & Sewer Company
Case # WR-2010-0154
Summary of Case Events

Date Filed	November 20, 2009
Day 150	April 19, 2010
Extension?	No
If yes, why?	
Amount Requested	\$ 11,899
Amount Agreed Upon	\$ 11,239
Number of Customers	274
Rate of Return	8.65%
Return on Equity	11.23%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	SR-2010-0155
Status with Secretary of State	Good Standing
DNR Violations	None
Significant Service/Quality Issues	None