

RATE INCREASE REQUEST LETTER-WATER SERVICE

JANUARY 30, 2009

FILED³

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**Missouri Public
Service Commission**

Secretary of the Commission
Missouri Public Service Commission
Attn: Data Center
P.O. Box 360
Jefferson City, MO 65102

RE: Request for Increase in Annual Water System Operating Revenues
MO PSC Water Utility Small Company Rate Increase Procedure

Dear Secretary:

Port Perry Service Company holds a certificate of public convenience and necessity granted by the Missouri Public Service Commission, under which the Company provides water supply and distribution services in Perry County, Missouri. The Commission first authorized the Company to provide regulated water utility service in July 1991. The Company currently provides service to approximately 267 water customers within its certificated service area under the provisions of its Commission-approved tariffs. The Company's customer rates for water service were last changed in May 2002.

Pursuant to 4 CSR 240-3.635, the Commission's rule pertaining to rate increase requests made by small water utilities, the Company is hereby requesting an increase of \$6,000.00 in its annual water system operating revenues. Based upon current customer rates and numbers, this increase represents a change of approximately 10.8% in the Company's annual water system operating revenues. The Company understands that the design of its customer rates, its service changes, its customer service practices, its general business practices and its general tariff provisions will also be reviewed during the Commission Staff's review of the rate increase request, and may thus be the subject of Staff recommendations at the conclusion of the rate increase process.

The specific reasons for the requested increase in the Company's annual operating revenues include: see-attached letter.

Lastly, I wish to advise you that the Company is current on the payment of its Commission annual assessments and the filing of its Commission annual reports. Additionally, the Company will remain current on these items during this small company rate increase procedure.

Missouri Public Service Commission
Re: Increase in Operating Revenue
January 30, 2009

Thank you for your attention to this important matter. Please contact me at your convenience if you need additional information regarding this request.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael E. Yamnitz".

Michael E. Yamnitz
President

Missouri Public Service Commission

Jefferson City, MO

Dear Sirs:

We hereby request changes to our operating tariff in the following areas:

1. Water and sewer tap fees:

Currently the approved fees are \$508.00 and \$404.00. Respectively and quite simply these amounts are not covering out current cost. We request an increase to \$700.00 for water and \$600.00 for sewer.

2. Reconnection fees:

Currently approved rates are \$50.00 for water and \$200.00 for sewer. We request an increase to \$100.00 for water and \$350.00 for sewer. These fees are rarely used however, when required the current fees do not cover current cost.

3. Water and sewer rates:

Considering the current customer base and an average growth factor of 4% per year the necessity of employing a full time licensed operator for both water and sewer, versus the two part time now used is becoming more evident and probably more cost effective. Projected salary for such an individual would be in the \$36,000/year range with benefits in the \$7,000.00/year range.

Analysis of the gallons billed versus gallons pumped indicates we may be experiencing another major break.

When first purchased unbilled water pumped into the system was approximately 53%. After two years and considerable expense we were able to reduce this to 32%. We find the majority of causes can be linked to the pipe used in the original construction of this project.

For the year ended 12-31-2007, unbilled water pumped has risen to 41%. We feel it is evident that a long-term plan to systematically replace the outdated material originally used in the construction is necessary. We estimate the replacement cost to run \$12,000.00 to \$15,000.00 per year on an on going basis.

Utility cost have risen 20% in the last four years. Other current operating cost have generally increased as well but have exceeded the 7% increase in revenue brought about by the increased growth.

Additionally there is a need to:

- a) Build a pump house and install chlorination for well #2.
- b) Purchase an area for the expansion of the sewer lagoon.
- c) Build a maintenance building.

To accomplish all of this we propose an increase in water rates from \$13.71/2000 gallon and 3.58/1000 gallon excess to \$14.25/2000 gallon and \$4.00/1000 gallon excess. Also an increase in sewer from \$18.24 EM to \$27.50 EM.

Sincerely,

Michael Epomnitz
President