

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

APR 23 2012

In the Matter of the Application of Suburban Water, Inc.,)
d/b/a Suburban Water Company, for Approval of the)
Commission to Make Certain Changes in its Rates for)
Water Service, for Approval of an Amendment to a)
Contract for Sale of Water with Board of Public Utilities,)
an administrative agency of the Unified Government of)
Wyandotte County/Kansas City, Kansas ("BPU"), and for)
Approval of a Purchase Water Adjustment ("PWA"))
Tariff)

by
State Corporation Commission
of Kansas

Docket No. 12-SUBW-359-RTS

JOINT MOTION TO APPROVE STIPULATION AND AGREEMENT

COMES NOW Suburban Water, Inc., d/b/a Suburban Water Company ("Suburban"), the Staff of the State Corporation Commission of the State of Kansas ("Staff"), and the Citizens' Utility Ratepayer Board ("CURB") (collectively "Joint Movants") and respectfully move the Commission for an Order approving the Stipulation and Agreement ("Stipulation") filed concurrently with this Motion. The Stipulation is attached as Attachment 1.

1. On January 11, 2012, the Commission issued a Procedural Order in this docket setting a settlement conference for April 13, 2012, a prehearing conference for April 30, 2012, and technical hearings commencing on May 7, 2012, continuing as necessary through May 9, 2012.

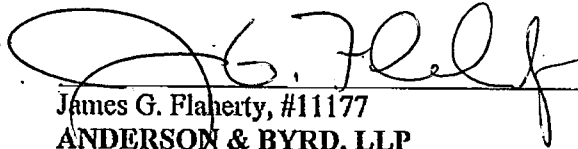
2. The parties have been working diligently to resolve the issues in this docket and reached agreement settling all disputed matters, and attach a Stipulation to be considered by the Commission for approval. Joint Movants believe the Stipulation is reasonable and is in the public interest. Joint Movants respectfully request that the Commission approve the Stipulation. To facilitate the Commission's consideration of the terms of the Stipulation, the parties are filing testimony in support of the Stipulation.

3. The parties further request the Commission convert the May 7-9, 2012 Evidentiary Hearing to a Settlement Hearing to be held May 7, 2012, beginning at 9:00 a.m., and amend the

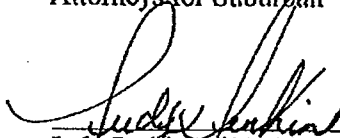
Procedural Schedule to reflect the requested changes.

WHEREFORE, Joint Movants respectfully request the Commission approve the Stipulation as proposed by the signatory parties thereto, the Evidentiary Hearing in this docket be cancelled and replaced with a Settlement Hearing to be held at 9:00 a.m. on May 7, 2012, and the Procedural Schedule amended to reflect the requested change.

Respectfully submitted,



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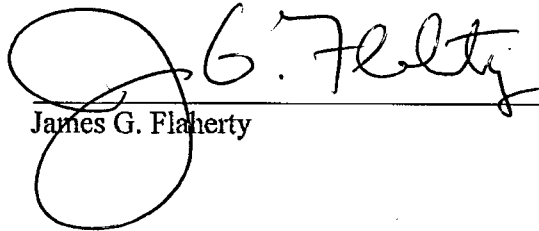
Niki Christopher, #19311
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Attorneys for CURB

VERIFICATION

STATE OF KANSAS)
)ss:
FRANKLIN COUNTY)

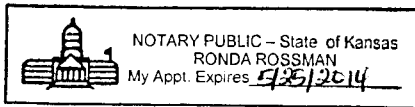
James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is an attorney for Suburban Water, Inc., d/b/a Suburban Water Company; that he has read the above and foregoing Joint Motion to Approve Stipulation and Agreement, knows the contents thereof; and that the statements contained therein are true.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 20th day of April, 2012.





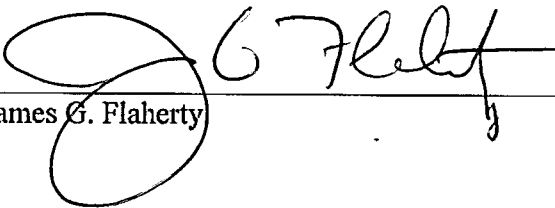
Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Joint Motion to Approve Stipulation and Agreement was served by electronic service on this 23rd day of April, 2012, to the following parties who have waived receipt of follow-up hard copies.

Niki Christopher	n.christopher@curb.kansas.gov
C. Steven Rarrick	s.rarrick@curb.kansas.gov
Della Smith	d.smith@curb.kansas.gov
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James G. Flaherty

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Suburban Water, Inc.,)
d/b/a Suburban Water Company, for Approval of the)
Commission to Make Certain Changes in its Rates for)
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Contract for Sale of Water with Board of Public Utilities,)
an administrative agency of the Unified Government of)
Wyandotte County/Kansas City, Kansas ("BPU"), and for)
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STIPULATION AND AGREEMENT

I. INTRODUCTION

As a result of extensive discussions between Suburban Water, Inc., d/b/a Suburban Water Company ("Suburban"), the Staff of the State Corporation Commission of the State of Kansas ("Staff"), and the Citizens' Utility Ratepayer Board ("CURB") (referred to collectively as the "Parties"), the Parties hereby submit to the Kansas Corporation Commission ("Commission") for its consideration and approval the following Stipulation and Agreement ("Stipulation").

II. SUBURBAN'S APPLICATION

1. On November 16, 2011, Suburban filed an Application with the Commission seeking approval to make certain changes in its rates for water service, for approval of an amendment to a contract for sale of water with the Board of Public Utilities ("BPU"), and for approval of a Purchase Water Adjustment ("PWA") tariff. *See*, Docket No. 12-SUBW-359-RTS, Application, filed November 16, 2011 (Application).

2. Suburban further alleged in its Application that the schedules filed with the Application indicated a gross revenue deficiency of \$296,280.00, adjusted for known and measurable changes. *See*, Application, paragraph 9.

3. In support of its Application, Suburban submitted the testimony of two witnesses and the schedules required by K.A.R. 82-1-231, as modified by the waiver approved by the Commission in its Order dated January 4, 2012. *See*, Docket No. 12-SUBW-359-RTS, Order Granting Waiver, issued January 4, 2012.

III. STAFF AND OTHER PARTIES' PREFILED POSITIONS

4. On March 15, 2012, Staff filed its direct testimony and schedules in the above docket. Staff is recommending a rate decrease of \$71,555.00 for Suburban; approval of the BPU contract amendment; and denial of Suburban's request to implement a PWA tariff.

5. CURB also filed testimony and schedules in which it recommended the Commission deny both Suburban's request for an increase because Suburban's adjusted revenues exceed its adjusted test year expense and Suburban's request to implement a PWA tariff.

6. Both Staff and CURB also made recommendations relating to several business practices of Suburban identified in this Stipulation.

7. Suburban filed rebuttal testimony on April 9, 2012.

8. Suburban, Staff and CURB filed prehearing briefs addressing several issues relating to Suburban's BPU contract which were identified by the Commission in previous dockets.

9. Subsequently, on April 13, 2012, the Parties met collectively to discuss the possible settlement of the issues in this matter.

IV. TERMS OF THE STIPULATION

After extensive negotiations, the Parties have agreed upon the following terms:

A. STIPULATED ANNUAL REVENUE DECREASE

10. The Parties agree that Suburban's request for an increase in its revenue requirement be denied and its annual revenue requirement be decreased by \$13,500.00.

B. AMORTIZATION PERIOD

11. Amortization periods are established for the following items and the actual amortization of these items will commence when the rates for this proceeding go into effect:

a. Suburban's rate case expense is included in the stipulated revenue requirement in this case and Suburban's actual rate case expense is to be amortized over three (3) years;

b. Staff's Adjustment IS-17 (Expired Rebates) is included in the stipulated revenue requirement in this case and is to be amortized over five (5) years.

C. SUBURBAN SHALL CEASE THE PRACTICE OF ALLOWING EMPLOYEES TO PURCHASE PERSONAL ITEMS THROUGH SUBURBAN

12. Suburban admits allowing employees to purchase personal items using Suburban's credit cards. Suburban has ceased this practice and agrees it shall be prohibited from allowing employees to purchase personal items using Suburban's credit cards in the future. In addition, Suburban shall memorialize all employee loans in written loan agreements. Suburban shall file these written loan agreements with payment schedules in the scheduled upcoming abbreviated rate case. If Suburban fails to comply with this provision, the Commission shall require Suburban to pay a penalty to be determined by the Commission.

D. IMPLEMENTATION OF A BIDDING PROCESS TO ENSURE SUBURBAN'S PROPERTY, PLANT AND EQUIPMENT ARE BEING PURCHASED AND INSTALLED AT COMPETITIVE PRICES

13. Suburban admits it did not implement a bidding process pursuant to Commission Order to ensure Suburban's Property, Plant and Equipment ("PPE") was being installed at competitive prices. *See*, Docket No. 05-SUBW-104-RTS, Interim Order, issued March 28, 2005 as adopted in the Final Order, issued June 28, 2005. Suburban agrees it will bid out its routine and time sensitive maintenance and repair projects on a two (2) year cycle and separately bid out all

other projects on a project by project basis. Suburban also agrees it will bid out any purchase of equipment and other materials costing more than \$2,500.00 that are available from competitive vendors. Suburban shall maintain a file for each bid and a written explanation as to why a bid was selected by Suburban. Suburban shall file a compliance report with the Commission once a year detailing its recent efforts in this regard. The initial filing shall be included in the 2012 abbreviated rate case. If Suburban fails to comply with this provision, the Commission shall require Suburban to pay a penalty to be determined by the Commission.

E. SUBURBAN SHALL DISCONTINUE PAYING FOR PERSONAL EXPENSES OF EMPLOYEES AND NON-EMPLOYEES

14. Suburban shall discontinue paying for cable television and XM Satellite radio services as previously provided for at the home of one of its employees. If Suburban fails to comply with this provision, the Commission shall require Suburban to pay a penalty to be determined by the Commission.

15. Suburban shall discontinue paying for cell phone expenses for non-employees. If Suburban fails to comply with this provision, the Commission shall require Suburban to pay a penalty to be determined by the Commission.

F. REGULATORY EXPENSE RECOVERY

16. Pursuant to the June 3, 2011 Commission Order on Application, Docket No. 11-SUBW-448-RTS, paragraph 58; and, the July 18, 2011 Order on Petition for Reconsideration, Docket No. 11-SUBW-448-RTS, paragraph 10, Staff has determined the estimated amount of the additionally incurred rate case expense at issue is \$6,165. The parties agree this amount shall be paid by Suburban during fiscal year 2014. The payment (which is an offset) shall be paid into a newly created Docket identified as Docket No. 12-SUBW-359-FIN.

G. RENTAL PAYMENTS SHALL BE APPLIED TO SUBURBAN'S NOTE RECEIVABLE UNTIL MR. BREUER'S DEBT TO SUBURBAN HAS BEEN PAID

17. Ray Breuer owes Suburban for personal expenses, Suburban paid on Ray Breuer's behalf. Suburban shall require Ray Breuer to apply at least \$30,000.00 per year of the rental payments he receives from renting an office, maintenance building and land to Suburban to the note Ray Breuer owes to Suburban until his debt to Suburban has been paid in its entirety.

H. WITHDRAWAL OF PWA

18. Suburban agrees to withdraw its request for a PWA tariff in this case.

I. APPROVAL OF THE BPU CONTRACT AMENDMENT

19. The Parties agree the BPU Contract Amendment filed in this case should be approved by the Commission.

J. NEW GROUND WATER SUPPLIES

20. Suburban agrees to incur the costs necessary to conduct the preliminary work required to determine if new ground water supplies are located in proximity to Suburban's distribution system. The Parties agree Suburban shall be allowed to establish a deferred account relating to costs associated with the preliminary work so it can seek recovery of such costs in its next rate case following the abbreviated rate case. At the conclusion of the ground water study, Suburban shall file a report on the result of its study with the Commission to include the Company's recommendation on how to proceed.

K. ABBREVIATED RATE CASE

21. The Parties agree Suburban shall use the abbreviated rate case procedure to seek recovery of the January 1, 2013, BPU rate increase in its wholesale rate charged to Suburban, as contemplated and summarized in Staff's letter dated November 23, 2010, to Suburban.

a. **TEST YEAR.** The Parties agree Suburban shall use the twelve (12) month

period ending September 30, 2012, as the test year in its abbreviated rate case.

b. **PUBLIC MEETING.** The Parties agree Suburban shall hold a public meeting with its customers regarding its abbreviated rate case filing.

c. **PILOT FEE REFUND.** In accordance with the Commission's June 3, 2011 Order on Application, page 18, paragraph 35 (Docket No. 11-SUBW- 448-RTS) ,the Parties agree that the PILOT Fee collected in the amount of \$7,467.00, will be refunded to customers by virtue of it being included in the revenue requirement reduction of \$13,500, contained in paragraph 10 of this agreement. The parties further agree that the PILOT fee refund shall be addressed in the abbreviated rate case so that the reduction in revenue is not included in the base rates arising from the test year (twelve (12) month period ending September 30, 2012).

d. **LOAN AGREEMENTS/PAYMENT SCHEDULES.** Suburban shall include copies of its outstanding loan agreements and payment schedules between the company and its employees in its abbreviated rate case filing so Staff and CURB can confirm Suburban is in compliance with Section IV.C. of this Stipulation.

e. **IMPLEMENTATION OF BID PROCESS.** As part of the abbreviated rate case process, Suburban shall provide Staff and CURB access to Suburban's files and other records so Staff and CURB can confirm Suburban is in compliance with Section IV.D. (Implementation of Bidding Process) of this Stipulation.

L. **REGULATED/NON-REGULATED OPERATIONS**

22. The company has agreed to develop in its next rate case cost allocation ratios for facilities and employees that serve regulated and non-regulated businesses. The cost allocation ratios will be applied where the recovery of some of the costs in the rate case include regulated and

non-regulated operations.

M. RATE DESIGN

23. The Parties have reached agreement on rate design. The Parties agree there will be no change to the monthly customer charge, which shall continue to include the customer's first 1,000 gallons of water usage. The monthly charge will remain at \$20.00 per month per customer, which includes the first 1,000 gallons of usage. The commodity charge shall be \$7.74 per 1,000 gallons for all sales over 1,000 gallons.

N. IMPLEMENTATION OF SECTION XV OF SUBURBAN'S TARIFF (MINIMUM STANDARDS FOR BILL PAYMENT METHODS)

24. Suburban agrees to implement Section XV of its tariff to ensure that customer payments are processed in compliance with the Commission's Billing Standards.

V. MISCELLANEOUS PROVISIONS

A. COMMISSION'S RIGHTS

25. Nothing in this Stipulation is intended to impinge or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation, including the obligation to ensure that Suburban is providing efficient and sufficient service at just and reasonable rates.

B. PARTIES' RIGHTS

26. The Parties will file prefiled testimony in support of this Stipulation in this docket no later than April 23, 2012. The Parties propose that a Settlement Hearing on the Stipulation be held on May 7, 2012, the first day of the scheduled rate case proceeding.

C. WAIVER OF CROSS-EXAMINATION

27. The Parties waive cross-examination on all testimony regarding all issues addressed in this Stipulation. The Parties agree that all prefiled testimony and exhibits and all testimony filed

in support of the Stipulation may be incorporated into the record without objection. The Parties request that the Commission take administrative notice of all prefiled testimony and exhibits and the Commission's orders in Suburban's last rate case, Docket No. 11-SUBW- 448-RTS.

D. NEGOTIATED SETTLEMENT

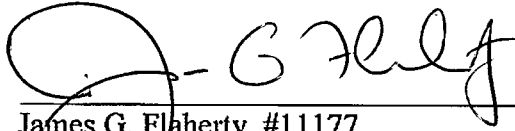
28. This Stipulation represents a negotiated settlement that fully resolves the issues addressed in this document. The Parties represent that the terms of this Stipulation constitute a fair and reasonable resolution of the issues addressed herein. Except as specified herein, the Parties shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation (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 Stipulation in the instant proceeding. If the Commission accepts this Stipulation in its entirety and incorporates the same into a final order without material modification, the Parties shall be bound by its terms and the Commission's order incorporating its terms to all issues addressed herein and in accordance with the terms hereof, and will not appeal the Commission's order on these issues. However, should the Commission recommend material modifications to this Stipulation, it is agreed that the Parties retain the right to a full Evidentiary Hearing in this docket.

E. INTERDEPENDENT PROVISIONS

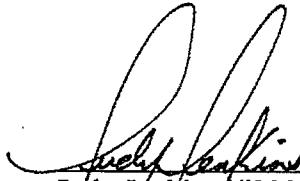
29. The provisions of this Stipulation have resulted from negotiations among the Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation in total, it shall be voidable and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof. Further, in such event, this Stipulation shall be considered privileged and not admissible in evidence or made a part of the record in any proceeding.

IN WITNESS WHEREOF, the Parties have executed and approved this Stipulation and Agreement, effective as of the 20th day of April, 2012, by subscribing their signatures below.

Respectfully submitted,



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LAW OFFICES OF
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ROBERT A. ANDERSON
(1920-1994)
RICHARD C. BYRD
(1920-2008)

April 23, 2012

Sent by Facsimile
Original Mailed 4/23/12

Ms. Patrice Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 S. W. Arrowhead Road
Topeka, Kansas 66604-4027

Re: Suburban Water Company
Docket No. 12-SUBW-359-RTS

Dear Ms. Petersen-Klein:

Please file the enclosed Joint Motion to Approve Stipulation and Agreement on behalf of Suburban Water, Inc., d/b/a Suburban Water Company in the above captioned matter. I would appreciate receiving a file stamped copy of this cover letter as well as a file stamped copy of the Joint Motion for my files. An envelope is included for your convenience.

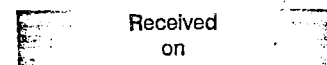
Thank you for your assistance. If you have any questions, please call.

Sincerely,

James G. Flaherty

James G. Flaherty
jflaherty@andersonbyrd.com

JGF:rr
Enclosure



APR 23 2012

by
State Corporation Commission
of Kansas