

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office in
Jefferson City on the 16th day
of June, 2005.

In the Matter of Suburban Water & Sewer)
Company's Water Utility Rate Increase)
Request.)

Case No. WR-2005-0455

ORDER APPROVING SMALL COMPANY RATE INCREASE
AND APPROVING TARIFF

Issue Date: June 16, 2005

Effective Date: June 30, 2005

On December 3, 2004, Suburban Water & Sewer Company initiated a small company rate increase under Commission rule 4 CSR 240-3.635. Suburban originally requested a rate increase that would generate an additional \$7,100 in annual water service revenues. Suburban provides water service to approximately 110 residential customers. The company informed its customers of the proposed rate increase on January 7, 2005. One customer responded, stating that although she was concerned about the increase, she agreed that it was necessary for better water quality and improved system pressure. The company's current rates have been effective since November 1, 1993.

On May 31, 2005, Suburban filed proposed tariff revisions designed to produce an increase of \$4,192 in its annual water system revenues. The revised tariff sheets bear an effective date of June 30, 2005. Along with its tariff revisions, the company filed a letter indicating that it has reached an Agreement Regarding Disposition of Small Company Rate

~~STATE~~ Exhibit No. 2
Case No(s). WR-2005-0455
Date 7 27 07 Rptr PC

Increase Request with the Commission's Staff and the Office of the Public Counsel. Staff filed that agreement on June 6, 2005.

On June 13, 2005, Staff filed a recommendation and memorandum urging the Commission to approve Suburban's revised tariff sheets and the disposition agreement. Staff states that based upon an audit of the company's books and records, a determination of the company's rate base investments and necessary operating expenses, an evaluation of the company's depreciation rates, an analysis of the company's capital structure and cost of capital, and an investigation of the company's business system operation, Staff concludes that an increase of \$4,192 in the company's annual water service operating revenues is warranted.

Staff therefore recommends that the Commission approve the disposition agreement, which reflects the following agreements between the parties: (1) that an increase of \$4,192 in the company's annual operating revenues is necessary; (2) that certain changes to the company's administrative operation are appropriate; (3) that new depreciation rates need to be prescribed for the company; (4) that the rates included in the proposed tariff are designed to generate revenues sufficient to recover the company total annualized cost of service; and (5) that the rates included in the tariff revision are just and reasonable.

Staff also notes that the company is current on the payment of its Commission assessments and on the filing of its annual reports to the Commission. Staff adds that the company has no other matter pending before the Commission, and that approval of the tariff revisions will not affect any other matter before the Commission.

The Commission has the authority to approve the proposed tariff revision in accordance with Sections 393.140(11) and 393.150, RSMo 2000. In addition, Section 393.130, RSMo 2000, provides that all charges made by any water corporation for water service rendered are to be "just and reasonable." The Commission's rules, at 4 CSR 240-3.635, provide the procedural requirements for approval of a disposition agreement resolving a small water company's proposed rate increase.

The Commission finds that Suburban, Staff and OPC have complied with the procedural requirements for approval of a disposition agreement found in Commission rule 4 CSR 240-3.635. The Commission further finds that the disposition agreement between Suburban, Staff and OPC is reasonable, and will be approved. Furthermore, the Commission finds that the company's tariff sheets, and the rates they establish, are just and reasonable and will be approved.

IT IS THEREFORE ORDERED:

1. That the Agreement Regarding Disposition of Small Company Rate Increase Request between Suburban Water & Sewer Company, the Staff of the Commission, and the Office of the Public Counsel is approved.
2. That Suburban Water & Sewer Company is directed to comply with the terms of the Agreement Regarding Disposition of Small Company Rate Increase Request.
3. That the tariff sheets filed by Suburban Water & Sewer Company, and assigned Tariff File No. YW-2005-1074, are approved for service on or after June 30, 2005.

4. That this order shall become effective on June 30, 2005.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Murray, Clayton, and Appling, CC.,
concur.

Davis, Chm., concurs, with separate
concurring opinion to follow.

Gaw, C., dissents, with separate
dissenting opinion to follow.

Jones, Regulatory Law Judge