

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

NOV 16 2011

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

MOTION FOR WAIVER

COMES NOW Suburban Water, Inc., d/b/a Suburban Water Company ("Suburban Water"), and pursuant to K.A.R. 82-1-231(i) files this Motion for Waiver of several of the filing requirements for rate proceedings under K.A.R. 82-1-231. In support of its Motion for Waiver, Suburban Water states as follows:

1. Suburban Water is a Kansas corporation with its principal place of business located at 1216 N. 155th Street, Basehor, Kansas 66007. Suburban Water is a small, privately owned water public utility serving approximately 1,500 residential and small commercial customers. Suburban Water is a public utility as defined by K.S.A. 66-104 and 66-1,230 and is subject to the jurisdiction of the Kansas Corporation Commission ("Commission"). Suburban Water has received the appropriate certificates of convenience from the Commission to provide water service to customers located in its service territory, which covers an area north and west of Basehor to just east and south of the City of Tonganoxie, Kansas, all in Leavenworth County.

2. On August 31, 2011, pursuant to the requirements set forth in K.A.R. 82-1-214, Suburban Water filed its letter of intent to file a rate case with the Commission to request a change in its rates and tariffs under K.A.R. 82-1-231. Under the Commission's regulations, a Class A water utility is defined as a water utility that has annual gross revenues of \$750,000 or more. Suburban

Water's annual gross revenues total approximately \$1,125,000, and therefore, Suburban Water is defined as a Class A water utility. The main reasons for the requested rate increase are (1) to recover the 7.5% increase in the cost of water under Suburban Water's BPU contract that goes into effect on January 1, 2012, and (2) to recover the increase in the normal cost of service items such as operating and maintenance expenses and payroll and employee benefit expenses that have occurred since March 31, 2007.

3. Suburban Water is requesting that the Commission grant it a waiver of those rate case filing requirements contained in K.A.R. 82-1-231 in order to allow Suburban Water to support its proposed rates by using a cash-flow/margin approach as an alternative to the rate base/rate of return approach in its rate case application. Suburban Water's application and its cash-flow/margin calculation are still based upon a test-year as required by the Commission's rate application rules and contain the typical pro-forma adjustments to the utility's test year operating expenses and revenues. Suburban Water's Application also includes the rate base/rate of return calculation for comparison purposes only. As determined by the Commission in Suburban Water's last rate case (Docket No. 07-SUBW-1352-RTS ("1352 Docket")), the cash-flow/margin approach or calculation and the requested waiver to allow for the use of said approach is reasonable for several reasons.

4. The cash flow/margin approach is reasonable in this case because Suburban Water's rate base is relatively small. While the number of customers added to Suburban Water's system is increasing, the majority of the investment needed to serve those new customers is being provided as contributions-in-aid of construction by the real estate developers under Suburban Water's Commission-approved line extension policy. In addition, because the new water storage facility and related facilities, which were the subject matter of the 1352 Docket and which cost approximately one

million two hundred thousand dollars (\$1,200,000), was entirely financed by debt, Suburban Water has not sought to include the investment in the new water storage facility in rate base and is not seeking to recover any return on that investment. Instead, Suburban Water is proposing to recover only the depreciation expense on and the interest of the debt incurred with respect to the financing of the water storage facility.

5. The cash flow/margin approach is also reasonable to use in this case to set rates because such an approach is more cost effective for this type of utility. Suburban Water is a very small utility in most, if not all, aspects. Its customer count is approximately 1,500. Its customers are residential or small commercial customers. Suburban Water barely meets the definition of a Class A utility based upon a monetary classification that was set more than 30 years ago and has never been adjusted for inflation. As a result of its small size, the impact on the customers of the cost of a full blown rate case application, including the cost of the Commission Staff's and CURB's review of said rate case application, is significant. By using a cash-flow/margin approach to set rates, and by obtaining a waiver of the filing requirements contained in K.A.R. 82-1-231 to allow the rates to be set using a less complicated approach, Suburban Water can significantly reduce the cost of the rate case application and the impact that cost would have on its customers. Moreover, finding comparable water utilities to use in a traditional rate base/rate of return approach in setting rates and to pay for the cost of the economist to conduct such studies is also not cost productive given the size of this utility.

6. The cash-flow/margin approach and the waiver requested in order to use such an approach is also a reasonable method of setting rates in this case because this method is typically used by small municipal and other public water utilities. Suburban Water's accounting expert explains in his testimony in support of this rate filing how the approach that he used to set rates, including the

options he reviewed in order to establish a reasonable margin under the cash-flow/margin approach, compares favorably with how other water utilities set their rates.

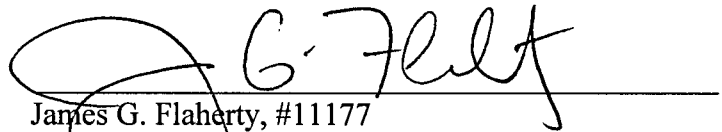
7. Suburban Water met with the Commission Staff in the 1352 Docket to discuss its request to use a cash-flow/margin approach in its last rate case application as an alternative to the rate base/rate of return approach and its request for a waiver of the rate case filing requirements that would allow Suburban Water to use said approach in the last case. The Commission Staff filed an analysis in the 1352 Docket in which it recommended that Suburban Water's Motion for Waiver be granted. The Commission issued an Order in that docket granting the Motion for Waiver.

8. Notwithstanding Suburban Water's request to use the cash-flow/margin approach to set rates in this case, Suburban Water has included for comparative purposes, Sections 3 through 7 and Section 10 which are described in K.A.R. 82-1-231(c)(4)(C) through (G) and (J), which relate to rate base, rate of return, plant investment, accumulated depreciation, working capital, capital and cost of money and depreciation. These sections are being provided for comparative purposes only and Suburban Water is not requesting a rate increase based upon the rate base/rate of return approach in this case. Suburban Water has included a cash-flow/margin study and calculation with supporting schedules and a schedule(s) which supports Suburban Water's rate calculation and proposal to recover the depreciation expense on and the interest of the debt financing relating to the water storage facility. Suburban Water has filed expert testimony in support of the cash-flow/margin study and calculation, including testimony on how said method of calculation compares favorably to the method of calculation used by other small public water utilities.

9. Section 12 (allocation ratios), Section 13 (annual report to stockholders) and Section 17 (which does not apply to water utilities), which are described in K.A.R. 82-1-231(c)(4)(L), (M) and

(Q) are not applicable to Suburban Water and, therefore, have not been included in the rate case application.

WHEREFORE, for the reasons set forth herein, Suburban Water requests that its Motion for Waiver be granted in this case.

A handwritten signature in black ink, appearing to read "J. G. Flaherty", is written over a horizontal line.

James G. Flaherty, #11177

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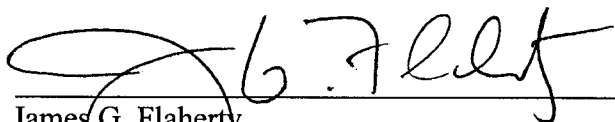
Attorneys for Suburban Water

VERIFICATION

STATE OF KANSAS)
)ss:
COUNTY OF FRANKLIN)

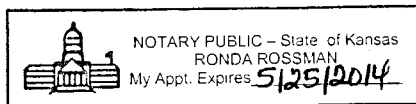
James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for Suburban Water, Inc., named in the foregoing Motion for Waiver, and is duly authorized to make this affidavit; that he has read the foregoing Motion, and knows the contents thereof; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 16 day of November, 2011.





Notary Public

Appointment/Commission Expires: