

**UNANIMOUS PARTIAL AGREEMENT REGARDING DISPOSITION
OF SMALL SEWER COMPANY REVENUE INCREASE REQUEST**

TIMBER CREEK SEWER COMPANY

MO PSC CASE NO. SR-2010-0320

BACKGROUND

Timber Creek Sewer Company ("Company") initiated a small company revenue increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") Case Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on May 10, 2010, the Company set forth its request for an increase of \$63,500 in its total annual sewer service operating revenues. In its request letter, the Company also acknowledged that 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 ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 1,525 customers, the vast majority of which are residential customers located in Platte and Clay Counties.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Hereafter, these activities are collectively referred to as Staff's "investigation" of the Company's Request.)

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with the results of the investigation, with Staff's initial recommendations for the resolution of the Company's Request, and with other information regarding Staff's investigation.

PARTIAL RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's and OPC's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, Staff, OPC and the Company hereby state the following agreements:

- (1) Staff's rate design methodology of an equal percent increase to existing rates is acceptable;
- (2) The schedule of depreciation rates attached hereto as Attachment A and incorporated herein by reference, which includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of sewer plant depreciation rates for the Company;
- (3) The Commission's Auditing Department conducted an audit of the Company's books and records using a test year consisting of the 12-months ending December 31, 2009 as the period to base the revenue requirement calculation. All revenues, expenses and rate base investment were reviewed through this period and certain material revenue and expenses were trued up through the period ending June 30, 2010.

Staff provided the Company and OPC its initial recommendations of the revenue increase for the resolution of the Company's request and Staff's EMS run. The work papers supporting the revenue requirement calculation were also provided to the Company and the OPC with the results of its investigation regarding the proposed rate increase;

- (4) Within ninety (90) days of the effective date of an order approving this Unanimous Partial Disposition Agreement, the Company shall implement the following recommendations from the Auditing Department:
 - a. The Company shall keep a detailed list of invoices for future purchases within the Uniform System of Accounts ("USOA") including, but not limited to, the accounts Laboratory Equipment and Tools and Shop Equipment;
 - b. The Company shall maintain its financial and accounting records using the USOA guidelines for a Class A Sewer Company for its revenues, expenses and investment costs;
- (5) Within ninety (90) days of the effective date of an order approving this Unanimous Partial Disposition Agreement, the Company shall implement the following recommendations contained in the Engineering & Management Services Department ("EMSD") Report, except any recommendation associated with time sheets or any other contested items. The EMSD Report is attached hereto as Attachment B and incorporated by reference herein. These recommendations include the following:
 - a. The Company shall display the Company's logo on the Company's

vehicle;

(6) Within ninety (90) days of the effective date of an order approving this Unanimous Partial Disposition Agreement, the Company shall implement the following recommendations from Depreciation Staff associated with EMSD:

- a. The Company shall adjust the Company's general ledger to reflect the plant and reserve account balances shown in the Staff EMS exhibit, attached hereto as Attachment A and incorporated by reference herein;
- b. The Company shall adjust the Contributions in Aid of Construction ("CIAC") and the amortized CIAC account balances shown in the Staff EMS exhibit, attached hereto as Attachment A and incorporated by reference herein;
- c. The Company shall implement a work order system to track material cost, labor cost, overhead cost, and record cost of removal and gross salvage for all new, replaced or retired plant; and
- d. The Company shall follow National Association of Regulatory Utility Commissioners' ("NARUC") USOA guidelines for the recording of cost of removal and gross salvage in the Company ledger as adjustments to plant and reserves;

(7) Within six (6) months of the effective date of an order approving this Unanimous Partial Disposition Agreement, the Company shall implement the following recommendations from Depreciation Staff associated with EMSD:

- a. The Company shall estimate the original installed cost of the Johnson Ridge and Oakbrook collection and treatment facilities which were installed by a developer and transferred (donated) to the Company as contributed plant, and to provide these estimates to Depreciation Staff. This contributed plant relating to the collection and treatment facilities is to be included in plant in service and would be treated as a contribution in aid of construction an offset (reduction) to rate base;

(8) Staff and/or OPC may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Unanimous Partial Disposition Agreement;

(9) Staff and/or OPC may file a formal complaint against the Company, if the Company does not comply with the provisions of this Unanimous Partial Disposition Agreement;

(10) The Company agrees that it has read the foregoing Unanimous Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's knowledge and belief; that the foregoing conditions accurately reflect the partial agreement reached between the Company, OPC and Staff; and that the Company freely and voluntarily enters into this partial agreement; and

(11) The above partial agreements satisfactorily resolve all issues identified and addressed in the above paragraphs by Staff, OPC and the Company regarding the Company's Request.

ITEMS TO BE RESOLVED THROUGH THE CONTESTED CASE PROCESS

Staff, OPC and the Company hereby state that other items and issues have not been resolved and request that those issues be addressed through the contested case process. Pursuant to any procedural schedule related to the contested matters, the parties will provide a list of issues to the Commission. A reconciliation of the differences between the parties will be developed and provided to the Commission prior to the hearings.

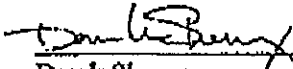
ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Unanimous Partial Disposition Agreement reflect compromises between Staff, OPC and the Company. The Company and OPC also acknowledge that the Staff will be filing this Unanimous Partial Disposition Agreement and the attachments hereto. The Company and OPC also acknowledges that Staff may make other filings in this case.

Additionally, the Company and OPC agree that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Partial Disposition Agreement at any agenda meeting at which that case is noticed to be considered by the Commission. Staff will be available to answer Commission questions regarding this Unanimous Partial Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advanced notice of any such agenda meeting so that they may have the opportunity to also be represented at the meeting.

SIGNATURES

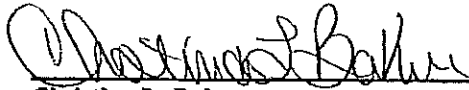
Agreement Signed and Dated:



Derek Sherry
President and General Manager
Timber Creek Sewer Company

10-7-2010

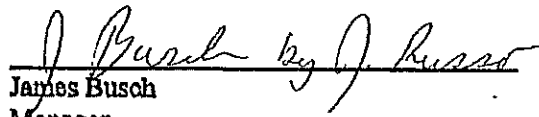
Date



Christina L. Baker
Senior Public Counsel
Office of the Public Counsel

10-7-10

Date



James Busch
Manager
Water & Sewer Department
Missouri Public Service Commission Staff

10/7/10

Date

List of Attachments

Attachment A – Schedule of Depreciation Rates

Attachment B – EMSD Report