

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

In the Matter of S.K.&M. Water and)	<u>Case Nos. WR-2007-0460</u>
Sewer Company's Rate Increase Request)	Tariff No. YW-2007-0864

In the Matter of S.K.&M. Water and)	<u>Case Nos. SR-2007-0461</u>
Sewer Company's Rate Increase Request)	Tariff No. YW-2007-0865

**PUBLIC COUNSEL'S PLEADING INDICATING DISAGREEMENT
WITH THE TARIFF SHEETS**

COMES NOW the Office of the Public Counsel and for its Pleading Indicating Disagreement with the Tariff Sheets states as follows:

1. On May 31, 2007, S.K.&M. Water and Sewer Company (SK&M) filed tariff sheets to implement rate increases for its water and sewer services in an unincorporated area of Perry County, Missouri.
2. On June 7, 2007, Staff filed a Notice of Agreement Regarding Disposition of Small Company Rate Increase Request indicating an agreement between the Staff of the Missouri Public Service Commission (Staff) and SK&M for rate increases of approximately 29.5% for water service and 49.1% for sewer service. Public Counsel did not join in the agreement.
3. Pursuant to 4 CSR 240-3.330 and 4 CSR 240-3.635, Public Counsel requested a local public hearing be held. A local public hearing was held on June 25, 2007 in Perryville, Missouri. The local public hearing addressed both the proposed water and sewer increases.

Concerns of Improper Charges to the Utility

4. In filings seeking a Motion to Compel Discovery, Public Counsel has expressed to the Commission concerns of improper charges to the utility contained within the Staff and SK&M Disposition Agreement.

5. On June 29, 2007, pursuant to the Commission's Order Granting the Office of the Public Counsel's Motion to Compel, SK&M provided answers to Public Counsel's April 10, 2007 Data Requests.

6. In spite of the information provided, Public Counsel continues to have concerns of improper charges to the utility. These concerns include, but are not limited to, the inclusion of automobile insurance for a vehicle not owned by the utility, inclusion of debt for non-utility investments, and overstatement of equipment and plant value.

7. Due to continuing concerns of improper charges to the utility, Public Counsel does not believe that the Commission should approve the rate increase requests agreed to by the Staff and SK&M.

8. However, Public Counsel is more than willing to work with Staff and SK&M to ensure that only proper charges to the utility are included and that the proposed increase would be just and reasonable for the ratepayers.

Concerns Regarding Excessive Payroll Amounts

9. Public Counsel also objects to the payroll amounts developed by the Staff and reflected in the Staff and SK&M Disposition Agreement in the rate cases.

10. Public Counsel is concerned that the wage rate of \$32,566 for the yet-to-be-hired Primary Operator has been inflated due to the inclusion of wage rates from geographically and economically incomparable states such as Alaska, South Dakota and North Dakota.

11. From information Public Counsel has received, Public Counsel believes the wage rate for a Primary Operator of a system this size should be in the range of \$15,000 to \$20,000. Staff reports that the data for the state of Oklahoma, which is closest to Missouri of all the states Staff

looked at, shows an annual salary of only \$25, 570. This amount reflects a number which is much closer to that which Public Counsel received.

12. Due to concerns regarding excessive payroll amounts, Public Counsel does not believe that the Commission should approve the rate increase requests agreed to by the Staff and SK&M.

13. However, Public Counsel is more than willing to work with Staff and SK&M to agree on a wage rate for the Primary Operator which more closely reflects the geography and economics of Missouri in the amount of \$15,000 to \$25,000 and that the proposed increase would be just and reasonable for the ratepayers.

Concerns Regarding Rate Shock

14. Testimony adduced at the local public hearing indicated that the percentage of increase would cause rate shock to the public. There was strong public disagreement with the high percentage of the proposed water and sewer increases.

15. As a result of the testimony adduced at that hearing regarding rate shock, Public Counsel does not believe that the Commission should approve the rate increase requests agreed to by the Staff and SK&M.

16. However, Public Counsel is willing to work with Staff and SK&M to ensure that ratepayers are protected and that the proposed increase would be just and reasonable for the ratepayers.

Public Counsel Disagrees with Tariff Sheets

17. Pursuant to 4 CSR 240-3.330(1)(E) and 4 CSR 240-3.635(1)(E), Public Counsel states that it disagrees with the proposed increases reflected on the tariff sheets filed in this case.

18. Because the Public Counsel states its disagreement with the tariff sheets, the Commission should suspend the pending tariffs. Section 393.150 RSMo 2000 provides that the Commission may suspend tariff sheets for a maximum period of 120 days plus 6 months.

19. However, Public Counsel does not feel that it is necessary that the tariffs be suspended for the maximum period allowed. Public Counsel believes that a suspension of as little as 90 days will allow Public Counsel to work with Staff and SK&M to develop an acceptable increase which would be just and reasonable for the ratepayers or to hold an evidentiary hearing if Public Counsel, Staff and SK&M cannot come to an agreement.

WHEREFORE, Public Counsel respectfully requests that the Commission issue an order suspending the pending tariff sheets 90 days to allow Public Counsel to work with Staff and SK&M to develop an acceptable increase which would be just and reasonable for the ratepayers or to hold an evidentiary hearing if Public Counsel, Staff and SK&M cannot come to an agreement.

Respectfully submitted,

OFFICE OF THE Public Counsel

/s/ Christina L. Baker

By:_____

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 2nd day of July 2007:

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