

APPENDIX A

CASE No. SR-2014-0105

Equity Utility Disposition Agreement with Attachments and Staff Affidavits

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Equity Utility Disposition Agreement

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Equitable Disposition Agreement

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

TERRE DU LAC UTILITIES CORPORATION

MO PSC FILE NO. SR-2014-0105

BACKGROUND

Terre Du Lac Utilities Corporation ("Company") initiated the small company revenue increase request ("Request") for sewer 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"). The Company's Request is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number. In its request letter, which was received at the Commission's offices on October 21, 2013, the Company set forth its Request for an increase of \$39,300 in its total annual sewer service operating revenues. The Company also acknowledged that the design of its customer rates, service charges, customer service practices, general business practices and 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 1,245 customers, the vast majority of which are residential customers. The Company is located in St. Francois and Washington Counties in 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) The agreed upon revenue requirement increase of \$53,717 (20.47% increase) added to the level of previous revenues of \$262,464 results in overall revenues of \$316,181. This revenue requirement is just and reasonable and designed to recover the Company's cost of service. These amounts are shown on the ratemaking income statement found in Attachment A, incorporated by reference herein;
- (2) The Auditing Unit conducted a full and complete audit of the Company's books and records using the 12-month period September 30, 2013, updated to December 31, 2013, with isolated adjustments out to June 30, 2014, as the basis for the revenue requirement determined above. The audit findings can be found in Attachment B, incorporated by reference herein;
- (3) The agreed upon net rate base is \$232,579. The development of this amount is shown on the rate base worksheet that is found in Attachment C, incorporated by reference herein. This amount is included in the audit work papers in the ultimate determination of the revenue requirement shown in (1) above;
- (4) Included in Attachment B is the agreed upon capital structure which includes 80.58 % equity for the Company and a return on that equity of 7.438%;
- (5) The schedule of depreciation rates in Attachment D, incorporated by reference herein, includes the depreciation rates used by Staff in its revenue requirement analysis and shall be the prescribed schedule of sewer plant depreciation rates for the Company;
- (6) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown on Attachment E, incorporated by reference herein, are just and reasonable rates that the Company will be allowed to charge its customers. The impact of these rates will be as shown on Attachment F, also attached and incorporated by reference herein;
- (7) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission proposed tariff revisions containing the rates, charges, and language set out in the example tariff sheet(s) attached as Attachment E. The proposed tariff revisions will bear an effective date of September 1, 2014;
- (8) The current PSC MO Number 1 tariff will be cancelled and replaced by PSC MO Number 3, which includes the example tariffs described above;

(9) The Water and Sewer Unit completed a review of the Company as shown on Attachment G, also attached and incorporated by reference herein;

(10) Within thirty (30) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement the following recommendations contained in the Auditing Unit Report, attached hereto as Attachment H and incorporated by reference herein, and provide proof of implementing the recommendations to the Manager of the Commission's Auditing Unit:

- (a) The Company shall report all plant additions related to customer services to Account 353-Customer Services for Sewer Operations; and
- (b) The Company shall back up all books and records recorded in its Peachtree Accounting System to ensure proper maintenance of Company documentation;

(11) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement the following recommendations contained in the Engineering & Management Services Unit ("EMSU") Report, attached hereto as Attachment I and incorporated by reference herein, and provide proof of implementing the recommendation to the Manager of the Commission's EMSU Unit:

- (a) The Company will develop written job descriptions for each position at the Company that adequately reflects the employees' current job duties and responsibilities;
- (b) The Company will develop and utilize time sheets for all employees to record work assignments and the time associated with each work assignment. Incorporate employee and supervisor signatures to verify the accuracy of the information recorded;
- (c) The Company will develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information regarding the vehicle type, date, employee name, general description and location of the task and the miles attributable to the task;
- (d) The Company will consider and evaluate the use of customer deposits for new customers upon initiation of service, consistent with the provisions of 4 CSR 240-13.050, to assist the Company in its management of bad debt; and
- (e) The Company will evaluate the present timelines for the application of collection action on delinquent paying customer accounts. Determine if expediting actions, while staying within the guidelines of 4 CSR 240-13, may assist in cash flow and collection of delinquent accounts;

(12) Within one hundred eighty (180) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement

the following recommendations contained in the Auditing Unit Recommendation Memorandum attached hereto as Attachment H and incorporated by reference herein and provide proof of implementing the recommendations to the Manager of the Commission's Auditing Unit:

- (a) The Company will improve its methods and procedures for tracking when customers join and leave the system;
 - (b) The Company will begin tracking costs related to each customer connection to the sewer system using the form attached to this memorandum;
 - (c) The Company will record capitalized payroll related to customer connections as a separate journal entry to ensure this capitalized labor is properly reflected in Company's plant balance for ratemaking purposes. All journal entries related to customer accounts should be made on a quarterly basis;
 - (d) The Company will record customer connection fees collected as a separate journal entry to ensure these amounts are properly reflected in Company's Contribution in Aid to Construction (CIAC) balance. All journal entries related to customer accounts should be made on a quarterly basis;
 - (e) The Company will immediately begin recording all parts purchased for customer connections as a separate journal entry to ensure a proper accounting of cost;
 - (f) The Company will immediately maintain a Plant Additions and Retirement spreadsheet along with supporting documentation to ensure all plant assets are properly reflected in future rate case proceedings. This supporting documentation shall include any bids received, sales or purchase agreements, loan agreements, invoices by vendor and proof of payment; and
 - (g) On or before August 15th of each year, Terre Du Lac will provide to the manager of Auditing copies of disks containing the final billed sewer service revenues and all miscellaneous revenues for each month on a separate basis for the period covering January through June. On or before February 15th of each year, Terre Du Lac shall provide to the manager of Auditing copies of disks containing the final billed sewer service revenues and all miscellaneous revenues for each month on a separate basis for the period covering July through December;
- (13) The rates agreed to herein reflect salary increases for Company employees Mike Tilley, Robert Ludwig and Ryan Scaggs. These salary increases will take effect on September 1, 2014, and the Company shall provide proof of the same (i.e., copies of W-4s, cancelled payroll checks and Federal Forms 940 and 941) to the Manager of the Auditing Unit for the Staff and the Chief Accountant for OPC by September 15, 2014, or if not final by that date, within three days of the documents' respective submission to the employee or regulatory entity;

- (14) The Company will use the appropriate annual report form for Sewer utilities, as specified by Missouri State Codes of Regulation, 4 CSR 240-3.335 and 4 CSR 240-61.020, to ensure the proper recording of plant assets, revenues and expenses on a going forward basis. Company should also consider registering with the Missouri Public Service Commission so annual reports may be filed utilizing the Commission's Electronic Filing Information System (EFIS). The Audit Staff is available to assist the Company with this recommendation. The Audit Staff recommends the Company do this in conjunction with the Company filing its next Annual Report to the Missouri Public Service Commission;
- (15) The Company will immediately resume septic tank effluent pump unit maintenance, as per the rules outlined in the Company's sewer tariff, along with appropriate recordkeeping;
- (16) The Company will file a rate case within eighteen (18) months after the effective date of the rates set in this case for both its water and sewer systems;
- (17) The Company will file both its water and sewer systems concurrently in all future rate case proceedings;
- (18) The Company and Staff agree that rate case expense to be included in this case will be normalized over a period of 24 months;
- (19) The Company will 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;
- (20) Staff or Public Counsel 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;
- (21) Staff or Public Counsel may file a formal complaint against the Company if the Company does not comply with the provisions of this Company/Staff Disposition Agreement;
- (22) The Company and Staff agree that they have read the foregoing Company/Staff Disposition Agreement, that facts stated therein are true and accurate to the best of the Company's and Staff's knowledge and belief, that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Parties freely and voluntarily enters into this Company/Staff Disposition Agreement; and

(23) 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.

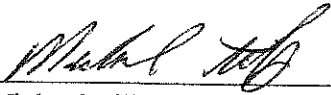
Staff has completed a Summary of Case Events and has included that summary as Attachment J to this Company/Staff Disposition Agreement.

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

Additionally, the Company agrees that subject to the rules governing practice before the Commission, Staff and Public Counsel 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 and Public Counsel will be available to answer Commission questions regarding this Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.


SIGNATURES

Agreement Signed and Dated:



Michael Tilley
President
Terre du Lac Utilities Corporation

7-23-14
Date



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

7/23/14
Date

List of Attachments

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

Agreement Attachment A

Ratemaking Income Statement

TERRE DU LAC UTILITIES CORPORATION

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	237,624
2	Other Operating Revenues *	\$	24,840
3	Total Operating Revenues	\$	262,464
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Salaries & Wages	\$ 137,531
2 Payroll-Overtime	\$ -
3 Employee Benefits-Bonuses	\$ -
4 Uniform Allowance	\$ 1,996
5 Electricity	\$ 12,436
6 Sewer Treatment -Chemicals	\$ 3,700
7 Outside Services-Hydro Services Inc.	\$ 3,120
8 Outside Services-MO One Call	\$ -
9 Outside Services-Lawn Mowing	\$ -
10 Outside Services-Sludge Removal	\$ 2,250
11 Management Fees	\$ -
12 Labor-Treatment Plant	\$ -
13 System Repairs and Maintenance	\$ 1,562
14 Maintenance-Customer Pressure Pumps	\$ 22,286
15 Maintenance-Other Plant Facilities	\$ 1,664
16 Backhoe Expenses	\$ 1,589
17 Operating Supplies and Expense	\$ 4,997
18 Operating Supplies-Sewer System	\$ 1,532
19 Billing & Collections	\$ 1,448
20 Office Supplies	\$ -
21 Postage Expense	\$ 2,853
22 Uncollectible Accounts	\$ 99
23 Outside Services-Accounting Services	\$ 1,557
24 DNR-Phase 1 Grant Expense	\$ 173
25 General & Administrative Expense	\$ 466
26 General & Administrative-Outside Services	\$ 647
27 Professional Development	\$ 369
28 Telephone & Internet Expense	\$ 1,837
29 Transportation Expense	\$ 12,172
30 Property & Liability Insurance	\$ 7,085
31 Employee Pensions & Benefits	\$ 18,145
32 Workers Compensation Insurance	\$ 2,355
33 Maintenance-Building Expenses	\$ 341
34 Rate Case Expense	\$ 1,768
35 Permit Fees	\$ 6,100
36 MO DNR -Operator License-Skaggs	\$ 45
37 Regulatory Commission Expense	\$ 2,480
38 Director of Revenue	\$ 171
39 Terre Du Lac Property Owners Association Dues	\$ 810
40 RWA Fees	\$ 295
41 Corporate Registration	\$ 10
42 Miscellaneous General Expenses	\$ 95
43 Sub-Total Operating Expenses	\$ 255,984
44 Property Taxes	\$ 2,441
45 MO Franchise Taxes	\$ -
46 Employer FICA Taxes	\$ 14,028
47 Federal Unemployment Taxes	\$ -
48 State Unemployment Taxes	\$ -
49 State & Federal Income Taxes	\$ 4,308
50 Sub-Total Taxes	\$ 20,777

51	Depreciation Expense	\$	16,973
52	Interest Expense	\$	2,437
53	Amortization Expense	\$	2,711
54	Sub-Total Depreciation/Interest/Amortization	\$	22,121
55	Return on Rate Base	\$	17,299
56	Total Cost of Service	\$	316,181
57	Overall Revenue Increase Needed	\$	53,717

Agreement Attachment B

EMS Run

Exhibit No.: 12345667
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: SR-2014-0105
Date Prepared: 1/5/2014



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

STAFF ACCOUNTING SCHEDULES

TERRE DU LAC UTILITIES CORPORATION

CASE NO. SR-2014-0105

Jefferson City, Missouri

January 2014

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Rate Design Schedule - Sewer

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$237,624			
Rev-3	Miscellaneous Revenues	(1)	\$24,840			
Rev-4	TOTAL ANNUALIZED REVENUES		\$262,464			
1	OPERATIONS EXPENSES	(2)				
2	Salaries & Wages		\$137,531	\$0	\$137,531	0.00%
3	Payroll - Overtime Pay		\$0	\$0	\$0	0.00%
4	Payroll - Sick Pay		\$0	\$0	\$0	0.00%
5	Payroll - Holiday Pay		\$0	\$0	\$0	0.00%
6	Payroll - Vacation Pay		\$0	\$0	\$0	0.00%
7	Employee Benefits (Bonuses)		\$0	\$0	\$0	0.00%
8	Uniform Allowance		\$1,996	\$0	\$1,996	0.00%
9	Electricity (Pumping Equipment, Office & Shop)		\$12,436	\$0	\$12,436	0.00%
10	Chemicals		\$3,700	\$0	\$3,700	0.00%
11	TOTAL OPERATIONS EXPENSE		\$155,663	\$0	\$155,663	0.00%
12	MAINTENANCE EXPENSES					
13	Outside Services - Hydro Services Inc. (Lab Analysis)		\$3,120	\$0	\$3,120	0.00%
14	Outside Services - Schultz Surveying & Engineering		\$0	\$0	\$0	0.00%
15	Outside Services - Sludge Hauling		\$2,250	\$0	\$2,250	0.00%
16	Labor - Treatment Plant		\$0	\$0	\$0	0.00%
17	System Repairs and Maintenance (sewer gravity systems, pumping equipment, treatment & disposal)		\$1,562	\$0	\$1,562	0.00%
18	Maintenance - Customer Pressure Pumps		\$22,286	\$0	\$22,286	0.00%
19	Maintenance - Jet Rodder		\$0	\$0	\$0	0.00%
20	Maintenance - Other Plant Facilities		\$1,664	\$0	\$1,664	0.00%
21	Backhoe Expenses		\$1,589	\$0	\$1,589	0.00%
22	Operating Supplies & Expense		\$4,997	\$0	\$4,997	0.00%
23	Operating Supplies - Sewer System		\$1,532	\$0	\$1,532	0.00%
24	TOTAL MAINTENANCE EXPENSE		\$39,000	\$0	\$39,000	0.00%
25	CUSTOMER ACCOUNT EXPENSE					
26	Billing & Collections		\$1,448	\$0	\$1,448	0.00%
27	Office Supplies		\$0	\$0	\$0	0.00%
28	Postage Expense		\$2,853	\$0	\$2,853	0.00%
29	Uncollectible Accounts		\$99	\$0	\$99	0.00%
30	TOTAL CUSTOMER ACCOUNT EXPENSE		\$4,400	\$0	\$4,400	0.00%
31	ADMINISTRATIVE & GENERAL EXPENSES					
32	Outside Services - Accounting Services		\$1,557	\$0	\$1,557	0.00%
33	DNR - Phase I Grant Expense		\$173	\$0	\$173	0.00%
34	General & Administrative Expense		\$466	\$0	\$466	0.00%
35	General & Administrative - Outside Services		\$647	\$0	\$647	0.00%
36	Outside Services - Legal Fees		\$0	\$0	\$0	0.00%
37	Professional Development		\$369	\$0	\$369	0.00%
38	Office Phone & Wireless Phones		\$1,478	\$0	\$1,478	0.00%
39	Big River Broadband - Internet Service		\$359	\$0	\$359	0.00%
40	Mileage - Kathy Tilley		\$949	\$0	\$949	0.00%
41	Fuel Expense (Vehicle and Equipment)		\$9,387	\$0	\$9,387	0.00%
42	Vehicle Expense		\$1,836	\$0	\$1,836	0.00%
43	Insurance - Vehicles		\$1,291	\$0	\$1,291	0.00%
44	Insurance - Life - Owners Policy (Francis, Mike & Paul Tilley)		\$0	\$0	\$0	0.00%
45	Insurance - Dental & Life (Francis, Mike & Kathy Tilley)		\$1,652	\$0	\$1,652	0.00%

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Rate Design Schedule - Sewer

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
46	Insurance - Medical (Francis, Kaye, Mike & Kathy Tilley)		\$16,493	\$0	\$16,493	0.00%
47	Insurance - Medical (Stephen Skiles)		\$0	\$0	\$0	0.00%
48	Insurance - Co-Pays Paid by TDLU		\$0	\$0	\$0	0.00%
49	Insurance - Workers Compensation		\$2,355	\$0	\$2,355	0.00%
50	Insurance - Property & Casualty		\$5,794	\$0	\$5,794	0.00%
51	Insurance - Other		\$0	\$0	\$0	0.00%
52	Maintenance - Building Expense		\$341	\$0	\$341	0.00%
53	Rate Case Expense		\$1,768	\$0	\$1,768	0.00%
54	Other Misc. Expenses		\$95	\$0	\$95	0.00%
55	TOTAL ADMINISTRATIVE AND GENERAL		\$47,010	\$0	\$47,010	
56	OTHER OPERATING EXPENSES					
57	MO DNR - Permit Fees		\$6,100	\$0	\$6,100	0.00%
58	MO DNR - Operator License - Ryan Skaggs		\$45	\$0	\$45	0.00%
59	PSC Assessment		\$2,480	\$0	\$2,480	0.00%
60	Director of Revenue		\$171	\$0	\$171	0.00%
61	Terre Du Lac Property Owners Association Dues		\$810	\$0	\$810	0.00%
62	Rural Water Association Fees (Annual Dues & Training)		\$295	\$0	\$295	0.00%
63	Corporate Registration		\$10	\$0	\$10	0.00%
64	Amortization Expense		\$2,711	\$0	\$2,711	0.00%
65	Depreciation		\$16,973	\$0	\$16,973	0.00%
66	TOTAL OTHER OPERATING EXPENSES		\$29,595	\$0	\$29,595	
67	TAXES OTHER THAN INCOME					
68	Real & Personal Property Taxes		\$2,441	\$0	\$2,441	0.00%
69	Payroll Taxes		\$14,028	\$0	\$14,028	0.00%
70	Sales Tax on Toyota Tundra 4x4 Pickup		\$0	\$0	\$0	0.00%
71	TOTAL TAXES OTHER THAN INCOME		\$16,469	\$0	\$16,469	
72	TOTAL OPERATING EXPENSES		\$292,137	\$0	\$292,137	
73	Interest Expense	(3)	\$2,437	\$0	\$2,437	0.00%
74	Return on Equity	(3)	\$17,299	\$0	\$17,299	0.00%
75	Income Taxes	(3)	\$4,308	\$0	\$4,308	0.00%
76	TOTAL INTEREST RETURN & TAXES		\$24,044	\$0	\$24,044	
77	TOTAL COST OF SERVICE		\$316,181	\$0	\$316,181	
78	Less: Miscellaneous Revenues		\$24,840	\$0	\$24,840	0.00%
79	COST TO RECOVER IN RATES		\$291,341	\$0	\$291,341	
80	INCREMENTAL INCREASE IN RATE REVENUES		\$53,717			
81	PERCENTAGE OF INCREASE		20.47%			
82	REQUESTED INCREASE IN REVENUES		\$0			

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

Terre Du Lac Utilities Corporation
 Informal Rate/Certification Case
 Case No. SR-2014-0105
 Test Year Ending 9/30/2013 Updated Through 12/31/2013
 Rate Base Required Return on Investment Schedule - Sewer

Line Number	A Rate Base Description	B Dollar Amount
1	Plant In Service	\$704,475 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$288,458</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$416,017
4	Other Rate Base Items:	\$0
	Contribution of Aid of Construction	-\$256,720
	CIAC Depreciation	\$70,977
	Inventory (at 12/31/2013)	<u>\$2,305</u>
5	Total Rate Base	<u>\$232,579</u>
6	Total Weighted Rate of Return Including Income Tax	<u>10.34%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$24,045</u></u>

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Rate of Return Including Income Tax - Sewer

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	5.81%	$(1 - (B2 \times .5)) \times A1$
2 Federal Income Tax Rate Statutory / Effective	15.00% (1) & (2)	14.13%	$(1 - B1) \times A2$
3 Composite Effective Income Tax Rate		19.94%	$B1 + B2$
4 Equity Tax Factor		1.2490	$1 / (1 - B3)$
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		7.44%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		9.29%	$B4 \times B5$
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		1.05%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		10.34%	$B6 + B7$

(1) If Sub-Chapter S Corporation, Enter Y: N To Rate Base Schedule

Equity Income Required \$20,352
& Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$20,352	\$3,053
\$50,001	\$75,000	25.00%	\$0	\$0
\$75,001	\$100,000	34.00%	\$0	\$0
\$100,001	\$335,000	39.00%	\$0	\$0
\$335,001	\$9,999,999,999	34.00%	\$0	\$0
			\$20,352	\$3,053
			Consolidated Tax Rate:	
			Average Tax Rate:	0.15

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Capital Structure Schedule - Sewer

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$187,420	80.58%	9.23%	7.438%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$45,159	19.42%	5.40%	1.048%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	<u>\$232,579</u>	<u>100.00%</u>		<u>8.486%</u>

To PreTax Return Rate Schedule

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Plant In Service - Sewer

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	300.000	Stipulated Plant	\$60,347			100.00%	\$60,347
3		TOTAL INTANGIBLE PLANT	\$60,347		\$0		\$60,347
4		SOURCE OF SUPPLY PLANT					
5	311.000	Structures & Improvements	\$8,309			100.00%	\$8,309
6		TOTAL SOURCE OF SUPPLY PLANT	\$8,309		\$0		\$8,309
7		COLLECTION PLANT					
8	352.100	Collection Sewers - Force	\$205,198			100.00%	\$205,198
9	352.200	Collection Sewers - Gravity	\$37,233			100.00%	\$37,233
10	353.000	Services	\$258,021			100.00%	\$258,021
11	354.000	Flow Measurement Devices	\$0			100.00%	\$0
12		TOTAL COLLECTION PLANT	\$500,452		\$0		\$500,452
13		PUMPING PLANT					
14	362.000	Receiving Wells	\$0			100.00%	\$0
15	363.000	Electric Pumping Equipment	\$21,974	P-15	\$695	100.00%	\$22,669
16		TOTAL PUMPING PLANT	\$21,974		\$695		\$22,669
17		TREATMENT & DISPOSAL PLANT					
18	372.000	Treatment and Disposal Equipment	\$41,378	P-18	\$3,479	100.00%	\$44,857
19		TOTAL TREATMENT & DISPOSAL PLANT	\$41,378		\$3,479		\$44,857
20		GENERAL PLANT					
21	390.000	Structures & Improvements - Office/Shop	\$0			100.00%	\$0
22	391.000	Office Furniture & Equipment	\$10,697	P-22	\$25	100.00%	\$10,722
23	391.100	Electronic Office Equipment	\$852	P-23	\$28	100.00%	\$880
24	392.000	Transportation Equipment	\$33,587	P-24	-\$6,854	100.00%	\$26,733
25	394.000	Tools, Shop and Garage Equipment	\$2,662	P-25	-\$74	100.00%	\$2,588
26	395.000	Laboratory Equipment	\$437	P-26	-\$161	100.00%	\$276
27	396.000	Power Operated Equipment	\$25,882			100.00%	\$25,882
28	397.000	Communication Equipment	\$760			100.00%	\$760
29		TOTAL GENERAL PLANT	\$74,877		-\$7,036		\$67,841
30		TOTAL PLANT IN SERVICE	\$707,337		-\$2,862		\$704,475

To Rate Base & Depreciation Schedules

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Schedule of Adjustments for Plant in Service - Sewer

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
P-15	Electric Pumping Equipment	363.000		\$695
	1. To Reflect Capitalization of Zoeller High Head Waste Pump at Lift Station #2 on 3/16/2013 (Grissum)		\$1,209	
	2. To Reflect Retirement of Pump installed on 2/28/2012 at Lift Station #2 (Grissum)		-\$850	
	3. To Reflect Capitalization of Zoeller High Head Waste Pump and Master Pump Switch installed at Lift Station #2 on 4/3/2012 as agreed during settlement (Grissum)		\$1,247	
	3. To Reflect Capitalization of M&S purchased and installed for Sewer Tap at main entrance of TDL (Grissum)		\$767	
	4. To Reflect Capitalization of 2" - Zoeller 230V sewage pump installed at Lift Station #1 on 7/19/2013 (Grissum)		\$1,007	
	5. To Reflect Retirement of Zoeller 230V sewage pump installed on 2/9/2011 at Lift Station #1 (Grissum)		-\$1,048	
	6. To Reflect Addition of 2hp Blue Angel Pump installed at Lift Station #2 on 10/17/2013 (Grissum)		\$794	
	7. To Reflect Retirement of pump installed at Lift Station #2 on 3/16/2013 (Grissum)		-\$1,209	
	8. To Reflect Retirement of Zoeller High Head Waste Pump and Master Pump Switch installed at Lift Station #2 on 4/3/2012 as agreed during settlement (Grissum)		-\$1,247	
	9. To adjust plant for settlement with OPC. (Ferguson)		\$25	

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Schedule of Adjustments for Plant in Service - Sewer

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
P-18	Treatment and Disposal Equipment	372.000		\$3,479
	1. To Reflect Capitalization of Rotating Assembly installed at Oxidation Ditch on 12/20/2012 (Grissum)		\$2,081	
	2. To Reflect Capitalization of Rotor Bearing installed at Oxidation Ditch on 9/20/2013 (Grissum)		\$786	
	3. To Reflect Addition of Leeson Motor on floating aerator at 3-Cell Lagoon (Grissum)		\$431	
	4. To Reflect Addition of Leeson Motor on floating aerator at 3-Cell Lagoon (Grissum)		\$431	
	5. To remove the sludge holding tank from plant due to violation of DNR clean water regulation. (Ferguson)		-\$250	
P-22	Office Furniture & Equipment	391.000		\$25
	1. To reflect purchase of Plat Map Cabinet (Grissum)		\$25	
P-23	Electronic Office Equipment	391.100		\$28
	1. To remove printer adapter from plant due to lack of invoice/receipt. (Ferguson)		\$28	
P-24	Transportation Equipment	392.000		-\$6,854
	1. To Reflect Addition of 2000 Chevy PU with Utility Bed (Grissum)		\$2,750	
	2. To Reflect Retirement of 2002 Ford F-150 PU (Grissum)		-\$9,713	
	3. To Reflect Retirement of 2008 Toyota Tundra (Grissum)		-\$14,281	
	4. To Reflect Addition of 2012 Toyota Tundra (Grissum)		\$18,108	

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Schedule of Adjustments for Plant in Service - Sewer

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
	5. To remove the surrogate 2009 Ford Ranger in order to replace with mileage. (Ferguson)		-\$3,718	
P-25	Tools, Shop and Garage Equipment	394.000		-\$74
	1. To remove miscellaneous tools not considered as plant items. (Ferguson)		-\$74	
P-26	Laboratory Equipment	395.000		-\$161
	1. To reflect addition of new pocket meter purchased under Inv. 177.96 on 10/16/2013 for Oxidation Ditch (Grissum)		\$276	
	2. To reflect retirement of pocket meter purchased on 7/19/2011 as agreed during settlement (Grissum)		-\$437	
Total Plant Adjustments				<u>-\$2,862</u>

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Depreciation Expense - Sewer

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2	300.000	Stipulated Plant	<u>\$60,347</u>	2.50%	<u>\$1,509</u>
3		TOTAL INTANGIBLE PLANT	<u>\$60,347</u>		<u>\$1,509</u>
4		SOURCE OF SUPPLY PLANT			
5	311.000	Structures & Improvements	<u>\$8,309</u>	2.50%	<u>\$208</u>
6		TOTAL SOURCE OF SUPPLY PLANT	<u>\$8,309</u>		<u>\$208</u>
7		COLLECTION PLANT			
8	352.100	Collection Sewers - Force	\$205,198	2.00%	\$4,104
9	352.200	Collection Sewers - Gravity	\$37,233	2.00%	\$745
10	353.000	Services	\$258,021	2.00%	\$5,160
11	354.000	Flow Measurement Devices	<u>\$0</u>	0.00%	<u>\$0</u>
12		TOTAL COLLECTION PLANT	<u>\$500,452</u>		<u>\$10,009</u>
13		PUMPING PLANT			
14	362.000	Receiving Wells	\$0	0.00%	\$0
15	363.000	Electric Pumping Equipment	<u>\$22,669</u>	10.00%	<u>\$2,267</u>
16		TOTAL PUMPING PLANT	<u>\$22,669</u>		<u>\$2,267</u>
17		TREATMENT & DISPOSAL PLANT			
18	372.000	Treatment and Disposal Equipment	<u>\$44,857</u>	5.00%	<u>\$2,243</u>
19		TOTAL TREATMENT & DISPOSAL PLANT	<u>\$44,857</u>		<u>\$2,243</u>
20		GENERAL PLANT			
21	390.000	Structures & Improvements - Office/Shop	\$0	0.00%	\$0
22	391.000	Office Furniture & Equipment	\$10,722	5.00%	\$536
23	391.100	Electronic Office Equipment	\$880	0.00%	\$0
24	392.000	Transportation Equipment	\$26,733	13.00%	\$3,475
25	394.000	Tools, Shop and Garage Equipment	\$2,588	5.00%	\$129
26	395.000	Laboratory Equipment	\$276	8.30%	\$23
27	396.000	Power Operated Equipment	\$25,882	6.70%	\$1,734
28	397.000	Communication Equipment	<u>\$760</u>	0.00%	<u>\$0</u>
29		TOTAL GENERAL PLANT	<u>\$67,841</u>		<u>\$5,897</u>
30		Total Depreciation	<u><u>\$704,475</u></u>		<u><u>\$22,133</u></u>

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Accumulated Depreciation Reserve - Sewer

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	300.000	Stipulated Plant	\$46,024			100.00%	\$46,024
3		TOTAL INTANGIBLE PLANT	\$46,024		\$0		\$46,024
4		SOURCE OF SUPPLY PLANT					
5	311.000	Structures & Improvements	\$2,137	R-5	\$4	100.00%	\$2,141
6		TOTAL SOURCE OF SUPPLY PLANT	\$2,137		\$4		\$2,141
7		COLLECTION PLANT					
8	352.100	Collection Sewers - Force	\$65,678			100.00%	\$65,678
9	352.200	Collection Sewers - Gravity	\$17,133			100.00%	\$17,133
10	353.000	Services	\$95,369	R-10	-\$17,603	100.00%	\$77,766
11	354.000	Flow Measurement Devices	\$0			100.00%	\$0
12		TOTAL COLLECTION PLANT	\$178,180		-\$17,603		\$160,577
13		PUMPING PLANT					
14	362.000	Receiving Wells	\$0			100.00%	\$0
15	363.000	Electric Pumping Equipment	\$7,294	R-15	\$305	100.00%	\$7,599
16		TOTAL PUMPING PLANT	\$7,294		\$305		\$7,599
17		TREATMENT & DISPOSAL PLANT					
18	372.000	Treatment and Disposal Equipment	\$16,898	R-18	-\$79	100.00%	\$16,819
19		TOTAL TREATMENT & DISPOSAL PLANT	\$16,898		-\$79		\$16,819
20		GENERAL PLANT					
21	390.000	Structures & Improvements - Office/Shop	\$0			100.00%	\$0
22	391.000	Office Furniture & Equipment	\$9,582			100.00%	\$9,582
23	391.100	Electronic Office Equipment	\$1,374			100.00%	\$1,374
24	392.000	Transportation Equipment	\$38,252	R-24	-\$18,991	100.00%	\$19,261
25	394.000	Tools, Shop and Garage Equipment	\$2,223	R-25	-\$3	100.00%	\$2,220
26	395.000	Laboratory Equipment	-\$401			100.00%	-\$401
27	396.000	Power Operated Equipment	\$22,473			100.00%	\$22,473
28	397.000	Communication Equipment	\$789			100.00%	\$789
29		TOTAL GENERAL PLANT	\$74,292		-\$18,994		\$55,298
30		TOTAL DEPRECIATION RESERVE	\$324,825		-\$36,367		\$288,458

To Rate Base Schedule

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount
R-5	Structures & Improvements	311.000		\$4
	1. To correct depreciation reserve for settlement. (Ferguson)		\$4	
R-10	Services	353.000		-\$17,603
	1. To correct depreciation rate for account to match for CIAC. (Ferguson)		-\$17,603	
R-15	Electric Pumping Equipment	363.000		\$305
	1. To reflect retirement of pump installed on 4/3/2012 as agreed during settlement (Grissum)		-\$1,151	
	2. To correct depreciation reserve. (Ferguson)		\$1,456	
R-18	Treatment and Disposal Equipment	372.000		-\$79
	1. To remove reserve associated with removal of the sludge holding tank from plant. (Ferguson)		-\$30	
	2. To correct depreciation reserve. (Ferguson)		-\$49	
R-24	Transportation Equipment	392.000		-\$18,991
	1. To reflect retirement of 2002 Ford PU (Grissum)		-\$9,713	
	2. To reflect retirement of 2008 Toyota Tundra (Grissum)		-\$14,281	

Terre Du Lac Utilities Corporation
 Informal Rate/Certification Case
 Case No. SR-2014-0105
 Test Year Ending 9/30/2013 Updated Through 12/31/2013
 Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

<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
	3. To reflect trade-in allowance for purchase of 2012 Toyota Tundra (Grissum)		\$7,542	
	4. To correct depreciation reserve for settlement. (Ferguson)		-\$2,539	
R-25	Tools, Shop and Garage Equipment	394.000		-\$3
	1. To remove reserve for removal of small tools from plant. (Ferguson)		-\$3	
Total Reserve Adjustments				-\$36,367

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Revenue Schedule - Sewer

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$174,566	Rev-2	\$63,058	100.00%	\$237,624
Rev-3		Miscellaneous Revenues	\$25,331	Rev-3	-\$491	100.00%	\$24,840
Rev-4		TOTAL ANNUALIZED REVENUES	\$199,897		\$62,567		\$262,464

Terre Du Lac Utilities Corporation
 Informal Rate/Certification Case
 Case No. SR-2014-0105
 Test Year Ending 9/30/2013 Updated Through 12/31/2013
 Revenue Adjustment Schedule - Sewer

<u>A</u> Revenue Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
Rev-2	Annualized Rate Revenues			\$63,058
	1. To Annualize Rate Revenues		\$63,058	
	2. Description		\$0	
	3. Description		\$0	
Rev-3	Miscellaneous Revenues			-\$491
	1. To Annualize Miscellaneous Revenues		-\$491	
	2. Description		\$0	
Total Revenue Adjustments				\$62,567

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Revenue Summary Schedule - Sewer

Line Number	A Description	Residential Gravity & Pressure		Residential Aerator	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	1,232		9	
3	Bills Per Year	12		12	
4	Customer Bills Per year	14,784		108	
5	Current Customer Charge	\$15.83		\$6.00	
6	Annualized Customer Charge Revenues		\$234,031		\$648
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	0		0	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	0		0	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	\$0.00		\$0.00	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Sewer Rate Revenues		\$234,031		\$648

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

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Revenue Summary Schedule - Sewer

Line Number	A Description	Residential 1"		Commercial 2"	
		F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	3		1	
3	Bills Per Year	12		12	
4	Customer Bills Per year	36		12	
5	Current Customer Charge	<u>\$39.57</u>		<u>\$128.64</u>	
6	Annualized Customer Charge Revenues		\$1,425		\$1,520
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	<u>0</u>		<u>0</u>	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	<u>\$0.00</u>		<u>\$0.00</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Sewer Rate Revenues		<u>\$1,425</u>		<u>\$1,520</u>

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

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Revenue Summary Schedule - Sewer

Line Number	A Description	Total	
		J Amount	K Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	1,245	
3	Bills Per Year		
4	Customer Bills Per year	14,940	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$237,624
7	<u>Commodity Charge Revenues:</u>		
8	Total Gallons Sold	0	
9	Less: Base Gallons Included In Customer Charge	0	
10	Commodity Gallons	0	
11	Block 1, Commodity Gallons per Block		
12	Block 1, Number of Commodity Gallons per Unit		
13	Block 1, Commodity Billing Units		
14	Block 1, Existing Commodity Charge		
15	Block 1, Annualized Commodity Charge Rev.		\$0
16	Total Annualized Sewer Rate Revenues		\$237,624

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

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Miscellaneous Revenues Feeder - Sewer

Line Number	A Description	B Amount
1	Misc Service Revenues TYE 9/30/2013 (Grissum)	\$29,128
2	Adjustment to Normalize Misc Service Revenues to Offset Nrmalized Maintenance Expense - Customer Sewer Pumps	-\$7,293
3	Late Fee Payments (Ferguson)	\$1,302
4	Reconnect Fees (Ferguson)	\$1,658
5	Bad Check Fees (Ferguson)	\$45
6	Total Miscellaneous Revenues	<u>\$24,840</u>

Terre Du Lac Utilities Corporation
Informal Rate/Certification Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Expense Schedule - Sewer

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2		Salaries & Wages	\$76,694	S-2	\$60,837	100.00%	\$137,531
3		Payroll - Overtime Pay	\$1,851	S-3	-\$1,851	100.00%	\$0
4		Payroll - Sick Pay	\$1,248	S-4	-\$1,248	100.00%	\$0
5		Payroll - Holiday Pay	\$1,439	S-5	-\$1,439	100.00%	\$0
6		Payroll - Vacation Pay	\$450	S-6	-\$450	100.00%	\$0
7		Employee Benefits (Bonuses)	\$50	S-7	-\$50	100.00%	\$0
8		Uniform Allowance	\$1,996			100.00%	\$1,996
9		Electricity (Pumping Equipment, Office & Shop)	\$24,232	S-9	-\$11,796	100.00%	\$12,436
10		Chemicals	\$0	S-10	\$3,700	100.00%	\$3,700
11		TOTAL OPERATIONS EXPENSE	\$107,960		\$47,703		\$155,663
12		MAINTENANCE EXPENSES					
13		Outside Services - Hydro Services Inc. (Lab Analysis)	\$2,850	S-13	\$270	100.00%	\$3,120
14		Outside Services - Schultz Surveying & Engineering	\$4,025	S-14	-\$4,025	100.00%	\$0
15		Outside Services - Sludge Hauling	\$0	S-15	\$2,250	100.00%	\$2,250
16		Labor - Treatment Plant	\$891	S-16	-\$891	100.00%	\$0
17		System Repairs and Maintenance (sewer gravity systems, pumping equipment, treatment & disposal)	\$5,622	S-17	-\$4,060	100.00%	\$1,562
18		Maintenance - Customer Pressure Pumps	\$22,699	S-18	-\$413	100.00%	\$22,286
19		Maintenance - Jet Rodder	\$6	S-19	-\$6	100.00%	\$0
20		Maintenance - Other Plant Facilities	\$6,371	S-20	-\$4,707	100.00%	\$1,664
21		Backhoe Expenses	\$1,589			100.00%	\$1,589
22		Operating Supplies & Expense	\$4,983	S-22	\$14	100.00%	\$4,997
23		Operating Supplies - Sewer System	\$1,213	S-23	\$319	100.00%	\$1,532
24		TOTAL MAINTENANCE EXPENSE	\$50,249		-\$11,249		\$39,000
25		CUSTOMER ACCOUNT EXPENSE					
26		Billing & Collections	\$0	S-26	\$1,448	100.00%	\$1,448
27		Office Supplies	\$0			100.00%	\$0
28		Postage Expense	\$2,434	S-28	\$419	100.00%	\$2,853
29		Uncollectible Accounts	\$99			100.00%	\$99
30		TOTAL CUSTOMER ACCOUNT EXPENSE	\$2,533		\$1,867		\$4,400
31		ADMINISTRATIVE & GENERAL EXPENSES					
32		Outside Services - Accounting Services	\$1,661	S-32	-\$104	100.00%	\$1,557
33		DNR - Phase I Grant Expense	\$0	S-33	\$173	100.00%	\$173
34		General & Administrative Expense	\$515	S-34	-\$49	100.00%	\$466
35		General & Administrative - Outside Services	\$333	S-35	\$314	100.00%	\$647
36		Outside Services - Legal Fees	\$384	S-36	-\$384	100.00%	\$0
37		Professional Development	\$547	S-37	-\$178	100.00%	\$369
38		Office Phone & Wireless Phones	\$2,911	S-38	-\$1,433	100.00%	\$1,478
39		Big River Broadband - Internet Service	\$0	S-39	\$359	100.00%	\$359
40		Mileage - Kathy Tilley	\$0	S-40	\$949	100.00%	\$949
41		Fuel Expense (Vehicle and Equipment)	\$9,248	S-41	\$139	100.00%	\$9,387
42		Vehicle Expense	\$267	S-42	\$1,569	100.00%	\$1,836
43		Insurance - Vehicles	\$2,111	S-43	-\$820	100.00%	\$1,291
44		Insurance - Life - Owners Policy (Francis, Mike & Paul Tilley)	\$2,169	S-44	-\$2,169	100.00%	\$0
45		Insurance - Dental & Life (Francis, Mike & Kathy Tilley)	\$2,314	S-45	-\$662	100.00%	\$1,652
46		Insurance - Medical (Francis, Kaye, Mike & Kathy Tilley)	\$19,324	S-46	-\$2,831	100.00%	\$16,493
47		Insurance - Medical (Stephen Skiles)	\$265	S-47	-\$265	100.00%	\$0
48		Insurance - Co-Pays Paid by TDLU	\$327	S-48	-\$327	100.00%	\$0

Terre Du Lac Utilities Corporation
 Informal Rate/Certification Case
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 Expense Schedule - Sewer

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
49		Insurance - Workers Compensation	\$1,613	S-49	\$742	100.00%	\$2,355
50		Insurance - Property & Casualty	\$5,996	S-50	-\$202	100.00%	\$5,794
51		Insurance - Other	\$204	S-51	-\$204	100.00%	\$0
52		Maintenance - Building Expense	\$400	S-52	-\$59	100.00%	\$341
53		Rate Case Expense	\$0	S-53	\$1,768	100.00%	\$1,768
54		Other Misc. Expenses	\$198	S-54	-\$103	100.00%	\$95
55		TOTAL ADMINISTRATIVE AND GENERAL	\$50,787		-\$3,777		\$47,010
56		OTHER OPERATING EXPENSES					
57		MO DNR - Permit Fees	\$3,000	S-57	\$3,100	100.00%	\$6,100
58		MO DNR - Operator License - Ryan Skaggs	\$45			100.00%	\$45
59		PSC Assessment	\$15,675	S-59	-\$13,195	100.00%	\$2,480
60		Director of Revenue	\$786	S-60	-\$615	100.00%	\$171
61		Terre Du Lac Property Owners Association Dues	\$810			100.00%	\$810
62		Rural Water Association Fees (Annual Dues & Training)	\$820	S-62	-\$525	100.00%	\$295
63		Corporate Registration	\$0	S-63	\$10	100.00%	\$10
64		Amortization Expense	\$0	S-64	\$2,711	100.00%	\$2,711
65		Depreciation	\$0	S-65	\$16,973	100.00%	\$16,973
66		TOTAL OTHER OPERATING EXPENSES	\$21,136		\$8,469		\$29,595
67		TAXES OTHER THAN INCOME					
68		Real & Personal Property Taxes	\$2,496	S-68	-\$55	100.00%	\$2,441
69		Payroll Taxes	\$4,312	S-69	\$9,716	100.00%	\$14,028
70		Sales Tax on Toyota Tundra 4x4 Pickup	\$0	S-70	\$0	100.00%	\$0
71		TOTAL TAXES OTHER THAN INCOME	\$6,808		\$9,661		\$16,469
72		TOTAL OPERATING EXPENSES	\$239,473		\$52,664		\$292,137

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Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
S-2	Salaries & Wages			\$60,837
	1. To reclassify Salaries & Wages recorded to Power Purchase - Electricity (Grissum)		\$11,893	
	2. To annualize payroll for salaried employees (Grissum)		-\$732	
	3. To annualize payroll for hourly employees (Grissum)		\$10,752	
	4. To annualize salary for Mike Tilley at MERIC rate for Manager, All Others (Grissum)		\$8,497	
	5. To annualize wage for Robert Ludwig at Composite Average Mean MERIC rate (Grissum)		\$8,082	
	6. To annualize wage for Ryan Skaggs at Average Wage Mean MERIC rate (Grissum)		\$3,510	
	7. To annualize wage for Vacant position vacated by Jeff Anderson at Average Wage Entry Level MERIC rate (Grissum)		\$14,411	
	8. To annualize wage for New Position for Meter Reading/Maintenance at Average Wage Entry Level MERIC rate (Grissum)		\$5,087	
	9. To correct hourly wage for Stephen Skiles based upon new information provided to OPC by TDLU as agreed during settlement (Grissum)		\$1,686	
	10. Payroll Allocation Correction. (Ferguson)		-\$2,349	
S-3	Payroll - Overtime Pay			-\$1,851
	1. To remove overtime pay as the Company has relayed that overtime pay is given through compensation time. (Ferguson)		-\$1,851	
S-4	Payroll - Sick Pay			-\$1,248
	1. To remove sick pay as it is already reflected in Salaries & Wages (Grissum)		-\$1,248	

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A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
S-5	Payroll - Holiday Pay			-\$1,439
	1. To remove holiday pay as it is already reflected in Salaries & Wages (Grissum)		-\$1,439	
S-6	Payroll - Vacation Pay			-\$450
	1. To remove vacation pay as it is already reflected in Salaries & Wages (Grissum)		-\$450	
S-7	Employee Benefits (Bonuses)			-\$50
	1. To remove bonuses paid to employees. (Ferguson)		-\$50	
S-9	Electricity (Pumping Equipment, Office & Shop)			-\$11,796
	1. To reclassify Salaries & Wages (Grissum)		-\$11,893	
	2. To reclassify Hawkins Inv. No. 3496726 to Chemical Expense (Grissum)		-\$323	
	3. To reclassify Hawkins Inv. No. 3509448 to Chemical Expense (Grissum)		-\$967	
	4. To annualize/normalize electricity expense for Maintenance Shop based upon current Ameren Missouri Tariff rates (Grissum)		-\$84	
	5. To annualize/normalize electricity expense for TDLU Office based upon current Ameren Missouri Tariff rates (Grissum)		\$392	
	6. To annualize/normalize electricity expense for Oxidation Ditch based upon current Ameren Missouri Tariff rates (Grissum)		\$205	
	7. To annualize/normalize electricity expense for Lift Station #1 based upon current Ameren Missouri Tariff rates (Grissum)		\$49	

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Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	8. To annualize/normalize electricity expense for 3-Cell Lagoon based upon current Ameren Missouri Tariff rates (Grissum)		\$302	
	9. To annualize/normalize electricity expense for Lift Station #2 based upon current Ameren Missouri Tariff rates (Grissum)		-\$37	
	10. To annualize/normalize electricity expense for Lift Station #3 based upon current Ameren Missouri Tariff rates (Grissum)		\$486	
	11. To annualize/normalize sales tax for electricity expense (Grissum)		\$74	
S-10	Chemicals			\$3,700
	1. To reclassify TITAN Inv. No. 447 to Chemical Expense (Grissum)		\$979	
	2. To reclassify TITAN Inv. No. 4794 to Chemical Expense (Grissum)		\$3,013	
	3. To reclassify Hawkins Inv. No. 3496726 to Chemical Expense (Grissum)		\$323	
	4. To reclassify Hawkins Inv. 3509448 to Chemical Expense (Grissum)		\$967	
	5. To reclassify a portion of Inv. No. 3509448 to Chemical Expense for the Water System (Grissum)		-\$535	
	6. To normalize chemical expense (Grissum)		-\$1,047	
S-13	Outside Services - Hydro Services Inc. (Lab Analysis			\$270
	1. To normalize lab analysis expense based upon contract with Hydro Services Inc. (Grissum)		\$270	
S-14	Outside Services - Schultz Surveying & Engineering			-\$4,025

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A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To reclassify Outside Services provided by Schultz Surveying & Engineering in Jan 2013 erroneously recorded to Sewer System instead of Water System by TDLU (Grissum)		-\$250	
	2. To zero out annual expense for Schultz Surveying & Engineering as it will be capitalized as capital projects are completed (Grissum)		-\$3,775	
S-15	Outside Services - Sludge Hauling			\$2,250
	1. To reclassify sludge hauling (Grissum)		\$1,375	
	2. To normalize sludge hauling (Merciel)		\$3,425	
	3. To remove labor that is already included in payroll. (Ferguson)		-\$3,475	
	4. To remove miscellaneous expense for pressure pumps and move it to system repairs and maintenance. (Ferguson)		\$925	
S-16	Labor - Treatment Plant			-\$891
	1. To remove payroll expense erroneously recorded as it is already reflected in annualized payroll as agreed during settlement (Grissum)		-\$891	
S-17	System Repairs and Maintenance (sewer gravity sys)			-\$4,060
	1. To reclassify sludge hauling (Grissum)		-\$1,375	
	2. To reclassify B&D Auto Parts		-\$253	
	3. To reflect capitalization of Zoeller 230V sewage pump purchased from Capital Supply Co. and installed at Lift Station #1 on 7/19/2013 (Grissum)		-\$1,007	
	4. To reclassify Inv. No. 13-22978 to Maintenance - Sewer Repair erroneously Capitalized to Water System (Grissum)		\$319	

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	5. To reclassify Inv. No. 13-23064 to Maintenance - Sewer Repair erroneously Capitalized to Water System (Grissum)		\$37	
	6. To Normalize Maintenance Expense for Maintenance Supply & Engineering (Grissum)		\$316	
	7. To Normalize Maintenance Expense for Sewer Gravity (Grissum)		\$1	
	8. To Normalize Maintenance Expense for Pumping System (Grissum)		\$17	
	9. To Normalize Maintenance Expense for Treatment & Disposal Equipment based upon revised 3-yr average removing 20 hp pump installed on 9/28/2012 as agreed during settlement (Grissum)		-\$104	
	10. Correction to Maintenance for settlement purposes to match OPC. (Ferguson)		-\$2,011	
S-18	Maintenance - Customer Pressure Pumps			-\$413
	1. To reclassify Inv. No. 13-22873 to Maintenance - Customer Pressure Pumps (Grissum)		\$40	
	2. To reclassify Inv. No. 13-22588 to Maintenance - Customer Pressure Pumps (Grissum)		\$13	
	3. Correction to Maintenance Pressure pumps to account for misbooked items to match OPC. (Ferguson)		-\$916	
	4. To include miscellaneous supplies expense for customer pressure pumps. (Ferguson)		\$450	
S-19	Maintenance - Jet Rodder			-\$6
	1. To remove maintenance expense for Jet Rodder that is no longer in use (Grissum)		-\$6	
S-20	Maintenance - Other Plant Facilities			-\$4,707

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	1. To reflect capitalization of Leeson Motor installed at 3-Cell Lagoon on floating aerator (Grissum)		-\$431	
	2. To reflect capitalization of Zoeller High Head Waste Pump purchased from USA Bluebook and installed at Lift Station #2 on 3/16/2013 (Grissum)		-\$1,209	
	3. To reclassify TITAN Inv. No. 4794 to Chemical Expense (Grissum)		-\$3,013	
	4. To revise TY level Maintenance Expense - Other Plant Facilities to reflect credit balance remaining on Grainger account after return of items purchased under Inv. #9138007845 and replaced with items purchased under Inv. #9171041891 as agreed during settlement (Grissum)		-\$404	
	5. To normalize Maintenance Expense - Other Plant Facilities based upon revised 3-yr average as agreed during settlement (Grissum)		-\$121	
	6. To include level of maintenance expense for settlement with OPC. (Ferguson)		\$471	
S-22	Operating Supplies & Expense			\$14
	1. To reclassify Missouri One Call (Grissum)		-\$127	
	2. To reclassify B&D Auto Parts (Grissum)		-\$41	
	3. To reflect capitalization of rotating assembly installed at Oxidation Ditch on 12/20/2012 (Grissum)		-\$2,081	
	4. To reclassify TITAN Inv. No. 447 to Chemical Expense (Grissum)		-\$979	
	5. To account for reclassification items to match OPC for settlement. (Ferguson)		\$3,242	
S-23	Operating Supplies - Sewer System			\$319

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	1. To reclassify items into Operating Supplies. (Ferguson)		\$319	
S-26	Billing & Collections			\$1,448
	1. To reflect allowance for card stock and envelopes related to W&S billing (Grissum)		\$1,448	
S-28	Postage Expense			\$419
	1. To reclassify postage expense (Grissum)		\$49	
	2. To annualize postage expense (Grissum)		\$370	
S-32	Outside Services - Accounting Services			-\$104
	1. To normalize accounting service fees (Grissum)		-\$3	
	2. To further normalize accounting service fees for settlement. (Ferguson)		-\$101	
S-33	DNR - Phase I Grant Expense			\$173
	1. To reclassify advertising expense (Grissum)		\$173	
S-34	General & Administrative Expense			-\$49
	1. To reclassify postage expense (Grissum)		-\$49	
S-35	General & Administrative - Outside Services			\$314
	1. To reclassify advertising expense (Grissum)		-\$173	
	2. To reclassify lawn mowing performed by Paul Tilley (Grissum)		-\$160	
	3. To reclassify MO one call and Moswing services. (Ferguson)		\$647	
S-36	Outside Services - Legal Fees			-\$384

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A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To disallow legal fees paid to Bruntrager & Billings re: DNR compliance issues that could have been avoided by TDLU (Grissum)		-\$384	
S-37	Professional Development			-\$178
	1. To remove payroll expense erroneously recorded to Professional Development as agreed during settlement (Grissum)		-\$256	
	2. To reclassify education expenses for settlement. (Ferguson)		\$78	
S-38	Office Phone & Wireless Phones			-\$1,433
	1. To reflect disallowance of wireless phone service for Judy Tilley, Audrey Tilley and Francis Tilley who are not affiliated with TDLU operations (Grissum)		-\$589	
	2. To annualize office phone expense based upon the most current 12 months allocated as a percentage of Total Payroll (Grissum)		\$94	
	3. To settle phone expense with OPC. (Ferguson)		-\$938	
S-39	Big River Broadband - Internet Service			\$359
	1. To annualize Internet Service secured with Big River Broadband for TDLU Office (Grissum)		\$300	
	2. To include most current amount of internet bill for settlement. (Ferguson)		\$59	
S-40	Mileage - Kathy Tilley			\$949
	1. To include mileage expense for Kathy Tilley rather than a non-company owned vehicle in rate base. (Ferguson)		\$949	
S-41	Fuel Expense (Vehicle and Equipment)			\$139

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Expense Adjustment Schedule - Sewer

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	1. To reclassify tire for dump truck erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		-\$405	
	2. To reclassify repair of 2008 Toyota PU from Nov 2012 erroneously recorded to gasoline & diesel fuel by TDLU (Grissum)		-\$484	
	3. To reclassify repair of 2008 Toyota PU from Aug 2013 erroneously recorded to gasoline & diesel fuel by TDLU (Grissum)		-\$385	
	4. To annualize fuel expense based upon a recommended per gallon price of \$3.494 for regular unleaded and \$3.903 for diesel fuel (Grissum)		\$1,798	
	5. To remove fuel expense for Kathy Tilley and replace with mileage. (Ferguson)		-\$385	
S-42	Vehicle Expense			\$1,569
	1. To reclassify B&D Auto Parts erroneously recorded to operating supplies & expense by TDLU (Grissum)		\$41	
	2. To reclassify B&D Auto Parts erroneously recorded to Maintenance - Treatment & Disposal by TDLU (Grissum)		\$253	
	3. To reclassify tire for dump truck erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		\$405	
	4. To reclassify repair to 2008 Toyota PU erroneously recorded to gasoline & diesel fuel expense (Grissum)		\$485	
	5. To reclassify repair to 2008 Toyota PU from Aug 2013 erroneously recorded to gasoline & diesel fuel expense by TDLU (Grissum)		\$385	
S-43	Insurance - Vehicles			-\$820

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Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To annualize vehicle insurance expense based upon current premium as a percentage of Total Payroll (Grissum)		\$875	
	1. To disallow portion of vehicle insurance for Cadillac CTS not used for TDLU business (Grissum)		-\$844	
	3. To account for latest vehicle insurance policy and reallocate based on correct payroll allocation. (Ferguson)		-\$851	
S-44	Insurance - Life - Owners Policy (Francis, Mike & Pat			-\$2,169
	1. To reflect disallowance for Owners' Life Policy premiums paid (Grissum)		-\$2,169	
S-45	Insurance - Dental & Life (Francis, Mike & Kathy Tille			-\$662
	1. To annualize MetLife Dental & Life based upon current premium notice (Grissum)		\$21	
	2. To reflect disallowance of premium paid to MetLife Dental & Life for Francis Tilley (Grissum)		-\$685	
	3. To reflect disallowance of premiums paid for Mike and Kathy Tilley for AD&D and Life Insurance (Grissum)		-\$202	
	4. To include premiums paid for AD&D and Life Insurance for Mike and Kathy Tilley for settlement. (Ferguson)		\$204	
S-46	Insurance - Medical (Francis, Kaye, Mike & Kathy Till			-\$2,831
	1. To annualize Anthem Blue Cross/Blue Shield based upon current premium notice (Grissum)		-\$217	
	2. To reflect disallowance of premium paid to Anthem Blue Cross/Blue Shield for Francis & Kaye Tilley (Grissum)		-\$2,614	
S-47	Insurance - Medical (Stephen Skiles)			-\$265

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A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To reflect removal of non-recurring expense for Anthem Blue Cross/Blue Shield paid for Stephen Skiles (Grissum)		-\$265	
S-48	Insurance - Co-Pays Paid by TDLU			-\$327
	1. To reflect disallowance of Co-Pays paid by TDLU for employees (Grissum)		-\$327	
S-49	Insurance - Workers Compensation			\$742
	1. To annualize workers comp insurance based upon current premium notice as a percentage of Total Payroll (Grissum)		\$923	
	2. To reallocate workers Compensation based on new payroll allocation. (Ferguson)		-\$181	
S-50	Insurance - Property & Casualty			-\$202
	1. To annualize property & casualty insurance based upon current premium as a percentage of Total Rate Base (Grissum)		-\$202	
S-51	Insurance - Other			-\$204
	1. To remove as already reflected in annualized amounts above (Grissum)		-\$204	
S-52	Maintenance - Building Expense			-\$59
	1. To annualize building expense maintenance for settlement with OPC. (Ferguson)		-\$59	
S-53	Rate Case Expense			\$1,768
	1. To normalize rate case expense over 2 years. (Ferguson)		\$1,768	
S-54	Other Misc. Expenses			-\$103

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A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To reclassify lawn mowing performed by Hayden Tilley (Grissum)		-\$78	
	2. To capitalize 1/2 cost of Used Plat Map Cabinet (Grissum)		-\$25	
S-57	MO DNR - Permit Fees			\$3,100
	1. To reclassify permit fees paid for oxidation ditch and 1-cell lagoon erroneously recorded by TDLU (Grissum)		\$3,100	
S-59	PSC Assessment			-\$13,195
	1. To reflect FY2014-2015 MoPSC Assessment (Ferguson).		-\$13,195	
S-60	Director of Revenue			-\$615
	1. To reclassify sales tax paid on purchase of 2012 Toyota Tundra 4x4 pickup (Grissum)		-\$615	
S-62	Rural Water Association Fees (Annual Dues & Traini			-\$525
	1. To reclassify Rural Water Association Fees for settlement. (Ferguson)		-\$525	
S-63	Corporate Registration			\$10
	1. To reflect annual corporation registration fee paid to the Missouri Secretary of State's Office (Grissum)		\$10	
S-64	Amortization Expense			\$2,711
	1. To reflect two-year amortization of fees paid to Schultz Surveying & Engineering re: System Design and AGO/DNR Compliance issues and Report Preparation (Grissum)		\$2,263	

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Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	2. To reflect two-year amortization of cost of mailing customer notice related to rate case proceeding, LPH and Final customer notice (Grissum)		\$438	
	3. To include amortization on chlorine drums for settlement. (Ferguson)		\$10	
S-65	Depreciation			\$16,973
	1. To Annualize Depreciation		\$22,133	
	2. To reflect depreciation expense for CIAC (Grissum)		-\$5,160	
S-68	Real & Personal Property Taxes			-\$55
	1. To reflect most recent tax liability paid in Dec 2013 with combined use locations allocated as a percentage of total payroll (Grissum)		-\$603	
	2. To remove personal property tax related to Cadillac CTS and substitute estimated tax for 2009 Ford Ranger (Grissum)		-\$244	
	3. To reclassify Personal Property tax and remove 2009 Ford Ranger. (Ferguson)		\$792	
S-69	Payroll Taxes			\$9,716
	1. To annualize payroll taxes for salaried employees (Grissum)		-\$75	
	2. To annualize payroll taxes for hourly employees (Grissum)		\$1,097	
	3. To reflect additional payroll taxes for OT pay allowance (Grissum)		\$189	
	4. To annualize payroll taxes to account for increase in annualized salaries and wages at MERIC rate (Grissum)		\$4,038	

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A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	5. To reflect additional payroll taxes associated with correction to hourly wage of Stephen Skiles based upon new information provided to OPC by TDLU as agreed during settlement (Grissum)		\$172	
	6. To reallocate payroll taxes based on new payroll allocation. (Ferguson)		\$4,295	
S-70	Sales Tax on Toyota Tundra 4x4 Pickup			\$0
	1. To reclassify sales tax paid on purchase of 2012 Toyota Tundra 4x4 pickup (Grissum)		\$615	
	2. To capitalize sales tax as part of original cost of 2012 Toyota Tundra PU (Grissum)		-\$615	
Total Expense Adjustments				\$52,664

Agreement Attachment C

Rate Base Worksheet

Terre Du Lac Utilities Corporation
Informal Case/Rate Case
Case No. SR-2014-0105
Test Year Ending 9/30/2013 Updated Through 12/31/2013
Rate Base Worksheet

Line Number	A	B
	Rate Base Description	Dollar Amount
1	Plant in Service	\$ 704,475
2	Less Accumulated Depreciation Reserve	\$ 288,458
3	Net Plant in Service	<u>\$ 416,017</u>
4	Other Rate Base Items:	
	Contribution in Aid of Construction	\$ (256,720)
	CIAC Depreciation	\$ 70,977
	Inventory (at 12/31/2013)	\$ 2,305
5	Total Rate Base	<u><u>\$ 232,579</u></u>

Agreement Attachment D

Schedule of Depreciation Rates

Terre Du Lac Utility Company

DEPRECIATION RATES

(SEWER)

SR-2014-0105

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
300	Stipulated Plant	2.5%	40	0%
311	Structures and Improvements	2.5%	44	-10%
352.1	Collection Sewers (Force)	2.0%	50	0%
352.2	Collection Sewers (Gravity)	2.0%	50	0%
353	Services	2.0%	50	0%
354	Flow Measurement Devices	3.3%	30	0%
362	Receiving Wells	5.0%	26	-5%
363	Electric Pumping Equipment	10.0%	10	0%
371	Treatment Plant Shed	2.5%	44	-10%
372	Treatment & Disposal Equipment	5.0%	22	-10%
390	Structures & Improvements Office/Shop	2.5%	44	-10%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Electronic Office Equipment	0.0%	Excessively Accrued	
392	Transportation Equipment	13.0%	7	9%
393	Stores Equipment	4.0%	25	0%
394	Tools, Shop, and Garage Equipment	5.0%	18	10%
395	Laboratory Equipment	8.3%	12	0%
396	Power Operated Equipment	6.7%	13	13%
397	Communication Equipment	3.3%	Over Accrued	

Reviewed, 1/7/2014. The above are standard small company depreciation rates modified as a result of Staff's investigation of the Company's operation, records, and physical plant, and are dependent on the Company's implementation of the end of test year adjustments to the Company's plant in service and accumulated reserves as shown in the Staff accounting schedules.

Agreement Attachment E

Example Tariff Sheets

Name of Utility: Terre Du Lac Utilities Corporation

Service Area: Terre Du Lac Development

St. Francois and Washington Counties, Missouri

Rules and Regulations Governing Rendering of
Sewer Service

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- * Indicates new rate or text
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Legal Description of Service Area

ST. FRANCOIS COUNTY:

4,461.28 acres, more or less, in Township 37 North, Range 4 East, St. Francois County, Missouri, being described by numbered parcels and listed numerically by Section as shown on the accompanying map.

SECTION 7:

1. All of the Northwest quarter of the Southwest quarter, containing 40 acres, more or less.
2. All of the South half of the Southwest quarter, containing 80 acres, more or less.

SECTION 15:

3. All of four acres in the Southeast corner of the North half of the Southwest quarter of the Southwest quarter, describes as follows:
Beginning at the Southeast corner of the North half of the Southwest quarter of the Southwest quarter and running North two acres, thence West two acres, thence South two acres, thence East two acres to the beginning corner containing 4 acres.
4. All of the South half of the Southwest quarter of the Southwest quarter containing 20 acres, more or less.

SECTION 16:

5. All of the Southeast quarter of the Southeast quarter, containing 40 acres, more or less.
6. All of the East Half of the Northwest Quarter, containing 80 acres, more or less.
7. All of the Southwest Quarter except a tract of 0.97 of an acre which was conveyed by Grantor to Clarence Peppers by General Warranty Deed, dated April 25th, 1963 and also excepting all that part of a cemetery, known as the Germania Cemetery, which lies in said Southwest Quarter, containing 158 acres, more or less.

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SECTION 18:

8. All that Part of the Southeast Quarter of the Northeast Quarter described as follows:
Beginning at the Southwest corner thereof; thence N.1° 37'E, 818.40'; thence S. 85° 00'E, 1,080.00' to the point of beginning and containing 19.51 acres, more or less.
9. South Half containing 322.86 acres, more or less.
10. The South Half of Lot 2 of the Northwest Quarter, containing 39.14 acres, more or less.
11. All of the North Half of the Northwest Quarter, containing 77.56 acres, more or less.

SECTION 19:

12. All of Section 19, containing 647.06 acres, more or less.

SECTION 20:

13. The West Half of the Northwest Quarter, containing 80 acres, more or less.
14. All of the Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$, containing 40 acres, more or less.
15. The Southwest Quarter, containing 160 acres, more or less.
16. The West Half of the Southeast Quarter, containing 80 acres more or less.

SECTION 21:

17. The Southwest quarter of the Northwest quarter, containing 40 acres, more or less.
18. The East half of the Southwest quarter, containing 80 acres, more or less.
19. The East half, containing 320 acres, more or less.

SECTION 22:

20. The Northwest quarter of the Northwest quarter, containing 40 acres, more or less.

SECTION 27:

21. All that part of the Southwest Quarter of the Northwest Quarter lying west of the western right-of-way line of the easternmost main line track of the Missouri-Illinois

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Railroad Company and containing 28.47 acres, more or less; excepting however, the right-of-ways of said Missouri-Illinois Railroad Company.

SECTION 28:

22. 547.44 acres, more or less, being all that part lying North of Big River, except the Northwest quarter of the Northwest quarter and also excepting the right-of-ways of the Missouri-Illinois Railroad Company.

SECTION 29:

23. All of Section 29, containing 640 acres, more or less.

SECTION 30:

24. 612.24 acres, more or less, being all except the Surface Rights only to that certain tract of land containing 27.76 acres, more or less, which was deeded to Crawford Moser by deed which is recorded in Book 81, at Page 253, in the Recorder's Office of St. Francois County, Missouri; and is more particularly described as follows: Beginning at the South quarter corner; thence along the North-South centerline of Section 30, North, 920.00'; thence Easterly to a point on the East side of the S.W. $\frac{1}{4}$ of the S.E. $\frac{1}{4}$; thence along said line, South 920.00' to the Southeast corner thereof; thence, Westerly along the South line of Section 30 to the point of beginning; and containing 27.76 acres, more or less; and also excepting a small tract of land in the Northwest Quarter of the Southwest Quarter of said Southeast Quarter of Section 30, Township 37 North, Range 4 East, which is now used for a cemetery and which is more particularly described as follows:

Beginning at a point which is located 1,546.45 feet north of and 2,420.77 feet west of the Southeast corner of said Section 30, said point marking the Northwest corner and beginning point of the cemetery tract; thence S. $82^{\circ} 35'$ E. 41.48 feet to the Northeast corner of said cemetery; thence S. $7^{\circ} 56'$ W. 40.41 feet to the Southeast corner of said

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cemetery; thence N. 5° 49' E. 40.20 feet to point of beginning and containing 0.037 of an acre, more or less.

SECTION 32:

25. All of that part of the North half lying North of the following described line: Beginning at the Southwest corner of the North half of the North half of the northwest quarter; thence along the South line to the Southeast corner thereof; thence South easterly to the Southwest corner of the North half of the Southeast quarter of the Northeast quarter; thence along the South line to the Southeast corner thereof, containing 140 acres, more or less.

SECTION 33:

26. All that part of the North half which lies West of Big River and North of the following described line: Beginning at the mid-point of the Western boundary line of the Southwest Quarter of the Northwest Quarter; thence Easterly to the center thereof; thence Northeasterly to the Northwest Quarter; thence Easterly to the mid-point of the Northwestern boundary line thereof; thence South-easterly to a point on the Western boundary line of the Southwest Quarter of the Northeast Quarter, 660 feet North of the Southwest corner thereof; thence, parallel to the Southern boundary line thereof, Easterly to Big River, containing 125 acres, more or less.

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WASHINGTON COUNTY:

700 acres, more or less, in Township 37 North, Range 3 East, Washington County, Missouri, being described by numbered parcels and listed numerically by Section as shown on the accompanying map.

SECTION 12:

1. The Southeast quarter, containing 160 acres, more or less.
2. The South half of the Southwest quarter, containing 80 acres, more or less.

SECTION 13:

3. The Northeast quarter, containing 160 acres, more or less.
4. The North half of the Northwest quarter, containing 80 acres, more or less.

SECTION 25:

5. The Northeast quarter, containing 160 acres, more or less.
6. The Northwest quarter of the Southeast quarter, containing 40 acres, more or less.

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Rules and Regulations Governing Rendering of
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Schedule of Rates

Availability:

Available to any customer located in the Company's certificated service territory.

Sewer Service Rates:

Residential and Commercial (5/8" & 3/4" meters)	\$ 19.41 per month
Commercial, Multi-Family & Residential (1" meter)	\$ 48.52 per month
Commercial, Multi-Family & Residential (2" meter)	\$155.27 per month

All Applicable Federal, State or local taxes shall be included in addition to the above charges.

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Rules and Regulations Governing Rendering of
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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.

Service Connection Inspection Fee

\$35

See Rule 5 B.

Reinspection Fee

\$20

Sewer Service Line Inspection Fee

\$25

See Rule 5 C.

Late Charges

\$5 or 3%

The late charge is calculated monthly with the greater amount above being added to the delinquent bill

Returned Check Charges

\$25

Credit Card Charges

Actual cost not to exceed five dollars (\$5).

Service Calls for Damages caused by Customer

Actual cost but not less than \$40

Disconnection/Reconnection

If sewer Discontinuance of Service in accordance with Rule 8 is accomplished by physical disconnection, then the charge for reconnection after such disconnection by the Company shall be the total actual cost of disconnection and reconnection.

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Rules and Regulations Governing Rendering of
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Schedule of Service Charges (Continued)

Preliminary Estimate Fee for New Construction-Collecting Sewers. Lift Stations and Treatment Facilities

A preliminary estimate fee will be charged in accordance with Rule 11 C. 1.

Service Calls

Service calls at any time other than during normal business hours for any reason other than an emergency shall require a service charge of forty dollars (\$40.00).

Pump Unit Parts

The cost of providing pump unit repairable parts will be billed to the Customer as the actual cost to the Company.

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Rules and Regulations Governing Rendering of
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Rule 1 DEFINITIONS

- A. An "APPLICANT" is a person, firm, corporation, governmental body, or other entity that has applied for sewer service and/or an extension of collecting sewers along with additional plant facilities; two or more such entities may make one application for a sewer extension, and be considered one APPLICANT. An "ORIGINAL APPLICANT" is an APPLICANT who entered into any contract or agreement with the Company for an extension of collecting sewers and/or additional plant facilities, contributed funds or utility plant assets to the Company under the terms of the contract or agreement, and is eligible for refunds under the terms of the contract or agreement as additional Applicants connect to such extensions or plant facilities.
- B. "B.O.D" denotes Biochemical Oxygen Demand. It is the quantity of oxygen utilized in the biochemical oxidation of waste matter under standard laboratory conditions expressed in milligrams per liter.
- C. "C.O.D" denotes Chemical Oxygen Demand. It is the quantity of oxygen utilized in the chemical oxidation of waste matter under standard laboratory conditions, expressed in milligrams per liter.
- D. A "COLLECTING SEWER" is a pipeline, including force pipelines, gravity sewers, interceptors, laterals, trunk sewers, manholes, lampholes, and necessary appurtenances, including service wyes and saddles, which is owned and maintained by the Company, located on public property or on private easements, and used to transport sewage waste from the Customer's service connection to the point of disposal.
- E. The "COMPANY" is Terre Du Lac Utilities Corporation, acting through its officers, managers, or other duly authorized employees or agents.
- F. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for sewer service, or is receiving service from the

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Rules and Regulations Governing Rendering of
Sewer Service

Company, or whose facilities are connected for utilizing such service.
Rule 1 continued

- G. The "DATE OF CONNECTION" shall be the date the permit for a service connection is issued by the Company. In the event no permit is taken and a service connection is made, the date of connection shall be determined based on available information, such as construction/occupancy permits, or water or electric service turn-on dates.
- H. "DISCONTINUANCE OF SERVICE" is intentional cessation of the use of sewer service by action of the Company not at the request of the Customer. Such DISCONTINUANCE OF SERVICE may be accomplished by methods including physical disconnection of the service sewer, or turn-off of water service by the water utility at the request of the Company.
- I. "DOMESTIC SEWAGE" is sewage, excluding storm and surface water, resulting from normal household activities; and, "NON-DOMESTIC SEWAGE" is all sewage other than DOMESTIC SEWAGE including, but not limited to, commercial or industrial wastes. See Rule 7 - Improper Waste or Excessive Use.
- J. J. An "EFFLUENT PUMP UNIT" or "PUMP UNIT" is a self-contained facility owned by the Customer consisting generally of a tank and an electric pump, which separates solid from liquid waste, retaining the solid waste in the tank, and pumping the liquid waste under pressure to collecting sewer pipelines. The device also contains alarms, pressure controls and check valves to insure cooperative operation with similar units. The Company maintains the "REPAIRABLE PARTS" (as specified below in 1N) but the Customer is responsible for the cost of such "REPAIRABLE PARTS" unless the Customer has installed a pump unit that does not meet Company specifications.
- K. A "FOUNDATION DRAIN" is a pipe installed inside or outside the foundation of a structure for the purpose of draining ground or subsurface water away from the

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foundation.
Rule 1 continued

- L. "pH" is the relative degree of acidity or alkalinity of water as indicated by the hydrogen ion concentration. pH is indicated on a scale reading from 1-14, with 7.0 being neutral, below 7.0 acid, and above 7.0 alkaline; more technically defined as the logarithm of the reciprocal of the hydrogen ion concentration.
- M. A "PRESSURE COLLECTING SEWER" is a collecting sewer pipeline owned and maintained by the company, located within easements, used to transport wastewater under pressure to a treatment facility. A Pressure Collecting Sewer is sometimes referred to generically as a collecting sewer.
- N. "REPAIRABLE PARTS" are pump motor and effluent pump, whether assembled as a unit or as separate components; also a heater, alarm system and check valve components, if installed. This does not include the tank and gravity service sewer piping from the dwelling structure or pressure service sewer piping to the Company's collecting sewer. These "REPAIRABLE PARTS" are furnished by the Company to the Customer at actual cost, and owned by the Customer, but the Company is responsible for the labor for repair or replacement as needed for normal operations.
- O. A "SADDLE" is a fitting that connects the Customer's Service Sewer to the collecting sewer. The saddle clamps around the collecting sewer pipeline into which pipeline a hole is cut, and the Service Sewer is connected to the SADDLE thereby connecting it to the collecting sewer.
- P. A "SERVICE CONNECTION" is the connection of a service sewer to the Company's collecting sewer either at the bell of a wye branch or the bell of a saddle placed on the barrel of the collecting sewer.

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Rule 1 continued

- Q. A "SERVICE SEWER" or "CUSTOMER'S SERVICE SEWER" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct sewage from the Customer's premises to the collecting sewer, excluding service wyes or saddles. The SERVICE SEWER is constructed, owned and maintained by the Customer.
- R. 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 includes resubdivision thereof.
- S. A "TANK" is a watertight vessel, owned and maintained by the Customer, which holds wastewater from the customer's premises, and in which is installed the repairable parts, and includes associated electrical connections, and provides access from ground level to the repairable parts and for other maintenance.
- T. A "TEE" is a three-way one-piece pipe fitting in the shape of the letter "T" that is a part of the Collecting Sewer pipeline and to which the Customer's Service Sewer is connected.
- U. "TERMINATION OF SERVICE" is the cessation of the use of sewer service requested by the Customer. Such TERMINATION OF SERVICE shall be accomplished by a method verified and recognized by the Company, and may include physical disconnection of the service sewer, termination or disconnection of water service by the water utility, or the Company's observation of non-occupancy of the unit served.
- V. The word "UNIT" or "LIVING UNIT" shall be used herein to define the premises or property of a single sewer user, whether or not that sewer user is the Customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, 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

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family or firm occupying same as a residence or place of business.
Rule 1 continued

W. A "WYE" or "WYE BRANCH" or "Y" or "Y BRANCH" is a three-way one-piece pipe fitting in the shape of the letter "y" that is a part of the collecting sewer pipeline, and to which the Customer's service sewer is connected.

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Rule 2. GENERAL MATTERS

- A. Every Customer, upon signing an application for service or accepting service rendered by the Company, 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 the numbered sheets of this tariff. The rates applicable to appropriate class of service are set forth in Rate Schedules and constitute a part of this tariff.
- C. The Company reserves the right, subject to approval from the Missouri Public Service Commission, to prescribe additional rates or to alter existing Rates or Rules as it may deem necessary or proper.
- D. At the effective date of these Rules, all new facilities, construction contracts and written agreements shall conform to these Rules in accordance with the statutes of the State of Missouri and authority of the Missouri Public Service Commission. Pre-existing facilities that do not conform with these Rules and Regulations may remain, if said facilities do not cause any service problems and reconstruction is impractical.
- E. The Company shall have the right to enter upon the Customer's premises for the purpose of inspecting for compliance with these Rules and Regulations. Company personnel shall identify themselves and such inspections shall be conducted during reasonable hours.

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Rules and Regulations Governing Rendering of
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Rule 3 LIMITED AUTHORITY OF COMPANY EMPLOYEES

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any service rendered to its Customers except as covered in the Company's Rates, 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 letter or intent of these Rates, Rules and Regulations.
- C. The Company shall not be responsible in damages for any failure to remove waste water from the premises or for interruption if such failure or interruption is without willful default or negligence on its part.
- D. The Company shall not be liable for damages because of any interruption of sewer service or for damages caused by defective piping and appliances on the Customer's property or premises.
- E. The Company shall not be liable for damages due to damages from acts of God, civil disturbances, war, government actions, and other uncontrollable occurrences.

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Rule 4 APPLICATIONS FOR SEWER SERVICE

- A. A written application for service, signed by the Customer, and accompanied by the appropriate fees as provided in the Schedule of Rates, the Schedule of Service Charges, Rule 11 - Extension of Collecting Sewers, and other information required by these Rules, must be received from each Customer. Said application must be filed in writing three (3) business days in advance stating the street, house number, name of the applicant, name of the property owner, and the time, at which connection is to be made. The Company shall have the right to refuse service for failure to comply with the Rules herein, or if the Customer owes a past due bill not in dispute for sewer service at any location within the Company's service area. In any case where a collecting sewer extension or unusual construction or equipment expense is necessary to furnish the service, the Company may require a contract for service specifying a reasonable period of time for the Company to provide the service. If the Customer is a tenant, the Company shall notify the owner of the property or owner's property manager or other agent that the owner or property manager may be responsible for payment of the sewer service bill associated with the application.
- B. A prospective Customer shall, upon request of the Company, present in writing to the Company a list of devices that will discharge to the collecting sewers, the amount and specifications of any discharge, and the location of any buildings. The Company will then advise the Customer of the form and the character of the wastewater collection facilities available. If a sewer extension as provided for in Rule 11 - Extension of Collecting Sewers will be necessary, or if the Customer will be required to own, operate, and maintain a pretreatment facility, the Customer will also be so advised.
- C. When sewer charges are based on water usage, the Company reserves the right to refuse sewer service to any applicant unless said applicant agrees to install a water meter accessible by the Company, so that there will be a basis for sewer charges. The Company and Customer may agree to an estimated water use amount, on an interim basis for a period not to exceed six (6) months, to allow time to install suitable metering equipment.

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Rules and Regulations Governing Rendering of
Sewer Service

Rule 4 continued

- D. The Company will determine or approve the location of the service connection. Service sewers will not be extended along public streets or roadways or through property of others in connecting with collecting sewers. If a service connection is requested at a point not already served by a collecting sewer of adequate capacity, the collecting sewer shall be extended in accordance with Rule 11 - Extension of Collecting Sewers, unless in the Company's judgment such a collecting sewer would serve no other purpose and a service sewer may be constructed to serve the Customer's premises in a reasonable manner.
- E. A new service connection shall be authorized when all conditions in Rule 2 – General Matters and Rule 5 – Inside Piping and Customer Service Sewer, regarding application, construction and inspection provisions, are met.
- F. No substantial addition to the water using equipment or appliances connected to the sewer system shall be made by Customers discharging non domestic sewage except upon written notice to and with the written consent of the Company.

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Company Mailing Address

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Service Area: Terre Du Lac Development

St. Francois and Washington Counties, Missouri

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Rule 5. INSIDE PIPING AND CUSTOMER SERVICE SEWER

- A. The Customer is obligated to construct, repair, and maintain the service sewer from the collecting sewer to the building, and make the connection to the collecting sewer. The Customer shall notify the Company prior to cleaning or repairing the service sewer.
- B. When a service sewer is to be connected to the collecting sewer, the plumber shall advise the Company three (3) business days in advance of when the connection is expected to be made so a representative of the Company can inspect the installation and connection. No backfill shall be placed until the work has been inspected by the Company. In the event the Customer or the Customer's agent shall damage a wye branch or saddle, or cause damage to the collecting sewer, then the Customer shall be responsible for the cost to repair any such damage, including replacement of pipe or appurtenances as necessary.
- C. Plumbing specifications of all governmental agencies having jurisdiction, and the Company's Rules, in effect at the time of connection, must be met. The Company may deny service or may discontinue service where foundation drains, downspouts, or other sources of surface or storm water are permitted to enter the sewer system through either the inside piping or through the building sewer.
- D. A separate and independent service sewer shall be required for every Customer.
- E. The service sewer shall be or other suitable material approved by the Company. Only those jointing materials and methods that are approved by the Company may be used. Joints shall be tight and waterproof. Any part of the service sewer that is located within ten feet (10') of a water main or water service pipe shall be encased in ductile iron or PVC pressure pipe. The pipe shall be bedded according to the manufacturer's specifications and on undisturbed earth or fill compacted to at least ninety-five percent (95%) proctor density. Fill may be non-organic soil or aggregate.

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Rule 5 continued

- F. The size and slope of the service sewer shall be subject to the approval of the Company, but in no event shall the diameter be less than four inches (4"). The slope of such four inch (4") pipe shall not be less than one-eighth inch (1/8") per foot.
- G. Whenever possible, the service sewer shall be brought to the building at an elevation below the basement floor. No building sewer shall be laid parallel to or within three feet (3') of any bearing wall. The depth shall be sufficient to afford protection from frost. The service sewer shall be laid at a uniform grade and in straight alignment insofar as possible. Changes in direction shall be made only with properly curved pipes and fittings.
- H. Existing service sewers may be used in connection with new buildings only when they are found on examination and test and certified by a plumber at the Customer's expense to meet all requirements of the Company.
- I. In any building in which a building drain is too low to permit the required slope of the service sewer, sanitary sewage carried by such drain shall be lifted by approved artificial means and discharged to the service sewer. No water operated sewage ejector shall be used.
- J. All excavations required for the installation of a service sewer and connection to the collecting sewer shall be open trench work unless otherwise approved by the Company. Pipe laying and backfill shall be performed in accordance with the latest published engineering specifications of the manufacturer of the materials used, and all applicable local plumbing codes.
- K. The connection of the service sewer to the collecting sewer shall be made at the wye branch, if such branch is available at a suitable location. If the collecting sewer is vitrified clay pipe of twelve inch (12") diameter or less and there is no properly located wye branch at a suitable location, a wye branch shall be installed at a location specified

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Rule 5 continued

by the Company. If the collecting sewer is greater than twelve inches (12") in diameter, or is PVC of any size, a neat hole may be cut at a location specified by the Company, and a saddle installed to which the service sewer will be connected. The invert of the service sewer at the point of connection shall be at the centerline or higher elevation of the collecting sewer. The connection shall be secure and watertight.

- L. Any change in the location of an existing service connection and/or service sewer requested by the Customer shall be made at the Customer's expense.
- M. Company personnel may not work on piping or facilities not owned by the Company unless authorized by the Customer.

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Rule 6 PRESSURE COLLECTING SEWERS

- A. This rule applies to customers on a pressurized collection system, and is not applicable to customers on a gravity collection system. Other Rules elsewhere herein not applicable specifically to gravity collecting sewers or gravity service sewers also apply, in addition to this Rule.
- B. Any customer proposed to be discharging less than 1,200 gallons per day domestic sewage, to be connected to a pressure collecting sewer, shall install at his own expense within the lot, one pump unit of suitable capacity. All components utilized in a pump unit must be either purchased from the Company or meet its specifications which shall be on file at the Company's office, and approved by the Company prior to installation. Installation costs of the pump unit, electrical wiring and components and service sewers between the dwelling and the pump unit and Company's collecting sewers shall be the responsibility of the Customer. Electricity costs for pump operation shall be the responsibility of the Customer. Customers discharging greater than 1,200 gallons per day, upon applying for service with the Company, must enter into an agreement with the Company with regard to operation of a pump unit that is of suitable capacity for the customer and that will be compatible with the Company's operation of its pressure collecting sewer system.
- C. Any pump unit or aerator in existence and serving more than one premises prior to June 15, 1985 shall be permitted to remain in service as a multiple Customer service sewer until such time as the existing unit fails or one home owner sells a

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home at which time a new unit will be installed and each home will require its own unit. The Customers served by any such pump unit or aerator converted to a pump unit, shall be jointly responsible for the Customer obligations as provided for in these Rules and Regulations.

Rule 6 continued

- D. Any pump not provided by the Company will be the responsibility of the Customer for all labor, maintenance, and parts. Installation and repair of the Customer owned pump will be subject to Company inspection and approval.
- E. The Company will locate the point to which the service connection to the pressure collecting sewer will be made, and the Customer shall furnish materials for the connection. All taps are to the pressure collecting sewer shall be done by the Customer. One connection shall not service more than one property.
- F. A stop cock shall be placed on the service sewer near the service connection. Said stop cock shall include a provision for locking. The stop cock will be furnished, owned and maintained by the Company.
- G. In addition to other methods outlined within these Rules for discontinuance of sewer service, sewer service may be disconnected by the Company by locking the stop cock in the closed position. Service shall not be resumed again except upon payment of all delinquent charges, plus any applicable approved service charge to cover the costs of resuming service, in accordance with these Rules.
- H. The gravity service sewer from the building to the pump unit, the tank, and the pressure service sewer from the pump unit to the collecting sewer shall be owned and maintained by the Customer. The Customer shall also install a check valve near the service connection.

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Rule 6 continued

- I. The Company shall perform one preventive maintenance call per year on each pump unit in service provided by the Company. Normally, this service call will be made in the fall season. Preventive maintenance shall consist of the following work:
1. Run controls, including alarm system, through one complete cycle, and
 2. Check the check valves for proper operation. Clean or replace as necessary, and
 3. Check heater for proper operation, and
 4. Check, and if necessary, remove solid waste from tank.
- J. The Company shall be responsible for maintenance and replacement of the repairable parts, and shall perform emergency repairs on said parts. The Company will furnish the repairable parts and shall bill the Customer the actual cost of the repairable parts. At the Company's option, an emergency service call may constitute a preventive maintenance call if a reasonable amount of time has elapsed since the last preventive maintenance call, and if all other maintenance checks are performed.

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- K. Preventive maintenance calls, service calls for repairable parts, and repairable parts shall be provided at no extra charge to the Customer for replacement of defective parts under warranty. The Company, however, shall not be liable for parts or labor necessary due to damage caused by misuse of the pump unit.

Rule 6 continued

- L. The Company shall keep parts, repair kits, and a supply of check valves on hand for each brand or type of pump unit supplied by the Company.
- M. The Company shall present to the Customer, at the time of application for service, information regarding what services are available from the Company, and what will be provided free of charge.

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Rule 7 – IMPROPER OR EXCESSIVE USE

A. The following requirements for the use of sewer service provided by the Company shall be observed. Violation of the requirements will result in the discontinuance of service to the Customer, and the Customer may be required to comply with Paragraph B., below.

B. In the event that the Customer to be served proposes to discharge an abnormally high volume or strength of waste, the Company may require:

1. The Customer to install a pretreatment facility, grease trap or other device on the premises to prevent the exceeding of discharge limits or other adverse impacts upon the Company's system. The installation of any such device as well as its operation and maintenance shall be the responsibility of the Customer, and subject to approval and inspection by the Company; or
2. The Customer to enter into a special contract with the Company for treatment of the Customer's discharge that could require an enlargement of the Company's existing sewage treatment plant or the construction of a temporary sewage treatment plant, and/or the construction or reconstruction of sewer lines or pump facilities. This special contract shall be in a form approved by the Missouri Public Service Commission with a rate applicable to the Customer to be included within this Schedule of Rates, Rules, and Regulations, that is fair and reasonable to both parties and so as not to constitute a burden upon the Company or the existing Customers of the Company.

C. No Customer shall discharge or cause to be discharged any storm water, surface water,

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ground water, swimming pool water, roof runoff, sub-surface drainage, or cooling water into the collecting sewers.

- D. Except as may be provided in Paragraph B.2., above, the Customer shall, at their own expense, be required to take any action necessary to meet the following described wastewater limits before the wastewater is discharged into the collecting sewer:

Rule 7 continued

1. Maximum temperature of 150 degrees Fahrenheit; and
2. Maximum strength of four-hundred (400) parts per million Biological Oxygen Demand (B.O.D.); and
3. A maximum of one-hundred (100) parts per million, by weight, any fat, oil or grease; and
4. A maximum of twenty-five (25) parts per million, by weight, any soluble oils; and
5. No gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid or gas; and
6. No garbage that has not been properly shredded; and
7. No ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood or any other solid or viscous substance capable of causing obstruction to the flow in sewers or other interference with the proper operation of the sewer system; and
8. No waste-water having a pH less than 5.0 or greater than 9.0, or having any other corrosive property, capable of causing damage or hazard to structures, equipment or personnel of the Company; and

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<p>9. No waste-water containing heavy metals, toxic material, or Chemical Oxygen Demand (C.O.D.), in sufficient quantity to disrupt the operation of treatment facilities, or exceeding any limits which may be specified in a service contract for any such substance.</p> <p>* Indicates new rate or text + Indicates change</p>	

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Rule 8 – DISCONTINUANCE OR TERMINATION OF SERVICE

A. The Company reserves the right of discontinuance of service for any of the following reasons:

1. For nonpayment of the sewer utility bill (see Rule 10); or
2. For unauthorized resale of sewer service; or
3. For an unauthorized service connection to the Company's collecting sewer; or
4. For failure to comply with these Rules and Regulations.

B. Discontinuance of service may be accomplished, but not limited to, physical disconnection of the Customer's service sewer from the Company's collecting sewer. Discontinuance of sewer service for non-payment of a sewer bill may be accomplished either by physical disconnection or by discontinuance by turn-off of water service by the Customer's water utility at the request of the Company. In such cases where discontinuance is accomplished by turn-off of water service:

1. If sewer billing is combined with water billing, Customers will be notified by the water utility by the terms of its Rules normally practiced for discontinuance of water service; or
2. If sewer billing is not combined with water billing, Customers will be notified by the terms of Paragraphs F. and H., below, and not by those of any water utility.

C. Discontinuance of service to a Customer for any reason as outlined in Paragraph A., above, 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.

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Rule 8 continued

- D. In the event of discontinuance of service by the Company for any reason as outlined in Paragraph A., above, then any monies due the Company shall become immediately due and payable.
- E. The Company reserves the right of discontinuance of service to a Customer, or to refuse service to any applicant or for any unit to reasonably protect itself against fraud or abuse.
- F. Unless discontinuance is accomplished by turn-off of water service and discontinuance notice is provided by the water utility as provided for in Paragraph B.1., above, then at least thirty (30) days prior to discontinuance of service, the Company will mail a written notice to the Customer by certified mail, return receipt requested, with a copy of the notice sent to the Public Service Commission and a copy to the property owner if different than the Customer and if known by the Company. Said notice shall state the reasons for discontinuance of service, the amount of money owed if for a past due bill including the amount of any service charges owed, and that service may be discontinued at any time after the expiration of the notice period, provided satisfactory arrangements for continuance of the service have not been made by the Customer. The thirty (30) day notice may be waived if there is any waste discharge that might be detrimental to the health and safety of the public, or cause damage to the sewer system. In the event of discontinuance of service without the thirty (30) day notice as above provided, the Customer and the Missouri Public Service Commission shall be notified immediately with a statement of the reasons for such discontinuance of service. If service is provided to a multi-tenant building or complex, the Company will make an effort to notify tenants by door hangers or other type of notice of the possibility of discontinuance of service.
- G. Reconnection of any Customer after discontinuance of service by authority of this Rule will be made subject to payment of the cost of reconnection.
- H. Where the owner of rental property is the Customer and has been notified of the intent of discontinuance of service, the tenants shall be given the opportunity in a reasonable and

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timely manner to pay delinquent bills in lieu of disconnection of service.
Rule 8 continued

- I. Termination of service at the Customer's request may be accomplished at the expense of the Customer. If termination of service must be accomplished by physical disconnection, the Customer shall notify the Company of the date and time of the disconnection in writing at least five (5) days prior to the disconnection. If termination is accomplished by turn-off of water service, such notice shall be on or before the date of the water turn-off. Service may not be terminated for one unit of a multi-unit building if the building is served by one service sewer, unless accomplished by turnoff of water service to that unit. The method used for termination of service shall be determined by the Company.
- J. 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.
- K. 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; OR,

A charge of twenty-five dollars (\$25.00) plus the monthly Customer charge times the number of months "off-system" (not to exceed nine (9) months) shall be charged where the same beneficial service recipient terminates and restores service to the same location within a twelve (12) month period. Restoration of service of a non-payment disconnect after forty-five (45) days is deemed to be a seasonal reconnect of service.

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Rule 9 INTERRUPTIONS IN SERVICE

- A. The Company reserves the right to limit sewer service in its collecting sewers at any time, in a reasonable and non-discriminatory manner, for the purpose of making repairs to the sewer system.
- B. Whenever service is limited for repairs, all Customers affected by such limitation will be notified in advance whenever it is practicable to do so. Every effort will be made to minimize limitation of service.
- C. No refunds of charges for sewer service will be made for limitations of service unless due to willful misconduct of the Company.

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Rule 10 BILLS FOR SERVICE

- A. The charges for sewer service shall be at the rates specified in this tariff, which is on file with the Missouri Public Service Commission and at the Company's office. The point of assumption of sewer service shall be at the service connection. Service charges for connection or disconnection are set forth in the Schedule of Service Charges.
- B. A Customer who is or has been taking sewer service at one or more units connected to the collecting sewer shall be held liable for payment of any applicable charges for service furnished to such units from the date of connection until the date requested by the Customer in writing for service to be terminated, or until service is discontinued by the Company.
- C. Bills for sewer service will be mailed or delivered to the Customer's last address as shown by the records of the Company, but failure to receive the bill will not relieve the Customer from the obligation to pay the same.
- D. Payments shall be made at the office of the Company or at a convenient location designated by the Company, or by mailing to the Company's mailing address.
- E. Separate bills shall be rendered for each location at which sewer service is provided, even though one entity may be the Customer at such separate locations.
- F. The Company shall have the right to render bills monthly in advance, or on a monthly basis in arrears when the sewer charges are based on water usage. Bills shall have the due date indicated on the bill.
- G. 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.

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Rule 10 continued

- H. Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which the payment is considered delinquent is a minimum of twenty-one (21) days after rendition of the bill. Service may be discontinued after thirty (30) days written notice by certified mail return receipt requested from the Company as provided by Rule 8 - Discontinuance or Termination of Service. Delinquent bills are subject to a late charge as provided in the Schedule of Service Charges.
- I. 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 for the proportionate part of the monthly charge, or where water usage is the basis for the charge, at the appropriate rate for water used. Customers terminating after taking service for less than one month shall pay not less than the monthly minimum.
- J. The owner of the property served will be held responsible for ultimate payment of a bill. Copies of all notices of violations of the Rules, or of disconnection of service shall also be sent to the owner of the property.
- K. Where water usage determines sewer charges and a meter fails to register, or if the Company is unable to gain access to a Customer's premises, the Customer's meter reading shall be estimated from the record of meter readings for a reasonable period.
- L. Where Customers are charged for service on a metered water use basis, all meter calculations and adjustments applicable to the water service shall also apply to sewer service and adjustments shall apply equally to water as well as sewer billings.
- M. All sewer Customers whose sewer service charges are determined on the basis of water who use in excess of 30,000 gallons of water per month, and can show to the satisfaction of the Company that a portion of the water as measured by the water meter or meters does

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not and cannot enter the sanitary sewage system, the Company may determine in such
Rule 10 continued

manner and by such method as it may deem practicable the percentage of metered water entering the sanitary sewerage system. Such percentage, when so determined, shall then constitute the basis of sewage service charges; provided, however, that the Company in its discretion may require or permit the installation of additional meters at the expense of the Customer or other interested party in such a manner as to determine the quantity of water actually entering the sewerage system, in which case the quantity of water used to determine the sewage service charge shall be the quantity of water actually entering the sanitary sewerage system as so determined.

- N. Where both residential and commercial classes of service are supplied through one service to the same Customer on the same premises, the service shall be billed as one commercial Customer. Where such service is being furnished to two or more Customers, for billing purposes the minimum payment and the blocks of the rate shall be multiplied by the number of residences and commercial concerns being served.

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Rule 11 EXTENSION OF COLLECTING SEWERS

- A. Collecting sewers will be extended within the Company's certificated service area, at the applicant's cost, if service is requested by the applicant at a location where facilities do not exist (the "applicant" is sometimes referred to in this Rule as the "original applicant"). The applicant shall enter into a contract with the Company. The applicant may choose to have the Company perform all work under the terms and conditions of Paragraph C., below, or have a private contractor perform the work under the terms and conditions of Paragraph D., below. For purposes of this Rule, an extension could include, in addition to a collecting sewer, one or more pump station or treatment plant facilities, as necessary to provide the service.
- B. The pipe used in making extensions shall be of a type and size which will be reasonably adequate for the area to be served. Such determination as to size and type of pipe shall be left solely to the judgment of the Company. If the Company desires a pipe size, lift station, treatment plant, or any other facility larger than reasonably required to provide service to the applicant, the additional cost due to larger size shall be borne by the Company.
- C. The Company will extend collecting sewers for the applicant under the following terms and conditions:
1. Upon receipt of written application for service as provided in Rule 4, Applications for Service, the Company will provide the applicant an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including reconstruction of existing facilities if necessary, and the direct costs associated with supervision, engineering, permits, and bookkeeping. Applicable income tax cost calculated at the maximum rate will be added to this estimate.
 2. The applicant 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 (CIAC) equal to the amount determined in Paragraph C.1., above,

* Indicates new rate or text

+ Indicates change

Issue Date: March 25, 2014
Month/Day/Year

Effective Date: May 15, 2014
Month/Day/Year

Issued By: Michael Tilley, President
Name & Title of Issuing Officer

1628 St. Francois Rd, Bonne Terre, MO 63628
Company Mailing Address

Name of Utility: Terre Du Lac Utilities Corporation

Service Area: Terre Du Lac Development

St. Francois and Washington Counties, Missouri

Rules and Regulations Governing Rendering of
Sewer Service

Rule 11 continued

plus any appropriate fees as provided in the Schedule of Rates or the Schedule of Service Charges.

3. If, as a result of reasonably unforeseen circumstances, the actual cost of the extension exceeds the estimated cost of the extension, the applicant shall pay the additional cost.

D. When the applicant elects to construct an extension, the Company will connect said extension to its existing collecting sewers under the following terms and conditions:

1. Applicant shall enter into a contract with the Company which provides that the applicant construct said collecting sewers and/or other facilities to meet the requirements of all governmental agencies and the Company's Rules and Regulations. Plans for the extension shall be submitted to the Company for approval prior to construction. Applicant's choice of construction contractor is subject to approval by the Company. Applicant shall contribute said facilities to the Company with a detailed accounting of the actual cost of construction, and contribute to the Company the estimated reasonable cost of the Company's inspection.
2. The Company, or its representative, shall have the right to inspect and test the extension prior to connecting it to the existing collecting sewers and acceptance of ownership.
3. Connection of the extension to existing Company collecting sewers shall be made by, or under direct supervision of, the Company or its representative.
4. The Company shall have the right to refuse ownership and responsibility for the sewer extension until applicant has met the contractual obligations as provided in Paragraph D.1., above.

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St. Francois and Washington Counties, Missouri

Rules and Regulations Governing Rendering of
Sewer Service

Rule 11 continued

E. The cost to additional applicants connecting to the sewer contributed by the original applicant shall be as follows:

1. For a single-family residential applicant applying for service in a platted subdivision, the Company shall divide the actual cost of the extension, including income tax impact if any, by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing sewers shall be excluded.
2. For a single-family residential applicant requesting service to areas that are not platted in subdivision lots, the applicant's cost shall be equal to the total cost of the extension times one hundred feet (100') divided by the total length of the extension in feet.
3. For an applicant that is not a single family residence as described in E.1. or E.2., above the cost will be multiplied by a water usage factor, as appropriate. The water usage factor shall be determined by dividing the average monthly usage in gallons by 7,000 gallons, but shall not be less than 1.

F. Refunds of contributions shall be made to the original applicant as follows:

1. Should the actual cost of an extension constructed by the Company under Paragraph C, or actual costs for inspection by the Company under Paragraph D, above, be less than the estimated cost, the Company shall refund the difference as soon as the actual cost has been ascertained.
2. During the first ten years after the extension is completed, the Company will refund to the original applicant who paid for the extension monies collected from additional applicants in accordance with Paragraph E., above.

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St. Francois and Washington Counties, Missouri

Rules and Regulations Governing Rendering of
Sewer Service

Rule 11 continued

3. The sum of all refunds to the applicant shall not exceed the total contribution, including income tax and inspection costs associated with the extension, which the applicant has paid.
 4. If two or more entities are considered an original applicant, the refund shall be distributed to each entity based upon the percentage of the actual extension cost contributed by each entity.
- G. Any extension made under this Rule shall be and remain the property of the Company in consideration of its perpetual upkeep and maintenance.
- H. The Company reserves the right to connect additional extensions to a collecting sewer contributed by the applicant. The connection of new Customers to such additional extensions shall not entitle the applicant to any refund.

- * Indicates new rate or text
+ Indicates change

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Company Mailing Address

Agreement Attachment F

Billing Comparison Worksheet

TERRE DU LAC UTILITIES CORPORATION

Residential Customer Bill Comparison-Sewer

Rates for Residential Customer

<u>Current Base</u>	<u>Proposed Base</u>
<u>Customer Charge</u>	<u>Customer Charge</u>
\$15.83	\$19.41

current service charge is monthly charge

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 15.83
Total Bill	\$ 15.83

Proposed Rates

Customer Charge	\$ 19.41
Total Bill	\$ 19.41

INCREASES

Customer Charge

\$ Increase	\$3.58
% Increase	22.61%

Total Bill

\$ Increase	\$3.58
% Increase	22.61%

Agreement Attachment G

Water & Sewer Unit Memorandum

REPORT OF WATER AND SEWER UNIT FIELD OPERATIONS AND TARIFF REVIEW

**File Nos. WR-2013-0461 and SR-2013-0459
Terre du Lac Utilities Corporation**

Introduction

This Report was prepared jointly by Staff members Martin Hummel and James Russo. The Staff member responsible for each section is denoted at the end of each section.

Terre du Lac Utilities Corporation (Company or TDLU) holds certificates of public convenience and necessity (CCN) granted by the Missouri Public Service Commission (the Commission), under which the Company provides water and sewer utility services. The Commission granted the CCN for water service in Case No. 17,888, and the CCN for sewer service in Case No. 17,887, both cases opened in 1973. The Company's original water tariff and the original sewer tariff went into effect in 1974, and are still in effect at present, with some modifications that have occurred over the years.

The Company provides water and sewer service to 1267 water and sewer customers in the Terre du Lac development located approximately 50 miles south of St. Louis, between Potosi and Bonne Terre, Missouri. On October 21, 2013, the Company filed a request for an increase in water and sewer revenues.

Facilities:

Water System

The water system has 3 wells. The characteristics of each well will be described below. Storage is provided by two elevated tanks with 50,000 and 100,000 gallon capacity respectively. The distribution system, with water meters on all customer service connections, has 100+ miles of 4, 6, and 8-inch diameter pipe.

Source of Supply

Well #1 is out of service because the well pump does not run. It likely needs either pump replacement or electrical repair. However, the production from this well has historically been minimal, only producing 40 gallons per minute (gpm). Furthermore, there is a water quality issue, discussed further herein. It is due to this water quality issue that replacement pump has not been installed. Well #2 produces 100 gpm, and well #3 produces 250 gpm. Chlorine is used for disinfection by application at the wellheads without detention time.

TDLU does not have adequate production capacity. The two operating wells, if running continuously, can produce 144,000 gallons per day (gpd) and 360,000 gpd, respectively. By normal design capacity criteria based on the Missouri Department of Natural Resources (DNR) Minimum Design Standards for Missouri Community Water Systems, commonly referred to simply as the “Design Guide,” the TDLU water system should have source capacity to meet the maximum day demand¹ with the largest producing well out of service. Staff considers approximately 600,000 gallons per day to be a reasonable and conservative value to use for a design maximum day based on historical reported maximum day values, and 206,000 gallons per day for a design average day demand² for this system. This means that any time that well #3, as the primary producer, is off line even on low-use days, meeting system demand is in jeopardy. When this occurs, there is a likelihood of loss of pressure and service to customers, and excessive depletion of the storage tanks. Even the total combined production from both well #2 and well #3, at 504,000 gallons per day, is not adequate to have met maximum day demand for three (3) of the past eight (8) years. More source capacity is desperately needed, but since the two existing wells cannot meet maximum day, it is not possible to construct only one new well and be able to meet the Design Guide criterion of meeting maximum day with the largest producing well out of service. So, it is technically necessary for TDLU to construct two additional wells such that any three of the four wells could produce at least 600,000 gpd. However, as a project that is needed immediately, it may be more realistic and feasible for TDLU to construct a new well of at least the production capacity of well #3, with another well to be constructed at some later time after other pressing needs are addressed. Actual planning for increasing production capacity includes a number of factors such as future customer growth, water quality, costs to develop new wells, financing, documentation of demand and production values, and specific requirements necessary to attain approval of DNR.

In addition to inadequate production capacity, the wells are controlled by a telemetry system that does not work well. There have been malfunctions with this control system that makes manual operation necessary. TDLU needs to improve its ability to efficiently monitor and operate the wells together as a single water system using automatic controls.

The system has occasionally violated regulatory drinking water requirements as outlined in DNR regulations, specifically 10 CSR 60-4.060, for radionuclide maximum contaminate level (mcl) for gross alpha particles, radium 226 and radium 228. Radionuclide contamination is naturally occurring and is a common problem with other water providers in the area. Well #1 seems to be the worst of TDLU’s three wells but all have the problem to some extent. Long term system

¹ “Maximum day demand,” or “maximum day,” is the day of a one-year period that requires the most volume of water to be pumped to the distribution system, as measured at the source(s) of supply such as wellheads, for customer use as well as losses that normally occur in the distribution system.

² “Average day demand,” or “average day,” is considered to be the production requirement for most days of the year and normally may be calculated by dividing the total actual annual production by 365 days. Similar to maximum day, water production is that as measured at the source of supply such as the wellheads.

improvements must address this problem. Though the radionuclide problem complicates plans for future improvements it appears clear that TDLU must increase its production capacity, presumably with one or more new wells. What is accomplished in increasing production capacity will have a major impact on other needed improvements, such as storage amount and addressing radionuclides. It should be noted that TDLU, like other water providers in the area with the same problem, has already incurred costs for engineering planning in attempts to address the radionuclide problem, but it has not yet found an implementable solution.

Storage

Storage is provided by two elevated tanks with 50,000 and 100,000 gallon capacity, respectively. The combined storage of 150,000 gallons is considerably less than the average daily demand, which clearly is not adequate with the current inadequate production capacity, particularly since fire flow reserve should also be provided for the service area. Even if adequate source of supply were available, then applying a “default” Design Guide value for storage volume to be 25% of maximum day, or 150,000 gallons by using Staff’s value of 600,000 gallons for maximum day, then storage would be considered to be at capacity, but without any fire protection reserve. TDLU does not have a way to monitor tank levels on a continuous basis, and thus does not know the extent that the tanks are being utilized on any given day. It is desirable, for good operations, for TDLU to install devices to continuously record tank levels at each tank directly or by monitoring water pressure at the base of each tank. Actual tank usage, as indicated by such recorders, could then be used to evaluate storage volume that is currently needed above that desirable for fire reserve. The 50,000 gallon tank has not been inspected for several years and should be inspected, particularly on the inside.

Distribution system

The distribution system, which includes water meters on all but a very few customer service connections, consists of 100+ miles of 4 ,6, and 8-inch diameter pipe, mostly PVC, along with valves and fire hydrants. TDLU needs to implement a valve exercise program, which is valuable to keep the operators informed of locations of valves and able to actually find them in the field, and promotes accessibility and operability of all valves. Some valves are more critical than others when sections of the distribution system need to be isolated due to main breaks or other repair/upgrade work, and such valves should be identified.

Additionally, TDLU does not have a good working relationship with the subdivision property owners association (POA) with respect to overlapping of roadwork with utility work. TDLU and the POA need to work together with respect to proper and acceptable repair of roads after utility work is accomplished, and for protection and repair of utility infrastructure facilities after roadwork is accomplished. Roadwork can result in damage or exposing infrastructure to subsequent damage from traffic, storm drainage, and freezing weather conditions.

Drinking water system needs:

The deficiencies in service from this system due to insufficient source-of-supply capacity were made apparent and brought under closer scrutiny when a major water outage occurred during the summer of 2007. Since that time, the Company has made limited improvements with the limited funds and manpower available. One important improvement has been a greater attention to the operation of the primary well, well #3, on which the system is currently highly dependent as discussed herein. Likewise, there has been gradual improvements in operator knowledge of the system. Additional contract assistance on well maintenance has also been procured. But there is still a large financial need for capital investment and operating revenue to overcome plant inadequacies and improve operations. The system is still vulnerable to low pressure events particularly when operation of well #3 is interrupted. Maintaining pressure at all times is critical to assuring the bacteriological quality of the water delivered to the customers. Water losses on the distribution system, if allowed to become excessive, exacerbate the capacity volume and pressure loss problems, and monthly meter reading could help manage water loss monitoring (currently meters are read quarterly).

As with several communities in this area of the state, exceedance of the radionuclide maximum contaminant level must be addressed. Changes to the system to address the radionuclide issue need to be done in concert with other improvements, but should not become an obstacle to increasing the production capacity. DNR has documented numerous deficiencies with this water system since 2007, both major and minor. Notwithstanding some operational improvement, most of these deficiencies have yet to be addressed.

The following list is primarily major needs and is numbered for reference purpose. Prioritization according to need, available resources, and value of completion is needed.

1. Increase drinking water production capacity- presumably one or more new wells.
2. Establish a signed agreement between the POA and TDLU on repair of roadway that is impacted by utility system maintenance.
3. Provide for a certified operator (minimum license level DSII) familiar with the system to be available at all times. Include checking on wells as necessary on Saturdays and Sundays especially during days of high water usage.
4. Evaluate and improve pump controls, such as provide for automatic start for the backup well pump at low pressure when the lead pump is not meeting system demand.
5. Install continuous pressure and tank level recording.
6. Complete a technical evaluation and quantification of the drinking water system; including, flow rates, sizes of piping/physical plant and updating of an accurate map.
7. Create a computer hydraulic model of the water distribution system.
8. Develop a plan to reduce the radionuclide level and communicate with customers on this issue.

9. Determine the number of fire hydrants in need of repair, formulate plans to accomplish needed repairs and improvements, and maintain records of repairs and flow testing.
10. Observe and exercise every valve in the system and observe all of the distribution system at least once per year, preferably in winter after a few days of subfreezing temperature. The identified critical valves should be exercised annually and the other valves exercised every three years.
11. Inspect the inside of the 50,000 elevated tank.
12. Routinely inspect all storage tanks, and accomplish repairs, rehab, and painting as necessary based on inspection results.
13. Add storage capacity, based on item 6 and 7, along with desirable fire flow reserve volume.
14. Maintain well house structures, and add security fencing.

Wastewater System

Treatment facilities

TDLU has three separate treatment facilities; a single-cell lagoon, an oxidation ditch, and a large three-cell aerated lagoon. The collection piping system is approximately 25 miles of pressure collecting sewers with each customer utilizing a pump unit consisting of a tank with an electric pump; and, about 20 miles of gravity collecting sewers with three (3) lift stations.

The single-cell lagoon serves approximately eighteen (18) customers, and has a flow capacity of 4,000 gpd. By the terms of the discharge permit issued by DNR, this facility was supposed to have been evaluated by an engineer by December 2007 with a resulting recommendation for improvement to meet current and future discharge standards. It is likely that the result would have been to replace the lagoon with a lift station pumping the flow to either of TDLU's other treatment systems. This work has not been done apparently for lack of funds. The DNR discharge permit expired in 2012.

The oxidation ditch serves approximately 670 customers and has a flow capacity of 250,000 gpd. This facility has been minimally operated for the last several years. For example, it has only one of two aerator rotors functioning. When one rotor is inoperable for any reason, the treatment is inadequate. The Company has experienced problems with the rotors of this aging facility in the past, and has undertaken repairs when absolutely necessary. The repair of the currently inoperable rotor involves customized mechanical parts and will be expensive. The clarifier has been maintained just enough to keep it working. Sludge production is not well documented, and sludge removal and disposal is being accomplished only minimally. The amount of sludge production and efficient removal and disposal amounts and frequency of removal has never been properly evaluated. It is clear that at least a sludge holding tank and improved handling capabilities are needed, even though the sizing is unknown at present. In the meantime, sludge is disposed without significant thickening, thus the Company may be hauling more water than is

necessary (maybe 1% solids). The DNR discharge permit for this facility expired in 2011. All or most customers connected to this facility utilize pump units along with pressure collecting sewers. The pump units consist of tanks with electric pumps, sometimes referred to as septic tank effluent pump, or STEP, systems. Solids and sludge are retained in the tanks and must be removed periodically.

The three-cell aerated lagoon serves approximately 600 customers and has a flow capacity of 240,000 gpd. In the past, this facility was operated for long periods of time without the aerators working properly. Currently the aerators are operating. The current condition of this facility needs to be evaluated, and improvements planned and prioritized. Needed improvements include: fencing around the facility, evaluation of the condition of the berm, evaluation of sludge accumulation, and an evaluation of flow rates. There is significant storm water inflow and infiltration (I and I) into this facility that must be evaluated in conjunction with any major improvements. I and I occurs when excessive storm water gets into the collection system, which can cause the treatment facility to receive more water than it may be designed to treat, could cause sludge washouts if a mechanical treatment facility is utilized (not a problem with TDLU's current lagoon) and can result in sewage overflows from manholes and lift stations. The DNR discharge permit for this facility expired in 2012.

Collection Systems

The collecting sewers transporting sewage to the oxidation ditch, as stated, are pressure sewers of approximately 25 miles of 2, 3, and 4-inch diameter pvc pipe. Collecting sewers transporting sewage to the single-cell lagoon and the three-cell lagoon are 8-inch gravity pipe with manholes. The collection system connected to the three-cell lagoon has had a major I and I problem for many years. This issue has never been completely resolved by the company. The I and I sometimes results in sewage overflows particularly near one of the lakes where sewers are constructed at a shallow slope due to being near the water body, and also where flows are significant because the area is at the lower end of the collection system just before sewage flows to the treatment facility. TDLU needs to address the I and I problem. Besides the overflow problem, this need would become even more critical if the lagoon were to be replaced with another treatment facility or a lift station where the amount of I and I flow could create more adverse effects with respect to treatment or pumping.

TDLU utilizes three lift stations, all pumping to the three-cell lagoon, which need evaluation and upgrade. They are all older facilities and are being operated in a "run to failure then repair mode." Originally, each lift station had a duplex pump set up where the second pump could operate if one of the pumps failed. Currently there is only one pump in each lift station. Depending on how soon pump failure is discovered and how quickly a replacement pump can be installed, raw untreated sewage may be discharged from the collection system. This mode of operation is inefficient and highly dependent on operator attention.

Pressures Sewers and Pump Units

There has not been adequate personnel time available to provide the service by the Company on customers' pump units as called for in the current tariff. Each residential pump assembly is supposed to be checked by the company twice a year as per TDLU's tariff. Maintenance and cost sharing is outlined in the tariff. The Company is to provide the inspection and labor for maintenance, and the customer is to pay for repairable parts if needed, and the electricity to the pump. The Company has not been abiding by this responsibility because of cost and labor time issues. Also, parts costs have increased and availability has not always been timely. There have been customer complaints regarding the cost and timeliness of service. The company is considering using a different brand of pump which would then change the costs and cause a need to re-define what parts are "repairable." The removal of solids from the septic tank is also supposed to be provided by the Company. Finally, the operation of the pressure sewers needs to be evaluated, to keep current with pipe sizes, locations, flow rates, pressures, and leakage. Staff recommends that TDLU resume undertaking its responsibilities as outlined in the tariff, and accordingly Staff will estimate a specific cost value to be included in this rate case, above test year audited costs, for STEP unit maintenance and sludge removal. The Company will also need to re-develop its maintenance records for each customer's pump unit that, for each unit, will include date placed into service, dates of inspections, repairs and replacements of parts, sludge inspections and removals, and descriptions and unusual features of each unit.

Wastewater system needs:

Over the last few years the wastewater system has had several occurrences of inadequate service that have been discussed with the company and documented. These included: lack of aeration on the lagoon, discharge of raw wastewater from the collection system, and solids lost from the oxidation ditch. DNR has issued Notices of Violation (NOVs) to the Company, and is undertaking enforcement procedures regarding these deficiencies. While there has been limited progress by the Company, such as aerators reinstalled at the lagoon, most of the deficiencies still need to be addressed.

The following is a list of major needs that will require significant capital for plant improvements and revenue to pay for operational improvements and deferred maintenance.

1. Rehabilitation of the three lift stations that deliver wastewater to the large north lagoon.
2. Repair/Install the second aeration rotor on the oxidation ditch.
3. Determine the actual flow of the north lagoon, including average and peak flow.
4. Establish a written plan for sludge hauling and disposal that includes a sound estimate of sludge to be disposed and recording procedure of sampling and quantities.
5. Complete a Technical evaluation and quantification of the wastewater system; including I and I, actual flow rates, actual solids production, condition of the STEP

systems and pressure collecting sewers that transport wastewater to the oxidation ditch, sizes of the piping/physical plant and updating a map of the system.

6. Install and maintain adequate fencing to restrict access to all facilities by small children, pets and livestock.
7. Observe and document the condition of each manhole on the gravity sewer collection systems.
8. Resume maintenance and sludge hauling of STEP pump units; develop a system of recordkeeping for each specific pump unit in service as described herein.
9. Evaluation of and likely elimination of the small single cell lagoon.
10. Complete updates to oxidation ditch to meet the DNR permit discharge limits.
11. Complete updates to the 3 cell lagoon to meet the DNR permit discharge limits.

The above needs, both for the water system and sewer system, are not included in test year costs or current rates. It will be necessary for Staff and the Company and other parties to agree to certain reasonable additional costs to be included for immediately needed operational improvements, in order for the Company to be able to provide safe and adequate service on a going forward basis. Some necessary improvements are capital intensive and will require longer periods of time for planning. Reporting, monitoring, and periodic future rate increase requests will be necessary.

(Hummel, Merciel)

Tariff Review

TDLU's current water tariff became effective July 30, 1974, and the sewer tariff became effective September 15, 1974. Staff's review of the existing tariffs noted numerous updates to the original tariffs. Staff's review also discovered inconsistencies and duplicative rule numbers in the sewer tariff. Specifically, Rule No. 10 and Rule No. 24 were both titled Extension of the Company Facilities.

Staff's review also included reviewing the schedule of miscellaneous service charges. Staff updated the returned check charge from \$15 to \$25 to allow the Company to recover the Company's additional costs related to the processing of returned checks. The late payment fee was updated from 1 ½% of the delinquent amount to \$5 or 3% whichever is greater, allowing the Company to recover from the customer the costs related to maintaining and collecting delinquent bills. Staff also listed all of the miscellaneous service charges in the schedule of service charges instead of through out the tariff. Staff discussed the existing and proposed tariffs with the Company and received input from the Company for the proposed new tariffs.

Staff is proposing to cancel the existing PSC MO No. 1 tariffs and replace them with PSC MO No. 2 for water and PSC MO No. 3 for sewer. (Russo)

Rate Design

Staff reviewed the current rate design and is recommending the current rate design be changed in this case. Staff is proposing the current quarterly billing for water customers be changed to monthly billing. This includes eliminating the existing 5,000 gallons of water included in the minimum to zero gallons. Changing to monthly bills will help the cash flow of TDLU and assist the Company in maintaining the water system. In addition, monthly reading of water meters will assist the Company in monitoring unaccounted for water and assist both the Company and customers in timely detecting high water usage.

(Russo)

WATER AND SEWER UNIT STAFF RECOMMENDATIONS:

- 1) The Commission cancels the existing PSC MO No. 1 water tariff and replaces the water tariff with PSC MO No. 2.
- 2) The Commission cancels the existing PSC MO No. 1 sewer tariff and replaces the sewer tariff with PSC MO No. 3.
- 3) The Commission approves Staff's rate design.
- 4) Within 60 days, Company begin planning and development of additional source of water supply, with at least one new well or other source to be placed into service within 12 months.
- 5) Company immediately begin development and implementation of a valve exercise program that includes identification of critical valves, an inspection/operation schedule, and recordkeeping, with such program and records to be implemented within 60 days.
- 6) Company immediately resume STEP pump unit maintenance, as per the rules outlined in the replacement sewer tariff, along with appropriate recordkeeping.
- 7) The Company will file a rate case in 18 months after the effective date of the current rate request.

Agreement Attachment H

Auditing Unit Recommendation Memorandum

MEMORANDUM

TO: Jim Busch, Manager – Water and Sewer Department
Jim Russo, Supervisor – Rate and Tariff

FROM: Lisa M. Ferguson, Utility Regulatory Auditor IV

SUBJECT: Terre Du Lac Utilities Corporation
Rate Increase Request
Case Nos. WR-2014-0104 and SR-2014-0105

DATE: January 28, 2014 (REVISED 3-17-2014) (Further Revised 7-21-2014)

On October 21, 2013, Terre Du Lac Utilities (“TDLU” or “Company”) filed an informal request to increase annual water rate revenues by fifteen percent (15.0%) and annual sewer rate revenues by sixteen and one-half percent (16.5%). This Memorandum will address the Audit Staff’s review and findings as part of these dockets.

Company History, Rates and Operations

TDLU is located in St. Francois and Washington Counties in Missouri, near the city of Bonne Terre, Missouri, and provides water service to approximately 1,286 customers and sewer service to 1,245 customers. TDLU is co-owned by two brothers, Mike Tilley and Paul Tilley. The Tilley family purchased the TDLU systems from James Kwon, the previous TDLU owner, in April 2001. Mike Tilley oversees the day-to-day operations and serves as the licensed operator for the water system. Stephen Skiles currently serves as the licensed operator for the sewer system. Paul Tilley primarily maintains an ownership interest in the Company and occasionally provides very limited assistance with TDLU’s operations. TDLU last filed for an increase in rates on November 21, 2008, as part of Case Nos. WR-2009-0218 and SR-2009-0219 under the Commission’s informal rate case procedures. As part of the informal rate increase requests, TDLU sought a \$35,000 increase in annual water operating revenues and a \$61,000 increase in its sewer operating revenues. The Audit Staff conducted an investigation of the Company’s books and records and ultimately determined that TDLU required a slight increase for its sewer operations but also required a somewhat larger decrease for its water operations. On May 18, 2009, TDLU filed notice that it no longer wished to pursue its request for a rate increase for either its water or sewer operations. As a result, the Commission closed both of these informal rate cases on May 19, 2009, with no change in TDLU’s existing rates. TDLU last received an increase in both water and sewer rates on April 1, 2000, as part of Case Nos. WR-2000-0068 and SR-2000-0069.

The following table provides a summary of the current rates approved by this Commission and the number of customers currently served by TDLU:

System	No. Metered Customers	Customer Type	Current Monthly Rate
Water	1264	Standard Residential 5/8"	\$ 8.12
	3	Residential – 1" Meter	\$ 14.43
	17	Standard – Business	\$ 8.12
	1	Business – 1" Meter	\$ 14.43
	1	Business – 2" Meter	\$ 37.53
Total	1286		
System	Water Usage	Description	Current Commodity Rate Quarterly
Water	> 5,000	Per 1,000 gallons	\$ 2.35
System	No. of Customers	Customer Type	Current Monthly Rate
Sewer	530	Residential - Gravity	\$ 15.83
	702	Residential – Pressure	\$ 15.83
	9	Residential – Aerator (\$18/qtr)	\$ 6.00
	1	Commercial – 2" Pressure	\$ 126.64
	3	Residential – 1" Main	\$ 39.57
Total	1245		

The Company's well number one is located at TDLU's office and is currently not in-service due to naturally occurring high radionuclide levels deemed unsafe by the Missouri Department of Natural Resources ("DNR"). TDLU has two (2) additional wells, well numbers two and three that are capable of producing 100 and 250 gallons per minute, respectively, on its water system. Storage capacity for the water system is provided by two elevated storage tanks, of 50,000 and 100,000 gallons volume. The Company currently has approximately 100 miles of water mains consisting of four (4), six (6) and eight (8) inch PVC piping.

The Company currently operates three wastewater treatment facilities: (1) a single-cell lagoon; (2) a three-cell lagoon with aerators and (3) an oxidation ditch. It should be noted here that DNR, according to information obtained from TDLU, does not intend to renew the permit for the single-cell lagoon. Therefore, TDLU will need to determine alternative wastewater treatment options sometime in the future for customers currently served by the single-cell lagoon. There are a total of approximately 45 miles of collection sewers, of which 25 miles are four (4) inch force mains with customers connected utilizing a pump unit consisting of a septic tank with an electric pump, and 20 miles are mostly eight (8) inch gravity sewers. The Company's single-cell lagoon serves

approximately 20 homes. The three-cell lagoon serves approximately 516 homes and the oxidation ditch serves approximately 700 homes. There are nine (9) customers who are not connected to collecting sewers rather they utilize individual on-site aerated tanks, meaning each customer has an aerated tank. These customers can optionally pay an approved charge to TDLU for maintenance of the aerators.

The Audit Staff has conducted a review of the Company's books and records. For purposes of its audit, the Staff utilized a test year of twelve-months ending September 30, 2013 updated through December 31, 2013, for known and measurable. Staff reviewed all capital investments, revenues and expenses for the period October 1, 2008, through December 31, 2013, for purposes of conducting its review in this rate case proceeding.

Based upon this review, the Audit Staff determined that TDLU warrants an increase in annual water revenues in the amount of \$43,230 and an increase in annual sewer revenues in the amount of \$53,717. This would represent an increase of 18.95% and 20.47% in current water and sewer rate revenues, respectively. A discussion of the Staff's cost of service calculation and proposed adjustments follows below.

DIVIDENDS

The Company has been paying dividends to Mike Tilley as well as his brother and co-owner, Paul Tilley, since 2006. Prior to that, the co-owners were taking similar payouts in the form of a "draw" that was recorded as an expense to the Company. Amounts disbursed during the test year ending September 30, 2013, totaled \$39,600.

The following chart reflects by year the amount of dividends and draws that have been paid to Mr. Tilley and his brother, Paul Tilley, since 2003:

Year	Mike Tilley	Paul Tilley	Total
2003	\$14,996	\$14,996	\$29,992
2004	\$14,996	\$14,996	\$29,992
2005	\$14,996	\$14,996	\$29,992
2006	\$16,446	\$16,446	\$32,892
2007	\$14,996	\$14,996	\$29,992
2008	\$15,897	\$15,897	\$31,794
2009	\$15,596	\$15,596	\$31,192
2010	\$17,499	\$17,499	\$34,999
2011	\$19,200	\$19,200	\$38,400
2012	\$21,700	\$21,700	\$43,400
2013	\$18,400	\$18,400	\$39,600
Total	\$184,723	\$184,723	\$369,446

The Audit Staff recommends that Mike and Paul Tilley reconsider their practice of paying dividends at the current time and instead re-invest the funds in capital improvements for the water and sewer systems.

RATE BASE AND RELATED ISSUES

Adjustments – Water and Sewer Operations

The Audit Staff used the plant in-service balances at September 30, 2008, previously determined by the Audit Staff in Case No. WR-2009-0218 and SR-2009-0219 as its starting point in performing this review and included all capital investments that were completed since that time. In this rate case proceeding, the Audit Staff verified each capital investment completed during the period covering October 1, 2008, through December 31, 2013, through a review of the Company general ledger, check registers, bank statements, plant records and invoices.

Staff proposes removal of all costs from plant-in-service associated with a 2011 Cadillac CTS utilized by Kathy Tilley, who serves as TDLU's Secretary/Treasurer. The Audit Staff believes this luxury vehicle is excessive in cost and should not be borne by the ratepayers. Therefore, Staff proposes plant adjustments to remove the \$43,601 of capital costs associated with the Company's proposed inclusion of 2011 Cadillac CTS. The Staff has previously made TDLU aware of its concern regarding its attempts to include excessively expensive vehicles as part of the cost of service in its most recent rate proceeding. During Staff's review, it was determined that Ms. Tilley uses the vehicle for both TDLU business (approximately one-third of its use) and personal use (approximately two-thirds of its use). Ms. Tilley's duties for TDLU business include trips to Bonne Terre for the completion of banking transaction and trips to the U.S. Post Office. Ms. Tilley also periodically picks up materials and supplies for TDLU. Therefore, Staff included \$1,730 in its cost of service calculation for mileage incurred by Ms. Tilley for all TDLU business related trips. The Staff recommends that Ms. Tilley maintain travel logs documenting the nature of all business trips and corresponding date of travel and all mileage incurred.

In addition, since the time of the last rate case, TDLU retired its 2002 Ford F-150 Pickup and a 2008 Toyota 4X4 Pickup and replaced them with a 2000 Chevrolet Truck with utility lock boxes and a 2012 Toyota Tundra 4X4 Pickup. Staff plant adjustments P-42.1 through P-42.4 collectively removes \$3,136 from the water cost of service calculation to reflect all of these changes to transportation equipment on the water system, and Staff plant adjustments P-31.1 through P-31.4 collectively removes \$3,136 from the sewer cost of service calculation.

In summary the following chart reflects Staff's inclusion for rate base for TDLU's water and sewer operations at December 31, 2013:

	Water	Sewer
Plant In Service	\$910,942	\$704,475
Accumulated Depreciation Reserve	\$471,018	\$288,458
Net Plant in Service	\$439,924	\$416,017
Contributions in Aid of Construction (CIAC)	(\$246,072)	(\$256,720)
CIAC Depreciation	\$60,324	\$70,977
Inventory	\$752	\$2,305
Total Ratebase	\$254,928	\$232,579

REVENUES

Water

In order to annualize water revenues, the Audit Staff performed an on-site house count to determine the number of customers by rate class. At December 31, 2013, TDLU served 1,286 total water customers consisting of 1,264 residential customers with 5/8" meters, three (3) 1" meter residential, seventeen (17) business customers with 5/8" meters, one (1) business 1" meter, and one (1) business 2" meter. These customer levels were then multiplied by each specific base tariff rate to determine annualized base water revenues. Staff also performed an analysis of the usage of each individual customer over a three year period covering October 1, 2010, through September 30, 2013. The Audit Staff reviewed each customer's usage and through discussion with the Company determined which customers maintained permanent residents throughout the year and which customers were seasonal in nature. Based on their usage history, Staff determined a normalized usage for the determination of commodity revenue. In addition, there are approximately three (3) mobile home customers that are not currently metered. The Company informed Staff that they do intend on metering these three (3) mobile home customers at some point in the future. In order to annualize their usage, Staff employed average usages for all current metered mobile home customers as a surrogate. Similarly, if a new customer came onto the system at some point during the test year, Staff included each customer's actual usage and included a system average for any quarter that was missing. Staff's total annualized commodity usage (all usage during a quarter that was above 5,000 gallons) was then priced at \$2.35 per 1,000 gallons. The commodity usage revenue and base revenue were then added to determine total annualized water service revenue level of \$218,297.

The Audit Staff also included other miscellaneous revenues for TDLU's water system in the amount of \$6,840. This other miscellaneous revenue is generated from leases entered into with Big River Broadband and WiFi Midwest Inc. for allowing them to place their equipment on TDLU property.

Sewer

The Staff annualized sewer revenues based upon the number of customers reported on the TDLU sewer system at the period ending December 31, 2013, at current approved tariff rates. The sewer customer count at December 31, 2013, is 1,245 customers consisting of 1,232 residential customers with 5/8" and 3/4" water meters, nine (9) residential aerator customers, one (1) commercial–pressure customer with a two inch water meter, and three (3) residential customers with one inch water meter. Based upon the current tariffs and these customer levels, Staff determined a \$237,623 level for total annualized sewer service revenues.

Miscellaneous Service Revenue

During the test year ending September 30, 2013, TDLU collected \$29,128 in miscellaneous service revenues. This miscellaneous service revenue was collected to reimburse TDLU for materials and supplies purchased by the Company for maintenance performed on customer sewer pumps. In this proceeding, the Audit Staff recommends an inclusion of \$21,836 for maintenance expense related to customer sewer pumps. TDLU's current tariff allows the Company to charge customers for all materials and supplies purchased for such repairs. As such, the Audit Staff recommends a reduction to miscellaneous service revenue in the amount of \$7,293 in order to reflect full recovery of any expense incurred for materials and supplies purchased by the Company to perform maintenance on customer sewer pumps.

Other Miscellaneous Revenue – Water and Sewer System

The Audit Staff also included Other Miscellaneous Revenues in the amount of \$6,009 broken down as follows: (1) Late fees equal to the test year of \$2,604 (2) Reconnection Fees equal to the test year of \$3,315 and (3) Bad Check Fees in the amount of \$90. These revenues were spread evenly between the water and sewer systems.

UNCOLLECTIBLE EXPENSE

Based on discussions with the Company, the Staff learned that TDLU has been successful in collecting past due balances. This is because the Company is able to collect most past due balance from title companies upon completion of home sales. The Staff determined that the test year level of net write-offs recorded during the test year represents an appropriate level for uncollectible expense.

LOST WATER ADJUSTMENT

Staff determined from a comparison of actual customer usage to the master meter usage that TDLU's water system experiences significant water losses. This comparison revealed that 32.98% of the water that was pumped during the test year did not actually

pass through customers' meters. Consistent with its past treatment of lost water at other regulated water utilities, the Audit Staff established a maximum allowable 15% water loss factor in order to address this significant water loss level. Based upon discussions with the Company and a member of the local fire department, as well as a review of a fire hydrant flushing report, it was determined that a small amount of this water loss is due to annual flushing of fire hydrants. This annual fire hydrant flushing program only represents approximately 0.59% of the total water pumped. After removing the gallons associated with fire hydrant flushing from water losses and allowing a 15% water loss factor the Staff determined a 17.38% water loss percentage to apply to the chemicals and electric expense. The Audit Staff maintains the position that the customers should not be forced to pay for electricity expense associated with pumping lost water, above the 15% threshold as established by the Audit Staff as well as the annual fire hydrant flushing program, since they are not afforded the use of this water.

PAYROLL

Mike Tilley is responsible for daily operations of the water and sewer systems, which includes oversight, inspections, facility locates and meter reading. Mr. Tilley's current salary is \$38,074. The Audit Staff's opinion is that this salary should be increased to \$55,069 to compensate Mr. Tilley for the work he performs for the TDLU systems. The Audit Staff reviewed salary data for the southeast region from Missouri Economic Research and Information Center ("MERIC"), a division of the Missouri Department of Economic Development, to check the reasonableness of the salary being paid to Mr. Tilley and other TDLU employees. Wages for Mr. Tilley paid during the test year ending September 30, 2013, were \$38,807. Therefore, the Audit Staff recommends an adjustment to increase test year payroll expense in the amount of \$16,262 that will be split evenly between water and sewer operations.

Kathy Tilley is responsible for billing, customer service, work orders, data entry into TDLU's accounting software and purchasing of materials and supplies for water and sewer operations. Kathy is a full time employee and acts as office manager for TDLU and is paid an annual salary of \$38,074 for the duties that she performs. Staff's opinion is that this salary is reasonable to compensate Ms. Tilley for the work she performs. Wages for Ms. Tilley paid during the test year ending September 30, 2013 were \$38,807. Therefore, Staff recommends an adjustment to decrease test year payroll expense in the amount of (\$732) that will be split evenly between water and sewer operations.

TDLU also employs a full-time clerical worker, Cindy Hollock, to assist Kathy Tilley with the duties of the office. Ms. Hollock was previously employed with TDLU as a part-time clerical worker. As part of this proceeding, Staff recommends that TDLU begin billing customers for base and commodity revenues on a monthly basis. Since TDLU will begin meter readings and billing customer usages on a monthly basis rather than a quarterly basis, it is expected that this additional workload justifies the recent movement of Ms. Hollock to a full-time status. Ms. Hollock is currently compensated at

a weekly rate of \$500. This wage appears to be adequate to compensate her for the work she performs on a full-time basis. Therefore, an annualized salary of \$26,000 was split evenly between water and sewer operations for this full-time employee.

The Company employs three other full-time employees with one vacancy expected to be filled in 2014. TDLU currently employs a full-time sewer system operator, Stephen Skiles, based upon an hourly rate of \$18.00. Staff believes total level of annual pay of \$37,440 is adequate to compensate Mr. Skiles for the work he performs for TDLU. The two field technicians currently employed by TDLU are compensated at a rate of \$10.75 per hour and \$8.00 per hour, respectively. Mr. Robert Ludwig, the senior field technician, has responsibility for meter reading, system maintenance, facility locates and excavating. The junior field technician, Mr. Ryan Skaggs primarily provides meter reading and system maintenance assistance. The Company has indicated to Staff that by September 1, 2014 it will increase Mr. Ludwig's wage should be increased to \$32,711, a composite average of MERIC SOC Codes 43-5041, Meter Readers, Utilities; 49-0000, Installation, Maintenance and Repair Occupations; 49-9071, Maintenance Workers & Repair Workers, General; and 49-9098, Helpers-Installation, Maintenance & Repair Work. The Company has indicated that by September 1, 2014 it will increase Mr. Skaggs should be increased to \$21,489, the annual wage mean for MERIC SOC Code 49-9098, Helpers-Installation, Maintenance & Repair Work. The Staff believe the proposed increases in wage should properly compensate Mr. Ludwig and Mr. Skaggs for the work they perform for the water and sewer operations of TDLU.

Currently the Company bills its customers monthly for base water charge and for sewer service and on a quarterly basis for commodity usage. In order to improve the Company's cash flow, the Staff recommends that the Company begin to read meters on a monthly basis in order to bill customers for commodity usage on a monthly basis as well. To accomplish this task, TDLU hired John Pratt, who began work on July 14, 2014, to perform this duty as well as assist with other system maintenance needs during periods when meter reading duties are not required to be performed. It is expected that after Mr. Pratt, Mr. Skaggs and Mr. Ludwig will be able to devote more time to specific system maintenance needs as identified by the Staff's Water and Sewer unit and significantly less time towards meter reading. Based upon these assumptions, the Audit Staff recommends inclusion of a full-time employee at a MERIC wage of \$20,006 to perform the duties required by this position. This wage represents the average wage entry level for MERIC SOC Codes 43-5041, Meter Readers, Utilities and 43-9098, Helpers-Installation, Maintenance and Repair Work.

The Audit Staff also recommends inclusion of a full-time employee at a MERIC wage of \$20,006 to perform the duties formerly performed by Jeffrey Anderson. This wage represents the average wage entry level for MERIC SOC Codes 43-5041, Meter Readers, Utilities and 43-9098, Helpers-Installation, Maintenance and Repair Work. During June 2014, Mr. Tilley notified the Staff that he had hired Ryan Mackley to fill this position.

Finally, the Audit Staff recommends removal of all test year amounts paid for sick pay, holiday pay and vacation pay as these amounts are already included in the annualized salaries discussed previously.

PAYROLL TAXES

Payroll taxes paid during the test year were \$13,161. Of this amount, \$8,849 represents the test year level of expense for water operations and \$4,312 for sewer operations. Staff made adjustments to increase these test year levels in the amount of \$2,704 for water operations and \$9,716 for sewer operations to reflect the additional tax liability that will result from the wages that will be paid by TDLU on an annualized basis going forward as well as to annualize payroll taxes to account for the increase in annualized salaries and wages at MERIC rates.

UNIFORM ALLOWANCE

Staff identified a uniform allowance being paid to TDLU employees in the form of payroll. As recommended in Case No. WR-2009-0218 and SR-2009-0219, the Audit Staff recognized the test year level of expense as an appropriate employee benefit paid through payroll for purposes of its review in this docket.

EMPLOYEE BENEFITS

TDLU provides group health insurance and dental coverage to Mike and Kathy Tilley. The Audit Staff recommends that health insurance coverage for TDLU's key employees is reasonable and should be allowed to be recovered through rates.

The current annual premium to provide this coverage to TDLU employees is \$32,986. TDLU incurred group health insurance expense during the test year ending September 30, 2012, in the amount of \$38,975. The Audit Staff recommends an adjustment to reduce test year by (\$3,158) for water operations and (\$2,831) for sewer operations, to reflect the current premium.

TDLU also purchased supplemental health insurance at a cost of \$5,227 during the test year ending September 30, 2013, for Francis and Kaye Tilley who are Mike Tilley's father and step-mother and who are not employees of TDLU. The Audit Staff recommends disallowance of amounts paid to provide supplemental health insurance for Francis and Kaye Tilley as they provide no services to TDLU that can be verified. Therefore, the Audit Staff proposes adjustments to reduce test year level of group health insurance expense by \$2,614 for water operations and \$2,614 for sewer operations.

TDLU also purchased dental and life insurance for Mike Tilley, Kathy Tilley and Francis Tilley. The Audit Staff recommends disallowance of amounts paid to provide dental and life insurance for Francis Tilley since he is not an employee of TDLU. As such, the

Audit Staff proposes a reduction in dental & life insurance expense in the amount of \$1,324 with an adjustment in the amount of \$662 to both water and sewer cost of service.

Finally, the Audit Staff has removed payments made for health insurance claims that should have been the responsibility of the employee.

MAINTENANCE

Water Operations

TDLU has experienced ongoing environmental issues relating to naturally occurring radionuclide levels within its well systems. TDLU has worked with the DNR on this matter and employed the services of Taylor Engineering to evaluate the environmental issues and provide solutions. However, TDLU has not implemented the suggested corrections to the system provided by Taylor Engineering because they were considered cost prohibitive.

TDLU completed repairs to its wells, pumping plant, meters, mains and other plant facilities during the test year. The Audit Staff normalized the on-going level of expense for maintenance to wells, supply & engineering, pumping equipment, mains, meters, and other plant facilities. The Audit Staff recommends a total water system maintenance normalized expense of \$2,956.

Sewer Operations

TDLU also made repairs to collection/force and sewer gravity, pumping system, customer pressure pump units, treatment & disposal equipment and other plant facilities during the test year, including some charges for backhoe expenses. The Audit Staff recommends a normalized sewer maintenance expense of \$4,815.

The Audit Staff determined that the test year level of maintenance expense for customer pressure pumps (i.e., customer-owned sewer pumps) should be recommended as the on-going level of maintenance expense as there has been a steady decline in this maintenance expense category for the 12-month periods ending September 30 for 2011 through 2013. As such, the Audit Staff recommends the on-going level of maintenance – customer pressure pump be set at \$21,836. The Audit Staff will also recommend that miscellaneous service revenues be set equal to this amount to reflect full reimbursement from the customer as allowed by TDLU's current tariff.

SLUDGE HAULING

The Staff of the MPSC's Water and Sewer Unit have performed a calculation and determined that TDLU's annualized sludge hauling expense should be \$2,250. The Staff of the MPSC's Water and Sewer Unit, therefore, recommends an adjustment to increase

sludge hauling expense in order to normalize the ongoing level of sludge hauling expense for the sewer system.

CHEMICALS

Water Operations

TDLU purchased chemicals during the test year ending September 30, 2013, for its water system in the amount of \$2,547. Based on discussions with the Company, the Audit Staff learned that the Company uses approximately 877 gallons of chlorine on an annual basis. Based upon the current rate per gallon of chlorine, the Staff recommends the ongoing level of chemical expense be set at annual ongoing level of \$4,841. Therefore, Staff recommends an increase in test year chemical expense in the amount of \$2,294. The Audit Staff also determined a loss water factor of 17.38% for the water system which was discussed previously in this Memorandum. The Audit Staff, therefore, proposes an additional adjustment to decrease chemical expense by the amount of \$840, to reflect the cost to treat water that is lost and never consumed by the ratepayer. The total normalized ongoing level of chemical expense recommended for the water system is \$4,001.

Sewer Operations

The Audit Staff performed a three-year average of expenditures occurring from 2011 through 2013 due to fluctuations in costs incurred during these years and determined an average of \$3,700 as the ongoing level of chemical expense for the sewer system.

TELEPHONE EXPENSE

TDLU's telephone expense includes wireless phone service provided to Judy Tilley, Audrey Tilley and Francis Tilley who are not employees of TDLU. The Audit Staff disallowed the entire portion of phone service attributable to individuals that are not employed by TDLU as well as two-thirds of the wireless phone service provided to Kathy Tilley in order to more accurately reflect her business use of this service. Reflecting the removal of these wireless phone service charges, the Audit Staff determined that the ongoing level of expense for telephone expense for the TDLU office and wireless phones should be \$1,478 allocated each to the water and sewer system.

INTERNET SERVICE

During the test year ending September 30, 2013, TDLU did not incur any expense for internet service provided by Big River Broadband. However, on a going forward basis, Big River Broadband will charge TDLU \$59 per month for an annual expense of \$718. The Audit Staff will allocate this cost evenly between the water and sewer system, as the service will be used by Mike and Kathy Tilley as well as Cynthia Hollock for office functions.

VEHICLE FUEL EXPENSE

Vehicle fuel expense is currently incurred by three TDLU employees: Mike Tilley, Kathy Tilley and Robert Ludwig. All expenses are charged to TDLU's BP Solutions credit card. BP Solutions provides a detailed invoice to TDLU each month that provides an accurate record of gallons purchased, date purchased, employee and price paid. Kathy Tilley, however, only uses a vehicle one-third of the time for TDLU business. The Audit Staff proposes the annualized gallons for vehicle fuel expense be based upon a three-year average for vehicles used by Mike Tilley and Robert Ludwig and the test year ending September 30, 2013 level for diesel fuel used for power equipment. Staff has now included mileage for Kathy Tilley in lieu of vehicle fuel expense. Staff has included \$6,389 in fuel expense for water and \$9,387 for sewer.

ELECTRICITY EXPENSE

Water Operations

The Audit Staff reviewed TDLU's Ameren Missouri electric invoices, TDLU's general ledgers and check registers and determined a normalized electricity expense as follows: (1) Well #3 normalized usage based upon usages in calendar year 2013 adjusted for water losses and re-priced normalized usage for Well #3 at current tariff rates was determined by Staff to be \$14,876 for the on-going level of electricity expense; (2) Well #2 - chlorinator normalized usages based upon usages for the 12-months ending September 30, 2013 adjusted for water losses and re-priced normalized usage for Well#2 - chlorinator at current tariff rates was determined by Staff to be \$604 for the on-going level of electricity expense; (3) Well #2 – pump normalized usages based upon usages for the 12-months ending September 30, 2013 adjusted for water losses and re-priced normalized usage for Well #2 – pump at current tariff rates was determined by Staff to be \$2,797 for the on-going level of electricity expense; (4) maintenance shop and private lighting at the maintenance shop normalized usage based upon usage for the 12-months ending September 30, 2013 and re-priced normalized usage for the maintenance shop and private lighting was determined by Staff to be \$283 for the on-going level of electricity expense; and (5) TDLU Office normalized usage based upon usage for the 12-months ending September 30, 2013 and re-priced normalized usage for the TDLU Office was determined by Staff to be \$809 for the on-going level of electricity expense. In addition, the Audit Staff recommends an adjustment to normalize sales tax based upon the recommended annualized level of electricity expense.

Sewer Operations

The Audit Staff reviewed invoices provided by Ameren Missouri, TDLU general ledgers and check registers. Electricity usage at each location on the sewer system was based upon the usage for the twelve-months ending September 30, 2013. As such, the Audit

Staff normalized electricity expense as follows: (1) maintenance shop and private lighting at the maintenance shop normalized and re-priced normalized usage for the maintenance shop and private lighting was determined by Staff to be \$418 for the on-going level of electricity expense; (2) TDLU Office normalized and re-priced normalized usage for the TDLU Office was determined by Staff to be \$1,198 for the on-going level of electricity expense; (3) oxidation ditch normalized and re-priced normalized usage for the oxidation ditch was determined by Staff to be \$3,890 for the on-going level of electricity expense; (4) lift station no. 1 normalized and re-priced normalized usage for lift station no. 1 was determined by Staff to be \$772 for the on-going level of expense; (5) 3-cell lagoon normalized and re-priced the normalized usage for the 3-cell lagoon was determined by Staff to be \$2,554 for the on-going level of electricity expense; (6) lift station no. 2 normalized and re-priced the normalized usage for lift station no. 2 was determined by Staff to be \$924 for the on-going level of electricity expense and (7) lift station no. 3 normalized and re-priced the normalized usage for lift station no. 3 was determined by Staff to be \$2,680 for the on-going level of electricity expense. In addition, the Audit Staff recommends an adjustment to normalize sales tax based upon the recommended annualized level of electricity expense.

PROPERTY AND CASUALTY INSURANCE

TDLU currently carries property and casualty insurance for the TDLU office, maintenance shop, wells & well equipment, elevated water towers, sewer treatment plant & treatment plant equipment, electrical panels & testing equipment, lagoon building & equipment, electronic controls and lift station equipment.

The current annual premium paid by TDLU for property and casualty insurance is \$12,258. The amount paid during the test year ending September 30, 2013, was \$11,992. Therefore, the Audit Staff is recommending an adjustment to increase property and casualty insurance expense by \$468 for the water system, and an adjustment to decrease property and casualty insurance expense by (\$202) for the sewer system, with total increase in cost allocated between the two systems based upon percentage of total rate base.

BILLING AND COLLECTIONS EXPENSE

TDLU recorded no expense for cardstock used for water and sewer billings during the test year ending September 30, 2013. Therefore, the Audit Staff reviewed invoices and developed an annualized expense based upon current customer counts and the most recent purchase of card stock by TDLU. Based upon annualized customer counts determined by the Audit Staff in this proceeding and the current cost per bill of \$0.20, the annualized cost for cardstock is \$1,503 for water, and \$1,437 for sewer. The Audit Staff recommends adjustments in these amounts to properly reflect the on-going level of expense for TDLU to prepare billings for water and sewer operations, respectively.

The Audit Staff also developed an annualized level of expense for envelopes used for mailing vendor payments for inclusion in TDLU's cost of service calculations. Based upon the most recent purchase of envelopes by TDLU, the cost is \$0.03 per envelope. Using the normalized number of vendor payments determined by the Audit Staff in this proceeding and the current cost per envelope of \$0.03, the annualized cost of envelopes should be \$11 for water and \$11 for sewer. As such, the Audit Staff recommends an adjustment of \$11 and \$11 to billing and collections for water and sewer operations, respectively.

POSTAGE EXPENSE

During the test year, TDLU recorded \$2,434 and \$2,434 for postage costs for its water and sewer operation, respectively. The Audit Staff annualized postage expense by determining annualized billing and mailing costs based upon the current customer level and the normalized number of vendor payments expected to be made on a going forward basis. Based upon this analysis, the Audit Staff recommends an annualized postage expense level of \$2,974 for water operations and \$2,853 for sewer operations.

MEMBERSHIP FEES

TDLU pays membership fees to the Missouri Rural Water Association (MRWA). Staff included \$595 for water and \$295 for sewer as an annualized amount for these membership fees. This annual membership consists of fees for training provided by the MRWA for some continuing education courses relating to motors and pumps and licensing of TDLU's system operators.

ASSOCIATION FEES

TDLU pays association fees to the Terre Du Lac Property Owners' Association. During the test year ending September 30, 2013, TDLU was assessed an amount of \$1,620 for its office and maintenance shop. The Audit Staff allowed this test year level of expense in the cost of service calculation in order to include an ongoing level for these association fees.

PERMITS AND FEES

Water Operations

TDLU incurred a fee for lab services and program costs in the amount of \$200 which Audit Staff included in the cost of service. This \$200 fee represents TDLU's annual water program administration fee that is charged by DNR for water testing services. The DNR water testing program provides smaller utilities like TDLU with a direct and affordable approach to maintain compliance with water system testing requirements.

Under the program the utility is provided with all sample containers and either prepaid shipping labels or a nearby drop-off location for all required samples.

Sewer Operations

Missouri state statute also requires TDLU to pay state operating permit fees under the Missouri Clean Water Act. TDLU is required to pay \$3,000 for its three-cell lagoon and \$100 for its one-cell lagoon. In addition, TDLU must pay a \$3,000 discharge fee for its oxidation ditch treatment plant. Staff annualized a total of \$6,145 for fees paid to DNR, which includes \$3000 for an operating permit for the three-cell lagoon, \$3,000 for a discharge fee for the oxidation ditch, \$100 for an operating permit for the single-cell lagoon and a \$45 license fee for its backup sewer system operator. Staff included these cost in TDLU's cost of service.

OUTSIDE SERVICES

TDLU employs J & S Accounting services to prepare TDLU financial statements, quarterly financials, federal and state tax filings, as well as payroll and sales tax filings. Total expenditures during the test year were \$1,661 for water operations and \$1,661 for sewer operations for a total expense of \$3,322. The Audit Staff proposes an adjustment to this expense to reduce the on-going level to \$1,557 for water and \$1,557 for sewer.

TDLU has also secured the legal services of Bruntrager & Billings P.C. to represent the Company in litigation involving compliance issues brought forth by DNR and Missouri Office of the Attorney General (AGO) on behalf of DNR. Total costs incurred during the test year were \$768. The Staff believes these fees could have been avoided by the Company. Therefore, the Audit Staff removed the test year level of these fees from the cost of service calculation.

Over the past seven years, TDLU has sought the expertise of several engineering firms to assist in addressing the compliance issue set forth by the DNR. These issues include: (1) radionuclides in the water supply; (2) Inflow & Infiltration problems on the sewer system; (3) ineffective and/or obsolete plant on the sewer system. In total, TDLU has incurred \$31,826 for the period 2006 through 2013.

Taylor Engineering provided expertise on radionuclides (water system) in the amount of \$9,657 and wastewater improvements (sewer system) in the amount of \$8,144 for a total cost of \$17,801. Taylor Engineering is not currently providing any services to TDLU and no capital project resulted from the engineering study provided to TDLU. Therefore, the Audit Staff recommends that these fees be excluded from TDLU's cost of service.

Smith & Company provided expertise relating to compliance issues on the existing wastewater treatment system (sewer system) in the amount of \$7,500. Smith & Company is not currently providing any services to TDLU and no capital project resulted from the

engineering reports provided to TDLU. Therefore, the Audit Staff recommends that these fees be excluded from TDLU's cost of service.

More recently, TDLU entered into a contract with Schultz Survey and Engineering to obtain a preliminary engineering and system design study to address the compliance issues set forth by the DNR and the AGO. The initial contract fee was set at \$500 per month. As of December 31, 2013, TDLU has incurred \$2,000 in engineering fees from Mr. Schultz for the water system. TDLU has also incurred \$4,025 in engineering fees from Mr. Schultz for the sewer system. It should be noted here that Mr. Schultz found it necessary to amend the original contract with TDLU based upon discussions conducted between Company, Staff and Mr. Schultz in early 2013 as the scope of work had expanded. As of this date, no capital project has resulted from the engineering work performed by Mr. Schultz. The Audit Staff recommends at this time that the fees incurred to date by TDLU be amortized over two (2) years. This proposed two year amortization is conditioned upon TDLU agreeing to the Staff's Water and Sewer Unit's condition that the Company be required to file another rate case within 18 months of the effective date of rates in this rate proceeding. If this rate filing condition is not acceptable to TDLU, then the Audit Staff would propose that these fees be amortized over five years. On a going forward basis, the Audit Staff will recommend that the annual expense for engineering fees be set at zero. Instead, the Audit Staff proposes that any engineering fees incurred by TDLU be capitalized as capital improvement projects are placed in-service.

LAB TESTING – HYDRO SERVICES

During the test year ending September 30, 2013, TDLU incurred \$2,850 in expense for services provided by Hydro Services for lab testing. The Audit Staff has determined that the level of annual expense should be \$3,120 based upon four (4) quarterly wastewater tests for the single-cell lagoon as required by DNR and twelve (12) monthly wastewater tests required for the north lagoon and oxidation ditch. Therefore, the Audit Staff is recommending an adjustment to increase test year level expense by \$270.

PSC ASSESSMENT

The Staff recognized \$2,024 for water operations and \$2,480 for sewer operations in the cost of service calculations to reflect the most current fiscal year 2015 PSC assessment that was issued on July 1, 2014. Amounts paid during the test year ending September 30, 2013 were \$7,785 and \$15,675, respectively. Therefore, Staff recommends an adjustment to decrease the annual assessment for the water system by (\$5,761), and a decrease in assessment for the sewer system in the amount of (\$13,195).

REAL ESTATE AND PERSONAL PROPERTY TAX

TDLU paid real estate and personal property taxes during the calendar year 2013 in the amount of \$2,496 for water and \$2,496 for sewer for a total real estate and personal property tax liability of \$4,992. The actual real estate and personal property tax liability paid for the calendar year ending December 31, 2013, was \$4,949. The Audit Staff recommends this be allocated to water and sewer operations based upon the actual location of the service or the percentage of total payroll when the asset is used for both water and sewer operations. The Audit Staff recommends a decrease of (\$485) for the water operations, to reflect the current tax liability paid for the year ending December 31, 2013, in the amount of \$2,011 for the water system. The Audit Staff recommends an adjustment to decrease real estate and property tax expense by (\$55) for the sewer operations to reflect a current tax liability paid for the year ending December 31, 2013 in the amount of \$2,441 for the sewer system. The Audit Staff also recommends that the property tax expense associated with the Cadillac CTS be removed.

RATE CASE EXPENSE

Staff has included all prudent rate case expense items incurred by the Company through June 30, 2014. Staff normalized \$7,074 over two years and spread this cost evenly between the water and sewer systems. This resulted in a \$1,768 increase in expense in water operations and the same level of increase in expense for sewer operations.

AUDIT STAFF RECOMMENDATIONS

The Audit Staff recommends the following items:

1. The Audit Staff recommends that the Commission grant TDLU a \$43,230 increase in water revenue requirement and a \$53,717 increase in sewer revenue requirement.
2. The rates agreed to herein reflect salary increases for Company employees Mike Tilley, Robert Ludwig, Sr., and Ryan Scaggs, Jr. These salary increases will take effect on September 1, 2014, and the Company shall provide proof of the same (i.e., copies of W-4s, cancelled payroll checks and Federal Forms 940 and 941) to the Manager of the Auditing Unit for the Staff and the Chief Accountant for OPC by September 15, 2014, or if not final by that date, within three days of the documents' respective submission to the employee or regulatory entity..
3. Company shall improve its methods and procedures for tracking when customers join and leave the system. The Audit Staff shall assist TDLU with regard to this recommendation. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
4. Company shall begin tracking costs related to each customer connection to the water system using the form attached to this Memorandum. The Company's

Thoroughbred Database System appears to have the functionality for tracking all costs related to individual customer connections on a going forward basis. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.

5. Company shall begin tracking costs related to each customer connection to the sewer system using the form attached to this Memorandum. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
6. Company shall record capitalized payroll related to customer connections as a separate journal entry to ensure this capitalized labor is properly reflected in Company's plant balance for ratemaking purposes. All journal entries related to customer connects should be made on a quarterly basis. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
7. Company shall record customer connection fees collected as a separate journal entry to ensure these amounts are properly reflected in Company's CIAC balance. All journal entries related to customer connections should be made on a quarterly basis. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
8. Company shall immediately begin recording all parts purchased for customer connections as a separate journal entry to ensure a proper accounting of this cost. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
9. Company shall track all meters installed on its water system separately from those costs recorded in Item 5 above to ensure the proper Commission approved depreciation rate is applied for ratemaking purposes, and to ensure adequate records for tracking meter life, locations, and meter accuracy. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
10. Company shall use the appropriate annual report form for Water and Sewer utilities, as specified by Missouri State Codes of Regulation, 4 CSR 240-3.640, 4 CSR 240-50.030, 4 CSR 240-3.335 and 4 CSR 240-61.020, to ensure the proper recording of plant assets, revenues and expenses on a going forward basis. Company should also consider registering with the Missouri Public Service Commission so annual reports may be filed utilizing the Commission's Electronic Filing Information System (EFIS). The Audit Staff is available to assist the Company with this recommendation. The Audit Staff

recommends the Company do this in conjunction with the Company filing its next Annual Report to the Missouri Public Service Commission.

11. Company shall report all plant additions related to customer services to Account 345 – Customer Services for water operations and Account 353 – Customer Services for sewer operations per the USOA. The Audit Staff recommends this condition be met within thirty (30) days of the effective date of new rates.
12. Company shall immediately maintain a Plant Additions and Retirement spreadsheet along with supporting documentation to ensure all plant assets are properly reflected in future rate case proceedings. This supporting documentation shall include any bids received, sales or purchase agreements, loan agreements, invoices by vendor and proof of payment. The Audit Staff recommends this condition be met no later than six (6) months after new rates become effective.
13. Company shall also backup all books and records recorded in its Peachtree Accounting System to ensure proper maintenance of Company documentation. The Audit Staff recommends this condition be met within thirty (30) days of the effective date of new rates.
14. On or before August 15th of each year, Terre Du Lac shall provide to the manager of Auditing copies of disks containing the final billed water usage, sewer service revenues and all miscellaneous revenues for each month on a separate basis for the period covering January through June. On or before February 15th of each year, Terre Du Lac shall provide to the manager of Auditing copies of disks containing the final billed water usage, sewer service revenues, and all miscellaneous revenues for each month on a separate basis for the period covering July through December.
15. Company shall backup all meter readings and water loss data recorded in its Thoroughbred Database System on a monthly basis to ensure proper maintenance of Company water usage and loss information. The Audit Staff recommends this condition be met no later than thirty (30) days after new rates become effective.
16. The Audit Staff recommends the Company continue to record master meter readings at a minimum on five days per week in a master meter log, and that the Company make the master meter log available for review upon Staff's request.
17. In all future rate case filings, TDLU shall be required to file both its water and sewer systems concurrently.

Terre Du Lac Utilities Corporation

Water Tap

Work Order No. _____

Customer Name: _____

Address: _____

Date: _____

Parts and Labor

Materials and Supplies

Cost

Meter Size: _____

Size: _____

Size: _____

Size: _____

Size: _____

Size: _____

Size: _____

Subtotal _____

Labor

_____ Hours at _____ per hour _____

_____ Hours at _____ per hour _____

_____ Hours at _____ per hour _____

Subtotal _____

Total _____

LESS: Total Amount Billed to Customer _____

Company's Plant Investment _____

Terre Du Lac Utilities Corporation

Sewer Tap

Work Order No. _____

Customer Name: _____

Address: _____

Date: _____

Parts and Labor

Materials and Supplies

Cost

Pump Size: _____

Size: _____

Size: _____

Size: _____

Size: _____

Size: _____

Size: _____

Subtotal _____

Labor

_____ Hours at _____ per hour _____

_____ Hours at _____ per hour _____

_____ Hours at _____ per hour _____

Subtotal _____

Total _____

LESS: Total Amount Billed to Customer _____

Company's Plant Investment _____

Agreement Attachment I

EMSU Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Unit

Case Nos. WR-2014-0104

and SR-2014-0105

Terre Du Lac Utilities Corporation

Debbie Bernsen and Kay Niemeier

On October 19, 2012, Staff of the Missouri Public Service Commission (“Staff”) filed a Request for Investigation into Terre Du Lac Utilities Corporation (“Company” or “TDLU”) with the Missouri Public Service Commission (“Commission”) to open an investigative docket for the purpose of conducting a review of the managerial, financial, and operational capabilities of TDLU. On October 24, 2012, the Commission granted Staff’s request, and the investigation was assigned Case No. WW-2013-0196. Staff completed a preliminary investigation and filed a status report in WW-2013-0196 on September 20, 2013. The Company subsequently filed a rate increase request for water revenues of 15% and sewer increase revenues of 16.5% on October 15, 2013. These requests were assigned Case Nos. WR-2014-0104 and SR-2014-0105.

The Engineering and Management Services Unit (EMSU) staff of the Commission participated in the Staff investigation and performed an initial review of the customer service and business processes, procedures, and practices of TDLU in Bonne Terre, Missouri, in conjunction with the investigative case in WW-2013-0196. For Case Nos. WR-2014-0104 and SR-2014-0105, the EMSU staff completed additional analysis, issued additional data requests to update information since its on- site work was completed in the investigative case and conducted interviews with Company personnel located in Bonne Terre, Missouri. Some of these data requests responses were just received and are being reviewed by EMSU staff.

The EMSU staff examined the Company’s tariffs, Commission complaint and inquiry records, and other documentation related to the Company's customer service and business operations. The EMSU staff’s review of the Company resulted in the following recommendations for Company management.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

1. Develop written job descriptions for each position at the Company that adequately reflects the employees' current job duties and responsibilities. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
2. Develop and utilize time sheets for all employees to record work assignments and the time associated with each work assignment. Incorporate employee and supervisor signatures to verify the accuracy of the information recorded. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
3. Develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information regarding the vehicle type, date, employee name, general description and location of the task and the miles attributable to the task. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
4. Maintain Commission-approved billing estimation procedures to ensure the Company adheres to Commission Rule 4 CSR 240-13.020(2)(C) in the event that an estimate is necessary. This recommendation should be completed within thirty days of the effective date of the Commission order issued in Case No. WR-2014-0104.
5. Consider and evaluate the use of customer deposits for new customers upon initiation of service, consistent with the provisions of 4 CSR 240-13.050, to assist the Company in its management of bad debt. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
6. Discontinue the practice of discontinuing service due to a delinquent non-pay account being paid with an insufficient funds check without proper notification to the customer. Make a reasonable effort to contact customers 24 hours in advance of a service discontinuance, notifying them of the impending discontinuance of service and the amount owed to avoid it, consistent with the provisions of 4 CSR 240-13.050(7). This recommendation should be completed within thirty days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.
7. Evaluate the present timelines for the application of collection action on delinquent paying customer accounts. Determine if expediting actions, while staying within the guidelines of 4 CSR 240-13, may assist in cash flow and collection of delinquent accounts. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

The purpose of the EMSU is to promote and encourage efficient and effective utility management. This purpose contributes to the Commission's overall mission to ensure that customers receive safe and adequate utility service at reasonable rates while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were to analyze and document 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 the processes, procedures, and practices related to:

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

Overview

TDLU operates both a water system and a wastewater collection and treatment system to serve approximately 1,300 customers near Bonne Terre, Missouri.

The Company has an office located at 1628 South St. Francois Road, Bonne Terre, Missouri, which is open from 8:30 a.m. to 4 p.m. Monday through Friday. The office is staffed with two full-time Office Managers and an assistant on a part-time basis. Office personnel are responsible for all administrative functions associated with the Company such as billing, payment remittance, financial account posting, and credit and collection functions. One Office Manager has primary responsibility for outside operations. The Company currently employs three other full-time employees with one vacancy expected to be filled in 2014. These three employees are responsible for field operations, such as meter reading, system maintenance,

facility locates, and excavating. One of the employees acts as the full-time sewer system operator. Employees do not have written job descriptions. Time sheets are used by field personnel to allocate time to either water or sewer operations and for payroll purposes. Office personnel complete time sheets, but do not track information on specific work activities. Vehicle logs are not used to track vehicle miles associated with performing work activities. The Company does utilize contractors for various activities as needed, such as conducting annual inspections and pumping work.

Outside of normal office hours, the Company utilizes an automated attendant to answer customer calls and give instructions for the customer to leave a message if it is not an emergency situation. For emergency service, the customer is given a number to contact the employee on call who responds to emergency situations. Field operators perform maintenance and repairs, as needed, on holidays and weekends.

Meter Reading

The Company renders a bill to customers on a monthly basis with a customer charge. On a quarterly basis, the meters are read, and the bill that month includes a usage charge based upon the meter reading. Between two to four employees read the eleven routes. The Company indicates it requires the two to four field employees a period of three weeks to complete the meter readings. The Company attempts to begin reading meters around the 1st of each month. Meter readings are manually recorded on a meter reading worksheet that includes the last reading and a space to enter the new reading.

Under its present procedures, the Company only reads meters on a quarterly basis and bills usage at that time. The reading schedule is conducted over a three-week period and during that time they will make additional attempts to obtain an actual reading. The Company indicates it does not presently read inactive meters. The Company has indicated it intends to read meters on a monthly basis at some time in the future. If this occurs, the EMSU staff encourages the Company to obtain a quarterly reading on inactive meters to be alert to possible unauthorized use of water.

Customer Billing

The Company bills monthly but only reads meters quarterly. A monthly customer charge based upon the meter size is billed on the monthly bill. At the end of each quarter, the meters are read and usage is computed and billed at that time. The quarterly bill will include both the customer charge and the usage fee. As stated earlier, the Company has indicated a change to monthly meter reading in the future. Once a decision is made regarding the timing of this change, the Staff believes it will be very important to communicate this to the customer in advance of the billing change occurring.

The Company currently does not have bill estimation procedures in its tariff. The Company indicated that the need to estimate usage is rare.

Thoroughbred Utility Manager 32 is the billing software utilized by the Company since year 2000 to maintain customer account records and prepare monthly billing statements. At the present time, customers receive a monthly bill with the monthly customer charge. Every quarter when the meters are read, the usage charge is also calculated and is added to the bill. Bills are reviewed to discover possible reading errors and questionable reads may dictate an additional trip to check the meter reading. Inactive meters are normally not read. Bills are generally mailed on the 22 day of the month.

Payment Remittance

Customers may pay their bills by using the mail, using one of two drop boxes, or paying their bill at the local bank. In addition, the customer may pay using an online bill payment. The Company picks up mail and checks the two drop boxes daily. Customers are able to make payments by cash, check or online. Payments are normally posted to the customer's account on the day received.

Credit and Collections

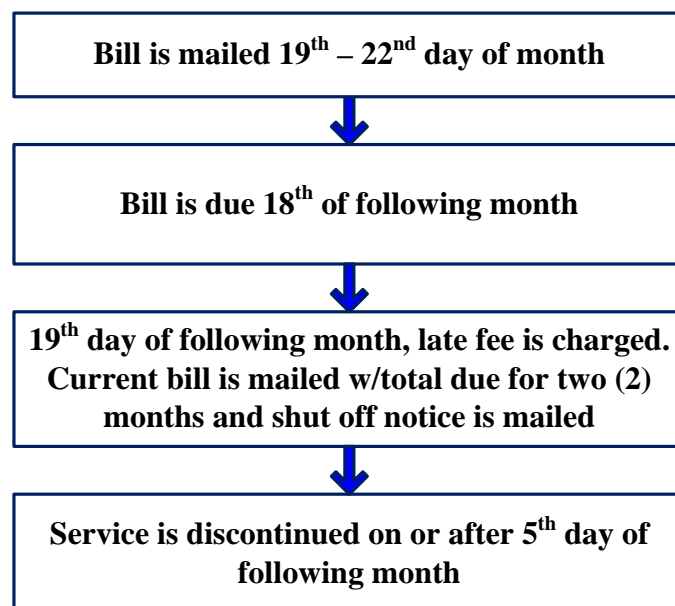
The Company collects a written application from each new customer and requires a social security number or driver's license, but does not collect customer deposits from its customers. The Company's tariff provides for the collection of a customer deposit in an amount not to exceed the estimated bill for two months with the minimum deposit being \$5.00.

The Company's late fee of one and one-half percent per month times the unpaid balance is applied to delinquent accounts, which are accounts that have not been paid by the 19th of the month. The Company indicated that delinquent bills for renters' accounts are also mailed to the renters' landlords. The Company asserted that it attempts to collect renters' bills that have left the service territory from landlords.

The Company represented to the EMSU staff that it charges \$15.00 for collection of delinquent non-pay accounts. Currently, the Company accepts payments of cash or check in the field to avoid service discontinuance. Customers that make cash payments in the field receive a receipt. The Company indicated that it may not be collecting a fee for every separate trip made to the customer's residence. For example, the customer may only be charged one fee for both a disconnection and a reconnection even if two trips were made to the residence. The EMSU staff discussed the possible review of the Company's tariff regarding its delinquent non-pay fees, disconnect and reconnect fees. Any change to its tariff regarding these fees will be handled by the Water and Sewer Unit staff.

Delinquent non-pay accounts are approximately forty-six days past the billing date and sixteen days past the delinquent date when service is subject to discontinuance. The Company's flowchart of the handling of its delinquent accounts is displayed below.

Delinquent Account Actions



Source: Company Interview held February 7, 2013

As illustrated, the Company normally takes some action towards collection after the second bill is also in arrears. The EMSU staff will discuss possible changes to the Company's current schedule of collection activities in the Findings, Conclusions and Recommendations Section of this report.

According to the Company, discontinuances of service due to delinquent non-pays are performed on Tuesdays or Wednesdays. An employee knocks on the customer's door prior to discontinuing service and leaves a notice at the door after the service is discontinued. For 2013, the Company recorded 519 discontinuances of service due to delinquent non-pay. On April 19, 122 shut off notices were mailed and, of the 122 accounts, 29 discontinuances of service occurred. The Company asserted that 16 of the 29 discontinuances due to delinquent non-pay were reconnected after payment was received. Payment in full, which includes the delinquent non-pay fee, is required to have service restored following discontinuance due to delinquent non-pay.

The Company indicated to Staff that it rarely receives an insufficient funds check from customers. For 2010, 2011 and 2012, the Company recorded nine, eleven and five insufficient funds checks, respectively. The Company asserted to the EMSU staff that an employee attempts to contact the customer by phone prior to their service being discontinued in order to inform the customer of the insufficient funds check and to make payment arrangements. If not contacted by phone, a door hanger is left at the premise informing the customer to contact the Company in order to make payment arrangements. It is possible that service could be discontinued without notification due to an insufficient funds check. If the insufficient funds check is for payment of a delinquent non-pay account, the customer is contacted by phone to make payment arrangements. If the customer contact is not made, the Company discontinues service and leaves a door hanger at the premise informing the customer of the reason service was discontinued, the amount due in order to have service restored and requesting the customer contact the Company.

The Company's tariff allows a returned check charge of \$15.00 per check for insufficient funds checks. The Company represented to the EMSU staff that its bank charges it \$5.00, and the Company charges its customers a returned check charge of \$25.00 for insufficient funds checks. The Company was instructed by the EMSU staff to discontinue the practice of charging \$25.00 for insufficient funds checks. The EMSU staff discussed the possible review of the

Company's tariff regarding its returned check charge. Any change to its tariff will be handled by the Water and Sewer Unit staff.

The Company indicated to the EMSU staff that it experiences bad debt write-offs although its annual report stated there were no bad debt write-offs. The Company does not contract with an outside collection agency to attempt to collect on its bad debt write-offs. The Company indicated that it attempts to collect its bad debt write-offs by adding its total amount due to closing costs when the property is sold and the title company collects and reimburses the Company.

The Company represented that it has experienced theft of service. When this occurred, the Company removed the meter at the premise and locked the service. The Company indicated that it has no list of agencies to assist customers in payment of their bills but it has previously had churches assist customers in payment of their bills.

Complaints and Inquiries

Customers may call, mail, fax or email complaints or inquiries to the Company. Most contacts begin with a phone call. Calls are generally answered by the Office Manager who can access their billing history and attempt to resolve a customer's inquiry. The Company maintains a customer complaint log. The Commission's Electronic Filing Information System (EFIS) received three customer complaints in 2010, one customer complaint in 2011 and three customer complaints during 2012. There were a total of seven public comments filed by customers in this case.

Customer Communication

The Company has a written information brochure which contains necessary information required by Commission Rule 4 CSR 240-13.040. Brochures are available to customers at the office and new customers receive one when applying for service. If necessary, the Company is able to provide messages to customers on their monthly billing statements.

Records and Documentation Retention

The Company maintains records in a fireproof cabinet for several years. It also does back-ups on CD of all billing records. Thoroughbred Utility Manager has also kept records of service locations and billing since 2005.

Findings, Conclusions, and Recommendations

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

- Job Descriptions
- Time Records
- Vehicle Logs
- Billing Estimation Procedures
- Customer Deposits
- Insufficient Funds Check Fee
- Discontinuance of Service Due to Insufficient Funds Check
- Review of Schedule for Collection Activities

Job Descriptions

Employees that complete the work activities for the Company do not have written job descriptions defining their activities and responsibilities. The lack of job descriptions makes it more difficult to determine each employee's job functions and an evaluation of their performance. It is a basic business practice to have job descriptions for each position as they provide employees and supervisors a framework for understanding each employee's role at the Company. The job description can assist in employee training and development, workflow analysis, the clarification of relationships between jobs and work assignments, as well as determining appropriate staffing levels. Written job descriptions become even more important within companies that perform regulated and unregulated activities to document expectations and responsibilities. The EMSU staff encourages the Company to develop and maintain job

descriptions for all personnel to adequately reflect the employees' current job duties and responsibilities.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop written job descriptions for each position at the Company that adequately reflects the employees' current job duties and responsibilities. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Time Records

Time records indicating specific job activities are not completed by all employees conducting work activities for the Company. A time record provides an important method to document the specific work and time attributable to it and should be utilized by all employees.

Maintaining accurate time records can serve and support several purposes such as planning, budgeting, and staffing. Time records assist in tracking the amount of time employees expend on all projects, enabling schedules of required work to increase operational efficiencies. Data contained in time records should be linked to accounting records and provide the necessary support for financial reporting and allocation of costs. Employees and supervisors should sign time sheets to verify the accuracy of the information recorded. Employee time records are useful in the regulatory process to support the salaries and benefits that regulated utilities will receive in customer rates. In situations where employees' work activities are shared among several different companies, it becomes even more important to utilize time sheets that reflect the actual work performed.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and utilize time sheets for all employees to record work assignments and the time associated with each work assignment. Incorporate employee and supervisor signatures to verify the accuracy of the information recorded. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Vehicle Logs

Company employees do not currently log the mileage associated with jobs while utilizing Company vehicles. This lack of written documentation makes it difficult to ensure that

Company vehicles are being used for Company-related activities and the actual cost associated with specific jobs. An appropriate vehicle log would provide useful information including the vehicle type, date, employee name, a general description and location of the task, and the miles driven attributable to the task.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information regarding the vehicle type, date, employee name, general description and location of the task and the miles attributable to the task. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Billing Estimation Procedures

The Company has not submitted billing estimation procedures for approval to the Commission per CSR 240-13-020 (2), which states:

- (2) Each billing statement rendered by a utility shall be computed on the actual usage during the billing period except as follows:
- (C) Under no circumstances shall a utility render a bill based on estimated usage –
 - 1. Unless the estimating procedures employed by the utility and any substantive changes to those procedures have been approved by the commission;

The Company indicated it seldom has a need to estimate bills except under conditions of extreme weather. However, there are benefits to having an approved procedure in the event the Company is forced to estimate bills. Given the existence of the rule requiring Commission approval of the procedures, the Company needs to address formalizing a procedure and submitting it for Commission approval.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Maintain Commission-approved billing estimation procedures to ensure the Company adheres to Commission Rule 4 CSR 240-13.020(2)(C) in the event that an estimate is necessary. This recommendation should be completed within thirty days of the effective date of the Commission order issued in Case No. WR-2014-0104.

Customer Deposits

The Company does not require customer deposits from customers until they have demonstrated to the Company that they are a delinquent paying customer. Customer deposits can assist to ensure that customers do not leave the Company with large amounts of uncollectibles. The utilization of customer deposits for new customers based upon the provisions of 4 CSR 240-13.030 could assist the Company in maintaining a low level of bad debt write-offs.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Consider and evaluate the use of customer deposits for new customers upon initiation of service, consistent with the provisions of 4 CSR 240-13.030, to assist the Company in its management of bad debt. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Insufficient Funds Check Fee

At the time of the audit on-site work, the Company was incorrectly charging a returned check fee of \$25.00 for each insufficient funds check. The Company's tariff allows a returned check fee of \$15.00. The Company was advised by the EMSU staff to discontinue the practice of charging \$25.00. The Company has indicated it has discontinued this practice and are now utilizing the current tariff amount.

Discontinuance of Service Due to Insufficient Funds Check

The Company does not notify all customers with insufficient funds checks that their service is subject to discontinuance prior to their service being discontinued. When a customer has made payment with an insufficient funds check of an account subject to discontinuance of service due to non-payment, the Company attempts to contact the customer by phone to inform them of the check. If the Company is not able to contact the customer, the service is discontinued and notice is left at the premise. According to Commission Rule 4 C SR 240-13.050(7), the Company is required to make a reasonable effort to contact the customer 24 hours in advance of a service discontinuance. If the Company is unable to contact the customer by telephone, the Company could leave a door hanger at the residence and provide the customer 24 hours to contact the Company to avoid discontinuance of service.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Discontinue the practice of discontinuing service due to a delinquent non-pay account being paid with an insufficient funds check without proper notification to the customer. Make a reasonable effort to contact customers 24 hours in advance of a service discontinuance, notifying them of the impending discontinuance of service and the amount owed to avoid it, consistent with the provisions of 4 CSR 240-13.050(7). This recommendation should be completed within thirty days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

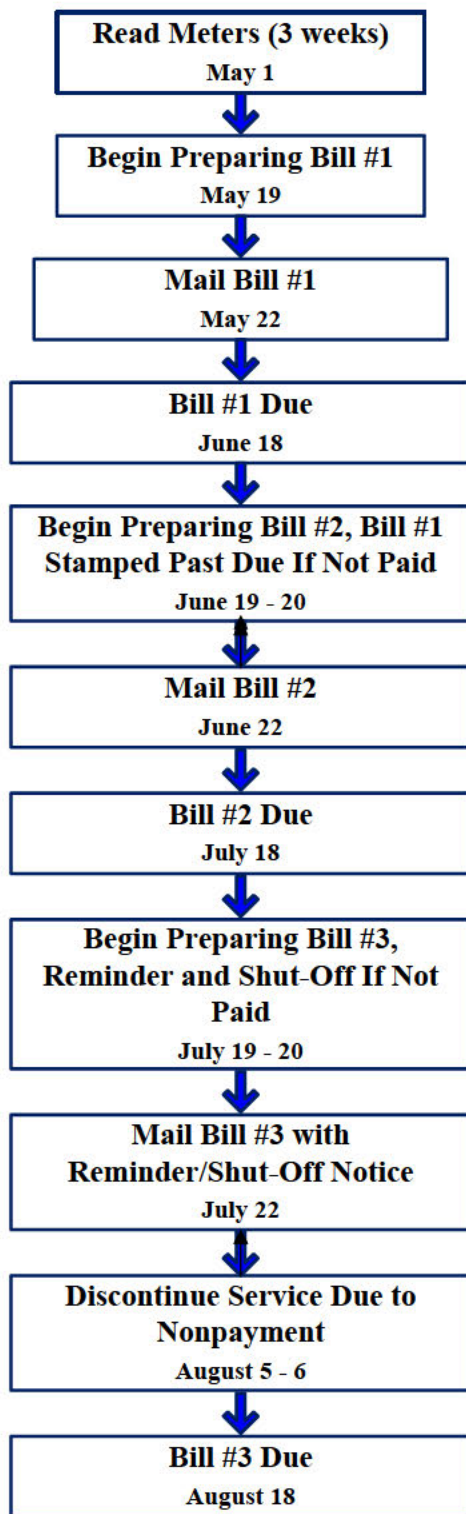
Review of Schedule for Collection Activities

The Company defers taking any significant actions on collecting on delinquent accounts until the customer has received two bills with arrears. This delay of collection action impacts the Company's cash flow and may also affect the amount of the Company's bad debt write-offs.

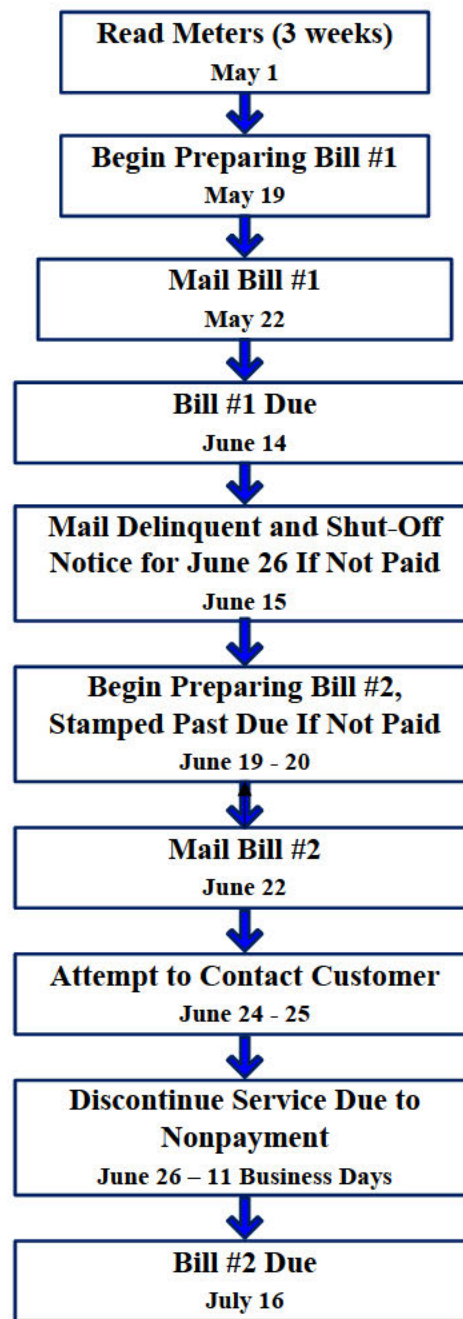
The EMSU staff did an analysis of the Company's present process for preparing bills and the timeline for collection actions taken if the customer's bill remained delinquent. The EMSU staff found that the Company was in some cases going significantly beyond the requirements of 4 CSR 240-13 (Billing Rules) when it came to allowing customers an adequate time to pay bills before accounts were considered delinquent. The Company was adding the delinquent bill amount to the next month's bill, stamping it past due, and allowing the customer an additional month to pay their delinquent bill. Only after two delinquent bills, did the Company notify the customer that they were subject to disconnection. Instead, the EMSU staff suggests the Company should begin to take action to collect delinquent amounts within the timelines provided by the Billing Rules. The appropriate notifications to customers should include the potential of a discontinuance of service when the customer's payment is delinquent and not wait until additional bills are rendered. Customers will be made more aware of the importance of payments being received in a timely manner.

continued on next page

Present Process



Expedited Process



If any changes are made to these practices, it will be important for the Company to communicate

these to the customer in advance to ensure their understanding. Changes to these collection practices would be most effectively implemented in conjunction with a change to including water usage in each monthly billing instead of quarterly.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Evaluate the present timelines for the application of collection action on delinquent paying customer accounts. Determine if expediting actions, while staying within the guidelines of 4 CSR 240-13, may assist in cash flow and collection of delinquent accounts. This recommendation should be completed within ninety days of the effective date of the Commission orders issued in Case Nos. WR-2014-0104 and SR-2014-0105.

Implementation Review

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

Agreement Attachment J

Summary of Case Events

Terre Du Lac Utilities Corporation
Case # SR 2014-0105
Summary of Case Events

Date Filed	October 21, 2013
Day 150	February 18, 2014
Extension?	None
If yes, why?	N/A
Amount Requested	\$39,300
Amount Agreed Upon	\$53,717
Item(s)/Dollar(s) Driving Rate Increase	Increase in operations cost
Number of Customers	1,245
Return on Equity	6.997%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	WR-2014-0104
Status with Secretary of State	Good Standing
DNR Violations	Yes
Significant Service/Quality Issues	The system requires major repairs and upgrades

Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Lisa Ferguson-Auditing Department

Arthur Rice – Engineering & Management Services Department

Deborah Bernsen – Engineering & Management Services Department

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

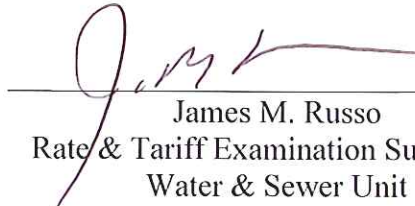
AFFIDAVIT OF JAMES M. RUSSO

In the Matter of a Request of a Rate Increase)
by Terre Du Lac Utilities Corporation)

File No. SR-2014-0105


STATE OF MISSOURI)
) SS
COUNTY OF COLE)

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is a Rate & Tariff Examination Supervisor in the Missouri Public Service Commission's Water and Sewer 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 Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment A, E, F, G, and J to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment A, E, F, G, and J to the Disposition Agreement; and (6) that the matters set forth in Attachment A, E, F, G, 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 & Sewer Unit

Subscribed and sworn to before me this 23rd day of March, 2014.




Notary Public

Elizabeth A. Hankin
Notary Public

Dezelle Hankin
Notary Public