

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

In the Matter of the Request of Taney)
County Water Company for a Small)
Company Rate Increase.) **Case No. WR-2012-0163**

**NOTICE OF COMPANY/STAFF 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 Company/Staff Agreement Regarding Disposition of Small Company Rate Increase Request* (“Agreement Notice”) states the following:

1. On November 28, 2011, the Missouri Public Service Commission (“Commission”) received a Rate Increase Request Letter from Taney County Water, LLC (“Company”), requesting the Commission to approve an increase of \$49,000.00 in its annual operating revenues pursuant to Commission Rule 4 CSR 240-3.050¹ (“Small Utility Rate Case Procedure”).

2. Upon completion of Staff’s investigation of the Company’s request, Staff provided the Company and the Office of the Public Counsel (“Public Counsel”) with materials related to Staff’s investigation, as well as its initial recommendations for the resolution of the revenue increase request.

4. Pursuant to negotiations conducted after the receipt by the Company and Public Counsel of the above-referenced information and recommendations, Staff and the Company were able to reach a Company/Staff Disposition Agreement (“Disposition Agreement”) regarding the resolution of the Company’s rate increase request.

¹ The Company’s Rate Increase Request Letter referred to Rule 4 CSR 240-3.635 which has been rescinded. The 4 Small Utility Rate Case Procedure can now be found at CSR 240-3.050.

5. Included in Appendix A, attached hereto and incorporated by reference, is a copy of the Disposition Agreement, as well as various attachments related to the Disposition Agreement. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of the Company's Request. This Disposition Agreement provides for an overall agreed-upon operating revenue increase of \$42,468.00. Among other things, it also prescribes a schedule of depreciation rates and requires the Company to implement certain agreed-upon Staff recommendations.

6. Pursuant to Rule 4 CSR 240-3.050, governing disposition agreements executed between Staff and small utility companies utilizing the small utility rate case procedure, Taney County Water, LLC, will file tariff sheets seeking to implement the terms of the Disposition Agreement. The tariff sheets will be filed May 1, 2012, and as required will bear an effective date of June 15, 2012, 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. Taney County Water, LLC, is current on its payment of Commission assessments and on its filings of annual reports and statements of revenue. The Company has no other cases pending before the Commission at this time.

WHEREFORE, Staff respectfully submits this Agreement Notice and the attached Appendix 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 and any other relief it deems appropriate.

Respectfully submitted,

/s/ Meghan E. McClowry

Meghan E. McClowry
Missouri Bar No. 63070

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-6651 (Telephone)
(573) 751-9285 (Fax)
meghan.mcclowry@psc.mo.gov (e-mail)

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 26th day of April, 2012.

/s/ Meghan E. McClowry

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2012-0163

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

Table of Contents

Staff Participant Affidavits

Company/Staff Disposition Agreement

Agreement Attachment A:	Example Tariff Sheets
Agreement Attachment B:	EMS Run
Agreement Attachment C:	Billing Comparison Worksheet
Agreement Attachment D:	Ratemaking Income Statement
Agreement Attachment E:	Rate Base Worksheet
Agreement Attachment F:	Schedule of Depreciation Rates
Agreement Attachment G:	Auditing Unit Recommendation Memorandum
Agreement Attachment H:	EMSU Report
Agreement Attachment I:	Water & Sewer Unit Memorandum
Agreement Attachment J:	Summary of Case Events

Staff Participant Affidavits

James M. Russo – Water & Sewer Unit

David A. Spratt – Water & Sewer Unit

V. William Harris – Auditing Unit

John A. Robinett – Engineering & Management Services Unit

Gary R. Bangert – Engineering & Management Services Unit

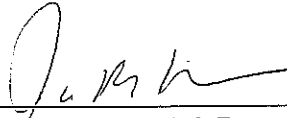
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

In the Matter of Taney County Water)
LLC Requesting a Rate Increase) Case No. WR-2012-0163


STATE OF MISSOURI)
) SS CASE NO. WR-2012-0163
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 *Company/Staff Agreement Regarding Disposition of Small Water Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachments A, C, D, I and J to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachments A, C, D, I and J to the Disposition Agreement; and (6) that the matters set forth in Attachments A, C, D, I and J to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



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

Subscribed and sworn to before me this 18th day of April, 2012.



Notary Public

LAURA HOLSMAN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 21, 2015 Commission Number: 11203914
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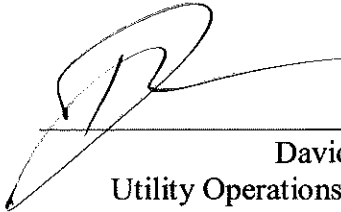
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF DAVID A. SPRATT

In the Matter of Taney County Water)
LLC Requesting a Rate Increase) Case No. WR-2012-0163

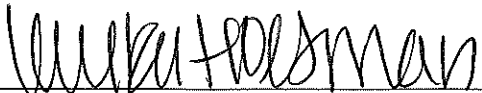
STATE OF MISSOURI)
) SS **CASE NO. WR-2012-0163**
COUNTY OF COLE)

COMES NOW David A. Spratt, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Operations Technical Specialist II 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 *Company/Staff Agreement Regarding Disposition of Small Water Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment I to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment I to the Disposition Agreement; and (6) that the matters set forth in Attachment I to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



David A. Spratt
Utility Operations Technical Specialist II
Water and Sewer Unit

Subscribed and sworn to before me this 24th day of April, 2012.



Notary Public

LAURA HOLSMAN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914

BEFORE THE PUBLIC SERVICE COMMISSION

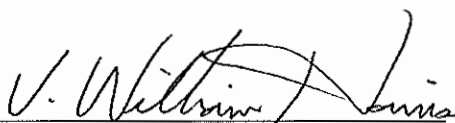
OF THE STATE OF MISSOURI

AFFIDAVIT V. WILLIAM HARRIS

In the Matter of the Request of Taney County)
Water LLC for a Small Company Rate) Case No. WR-2012-0163
Increase)

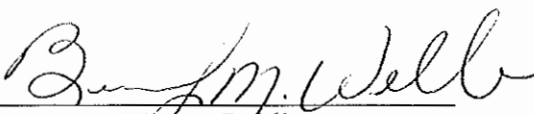
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW V. William Harris, being of lawful age, and on his oath states the following: (1) that he is an Utility Regulatory Auditor III in the Missouri Public Service Commission's Auditing Unit; (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 following *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment B and G to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment B and G to the Disposition Agreement; and (6) that the matters set forth in Attachment B and G to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



V. William Harris
Utility Regulatory Auditor III
Auditing Unit

Subscribed and sworn to before me this 24th day of April, 2012.



Notary Public



BEVERLY M. WEBB
My Commission Expires
April 14, 2016
Clay County
Commission #12404070

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

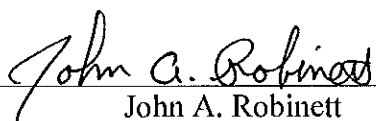
AFFIDAVIT OF JOHN A. ROBINETT

In the Matter of the Request of Taney County)
Water LLC for a Small Company Rate)
Increase

Case No. WR-2012-0163

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.


COMES NOW John A. Robinett, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Engineering Specialist II in the Missouri Public Service Commission's Engineering & Management Services Unit; (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 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 Engineering Specialist II
Engineering & Management
Services Unit

Subscribed and sworn to before me this 25th day of April, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

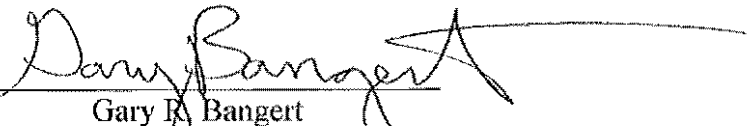
AFFIDAVIT OF GARY R. BANGERT

In the Matter of the Request of Taney County)
Water LLC for a Small Company Rate)
Increase

Case No. WR-2012-0163

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

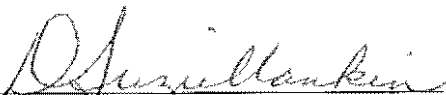
COMES NOW Gary R. Bangert, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Management Analyst III in the Missouri Public Service Commission's Engineering & Management Services Unit; (2) that he participated in the Staff's investigation of the small company rate 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 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 Unit

Subscribed and sworn to before me this 25th day of April, 2012.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071



Notary Public

Company/Staff Disposition Agreement

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

TANEY COUNTY WATER, LLC

MO PSC FILE NO. WR-2012-0163

BACKGROUND

Taney County Water, LLC ("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 November 28, 2011, the Company set forth its request for an increase of \$49,000 in its total annual water service operating revenues. 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 provides service to approximately 476 residential customers in Taney County, Missouri.

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" or "Staff's investigation.")

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("Public Counsel") 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 Public Counsel'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 June 15, 2012;
- (2) The current PSC MO Number 1 tariff will be cancelled and replaced by PSC MO Number 2 tariff and is included in the example tariff, Attachment A;
- (3) The rates included in the example tariff, specifically on tariff sheet 6, attached hereto and included in Attachment A and incorporated by reference herein, are just and reasonable, and that the provisions of the attached example tariff also properly reflect all other agreements set out herein, where necessary;
- (4) The rates set out in the attached example tariff, specifically on tariff sheet 6, included in Attachment A, are designed to generate revenues sufficient to recover the annualized cost of water service for the Company, and equates to a 40.7% increase in annual operating water revenues;
- (5) The rates included in the attached example tariff, specifically on tariff sheet 6, included in Attachment A, will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment C and incorporated by reference herein;
- (6) Except as otherwise noted in the agreements herein, both the EMS, attached hereto as Attachment B and incorporated by reference herein, and the ratemaking income statement attached hereto as Attachment D and incorporated by reference herein, accurately reflect 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 \$42,468 is just and reasonable and designed to recover the Company's cost of service;
- (7) The audit work papers attached hereto as Attachment B and incorporated by reference herein, which include consideration of a capital structure of 25.00% equity for the Company and a return on that equity of 12.05%, 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 (4) above;
- (8) The agreed-upon net rate base is \$150,470, the development of which is shown on the rate base worksheet attached hereto as Attachment E and incorporated by reference herein;

(9) The schedule of depreciation rates attached hereto as Attachment F and incorporated by reference 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;

(10) The Commission's Auditing Unit conducted an audit of the Company's books and records using the 12-month period ending December 31, 2011 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 herein as Attachment G and incorporated by reference herein.

Staff provided the Company and Public Counsel its initial recommendations of the revenue increase for the resolution of the Company's request and Staff's EMS run and work papers.

(11) 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 Unit ("EMSU") Report attached hereto as Attachment H and incorporated by reference herein:

(a) Ensure a notation is placed on an estimated customer bill when it is not possible to obtain an actual meter reading and establish a policy consistent with Commission Rule 4 CSR 240-13.020(2)(D)(2.);

(12) 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 Unit Recommendation Memorandum attached hereto as Attachment G and incorporated by reference herein:

(a) Implement the use of timesheets;

(b) Implement the use of a vehicle log;

(c) Maintain the Company's plant and financial records in accordance with the Uniform System of Accounts;

(d) The Company corrects its books and records to reflect the adjusted plant, depreciation reserve and contributions in aid of construction balances reflected in the Staff Accounting Schedules attached herein;

(e) Maintain a monthly report of customer billings to include actual individual customer revenue dollars, actual individual customer meter readings and actual individual customer volumetric usage with monthly and annual summaries of the above;

(f) Refund customer deposits when customers are in compliance with tariff requirements;

(13) In addition to the above recommendations from the Auditing Staff in Attachment G, the Company will:

- a) Provide verification to the manager of the Auditing Unit of the Commission that the field operator's pay has been increased as recommended; and
- b) With the assistance of Staff and OPC, develop and implement, for existing and future regulated affiliates, comprehensive allocation procedures to allocate costs and investment between regulated and non-regulated operations and between the various regulated entities, consistent with accounting and ratemaking practices.

(14) 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 EMSU Report attached hereto as Attachment H and incorporated by reference herein:

- (a) Develop a recording mechanism to ensure all Company employees complete and maintain time sheets which track work activity by the company involved, including the time spent on unregulated business activity; and
- (b) Complete a review of all vendor fees associated with providing a credit and debit card payment option to customers. Evaluate other vendors that could administer credit and debit card payments and select a vendor that can provide this service in the most cost-effective manner;

(15) Within one hundred eighty (180) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement and provide written proof to the Manager of the Water and Sewer Unit of the Commission, the recommendations contained in the Water & Sewer Unit Memorandum attached hereto as Attachment I and incorporated by reference herein:

- (a) Prepare a financial analysis that looks into the costs associated with providing adequate storage for Honey Lane and Valley View;
- (b) Repair woodpecker damage and investigate methods to prevent further damage from occurring including, but not limited to, covering holes with metal, insect control, and replacement of rotten and insect infested wood;
- (c) Prepare a financial analysis that looks into the costs associated with providing additional space in all well houses for storage parts and materials as well as providing a separate room for the chlorine contact to take place in accordance with the Department of Natural Resources Design Guide;
- (d) Prepare and submit a plan for testing or replacing the meters for the Customers of Taney County Water; and
- (e) Use their new water system maps to develop a flushing program;

- (16) 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;
- (17) Staff may 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;
- (18) Staff may file a formal complaint against the Company, if the Company does not comply with the provisions of this Company/Staff Disposition Agreement;
- (19) 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
- (20) 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 J to this Company/Staff Disposition Agreement.

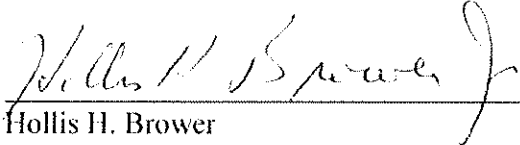
The Company acknowledges that the Staff will be filing this Company/Staff Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff may make other filings in this case.

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

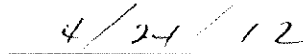
case is noticed to be considered by the Commission. Subject to the rules governing practice before the Commission, Staff will be available to answer Commission questions regarding this Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advanced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

SIGNATURES

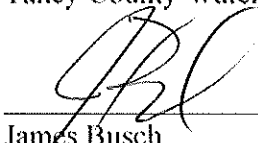
Agreement Signed and Dated:



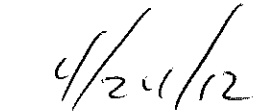
Hollis H. Brower
President
Taney County Water, LLC



Date



James Busch
Manager
Water & Sewer Unit
Missouri Public Service Commission Staff



Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – EMS Run
- Attachment C – Billing Comparison Worksheet
- Attachment D – Ratemaking Income Statement
- Attachment E – Rate Base Worksheet
- Attachment F – Schedule of Depreciation Rates
- Attachment G – Auditing Unit Recommendation Memorandum
- Attachment H – EMSU Report
- Attachment I – Water & Sewer Unit Memorandum
- Attachment J – Summary of Events

Agreement Attachment A

Example Tariff Sheets

Name of Utility: Taney County Water, LLC
Service Area: All Missouri Service Areas

Rules & Regulations Governing Rendering of
Water Service

INDEX

Sheet No.

- 1 Index
- 2 Map of Service Area
- 4 Legal Description of Service Area
- 7 Schedule of Rates
- 8 Schedule of Service Charges

	Rule No.	Rule Title
9	1.	Definitions
12	2.	General Rules and Regulations
13	3.	Company Employees and Customer Relations
14	4.	Applications for Service
15	5.	Inside Piping and Water Service Lines
18	6.	Improper or Excessive Use
19	7.	Discontinuance of Service by Company
22	8.	Termination of Water Service at Customer's Request
23	9.	Interruptions in Service
24	10.	Bills for Service
28	11.	Meters and Meter Installations
31	12.	Meter Tests and Test Fees
32	13.	Bill Adjustments Based on Meter Tests
33	14.	Extension of Water Mains

* Indicates new rate or text
+ Indicates change

DATE OF ISSUE May 1, 2012
Month Day Year

DATE EFFECTIVE June 15, 2012
Month Day Year

ISSUED BY Hollis Brower President PO BOX 1080 Nixa, MO 65714-1080
name of officer title address

Name of Utility: Taney County Water, LLC
Service Area: All Missouri Service Areas

Rules & Regulations Governing Rendering of
Water Service

Map of Service Area



- * Indicates new rate or text
- + Indicates change

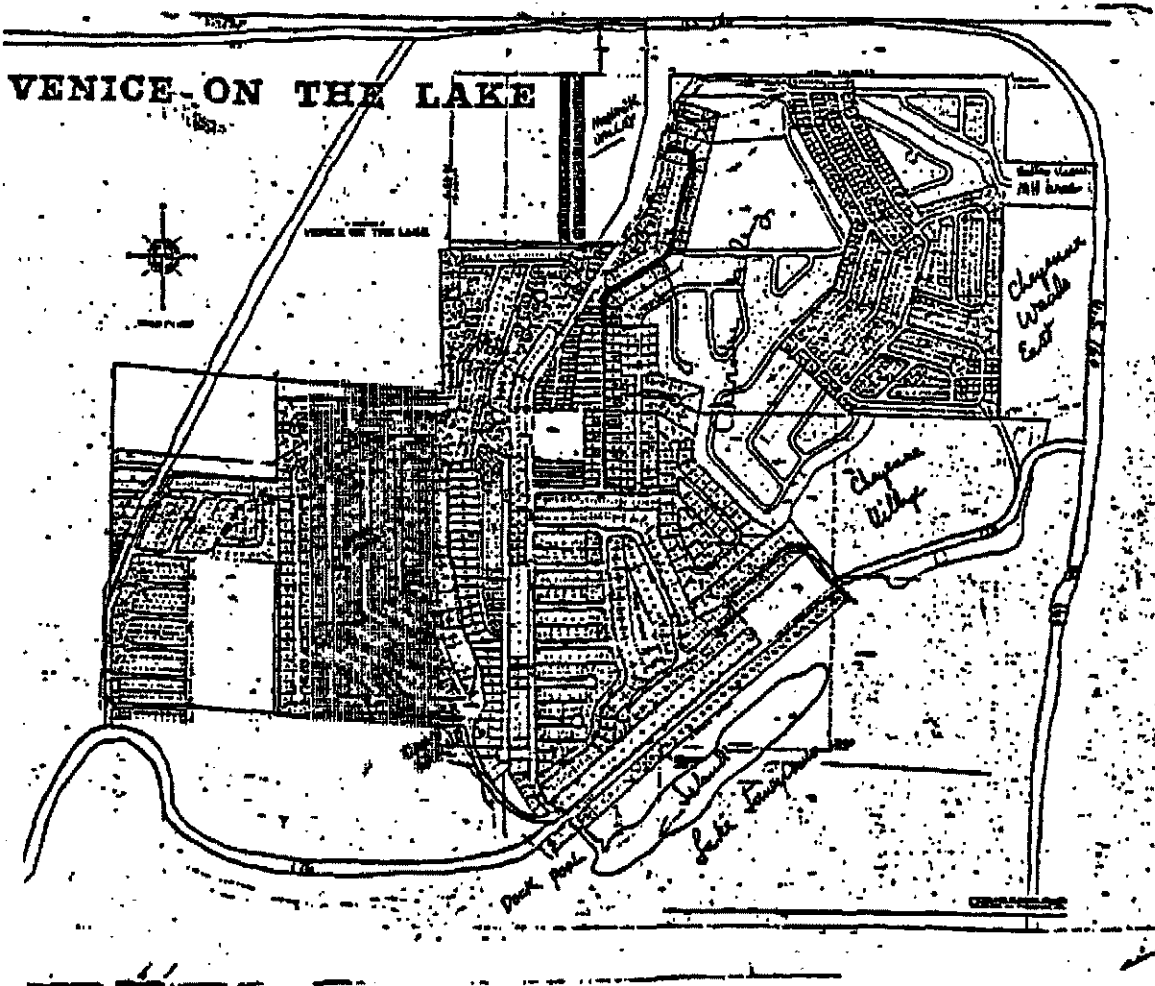
DATE OF ISSUE May 1, 2012 DATE EFFECTIVE June 15, 2012
Month Day Year Month Day Year

ISSUED BY Hollis Brower President PO BOX 1080 Nixa, MO 65714-1080
name of officer title address

Name of Utility: Taney County Water, LLC
Service Area: All Missouri Service Areas

Rules & Regulations Governing Rendering of
Water Service

Map of Service Area



- * Indicates new rate or text
- + Indicates change

DATE OF ISSUE

May 1, 2012
Month Day Year

DATE EFFECTIVE June 15, 2012
Month Day Year

ISSUED BY

Hollis Brower
name of officer

President
title

PO BOX 1080 Nixa, MO 65714-1080
address

Name of Utility: Taney County Water, LLC
Service Area: All Missouri Service Areas

Rules & Regulations Governing Rendering of
Water Service

Legal Description of Service Area

Boundary Description

Legal Description – LAKEWAY VILLAGE

A tract of land situated on Section 36, Township 24 North, Range 20 West, Taney County, Missouri, being all of the SW 1/4 and that part of the SW 1/4 of the NW 1/4 being more particularly described as follows: Beginning in the Northwest corner of the said SW 1/4 NW 1/4, thence S 89 degrees 50' 40" E along the North line of said SW 1/4 of the NW 1/4, 136.21 feet to a point on the centerline of the bed of the branch; thence along said centerline as follows- S36 degrees 07' 34" E, 78.80 feet; thence S 22 degrees 02' 30" East, 186.08 feet; thence South 57 degrees 05' 00" East, 100.54 feet; thence South 71 degrees 59' 00" East, 210.81 feet; thence South 73 degrees 02' and 00" East, 194.92 feet; thence South 7 degrees 41' 00" West, 158.84 feet; thence South 13 degrees 57' 00" East, 256.58 feet; thence South 23 degrees 32' 30", 128.40 feet ; thence South 15 degrees 11' 30" West, 235.00 feet; thence South 21 degrees 02' 00", 93.37 feet; thence South 1 degree 50' 30" West, 75.44 feet to a point on the South line of said SW 1/4 of the NW 1/4; thence North 89 degrees 39' 19" West along said South line, 640.24 feet; thence North 0 degrees 00' 58" West 600.00 feet; thence North 89 degrees 39' 19" West, 11.00 feet; thence North 24 degrees 39' 21" West, 165.60 feet to a point on the West line of said SW 1/4 of the NW 1/4; thence North 0 degrees 00' 58" West along said West line, the NW 1/4 of the SE 1/4 lying West of U.S. Hwy. #160 (formerly M.S.H. #60) being more particularly described as follows: Beginning at the Northwest corner of said SW 1/4 of the NW 1/4; thence South 89 degrees 51' 13" South along the North line of said SW 1/4 of the NE 1/4, 808.31 feet to a point on the Westerly right of way line of U.S. Hwy. No. 160; thence Southerly along said right of way line as follows – along a 2.5421 curve to the right, 351.65 feet (said curve having a back tangent that bears North 23 degrees 30' 03" East); thence South 32 degrees 26' 22" West, 251.77 feet; thence along a 6.7491 curve to the left, 715.90 feet to a point on the centerline of an intersecting road; thence South 67 degrees 48' 31" West (leaving said right of way line) along said centerline, 77.95 feet; thence along a 6.286351 curve to the left and along said centerline, 268.80 feet; thence South 50 degrees 54' 39" West along said centerline, 130.24 feet to a point on the West line of said NW 1/4 of the SE 1/4; thence North 0 degrees 10' 36" West along said West line, 114.17 feet; thence North 0 degrees 01' 46" West along the West line of said SW 1/4 of the NE 1/4, 1,318.07 feet to the point of beginning, containing in all a total of 191.43 acres, more or less, and known hereafter as Lakeway Village No. 1.

A tract of land being Lots 3 and 4 of the fractional SE 1/4 of Section 2, Township 23 North, Range 20 West, EXCEPT, that part taken by the U.S. Government for Bull Shoals Lake and also EXCEPT, the SE 1/4 of the SE 1/4 of the SE 1/4 of the SE 1/4 of said fractional SE 1/4 of Section 2, Township 23 North, Range 20 West,

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name of officer title address

Name of Utility: Taney County Water, LLC
Service Area: All Missouri Service Areas

Rules & Regulations Governing Rendering of
Water Service

and the West 1/2 of the SW 1/4 of Section 1, Township 23 North, Range 20 West, and all that part of the NW 1/4 of Section 12, Township 23 North, Range 20 West described as follows: Beginning at the Southeast corner of said NW 1/4 of said Section 12; thence North to the Northeast corner of the said NW 1/4; thence West on the North line of said NW 1/4 1,815 feet; thence South to the South line of said NW 1/4 of said Section 12; thence East 1,815 feet to the point of beginning, all the above described land being in Taney County, Missouri. A tract of land being that part of the NE 1/4 of Section 2, Township 23 North, Range 20 West lying East of the U.S. Government lake line for Bull Shoals Lake, and the West 1/2 of the NW 1/4, the SE 1/4 of the NW 1/4, the SW 1/4 of the NE 1/4, the NW 1/4 of the SE 1/4, and the NE 1/4 of the SW 1/4 all in Section 1, Township 23 North, Range 20 West, Taney County, Missouri, EXCEPT for a 5 acre tract in the SW 1/4 of the NE 1/4 of Section 1, Township 23 North, Range 20 West, Taney County, Missouri containing 270 acres, more or less.

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Rules & Regulations Governing Rendering of
Water Service

Legal Description of Service Area

Boundary Description

Legal Description – ROCKAWAY BEACH

All of the South 1/2 of the SW 1/4 of the SE 1/4, the SE 1/4 of the SE 1/4 of Section 1, and the NE 1/4 of the NE 1/4 of Section 12, all in Township 23, Range 21; the NE 1/4 and the S 1/2 of the NW FRL 1/4 of Section 19, Township 24, Range 20, and the following described land lying above the elevation of 716.50 feet above mean sea level the SW FRL 1/4 except the following described parcel: Beginning at a point on the North line of Lot 1 SW 1/4, and said point being 715 feet East of the West quarter corner of said Fractional Section 19, and also being on the East right of way line of Public road as now located, thence South along said right of way line 400 feet, thence East 400 feet, thence North 400 feet to the North line of the aforesaid Lot 1, thence West 400 feet to the point of beginning, containing 3.67 acres; the West 1/2 of the SE 1/4 of Section 19, except a parcel in the SW 1/4 of the SE 1/4 described as beginning at a point 70.3 feet West to a point 81.8 feet South of the NE corner of the SW 1/4 of the SE 1/4 of Section 19; thence South 49 degrees West 726 feet, along the North side of Highway 176; thence North 41 degrees West 300 feet; thence North 49 degrees East 726 feet; thence South 41 degrees East 300 feet to the point of beginning with right of ingress and egress to the lake, the NE 1/4 of the SE 1/4 of Section 19, the NW 1/4 of the SE 1/4 of Section 20, lying West of a large hollow and that portion of the NW FRL 1/4 of Section 30, North of White River (Lake Taneycomo) lying East of a certain branch, all in Township 24, Range 20, Subject to a flowage deed to Empire District Electric Company waiving property damage in consideration of being licensed to use the land to the Water Level of the Lake formed by the dam; over the lands situated in the South 1/2 of Section 19, the NW 1/4 of the SW 1/4 of Section 20, and the NW FRL 1/4 of Section 30. Also subject to rights of way deeds to the County of Taney and to the State of Missouri for road purposes. Subject to transmission line easement granted to KAMO Electric Cooperative Inc., over, upon and across the NW FRL 1/4 of Section 30, and the West 1/2 less the NW 1/4 of the NW 1/2 of Section 19, Township 24, Range 20. This deed is intended to give an assignment of the License now owned by the said George Puchta and the said Empire District Electric Company. There is excepted from said above described lands situated in the East 1/2 of the SE 1/4 of Section 19, Township 24, Range 20, the following described parcel, beginning at a point on the West line thereof on the North side of State Highway "EE"; thence East following the North line of said Highway a distance of 140 feet; thence South 45 degrees 30' East to the South line of said Highway "EE" for a new point of beginning; thence following the South line of said Highway "EE" East a distance of 70 feet; thence South to Lake Taneycomo; thence following the meanders of Lake Taneycomo a Northwesterly direction to a point in a line running Southeasterly 54 degrees 30' from the point of beginning; thence Northwesterly 54 degrees 30' to the point of beginning.

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Rules & Regulations Governing Rendering of
Water Service

Schedule of Rates

Applicable to all water Customers located in the Company's Lakeway Village and Rockaway Beach service areas and immediate surrounding areas located in Taney County, Missouri.

W-1 Rates: Single Family Residence for domestic water usage only

Customer Charge \$12.8; per month
Commodity Charge \$4.: : per 1,000 gallons of metered usage.

The Customer Charge will be the minimum bill each month.

W-2 Rates: Wholesale Rates to other municipalities

Commodity Charge \$1.4; per 1,000 gallons.

Taxes

Any applicable Federal, State or Local taxes computed on billing basis shall be added as separate items in rendering each bill.

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Water Service

Schedule of Service Charges

The following Miscellaneous Charges apply as authorized and Described elsewhere in the Company's filed Rule and Regulations:

New Service Connection Fee	Actual Cost
Consists of the costs incurred by the Company for construction including parts, material, labor and equipment, but excluding the cost of the meter. See Rule 5 B. 1. and 5 B. 3.	
Service Connection Inspection Fee See Rule 5 B. 2 and 5 B. 3.	\$25
Water Service Line Inspection Fee See Rule 5 C	\$25
Turn-On Fee	\$30
Turn-Off Fee	\$30
Meter Test Fee	\$25
Late Charges	\$5 or 3% whichever is higher
Returned Check Charges	\$25
Credit / Debit Card Charges	Not to exceed \$3
Service Calls for Damages caused by Customer	Actual cost but not less than \$25

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Rules & Regulations Governing Rendering of
Water Service

Rule 1 DEFINITIONS

- A. An "APPLICANT" is a person, firm, corporation, governmental body, or other entity which has applied for service; two or more APPLICANTS may make one application for a main extension.
- B. The "COMPANY" is Taney County Water, LLC, acting through its officers, managers, or other duly authorized employees or agents.
- C. The "CURB STOP" is a valve on the Service Connection, located at or near the Customer's property line, and used to shut off water service to the premises. The Curb Stop is owned and maintained by the Company.
- D. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for water service or is receiving service from Company, or whose facilities are connected for utilizing such service.
- E. The "DATE OF CONNECTION" shall be the date of the permit for installation and connection issued by the Company. In the event no permit is taken and a connection is made, the date of connection may be the date of commencement of construction of the building upon the property.
- F. A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.
- G. "DISCONTINUANCE OF SERVICE" is the intentional cessation of service by the Company not requested by the Customer.
- H. The "MAIN" is a pipeline which is owned and maintained by the Company, located on public property or private easements, and used to transport water throughout the Company's service area.

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Rules & Regulations Governing Rendering of
Water Service

Rule 1 continued

- I. The "METER" is a device owned by the company used to measure and record the quantity of water that flows through the service line, and is installed in the outdoor meter setting, or inside the Customer's building where the water service line enters through a foundation wall.
- J. The "METER SETTING" is a place either in the service connection or building plumbing for a water meter to be installed. An outdoor meter setting is located at or near the property line, and includes the meter box, meter yoke, lid, and appurtenances, all of which shall be owned and maintained by the Company. Indoor meter settings are located inside the Customer's premises where the water service line enters the foundation wall either installed directly in the piping or in a meter yoke.
- K. A "RETURNED CHECK" is a check that is returned to the Company from any bank unpaid for any reason.
- L. A "SEASONAL CUSTOMER" is a Customer who is absent from the premises and may turn off, or request the Company turn off, water service temporarily. All rates and rules within this tariff continue to apply to "Seasonal Customers" during period of seasonal absence or turn-off.
- M. The "SERVICE CONNECTION" is the pipeline connecting the main to the Customer's water service line and includes the curb stop, or outdoor meter setting and all necessary appurtenances located at or near the property line. This service connection shall be owned and maintained by the Company. If the property line is in a street, and if the curb stop or meter setting is not located near the edge of the street abutting the Customer's property, the said service connection shall be deemed to end at the edge of the street abutting the Customer's property.
- N. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and

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Rules & Regulations Governing Rendering of
Water Service

Rule 1 continued

includes resubdivision thereof.

- O. "TERMINATION OF SERVICE" is cessation of service requested by the Customer.
- P. "TURN-OFF" is the act of turning water service off by physically turning a valve such that water is unavailable to a Customer's premises.
- Q. "TURN-ON" is the act of turning water service on by physically turning a valve to allow water to be available to a Customer's premises.
- R. The word "UNIT" or "LIVING UNIT" shall be used herein to define the premises or property of a single water consumer, whether or not that consumer is the Customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, or owned or leased. Each mobile home in a mobile home park and each rental unit of a multi-tenant rental property are considered as separate units for each single family or firm occupying same as a residence or place of business.
- S. The "WATER SERVICE LINE" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct water to the Customer's unit from the property line, curb stop or outdoor meter setting, including the connection to the curb stop or meter setting. If the property line is in a street, then the water service line shall be deemed to begin at the edge of the street abutting the Customer's property.

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Rules & Regulations Governing Rendering of
Water Service

Rule 2 GENERAL RULES & REGULATIONS

- A. Every applicant, upon signing an application for any water service rendered by the Company, or any Customer upon taking of water service, shall be considered to have expressed consent to be bound by these Rates, Rules and Regulations.
- B. The Company's Rules and Regulations governing rendering of service are set forth in these numbered sheets. The rates applicable to appropriate water service or service in particular service areas are set forth in rate schedules and constitute a part of these Rules and Regulations.
- C. The Company reserves the right, subject to authority of the Missouri Public Service Commission, to prescribe additional Rates, Rules or Regulations or to alter existing Rates, Rules or Regulations as it may from time to time deem necessary and proper.
- D. After the effective date of these Rates, Rules and Regulations, all new facilities, construction contracts, and written agreements shall conform to these Rates, Rules and Regulations, and in accordance with the statutes of the state of Missouri and the Rates, Rules and Regulations of the Missouri Public Service Commission. Pre-existing facilities that do not comply with applicable Rates, Rules and Regulations may remain, provided that their existence does not constitute a service problem or improper use, and reconstruction is not practical.

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Rules & Regulations Governing Rendering of
Water Service

Rule 3 COMPANY EMPLOYEES AND CUSTOMER RELATIONS

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any services rendered to its Customers except as covered in the Company's Rules and Regulations.
- B. No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the intent of these Rules and Regulations.

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Rules & Regulations Governing Rendering of
Water Service

Rule 4 APPLICATIONS FOR SERVICE

- A. A written application for service, signed by the Customer, stating the type of service required and accompanied by any other pertinent information, will be required from each Customer before service is provided to any unit. Every Customer, upon signing an application for any service rendered by the Company, or upon taking of service, shall be considered to have expressed consent to the Company's Rates, Rules and Regulations.
- B. If service is requested at a point not already served by a main of adequate capacity, a main of adequate size shall be extended as may be necessary in accordance with Rule 14.
- C. When, in order to provide the service requested a main extension or other construction or equipment expense is required, the Company may require a written contract. Said contract may include, but not be limited to, the obligations upon the Company and the applicant, and shall specify a reasonable period of time necessary to provide such service.

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Rules & Regulations Governing Rendering of
Water Service

Rule 5 INSIDE PIPING AND WATER SERVICE LINES

- A. The Company will provide water service at the outdoor meter, at the curb stop if an indoor meter setting is utilized, or at the property line if neither an outdoor meter nor a curb stop exists at or near the property line. Separate buildings shall be served through separate water service lines.
- B. The service connection from the water main to the Customer's property line shall be owned and maintained by the Company. Construction of the service connection, outdoor meter setting and curb stop shall be accomplished in one of the follow ways at the Customer's option:
1. The Company will construct the service connection, outdoor meter setting and curb stop, as necessary, and make the connection to the main, within three (3) business days of an application for service, or within the time period specified in an application for service (See Rule 4). The Customer shall be responsible for payment of the New Service Connection Fee, as specified by or provided for in the Schedule of Service Charges; or,
 2. The Customer may install, or have installed by a professional contractor or plumber, the service connection from the water main to the meter setting, and make the connection to the main, subject to prior approval of the Company; or,
 3. The Customer may install, or have installed by a professional contractor or plumber, the service connection from the water main to the meter setting, and the Company will tap the main and connect the service connection. The Customer shall be responsible for payment of a New Service Connection Fee as specified by or provided for in the Schedule of Service Charges.
- C. A service connection installation constructed by the Customer as provided for in 5 B. 2. Or 5 B. 3., above, is subject to inspection by the Company. The Service Connection Inspection Fee as specified in the Schedule of Service Charges shall

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Rules & Regulations Governing Rendering of
Water Service

Rule 5 continued

apply if the Company must make a trip solely to conduct an inspection of a service connection constructed by the Customer, and shall not apply if the inspection of a service connection is accomplished at the same time as a tap is made for the Customer, or the same time as an inspection of the water service line as provided for in 5 D., below, or if the Company installs the service connection as provided in 5 B. 1., above.

- D. Water service line construction and maintenance from the property line, curb stop or meter setting, including the connection to the curb stop or meter setting, to the building shall be the responsibility of the Customer, and is subject to inspection by the Company. The Customer shall be responsible for any applicable fees as listed in the Schedule of Service Charges. Customers shall be responsible for the cost of repairing any damage to the Company's mains, curb stops, valve boxes, meters, and meter installations caused by the Customer, Customer's agent, or tenant.
- E. Existing water service lines and service connections may be used in connecting with new buildings only when they are found by examination and testing not to constitute a hazard to the health and safety of any Customer or the Company's facilities.
- F. The water service line shall be brought to the unit at a depth of not less than thirty-six (36) inches and have a minimum inside diameter of three-quarters (3/4) inch. The Customer is responsible for the determination of whether or not a larger size is needed to provide adequate flow to the unit. A valve must be installed in the service line where it enters the unit. This valve must be kept in good repair in order to shut off the water supply and drain the inside plumbing, if necessary.
- G. Water service lines and inside piping shall be of material conforming to recognized standards for potable water service and shall have a pressure rating of at least one hundred sixty (160) psi working pressure.
- H. The Company may, at its discretion, install a service connection and water

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Rules & Regulations Governing Rendering of
Water Service

Rule 5 continued

meter to a vacant lot. The Customer must utilize frost-free outdoor hydrants, and take reasonable precautions to prevent freezing and unauthorized water use. All applicable Rates, Rules, and Regulations will apply.

- I. Any change in the location of an existing service connection requested by the Customer shall be made by the Company or with the Company's approval, at the Customer's expense.
- J. The Company shall have the right to enter the Customer's premises for the purposes of inspection to ensure compliance with these Rates, Rules and Regulations. Company personnel shall identify themselves and make these inspections only at reasonable hours.
- K. Neither water service lines nor service connections may be extended along public streets or roadways or through property of others in connecting with the Company's mains. The service connection may, however, extend through the water main easement and roadway easement as necessary in order to be connected to a main located across and adjacent to a street in front of the Customer's living unit. The service connection and service line must be laid in a straight line and at right angles to the main and the face of the structure or as nearly so as possible. Any deviation from this because of physical obstruction will be at the discretion of the Company.
- L. Any Customer having a plumbing arrangement, or a water-using device that could allow backsiphonage of any chemical, petroleum, process water, water from a questionable supply, or other substance that could create a health hazard or damage to the water system; or, any Customer's plumbing classified as an actual or potential backflow hazard in the Regulations of the Missouri Department of Natural Resources shall be required to install and maintain a backflow prevention device. This rule may also apply to Customers on whose premises it is impossible or impractical for the Company to perform a cross connection survey. The device, installation, location and maintenance program shall be approved by the Company.

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Rules & Regulations Governing Rendering of
Water Service

Rule 6 IMPROPER OR EXCESSIVE USE

- A. No Customer shall be wasteful of the water supplied to the unit by the Customer's willful action or inaction. It shall be the responsibility and duty of each Customer to maintain all piping and fixtures at the unit in a good and efficient state of repair at all times.
- B. No Customer shall make or cause to be made a cross connection between the potable water supply and any source of chemical or bacterial contamination or any other water supply. The Company shall deny or discontinue service where Customer's water service line or inside piping may, in the opinion of the Company, cause a cross-connection with non-potable water or otherwise jeopardize the health and safety of other Customer's or the Company's facilities.
- C. The Customer shall not make or cause to be made a connection to a device that will result in excessive water demand or excessive shock, such as water-hammer, to the Company's mains.
- D. The Customer shall not tamper with, remove, or willfully damage a water meter or attempt to operate the shutoff cock on the meter yoke, or allow any such action.
- E. The Customer shall not attempt to take unmetered water from the Company mains either by an unauthorized tap or direct connection to service connection nor by connection to a fire hydrant.
- F. Customers will not be permitted to supply water in any way to premises other than the service address, or to permit others to use their hose or attachments, or leave them exposed to use by others without permission from the Company.

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Rules & Regulations Governing Rendering of
Water Service

Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY

- A. The Company may discontinue service for any of the following reasons:
1. Non-payment of a delinquent account not in dispute; or,
 2. Failure to post a security deposit or guarantee acceptable to the utility; or,
 3. Unauthorized interference, diversion or use of the utility service situated or delivered on or about the Customer's premises; or,
 4. Enclosing or obstructing any meter so as to make reading or repairs unreasonably difficult; or,
 5. Failure to comply with the terms and conditions of a settlement agreement; or,
 6. Refusal to grant access at reasonable times to equipment installed upon the premises of the Customer for the purpose of inspection, meter reading, maintenance or replacement; or,
 7. Violation of any of these Rules and Regulations on file with and approved by the Missouri Public Service Commission, or for any condition which adversely affects the safety of the Customer or other persons, or the integrity of the utility's delivery system; or,
 8. Non-payment of a sewer bill issued by the Company or by a sewer utility requesting discontinuance of water service by an agreement between the Company and such sewer utility. When water service is discontinued for non-payment of a sewer bill and if the sewer bill is not issued by the Company, any service charges for turn on/off or disconnection/reconnection within these Rules and Regulations shall not apply, and notice to the Customer shall be provided by rules and procedures applicable to the Customer's sewer service in lieu of notification required by these Rules and Regulations.

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Rules & Regulations Governing Rendering of
Water Service

Rule 7 continued

- B. The Company may discontinue service after notice by first class mail is sent to the Customer at least ten (10) days prior to the date of the proposed discontinuance. Service of notice by mail is complete upon mailing. If written notice is hand delivered to the Customer, it shall be done at least ninety-six (96) hours prior to discontinuance. If the Company intends to discontinue service to a multi-tenant dwelling, a notice shall also be conspicuously posted in the building ten (10) days prior to the proposed discontinuance. Discontinuance shall not occur more than eleven (11) business days after the date given as the discontinuance date.
- C. The Company shall make reasonable efforts to contact the Customer at least twenty-four (24) hours prior to any discontinuance, regarding the reason(s) for discontinuance of service, and the resolution. If discontinuance of service would affect an occupant who is not the Company's Customer, or is not responsible for payment of the bill, then the Company shall make reasonable efforts to inform such occupant(s).
- D. The Company shall postpone the discontinuance if personnel will not be available to restore service the same day, or if personnel will not be available to restore service the following day. The Company also shall postpone discontinuance if a medical emergency exists on the premises, however the postponement may be limited to twenty-one (21) days, and the Company may require proof of a medical emergency.
- E. The Company shall have the right to enter the Customer's premises for purposes of discontinuance of service in compliance with these Rules and Regulations. Discontinuance of service will be made during reasonable hours. Company personnel shall identify themselves and announce the intention to discontinue service, or leave a conspicuous notice of the discontinuance.
- F. The provisions of paragraphs C. and E. above may be waived if safety of Company personnel while at the premises is a consideration.

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DATE OF ISSUE May 1, 2012
Month Day Year

DATE EFFECTIVE June 15, 2012
Month Day Year

ISSUED BY Hollis Brower President PO BOX 1080 Nixa, MO 65714-1080
name of officer title address

Name of Utility: Taney County Water, LLC
Service Area: All Missouri Service Areas

Rules & Regulations Governing Rendering of
Water Service

Rule 7 continued

- G. Discontinuance of service to a unit for any reason shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of monies due from the Customer.
- H. In case the Company discontinues its service for any violation of these Rules and Regulations, then any monies due the Company shall become immediately due and payable.
- I. The Company has the right to refuse or to discontinue service to any unit to protect itself against fraud or abuse.
- J. The Company shall deal with Customers and handle Customer accounts in accordance with the Missouri Public Service Commission's Utility Billing Practices.
- K. Turn-off and turn-on charges are specified in the Schedule of Service Charges.

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Rules & Regulations Governing Rendering of
Water Service

Rule 8 TERMINATION OF WATER SERVICE AND TEMPORARY TURN-OFF AT
CUSTOMER'S REQUEST

- A. Service will be terminated at the Customer's request, by giving not less than twenty-four (24) hours notice to the Company during its regular office hours. The Company shall, on the requested day, read the Customer's meter and charges for water service rendered up to and including the time of termination shall be computed and will become due and payable immediately.
- B. A Customer may request temporary turn-off by the Company for the Customer's own convenience; however, the Customer shall still be charged for service at the appropriate rate as specified in the Schedule of Rates during the time the service is turned off.
- C. Turn-off and turn-on charges shall apply, and are specified in the Schedule of Service Charges.
- D. A Customer who requests termination of service, but returns to the premises and requests water service within nine (9) months of such termination, at the Company's discretion may be deemed to have been a seasonal customer, and applicable charges incurred during the period of absence may apply.

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Rules & Regulations Governing Rendering of
Water Service

Rule 9 INTERRUPTIONS IN SERVICE

- A. The Company reserves the right to discontinue water in its mains at any time, without notice, for making emergency repairs to the water system. Notice will be provided when it is practicable.
- B. Whenever service is interrupted for repairs, all Customers affected by such interruptions will be notified in advance whenever it is possible to do so. Every effort will be made to minimize interruption of service.
- C. No refunds of charges for water service will be made for interruptions of service unless due to willful misconduct of the Company.
- D. In order to avoid service problems when extraordinary conditions exist, the Company reserves the right, at all times, to determine the limit of and regulate water usage in a reasonable and non-discriminatory manner.

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Rules & Regulations Governing Rendering of
Water Service

Rule 10 BILLS FOR SERVICE

- A. The charges for water service shall be at the rates specified in the Schedule of Rates on file with the Missouri Public Service Commission. Other service charges, such as for turn-off or turn-on, are set forth in the Schedule of Service Charges in these Rules and Regulations.
- B. A Customer who has made application for, or is receiving the benefit of, water service to a unit shall be responsible for payment for all water service provided to the Customer at said unit from the date of connection until the date requested by the Customer by proper notification to the Company to terminate service.
- C. Each Customer is responsible for furnishing the Company with the correct address. Failure to receive bills will not be considered an excuse for non-payment nor reason to permit an extension of the date when the account would be considered delinquent. Bills and notices relating to the Company or its business will be mailed or delivered to the mailing address entered in the Customer's application unless the Company is notified in writing by the Customer of a change of address.
- D. Payments shall be made at the office of the Company or at such other places conveniently located as may be designated by the Company or by ordinary mail. However, payment must be received by the close of business on the date due.
- E. Neither the Company nor the Customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.
- F. A separate bill shall be rendered for each Customer with itemization of all water service charges. All bills for service shall state the due date. The Company shall render bills monthly.
- G. Bills shall be due twenty-one (21) calendar days from the date of rendition, unless such due date falls on a Sunday, a legal holiday, or other day when the office is

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Rules & Regulations Governing Rendering of
Water Service

Rule 10 continued

closed, in which case the due date shall be extended to the next business day. Bills unpaid after the stated due date will be delinquent and the Company shall have the right to discontinue service in accordance with Rule 7. The Company shall not be required to restore or connect any new service for such delinquent Customers until the unpaid account due the Company under these Rules and Regulations has been paid in full or arrangements satisfactory to the Company have been made to pay said account.

H. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be the monthly minimum plus an amount based on the water used at the commodity (water usage) rate or one-half (1/2) of the flat rate if applicable.

I. The Company may require a security deposit or other guarantee as a condition of new service if the Customer:

1. Still has an unpaid account with a utility providing the same type of service accrued within the last five (5) years; or,
2. Has diverted or interfered with the same type of service in an unauthorized manner within the last five (5) years; or,
3. Is unable to establish a credit rating with the Company. Adequate credit rating for a residential Customer shall be established if the Customer:
 - a. Owns or is purchasing a home; or,
 - b. Is and has been regularly employed full time for at least one (1) year; or,
 - c. Has an adequate and regular source of income; or,
 - d. Can provide credit references from a commercial credit source.

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Rules & Regulations Governing Rendering of
Water Service

Rule 10 continued

- J. The Company may require a security deposit or other guarantee of payment as a condition of continued service if:
1. The water service of the Customer has been discontinued for non-payment of a delinquent account not in dispute; or,
 2. The utility service to the unit has been diverted or interfered with in an unauthorized manner; or,
 3. The Customer has failed to pay undisputed bills before the delinquency date for five (5) billing periods out of twelve (12) consecutive monthly billing periods.
- K. The amount of a security deposit shall not exceed utility charges applicable to one (1) billing period plus thirty (30) days, computed on estimated or actual annual usage.
- L. Interest shall be payable annually on all deposits, but shall not accrue after the utility has made reasonable effort to return the deposit. Interest will be paid at a per annum rate equal to the prime bank lending rate, as published in the *Wall Street Journal* for the last business day of the preceding calendar year, plus one (1) percentage point. Interest may be credited to the Customer's account.
- M. After a Customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one (1) year, credit shall be established or re-established, and the deposit and any interest due shall be refunded. The utility may withhold full refund of the deposit pending resolution of a disputed matter.
- N. The utility shall give a receipt for deposits received, but shall also keep accurate records of deposits, including Customer name, service address, amounts, interest, attempts to refund and dates of every activity regarding the deposit.

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Rules & Regulations Governing Rendering of
Water Service

Rule 10 continued

- O. All billing matters shall be handled in accordance with the Missouri Public Service Commission's Rules and Regulations regarding Utility Billing Practices.

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Rules & Regulations Governing Rendering of
Water Service

Rule 11 METERS AND METER INSTALLATIONS

- A. All permanent service connections shall be metered. The Company shall furnish and install a suitable meter for each Customer, and the Company's installed meter shall be the standard for measuring water used to determine the bill.
- B. All meters and meter installations shall be furnished, installed, maintained and removed by the Company and shall remain its property.
- C. The Company shall have the right to determine on the basis of the Customer's flow requirements the type and size of meter to be installed and location of same. If flow requirements increase or decrease subsequent to installation and a larger or smaller meter is requested by the Customer, the cost of installing such meter shall be paid by the Customer.
- D. Domestic water service to any one Customer at a single premises shall be furnished through a single service connection. Individual units of a multi-unit building may have separate connections and meter installations only if each unit has separate plumbing, ground-level space, an individual service connection and meter installation location, and frontage to a Company-owned main. For multi-unit buildings with one service connection and meter installation, the inside piping may be rearranged at the Customer's own expense so as to separate the units and meter tenants, then divide the bill accordingly.
- E. The owners of premises wherein meters are located shall be held responsible for the safekeeping of the Company's meters and metering appurtenances, and are required to keep meters located within their property accessible to the Company for reading and for meter changeouts. If a Customer limits accessibility, or fails to protect a meter against damage, the Company may discontinue service or may refuse to supply water until accessibility is restored and the Company is paid for any such damage. The amount of the charge shall be the cost of the necessary replacement parts and the labor cost necessary to make the repair.

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Rules & Regulations Governing Rendering of
Water Service

Rule 11 continued

- F. If the Company determines that no suitable outdoor location is available, then the meter may be installed inside the Customer's premises where the water service line enters the building and just downstream of the inside shutoff valve. The Company shall install a curb stop within the service connection at or near the property line as practical. When the meter is installed inside the Customer's premises, the Customer will either provide a meter yoke to accept installation of the Company's meter, or provide proper fittings for the house plumbing pipe to allow for direct installation of the Company's meter, along with a proper grounding strap, installed around the meter to prevent electric charge build-up on either side of the meter or while a meter is removed. If installation in a special setting is necessary, the excess cost of installation shall be paid by the Customer. All indoor fittings and plumbing components, except the Company-owned meter, shall be furnished, owned and maintained by the Customer.
- G. If an existing basement meter location is determined inadequate or inaccessible by the Company, the Customer must provide for the installation of a meter to be located at or near the Customer's property line. The Customer shall obtain from the Company, or furnish the necessary meter installation appurtenances conforming to the Company's specifications, and said appurtenances and labor shall be paid by the Customer.
- H. Approved meter installation locations in dry basements, sufficiently heated to keep the meter from freezing, may remain provided the meter is readily accessible, at the Company's and Customer's convenience as determined by the Company, for servicing and reading and the meter space provided is located where the service line enters the building. The Company may, at its discretion, require the Customer to install a remote reading device at an approved location, for the purpose of reading the meter. It is the responsibility of the Customer and/or the owner of the premises to provide a location for the water meter which, in the event of water discharge as a result of leakage from the meter or couplings, will not result in damage. The Company's liability for damages to any and all property caused by such leakage shall in no event exceed the price of water service to the affected

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Rules & Regulations Governing Rendering of
Water Service

Rule 11 continued

premises for one average billing period in the preceding year. Where damage is caused by the negligence of Company personnel at the premises, this limitation will not apply. If a Customer refuses to provide an accessible location for a meter as determined by the Company, the Company will notify the Manager of the Water and Sewer Unit of the Missouri Public Service Commission before ultimately refusing service or proceeding to discontinue service.

- I. The Customer shall promptly notify the Company of any defect in, or damage to, the Company-owned meter setting.
- J. Any change in the location of any existing meter or meter setting at the request of the Customer shall be made at the expense of the Customer, and with the approval of the Company.

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Rules & Regulations Governing Rendering of
Water Service

Rule 12 METER TESTS AND TEST FEES

- A. Any Customer may request the Company to make a special test of the accuracy of the meter through which water is supplied to the Customer. This test will be made in accordance with water industry test procedures, and to check for accuracy as required by Regulations of the Missouri Public Service Commission.
- B. The Company reserves the right to remove and test a meter at any time and to substitute another in its place. In case of a dispute involving a question as to the accuracy of the meter, a test will be made by the Company upon the request of the Customer without charge if the meter has not been tested within twelve (12) months preceding the requested test; otherwise, an approved charge will be made if the test indicates meter accuracy within five percent (5%).
- C. A meter test requested by the Customer may be witnessed by the Customer or the Customer's duly authorized representative, except for tests of meters larger than two inch (2") inlet, which will be conducted by the water manufacturer. A certified copy of the test report will be provided to the Customer.
- D. If a test shows an average error of more than five percent (5%), billings shall be adjusted in accordance with Rule 13.

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Rules & Regulations Governing Rendering of
Water Service

Rule 13 BILL ADJUSTMENTS BASED ON METER TESTS

- A. Whenever any test by the Company of a meter while in service or upon its removal from service shall show such meter to have an average error of more than five percent (5%) on the test streams prescribed by the Missouri Public Service Commission, the Company shall adjust the Customer's bills by the amount of the actual average error of the meter and not the difference between the allowable error and the error as found. The period of adjustment on account of the under-registration or over-registration shall be determined as follows:
1. Where the period of error can be shown, the adjustment shall be made for such period; or,
 2. Where the period of error cannot be shown, the error found shall be considered to have existed for three (3) months preceding the test.
- B. If the meter is found on any such test to under-register, the Company may render a bill to the Customer for the estimated consumption not covered by bills previously rendered during the period of inaccuracy as above outlined. Such action shall be taken only when the Company was not at fault for allowing the inaccurate meter to remain in service.
- C. If the meter is found on any such test to over-register, the Company shall refund to the Customer any overcharge caused during the period of inaccuracy as above defined. The refund shall be paid within a reasonable time and may be in the form of a bill credit.

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Rules & Regulations Governing Rendering of
Water Service

Rule 14 EXTENSION OF WATER MAINS

- A. This rule shall govern the extension of mains by the Company within its certified area where there are no water mains.
- B. Upon receipt of a written application for a main extension, the Company will provide the applicant(s) an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including valves, fire hydrants, booster stations, storage facilities, reconstruction of existing mains (if necessary), and the direct costs associated with supervision, engineering, permits, and bookkeeping.
- C. Applicant(s) shall enter into a contract with the Company for the installation of said extension and shall tender to the Company a contribution in aid of construction equal to the amount determined in paragraph B. above, plus any applicable Customer connection fee. The contract may allow the Customer to contract with an independent contractor for the installation and supply of material, except that mains of twelve inches (12") or greater diameter must be installed by the Company, and the reconstruction of existing facilities must be done by the Company.
- D. The cost to single-family residential applicant(s) connecting to a main extension contributed by other applicant(s) shall be as follows:
 - 1. For single-family residential applicant(s) applying for service in a platted subdivision, the Company shall divide the actual cost of the extension by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing mains shall be excluded.
 - 2. For single-family residential applicant(s) applying for service in areas that are unplatted in subdivision lots, an applicant(s) cost shall be equal to the total cost of the main extension divided by the total length of the main extension in feet times one hundred (100) feet.

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Rules & Regulations Governing Rendering of
Water Service

Rule 14 continued

3. For industrial, commercial, or multifamily residential applicants, the cost will be equal to the amount calculated for a single-family residence in paragraphs D.1. or D.2., above, multiplied by the flow factors of the applicants' meter. The flow factors of the various sizes of meters are as follows:

<u>Meter Size</u>	<u>Flow Factor</u>
5/8"	1
1"	2.5
1 1/2"	5
2"	8
3"	15
4"	25

- E. Refunds of contributions shall be made to applicant(s) as follows:
- Should the actual cost of the extension be less than the estimated cost, the Company shall refund the difference to the applicant(s) as soon as the actual cost has been ascertained.
 - During the first ten (10) years after the main extension is completed, the Company will refund to the applicant(s) who paid for the extension the money collected from applicant(s) in accordance with paragraph D. above. The refund shall be paid within a reasonable time after the money is collected.
 - The sum of all refunds to any applicant shall not exceed the total contribution which the applicant(s) has paid.
- F. Extensions made under this rule shall be and remain the property of the Company.
- G. The Company reserves the right to further extend the main and to connect mains

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Rules & Regulations Governing Rendering of
Water Service

Rule 14 continued

on intersecting streets and easements. Connecting new Customers to such further extensions shall not entitle the applicant(s) paying for the original extension to a refund for the connection of such Customers.

- H. Extensions made under this rule shall be of Company-approved pipe sized to meet water service requirements. If the Company chooses to size the extension larger in order to meet the Company's overall system requirements, the additional cost caused by the larger size of pipe shall be borne by the Company.
- I. No interest will be paid by the Company of payments for the extension made by the applicant(s).
- J. If extensions are required on private roads, streets, through private property, or on private property adjacent to public right-of-way, a proper deed of easement must be furnished to the Company without cost to the Company, before the extension will be made.

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Agreement Attachment B

EMS Run

Exhibit No.:
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: WR-2012-0163
Date Prepared: April 16, 2012



MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES

STAFF ACCOUNTING SCHEDULES

TANEY COUNTY WATER LLC
Test Year Ending December 31, 2011

CASE NO. WR-2012-0163

Jefferson City, Missouri

April 2012

Taney County Water LLC
 Case No. WR-2012-0163
 WR-2012-0163
 Test Year Ending December 31, 2011
 Revenue Requirement

Line Number	A Description	B 7.42% Return	C 7.42% Return	D 7.42% Return
1	Net Orig Cost Rate Base	\$150,470	\$150,470	\$150,470
2	Rate of Return	7.42%	7.42%	7.42%
3	Net Operating Income Requirement	\$11,169	\$11,169	\$11,169
4	Net Income Available	-\$30,170	-\$30,170	-\$30,170
5	Additional Net Income Required	\$41,339	\$41,339	\$41,339
6	Income Tax Requirement			
7	Required Current Income Tax	\$1,129	\$1,129	\$1,129
8	Current Income Tax Available	\$0	\$0	\$0
9	Additional Current Tax Required	\$1,129	\$1,129	\$1,129
10	Revenue Requirement	\$42,468	\$42,468	\$42,468
11	Allowance for Known and Measureable Changes/True-Up Estimate	\$0	\$0	\$0
12	Gross Revenue Requirement	<u>\$42,468</u>	<u>\$42,468</u>	<u>\$42,468</u>

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
RATE BASE SCHEDULE

Line Number	<u>A</u> Rate Base Description	<u>B</u> Percentage Rate	<u>C</u> Dollar Amount
1	Plant In Service		\$518,284
2	Less Accumulated Depreciation Reserve		\$274,145
3	Net Plant In Service		\$244,139
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		\$0
6	Inventory		\$629
7	Contributions in aid of Construction(CIAC)		-\$248,508
8	CIAC Amortization		\$174,568
9	TOTAL ADD TO NET PLANT IN SERVICE		-\$73,311
10	SUBTRACT FROM NET PLANT		
11	Federal Tax Offset	0.0000%	\$0
12	State Tax Offset	0.0000%	\$0
13	City Tax Offset	0.0000%	\$0
14	Interest Expense Offset	0.0000%	\$0
15	Customer Deposits Taney County Utilities (WM-2010-0143)		\$14,408
16	Customer Deposits Taney County Water		\$5,950
17	TOTAL SUBTRACT FROM NET PLANT		\$20,358
18	Total Rate Base		\$150,470

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjst. Number	E Adjustments	F As Adjusted Plant	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	301.000	Organization	\$2,098	P-2	\$0	\$2,098	100.00%	\$0	\$2,098
3	302.000	Franchises and Consents	\$0	P-3	\$0	\$0	100.00%	\$0	\$0
4		TOTAL PLANT INTANGIBLE	\$2,098		\$0	\$2,098		\$0	\$2,098
5		SOURCE OF SUPPLY PLANT							
6	310.000	Land and Land Rights - SSP	\$9,703	P-6	\$0	\$9,703	100.00%	\$0	\$9,703
7	311.000	Structures and Improvements - SSP	\$0	P-7	\$0	\$0	100.00%	\$0	\$0
8	312.000	Collecting & Impounding Reservoirs	\$0	P-8	\$0	\$0	100.00%	\$0	\$0
9	313.000	Lake, River and Other Intakes	\$0	P-9	\$0	\$0	100.00%	\$0	\$0
10	314.000	Wells and Springs	\$33,791	P-10	\$1,308	\$35,099	100.00%	\$0	\$35,099
11	315.000	Infiltration Galleries and Tunnels	\$0	P-11	\$0	\$0	100.00%	\$0	\$0
12	316.000	Supply Mains	\$1,789	P-12	\$0	\$1,789	100.00%	\$0	\$1,789
13	317.000	Other Water Source Plant	\$0	P-13	\$0	\$0	100.00%	\$0	\$0
14		TOTAL SOURCE OF SUPPLY PLANT	\$45,283		\$1,308	\$46,591		\$0	\$46,591
15		PUMPING PLANT							
16	320.000	Land and Land Rights - PP	\$0	P-16	\$0	\$0	100.00%	\$0	\$0
17	321.000	Structures and Improvements - PP	\$5,069	P-17	\$0	\$5,069	100.00%	\$0	\$5,069
18	325.100	Electric Pumping Equipment	\$37,191	P-18	\$0	\$37,191	100.00%	\$0	\$37,191
19	325.200	Booster Pumping Equipment	\$1,872	P-19	\$0	\$1,872	100.00%	\$0	\$1,872
20		TOTAL PUMPING PLANT	\$44,132		\$0	\$44,132		\$0	\$44,132
21		WATER TREATMENT PLANT							
22	330.000	Land and Land Rights - WTP	\$0	P-22	\$0	\$0	100.00%	\$0	\$0
23	331.000	Structures and Improvements - WTP	\$0	P-23	\$0	\$0	100.00%	\$0	\$0
24	332.000	Water Treatment Equipment	\$0	P-24	\$0	\$0	100.00%	\$0	\$0
25		TOTAL WATER TREATMENT PLANT	\$0		\$0	\$0		\$0	\$0
26		TRANSMISSION & DIST. PLANT							
27	340.000	Land and Land Rights - TDP	\$0	P-27	\$0	\$0	100.00%	\$0	\$0
28	341.000	Structures and Improvements - TDP	\$0	P-28	\$0	\$0	100.00%	\$0	\$0
29	342.000	Distribution Reservoirs and Standpipes	\$52,225	P-29	\$0	\$52,225	100.00%	\$0	\$52,225
30	343.000	Transmission and Distribution Mains	\$226,660	P-30	\$0	\$226,660	100.00%	\$0	\$226,660
31	344.000	Fire Mains	\$0	P-31	\$0	\$0	100.00%	\$0	\$0
32	345.000	Services	\$60,242	P-32	\$0	\$60,242	100.00%	\$0	\$60,242
33	346.000	Meters	\$17,007	P-33	\$388	\$17,395	100.00%	\$0	\$17,395
34	347.000	Meter Installations	\$43,667	P-34	\$49	\$43,716	100.00%	\$0	\$43,716
35	348.000	Hydrants	\$0	P-35	\$0	\$0	100.00%	\$0	\$0
36	349.000	Other Transmission & Distribution Plant	\$0	P-36	\$0	\$0	100.00%	\$0	\$0
37		TOTAL TRANSMISSION & DIST. PLANT	\$399,801		\$437	\$400,238		\$0	\$400,238
38		GENERAL PLANT							
39	389.000	Land and Land Rights - GP	\$0	P-39	\$0	\$0	100.00%	\$0	\$0
40	390.000	Structures and Improvements - GP	\$0	P-40	\$0	\$0	100.00%	\$0	\$0
41	391.000	Office Furniture and Equipment	\$0	P-41	\$258	\$258	100.00%	\$0	\$258
42	391.100	Computer and Electronic Office Equipment	\$0	P-42	\$10,229	\$10,229	100.00%	\$0	\$10,229
43	392.000	Transportation Equipment	\$0	P-43	\$14,738	\$14,738	100.00%	\$0	\$14,738
44	393.000	Stores Equipment	\$0	P-44	\$0	\$0	100.00%	\$0	\$0
45	394.000	Tools, Shop and Garage Equipment	\$0	P-45	\$0	\$0	100.00%	\$0	\$0
46	395.000	Laboratory Equipment	\$0	P-46	\$0	\$0	100.00%	\$0	\$0
47	396.000	Power Operated Equipment	\$21,069	P-47	-\$21,069	\$0	100.00%	\$0	\$0
48	397.000	Communication Equipment	\$0	P-48	\$0	\$0	100.00%	\$0	\$0
49	398.000	Miscellaneous Equipment	\$0	P-49	\$0	\$0	100.00%	\$0	\$0
50	399.000	Other Tangible Equipment	\$0	P-50	\$0	\$0	100.00%	\$0	\$0
51		TOTAL GENERAL PLANT	\$21,069		\$4,156	\$25,225		\$0	\$25,225
52		TOTAL PLANT IN SERVICE	\$512,383		\$5,901	\$518,284		\$0	\$518,284

Taney County Water LLC
 Case No. WR-2012-0163
 WR-2012-0163
 Test Year Ending December 31, 2011
 Adjustments to Plant in Service

A Plant Adj. Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount	F Jurisdictional Adjustments	G Total Jurisdictional Adjustments
P-10	Wells and Springs	314.000		\$1,308		\$0
	1. To add pressure tank purchased in 2011 (Gaskins)		\$1,308		\$0	
P-33	Meters	346.000		\$388		\$0
	1. To add meters purchased in 2011 (Gaskins)		\$388		\$0	
P-34	Meter Installations	347.000		\$49		\$0
	1. To include meter installation costs in 2011 (Gaskins)		\$49		\$0	
P-41	Office Furniture and Equipment	391.000		\$258		\$0
	1. To include purchase of an office desk in 2011 (Gaskins)		\$258		\$0	
P-42	Computer and Electronic Office Equipment	391.100		\$10,229		\$0
	1.To add GPS equipment purchased in 2011 (Gaskins)		\$9,953		\$0	
	2. To add American Business Software (Gaskins)		\$169		\$0	
	3. To include the purchase of a laptop computer in 2011 (Gaskins)		\$107		\$0	
P-43	Transportation Equipment	392.000		\$14,738		\$0
	1.To add Ford truck purchased in 2011		\$14,738		\$0	
P-47	Power Operated Equipment	396.000		-\$21,069		\$0
	1. To remove power operated equipment balance once determined it did not was part of the sale of TCU assets (Gaskins)		-\$21,069		\$0	
Total Plant Adjustments				\$5,901		\$0

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C MO Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2	301.000	Organization	\$2,098	0.00%	\$0
3	302.000	Franchises and Consents	\$0	0.00%	\$0
4		TOTAL PLANT INTANGIBLE	\$2,098		\$0
5		SOURCE OF SUPPLY PLANT			
6	310.000	Land and Land Rights - SSP	\$9,703	0.00%	\$0
7	311.000	Structures and Improvements - SSP	\$0	2.50%	\$0
8	312.000	Collecting & Impounding Reservoirs	\$0	0.00%	\$0
9	313.000	Lake, River and Other Intakes	\$0	0.00%	\$0
10	314.000	Wells and Springs	\$35,099	2.00%	\$702
11	315.000	Infiltration Galleries and Tunnels	\$0	0.00%	\$0
12	316.000	Supply Mains	\$1,789	2.00%	\$36
13	317.000	Other Water Source Plant	\$0	0.00%	\$0
14		TOTAL SOURCE OF SUPPLY PLANT	\$46,591		\$738
15		PUMPING PLANT			
16	320.000	Land and Land Rights - PP	\$0	0.00%	\$0
17	321.000	Structures and Improvements - PP	\$5,069	2.50%	\$127
18	325.100	Electric Pumping Equipment	\$37,191	4.60%	\$1,711
19	325.200	Booster Pumping Equipment	\$1,872	6.70%	\$125
20		TOTAL PUMPING PLANT	\$44,132		\$1,963
21		WATER TREATMENT PLANT			
22	330.000	Land and Land Rights - WTP	\$0	0.00%	\$0
23	331.000	Structures and Improvements - WTP	\$0	0.00%	\$0
24	332.000	Water Treatment Equipment	\$0	2.90%	\$0
25		TOTAL WATER TREATMENT PLANT	\$0		\$0
26		TRANSMISSION & DIST. PLANT			
27	340.000	Land and Land Rights - TDP	\$0	0.00%	\$0
28	341.000	Structures and Improvements - TDP	\$0	0.00%	\$0
29	342.000	Distribution Reservoirs and Standpipes	\$52,225	2.50%	\$1,306
30	343.000	Transmission and Distribution Mains	\$226,660	2.00%	\$4,533
31	344.000	Fire Mains	\$0	0.00%	\$0
32	345.000	Services	\$60,242	2.50%	\$1,506
33	346.000	Meters	\$17,395	10.00%	\$1,740
34	347.000	Meter Installations	\$43,716	2.50%	\$1,093
35	348.000	Hydrants	\$0	2.00%	\$0
36	349.000	Other Transmission & Distribution Plant	\$0	0.00%	\$0
37		TOTAL TRANSMISSION & DIST. PLANT	\$400,238		\$10,178
38		GENERAL PLANT			

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C MO Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
39	389.000	Land and Land Rights - GP	\$0	0.00%	\$0
40	390.000	Structures and Improvements - GP	\$0	2.50%	\$0
41	391.000	Office Furniture and Equipment	\$258	5.00%	\$13
42	391.100	Computer and Electronic Office Equipment	\$10,229	14.30%	\$1,463
43	392.000	Transportation Equipment	\$14,738	13.00%	\$1,916
44	393.000	Stores Equipment	\$0	0.00%	\$0
45	394.000	Tools, Shop and Garage Equipment	\$0	0.00%	\$0
46	395.000	Laboratory Equipment	\$0	0.00%	\$0
47	396.000	Power Operated Equipment	\$0	6.67%	\$0
48	397.000	Communication Equipment	\$0	6.67%	\$0
49	398.000	Miscellaneous Equipment	\$0	0.00%	\$0
50	399.000	Other Tangible Equipment	\$0	0.00%	\$0
51		TOTAL GENERAL PLANT	\$25,225		\$3,392
52		Total Depreciation	\$518,284		\$16,271

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjust. Number	E Adjustments	F As Adjusted Reserve	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	301.000	Organization	\$0	R-2	\$0	\$0	100.00%	\$0	\$0
3	302.000	Franchises and Consents	\$0	R-3	\$0	\$0	100.00%	\$0	\$0
4		TOTAL PLANT INTANGIBLE	\$0		\$0	\$0		\$0	\$0
5		SOURCE OF SUPPLY PLANT							
6	310.000	Land and Land Rights - SSP	\$0	R-6	\$0	\$0	100.00%	\$0	\$0
7	311.000	Structures and Improvements - SSP	\$0	R-7	\$0	\$0	100.00%	\$0	\$0
8	312.000	Collecting & Impounding Reservoirs	\$0	R-8	\$0	\$0	100.00%	\$0	\$0
9	313.000	Lake, River and Other Intakes	\$0	R-9	\$0	\$0	100.00%	\$0	\$0
10	314.000	Wells and Springs	\$18,351	R-10	\$0	\$18,351	100.00%	\$0	\$18,351
11	315.000	Infiltration Galleries and Tunnels	\$0	R-11	\$0	\$0	100.00%	\$0	\$0
12	316.000	Supply Mains	\$877	R-12	\$0	\$877	100.00%	\$0	\$877
13	317.000	Other Water Source Plant	\$0	R-13	\$0	\$0	100.00%	\$0	\$0
14		TOTAL SOURCE OF SUPPLY PLANT	\$19,228		\$0	\$19,228		\$0	\$19,228
15		PUMPING PLANT							
16	320.000	Land and Land Rights - PP	\$0	R-16	\$0	\$0	100.00%	\$0	\$0
17	321.000	Structures and Improvements - PP	\$1,736	R-17	\$0	\$1,736	100.00%	\$0	\$1,736
18	325.100	Electric Pumping Equipment	\$31,856	R-18	\$0	\$31,856	100.00%	\$0	\$31,856
19	325.200	Booster Pumping Equipment	\$1,603	R-19	\$0	\$1,603	100.00%	\$0	\$1,603
20		TOTAL PUMPING PLANT	\$35,195		\$0	\$35,195		\$0	\$35,195
21		WATER TREATMENT PLANT							
22	330.000	Land and Land Rights - WTP	\$0	R-22	\$0	\$0	100.00%	\$0	\$0
23	331.000	Structures and Improvements - WTP	\$0	R-23	\$0	\$0	100.00%	\$0	\$0
24	332.000	Water Treatment Equipment	\$0	R-24	\$0	\$0	100.00%	\$0	\$0
25		TOTAL WATER TREATMENT PLANT	\$0		\$0	\$0		\$0	\$0
26		TRANSMISSION & DIST. PLANT							
27	340.000	Land and Land Rights - TDP	\$0	R-27	\$0	\$0	100.00%	\$0	\$0
28	341.000	Structures and Improvements - TDP	\$0	R-28	\$0	\$0	100.00%	\$0	\$0
29	342.000	Distribution Reservoirs and Standpipes	\$29,223	R-29	\$0	\$29,223	100.00%	\$0	\$29,223
30	343.000	Transmission and Distribution Mains	\$134,559	R-30	\$0	\$134,559	100.00%	\$0	\$134,559
31	344.000	Fire Mains	\$0	R-31	\$0	\$0	100.00%	\$0	\$0
32	345.000	Services	\$31,917	R-32	\$0	\$31,917	100.00%	\$0	\$31,917
33	346.000	Meters	\$7,190	R-33	\$0	\$7,190	100.00%	\$0	\$7,190
34	347.000	Meter Installations	\$15,138	R-34	\$0	\$15,138	100.00%	\$0	\$15,138
35	348.000	Hydrants	\$0	R-35	\$0	\$0	100.00%	\$0	\$0
36	349.000	Other Transmission & Distribution Plant	\$0	R-36	\$0	\$0	100.00%	\$0	\$0
37		TOTAL TRANSMISSION & DIST. PLANT	\$218,027		\$0	\$218,027		\$0	\$218,027
38		GENERAL PLANT							
39	389.000	Land and Land Rights - GP	\$0	R-39	\$0	\$0	100.00%	\$0	\$0
40	390.000	Structures and Improvements - GP	\$0	R-40	\$0	\$0	100.00%	\$0	\$0
41	391.000	Office Furniture and Equipment	\$6	R-41	\$0	\$6	100.00%	\$0	\$6
42	391.100	Computer and Electronic Office Equipment	\$731	R-42	\$0	\$731	100.00%	\$0	\$731
43	392.000	Transportation Equipment	\$958	R-43	\$0	\$958	100.00%	\$0	\$958
44	393.000	Stores Equipment	\$0	R-44	\$0	\$0	100.00%	\$0	\$0
45	394.000	Tools, Shop and Garage Equipment	\$0	R-45	\$0	\$0	100.00%	\$0	\$0
46	395.000	Laboratory Equipment	\$0	R-46	\$0	\$0	100.00%	\$0	\$0
47	396.000	Power Operated Equipment	\$20,773	R-47	-\$20,773	\$0	100.00%	\$0	\$0
48	397.000	Communication Equipment	\$0	R-48	\$0	\$0	100.00%	\$0	\$0
49	398.000	Miscellaneous Equipment	\$0	R-49	\$0	\$0	100.00%	\$0	\$0
50	399.000	Other Tangible Equipment	\$0	R-50	\$0	\$0	100.00%	\$0	\$0
51		TOTAL GENERAL PLANT	\$22,468		-\$20,773	\$1,695		\$0	\$1,695
52		TOTAL DEPRECIATION RESERVE	\$294,918		-\$20,773	\$274,145		\$0	\$274,145

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Adjustments for Depreciation Reserve

<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	<u>F</u> Jurisdictional Adjustments	<u>G</u> Total Jurisdictional Adjustments
R-47	Power Operated Equipment	396.000		-\$20,773		\$0
	1. To remove balance for power operated equipment once determined as not transferred as part of the sale of TCU assets		-\$20,773		\$0	
Total Reserve Adjustments				-\$20,773		\$0

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Cash Working Capital

Line Number	A Description	B Test Year Adj. Expenses	C Revenue Lag	D Expense Lag	E Net Lag C - D	F Factor (Col E / 365)	G CWC Req B x F
1	OPERATION AND MAINT. EXPENSE						
2	Base Payroll	\$0	0.00	0.00	0.00	0.000000	\$0
3	Tax Withholding	\$0	0.00	0.00	0.00	0.000000	\$0
4	Pensions and Employee Benefits	\$0	0.00	0.00	0.00	0.000000	\$0
5	Electric	\$0	0.00	0.00	0.00	0.000000	\$0
6	Telephone	\$0	0.00	0.00	0.00	0.000000	\$0
7	Office Rents	\$0	0.00	0.00	0.00	0.000000	\$0
8	Intercompany Billing	\$0	0.00	0.00	0.00	0.000000	\$0
9	Uncollectible Accounts	\$0	0.00	0.00	0.00	0.000000	\$0
10	PSC Assessment	\$0	0.00	0.00	0.00	0.000000	\$0
11	Cash Vouchers	\$134,562	0.00	0.00	0.00	0.000000	\$0
12	TOTAL OPERATION AND MAINT. EXPENSE	\$134,562					\$0
13	TAXES						
14	FICA - Employer Portion	\$0	0.00	0.00	0.00	0.000000	\$0
15	Unemployment	\$0	0.00	0.00	0.00	0.000000	\$0
16	Property Tax	\$0	0.00	0.00	0.00	0.000000	\$0
17	Gross Receipts Tax	\$0	0.00	0.00	0.00	0.000000	\$0
18	Corporate Franchise	\$0	0.00	0.00	0.00	0.000000	\$0
19	Sales Tax	\$0	0.00	0.00	0.00	0.000000	\$0
20	Test Line	\$0	0.00	0.00	0.00	0.000000	\$0
21	TOTAL TAXES	\$0					\$0
22	CWC REQ'D BEFORE RATE BASE OFFSETS						\$0
23	TAX OFFSET FROM RATE BASE						
24	Federal Tax Offset	\$800	0.00	0.00	0.00	0.000000	\$0
25	State Tax Offset	\$329	0.00	0.00	0.00	0.000000	\$0
26	City Tax Offset	\$0	0.00	0.00	0.00	0.000000	\$0
27	Interest Expense Offset	\$6,636	0.00	0.00	0.00	0.000000	\$0
28	TOTAL OFFSET FROM RATE BASE	\$7,765					\$0
29	TOTAL CASH WORKING CAPITAL REQUIRED						\$0

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Income Statement

Line Number	A Category Description	B Total Test Year	C Test Year Labor	D Test Year Non Labor	E Adjustments	F Total Company Adjusted	G Jurisdictional Adjustments	H MO Final Adj Jurisdictional	I MO Juris. Labor	J MO Juris. Non Labor
1	TOTAL OPERATING REVENUES	\$110,684	See Note (1)	See Note (1)	See Note (1)	\$110,684	\$3,140	\$113,824	See Note (1)	See Note (1)
2	TOTAL SOURCE OF SUPPLY EXPENSES	\$38,692	\$0	\$38,692	-\$6,380	\$32,312	\$0	\$32,312	\$0	\$32,312
3	TOTAL PUMPING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	TOTAL WATER TREATMENT EXPENSES	\$2,069	\$0	\$2,069	\$283	\$2,352	\$0	\$2,352	\$0	\$2,352
5	TOTAL TRANSMISSION & DIST. EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	TOTAL CUSTOMER ACCOUNTS EXPENSE	\$2,968	\$0	\$2,968	\$2,226	\$5,194	\$0	\$5,194	\$0	\$5,194
7	TOTAL CUSTOMER SERVICE EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	TOTAL SALES PROMOTION EXPENSES	\$122	\$122	\$0	-\$122	\$0	\$0	\$0	\$122	-\$122
9	TOTAL ADMIN. & GENERAL EXPENSES	\$94,807	\$39,208	\$55,599	-\$103	\$94,704	\$0	\$94,704	\$56,361	\$38,343
10	TOTAL DEPRECIATION EXPENSE	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$8,396	\$8,396	See Note (1)	See Note (1)
11	TOTAL AMORTIZATION EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	TOTAL OTHER OPERATING EXPENSE	\$3,001	\$0	\$3,001	-\$1,965	\$1,036	\$0	\$1,036	\$0	\$1,036
13	TOTAL OPERATING EXPENSE	\$141,659	\$39,330	\$102,329	-\$6,061	\$135,598	\$8,396	\$143,994	\$56,483	\$79,115
14	NET INCOME BEFORE TAXES	-\$30,975	\$0	\$0	\$0	-\$24,914	-\$5,256	-\$30,170	\$0	\$0
15	TOTAL INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$0	\$0	See Note (1)	See Note (1)
16	TOTAL DEFERRED INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$0	\$0	See Note (1)	See Note (1)
17	NET OPERATING INCOME	-\$30,975	\$0	\$0	\$0	-\$24,914	-\$5,256	-\$30,170	\$0	\$0

(1) Labor and Non Labor Detail not applicable to Revenue & Taxes

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Income Statement Detail

Line Number	A Account Number	B Income Description	C Test Year Total (D+E)	D Test Year Labor	E Test Year Non Labor	F Adjust. Number	G Total Company Adjustments (From Adj. Sch.)	H Total Company Adjusted (C+G)	I Jurisdictional Allocations	J Jurisdictional Adjustments (From Adj. Sch.)	K MO Final Adj Jurisdictional (H x I) + J	L MO Adj. Juris. Labor L + M = K	M MO Adj. Juris. Non Labor
Rev-1		OPERATING REVENUES											
Rev-2		Residential	\$110,684	See note (1)	See note (1)	Rev-2	See note (1)	\$110,684	100.00%	\$0	\$110,684	See note (1)	See note (1)
Rev-3	481.100	Commercial	\$0			Rev-3		\$0	100.00%	\$0	\$0		
Rev-4	481.200	Industrial	\$0			Rev-4		\$0	100.00%	\$0	\$0		
Rev-5	483.000	Private Fire Protection	\$0			Rev-5		\$0	100.00%	\$0	\$0		
Rev-6	487.000	Public Fire Protection	\$0			Rev-6		\$0	100.00%	\$0	\$0		
Rev-7	488.000	Other Public Auth.	\$0			Rev-7		\$0	100.00%	\$0	\$0		
Rev-8	489.000	Sales for Resale	\$0			Rev-8		\$0	100.00%	\$0	\$0		
Rev-9	493.000	Other Water Revenue - Oper. Rev.	\$0			Rev-9		\$0	100.00%	\$3,140	\$3,140		
Rev-10		TOTAL OPERATING REVENUES	\$110,684					\$110,684		\$3,140	\$113,824		
1		SOURCE OF SUPPLY EXPENSES											
2	709.000	Auto Expense (709)	\$7,543	\$0	\$7,543	E-2	-\$1,250	\$6,293	100.00%	\$0	\$6,293	\$0	\$6,293
3	730.000	Outside Services (730)	\$40	\$0	\$40	E-3	-\$40	\$0	100.00%	\$0	\$0	\$0	\$0
4	804.000	Repairs and Maintenance (804)	\$2,195	\$0	\$2,195	E-4	-\$1,098	\$1,097	100.00%	\$0	\$1,097	\$0	\$1,097
5	781.000	Miscellaneous Plant (781)	\$2,207	\$0	\$2,207	E-5	-\$1,029	\$1,178	100.00%	\$0	\$1,178	\$0	\$1,178
6	812.000	Contract Labor (812)	\$21,812	\$0	\$21,812	E-6	-\$1,308	\$20,504	100.00%	\$0	\$20,504	\$0	\$20,504
7	750.000	Gas and Oil (750)	\$4,895	\$0	\$4,895	E-7	-\$1,655	\$3,240	100.00%	\$0	\$3,240	\$0	\$3,240
8		TOTAL SOURCE OF SUPPLY EXPENSES	\$38,692	\$0	\$38,692		-\$6,380	\$32,312		\$0	\$32,312	\$0	\$32,312
9		PUMPING EXPENSES											
10		TOTAL PUMPING EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
11		WATER TREATMENT EXPENSES											
12	845.000	Water Testing Expense (845)	\$2,069	\$0	\$2,069	E-12	\$0	\$2,069	100.00%	\$0	\$2,069	\$0	\$2,069
13	605.000	Chemicals - WTE	\$0	\$0	\$0	E-13	\$283	\$283	100.00%	\$0	\$283	\$0	\$283
14		TOTAL WATER TREATMENT EXPENSES	\$2,069	\$0	\$2,069		\$283	\$2,352		\$0	\$2,352	\$0	\$2,352
15		TRANSMISSION & DIST. EXPENSES											
16		TOTAL TRANSMISSION & DIST. EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
17		CUSTOMER ACCOUNTS EXPENSE											
18	796.000	Postage (796)	\$977	\$0	\$977	E-18	\$1,594	\$2,571	100.00%	\$0	\$2,571	\$0	\$2,571
19	732.000	Credit Card Fees (732)	\$1,914	\$0	\$1,914	E-19	-\$1,914	\$0	100.00%	\$0	\$0	\$0	\$0
20	712.000	Bad Debt (712)	\$50	\$0	\$50	E-20	\$1,681	\$1,731	100.00%	\$0	\$1,731	\$0	\$1,731
21	920.000	Interest Expense	\$0	\$0	\$0	E-21	\$865	\$865	100.00%	\$0	\$865	\$0	\$865
22	714.000	Returned Checks (714)	\$27	\$0	\$27	E-22	\$0	\$27	100.00%	\$0	\$27	\$0	\$27
23		TOTAL CUSTOMER ACCOUNTS EXPENSE	\$2,968	\$0	\$2,968		\$2,226	\$5,194		\$0	\$5,194	\$0	\$5,194
24		CUSTOMER SERVICE EXPENSES											
25		TOTAL CUSTOMER SERVICE EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
26		SALES PROMOTION EXPENSES											
27	819.000	Sales Promotion Expenses - SPE	\$122	\$122	\$0	E-27	-\$122	\$0	100.00%	\$0	\$0	\$122	-\$122
28		TOTAL SALES PROMOTION EXPENSES	\$122	\$122	\$0		-\$122	\$0		\$0	\$0	\$122	-\$122
29		ADMIN. & GENERAL EXPENSES											
30	813.000	Salaries Officers (813)	\$12,132	\$12,132	\$0	E-30	-\$3,075	\$9,057	100.00%	\$0	\$9,057	\$9,057	\$0
31	815.000	Salaries- Other (815)	\$9,040	\$9,040	\$0	E-31	\$6,778	\$15,818	100.00%	\$0	\$15,818	\$15,818	\$0
32	816.000	Hourly Wages (816)	\$13,955	\$13,955	\$0	E-32	\$14,592	\$28,547	100.00%	\$0	\$28,547	\$28,547	\$0

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Income Statement Detail

Line Number	A Account Number	B Income Description	C Test Year Total (D+E)	D Test Year Labor	E Test Year Non Labor	F Adjust. Number	G Total Company Adjustments (From Adj. Sch.)	H Total Company Adjusted (C+G)	I Jurisdictional Allocations	J Jurisdictional Adjustments (From Adj. Sch.)	K MO Final Adj Jurisdictional (H x I) + J	L MO Adj. Juris. Labor L + M = K	M MO Adj. Juris. Non Labor
33	818.000	Hourly Wages - Overtime (818)	\$375	\$375	\$0	E-33	\$437	\$812	100.00%	\$0	\$812	\$812	\$0
34	820.000	Salary Vacation (820)	\$760	\$760	\$0	E-34	-\$760	\$0	100.00%	\$0	\$0	\$0	\$0
35	841.000	Unemployment Compensation (841)	\$208	\$208	\$0	E-35	\$235	\$443	100.00%	\$0	\$443	\$443	\$0
36	842.000	Utilities (842)	\$18,134	\$0	\$18,134	E-36	-\$60	\$18,074	100.00%	\$0	\$18,074	\$0	\$18,074
37	830.000	Telephone (830)	\$0	\$0	\$0	E-37	\$59	\$59	100.00%	\$0	\$59	\$0	\$59
38	833.000	Cell Phones (833)	\$497	\$0	\$497	E-38	-\$321	\$176	100.00%	\$0	\$176	\$0	\$176
39	791.000	Social Security/Medicare (791)	\$2,238	\$2,238	\$0	E-39	-\$130	\$2,108	100.00%	\$0	\$2,108	\$2,108	\$0
40	810.000	Christmas Bonus (810)	\$500	\$500	\$0	E-40	-\$500	\$0	100.00%	\$0	\$0	\$0	\$0
41	700.000	Accounting (700)	\$6,240	\$0	\$6,240	E-41	-\$424	\$5,816	100.00%	\$0	\$5,816	-\$424	\$6,240
42	805.000	Rents (805)	\$9,600	\$0	\$9,600	E-42	-\$6,432	\$3,168	100.00%	\$0	\$3,168	\$0	\$3,168
43	715.000	Bank Service Charges (715)	\$943	\$0	\$943	E-43	-\$319	\$624	100.00%	\$0	\$624	\$0	\$624
44	769.000	Legal (769)	\$770	\$0	\$770	E-44	-\$385	\$385	100.00%	\$0	\$385	\$0	\$385
45	776.000	Water Co Taney County Water (776)	\$12,809	\$0	\$12,809	E-45	-\$10,390	\$2,419	100.00%	\$0	\$2,419	\$0	\$2,419
46	780.000	Miscellaneous (780)	\$952	\$0	\$952	E-46	-\$322	\$630	100.00%	\$0	\$630	\$0	\$630
47	757.000	Insurance (757)	\$2,201	\$0	\$2,201	E-47	\$2,280	\$4,481	100.00%	\$0	\$4,481	\$0	\$4,481
48	783.000	Office Expense (783)	\$3,358	\$0	\$3,358	E-48	-\$1,304	\$2,054	100.00%	\$0	\$2,054	\$0	\$2,054
49	784.000	Late Fees (784)	-\$30	\$0	-\$30	E-49	\$0	-\$30	100.00%	\$0	-\$30	\$0	-\$30
50	703.000	Advertising (703)	\$125	\$0	\$125	E-50	-\$62	\$63	100.00%	\$0	\$63	\$0	\$63
51		TOTAL ADMIN. & GENERAL EXPENSES	\$94,807	\$39,208	\$55,599		-\$103	\$94,704		\$0	\$94,704	\$56,361	\$38,343
52		DEPRECIATION EXPENSE											
53	0.000	Depreciation Expense, Dep. Exp.	\$0	See note (1)	See note (1)	E-53	See note (1)	\$0	100.00%	\$16,271	\$16,271	See note (1)	See note (1)
54	0.000	CIAC Annual Depreciation	\$0			E-54		\$0	100.00%	-\$7,875	-\$7,875		
55		TOTAL DEPRECIATION EXPENSE	\$0	\$0	\$0		\$0	\$0		\$8,396	\$8,396	\$0	\$0
56		AMORTIZATION EXPENSE											
57		TOTAL AMORTIZATION EXPENSE	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
58		OTHER OPERATING EXPENSES											
59	827.000	Taxes and Liscenses (827)	\$469	\$0	\$469	E-59	\$0	\$469	100.00%	\$0	\$469	\$0	\$469
60	797.000	PSC Assesment (797)	\$2,191	\$0	\$2,191	E-60	-\$1,722	\$469	100.00%	\$0	\$469	\$0	\$469
61	739.000	Dues and Subscriptions (739)	\$290	\$0	\$290	E-61	-\$243	\$47	100.00%	\$0	\$47	\$0	\$47
62	839.000	Travel (839)	\$51	\$0	\$51	E-62	\$0	\$51	100.00%	\$0	\$51	\$0	\$51
63		TOTAL OTHER OPERATING EXPENSE	\$3,001	\$0	\$3,001		-\$1,965	\$1,036		\$0	\$1,036	\$0	\$1,036
64		TOTAL OPERATING EXPENSE	\$141,659	\$39,330	\$102,329		-\$6,061	\$135,598		\$8,396	\$143,994	\$56,483	\$79,115
65		NET INCOME BEFORE TAXES	-\$30,975					-\$24,914		-\$5,256	-\$30,170		
66		INCOME TAXES											
67	0.000	Current Income Taxes	\$0	See note (1)	See note (1)	E-67	See note (1)	\$0	100.00%	\$0	\$0	See note (1)	See note (1)
68		TOTAL INCOME TAXES	\$0					\$0		\$0	\$0		
69		DEFERRED INCOME TAXES											
70	0.000	Deferred Income Taxes - Def. Inc. Tax.	\$0	See note (1)	See note (1)	E-70	See note (1)	\$0	100.00%	\$0	\$0	See note (1)	See note (1)
71	0.000	Amortization of Deferred ITC	\$0			E-71		\$0	100.00%	\$0	\$0		
72	0.000	Deferred Income Tax - Test Line	\$0			E-72		\$0	100.00%	\$0	\$0		
73		TOTAL DEFERRED INCOME TAXES	\$0					\$0		\$0	\$0		
74		NET OPERATING INCOME	-\$30,975					-\$24,914		-\$5,256	-\$30,170		

Taney County Water LLC
 Case No. WR-2012-0163
 WR-2012-0163
 Test Year Ending December 31, 2011
 Income Statement Detail

Line Number	<u>A</u> Account Number	<u>B</u> Income Description	<u>C</u> Test Year Total (D+E)	<u>D</u> Test Year Labor	<u>E</u> Test Year Non Labor	<u>F</u> Adjust. Number	<u>G</u> Total Company Adjustments (From Adj. Sch.)	<u>H</u> Total Company Adjusted (C+G)	<u>I</u> Jurisdictional Allocations	<u>J</u> Jurisdictional Adjustments (From Adj. Sch.)	<u>K</u> MO Final Adj Jurisdictional (H x I) + J	<u>L</u> MO Adj. Juris. Labor L + M = K	<u>M</u> MO Adj. Juris. Non Labor
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(1) Labor and Non Labor Detail not applicable to Revenue & Taxes

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Revenue Billing Determinant Sheet

Feeder Description	<u>A</u> Annualized Customers	<u>B</u> Total Customer Bills	<u>C</u> Annual Customer Charge Revenues	<u>D</u> Annualized Water Usage	<u>E</u> Annualized Volumetric Revenues	<u>F</u> Total Annualized Revenues C+E
Residential Revenue Feeders, Totals	476	5,712	\$44,953	18,620,644	\$65,731	\$110,684
Commercial Revenue Feeders, Totals	0	0	\$0	0	\$0	\$0
Industrial Revenue Feeders, Totals	0	0	\$0	0	\$0	\$0
Other Public Auth. Revenue Feeders, Totals	0	0	\$0	0	\$0	\$0
Sales for Resale Revenue Feeders, Totals	0	0	\$0	0	\$0	\$0
Test	0	0	\$0	0	\$0	\$0
Total Revenue Feeders	476	5,712	\$44,953	18,620,644	\$65,731	\$110,684

Taney County Water LLC
 Case No. WR-2012-0163
 WR-2012-0163
 Test Year Ending December 31, 2011
 Residential No Min. Base Usage Revenue Feeder - Summary

Meter Size	<u>B</u> Annualized Customers	<u>C</u> Bills Per Year	<u>B</u> Total Customer Bills	<u>C</u> Annual Customer Charge Revenues	<u>D</u> Annualized Water Usage	<u>E</u> Annualized Commodity Revenues	<u>F</u> Total Annualized Revenues
5/8"	476	12	5,712	\$44,953	18,620,644	\$65,731	\$110,684
Totals	<u>476</u>		<u>5,712</u>	<u>\$44,953</u>	<u>18,620,644</u>	<u>\$65,731</u>	<u>\$110,684</u>

Taney County Water LLC
 Case No. WR-2012-0163
 WR-2012-0163
 Test Year Ending December 31, 2011
 Residential No Min. Base Usage Revenue Feeder

Line Number	A Meter Size	Block Description	B Annualized Customers	C Bills Per Year	D Total Customer Bills B * C	E Monthly Customer Charge	F Annual Customer Charge Revenues D * E	G Annual Water Usage Per Customer	H Annualized Water Usage (B*G)	I Commodity Rate per Gallons in J	J Gallons Per Commodity Rate	K Annualized Commodity Revenues (B*G*I)/J
1	KC											
2	5/8"	1	476	12	5,712	\$7.87	\$44,953	39,119	18,620,644	3.5300	1,000	\$65,731
3	5/8"	1	0	12	0	\$0.00	\$0	0	0	0.0000	0	\$0
4	TOTAL KC		476		5,712		\$44,953		18,620,644			\$65,731
5	TOTAL ALL CATEGORIES		476		5,712		\$44,953		18,620,644			\$65,731

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Other Water Revenue - Oper. Rev.

Line Number	<u>A</u> Description	<u>B</u> Amount
1	Revenues collected for billing Taney County Utilities Sewer customers	\$1,674
2	Primacy Fee Revenue (2%)	\$31
3	Annualized level of Reconnection Fees	<u>\$1,435</u>
4	Total Miscellaneous Revenues	<u><u>\$3,140</u></u>

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
Rev-9	Other Water Revenue - Oper. Rev.	493.000	\$0	\$0	\$0	\$0	\$3,140	\$3,140
	1. To Annualize Other Water Revenue - Oper. Rev.		\$0	\$0		\$0	\$3,140	
	2. No Adjustment		\$0	\$0		\$0	\$0	
E-2	Auto Expense (709)	709.000	\$0	-\$1,250	-\$1,250	\$0	\$0	\$0
	1. To remove expenses from test year relating to repair of Taney Ford Ranger motor (Furey)		\$0	-\$2,500		\$0	\$0	
	2. To include expenses, amortized over 2 years, for Taney County Ford Ranger (Furey)		\$0	\$1,250		\$0	\$0	
E-3	Outside Services (730)	730.000	\$0	-\$40	-\$40	\$0	\$0	\$0
	1. To remove from test year costs associated with retained earnings (Furey)		\$0	-\$40		\$0	\$0	
E-4	Repairs and Maintenance (804)	804.000	\$0	-\$1,098	-\$1,098	\$0	\$0	\$0
	1. To remove test year expenses related to repairs and maintenance (Furey)		\$0	-\$2,195		\$0	\$0	
	2. To include costs associated with repairs and maintenance associated with a 2 year amortization (Furey)		\$0	\$1,097		\$0	\$0	
E-5	Miscellaneous Plant (781)	781.000	\$0	-\$1,029	-\$1,029	\$0	\$0	\$0
	1. Removed costs for material and supplies from expense and moved to Inventory on Rate Base Schedule (Gaskins)		\$0	-\$629		\$0	\$0	
	2. To Remove MWWA booth rental (Gaskins)		\$0	-\$400		\$0	\$0	
E-6	Contract Labor (812)	812.000	\$0	-\$1,308	-\$1,308	\$0	\$0	\$0
	1. To remove pressure tank costs and reallocated to plant account 314 (Gaskins)		\$0	-\$1,308		\$0	\$0	
E-7	Gas and Oil (750)	750.000	\$0	-\$1,655	-\$1,655	\$0	\$0	\$0
	1. To include an annualized level of Gas and Oil expense (Furey)		\$0	-\$1,655		\$0	\$0	
E-13	Chemicals - WTE	605.000	\$0	\$283	\$283	\$0	\$0	\$0
	1. To include annualized level of Chemicals for Taney County Water (Furey)		\$0	\$283		\$0	\$0	
E-18	Postage (796)	796.000	\$0	\$1,594	\$1,594	\$0	\$0	\$0
	1. To include an annualized level of postage expenses (Furey)		\$0	\$1,594		\$0	\$0	
E-19	Credit Card Fees (732)	732.000	\$0	-\$1,914	-\$1,914	\$0	\$0	\$0
	1. To remove credit card fees from test year (Furey)		\$0	-\$1,914		\$0	\$0	

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
E-20	Bad Debt (712)	712.000	\$0	\$1,681	\$1,681	\$0	\$0	\$0
	1. To include an annualized level of Bad Debt expense (Gaskins)		\$0	\$1,681		\$0	\$0	
E-21	Interest Expense	920.000	\$0	\$865	\$865	\$0	\$0	\$0
	1. To reflect interest on customer deposits at current rate of Prime plus one (4.25%) for Taney County Water updated through December 31,2011 (Gaskins)		\$0	\$253		\$0	\$0	
	2. To reflect interest on customer deposits at current rate of Prime plus one (4.25%) for Taney County Utilities updated through December 31,2011 (Gaskins)		\$0	\$612		\$0	\$0	
E-27	Sales Promotion Expenses - SPE	819.000	\$0	-\$122	-\$122	\$0	\$0	\$0
	1. To remove Sales Commission costs from test year (Furey)		\$0	-\$122		\$0	\$0	
E-30	Salaries Officers (813)	813.000	-\$3,075	\$0	-\$3,075	\$0	\$0	\$0
	1. To include an annualized level of salary for Bert Brower (Furey)		-\$3,075	\$0		\$0	\$0	
E-31	Salaries- Other (815)	815.000	\$6,778	\$0	\$6,778	\$0	\$0	\$0
	1. To include an annualized level of salary expenses for Phillip Thompson (Furey)		\$6,778	\$0		\$0	\$0	
E-32	Hourly Wages (816)	816.000	\$14,592	\$0	\$14,592	\$0	\$0	\$0
	1. To remove test year costs associated with hourly wages and employees Zach Hartgraves and Donnaleen Alexander (Furey)		-\$13,955	\$0		\$0	\$0	
	2. To include an annualized level of salary expenses for Zach Hartgraves (Furey)		\$21,347	\$0		\$0	\$0	
	3. To include an annualized level of salary expenses for Donnaleen Alexander (Furey)		\$7,200	\$0		\$0	\$0	
E-33	Hourly Wages - Overtime (818)	818.000	\$437	\$0	\$437	\$0	\$0	\$0
	1. To include an annualized level of overtime expenses for Zach Hartgraves (Furey)		\$437	\$0		\$0	\$0	
E-34	Salary Vacation (820)	820.000	-\$760	\$0	-\$760	\$0	\$0	\$0
	1. To remove vacation costs from test year, costs are included in account 816 (Furey)		-\$760	\$0		\$0	\$0	
E-35	Unemployment Compensation (841)	841.000	\$235	\$0	\$235	\$0	\$0	\$0
	1. To include annualized level of Federal and State unemployment taxes (Furey)		\$235	\$0		\$0	\$0	
E-36	Utilities (842)	842.000	\$0	-\$60	-\$60	\$0	\$0	\$0
	1. To include an annualized level of utility expense (Furey)		\$0	-\$686		\$0	\$0	

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Adjustments to Income Statement Detail

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	2. To include an annualized level of utility expenses for the Nixa Office building (Furey)		\$0	\$626		\$0	\$0	
E-37	Telephone (830)	830.000	\$0	\$59	\$59	\$0	\$0	\$0
	1. To include an annualized level of telephone expense (Furey)		\$0	\$59		\$0	\$0	
E-38	Cell Phones (833)	833.000	\$0	-\$321	-\$321	\$0	\$0	\$0
	1. To include an annualized level of cell phone expenses for Taney County Water (Furey)		\$0	-\$321		\$0	\$0	
E-39	Social Security/Medicare (791)	791.000	-\$130	\$0	-\$130	\$0	\$0	\$0
	1. To include an annualized amount of social security/medicare costs associated with payroll expenses (Furey)		-\$130	\$0		\$0	\$0	
E-40	Christmas Bonus (810)	810.000	-\$500	\$0	-\$500	\$0	\$0	\$0
	1. To remove Christmas Bonuses from test year (Furey)		-\$500	\$0		\$0	\$0	
E-41	Accounting (700)	700.000	-\$424	\$0	-\$424	\$0	\$0	\$0
	1. To include payroll expense for Taney County Water pertaining to Connie Long (Furey)		-\$424	\$0		\$0	\$0	
E-42	Rents (805)	805.000	\$0	-\$6,432	-\$6,432	\$0	\$0	\$0
	1. To include an annualized level of rent expense for Taney County Water (Furey)		\$0	-\$6,432		\$0	\$0	
E-43	Bank Service Charges(715)	715.000	\$0	-\$319	-\$319	\$0	\$0	\$0
	1. To include an annualized amount of bank service charges relating to Taney County Water (Furey)		\$0	-\$319		\$0	\$0	
E-44	Legal (769)	769.000	\$0	-\$385	-\$385	\$0	\$0	\$0
	1. To remove test year costs associated with legal fees (Furey)		\$0	-\$770		\$0	\$0	
	2. To amortize legal fees over 2 years (Furey)		\$0	\$385		\$0	\$0	
E-45	Water Co Taney County Water (776)	776.000	\$0	-\$10,390	-\$10,390	\$0	\$0	\$0
	1. To remove costs for GPS system from expense. Included costs in Plant (Gaskins)		\$0	-\$8,465		\$0	\$0	
	2. To remove costs associated with purchase of GPS system from expense. Included costs in Plant (Gaskins)		\$0	-\$1,428		\$0	\$0	
	3. To remove costs associated with purchase of GPS system from expense. Included costs in Plant (Gaskins)		\$0	-\$60		\$0	\$0	
	4. To remove Meters from expense. Included in Plant (Gaskins)		\$0	-\$388		\$0	\$0	
	5. To remove costs associated with Meter Installation. Included in plant. (Gaskins)		\$0	-\$49		\$0	\$0	

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
E-46	Miscellaneous (780)	780.000	\$0	-\$322	-\$322	\$0	\$0	\$0
	1. To include an annualized amount of miscellaneous expense (Furey)		\$0	-\$322		\$0	\$0	
E-47	Insurance (757)	757.000	\$0	\$2,280	\$2,280	\$0	\$0	\$0
	1. To include an annualized level of insurance premiums (Furey)		\$0	\$2,280		\$0	\$0	
E-48	Office Expense (783)	783.000	\$0	-\$1,304	-\$1,304	\$0	\$0	\$0
	1. To remove software from expense. Included in Plant (Gaskins)		\$0	-\$256		\$0	\$0	
	2. To include an annualized amount of office expenses for Taney County Water (Furey)		\$0	-\$1,048		\$0	\$0	
E-50	Advertising (703)	703.000	\$0	-\$62	-\$62	\$0	\$0	\$0
	1. To remove test year amounts associated with advertising expenses (Furey)		\$0	-\$125		\$0	\$0	
	2. To include cost associated with the 2 year amortization of advertising costs (Furey)		\$0	\$63		\$0	\$0	
E-53	Depreciation Expense, Dep. Exp.		\$0	\$0	\$0	\$0	\$16,271	\$16,271
	To Annualize Depreciation Expense		\$0	\$0		\$0	\$16,271	
	1. No Adjustment		\$0	\$0		\$0	\$0	
E-54	CIAC Annual Depreciation		\$0	\$0	\$0	\$0	-\$7,875	-\$7,875
	1. To remove CIAC related depreciation		\$0	\$0		\$0	-\$7,875	
E-60	PSC Assesment (797)	797.000	\$0	-\$1,722	-\$1,722	\$0	\$0	\$0
	1. To annualize Taney County Water PSC Assessment (Furey)		\$0	-\$1,722		\$0	\$0	
E-61	Dues and Subscriptions (739)	739.000	\$0	-\$243	-\$243	\$0	\$0	\$0
	1. To remove from Account 739 dues associated with John Witherspoon (Furey)		\$0	-\$97		\$0	\$0	
	2. To include an annualized level of dues for Taney County		\$0	-\$146		\$0	\$0	
Total Operating Revenues			\$0	\$0	\$0	\$0	\$3,140	\$3,140
Total Operating & Maint. Expense			\$17,153	-\$23,214	-\$6,061	\$0	\$8,396	\$8,396

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Income Tax Calculation

Line Number	A Description	B Percentage Rate	C Test Year	D 7.42% Return	E 7.42% Return	F 7.42% Return
1	TOTAL NET INCOME BEFORE TAXES		-\$30,170	\$12,298	\$12,298	\$12,298
2	ADD TO NET INCOME BEFORE TAXES					
3	Book Depreciation Expense		\$8,396	\$8,396	\$8,396	\$8,396
4	Test		\$0	\$0	\$0	\$0
5	TOTAL ADD TO NET INCOME BEFORE TAXES		\$8,396	\$8,396	\$8,396	\$8,396
6	SUBT. FROM NET INC. BEFORE TAXES					
7	Interest Expense calculated at the Rate of	4.4100%	\$6,636	\$6,636	\$6,636	\$6,636
8	Tax Straight-Line Depreciation		\$8,396	\$8,396	\$8,396	\$8,396
9	Excess Tax Depreciation		\$0	\$0	\$0	\$0
10	TOTAL SUBT. FROM NET INC. BEFORE TAXES		\$15,032	\$15,032	\$15,032	\$15,032
11	NET TAXABLE INCOME		-\$36,806	\$5,662	\$5,662	\$5,662
12	PROVISION FOR FED. INCOME TAX					
13	Net Taxable Inc. - Fed. Inc. Tax		\$0	\$5,662	\$5,662	\$5,662
14	Deduct Missouri Income Tax at the Rate of	100.000%	\$0	\$329	\$329	\$329
15	Deduct City Inc Tax - Fed. Inc. Tax		\$0	\$0	\$0	\$0
16	Federal Taxable Income - Fed. Inc. Tax		\$0	\$5,333	\$5,333	\$5,333
17	Federal Income Tax at the Rate of	See Tax Table	\$0	\$800	\$800	\$800
18	Subtract Federal Income Tax Credits					
19	Credits - Solar		\$0	\$0	\$0	\$0
20	Net Federal Income Tax		\$0	\$800	\$800	\$800
21	PROVISION FOR MO. INCOME TAX					
22	Net Taxable Income - MO. Inc. Tax		\$0	\$5,662	\$5,662	\$5,662
23	Deduct Federal Income Tax at the Rate of	50.000%	\$0	\$400	\$400	\$400
24	Deduct City Income Tax - MO. Inc. Tax		\$0	\$0	\$0	\$0
25	Missouri Taxable Income - MO. Inc. Tax		\$0	\$5,262	\$5,262	\$5,262
26	Missouri Income Tax at the Rate of	6.250%	\$0	\$329	\$329	\$329
27	PROVISION FOR CITY INCOME TAX					
28	Net Taxable Income - City Inc. Tax		\$0	\$5,662	\$5,662	\$5,662
29	Deduct Federal Income Tax - City Inc. Tax		\$0	\$800	\$800	\$800
30	Deduct Missouri Income Tax - City Inc. Tax		\$0	\$329	\$329	\$329
31	City Taxable Income		\$0	\$4,533	\$4,533	\$4,533
32	City Income Tax at the Rate of	0.000%	\$0	\$0	\$0	\$0
33	SUMMARY OF CURRENT INCOME TAX					
34	Federal Income Tax		\$0	\$800	\$800	\$800
35	State Income Tax		\$0	\$329	\$329	\$329
36	City Income Tax		\$0	\$0	\$0	\$0
37	TOTAL SUMMARY OF CURRENT INCOME TAX		\$0	\$1,129	\$1,129	\$1,129
38	DEFERRED INCOME TAXES					
39	Deferred Income Taxes - Def. Inc. Tax.		\$0	\$0	\$0	\$0
40	Amortization of Deferred ITC		\$0	\$0	\$0	\$0
41	Deferred Income Tax - Test Line		\$0	\$0	\$0	\$0
42	TOTAL DEFERRED INCOME TAXES		\$0	\$0	\$0	\$0
43	TOTAL INCOME TAX		\$0	\$1,129	\$1,129	\$1,129

Taney County Water LLC
 Case No. WR-2012-0163
 WR-2012-0163
 Test Year Ending December 31, 2011
 Income Tax Calculation

Line Number	<u>A</u> Description	<u>B</u> Percentage Rate	<u>C</u> Test Year	<u>D</u> 7.42% Return	<u>E</u> 7.42% Return	<u>F</u> 7.42% Return
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Federal Tax Table						
Federal Income Taxes			\$0	\$5,333	\$5,333	\$5,333
15% on first \$50,000			\$0	\$800	\$800	\$800
25% on next \$25,000			\$0	\$0	\$0	\$0
34% > \$75,000 < \$100,001			\$0	\$0	\$0	\$0
39% > \$100,000 < \$335,001			\$0	\$0	\$0	\$0
34% > \$335,000 < \$10,000,001			\$0	\$0	\$0	\$0
35% > \$10MM < \$15,000,001			\$0	\$0	\$0	\$0
38% > \$15MM < \$18,333,334			\$0	\$0	\$0	\$0
35% > \$18,333,333			\$0	\$0	\$0	\$0
Total Federal Income Taxes			\$0	\$800	\$800	\$800

Taney County Water LLC
 Case No. WR-2012-0163
 WR-2012-0163
 Test Year Ending December 31, 2011
 Capital Structure Schedule

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital 12.05%	F Weighted Cost of Capital 12.05%	G Weighted Cost of Capital 12.05%
1	Common Stock	\$37,618	25.00%		3.013%	3.013%	3.013%
2	Other Security Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
4	Long Term Debt	\$112,852	75.00%	5.88%	4.410%	4.410%	4.410%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
6	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
7	TOTAL CAPITALIZATION	\$150,470	100.00%		7.423%	7.423%	7.423%
8	PreTax Cost of Capital				0.000%	0.000%	0.000%

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
Executive Case Summary

A	B	
Line Number	Description	Amount
1	Annualized Missouri Retail Revenues	\$113,824
2	Annualized Customer Numbers	476
3	Annualized Customer Usage	65,731
4	Profit (Return on Equity)	\$4,534
5	Interest Expense	\$6,636
6	Annualized Payroll	\$56,483
7	Utility Employees	0
8	Depreciation	\$16,271
9	Net Investment Plant	\$244,139
10	Pensions	\$0

Agreement Attachment C

Billing Comparison Worksheet

TANEY COUNTY WATER, LLC

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>
\$7.87	\$10.89	\$3.53	\$4.88

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	\$ 7.87
Usage Charge	\$ 21.18
Total Bill	\$ 29.05

Proposed Rates

Customer Charge	\$ 10.89
Usage Charge	\$ 29.31
Total Bill	\$ 40.20

INCREASES

Customer Charge

\$ Increase	\$3.02
% Increase	38.37%

Usage Charge

\$ Increase	\$8.13
% Increase	38.37%

Total Bill

\$ Increase	\$11.15
% Increase	38.37%

Agreement Attachment D
Ratemaking Income Statement

TANEY COUNTY WATER, LLC

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	110,684
2	Other Operating Revenues *	\$	3,140
3	Total Operating Revenues	\$	113,824
4	* See "Revenues - Current Rates" for Details		

Cost of Service

	Item		Amount
1	Contract Labor	\$	20,504
2	Operator-Backup	\$	-
3	Utilities	\$	18,074
4	Electricity-Shop	\$	-
5	Utility Water Usage	\$	-
6	Water Treatment Expense-Chemicals	\$	283
7	Water Treatment -Testing/Laboratory Fees	\$	2,069
8	Repairs & Maintenance Expense	\$	1,097
9	Miscellaneous Plant Expense	\$	1,178
10	Administration & General - Salaries	\$	54,234
11	Office Expense	\$	2,054
12	Postage	\$	2,571
13	Bookkeeping	\$	5,816
14	Bank Service Charges	\$	624
15	Legal Expense	\$	385
16	Late Fees	\$	(30)
17	Advertising Expense	\$	63
18	Water Co Taney County Water	\$	2,419
19	Telephone & Internet Expense	\$	235
20	Transportation Expense	\$	6,293
21	Fuel & Oil Expense	\$	3,240
22	Bad Debt Expense	\$	1,731
23	Returned Check Expense	\$	27
24	Property & Liability Insurance	\$	4,481
25	Rent Expense-Building	\$	3,168
26	Travel Expense	\$	51
27	Taxes & Licenses	\$	469
28	Dues & Subscriptions	\$	47
29	Regulatory Commission Expense	\$	469
30	Miscellaneous General Expenses	\$	630
31	Sub-Total Operating Expenses	\$	132,182
32	Property Taxes	\$	-
33	MO Franchise Taxes	\$	-
34	Employer FICA Taxes	\$	2,108
35	Federal Unemployment Taxes	\$	443
36	State Unemployment Taxes	\$	-
37	State & Federal Income Taxes	\$	1,129
38	Sub-Total Taxes	\$	3,680
39	Depreciation Expense	\$	16,271
40	CIAC Annual Depreciation	\$	(7,875)
41	Interest Expense	\$	865
42	Amortization of Utility Plant	\$	-
43	Sub-Total Depreciation/Interest/Amortization	\$	9,261
44	Return on Rate Base	\$	11,169
45	Total Cost of Service	\$	156,292
46	Overall Revenue Increase Needed	\$	42,468

Agreement Attachment E

Rate Base Worksheet

Taney County Water LLC
Case No. WR-2012-0163
WR-2012-0163
Test Year Ending December 31, 2011
RATE BASE SCHEDULE

Line Number	<u>A</u> Rate Base Description	<u>B</u> Percentage Rate	<u>C</u> Dollar Amount
1	Plant In Service		\$518,284
2	Less Accumulated Depreciation Reserve		\$274,145
3	Net Plant In Service		\$244,139
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		\$0
6	Inventory		\$629
7	Contributions in aid of Construction(CIAC)		-\$248,508
8	CIAC Amortization		\$174,568
9	TOTAL ADD TO NET PLANT IN SERVICE		-\$73,311
10	SUBTRACT FROM NET PLANT		
11	Federal Tax Offset	0.0000%	\$0
12	State Tax Offset	0.0000%	\$0
13	City Tax Offset	0.0000%	\$0
14	Interest Expense Offset	0.0000%	\$0
15	Customer Deposits Taney County Utilities (WM-2010-0143)		\$14,408
16	Customer Deposits Taney County Water		\$5,950
17	TOTAL SUBTRACT FROM NET PLANT		\$20,358
18	Total Rate Base		\$150,470

Agreement Attachment F

Schedule of Depreciation Rates

Taney County Water, LLC
DEPRECIATION RATES
(WATER)
WR-2012-0163

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>NET SALVAGE</u>
Source of Supply				
311	Structures & Improvements - Well House	2.5%	40	0%
314	Wells & Springs	2.0%	50	0%
316	Supply Mains	2.0%	50	0%
Pumping Plant				
321	Structures & Improvements - Pump House	2.5%	40	0%
325.1	Electric Submersible Pumping Equipment	4.6%	10	Note 1
325.2	Electric Booster Pumping Equipment	6.7%	15	0%
Water Treatment Plant				
332	Water Treatment Equipment	2.9%	35	0%
Transmission and Distribution				
342	Distribution Reservoirs & Standpipes	2.5%	40	0%
343	Transmission & Distribution Mains	2.0%	50	0%
345	Services	2.5%	40	0%
346	Meters	10.0%	10	0%
347	Meter Installations	2.5%	40	0%
348	Hydrants	2.0%	50	0%
General Plant				
390	Structures & Improve - Shop & Garage	2.5%	40	0%
391	Office Furniture	5.0%	20	0%
391.1	Office Computer Equipment	14.3%	7	0%
392	Transportation Equipment	13.0%	7	9%
396	Power Operated Equipment	6.67%	13	13%
397	Non-telephone Communication Equipment	6.67%	15	0%
398	Miscellaneous Equipment	0.00%	0	€Ä

Note 1 Remaining Life Depreciation Rate due to insurance proceeds.

Agreement Attachment G

Auditing Unit Recommendation Memorandum

***AUDITING, DEPRECIATION and FINANCIAL ANALYSIS UNITS’
RECOMMENDATION MEMORANDUM***

FROM: Patricia Gaskins/Sean Furey, Staff, Auditing Unit

THROUGH: Cary Featherstone, Co-Case Coordinator, Auditing Unit

Bill Harris, Lead Staff, Auditing Unit

TO: Jim Russo, Case Coordinator, Water and Sewer Unit

CC: Meghan McClowry, Lead Attorney, Staff Counsel

Rachel Lewis, Attorney, Staff Counsel

SUBJECT: Auditing, Depreciation and Financial Analysis Units’ Findings and the Recommended Cost of Service for Taney County Water, LLC in File No. WR-2012-0163

DATE: April 16, 2012

The Auditing Department has conducted an audit for the November 28, 2011, rate increase application by Taney County Water, LLC (“Taney County” or “Company”) using a 12-month test year ended December 31, 2011. As further explained throughout this memorandum, Staff is recommending an increase of \$42,468 or approximately 38.4%.

BACKGROUND

On November 28, 2011, Taney County filed a rate request with the Missouri Public Service Commission (“Commission”) to increase its annual water operating revenues by \$49,000, which represents approximately a forty-five percent (45%) increase over the existing annual water operating revenues. The Company’s water utility assets are located within two separate water service areas, known generally as Venice on the Lake and the Lakeway Subdivision, both located in Taney County, Missouri.

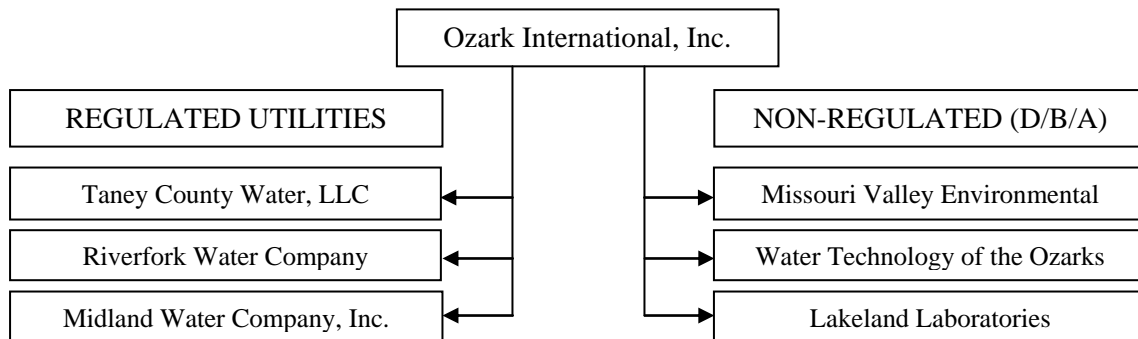
In 1976 in Case No. 18804, the Commission issued a Certificate of Convenience and Necessity (Certificate) for the Venice on the Lake service area to a company named Taneycomo Projects, Inc. (owned by Richard E. Scott). In Case No. WA-87-104, the Commission issued a Certificate for the Lakeway Subdivision service area to Taney County Utilities (also owned by Richard E. Scott). In Case No. WM-89-199, the Commission authorized these two companies to merge their water utility operations into Taney County Utilities (TCU). In Case No. SA-94-65, the Commission issued a Certificate for wastewater service to TCU.

Subsequently, TCU filed the following requests for rate case increases pursuant to the Commission’s informal rate procedures: Case Nos. WR-90-93, WR-91-296, WR-92-261, WR-96-407, SR-96-408, WR-2004-0450 and SR-2004-051. Current tariff water rates are: \$7.87 Minimum Charge and \$3.53 Commodity Charge (for every thousand gallons over one thousand).

In August 2010, TCU sold the assets of the two water service areas to a newly-formed company named Taney County Water, LLC (“Taney County” or “Company”). TCU retained its wastewater system and remains a regulated sewer utility subject to the Commission’s jurisdiction. TCU and Taney County were unaware at the time of the closing that the sale required Commission approval. On November 18, 2010, TCU and Taney County sought as joint applicants in File No. WM-2011-0143 to have the Commission approve the sale retroactively to the August 2010 closing date. On August 10, 2011, the Commission issued an Order stating it would not approve the sale retroactively but would approve the sale as of the Order’s effective date (August 20, 2011).

ORGANIZATIONAL STRUCTURE OF TANEY COUNTY

Taney County is wholly owned by Ozark International, Inc. (Ozark). Ozark has three wholly owned entities that are not regulated by the Commission. The three non-regulated entities are currently doing business as (d/b/a): Missouri Valley Environmental (Missouri Valley), Water Technology of the Ozarks (Water Technology) and Lakeland Laboratories (Lakeland Lab). Besides Taney County, Ozark also wholly owns two other Commission regulated water utilities, Riverfork Water Company (Riverfork) and Midland Water Company, Inc. (Midland).



Ozark is currently in the process of acquiring another Commission regulated water utility, Valley Woods Water Company, and another non-regulated water system, Moore Bend.

Corporate officers and stock ownership of Ozark is as follows:

Hollis (Bert) Brower, Jr. – President and majority owner (55%)

Mike Potter – Vice President and minority owner (35%)

Mark Heiskell – Secretary and minority owner (10%)

Bert Brower also wholly owns Brower Properties, a property management company, located in Springfield, Missouri. Brower Properties owns one office building in or near Avilla, Missouri and another office building in or near Nixa, Missouri, and leases them to the three non-regulated entities. The three regulated utilities pay rent for the use of the office space at the Nixa location.

Missouri Valley is an industrial water treatment company located outside Avilla, Missouri, in a building leased to Missouri Valley by Brower Properties. Personnel there, including minority owners Mike Potter and Mark Heiskell, are exclusive to Missouri Valley and have no interaction with any other Ozark entities. No materials or services of Missouri Valley are shared with the regulated entities, including Taney County. As such, no allocation of costs is necessary to the three regulated utilities for this building.

Lakeland Lab is a Missouri State Certified water testing laboratory that provides analytical services to water and wastewater systems. Water Technology is a residential and light commercial water treatment company. Water Technology also provides full operational service to one non-regulated wastewater system (Indian Hills Resort) and two non-regulated water systems (Golden Oaks and Cape Fair Estates). In addition to the three systems being provided full operational service, Water Technology also provides chlorination and water testing services to another twenty non-regulated water systems. Lakeland Lab, Water Technology, and all three regulated water utilities are located in the office building located in Nixa, Missouri, that is owned by Brower Properties and leased to Lakeland Lab and Water Technology.

Majority owner Bert Brower and six employees work out of the Nixa building and provide services to one or more of the Ozark entities housed there, as well as the non-regulated sewer and water systems that receive operational services from Water Technology. Mr. Brower, the six employees and the entities/systems they serve are as follows:

Bert Brower – Majority stockholder and President. Certified by the Missouri Department of Natural Resources (“DNR”) as a Class A Water and Wastewater Operator and a DS-3 Distribution Systems Operator. Mr. Brower provides operating services and managerial oversight to the three non-regulated d/b/a entities, the three regulated utilities, and all of the non-regulated systems.

General Manager. Certified by DNR as a Class D Water Operator and a DS-2 Distribution Systems Operator. The General Manager provides operating services to the three regulated utilities and all of the non-regulated systems.

Office Manager and Accountant - provides bookkeeping and billing services to the three non-regulated d/b/a entities, the three regulated utilities and all of the non-regulated systems.

Support Staff and Customer Service Representative - provides billing and collection service to the three regulated utilities and two of the non-regulated water systems (Cape Fair and Golden Oaks).

Field Operator. Certified by DNR as a DS-1 Distribution Systems Operator. Field Operator provides operating services to Taney County and meter reading service to Golden Oaks.

Lab Director - works exclusively for Lakeland Lab.

General Operator. Certified by DNR as a Class A Water and Class D Wastewater Operator. He provides services to all of the non-regulated systems.

CAPITAL STRUCTURE

Based on Staff’s hypothetical capital structure of 75% debt and 25% equity, the Company’s capital structure consisted of \$37,618 common equity and \$112,852 long-term debt. Shana Atkinson, of the Commission’s Financial Analysis Unit, estimated a return on equity of 12.05 percent and a total overall rate of return of 7.42 percent. Auditing Staff applied the overall rate of return to Taney County’s rate base to develop the recommended revenue requirement.

Commission Staff expert: Shana Atkinson

RATE BASE

The rate base valuation in this case was made using the period ended December 31, 2011. Staff reviewed annual reports for the period of 1989 through 2010, Staff workpapers and accounting schedules from the Exhibit Modeling System (“the EMS run”) from Case No. WR- 2004-0450 (the 2004 rate case), and Case No. WM-2011-0143 (the 2010 sale case), and related documents, including invoices and check registers, supplied by TCU (the previous owner) for the period of 2003-2010. Upon review of these documents, Staff identified areas of the Company’s rate base valuations from previous cases that needed further investigation. Discrepancies Staff identified with rate base are further explained in the “plant-in-service (plant)”, “accumulated depreciation reserve (reserve)” and “contributions in aid of construction (CIAC),” sections of this memorandum. Using the documentation identified above, Staff determined that the total net plant and the amount of net CIAC through the 12 month period ended December 31, 2011, resulted in a net original cost rate base of \$150,470, which is broken out as follows:

Taney County Rate Case No. WR-2012-0163		
Plant in Service	\$518,284	
Less: Depreciation Reserve	274,145	
Net Plant (Add to Rate Base)		\$ 244,139

Contributions in Aid of Construction	\$248,508	
Less: CIAC Depreciation Offset	174,568	
Net CIAC (Subtract from Rate Base)		\$(73,940)
Total Customer Deposits (Subtract from Rate Base)		\$(20,358)
Inventory-Materials and Supplies (Add to Rate Base)		\$ 629
Taney County Water Rate Base		\$150,470

Source: Attachment B-- Exhibit Modeling System—Schedule 2

Plant-in-Service and Accumulated Reserve

The Lakeway Subdivision (Lakeway) has one active well; Venice on the Lake (Venice) has three active wells: Red Rock, Honey Lane and Valley View. All four wells are deep drilled wells encased by steel.

Two of the Venice wells, Honey Lane and Valley View, are each approximately 480 feet deep and were constructed in 1969. The Honey Lane well is operated by a 5 horsepower (HP) pump placed in service in 2005 that yields approximately 21,600 gallons per day. The Valley View well is operated by a 3 HP pump placed in service in 2010 that yields approximately 15,000 gallons per day.

The third Venice well, Red Rock, is approximately 700 feet deep and was constructed in 1985. It is operated by a 20 HP pump placed in service in 2010 and a 5 HP booster pump placed in service in 2003. The Red Rock facility yields approximately 184,000 gallons per day and includes a 25,279 gallon capacity ground storage tank.

The Lakeway well is approximately 720 feet deep and was constructed in 1980. It is operated by a 30 HP pump placed in service in 2009 that yields approximately 80,000 gallons per day. There is a 30,083 gallon capacity standpipe at the Lakeway site.

Staff Adjustments to Plant and Reserve (2003-2010)

Staff analyzed plant, depreciation expense and reserve balances reflected in the TCU (previous owner) Annual Reports for the period of 1989-2002, and compared those balances to Staff's workpapers in the 2004 rate case and the 2010 sale case. This time period was chosen by Staff because the test year for Case No. WR-2004-0450 was the 12 month period ending December 31, 2002, and during this case Staff analyzed plant and reserve balances beginning in 1989

through the 2002 test year. Also, the recent sale case balances for the plant and reserve were compared to the Company's books and records and Annual Reports for the period from 2003 to present. As a result of Staff's analysis in the current rate case, Staff believes the Plant and Reserve balances reflected in Staff's workpapers and Accounting Schedules (EMS) in the 2004 rate case, Case No. WR-2004-0450 are accurate and therefore, used these balances as a starting point to analyze plant and reserve balances for the period of 2003-2011. Having confirmed the balances for 2002, Staff continued its analysis using Annual Reports, plant invoices and check registers. Staff acquired several boxes of records for the period of 2003-2010 from TCU, the owner of the water assets before the assets were sold to Taney County in 2010 (Case No. WM-2011-0143). Staff learned from the review of these records that the Company replaced several pumps during the period of 2003-2010. The Annual Reports submitted by TCU did not reflect the pump additions in the plant and reserve schedule of the annual reports. Also from review of these records, Staff discovered that TCU had received insurance proceeds for several pump additions during this same period. Staff reflected the plant additions, corresponding retirements, and insurance proceeds received for the pump replacements in the plant and reserve balances for the period of 2003-2010.

Sale Case (Case No. WM-2011-0143) Adjustment Corrections

As a result of the sale of assets from TCU to Taney County, several general plant account balances were not included in the sale agreement. During that time Staff determined the general plant balances included 391.1 Office Computers, 392-Transportation. In the 2010 sale case, Staff made an adjustment to restore the plant balance to zero and made a corresponding adjustment to remove the accumulated reserve balance for these accounts. Upon further review of these accounts in this case, Staff determined the adjustments made to the reserve resulted in a negative reserve balance. At the time of the 2010 sale, the reserve account balances for these accounts should have been restored to zero. In the current rate case, Staff made an adjustment to correct the reserve balances for Account 391.1-Office Computers and 392-Transportation.

Other Adjustments Related to the Sale Case

After discussions with Company personnel, Staff determined there were three additional general plant balances that should not have transferred to Taney County Water. Those accounts include 390-Structures and Improvements, 391-Office Furniture and 396-Power Operated Equipment. Staff also made an adjustment to restore the plant and accumulated reserve account balance for these accounts to zero.

Current Rate Case--Case No. WR-2012-0163 Plant and Reserve Adjustments

In addition to plant and reserve adjustments discussed above, Staff also reviewed plant invoices and had discussions with Company personnel to determine if any plant purchases were made during the 12 month period ending December 31, 2011. Staff found that the Company had purchased a Ford truck, pressure tank, GPS system, billing software, computer, office furniture

and several meters. The Company properly accounted for the Ford truck as a property item, however, the Company booked the other purchases as expenses. Staff made adjustments to reclassify these items in the appropriate plant accounts and made corresponding adjustments to remove them from expense balances. The adjustments made to the expense accounts are discussed in the expense section of this recommendation memorandum. The amount of plant additions made during 2011 totaled \$26,970 and are reflected in Staff's Accounting Schedule 3.

Based on a recommendation from the Commission's Management Services and Depreciation Department, Account 346-Meters was separated into two accounts, Account 346-Meters and Account 347-Meter Installations. Likewise, Account 325.0 was separated into two accounts, Account 325.1-Submersible Pumps and 325.2-Booster Pumps. The costs relating to the installation of meters, primarily labor costs, were separated from the initial meter costs. These recommendations are discussed in detail in the Depreciation section of this memorandum. As a result of the adjustments described above, Staff's plant in service balance as of December 31, 2011, is \$518,284 and is reflected in Staff's Accounting Schedule 3. The Accumulated Depreciation Reserve balance for the same period is \$274,145 and is reflected in Staff's Accounting Schedule 6.

Depreciation (Reserve and Expense)

The first Commission ordered depreciation rate schedule effective for a Taney County water system was issued to Taneycomo Projects for the Venice system in Depreciation AAO # 115 dated January 1979. The Commission ordered the same rates in the TCU CCN case WA-87-104 for the Lakeway system, except that account 392 (Transportation) was added with a rate of 12.5%. The Commission ordered new depreciation rates in rate filings WR-96-407 and WR-2004-0450. The rates from the 2004 case are currently in effect.

Depreciation Staff conducted a tour of the Taney County water system's four well sites and the general distribution service areas associated with each well. Prior to the tour, annual reports, prior case work related to plant in service, and the water & sewer department's on-site inspection report were reviewed to get an understanding of the booked plant in service and plant equipment history. The purpose of Depreciation Staff's tour was to confirm plant in service, recorded replacements, additions, and modification to plant in service.

In coordination with the Staff auditors, a table of well and booster pump replacements was created to confirm plant records, and to allow computation of adjustments to Company records as required to match physical plant in service and depreciation reserves. This above described table is included as an attached excel file, "List of Pump Additions-2003-2010 and Retirements."

Customer meters and meter installations.

The Company has recorded all dollars invested in customer meters, meter pits, meter mounting equipment and customer shut-off valves in one account, entitled, "Meters Account 346."

Depreciation Staff recommended to Staff auditors that these dollars be separated into two accounts as specified by NARUC USOA. Only the dollar cost of the customer meter itself should be recorded in account 346-Meters. All other costs associated with the installation of the customer meter (pipe, valves, meter pit, fittings, labor, overheads, etc.) should be recorded in account 347-Meter Installations. Depreciation Staff provided the auditors with an example of how these total dollars have been separated in other cases where this same deficiency has occurred. Depreciation Staff provided a depreciation rate recommendation to use for these revised accounts (accounts 346 and 347).

Well and Booster Pump Retirements.

The Company's files often showed improper or missing retirement recordings, such that caused plant in service and depreciation reserves stated by the Company to be inappropriate. Depreciation Staff assisted the auditors in identifying, through prior Company annual reports and inflation estimated costs, appropriate amounts to be recorded as original cost retirements. See attached excel file, "List of Pump Additions-2003-2010 and Retirements."

Modification of depreciation rate for account 325.1 (Submersible Pumps)

Staff auditors found insurance payments had been received for some of the well pump replacements. The proper NARUC USOA recording for reimbursed replacement is to book the retirement of the original pump, and to treat the insurance payment as salvage. This treatment increases the depreciation reserves by the amount of the insurance payment. The only way to reflect these insurance payments in customer cost of service is to modify the depreciation rate for the affected account to reduce depreciation expense. Depreciation Staff, using the attached excel file record of additions and retirements, established a remaining life of 3.95 years for the assets in pumping account 325.1. Staff used this remaining life and the current book reserve balance to determine an appropriate remaining life depreciation rate for this account. The result is a reduction of depreciation rate from 10% to 4.6%.

The Company's books have previously included booster pump equipment in with the submersible pump equipment. Depreciation Staff recommended that Staff auditors separate the booster pump investment dollars out of account 325.1-Electric Submersible Pump Equipment, and transfer the plant and associated reserves to account 325.2-Electric Booster Pump Equipment. The attached depreciation schedule includes a depreciation rate of 6.7% for booster pumps. The Depreciation Staff's recommendations for depreciation rates for Taney County are attached in an excel file and incorporated by reference as Attachment _ to this memorandum.

Commission Staff experts: Arthur Rice and John Robinett

Contributions-in-Aid-of-Construction and Depreciation Offset

Contributions in Aid of Construction (CIAC), or contributed plant, is the investment made by the developers of the original water system that is contributed to the utility. New customers to the water system also “contribute” certain plant costs, so Staff examines to see how much CIAC is added in a given year. The CIAC amounts are then added to the build-out model to arrive at each year’s rate base investments. No investment is made by the utility for plant contributed to the Company and, therefore, customers are not required to provide a return of this investment. Contributed plant reduces the rate base so customers' rates do not reflect any further recovery of the CIAC investment. Since customers typically pay for this part of the infrastructure through the purchase of the lots themselves they are not required to provide a return on CIAC plant and recovery of the CIAC plant.

Once Staff confirmed the accuracy of Staff’s 2004 workpaper for plant and reserve, Staff calculated CIAC for the same period of 1988-2002 using Staff’s plant model. Staff confirmed the total ending CIAC balance used in Case No. WR-2004-0450 was an accurate starting point to build CIAC for the period of 2003-2011. However, during Staff’s analysis in this case, it appears the CIAC related depreciation reserve was not reflected in the rate base of the accounting schedules (the EMS run) for the 2004 rate case. While rate base may have been understated in the 2004 rate case, in this case Staff used that CIAC amount as a starting point but reduced that amount for the CIAC related depreciation reserve. Staff also included in its analysis of rate base any changes to CIAC and CIAC related depreciation reserve that occurred since the 2004 rate case. All the changes to plant, reserve and CIAC related activity are included in the rate base amount. Staff also discovered a discrepancy in the calculation of Rate Base in the 2010 sale case (Case No. WM-2011-0143). Rate Base was calculated using Net Plant less the accumulated depreciation reserve associated with CIAC. Rate Base should be calculated using Net Plant less CIAC plus the accumulated depreciation reserve associated with CIAC. Similar to the error described above in the 2004 rate case, the rate base Staff filed in the 2010 sale case (Case No. WM-2011-0143) was understated. Because Staff included the CIAC calculation for rate base in this case using the 2004 rate case as a starting point, reflecting changes for each subsequent year, the CIAC amount used in the December 31, 2011 rate base fixed the issue from the sale case.

For this case, WR-2011-0163, the total CIAC balance as of December 31, 2011, is \$248,508 and the Accumulated CIAC Related Depreciation Reserve is \$174,568 resulting in a net CIAC of \$73,940. These balances are reflected in Staff’s Accounting Schedule 2.

Other Rate Base Items

Inventory (Materials and Supplies)

Taney County and TCU, the previous owner, have not recorded or reported material and supply inventories in the past or in the present. During its initial on-site visit, Auditing Staff noted an inventory of materials and supplies at the Lakeway well site. This was later confirmed by

Depreciation Staff during a field inspection. Staff subsequently obtained and examined original supporting invoices. As a result, Staff included an inventory balance of \$629 in its calculation of Rate Base as reflected in Staff's Accounting Schedule 2.

Customer Deposits

During the 2010 sale case (Case No. WM-2011-0143), Staff found that customer deposits were not addressed in the Purchase Agreement between Taney County and TCU. As a result, Staff recommended that customer deposits be managed by Taney County and when a deposit was returned to a customer, the amount should be deducted out of the sewer revenues collected by Taney County. The total amount of customer deposits at the time of the sale case, including accumulated interest, was \$19,326. This amount represented deposits collected for the period of 2001-2010.

The following is an excerpt from paragraph 7(A) of the Supplemental Recommendation from Case No. WM-2011-0143, the terms of which were approved by the Commission on August 10, 2011:

Requires Taney County Water, LLC to manage the existing deposits of customers, and as deposits are refunded by Taney County Water, LLC, Taney County Water, LLC will deduct those amounts from the sewer payment amounts sent monthly to Taney County Utilities Corporation.

Staff discussed the management of these deposits with the Company in order to get an understanding of how the deposits are accounted for on the books of Taney County since the 2010 sale case. Staff confirmed the Company refunds the deposit with interest when the customer leaves the system and deducts the deposit amount including interest from the sewer payments sent to TCU.

Customer deposits are included as an offset to rate base and the interest associated with customer deposits is included as a cost of service. As previously mentioned, the amount of customer deposits reflected in the rate base calculation for Case No. WM-2011-0143 included interest. In this case, Staff revised the customer deposit amount to account for deposits that have been refunded to customers and reflected this amount as a reduction to rate base. The customer deposits total \$14,408 and is reflected on Staff's Rate Base Accounting Schedule 2. Staff also made an adjustment for \$612 to include an annualized level for the interest associated with these deposits through December 31, 2011. This adjustment is reflected in Staff's Accounting Schedule 9, Adjustment E-21.2.

In addition to the deposits discussed above, Taney County has also collected customer deposits since purchasing the Company from TCU. The customer deposits for Taney County totaled \$5,950 and are reflected on Staff's Rate Base Accounting Schedule 2. Staff also made an adjustment for \$253 to include an annualized level for the interest associated with these deposits

through December 31, 2011. This adjustment is reflected in Staff's Accounting Schedule 9, Adjustment E-21.1.

REVENUES

Metered sales to residential customers

The Company was unable to provide Staff with monthly customer bills for the 12 month period ended December 31, 2011, because the Company's billing program does not permit the printing of monthly sales detail after the close of the previous month. Staff stressed the importance with the Company of having these supporting documents for future rate increase requests. Having this historical customer information will facilitate addressing any customer billing issues. Due to this lack of documentation, Staff was unable to perform an analysis of per customer usage by month for the test year ended December 31, 2011. Instead of monthly customer usage, the Company provided Staff a monthly sales summary report for the 12 month period ended January 31, 2012. The monthly sales summary included total water usage for Taney County residential customers, total sewer usage billed on behalf of TCU, total Missouri Department of Natural Resources (DNR) primacy fees collected from customers, and total reconnection fees by month. Staff calculated an annualized level of revenues based on the monthly sales summary. The annualized level of revenues is \$110,684 and is reflected in Staff's Accounting Schedule 9, Adjustment Rev-2.

Other Operating Revenues

Another source of revenue for Taney County is based on an agreement with TCU, the previous owner of the water assets. As part of the sale agreement between Taney County and TCU, Taney County agreed to bill and collect sewer revenues for TCU's sewer customers. Taney County charges TCU a management fee of 10% of the total sewer revenues collected for performing the billing and collection of the sewer business. The amount of sewer revenues less the 10% management fee is then remitted to TCU. The amount of sewer revenues collected for the 12 month period ending January 31, 2012 totaled \$16,738. Therefore, Staff reflected \$1,674 in Accounting Schedule 9, Adjustment Rev-9.

Primacy Fees are fees assessed by the DNR to customers of water utilities to support the department's efforts to ensure customers have access to adequate water that is safe to drink. Taney County customers are billed \$3.24 per year for Primacy Fees. Taney County is responsible for remitting these payments to the Department of Natural Resources once a year. To cover the costs of collecting the fee, the Company is allowed to keep 2% of the primacy fee collected from its customers. The total collected for the 12 month period ending January 31, 2012 was \$1,549. Staff reflected \$31 in Accounting Schedule 9, Adjustment Rev-9 to reflect amounts collected for these fees.

Staff annualized reconnection fees for the 12 months ended January 31, 2012. Staff included \$1,435 in Accounting Schedule 9, Adjustment Rev-9 to reflect amounts collected for these fees.

Bad Debt Expense

Bad debt expense is the portion of water revenues Taney County Water is unable to collect from its customers. After a certain amount of time has passed, delinquent customer accounts are written off. According to the Company, once the delinquent accounts are written off there is no process in place to recover any part of the balance. Staff calculated the annualized bad debt expense by examining the billed revenues for the twelve month period ended January 31, 2012, and actual 12-month history of billed revenues that were never collected (actual write-offs) for the twelve months ended December 31, 2011. From this information a bad debt ratio was derived, which was then applied to Staff's annualized level of water revenues to obtain the annualized level of bad debt expense. Staff made an adjustment of \$1,681 for bad debt expense in Accounting Schedule 9, Adjustment E-20.1.

The Company needs to develop procedures for identifying the amount of bad debts it has periodically and reflecting an appropriate amount on its books as an offset to revenues consistent with proper accounting practices. A record system needs to be in place so the Company can maintain the proper aging of account receivables to ensure that appropriate steps are taken to collect amounts owed Taney County for the provision of utility services.

EXPENSES

Staff reviewed the level of expenses by each account for Taney County over calendar year 2011. Each account was normalized and annualized on an individual basis and Staff made adjustments to include the most appropriate level of expenses for the revenue requirement calculation.

Attached, as Appendix A to this memorandum, is a table that identifies the adjustments made to the expenses, by account, that are reflected in the revenue requirement calculation that Staff is including in this case.

Payroll and Employee Benefits

In order to identify the amount of payroll costs to assign to Taney County, Staff:

- Developed an understanding of the various entities Ozark owns, operates and provides operational services to.
- Determined what these entities do and how they interact with each other.
- Identified each individual employee's specific job duties and responsibilities.

The five Ozark employees that work on Taney County, their pay rates and the services they provide are:

Bert Brower - President and majority shareholder. Liaison with bank, attorney and Certified Public Accountant (CPA), procures insurance, interacts with DNR and

Commission Staff, suppliers of products and services, the Missouri Rural Water Association, web site development, and overall management of company personnel. As a last resort, serves as customer relations mediator.

General Manager. Manages field operations of the regulated utilities, meter reading, water main and valve repairs, new meter installations and meter replacements, on-site well monitoring. Is liaison with DNR, well pump and repair service (Lefty's Pump Service), suppliers of products and services, and serves as customer relations mediator. Receives after hours trouble calls and initiates corrective actions to solve problems. Daily checks internet well monitor from office computer.

Office Manager and Accountant. Liaison with bank, attorney, CPA, insurance, the PSC, suppliers of products and services, monthly and annual financial reports, customer billings and payments, accounts payable and receivable, and all reports.

Field Operator. Reads meters, handles and assists water main, valve and meter repairs, on-site well monitoring, marks water lines in response to Missouri One Call, updates mapping, develops and maintains web site, delivers late payment (shut-off) notices, locks out or pulls meters, reinstalls or unlocks meters, meter repair and testing.

Support Staff and Customer Service Representative. Works as receptionist, posts monthly meter readings, prints and mails billings. Receives checks and posts payments. Posts credit card payments. Receives office hours trouble calls.

A time allocation for each individual employee was determined to identify exactly how the employee's time was spent. Staff compiled information given by the Company through interviews, data requests, and amounts charged to the various financial books for each entity, and broke down each employee's time between regulated and non-regulated activities. Each employee identified an approximate amount of time spent on the regulated and non-regulated entities. A percentage of each employee's time was used to allocate amount of hours worked to the regulated entities.

A further allocation had to be made to the individual utility operations of Riverfork, Midland and Taney County. To determine the proper allocation of costs, Staff examined many variables, including, total revenues, plant-in-service, and number of meters. Staff used the number of meters to allocate the payroll costs among the three regulated companies after identifying the amount which should be assigned to the regulated entities. Staff determined that this allocation method would be the most reliable to use in determining each employee's time.

Staff allocated the salaries to the regulated utilities based on the number of meters for several reasons. The plant numbers provided by the company were not accurate enough for Staff to comfortably use them as the basis of a payroll allocation. Because of the transfer of assets between the previous and current owners, plant values were not correctly transferred and carried

through to the present. After discussing the accounting practices of the Company with Mr. Brower and Ms. Long, the bookkeeper, it was decided that the number of meters would be the most accurate and consistent reflection of the number of customers for each of the regulated entities. Use of meters to assign payroll costs is directly proportionate to the amount of time spent by each employee on these various entities. Furthermore, each employee's job duties are directly or indirectly related to the number of customers served, whether it is billing and customer service, meter reading, or plant repair and maintenance. Therefore, Staff chose number of meters as the basis for its allocation of payroll.

There are two separate "working" functions for the employees of Taney County. These functions are divided into administrative and operational functions.

Bert Brower handles the day-to-day operational business duties of Taney County, while the General Manager and Field Operator perform the primary field operations. Administratively, the Company has an Office Manager and bookkeeper, as well as an employee who performs the clerical work, such as billing and customer service.

Staff initially met with the employees on its visit to the Company on Monday, January 9th, 2012. During this site visit, Staff observed the working of the Taney County office and discussed with the owner each employee's individual job duties. Staff discussed with the individual employees the various responsibilities they perform to gain an understanding of their work.

Staff proposes an annual allocated salary for Mr. Brower of **** \$9056.58 **** to Taney County. This amount is based upon an assignment of hours worked on Taney County based on 2,080 full-time hours for the year. No amount of the manager's salary was intended to be booked to Taney County during the calendar test year 2011; however the Profit and Loss Statements show that an amount was indeed charged for Mr. Brower's salary. Since Mr. Brower is providing managerial service to Taney County it is appropriate to include an allocated portion of his salary to each of the regulated utilities. The office manager and bookkeeper's salary for Taney County, as proposed by Staff, is **** \$5,816.41 ****. This position provides services to the regulated entities so an amount of her compensation has been included on an allocated basis to Taney County.

In order to calculate Staff's proposed salary levels, several analyses and reviews were considered, including regional salary/wage data collection through Missouri Economic Research and Information Center (MERIC) and various other career websites, and research of internal Staff databases as well as prior Staff casework.

Staff first researched MERIC for regional salaries based on the job duties and descriptions provided to Staff by the Company, and observed by Staff during their visits to the site. After finding the appropriate job description, the Company's salaries were compared to the MERIC salary survey.

In addition to MERIC, Staff reviewed career search sites such as careerbuilder.com, salary.com, etc. Staff also reviewed salaries included in recently completed water and sewer rate cases performed by the Commission Staff. Staff compared an average of the data collected to the salaries currently paid by the Company. Staff found the salaries paid by the Company to its employees assigned to work on the regulated companies to be reasonable based on the information compared to these salaries. However, Staff determined that the operator was making a below average salary. Through discussions with the Company's owner, it was determined there was a planned increase for the operator from ** \$10 per hour to \$12 per hour **. This increase has been included in the revenue requirement calculation conditioned on this increase going into effect. Staff has been assured by Mr. Brower that this increase will be granted once rates determined by the Commission become effective.

Office Rent

As stated earlier, Brower Properties leases two office buildings to Ozark. The building outside Avilla is used exclusively for non-regulated operations so no amount of this lease is charged to the regulated utilities. The other building, in Nixa, is used by both non-regulated and regulated operations so an allocation of this rent must first be made before the regulated portion can be assigned to the three utilities. Office Rent for Taney County was allocated in a similar manner to payroll. Initially, it was discovered that the Company was over-expensing rent to both the non-regulated and the regulated entities. The total lease costs of the building were being charged to the non-regulated entities, but a portion of costs were also being charged to the regulated utilities based on square footage. Staff discussed this problem with the Company who indicated it would work with its accountant to develop procedures to correct amounts charged for office rent to the various regulated and non-regulated entities.

Staff allocated office rent using the square footage of all the regulated and non-regulated entities. The allocation of the lease costs is based upon regulated hours worked compared to total hours of the Company employees. Once the amount of office rent was assigned to the regulated entities then those leased costs were allocated based on customer or meter numbers for all three regulated utilities.

Contract Labor

In addition to personnel mentioned above, Taney County also employs additional outside contract labor to perform all major construction, maintenance and repairs. The Company is responsible for overtaking day to day operations of a utility that was in poor condition and, as a result, has spent significant monies to repair that infrastructure. Staff is not removing any costs associated with the maintenance of the water system. For this particular expense (repairs and maintenance), Staff initially decided to make an amortization of all associated costs over a two-year period. In its initial recommendation, Staff believed these costs were high in relation to what they will be once the system is stabilized. After discussions with the Company and further

review of additional information, Staff has concluded the amount reflected in the initial recommendation does not accurately represent the current levels and expected on-going annual levels for outside services/labor costs. Staff has removed the adjustment reflecting a two-year amortization of the costs for outside services/labor costs. Staff has revised its recommendation to reflect the test year 2011 amounts for repairs.

Electricity and Other Utility Expense

Taney County's utility expenses were annualized based on the level of costs incurred for water, trash, sewer and electric services. The Company uses a septic sewage system and is not charged a sewer bill. Electric services were received at Taney County's four well sites. White River Valley Electric Cooperative provides the electric service at the Lakeway and Honey Lane wells and Empire District Electric Company provides the electric service at the Valley View and Red Rock wells. Accordingly, Staff charged this expense exclusively to Taney County at a test year level. Staff allocated the remaining utility expenses, water and trash, using the same methodology as payroll/office rent. Staff first allocated the utility expense based on regulated and non-regulated revenues. Then Staff allocated the utility expense assigned to the regulated entities based on customer/meter numbers for each of the three regulated utilities.

After discussions with the Company and the review of additional information, Staff has revised the amount of costs for electricity it is recommending in this case to include an allocated portion of the electricity expense related to the Nixa office building.

PSC Assessment

The PSC Assessment is a fee that every utility in the state of Missouri is assessed, by the Commission, for the provision of regulatory oversight of the utility industry within our state. In reviewing the amounts paid by Taney County for the PSC assessment, it was discovered that the Company paid both the water and sewer assessments of the former owner, TCU. Since the Commission approved the sale of the water operations of TCU in September 2011, the PSC assessment was made to the previous owner. However, Taney County paid the sewer assessment which should have been paid by TCU. . Staff included in this case only the costs for the water utility assessment as these are the expenses that should appear on its books. A refund to Taney County for its overpayment is currently being processed by Commission Staff.

Expense Problems

There were various problems discovered during Staff's review of the Company's books and records regarding the expense accounts. Some costs were booked to Taney County accounts on an "all regulated utility" basis, meaning the booked costs represented the costs incurred by all three regulated companies. The improper booking of these expenses caused an overstatement of expenses to Taney County. Costs charged to Taney County were bank service charges, gasoline and oil charges, office expense, rent, and utilities.

A similar problem was found regarding the booking of Taney County's costs. A review of Taney County records identified several times when total costs were charged to Taney County when those costs should have been allocated to all three regulated entities and in some cases to the regulated and non-regulated entities. In some instances costs were charged to the three non-regulated entities in total but costs were also allocated again to the regulated utilities. The Company needs to be aware of this improper booking of costs which caused an overstatement of total corporate expenses. A proper accounting system should be developed to ensure that no over booking of costs occurs so the Company can properly assess its financial condition. Taney County had too many costs assigned to its operations causing a misrepresentation of its finances.

Finally, when completing its expense analysis Staff noticed the inclusion of several financial transactions that should have been capitalized and included in plant instead of expense. These charges include a GPS mapping of the water system, the purchase of American Business System Accounting Software, and various meter purchases. Staff has removed these costs from expenses and transferred these amounts to plant. These transactions caused an over statement of Taney County expenses.

AUDITING RECOMMENDATIONS

1. The Auditing Staff recommends the Commission order Taney County to implement the use of Staff recommended time sheets ninety (90) days after the effective date of this Report and Order.
2. The Auditing Staff recommends the Commission order Taney County to implement the use of a Staff recommended vehicle log ninety (90) days after the effective date of this Report and Order.
3. The Auditing Staff recommends the Commission order Taney County to maintain its plant and financial records in accordance with the Uniform System of Accounts (USOA) to include the proper recording of both direct and allocated charges with and between Taney County and all other Ozark International entities.
4. The Auditing Staff recommends the Commission order that within ninety (90) days after the effective date of this Report and Order the Company correct its books and records to reflect the adjusted plant, depreciation reserve and contributions in aid of construction balances reflected in the Staff Accounting Schedules attached herein.
5. The Auditing Staff recommends Taney County maintains a monthly report of customer billings to include actual individual customer revenue dollars, actual individual customer meter readings and actual individual customer volumetric usage with monthly and annual summaries of the above.
6. The Auditing Staff recommends Taney County refund customer deposits when customers are in compliance with tariff requirements, in order to avoid excessive interest expense accumulation.
7. The Auditing Staff recommends that the field operator pay increase be contingent on the actual implementation of the pay increase.

8. The Auditing Staff recommends that, with the assistance of Staff and the Office of Public Counsel, Taney County, along with its other existing and future regulated affiliates, develop and implement comprehensive allocation procedures to allocate costs and investment between regulated and non-regulated operations and between the various regulated entities, consistent with accounting and ratemaking practices.

Appendix A

Expense Adjustment Table

Company Account Number	USOA Account Number	Account Name	Adjustment Number	Dollar Amount	Reason for Adjustment
605	631	Chemicals	13.1	\$283	To include an annualized level of chemicals
700	920	Accounting	E-41.1	-\$424	To annualize payroll expense related to Taney County--Connie Long
703	930.1	Advertising	E-50.1	-\$125	To remove test year amounts associated with advertising expenses
703	930.1	Advertising	E-50.2	\$63	To insert costs associated with the two year amortization of advertising costs
709	933	Auto Expense	E-2.1	-\$2,500	To remove expenses from test year relating to repair of Ford Ranger motor
709	933	Auto Expense	E-2.2	\$1,250	To include expenses, amortized over two years, for Ford Ranger
000	403.1	Depreciation Expense	E-53.1	\$17,676	To annualize depreciation expense
000	403.2	CIAC Depreciation	E.54.1	-\$8,193	To remove CIAC related depreciation
715	921	Bank Service Charges	E-43.1	-\$319	To include an annualized amount of bank service charges

730	923	Outside Services	E-3.1	-\$40	To remove test year amounts associated with retained earnings
732	921	Credit Card Fees	E-19.1	-\$1,914	To remove credit card fees from test year
739	921	Dues & Donations	E-61.1	\$-97	To remove from Account 739 dues associated with John Witherspoon
739	921	Dues & Donations	E-61.2	-146	To include an annualized level of dues for Taney County
750	933	Gas & Oil	E-7.1	-\$1,655	To adjust to an annualized level of gas & oil expense
757	924	Insurance	E-47.1	\$2,280	To include an annualized level of insurance premiums
769	923	Legal	E-44.1	-\$770	To remove test year costs associated with legal fees
769	923	Legal	E-44.2	\$385	To amortize legal fees over two years
776	921	Water Co Taney County Water	E-45.1	-\$8,465	To transfer and reclassify GPS mapping costs in plant account 391.1
776	935	Water Co Taney County Water	E-45.4	-\$388	To reclassify meter costs to plant account 346
776	921	Water Co Taney County Water	E-45.2	-\$1,428	To transfer and reclassify GPS mapping costs in plant account 391.1.
776	921	Water Co Taney County Water	E-45.3	-\$60	To transfer and reclassify GPS mapping costs in plant account 391.1

776	935	Water Co Taney County Water	E-45.5	-\$49	To reclassify meter costs to plant account 347
780	930.2	Miscellaneous	E-46.1	-\$322	To include an annualized amount of miscellaneous expense
781	930.2	Miscellaneous Plant	E-5.1	-\$629	To remove costs for material and supplies from expense and transfer to inventory on Rate Base Schedule
783	921	Office Expense	E-48.1	-\$256	To reclassify costs associated with American Business System software to plant account 391.1
783	921	Office Expense	E-48.2	-\$1,048	To include an annualized amount of office expenses
781	930.2	Miscellaneous Plant	E-5.2	-\$400	To remove MWWA booth rental fee
791	926	Social Security & Medicare	E-39.1	-\$130	To include an annualized amount of social security/Medicare costs
796	921	Postage	E-18.1	\$1,594	To include an annualized level of postage expenses
797	928	PSC Assessment	E-60.1	-\$1,722	To annualize PSC assessment
804	935	Repairs and Maintenance	E-4.1	-\$2,195	To remove test year expenses related to repairs and maintenance
804	935	Repairs and Maintenance	E-4.2	\$1,097	To include costs associated with repairs and maintenance over a two year amortization

805	921	Rent	E-42.1	-\$3,772	To include an annualized level of rent expense
810	920	Christmas Bonus	E-40.1	-\$500	To remove Christmas Bonus
812	923	Contract Labor	E-6.1	-\$1,308	To remove pressure tank costs and reclassify to plant account 314
813	920	Salaries Officers	E-30.1	-\$3075	To include an annualized level of salary expense for Bert Brower
815	920	Salaries-Other	E-31.1	\$6,778	To include an annualized level of salary expense for Phil Thompson
816	920	Hourly Wages	E-32.1	-\$13,955	To remove test year amounts of hourly wages from account 816
816	920	Hourly Wages	E-32.2	\$21,347	To include an annualized level of salary expense for Zach Hartgraves
816	920	Hourly Wages	E-32.3	\$7,200	To include annualized level of salary expense for Donaleen Alexander
818	920	Hourly Wages-Overtime	E-33.1	\$437	To include an annualized level of overtime expense for Zach Hartgraves
819	920	Sales Commission	E-27.1	-\$122	To remove costs associated with Sales Commission
820	920	Salary Vacation	E-34.1	-\$760	To remove costs associated with salary vacation

830	921	Telephone	E-37.1	\$59	To include an annualized level of telephone expense
833	921	Cell Phone	E-38.1	-\$321	To include an annualized level of cell phone expenses for Taney County Water
839	933	Travel	-	-	-
841	926	Unemployment Compensation	E-35.1	\$235	To include an annualized level of federal and state unemployment taxes
842	921	Utilities	E-36.1	-\$686	To include an annualized level of utility expense
920	921	Interest Expense	E-21.1	\$253	To include an annualized level of interest expense on post-merger customer deposits
920	921	Interest Expense	E-21.2	\$3,327	To include an annualized level of interest expense on pre-merger customer deposits

For the above referenced expenses, Staff examined Company invoices, billings, financial statements called profit & loss (P&L) statements and the general ledger.

Agreement Attachment H
EMSU Implementation Review

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Unit

Small Company Rate Increase Request

File No. WR-2012-0163

Taney County Water Company, LLC

Gary Bangert and Tammy Vieth

The Engineering and Management Services Unit (EMSU) staff initiated an informal review of the customer service and business processes, procedures, and practices of Taney County Water Company, LLC (Taney County or Company) in Nixa, Missouri, in December 2011. The review was performed in conjunction with the Company's rate increase request, File No. WR-2012-0163, filed on November 28, 2011. The Company is requesting an increase of \$49,000 in its annual water system operating revenues. This request represents an increase of approximately 45% to the Company's annual water system operating revenues. This is the first evaluation performed by EMSU staff since the current owner's purchase of the Company in 2010.

The EMSU staff examined the Company's tariffs, annual reports, Missouri Public Service Commission (Commission) complaint and inquiry records, and other documentation related to the Company's customer service and business operations. In preparation of this report, the EMSU staff submitted data requests on December 20, 2011, and conducted interviews with Company personnel on January 26, 2012. The EMSU staff's review of the Company resulted in the following three recommendations for Company management:

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

- 1. Develop a recording mechanism to ensure all Company employees complete and maintain time sheets which track work activity by the company involved, including the time spent on unregulated business activity. This recommendation should be completed within (90) days of the Commission's order in File No. WR-2012-0163.*
- 2. Ensure a notation is placed on an estimated customer bill when it is not possible to obtain an actual meter reading and establish a policy consistent with Commission Rule 4 CSR 240-13.020(2)(D)(2.). This recommendation should be completed within (30) days of the Commission's order in File No. WR-2012-0163.*

3. Complete a review of all vendor fees associated with providing a credit and debit card payment option to customers. Evaluate other vendors that could administer credit and debit card payments and select a vendor that can provide this service in the most cost-effective manner. This recommendation should be completed within ninety (90) days of the Commission's order in File No. WR-2012-0163.

The purpose of the EMSU is to promote and encourage efficient and effective utility management. This objective contributes to the Commission's overall mission to ensure that customers receive safe and adequate service at reasonable rates 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 will also provide the Commission with information regarding the Company's customer service and business 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 EMSU staff's review.

Overview

Taney County Water Company was certificated by the Missouri Public Service Commission to provide water service in Missouri on September 29, 2011. The Company was purchased by the current owners in 2010. The Company provides water service to approximately four hundred and eighty-seven (487) customers within its authorized service area. The service area includes wells located at Venice on the Lake and Lake Way which are approximately ten miles from one another. The Company's business office is located at 786

Croley Boulevard, Nixa, Missouri, and local business hours are 9:00 a.m. – 1:00 p.m., Monday through Friday. A phone number is also provided on customer bills which gives customers 24-hour, 7-day access to Company personnel in the event of an emergency.

Taney County staffing includes the President, a General Manager, a Bookkeeper, a Customer Service Assistant, and an Operations Assistant. In addition to working for Taney County, Company employees also perform work for other regulated water companies and unregulated businesses. However, the individual time sheets currently used by employees do not track work activity by the company involved or whether the work is associated with unregulated business activity. On occasion, outside contractors are used for technical or complex construction activity involving digging or electrical work. Monthly water tests are performed by Water Technology of the Ozarks in addition to some testing by the Missouri Department of Natural Resources.

The day-to-day operations, repairs, and outside plant functions are performed by the General Manager and Operations Assistant with assistance from the President. The President is also involved in policy development and general problem solving. The General Manager's and Operations Assistant's responsibilities include daily system checks, chlorination, routine maintenance, and responding to customer emergency calls. The Operations Assistant is dedicated to reading meters for Taney County. The Bookkeeper and Customer Service Assistant are responsible for business office functions including receiving new service applications, uploading meter readings, preparing and mailing customer bills, maintaining customer account records, and posting customer bill payments. The Bookkeeper also responds to customer inquiries and complaints received by customer walk-in or telephone.

Taney County shares use of vehicles with both regulated and unregulated business. The Company indicated that vehicle logs are used to track and monitor activity including the employee using the vehicle, the time spent on each activity, the destination of the activity, the purpose of the activity, and the number of miles driven associated with individual vehicles.

Company management anticipates minimal future growth in the number of customers it serves. An informational brochure is available to all customers including contact information and the rights and responsibilities of the Company and its customers.

Meter Reading

The Operations Assistant spends approximately five days reading both active and inactive water meters beginning on about the 20th of the month. A Scan Pal handheld meter reading device is used to record the meter readings which are uploaded to a computer using American Business computer billing system software. Staff understands that estimated reads are uncommon and that an average of five to seven meter readings were estimated in 2010, and about seven to ten meter readings were estimated in 2011. The primary reasons for estimated reads include extreme weather conditions or animals chained to the meters. If a customer's bill is estimated, the Company's practice is to telephone the customer and sometimes put a note on a customer's bill indicating that it has been estimated.

As represented to Staff, inactive meters are locked when a customer's service is discontinued, although there are a few meters which cannot be locked due to the age of equipment and the type of yolk that is installed. A master meter is located on the system and water usage and pressure are monitored daily. A monthly report is produced enabling Company personnel to compare the quantity of water that is pumped with the amount that is billed to customers.

Due to the rough terrain of the service area, management recently obtained a geological aerial map of the area to ensure all water meters were located. Global Positioning System coordinates for each meter are mapped out and accuracy is within ten feet of the meter.

The Bookkeeper reviews all meter readings for reasonableness prior to preparing the bills. Any accounts with unusual readings are investigated. As funds allow, the Company plans to install remote monitors for the well system. A radio read or drive-by meter reading system has also been considered, but Company management asserts that the cost is not feasible given the small size of the water system.

Customer Billing

The Company uses American Business software to calculate and print customers' bills. In the event estimated bills are necessary, bill calculations are performed manually, and these calculations are based on usage history. All bills are printed on the last day of each month and mailed on the first day of each month. Bills are due on the 21st day of the month and considered delinquent on the 22nd day of each month. Company personnel indicated that reports or other notices are sometimes included with the billing statement.

Customers' water charges are based on a price schedule of \$7.87 per month minimum up to 1,000 gallons. Usage in excess of 1,000 gallons is billed at \$3.53 per 1,000 gallons. There is no monthly customer charge.

Payment Remittance

Customers' payment options include cash, check, electronic payment, or credit/debit card. Methods of payment include mail, payments by telephone, or in person at the business office. Bill payments are never collected from customers in the field. Credit and debit card payments have become increasingly popular customer payment options at Taney County. Company personnel provided data to the EMSU staff that indicates that a credit or debit card was used approximately 5% of the time in 2010 and 20% of the time in 2011. While there is no customer charge for using a credit or debit card, the Company pays the vendor a 2.39% fee on the amount remitted with each credit or debit card transaction. Company management has not performed a recent analysis in order to determine whether the credit and debit card payment options could be provided more cost effectively.

Bill payments are processed and recorded daily into the billing system. Company personnel estimate that they spend up to two hours per day processing and recording customer bill payments. The Bookkeeper makes bank deposits daily.

Credit and Collections

Customers requesting service are required to complete a written application. Most applications for new service are from customers in existing homes. The Bookkeeper requests the necessary information from new customers to set up the account in the billing system. The Company represented that it is in the process of acquiring the services of Experian for \$75 per month which would allow it up to 300 credit checks per month. Company management also indicated that the cost for Experian services will be divided among all three water companies operated out of the business office. Staff understands that some customers are required to pay a \$100 deposit prior to establishing service based on their credit history. Customer deposits are maintained in a separate account and customers with a satisfactory 12-month payment history receive a refund of their deposit plus six percent (6%) interest. Customer account records are maintained on the computer and backed up daily. A fireproof safe is used to store critical

customer paper account records. Electronic information is stored on two computers and information back-up is supported by American Business.

Company personnel estimate that they receive about two insufficient funds checks per month. The Company's tariff provides for a returned check fee of \$20.00.

The Company has an established procedure for handling delinquent accounts. Once an account becomes delinquent, 22 days after rendition of the bill, a ten percent (10%) late fee is assessed on the current bill. A past due notice is then mailed to the delinquent customer on the 25th day of the month. After ten days, a door hang-tag notice is presented at the premise allowing 24 hours for payment before the water service is discontinued. Company management represented to Staff that discontinuances of service for nonpayment are performed on Mondays and Tuesdays, and that service is usually reconnected the day the bill is paid in full, including the ten percent (10%) late fee and a \$35 reconnection charge, unless it occurs very late in the day.

Approximately 100 customers do not pay their bill until after the due date each month, and an average of 10 to 15 of those services will be discontinued. The Company is occasionally forced to write-off uncollectible accounts when someone moves and Company personnel are unable to communicate and obtain payment. The timeline for write-offs is three months after rendition (or mailing) of the final bill. Taney County's Annual Report reports \$316.00 of bad debt write-offs in 2010. Due to the timing of the purchase of Taney County, 2011 bad debt write-off information provided included twenty-four customer accounts totaling \$2,057.72. The Company does not use an outside collection agency.

Complaints and Inquiries

Customers with questions or concerns may call the Company contact number appearing on the bill. Company personnel in the business office respond to customer calls and forward them to appropriate employees as required. An emergency contact cell phone number is provided for customers that call outside of business hours and an answering service is utilized. Emergency calls are usually handled by the General Manager or the President. Company personnel document the nature of the complaint and inquiry on a complaint log which includes the resolution. A review of Commission complaint/inquiry records since 2010 showed two complaints and no inquiries.

Customer Communication

Customer bills are the primary means of communicating with customers. Company personnel occasionally incorporate short messages on bills to provide specific information. For example, a note is included on bills when meters are estimated due to inclement weather. The Company also uses the bills to notify customers about rate case activity or water test results. However, when the limited character field is not adequate, the Company uses letters to notify their customers.

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 three issues that require Company management's attention:

- Time Records
- Estimated Bill Notation
- Credit Card Vendor Evaluation

Time Records

Taney County employees are not completing time sheets that track work activity by the company involved or whether the work is associated with unregulated business activity. Currently, Company employees are tracking time based on hours worked each day with no detail regarding the activity involved, the company associated with the activity, or whether the time is spent on regulated or unregulated business.

Maintaining accurate time records can serve and support several purposes included below:

- Time records assist in tracking the amount of time employees expend on all projects, enabling the President to more accurately schedule required work to increase operational efficiencies.
- Time records create documentation, serving as visual feedback to the President and the employees of the work and projects they have accomplished.
- Time record data should be linked to accounting records and provide the necessary support for financial reporting and allocation of costs. Employee time records are

useful in the regulatory process to support the pay and benefits that regulated utilities will receive in customer rates.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop a recording mechanism to ensure all Company employees complete and maintain time sheets which track work activity by the company involved, including the time spent on unregulated business activity. This recommendation should be completed within (90) days of the Commission's order in File No. WR-2012-0163.

Estimated Bill Notation

Company personnel do not consistently note on the bill when a calculation is based on estimated usage, which is a violation of Commission Rules. Staff understands that about ten bills were estimated in 2011 and, in those instances, each customer was notified by a telephone call that it was necessary to estimate the bill and, sometimes, a notation was made on the bill indicating estimated consumption was used in the calculation.

Commission Rule 4 CSR 240-13.020(2)(D)(2.) states that when a utility renders an estimated bill, "it shall – 2. Clearly and conspicuously note on the bill that it is based on estimated usage." Although, Company management indicated that it sometimes makes a notation on estimated bills, the establishment of a policy to consistently note estimated usage on customer bills would help ensure adherence to Commission rules.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure a notation is placed on an estimated customer bill when it is not possible to obtain an actual meter reading and establish a policy consistent with Commission Rule 4 CSR 240-13.020(2)(D)(2.). This recommendation should be completed within (30) days of the Commission's order in File No. WR-2012-0163.

Credit Card Vendor Evaluation

Company management has not completed a recent evaluation of its credit and debit card vendor costs. Company personnel provided data indicating that credit and debit card usage increased from approximately 5% to 20% from 2010 to 2011. The Company pays a 2.39% vendor fee for each transaction. Company personnel are unaware of all the current fees composing the current vendor costs, and they do not know whether the Company is charged a fee when a customer's card transaction is denied.

The EMSU staff is aware of other regulated utilities that have successfully negotiated lower credit and debit card vendor costs. During the on-site discussion with Company management, the EMSU staff suggested the possibility that the President may be able to cooperate with other members of the Missouri Rural Water Association in order to obtain a lower credit and debit card vendor fee. A comprehensive review of current credit and debit card administration costs could enable Company management to choose a vendor that may offer this service more cost-effectively.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Complete a review of all vendor fees associated with providing a credit and debit card payment option to customers. Evaluate other vendors that could administer credit and debit card payments and select a vendor that can provide this service in the most cost-effective manner. This recommendation should be completed within ninety (90) days of the Commission's order in File No. WR-2012-0163.

Implementation Review

The EMSU staff will conduct a review of the Company's progress regarding the implementation of the three recommendations made in this report.

Agreement Attachment I

Water & Sewer Unit Memorandum

REPORT OF WATER AND SEWER UNIT
FIELD OPERATIONS AND TARIFF REVIEW

Water and Sewer Unit
File No. WR-2012-0163
Taney County Water Company
David Spratt/James Russo

Introduction

Taney County Water Company, LLC (Taney County or Company) purchased the assets of Taney County Utilities in September 2011. The Company provides water service to approximately 500 customers in the City of Rockaway Beach, located in Taney County, Missouri. The previous Company (Taney County Utilities) last filed for, and received, a rate increase, in Case No. WR-2004-0450 with rates becoming effective May 17, 2004. On November 28, 2011, Taney County filed a *Request for Increase in Annual Water System Operation Revenues* with the Commission seeking a \$49,000 rate increase. This matter was assigned File No. WR-2012-0163.

The Commission's Water and Sewer Unit Staff's (Staff) investigation included two visits to Taney County to review the Company's field operations, tariff language, miscellaneous service charges, and to examine upgrades the Company has made to the water system. Staff also reviewed paperwork with the Company to ensure proper regulatory reporting. The system is currently operating adequately. Staff has presently received 26 Customer comments about the rate increase with the majority of those stating the proposed rate increase is too high. One comment was made regarding potential pressure issues in Lakeway Village. Staff has made efforts to contact the Customer to discuss the pressure issue, but has been unable to reach the customer. Another comment was made regarding the hardness of the water. Staff spoke to that Customer to explain that hardness is not regulated as long as it does not exceed Missouri Department of Natural Resources (DNR) standards. The level of hardness is consistent with other water providers in the area. There were also two comments regarding meter readers not being able to find meter locations. The Company has teamed with the Missouri Rural Water Association to have the entire system mapped via satellites and global positioning systems (GPS) which will help an operator or meter reader to pinpoint the location of meters and valves to within two (2) feet.

Distribution System

Staff performed Taney County's annual inspection on January 19, 2012. During the inspection, the distribution system and surrounding area was examined. The area is very hilly and extremely rocky. The distribution system consists of approximately 105,000 feet of 2" PVC, 5,000 feet of 4" PVC, and 6,550 feet of 6" PVC. The Company has

repaired multiple leaks throughout the system since purchasing it. Staff tested the water pressure and found that the pressure exceeded the 20 psi minimum required by DNR. (Spratt)

Facilities

The Company consists of three service areas: Venice on the Lake, Lakeway Village, and Valley View Village.

Venice on the Lake

Venice on the Lake consists of two wells, Red Rock and Honey Lane. The Red Rock well is located on the high point of the system which allows the residents to receive adequate water pressure. This well was drilled in 1986 and currently provides water to 231 homes in the area. A three-phase, twenty (20) horse power pump was replaced in May 2010. This well produces the most water, about 50,000 gallons per day (gpd), of all four of the wells in operation by Taney County. There is a booster station at this location to provide sufficient water pressure to five homes at the same level as the well house.

In 2011, the 27,000 gallon storage tank and the protective housing over the intake to the standpipe (often referred to as a “dog house”) incurred some damage due to a fire starting in the woods surrounding the area. The dog house has been repaired and needs more work to keep it sealed and insulated to prevent freezing. After the well-head was repaired and the “dog house” covering it was replaced, the well-head was not sealed as it should have been to prevent potential contaminant intrusion into the well. The well house has some woodpecker damage that should be repaired and measures should be taken to try and decrease future woodpecker damage and prevent intrusion from insects. In time, the well house will probably need to be replaced to provide better access for work and to allow for more storage as well as sufficient room for equipment such as a chlorinator. The DNR Design Guide recommends that the well house have a separate room for chlorination. The well is not currently chlorinated. In the future as the ground water rule becomes enforced on all water companies this well may require chemical disinfection such as chlorination. The building that houses the booster pump is in need of some repairs to protect the booster from rusting and being exposed to extreme temperatures.

There is a second well serving the Venice on the Lake area located on Honey Lane which was drilled in 1969. This well currently provides water to 148 homes in the area. Usage from this well is generally between 12,000 and 15,000 gpd. A five (5) horse power pump at this well was placed in service in August 1999. This well has one hydropneumatic tank with 110 gallons of storage which is not enough to provide water service to all of the Customers it serves in the event of an outage. The well house needs some repairs from woodpecker damage as well as some work around the soffit where there are some rotten boards that need to be replaced.

Valley View Village

The well house at this location appears to have a newer roof but the paint is peeling off the exterior. The brush around the outside of the well house also needs to be cleared. The well house sits on a small piece of property owned by the Company but it is unclear if an easement exists to guarantee access. The three (3) horse power pump that pumps water for the Customers in Valley View Village was replaced in May 2010. The well produces 25 gpm for the ten (10) homes in the area. The hydropneumatic tanks allow for storage of 190 gallons which is an insufficient amount of storage to serve the needs of the Customers in this area in the event of an outage. The residents in this area use about 2,000 gpd. With minimal storage and a low output from the well, some Customers may experience lower pressure during times of peak usage or if they are using water from multiple areas simultaneously. Providing adequate storage for a full day of usage would be rather costly to the rate payers but it could be a necessity if DNR makes it a requirement. For the Company to provide more water it either needs to provide more storage or replace the small pump with a larger pump to increase the yield from the well. If the Company decides to chlorinate this well or is required to do so by DNR, then it would need to acquire more land to be used for a larger well house to contain chlorination equipment. Additional land will also be needed for a ground storage tank if more storage is needed.

Lakeway Village

This system has only needed two (2) repairs on its distribution mains since Taney County purchased it which is the fewest of all the systems. The 25,000 gallon standpipe provides adequate storage, in the event of an outage, for the 93 customers receiving water service from this well. This thirty (30) horse power pump, which has been in operation since September 1990, produces about 150 gpm for the system. The well house appears to be in good shape. There is room inside for some parts which could reduce driving time if repairs needed to be made. If the system becomes chlorinated the Company has room in the back to add a separate chlorination room. The housing for the meter needs to be replaced as the wood appears rotten and the meter is hard to access for reading. The housing unit over the well-head should be better insulated to protect the piping in cold weather. The blanket around the pipe has some insulating value but could be better served with additional insulation. The well-head also needs to be sealed to prevent potential contaminant intrusion into the well. The power disconnect on the outside of the well house is required by electric code when the meter is not near the building but the wires from the power disconnect need to be placed in conduit to protect the wire as well as to be sealed off the hole into the well house where the wires enter. (Spratt)

Operations

While at the well houses, Staff observed the standard practices of the Operator and examined the parts of the system inside the well houses. Readings were taken from the master water meters to determine the amount of water that had been pumped since the inspection conducted during the previous year. Readings were also taken from the electric meters to determine how much electricity had been used to pump and treat the water from the wells since the previous inspection. Serial numbers were checked on both meters to ensure that the meters had not been changed in the past twelve months.

The pumps to the wells were turned on so Staff could make its own observations of the number of gallons pumped in one minute. The well-head was inspected to make sure it was sealed and the vent was screened to prevent any infiltration points at the well. The piping of the systems located inside the well houses were checked for corrosion, leaks, and other possible concerns. The systems appeared to be in good shape at the time of the inspections.

Staff reviewed records for system improvements, leak repairs, Customer complaints, meter testing, safety programs, and annual report data. Staff also reviewed the Company's Consumer Confidence Reports (CCR)¹.

Taney County needs to prepare and implement safety and outage programs for its service areas. Rule 4 CSR 240-10.030 (34) states that "Where the dead ends exist, they should be flushed when necessary to insure satisfactory quality of water to customers. To allow flushing, dead ends should be equipped with hydrants, flush valves or other means of allowing water to be removed from these dead ends." Staff recommends that the Company install flush valves on dead ends and design a flushing program for the water systems. The Commission requires in Rule 4 CSR 240-10.030 (38) that all regulated companies test all of the meters in its system every ten (10) years. Taney County has not yet established a meter test program to comply with this requirement. Staff has asked the Company to prepare and submit a meter test program within 180 days following the effective date of the order approving the Disposition Agreement in this proceeding. (Spratt)

¹ A CCR is a report that companies create to fulfill a DNR requirement, and discloses the results of tests submitted to DNR to ensure the safety of the water the residents of the area are consuming and to show any violations that DNR may have submitted to the Company as a result of poor samples.

Treatment

Taney County does not chemically treat the water from any of its wells except when repairs are made to the Company's mains as required by DNR. The Company is considering chlorinating two or three of its wells in the near future to reduce the amount of boil order advisories and Customer concerns. DNR requires monitoring of the chlorine levels in a well seven (7) days a week. Mr. Brower has developed a device approved by DNR that can monitor chlorine and pressure levels remotely. If there is a problem at the well, then the remote device will notify the system's Operator and president. Taney County does not presently have this device installed but all wells will have them installed if they are being chemically treated for disinfection. This remote monitoring allows the Company to monitor the system without requiring the Operator to visit the system daily to check on the well. This will also allow the Operator to become aware of any problems when they occur. The Operator will continue to inspect the system on a regular basis to fill chlorine tanks, as needed.. Additionally, alleviating the need for daily trips to monitor chlorine levels enables the Operator to focus on the other tasks that need to be performed on a regular basis such as filling chlorine tanks, taking meter readings, sampling, checking for leaks, and making repairs as needed. (Spratt)

Storage Tank

Taney County has two wells (Red Rock and Lakeway) with storage tanks. The Company shall provide documentation showing when the tanks were last inspected and painted. Both appear to be in good shape and recently painted, but the standpipe appears that it needs to be cleaned to remove dirt and debris. Prior to the next tank painting, Staff recommends that the Company hire an independent tank inspection company to perform a thorough inspection of the storage tanks from top to bottom both inside and out.

The other two wells (Valley View and Honey Lane) have hydropneumatic tanks for storage. The tanks at Valley View were recently replaced, but the tank at Honey Lane could require replacement at any time. Due to the insufficient storage at these two locations, Staff recommends that the Company investigate and report on the costs associated with providing adequate storage for its Customers. DNR would like for small water systems to have the storage capacity to provide water to its Customers for a full day. In order to provide a full day's storage the Company would be required to add a storage tank. Providing adequate storage for a full day of usage would be rather costly to the ratepayers but if DNR requires all companies to have storage for enough water to serve its Customers for one day then the Company will need to comply. (Spratt)

Tariff Review

Staff has begun the process of updating water and sewer tariffs. using a tariff template that is modified for specific operations of the individual companies as they file rate cases with the Commission. Taney County adopted Taney County Utilities existing tariff upon its acquisition of Taney County Utility's assets. The current tariff was originally filed and became effective when the Company was certificated in 1987. In 1989 sheets 2.1, 2.2, and 3.1 were added which included the legal descriptions and a map of one service area. A new rate schedule will be developed to reflect the new rates the Customer's will be required to pay based on the Company's cost of service. In addition, Staff reviewed the existing miscellaneous service charges with the Company and the Company's cost for performing these services. Miscellaneous charges have been calculated to allow the Company to recover the actual costs related to these items used in its operations from the Customers causing the event. Some charges have been increased while others have been reduced. The rates proposed are reasonable for the costs incurred for the services and are consistent with the majority of other regulated water companies.

In the process of updating the current tariff, new language was introduced for the Company to recover processing fees charged by a third party for Customers paying with credit or debit cards. Staff also included new charges for service connections to reflect actual costs to the Company rather than a set rate of \$475 per Customer. Actual costs for new service connections requires the Customer connecting to the system to pay for the service connection instead of existing Customers paying for any shortfall potentially caused by service connection fees not keeping pace with rising costs. Returned check charges have been increased from \$20 to \$25 while meter test charges have been decreased from \$50 to \$25. Turn-on and turn-off charges have remained the same at \$30. Connection inspection charges for customer installed services and meters, has been set at \$25. The Customer late charges have been changed from 10% to \$5 or 3% whichever is greater. The new and updated tariff for Taney County will be filed by the Company as part of this current rate case proceeding. The current PSC MO Number 1 tariff will be cancelled and replaced by PSC MO Number 2 tariff. (Russo)

Rate Design

Staff also reviewed the current rate design in its investigation. Staff recommends the elimination of the 2,000 gallons currently included in the monthly customer charge. The elimination of gallons being included in the monthly customer charge encourages water conservation and charges customers for their actual usage. This is the only change Staff recommends that relates to the design of the Company's rates. (Russo)

Conclusion

Staff recognizes that Taney County has made improvements to the system since purchasing the assets from Taney County Utilities. However, Staff found several items that need attention before they become more serious issues. The well houses all require some work to be done which include: repairing woodpecker damage, preventing further woodpecker damage, replacing rotten wood in the well houses, treating the well houses for insects, insulating well-heads for protection, and ensuring all well heads are sealed. Staff would also like the Company to investigate the costs associated with providing adequate storage to Honey Lane and Valley View, as the current storage for each system is not sufficient to provide an adequate amount of water to Customers in the event of an outage. Staff would also like the Company to determine the costs associated with adding chlorine rooms to existing well houses to comply with the recommendations of the DNR Design Guide.

A valve exercising program and flushing program was discussed at the last meeting with the Company. Now that the system has been mapped via GPS with the help of the MRWA, it is now possible to find the valves and know where the system dead-ends are that will require flush valves to properly clean out the mains. Staff would be willing to help design the flushing program and calculate the amount of time needed to properly flush the system.

Taney County's current tariff will be updated in this rate case proceeding. In addition, rate design will be changed eliminating the minimum water included in the existing Customer charge.

WATER AND SEWER UNIT STAFF RECOMMENDS THAT:

- 1) The Commission order Taney County to prepare a financial analysis that looks into the costs associated with providing adequate storage for Honey Lane and Valley View; and to submit a report to the Manager of the Water and Sewer Unit of the Commission no later than 180 days after the effective date of the order approving the Disposition Agreement in this proceeding to demonstrate compliance with this recommendation.
- 2) The Commission order Taney County to repair the woodpecker damage and investigate methods to prevent further damage from occurring including, but not limited to, covering the holes with metal, insect control, and replacement of rotten and insect infested wood. A report of the work completed on the repairs should be submitted to the Manager of the Water and Sewer Unit of the Commission no later than 180 days after the effective date of the order approving the Disposition

Agreement in this proceeding to demonstrate compliance with this recommendation.

- 3) The Commission order Taney County to prepare a financial analysis that looks into the costs associated with providing additional space in all well houses for storage of parts and materials as well as providing a separate room for the chlorine contact to take place in accordance with the DNR Design Guide. A report of the findings shall be submitted to the Manager of the Water and Sewer Unit of the Commission no later than 180 days after the effective date of the order approving the Disposition Agreement in this proceeding to demonstrate compliance with this recommendation.
- 4) The Commission order Taney County to prepare and submit to the Manager of the Water and Sewer Unit of the Commission its plan for testing or replacing the meters for the Customers of Taney County Water no later than 180 days after the effective date of the order approving the Disposition Agreement in this proceeding.
- 5) The Commission order Taney County to use their new water system maps and develop a flushing program and submit such information to the Manager of the Water and Sewer Unit of the Commission no later than 180 days of the effective date of the order approving the Disposition Agreement in this proceeding. Taney County will also identify locations on the system where flush valves need to be installed to aid in flushing the system. Staff will work with Taney County to ensure that the system is flushed thoroughly.

Agreement Attachment J

Summary of Case Events

Taney County Water, LLC
Case # WR-2012-0163
Summary of Case Events

Date Filed	November 28, 2011
Day 150	April 26, 2012
Extension?	No
If yes, why?	
Amount Requested	\$49,000
Amount Agreed Upon	\$42,468
Item(s)/Dollar(s) Driving Rate Increase	Infrastructure improvements, Depreciation, Insurance,& Salaries
Number of Customers	476
Rate of Return	7.42%
Return on Equity	12.05%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	WM-2012-0288
Status with Secretary of State	Good
DNR Violations	None
Significant Service/Quality Issues	None