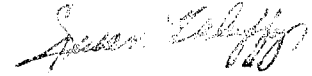


BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

MAR 19 2010



In the Matter of the Application of Suburban Water,)
Inc., d/b/a Suburban Water Company, for Approval)
of a Purchased Water Adjustment ("PWA"))

Docket No. 10-SUBW-~~602~~-TAR

APPLICATION

COMES NOW the Applicant, Suburban Water, Inc., d/b/a Suburban Water Company ("Suburban Water" or "Applicant"), and pursuant to K.S.A. 66-117, 66-1,230, 66-1,232, 66-1,233, and the Kansas Corporation Commission's ("Commission") Rules of Practice and Procedure, states as follows:

1. Applicant is a corporation duly organized under the laws of the State of Kansas, and has its principal place of business at 1216 N. 155th Street, Basehor, Kansas 66007.

2. All communications regarding this Application should be addressed to:

Mike Breuer, President
Suburban Water Company
1216 N. 155th Street
P. O. Box 147
Basehor, Kansas 66007
Mike@suburbanwaterinc.com

Gregory L. Wilson, CPA
Twenty-First Century Mgmt. Consultants
P. O. Box 532
DeSoto, Kansas 66
Greg12@sprynet.com

James G. Flaherty
Anderson & Byrd, LLP
216 S. Hickory
P. O. Box 17
Ottawa, Kansas 66067
jflaherty@andersonbyrd.com

3. Applicant is duly authorized to transact business in the State of Kansas, holds appropriate certificates from this Commission to transact business as a water public utility, and is now and has been engaged in the purchase, transmission, sale and distribution of water in the State of Kansas in accordance with the laws of said State and the Rules and Regulations of this Commission. Applicant provides retail water service to approximately 1,500 residential and small commercial customers in Leavenworth County, Kansas. Applicant also provides wholesale water service to Rural Water District No. 10 in Leavenworth County, Kansas.

4. Suburban Water currently purchases approximately sixty percent (60%) of the water that it supplies to its retail and wholesale customer from the Kansas City, Kansas Board of Public Utilities ("BPU"). Since Suburban Water's last rate filing in 2007 (Docket No. 07-SUBW-1352-RTS), BPU has increased the rate it charges Suburban Water for its water supply several times. In addition, BPU has recently announced it intends to increase the rate it charges Suburban Water by nearly 30% incrementally over the next five year period starting in 2010 (8.0% in 2010; 8.0% in 2011; 7.5% in 2012 and 7.5% in 2013). Suburban Water does not currently have a purchase cost adjustment provision in its tariffs like gas and electric utilities that would allow it to recover these proposed increases in its water supplies without filing a rate case. Given Suburban Water's relatively small size (less than 1,500 customers), it is not practical to file a rate case each time its wholesale water supply costs are increased by BPU. This is especially true given BPU's announcement it plans to have a 7.5% to 8% increase in rates charged to Suburban Water for each of the next five years. Accordingly, Suburban Water is requesting permission to implement a purchased water cost adjustment ("PWA") similar to the purchased gas adjustments currently approved by natural gas utilities regulated by the Commission.

5. The purchased water adjustment clause Suburban Water is requesting be approved is attached hereto as Appendix A and incorporated herein by reference. This clause has been designed with the objective of allowing cost recovery (or return) to occur in the same period during which charges in prices paid for water occur. This is accomplished by establishing on June 1 of each year an estimated total cost for purchased water for the ensuing 12 months.

6. Under this clause, the estimates will be based on known changes in wholesale water rates as specified in contracts in effect on the estimating date, and estimated changes in volumes of water from each supplier. The estimated costs include the cost of water, the cost and unaccounted for water, and any cost incurred in administering wholesale water contracts, including rate case expense incurred in intervention of any wholesale supplier's rate case, on behalf of Suburban Water and its customers.

7. Once the total estimated cost of purchased water for the forecasted year is determined, such cost is divided by the amount of water estimated to be sold during the same period to produce an estimated effective cost per 1,000 gallons. Such calculation provides a forward-looking, weighted average cost of water which can be compared to the cost of water during the base period to arrive at the net purchased water adjustment. During the ensuing 12- month period, the adjustment may be recomputed if unforeseen changes result in a change in the average cost of water for the 12-month period of one mill or more per 1,000 gallons.

8. The purchased water adjustment clause includes a variable line loss factor, which will not exceed a limit to be calculated on the most recent 12-month period ended June 30 or the established limit value, whichever is less. The clause also provides for a settlement calculation to be made annually, by comparing costs recovered through the clause to actual costs incurred. The clause

will allow the Commission to reserve the right to require an earlier settlement if over- or under-recoveries are excessive. The settlement amount would be returned to or recovered from customers by incorporating a settlement factor, in cents per 1,000 gallons, into the PWA clause during the succeeding 12-month period.

9. The proposed purchased water adjustment clause does not contain a provision for the assessment of Suburban Water due to estimating inaccuracies that result in excessive over-recoveries. However, the proposed tariff will allow the Commission to review annually the net over- or under-recovery by Suburban Water and where over-recovery is excessive, interest can be ordered to be paid on the refund thereof.

10. Suburban Water will submit monthly reports to the Commission for review by its Staff. Such reports will be submitted in the form and manner prescribed by the Commission. The report from Suburban Water will be received by the Commission on or before the 25th day of the month prior to the month for which such utility's purchased water adjustment is to be billed.

11. Suburban Water agrees that it is necessary and appropriate for the Commission and its Staff to develop and implement a monitoring and auditing system to insure the proper implementation of the purchased water adjustment clause prescribed by this application. As part of the audit procedure, Suburban Water agrees to submit to this Commission, within fifteen (15) days after execution, every water purchase contract together with a statement of other alternatives for obtaining the necessary water and the reasons for selecting the alternative embodied in the contract. This provision shall apply to all new contracts and to all existing contracts which are either renewed or renegotiated. Suburban Water also agrees that within 15 days following notification from its water supplier, it will provide to the Commission a statement of the justification for every escalation invoked

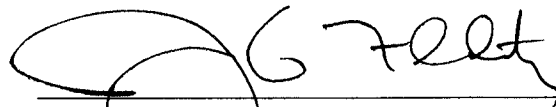
under the terms of its existing contracts.

12. The above referenced contracts will be used only by the Commission and its Staff for investigative purposes and therefore will be deemed confidential or proprietary documents by this Commission in order to maintain the integrity of the utility's decision represented by said documents. The routine filing of such water purchase contracts shall not constitute them to be public documents as defined by state law except as may be otherwise ordered by the Commission.

13. Suburban Water's proposed PWA calculation, which is attached hereto as Appendix B, reflects the proposed increase in rates that BPU plans to charge to Suburban Water beginning June 1, 2010. The PWA reflects a change in the BPU charge included in Suburban Water's last rate case order of \$1.70 per 1,000 gallons base charge and BPU's proposed rate of \$1.77 per 1,000 gallons based charge, plus a water loss adjustment of 5.29%, for a net increase of \$0.0739 per 1,000 gallons.

14. A proposed PWA tariff is attached hereto as Appendix C for the Commission's review and approval.

WHEREFORE, Suburban Water requests approval of its purchased water cost adjustment and for such further relief as the Commission finds necessary.




James G. Flaherty, #11177
ANDERSON & BYRD, LLP
216 S. Hickory, P. O. Box 17
Ottawa, Kansas 66067
(785) 242-1234, telephone
(785) 242-1279, facsimile
Attorneys for Suburban Water, Inc., d/b/a Suburban
Water Company

VERIFICATION

STATE OF KANSAS)
)ss:
COUNTY OF FRANKLIN)

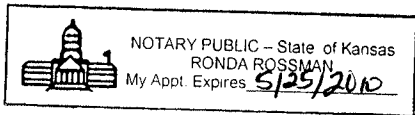
James G. Flaherty, of lawful age, being first duly sworn on oath, states:

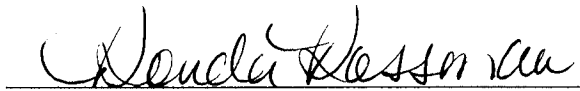
That he is the attorney for Suburban Water, Inc., d/b/a Suburban Water Company, named in the foregoing Application, and is duly authorized to make this affidavit; that he has read the foregoing Application, and knows the contents thereof; and that the facts set forth therein are true and correct.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 19 day of March, 2010.





Notary Public

Appointment/Commission Expires:

STATE CORPORATION COMMISSION OF KANSAS

PURCHASED WATER COST ADJUSTMENT CLAUSE

WATER UTILITIES

Rate Schedules Covered: All rate schedules shall be subject to a purchased water cost adjustment.

COMPUTATION FORMULA

The specified service rates are subject to adjustment for change in the average cost of water from all wholesale sources of supply purchased. On June 1 of each year, the company will project the average cost of wholesale water for the 12 months ending June 30 of the following year. If at any time during this 12-month period, the company experiences a change or changes in supplier rates or in sources of supply, the cumulative effect of which change or changes is to produce an increase or decrease in the new projected effective rate for purchased water from all suppliers of at least 0.1¢ per 1,000 gallons, then an adjusted average rate shall be determined. The annual cost of water projection and any revised projections throughout the year will be computed using the following formula:

$$\left\{ \frac{P}{(.01) V} \right\} - b = \text{Adjustment}$$

Where:

- P = The estimated total dollar cost of purchased water to be sold calculated by summing the products of the most recent unit cost of purchased water from each wholesale supplier and the estimated unit purchased from each wholesale supplier for the 12-month period ending June 30. In the event that changes in the rates paid for purchased water will take place within the current 12-month period ending Jun 30 as specified by contract provisions currently in effect, the estimated average unit cost of purchased water from each supplier for the current 12-month period ending June 30, may be used in the calculation in place of the cost recent unit cost.
- V = The estimated sales volume in 1,000 gallons for the 12-month period ending June 30.*
- b = Actual purchase water cost in ¢/1,000 gallons established during the base period.

*If the actual sales volume reflects a line loss factor greater than the limit value, restatement of sales volume, based on the limit value for line loss, shall be required.

COMPUTATION PERIOD

The computation period shall be the subsequent 12-month period ending June 30.

COMPUTATION FREQUENCY

The computation shall be made annually on June 1, and each time a change or changes occur in supplier rates or sources of supply, the cumulative effect of which change or changes is to produce an increase or decrease in the new effective rate paid for purchased water by at least 0.1¢/1,000 gallons.

SETTLEMENT PROVISION

Subsequent to the effective date of this clause, the company shall maintain a continuing monthly comparison cost of wholesale water as shown on the books and records of the company, exclusive of refunds, and the cost of wholesale water for the same month calculated by applying to the volumes sold during said month the new estimated effective rate $\frac{P}{(0.1) V}$ used to determine the purchased

water cost adjustments pursuant to these purchased water cost adjustment provisions. For each 12-month billing period ended June 30, the cumulative differences of the comparisons described above will be added to the "Actual Cost Remainder" described below to produce a cumulative balance of over-recovered or under-recovered costs. An "Actual Cost Adjustment" ("ACA") shall be computed by dividing the cumulative balance of under-recovered or over-recovered costs by the volume of total sales during the 12-month period ending on that date. This adjustment shall be rounded to the nearest 0.0001/per 1,000 gallons and applied to sales billed on or after the first day of the month following the month in which the adjustment has been approved by the Commission. The "Actual Cost Adjustments" shall remain in effect until superseded by subsequent "Actual Cost Adjustments" calculated according to this provision.

Suburban Water Company

Total Gallons Pumped and Purchased

	Total Gal pumped	BPU Purchases	Totals	Total Sold	Difference	Tank Level	Water Loss %
Jan-09	4,418,400	6,348,276	10,766,676	9,473,079	1,293,597	810000	12.01%
Feb-09	4,279,100	5,605,512	9,884,612	9,336,792	547,820	-60000	5.54%
Mar-09	4,245,000	4,856,016	9,101,016	9,813,386	-712,370	-30000	-7.83%
Apr-09	4,237,550	5,122,304	9,359,854	9,667,950	-308,096	-120000	-3.29%
May-00	4,229,300	5,284,620	9,513,920	10,853,558	-1,339,638	-60000	-14.06%
Jun-09	5,264,800	6,758,180	12,022,980	13,737,381	-1,714,401	-840000	-14.26%
Jul-09	5,491,750	7,917,580	13,409,330	13,096,588	312,742	570000	2.33%
Aug-09	5,835,250	7,939,272	13,774,522	12,145,266	1,629,256	330000	11.83%
Sep-09	5,515,850	7,317,684	12,833,534	11,478,308	1,355,226	120000	10.56%
Oct-09	4,663,850	6,431,304	11,095,154	8,814,231	2,280,923	246000	20.56%
Nov-09	3,971,100	5,394,576	9,365,676	8,993,178	372,498	-96000	3.98%
Dec-09	7,145,750	5,147,736	12,293,486	8,959,523	3,333,963	-540000	27.12%
Yearly Total	52,151,950	74,123,060	133,420,760	126,369,240	7,051,520	330,000	5.29%
	44%	56%	100%		5.29%		

Water Purchase Adjustment

Current BPU Charge	\$ 1.7700	per 1000 gallons
Docket 07-SUBW-1352-RTS	\$ 1.7000	per 1000 gallons base charge
Adjustment	\$ 0.0700	per 1000 gallons
Water Loss Adjustment	5.29%	
Water Purchase Adjustment:	\$ 0.0739	

Proof

BPU Cost of Water	\$ 131,197.82	Based on \$1.77 /1000
Base Charge Cost	\$ 126,009.20	Based on \$1.70 /1000
Annual Adjustment	\$ 5,188.61	

Water Sales	126,369	1,000 gallons
BPU Purchase %	56%	
BPU Water in Sales	70,206	1,000 gallons

Water Purchase Adjustment:	\$ 0.0739	Includes Water Losses
Dollar Adjustment	\$ 5,188.61	

THE STATE CORPORATION COMMISSION OF KANSAS

Index No. _____

SUBURBAN WATER, INC.,
d/b/a SUBURBAN WATER COMPANY
 (Name of Issuing Utility)

Schedule Purchased Water Adjustment

ENTIRE SERVICE AREA
 (Territory to which schedule is applicable)

No supplement or separate understanding shall modify the tariff as shown hereon. Sheets of Sheets

COMPUTATION FORMULA

The specified service rates are subject to adjustment for change in the average cost of water from all wholesale sources of supply purchased. On June 1 of each year, the company will project the average cost of wholesale water for the 12 months ending June 30 of the following year. If at any time during this 12-month period, the company experiences a change or changes in supplier rates or in sources of supply, the cumulative effect of which change or changes is to produce an increase or decrease in the new projected effective rate for purchased water from all suppliers of at least 0.1¢ per 1,000 gallons, then an adjusted average rate shall be determined. The annual cost of water projection and any revised projections throughout the year will be computed using the following formula:

$$\left\{ \frac{P}{(.01) V} \right\} - b = \text{Adjustment}$$

Where:

P = The estimated total dollar cost of purchased water to be sold calculated by summing the products of the most recent unit cost of purchased water from each wholesale supplier and the estimated unit purchased from each wholesale supplier for the 12-month period ending June 30. In the event that changes in the rates paid for purchased water will take place within the current 12-month period ending Jun 30 as specified by contract provisions currently in effect, the estimated average unit cost of purchased water from each supplier for the current 12-month period ending June 30, may be used in the calculation in place of the cost recent unit cost.

V = The estimated sales volume in 1,000 gallons for the 12-month period

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 Signature Title

THE STATE CORPORATION COMMISSION OF KANSAS

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 (Name of Issuing Utility)

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b = Actual purchase water cost in ¢/1,000 gallons established during the base period.

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(Territory to which schedule is applicable)

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