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April 18, 2008

Harold I. Epps
President
Tri-States Utility Co. Inc.
2508 Highway 165
Branson, Missouri 65616

Tracking Number: QW-2008-0010

During our April 10, 2008, meeting with the Tri-States Utility, Inc. lawyers and CPA, Audit Staff agreed to provide a list of all outstanding data request items. These are items requested by Staff that have not yet been received, or are incomplete. The Audit Staff needs this information as soon as possible if we are to complete the audit by April 30, 2008, to make a recommendation to the Commission for Tri-States' revenue requirement. Following the list of outstanding items is a list of additional items we are requesting from Tri-States to complete the audit.

Outstanding Data Request Items

From the February 7, 2008, Kim Bolin Data Request letter to Harold Epps:

Bullet 4 - Detailed description and the amounts of contribution in aid of construction.

Bullet 5 - Detailed description and the amounts of customer advances for construction.

Bullet 6 - Detailed listing of all outstanding customer deposits received, by month, from customers for 36 months ended December 31, 2007.

Bullet 13 - Vehicle and equipment logs for the 12 months ended December 31, 2007, updated through the most current date possible for 2008. **Note: Only logs for Sharon Epps's Lincoln and Harold Epps's Explorer are outstanding.**

Bullet 20 - Historical salvage and cost of removal amounts for the last five years, if available, ending December 31, 2007. **Note: Salvage of brass from swapped out meters provided, but no others.**

From the March 10, 2008, Paul Harrison Data Request letter to Harold Epps:

Bullet 1 - The percent of time and or number of hours that Tri-State operators and the administrative staff spend working on construction type projects as compared to operation and maintenance activities for the last five years ending December 31, 2007.

Bullet 2 - The percent of time and or number of hours that Tri-State meter readers spend reading meters as compared to operation and maintenance activities for the last five years ending December 31, 2007.

Bullet 3 – Company's estimate of an appropriate annual O&M expense ratio to be used in this case.

Bullet 4 - During discussions with Ellen, it was determined that the Company has never had Continuing Property Records (CPR). This is a problem that she just became aware of and has already started working on. Provide an electronic copy of this document when complete.

Bullet 5 - A list of all assets that have been retired, dollar amount of the asset and date that it was retired. **Note: Information on wells received, need data on other retired assets, to include meters.**

Bullet 7 - An itemized reconciliation of the vendor bills that are identified as outside consultants. In addition, break out the charges for each of 2007's invoices from McCullough, Officer & Co., LLC to include details on the work performed, and the hours worked and billed.

Bullet 9 - The Company does not have any contribution in aid of construction (CIAC), but for every meter that was swapped out customers contributed \$225. The Company provided the Staff with a copy of a sheet they had developed showing how the Company traced total cost less customer contribution and transferring the remaining balance into plant-in-service. Provide the total amount of CIAC broken out by contribution and date.

Bullet 12 - An itemized listing including the amount charged for rate case expense to be included in this case.

From a March 17, 2008, email from Paul Harrison to Diane Smith:

As a follow-up to a voice mail from Terry McCullough to Paul Harrison, a request to document the reasons Mr. McCullough suggested to Sharon and Harold Epps to discontinue their Tri-States salaries in October of 2007 and begin receiving cash distributions.

From a March 18, 2008, email from Paul Harrison to Diane Smith:

Provide a detailed calculation of how the \$1,450,000 revenue increase as documented in the January 24, 2008, letter to the PSC was determined. Include as part of the reply an incremental breakdown of the items mentioned in the letter as the reason for the requested increase in the Company's annual operating revenues.

From a March 18, 2008, email response from Paul Harrison to Diane Smith:

The Company's books include \$96,000 annual rent expense beginning June 1, 2006. Have Terry McCullough provide an explanation and/or calculation of how he determined this amount.

All items included in the 2008 March 25 Data Request letter attached to an email of the same date from Keith Foster to Ellen Randleman and Diane Smith:

For 2007 General Ledger Account 770 – Property Insurance, please provide the following:

1. Copies of the Columbia Insurance Group invoices supporting the 1/11/2007 check number 5216 payment of \$1,841.17 and the 2/6/2007 check number 5297 payment of \$1, 841.17.
2. A detailed explanation of the 6/30/2007 RECLASS INS REFUND for -\$3,269.18 transaction.
3. A detailed explanation of two Tony Z's transactions. One for 1/31/2007 recorded as TONY Z JAN PAYMENT for -\$625, and the other for 12/31/2007 recorded as RECLASS TONY Z' INT INCO... also for -\$625.
4. A detailed explanation of the 3/31/2007 ACCRUE MO EMP MUTUAL transaction for \$2,022.34.

For 2007 General Ledger Account 765 – Outside Services Employed, please provide the following:

1. A detailed explanation of the 3/31/2007 transaction POST EXP PD BY TSU for \$10,455.86, including what services were provided and by whom. Please provide a copy of any related invoice(s).
2. A detailed explanation of the 9/30/2007 transaction RECLASS FORM MISC. for \$10,000.00, including what services were provided and by whom. Please provide a copy of any related invoice(s).

Tri-State Utilities started installing automated meter reader (AMR) meters in April 2007 and completed installing approximately 3,347 of them by October of 2007. Please provide the following:

1. Approximately how many of the AMR meters were installed each month from April-October 2007?
2. When did the Company start using the AMR meters? After they were installed each month or after all 3,347 of them were installed?
3. Before the vendor identified the problem with the radio transmitters, was the data from the AMR meters ever reliable enough so that the meter readers did not have to manually read the meter each month?
4. If the answer to No. 3 is yes, for how long and for how many meters?
5. How many AMR meters are installed?
6. What is the cost of the radio transmitters?

From an April 2, 2008, email response from Paul Harrison to Ellen Randleman:

Provide the vehicle and/or equipment log that the utility used to track the usage and/or mileage of the Lincoln and the Explorer as required by the USOA for CY 2007.

From an April 7, 2008, Data Request attached to an email of the same date from Paul Harrison to Ellen Randleman and Sharon Epps:

1) RE: Account 870 – Maintenance of Services

- a) Please provide an explanation as to why the following general journal entries were needed and why the entries were recorded in Account 870 during the 2007 calendar year:

3/31/07	AJE 17	ADJ INVENTORY TO ACTUAL	\$22,547.52
6/30/07	AJE 22	ADJ INVENTORY TO ACTUAL	\$17,400.07
9/30/07	Adj J	ADJ INVENTORY TO ACTUAL	\$22,455.45
12/31/07	AJE 3	ADJ INVENTORY TO ACTUAL	\$33,128.12
12/31/07	AJE 35	RECLASS EXP POSTED TO # 7	(\$18,018.86)

- b) The year end balances for Account 870 were as follows:

12/31/07	\$94,167.19
12/31/06	\$13,850.45
12/31/05	\$3,193.51
12/31/04	\$6,883.99
12/31/03	\$3,497.73

Please provide an explanation as to why significant fluctuations in the year end account balances have occurred in the last five years.

- 3) Please provide a detailed listing of all adjusting journal entries made in the 2007 calendar year with an explanation as to why each adjusting entry was made.

Additional Items Requested

We are also requesting the following additional items be provided by Tri-States Utility, Inc.:

1. Copies of all the invoices associated with the 12/31/2007 - AJE 20 - POST DEC PAYABLES transaction for \$5,099.99 posted to general ledger account 620 – Utilities Expense – WELLS.
2. Copies of all the invoices associated with the 12/31/2007 – AJE 20 – POST DEC PAYABLES transactions for \$1,196.53 and \$181.51 posted to general ledger account 778 – Auto Expense.
3. Copies of invoices for the following transactions posted to general ledger account 770 – Property Insurance:
 - a. 1/19/2007 Check 5243 to Safeco Insurance for \$763.82.
 - b. 2/15/2007 Check 5328 to Safeco Insurance for \$437.00.
 - c. 4/12/2007 Check 1117 to Hawkeye Security for \$5,122.00.
4. Copies of Columbia Insurance Group and Safeco Insurance Company policies that were in effect for the 2007 payments to these companies.
5. A cross-reference of where the amounts reported in the 2007 Annual Report were derived from the 2007 year-end General Ledger. This is like the cross-reference Diane Smith provided for the 2006 Annual Report.
6. During our April 10, 2008, meeting with the lawyers and CPA representing Tri-States Utility, Inc., the CPA, Mr. Terry McCullough, was asked about what structures were included in the rental agreement between Hilco Enterprises, Inc. and Tri-States. Mr. McCullough indicated only the office building and shed behind the office are included in the rent. A separate shop is owned by Tri-States. He also indicated the rental agreement is a 20-year lease. Kim Bolin, a member of the Commission Staff, asked if there was a provision to increase the monthly rent over the lease period. Mr. McCullough indicated there was not and the rent would not go up over the 20 year period. Attached is a copy of a lease amendment signed on June 16, 2006, stating “this lease will be adjusted for increases, not less than 5% or will be based on the inflation rate which ever is more each year.” The amendment also states “this lease shall be in force until the year 2027, whether Tri-States Utility, Inc. occupies this building during the term of the lease or not.” See attachment.

Is the June 16, 2006, Lease Amendment the most current amendment or is there a more current amendment to which Mr. McCullough was referring when he indicated the rent would not increase?

7. Also at our April 10, 2008, meeting we asked Terry McCullough a question about what Tri-States Utility assets were pledged as collateral for loans related to Harold Epps' unregulated businesses. Mr. McCullough stated only Tri-States stock was pledged, no regulated assets were pledged for the loans. Please verify the accuracy of that statement and respond accordingly to this data request. Also, it is Staff's understanding from talking to Sharon and Harold Epps there are only 30,000 shares of Tri-State Water Utility stock at \$1 par value per share. If this is correct, how was the Company able to borrow in excess of \$450,000 using only the stock as collateral?

Please forward your responses as soon as possible. For your convenience and in an effort to expedite your response it can be sent to my attention at our facsimile number (573) 526-4994. If you have any questions please contact me at (573) 751-7487.

Sincerely,

Paul R. Harrison

Paul R. Harrison
Regulatory Auditor

PH/sm
Enclosure

cc: Sharon R. Epps, Owner – Tri-States Utility, Inc.
Ellen Randleman-Eldridge, Office Manager – Tri-States Utility, Inc.
Terry L. McCullough, CPA – McCullough and Associates, LLC