

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

In the Matter of the Small Company Rate)	
Increase Request of Middlefork Water)	<u>Case No. WR-2006-0212</u>
Company)	

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

1. On November 17, 2005 (unless noted otherwise, all dates herein refer to the year 2005), Middlefork Water Company ("Company") submitted to the Commission revised tariff sheets to implement an increase in its water service rates and charges, and other tariff changes, and the instant case was established.

2. As stated in the Company's tariff filing transmittal letter, the rates and charges, and other tariff changes, contained in the subject revised tariff sheets are based upon a *Unanimous Agreement Regarding Disposition of Small Water Company Rate Increase* ("Disposition Agreement") entered into by the Company, the Staff and the Office of the Public Counsel, which pertains to the small company rate increase request that the Company submitted to the Commission on April 28 (Work I.D. No. QW-2005-0004.)

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 December 8.

WHEREFORE, the Staff respectfully submits the attached information 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
573-751-4140 (telephone)
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keith.krueger@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing 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 23rd day of November 2005.

/s/ Keith R. Krueger

APPENDIX A

DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2006-0212

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Company/Staff/OPC Disposition Agreement

UNANIMOUS AGREEMENT REGARDING DISPOSITION OF
SMALL WATER COMPANY RATE INCREASE REQUEST

MIDDLEFORK WATER COMPANY, INC.

MO PSC WORK I.D. No. QW-2005-0004

BACKGROUND

Middlefork Water 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 April 29, 2005, the Company set forth its request for an increase of \$30,000 in its total annual water service operating revenues. The Company also stated in its request letter that it understood 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 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 whole sale water service to 2 customers (the City of Stanberry and the City of Grant City).

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 the system assigned Work I.D. No. QW-2005-0004 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, an inspection of the Company's facilities and a review of the Company's operation of its facilities, and a review of the Company's customer service practices and procedures. (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, the Company and the OPC 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, charges and language set out in the example tariff sheets that are attached hereto as Attachment A.
- (2) That 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 \$30,000.
- (3) That the rates set out in the attached example tariff sheets, 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 annualized operating revenue increase of \$30,000, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (4) That the rates included in the attached example tariff sheets are just and reasonable.

- (5) That the schedule of depreciation rates that is attached hereto as Attachment D should be the prescribed schedule of water plant depreciation rates for the Company, as the depreciation rates set out in that schedule were the rates used by the Staff in its revenue requirement analysis.
- (6) That the Company and Staff will determine the correct plant-in-service, depreciation reserves, and CIAC by December 31, 2005.
- (7) That the Company will make adjustments to its books and records regarding plant-in-service, depreciation reserves and CIAC necessary to reflect the agreed-upon dollar amounts.
- (8) That the Company will submit amended entries for its most recently submitted annual report regarding plant-in-service, depreciation reserves and CIAC necessary to reflect the agreed-upon dollar amounts.
- (9) That the Company will provide Staff with quarterly updates on the progress of the completion of the Company's emergency backup water supply.
- (10) That the above agreements satisfactorily resolve all issues identified by the Staff, the Company and the OPC regarding the Company's Request, except as otherwise specifically stated.

ADDITIONAL MATTERS

Since this Disposition Agreement is between the Staff, the Company and the OPC, the Small Company Rate Increase Procedure does not require 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, nor does it provide for a local public hearing, unless the Commission orders otherwise.

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between the Staff, the Company and the OPC, and none of the parties have agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company and the OPC acknowledge 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 other 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; (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 and the OPC agree 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.

RECEIVED
NOV 07 2005
UTILITY OPERATIONS
DIVISION

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

11/07/05
Date



Lewis Mills
Public Counsel
Office of the Public Counsel

11-16-2005
Date



Mr. Brock Pfost
President
Middle Fork Water Company

11/3/05
Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking Income Statement
- Attachment C – Rate Design Worksheet
- Attachment D – Schedule of Depreciation Rates

Agreement Attachment A

Example Tariff Sheets

1st Revised Sheet No. 6

Canceling P.S.C. MO No. 1

Original Sheet No. 6

Middle Fork Water Company
Name of Issuing Company

For: Grant City
Certificated Service Area

SCHEDULE OF WATER RATES AND CHARGES

Applicability:

The following rates and charges apply to water service provided by the Company to the City of Grant City, Missouri.

Water Rate:

For each 1000 gallons of usage per month	\$ 1.327	+
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Surcharge:

Per month \$_____

Seller Depreciation Reserve Fund Deposit

Per month \$

Connection Charge

The charge for one (1) connection to Company's water system will be borne by the Company. The charge(s) for additional or other connections shall be paid by the customer. Said charge(s) shall be no less than the actual cost of making the connection(s).

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: November 17, 2005
Month/Day/Year

Effective Date: December 17, 2005
Month/Day/Year

Issued By: Mr. Brock Pfof, President
Name & Title of Issuing Officer

PO Box 468 Maryville MO 64468
Company Mailing Address

1st Revised Sheet No. 7

Canceling P.S.C. MO No. 1

Original Sheet No. 7

Middle Fork Water Company
Name of Issuing Company

For: City of Stanberry
Certificated Service Area

SCHEDULE OF WATER RATES AND CHARGES

Applicability:

The following rates and charges apply to water service provided by the Company to the City of Stanberry, Missouri.

Water Rate:

For each 1000 gallons of usage per month	\$ 1.327	+
--	----------	---

Surcharge:

Per month \$_____

Seller Depreciation Reserve Fund Deposit

Per month \$

Connection Charge

The charge for one (1) connection to Company's water system will be borne by the Company. The charge(s) for additional or other connections shall be paid by the customer. Said charge(s) shall be no less than the actual cost of making the connection(s).

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Name & Title of Issuing Officer

PO Box 468 Maryville MO 64468
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

MIDDLEFORK WATER COMPANY

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$ 118,924
2	Other Operating Revenues *	\$ 22,349
3	Total Operating Revenues	\$ 141,273
4	* See "Revenues - Current Rates" for Details	

Cost of Service

	Item	Amount
1	Purchased Power	\$ 20,351
2	Chemicals	\$ 48,640
3	Maintenance Expense-Parts/Equipment	\$ -
4	Contractual Services-Maintenance	\$ 24,820
5	Permit Fees	\$ -
6	Administration & General - Salaries	\$ 44,476
7	Contractual Services-Billing	\$ 1,468
8	Contractual Services-Professional	\$ 5,250
9	Contractual Services-Testing	\$ 60
10	Rents	\$ 19,200
11	Insurance Expense	\$ 18,758
12	Regulatory Commission Expense	\$ 562
13	Miscellaneous General Expenses	\$ 2,350
14	Sub-Total Operating Expenses	\$ 185,935
15	Property Taxes	\$ 4,483
16	MO Franchise Taxes	\$ 746
17	Employer FICA Taxes	\$ 4,117
18	Federal Unemployment Taxes	\$ -
19	State Unemployment Taxes	\$ -
20	State & Federal Income Taxes	\$ -
21	Sub-Total Taxes	\$ 9,346
22	Depreciation Expense	\$ -
23	Amortization of Utility Plant (computer system)	\$ -
24	Sub-Total Depreciation/Amortization	\$ -
25	Return on Rate Base	\$ -
26	Total Cost of Service	\$ 195,281
27	Overall Revenue Increase Needed	\$ 54,008
28	Amount over Company's Request	\$ 24,008

Agreement Attachment C

Rate Design Worksheet

MIDDLEFORK WATER 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	\$ 118,924
Agreed-Upon Overall Revenue Increase	\$ 30,000
Percentage Increase Needed	25.227%

Metered Customer Rates

Customer	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
Stanberry	\$ -	\$ -	\$ 1.060	\$ 1.327
Grant City	\$ -	\$ -	\$ 1.060	\$ 1.327

Agreement Attachment D

Schedule of Depreciation Rates

Middlefork Water Company
DEPRECIATION RATES

(WATER)

QW-2005-0004

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATES %</u>
311	Structures & Improvements	2.5%
312	Collecting and Impounding Reservoirs	2.0%
313	Lake, River or other Intakes	2.5%
316	Supply Mains	2.0%
325	Electric Pumping Equipment	5.0%
332	Water Treatment Equipment	2.9%
342	Distribution Reservoirs & Standpipes	2.5%
343	Transmission & Distribution Mains	2.0%
346.1	Meters - Bronze Chamber	2.9%
349	Other Transmission & Distribution Plant	3.3%
391	Office Furniture & Equipment	5.0%
393	Stores Equipment	10.0%
394	Tools, Shop, Garage Equipment	5.0%
395	Laboratory Equipment	5.0%
396	Power Operated Equipment	6.7%
397	Communication Equipment	6.7%