

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

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| Staff of the Public Service Commission |) | |
| Of the State of Missouri, |) | |
| |) | |
| Complainant, |) | |
| |) | |
| v. |) | Case No. WC-2007-0452 |
| |) | WO-2007-0444 |
| Suburban Water and Sewer Co. and |) | WC-2008-0030 |
| Gordon Burnam |) | |
| |) | |
| Respondents. |) | |

STIPULATION AND AGREEMENT

This Stipulation and Agreement (“Agreement”) is hereby submitted to the Missouri Public Service Commission (“Commission”) by Suburban Water and Sewer Company (“Suburban”). This Agreement is referred to as Exhibit A Suburban’s separate Motion for Nonunanimous Stipulation and Agreement and Motion for Expedited Treatment and is being filed contemporaneously with said motion.

PREAMBLE

Suburban is subject to several pending cases, which are described further below, by the Commission, the Staff of the Commission (“Staff”), and the Office of Public Counsel (“OPC”).

The Commission’s primary responsibility to Suburban’s customers is to ensure that Suburban is providing safe and adequate water service at just and reasonable rates. The cases described below may take months to litigate, resulting in additional and unnecessary time and expense, and the parties

believe the settlement contemplated by this Agreement, focusing on service rather than potential penalties and litigation, will constitute a just and reasonable resolution of all pending matters.

I. BACKGROUND

Suburban is a “water corporation” and “public utility” as those terms are defined in § 386.020 RSMo. As such, Suburban is subject to the supervision and control of the Commission as provided by law in Chapters 386 and 393 RSMo.

On May 29, 2007, the Staff filed its original eleven-count complaint against Suburban and its shareholder and president, Gordon Burnam, with the Commission, alleging that Suburban and Mr. Burnam had violated the terms of the Disposition Agreement in Suburban's small company water rate case (Case No. WR-2005-0455) and seeking authorization to seek penalties against Suburban and Mr. Burnam pursuant to Sections 386.570 and 386.580 RSMo. 2000. This case was assigned Case No. WC-2007-0452 (hereinafter “the PSC Complaint Case”). On June 8, 2007, the Staff filed a first amended complaint in this case.

On May 21, 2007 the Office of Public Counsel (“OPC”) filed its application to open an investigation and schedule a local public hearing with the Commission to ensure that Suburban's customers were not deprived of safe and adequate water service and to “gather information regarding customers' concerns and preferences” for resolving the matter. The case was assigned Case No. WO-2007-0444 (hereinafter “the OPC Investigation Case”),

On June 5, 2007, the Commission consolidated the PSC Complaint Case and the OPC Investigation Case (hereinafter collectively “the Consolidated Cases”).

On July 24, 2007, the Commission granted in part and denied in part Mr. Burnam’s motion to dismiss for lack of jurisdiction.

On July 23, 2007, a local public hearing was held in the OPC Investigation Case. July 26-27, 2007, a hearing was held in the PSC Complaint Case. On August 28, 2007, the Commission approved a report and order in the Consolidated Cases. This report and order becomes effective September 7, 2007.

On July 27, 2007, the Staff filed another complaint against Suburban and Gordon Burnam with the Commission, alleging that Suburban and Mr. Burnam was violating Sections 393.130 and 393.140 RSMo. 2000. and requesting an investigation and order. This case was assigned Case No. WC-2008-0030 (hereinafter “the PSC Investigation Case”). This case is pending.

On June 7, 2007, the Commission filed a Petition for Preliminary and Permanent Injunction against Suburban and Mr. Burnam with the Boone County Circuit Court, alleging that Suburban and Mr. Burnam had threatened to discontinue water service and seeking an injunction. This case was assigned Case No. 07BA-CV02632 (hereinafter “the PSC Injunction Case”). On June 29, 2007, after a hearing, the Circuit Court entered a preliminary injunction. This case is still pending.

II. STIPULATION AND AGREEMENT

A. System Improvements

Subject to the conditions, limitations and agreements set forth below, Suburban agrees to complete the following projects:

1. Not later than September 30, 2007, employ/contract with a certified operator who holds an appropriate level operator's license issued by the Department of Natural Resources ("DNR") to act as the certified operator in charge of the Suburban water system serving Bon Gor Lake Estates in accordance with 4 CSR 10 Chapter 14. The certified operator will: (a) be physically present onsite at least three times a week, (b) ensure that the system is operated in accordance with all applicable DNR safe drinking water standards, specifically including daily checks on the chlorination system by the operator or his/her trained agent, daily checks on the distribution system residual chlorine levels by the operator or his/her trained agent, and periodic testing of the system pressure throughout the distribution system with written reports to the Staff and the General Counsel, and (c) physically available on short notice to respond to problems in the system.

2. Not later than September 30, 2007, install properly operating water meters to ensure that each building is metered. Install new meters where necessary, including but not limited to new meters in each location where the existing meter is more than ten (10) years old. In addition, to implement a meter program, ensuring that all meters are accurate as required by 4 CSR 240-10.030(37) and that they are all either less than ten (10) years old or have been tested within the past ten (10) years in accordance with 4 CSR 240-10.030(38),

and to keep adequate records of all meters including new identification, status (i.e., new or tested date and results), location, and date, place, and service.

3. Not later than September 30, 2007, contract with a qualified tank inspector to inspect the interior and exterior of the standpipe to determine its condition and whether it can/should remain in service, with the inspection to be completed, and a report of the inspection to be provided to the Manager of the Water & Sewer Department by October 31, 2007.

4. Not later than October 31, 2007, provide the Manager of the Water & Sewer Department with a written plan regarding the rehabilitation or replacement of the standpipe, consistent with the findings set out in the inspection report.

5. Not later than September 30, 2007, contract with an engineering firm to produce a plan of the distribution system, as described above, with that plan to be completed and provided to the Manager of the Water & Sewer Department by October 31, 2007.

6. Not later than six months after the distribution system plan is produced, install an adequate number of flush valves to establish flushing capabilities of at least 3 feet per second in all mains, with the flushing capability to be verified in the field by DNR or PSC Staff. Once the valves are installed, system flushing should be done on a regular basis, beginning on a six-month basis.

7. Beginning with the next billing cycle, read all installed meters on a monthly basis (subject to any reasonable delays due to weather and other things

beyond Suburban's control) and use those meter readings for billing purposes, and also read the system's master meter in conjunction with obtaining the customer meter readings.

8. Prepare no later than September 30, 2007, a customer brochure to the satisfaction of the Staff.

9. Prepare no later than October 31, 2007, and continually update, a continuous property record system for all plant that includes the date that all plant was/is in service, the purchase price of plant, and the date of retirement of plant, along with information as required by 4 CSR 240-50.020 and .030 of the Uniform System of Accounts for water companies.

10. Beginning with the September 2007 billing cycle, prepare monthly reports comparing the aggregate customer meter readings with the system's master meter readings, and provide those reports to the Manager of the Water & Sewer Department quarterly beginning in December 2007.

B. Customer Notice of Continued Service

Suburban will mail written notice by September 30, 2007 to all customers that Suburban will continue to provide safe and adequate water service in accordance with applicable law while Suburban is completing these projects and evaluating the future long-term options for Suburban's system in cooperation with the PSC Staff.

C. Complete Settlement and Dismissal of Cases

The completion of the items identified above represents a full and comprehensive settlement of the PSC Complaint Case, the OPC Investigation

Case, the PSC Injunction Case, and the PSC Investigation Case, and any other potential complaints arising from or related to said cases and, therefore, contemplates that no additional complaints, by amendment or otherwise, against Suburban or Mr. Burnam will be filed or authorized. Without limiting the foregoing, this Agreement is intended to resolve and settle for all time all pending or unfiled actions for any penalty or forfeiture, including those which may be brought by third parties, for or on account of any act, transaction, matter or thing, known or unknown, concerning the subject matter of the PSC Complaint Case and the OPC Investigation Case against Suburban, its successors, assigns, partners, agents, managers, officers and employees and, to the extent the Commission has any jurisdiction with respect thereto, Mr. Burnam, his successors, assigns, members, agents, managers, officers and employees and to forever release each and all of them from any punitive adverse action associated with the matters alleged in the PSC Complaint Case and the OPC Investigation Case or which have been examined in the context of the PSC Complaint Case and the OPC Investigation Case. Pending the completion of the items identified above, the Commission shall stay its order in the OPC Investigation Case and the PSC Complaint Case and shall stay all proceedings in the OPC Investigation Case, the PSC Complaint Case, and the PSC Investigation Case. Upon completion of the items identified above, the Staff and the OPC shall dismiss the OPC Investigation Case, the PSC Complaint Case, and the PSC Investigation Case against Suburban with prejudice. As discussed in Staff's July 25, 2007, Report, because it is possible that abandonment of the

standpipe is one option for the future of the system, the requirement for Suburban to replace the inlet valve should be stayed until a final determination is made on the standpipe issue.

D. Boone County Circuit Court Case

The Parties agree that the completion of the customer notice discussed above in §II.B above represents a full and comprehensive settlement of the PSC Injunction Case and any other potential circuit court actions arising from the matters in the OPC Investigation Case, the PSC Complaint Case, and the PSC Investigation Case and contemplates that no additional circuit court actions arising from these matters, by amendment or otherwise, against Suburban or Mr. Burnam will be filed or authorized. Upon completion of the customer notice in §II.B identified above, the Staff and Commission shall dismiss all pending circuit court actions against Suburban and Mr. Burnam with prejudice.

E. Receivership

Upon completion of the items identified above, including all dismissals described in paragraphs C and D above, Suburban will also agree and consent to the appointment of a receiver, for no compensation or other consideration, and otherwise in accordance with Section 393.145 RSMo. Suburban will reasonably cooperate in the application for a small water company loan, if the Staff and any received deems it necessary or desirable.

F. Future Rate Cases

This settlement does not constitute any finding for future ratemaking purposes, and the Parties expressly reserve their rights to examine any and all

issues in future rate cases. Suburban expressly reserves its right to seek recovery for any and all of the system improvements detailed in Staff's Report in future rate cases.

G. The Agreement is in the Public Interest.

The Parties agree the terms of the Agreement are in the public interest and should be approved by the Commission. The pending cases together with any Potential Complaints are likely to lead to protracted litigation on a number of issues which can better be addressed in the manner set forth in this Agreement. A settlement will allow Suburban to put this matter behind it and concentrate its energies to providing safe, reliable, and affordable water service. At the same time, it will allow Staff to allocate scarce time and resources to other important and pressing matters.

H. When the Agreement Becomes Effective

This Agreement becomes effective upon Commission approval without modification by final Commission order. Such order becomes "final" either by issuance of a Commission order on rehearing or, if no rehearing, on the effective date of the order.

III. THE EFFECT OF THE AGREEMENT

A. Except as specifically provided above, the Parties shall not be deemed to have approved or acquiesced in any question of Commission authority or other regulatory principle that may underlie this Agreement, or for which provision is made in this Agreement.

B. This Agreement is based on the unique circumstances leading to and presented by the Complaint. Except as specifically provided herein, this Agreement shall not be construed to have precedential impact in any other proceeding.

C. This Agreement represents a negotiated settlement. Except as specified herein, the Parties to this Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement, or in any way condition its approval of this Agreement.

D. The provisions of this Agreement have resulted from negotiations among the Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, it shall be void and no Party shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

E. When approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Parties. The Parties shall cooperate in defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms. Gordon Burnam shall be a third party beneficiary of and entitled to enforce Suburban's rights under this Agreement.

F. This Agreement contains the entire agreement of the Parties concerning the Complaint.

IV. COMMISSION APPROVAL OF THE AGREEMENT

A. The Staff shall also have the right to provide, at any agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide Suburban with advance notice of what oral explanation the Commission requests and when the Staff shall respond to the request. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to the Commission's Protective Order rule.

B. If the Commission does not unconditionally approve this Agreement without modification, neither this Agreement or any part hereof, nor any matters associated with its consideration by the Commission, shall be considered an admission on any matter nor a waiver of the rights that any Party has to a hearing on the issues presented by the Agreement, for cross-examination, or for a decision in accordance with Section 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Parties shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any suggestions, memoranda, testimony or exhibits that have been offered or received in support of this Agreement shall thereupon become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

C. In the event the Commission accepts the specific terms of the Agreement, the Parties waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. This waiver applies only to a Commission order approving the Agreement or other Report and Order approving this Agreement, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement.

D. Regardless of whether the Commission does not accept or accepts the specific terms of the Agreement, nothing herein shall be considered as an admission against interest by either Party.

WHEREFORE, the undersigned Parties respectfully request the Commission to issue an order in this case approving the Agreement subject to the specific terms and conditions contained therein.

Respectfully Submitted,

_____/s/ Matthew S. Volkert
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Attorneys for Respondent Suburban Water and
Sewer Company and Gordon Burnam

The undersigned certifies that a complete and conformed copy of the foregoing document was filed electronically and mailed to each attorney who represents any party to the foregoing action, by U.S. Mail, postage prepaid in the proper amount, at said attorney's business address.

/s/ Matthew S. Volkert

Dated: August 30, 2007