

**Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532**

Company Letter Requesting Increase in Operating Revenues

TS Timber Creek Sewer Co., Inc.
P.O. Box 511 Platte City, MO 64079
(816) 858-3989

July 16, 2003

FILED

JUL 15 2003

Missouri Public
Service Commission

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

RE: Timber Creek Sewer Company, Inc.

Dear Mr. Roberts:

Timber Creek Sewer Company, Inc. (Company) holds a certificate of public convenience and necessity whereby it provides sewer service to certificated areas near Platte City, Missouri.

Pursuant to 4 CSR 240-2.200, the Missouri Public Service Commission's Small Company rate increase procedure, the undersigned hereby request an increase in its sewer rates.

The Company is applying for an annual increase of \$80,000.00 for sewer service.

The additional revenues are necessary to meet current operating expenses and provide an adequate return on investment.

Based on the Company's current customer count of 637, this would require an increase of 60.61% in our current monthly rate. The rate would increase from \$16.50 to \$26.50.

The Company is also applying for an increase in our CIAC, connection fees of 60% which would increase our current CIAC charge of \$1,000.00 to \$1,600.00.

The Company currently has a \$1,433,500.00 debt incurred during construction of a new wastewater treatment facility, pump station, and interceptor sewer main in 2002. This construction was necessary to meet the needs of our, "Certificated Service Area".

The Company has been unable to make Principal payment on this debt and the Company Currently has accrued interest in the amount of \$143,334.00 unpaid due to lack of funds. This increase in the CIAC fees is necessary to repay the debt, interest on the loan, and provide revenue for future wastewater treatment plant expansions.

The Company is advising you that it is current on its PSC assessments. Also, the Company has filed its 2002 Annual Report for water and sewer companies as required by the Commission.

If you need additional information please feel free to contact me by telephone at (816) 858-3989.

Sincerely,


Willis C. Sherry
President

CC: Office of the Public Counsel
Harry S. Truman Building - Ste. 250
P.O. Box 7800
Jefferson City, Missouri 65102
Attn/ Ms. Shannon Cook

**Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532**

Company's Initial Notice To Its Customers

TCS Timber Creek Sewer Co., Inc.
P.O. Box 511 Platte City, MO 64079
(816) 858-3989

August 15, 2003

RECEIVED³

AUG 18 2003

Records
Public Service Commission

Executive Secretary
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

RE: Requests for an Increase in Sewer Rates
Sewer Utility Small Company Rate Increase Procedure
Mo. PSC Work No. QS-2004 0001 (sewer)

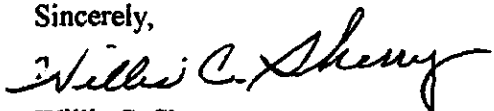
Gentlemen:

Please find enclosed copy of notice mailed to our Customers with reference to the above Rate Case.

This notice dated August 15, 2003 was mailed and postmarked on this date.

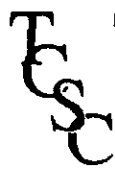
Please let me know if you have any questions.

Sincerely,



Willis C. Sherry
President

Cc: Public Counsel



Timber Creek Sewer Co., Inc.

P.O. Box 511 Platte City, MO 64079

(816) 858-3989

August 15, 2003

Dear Customer:

On July 15, 2003, Timber Creek Sewer Company, Inc. (Company) submitted a request for permanent increases in its current sewer rates, under the Missouri Public Service Commission's (Commission) small sewer company rate increase procedure.

By its request, the Company is seeking an increase in its annual operating sewer service revenues of \$80,000 (an approximate 63.4% increase). The Company believes these increases in its operating revenues are necessary to allow it to meet current operating expenses and provide an adequate return on investments. Additionally, the Company is requesting that its miscellaneous service charges and service connection fees updated.

The example bill shown below set out a comparison of the Company's current residential customer rates for sewer service as if they were increased by the requested percentage increases. No taxes or other charges are included in examples below.

Sewer Rates

| | |
|---|-----------------|
| Current Monthly Rate | \$ 16.50 |
| Proposed Increase Percentage | 63.4 % |
| Proposed Monthly Bill (using 6,000 gallons) | <u>\$ 26.97</u> |
| Proposed Increase Amount | <u>\$ 10.47</u> |

Beginning sometime soon, the Staff of the Public Service Commission (Commission Staff) will conduct an independent investigation of the books, records and operations of the Company. Based upon that investigation, the Commission Staff will then make its recommendations regarding the Company's rate increase request, and necessary changes to system operations, to the Commission for its consideration.

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

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

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

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

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

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

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

Sincerely,



Willis C. Sherry
President
TIMBER CREEK SEWER COMPANY, INC.

**Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532**

Summary of Customer Responses to Initial Notice

| | Customer Name and Address | Date Received | Mode of Contact | Contact Directed To | | | General Nature of Customer Comments |
|----|--|------------------|--------------------|---------------------|-----|------|--|
| | | | | PSC | OPC | BOTH | |
| 1 | Mike Banark 15400 NW 127th St. Platte City, MO 64079 816-858-4412 | 08/19/03 | Phone | X | | | Opposes Rate Increase |
| 2 | Patrick & Kathleen Steece 13295 Timber Park Terrace Platte City, MO 64079 | 08/19/03 | Letter | X | | | Opposes Rate Increase |
| 3 | Kathy Barley 15360 NW 137th St. Platte City, MO 64079 816-858-5945 | 08/20/03 | Phone | X | | | Opposes Rate Increase |
| 4 | Leo Carlson 15685 Meadow Ct. Platte City, MO 64079 816-858-2201 | 08/20/03 | Phone | X | | | Opposes Rate Increase |
| 5 | Janice Slocum 13620 Hunter Dr. Platte City, MO 64079 | 08/20/03 | Letter | X | | | Opposes Rate Increase |
| 6 | Richard & Cheryl Burress 13055 Red Oak Ct. Platte City, MO 64079 816-858-4256 | 08/20/03 | Letter | X | | | Opposes Rate Increase |
| 7 | Melvin Kingery 13835 Hunter Ct. Platte City, MO 64079-8337 | 08/20/03 | Letter | X | | | Opposes Rate Increase |
| 8 | Steve Bogart 7 Timber Creek Circle Platte City, MO 64079 | 08/20/03 | Letter | X | | | Opposes Rate Increase |
| 9 | Brad Bunge 15505 NW 137th St. Platte City, MO 64079 816-858-3840 | 08/22/03 | Letter | X | | | Opposes Rate Increase |
| 10 | Scott Bradley 15750 NW 135th St. Platte City, MO 64079 | 08/22/03 | Letter | | | X | Opposes Rate Increase |
| 11 | Leslie & Janice Christains 15955 NW 134th Circle Platte City, MO 64079 816-858-4423 | 08/25/03 | Letter | | | X | Opposes Rate Increase |
| 12 | Kevin O'Brien 13430 Sycamore Dr. Platte City, MO 64079 | 08/25/03 | Letter | | | X | Opposes Rate Increase |
| 13 | Kean & Shirley Winter 13260 Timber Park Terrace Platte City, MO 64079 816-858-2862 | 08/25/03 | Letter | | | X | Opposes Rate Increase |

| | Customer Name and Address | Date Received | Mode of Contact | Contact Directed To | | | General Nature of Customer Comments |
|----|---|------------------|--------------------|---------------------|-----|------|--|
| | | | | PSC | OPC | BOTH | |
| 14 | Todd Mick 13025 Woodridge Platte City, MO 64079 816-858-4604 | 08/27/03 | Letter | X | | | Opposes Rate Increase |
| 15 | Tammy Auxier 13100 Woodridge Platte City, MO 64079 816-262-1405 | 08/28/03 | Letter | X | | | Opposes Rate Increase |
| 16 | Kevan Loy 15615 Meadow Ct. Platte City, MO 64079 816-858-4465 | 08/28/03 | Letter | | X | | Opposes Rate Increase |
| 17 | Lynda & Arol Trewin 16075 NW 135th St. Platte City, MO 64079 | 09/06/03 | Letter | X | | | Opposes Rate Increase |
| 18 | Robert Omundson 13455 Sycamore Dr. Platte City, MO 64079 816-858-3239 | 09/08/03 | Letter | X | | | Opposes Rate Increase |
| 19 | Peter & Cecilia Shinn | 09/08/03 | Letter | | | | Opposes Rate Increase |
| 20 | Steve & Brenda Heuton 15810 Meadow Ct. Platte City, MO 64079 | 09/09/03 | Letter | X | | | Opposes Rate Increase |
| 21 | Terrence Bracken 13825 Hunter Ct. Platte City, MO 64079 | 09/10/03 | Letter | X | | | Opposes Rate Increase |
| 22 | Linda Broth 13335 Timber Park Dr. Platte City, MO 64079 | 09/12/03 | Letter | X | | | Opposes Rate Increase |
| 23 | Sarah Mills 816-858-5497 | 09/12/03 | Phone | X | | | Opposes Rate Increase |
| 24 | Darcy Brownsburger 816-858-2352 | 09/16/03 | Phone | | X | | Opposes Rate Increase |
| 25 | Brent Plumer 15320 NW 137th St. Platte City, MO 64079 816-858-4649 | 09/17/03 | Letter | | | X | Opposes Rate Increase |
| 26 | Nancy Wakefield 13385 Timber Park Dr. Platte City, MO 64079 816-858-3670 | 09/18/03 | Letter | X | | | Opposes Rate Increase |

**Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532**

Notice of the Local Public Hearing

Timber Creek Sewer Company, Inc. **RECEIVED**

P.O. Box 511 Platte City, MO 64079

(816) 858-3989

MAY 10 2004

May 7, 2004

Missouri Public
Service Commission

NOTICE OF LOCAL PUBLIC HEARING REGARDING PROPOSED RATE INCREASE

Based upon a request by the Office of the Public Counsel, a state agency responsible for representing the interests of consumers before the Missouri Public Service Commission (Commission), the Commission will be holding a local public hearing regarding Timber Creek Sewer Company's (Company) proposed increases in its sewer operating revenues and customer rates and charges. The purpose of this local public hearing is to receive customer comments about the proposed rate increases, and to bring service-related problems to the Commission's attention.

The local public hearing will be held May 17, 2004 at the Platte County Executive Offices, 2nd Floor Administrative Building, 415 Third Street, Platte City, MO. The night's activities will begin with an informal question-and-answer session starting at 6:00 p.m. with the local public hearing starting at 6:30 p.m. The facility at which this local public hearing is being held meets the accessibility standards required by the Americans With Disabilities Act. Any person that needs additional accommodations to participate in the local public hearing should call the Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 no later than the end of business on May 14.

As the Company previously notified you by a letter dated August 15, 2003, the Company requested an increase in its annual sewer operating revenues that would potentially have resulted in an increase in the monthly sewer bill from \$16.50 to \$26.97. In that same letter, you were also notified that the Company's service charges and connection fees could also change.

Subsequent to a review of the Company's request by the Commission Staff, the Company and the Commission Staff have agreed that increases in the Company's annual sewer operating revenues would be appropriate, that certain new and revised service charges would be appropriate, and that an increase in the charge for service connections would be appropriate. For a residential customer, the agreed-upon revenue increases and rate design would result in a monthly bill for sewer service increasing from \$16.50 to \$26.97, as originally requested by the Company. A table showing the rates and charges to which the Company and the Staff have agreed is included with this notice.

Any customer that has questions about the upcoming local public hearing, or questions or comments about the proposed rate increases, should contact the Commission Staff and/or the Public Counsel no later than the end of business on May 14. To do so, please use the telephone numbers or fax numbers shown below and please include a reference to Commission Case No. SR-2004-0532.

Public Service Commission
Phone: 800/392-4211
Fax: 573/751-1847
(Attn: Water & Sewer Department)

Office of the Public Counsel
Phone: 573/751-4857
Fax: 573/751-5562
(Attn: Ruth O'Neill)

Lastly, even though the Company and Commission Staff have reached an agreement regarding the Company's rate increase request, please note that no increases in the Company's rates and charges will occur without the specific approval of the Public Service Commission.

Summary of Changed/New Residential Customer Sewer Rates & Charges

| Type of Charge | Current Rates/Charges | Agreed-Upon Rates/Charges |
|-----------------------------------|-----------------------|---------------------------|
| Monthly Sewer Rate | \$16.50 | \$26.97 |
| Service Connection CIAC Charge | \$1,000 | \$1,600 |
| Late Payment Charge | N/A | 10% |
| Bad Check Charge | N/A | \$25 |
| Disconnection/Reconnection Charge | N/A | Actual Cost |

**Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532**

Customer Responses to Notice of Local Public Hearing

Brian & Veronica Banks
16115 NW 134th Street
Platte City, Missouri 64079
(816) 858-2722

VIA FACSIMILE

May 13, 2004

Missouri Public Service Commission
Attention: Water & Sewer Department
Facsimile Number: (573) 751-1847

Office of the Public Counsel
Attention: Ruth O'Neill
Facsimile Number: (573) 751-5562

Re: Commission Case No. SR-2004-0532

To Whom It May Concern:

We are writing to express our opposition to the proposed monthly rate increases by Timber Creek Sewer Company, Inc. ("Timber Creek"). We believe that the proposed increase of 63.4% is unacceptable, unreasonable and clearly demonstrates that those operating Timber Creek are not managing it properly. This proposed increase comes at a time of great development in the rural area south of Platte City, Missouri. This development will lead to more homes utilizing the services of Timber Creek, which arguably should result in economies of scale that should result in reduced real costs of Timber Creek's services (permitting for reasonable increases that are the result of inflation). We have the following questions/comments that we would like addressed at the May 17, 2004 hearing:

1. Why is such a large increase in the monthly fee necessary? Why is a more reasonable \$2 or \$3 increase to make up for the cost of inflation not acceptable? Are Timber Creek's costs out of control? If so, why? Are there statistics available for public view to justify such an increase? What is the basis of the approval by the Missouri Public Service Commission to such a large increase?
2. Is the increase in monthly costs the result of providing services to the additional homes being constructed that will be serviced by Timber Creek? If so, these costs should be borne by the developers rather than the consumers (with the understanding that the purchasers of the new properties would ultimately be the ones to pay the increased costs). We understand that one of the developers (Darrin Sherry) is the son of the owners of Timber Creek (or possibly an owner himself?) and is also a board member of Timber Creek. Consumers should not be required to pay for increased costs so that Mr. Sherry may receive more profit on his sale of homes. Also, we would hope that Mr. Sherry has recused himself from the negotiations for increased fees based on his clear conflict of interest. In addition, additional Timber Creek owners (Willis and Norma Sherry) are

Missouri Public Service Commission
Office of the Public Counsel
May 13, 2004
Page 2

themselves retired developers of the area south of Platte City. Are they seeking to increase their retirement income by increasing our sewer fees?


3. How does the current monthly fee, and how would the proposed new monthly fee, of Timber Creek compare to other local municipalities or rural sewer services? Are the fees higher, lower or in line with those of other providers?
4. Are there plans for similar increases in the near future by Timber Creek?
5. What increased value are consumers receiving from Timber Creek for the substantial increase in fees? We imagine that our sewer services will not change in any manner.
6. What kind of profit percentage or return on equity are the owners of Timber Creek expecting and is it reasonable compared with similar figures for other sewer companies in the area?
7. If the Timber Creek owners are not able to obtain an acceptable return on equity based on the current monthly fee or a slightly increased fee, perhaps they should consider selling the company to a third party that could operate the service in a more efficient manner.

We truly hope the Missouri Public Service Commission reconsiders the unacceptable and unreasonable proposed monthly rate increase of Timber Creek. We understand that an increase in costs due to inflation results in the occasional necessity to charge higher fees. These increases, however, should be reasonable – 63.4% is clearly not reasonable. If the Missouri Public Service Commission and the Office of the Public Counsel is not looking out for Missouri consumers, who is?

Sincerely,



Brian Banks



Veronica Banks

Johansen, Dale

From: Jungmeyer, Steve
Sent: Wednesday, May 12, 2004 1:41 PM
To: 'kloy@kc.rr.com'
Cc: Johansen, Dale
Subject: RE: Timber Creek Sewer Co rate increase

First, did you receive a spreadsheet showing the rate adjustment specifications attached to the public hearing letter from the Company? If so, that would basically be the preliminary agreement between Staff and the Company, or the audit results. If you are wanting to see the actual audit work papers they can be reviewed on the PSC Electronic Filing & Information System (EFIS). You can access this web site through the PSC's web page. However, I am told that the work papers have not been entered into EFIS yet. Also, if you can attend, there will be an informatory meeting starting 30 minutes before the public hearing on the 17th.

As I mentioned, the Commission has not made a decision on this rate increase yet. A final Commission decision will not be made until after the public hearing testimony and Staff's final audit results are thoroughly reviewed.

If you did not receive the spreadsheet I am referring to, please let me know.

-----Original Message-----

From: kloy@kc.rr.com [mailto:kloy@kc.rr.com]
Sent: Wednesday, May 12, 2004 10:49 AM
To: steve.jungmeyer@psc.mo.gov
Cc: tcscoco@yahoo.com
Subject: Re: Timber Creek Sewer Co rate increase

Mr. Jungmeyer,

Thank you for responding. However, I would like to be better prepared for the meeting by having an opportunity to review the audit's findings thus far. My understanding from both Ms. Ruth O'Neill and Mr. Willis Sherry is that the audit DOES find TCSC justified in this rate increase. I would like to know the facts as to why - BEFORE May 17th. PLEASE. Thank you.

KEVAN LOY

----- Original Message -----

From: steve.jungmeyer@psc.mo.gov
To: kloy@kc.rr.com
Sent: Wednesday, May 12, 2004 10:30 AM
Subject: RE: Timber Creek Sewer Co rate increase

The final results of the audit are not complete. Part of the process before finalizing is holding the public hearing. (The hearing is where customers have a chance to make legitimate and feasible comments disputing a rate increase). Once the results are final and approved by the Commission, a notice will be distributed.

Your inquiries are appreciated. Sorry if the letter misled you.

-----Original Message-----

From: kloy@kc.rr.com [mailto:kloy@kc.rr.com]
Sent: Monday, May 10, 2004 9:59 AM
To: steve.jungmeyer@psc.mo.gov
Cc: tcscoco@yahoo.com; ruth.oneill@ded.mo.gov
Subject: Timber Creek Sewer Co rate increase

Dear Mr. Jungmeyer,

I tried to call you today, but you weren't available the moment I called, so I asked for your email address and decided to use that method of communication.

Concerning Timber Creek Sewer Company (TCSCO), Platte City, MO, you wrote me a letter dated September 25, 2003 in which you stated:

"Once the staff audit is completed, you will be notified by mail of the results of the audit, and be given the opportunity to comment."

Recently, I received a letter from TCSCO, dated May 7, 2004, that there is going to be a public hearing on May 17, 2004 held by the Missouri Public Service Commission here in Platte City.

In reference to your letter and quote above, is the hearing what you meant? Can I have information about the audit results PRIOR to the meeting (preferably this week)?

Thank you for your attention in this matter.

Best Regards,
Kevan R. Loy
kloy@kc.rr.com

**Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532**

**Rate Making Income Statement
Rate Design Worksheet
Monthly Bill Comparison**

Rate Making Income Statement

Operating Revenues

| | |
|-----------------------------------|-------------------|
| Revenue at Current Customer Rates | \$ 126,126 |
| Current Other Revenues | |
| Inspection Fees | \$ 9,600 |
| Plan Reviews | \$ 2,117 |
| Permit Fees | \$ 6,800 |
| Interest/Misc. Revenues | \$ 3,454 |
| Contract Service Revenues | \$ 15,320 |
| Total Other Revenues | \$ 37,291 |
| Total Operating Revenues | \$ 163,417 |

Cost of Service

| | |
|-------------------------------|-------------------|
| Liability Insurance | \$ 2,386 |
| Worker's Compensation | \$ 7,477 |
| Health Insurance | \$ 2,102 |
| Licenses & Permits | \$ 3,600 |
| Postage and Delivery | \$ 1,100 |
| PSC Assessment | \$ 9,206 |
| Legal Fees | \$ 577 |
| Accounting Fees | \$ 2,800 |
| Office Expense | \$ 900 |
| Sludge Removal | \$ 9,224 |
| Maintenance and Repair | \$ 10,168 |
| Trash Service | \$ 840 |
| Telephone Service | \$ 1,844 |
| Electric Service | \$ 15,991 |
| Gas Service | \$ 2,221 |
| Water Utilities | \$ 2,405 |
| Taxes Other | \$ 1,681 |
| Tractor/Truck Maint/Fuel | \$ 858 |
| Payroll | \$ 66,040 |
| Subtotal - Operating Expenses | \$ 141,420 |
| Depreciation Expense | \$ 74,331 |
| Return on Investment | \$ 73,373 |
| Total Cost of Service | \$ 289,124 |

| | |
|------------------------------------|-------------------|
| Revenue Increase Needed | \$ 125,707 |
| (to recover total cost of service) | |

| | |
|-----------------------------------|------------------|
| Revenue Increase Requested | \$ 80,000 |
|-----------------------------------|------------------|

| | |
|---|-------------------|
| Revenue Needed per Increase Requested | \$ 243,417 |
| (total current revenues + increase requested) | |

Development of Customer Rate

Current Customer Numbers

| | |
|--------------------------|------------|
| Timber Creek Subdivision | 47 |
| Timber Park Subdivision | 590 |
| Total Customers | 637 |

Annual Customer Bills**7,644**

(total customers x 12)

Agreed-Upon Revenue Increase**\$ 80,000****Required Increase in Monthly Rate****\$ 10.47**

(\$80,000 divided by 7,644 annual bills)

Current Monthly Rate**\$ 16.50****Increase Required****\$ 10.47****Proposed Monthly Rate****\$ 26.97**

Annual Revenues at Proposed Rate

| | |
|-----------------------------|-------------------|
| Rate Revenue | \$ 206,159 |
| Other Revenue | \$ 37,291 |
| Total Annual Revenue | \$ 243,450 |
| Total Annual Revenue Needed | \$ 243,417 |

Residential Customer Impact

| | |
|-----------------------------|----------|
| Current Monthly Rate | \$ 16.50 |
| Proposed Monthly Rate | \$ 26.97 |
| Monthly Dollar Increase | \$ 10.47 |
| Monthly Percentage Increase | 63.45% |

Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532

| Weighted Cost of Capital as of 06/30/03 | | | | |
|--|------------------------|------------------------------|----------------------|----------------------|
| Capital Component | Capital Dollars | Percentage of Capital | Embedded Cost | Weighted Cost |
| Common Equity | \$ 272,723 | 15.98% | 12.68% | 2.03% |
| Preferred Stock | \$ - | 0.00% | 0.00% | 0.00% |
| Long-Term Debt | \$ 1,433,500 | 84.02% | 6.50% | 5.46% |
| Short-Term Debt | \$ - | 0.00% | 0.00% | 0.00% |
| TOTALS | \$ 1,706,223 | 100.00% | | 7.49% |

**Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532**

Revenue Requirement Audit Work Papers

| Line | (A) | (B) |
|------|----------------------------------|-------------|
| 1 | Net Orig Cost Rate Base (Sch 2) | \$ 978,163 |
| 2 | Rate of Return | 7.49% |
| 3 | Net Operating Income Requirement | \$ 73,264 |
| 4 | Net Income Available (Sch 8) | \$ (52,006) |
| 5 | Additional NOI BT Needed | \$ 125,270 |
| 6 | Income Tax Requirement (Sch 10) | |
| 7 | Required Current Income Tax | \$ 0 |
| 8 | Test Year Current Income Tax | \$ 0 |
| 9 | Additional Current Tax Required | \$ 0 |
| 10 | Required Deferred ITC | \$ 0 |
| 11 | Test Year Deferred ITC | \$ 0 |
| 12 | Additional Deferred ITC Required | \$ 0 |
| 13 | Total Additional Tax Required | \$ 0 |
| 14 | Gross Revenue Requirement | \$ 125,270 |

Revenue Requirement

Timber Creek Sewer Co.
Case: QS-04-001
June 30, 2003

11:37 12/23/2003

Harris

Harris

11:37 12/23/2003

Timber Creek Sewer Co.

Case: QS-04-001

June 30, 2003

Rate Base

| Line Description | Amount |
|--|--------------|
| (A) | (B) |
| 1 Total Plant in Service (Sch 3) | \$ 1,625,065 |
| Subtract from Total Plant | |
| 2 Depreciation Reserve (Sch 6) | \$ 78,902 |
| | ----- |
| 3 Net Plant in Service | \$ 1,546,163 |
| Add to Net Plant in Service | |
| 4 Cash Working Capital (Sch) | \$ 0 |
| 5 Materials and Supplies-Exempt | 0 |
| 6 Prepaid Insurance | 0 |
| Subtract from Net Plant | |
| 7 Federal Tax Offset 0.0000 % | \$ 0 |
| 8 State Tax Offset 0.0000 % | 0 |
| 9 City Tax Offset 0.0000 % | 0 |
| 10 Interest Expense Offset 0.0000 % | 0 |
| 11 Customer Advances for Construction | 0 |
| 12 Contribution in aid of Construction | 568,000 |
| 13 Deferred Income Taxes-Depreciation | 0 |
| | ----- |
| 14 Total Rate Base | \$ 978,163 |
| | ===== |

Timber Creek Sewer Co.

Case: QS-04-001

June 30, 2003

Total Plant in Service

| Line No | Acct | Description | Total Company | Total Co Adjustment | Alloc Factor | Jurisdictional Adjustment | Adjusted Jurisdictional |
|----------------------------|---------|---------------------------------|------------------|------------------------|-----------------|------------------------------|----------------------------|
| | | (A) | (B) | (C) | (D) | (E) | (F) |
| Intangible Plant | | | | | | | |
| 1 | 301.000 | Organization | \$ 0 | \$ 0 | 86.1345 | \$ 0 | \$ 0 |
| 2 | | Total | \$ 0 | \$ 0 | | \$ 0 | \$ 0 |
| Land and Structures | | | | | | | |
| 3 | 350.000 | Land | \$ 44,557 | \$ 0 | 86.1345 | \$ 0 | \$ 38,379 |
| 4 | 351.000 | Structures/Improvements-Plant | 78,115 | 0 | 86.1345 | 0 | 67,284 |
| 5 | 351.000 | Structures/Improvements-House | 109,063 | 0 | 43.0673 | 0 | 46,970 |
| 6 | | Total | \$ 231,735 | \$ 0 | | \$ 0 | \$ 152,633 |
| Collection Plant | | | | | | | |
| 7 | 352.100 | Collection Sewers (Force) | \$ 200,883 | \$ 0 | 86.1345 | \$ 0 | \$ 173,030 |
| 8 | 352.200 | Collection Sewers (Gravity) | 400,237 | 50,687 | 86.1345 | 0 P-1 | 388,401 |
| 9 | | Total | \$ 601,120 | \$ 50,687 | | \$ 0 | \$ 561,431 |
| Treatment & Disposal Plant | | | | | | | |
| 10 | 362.000 | Receiving Wells | \$ 39,298 | \$ 0 | 86.1345 | \$ 0 | \$ 33,849 |
| 11 | 363.000 | Electric Pumping Equipment | 69,018 | 0 | 86.1345 | 0 | 59,448 |
| 12 | 372.000 | Treatment & Disposal Facilities | 925,259 | 0 | 86.1345 | 0 | 796,967 |
| 13 | | Total | \$ 1,033,575 | \$ 0 | | \$ 0 | \$ 890,264 |
| General Plant | | | | | | | |
| 14 | 391.000 | Computer, Printer and Scanner | \$ 3,493 | \$ 0 | 86.1345 | \$ 0 | \$ 3,009 |
| 15 | 396.000 | Office equipment | 20,582 | 0 | 86.1345 | 0 | 17,728 |
| 16 | | Total | \$ 24,075 | \$ 0 | | \$ 0 | \$ 20,737 |
| 17 | | Total Plant in Service | \$ 1,890,505 | \$ 50,687 | | \$ 0 | \$ 1,625,065 |

Timber Creek Sewer Co.
Case: QS-04-001
June 30, 2003

Adjustments to Total Plant

| Adj No Description | Total Co Adjustment | Mo Juris Adjustment |
|-----------------------|------------------------|------------------------|
|-----------------------|------------------------|------------------------|

Collection Sewers (Gravity) P-1 \$ 50,687

1. To reclassify and capitalize engineering, legal and other expenses related to easements for sewer line extension.
(Harris) \$ 50,687

Timber Creek Sewer Co.
Case: QS-04-001
June 30, 2003

Depreciation Expense

| Line No | Acct | Description | Adjusted Jurisdictional | Depreciation Rate | Depreciation Expense |
|----------------------------|---------|---------------------------------|----------------------------|----------------------|-------------------------|
| | | (A) | (B) | (C) | (D) |
| Intangible Plant | | | | | |
| 1 | 301.000 | Organization | \$ 0 | 0.0000 | \$ 0 |
| 2 | | Total | \$ 0 | | \$ 0 |
| Land and Structures | | | | | |
| 3 | 350.000 | Land | \$ 38,379 | 0.0000 | \$ 0 |
| 4 | 351.000 | Structures/Improvements-Plant | 67,284 | 2.5000 | 1,682 |
| 5 | 351.000 | Structures/Improvements-House | 46,970 | 2.5000 | 1,174 |
| 6 | | Total | \$ 152,633 | | \$ 2,856 |
| Collection Plant | | | | | |
| 7 | 352.100 | Collection Sewers (Force) | \$ 173,030 | 2.0000 | \$ 3,461 |
| 8 | 352.200 | Collection Sewers (Gravity) | 388,401 | 2.0000 | 7,768 |
| 9 | | Total | \$ 561,431 | | \$ 11,229 |
| Treatment & Disposal Plant | | | | | |
| 10 | 362.000 | Receiving Wells | \$ 33,849 | 4.0000 | \$ 1,354 |
| 11 | 363.000 | Electric Pumping Equipment | 59,448 | 10.0000 | 5,945 |
| 12 | 372.000 | Treatment & Disposal Facilities | 796,967 | 5.0000 | 39,848 |
| 13 | | Total | \$ 890,264 | | \$ 47,147 |
| General Plant | | | | | |
| 14 | 391.000 | Computer, Printer and Scanner * | \$ 3,009 | 14.3000 | \$ 430 |
| 15 | 396.000 | Office equipment | 17,728 | 6.7000 | 1,188 |
| 16 | | Total | \$ 20,737 | | \$ 1,618 |
| 17 | | Total Depreciation Expense | \$ 1,625,065 | | \$ 62,850 |

Timber Creek Sewer Co.
Case: 09-04-001
June 30, 2003
Depreciation Reserve

| Line | No | Acct | Description | Total | Company | Total Co | Alloc | Factor | Adjustment | Adjusted | jurisdictional |
|------|----|------|-------------|-------|---------|----------|-------|--------|------------|----------|----------------|
| | | | | | | | | | | | |

| | | | | | | | | | | | |
|----------------------------|----|---------|-----------------------------------|-----------|------|-----|---------|-----|-----|----|--------|
| | | | | (A) | (B) | (C) | (D) | (E) | (F) | | |
| Intangible Plant | 1 | 301.000 | Organization | \$ 0 | \$ 0 | 0 | 86.1345 | \$ | 0 | \$ | 0 |
| | 2 | | Total | \$ 0 | \$ 0 | 0 | | \$ | 0 | \$ | 0 |
| Land and Structures | 3 | 350.000 | Land and Land Rights | \$ 0 | \$ 0 | 0 | 86.1345 | \$ | 0 | \$ | 0 |
| | 4 | 351.000 | Structures/Improvements-Plant | 3,693 | | 0 | 86.1345 | | 0 | | 3,181 |
| | 5 | 351.000 | Structures/Improvements-House | 5,156 | | 0 | 43.0673 | | 0 | | 2,221 |
| | 6 | | Total | \$ 8,849 | \$ | 0 | | \$ | 0 | \$ | 5,402 |
| Collection Plant | 7 | 352.100 | Collection Sewers (Force) | \$ 9,497 | \$ | 0 | 86.1345 | \$ | 0 | \$ | 8,180 |
| | 8 | 352.200 | Collection Sewers (Gravity) | 18,923 | | 0 | 86.1345 | | 0 | | 16,299 |
| | 9 | | Total | \$ 28,420 | \$ | 0 | | \$ | 0 | \$ | 24,479 |
| Treatment & Disposal Plant | 10 | 362.000 | Receiving Wells | \$ 1,858 | \$ | 0 | 86.1345 | \$ | 0 | \$ | 1,600 |
| | 11 | 363.000 | Electric Pumping Equipment | 3,263 | | 0 | 86.1345 | | 0 | | 2,811 |
| | 12 | 372.000 | Treatment and Disposal Facilities | 45,021 | | 0 | 86.1345 | | 0 | | 38,779 |
| | 13 | | Total | \$ 50,142 | \$ | 0 | | \$ | 0 | \$ | 43,190 |
| General Plant | 14 | 391.000 | Computer, Printer and Scanner | \$ 889 | \$ | 0 | 86.1345 | \$ | 0 | \$ | 766 |
| | 15 | 396.000 | Power Operated Equipment | 5,880 | | 0 | 86.1345 | | 0 | | 5,065 |
| | 16 | | Total | \$ 6,769 | \$ | 0 | | \$ | 0 | \$ | 5,831 |
| Total Depreciation Reserve | 17 | | | \$ 94,180 | \$ | 0 | | \$ | 0 | \$ | 78,902 |

Harris

11:37 12/23/2003

Timber Creek Sewer Co.

Case: QS-04-001

June 30, 2003

Income Statement

| Line No | Acct | Description | Total Company | Total Co Adjustment | Alloc Factor | Jurisdictional Adjustment | Adjusted Jurisdictional |
|---------------------------------|------|--------------------------|------------------|------------------------|-----------------|------------------------------|----------------------------|
| | | (A) | (B) | (C) | (D) | (E) | (F) |
| Operating Revenues | | | | | | | |
| 1 | | Miscellaneous Revenues | \$ 4,167 | \$ 0 | 100.0000 | \$ 0 S-17 | \$ 4,167 |
| 2 | | Fees - Inspection | 9,600 | 0 | 100.0000 | 0 | 9,600 |
| 3 | | Fees - Plan Review | 2,117 | 0 | 100.0000 | 0 | 2,117 |
| 4 | | Sewer Services | 117,261 | 8,865 | 100.0000 | 0 S-16 | 126,126 |
| 5 | | Permit Fees | 6,800 | 0 | 100.0000 | 0 | 6,800 |
| 6 | | Interest Income | 3,454 | 0 | 100.0000 | 0 | 3,454 |
| 7 | | Total | \$ 143,399 | \$ 8,865 | | \$ 0 | \$ 152,264 |
| Operation & Maintenance Expense | | | | | | | |
| 8 | | Bank Service Charges | \$ 209 | \$ (209) | 100.0000 | \$ 0 S-1 | \$ 0 |
| 9 | | Liability Insurance | 1,996 | 390 | 100.0000 | 0 S-20 | 2,386 |
| 10 | | Workers Compensation | 7,477 | 0 | 100.0000 | 0 S-21 | 7,477 |
| 11 | | Health Insurance | 2,102 | 0 | 100.0000 | 0 S-2 | 2,102 |
| 12 | | Licenses and Permits | 5,250 | (1,650) | 100.0000 | 0 S-3 | 3,600 |
| 13 | | Postage and Delivery | 1,100 | 0 | 100.0000 | 0 S-4 | 1,100 |
| 14 | | PSC Assessment | 4,318 | 4,888 | 100.0000 | 0 S-5 | 9,206 |
| 15 | | Engineering Fees | 10,303 | (10,303) | 100.0000 | 0 S-22 | 0 |
| 16 | | Legal Fees | 43,872 | (43,295) | 100.0000 | 0 S-6 | 577 |
| 17 | | Accounting Fees | 3,640 | (840) | 100.0000 | 0 S-23 | 2,800 |
| 18 | | Office Expense | 4,685 | (3,785) | 100.0000 | 0 S-7 | 900 |
| 19 | | Sludge Removal | 2,306 | 6,918 | 100.0000 | 0 S-24 | 9,224 |
| 20 | | Maintenance and Repair | 17,086 | (6,918) | 100.0000 | 0 S-8 | 10,168 |
| 21 | | Meals | 38 | (38) | 100.0000 | 0 S-9 | 0 |
| 22 | | Security Service | 175 | (175) | 100.0000 | 0 S-25 | 0 |
| 23 | | Trash Service | 840 | 0 | 100.0000 | 0 S-26 | 840 |
| 24 | | Telephone Service | 1,844 | 0 | 100.0000 | 0 S-27 | 1,844 |
| 25 | | Electric Service | 15,991 | 0 | 100.0000 | 0 S-28 | 15,991 |
| 26 | | Gas Service | 2,221 | 0 | 100.0000 | 0 S-29 | 2,221 |
| 27 | | Water Utilities | 2,405 | 0 | 100.0000 | 0 S-10 | 2,405 |
| 28 | | rent | 400 | (400) | 100.0000 | 0 S-11 | 0 |
| 29 | | Taxes | 1,681 | 0 | 100.0000 | 0 S-12 | 1,681 |
| 30 | | Tractor/Truck Maint/Fuel | 5,850 | (4,992) | 100.0000 | 0 S-13 | 858 |
| 31 | | Payroll | 103,019 | (36,979) | 100.0000 | 0 S-14 | 66,040 |
| 32 | | Easement Expense | 2,589 | (2,589) | 100.0000 | 0 S-15 | 0 |
| 33 | | Total | \$ 241,397 | \$ (99,977) | | \$ 0 | \$ 141,420 |

Income Statement

| Line | No | Acct | Description | Total | Company | Total Co | Alloc | Factor | Adjusted | jurisdictional | Adjusted | |
|------|----|------|--------------------------|-------|----------|----------|----------|----------|----------|----------------|----------|----------|
| | | | | (A) | (B) | (C) | (D) | | (E) | (F) | | |
| 34 | | | Depreciation Expense | \$ | 0 | \$ | 0 | 100.0000 | \$ | 62,850 | \$ | 62,850 |
| 35 | | | Total | \$ | 0 | \$ | 0 | | \$ | 62,850 | \$ | 62,850 |
| 36 | | | Other Operating Expenses | \$ | 0 | \$ | 0 | | \$ | 0 | \$ | 0 |
| 37 | | | Total Operating Expenses | \$ | 241,397 | \$ | (99,977) | | \$ | 62,850 | \$ | 204,270 |
| 38 | | | Net Income Before Taxes | \$ | (97,998) | \$ | 108,842 | | \$ | (62,850) | \$ | (52,006) |
| 39 | | | Current Income Taxes | \$ | 0 | \$ | 0 | 100.0000 | \$ | 0 | \$ | 0 |
| 40 | | | Total | \$ | 0 | \$ | 0 | | \$ | 0 | \$ | 0 |
| 41 | | | Deferred Income Taxes | \$ | 0 | \$ | 0 | 100.0000 | \$ | 0 | \$ | 0 |
| 42 | | | Total | \$ | 0 | \$ | 0 | | \$ | 0 | \$ | 0 |
| 43 | | | Total Income Taxes | \$ | 0 | \$ | 0 | | \$ | 0 | \$ | 0 |
| 44 | | | Net Operating Income | \$ | (97,998) | \$ | 108,842 | | \$ | (62,850) | \$ | (52,006) |

Harris 11:37 12/23/2003

Timber Creek Sewer Co.

Case: QS-04-001

June 30, 2003

Adjustments to Income Statement

| Adj | No Description | Total Co | Mo Juris |
|-----|----------------|------------|------------|
| | | Adjustment | Adjustment |

| | | | |
|--|-----|------------|--|
| Maintenance and Repair | S-8 | \$ (6,918) | |
| 1. To remove and reclassify expenses for sludge removal. | | | |
| (Harris) | | | |

| | | | |
|-------|-----|---------|--|
| Meals | S-9 | \$ (38) | |
|-------|-----|---------|--|

| | | | |
|-------------------------------------|--|---------|--|
| 1. To remove non-recurring expense. | | \$ (38) | |
| (Harris) | | | |

| | | | |
|------|------|----------|--|
| rent | S-11 | \$ (400) | |
|------|------|----------|--|

| | | | |
|-------------------------------------|--|----------|--|
| 1. To remove non-recurring expense. | | \$ (400) | |
| (Harris) | | | |

| | | | |
|--------------------------|------|------------|--|
| Tractor/Truck Maint/Fuel | S-13 | \$ (4,992) | |
|--------------------------|------|------------|--|

| | | | |
|---|--|------------|--|
| 1. To remove truck expense accounted for elsewhere (payroll). | | \$ (4,992) | |
| (Harris) | | | |

| | | | |
|---------|------|-------------|--|
| Payroll | S-14 | \$ (36,979) | |
|---------|------|-------------|--|

1. To annualize payroll in accordance with levels established in prior staff audits of similarly sized utilities. \$ (36,979)

Timber Creek Sewer Co.
Case: QS-04-001
June 30, 2003

Adjustments to Income Statement

| Adj No Description | | Total Co Adjustment | Mo Juris Adjustment |
|--|------|------------------------|------------------------|
| ***** | | | |
| Easement Expense | S-15 | \$ (2,589) | |
| ***** | | | |
| 1. To remove and capitalize costs relating to easements for sewer line extension. (Harris) | | \$ (2,589) | |
| ***** | | | |
| Sewer Services | S-16 | \$ 8,865 | |
| ***** | | | |
| 1. To annualize revenues based on current customer level of 637. (Harris) | | \$ 8,865 | |
| ***** | | | |
| Liability Insurance | S-20 | \$ 390 | |
| ***** | | | |
| 1. To annualize liability insurance based on the current 2003 rate of \$198.83 per month. (Harris) | | \$ 390 | |
| ***** | | | |
| Engineering Fees | S-22 | \$ (10,303) | |
| ***** | | | |
| 1. To capitalize engineering fees related to sewer line extension. (Harris) | | \$ (10,303) | |
| ***** | | | |
| Accounting Fees | S-23 | \$ (840) | |
| ***** | | | |
| 1. To annualize accounting services based on fees allowed by Staff in prior audits of similarly sized utilities. (Harris) | | \$ (840) | |

Timber Creek Sewer Co.
Case: QS-04-001
June 30, 2003

Adjustments to Income Statement

| Adj | | Total Co | Mo Juris |
|-------|--|------------|------------|
| No | Description | Adjustment | Adjustment |
| ***** | | | |
| | Sludge Removal | S-24 | \$ 6,918 |
| ***** | | | |
| 1. | To include sludge removal expense previously accounted for as maintenance. (Harris) | \$ | 6,918 |
| ***** | | | |
| | Security Service | S-25 | \$ (175) |
| ***** | | | |
| 1. | To disallow fees paid for security service. (Harris) | \$ | (175) |

Income Tax

| Line | Test | Year | Return |
|------|------|------|--------|
| | | | 7.49% |
| | | | |

| | | | | | |
|---|---------------------------------|----|----------|----|--------|
| 1 | Net Income Before Taxes (Sch 8) | \$ | (52,006) | \$ | 73,264 |
|---|---------------------------------|----|----------|----|--------|

| | | | | | |
|---|--------------------------------|----|--------|----|--------|
| 2 | Add to Net Income Before Taxes | | | | |
| | Book Depreciation Expense | \$ | 62,850 | \$ | 62,850 |
| 3 | Total | \$ | 62,850 | \$ | 62,850 |

| | | | | | |
|---|------------------------------------|----|---------|----|---------|
| 4 | Subtr from Net Income Before Taxes | | | | |
| | Interest Expense 9.8800 % | \$ | 96,643 | \$ | 96,643 |
| 5 | Depreciation | | 62,850 | | 62,850 |
| 6 | Total | \$ | 159,493 | \$ | 159,493 |

| | | | | | |
|---|--------------------|----|-----------|----|----------|
| 7 | Net Taxable Income | \$ | (148,649) | \$ | (23,379) |
|---|--------------------|----|-----------|----|----------|

| | | | | | |
|----|------------------------------------|----|-----------|----|----------|
| 8 | Net Taxable Income | \$ | (148,649) | \$ | (23,379) |
| 9 | Deduct Missouri Income Tax 100.0 % | \$ | 0 | \$ | 0 |
| 10 | Deduct City Income Tax | | 0 | | 0 |
| 11 | Federal Taxable Income | | (148,649) | | (23,379) |
| 12 | Total Federal Tax | \$ | 0 | \$ | 0 |
| 13 | Provision for Federal Income Tax | | | | |
| 14 | Net Taxable Income | \$ | (148,649) | \$ | (23,379) |
| 15 | Deduct Federal Income Tax 50.0 % | \$ | 0 | \$ | 0 |
| 16 | Deduct City Income Tax | | 0 | | 0 |
| 17 | Missouri Taxable Income | | (148,649) | | (23,379) |
| | Total Missouri Tax | \$ | 0 | \$ | 0 |

Timber Creek Sewer Co.
Case: 05-04-001
June 30, 2003
Income Tax

Line Test Year Return 7.49%

(A) (B)

Provision for City Income Tax
18 Net Taxable Income \$ (148,649) \$ (23,379)
19 Deduct Federal Income Tax 0 \$
20 Deduct Missouri Income Tax 0
21 City Taxable Income (148,649) (23,379)
22 Total City Tax \$ 0 \$

Summary of Provision for Income Tax
23 Federal Income Tax \$ 0 \$
24 Missouri Income Tax 0
25 City Income Tax 0
26 Total \$ 0 \$

Deferred Income Taxes
27 Deferred Investment Tax Credit \$ 0 \$
28 Deferred Repair Allowance 0
29 Deferred Tax Depreciation 0
30 Amort of Deferred Tax Depreciation 0
31 Amort of Repair Allowance 0
32 Amort of Deferred ITC 0
33 Deferred Unbilled 0
34 Total \$ 0 \$

35 Total Income Tax \$ 0 \$

**Timber Creek Sewer Company, Inc.
Small Company Rate Increase Request
MO PSC Case No. SR-2004-0532**

Overview of Company & Customer Service Operations

**Engineering and Management Services Department Report
Customer Service Operations for
Timber Creek Sewer Co., Inc.
QS-2004-0001**

Nila Hagemeyer – September 23, 2003

The Engineering and Management Services Department (EMSD) staff initiated an informal review of customer service processes, procedures, and practices at Timber Creek Sewer Co., Inc. (Timber Creek or Company) on September 4, 2003. Prior to on-site interviews, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service operations.

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

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

- Customer Billing
- Credit and Collections
- Complaints and Inquiry Handling and Recording
- Customer Communications
- Security Issues

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

Overview

Timber Creek began in 1990 with a wastewater treatment plant for the Timber Creek Subdivision located east of Platte City, Missouri. In 1995, the Timber Park treatment plant was built to service new developments south of Platte City. As expansion of existing subdivisions and new developments continued, the Timber Park treatment

plant was taken off line and replaced in March 2003 by the Prairie Creek treatment plant that has 250,000 gallons per day capacity.

Timber Creek provides sewer service to 534 single-family residential customers and to builders for 91 homes currently nearing completion, as well as wastewater treatment for a subdivision of 78 multi-family dwellings (containing 366 units) that has been annexed by Platte City. Timber Creek's service territory includes the Timber Creek Subdivision east of Platte City and the Oak Creek, Timber Park, Timber Park Meadows, Lakes at Oakmont, and Hills of Oakmont Subdivisions south of Platte City.

The Company has experienced significant growth (306%) in the number of customers during the past five years and plans for expansion continue. Several developers are scheduled to begin construction of homes in the Spring of 2004 in the subdivisions of Hills of Oakmont, Brookfield, Running Horse West and The Orchards. Timber Creek will be providing sewer service to all of these subdivisions. At the present time, Timber Creek does not provide service to commercial or industrial customers.

Timber Creek management believes that the current system could accommodate an additional 400 single-family residential customers without significant reworking of the system. The Department of Natural Resources requires Timber Creek to refrain from issuing permits to residential customers on one-third of their available treatment capacity in order to meet peak treatment requirements. Company management appears to have considered its future growth in the additions it has made to plant facilities.

Management stated that in the short-term, they will be performing bi-annual maintenance on their pump system. Timber Creek also plans an expansion of 250,000 gallons capacity to the Prairie Creek plant and a flow stabilization basin to the Timber Creek plant. Long-term plans include continued expansion of the plant to remain poised to serve the needs of their customers.

Activities associated with overall Company management and operations are performed by the President and Operations Manager. The Operations Manager performs outside plant activities. Outside plant activities include inspection of service lines and manholes, overseeing work of plumbers, and general maintenance of outside plant facilities and property. Subcontractors, such as plumbers and backhoe operators, are used on an as-needed basis.

The Office Manager and the Customer Service Manager are both responsible for business office functions. Business office functions include preparation of customer bills, collection of customer payments, maintenance of customer records, responding to customer inquiries and complaints, and preparation of customer correspondence. In general, the Customer Service Manager is responsible for accounts receivable, while the Office Manager is responsible for accounts payable.

Customer Billing

Contractors of new homes in Timber Creek's service area currently complete an Application/Permit for Sewer Service Line Installation at the Company's office. This application requires the construction address; legal description as to the lot, block, and subdivision; permanent owner's name (if known); contractor's name; contractor's address; contractor's phone number; dwelling type; a signature and date submitted. Management stated that Platte County requires this signed application with Timber Creek prior to issuing a contractor's building permit. This procedure serves as a safeguard for Timber Creek, as a contractor cannot begin construction without a sewer permit.

Contractors are invoiced \$16.50 monthly for each home in progress where service is provided. The Customer Service Manager stated that contractors may be in the process of building 10 or more homes at a time and are billed for all of them on the same monthly invoice. When the contractor sells the home, the new homeowner is to notify Timber Creek to have service put in their name.

Timber Creek also has a form that is used when new customers request service and for changeovers when a customer moves out and a new customer moves in. This form requests date of closing, rent or own, customer name, billing address, address of property, phone number, seller's name, subdivision name, and lot number. This form does not require a customer's signature and may be completed by Timber Creek's Customer Service Manager. Timber Creek presently does not require the customer's signature prior to providing sewer service.

Timber Creek charges contractors a \$1,000 contribution in aid of construction (CIAC) fee for each new home. New customers are charged a \$50 service connection

fee. Each customer is currently charged a flat monthly fee of \$16.50 for sewer service. These fees are in agreement with Timber Creek's tariffs.

During December of each year, the Company provides residential customers a coupon book, customer identification labels, and return envelopes to make payment of their monthly bills. The coupons list the Company's mailing address and telephone number, payment due date, monthly flat fee, and penalty for late payment. Customers moving into Timber Creek's service area during the year are issued coupon books containing the appropriate number of coupons for the remainder of the year.

The portion of Timber Creek's service area that was annexed by Platte City contains 78 multi-family dwellings. The City contracted with Timber Creek to continue to provide wastewater treatment for this annexed area. The City bills these customers \$2.95 per 1,000 gallons of water used. Per the contract, the City then pays Timber Creek \$1.80 per 1,000 gallons used. Along with the check sent to Timber Creek each month, the City provides Timber Creek with a Usage Report, a spreadsheet containing each customer's name, address, and gallons used. The Office Manager stressed that they have a good working relationship with the City.

Due to significant growth in the number of customers that Timber Creek serves, Company Management stated they are looking at Dataease software that would provide the capability to invoice all customers on a monthly basis in lieu of using the coupon books. The President stated they are planning to have the software installed by January 2004.

Credit and Collections

Payment options for Timber Creek customers include paying by mail or in person at the office. The Customer Service Manager stated that most payments are received by mail. Customers may pay by check, cash, money order, or cashier's check. Timber Creek does not charge a security deposit for providing sewer service.

Payments are due on the 15th of the month. A customer becomes delinquent on the 16th of the month, and a late fee of \$1.50 is assessed. When payments are 31 to 60 days late, a fee of \$3.00 is charged. If payments are 61-90 days late, the late fee assessed is \$4.50.

The majority of customers pay monthly, but a few pay quarterly or yearly. The Customer Service Manager stated that a few of those customers who pay quarterly sometimes forget when their next payment is due.

The Customer Service Manager currently uses Quick Books Pro software to track customers' account history. Payments are posted daily to each customer's account. The program enables the Customer Service Manager to instantly access a customer's account to find the current balance due. The Customer Service Manager runs a daily backup of account information. A complete backup of customer accounts, including names, addresses, and account balances, is also run once a month. One disk containing customer account information is kept on-site in a file cabinet, while a duplicate disk is kept off-site for safety reasons.

Bank deposits are made approximately four times each week. Timber Creek has received a total of seven insufficient funds checks since 2001. When Timber Creek receives an insufficient funds check, the Customer Service Manager logs the check and calls the customer to request payment. A letter is also mailed, notifying the customer that the check has been returned for insufficient funds and requesting immediate payment. If the customer does not pay within two weeks, a second letter requesting immediate payment is sent. Another telephone call requesting payment is made to the customer. During this process, the Customer Service Manager telephones the bank to see if the check will clear. As a last resort, the matter is turned over to the Prosecuting Attorney. The Customer Service Manager stated that they have had a 100% collection rate by the Prosecuting Attorney making it unnecessary to use an outside collection agency.

Currently, 29 customer accounts are 30 or more days in arrears. The Customer Service Manager noted that this number includes customers who have any type of balance, even \$.50 or \$1.00. The total amount of arrearage is presently \$595. At any given time, approximately 3% to 5% of Timber Creek's customers have account balances in arrears. The Customer Service Manager stated that Timber Creek has not had to write off any uncollectible debts over the past few years.

Timber Creek has never disconnected sewer service to a customer. They are concerned that liability issues may arise due to disconnections.

Timber Creek has not had problems with unauthorized service connection to the Company's collecting sewer. The Operations Manager inspects the systems daily, and Timber Creek is a member of the Call Before You Dig program.

Complaint and Inquiry Handling and Recording

To enable easier access to the Company, Timber Creek's address and telephone number appear on the cover of the payment coupon book and on every payment coupon. Invoices to contractors show Timber Creek's address, but do not list a telephone number. Customers are able to contact the Company during working hours (Monday through Friday from 8:00 a.m. to 12:00 p.m.). After hours, Timber Creek has an answering machine that provides the Operations Manager's cell phone number for emergencies. The Operations Manager is on call 24/7, including holidays. In the event the Operations Manager is unavailable, a message on his cell phone directs customers to contact the President and gives them a telephone number to do so.

The Office Manager and the Customer Service Manager respond to customer inquiries and complaints. A complaint log listing the date of the complaint, name of customer, address, and comments is maintained. An inquiry folder is kept for calls requesting changeovers from customers moving in or out of residences and other general inquiries. Both the Office Manager and the Customer Service Manager maintain customer records in the files. As noted previously, customer data is maintained on backup disks. The Commission's Consumer Services Department records indicated that Timber Creek had one complaint in March 2003. Timber Creek has received two complaints regarding the proposed rate increase.

Customer Communications

No public meetings of Timber Creek are held. The Office Manager stated that communication to customers is typically by mail. The recent rate increase messages were communicated to customers through a printed letter. Other than the customer calls made to the area office, no indication of the customers' satisfaction level with their service has been determined.

Security Issues

Since the tragic events of September 11, 2001, Timber Creek has installed a chain link fence and gate around the Prairie Creek treatment plant and installed a security system at the office. All buildings are now locked. A duplicate disk of customer records is kept off-site.

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 areas that require Company management attention:

- Applications for Service
- Customer Billing
- Invoices to Contractors

Applications for Service

Signed applications are not being obtained from all customers prior to Timber Creek providing service. Timber Creek provides service to many growing subdivisions. Currently, contractors complete an Application/Permit for Sewer Service Line Installation. The contractor pays the \$16.50 monthly flat fee for sewer service until the home is sold. It then becomes the new homeowner's responsibility to contact Timber Creek to have service put in their names.

Most new customers currently telephone the office to have service put in their names. Original Sheet No. 11, Section A of Timber Creek's tariff states:

A written application for service, signed by the customer, and accompanied by the appropriate fees as provided in the Schedule of Rates, Service Charges, or Rule 11 – Extension of collecting sewers, and other information required by these rules, must be received from each customer before service is provided to any unit. Said application must be filed in writing 24 hours 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 . . . (Emphasis added).

In addition to being required by the tariff, a signed and dated application by the homeowner requesting service would give Timber Creek more leverage to collect monies owed should the need arise.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Require all customers to sign and date an application for service prior to providing sewer service, as noted in Company's tariffs.

Customer Billing

Timber Creek's current software Quick Books Pro does not contain a program to allow automatic billing. Timber Creek currently uses a coupon payment book that is sent to the customer on a yearly basis. It is the customers' responsibility to remember to pay their bills by the 15th of each month. In addition, some of the customers who pay quarterly sometimes forget to pay when the next quarter's bill is due. Billing customers on a monthly basis would serve as a reminder to customers that payments are due.

With the significant expansion in Timber Creek's service area it will become increasingly difficult to keep track of customers using the coupon payment method. Although Timber Creek would incur an increase in postage, a monthly bill sent to customers would enable office staff to better track payments.

The President stated they are planning to have the automated billing software installed by January 2004. The EMSD staff encourages the Company to proceed with its plans to install such software.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Institute an automated billing program to bill customers on a monthly basis.

Invoices to Contractors

Invoices to contractors currently do not list a telephone number for Timber Creek. In the event contractors need to contact the Company, it would be more efficient and convenient to have the Company's telephone number listed on the invoice.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Add Timber Creek's office telephone number to contractor invoices.