

VALLEY WOODS WATER COMPANY, INC
999 MULBERRY ROAD
HIGHLANDVILLE, MO 65669
Phone: (417) 443-7633

September 20, 2001

Mr. Dale Hardy Roberts
Executive Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Mo 65102

Dear Mr. Roberts:

The Valley Woods Water Company, Inc. (Company) holds a certificate of public convenience and necessity whereby it provides water and sewer service in an area located in Christian County, Missouri.

Pursuant to 4 CSR 240-2.200, the Missouri Public Service Commission's Small Company Rate Increase Procedure, the undersigned hereby request increases in its water service and sewer service. The Company is applying for an annual increase of \$ 2,500 for water service, and applying for an annual increase of \$1,000 for sewer service. These additional revenues are necessary to meet current operating expenses and provide an adequate return on investment.

Additionally, the company is requesting that its "initial service connection" charge of \$275 be increased to \$350; and that the "connection inspection fee" of \$35 be increased to \$50. For the sewer service, the Company is requesting that the "septic tank installation" charge be increased to \$1,500 from \$1,100 per installation. These charges are being increased to better recover the actual costs related to the installation of services from those customers causing the costs to be incurred.

The Company is advising you that it is current and will remain current on its PSC assessments. Also, the Company has filed its year 2000 Annual Report for Water and Sewer Companies as required by the Commission.

If you need additional information please feel free to contact me by telephone at (417) 443-7633

Sincerely,

Mr. William L. Harris
President *William L. Harris*
VALLEY WOODS WATER COMPANY, INC.

filed annual Report 4/13/01

Pd. \$144.73 7/11/01

200200225 *Water*

200200226 *Sewer*

Attachment A

RECEIVED³

SEP 24 2001

Records
Public Service Commission

VALLEY WOODS WATER CO, INC

999 MULBERRY RD
HIGHLANDVILLE, MO 65669

Phone
November 1, 2001

Dear Customer,

On September 24, 2001, Valley Woods Water Company, Inc. (Company) submitted a request for permanent increases in its current water and sewer rates, under the Missouri Public Service Commission's (Commission) small company rate increase procedure.

By request, the Company is seeking an increase in its annual operating **water service** revenues of \$2,500 (an approximate 59.6% increase). The Company is also requesting an increase in its annual operating **sewer service** revenues of \$1,000 (an approximate 51.3% increase). The Company believes these increases in its operating revenues are necessary to allow it to meet current operating expenses and provide an adequate return on investments.

Additionally, the Company is requesting that its "initial service connection" charge of \$275 be increased to \$350, and that the "connection inspection fee" of \$35 be increased to \$50. For sewer customers, the Company is requesting that its "septic tank installation" charge be increased to \$1,500 from \$1,100.

The example bills shown below set out a comparison of the Company's current residential customer rates for both water and sewer service as if they were increased by the requested percentage increases. The example water bill is presented for the customer that uses 6,000 gallons per month. No taxes or other charges are included in the examples below.

WATER RATES

Current Monthly Rate		\$7.50
Current Commodity Rate		
(usage > 1,000 gallons/ mo) \$2.00 per gal x \$5,000		<u>\$10.00</u>
Total Current Monthly Bill (using 6,000 gal)		<u>\$17.50</u>
Proposed increase percentage	59.6%	
Proposed monthly Bill (using 6,000 gal)		<u>\$27.93</u>
Proposed increase amount		<u>\$10.43</u>

SEWER RATES

Current Monthly Rate		<u>\$20.00</u>
Proposed Increase Percentage	51.3%	
Proposed Monthly Rate		<u>\$30.26</u>
Proposed Monthly Increase		<u>\$10.26</u>

Beginning sometime soon, the Staff of the Public Service Commission (Commission Staff) will conduct an independent investigation of the books, records and operations of the Company. Based upon that

investigation, the Commission Staff will then make its recommendations regarding the Company's rate increase requests, and necessary changes to systems operations, to the Commission for its consideration.

The Office of the Public Counsel (Public Counsel), a state agency responsible for representing the interests of the consumer before the Commission, may conduct its own investigation, but at a minimum will review the results of the Commission Staff's investigation. The Public Counsel will then make its own recommendations regarding the Company's rate increase requests, and necessary changes to system operations, to the Commission for its consideration.

Any customer who has questions or comments regarding the Company's rate increase requests, or who has experienced recent service problems, should contact the Commission Staff and the Public Counsel **with in 30 days of the date of this notice**. To do so, please use the addresses, telephone numbers or fax numbers shown below. The Commission Staff and/or the Public Counsel will respond to all such customer contacts, during the course of their investigations.

Missouri Public Service Commission
Water and Sewer Department
P.O. Box 360
Jefferson City, MO 65102
Phone: 573-751-3437
Fax: 573-751-1847

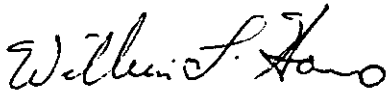
Office of the Public Counsel
Attn: Ruth O'Neill
P.O. Box 7800
Jefferson City, MO 65102
Phone: 573-751-1304
Fax: 573-751-5562

Upon completion of the Commission Staff's and the Public Counsel's investigation, the Company may be requested to send out a second customer notice regarding the results of the investigations. Additionally, the Public Counsel may request that the Commission hold a public hearing.

However, neither a second customer notice nor a local public hearing will happen automatically. Therefore, please take time now to express your views about the Company's rate increase requests, and the operation of its system, to the Commission Staff and the Public Counsel.

Regardless of whether the Company sends out a second customer notice, or whether a local public hearing is eventually held, no increase in rates will take effect without the approval of the Public Service Commission.

Sincerely,



William L. Harris
President
VALLEY WOODS WATER COMPANY, INC.

Valley Woods Water Company, Inc.

999 Mulberry Road
Highlandville, MO 65669

Phone: (417) 443-7633

RECEIVED
APR 22 2002

April 16, 2002

UTILITY CREATIONS
DIVISION

Dear Customer:

On September 24, 2001, Valley Woods Water Company, Inc. (Company) filed for a permanent increase in its water and sewer rates and certain of its service charges, under the Missouri Public Service Commission's small company rate increase procedure. As a part of its request, the Company was seeking an increase in its annual operating revenues for water service of \$2,500 and an increase in its annual operating revenues for sewer service of \$1,000. The Company provides service to approximately 14 water customers and 10 sewer customers.

As a result of the Company's request, the Staff of the Public Service Commission (Commission Staff) conducted an investigation of the Company's books and records and the Company's operations. Based upon the results of its investigation, the Commission Staff determined that there should be no increase in the Company's annual operating revenues for water service and that an increase in the Company's annual operating revenues of \$2,938 for sewer service. Because the Company only requested \$1,000 increase in sewer revenues, which is the limit that the Commission Staff can agree to provide at this time, the Commission Staff and the Company have agreed to a recommended increase in the Company's annual operating sewer revenues of \$1,000. The Company will be required to file for another rate increase at a later time to recover their current shortfall of sewer revenue.

The Office of the Public Counsel (Public Counsel), a state agency responsible for representing the interests of consumers before the Commission, has reviewed the results of the Commission Staff's investigation. However, the Public Counsel has not yet taken a final position regarding the Commission Staff's recommendations.

Set out below is a comparison of the Company's current sewer customer rates and the Commission Staff's recommended customer rates.

Sewer Service Rate:

Type of Charge	Current	PSC Staff	Difference	% Increase
Total Monthly Bill	\$ 20.00	\$28.33	\$8.33	41.7%

Any customer who has questions or comments about the Commission Staff's recommendations should contact the Staff, and/or the Public Counsel, within 20 days of the date of this notice. To do so, please use the addresses, telephone numbers or fax numbers shown at the bottom of this notice. Depending upon the response to this notice, the Public Counsel may request that the Public Service Commission hold a local public hearing. Regardless of whether a local public hearing is held, no increase in rates will take effect without the approval of the Missouri Public Service Commission.

Sincerely,

Mr. William L. Harris
President


VALLEY WOODS WATER COMPANY, INC.

Missouri Public Service Commission
Water and Sewer Department
P.O. Box 360
Jefferson City, MO 65102
Phone: 573/751-3437 or 800/392-4211
Fax: 573/751-1847

Office of the Public Counsel
Attn: Ruth O'Neill
P.O. Box 7800
Jefferson City, MO 65102
Phone: 573/751-1304
Fax: 573/751-5562

Valley Woods Water Company, Inc.

999 Mulberry Road
Highlandville, Missouri 65669
Phone: (417) 443-7633

March 30, 2002

Mr. Dale Hardy Roberts
Secretary to the Commission
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

FILED

APR 03 2002

APR 04 2002

MISSOURI PUBLIC
SERVICE COMMISSION
DIVISION

RE: **Valley Woods Water Company, Inc.**
Small Company Rate Increase Requests
Mo. PSC Tariff File No. 2002 00226 (Sewer)

Missouri Public
Service Commission

Dear Mr. Roberts:

SR-2002-475

I am enclosing for filing with the Commission an original and three copies of a revised tariff sheet that includes rate changes reflecting an agreement between the Valley Woods Water Company, Inc. (Company) and the Commission Staff (Staff) on the above subject. The Company initiated the subject rate increase request September 24, 2001, under the Commission's small company rate increase procedure, and the request was assigned the above-referenced file number.

Additionally, consistent with the Commission's small company rate increase procedure, I am enclosing an Agreement Regarding Disposition of Small Company Rate Increase Request (Agreement). This Agreement reflects a "settlement" between the Company and the Staff regarding all matters related to the Company's sewer service rate increase request.

The Agreement calls for, and the revised tariff sheet contains, customer rates intended to produce an increase \$1,000 (an approximate 41.7% increase) in the Company's annual operating revenues for its sewer operations. The Agreement also requests Commission authorization of the depreciation rates for the Company's sewer operations.

Also, please note that the Company has consented to the extension of the time period beyond 150 days from the date the letter initiation the procedure was filed with the Commission.

It is my understanding that the Staff will be providing additional information about the Company's rate increase request and the related Staff audit and investigation, for filing in the case papers following the creation of a formal docket.

Attachment D - 1

2

Please contact me at your convenience if you need anything further.

Sincerely,

VALLEY WOODS WATER COMPANY, INC.

William L. Harris

President

A handwritten signature in cursive script, appearing to read "William L. Harris".

enclosures

copies (w/enclosures):

Wendell R. Hubbs - PSC Staff

Office of the Public Counsel - Ruth O'Neill

Agreement Regarding Disposition of
Small Company Rate Increase Request

Valley Woods Water Company, Inc.

Tariff File No. 2002 000226 (Sewer)

Valley Woods Water Company, Inc. (Company) initiated the small company rate increase request (Request) for sewer service that is the subject of the above-referenced Commission "file" through its submittal of a letter to the Commission's Executive Secretary. The Company submitted its Request under the provisions of Commission rule 4 CSR 240-2.200, Small Company Rate Increase Procedure (the informal rate case procedure). The date the Company's letter was received at the Commission's offices was September 24, 2001. In its Request, the Company represented that it was asking for Commission approval of customer rates intended to generate an increase of \$1,000 in its total annual sewer service operating revenues. The Company provides sewer service to 10 customers.

Upon review and acceptance of the Company's Request, the Commission's Data Center assigned Tariff File No. 2002 00226 to the Request for purposes of identification and tracking. The Records Department then forwarded the Request to the Commission's Water & Sewer Department for processing under the informal rate case procedure.

Pursuant to the provisions of the informal rate case procedure, the Staff of the Commission (Staff) initiated an audit of the Company's books and records and an inspection of the Company's system and the operation thereof.

Based upon the results of the Staff's audit, the Company and the Staff hereby state their agreement that: (1) an increase of \$1,000 (approximately 41.7%) in the Company's annual sewer revenues is reasonable; and, (2) the depreciation rates set out on Attachment A for water service and Attachment B for sewer service hereto should be the prescribed depreciation rates for the Company, as these were the depreciation rates used by the Staff in its revenue requirement analysis.

Additionally, the Company acknowledges that the Staff will file additional information about the details of its audit with the Commission following the creation of a formal docket.

This Agreement is only between the Company and the Staff.

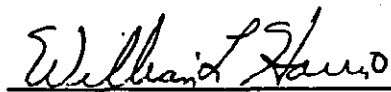
Lastly, the Company and the Staff ask the Commission to note that no action need be taken on the Company's tariff sheet until after the Staff files its formal recommendation for approval of the tariff sheet. That filing will take place soon after filing of this Agreement and the revised tariff sheet.


Valley Woods Water Company, Inc. – File No. 2002 00226 Sewer
Small Company Rate Procedure "Agreement"

Other than the specific conditions agreed to by the Company, this agreement is a compromise that has resulted from extensive negotiations between Staff and the Company and no party has agreed to any particular ratemaking principal (except those items specifically stated in this agreement) in arriving at the dollar amount.

This Agreement is effective as of the 5th day of March 2002.

Agreement Signed and Dated:


Mr. William L. Harris, President
Valley Woods Water Company, Inc.


Dale W. Johansen - Manager 3/4/02
Water and Sewer Department
Public Service Commission Staff

Valley Woods Water Company, Inc.

For: Certificated Sewer Service Areas in

Christian County

Name of Issuing Company

Community, Town or City

Rules Governing
Rendering of Sewer Service

+

Schedule of Rates

Availability: This rate is available to any customer adjacent to the Company's main sewer lines using sewer services. Each customer will be billed with the rates below, as applicable.

***Monthly Minimum Charge:**

Single Customer Monthly Charge:

Served by a 5/8" water meter	\$ 28.33 per month
Served by a 3/4" water meter	\$ 42.50 per month
Served by a 1" water meter	\$ 70.83 per month

Taxes: All applicable Federal, State or local taxes shall be added separately to the bill in addition to the above charges.

Sewer Bills will be prepared and distributed on a monthly billing cycle and will be rendered net, bearing the last date on which payment is due, all in accordance with Rule 9 hereafter.

* indicates new rate or text

+ indicates change

Date of Issue 4/3/02

Date Effective 5/21/02

Issued By: William L. Harris, President 999 Mulberry Road, Highlandville, MO 65669

Name of Officer

Title

Address

VALLEY WOODS WATER CO., INC.
DEPRECIATION RATES

(WATER)

File No. 2002 00225

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
311	Structures & Improvements	2.5%	40
314	Wells & Springs	2.0%	50
321	Structures & Improvements	2.5%	40
325	Electric Pumping Equipment	10.0%	10
342	Distribution Reservoirs & Standpipes	2.5%	40
343	Transmission & Distribution Mains	2.0%	50
345	Services	2.5%	40
346.1	Meters - Bronze Chamber	2.9%	35
346.2	Meters - Plastic Chamber	10.0%	10
347.1	Meter Installations - Bronze	2.9%	35
347.2	Meter Installations - Plastic	10.0%	10
348	Hydrants	2.0%	50
391	Office Furniture & Equipment	5.0%	20
391.1	Office Computer Equipment	14.3%	7

Attachment A

VALLEY WOODS WATER COMPANY, INC.
DEPRECIATION RATES

(SEWER)

File No. 2002 00226

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
311	Structures & Improvements	2.5%	40
352.2	Collection Sewers (Gravity)	2.0%	50
354	Services	2.0%	50
363	Pumping Equipment	10.0%	10
373	Treatment & Disposal Facilities	5.0%	20
391	Office Furniture & Equipment	5.0%	20
391.1	Office Computer Equipment	14.3%	7

Attachment B

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

MAY 03 2002

In the Matter of the Application of)
Valley Woods Application to Increase)
Sewer Rates under the Commission's) Case No. SR-2002-475
Procedure for Small Company Rate)
Increases.)


Missouri Public
Service Commission

**PUBLIC COUNSEL'S RESPONSE TO STAFF'S RECOMMENDATION
REGARDING VALLEY WOODS' REQUEST TO RAISE SEWER RATES
PURSUANT TO THE COMMISSION'S PROCEDURES FOR SMALL
COMPANY RATE INCREASE REQUESTS**

COMES NOW, the Office of the Public Counsel, pursuant to 4 CSR 240-2.200(D), and respectfully informs the Commission that it does not oppose the Staff's recommendation authorizing Valley Woods to raise the rates it charges for sewer service.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: 
M. Ruth O'Neill (#49456)
Assistant Public Counsel


P O Box 7800
Jefferson City, MO 65102
(573) 751-1304
(573) 751-5562 FAX
roneill1@mail.state.mo.us

Attachment E - 1

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this 3rd day of May 2002:

GENERAL COUNSEL
Missouri Public Service Commission
PO Box 360
Jefferson City MO 65102

A handwritten signature in cursive script, appearing to read "M. L. Anderson", is written over a horizontal line.

Valley Woods Water Company

Small Company Rate Filing - Sewer Service
File # 2002 00226

S - R (1)

Sewer Rate Development

Sewer Rate

Total Sewer Cost of Service

\$3,400

Divided by Meter Equivalents

10

Equals: Cost per Meter Equivalent

\$340.00

Divided by 12 months/year

12

Equals: Monthly Cost per Equivalent

\$28.33

Meter Size	Customer	Flow Factor	Meter Equivalents
5/8"	10	1.0	10
Totals	10		10

Meter Size	Cost per Meter Equivalent	Flow Factor	Rate per Meter Size
5/8"	\$28.33	1.0	\$28.33
3/4"	\$28.33	1.5	\$42.50
1"	\$28.33	2.5	\$70.83

January 15, 2002
Missouri Public Service Commission Staff

Page 2 of 5
W. R. Hubbs

Attachment F - 2

Valley Woods Water Company

Small Company Rate Filing - Sewer Service
File # 2002 00226

S - R (1)

Residential Sewer Customer Impact

	Monthly Charge
Proposed Rates	\$28.33
Current Rates	\$20.00
Difference	
Percentage Difference from Current Rates	\$8.33
	41.67%

January 15, 2002
Missouri Public Service Commission Staff

Page 3 of 5
W. R. Hubbs

Valley Woods Water Company

Small Company Rate Filing - Sewer Service

File # 2002 00226

S - R (1)

Proposed Charges

Annualized & Normalized Revenues

Sewer Revenues

Minimum Bill Revenues

Customer Number 5/8" Meter

Customer Bills

10

Times:

120

Existing Minimum Monthly Charge

\$

28.33

Equals:

Annualized Minimum Bill Revenue 5/8"

\$3,400

Total Sewer Revenue - Proposed Rates

\$3,400

January 15, 2002

Missouri Public Service Commission Staff

Page 4 of 5
W. R. Hubbs

Valley Woods Water Company

Small Company Rate Filing - Sewer Service

File # 2002 00226

S - R (1)

Accounting Department Test Year Annualized & Normalized Revenues

Sewer Revenues

Minimum Bill Revenues

Customer Number

Customer Bills

Times:

Existing Minimum Monthly Charge

Equals:

Annualized Minimum Bill Revenue

10

120

\$20.00

\$2,400

Total Sewer Rate Revenues @ Current Rate

\$2,400

Miscellaneous Revenues

\$0

Total Sewer Service Revenues @ Current Rates

\$2,400

January 15, 2002

Missouri Public Service Commission Staff

Page 5 of 5

W. R. Hubbs

Summary Overview of Valley Woods Water Company Customer Service Operations

The Engineering and Management Services Department (EMSD) staff initiated a review of customer service processes, procedures and practices at Valley Woods Water Company (Valley Woods or Company) on November 27, 2001. Prior to on-site interviews, 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 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 scope of this review focused on processes, procedures and practices related to:

- Customer Billing
- Credit and Collections
- Complaint Handling and Recording
- Meter Reading
- Customer Communication

This overview contains an explanation of the Company's operations.

Overview

Valley Woods provides water and sewer services to approximately 16 water and 10 sewer customers near Spokane, Missouri, in a development known as the Valley Woods subdivision. The Company is located in the southwest corner of Christian County (below Springfield, Missouri) and has grown by about two to three customers each year since 1996.

The Company's business office is located in Highlandville, Missouri, about 15 miles north of Spokane. The business office is in part of the finished basement of the owner's primary residence.

The president is responsible for most activities associated with Company operations, including meter reading, general maintenance and repair, and construction activities. The secretary performs business office activities, including customer bill preparation, collection of customer payments, maintenance of customer records, response to customer inquiries and complaints, and preparing customer correspondence such as disconnection notices.

Construction activities are performed by an affiliated third party that bills the Company for tariff-approved charges to install water and sewer services. The current tariff allows the Company to recover \$275 for the installation of water service and \$1,100 for the installation of sewer service.

The president stated that the Company's current water and sewer system could handle up to 45 customers. The Staff has determined that the current sewer system can handle only approximately 20 customers. Given the Company's projected growth of three to four customers per year, the president anticipates that the Company's current water and sewer system could serve its customer base adequately for several years.

The president stated that the Company's 9,000-gallon water tank would probably be painted in 2002 or 2003. The president was unsure of the cost to paint the tank, but plans to obtain two written bids.

The Company is also considering building a combination office and shop near the water tank. According to the president, the building would probably be leased back to the Company and include an after-hours drop box for customer payments.

Customer Billing

All water and sewer customers are billed on a monthly basis. The president reads the meter on the last day of each month to reflect that month's usage. The secretary manually prepares a two-part bill each month. One copy is mailed to the customer on the first day of the following month while the other copy is maintained in the business office. A bill is considered delinquent if payment is not received by the 22nd day of the following month.

Water customers are billed \$7.50 for the first 1,000 gallons, plus \$2 per 1,000 gallons used in excess of the 1,000-gallon base. For example, a customer using 6,000

gallons per month would be charged \$17.50. Sewer customers are charged a flat rate of \$20 per month.

Credit and Collections

Most customers mail their monthly payment to the business office in Highlandville. The president stated that all but one customer normally pays by the monthly due date. The late paying customer normally pays on the 30th day of the following month. Payments are posted manually to the customer account ledger when received and bank deposits are made on a timely basis.

A delinquent notice is mailed to unpaid accounts on the first day of the following month in which the bill was due, along with the bill for the current month. If payment is not received by the disconnect date as shown on the delinquent notice, the account is subject to disconnection for nonpayment. The president stated that there have been no customer disconnections for nonpayment since 1999.

The Company does not charge a security deposit for either water or sewer service. The president stated that there has not been a need for deposits since there are few slow paying customers and that there have not been any bad checks from customers since 1999.

Complaint Handling and Recording

Customers can contact the Company on a 24/7 basis. The business office and after hours telephone numbers are printed on the customer bill and are listed in the local telephone directory.

The Commission's Consumer Services Department has not received any formal customer complaints or inquiries since 1997. The Company uses a manual form to track incoming customer complaints.

The EMSD staff reviewed the complaint form and the Company's response to a customer complaint that was received during the summer of 2001. The president responded to the complaint in writing in a timely manner.

Meter Reading

The president stated that he spends about two hours reading customer meters on the last day of each month. The secretary spends about four hours per month preparing customer bills and processing customer payments as they are received. The previous month's meter reading is subtracted from the current month's meter reading to determine the current month's usage.

Customer Communication and Information

The president stated that messages to customers are normally included with the monthly bill. For example, the letter describing the Company's need for the current request for rate relief was sent to customers on November 1, 2001 along with the October water and sewer bills.