

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

In the Matter of Small Company Rate)	<u>Case No. WR-2011-0037</u>
Increase of Tri-States Utility Inc.)	

**NOTICE OF AGREEMENT REGARDING DISPOSITION
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its Notice of Agreement Regarding Disposition of Small Company Rate Increase Request ("Agreement Notice") states as follows:

1. On August 13, 2010, the Missouri Public Service Commission ("the Commission") received a Rate Increase Request Letter ("Request Letter") from Tri-States Utility, Inc. ("Tri-States" or "Company").
2. In its Request Letter, Tri-States requested Commission approval of an increase of \$620,000 in its annual water system operating revenues pursuant to Commission Rule 4 CSR 240-3.050 (2).
3. Upon completion of its investigation of the Company's request, Staff provided Tri-States and the Office of the Public Counsel ("OPC") with materials related to Staff's investigation, as well as Staff's initial recommendations for the resolution of the revenue increase request.
4. Pursuant to negotiations held subsequent to the Company's and OPC's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, Staff and Tri-States were able to reach an agreement ("Company/Staff Disposition Agreement") regarding a resolution of the Company's request. This agreement provides for an overall agreed-upon operating revenue increase of \$104,824. The agreement, among other things, also prescribes a schedule of

depreciation rates and requires the Company to implement certain agreed-upon Staff recommendations.

5. Included in Appendix A, attached and incorporated by reference herein, is a copy of the above-referenced Company/Staff Disposition Agreement, as well as various attachments related to the Company/Staff Disposition Agreement. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of the Company's request.

6. Pursuant to Commission Rule 4 CSR 240-3.050, governing disposition agreements executed between Staff and small utility companies utilizing the small utility rate case procedure, Tri-States will file tariff sheets seeking to implement the terms of the Company/Staff Disposition Agreement. The tariff sheets will be filed by January 14, 2011 and will bear an effective date of March 1, 2011, which, as required by Commission Rule 4 CSR 240-3.050(14), is not fewer than forty-five (45) days after they are filed.

7. Tri-States is current in its payment of Commission assessments and on its filings of annual reports and statements of revenue. Tri-States has no other cases pending before the Commission at this time.

WHEREFORE, Staff respectfully submits this Agreement Notice and the attached Appendix A for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Staff and the Company.

Respectfully submitted,

/s/ RACHEL M. LEWIS
Rachel M. Lewis
Deputy Counsel
Missouri Bar No. 56073

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526.6715 (Telephone)
(573) 751-9285 (Fax)
rachel.lewis@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 11th day of January, 2011.

/s/ RACHEL M. LEWIS

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2011-0037

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Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Paul R. Harrison-Auditing Department

John Robinett – Engineering & Management Services Department

Gary Bangert – Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

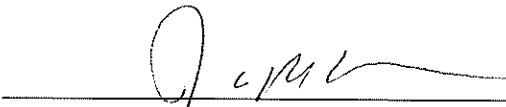
STATE OF MISSOURI)

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CASE NO. WR-2011-0037

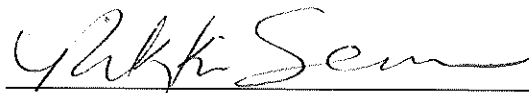
COUNTY OF COLE)

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request ("Disposition Agreement")*; (4) that he was responsible for the preparation of Attachments A, C, D, E and I to the Disposition Agreement; (5) that he has knowledge of the matters set forth in the Disposition Agreement and the above-referenced attachments thereto; and (6) that the matters set forth in the Disposition Agreement and the above-referenced attachments thereto are true and correct to the best of his knowledge, information and belief.



James M. Russo
Rate & Tariff Examination Supervisor
Water and Sewer Department

Subscribed and sworn to before me this 6th day of January, 2011.



Notary Public

NIKKI SENN Notary Public - Notary Seal State of Missouri Commissioned for Osage County My Commission Expires: October 01, 2011 Commission Number: 07287016

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF PAUL R. HARRISON

In the Matter of Small Company Rate)
Increase of Tri-States Utility Inc.)

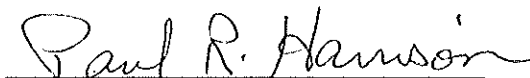
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STATE OF MISSOURI

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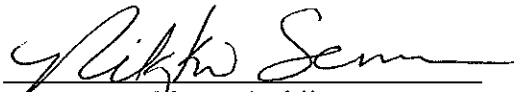
COUNTY OF COLE

COMES NOW Paul R. Harrison, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Regulatory Auditor IV in the Missouri Public Service Commission's Auditing Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachments B and G to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachments B and G to the Disposition Agreement; and (6) that the matters set forth in Attachments B and G to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



Paul R. Harrison
Utility Regulatory Auditor IV
Auditing Department

Subscribed and sworn to before me this 6th day of January, 2011.



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF JOHN A. ROBINETT

In the Matter of Small Company Rate)
Increase of Tri-States Utility Inc.)

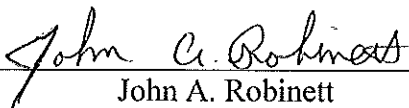
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STATE OF MISSOURI

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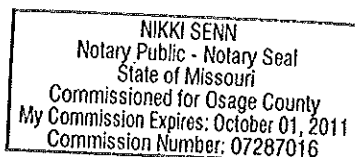
COUNTY OF COLE

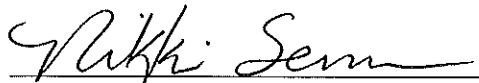
COMES NOW John A. Robinett, being of lawful age, and on his oath states the following:
(1) that he is a(n)) Utility Regulatory Specialist in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment F to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment F to the Disposition Agreement; and (6) that the matters set forth in Attachment F to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



John A. Robinett
Utility Regulatory Specialist
Engineering & Management
Services Department

Subscribed and sworn to before me this 6th day of January, 2011.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF GARY R. BANGERT

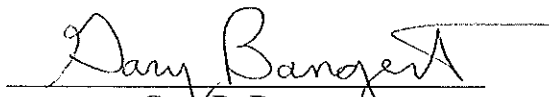
In the Matter of Small Company Rate)
Increase of Tri-States Utility Inc.) File No. WR-2011-0037
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STATE OF MISSOURI

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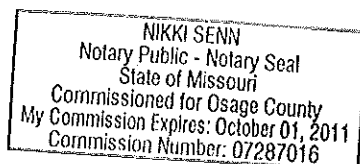
COUNTY OF COLE

COMES NOW Gary R. Bangert, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Management Analyst III in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment H to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment H to the Disposition Agreement; and (6) that the matters set forth in Attachment H to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



Gary R. Bangert
Utility Management Analyst III
Engineering & Management
Services Department

Subscribed and sworn to before me this 6th day of January, 2011.





Notary Public

Company/Staff Disposition Agreement

**COMPANY/STAFF AGREEMENT REGARDING DISPOSITION
OF SMALL WATER COMPANY REVENUE INCREASE REQUEST**

TRI-STATES UTILITY, INC.

MO PSC FILE NO. WR-2011-0037

BACKGROUND

Tri-States Utility, Inc. ("Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on August 13, 2010, the Company set forth its request for an increase of \$620,000 in its total annual water service operating revenues. In its request letter, the Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company, located within and adjacent to Branson, Missouri, provides service to approximately 3,374 customers, the vast majority of which are residential customers.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (These activities are collectively referred to hereinafter as Staff's "investigation" of the Company's Request.)

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with information regarding Staff's investigation and the results of the investigation, including Staff's initial recommendations for the resolution of the Company's Request.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's and OPC's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, Staff and the Company hereby state the following agreements:

- (1) For the purpose of implementing the agreements set out herein, the Company will file with the Commission proposed tariff revisions containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A and incorporated by reference herein, with those proposed tariff revisions bearing an effective date of March 1, 2011;
- (2) Except as otherwise noted in the agreements below, both the Exhibit Modeling System ("EMS"), attached hereto as Attachment B and incorporated by reference herein, and the ratemaking income statement attached hereto as Attachment C and incorporated by reference herein, accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$104,824 is just and reasonable and designed to recover the Company's cost of service;
- (3) The audit work papers attached hereto as Attachment B and incorporated herein, which include consideration of a capital structure of 25.00% equity for the Company and a return on that equity of 11.01%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (2) above;
- (4) The rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment D and incorporated by reference herein, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company;
- (5) The rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment E and incorporated by reference herein;
- (6) The rates included in the example tariff sheets attached hereto as Attachment A and incorporated by reference herein, are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary;
- (7) The schedule of depreciation rates attached hereto as Attachment F and incorporated herein, which includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of water plant depreciation rates for the Company;

(8) The Commission's Auditing Department conducted an audit of the Company's books and records using the 12-month period ending June 30, 2010, as the basis for the revenue requirement calculation. All revenues, expenses, and rate base investment were reviewed through this period. The audit findings are identified hereto as Attachment G and incorporated by reference herein.

Staff provided the Company and OPC its initial recommendations of the revenue increase for the resolution of the Company's request and Staff's EMS run. The work papers supporting the revenue requirement calculation were also provided to the Company and OPC with the results of its investigation regarding the proposed rate increase;

(9) Within thirty (30) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment H and incorporated by reference herein:

- a) Incorporate required information about the Missouri Public Service Commission and the Office of the Public Counsel in the written information provided to utility customers, pursuant to 4 CSR 240-13.040(3); and
- b) Develop and implement a process to ensure all customer complaints received by Company personnel are documented in a summary report and maintained for at least two (2) years;

(10) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Auditing Department Recommendation Memorandum attached hereto as Attachment G and incorporated by reference herein:

- a) The Company shall continue to develop continuous property records (CPRs) for all of the Company's Plant in Service and Contribution in Aid of Construction (CIAC) that include, where applicable, the amount of plant, depreciation reserve, CIAC, and CIAC reserve used by Staff in this case;
- b) The Company shall reclassify the Company's books and records to coincide with Staff's reclassification developed in this case;
- c) The Company shall keep the Company's CPRs and vehicle logs up to date and complete;
- d) The Company shall maintain the Company's books and records in accordance with National Association of Regulated Utility Commissioners (NARUC) Uniform System of Accounts (USOA); and
- e) The Company shall calculate depreciation expense on a monthly basis and include it in the Company's general ledger;

(11) Within six (6) months of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement the recommendations from the engineers located in EMSD:

- a) The Company shall implement a work order system to track material cost, labor cost, overhead cost, and record cost of removal and gross salvage for all new, replaced or retired plant; and
- b) The Company shall follow the NARUC USOA guidelines for the recording of cost of removal and gross salvage in the Company's general ledger as adjustments to plant and services;

(12) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Company/Staff Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to Staff Case Coordinator who will file a copy in this case;

(13) Staff will conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Company/Staff Disposition Agreement;

(14) Staff may file a formal complaint against the Company, if the Company does not comply with the provisions of this Company/Staff Disposition Agreement;

(15) The Company agrees that it has read the foregoing Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this agreement; and

(16) The above agreements satisfactorily resolve all issues identified by Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Company/Staff Disposition Agreement reflect compromises between Staff and the Company. In arriving at the amount of the annual operating revenue increase specified herein neither party has agreed to any particular ratemaking principle.

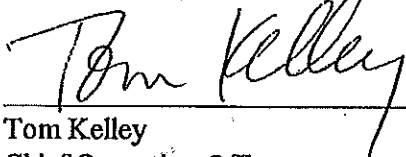
Staff has completed a Summary of Case Events and has included that summary as Attachment I to this Company/Staff Disposition Agreement.

The Company acknowledges that the Staff will be filing this Company/Staff Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff may make other filings in this case.

Additionally, the Company agrees that subject to the rules governing practice before the Commission that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Disposition Agreement at any agenda meeting at which this case is noticed to be considered by the Commission. Subject to the rules governing practice before the Commission, Staff will be available to answer Commission questions regarding this Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advanced notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.

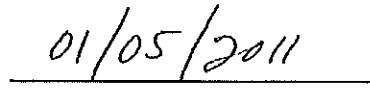
SIGNATURES

Agreement Signed and Dated:




Tom Kelley

Chief Operating Officer
Tri-States Utility, Inc.

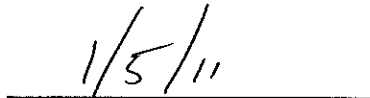


Date



James Busch

Manager
Water & Sewer Department
Missouri Public Service Commission Staff



Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – BMS Run
- Attachment C – Ratemaking Income Statement
- Attachment D – Rate Design Worksheet
- Attachment E – Billing Comparison Worksheet
- Attachment F – Schedule of Depreciation Rates
- Attachment G – Auditing Department Recommendation Memorandum
- Attachment H – EMSD Report
- Attachment I – Summary of Events

Agreement Attachment A

Example Tariff Sheets

302 Terrace Road, Branson, MO 65616
Company Mailing Address

Agreement Attachment B

EMS Run

Exhibit No.: 12345667
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: WR-2011-0037
Date Prepared: 9/10/2011



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

Revised

STAFF ACCOUNTING SCHEDULES

TRI-STATES UTILITY

CASE NO. WR-2011-0037

Jefferson City, Missouri

Oct-10

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Expense Schedule - Water

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2	601.000	Operation Labor & Expenses	\$157,946	W-2	-\$77,681	100.00%	\$80,265
3	601.200	Salaries/Wages - Admin & General - 96 USOA	\$71,571	W-3	-\$71,571	100.00%	\$0
4	603.000	Salaries/Wages - Off. & Directors - 96 USOA	\$10,500	W-4	-\$10,500	100.00%	\$0
5	604.000	Employee Pension and Benefits - 96 USOA	\$25,377	W-5	-\$25,377	100.00%	\$0
6	615.000	Purchased Power - 96 USOA	\$108,396	W-6	-\$108,396	100.00%	\$0
7	618.000	Chemicals - 96 USOA	\$2,547	W-7	-\$2,547	100.00%	\$0
8	620.000	Materials & Supplies (small tools) - 96 USOA	\$2,757	W-8	-\$2,757	100.00%	\$0
9	619.000	Water Testing Expense - 96 USOA	\$920	W-9	-\$920	100.00%	\$0
10	602.000	Purchased Water	\$0			100.00%	\$0
11	623.000	Fuel or Power Purchased	\$0	W-11	\$121,181	100.00%	\$121,181
12	641.000	Chemicals	\$0	W-12	\$2,940	100.00%	\$2,940
13	643.000	Misc. Expense - Water Testing	\$0	W-13	\$720	100.00%	\$720
14	661.000	Storage Facilities Expenses	\$0			100.00%	\$0
15	663.000	Meter Expenses	\$0			100.00%	\$0
16	664.000	Customer Installations Expenses	\$0			100.00%	\$0
17	665.000	Misc. Expenses	\$0			100.00%	\$0
18		TOTAL OPERATIONS EXPENSE	\$380,014		-\$174,908		\$205,106
19		MAINTENANCE EXPENSES					
20	625.000	Maintenance Pumping Plant - 96 USOA	\$4,934	W-20	-\$4,934	100.00%	\$0
21	672.100	Maint. Super Engine (Trans & Distr) - 96 USOA	\$3,244	W-21	-\$3,244	100.00%	\$0
22	672.200	Maint. of Services (Trans. & Distr) - 96 USOA	-\$9,812	W-22	\$9,812	100.00%	\$0
23	672.300	Maint. of Meters (Trans. & Distr) - 96 USOA	\$1,895	W-23	-\$1,895	100.00%	\$0
24	672.900	Other Trans. & Distr Expenses - 96 USOA	\$2,122	W-24	-\$2,122	100.00%	\$0
25	675.500	Maintenance of General Plant - 96 USOA	\$10,716	W-25	-\$10,716	100.00%	\$0
26	666.000	Rent - Equipment	\$0	W-26	\$14,318	100.00%	\$14,318
27	671.000	Maintenance of Structures & Improvements	\$0	W-27	\$11,886	100.00%	\$11,886
28	672.000	Maintenance of Distribution Reservoirs	\$0			100.00%	\$0
29	673.000	Maintenance of Trans. & Distribution Mains	\$0	W-29	\$15,441	100.00%	\$15,441
30	674.000	Maintenance of Fire Mains	\$0			100.00%	\$0
31	675.000	Maintenance of Services	\$0	W-31	\$0	100.00%	\$0
32	676.000	Maintenance of Meters	\$0	W-32	\$1,131	100.00%	\$1,131
33	677.000	Maintenance of Hydrants	\$0			100.00%	\$0
34	678.000	Maintenance of Misc. Plant	\$0	W-34	\$5,372	100.00%	\$5,372
35		TOTAL MAINTENANCE EXPENSE	\$13,099		\$35,049		\$48,148
36		CUSTOMER ACCOUNT EXPENSE					
37	902.000	Meter Read	\$0			100.00%	\$0
38	903.000	Customer Records & Collections	\$9,211	W-38	\$1,095	100.00%	\$10,306
39	903.100	Postage	\$10,021	W-39	\$9,716	100.00%	\$19,737
40	904.000	Uncollectible Accounts	\$0	W-40	\$9,099	100.00%	\$9,099
41	905.000	Misc. Customer Accounts Expenses	\$0			100.00%	\$0
42		TOTAL CUSTOMER ACCOUNT EXPENSE	\$19,232		\$19,910		\$39,142
43		ADMINISTRATIVE & GENERAL EXPENSES					
44	631.000	Contractual Services (Engineer) - 96 USOA	\$14,148	W-44	-\$14,148	100.00%	\$0
45	632.000	Contractual Services (Accounting) - 96 USOA	\$12,333	W-45	-\$12,333	100.00%	\$0
46	633.000	Contractual Services (Legal) - 96 USOA	\$48,338	W-46	-\$48,338	100.00%	\$0
47	634.000	Contractual Services (Mgmt Fees) - 96 USOA	\$19,286	W-47	-\$19,286	100.00%	\$0
48	636.000	Contractual Services (Other) - 96 USOA	\$58,120	W-48	-\$58,120	100.00%	\$0
49	641.000	Rental of Building (Real Prop.) - 96 USOA	\$96,000	W-49	-\$96,000	100.00%	\$0
50	650.000	Transportation Expenses - 96 USOA	\$25,987	W-50	-\$25,987	100.00%	\$0
51	656.000	Insurance - Vehicle - 96 USOA	\$9,867	W-51	-\$9,867	100.00%	\$0
52	657.000	Insurance General Liability - 96 USOA	\$6,712	W-52	-\$6,712	100.00%	\$0
53	658.000	Insurance (Workman's Comp) - 96 USOA	\$7,413	W-53	-\$7,413	100.00%	\$0
54	659.100	Insurance - Life	-\$4,370	W-54	\$4,370	100.00%	\$0
55	659.200	Insurance - Property - 96 USOA	\$22,913	W-55	-\$22,913	100.00%	\$0
56	670.000	Bad Debt Expense - 96 USOA	\$11,442	W-56	-\$11,442	100.00%	\$0
57	675.100	Misc. Expenses - Other Rents - 96 USOA	\$17,381	W-57	-\$17,381	100.00%	\$0
58	675.300	Misc. Expense Uniforms 96- USOA	\$2,312	W-58	-\$2,312	100.00%	\$0

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Expense Schedule - Water

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
59	675.600	Misc. Travel Expenses - 96 USOA	\$1,274	W-59	-\$1,274	100.00%	\$0
60	675.625	Misc. Expense - Sales Tax Short/Long	\$141			100.00%	\$141
61	675.650	Misc. Expense - Payroll Taxes	\$20,919	W-61	-\$20,919	100.00%	\$0
62	675.950	Misc. Expenses Other - 96 USOA	\$1,937	W-62	-\$1,937	100.00%	\$0
63	930.100	Misc. Expense Telephone - 96 USOA	\$9,013	W-63	-\$9,013	100.00%	\$0
64	930.200	Misc. Expense Penalties - 96 USOA	\$1,077	W-64	-\$1,077	100.00%	\$0
65	930.300	Misc. Expense Office Utilities - 96 USOA	\$3,948	W-65	-\$3,948	100.00%	\$0
66	930.500	Misc. Expense - Sec. of State Fees - 96 USOA	\$125	W-66	-\$125	100.00%	\$0
67	930.900	Misc. Expense - Other A&G - 96 USOA	\$1,807	W-67	-\$1,807	100.00%	\$0
68	930.950	Misc. General Expense - 96 USOA	\$10,892	W-68	-\$10,892	100.00%	\$0
69	920.000	Administration & General Salary - Officers & Directors	\$0	W-69	\$72,809	100.00%	\$72,809
70	920.100	Adminstration & General Salary	\$0	W-70	\$72,720	100.00%	\$72,720
71	921.000	Office Supplies and Other Expenses	\$3,730	W-71	\$2,408	100.00%	\$6,138
72	921.100	Office Utilities	\$0	W-72	\$10,141	100.00%	\$10,141
73	923.000	Outside Services - Accounting	\$0	W-73	\$12,333	100.00%	\$12,333
74	923.100	Outside Service - Engineering	\$0	W-74	\$10,997	100.00%	\$10,997
75	923.200	Outside Services - Legal	\$0	W-75	\$7,215	100.00%	\$7,215
76	923.300	Outside Service - Other	\$0	W-76	\$9,155	100.00%	\$9,155
77	923.400	Outside Services - Testing	\$0	W-77	\$272	100.00%	\$272
78	924.000	Insurance - General Liability	\$0	W-78	\$1,275	100.00%	\$1,275
79	924.100	Insurance - Property	\$0	W-79	\$29,128	100.00%	\$29,128
80	924.200	Insurance - Vehicle	\$0	W-80	\$4,046	100.00%	\$4,046
81	925.000	Insurance (Workman's Comp)	\$0	W-81	\$8,923	100.00%	\$8,923
82	925.100	Life Insurance Expense	\$0	W-82	\$0	100.00%	\$0
83	926.000	Employee Medical, Dental & Vision	\$0	W-83	\$26,519	100.00%	\$26,519
84	928.000	Regulatory Commission Expenses	\$10,667	W-84	-\$3,039	100.00%	\$7,628
85	928.100	Regulatory Commisison Expenses - DNR Fees	\$0	W-85	\$400	100.00%	\$400
86	928.200	Rate Case Expense	\$0	W-86	\$6,436	100.00%	\$6,436
87	930.100	Advertising Expense	\$0			100.00%	\$0
88	930.200	Misc. General Expenses	\$0	W-88	\$16,015	100.00%	\$16,015
89	930.400	Misc. Lunch & Meals	\$211	W-89	-\$211	100.00%	\$0
90	930.500	Officer & Director Travel Expenses	\$0	W-90	\$1,274	100.00%	\$1,274
91	930.600	Telephone Expense	\$0	W-91	\$7,884	100.00%	\$7,884
92	930.560	Dues & Subscriptions	\$0	W-92	\$1,325	100.00%	\$1,325
93	931.000	Rents	\$0	W-93	\$96,000	100.00%	\$96,000
94	931.100	Rents - Equipment	\$0	W-94	\$1,625	100.00%	\$1,625
95	933.000	Transportation Expenses	\$0	W-95	\$28,818	100.00%	\$28,818
96		TOTAL ADMINISTRATIVE AND GENERAL	\$413,623		\$25,594		\$439,217
97		OTHER OPERATING EXPENSES					
98	431.100	Interest on Customer Deposits	\$0	W-98	\$2,238	100.00%	\$2,238
99	251.000	Depreciation - CIAC Offset	\$0	W-99	-\$18,174	100.00%	-\$18,174
100		Corporate Registration	\$0			100.00%	\$0
101		Other Operating Expense	\$0			100.00%	\$0
102		Amortization Expense	\$0			100.00%	\$0
103		Depreciation	\$0	W-103	\$167,563	100.00%	\$167,563
104		TOTAL OTHER OPERATING EXPENSES	\$0		\$151,627		\$151,627
105		TAXES OTHER THAN INCOME					
106	675.675	Misc. Expense (Other Taxes) - 96 USOA	\$2,918	W-106	-\$2,918	100.00%	\$0
107	930.600	Misc. Expense (Property Tax) - 96 USOA	\$1,856	W-107	-\$1,856	100.00%	\$0
108	408.000	Payroll Taxes	\$0	W-108	\$19,931	100.00%	\$19,931
109	408.100	Property Taxes	\$0	W-109	\$4,260	100.00%	\$4,260
110	408.200	Other Taxes	\$0	W-110	\$499	100.00%	\$499
111		TOTAL TAXES OTHER THAN INCOME	\$4,774		\$19,916		\$24,690
112		TOTAL OPERATING EXPENSES	\$830,742		\$77,188		\$907,930

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
W-2	Operation Labor & Expenses	601.000		-\$77,681
	To adjust test year operation labor & expense to an annualized amount. (Bolin)		-\$77,681	
W-3	Salaries/Wages - Admin & General - 96 USOA	601.200		-\$71,571
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$71,571	
W-4	Salaries/Wages - Off. & Directors - 96 USOA	603.000		-\$10,500
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$10,500	
W-5	Employee Pension and Benefits - 96 USOA	604.000		-\$25,377
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$25,377	
W-6	Purchased Power - 96 USOA	615.000		-\$108,396
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$108,396	
W-7	Chemicals - 96 USOA	618.000		-\$2,547
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$2,547	
W-8	Materials & Supplies (small tools) - 96 USOA	620.000		-\$2,757
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$2,757	

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
W-9	Water Testing Expense - 96 USOA	619.000		-\$920
	To reclassify DNR fee (Green)		-\$200	
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$720	
W-11	Fuel or Power Purchased	623.000		\$121,181
	To reclassify purchased power expense booked to acct. 615 as per NARUC - USOA (Harrison)		\$108,396	
	To annualize purchased power. (Bolin)		\$12,785	
W-12	Chemicals	641.000		\$2,940
	To reclassify Chemicals expense booked to acct. 618 as per NARUC - USOA (Harrison)		\$2,547	
	To adjust test year chemicals to an annualized amount. (Harrison)		\$393	
W-13	Misc. Expense - Water Testing	643.000		\$720
	To reclassify water testing expense booked to acct. 619 as per NARUC - USOA (Harrison)		\$720	
W-20	Maintenance Pumping Plant - 96 USOA	625.000		-\$4,934
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$4,934	
W-21	Maint. Super Engine (Trans & Distr) - 96 USOA	672.100		-\$3,244
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$3,244	

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
W-22	Maint. of Services (Trans. & Distr) - 96 USOA	672.200		\$9,812
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		\$9,812	
W-23	Maint. of Meters (Trans. & Distr) - 96 USOA	672.300		-\$1,895
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$1,895	
W-24	Other Trans. & Distr Expenses - 96 USOA	672.900		-\$2,122
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$2,122	
W-25	Maintenance of General Plant - 96 USOA	675.500		-\$10,716
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$10,716	
W-26	Rent - Equipment	666.000		\$14,318
	To reclassify Bachoe rental expense. (Bolin)		\$14,335	
	To remove interest charges. (Bolin)		-\$17	
W-27	Maintenance of Structures & Improvements	671.000		\$11,886
	To reclassify Maint. Of Structures & Improv. booked to acct. 620 as per NARUC - USOA (Harrison)		\$2,757	
	To reclassify Maint. Of Structures & Improv. booked to acct. 675.5 as per NARUC - USOA (Harrison)		\$10,716	
	To adjust test year maintenance of structures & improvements to an annualized amount. (Harrison)		-\$1,587	

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W-29	Maintenance of Trans. & Distribution Mains	673.000		\$15,441
	To reclassify Maint. Of trans. & distr mains. booked to acct. 625 as per NARUC - USOA (Harrison)		\$4,934	
	To reclassify Maint. Of trans. & distr mains. booked to acct. 672.1 as per NARUC - USOA (Harrison)		\$3,244	
	To adjust test year maintenance of trans. And distribution mains to annualized amount. (Harrison)		\$7,263	
W-31	Maintenance of Services	675.000		\$0
	To reclassify Maint. Of services booked to acct. 672.2 as per NARUC - USOA (Harrison)		-\$9,812	
	To adjust test year maintenance of services to an annualized amount. (Harrison)		\$9,812	
W-32	Maintenance of Meters	676.000		\$1,131
	To reclassify Maint. Of meters booked to acct. 672.3 as per NARUC - USOA (Harrison)		\$1,895	
	To adjust test year maintenance of meters to an annualized amount. (Harrison)		-\$764	
W-34	Maintenance of Misc. Plant	678.000		\$5,372
	To reclassify Maint. Misc. Plant booked to acct. 672.9 as per NARUC - USOA (Harrison)		\$2,122	
	To adjust test year maintenance of Misc. Plant to an annualized amount. (Harrison)		\$3,250	
W-38	Customer Records & Collections	903.000		\$1,095
	To adjust test year customer records & collections to an annualized amount. (Harrison)		\$1,095	

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
W-39	Postage	903.100		\$9,716
	To reclassify postage equipment leasing booked to acct. 675.1 as per NARUC - USOA (Harrison)		\$1,421	
	To adjust test year postage to an annualized amount. (Green)		\$8,295	
W-40	Uncollectible Accounts	904.000		\$9,099
	To reclassify Bad Debts Expense booked to acct. 670 as per NARUC - USOA (Harrison)		\$11,442	
	To adjust test year bad debts to an annualized amount. (Green)		-\$2,343	
W-44	Contractual Services (Engineer) - 96 USOA	631.000		-\$14,148
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$14,148	
W-45	Contractual Services (Accounting) - 96 USOA	632.000		-\$12,333
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$12,333	
W-46	Contractual Services (Legal) - 96 USOA	633.000		-\$48,338
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$39,338	
	To reclassify Salary for John Brown to acct. 920 (Green)		-\$9,000	
W-47	Contractual Services (Mgmt Fees) - 96 USOA	634.000		-\$19,286

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	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$19,286	
W-48	Contractual Services (Other) - 96 USOA	636.000		-\$58,120
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$41,723	
	To reclassify Salary for John Brown to acct. 920 (Green)		-\$16,397	
W-49	Rental of Building (Real Prop.) - 96 USOA	641.000		-\$96,000
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$96,000	
W-50	Transportation Expenses - 96 USOA	650.000		-\$25,987
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$25,987	
W-51	Insurance - Vehicle - 96 USOA	656.000		-\$9,867
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$9,867	
W-52	Insurance General Liability - 96 USOA	657.000		-\$6,712
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$6,712	
W-53	Insurance (Workman's Comp) - 96 USOA	658.000		-\$7,413
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$7,413	

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W-54	Insurance - Life	659.100		\$4,370
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		\$4,370	
W-55	Insurance - Property - 96 USOA	659.200		-\$22,913
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$22,913	
W-56	Bad Debt Expense - 96 USOA	670.000		-\$11,442
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$11,442	
W-57	Misc. Expenses - Other Rents - 96 USOA	675.100		-\$17,381
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$15,960	
	To reclassify Neopost rental for postage to acct. 903.1 (Green)		-\$1,421	
W-58	Misc. Expense Uniforms 96- USOA	675.300		-\$2,312
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$2,312	
W-59	Misc. Travel Expenses - 96 USOA	675.600		-\$1,274
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$1,274	
W-61	Misc. Expense - Payroll Taxes	675.650		-\$20,919

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	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$20,919	
W-62	Misc. Expenses Other - 96 USOA	675.950		-\$1,937
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$1,649	
	To reclassify membership expenses to acct. 930.56 (Green)		-\$288	
W-63	Misc. Expense Telephone - 96 USOA	930.100		-\$9,013
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$9,013	
W-64	Misc. Expense Penalties - 96 USOA	930.200		-\$1,077
	To disallow all late fee payments and penalties incurred by the Company (Green)		-\$1,077	
W-65	Misc. Expense Office Utilities - 96 USOA	930.300		-\$3,948
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$3,948	
W-66	Misc. Expense - Sec. of State Fees - 96 USOA	930.500		-\$125
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$125	
W-67	Misc. Expense - Other A&G - 96 USOA	930.900		-\$1,807
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$780	

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	To reclassify NRWA membership expenses to acct. 930.56 (Green)		-\$1,027	
W-68	Misc. General Expense - 96 USOA	930.950		-\$10,892
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$10,892	
W-69	Administration & General Salary - Officers & Director	920.000		\$72,809
	To reclassify salary expense booked to acct. 603 as per NARUC - USOA (Harrison)		\$10,500	
	To reallocate test year salary for Tom Kelley booked under Acct. 633 (Green)		\$9,000	
	To reallocate test year salary for John Brown booked under Acct. 634 (Harrison)		\$19,286	
	To reallocate test year salary for Tom Kelley booked under Acct. 636 (Green)		\$16,397	
	To adjust test year admin. & general salary - officers and directors to an annualized amount. (Bolin)		\$17,626	
W-70	Adminstration & General Salary	920.100		\$72,720
	To reclassify salary expense booked to acct. 601.2 as per NARUC - USOA (Harrison)		\$71,571	
	To adjust test year admin. & general salary to an annualized amount. (Bolin)		\$1,149	
W-71	Office Supplies and Other Expenses	921.000		\$2,408
	To adjust test year office supplies expense to an annualized amount. (Harrison)		\$2,408	
W-72	Office Utilities	921.100		\$10,141

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	To reclassify office utilities expense booked to acct. 930.3 as per NARUC - USOA (Harrison)		\$3,948	
	To annualize office utilities. (Bolin)		\$6,193	
W-73	Outside Services - Accounting	923.000		\$12,333
	To reclassify accounting expense booked to acct. 632 as per NARUC - USOA (Harrison)		\$12,333	
W-74	Outside Service - Engineering	923.100		\$10,997
	To reclassify engineering expense booked to acct. 631 as per NARUC - USOA (Harrison)		\$14,148	
	To adjust test year outside services - engineering to an annualized amount. (Green)		-\$3,151	
W-75	Outside Services - Legal	923.200		\$7,215
	To reclassify Legal expenses booked to acct. 633 as per NARUC - USOA (Harrison)		\$39,338	
	To disallow all of the Bryan Smith legal expenses (Green)		-\$17,694	
	To amortize Basset Law Firm Legal expenses over a 3-yr period. (Green)		-\$14,429	
W-76	Outside Service - Other	923.300		\$9,155
	To reclassify other outside services booked to acct. 636 as per NARUC - USOA (Harrison)		\$41,723	
	To adjust test year outside services - other to an annualized amount. (Green)		-\$32,568	
W-77	Outside Services - Testing	923.400		\$272
	To adjust test year outside services - testing to an annualized amount. (Green)		\$272	

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W-78	Insurance - General Liability	924.000		\$1,275
	To reclassify general liability insurance expense booked to acct. 657 as per NARUC - USOA (Harrison)		\$6,712	
	To adjust test year insurance - general liability to an annualized amount. (Harrison)		-\$5,437	
W-79	Insurance - Property	924.100		\$29,128
	To reclassify property insurance expense booked to acct. 659.2 as per NARUC - USOA (Harrison)		\$22,913	
	To adjust test year insurance - property to an annualized amount. (Harrison)		\$6,215	
W-80	Insurance - Vehicle	924.200		\$4,046
	To reclassify vehicle insurance expense booked to acct.656 as per NARUC - USOA (Harrison)		\$9,867	
	To adjust test year insurance - vehicle to an annualized amount. (Harrison)		-\$5,821	
W-81	Insurance (Workman's Comp)	925.000		\$8,923
	To reclassify Workman's Comp Insurance expense booked to acct. 658 as per NARUC - USOA (Harrison)		\$7,413	
	To adjust test year insurance - workman's comp. to an annualized amount. (Harrison)		\$1,510	
W-82	Life Insurance Expense	925.100		\$0
	To reclassify Life Insurance expense booked to acct. 659.1 as per NARUC - USOA (Harrison)		-\$4,370	
	To adjust test year insurance - life to an annualized amount. (Harrison)		\$4,370	
W-83	Employee Medical, Dental & Vision	926.000		\$26,519

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	To reclassify pensions & benefits booked to acct. 604 as per NARUC - USOA (Harrison)		\$25,377	
	To adjust test year medical, dental & vision to an annualized amount. (Harrison)		\$1,142	
W-84	Regulatory Commission Expenses	928.000		-\$3,039
	To adjust test year regulatory commission expense to an annualized amount. (Green)		-\$3,039	
W-85	Regulatory Commisison Expenses - DNR Fees	928.100		\$400
	To reclassify DNR Fee booked under acct. 619 (Green)		\$200	
	To adjust test year DNR fees to an annualized amount. (Green)		\$200	
W-86	Rate Case Expense	928.200		\$6,436
	To normalize Rate Case Expense over a three (3) year period. (Harrison)		\$6,436	
W-88	Misc. General Expenses	930.200		\$16,015
	To reclassify uniform expenses booked to acct. 675.3 as per NARUC - USOA (Harrison)		\$2,312	
	To reclassify miscellaneous expenses booked to acct. 930.9 as per NARUC - USOA (Harrison)		\$780	
	To reclassify miscellaneous expenses booked to acct. 930.95 as per NARUC - USOA (Harrison)		\$10,892	
	To reclassify miscellaneous expenses booked to acct. 675.950 as per NARUC - USOA (Harrison)		\$1,649	
	To adjust test year Misc. General Expenses to an annualized amount. (Harrison)		\$382	
W-89	Misc. Lunch & Meals	930.400		-\$211

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Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	To adjust test year Misc. Lunch & Meals to an annualized amount. (Harrison)		-\$211	
W-90	Officer & Director Travel Expenses	930.500		\$1,274
	To reclassify off. & directors travel expense booked to acct. 675.6 as per NARUC - USOA (Harrison)		\$1,274	
W-91	Telephone Expense	930.600		\$7,884
	To reclassify telephone expense booked to acct. 930.1 as per NARUC - USOA (Harrison)		\$9,013	
	To adjust test year Telephone Expense to an annualized amount. (Harrison)		-\$1,129	
W-92	Dues & Subscriptions	930.560		\$1,325
	To reclassify membership expenses booked to acct. 930.5 as per NARUC - USOA (Harrison)		\$125	
	To add test year membership expenses booked acct. 675.950 (Green)		\$288	
	To reclassify MRWA membership expenses booked to acct. 930.9 as per NARUC - USOA (Harrison)		\$1,027	
	To adjust test year dues & subscriptions to an annualized amount. (Green)		-\$115	
W-93	Rents	931.000		\$96,000
	To reclassify rent expense booked to acct. 641 as per NARUC - USOA (Harrison)		\$96,000	
W-94	Rents - Equipment	931.100		\$1,625
	To reclassify equipment rent expense booked to acct. 675.1 as per NARUC - USOA (Harrison)		\$15,960	

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Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	To move backhoe rental to acct. 666 (Bolin)		-\$14,335	
W-95	Transportation Expenses	933.000		\$28,818
	To reclassify transportation expense booked to acct. 650 as per NARUC - USOA (Harrison)		\$25,987	
	To adjust test year Transportation Expense to an annualized amount. (Harrison)		\$2,831	
W-98	Interest on Customer Deposits	431.100		\$2,238
	To annualize Customer Deposit Interest (Green)		\$2,238	
W-99	Depreciation - CIAC Offset	251.000		-\$18,174
	To adjust test year to reflect the elimination of CIAC- related depreciation expense (Green)		-\$18,174	
W-103	Depreciation			\$167,563
	1. To Annualize Depreciation		\$167,563	
W-106	Misc. Expense (Other Taxes) - 96 USOA	675.675		-\$2,918
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$126	
	To reclassify Real Estate Tax to Acct. 408.1 (Green)		-\$1,876	
	To remove Franchise Tax (Green)		-\$916	
W-107	Misc. Expense (Property Tax) - 96 USOA	930.600		-\$1,856
	To reclassify per National Association of Regulatory Utility Commissioners (NARUC) - USOA (Harrison)		-\$1,856	
W-108	Payroll Taxes	408.000		\$19,931

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 Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	To reclassify payroll taxes booked to acct. 675.65 as per NARUC - USOA (Harrison)		\$20,919	
	To adjust test year payroll taxes to an annualized amount. (Bolin)		-\$988	
W-109	Property Taxes	408.100		\$4,260
	To reclassify property taxes booked to acct. 930.6 as per NARUC - USOA (Harrison)		\$1,856	
	To add real estate taxes booked to acct. 675.675 as per NARUC - USOA (Green)		\$1,876	
	To adjust test year property tax to an annualized amount. (Green)		\$528	
W-110	Other Taxes	408.200		\$499
	To reclassify other taxes booked to acct. 675.675 as per NARUC - USOA (Harrison)		\$126	
	To adjust test year other taxes to an annualized amount. (Green)		\$373	
	Total Expense Adjustments			\$77,188

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 Revenue Schedule - Water

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
Line	Account		Company/	Adjustment	Jurisdictional	Jurisdictional	Adjusted
Number	Number	Revenue Description	Test Year	Number	Adjustments	Allocation	Jurisdictional
	(Optional)		Amount				
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$0	Rev-2	\$911,617	100.00%	\$911,617
Rev-3		Miscellaneous Revenues	\$0	Rev-3	\$60,110	100.00%	\$60,110
Rev-4		TOTAL ANNUALIZED REVENUES	\$0		\$971,727		\$971,727

Tri-States Utility
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Revenue Adjustment Schedule - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Revenue Adj Number	Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
Rev-2	Annualized Rate Revenues			\$911,617
	1. To Annualize Rate Revenues		\$911,617	
Rev-3	Miscellaneous Revenues			\$60,110
	1. To Annualize Miscellaneous Revenues		\$60,110	
Total Revenue Adjustments				<u>\$971,727</u>

Tri-States Utility
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Rate Revenue Feeder Schedule - Water

Line Number	A Description	Total	
		A Amount	B Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	3,374	
3	Bills Per Year		
4	Customer Bills Per year	40,488	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$434,963
7	<u>Commodity Charge Revenues:</u>		
8	Total Gallons Sold	208,672,573	
9	Less: Base Gallons Included In Customer Charge	50,854,808	
10	Commodity Gallons	157,817,765	
11	Block 1, Commodity Gallons per Block		
12	Block 1, Number of Commodity Gallons per Unit		
13	Block 1, Commodity Billing Units		
14	Block 1, Existing Commodity Charge		
15	Block 1, Annualized Commodity Charge Rev.		\$96,621
16	Summer, Commodity Gallons per Block		
17	Summer, Number of Commodity Gallons per Unit		
18	Summer, Commodity Billing Units		
19	Summer, Existing Commodity Charge		
20	Summer, Annualized Commodity Charge Rev.		\$380,033
21	Total Annualized Water Rate Revenues		\$911,617

Commodity Billing Units are based on the number of commodity gallons applicable to each block, divided by the tariff usage rate gallons (e.g. for tariff rate of \$2.50 per 1,000 gallons of usage, the commodity gallons for that rate would be divided by 1,000 to arrive at the number of commodity billing units.

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Miscellaneous Revenues Feeder - Water

	<u>A</u>	<u>B</u>
Line Number	Description	Amount
12	Total Miscellaneous Revenues	<u><u>\$60,110</u></u>

Tri-States Utility
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Rate Design Schedule - Water

A		B	C	D	E	F
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues		(1) \$911,617			
Rev-3	Miscellaneous Revenues		(1) \$60,110			
Rev-4	TOTAL ANNUALIZED REVENUES		\$971,727			
1	OPERATIONS EXPENSES		(2)			
2	Operation Labor & Expenses	601.000	\$80,265	\$0	\$80,265	0.00%
3	Salaries/Wages - Admin & General - 96 USOA	601.200	\$0	\$0	\$0	0.00%
4	Salaries/Wages - Off. & Directors - 96 USOA	603.000	\$0	\$0	\$0	0.00%
5	Employee Pension and Benefits - 96 USOA	604.000	\$0	\$0	\$0	0.00%
6	Purchased Power - 96 USOA	615.000	\$0	\$0	\$0	0.00%
7	Chemicals - 96 USOA	618.000	\$0	\$0	\$0	0.00%
8	Materials & Supplies (small tools) - 96 USOA	620.000	\$0	\$0	\$0	0.00%
9	Water Testing Expense - 96 USOA	619.000	\$0	\$0	\$0	0.00%
10	Purchased Water	602.000	\$0	\$0	\$0	0.00%
11	Fuel or Power Purchased	623.000	\$121,181	\$0	\$121,181	0.00%
12	Chemicals	641.000	\$2,940	\$0	\$2,940	0.00%
13	Misc. Expense - Water Testing	643.000	\$720	\$0	\$720	0.00%
14	Storage Facilities Expenses	661.000	\$0	\$0	\$0	0.00%
15	Meter Expenses	663.000	\$0	\$0	\$0	0.00%
16	Customer Installations Expenses	664.000	\$0	\$0	\$0	0.00%
17	Misc. Expenses	665.000	\$0	\$0	\$0	0.00%
18	TOTAL OPERATIONS EXPENSE		\$205,106	\$0	\$205,106	
19	MAINTENANCE EXPENSES					
20	Maintenance Pumping Plant - 96 USOA	625.000	\$0	\$0	\$0	0.00%
21	Maint. Super Engine (Trans & Distr) - 96 USOA	672.100	\$0	\$0	\$0	0.00%
22	Maint. of Services (Trans. & Distr) - 96 USOA	672.200	\$0	\$0	\$0	0.00%
23	Maint. of Meters (Trans. & Distr) - 96 USOA	672.300	\$0	\$0	\$0	0.00%
24	Other Trans. & Distr Expenses - 96 USOA	672.900	\$0	\$0	\$0	0.00%
25	Maintenance of General Plant - 96 USOA	675.500	\$0	\$0	\$0	0.00%
26	Rent - Equipment	666.000	\$14,318	\$0	\$14,318	0.00%
27	Maintenance of Structures & Improvements	671.000	\$11,886	\$0	\$11,886	0.00%
28	Maintenance of Distribution Reservoirs	672.000	\$0	\$0	\$0	0.00%
29	Maintenance of Trans. & Distribution Mains	673.000	\$15,441	\$0	\$15,441	0.00%
30	Maintenance of Fire Mains	674.000	\$0	\$0	\$0	0.00%
31	Maintenance of Services	675.000	\$0	\$0	\$0	0.00%
32	Maintenance of Meters	676.000	\$1,131	\$0	\$1,131	0.00%
33	Maintenance of Hydrants	677.000	\$0	\$0	\$0	0.00%
34	Maintenance of Misc. Plant	678.000	\$5,372	\$0	\$5,372	0.00%
35	TOTAL MAINTENANCE EXPENSE		\$48,148	\$0	\$48,148	
36	CUSTOMER ACCOUNT EXPENSE					
37	Meter Read	902.000	\$0	\$0	\$0	0.00%
38	Customer Records & Collections	903.000	\$10,306	\$0	\$10,306	0.00%
39	Postage	903.100	\$19,737	\$0	\$19,737	0.00%
40	Uncollectible Accounts	904.000	\$9,099	\$0	\$9,099	0.00%
41	Misc. Customer Accounts Expenses	905.000	\$0	\$0	\$0	0.00%
42	TOTAL CUSTOMER ACCOUNT EXPENSE		\$39,142	\$0	\$39,142	
43	ADMINISTRATIVE & GENERAL EXPENSES					
44	Contractual Services (Engineer) - 96 USOA	631.000	\$0	\$0	\$0	0.00%
45	Contractual Services (Accounting) - 96 USOA	632.000	\$0	\$0	\$0	0.00%
46	Contractual Services (Legal) - 96 USOA	633.000	\$0	\$0	\$0	0.00%
47	Contractual Services (Mgmt Fees) - 96 USOA	634.000	\$0	\$0	\$0	0.00%
48	Contractual Services (Other) - 96 USOA	636.000	\$0	\$0	\$0	0.00%
49	Rental of Building (Real Prop.) - 96 USOA	641.000	\$0	\$0	\$0	0.00%
50	Transportation Expenses - 96 USOA	650.000	\$0	\$0	\$0	0.00%
51	Insurance - Vehicle - 96 USOA	656.000	\$0	\$0	\$0	0.00%
52	Insurance General Liability - 96 USOA	657.000	\$0	\$0	\$0	0.00%
53	Insurance (Workman's Comp) - 96 USOA	658.000	\$0	\$0	\$0	0.00%
54	Insurance - Life	659.100	\$0	\$0	\$0	0.00%

Tri-States Utility
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Rate Design Schedule - Water

A		B	C	D	E	F
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
55	Insurance - Property - 96 USOA	659.200	\$0	\$0	\$0	0.00%
56	Bad Debt Expense - 96 USOA	670.000	\$0	\$0	\$0	0.00%
57	Misc. Expenses - Other Rents - 96 USOA	675.100	\$0	\$0	\$0	0.00%
58	Misc. Expense Uniforms 96- USOA	675.300	\$0	\$0	\$0	0.00%
59	Misc. Travel Expenses - 96 USOA	675.600	\$0	\$0	\$0	0.00%
60	Misc. Expense - Sales Tax Short/Long	675.625	\$141	\$0	\$141	0.00%
61	Misc. Expense - Payroll Taxes	675.650	\$0	\$0	\$0	0.00%
62	Misc. Expenses Other - 96 USOA	675.950	\$0	\$0	\$0	0.00%
63	Misc. Expense Telephone - 96 USOA	930.100	\$0	\$0	\$0	0.00%
64	Misc. Expense Penalties - 96 USOA	930.200	\$0	\$0	\$0	0.00%
65	Misc. Expense Office Utilities - 96 USOA	930.300	\$0	\$0	\$0	0.00%
66	Misc. Expense - Sec. of State Fees - 96 USOA	930.500	\$0	\$0	\$0	0.00%
67	Misc. Expense - Other A&G - 96 USOA	930.900	\$0	\$0	\$0	0.00%
68	Misc. General Expense - 96 USOA	930.950	\$0	\$0	\$0	0.00%
69	Administration & General Salary - Officers & Directors	920.000	\$72,809	\$0	\$72,809	0.00%
70	Adminstration & General Salary	920.100	\$72,720	\$0	\$72,720	0.00%
71	Office Supplies and Other Expenses	921.000	\$6,138	\$0	\$6,138	0.00%
72	Office Utilities	921.100	\$10,141	\$0	\$10,141	0.00%
73	Outside Services - Accounting	923.000	\$12,333	\$0	\$12,333	0.00%
74	Outside Service - Engineering	923.100	\$10,997	\$0	\$10,997	0.00%
75	Outside Services - Legal	923.200	\$7,215	\$0	\$7,215	0.00%
76	Outside Service - Other	923.300	\$9,155	\$0	\$9,155	0.00%
77	Outside Services - Testing	923.400	\$272	\$0	\$272	0.00%
78	Insurance - General Liability	924.000	\$1,275	\$0	\$1,275	0.00%
79	Insurance - Property	924.100	\$29,128	\$0	\$29,128	0.00%
80	Insurance - Vehicle	924.200	\$4,046	\$0	\$4,046	0.00%
81	Insurance (Workman's Comp)	925.000	\$8,923	\$0	\$8,923	0.00%
82	Life Insurance Expense	925.100	\$0	\$0	\$0	0.00%
83	Employee Medical, Dental & Vision	926.000	\$26,519	\$0	\$26,519	0.00%
84	Regulatory Commission Expenses	928.000	\$7,628	\$0	\$7,628	0.00%
85	Regulatory Commisison Expenses - DNR Fees	928.100	\$400	\$0	\$400	0.00%
86	Rate Case Expense	928.200	\$6,436	\$0	\$6,436	0.00%
87	Advertising Expense	930.100	\$0	\$0	\$0	0.00%
88	Misc. General Expenses	930.200	\$16,015	\$0	\$16,015	0.00%
89	Misc. Lunch & Meals	930.400	\$0	\$0	\$0	0.00%
90	Officer & Director Travel Expenses	930.500	\$1,274	\$0	\$1,274	0.00%
91	Telephone Expense	930.600	\$7,884	\$0	\$7,884	0.00%
92	Dues & Subscriptions	930.560	\$1,325	\$0	\$1,325	0.00%
93	Rents	931.000	\$96,000	\$0	\$96,000	0.00%
94	Rents - Equipment	931.100	\$1,625	\$0	\$1,625	0.00%
95	Transportation Expenses	933.000	\$28,818	\$0	\$28,818	0.00%
96	TOTAL ADMINISTRATIVE AND GENERAL		\$439,217	\$0	\$439,217	
97	OTHER OPERATING EXPENSES					
98	Interest on Customer Deposits	431.100	\$2,238	\$0	\$2,238	0.00%
99	Depreciation - CIAC Offset	251.000	-\$18,174	\$0	-\$18,174	0.00%
100	Corporate Registration		\$0	\$0	\$0	0.00%
101	Other Operating Expense		\$0	\$0	\$0	0.00%
102	Amortization Expense		\$0	\$0	\$0	0.00%
103	Depreciation		\$167,563	\$0	\$167,563	0.00%
104	TOTAL OTHER OPERATING EXPENSES		\$151,627	\$0	\$151,627	
105	TAXES OTHER THAN INCOME					
106	Misc. Expense (Other Taxes) - 96 USOA	675.675	\$0	\$0	\$0	0.00%
107	Misc. Expense (Property Tax) - 96 USOA	930.600	\$0	\$0	\$0	0.00%
108	Payroll Taxes	408.000	\$19,931	\$0	\$19,931	0.00%
109	Property Taxes	408.100	\$4,260	\$0	\$4,260	0.00%
110	Other Taxes	408.200	\$499	\$0	\$499	0.00%
111	TOTAL TAXES OTHER THAN INCOME		\$24,690	\$0	\$24,690	
112	TOTAL OPERATING EXPENSES		\$907,930	\$0	\$907,930	
113	Interest Expense		(3) \$91,257	\$0	\$91,257	0.00%

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Rate Design Schedule - Water

<u>A</u>		<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
114	Return on Equity	(3)	\$59,703	\$0	\$59,703	0.00%
115	Income Taxes	(3)	\$17,661	\$0	\$17,661	0.00%
116	TOTAL INTEREST RETURN & TAXES		\$168,621	\$0	\$168,621	
117	TOTAL COST OF SERVICE		\$1,076,551	\$0	\$1,076,551	
118	Less: Miscellaneous Revenues		\$60,110	\$0	\$60,110	0.00%
119	COST TO RECOVER IN RATES		\$1,016,441	\$0	\$1,016,441	
120	INCREMENTAL INCREASE IN RATE REVENUES		<u>\$104,824</u>			
121	PERCENTAGE OF INCREASE		<u>10.79%</u>			
122	REQUESTED INCREASE IN REVENUES		\$620,000			

- (1) From Revenue Schedule
 (2) From Expense Schedule
 (3) From PreTax Rate of Return Schedule, Rate Base & Return Schedule

Tri-States Utility
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Rate of Return Including Income Tax - Water

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	5.72%	(1 - (B2 x .5)) x A1
2 Federal Income Tax Rate Statutory / Effective	18.15% (1) & (2)	17.11%	(1 - B1) x A2
3 Composite Effective Income Tax Rate		22.83%	B1 + B2
4 Equity Tax Factor		1.2958	1 / (1-B3)
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		2.75%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		3.57%	B4 x B5
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		4.21%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		7.78%	B6+B7

To Rate Base Schedule

(1) If Sub-Chapter S Corporation, Enter Y:

N

Equity Income Required \$72,938
& Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$50,000	\$7,500
\$50,001	\$75,000	25.00%	\$22,938	\$5,735
\$75,001	\$100,000	34.00%	\$0	\$0
\$100,001	\$335,000	39.00%	\$0	\$0
\$335,001	\$9,999,999,999	34.00%	\$0	\$0
			\$72,938	\$13,235
			Consolidated Tax Rate:	
			Average Tax Rate:	0.1815

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Rate Base Required Return on Investment Schedule - Water

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$3,438,224	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$1,019,735</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$2,418,489	
4	Other Rate Base Items:	\$0	
	Materials & Supplies	\$75,621	
	Customer Deposits	-\$37,294	
	Customer Credit Balance	-\$5,347	
	CIAC Offset	\$55,435	
	Contribution in Aid of Construction (CIAC)	-\$268,829	
	Accumulated Deferred Income Taxes	-\$69,417	
5	Total Rate Base	<u>\$2,168,658</u>	
6	Total Weighted Rate of Return Including Income Tax	<u>7.78%</u>	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$168,621</u></u>	

Tri-States Utility
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 Capital Structure Schedule - Water

<u>A</u>		<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Line Number	Description	Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital
1	Common Stock	\$542,165	25.00%	11.01%	2.753%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$1,626,494	75.00%	5.61%	4.208%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	\$2,168,659	100.00%		6.961%

To PreTax Return Rate Schedule

Note: column C: is 6 positions with 4 that are displayed (if not totaled correctly, due to rounding)

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Plant In Service - Water

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$0			100.00%	\$0
3	302.000	Franchises and Consents	\$0			100.00%	\$0
4	303.000	Misc. Intangible Plant	\$0			100.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$0			100.00%	\$0
8	311.000	Structures & Improvements	\$13,049			100.00%	\$13,049
9	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
10	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
11	314.000	Wells & Springs	\$542,486	P-11	-\$9,477	100.00%	\$533,009
12	316.000	Supply Mains	\$127,909			100.00%	\$127,909
13	317.000	Other Water Source Plant	\$4,810	P-13	-\$4,810	100.00%	\$0
14		TOTAL SOURCE OF SUPPLY PLANT	\$688,254		-\$14,287		\$673,967
15		PUMPING PLANT					
16	321.000	Structures & Improvements - PP	\$29,772			100.00%	\$29,772
17	325.000	Electric Pumping Equipment	\$82,867	P-17	\$4,810	100.00%	\$87,677
18	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
19	327.000	Hydraulic Pumping Equipment	\$0			100.00%	\$0
20	328.000	Other Pumping Equipment	\$12,355			100.00%	\$12,355
21		TOTAL PUMPING PLANT	\$124,994		\$4,810		\$129,804
22		WATER TREATMENT PLANT					
23	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
24	331.000	Structures & Improvements - WTP	\$28,701			100.00%	\$28,701
25	332.000	Water Treatment Equipment	\$42,889	P-25	-\$28,327	100.00%	\$14,562
26		TOTAL WATER TREATMENT PLANT	\$71,590		-\$28,327		\$43,263
27		TRANSMISSION & DISTRIBUTION PLANT					
28	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
29	341.000	Structures & Improvements - T&D	\$777			100.00%	\$777
30	342.000	Distribution Reservoirs & Standpipes	\$383,912			100.00%	\$383,912
31	343.000	Transmission and Distribution Mains	\$632,396	P-31	\$13,410	100.00%	\$645,806
32	344.000	Fire Mains	\$0			100.00%	\$0
33	345.000	Services	\$85,808	P-33	\$262,834	100.00%	\$348,642
34	346.000	Meters- Bronze Chamber 11/2" or smaller	\$747,503	P-34	-\$14,357	100.00%	\$733,146
35	346.100	Meters- Bronze Chamber 2" or larger	\$0	P-35	\$119,193	100.00%	\$119,193
36	347.000	Meter Installations- Bronze	\$0			100.00%	\$0
37	347.000	Meter Installations- Plastic	\$0			100.00%	\$0
38	348.000	Hydrants	\$25,500			100.00%	\$25,500
39	349.000	Other Transmission and Distribution Plant	\$8,433			100.00%	\$8,433
40		TOTAL TRANS. & DISTRIBUTION PLANT	\$1,884,329		\$381,080		\$2,265,409
41		GENERAL PLANT					
42	389.000	Land & Land Rights-GP	\$0			100.00%	\$0
43	390.000	Structures & Improvements - GP	\$5,331	P-43	\$24,423	100.00%	\$29,754
44	391.000	Office Furniture & Equipment	\$43,933	P-44	-\$18,770	100.00%	\$25,163
45		Office Computer Equipment	\$51,637	P-45	\$33,210	100.00%	\$84,847
46	392.000	Transportation Equipment - GP	\$121,898			100.00%	\$121,898
47	393.000	Stores Equipment	\$0			100.00%	\$0
48	394.000	Tools, Shop and Garage Equip	\$33,725	P-48	\$489	100.00%	\$34,214
49	395.000	Laboratory Equipment	\$0			100.00%	\$0
50	396.000	Power-Operated Equip	\$79,458	P-50	-\$63,427	100.00%	\$16,031
51	397.000	Communication Equipment	\$13,874			100.00%	\$13,874
52	398.000	Misc. Equipment	\$489	P-52	-\$489	100.00%	\$0

Tri-States Utility
 Informal Case/Rate Case
 Tracking Number WR-2011-0037
 Test Year Ending 06-30-2010 Updated thru 9/30/2010
 Plant In Service - Water

<u>Line</u> <u>Number</u>	<u>A</u> Account # (Optional)	<u>B</u> Plant Account Description	<u>C</u> Total Plant	<u>D</u> Adjustment Number	<u>E</u> Adjustments	<u>F</u> Jurisdictional Allocation	<u>G</u> Adjusted Jurisdictional
53	399.000	Other Tangible Property	\$11,120	P-53	-\$11,120	100.00%	\$0
54		TOTAL GENERAL PLANT	\$361,465		-\$35,684		\$325,781
55		TOTAL PLANT IN SERVICE	\$3,130,632		\$307,592		\$3,438,224

To Rate Base & Depreciation Schedules

Tri-States Utility
 Informal Case/Rate Case
 Tracking Number WR-2011-0037
 Test Year Ending 06-30-2010 Updated thru 9/30/2010
 Schedule of Adjustments for Plant in Service - Water

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
P-11	Wells & Springs	314.000		-\$9,477
	To reclassify Distr. Mains & Trans. to acct. 343 incorrectly recorded as well & springs (Green)		-\$15,269	
	To include capitalized payroll costs that were not adopted by the Company during the last rate case (Green)		\$5,792	
P-13	Other Water Source Plant	317.000		-\$4,810
	To reclassify pumping equip. to acct. 325 incorrectly recorded as water source plant. (Green)		-\$4,810	
P-17	Electric Pumping Equipment	325.000		\$4,810
	To add pumping equip. incorrectly recorded as water source plant (Green)		\$4,810	
P-25	Water Treatment Equipment	332.000		-\$28,327
	To reclassify computer equip. to acct. 391.1 incorrectly recorded as water treatment plant. (Green)		-\$28,327	
P-31	Transmission and Distribution Mains	343.000		\$13,410
	To add Trans. & Distr. Mains incorrectly recorded as Office Furniture & Equip. (Green)		\$584	
	To remove retire plant (Distr. Pipes) from the Fall Creek construction project that were abandon in place. (Green)		-\$2,443	
	To add Trans. & Distr. Mains incorrectly recorded as Wells & Springs (Green)		\$15,269	

Tri-States Utility
 Informal Case/Rate Case
 Tracking Number WR-2011-0037
 Test Year Ending 06-30-2010 Updated thru 9/30/2010
 Schedule of Adjustments for Plant in Service - Water

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
P-33	Services	345.000		\$262,834
	To include plant values associated with CAC and CIAC that were not adopted by the Company during the last rate case (Green)		\$262,834	
P-34	Meters- Bronze Chamber 1 1/2" or smaller	346.000		-\$14,357
	To add meters incorrectly recorded as CIAC. (Green)		\$15,769	
	To reclassify meters greater than 2" to account 346.1 (Green)		-\$119,193	
	To include capitalized inventory and trash service on new meters that were not adopted by the Company during the last rate case (Green)		\$89,067	
P-35	Meters- Bronze Chamber 2" or larger	346.100		\$119,193
	To add meters greater than 2" incorrectly recorded under account 346 (Green)		\$119,193	
P-43	Structures & Improvements - GP	390.000		\$24,423
	To add structures & improvements incorrectly recorded as other tangible plant (Green)		\$6,237	
	To add structures & improvements incorrectly recorded as other Office Furniture & Equip. (Green)		\$18,186	
P-44	Office Furniture & Equipment	391.000		-\$18,770
	To reclassify structures & improvements to acct. 390 incorrectly recorded as other Office Furniture & Equip. (Green)		-\$18,186	

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Schedule of Adjustments for Plant in Service - Water

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	To reclassify Trans. & Distr. Main to acct. 343 incorrectly recorded as Office Furniture & Equip. (Green)		-\$584	
P-45	Office Computer Equipment			\$33,210
	To add computer equip. incorrectly recorded as water treatment plant (Green)		\$28,327	
	To add computer equip. incorrectly recorded as other tangible plant (Green)		\$4,883	
P-48	Tools, Shop and Garage Equip	394.000		\$489
	To add tools & shop equip. incorrectly recorded as misc. equipment (Green)		\$489	
P-50	Power-Operated Equip	396.000		-\$63,427
	To remove remove plant not use & useful - Komatsu Backhoe (Robinett)		-\$63,427	
P-52	Misc. Equipment	398.000		-\$489
	To reclassify tools & shop equip. to acct. 394 incorrectly recorded as Misc. Equipment (Green)		-\$489	
P-53	Other Tangible Property	399.000		-\$11,120
	To reclassify computer equip. to acct. 391.1 incorrectly recorded as other tangible plant. (Green)		-\$4,883	
	To reclassify structures & improvements to acct. 390 incorrectly recorded as other tangible plant. (Green)		-\$6,237	
Total Plant Adjustments				<u><u>\$307,592</u></u>

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Accumulated Depreciation Reserve - Water

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$0			100.00%	\$0
3	302.000	Franchises and Consents	\$0			100.00%	\$0
4	303.000	Misc. Intangible Plant	\$0			100.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$0			100.00%	\$0
8	311.000	Structures & Improvements	\$2,634	R-8	\$82	100.00%	\$2,716
9	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
10	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
11	314.000	Wells & Springs	\$135,528	R-11	\$2,955	100.00%	\$138,483
12	316.000	Supply Mains	\$51,547	R-12	\$640	100.00%	\$52,187
13	317.000	Other Water Source Plant	\$122	R-13	-\$122	100.00%	\$0
14		TOTAL SOURCE OF SUPPLY PLANT	\$189,831		\$3,555		\$193,386
15		PUMPING PLANT					
16	321.000	Structures & Improvements - PP	\$9,758	R-16	\$186	100.00%	\$9,944
17	325.000	Electric Pumping Equipment	\$62,571	R-17	\$2,314	100.00%	\$64,885
18	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
19	327.000	Hydraulic Pumping Equipment	\$0			100.00%	\$0
20	328.000	Other Pumping Equipment	\$284	R-20	\$124	100.00%	\$408
21		TOTAL PUMPING PLANT	\$72,613		\$2,624		\$75,237
22		WATER TREATMENT PLANT					
23	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
24	331.000	Structures & Improvements - WTP	\$4,485	R-24	\$179	100.00%	\$4,664
25	332.000	Water Treatment Equipment	\$4,927	R-25	-\$4,076	100.00%	\$851
26		TOTAL WATER TREATMENT PLANT	\$9,412		-\$3,897		\$5,515
27		TRANSMISSION & DISTRIBUTION PLANT					
28	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
29	341.000	Structures & Improvements - T&D	\$31	R-29	\$5	100.00%	\$36
30	342.000	Distribution Reservoirs & Standpipes	\$140,973	R-30	\$2,399	100.00%	\$143,372
31	343.000	Transmission and Distribution Mains	\$100,194	R-31	\$818	100.00%	\$101,012
32	344.000	Fire Mains	\$0			100.00%	\$0
33	345.000	Services	\$22,917	R-33	\$18,606	100.00%	\$41,523
34	346.000	Meters- Bronze Chamber 11/2" or smaller	\$255,888	R-34	-\$2,949	100.00%	\$252,939
35	346.100	Meters- Bronze Chamber 2" or larger	\$0	R-35	\$44,081	100.00%	\$44,081
36	347.000	Meter Installations- Bronze	\$0			100.00%	\$0
37	347.000	Meter Installations- Plastic	\$0			100.00%	\$0
38	348.000	Hydrants	\$11,985	R-38	\$128	100.00%	\$12,113
39	349.000	Other Transmission and Distribution Plant	\$663	R-39	\$42	100.00%	\$705
40		TOTAL TRANS. & DISTRIBUTION PLANT	\$532,651		\$63,130		\$595,781
41		GENERAL PLANT					
42	389.000	Land & Land Rights-GP	\$0			100.00%	\$0
43	390.000	Structures & Improvements - GP	\$0	R-43	\$7,875	100.00%	\$7,875
44	391.000	Office Furniture & Equipment	\$8,186	R-44	-\$3,030	100.00%	\$5,156
45		Office Computer Equipment	\$30,668	R-45	\$7,479	100.00%	\$38,147
46	392.000	Transportation Equipment - GP	\$75,799	R-46	\$3,962	100.00%	\$79,761
47	393.000	Stores Equipment	\$0			100.00%	\$0
48	394.000	Tools, Shop and Garage Equip	\$10,711	R-48	\$458	100.00%	\$11,169
49	395.000	Laboratory Equipment	\$0			100.00%	\$0
50	396.000	Power-Operated Equip	\$36,219	R-50	-\$31,445	100.00%	\$4,774
51	397.000	Communication Equipment	\$2,702	R-51	\$232	100.00%	\$2,934
52	398.000	Misc. Equipment	\$30	R-52	-\$30	100.00%	\$0

Tri-States Utility
 Informal Case/Rate Case
 Tracking Number WR-2011-0037
 Test Year Ending 06-30-2010 Updated thru 9/30/2010
 Accumulated Depreciation Reserve - Water

Line Number	<u>A</u> Account Number	<u>B</u> Depreciation Reserve Description	<u>C</u> Total Reserve	<u>D</u> Adjustment Number	<u>E</u> Adjustments	<u>F</u> Jurisdictional Allocation	<u>G</u> Adjusted Jurisdictional
53	399.000	Other Tangible Property	\$4,640	R-53	-\$4,640	100.00%	\$0
54		TOTAL GENERAL PLANT	\$168,955		-\$19,139		\$149,816
55		TOTAL DEPRECIATION RESERVE	<u>\$973,462</u>		<u>\$46,273</u>		<u>\$1,019,735</u>

To Rate Base Schedule

Tri-States Utility
 Informal Case/Rate Case
 Tracking Number WR-2011-0037
 Test Year Ending 06-30-2010 Updated thru 9/30/2010
 Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
R-8	Structures & Improvements	311.000		\$82
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$82	
R-11	Wells & Springs	314.000		\$2,955
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$2,665	
	To adjust depreciation reserve to include 2 & half years depreciation on the adjust not adopted by the Company in the last rate case (Green)		\$290	
R-12	Supply Mains	316.000		\$640
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$640	
R-13	Other Water Source Plant	317.000		-\$122
	To reclassify depr. Reserve on pumping equip. to acct. 325 incorrectly recorded as water source plant. (Green)		-\$122	
R-16	Structures & Improvements - PP	321.000		\$186
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$186	
R-17	Electric Pumping Equipment	325.000		\$2,314
	To increase depr. Reserve on pumping equip. incorrectly recorded as water source plant (Green)		\$122	

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$2,192	
R-20	Other Pumping Equipment	328.000		\$124
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$124	
R-24	Structures & Improvements - WTP	331.000		\$179
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$179	
R-25	Water Treatment Equipment	332.000		-\$4,076
	To reclassify depr. Reserve on computer equip. to acct. 391.1 incorrectly recorded as water treatment equipment. (Green)		-\$4,182	
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$106	
R-29	Structures & Improvements - T&D	341.000		\$5
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$5	
R-30	Distribution Reservoirs & Standpipes	342.000		\$2,399
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$2,399	
R-31	Transmission and Distribution Mains	343.000		\$818
	To increase depr. Reserve on trans. & distr mains incorrectly recorded as Office Furniture & Equip. (Green)		\$32	

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
	To remove depreciation reserve on retired distribution pipes from the Fall Creek project.(Green)		-\$2,443	
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$3,229	
R-33	Services	345.000		\$18,606
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$2,179	
	To adjust depreciation reserve to include 2 & half years depreciation on a adjustment not adopted by the Company in the last rate case (Green)		\$16,427	
R-34	Meters- Bronze Chamber 1 1/2" or smaller	346.000		-\$2,949
	To increase depr. Reserve on meters incorrectly recorded as CIAC (Green)		\$536	
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$18,329	
	To reclassify depreciation reserve on meters greater than 2" (Green)		-\$44,081	
	To adjust depreciation reserve to include 2 & half years depreciation on a adjustment not adopted by the Company in the last rate case (Green)		\$22,267	
R-35	Meters- Bronze Chamber 2" or larger	346.100		\$44,081
	To add depreciation reserve on meters greater than 2" (Green)		\$44,081	
R-38	Hydrants	348.000		\$128

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$128	
R-39	Other Transmission and Distribution Plant	349.000		\$42
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$42	
R-43	Structures & Improvements - GP	390.000		\$7,875
	To increase depr. Reserve on structures & improvements incorrectly recorded as other tangible property (Green)		\$4,376	
	To increase depr. Reserve on structures & improvements incorrectly recorded as Office Furniture & Equip. (Green)		\$3,313	
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$186	
R-44	Office Furniture & Equipment	391.000		-\$3,030
	To reclassify depr. Reserve on Structures & Improv. to acct. 390 incorrectly recorded as Office Furniture & Equip. (Green)		-\$3,313	
	To reclassify depr. reserve Trans & Distr. Mains to acct. 343 incorrectly recorded as Office Furniture & Equip. (Green)		-\$32	
	To adjust depreciation reserve up through 9-30-2010 (Green)		\$315	
R-45	Office Computer Equipment			\$7,479
	To increase depr. Reserve on computer equip. incorrectly recorded as water treatment equipment (Green)		\$4,182	

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
	To increase depr. Reserve on computer equip. incorrectly recorded as other tangible property (Green)		\$264	
	To adjust depreciation reserve up through 9-30- 2010 (Green)		\$3,033	
R-46	Transportation Equipment - GP	392.000		\$3,962
	To adjust depreciation reserve up through 9-30- 2010 (Green)		\$3,962	
R-48	Tools, Shop and Garage Equip	394.000		\$458
	To increase depr. Reserve on tools & shop equip. incorrectly recorded as misc. equipment (Green)		\$30	
	To adjust depreciation reserve up through 9-30- 2010 (Green)		\$428	
R-50	Power-Operated Equip	396.000		-\$31,445
	To remove depreciation reserve on retired Komatsu Backhoe (Robinett)		-\$63,427	
	To include salvage received on retired backhoe. (Green)		\$31,713	
	To adjust depreciation reserve up through 9-30- 2010 (Green)		\$269	
R-51	Communication Equipment	397.000		\$232
	To adjust depreciation reserve up through 9-30- 2010 (Green)		\$232	
R-52	Misc. Equipment	398.000		-\$30

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Reserve Adjustment Number	Accumulated Depreciation Reserve Adjustments Description	Account Number	Adjustment Amount	Total Adjustment Amount
	To reclassify depr. Reserve on tools & shop equip. to acct. 394 incorrectly recorded as Misc. Equipment (Green)		-\$30	
R-53	Other Tangible Property	399.000		-\$4,640
	To reclassify depr. Reserve on computer equip. to acct. 391.1 incorrectly recorded as other tangible property. (Green)		-\$264	
	To reclassify depr. Reserve on structures & improvements to acct. 390 incorrectly recorded as other tangible property. (Green)		-\$4,376	
Total Reserve Adjustments				<u><u>\$46,273</u></u>

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Depreciation Expense - Water

Line Number	<u>A</u> Account Number	<u>B</u> Plant Account Description	<u>C</u> Adjusted Jurisdictional	<u>D</u> Depreciation Rate	<u>E</u> Depreciation Expense
1		INTANGIBLE PLANT			
2	301.000	Organization	\$0	0.00%	\$0
3	302.000	Franchises and Consents	\$0	0.00%	\$0
4	303.000	Misc. Intangible Plant	\$0	0.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$0		\$0
6		SOURCE OF SUPPLY PLANT			
7	310.000	Land & Land Rights	\$0	0.00%	\$0
8	311.000	Structures & Improvements	\$13,049	2.50%	\$326
9	312.000	Collection & Impounding Reservoirs	\$0	2.00%	\$0
10	313.000	Lake, River & Other Intakes	\$0	0.00%	\$0
11	314.000	Wells & Springs	\$533,009	2.00%	\$10,660
12	316.000	Supply Mains	\$127,909	2.00%	\$2,558
13	317.000	Other Water Source Plant	\$0	2.00%	\$0
14		TOTAL SOURCE OF SUPPLY PLANT	\$673,967		\$13,544
15		PUMPING PLANT			
16	321.000	Structures & Improvements - PP	\$29,772	2.50%	\$744
17	325.000	Electric Pumping Equipment	\$87,677	10.00%	\$8,768
18	326.000	Diesel Pumping Equipment	\$0	0.00%	\$0
19	327.000	Hydraulic Pumping Equipment	\$0	0.00%	\$0
20	328.000	Other Pumping Equipment	\$12,355	4.00%	\$494
21		TOTAL PUMPING PLANT	\$129,804		\$10,006
22		WATER TREATMENT PLANT			
23	330.000	Land & Land Rights-WTP	\$0	0.00%	\$0
24	331.000	Structures & Improvements - WTP	\$28,701	2.50%	\$718
25	332.000	Water Treatment Equipment	\$14,562	2.90%	\$422
26		TOTAL WATER TREATMENT PLANT	\$43,263		\$1,140
27		TRANSMISSION & DISTRIBUTION PLANT			
28	340.000	Land & Land Rights-T&D	\$0	0.00%	\$0
29	341.000	Structures & Improvements - T&D	\$777	2.50%	\$19
30	342.000	Distribution Reservoirs & Standpipes	\$383,912	2.50%	\$9,598
31	343.000	Transmission and Distribution Mains	\$645,806	2.00%	\$12,916
32	344.000	Fire Mains	\$0	0.00%	\$0
33	345.000	Services	\$348,642	2.50%	\$8,716
34	346.000	Meters- Bronze Chamber 11/2" or smaller	\$733,146	10.00%	\$73,315
35	346.100	Meters- Bronze Chamber 2" or larger	\$119,193	3.30%	\$3,933
36	347.000	Meter Installations- Bronze	\$0	0.00%	\$0
37	347.000	Meter Installations- Plastic	\$0	0.00%	\$0
38	348.000	Hydrants	\$25,500	2.00%	\$510
39	349.000	Other Transmission and Distribution Plant	\$8,433	2.00%	\$169
40		TOTAL TRANS. & DISTRIBUTION PLANT	\$2,265,409		\$109,176

Tri-States Utility
Informal Case/Rate Case
Tracking Number WR-2011-0037
Test Year Ending 06-30-2010 Updated thru 9/30/2010
Depreciation Expense - Water

<u>Line</u> Number	<u>A</u> Account Number	<u>B</u> Plant Account Description	<u>C</u> Adjusted Jurisdictional	<u>D</u> Depreciation Rate	<u>E</u> Depreciation Expense
41		GENERAL PLANT			
42	389.000	Land & Land Rights-GP	\$0	0.00%	\$0
43	390.000	Structures & Improvements - GP	\$29,754	2.50%	\$744
44	391.000	Office Furniture & Equipment	\$25,163	5.00%	\$1,258
45		Office Computer Equipment	\$84,847	14.30%	\$12,133
46	392.000	Transportation Equipment - GP	\$121,898	13.00%	\$15,847
47	393.000	Stores Equipment	\$0	0.00%	\$0
48	394.000	Tools, Shop and Garage Equip	\$34,214	5.00%	\$1,711
49	395.000	Laboratory Equipment	\$0	0.00%	\$0
50	396.000	Power-Operated Equip	\$16,031	6.70%	\$1,074
51	397.000	Communication Equipment	\$13,874	6.70%	\$930
52	398.000	Misc. Equipment	\$0	0.00%	\$0
53	399.000	Other Tangible Property	\$0	5.00%	\$0
54		TOTAL GENERAL PLANT	\$325,781		\$33,697
55		Total Depreciation	\$3,438,224		\$167,563

Agreement Attachment C

Ratemaking Income Statement

TRI-STATES UTILITY, INC. WATER COMPANY

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	911,617
2	Other Operating Revenues *	\$	60,110
3	Total Operating Revenues	\$	971,727

4 * See "Revenues - Current Rates" for Details

Revenue Allocations

Base	Commodity
\$ 434,962	\$ 476,650
\$ -	\$ 60,110
\$ 434,962	\$ 536,760

Cost of Service

Item	Amount
1	Operations-Labor & Expense
2	Operator-Backup
3	Electricity-Pumping
4	Rent-Equipment
5	Water Treatment Expense-Chemicals
6	Water Treatment -Testing/Laboratory Fees
7	Maintenance of Structures & Improvements
8	Maintenance of Trans. & Distribution Mains
9	Maintenance of Meters
10	Maintenance of Miscellaneous Plant
11	Administration & General Salaries-Officers & Directors
12	Administration & General Salaries
13	Telephone Expense
14	Customer Records & Collections
15	Uncollectibles
16	Postage
17	Office Supplies & Other Expenses
18	Office Utilities
19	Outside Services-Accounting
20	Outside Services-Engineering
21	Outside Services-Legal
22	Outside Services-Other
23	Outside Services-Testing
24	Insurance-General Liability
25	Insurance-Property
26	Insurance-Vehicle
27	Insurance-Workman's Comp.
28	Rents
29	Rent Expense-Equipment
30	Transportation Expense
31	Rate Case Expense
32	MO DNR Fees
33	Employee Pensions & Benefits
34	Officer & Director Travel Expenses
35	Dues & Subscriptions
36	Regulatory Commission Expense
37	Miscellaneous General Expenses-Sales Tax
38	Miscellaneous General Expenses
39	Sub-Total Operating Expenses
40	Property Taxes
41	Other Taxes
42	Employer FICA Taxes
43	Federal Unemployment Taxes
44	State Unemployment Taxes
45	State & Federal Income Taxes
46	Sub-Total Taxes
47	Depreciation Expense
48	Depreciation Expense-CIAC
49	Amortization Expense
50	Interest Expense
51	Interest Expense-Customer Deposits
52	Sub-Total Depreciation/Amortization
53	Return on Rate Base
54	Total Cost of Service

Expense Allocations

Base	Commodity
\$ 26,487	\$ 53,778
\$ -	\$ -
\$ -	\$ 121,181
\$ -	\$ 14,318
\$ -	\$ 2,940
\$ -	\$ 720
\$ -	\$ 11,886
\$ 15,441	\$ -
\$ 1,131	\$ -
\$ -	\$ 5,372
\$ 3,640	\$ 69,169
\$ 23,998	\$ 48,722
\$ -	\$ 7,884
\$ 10,306	\$ -
\$ 9,099	\$ -
\$ 16,394	\$ 3,343
\$ -	\$ 6,138
\$ -	\$ 10,141
\$ -	\$ 12,333
\$ -	\$ 10,997
\$ -	\$ 7,215
\$ -	\$ 9,155
\$ -	\$ 272
\$ -	\$ 1,275
\$ -	\$ 29,128
\$ -	\$ 4,046
\$ -	\$ 8,923
\$ -	\$ 96,000
\$ -	\$ 1,625
\$ -	\$ 28,818
\$ -	\$ 6,436
\$ -	\$ 400
\$ -	\$ 26,519
\$ -	\$ 1,274
\$ -	\$ 1,325
\$ -	\$ 7,628
\$ -	\$ 141
\$ -	\$ 16,015
\$ 106,497	\$ 625,117
\$ -	\$ 4,260
\$ -	\$ 499
\$ -	\$ 19,931
\$ -	\$ -
\$ -	\$ -
\$ -	\$ 17,661
\$ -	\$ 42,351
\$ 90,333	\$ 77,230
\$ -	\$ (18,174)
\$ -	\$ -
\$ 41,066	\$ 50,191
\$ 2,238	\$ -
\$ 133,637	\$ 109,247
\$ 109,950	\$ (50,247)
\$ 350,083	\$ 726,468

55	Overall Revenue Increase Needed	\$	104,824	\$	(84,879)	\$	189,707
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Agreement Attachment D

Rate Design Worksheet

TRI-STATES UTILITY, INC. WATER COMPANY

Development of Tariffed Rates-Water

Agreement is to eliminate seasonal commodity rates, eliminate gallons included in the customer charge and to base the customer charge and commodity charge on the cost of service study completed on the rate making income statement.

Revenues Generated by Current Tariffed Rates	\$	911,612
Agreed-Upon Overall Revenue Increase	\$	104,824
Percentage Increase Needed		11.499%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
5/8"	\$ 6.60	\$ 7.45	\$ 1.87	\$ 3.19
3/4"	\$ 11.43	\$ 8.20	\$ 1.87	\$ 3.19
1"	\$ 15.89	\$ 10.44	\$ 1.87	\$ 3.19
2"	\$ 42.62	\$ 21.62	\$ 1.87	\$ 3.19
3"	\$ 76.64	\$ 82.00	\$ 1.87	\$ 3.19
4"	\$ 125.24	\$ 104.36	\$ 1.87	\$ 3.19
6"	\$ 246.74	\$ 156.55	\$ 1.87	\$ 3.19
8"	\$ 441.14	\$ 216.18	\$ 1.87	\$ 3.19
5/8"-summer			\$ 3.58	\$ 3.19
3/4"			\$ 3.58	\$ 3.19
1"			\$ 3.58	\$ 3.19
2"			\$ 3.58	\$ 3.19
3"			\$ 3.58	\$ 3.19
4"			\$ 3.58	\$ 3.19
6"			\$ 3.58	\$ 3.19
8"			\$ 3.58	\$ 3.19
Customer Charge	\$ 434,962	\$ 350,083	\$ (84,879)	-19.51%
Commodity Charge	\$ 726,468	\$ 60,110	\$ 666,353	\$ 3.19

Meter Equivalents	Number	Factor	Total Equiv. Meters
5/8"	1,469	1.0	1,469.0
3/4"	1,759	1.1	1,934.9
1"	36	1.4	50.4
2"	98	2.9	284.2
3"	5	11.0	55.0
4"	5	14.0	70.0
6"	1	21.0	21.0
8"	1	29.0	29.0

3,913.5

Customer Charge per equivalent meter per month: \$ 7.45

Gallons Included in Customer Charge

5/8"	19,511.3
3/4"	28,605.7
1"	490.9
2"	1,976.9
3"	120.0
4"	101.0
6"	25.0
8"	24.0

Total 50,854.8

Annualized gallons (per 1,000) 157,821.8

Total gallons (per 1,000) 208,676.6

Agreement Attachment E

Billing Comparison Worksheet

TRI-STATES UTILITY, INC. WATER COMPANY

Residential Customer Bill Comparison-Water

Rates for 5/8" Meter

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>	<u>Current Usage Rate*</u>	<u>Proposed Usage Rate</u>
\$6.60	\$7.45	\$2.90	\$3.19

*current usage charge is weighted average of current summer/winter usage..

current service charge is monthly charge.

usage rate is per 1,000 gallons used

MONTHLY BILL COMPARISON

6,000 gallons/month usage

Current Rates

Customer Charge	\$ 6.60
Usage Charge	\$ 11.59
Total Bill	\$ 18.19

Proposed Rates

Customer Charge	\$ 7.45
Usage Charge	\$ 19.16
Total Bill	\$ 26.61

INCREASES

Customer Charge

\$ Increase	\$0.85
% Increase	12.95%

Usage Charge

\$ Increase	\$7.57
% Increase	65.31%

Total Bill

\$ Increase	\$8.42
% Increase	46.31%

TRI-STATES UTILITY, INC. WATER COMPANY

Residential Customer Bill Comparison-Water

Rates for 3/4" Meter			
Current Base Customer Charge	Proposed Base Customer Charge	Current Usage Rate*	Proposed Usage Rate
\$11.43	\$8.20	\$2.90	\$3.19

*current usage charge is weighted average of current summer/winter usage..

current service charge is monthly charge.

usage rate is per 1,000 gallons used

MONTHLY BILL COMPARISON

6,000 gallons/month usage

Current Rates

Customer Charge	\$	11.43
Usage Charge	\$	11.59
Total Bill	\$	23.02

Proposed Rates

Customer Charge	\$	8.20
Usage Charge	\$	19.16
Total Bill	\$	27.36

INCREASES

Customer Charge

\$ Increase	(\$3.23)
% Increase	-28.26%

Usage Charge

\$ Increase	\$7.57
% Increase	65.31%

Total Bill

\$ Increase	\$4.34
% Increase	18.85%

Agreement Attachment F

Schedule of Depreciation Rates

Tri-States Utilities, Inc.
SCHEDULE of DEPRECIATION RATES
(WATER Class A)
WR-2011-0037

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
SOURCE OF SUPPLY				
311	Structures & Improvements	2.50%	40	
314	Wells & Springs	2.00%	50	
316	Supply Mains	2.00%	50	
PUMPING PLANT				
321	Structures & Improvements	2.50%	40	
325	Electric Pumping Equipment	10.00%	10	
328	Other Pumping Equipment	4.00%	25	
WATER TREATMENT PLANT				
331	Structures & Improvements	2.50%	40	
332	Water Treatment Equipment	2.90%	35	
TRANSMISSION & DISTRIBUTION				
341	Structures & Improvements	2.50%	40	
342	Distribution Reservoirs & Standpipes	2.50%	40	
343	Transmission & Distribution Mains	2.00%	50	
345	Services	2.50%	40	
346	Customer Meters 1" or smaller diameter	10.00%	10	
346.1	Customer Meters 1 1/2" or larger diameter	3.30%	30	
348	Hydrants	2.00%	50	
349	Other Transmission & Distribution Plant	2.00%	50	
GENERAL PLANT				
390	Structures & Improvements	2.50%	40	
391	Office Furniture & Equipment	5.00%	20	
391.1	Office Computer Equipment	14.30%	7	9%
392	Transportation Equipment	13.00%	7	
394	Tools, Shop, Garage Equipment	5.00%	20	
395	Laboratory Equipment	5.00%	20	
396	Power Operated Equipment	6.70%	15	
397	Communication Equipment	6.70%	15	

Agreement Attachment G

Auditing Department Recommendation Memorandum

AUDITING DEPARTMENT RECOMMENDATION MEMORANDUM

FROM: Kim Bolin
Paul R. Harrison
Jermaine Green

TO: James Russo
Water and Sewer Department

CC: Rachel Lewis

SUBJECT: Auditing Departments Findings and Recommended Cost of Service
Tri-States Water Company, Inc
WR-2011-0037

DATE: January 4, 2011

On August 13, 2010 Tri-States Utility, Inc. (Tri-States or Company), filed a request asking for a \$620,000 increase in water rates for its approximately 3,450 metered customers. The Company's water rates are currently the same as those established in its last rate case on September 29, 2008. The residential and commercial customer water usage rate is \$1.87 per 1,000 gallons usage in excess of 2,000 gallons from November through April and \$3.58 per 1,000 gallons usage in excess of 2,000 from May through October.

Kim Bolin, Paul Harrison, and Jermaine Green of the Auditing Staff (Staff) conducted an investigation of the Company's books and records and determined that an increase of \$104,824 in rates for Tri-States is necessary.

The Auditing Staff utilized a test year of the twelve months ending June 30, 2010. Staff and Company discussed the need for an update in this case and agreed that all known and measurable significant changes; (i.e. Rate base, Revenues and Payroll etc.) would be updated in this case up through September 30, 2010. The parties also agreed that all new construction projects that were complete as of October 27, 2010 would be included in this rate case. As discussed below, based on an examination of Tri-States' actual expenses for this period, the Auditing Staff is proposing several adjustments to the Company's test year books and records.

PLANT, RESERVE, CIAC AND DEPRECIATION

The Auditing Staff included all capital improvements completed and in service by Tri-States as of October 27, 2010. Tri-States has experienced a significant amount of capital improvement since the Company was last audited in 2008. The Company replaced several of its mains and services lines since its last rate case. The most current capital improvement the Company has undertaken was the replacement of its mains that

are located along Fall Creek Road. This improvement occurred during calendar year 2010.

The Company has made significant strides in establishing Continuing Property Records (CPRs) in support of its Plant-in-Service balances, depreciation reserve balances, contribution in aid of construction (CIAC), retirements and net salvage since its last rate case. However, the Company did not record in its CPRs adjustments the Staff recommended be made to its CPRs in the last case. These adjustments were for plant that was contributed and for costs that were expensed but should have been capitalized. In order for the Company's plant balances to be correct, Staff has also made the same adjustments to the Company plant balances that were made in the previous rate case. Below are the amounts of plant, depreciation reserve, CIAC and CIAC depreciation the Auditing Staff has included in this case.

	<u>Plant</u>	<u>Dep. Reserve</u>	<u>CIAC</u>	<u>CIAC Dep. Reserve</u>
Totals	\$ 3,438,224	\$1,019,735	\$ 268,829	\$55,435

One of Staff's adjustments to Plant in Service is the removal of a Komatsu Backhoe purchased in 2002 that is no longer "used and useful". The total cost basis was removed from both Plant in Service and Depreciation Reserve, the un-depreciated balance was then added back to depreciation reserve as a salvage gain to create a net impact of zero on rate base and to offset a negative depreciation reserve.

Other plant adjustments include the retirement of distribution mains as of result of the Fall Creek construction. Because the old pipes were abandoned in place, there was no cost of removal or salvage gain associated with the retirement of the old pipes. The Auditing Staff also made an adjustment to Account 346 (Meters) to include CIAC on the new meters. The Company was tracking their CIAC balance; however the Company was not including these amounts into Plant in Service. As a result Staff made an adjustment to increase the meters account by the amount of CIAC collected since the last rate case. Other adjustments to Plant in Service include the reclassifying of plant items that were incorrectly recorded in the wrong plant accounts.

Staff made an additional adjustment to Plant in Service and Depreciation Reserve for the meters Account 346. Staff performed a reclassification of Account 346 to only include meters that are of 1 inch or smaller in diameter, as these sizes carry a different depreciation rate from the larger meters. For meters that are 2 inches or greater in diameter Staff booked the total amount to Account 346.1 Staff performed this calculation by taking the unit cost of the different size meters and multiplied it by the total number of meters; for a total meter unit cost. Once derived, a weighted cost percentage was used to determine the spread of the remaining costs for meter installations. The above method was also used to determine the amount of depreciation reserve to reclassify and include in the depreciation reserve for Account 346.1.

The Auditing Staff incorporated the depreciation rates supplied by John Robinett of the Engineering and Management Services Department into its cost of service calculation. The Company's annualized depreciation expense of \$167,563 is included in Staff's Cost of Service. Please refer to Engineering Department Memorandum for additional details concerning the development of the depreciation rates.

MATERIALS & SUPPLIES

The Company currently tracks their inventory of Materials and Supplies on a quarterly basis. Staff conducted a five quarter average in its analysis for material and supplies. After reviewing these quarterly balances and averages, Staff found it prudent to use the balance as September 30, 2010 with an additional adjustment. The Company removed a pump from Plant in Service during the 2009 calendar year. This pump has since then been refurbished and is available to be used if needed. Staff included the cost of the pump in Materials and Supplies. This adjustment increased Materials and Supplies to \$75,621.

Lastly the Staff recommends that the company reclassify the Materials and Supplies account from Account 151 to Account 154 as per the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts: (USOA).

REVENUES

Staff annualized revenues based upon the average number of customers as of September 30, 2010 and the average usage per customer as of September 30, 2010. Staff removed from Miscellaneous Service Revenue the customer connection fees which were incorrectly recorded as a revenue item, this amount was then added to CIAC. The Company currently records CIAC in Account 271, Contributions in Aid of Construction and should continue to do so.

Staff's annualized levels of revenues are shown below:

Residential	\$497,606
Commercial	\$339,262
Irrigation	\$ 74,749
Miscellaneous Service Revenue	<u>\$ 60,110</u>
Total	<u>\$971,727</u>

PAYROLL AND PAYROLL TAXES

Mr. John Brown is the President and General Manager for Tri-States and is responsible for overseeing the daily operations of expansion projects, maintenance of general plant, all capital expenditures, improvements, policy review and implementation. Mr. Tom Kelley is the Chief Operating Officer and Treasurer for Tri-States and is responsible for overseeing the daily operation of all staff, general company policy review,

custody of all funds, policies set forth by any governing agency, and administers all areas of finance and procurement. Tri-States also has an office manager, two office clerks, a plant superintendent and three operators. The plant superintendent and operators are responsible for all operations and maintenance activities of the Tri-States system, which includes maintenance and repairs, system checks, mowing and meter reading. The plant superintendent and operators also perform construction-related projects for Tri-States. The plant superintendent is on salary pay basis while one of the operators works 40 hours per week and the other two are part-time only. The Auditing Staff's total annualized payroll is \$225,794 for Tri-States' regulated utilities. This includes an annualized level of \$5,055 for overtime. The level of salary included in this case is reasonable in comparison with salary levels of other small water and sewer operations under the Commission's jurisdiction. Staff made adjustments to capitalize a portion of the administrative and field operations staff's salary based upon the percentage of time that the field operations personnel spent working on construction and capital projects.

The Auditing Staff has included a total of \$19,931 in its cost of service calculation for payroll taxes. This covers Tri-States' portion of FICA (social security), Federal Unemployment Taxes (FUTA), and Missouri and Kansas State Unemployment Taxes (SUTA).

EMPLOYEE BENEFITS

The Tri-States employee benefits package consists of the employee health plans. The total annualized employee benefits calculated by the Auditing Staff for Tri-States is \$26,519 based upon current costs up through September 30, 2010.

PURCHASED POWER (ELECTRICITY EXPENSE)

The Company has two wells on its system, Well # 4 and Well #5. White River Electric Cooperative (White River) provides electricity to Well # 4 and Empire District Electric (Empire) provides electricity to Well # 5. Since White River has not increased its electric rates, Staff used actual electricity expense incurred during the test year for Well #4. Staff adjusted the electricity expense incurred for Well # 5 to reflect increased electric rates by Empire Electric. Empire increased its electric rates as of September 10, 2010.

ELECTRICITY EXPENSE FOR OFFICE

During the summer of 2010, the Company relocated its office. The new location and previous location had significant differences in electricity costs. The Company was able to only provide two months of electricity bills for the new office. Staff annualized the electric costs based upon these two months of bills. Staff will update this cost for this case if there are significant increases or decreases from the current monthly billing as compared to the two month annualized cost that was built into this case.

CHEMICALS AND WATER TESTING EXPENSE

Staff used a three year average (2007-2009) of the cost of actual chemical expense to develop a normalized level for this expense. The chemical expense adjustment of \$393 represents the difference between the test year amount of \$2,547 and the normalized level of \$2,940. The test year amount that was included in the Company's general ledger was used for the water testing expense.

CONTRACTUAL SERVICES

The Auditing Staff reviewed the expenses for Outside/Contractual Services from 2007 – 2010. After reviewing these various accounts, Staff performed a three year average to normalize engineering, water testing and other outside services costs. For accounting services, Staff found it prudent to leave the test year amount as is; as the current expense amount reflects a normal ongoing level.

Staff removed from its three year average of outside services costs, Penmac charges that were for positions the Company has currently filled with permanent employees. These positions are included in the Staff's payroll annualization.

For legal services, Staff adjusted the test year amount by disallowing all expenses associated with the Bryan Smith Law Firm. Legal expenses associated with the Bryan Smith Law Firm were disallowed, since they are currently representing the Company in a class action lawsuit in which the proceeds will be used to offset the law firm expenses and is still ongoing. Therefore, Staff recommends that the Company track all its expenses and recoveries associated with this lawsuit so that they can be addressed in the next rate case. Included below is a discussion of the Tri-States lawsuits.

Water Products, is the vendor that Tri-States purchased their Automated Meter Readers (AMR) meters from in calendar year 2007. Water Products filed a lawsuit for non-payment against Tri-States in an Oklahoma (OK) court. Tri-States hired the Bassett Law Firm to represent Tri-States in its defense against the lawsuit. Tri-States had stopped payment to Water Products because of the faulty radios installed by IMC and manufactured by MARS radio, and then sold to Tri-States by Water Products.

Tri-States then filed a lawsuit in Federal Court in Missouri, with Brian Smith as their lawyer, against MARS due to the faulty radios. IMC was upfront when the radios were deemed useless with a promise to replace with a better quality radio; however, the timeline for completion in the original bid was long overdue. Once the lawsuit was filed, all parties became involved as they were named in the lawsuit. As a result of Tri-States filing this suit, Water Products dropped their original lawsuit filed in Oklahoma and it has since been dismissed. However, Tri-States did incur cost from Bassett Law Firm in order to defend themselves. Staff has included in the cost of service a three-year amortization of the costs incurred by Tri-States to defend the lawsuit filed in Oklahoma.

Staff has been informed that the ongoing lawsuit filed in Missouri is close to settlement. Staff has not included the legal expenses paid to Brian Smith in its cost of

service because they are unknown at this time and fall outside of the test year and update period for this case. Until details of the settlement are finalized, such as payment amounts, Staff recommends that all of the costs (legal fees) and recoveries be tracked by Tri-States and addressed in Tri-States' next rate case.

INSURANCE EXPENSES

Staff reviewed the actual policies and rates for insurance policies in effect on September 30, 2010. Staff annualized the rates based on the current policies.

MISCELLANEOUS ADJUSTMENTS

Staff made several adjustments to its cost of service to normalize Tri-States expenses over a three year period. The purpose of these adjustments is to restate test year expenses to a normal on-going level of the expense. The total effect of these changes increased the revenue requirement by \$22,945. These adjustments are included in Staff's workpapers.

PSC ASSESSMENT AND RATE CASE EXPENSE

The Auditing Staff included \$7,428 for the Company's current 2010 PSC Assessment and a normalized level of rate case expense of \$6,436 in its cost of service. Based upon information provided to the Staff from Company at the end of September 2010, rate case expense totaled \$19,303. Staff normalized this amount over a three year period to arrive at an annualized rate case expense of \$6,436.

POSTAGE

During the test year, the Company made the switch from postcards to envelopes due to a new lease agreement for a postage machine to process their monthly bills. Per discussions with the Company, Staff discovered part of the reason for the new machine is to assist with the increased workload for a possible future unregulated activity with the City of Branson. As a result, Staff's annualize amount for postage disallowed all cost associated with this new machine.

BAD DEBT EXPENSE

The Auditing Staff examined the relationship between revenue and actual net write-offs by the Company for the years 2007 through 2009. Staff's adjustment was performed by taking a three year bad debt percentage average, once derived; this percentage was then applied to Staff's annualized level revenues to obtain the annualized level of bad debt expense of \$9,099.

RENT

Tri-States pays rent of \$8,000 a month or \$96,000 annually for the Tri-States office building, small storage building and three acres of property that it leases from J&J

Enterprise., an affiliated company of John Brown, the owner of Tri-States. The Auditing Staff included \$96,000 in its cost of service calculation for office, storage and property rent by Tri-States in its last rate case (WR-2009-0058) and this amount has not changed in the current case with the new ownership. The Auditing Staff believes this annual level of rent is reasonable.

VEHICLE EXPENSES

The Auditing Staff used invoices of actual bills paid for each of Tri-States Utilities vehicles to determine the amount of the vehicle expenses. Based on these invoices, the Staff allowed \$28,818 for test year vehicle fuel and maintenance expense in its cost of service calculation. Staff believes that this level of expense is sufficient in order for the operators to perform its operation and maintenance of its water systems.

PROPERTY TAX

Staff examined the actual amounts of property tax payments made by the Company for 2007 through 2009. Staff analyzed the relationship of actual property tax payments to the level of property at December 31 of each of these years to develop a ratio. Staff then applied this ratio to the plant in service balance as of December 31, 2009, to calculate an annualized property tax amount.

INCOME TAXES

On April 18, 2008, Tri-States changed its tax status from an S-Corporation (S-Corp) to a C-Corporation (C-Corp). In Tri-States' previous rate case (WR-2009-0058), Staff did not include any income tax expense for Tri-States because as an S-Corp, the Company's tax liabilities are included in the individual owner's tax return and not the Company's. However, since they have now switched to a C-Corp, Tri-States has an income tax obligation to the IRS and Staff has included this expense in its cost of service.

CONCLUSION

Staff has noticed that this Company has made significant improvements since its last rate case in complying with the NARUC USOA. Additionally, it is Auditing Staff's opinion that this utility's operations has improved dramatically since Staff's last review and they are operating much more efficient than they were in their last rate case.

Staff's accounting schedules in support of Staff's recommendation are attached. Also attached are the workpapers supporting the calculation of Staff's adjustments.

RECOMMENDATION

The Company should fully comply with these recommendations within 90 days of the effective date of the Commission Order for this case.

The Company spent a great deal of time developing the CPR's for their rate base, CIAC, retirements and net salvage in this case for the Tri-States systems. To make this review more efficient in future rate proceedings, the Auditing Staff has reclassified numerous accounts for rate base, revenues and expense to comply with the NARUC USOA. The Auditing Staff recommends that Tri-States continues to develop its CPRs for all of its Plant in Service and CIAC records. In addition, the Auditing Staff recommends that the Company use the amount of plant, depreciation reserve, CIAC and CIAC depreciation reserve that Staff included in its case. Furthermore, Staff recommends that Tri-States reclassify its books and records to coincide with Staff's reclassification. The Staff has reclassified all of these accounts in its work papers and Exhibit Modeling System (EMS) for this rate case. In future rate case filings the Staff would expect the Company's rate base, revenues and expenses to be maintained in accordance with the NARUC USOA and that the Company's CPRs and vehicle logs be up to date and complete.

The Company should fully comply with this recommendation within 90 days of the effective date of the Commission Order for this case.

Tri-States needs to start calculating their depreciation expense on a monthly basis and include it in their general ledger. The Company uses an outside CPA firm to calculate its depreciation expense. This CPA firm closes out Tri-States year-end books, maintains Tri-States financial statements, files the MoPSC Annual Report and files Tri-States' federal and state income taxes. Tri-States employees should be able to maintain their depreciation expense in house.

Agreement Attachment H

EMSD Implementation Review

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Small Company Rate Increase Request

Tri-States Utility, Inc.

Case with File No. WR-2011-0037

Engineering and Management Services Department

Gary Bangert

Tri-States Utility, Inc., (Tri-States or Company) filed a rate increase request on August 13, 2010, for water service provided in its certificated service area located near Branson, Missouri. The Engineering and Management Services Department (EMSD) staff initiated an informal review of customer service processes, procedures, and practices at Tri-States in September 2010. A prior customer service review was performed by the EMSD staff in conjunction with the Company's previous 2008 rate increase filing in Case with File No. WR-2009-0058. Before conducting on-site interviews in the current case, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service operations. The EMSD staff's review resulted in the following two Company management recommendations:

EMSD Staff Recommendations

- 1. Incorporate required information about the Missouri Public Service Commission and the Office of the Public Counsel in the written information provided to utility customers pursuant to 4 CSR 240-13.040(3). This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case with File No. WR-2011-0037.**
- 2. Develop and implement a process to ensure all customer complaints received by Company personnel are documented in a summary report and maintained for at least two (2) years pursuant to 4 CSR 240-13.040(5). This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case with File No. WR-2011-0037.**

The purpose of the Engineering and Management Services Department is to promote and encourage efficient and effective utility management. This purpose contributes to the

Commission's overall mission to ensure that customers receive safe and adequate service, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were to document and analyze the management control processes, procedures, and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review also provide the Commission with information regarding the Company's customer service operations.

The scope of this review focused on processes, procedures, and practices related to:

- Meter Reading
- Customer Billing
- Payment Remittance
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

This report contains the results of the EMSD staff's review.

OVERVIEW

Tri-States was granted a certificate of public convenience and necessity by the Commission effective on March 1, 1980, to provide water service in Taney County, Missouri. The Company provides water service to approximately 3,125 customers. Company personnel stated that there have been no new developments since 2008 and that there is a stable customer base.

Company personnel moved into the current business office near Branson, Missouri, in August 2010. Business office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday. Customers also have 24-hour, 7-day access to Company personnel by calling the telephone number listed in the customer information brochure provided to every customer, on customer bills, and on the Company's Web site, www.tristates.viewmybill.net. The office manager stated that the current customer information brochure is being revised; however, the current brochure does not include the information about the Commission and the Office of the Public Counsel that is required by Commission Rule, 4 CSR 240-13.040(3).

Tri-States' staffing includes the chief executive officer, chief operating officer, corporate secretary, office manager, two office clerks, superintendent, and two field workers. The chief executive officer and chief operating officer are located in Topeka, Kansas, and each make periodic Company visits about twice per month. The chief executive officer has overall responsibility for Company operations. The chief operating officer helps establish operating policies. The office manager and superintendent are directly responsible for routine Company operations. The office manager has supervisory responsibilities over the two office clerks and performs problem-solving activities. The office manager supervises business office functions including taking new service applications, maintaining customer account records, billing, accounts receivable, accounts payable, and responding to customer inquiries and complaints. The superintendent supervises two field workers and has responsibility for the operation of the water system. Operational responsibilities include performing routine daily maintenance work, reading meters, inspecting and maintaining the wells, identifying needed repairs, checking for leaks, taking required water samples, maintaining equipment, and supervising all new construction. Individual time records are kept by each Company employee.

Meter Reading

All water meters, active and inactive, are read between the 23rd and 25th of each month. The Company started using automated meter reading technology from Infinity Metering in November 2007. Most readings are automatically recorded via drive-by on a laptop computer. Company personnel stated that about 600 of the water meters are manually read by walking routes. The accuracy of meter readings is verified by comparing them with high and low parameters built into the billing system. Master meters at the wells are also read and compared with customers' metered usage on a monthly basis. Company personnel stated that locking lids at each meter installation have minimized problems with theft of water service.

Customer Billing

Customer rates for water service are provided in the Company's tariffs. Customers' water bills for the first 2,000 gallons are based on a monthly customer charge of \$6.60 for customers with a 5/8" meter and \$11.43 for customers with a 3/4" meter. Water is \$1.87 per thousand gallons in excess of 2,000 gallons from November to April and \$3.58 per thousand gallons in excess of 2,000 gallons from May to October.

The Company uses a SoftWater program to maintain customer account information and to prepare customers' bills. Customer bills are in a full-page format and provide space for special messages and for the Company to include any past due balances. Customers may also register online on the Company's Web site, in order to view their bill or receive other Company information. Company personnel stated that bills are mailed by the last day of the month and are considered delinquent after the 22nd of the following month.

Payment Remittance

Customers have a variety of options for paying their water bills. Customers may mail their payment, place it in a drop box at the business office, or pay in person. For customers who bring their payments into the office, the Company accepts cash, check, credit or debit card, and money orders. Customers may also sign up to have their bill payment made automatically each month. Finally, customers may call the Company to make a payment, pay online on the Company's Web site, or pay through other outside electronic payment providers such as a local bank. All Company payment options are offered at no cost to the customer.

The SoftWater program is also used for accounts receivable information and to prepare a variety of financial reports. Payments are not collected in the field. Company personnel stated that all customer payments are recorded on the day received and bank deposits are made daily.

Credit and Collections

All new customers complete an application form when initiating service. The Company collects a security deposit of \$50.00 from those residential customers who do not meet the established credit criteria included in the Company's tariff. As of December 10, 2010, Tri-States is holding \$31,825 in deposits from 630 customers. On a monthly basis, the deposit amount plus 6% interest is refunded to those customers who have established a satisfactory payment history for 12 months.

The EMSD staff reviewed a Company report that provided delinquent account information on customers from January to October 2010. An average of 302 customers was delinquent each month and charged the \$6.50 late payment fee allowed in the Company's tariff. Of these 302 customers, approximately 14 were actually disconnected for nonpayment. The Company provides notice to customers of any past due amounts and late payment fees on the bills which are prepared after bill payments become delinquent. These bills also state when

customers must remit payment in order to avoid disconnection for nonpayment. The Company also uses a door hanger to provide 24-hour notice of a pending disconnection of service. Disconnections for nonpayment are performed on the 15th of each month and customers who remit payment are usually reconnected the same day after paying all past due amounts, late fees, and a \$25 reconnection fee. Tri-States personnel stated that about one or two insufficient funds checks are received each month. The Company charges a \$25 returned check fee as allowed by its tariff.

When a customer is disconnected for nonpayment, a final bill is rendered. After the third billing cycle of carrying a final bill balance, the account is written off and forwarded to Springfield Recovery, Inc., the collection agency under contract with Tri-States since the Fourth Quarter of 2008. The collection agency retains 35% of the money collected from customer accounts that have been forwarded for collection. Company personnel stated that an average of 10 to 12 accounts are written off each month and the collection agency is successful in collecting from about 2 or 3 customers per month. From January to December 10, 2010, approximately \$4,257 from 89 uncollected accounts was turned over to the collection agency and \$1,650 has been collected.

Complaints and Inquiries

Customers with questions or concerns may call the Company's contact number appearing in the customer brochure, on the customer bill, and on the Company's Web site. Company personnel stated that the office manager or office clerks respond to customer questions or concerns. The superintendent handles emergency calls after hours. Company personnel currently document customer contact information within individual customer account records. However, this information is not available in a summary report that documents the nature of all customer contacts. A review of Commission complaint/inquiry records showed 18 customer complaints in 2009 and 6 inquiries. From January to November 2010, there were 3 complaints and 6 inquiries. The reasons for the complaints that occurred in 2009 and 2010 included high bills, service outages, late payment charges, and water pressure.

Customer Communication

Company personnel stated that a variety of methods to communicate with customers is used. Bill inserts and messages are the most common, although letters are occasionally used. The Tri-States Web site is also used to convey important customer information.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following discussion presents a summary of the findings, conclusions, and recommendations pertaining to the Company's customer service operations. The information presented in this section focuses on the following issues that require Company management's attention:

- Customer Rights and Responsibilities Documentation
- Complaint and Inquiry Documentation

Customer Rights and Responsibilities Documentation

The Company's written information documenting the rights and responsibilities of the Company and its customers does not include required information about the Missouri Public Service Commission and the Office of the Public Counsel. The address of the Missouri Public Service Commission is not provided and no mention is made of the Office of the Public Counsel. This information is required by Commission Rule 4 CSR 240-13.040(3) which states the Company shall include:

(J) The telephone number and address of a customer services office of the Missouri Public Service Commission, the commission's 800 telephone number, and the statement that the company is regulated by the Missouri Public Service Commission;

(K) The address and telephone number of the Office of the Public Counsel and a statement of the function of that office;

The availability of comprehensive written information would provide useful facts relating to the Commission and Office of the Public Counsel in addition to the information currently provided about billing procedures, payment requirements, customer deposits, discontinuance of service, inquiries and complaints, and access to the Company. Written information would be a valuable educational resource for new and existing customers.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Incorporate required information about the Missouri Public Service Commission and the Office of the Public Counsel in the written information provided to utility customers pursuant to 4 CSR 240-13.040(3). This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case with File No. WR-2011-0037.

Complaint and Inquiry Documentation

The Company does not keep a summary record of customer contacts involving complaints it receives. Company personnel currently document customer contact information within individual customer account records. However, this information is not available in a summary report that documents the nature of all customer contacts. Commission Rule 4 CSR 240-13.040(5) states, in part:

A utility shall maintain records on its customers for at least two (2) years which contain information concerning: ... (B) The number and general description of complaints registered with the utility;

The availability of documented customer contact information would enable Company management to evaluate why customers contact the Company, determine if any corrective measures could be taken to reduce customer contacts, and improve customer satisfaction. Documentation regarding customer contacts would also help to show the Company's responsiveness in addressing customer issues.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and implement a process to ensure all customer complaints received by Company personnel are documented in a summary report and maintained for at least two (2) years pursuant to 4 CSR 240-13.040(5). This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case with File No. WR-2011-0037.

Follow-Up

The EMSD staff will conduct follow-up on all of the EMSD recommendations no later than the deadlines as set out for each EMSD recommendation in the disposition agreement in Case with File No. WR-2011-0037.

Agreement Attachment I

Summary of Case Events

Tri-States Utility, Inc.
Case # WR-2011-0037
Summary of Case Events

Date Filed	August 13, 2010
Day 150	January 10, 2011
Extension?	No
If yes, why?	
Amount Requested	\$620,000
Amount Agreed Upon	\$104,824
Item(s)/Dollar(s) Driving Rate Increase	Increase in Operating Expenses Replacement of Infrastructure
Number of Customers	3,374
Rate of Return	7.77%
Return on Equity	11.01%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	No
Status with Secretary of State	Good Standing
DNR Violations	No
Significant Service/Quality Issues	None