

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

In the Matter of Request for Increase )  
in Annual Sewer System Operating ) **File No. SR-2012-0263**  
Revenues by R.D. Sewer Company, LLC )

**NOTICE OF UNANIMOUS AGREEMENT REGARDING DISPOSITION  
OF SMALL SEWER COMPANY REVENUE INCREASE REQUEST**

COMES NOW the Staff (“Staff”) of the Missouri Public Service Commission (“Commission”), by and through counsel, and submits this *Notice of Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* (“Notice”) and respectfully states the following in support thereof:

1. On January 31, 2012,<sup>1</sup> R.D. Sewer Co., LLC (“R.D. Sewer” or “Company”) initiated a small company rate increase action pursuant to Commission Rule 4 CSR 240-3.050.<sup>2</sup>
2. In its Rate Increase Request Letter, R.D. Sewer Co. sought Commission approval of an increase of \$10,380 in its annual sewer system operating revenues.
3. Upon completion of its investigation of the Company’s requests, Staff provided the Company’s and the Office of the Public Counsel (“Public Counsel”) with materials related to Staff’s investigation, as well as Staff’s initial recommendation for the resolution of the revenue increase request.
4. On August 28, the Staff and the Company filed a disposition agreement that included comprehensive accounting schedules, a review of customer service and business operation and example tariffs designed to implement the agreed-upon revenue requirements.

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<sup>1</sup> All dates are in 2012, unless otherwise noted.

<sup>2</sup> The owner of R.D. Sewer also owns Lakeland Heights Water Co., Inc. and Oakbrier Water Co. Inc. Also on January 31, Lakeland Heights Water Co., Inc. filed for a rate increase in File No. WR-2012-0266 and Oakbrier Water Co., Inc. filed for a rate increase in File No. WR-2012-0267. Separate disposition agreements have been filed in those cases.

5. Subsequently the Company alerted Staff that an amount of \$2,500—reflecting the Company’s costs for permit fees required by the Missouri Department of Natural Resources—had been inadvertently omitted from the Company’s cost of service. To correct the error, the Company and Staff filed an amended Company/Staff Disposition Agreement on September 5. No other changes were made to the August 28 agreement.

6. Public Counsel did not join in the agreement. Instead, on October 4, Public Counsel filed motions requesting the Commission to suspend the tariffs and schedule local public hearings, which were held on October 29 and 30.

7. After successful negotiations, the parties moved on November 14 to stay the evidentiary hearing set in this case. The Commission granted the motion the same day.

8. All parties subsequently reached a *Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase* (“Unanimous Agreement”), which is attached here as Appendix A and incorporated by reference. Appendix A also includes various attachments related to the Unanimous Agreement, and affidavits from Staff members that investigated this matter.

9. As agreed upon by the parties to this case, the Unanimous Agreement provides for an increase of \$13,996 in the Company’s annual operating revenues.

10. The Unanimous Agreement provides for tariff sheets to become effective December 14, 2012, which is less than the 30 days required by statute and rule.<sup>3</sup> In a separate pleading filed today in this matter, the parties have requested a waiver of the 30-day requirement.

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<sup>3</sup> Section 393.140(11) RSMo, Rule 4 CSR 240-3.050(13).

11. The Company is current on its payment of Commission assessments and on its filings of annual reports and statements of revenue. The Company has no other cases pending before the Commission at this time.

12. Staff has notified both the Company and Public Counsel of this filing, and neither objected to this filing.

**WHEREFORE**, Staff submits this *Notice* and the attached Appendix A for the Commission's consideration, and requests that the Commission enter an Order adopting the terms agreed upon by Staff, the Company and Public Counsel, including an expedited effective date for the tariff sheets.

Respectfully Submitted,

**STAFF OF THE MISSOURI  
PUBLIC SERVICE COMMISSION**

/s/ John D. Borgmeyer

John D. Borgmeyer  
Legal Counsel  
Missouri Bar No. 61992

Attorney for the Staff of the  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Missouri 65102  
Telephone: (573) 751-5472  
Fax: (573) 751-9285  
Email: john.borgmeyer@psc.mo.gov

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 27<sup>th</sup> day of November, 2012.

/s/ John D. Borgmeyer

# APPENDIX A

CASE No. SR-2012-0263

# UNANIMOUS DISPOSITION AGREEMENT WITH ATTACHMENTS AND STAFF AFFIDAVITS

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### Staff Participant Affidavits

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# Unanimous Disposition Agreement

**UNANIMOUS AGREEMENT REGARDING DISPOSITION  
OF SMALL SEWER COMPANY REVENUE INCREASE REQUEST**

**R. D. SEWER COMPANY, L.L.C.**

**MO PSC FILE NO. SR-2012-0263**

**BACKGROUND**

R. D. Sewer Company, L.L.C. ("Company") initiated the small company revenue increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on January 31, 2012, the Company set forth its request for an increase of \$10,380 in its total annual sewer service operating revenues. The Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and thus could be the subject of Staff recommendations. The Company provides service to approximately 164 residential customers located in Dexter, 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, Public Counsel and the Company hereby state the following agreements:

- (1) The resulting agreed-upon annualized operating revenue increase of \$13,996 is just and reasonable and designed to recover the Company's cost of;
- (2) The current PSC MO Number 1 tariff will be cancelled and replaced by PSC MO Number 2 tariff and is included in the example tariff sheets in Attachment A;
- (3) The rates included in the example tariff, specifically on tariff sheet 4, attached hereto and included in Attachment A, are just and reasonable, and the provisions of the attached example tariff also properly reflect all other agreements set out herein, where necessary;
- (4) The rates set out in the attached example tariff, specifically on tariff sheet 4, included in Attachment A, are designed to generate revenues sufficient to recover the annualized cost of service for the Company, and equates to a 28.47% increase in annual operating sewer revenues;
- (5) The rates included in the attached example tariff, specifically on tariff sheet 4, included in Attachment A, will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment B and incorporated by reference herein;
- (6) The agreed-upon net rate base is \$12,586, the development of which is shown on the rate base worksheet attached hereto as Attachment C and incorporated by reference herein;
- (7) The schedule of depreciation rates attached hereto as Attachment D and incorporated by reference herein, which includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of sewer plant depreciation rates for the Company;
- (8) Within thirty (30) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Unit ("EMSU") Report attached hereto as Attachment E and incorporated by reference herein:
  - (a) The Company will utilize a standard time sheet to record and maintain the time expended by its employees and contractors at each of the water and sewer systems it operates that will facilitate summarization and analysis;



(9) On the effective date of the order from the Commission approving this Unanimous Disposition Agreement, the Company shall implement the following recommendations from the Commission's Auditing Unit:

- (a) The Company will discontinue making personal purchases from the Company's business account; and
- (b) The Company will maintain utility plant records and customer account records, and keep all books and records, including plant property records, in accordance with the NARUC Uniform System of Accounts, Sewer version 1976;

(10) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall obtain estimates for accounting services including estimates for financial statement preparation and tax form preparation and provide copies of the estimates to the Manager of the Commission's Auditing Unit;

(11) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations contained in the EMSU Report attached hereto as Attachment E and incorporated by reference herein:

- (a) The Company will complete an analysis of automated billing systems that could be cost-effectively implemented to manage the calculation and preparation of customer bills and maintenance of records; and
- (b) The Company will review the present bill format to determine if information regarding delinquent dates can be provided more clearly. This review should be conducted in conjunction with the analysis and implementation of an automated billing system;

(12) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Unanimous 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;

(13) 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 Unanimous Disposition Agreement;

(14) Staff or Public Counsel may file a formal complaint against the Company, if the Company does not comply with the provisions of this Unanimous Disposition Agreement;

(15) The Company, Staff and Public Counsel agree that they have read the foregoing Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's, Staff's and Public Counsel's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between the Company, Public Counsel and Staff; and that the Company freely and voluntarily enters into this agreement; and

(16) The above agreements satisfactorily resolve all issues identified by Staff, Public Counsel 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 Unanimous Disposition Agreement reflect compromises between Staff, Public Counsel and the Company. In arriving at the amount of the annual operating revenue increase specified herein no party has agreed to any particular ratemaking principle.

The Company and Staff acknowledge that they have previously agreed to an extension of the normal "Day 150" date by which an agreement regarding the resolution of a small company revenue increase request is to be reached. A copy of the extension agreement can be found in the above-referenced EFIS Case No. for the Request and was filed with the Commission on April 10, 2012.

The Company acknowledges that the Staff will be filing this Unanimous Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff or 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 Unanimous 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 Unanimous Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advanced notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.


Small Company Revenue Increase Disposition Agreement  
MO PSC File No. SR-2012-0263  
RD Sewer Company, L.L.C. – Page 5 of 5

**SIGNATURES**

Agreement Signed and Dated:

  
Rodger Owens  
Manager  
R. D. Sewer Company, L.L.C.

11-26-12  
Date

  
Christina L. Baker  
Senior Public Counsel  
The Office of The Public Counsel

11-26-12  
Date

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

11-26-12  
Date

**List of Attachments**

- Attachment A – Example Tariff Sheets
- Attachment B – Billing Comparison Worksheet
- Attachment C – Rate Base Worksheet
- Attachment D – Schedule of Depreciation Rates
- Attachment E – EMSU Report

# Agreement Attachment A

## Example Tariff Sheets

Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service																																			
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6.....	Schedule of Service Charges																																		
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 5px;"><u>Sheet Number</u></th> <th style="text-align: left; padding: 5px;"><u>Rule Number</u></th> <th style="text-align: left; padding: 5px;"><u>Rule Subject</u></th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">8.....</td> <td style="padding: 5px;">1.</td> <td style="padding: 5px;">Definitions</td> </tr> <tr> <td style="padding: 5px;">12 .....</td> <td style="padding: 5px;">2.</td> <td style="padding: 5px;">General Matters</td> </tr> <tr> <td style="padding: 5px;">13 .....</td> <td style="padding: 5px;">3.</td> <td style="padding: 5px;">Limited Authority of Company Employees</td> </tr> <tr> <td style="padding: 5px;">14 .....</td> <td style="padding: 5px;">4.</td> <td style="padding: 5px;">Applications for Sewer Service</td> </tr> <tr> <td style="padding: 5px;">16 .....</td> <td style="padding: 5px;">5.</td> <td style="padding: 5px;">Inside Piping and Customer Service Sewer</td> </tr> <tr> <td style="padding: 5px;">19 .....</td> <td style="padding: 5px;">6.</td> <td style="padding: 5px;">Improper or Excessive Use</td> </tr> <tr> <td style="padding: 5px;">21 .....</td> <td style="padding: 5px;">7.</td> <td style="padding: 5px;">Discontinuance of Service by Company</td> </tr> <tr> <td style="padding: 5px;">24 .....</td> <td style="padding: 5px;">8.</td> <td style="padding: 5px;">Interruptions in Service</td> </tr> <tr> <td style="padding: 5px;">25 .....</td> <td style="padding: 5px;">9.</td> <td style="padding: 5px;">Bills for Service</td> </tr> <tr> <td style="padding: 5px;">27 .....</td> <td style="padding: 5px;">10.</td> <td style="padding: 5px;">Extension of Collecting Sewers</td> </tr> </tbody> </table>			<u>Sheet Number</u>	<u>Rule Number</u>	<u>Rule Subject</u>	8.....	1.	Definitions	12 .....	2.	General Matters	13 .....	3.	Limited Authority of Company Employees	14 .....	4.	Applications for Sewer Service	16 .....	5.	Inside Piping and Customer Service Sewer	19 .....	6.	Improper or Excessive Use	21 .....	7.	Discontinuance of Service by Company	24 .....	8.	Interruptions in Service	25 .....	9.	Bills for Service	27 .....	10.	Extension of Collecting Sewers
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DATE OF ISSUE September 4, 2012  
 Month Day Year

DATE EFFECTIVE October 22, 2012  
 Month Day Year

ISSUED BY Rodger Owens  
 name of officer

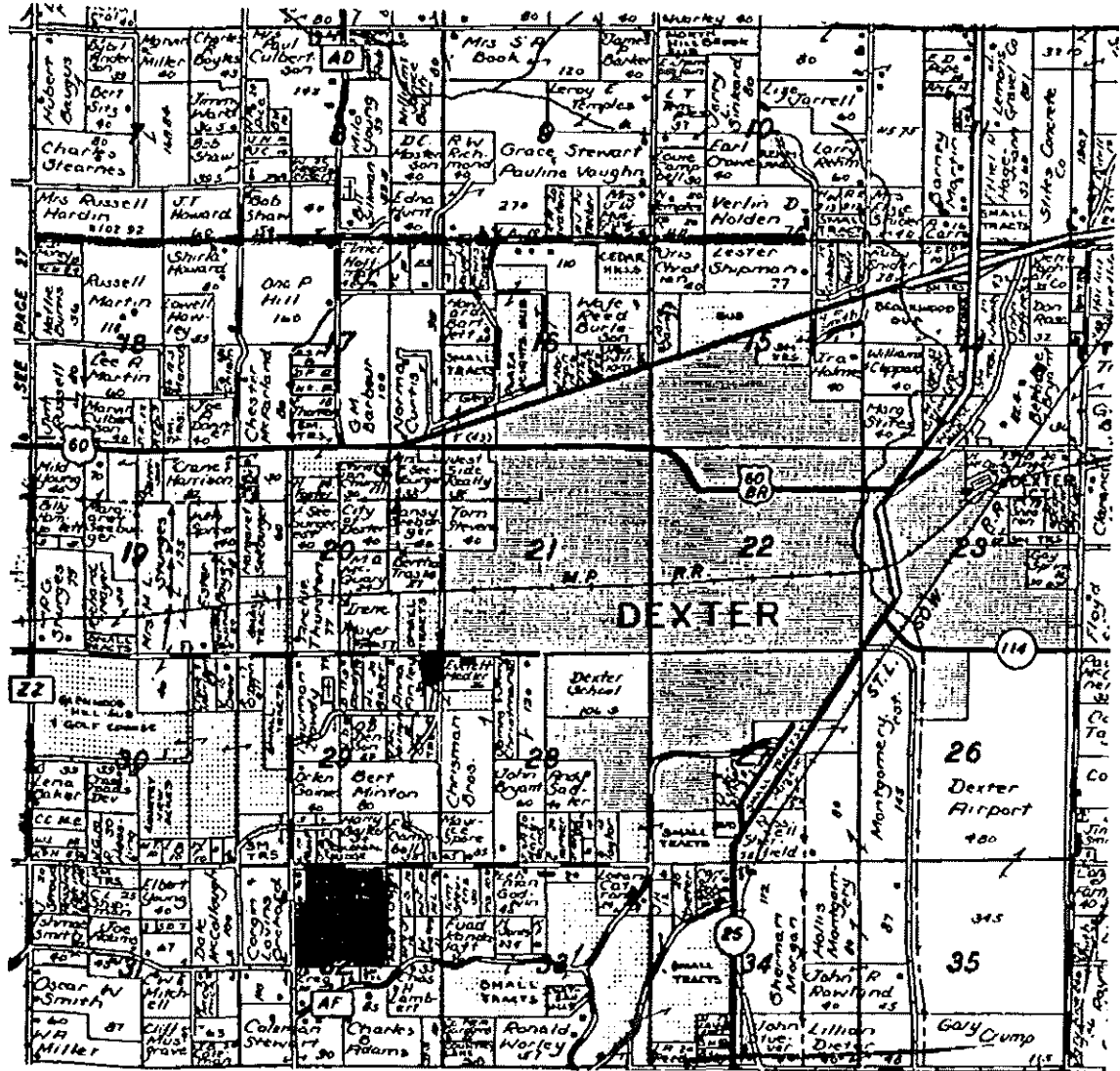
Owner Member  
 title

406 S. Allen, Bernie, MO 63822  
 address

Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
 Sewer Service

Map of Service Area



- \* Indicates new rate or text
- + Indicates change

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DATE EFFECTIVE October 22, 2012  
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ISSUED BY Rodger Owens  
 name of officer

Owner Member 406 S. Allen, Bernie, MO 63822  
 title address

Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Sewer Service

Legal Description of Service Area

Western Heights Subdivision

Part of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) and part of the Northeast Quarter (NE 1/4) of the Northwest (NW 1/4) of Section 32, Township 25 North, Range 10 East, described as follows: Beginning at the southeast corner of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) of Section 32, Township 25 North, Range 10 East; thence south 89 degrees 15' west along the quarter-quarter section line, 1,827.6 feet; thence north parallel to the west line of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) of Section 32 aforesaid, 400 feet; thence south 89 degrees 15' west parallel to the southline of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) 500 feet; thence north parallel to the west line of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) 610 feet; thence north 89 degrees 15' east parallel to the north line of said Section 32, 1,828.72 feet; thence south parallel to the west line of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) 610 feet; thence north 89 degrees 15' east, parallel to the south line of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) 505 feet; thence south along the east line of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) 400 feet to the point of beginning, containing 42.7 acres, more or less.

\* Indicates new rate or text

+ Indicates change

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Sewer Service

Legal Description of Service Area

Ecology Acres Subdivision

The part of the SE 1/4 of the NW 1/4 of Section 32, Township 25, Range 10 East and all of the SW 1/4 of the NE 1/4 of Section 32, Township 25 North, Range 10 East, more particularly described as follows: Beginning at the Southwest corner of the SE 1/4 of the NW 1/4 of Section 32, Township 25 North, Range 10 East, thence North 0° 03' East along and with the Quarter-Quarter Section line 1,110.0 ft; thence North 89° 28' East along and with the Quarter-Quarter Section line 1,110.0 ft; thence North 15° 30' E. 218.7 ft. to a point on the North Quarter-Quarter Section line of the SE 1/4 NW 1/4 of aforesaid Section 32; thence North 89° 15' East along and with aforesaid Quarter-Quarter Section line 2,312.6 feet to the NE corner of the SW 1/4 NE 1/4 of aforesaid Section 32; thence S 0° 30" West along and with the Quarter-Quarter Section line 1,320 feet to the SE corner of the SW 1/4 NE 1/4 of aforesaid Section 32; thence S 89° 15' West along and with the Quarter Section line 2,642.2 feet to the point of beginning; containing 78.06 acres more or less.

Unincorporated area in Stoddard County, MO

The North One-Half (N 1/2) of the East One-Fourth (E 1/4) of the Northeast Quarter (NE 1/4) of the Northeast Quarter (NE 1/4) of Section 29, Township 25 North of the Base Line, Range 10 East of the Fifth Principal Meridian, containing five (5) acres, more or less.

ALSO

Part of the Northeast Quarter (NE 1/4) of the Northeast Quarter (NE 1/4) of Section 29, Township 25 North, Range 10 East described as follows: Start at the Northeast corner of Section 29, Township 25 North, Range 10 East; thence South 89° 16' 45" West along and with the North section line 331.23 feet for a point of beginning; thence South 0° 29' 30" East 557.87 feet; thence South 89° 14' 37" West 35.45 feet; thence North 1° 54' 37" West 558 feet to the section line; thence North 89° 16' 45" East 49.27 feet to the point of beginning; containing 0.54 acres subject to any easements that may exist.

\* Indicates new rate or text

+ Indicates change

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name of officer

Owner Member  
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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service	
<u>Schedule of Rates</u>	
Monthly Service Charge	
Single-Family Residence	\$34.36
Multi-Family Residence	\$27.49 per single family living quarters.
All Applicable Federal, State or local taxes shall be included in addition to the above charges.	
Contribution in Aid of Construction	
Single Family Residence	\$835.00
Multi-Family residence	\$628.00 Per Single family living quarters.
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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Sewer Service

Schedule of Service Charges

Late Charges

A charge of five dollars (\$5.00) or three percent (3%) per month times the unpaid balance, whichever is greater, will be added to delinquent accounts.

Returned Check Charge

A returned check charge of twenty-five dollars (\$25.00) per check will be due on all checks returned from the bank for insufficient funds.

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.

Disconnection/Reconnection by Public Water District

A fee of one hundred dollars (\$100.00) will be charged for disconnection/reconnection of water service by a public water district when the disconnection/reconnection is done at the request of the Company due to a delinquent sewer bill pursuant to Rule 8.

Inspection Fee

A fee of thirty-five dollars (\$35.00) will be charged for inspection of a new service sewer and connection to the collecting sewer.

\* Indicates new rate or text

+ Indicates change

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Sewer Service

Schedule of Service Charges (Continued)

Re-Inspection Fee

A fee of twenty dollars (\$20.00) will be charged for any re-inspection of the new service sewer that is not the fault of the Company.

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 except disconnection for a ruptured Customer's service shall require a service charge of twenty-five dollars (\$25.00).

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Rules and Regulations Governing Rendering of  
Sewer Service

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 R.D. Sewer Co., LLC, 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 Company,

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Sewer Service

Rule 1 continued

or whose facilities are connected for utilizing such service.

- 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 a 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 6 - Improper Waste or Excessive Use.
- J. 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 foundation.
- K. "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.
- L. 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.

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Sewer Service

Rule 1 continued

- M. 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.
- N. 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.
- O. 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.
- P. 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.
- Q. "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.
- R. 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 family or firm occupying same as a residence or place of business.

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Rule 1 continued

- S. 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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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 resulting to Customer or third persons, unless due to contributory negligence on the part of the Company, and without any contributory negligence on the part of the Customer or such third party.
- E. 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 premises.
- F. 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 10 - Extension of Collecting Sewers, and other information required by these Rules, must be received from each Customer. Said application must be filed in writing seventy-two (72) 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. 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 10 - 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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- 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 10 - 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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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 seventy-two (72) hours 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 generally be required for every building. Exceptions are:
  - 1. When one building stands at the rear of another building on an interior lot where a proper service sewer cannot be constructed through an adjoining easement. In that situation, the service sewer from the front building may be extended to the rear building and it will be considered as one service sewer; or
  - 2. When two or more buildings are a part of a complex that cannot be subdivided.

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- E. The service sewer shall be one of the following: ductile iron pipe, vitrified clay sewer pipe (VCP), or polyvinyl chloride pipe (PVC), American Society for Testing and Materials (ASTM) specification or equal; 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 constructed of 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.
- 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 a 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 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.

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- 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 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 – IMPROPER WASTER 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, 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 be required to take any action necessary to meet the following described wastewater limits before the wastewater is discharged into the collecting sewer:

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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
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.

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Rule 7 – 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 9); 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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- 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.

- 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.

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Rule 8 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 9 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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- 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 7 - 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

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Rule 10 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, plus any appropriate fees as provided in the Schedule of Rates or the Schedule of Service Charges.

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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.
- 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

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Sewer Service

Rule 10 continued

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.
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.

\* Indicates new rate or text

+ Indicates change

DATE OF ISSUE September 4, 2012  
Month Day Year

DATE EFFECTIVE October 22, 2012  
Month Day Year

ISSUED BY Rodger Owens  
name of officer

Owner Member  
title

406 S. Allen, Bernie, MO 63822  
address

Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of  
Sewer Service

Rule 10 continued

- 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

DATE OF ISSUE September 4, 2012  
Month Day Year

DATE EFFECTIVE October 22, 2012  
Month Day Year

ISSUED BY Rodger Owens  
name of officer

Owner Member  
title

406 S. Allen, Bernie, MO 63822  
address

# Agreement Attachment B

## Billing Comparison Worksheet

# RD SEWER COMPANY, LLC.

## Residential Customer Bill Comparison-Sewer

### Rates for Single Family Residence

<u>Current Base</u>	<u>Proposed Base</u>
<u>Customer Charge</u>	<u>Customer Charge</u>
<b>\$26.64</b>	<b>\$34.36</b>

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Customer Charge	\$ 26.64
Total Bill	\$ 26.64

#### Proposed Rates

Customer Charge	\$ 34.36
Total Bill	\$ 34.36

#### INCREASES

<u>Total Bill</u>	
<b>\$ Increase</b>	<b>\$7.72</b>
<b>% Increase</b>	<b>29.00%</b>

# Agreement Attachment C

## Rate Base Worksheet

**RD Sewer**  
**Informal Rate/Certification Case**  
**SR-2012-0263**  
**Test Year Ending 12-31-2011**  
**Rate Base Required Return on Investment Schedule - Sewer**

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount
1	Plant In Service	\$213,137 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$200,551</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$12,586
4	Other Rate Base Items:	\$0
	Contribution of Aid of Construction	\$0
	CIAC Depreciation	\$0
5	Total Rate Base	<u>\$12,586</u>
6	Total Weighted Rate of Return Including Income Tax	<u>6.29%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$792</u></u>

# Agreement Attachment D

## Schedule of Depreciation Rates

**R. D. SEWER CO., L.L.C.**  
**DEPRECIATION RATES**  
**(CLASS C & D SEWER)**  
**SR-2012-0263**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT DESCRIPTION</b>	<b>DEPRECIATION RATE</b>	<b>AVERAGE SERVICE LIFE (YEARS)</b>	<b>NET SALVAGE</b>
311	Structures & Improvements	3.0%	33	0%
352.1	Collection Sewers (Force)	2.0%	50	0%
352.2	Collection Sewers (Gravity)	2.0%	50	0%
354	Services	2.0%	50	0%
355	Flow Measurement Devices	3.3%	30	0%
362	Receiving Wells (lift station structure)	4.0%	25	0%
363	Electric Pumping Equipment	10.0%	10	0%
372	Oxidation Lagoons	4.0%	25	0%
373	Treatment & Disposal Facilities	5.0%	20	0%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computer Equipment	20.0%	5	0%
392	Transportation Equipment	14.3%	7	9%
393	Other Equipment (tools, shop equip backhoes, trenchers etc)	10.0%	9	10%



Agreement Attachment E  
EMSU Implementation Review

**REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW**

**Engineering and Management Services Unit**

**Small Company Rate Increase Request**

**File No. SR-2012-0263**

**R.D. Sewer Company, L.L.C.**

**Debbie Bernsen**

The Engineering and Management Services Unit (EMSU) staff initiated an informal review of the customer service and business processes, procedures and practices of R.D. Sewer Company, L.L.C. (“R.D.” or “Company”) in Bernie, Missouri, in March 2012. The review was performed in conjunction with the Company’s rate increase request, File No. SR-2012-0263 filed on January 31, 2012. The Company is requesting an increase of \$10,380.00 in its annual sewer system operating revenues. This request represents an increase of approximately 18% to the Company’s annual sewer system operating revenues.

The EMSU staff examined the Company’s tariffs, annual reports, Missouri Public Service Commission (Commission) complaint and inquiry records, and other documentation related to the Company’s customer service and business operations. In preparation of this report, the EMSU staff submitted data requests on February 9, 2012, and conducted interviews with Company personnel on April 18 and 19, 2012. The EMSU staff’s review of the Company resulted in the following recommendations for Company management:

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Utilize a standard time sheet to record and maintain the time expended by its employees and contractors at each of the water and sewer systems it operates that will facilitate summarization and analysis. This recommendation should be completed within thirty (30) days of the Commission’s Order in File No. SR-2012-0263.*

*Complete an analysis of automated billing systems that could be cost-effectively implemented to manage the calculation and preparation of customer bills and maintenance of records. This recommendation should be completed within ninety (90) days of the Commission’s order in File No. SR-2012-0263.*

Review the present bill format to determine if information regarding delinquent dates can be provided more clearly. This review should be conducted in conjunction with the analysis and implementation of an automated billing system. This recommendation should be completed within ninety (90) days of the Commission's order in File No. SR-2012-0263.

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

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

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

- Customer Billing
- Payment Remittance
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

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

## **History**

The EMSU staff previously performed a customer service review of the Company in January 2008. This review was performed in conjunction with a small company rate request submitted by the Company and given Case No. SR-2009-0226. That review resulted in a written report and included recommendations for improvement in the areas of customer billing, credit and collections, complaint recording, records storage and time reporting. The Disposition Agreement in the prior case addressed specific timeframes for the completion of each of the

recommendations made in the report. The EMSU staff continued to work with the Company to ensure that these recommendations were addressed. The actions taken by the Company were considered appropriate for meeting the intent of the recommendations contained in the EMSU report.

### **Overview**

R.D. Sewer Company was certificated by the Missouri Public Service Commission in 2008 to provide sewer service in the service area of Stoddard County. The Company was acquired by Rodger and LaDawn Owens in 2008 and provides sewer service to 107 single families, 51 apartments and 5 duplexes. The Owens also own three other utility systems which are water systems: Oakbrier Estates Water Company, Whispering Hills Water System, and Lakeland Heights Water Company. The business office is located at 406 South Allen in Bernie, Missouri and office hours are 8 am to 4 pm, Monday through Friday. The Company noted that someone is available at all times to handle emergency issues. A phone number is provided on customer bills, which gives customers 24-hour, 7-day access to Company personnel in the event of an emergency.

The Company is operated by its owners. Rodger Owens serves as the company's president, owner and operator. LaDawn Owens serves as the office manager and billing clerk, in addition to being responsible for all customer service operations. The Company utilizes part-time assistance in the office and occasionally in the field as needed.

The Company keeps employee time records as a result of the prior customer service audit performed in 2008. LaDawn Owens indicates that she maintains a record of her time and which of the four companies they own and manage that she is allocating time. In addition, she notes the specific activity such as billing or collections that is performed that day. The operator's activities are recorded by the office manager who schedules and assigns the work activities. In addition, the operator records all visits to company facilities on field logs kept at the well houses to document activities. That information is transferred to date planner books that are used to maintain records on time and activities at various companies.

The Company has developed a standard mileage amount associated with travel to each of the areas it serves and any Company facilities it frequently visits. These mileage figures are

included on monthly mileage logs and also frequently on the time sheets or monthly monitoring records for wastewater treatment facilities.

### **Customer Billing**

Customers requesting service are required to complete an application for service and either send or drop off to the Company at the business office. The EMSU staff understands that customers are not charged a security deposit prior to establishing service.

Customers' sewer charges are a monthly charge of \$26.64 for a single family residence and \$21.31 for a single family living quarter in a multi-family residence. These rates took effect in September 2009.

LaDawn Owens manually calculates and prepares the customers' bills on pre-printed postcards that have been formatted to allow her to fill in the information by hand. The address labels are affixed and the bills for sewer service are mailed on the 28<sup>th</sup> of the month, although the customer has until the 21<sup>st</sup> day of the following month before the bill is delinquent. The bill includes a billing date, a due date and a billing period. The due date is always noted as the first day of the following month. The total amount due is also stated, which may include a previous balance or any additional fees, if applicable. The Company has the authority to charge a late fee of \$5.00 on the 21<sup>st</sup> day of the month. The bottom of the bill instructs the customer to add a \$5.00 fee to the total amount due if the Company has not received payment by the 20<sup>th</sup> of the month. If the bill is not paid within 10 days after the 20<sup>th</sup>, disconnect notices will be mailed and/or hand delivered to the customer and their service is subject to discontinuance.

### **Payment Remittance**

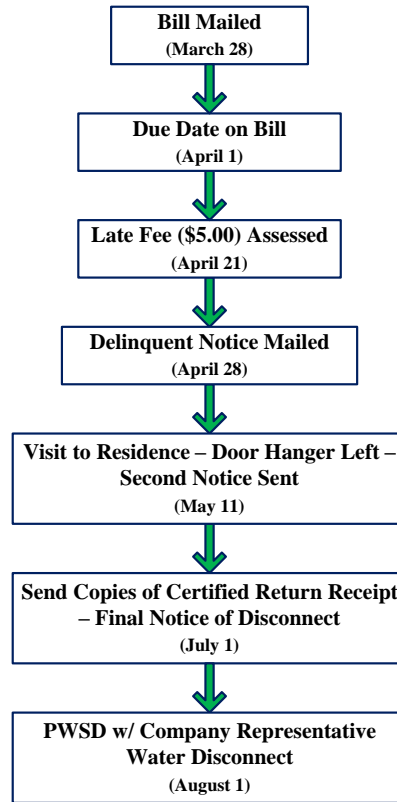
Customers' payment options include cash, check, or a money order. The Company indicated that the majority of payments are made by mail and the Company has recently installed a drop box at the well station to offer another payment method. Customers can pay at the business office and, in addition, the owner will take payments in the field. Payments are posted as they are received and a majority of the payments are received in the first ten days of the month. Bank deposits are made as needed, but usually at least once or twice a week. Fireproof safes are used to store monies and important customer records, such as back up cds.

## **Credit and Collections**

The Company indicated that it does follow the appropriate notifications prior to discontinuing service, by providing written notice by certified mail return receipt required by the Company. Several attempts are made to contact the customer by visiting the service address, as well as attempting to contact the customer by telephone. If the customer still does not indicate any attempt to pay or make payment arrangements, the Company may proceed to schedule a discontinuance of service according to the Company approved tariffs. The Company is required to mail the customer a certified letter with a return receipt required indicating that in thirty days the customer's service will be discontinued. Copies of these letters are also sent to the Commission's Water and Sewer Unit, as well as the Department of Natural Resources and Health Department.

The following timeline illustrates the actions that would typically be taken on a customer account that would remain unpaid.

## Billing and Collection Time Line



The Company did not perform any service discontinuances for non-payment in years 2010 and 2011. The costs and concerns for the customer associated with discontinuing sewer service have made the Company hesitant to pursue service discontinuances unless it feels like there is no other option. The Company has tried to continue offering arrangements and some flexibility to the customer to avoid service discontinuances.

In October 2011, the Company entered into an agreement with the Public Water Supply District of Stoddard County (Water District) to assist it in collecting on its delinquent sewer bills. Under the provisions of Sections 393.015 and 393.016 RSMo, the Water District is able to disconnect water service for nonpayment of sewer bills. The Company determines the customer accounts that are in arrears and subject to discontinuance. Once the appropriate written notifications have been made, the Company will also attempt a telephone contact with the customer. If the customer still does not indicate an attempt to pay, the service will be subject to discontinuance. A representative of the Company accompanies the Water District's contractor to the residence at the time the water service is discontinued.

The Company began utilizing the Water District in March 2012, to perform discontinuances of water service due to sewer bill delinquencies. Three water discontinuances were performed on accounts that were in arrears and two of these accounts were reconnected after payment was made. The ability to utilize the Water District to perform a discontinuance of water service in order to collect on sewer bills appears to have had a positive effect on the arrears of the Company. The Company indicates that it has received more inquiries from delinquent customers regarding how to avoid a discontinuance of service. In addition, the total amount of arrears in February 2012 was reduced to \$3,234 from the \$6,228 recorded in February of 2011. The Company attributes the use of the Water District to perform water discontinuances on customers with outstanding sewer balances may have assisted in the improved collections.

### **Complaints and Inquiries**

Customers with questions or concerns may call the Company at the contact number appearing on the bill. LaDawn Owens indicated that she responds quickly to customer calls and will schedule field visits as needed. An emergency contact cell phone number is also provided on the billing statement for customers that call outside of business hours and an answering service is utilized. The Company maintains that all emergency calls are handled promptly. Company personnel document the type of complaint or inquiry on a log. A review of Commission complaint/inquiry records showed no complaints for 2010 and one complaint for 2011.

### **Customer Communication**

Customer bills are the primary means of communicating with customers. Company personnel occasionally send the customer correspondence to provide specific information. Letters have been sent to notify customers of pending rate case activity and to offer suggestions on how the customer can help keep rates from increasing.

### **Findings, Conclusions, and Recommendations**

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



- Time Keeping Records
- Automated Billing and Records Systems
- Revisions to Bill Format

### **Time Keeping Records**

The Company's system for documenting employee time is not conducive to summarization and analysis. The Company has attempted to maintain documentation regarding hours worked by its employees by noting the use of time on a calendar. However, these records are difficult to summarize and analyze for rate making and other review purposes.

The EMSU staff previously made a recommendation to the Company in Case No. SR-2009-0226 to initiate time reporting for Company employees and any contractors it may employ. The Company did implement a practice to record the hours spent on daily activities at each of the companies operated by the owners. The EMSU staff reviewed the Company's actions and found them appropriate for a response to the recommendation at that time.

However, it is the opinion of the EMSU staff that the Company could improve the usefulness of the time records by using a simple standard form time sheet to track hours, location of work and a general description of the activity. Some companies also use this time sheet to include vehicle mileage, thereby capturing all of the information on one sheet. The time sheet should also note time spent on activities unrelated to the operation of its regulated water and sewer companies. The eventual purchase of an automated billing system may include options that can maintain time records as well. However, as an interim measure, the Company should utilize a standard time sheet to consolidate its time record keeping. The EMSU staff will provide some sample time sheets to the Company that may assist it in implementing the following recommendation.

### ***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Utilize a standard time sheet to record and maintain the time expended by its employees and contractors at each of the water and sewer systems it operates that will facilitate summarization and analysis. This recommendation should be completed within thirty (30) days of the Commission's Order in File No. SR-2012-0263.*

### **Automated Billing and Records System**

The Company's present billing processes are manual, based upon a multitude of paper records and are time consuming to complete. While customers do appear to be receiving accurate bills in a timely manner, the process could be improved by utilization of an automated billing system. In addition, the system could provide a system of consolidated record keeping for data such as time keeping and vehicle maintenance.

The EMSU staff has previously made a recommendation to the Company to evaluate the utilization of an automated billing system. The Company did review several systems it was aware of but found them to be inadequate for use by a regulated water and sewer utility. For example, regulated companies characteristically must provide specific information on the bill and the billing systems reviewed would not allow for the level of detail the Company may need to provide to its customers. The EMSU staff found the Company's actions appropriate for a response to the recommendation at that time.

However, it is apparent that the Company needs to expand its review of billing systems to focus upon those used successfully by other regulated water and sewer utilities. While the EMSU staff appreciates the work load of attending to daily operations of four companies, it appears that the time may be available at the conclusion of this case for the Company to focus upon the analysis and eventual purchase of an automated billing system. As an interim measure, the application of Excel spreadsheets may assist in the consolidation of customer data and assist in minimizing the tedious record keeping that the Company presently maintains manually.

### ***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Complete an analysis of automated billing systems that could be cost-effectively implemented to manage the calculation and preparation of customer bills and maintenance of records. This recommendation should be completed within ninety (90) days of the Commission's order in File No. SR-2012-0263.*

### **Revision of Bill Format**

The format of the present bill appears confusing regarding the due date and the delinquent date. The due date is always noted as the first of the month. A penalty is assessed if the bill is not paid by the 20<sup>th</sup> of the month. The 21<sup>st</sup> day of the month is actually the delinquent

date and is used in determining when a penalty is assessed and when a potential discontinuance of service can occur.

It may be helpful to customers to be able to clearly see the delinquent date in order to make sure they meet this deadline. While it could be time consuming and confusing to make such changes now, these changes should be considered when the Company reviews automated bill systems.

***THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:***

*Review the present bill format to determine if information regarding delinquent dates can be provided more clearly. This review should be conducted in conjunction with the analysis and implementation of an automated billing system. This recommendation should be completed within ninety (90) days of the Commission's Order in File No. SR-2012-0263.*

**Implementation Review**

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

## Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Amanda C. McMellen-Auditing Department

John A. Robinett – Engineering & Management Services Department

Deborah A. Bernsen – Engineering & Management Services Department

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF JAMES M. RUSSO**

In the Matter of Request for Increase in )  
Annual Sewer System Operating Revenues )  
by R. D. Sewer Company LLC

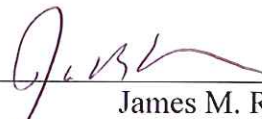
File No. SR-2012-0263

STATE OF MISSOURI

ss.

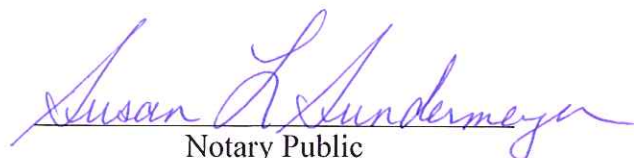
COUNTY OF COLE

**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 *Unanimous Agreement Regarding Disposition of Small Water and Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment A and B to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment A and B to the Disposition Agreement; and (6) that the matters set forth in Attachment A and B 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 19<sup>th</sup> day of November, 2012.

SUSAN L. SUNDERMEYER  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Callaway County  
My Commission Expires: October 03, 2014  
Commission Number: 10942066

  
\_\_\_\_\_  
Notary Public


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

In the Matter of Request for Increase in            )  
Annual Sewer System Operating Revenues        )  
by R. D. Sewer Company LLC                    )        Case No. SR-2012-0263

AFFIDAVIT OF AMANDA C. MCMELLEN

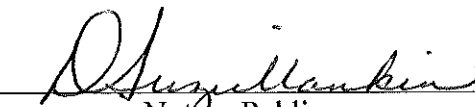
STATE OF MISSOURI        )  
  )  
COUNTY OF COLE         )        ss.

**COMES NOW** Amanda C. McMellen, being of lawful age, and on her oath states the following: (1) that she is a Utility Regulatory Auditor in the Missouri Public Service Commission’s Auditing Unit; (2) that she participated in the Staff’s investigation of the small company rate increase request that is the subject of the instant case; (3) that she has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Sewer Company Revenue Increase Request* (“Disposition Agreement”); (4) that she was responsible for the preparation of Attachments C to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachments C to the Disposition Agreement; and (6) that the matters set forth in Attachments C to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.

  
Amanda C. McMellen  
Utility Regulatory Auditor IV  
Auditing Unit

Subscribed and sworn to before me this 20<sup>th</sup> day of November, 2012.

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

  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

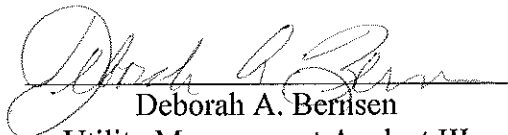
**OF THE STATE OF MISSOURI**

In the Matter of Request for Increase in            )  
Annual Sewer System Operating Revenues        )  
by R. D. Sewer Company LLC                        )            Case No. SR-2012-0263

**AFFIDAVIT OF DEBORAH A. BERNSEN**

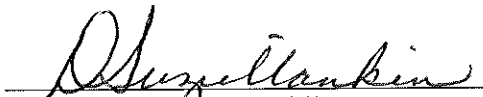
STATE OF MISSOURI        )  
  )  
COUNTY OF COLE         )            ss.

**COMES NOW** Deborah A. Bernsen, being of lawful age, and on her oath states the following: (1) that she is a Utility Regulatory Auditor in the Missouri Public Service Commission’s Auditing Unit; (2) that she participated in the Staff’s investigation of the small company rate increase request that is the subject of the instant case; (3) that she has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Sewer Company Revenue Increase Request* (“Disposition Agreement”); (4) that she was responsible for the preparation of Attachments E to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachments E to the Disposition Agreement; and (6) that the matters set forth in Attachments E to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.

  
Deborah A. Bernsen  
Utility Management Analyst III  
Engineering & Management  
Services Unit

Subscribed and sworn to before me this 20<sup>th</sup> day of November, 2012.

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

  
Notary Public

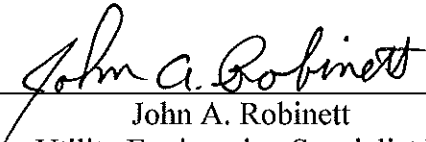
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Request for Increase in            )  
Annual Sewer System Operating Revenues        )  
by R. D. Sewer Company LLC                        )            Case No. SR-2012-0263

AFFIDAVIT OF JOHN A. ROBINETT

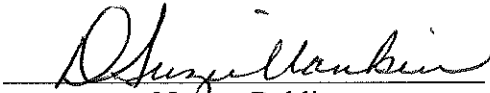
STATE OF MISSOURI        )  
  )  
COUNTY OF COLE         )            ss.

**COMES NOW** John A. Robinett, being of lawful age, and on his oath states the following: (1) that he is a Utility Engineering Specialist II in the Missouri Public Service Commission's Regulatory Review, Utility Services Department, Engineering & Management Services Unit; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment D to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment D to the Disposition Agreement; and (6) that the matters set forth in Attachment D to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
John A. Robinett  
Utility Engineering Specialist II  
Engineering & Management  
Services Unit

Subscribed and sworn to before me this 20<sup>th</sup> day of November, 2012.

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

  
\_\_\_\_\_  
Notary Public