

Stockton Hills Water Company
P.O. Box 276
Stockton MO 65785

Initial Customer Notice

May 4, 2005

Dear Customer:

On April 14, 2005, Stockton Hills Water Company (Company) submitted a request for permanent increases in its current water rates to the Missouri Public Service Commission (Commission), under the provisions of the Commission's small company rate increase procedure.

By its request, the Company is seeking increases in its customer rates intended to generate an increase in its annual water operating revenues of \$5,725 (approximately 24.54%). The Company believes this increase in its operating revenues is necessary due to increases in utility plant investment; increases in operation and maintenance expenses and increase in Worker's Compensation Insurance. In its request, the Company recognized that changes to its general business practices, customer service practices and general tariff provisions, and the design of its customer rates, might occur. Set out at the end of this notice is a table that includes a comparison of the Company's current customer rates and the current rates increased by 24.54%. A monthly bill comparison, which is based upon an assumed water usage of 6,000 gallons, is also shown.

In the near future, the Staff of the Public Service Commission (Commission Staff) will conduct an independent audit of the Company's books and records, and an investigation of the Company's business and system operations. Based upon that audit and investigation, the Commission Staff will develop its positions regarding the Company's requested increase in its annual operating revenues. Additionally, the Commission Staff will develop positions regarding the need for changes in the Company's service charges, connection fees, general tariff provisions, business operations and system operations, and in the design of the Company's customer rates.

The Office of the Public Counsel (OPC), a state agency responsible for representing the interests of utility consumers before the Commission, may also conduct its own audit and investigation, but at a minimum will review the results of the Commission Staff's audit and investigation.

Any customer who has questions or comments regarding the Company's rate increase request, or who has comments regarding recent service-related problems, should contact the Commission Staff and/or the OPC, within 30 days of the date of this notice. To do so, please use the mailing addresses, telephone numbers, fax numbers or e-mail addresses shown below, and please also include a reference to request number QW-2005-0003. As a part of their investigations into the Company's rate increase request, the Commission Staff and the OPC will review all customer comments they receive in response to this notice.

Public Service Commission
Attn: Water/Sewer Dept.
P.O. Box 360
Jefferson City, MO 65102
Phone: 800-392-4211
Fax: 573-751-1847
E-Mail: pscisd@psc.mo.gov

Office of the Public Counsel
Attn: John Coffman
P.O. Box 2230
Jefferson City, MO 65102
Phone: 573-751-4857
Fax: 573-751-5562
E-Mail: mopco@ded.mo.gov

Upon completion of the Commission Staff's and the OPC's investigations, the Company may be required to send out a second customer notice regarding the results of the investigations. Additionally, the OPC may request that the Commission hold a local public hearing. However, neither a second customer notice nor a local public hearing will happen automatically. Therefore, please take the time now to express your views about the Company's rate increase request, and its business and system operations, to the Commission Staff and the OPC.

Regardless of whether the Company sends out a second customer notice, or whether a local public hearing is eventually held, no increase in rates will take effect without the specific approval of the Public Service Commission.

If you have questions about this notice, or about anything else with which I may be of assistance, please feel free to contact me at the telephone number listed at the top of the first page of this notice.

Sincerely,

Wanda Cassell, Owner
Stockton Hills Water Company

<u>Type of Charge</u>	<u>Current Rates</u>	<u>Rates Increased by 24.54%</u>
Monthly Minimum Charge (includes x,xxx gallons)	\$8.57	\$10.67
Usage Over x,xxx gallons (per 1,000 gallons)	\$2.10	\$2.615
Total Monthly Bill (at 6,000 gallons usage)	\$19.07	\$23.75