

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

In the Matter of the Small Company Rate)	<u>Case No. WR-2006-0250</u>
Increase Request of Hickory Hills Water &)	
Sewer Company, Inc.)	

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

1. On December 12, 2005, (unless noted otherwise, all dates herein refer to the year 2005) Hickory Hills Water & Sewer Company, Inc. ("Company") submitted to the Commission revised tariff sheets to implement increases in its water service rates and charges, 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 Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request ("Disposition Agreement") entered into by the Company and the Staff. As is also noted in the Company's tariff filing transmittal letter, the Disposition Agreement pertains to the small company rate increase request that the Company submitted to the Commission on July 28 (Work I.D. No. QW-2006-0002).

3. Included in the document that is attached hereto and identified as Appendix A are copies of the Disposition Agreement, and related attachments, that are referenced in the Company's tariff filing transmittal letter.

4. 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 January 25, 2006.

WHEREFORE, the Staff respectfully submits the above-referenced Disposition Agreement, and related attachments, for the Commission's information and consideration in this case.

Respectfully Submitted,

DANA K. JOYCE
General Counsel

/s/ Keith R. Krueger

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

Attorney for the Staff of the
Missouri Public Service Commission

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Jefferson City, MO 65102
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CERTIFICATE OF SERVICE

I hereby certify that copies of this Notice of Agreement 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 15th day of December 2005.

/s/ Keith R. Krueger

APPENDIX A

DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2006-0250

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Company/Staff Disposition Agreement

COMPANY/STAFF AGREEMENT REGARDING DISPOSITION
OF SMALL WATER COMPANY RATE INCREASE REQUEST

HICKORY HILLS WATER & SEWER COMPANY, INC.

MO PSC WORK I.D. No. QW-2006-0002

BACKGROUND

Hickory Hills Water & Sewer 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 July 28, 2005, the Company set forth its request for an increase of \$2,000 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 also 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 50 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 and Work I.D. No. QW-2006-0002 was assigned to 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 and the Company 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 and language set out in the example tariff sheet that is attached hereto as Attachment A.
- (2) That except as otherwise noted in the agreements below, the ratemaking income statement that is 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 \$2,000, which is the annual operating revenue increase that the Company requested.
- (3) That the rates set out in the attached example tariff sheet, the development of which is shown on the rate design worksheet that is attached hereto as Attachment C, are designed to generate revenues sufficient to recover the agreed-upon increase in the Company's annual operating revenues, 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 Company will continue its existing ten-year replacement program for customer meters.

(6) That the above agreements satisfactorily resolve all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

This Disposition Agreement is only between the Staff and the Company, in which case the Small Company Rate Increase Procedure requires that the Company send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement. In compliance with the Small Company Rate Increase Procedure, that notice will provide the Company's customers an opportunity to send comments to the OPC and the Staff within twenty (20) days after the date of the notice. In addition to that customer notice, the Company acknowledges that the OPC also has the right to request that the Commission hold a local public hearing regarding the Company's Request and the provisions of this Disposition Agreement.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff and the Company, and neither party has agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company acknowledges 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 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

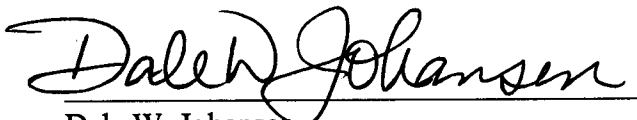
Company's payment of its Commission assessments; (f) the status of the Company's submission of its Commission annual reports; (g) the status of the Company's submission of its Commission annual statement of operating revenues; (h) any other pending cases that the Company may have before the Commission; (i) any recent Notices of Violations issued to the Company by the Missouri Department of Natural Resources; and (j) the status of the Company's corporate standing with the Missouri Secretary of State.

Additionally, the Company agrees 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 with advance notice of any such agenda meeting so that it may have the opportunity to also be represented at the meeting.

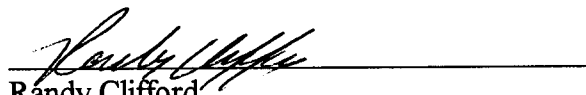
EFFECTIVE DATE AND SIGNATURES

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

12/05/05
Date


Randy Clifford
President
Hickory Hills Water & Sewer Company, Inc.

12-4-05
Date

List of Attachments

Attachment A – Example Tariff Sheets

Attachment B – Ratemaking Income Statement

Attachment C – Rate Design Worksheet

Agreement Attachment A

Example Tariff Sheets

3rd Revised Sheet No. 4

Canceling P.S.C. MO No. 2

2nd Revised Sheet No. 4

Hickory Hills Water & Sewer Company, Inc

For: Hickory Hills Estates & Temple Terrace

Name of Issuing Company

Community, Town or City
Moniteau County, Missouri

Rules Governing The Rendering of Water Service

SCHEDULE OF RATES

Availability:

Any metered customer located in the Company's service territory.

Water Service Rates:

Monthly Customer Charge	\$14.61 per Month	+
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Usage Charge	\$2.90	per 1,000 gallons	+
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Public fire hydrant service will be installed by the Company at the option of the Company within the certified area.

Taxes:

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

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: _____
Month/Day/Year

Effective Date: _____
Month/Day/Year

Issued By: Randy Clifford, President
Name & Title of Issuing Officer

P.O. Box 297, Tipton, MO 65081
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

HICKORY HILLS WATER & SEWER COMPANY

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	16,217
2	Other Operating Revenues *	\$	-
3	Total Operating Revenues	\$	16,217
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Pumping Equipment-Purchased Power	\$ 745
2 Water Treatment Expense-Chemicals	\$ 176
3 Water Treatment -Testing/Laboratory Fees	\$ 1,430
4 Maintenance of Parts/Equipment	\$ 682
5 Maintenance Expense-Outside Labor	
6 Administration & General - Salaries	\$ 7,955
7 Office Supplies	\$ 299
8 Bookkeeping	\$ 323
9 Automobile Expense	\$ 1,932
10 Postage Expense	\$ 247
11 Telephone Expense	\$ 582
12 Insurance Expense	\$ 1,659
13 Employee Pensions & Benefits	\$ 702
14 Regulatory Commission Expense	\$ 37
15 Miscellaneous General Expenses	\$ 23
16 Sub-Total Operating Expenses	\$ 16,792
17 Property Taxes	\$ -
18 MO Franchise Taxes	\$ -
19 Employer FICA Taxes	\$ 609
20 Federal Unemployment Taxes	\$ -
21 State Unemployment Taxes	\$ -
22 State & Federal Income Taxes	\$ 11
23 Sub-Total Taxes	\$ 620
24 Depreciation Expense	\$ 1,063
25 CIAC Depreciation	\$ (641)
26 Amortization of Engineering Expense	\$ 127
27 Amortization of Well Repair-5 years	\$ 391
28 Sub-Total Depreciation/Amortization	\$ 940
29 Return on Rate Base	\$ 150
30 Total Cost of Service	\$ 18,502
31 Less Amount over Company's Request	\$ (285)
32 Overall Revenue Increase Needed	\$ 2,000

Agreement Attachment C

Rate Design Worksheet

HICKORY HILLS 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	\$ 16,217
Agreed-Upon Overall Revenue Increase	\$ 2,000
Percentage Increase Needed	12.330%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 13.01	\$ 14.61	\$ 2.583	\$ 2.901
1"	\$ 13.01	\$ 14.61	\$ 2.583	\$ 2.901