

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

In the Matter of the Application of Cannon)
Home Association for a Small Company)
Rate Increase)

Case No. SR-2009-0144

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

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Notice of Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* (Agreement Notice) states the following:

1. On October 20, 2008, the Missouri Public Service Commission (the Commission) received a Rate Increase Request Letter (Request Letter) from Cannon Home Association (Cannon or the Company).
2. In its Request Letter, the Company requests the Commission allow an increase of \$7,000 in its annual sewer system operating revenues pursuant to Commission Rule 4 CSR 240-3.050.
3. Upon completion of its investigation of the Company's request, Staff provided Cannon and the Office of the Public Counsel (OPC) with various information, as well as Staff's initial recommendations for the resolution of the revenue increase request.
4. Pursuant to negotiations conducted after the receipt by the Company and OPC of the above-referenced information and recommendations, Staff and Cannon were able to reach an agreement (Disposition Agreement) regarding the resolution of the Company's revenue increase request.

5. Included in Appendix A, attached hereto, is a copy of the above-referenced Disposition Agreement, as well as various attachments related to the Disposition Agreement and Staff's investigation of the revenue increase request. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation.

6. The Disposition Agreement reflects an agreed-upon annualized operating revenue increase in the amount of \$4,317, an increase of approximately 19.17%.

7. Pursuant to Rule 4 CSR 240-3.050, governing disposition agreements executed between Staff and small utility companies utilizing the small utility rate case procedure, Cannon will file tariff sheets seeking to implement the terms of the Disposition Agreement. The tariff sheets will be filed on March 23, 2009, and as required will bear the minimum 45-day effective date of May 7, 2009.

8. Cannon Home Association is current on its payment of Commission assessments and on its filings of annual report and statements of revenue. Cannon has no other cases pending before the Commission at this time.

WHEREFORE, the Staff respectfully submits this Agreement Notice and the attached Appendix for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Staff and the Company.

Respectfully submitted,

/s/ Eric Dearmont

Eric Dearmont

Assistant General Counsel

Missouri Bar No. 60892

Attorney for the Staff of the

Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 751-5472 (Telephone)

(573) 751-9285 (Fax)

eric.dearmont@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this Agreement Notice and the attached Appendix A has been provided, either by first-class mail, by electronic mail, by facsimile transmission or by hand-delivery, to each attorney and/or party of record for this case on this 16th day of March, 2009.

/s/ Eric Dearmont

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. SR-2009-0144

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

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Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Lisa Ferguson – Auditing Department

Arthur W. Rice – Engineering & Management Services Department

Randall Cole, III – Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

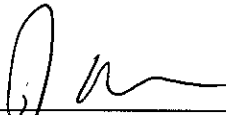
STATE OF MISSOURI)

) SS

CASE NO. SR-2009-0144

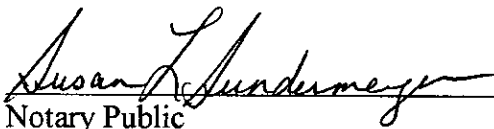
COUNTY OF COLE)

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he was responsible for the preparation of the following *Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachments A, B, D, E and H to the Disposition Agreement; (5) that he has knowledge of the matters set forth in the Disposition Agreement and the above-referenced attachments thereto; and (6) that the matters set forth in the Disposition Agreement and the above-referenced attachments thereto are true and correct to the best of his knowledge, information and belief.



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

Subscribed and sworn to before me this 16th day of March, 2009.


Notary Public

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF LISA M. FERGUSON

STATE OF MISSOURI

ss.

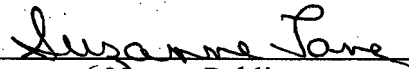
COUNTY OF St. Louis

Case No. SR-2009-0144

COMES NOW Lisa M. Ferguson, being of lawful age, and on her oath states the following: (1) that she is a(n) Utility Regulatory Auditor in the Missouri Public Service Commission's Auditing Department; (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 *Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment C to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment C to the Disposition Agreement; and (6) that the matters set forth in Attachment C to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.


Lisa M. Ferguson
Utility Regulatory Auditor
Auditing Department

Subscribed and sworn to before me this 11 day of March, 2009.


Notary Public

SUZANNE LANE
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Charles County
My Commission Expires: February 21, 2013
Commission Number: 09688868

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF ARTHUR W. RICE, PE

STATE OF MISSOURI

ss.

COUNTY OF COLE

)
)
)
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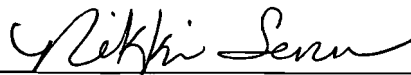
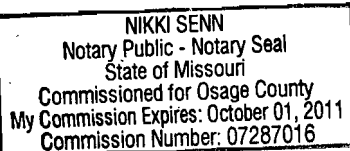
Case No. SR-2009-0144

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



Arthur W. Rice
Utility Regulatory Engineer
Engineering & Management
Services Department

Subscribed and sworn to before me this 12th day of March, 2009.



Notary Public

Company/Staff Disposition Agreement

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

CANNON HOME ASSOCIATION, INC.

MO PSC CASE NO. SR-2009-0144

BACKGROUND

On October 20, 2008, Cannon Home Association, Inc. (Company) initiated a small company revenue increase request (Request) for sewer service that is the subject of the above-referenced Missouri Public Service Commission (Commission) case number. The Request letter initiating the case was submitted 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, the Company set forth its Request for an increase of \$7,000 in its total annual sewer service operating revenues for the affected service areas. Also in its Request letter, the Company acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's (Staff) review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 95 customers in the affected service areas, the vast majority of which are residential customers.

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. (Hereafter, these activities are collectively referred to as Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel (OPC) with various information regarding the results of the investigation, as well as its 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 the OPC's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, Staff and the Company hereby state the following agreements.

- (1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A, with those proposed tariff revisions bearing an effective date of May 7, 2009.
- (2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$4,317 needed to recover the Company's cost of service.
- (3) That the audit workpapers attached hereto as Attachment C, which include consideration of a capital structure of 73.24% equity for the Company and a return on that equity of 10.44%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (2) above.
- (4) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment D, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.
- (5) That the rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment E.
- (6) That the rates included in the attached example tariff sheets are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (7) That the schedule of depreciation rates attached hereto as Attachment F, which includes the depreciation rates used by Staff in its revenue requirement analysis, should be the prescribed schedule of sewer plant depreciation rates for the Company.
- (8) That the Company will maintain all of its financial records in accordance with the Commission approved 1973 Uniform System of Accounts (USOA), as revised in July 1976.

(9) That the Company will, with Staff's assistance, correct the plant and contributions in aid to construction (CIAC) plant balances as of December 31, 2008, by May 31, 2009. The Company agrees to use these account balances on a going forward basis.

(10) That the Company will maintain complete and on-going plant records, which will include, new plant items, retirements, CIAC, and a detailed listing of all connections made to the sewer system and will have such records available for review by Staff by June 30, 2009.

(11) That the Company will inspect every new sewer connection pursuant to the Company's tariff and will collect the amount specified in the tariff for the connection and inspection. The Company will develop and maintain records of these inspections and have them available for review by Staff by June 30, 2009.

(12) Within three (3) months of the effective date of an order approving this Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Department (EMSD) Report. These recommendations include the following:

a. The Company will store all customer payments, Company billing information and all business documents in a fireproof file cabinet(s) or fireproof vault(s).

(13) The Company will mail its customers a written notice of the rates and charges included in its proposed tariff revisions within fifteen (15) days of the issuance of the Commission Order approving the terms of this Disposition Agreement. The notice will 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 will also send a copy to Staff and Staff will file a copy in the subject case file.

(14) That Staff will conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

(15) That Staff may file a formal complaint against the Company, if the Company does not comply with the provisions of this Disposition Agreement.

(16) That the above agreements satisfactorily resolve all issues identified by Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between Staff and the Company, and neither party has

agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

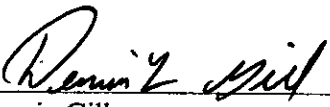
Staff has completed a Summary of Case Events and has included the summary as Attachment H to this Disposition Agreement.

The Company acknowledges that Staff will be filing this Disposition Agreement, and the attachments hereto, in the existing case after the Company files the proposed tariff revisions called for in the agreement. The Company also acknowledges that Staff may make other filings in this case.

EFFECTIVE DATE AND SIGNATURES


This Disposition Agreement shall be considered effective as of the date that the Company files the proposed tariff revisions required herein with the Commission.

Agreement Signed and Dated:



Dennis Gill
President
Cannon Home Association.

3/3/09
Date



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

3/9/09
Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking Income Statement
- Attachment C – Audit Workpapers
- Attachment D – Rate Design Worksheet
- Attachment E – Billing Comparison Worksheet
- Attachment F – Schedule of Depreciation Rates
- Attachment G – EMSD Report
- Attachment H – Summary of Case Events

Agreement Attachment A

Example Tariff Sheets

P.S.C. MO No. 1

First Revised Sheet No. 6

Canceling Original Sheet No. 6

Cannon Home Association

Name of Issuing Company

For: Ralls County

Community, Town or City

**Rules Governing the
Rendering of Sewer Service**

SCHEDULE OF RATES

Monthly rate, based on water use:

\$16.68 per month for the first 1,000 gallons water use. +

plus \$6.554 per 1,000 gallons after the first 1,000 gallons. +

* Indicates New Rate or Text

+ Indicates Change

Issue Date: March 23, 2009
Month/Day/Year

Effective Date: May 7, 2009
Month/Day/Year

Issued By: Dennis Gill, President
Name & Title of Issuing Officer

22764 Joanna Drive Perry MO 63462
Company Mailing Address

P.S.C. MO No. 1

First Revised

Sheet No. 7

Canceling Original Sheet No. 7

Cannon Home Association, Inc.

Name of Issuing Company

For: Ralls County

Community, Town or City

**Rules Governing the
Rendering of Sewer Service**

SCHEDULE OF SERVICE CHARGES

Connection / Inspection fee: \$100.00

Reconnection / Inspection charge: \$100.00

Late payment charge: \$5.00

Returned Check Charge \$25.00

*

* Indicates New Rate or Text

+ Indicates Change

Issue Date: March 23, 2009
Month/Day/Year

Effective Date: May 7, 2009
Month/Day/Year

Issued By: Dennis Gill, President
Name & Title of Issuing Officer

22764 Joanna Drive Perry MO 63462
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

CANNON HOMEOWNERS ASSOCIATION, INC.

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

| | | |
|---|--|------------------|
| 1 | Tariffed Rate Revenues * | \$ 22,516 |
| 2 | Other Operating Revenues * | \$ 730 |
| 3 | Total Operating Revenues | \$ 23,246 |
| 4 | * See "Revenues - Current Rates" for Details | |

Cost of Service

| Item | Amount |
|--|------------------|
| 1 Sewer Treatment Expense-Chemicals | \$ 367 |
| 2 Sewer Treatment -Electricity | \$ 1,715 |
| 3 Operators Salary-Contractor Services | \$ 8,400 |
| Fuel Expense | \$ 1,170 |
| 4 Maintenance Expense-System Repairs & Maintenance | \$ 970 |
| 5 Maintenance Expense-Outside Labor | \$ 2,592 |
| 6 Supplies Expense | \$ 679 |
| 7 Transportation Expense | \$ 960 |
| 8 Billing & Collections | \$ 2,644 |
| 9 Postage Expense | \$ 66 |
| 10 Telephones and Pagers | \$ 1,524 |
| 11 Property & Liability Insurance | \$ 1,020 |
| 12 Office Supplies and Software | \$ 228 |
| 13 Bank Service Charge | \$ 60 |
| 14 Regulatory Commission Expense | \$ 1,914 |
| 15 MO DNR Fees | \$ 375 |
| 16 Corporate Registration | \$ 20 |
| 17 Miscellaneous General Expenses | \$ 106 |
| 18 Sub-Total Operating Expenses | \$ 24,810 |
| 19 Property Taxes | \$ 244 |
| 20 MO Franchise Taxes | \$ - |
| 21 Employer FICA Taxes | \$ - |
| 22 Federal Unemployment Taxes | \$ - |
| 23 State Unemployment Taxes | \$ - |
| 24 State & Federal Income Taxes | \$ 305 |
| 25 Sub-Total Taxes | \$ 549 |
| 26 Depreciation Expense | \$ 791 |
| 27 Interest Expense | \$ 192 |
| 28 Sub-Total Depreciation/Amortization | \$ 983 |
| 29 Return on Rate Base | \$ 1,221 |
| 30 Total Cost of Service | \$ 27,563 |
| 31 Overall Revenue Increase Needed | \$ 4,317 |

Agreement Attachment C

Audit Workpapers

Exhibit No.:
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: SR-2009-0144
Date Prepared: 1/8/2009



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REVISED

STAFF ACCOUNTING SCHEDULES

CANNON HOME ASSOCIATION

CASE NO. SR-2009-0144

Jefferson City, Missouri

November 2008

Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Rate Design Schedule - Sewer

| Line Number | Description | Account Number (Optional) | C Staff Annualized | D Customer Charge | E Commodity | F Percentage Rate |
|----------------|--|---------------------------------|--------------------------|-------------------------|----------------|-------------------------|
| Rev-1 | ANNUALIZED REVENUES | | | | | |
| Rev-2 | Annualized Rate Revenues | (1) | \$22,516 | | | |
| Rev-3 | Miscellaneous Revenues | (1) | \$730 | | | |
| Rev-4 | TOTAL ANNUALIZED REVENUES | | \$23,246 | | | |
| 1 | OPERATIONS EXPENSES | (2) | | | | |
| 2 | Operators Salary / Contractor Services | | \$8,400 | \$0 | \$8,400 | 0.00% |
| 3 | Electricity - Pumping Treatment | | \$1,715 | \$0 | \$1,715 | 0.00% |
| 4 | Chemicals | | \$367 | \$0 | \$367 | 0.00% |
| 5 | Fuel | | \$1,170 | \$0 | \$1,170 | 0.00% |
| 6 | TOTAL OPERATIONS EXPENSE | | \$11,652 | \$0 | \$11,652 | |
| 7 | MAINTENANCE EXPENSES | | | | | |
| 8 | Outside Services Employed | | \$2,592 | \$0 | \$2,592 | 0.00% |
| 9 | System Repairs and Maintenance | | \$970 | \$0 | \$970 | 0.00% |
| 10 | Supplies Expense | | \$679 | \$0 | \$679 | 0.00% |
| 11 | Transportation Expense | | \$960 | \$0 | \$960 | 0.00% |
| 12 | TOTAL MAINTENANCE EXPENSE | | \$5,201 | \$0 | \$5,201 | |
| 13 | CUSTOMER ACCOUNT EXPENSE | | | | | |
| 14 | Accounting Fees | | \$0 | \$0 | \$0 | 0.00% |
| 15 | Billing & Collections | | \$2,644 | \$0 | \$2,644 | 0.00% |
| 16 | Postage Expense | | \$66 | \$0 | \$66 | 0.00% |
| 17 | TOTAL CUSTOMER ACCOUNT EXPENSE | | \$2,710 | \$0 | \$2,710 | |
| 18 | ADMINISTRATIVE & GENERAL EXPENSES | | | | | |
| 19 | Telephone & Internet | | \$1,524 | \$0 | \$1,524 | 0.00% |
| 20 | Office Supplies and Software | | \$228 | \$0 | \$228 | 0.00% |
| 21 | Property & Liability Insurance | | \$1,020 | \$0 | \$1,020 | 0.00% |
| 22 | Bank Service Charge | | \$60 | \$0 | \$60 | 0.00% |
| 23 | Late Fees & Finc. Charges | | \$0 | \$0 | \$0 | 0.00% |
| 24 | Other Misc. Expenses | | \$106 | \$0 | \$106 | 0.00% |
| 25 | TOTAL ADMINISTRATIVE AND GENERAL | | \$2,938 | \$0 | \$2,938 | |
| 26 | OTHER OPERATING EXPENSES | | | | | |
| 27 | MO DNR Fees | | \$375 | \$0 | \$375 | 0.00% |
| 28 | PSC Assessment | | \$1,914 | \$0 | \$1,914 | 0.00% |
| 29 | Corporate Registration | | \$20 | \$0 | \$20 | 0.00% |
| 30 | Depreciation | | \$791 | \$0 | \$791 | 0.00% |
| 31 | TOTAL OTHER OPERATING EXPENSES | | \$3,100 | \$0 | \$3,100 | |
| 32 | TAXES OTHER THAN INCOME | | | | | |
| 33 | Real & Personal Property Taxes | | \$244 | \$0 | \$244 | 0.00% |
| 34 | TOTAL TAXES OTHER THAN INCOME | | \$244 | \$0 | \$244 | |
| 35 | TOTAL OPERATING EXPENSES | | \$25,845 | \$0 | \$25,845 | |
| 36 | Interest Expense | (3) | \$192 | \$0 | \$192 | 0.00% |
| 37 | Return on Equity | (3) | \$1,221 | \$0 | \$1,221 | 0.00% |
| 38 | Income Taxes | (3) | \$305 | \$0 | \$305 | 0.00% |
| 39 | TOTAL INTEREST RETURN & TAXES | | \$1,718 | \$0 | \$1,718 | |
| 40 | TOTAL COST OF SERVICE | | \$27,563 | \$0 | \$27,563 | |
| 41 | Less: Miscellaneous Revenues | | \$730 | \$0 | \$730 | 0.00% |
| 42 | COST TO RECOVER IN RATES | | \$26,833 | \$0 | \$26,833 | |

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Rate Design Schedule - Sewer

| Line Number | A Description | B Account Number (Optional) | C Staff Annualized | D Customer Charge | E Commodity | F Percentage Rate |
|----------------|---------------------------------------|--------------------------------------|--------------------------|-------------------------|----------------|-------------------------|
| 43 | INCREMENTAL INCREASE IN RATE REVENUES | | <u>\$4,317</u> | | | |
| 44 | PERCENTAGE OF INCREASE | | <u>18.57%</u> | | | |
| 45 | REQUESTED INCREASE IN REVENUES | | \$7,000 | | | |

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

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Rate Base Required Return on Investment Schedule - Sewer

| Line Number | A Rate Base Description | B Dollar Amount |
|----------------|---|---|
| 1 | Plant In Service | \$391,242 From Plant Schedule |
| 2 | Less Accumulated Depreciation Reserve | <u>\$183,744</u> From Depreciation Reserve Schedule |
| 3 | Net Plant In Service | \$207,498 |
| 4 | Other Rate Base Items: | \$0 |
| | Materials and Supplies - Inventory | \$500 |
| | Contribution of Aid of Construction | -\$374,557 |
| | CIAC Depreciation | \$182,534 |
| 5 | Total Rate Base | <u>\$15,975</u> |
| 6 | Total Weighted Rate of Return Including Income Tax | <u>10.76%</u> From PreTax Return & Taxes Schedule |
| 7 | Required Return & Income Tax | <u><u>\$1,718</u></u> |

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Rate of Return Including Income Tax - Sewer

| | A | B | formulas |
|---|------------------|--------|----------------------------------|
| 1 State Income Tax Rate Statutory / Effective | 6.25% (2) | 5.81% | $(1 - (B2 \times .5)) \times A1$ |
| 2 Federal Income Tax Rate Statutory / Effective | 15.03% (1) & (2) | 14.16% | $(1 - B1) \times A2$ |
| 3 Composite Effective Income Tax Rate | | 19.96% | $B1 + B2$ |
| 4 Equity Tax Factor | | 1.2494 | $1 / (1 - B3)$ |
| 5 Recommended Weighted Rate of Return on Equity - Common and Preferred | | 7.65% | From Capital Structure Schedule |
| 6 Weighted Rate of Return on Equity Including Income Tax | | 9.55% | $B4 \times B5$ |
| 7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term | | 1.20% | From Capital Structure Schedule |
| 8 Total Weighted Rate of Return Including Income Tax | | 10.76% | $B6 + B7$ |

To Rate Base Schedule

(1) If Sub-Chapter S Corporation, Enter Y:

N

Equity Income Required \$1,437
 & Preliminary Federal Tax

Tax Rate Table

| Net Income Range | | | | |
|------------------------|-----------------|----------|-----------------|--------------|
| Start | End | Tax Rate | Amount in Range | Tax on Range |
| \$0 | \$50,000 | 15.00% | \$1,437 | \$216 |
| \$50,001 | \$75,000 | 25.00% | \$0 | \$0 |
| \$75,001 | \$100,000 | 34.00% | \$0 | \$0 |
| \$100,001 | \$335,000 | 39.00% | \$0 | \$0 |
| \$335,001 | \$9,999,999,999 | 34.00% | \$0 | \$0 |
| | | | \$1,437 | \$216 |
| Consolidated Tax Rate: | | | | |
| Average Tax Rate: | | | | 0.1503 |

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Capital Structure Schedule - Sewer

| Line Number | A Description | B Dollar Amount | C Percentage of Total Capital Structure | D Embedded Cost of Capital | E Weighted Cost of Capital |
|----------------|--------------------------------------|-----------------------|---|-------------------------------------|-------------------------------------|
| 1 | Common Stock | \$11,699 | 73.24% | 10.44% | 7.646% |
| 2 | Other Security-Non Tax Deductible | \$0 | 0.00% | 0.00% | 0.000% |
| 3 | Preferred Stock | \$0 | 0.00% | 0.00% | 0.000% |
| 4 | Long Term Debt | \$4,275 | 26.76% | 4.50% | 1.204% |
| 5 | Short Term Debt | \$0 | 0.00% | 0.00% | 0.000% |
| 6 | Other Security-Tax Deductible | \$0 | 0.00% | 0.00% | 0.000% |
| 7 | TOTAL CAPITALIZATION | \$15,974 | 100.00% | | 8.850% |

To PreTax Return Rate Schedule

Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Plant In Service - Sewer

| Line Number | A Account # (Optional) | B Plant Account Description | C Total Plant | D Adjustment Number | E Adjustments | F Jurisdictional Allocation | G Adjusted Jurisdictional |
|----------------|------------------------------|--|---------------------|---------------------------|------------------|-----------------------------------|---------------------------------|
| 1 | | INTANGIBLE PLANT | | | | | |
| 2 | 301.000 | Organization | \$1,695 | | | 100.00% | \$1,695 |
| 3 | | TOTAL INTANGIBLE PLANT | \$1,695 | | \$0 | | \$1,695 |
| 4 | | SOURCE OF SUPPLY PLANT | | | | | |
| 5 | 310.000 | Land & Land Rights | \$15,790 | | | 100.00% | \$15,790 |
| 6 | 311.000 | Structures & Improvements | \$22,252 | | | 100.00% | \$22,252 |
| 7 | | TOTAL SOURCE OF SUPPLY PLANT | \$38,042 | | \$0 | | \$38,042 |
| 8 | | COLLECTION PLANT | | | | | |
| 9 | 352.100 | Collection Sewers - Force | \$82,255 | | | 100.00% | \$82,255 |
| 10 | 352.200 | Collection Sewers - Gravity | \$118,093 | | | 100.00% | \$118,093 |
| 11 | | TOTAL COLLECTION PLANT | \$200,348 | | \$0 | | \$200,348 |
| 12 | | PUMPING PLANT | | | | | |
| 13 | 362.000 | Receiving Wells and Pump Pits | \$46,273 | | | 100.00% | \$46,273 |
| 14 | 363.000 | Pumping Equipment (Elec., Diesel, other) | \$66,600 | | | 100.00% | \$66,600 |
| 15 | | TOTAL PUMPING PLANT | \$112,873 | | \$0 | | \$112,873 |
| 16 | | TREATMENT & DISPOSAL PLANT | | | | | |
| 17 | 372.000 | Oxidation Lagoon | \$21,326 | | | 100.00% | \$21,326 |
| 18 | 373.000 | Treatment and Disposal Equipment | \$14,679 | | | 100.00% | \$14,679 |
| 19 | 375.000 | Outfall Sewer Lines | \$1,270 | | | 100.00% | \$1,270 |
| 20 | | TOTAL TREATMENT & DISPOSAL PLANT | \$37,275 | | \$0 | | \$37,275 |
| 21 | | GENERAL PLANT | | | | | |
| 22 | 392.000 | Transportation Equipment | \$109 | | | 100.00% | \$109 |
| 23 | 394.000 | Tools, Shop, and Garage Equipment | \$119 | | | 100.00% | \$119 |
| 24 | 396.000 | Power Operated Tools | \$749 | | | 100.00% | \$749 |
| 25 | 397.000 | General Plant - Communication Equipment | \$32 | | | 100.00% | \$32 |
| 26 | | TOTAL GENERAL PLANT | \$1,009 | | \$0 | | \$1,009 |
| 27 | | TOTAL PLANT IN SERVICE | \$391,242 | | \$0 | | \$391,242 |

To Rate Base & Depreciation Schedules

Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Schedule of Adjustments for Plant in Service - Sewer

| <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> | <u>E</u> |
|-------------------------------|---|-------------------|----------------------|---------------------|
| Plant Adjustment Number | Plant In Service Adjustment Description | Account Number | Adjustment Amount | Total Adjustment |
| Total Plant Adjustments | | | | \$0 |

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Depreciation Expense - Sewer

| Line Number | A Account Number | B Plant Account Description | C Adjusted Jurisdictional | D Depreciation Rate | E Depreciation Expense |
|-------------|---------------------|--|------------------------------|------------------------|---------------------------|
| 1 | | INTANGIBLE PLANT | | | |
| 2 | 301.000 | Organization | \$1,695 | 0.00% | \$0 |
| 3 | | TOTAL INTANGIBLE PLANT | \$1,695 | | \$0 |
| 4 | | SOURCE OF SUPPLY PLANT | | | |
| 5 | 310.000 | Land & Land Rights | \$15,790 | 0.00% | \$0 |
| 6 | 311.000 | Structures & Improvements | \$22,252 | 3.00% | \$668 |
| 7 | | TOTAL SOURCE OF SUPPLY PLANT | \$38,042 | | \$668 |
| 8 | | COLLECTION PLANT | | | |
| 9 | 352.100 | Collection Sewers - Force | \$82,255 | 2.00% | \$1,645 |
| 10 | 352.200 | Collection Sewers - Gravity | \$118,093 | 2.00% | \$2,362 |
| 11 | | TOTAL COLLECTION PLANT | \$200,348 | | \$4,007 |
| 12 | | PUMPING PLANT | | | |
| 13 | 362.000 | Receiving Wells and Pump Pits | \$46,273 | 4.00% | \$1,851 |
| 14 | 363.000 | Pumping Equipment (Elec., Diesel, other) | \$66,600 | 10.00% | \$6,660 |
| 15 | | TOTAL PUMPING PLANT | \$112,873 | | \$8,511 |
| 16 | | TREATMENT & DISPOSAL PLANT | | | |
| 17 | 372.000 | Oxidation Lagoon | \$21,326 | 4.00% | \$853 |
| 18 | 373.000 | Treatment and Disposal Equipment | \$14,679 | 5.00% | \$734 |
| 19 | 375.000 | Outfall Sewer Lines | \$1,270 | 2.00% | \$25 |
| 20 | | TOTAL TREATMENT & DISPOSAL PLANT | \$37,275 | | \$1,612 |
| 21 | | GENERAL PLANT | | | |
| 22 | 392.000 | Transportation Equipment | \$109 | 13.00% | \$14 |
| 23 | 394.000 | Tools, Shop, and Garage Equipment | \$119 | 5.00% | \$6 |
| 24 | 396.000 | Power Operated Tools | \$749 | 6.70% | \$50 |
| 25 | 397.000 | General Plant - Communication Equipment | \$32 | 6.70% | \$2 |
| 26 | | TOTAL GENERAL PLANT | \$1,009 | | \$72 |
| 27 | | Total Depreciation | \$391,242 | | \$14,870 |

Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Accumulated Depreciation Reserve - Sewer

| Line Number | A Account Number | B Depreciation Reserve Description | C Total Reserve | D Adjustment Number | E Adjustments | F Jurisdictional Allocation | G Adjusted Jurisdictional |
|----------------|------------------------|--|-----------------------|---------------------------|------------------|-----------------------------------|---------------------------------|
| 1 | | INTANGIBLE PLANT | | | | | |
| 2 | 301.000 | Organization | \$0 | | | 100.00% | \$0 |
| 3 | | TOTAL INTANGIBLE PLANT | \$0 | | \$0 | | \$0 |
| 4 | | SOURCE OF SUPPLY PLANT | | | | | |
| 5 | 310.000 | Land & Land Rights | \$0 | | | 100.00% | \$0 |
| 6 | 311.000 | Structures & Improvements | \$8,468 | | | 100.00% | \$8,468 |
| 7 | | TOTAL SOURCE OF SUPPLY PLANT | \$8,468 | | \$0 | | \$8,468 |
| 8 | | COLLECTION PLANT | | | | | |
| 9 | 352.100 | Collection Sewers - Force | \$17,020 | | | 100.00% | \$17,020 |
| 10 | 352.200 | Collection Sewers - Gravity | \$30,901 | | | 100.00% | \$30,901 |
| 11 | | TOTAL COLLECTION PLANT | \$47,921 | | \$0 | | \$47,921 |
| 12 | | PUMPING PLANT | | | | | |
| 13 | 362.000 | Receiving Wells and Pump Pits | \$30,271 | | | 100.00% | \$30,271 |
| 14 | 363.000 | Pumping Equipment (Elec., Diesel, other) | \$84,181 | | | 100.00% | \$84,181 |
| 15 | | TOTAL PUMPING PLANT | \$114,452 | | \$0 | | \$114,452 |
| 16 | | TREATMENT & DISPOSAL PLANT | | | | | |
| 17 | 372.000 | Oxidation Lagoon | \$11,161 | | | 100.00% | \$11,161 |
| 18 | 373.000 | Treatment and Disposal Equipment | \$1,674 | | | 100.00% | \$1,674 |
| 19 | 375.000 | Outfall Sewer Lines | \$43 | | | 100.00% | \$43 |
| 20 | | TOTAL TREATMENT & DISPOSAL PLANT | \$12,878 | | \$0 | | \$12,878 |
| 21 | | GENERAL PLANT | | | | | |
| 22 | 392.000 | Transportation Equipment | \$24 | | | 100.00% | \$24 |
| 23 | 394.000 | Tools, Shop, and Garage Equipment | \$0 | | | 100.00% | \$0 |
| 24 | 396.000 | Power Operated Tools | \$0 | | | 100.00% | \$0 |
| 25 | 397.000 | General Plant - Communication Equipment | \$1 | | | 100.00% | \$1 |
| 26 | | TOTAL GENERAL PLANT | \$25 | | \$0 | | \$25 |
| 27 | | TOTAL DEPRECIATION RESERVE | \$183,744 | | \$0 | | \$183,744 |

To Rate Base Schedule

Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

| <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> | <u>E</u> |
|----------------------------------|---|-------------------|----------------------|-------------------------------|
| Reserve Adjustment Number | Accumulated Depreciation Reserve Adjustments Description | Account Number | Adjustment Amount | Total Adjustment Amount |
| Total Reserve Adjustments | | | | \$0 |

Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Revenue Summary Schedule - Sewer

| Line Number | Description | Residential | | Commercial | |
|----------------|--|-------------|-----------------|-------------|----------------|
| | | B Amount | C Amount | D Amount | E Amount |
| 1 | <u>Customer Charge Revenues:</u> | | | | |
| 2 | Customer Number | 94 | | 2 | |
| 3 | Bills Per Year | 12 | | 12 | |
| 4 | Customer Bills Per year | 1,128 | | 24 | |
| 5 | Current Customer Charge | \$14.00 | | \$14.00 | |
| 6 | Annualized Customer Charge Revenues | | \$15,792 | | \$336 |
| 7 | <u>Commodity Charge Revenues:</u> | | | | |
| 8 | Total Gallons Sold | 1,958,699 | | 354,780 | |
| 9 | Less: Base Gallons Included In Customer Charge | 1,128,000 | | 24,000 | |
| 10 | Commodity Gallons | 830,699 | | 330,780 | |
| 11 | Block 1, Commodity Gallons per Block | 830,699 | | 330,780 | |
| 12 | Block 1, Number of Commodity Gallons per Unit | 1,000 | | 1,000 | |
| 13 | Block 1, Commodity Billing Units | 830.70 | | 330.78 | |
| 14 | Block 1, Existing Commodity Charge | \$5.50 | | \$5.50 | |
| 15 | Block 1, Annualized Commodity Charge Rev. | | \$4,569 | | \$1,819 |
| 16 | Total Annualized Sewer Rate Revenues | | \$20,361 | | \$2,155 |

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

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Revenue Summary Schedule - Sewer

| Line Number | Description | Total | |
|----------------|--|-------------|-----------------|
| | | F Amount | G Amount |
| 1 | <u>Customer Charge Revenues:</u> | | |
| 2 | Customer Number | 96 | |
| 3 | Bills Per Year | | |
| 4 | Customer Bills Per year | 1,152 | |
| 5 | Current Customer Charge | | |
| 6 | Annualized Customer Charge Revenues | | \$16,128 |
| 7 | <u>Commodity Charge Revenues:</u> | | |
| 8 | Total Gallons Sold | 2,313,479 | |
| 9 | Less: Base Gallons Included In Customer Charge | 1,152,000 | |
| 10 | Commodity Gallons | 1,161,479 | |
| 11 | Block 1, Commodity Gallons per Block | | |
| 12 | Block 1, Number of Commodity Gallons per Unit | | |
| 13 | Block 1, Commodity Billing Units | | |
| 14 | Block 1, Existing Commodity Charge | | |
| 15 | Block 1, Annualized Commodity Charge Rev. | | \$6,388 |
| 16 | Total Annualized Sewer Rate Revenues | | \$22,516 |

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

Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Expense Schedule - Sewer

| Line Number | A Account Number (Optional) | B Expense Description | C Company/ Test Year Amount | D Adjustment Number | E Adjustments | F Jurisdictional Allocation | G Adjusted Jurisdictional |
|-------------|-----------------------------------|--|--------------------------------------|---------------------------|------------------|-----------------------------------|---------------------------------|
| 1 | | OPERATIONS EXPENSES | | | | | |
| 2 | | Operators Salary / Contractor Services | \$6,000 | S-2 | \$2,400 | 100.00% | \$8,400 |
| 3 | | Electricity - Pumping Treatment | \$1,504 | S-3 | \$211 | 100.00% | \$1,715 |
| 4 | | Chemicals | \$367 | | | 100.00% | \$367 |
| 5 | | Fuel | \$2,226 | S-5 | -\$1,056 | 100.00% | \$1,170 |
| 6 | | TOTAL OPERATIONS EXPENSE | \$10,097 | | \$1,555 | | \$11,652 |
| 7 | | MAINTENANCE EXPENSES | | | | | |
| 8 | | Outside Services Employed | \$184 | S-8 | \$2,408 | 100.00% | \$2,592 |
| 9 | | System Repairs and Maintenance | \$200 | S-9 | \$770 | 100.00% | \$970 |
| 10 | | Supplies Expense | \$844 | S-10 | -\$165 | 100.00% | \$679 |
| 11 | | Transportation Expense | \$0 | S-11 | \$960 | 100.00% | \$960 |
| 12 | | TOTAL MAINTENANCE EXPENSE | \$1,228 | | \$3,973 | | \$5,201 |
| 13 | | CUSTOMER ACCOUNT EXPENSE | | | | | |
| 14 | | Accounting Fees | \$500 | S-14 | -\$500 | 100.00% | \$0 |
| 15 | | Billing & Collections | \$2,307 | S-15 | \$337 | 100.00% | \$2,644 |
| 16 | | Postage Expense | \$51 | S-16 | \$15 | 100.00% | \$66 |
| 17 | | TOTAL CUSTOMER ACCOUNT EXPENSE | \$2,858 | | -\$148 | | \$2,710 |
| 18 | | ADMINISTRATIVE & GENERAL EXPENSES | | | | | |
| 19 | | Telephone & Internet | \$1,664 | S-19 | -\$140 | 100.00% | \$1,524 |
| 20 | | Office Supplies and Software | \$0 | S-20 | \$228 | 100.00% | \$228 |
| 21 | | Property & Liability Insurance | \$507 | S-21 | \$513 | 100.00% | \$1,020 |
| 22 | | Bank Service Charge | \$60 | | | 100.00% | \$60 |
| 23 | | Late Fees & Finc. Charges | \$136 | S-23 | -\$136 | 100.00% | \$0 |
| 24 | | Other Misc. Expenses | \$130 | S-24 | -\$24 | 100.00% | \$106 |
| 25 | | TOTAL ADMINISTRATIVE AND GENERAL | \$2,497 | | \$441 | | \$2,938 |
| 26 | | OTHER OPERATING EXPENSES | | | | | |
| 27 | | MO DNR Fees | \$375 | | | 100.00% | \$375 |
| 28 | | PSC Assessment | \$1,914 | | | 100.00% | \$1,914 |
| 29 | | Corporate Registration | \$20 | | | 100.00% | \$20 |
| 30 | | Depreciation | \$14,624 | S-30 | -\$13,833 | 100.00% | \$791 |
| 31 | | TOTAL OTHER OPERATING EXPENSES | \$16,933 | | -\$13,833 | | \$3,100 |
| 32 | | TAXES OTHER THAN INCOME | | | | | |
| 33 | | Real & Personal Property Taxes | \$244 | | | 100.00% | \$244 |
| 34 | | TOTAL TAXES OTHER THAN INCOME | \$244 | | \$0 | | \$244 |
| 35 | | TOTAL OPERATING EXPENSES | \$33,857 | | -\$8,012 | | \$25,845 |

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Expense Adjustment Schedule - Sewer

| <u>A</u> Expense Adj Number | <u>B</u> Adjustment Description | <u>C</u> Account Number | <u>D</u> Adjustment Amount | <u>E</u> Total Adjustment |
|-----------------------------------|--|-------------------------------|----------------------------------|---------------------------------|
| S-2 | Operators Salary / Contractor Services | | | \$2,400 |
| | 1. To annualize management/maintenance service contract costs. | | \$2,400 | |
| S-3 | Electricity - Pumping Treatment | | | \$211 |
| | 1. To annualize electric expense for Pumping Treatment. | | \$211 | |
| S-5 | Fuel | | | -\$1,056 |
| | 1. To annualize fuel expenses. | | -\$1,056 | |
| S-8 | Outside Services Employed | | | \$2,408 |
| | 1. Adjustment to include storage fees not paid during test year. | | \$480 | |
| | 2. To include new preventative maintenance contract. | | \$1,928 | |
| S-9 | System Repairs and Maintenance | | | \$770 |
| | 1. To normalize repairs expense. | | \$770 | |
| S-10 | Supplies Expense | | | -\$165 |
| | 1. Adjustment to remove operating and maintenance materials from expense and reclassify as plant in service. | | -\$165 | |
| S-11 | Transportation Expense | | | \$960 |
| | 1. To annualize and normalize transportation expense. | | \$960 | |
| S-14 | Accounting Fees | | | -\$500 |

Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Expense Adjustment Schedule - Sewer

| A Expense Adj Number | B Adjustment Description | C Account Number | D Adjustment Amount | E Total Adjustment |
|----------------------------|---|------------------------|---------------------------|--------------------------|
| | 1. To remove fees for PSC Annual Report preparation. | | -\$500 | |
| S-15 | Billing & Collections | | | -\$337 |
| | 1. To annualize customer billing expense. | | \$337 | |
| S-16 | Postage Expense | | | \$15 |
| | 1. To annualize Postage expense. | | \$15 | |
| S-19 | Telephone & Internet | | | -\$140 |
| | 1. To annualize telephone expense related to the utility. | | -\$681 | |
| | 2. To remove non - utility related telephone charges. | | -\$107 | |
| | 3. To include landline charge. | | \$234 | |
| | 4. To include internet charge. | | \$414 | |
| S-20 | Office Supplies and Software | | | \$228 |
| | 1. To include supplies and equipment charges for the utility. | | \$180 | |
| | 2. To include software charges. | | \$48 | |
| S-21 | Property & Liability Insurance | | | \$513 |
| | 1. To annualize Insurance expense to reflect terms of new policy. | | \$513 | |
| S-23 | Late Fees & Finc. Charges | | | -\$136 |
| | 1. To remove late fees and finance charges | | -\$136 | |
| S-24 | Other Misc. Expenses | | | -\$24 |

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Expense Adjustment Schedule - Sewer

| <u>A</u> Expense Adj Number | <u>B</u> Adjustment Description | <u>C</u> Account Number | <u>D</u> Adjustment Amount | <u>E</u> Total Adjustment |
|-----------------------------------|---|-------------------------------|----------------------------------|---------------------------------|
| | 1. To remove donation. | | -\$20 | |
| | 2. To annualize misc. office expenses | | \$6 | |
| | 3. To remove gifts. | | -\$60 | |
| | 4. To include expenses for training class that occurred during the test year but was not paid during the test year. | | \$50 | |
| S-30 Depreciation | | | | -\$13,833 |
| | 1. To Annualize Depreciation | | \$246 | |
| | 2. To Adjust for CIAC Amortization | | -\$14,079 | |
| Total Expense Adjustments | | | | -\$8,012 |

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Revenue Schedule - Sewer

| Line Number | A Account Number (Optional) | B Revenue Description | C Company/ Test Year Amount | D Adjustment Number | E Jurisdictional Adjustments | F Jurisdictional Allocation | G Adjusted Jurisdictional |
|----------------|--------------------------------------|---------------------------|--------------------------------------|---------------------------|------------------------------------|-----------------------------------|---------------------------------|
| Rev-1 | | ANNUALIZED REVENUES | | | | | |
| Rev-2 | | Annualized Rate Revenues | \$22,594 | Rev-2 | -\$78 | 100.00% | \$22,516 |
| Rev-3 | | Miscellaneous Revenues | \$330 | Rev-3 | \$400 | 100.00% | \$730 |
| Rev-4 | | TOTAL ANNUALIZED REVENUES | \$22,924 | | \$322 | | \$23,246 |

Cannon Home Association
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0144
 Test Year Ending 09/30/08 - Updated through 12/31/08
 Revenue Adjustment Schedule - Sewer

| A Revenue Adj Number | B Adjustment Description | C Account Number | D Adjustment Amount | E Total Adjustment |
|----------------------------|--|------------------------|---------------------------|--------------------------|
| Rev-2 | Annualized Rate Revenues | | | -\$78 |
| | 1. To Annualize Rate Revenues | | -\$78 | |
| Rev-3 | Miscellaneous Revenues | | | \$400 |
| | 1. To Annualize Miscellaneous Revenues | | \$400 | |
| | Total Revenue Adjustments | | | \$322 |

**Cannon Home Association
Informal Rate/Certificate Case
Tracking Number SR-2009-0144
Test Year Ending 09/30/08 - Updated through 12/31/08
Miscellaneous Revenues Feeder - Sewer**

| Line | A | B |
|--------|-------------|--------|
| Number | Description | Amount |

| | | |
|---|------------------------------|--------------|
| 3 | Total Miscellaneous Revenues | <u>\$730</u> |
|---|------------------------------|--------------|

Agreement Attachment D

Rate Design Worksheet

CANNON HOMEOWNERS ASSOCIATION, INC.

Development of Tariffed Rates-Sewer

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

| | |
|---|------------------|
| Revenues Generated by Current Tariffed Rates | \$ 22,516 |
| Agreed-Upon Overall Revenue Increase | \$ 4,317 |
| Percentage Increase Needed | 19.172% |

Metered Customer Rates

| Meter Size | Current Service Charge | Proposed Service Charge | Current Usage Rate | Proposed Usage Rate |
|-------------------|-------------------------------|--------------------------------|---------------------------|----------------------------|
| Residential | \$ 14.00 | \$ 16.68 | \$ 5.500 | \$ 6.554 |
| Commercial | \$ 14.00 | \$ 16.68 | \$ 5.500 | \$ 6.554 |

Agreement Attachment E

Billing Comparison Worksheet

CANNON HOMEOWNERS ASSOCIATION, INC.

Residential Customer Bill Comparison-Sewer

Rates for 5/8" Meter

| Current Base Customer Charge | Proposed Base Customer Charge | Current Usage Rate | Proposed Usage Rate |
|---|--|-------------------------------|--------------------------------|
| \$14.00 | \$16.68 | \$5.500 | \$6.554 |

current service charge is monthly charge includes 1,000 gallons

MONTHLY BILL COMPARISON

Current Rates

| | |
|-----------------|----------|
| Customer Charge | \$ 14.00 |
| Usage Charge | \$ 27.50 |
| Total Bill | \$ 41.50 |

Proposed Rates

| | |
|-----------------|----------|
| Customer Charge | \$ 16.68 |
| Usage Charge | \$ 32.77 |
| Total Bill | \$ 49.46 |

INCREASES

Customer Charge

| | |
|--------------------|---------------|
| \$ Increase | \$2.68 |
| % Increase | 19.17% |

Usage Charge

| | |
|--------------------|---------------|
| \$ Increase | \$5.27 |
| % Increase | N/A |

Total Bill

| | |
|--------------------|---------------|
| \$ Increase | \$7.96 |
| % Increase | 19.17% |

Agreement Attachment F

Schedule of Depreciation Rates

Cannon Home Association

DEPRECIATION RATES

(SEWER class D)

SR-2009-0144

| ACCOUNT NUMBER | ACCOUNT DESCRIPTION | DEPRECIATION RATE | AVERAGE SERVICE LIFE (YEARS) | NET SALVAGE |
|-------------------|-----------------------------------|----------------------|---------------------------------|----------------|
| 311 | Structures & Improvements | 3.0% | 33 | 0.0% |
| 352.1 | Collection Sewers (Force) | 2.0% | 50 | |
| 352.2 | Collection Sewers (Gravity) | 2.0% | 50 | |
| 354 | Services | 2.0% | 50 | |
| 355 | Flow Measurement Devices | 3.3% | 30 | |
| 362 | Receiving Wells | 4.0% | 25 | |
| 363 | Electric Pumping Equipment | 10.0% | 10 | |
| 372 | Oxidation Lagon | 4.0% | 25 | |
| 373 | Treatment & Disposal Facilities | 5.0% | 20 | |
| 374 | Plant Sewers | 2.5% | 40 | |
| 375 | Outfall Sewer Lines | 2.0% | 50 | |
| 391 | Office Furniture & Equipment | 5.0% | 20 | 9.0% |
| 391.1 | Office Computer Equipment | 20.0% | 5 | |
| 392 | Transportation Equipment | 13.0% | 7 | |
| 394 | Tools, Shop, and Garage Equipment | 5.0% | 20 | |
| 395 | Laboratory Equipment | 5.0% | 20 | |
| 396 | Power Operated Equipment | 6.7% | 15 | |
| 397 | Communication Equipment | 6.7% | 15 | |

Agreement Attachment G

EMSD Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Department

Small Company Rate Increase Request

Tracking File No: SR-2009-0144

Cannon Home Association

The Engineering and Management Services Department (EMSD) staff initiated a review of the customer service processes, procedures, and practices of Cannon Home Association (Company) on November 10, 2008. The review was performed in conjunction with a small company rate increase request submitted by Cannon Home Association on October 20, 2008, and given case number SR-2009-0144. The EMSD staff examined Company tariffs, annual reports, Commission complaint and inquiry records, and information provided by the Company in relation to its customer service operations.

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

The objectives of the EMSD staff's review were to document and analyze the management control processes, procedures, and practices used by the Company to ensure adequate customer service is provided. The findings of this review provide the Commission with information regarding the Company's customer service operations. This review also includes recommendations, when appropriate, to improve the quality of service Cannon Home Association provides to its customers.

The scope of this review evaluated implementation of 2006 EMSD customer service review recommendations and also reviewed current Company policy, procedure and practices related to:

- Customer Billing
- Payment Remittance
- Credit and Collections
- Customer Communications and Information

- Complaint and Inquiry Handling and Recording
- Record Storage and Security

Overview

Cannon Home Association was purchased through a stock acquisition from area developers by the current owners in August of 2006. The system was built by the area developers in the late 1980's. The Company currently serves 97 customers and the majority of customers are not full-time residents. Cannon Home Association has not experienced significant growth in the past three to five years and the Company expects minimal growth in the future.

The Company does not have any employees on their payroll. The two owners are responsible for the day-to-day operations of the Company in the field and within their office; however, much of the Company's functions are outsourced. The owners track their time working on sewer Company tasks.

Cannon Home Association customers receive their water service from Cannon Water District #1 (CWD #1). Cannon Water District #1 performs the billing and collection processes for both water and sewer services for the Cannon Home Association customers. Cannon Water District #1 is not regulated by the Missouri Public Service Commission.

Maintenance to the sewer system is performed by the owners, and one of the owners has received DNR training and attends continuing education courses to maintain his license. The Company stated that it is examining implementing a fixed irrigation system to replace the existing moveable irrigation system. The Company estimates costs to be between \$5,000 and \$10,000 and estimates that costs should be offset by a reduction in fuel costs and wear and tear on their pump.

Customer Billing

Cannon Home Association outsources all functions dealing with billing, payment remittance and collections to Cannon Water District #1. Monthly sewer charges are determined by water usage.

Water meter readings typically start around the 15th of the month and take approximately four days to complete. CWD #1 has installed automated meter reading equipment on a majority of their meters. This gives the company the ability to read meters automatically when service trucks drive within the required distance to accept an automated read. Water usage data is then uploaded into the billing system. Some meters must still be manually read and entered into the water company's billing system. Cannon Water District #1 does everything possible to avoid estimating bills and stated that it has needed to estimate bills on rare occasions. The billing system uses a 12 month prior usage and includes this notation on the customer's bill.

Bills are typically prepared and printed during the last week of the month and mailed to customers by the 1st of the following month. Bills are then due by the 18th of the month.

Payment Remittance

Customers may submit payment by check or cash at the CWD #1 office, or checks may be submitted through the mail. The water company office is open Monday through Friday from 8am to 5pm and closed from 12pm to 1pm. Payment information is included on monthly bills. The water company stated that most payments are received through the mail. Cannon Water District #1 has seen an increase in electronic bank checks and has not experienced problems with this increase.

Customer payments are recorded and processed the day they are received. Cannon Water District #1 stated that payments received are also deposited daily. The water company runs a report to compare payments processed and payments deposited as a quality control mechanism in processing customer payments.

Credit and Collections

Cannon Water District #1 collects signed applications for new customers and provides contact information, office hours and service information to customers for both water and sewer service. Cannon Home Association also maintains a current customer list. Customer bills include payment information, due date, meter reading amount and associated charges.

Delinquent notices are mailed to customers the following billing cycle, included with their bill, if payment has not been received. The water company then sends a notice to these customers stating that payment is due by the 18th or they are subject to shut-off after the 30th of the month.

| Delinquent Payment Timeline | |
|-------------------------------|---|
| Day of the month | Event |
| 1st | Bills mailed |
| 18th | Payment due |
| 1st of following month | Following bill and delinquent notice mailed |
| 18th of following month | Bills due |
| After 30th of following month | Subject to disconnection |

Cannon Home Association has a \$5.00 late fee that is applied to all delinquent accounts. The Company's current tariffs do not contain provisions for a returned check fee. Staff from the Commission's Water and Sewer Department reviewed miscellaneous charges included in the Company's tariff as part of the small company informal rate case process and will be recommending appropriate changes. The Company has not experienced a returned check since ownership. The Company also does not utilize a collection agency and has not written-off any bad debt since ownership. Cannon Water District #1 stated that they have not disconnected a sewer customer due to non-pay in the last 10 years. It stated that delinquent notices have been sufficient in motivating customers to submit payment.

Customer Communication and Information

New customers are provided a customer application from CWD #1, as well as an informational sheet with Company contact information for Cannon Home Association. Company payment address is included on Cannon Home Association's letter to new customers. Cannon Home Association also communicates information through letters. Contact information is included on customer bills.

Customers may call CWD #1 for questions about their usage; they may also call Cannon Home Association for other questions as necessary. The Company is available via phone 24 hours a day seven days per week in case of an emergency.

Complaint and Inquiry Handling and Recording

Cannon Home Association tracks and documents all calls in a log by date. They are also then entered into an electronic file.

Records and Storage

The Company stores all electronic files in their office as well as on an external drive that is stored in a separate location. The Company stores all paper files on-site; however, not in a fireproof container.

Findings, Conclusions and Recommendations

The following discussion contains findings, conclusions and recommendations pertaining to Cannon Home Association customer service operations. This section focuses on the following areas that warrant Company management attention:

- Records and Storage

Records and Storage

The Company does not currently store its billing information or business documents in a fireproof locked location. Storing the company's documents in fireproof file cabinets or vaults could reduce the cost of re-creating lost data in the event of a disaster. The risk of this occurrence would be minimized if documents were stored in fireproof file cabinets or vaults.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Store all customer payments, Company billing information and all business documents in a fireproof file cabinet(s) or fireproof vault(s).

Agreement Attachment H

Summary of Case Events

Cannon Home Association
Summary of Case Events

| | |
|------------------------------------|------------------|
| Date Filed | October 20, 2008 |
| Day 150 | March 19, 2009 |
| Extension? | No |
| If yes, why? | |
| Amount Requested | \$7,000 |
| Amount Agreed Upon | \$4,317 |
| Number of Customers | 96 |
| Rate of Return | 7.65% |
| Return on Equity | 10.44% |
| Assessments Current | Yes |
| Annual Reports Filed | Yes |
| Statement of Revenue Filed | Yes |
| Other Open Cases before Commission | No |
| Status with Secretary of State | Good Standing |
| DNR Violations | No |
| Significant Service/Quality Issues | None |