

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

In the Matter of the Highway H Utilities, Inc.'s)
Small Sewer Company Rate Increase Request) **Case No. SR-2009-0392**

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

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, and files this *Notice Of Staff/Company Agreement Regarding Disposition Of Small Sewer Company Revenue Increase Request (Notice)* with the Missouri Public Service Commission (Commission). For its *Notice*, Staff respectfully states the following:

1. On April 30, 2009, the Commission received Highway H Utilities, Inc.'s (HHU or Company) request for a small company revenue increase request (Request) to increase its annual sewer service operating revenues by \$34,000. On the same date, the Commission established the instant case for administrative purposes and to receive public comments related to the case.

2. Pursuant to 4 CSR 240-3.050, the Commission's Small Utility Rate Increase Procedure, the Staff initiated an audit of HHU's books and records, reviewed customer service, general business practices, and the operation of facilities, reviewed the existing tariff, and inspected HHU's facilities, all activities collectively known as Staff's investigation.

3. Upon completion of its investigation, the Staff provided the Company and the Office of Public Counsel (OPC) with copies of its work papers and recommendations for the resolution of the Request.

4. After a series of negotiations and discussions between the Staff, Company, and OPC, the Staff and the Company reached an agreement regarding the rate Request. Attached as Appendix A is the *Staff/Company Agreement Regarding Disposition Of Small Sewer Company Revenue Increase (Disposition Agreement)*, along with the supporting attachments, work papers, and Staff affidavits.

5. The Staff/Company agreed-upon annualized operating revenue increase of \$17,592 will recover the Company's agreed-upon cost of service. Additionally, the *Disposition Agreement* allows the addition of a normalized level of rate case expense to the Company's agreed-upon cost of service for any evidentiary hearing, arbitration or mediation session held.

6. The *Disposition Agreement* satisfactorily resolves all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated therein.

7. Pursuant to 4 CSR 240-3.050 (14) and the *Disposition Agreement*, HHU will file tariff sheets with an effective date of November 16, 2009, to implement the terms of the *Disposition Agreement*.

8. HHU is current on the payment of Commission annual assessments and the filing of annual reports. Also pending before the Commission is HHU's small water company revenue increase request.

WHEREFORE the Staff submits this *Notice* with Appendix A for the Commission's information and consideration, and requests the Commission issue an Order approving the *Staff/Company Agreement Regarding Disposition Of Small Sewer Company Revenue Increase*.

Respectfully submitted,

/s/ Jennifer Hernandez

Jennifer Hernandez

Legal Counsel

Missouri Bar No. 59814

Attorney for the Staff of the
Missouri Public Service Commission
PO Box 360

Jefferson City, MO 65102

(573) 751-8706 (Telephone)

(573) 751-9285 (Fax)

jennifer.hernandez@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail on Dean L. Cooper, attorney for Highway H Utilities, Inc., at dcooper@brydonlaw.com; and The Office of Public Counsel at opcservice@ded.mo.gov this 23rd day of September, 2009.

/s/ Jennifer Hernandez

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND COMPANY/STAFF DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. SR-2009-0392

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.

Table of Contents

Staff Participant Affidavits

Company/Staff Disposition Agreement

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

Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Dana Eaves – Auditing Department

Arthur Rice – Engineering & Management Services Department

Gary Bangert – Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

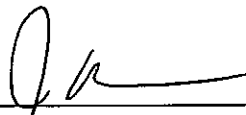
STATE OF MISSOURI)

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CASE NO. SR-2009-0392

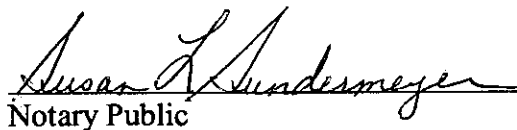
COUNTY OF COLE)

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 22nd day of September, 2009.


Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942088

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF DANA E. EAVES

STATE OF MISSOURI

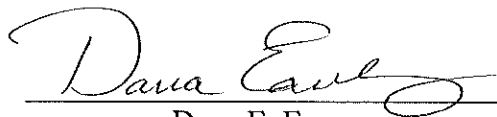
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COUNTY OF COLE

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Case No. SR-2009-0392

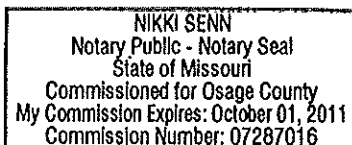
COMES NOW Dana E. Eaves, being of lawful age, and on his oath states the following: (1) that he is an Utility Regulatory Auditor III in the Missouri Public Service Commission's Auditing Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the following *Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment C to the Disposition Agreement; (5) that he 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 his knowledge, information, and belief.



Dana E. Eaves

Utility Regulatory Auditor III
Auditing Department

Subscribed and sworn to before me this 22nd day of September, 2009.


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF ARTHUR W. RICE, PE

STATE OF MISSOURI

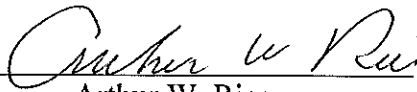
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COUNTY OF COLE

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Case No. SR-2009-0392


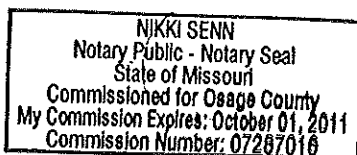
COMES NOW Arthur W. Rice, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Regulatory Engineer in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that he participated in the Staff's investigation of the small company rate 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 22nd day of September, 2009.


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF GARY R. BANGERT

STATE OF MISSOURI

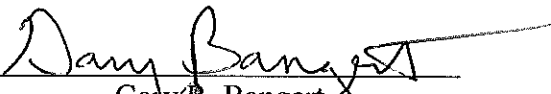
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COUNTY OF COLE

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Case No. SR-2009-0392

COMES NOW Gary R. Bangert, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Management Analyst III 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 G to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment G to the Disposition Agreement; and (6) that the matters set forth in Attachment G to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



Gary R. Bangert
Utility Management Analyst III
Engineering & Management
Services Department

Subscribed and sworn to before me this 23rd day of September, 2009.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016



Notary Public

Company/Staff Disposition Agreement

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

HIGHWAY H UTILITIES, INC.

MO PSC CASE NO SR-2009-0392

BACKGROUND

Highway H Utilities, Inc. ("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") Case 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 April 30, 2009, the Company set forth its request for an increase of \$34,000 in its total annual sewer service operating revenues. In its request letter, 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 could thus be the subject of Staff recommendations. The Company provides service to approximately 265 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 the results of the investigation, as well as Staff's initial recommendations for the resolution of the Company's Request and various other information regarding staff's investigation.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's and 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 sheet attached hereto as Attachment A and incorporated herein, with those proposed tariff revisions bearing an effective date of November 16, 2009.
- (2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B and incorporated herein, accurately reflects the Company's agreed-upon annualized revenues generated by its current customer rates and the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$17,592 will recover the Company's agreed-upon cost of service. However, the parties agree that should an evidentiary hearing, mediation or arbitration be required related to this agreement, a normalized level of rate case expense, also including local public hearing costs, if any, shall be added to the Company's annualized cost of service for this rate case.
- (3) That the audit workpapers attached hereto as Attachment C and incorporated herein, which include consideration of a capital structure of 100.00% debt for the Company and a rate of return on that debt of 6.09%, 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 sheet, the development of which is shown on the rate design worksheet attached hereto as Attachment D and incorporated herein, 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 sheet will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment E and incorporated herein.
- (6) That the rates included in the attached example tariff sheet are just and reasonable, and that the provisions of the attached example tariff sheet also properly reflect all other agreements set out herein, where necessary.
- (7) That the schedule of depreciation rates attached hereto as Attachment F and incorporated herein, 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) The Company will maintain all of its financial records in accordance with the Commission's Uniform System of Accounts.
- (9) Within fifteen (15) days or during its next billing cycle after the issuance of a Commission Order approving the terms of this Disposition Agreement, the Company will mail its customers a written notice of the rates and charges included in its proposed tariff. 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 within five (5) days to the Staff Case Coordinator who will file a copy in the subject case file.
- (10) Within thirty (30) days of the effective date of an order approving this Disposition Agreement the Company will keep time reporting records by water and sewer accounts for all directly assigned and shared employees and provide written verification of implementation to the Manager of Auditing within 15 (fifteen) days of implementation.
- (11) Within thirty (30) days of the effective date of an order approving this Disposition Agreement, the Company will store all important customer business documents in a lockable, fireproof cabinet as recommended in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment G and incorporated herein.
- (12) Within three (3) months of the effective date of an order approving this Disposition Agreement the Company will develop continuing property records and depreciation schedules for utility plant and provide written verification of implementation to the Manager of Auditing within 15 (fifteen) days of implementation.
- (13) 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.
- (14) That Staff may file a formal complaint against it, if the Company does not comply with the provisions of this Disposition Agreement.
- (15) That the Company agrees that it has read the foregoing Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request; that upon the Company's best knowledge and belief the facts stated therein are true; that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this agreement.
- (16) That the above agreements satisfactorily resolve all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated herein.

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Company/Staff Disposition Agreement reflect compromises between Staff and the Company. In arriving at the amount of the annual operating revenue increase specified herein neither party has agreed to any particular ratemaking principle.

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

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

Additionally the Company agrees that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Disposition Agreement at any agenda meeting at which that case is noticed to be considered by the Commission. Staff will be available to answer Commission questions regarding this Company/Staff 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 also be represented at the meeting.

RECEIVED


SEP 21 2009

UTILITY OPERATIONS
DIVISION

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:



Jay Laughlin
President
Highway H Utilities, Inc.

9/18/09
Date



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

9/21/09
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 Events

Agreement Attachment A

Example Tariff Sheets

Highway H Utilities
Name of Issuing Company

For: Service Area
Certificated Service Area

SEWER RATE SCHEDULES

SEWER RATE SCHEDULE A: RESIDENTIAL FLAT RATE

Availability: Sewer Rate Schedule A is available for residential ("domestic") dwellings occupied, or designed for occupation, by single family and producing domestic sewage only. This rate does not apply to commercial establishments, or premises which produce sewage other than from what is normally associated with residential human habitation.

Rate: The flat rate charge for sewer service shall be \$20.85 per month, in advance. +

Taxes: Any and all applicable sales or franchise taxes shall be added to the charge set out above.

Late Fee: Bills shall be considered delinquent after twenty-one days from the date the bill is rendered. If not paid prior to the delinquent date, a one-time late payment charge equal to Five Dollars (\$5.00) or ten percent of the delinquent amount, whichever is greater, shall be added to the unpaid balance. *

Returned Check Charge: A returned check charge of \$25 per check will be paid on all checks returned from the bank. *

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: September 28, 2009
Month/Day/Year

Effective Date: November 16, 2009
Month/Day/Year

Issued By: Jerry Laughlin, President
Name & Title of Issuing Officer

Waynesville, MO
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

HIGHWAY H UTILITIES, INC.-SEWER

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	48,718
2	Other Operating Revenues *	\$	-
3	Total Operating Revenues	\$	48,718
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Sewer Treatment- Management Salary	\$ 1,638
2 Sewer Treatment -Operators Salary	\$ 6,773
3 Sewer Treatment -Electricity	\$ 4,451
4 Sewer Treatment -Sludge Removal	\$ 6,264
5 Maintenance Expense-Misc. Supplies	\$ 15
6 Maintenance Expense-Outside Labor	\$ 8,991
7 Permit Fees	\$ 3,800
8 Administration & General - Salaries	\$ 3,057
9 Building Rent	\$ 747
10 Billing & Collections	\$ 2,660
11 Postage Expense	\$ 621
12 Accounting Expense	\$ 83
13 Telephones & Cell Phone Expense	\$ 194
14 Advertising Expense	\$ 192
15 Transportation Expense	\$ 445
16 Dues & Donations	\$ 43
17 Corporate Registration	\$ 45
18 Regulatory Commission Expense	\$ 4,635
19 Miscellaneous General Expenses	\$ 46
20 Sub-Total Operating Expenses	\$ 44,700
21 Property Taxes	\$ 10
22 MO Franchise Taxes	\$ -
23 Employer FICA Taxes	\$ -
24 Federal Unemployment Taxes	\$ -
25 State Unemployment Taxes	\$ -
26 State & Federal Income Taxes	\$ -
27 Sub-Total Taxes	\$ 10
28 Depreciation Expense	\$ 11,237
29 Interest Expense	\$ 12,169
30 Amortization Expense	\$ (1,806)
31 Sub-Total Depreciation/Amortization	\$ 21,600
32 Return on Rate Base	\$ -
33 Total Cost of Service	\$ 66,310
34 Overall Revenue Increase Needed	\$ 17,592

Agreement Attachment C

Audit Workpapers

Exhibit No.: 0
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: SR-2009-0392
Date Prepared: 7/24/2009



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

STAFF ACCOUNTING SCHEDULES

HIGHWAY H UTILITIES

CASE NO. SR-2009-0392

Jefferson City, Missouri

July 2009

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
Rate Design Schedule - Sewer

Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$48,718			
Rev-3	Miscellaneous Revenues	(1)	\$0			
Rev-4	TOTAL ANNUALIZED REVENUES		\$48,718			
1	OPERATIONS EXPENSES	(2)				
2	Management Salary		\$1,638	\$0	\$1,638	0.00%
3	Operators Salary / Contractor Services		\$6,773	\$0	\$6,773	0.00%
4	Electricity - Pumping Treatment		\$4,451	\$0	\$4,451	0.00%
5	Chemicals		\$0	\$0	\$0	0.00%
6	Sludge Removal		\$6,264	\$0	\$6,264	0.00%
7	Effluent Testing Expenses		\$0	\$0	\$0	0.00%
8	TOTAL OPERATIONS EXPENSE		\$19,126	\$0	\$19,126	
9	MAINTENANCE EXPENSES					
10	Outside Services Employed		\$8,991	\$0	\$8,991	0.00%
11	System Repairs and Maintenance		\$0	\$0	\$0	0.00%
12	Misc Supplies Expense		\$15	\$0	\$15	0.00%
13	TOTAL MAINTENANCE EXPENSE		\$9,006	\$0	\$9,006	
14	CUSTOMER ACCOUNT EXPENSE					
15	Accounting Fees		\$0	\$0	\$0	0.00%
16	Billing & Collections		\$2,660	\$0	\$2,660	0.00%
17	Office Supplies		\$0	\$0	\$0	0.00%
18	Postage Expense		\$621	\$0	\$621	0.00%
19	Uncollectible Accounts		\$0	\$0	\$0	0.00%
20	TOTAL CUSTOMER ACCOUNT EXPENSE		\$3,281	\$0	\$3,281	
21	ADMINISTRATIVE & GENERAL EXPENSES					
22	Administration & General Salaries		\$3,057	\$0	\$3,057	0.00%
23	Legal Expense		\$0	\$0	\$0	0.00%
24	Accounting Expense		\$83	\$0	\$83	0.00%
25	Telephone & Cell Phones		\$194	\$0	\$194	0.00%
26	Advertising Expense		\$192	\$0	\$192	0.00%
27	Transportation Expense		\$445	\$0	\$445	0.00%
28	Dues & Donations		\$43	\$0	\$43	0.00%
29	Medical Insurance		\$0	\$0	\$0	0.00%
30	Property & Liability Insurance		\$0	\$0	\$0	0.00%
31	Uncollectible Expense		\$0	\$0	\$0	0.00%
32	Building Rent		\$747	\$0	\$747	0.00%
33	Loan Payments		\$0	\$0	\$0	0.00%
34	Other Misc. Expenses		\$46	\$0	\$46	0.00%
35	TOTAL ADMINISTRATIVE AND GENERAL		\$4,807	\$0	\$4,807	
36	OTHER OPERATING EXPENSES					
37	MO DNR Fees		\$3,800	\$0	\$3,800	0.00%
38	PSC Assessment		\$4,635	\$0	\$4,635	0.00%
39	Corporate Registration		\$45	\$0	\$45	0.00%
40	Amortization Expense		-\$1,806	\$0	-\$1,806	0.00%
41	Depreciation		\$11,237	\$0	\$11,237	0.00%
42	TOTAL OTHER OPERATING EXPENSES		\$17,911	\$0	\$17,911	
43	TAXES OTHER THAN INCOME					
44	Real & Personal Property Taxes		\$10	\$0	\$10	0.00%
45	Payroll Taxes		\$0	\$0	\$0	0.00%
46	TOTAL TAXES OTHER THAN INCOME		\$10	\$0	\$10	
47	TOTAL OPERATING EXPENSES		\$54,141	\$0	\$54,141	
48	Interest Expense	(3)	\$12,169	\$0	\$12,169	0.00%

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 Rate Design Schedule - Sewer

Line Number	Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
49	Return on Equity		(3) \$0	\$0	\$0	0.00%
50	Income Taxes		(3) \$0	\$0	\$0	0.00%
51	TOTAL INTEREST RETURN & TAXES		\$12,169	\$0	\$12,169	
52	TOTAL COST OF SERVICE		\$66,310	\$0	\$66,310	
53	Less: Miscellaneous Revenues		\$0	\$0	\$0	0.00%
54	COST TO RECOVER IN RATES		\$66,310	\$0	\$66,310	
55	INCREMENTAL INCREASE IN RATE REVENUES		<u>\$17,592</u>			
56	PERCENTAGE OF INCREASE		<u>36.11%</u>			
57	REQUESTED INCREASE IN REVENUES		\$0			

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

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
Rate Base Required Return on Investment Schedule - Sewer

Line Number	A Rate Base Description	B Dollar Amount
1	Plant In Service	\$322,253 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$48,875</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$273,378
4	Other Rate Base Items:	\$0
	Contribution of Aid of Construction	-\$90,280
	CIAC Depreciation	\$16,721
5	Total Rate Base	<u>\$199,819</u>
6	Total Weighted Rate of Return Including Income Tax	<u>6.09%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$12,169</u></u>

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 Rate of Return Including Income Tax - Sewer

A	B formulas
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1	State Income Tax Rate Statutory / Effective	6.25% (2)	6.25%	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	0.00% (1) & (2)	0.00%	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate		6.25%	$B1 + B2$
4	Equity Tax Factor		1.0667	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred		0.00%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		0.00%	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		6.09%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		6.09%	$B6 + B7$

To Rate Base Schedule

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

N

Equity Income Required \$0
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$0	\$0
\$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
			\$0	\$0
Consolidated Tax Rate:				0
Average Tax Rate:				0

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 Capital Structure Schedule - Sewer

Line Number	Description	Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital
1	Common Stock	\$0	0.00%	0.00%	0.000%
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	\$2,357,164	100.00%	6.09%	6.090%
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	\$2,357,164	100.00%		6.090%

To PreTax Return Rate Schedule

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
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	\$0			100.00%	\$0
3	302.000	Franchises	\$0			100.00%	\$0
4	303.000	Miscellaneous Intangible Plant	\$0			100.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$0			100.00%	\$0
8	311.000	Structures & Improvements	\$0			100.00%	\$0
9		TOTAL SOURCE OF SUPPLY PLANT	\$0		\$0		\$0
10		COLLECTION PLANT					
11	352.100	Collection Sewers - Force	\$0			100.00%	\$0
12	352.200	Collection Sewers - Gravity	\$78,829	P-12	\$11,451	100.00%	\$90,280
13	353.000	Other Collection Plant Facilities	\$0			100.00%	\$0
14	354.000	Services to Customers	\$53,010	P-14	\$19,250	100.00%	\$72,260
15	355.000	Flow Measuring Devices	\$0			100.00%	\$0
16		TOTAL COLLECTION PLANT	\$131,839		\$30,701		\$162,540
17		PUMPING PLANT					
18	362.000	Receiving Wells and Pump Pits	\$0			100.00%	\$0
19	363.000	Pumping Equipment (Elec., Diesel, other)	\$0			100.00%	\$0
20		TOTAL PUMPING PLANT	\$0		\$0		\$0
21		TREATMENT & DISPOSAL PLANT					
22	372.000	Oxidation Lagoon	\$0			100.00%	\$0
23	373.000	Treatment and Disposal Equipment	\$159,713			100.00%	\$159,713
24	374.000	Plant Sewers	\$0			100.00%	\$0
25	375.000	Outfall Sewer Lines	\$0			100.00%	\$0
26	376.000	Other Treatment & Disposal Plant Equip.	\$0			100.00%	\$0
27		TOTAL TREATMENT & DISPOSAL PLANT	\$159,713		\$0		\$159,713
28		GENERAL PLANT					
29	391.000	Office Furniture & Equipment	\$0			100.00%	\$0
30		Office Computer Equipment	\$0			100.00%	\$0
31	392.000	Transportation Equipment	\$0			100.00%	\$0
32	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$0			100.00%	\$0
33		TOTAL GENERAL PLANT	\$0		\$0		\$0
34		TOTAL PLANT IN SERVICE	\$291,552		\$30,701		\$322,253

To Rate Base & Depreciation Schedules

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
Schedule of Adjustments for Plant in Service - Sewer

A	B	C	D	E
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
P-12	Collection Sewers - Gravity	352.200		\$11,451
	To reflect the addition of plant during the test year and update period.		\$11,451	
P-14	Services to Customers	354.000		\$19,250
	To reflect the addition of plant during the test year and update period.		\$19,250	
	Total Plant Adjustments			\$30,701

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
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	\$0	0.00%	\$0
3	302.000	Franchises	\$0	0.00%	\$0
4	303.000	Miscellaneous Intangible Plant	\$0	0.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$0		\$0
6		SOURCE OF SUPPLY PLANT			
7	310.000	Land & Land Rights	\$0	0.00%	\$0
8	311.000	Structures & Improvements	\$0	0.00%	\$0
9		TOTAL SOURCE OF SUPPLY PLANT	\$0		\$0
10		COLLECTION PLANT			
11	352.100	Collection Sewers - Force	\$0	0.00%	\$0
12	352.200	Collection Sewers - Gravity	\$90,280	2.00%	\$1,806
13	353.000	Other Collection Plant Facilities	\$0	0.00%	\$0
14	354.000	Services to Customers	\$72,260	2.00%	\$1,445
15	355.000	Flow Measuring Devices	\$0	0.00%	\$0
16		TOTAL COLLECTION PLANT	\$162,540		\$3,251
17		PUMPING PLANT			
18	362.000	Receiving Wells and Pump Pits	\$0	0.00%	\$0
19	363.000	Pumping Equipment (Elec., Diesel, other)	\$0	10.00%	\$0
20		TOTAL PUMPING PLANT	\$0		\$0
21		TREATMENT & DISPOSAL PLANT			
22	372.000	Oxidation Lagoon	\$0	0.00%	\$0
23	373.000	Treatment and Disposal Equipment	\$159,713	5.00%	\$7,986
24	374.000	Plant Sewers	\$0	0.00%	\$0
25	375.000	Outfall Sewer Lines	\$0	0.00%	\$0
26	376.000	Other Treatment & Disposal Plant Equip.	\$0	0.00%	\$0
27		TOTAL TREATMENT & DISPOSAL PLANT	\$159,713		\$7,986
28		GENERAL PLANT			
29	391.000	Office Furniture & Equipment	\$0	0.00%	\$0
30		Office Computer Equipment	\$0	0.00%	\$0
31	392.000	Transportation Equipment	\$0	0.00%	\$0
32	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$0	0.00%	\$0
33		TOTAL GENERAL PLANT	\$0		\$0
34		Total Depreciation	\$322,253		\$11,237

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
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	302.000	Franchises	\$0			100.00%	\$0
4	303.000	Miscellaneous Intangible Plant	\$0			100.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$0			100.00%	\$0
8	311.000	Structures & Improvements	\$0			100.00%	\$0
9		TOTAL SOURCE OF SUPPLY PLANT	\$0		\$0		\$0
10		COLLECTION PLANT					
11	352.100	Collection Sewers - Force	\$0			100.00%	\$0
12	352.200	Collection Sewers - Gravity	\$14,428	R-12	\$2,293	100.00%	\$16,721
13	353.000	Other Collection Plant Facilities	\$0			100.00%	\$0
14	354.000	Services to Customers	\$3,541	R-14	\$1,734	100.00%	\$5,275
15	355.000	Flow Measuring Devices	\$0			100.00%	\$0
16		TOTAL COLLECTION PLANT	\$17,969		\$4,027		\$21,996
17		PUMPING PLANT					
18	362.000	Receiving Wells and Pump Pits	\$0			100.00%	\$0
19	363.000	Pumping Equipment (Elec., Diesel, other)	\$0			100.00%	\$0
20		TOTAL PUMPING PLANT	\$0		\$0		\$0
21		TREATMENT & DISPOSAL PLANT					
22	372.000	Oxidation Lagoon	\$0			100.00%	\$0
23	373.000	Treatment and Disposal Equipment	\$17,296	R-23	\$9,583	100.00%	\$26,879
24	374.000	Plant Sewers	\$0			100.00%	\$0
25	375.000	Outfall Sewer Lines	\$0			100.00%	\$0
26	376.000	Other Treatment & Disposal Plant Equip.	\$0			100.00%	\$0
27		TOTAL TREATMENT & DISPOSAL PLANT	\$17,296		\$9,583		\$26,879
28		GENERAL PLANT					
29	391.000	Office Furniture & Equipment	\$0			100.00%	\$0
30		Office Computer Equipment	\$0			100.00%	\$0
31	392.000	Transportation Equipment	\$0			100.00%	\$0
32	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$0			100.00%	\$0
33		TOTAL GENERAL PLANT	\$0		\$0		\$0
34		TOTAL DEPRECIATION RESERVE	\$35,265		\$13,610		\$48,875

To Rate Base Schedule

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008

Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

A	B	C	D	E
Reserve Adjustment Number	Accumulated Depreciation Reserve Adjustments Description	Account Number	Adjustment Amount	Total Adjustment Amount
R-12	Collection Sewers - Gravity	352.000		\$2,293
	To reflect depreciation reserve balance thru 4/30/2009		\$2,293	
R-14	Services to Customers	354.000		\$1,734
	To reflect depreciation reserve balance thru 4/30/2009		\$1,734	
R-23	Treatment and Disposal Equipment	373.000		\$9,583
	To reflect depreciation reserve balance thru 4/30/2009		\$9,583	
Total Reserve Adjustments				\$13,610

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 Revenue Summary Schedule - Sewer

Line Number	A Description	Residential 5/8"		Commercial 2"	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	265		0	
3	Bills Per Year	12		0	
4	Customer Bills Per year	3,180		0	
5	Current Customer Charge	<u>\$15.32</u>		<u>\$0.00</u>	
6	Annualized Customer Charge Revenues		\$48,718		\$0
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	<u>0</u>		<u>0</u>	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	<u>\$0.00</u>		<u>\$0.00</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	<u>Total Annualized Sewer Rate Revenues</u>		<u>\$48,718</u>		<u>\$0</u>

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

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 Revenue Summary Schedule - Sewer

Line Number	Description	Total	
		F Amount	G Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	265	
3	Bills Per Year		
4	Customer Bills Per year	3,180	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$48,718
7	<u>Commodity Charge Revenues:</u>		
8	Total Gallons Sold	0	
9	Less: Base Gallons Included In Customer Charge	0	
10	Commodity Gallons	0	
11	Block 1, Commodity Gallons per Block		
12	Block 1, Number of Commodity Gallons per Unit		
13	Block 1, Commodity Billing Units		
14	Block 1, Existing Commodity Charge		
15	Block 1, Annualized Commodity Charge Rev.		\$0
16	Total Annualized Sewer Rate Revenues		\$48,718

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.

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
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		Management Salary	\$0	S-2	\$7,893	20.75%	\$1,638
3		Operators Salary / Contractor Services	\$0	S-3	\$32,639	20.75%	\$6,773
4		Electricity - Pumping Treatment	\$4,431	S-4	\$20	100.00%	\$4,451
5		Chemicals	\$0			100.00%	\$0
6		Sludge Removal	\$6,444	S-6	-\$180	100.00%	\$6,264
7		Effluent Testing Expenses	\$0			100.00%	\$0
8		TOTAL OPERATIONS EXPENSE	\$10,875		\$40,372		\$19,126
9		MAINTENANCE EXPENSES					
10		Outside Services Employed	\$11,230	S-10	-\$2,239	100.00%	\$8,991
11		System Repairs and Maintenance	\$0			100.00%	\$0
12		Misc Supplies Expense	\$74			20.75%	\$15
13		TOTAL MAINTENANCE EXPENSE	\$11,304		-\$2,239		\$9,006
14		CUSTOMER ACCOUNT EXPENSE					
15		Accounting Fees	\$0			100.00%	\$0
16		Billing & Collections	\$664	S-16	\$12,154	20.75%	\$2,660
17		Office Supplies	\$0			100.00%	\$0
18		Postage Expense	\$2,144	S-18	\$847	20.75%	\$621
19		Uncollectible Accounts	\$0			100.00%	\$0
20		TOTAL CUSTOMER ACCOUNT EXPENSE	\$2,808		\$13,001		\$3,281
21		ADMINISTRATIVE & GENERAL EXPENSES					
22		Administration & General Salaries	\$3,750	S-22	\$10,983	20.75%	\$3,057
23		Legal Expense	\$1,920	S-23	-\$1,920	20.75%	\$0
24		Accounting Expense	\$980	S-24	-\$580	20.75%	\$83
25		Telephone & Cell Phones	\$992	S-25	-\$58	20.75%	\$194
26		Advertising Expense	\$924			20.75%	\$192
27		Transportation Expense	\$8,222	S-27	-\$6,077	20.75%	\$445
28		Dues & Donations	\$209			20.75%	\$43
29		Medical Insurance	\$0			100.00%	\$0
30		Property & Liability Insurance	\$0			100.00%	\$0
31		Uncollectible Expense	\$0			100.00%	\$0
32		Building Rent	\$3,600			20.75%	\$747
33		Loan Payments	\$71,000	S-33	-\$71,000	20.75%	\$0
34		Other Misc. Expenses	\$221			20.75%	\$46
35		TOTAL ADMINISTRATIVE AND GENERAL	\$91,818		-\$68,652		\$4,807
36		OTHER OPERATING EXPENSES					
37		MO DNR Fees	\$6,105	S-37	-\$2,305	100.00%	\$3,800
38		PSC Assessment	\$3,432	S-38	\$1,203	100.00%	\$4,635
39		Corporate Registration	\$45			100.00%	\$45
40		Amortization Expense	\$0	S-40	-\$1,806	100.00%	-\$1,806
41		Depreciation	\$0	S-41	\$11,237	100.00%	\$11,237
42		TOTAL OTHER OPERATING EXPENSES	\$9,582		\$8,329		\$17,911
43		TAXES OTHER THAN INCOME					
44		Real & Personal Property Taxes	\$49			20.75%	\$10
45		Payroll Taxes	\$0			100.00%	\$0
46		TOTAL TAXES OTHER THAN INCOME	\$49		\$0		\$10
47		TOTAL OPERATING EXPENSES	\$128,436		\$9,189		\$54,141

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 Expense Adjustment Schedule - Sewer

A	B	C	D	E
Expense Adj		Account	Adjustment	Total
Number	Adjustment Description	Number	Amount	Adjustment

S-2	Management Salary			\$7,893
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To reflect the annual salary for Jerry Laughlin \$7,893

S-3	Operators Salary / Contractor Services			\$32,639
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To reflect the allocated salary amount for Jay Laughlin. \$32,639

S-4	Electricity - Pumping Treatment			\$20
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To reflect the annualized level of electric expense that adjusts for customer growth \$20

S-6	Sludge Removal			-\$180
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To reflect the annualized level of sludge removal expense recognising increase in rate (+.03) -\$180

S-10	Outside Services Employed			-\$2,239
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To reflect the annualized level of expense for Total Environment Well Services -\$3,214

to reflect the annualized level of expense for Lakes County Environmental Management Services \$975

S-16	Billing & Collections			\$12,154
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To reflect the disallowance of customer refunds/overcharges. -\$79

To reflect the annual maintenance fee for billing software from RVS \$788

To reflect the annualized level of salary for Paula Weber 50% to Administrative & General Salary account. \$11,445

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
S-18	Postage Expense			\$847
	To reflect an annualized level of postage expense.		\$847	
S-22	Administration & General Salaries			\$10,983
	To reflect an annualized level of salary for Laura Laughlin - Bookkeeping		-\$461	
	To reflect the annualized level of salary for Paula Weber 50% to Customer Billing and Collections account.		\$11,444	
S-23	Legal Expense			-\$1,920
	To reflect the disallowance of legal fees.		-\$1,920	
S-24	Accounting Expense			-\$580
	To reflect an annualized level of accounting fees		-\$580	
S-25	Telephone & Cell Phones			-\$58
	To reflect an annualized level of telephone expense.		-\$58	
S-27	Transportation Expense			-\$6,077
	To reflect the disallowance of vehical payments for equipment not related to utility services		-\$8,222	
	To reflect an annualized level of transportation expense.		\$2,145	
S-33	Loan Payments			-\$71,000
	To reflect the disallowance of loan payments		-\$71,000	

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
S-37	MO DNR Fees			\$2,305

To reflect the annualized level of DNR Permit Fees
 based upon design flow

- \$2,305

S-38	PSC Assessment			\$1,203
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To reflect the 2010 PSC Assessment

\$1,203

S-40	Amortization Expense			\$1,806
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To reflect the annualized level of CIAC amortization
 expense for account 353.200.

- \$1,806

S-41	Depreciation			\$11,237
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1. To Annualize Depreciation

\$11,237

	Total Expense Adjustments			\$9,189
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Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number SR-2009-0392
 Test Year Ending 12-31-2008
 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	\$7,369	100.00%	\$48,718
Rev-2		Annualized Rate Revenues	\$41,349	Rev-3	\$0	100.00%	\$0
Rev-3		Miscellaneous Revenues	\$0				
Rev-4		TOTAL ANNUALIZED REVENUES	\$41,349		\$7,369		\$48,718

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
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			\$7,369
	1. To Annualize Rate Revenues		\$7,369	
Rev-3	Miscellaneous Revenues			\$0
	1. To Annualize Miscellaneous Revenues		\$0	
	Total Revenue Adjustments:			\$7,369

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number SR-2009-0392
Test Year Ending 12-31-2008
Miscellaneous Revenues Feeder - Sewer

Line	A	B
Number	Description	Amount

3	Total Miscellaneous Revenues	<u>\$0</u>
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Agreement Attachment D

Rate Design Worksheet

HIGHWAY H UTILITIES, INC.-SEWER

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	\$ 48,718
Agreed-Upon Overall Revenue Increase	\$ 17,592
Percentage Increase Needed	36.111%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge
3/4"	\$ 15.32	\$ 20.85

Agreement Attachment E

Billing Comparison Worksheet

HIGHWAY H UTILITIES, INC.-SEWER

Residential Customer Bill Comparison-Sewer

Residential Customer Charge

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>
\$15.32	\$20.85

current service charge is monthly charge

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 15.32
Usage Charge	\$ -
Total Bill	\$ 15.32

Proposed Rates

Customer Charge	\$ 20.85
Usage Charge	\$ -
Total Bill	\$ 20.85

INCREASES

Customer Charge

\$ Increase	\$5.53
% Increase	36.11%

Total Bill

\$ Increase	\$5.53
% Increase	36.11%

Agreement Attachment F

Schedule of Depreciation Rates

Highway H Utilities
DEPRECIATION RATES
(SEWER)

SR-2009-0392 Recommendation 7/23/09

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
352	Collection Sewers (All)	2.0%	50	0%
354	Services	2.0%	50	0%
373	Treatment & Disposal Facilities	5.0%	20	0%

Agreement Attachment G

EMSD Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Department

Small Company Rate Increase Request

Case Nos: SR-2009-0392 and WR-2009-0393

Highway H Utilities, Inc.

Highway H Utilities, Inc. (Highway H or Company) filed a rate increase request on April 30, 2009, for water and sewer service provided in its certificated service area, located near Waynesville, Missouri. The Engineering and Management Services Department (EMSD) staff initiated an informal review of customer service processes, procedures, and practices at Highway H in April 2008. The EMSD staff's review included an examination of Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service operations.

The purpose of the Engineering and Management Services Department 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 a reasonable cost, 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 also provide the Commission with information regarding the Company's customer service operations.

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

- Meter Reading
- Customer Billing
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

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

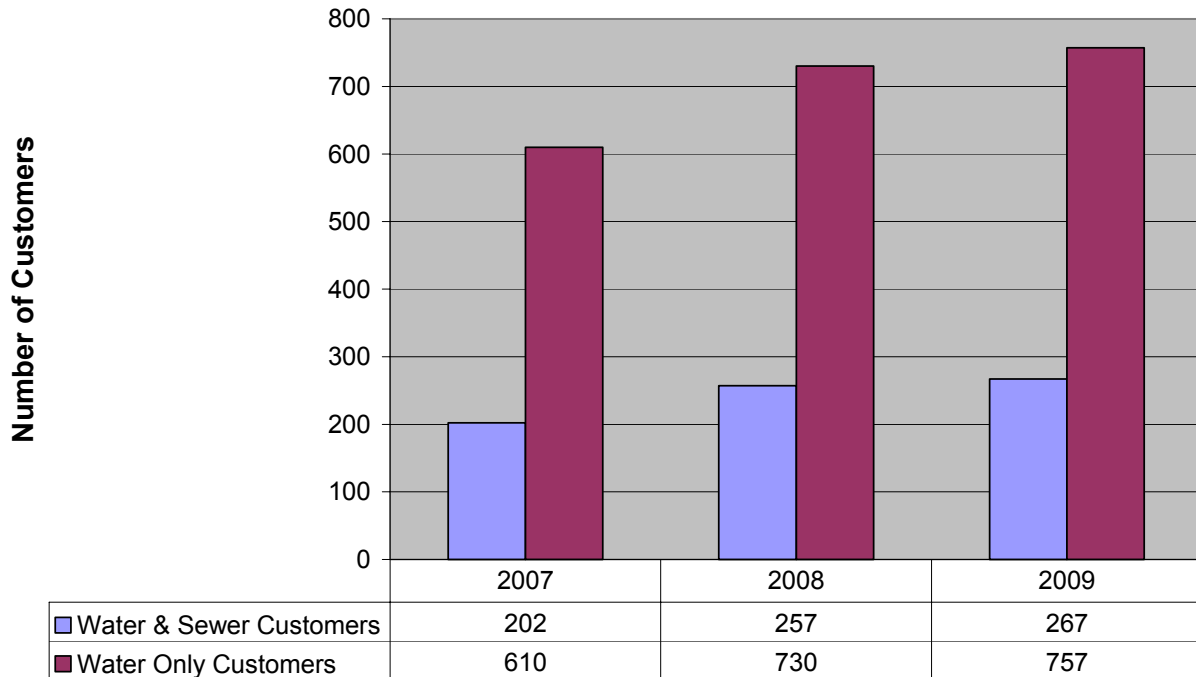
Overview

Highway H was certificated to provide water service on May 10, 1990, and sewer service on June 28, 1991. The Company provides water and sewer service to approximately 267 customers and water-only service to an additional 757 customers. The Highway H business office is located in Waynesville, Missouri. Business office hours are 8:00 a.m. – 4:30 p.m., Monday through Friday. Customers have 24-hour, 7-day access to Company personnel by calling the telephone number provided on the customer bill.

Highway H staffing includes an operation manager, assistant operator, meter reader, and three business office employees. Other than meter reading, most outside plant functions are performed by the operation manager with assistance from the assistant operator. Outside plant responsibilities include daily system checks, chlorination, routine maintenance, construction activity, and responding to customer emergency calls. Business office functions including taking new service applications, entering meter readings, preparing and mailing customer bills, maintaining customer account records, posting customer bill payments, making bank deposits, and paying bills. Business office personnel also respond to customer inquiries and complaints received by telephone or from customers who walk into the business office.

The following graph illustrates the moderate growth experienced by the Company since 2007:

Highway H Customer Growth 2007 - 2009



Source: Company Data Request Information

As shown, the number of water and sewer customers has grown by approximately 32% since 2007, and the number of water only customers has increased by about 24%. Company management stated that a continued moderate level of growth is anticipated over the next two to three years.

The Company began using written applications for new service requests in April 2009. Customers may call the Company with questions about rules and procedures associated with the provision of service; however, in April 2009, the Company prepared written information documenting the rights and responsibilities of the Company and its customers. This information is provided to all new customers and to customers with specific questions about Company policies.

Meter Reading

All water meters at single-family homes, active and inactive, are read between the 25th and 27th of the month. Company personnel stated that the meters located at multi-family

dwelling are not read. The Company bills the monthly minimum customer charge for the number of units in each multi-family dwelling and no usage charge. The meter readings from single-family homes are handwritten on a meter route sheet that includes the name, address, and meter numbers of the customers. An office employee enters the meter readings into a computer billing program. Company personnel stated that meters are only estimated when inclement weather makes it impossible to obtain a meter reading. Company personnel are unaware of any theft of water service.

Customer Billing

The Company uses an RVS customer accounting program to calculate and print customers' bills. The program is designed to beep when bills are calculated that fall outside of expected billing parameters. The accuracy of bills is verified through visual inspection when the bills are produced. Company personnel stated that customer account information is backed up daily on a computer disk and other hard copy customer information is stored in a file cabinet. Company personnel stated that bills are always mailed by the last day of the month and are considered due on the 21st of the following month.

Customer rates for water and sewer service are provided in the Company's tariffs. Customers' water bills are based on a monthly minimum customer charge of \$5.46 and a usage charge of \$1.00 per 1,000 gallons over 2,000 gallons of usage. Sewer customers pay a flat fee of \$15.32 per month. Most customers mail their payments to the business office, although some customers remit account payments, in person, in the business office or at a drop box located at the business office. Company personnel stated that bank deposits of customer payments are typically made on a daily basis.

Credit and Collections

The Company does not collect customer deposits from customers, although the collection of deposits is permitted under the Company's tariff. Prior to May 2009, a \$5.00 late charge was added to customer accounts not paid by the 15th of the month; however, the Company revised this practice. Since May 2009, a \$5.00 late charge is assessed on every account that remains unpaid after the 21st of the month. This practice complies with the Company's tariff which states that "a one-time late payment charge equal to Five Dollars (\$5.00) or ten percent of the delinquent amount, whichever is greater, shall be added to the unpaid balance" of bills after 21

days from the date they are rendered. The Company started the practice in May 2009 of sending out delinquent notices, calling customers immediately prior to disconnection, and leaving notice of disconnection at the door with information about how customers may get service restored. Company personnel stated that, although a rare occurrence, insufficient funds checks are turned over to an outside collection agency. Three insufficient funds checks were turned over to the collection agency in 2008 and immediately resolved. The contract with the collection agency states that a customer with an insufficient funds check pays the amount of the insufficient funds check and a \$12 fee directly to the collection agency. The collection agency subsequently remits the amount of the insufficient funds check to the Company.

Company personnel stated that bad debt write-offs, generally, only occur from people that cannot be located because they have moved out of the area. Bad debt write-offs were \$592.30 in 2007 and \$426.28 in 2008.

Complaints and Inquiries

Customers with questions or concerns may call the Company contact number appearing on the bill. Customers calling outside of normal business hours are provided alternate numbers to use in the event of an emergency. Company personnel created a Log of Customer Complaints/Inquiries and began recording all contacts from customers on April 21, 2009. The log includes the date of the customer contact, customer name, address, brief description of the complaint/inquiry, how the complaint/inquiry was resolved, and the initials of the Company employee involved.

A review of Commission complaint/inquiry records since 2007 showed one (1) customer contact in 2007, one (1) in 2008, and one (1) in 2009 related to customer billing issue complaints. There was also one customer inquiry in 2009 regarding water service. There have been no Commission complaints or inquiries regarding the Company's sewer service since 2007.

Customer Communication

Outside of monthly billings, the Company rarely communicates with its customers. Letters are used to notify customers about rate case activity. In addition, the customer information sheet about rights and responsibilities is provided to all new customers and other customers who have questions about Company policies.

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 two issues that require Company management's attention:

- Meter Readings at Multi-Family Dwellings
- Storage of Customer Documents

Meter Readings at Multi-Family Dwellings

Company personnel do not read the water meters located at multi-family dwellings. The Company bills the monthly minimum customer charge for the number of units in each multi-family dwelling and no usage charge.

The practice of not obtaining a meter reading from multi-family dwelling units violates Commission Rule 4 CSR 240-13.020(2) which states, "Each billing statement rendered by a utility shall be computed on the actual usage during the billing period..." Depending on the occupancy level of each multi-family dwelling, this practice results in Highway H either under collecting for water usage or over collecting, and it does not enable customers to receive accurate bills.

The availability of accurate meter readings for all accounts, including the accounts at multi-family dwelling units, is a critical requirement of Commission Rule 4 CSR 240-13.020(2). The meter readings enable the Company to produce accurate bills that result in an appropriate level of revenue for the water it supplies.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Initiate the practice of obtaining actual meter readings for all customer accounts, including multi-family dwelling accounts, and using these meter readings as a basis for preparing accurate bills. This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case No. WR-2009-0393.

Storage of Customer Documents

Customers' important business documents are not kept in locked, fireproof storage. The Company's current practice is to keep customer records including applications for service and other account records in an ordinary file cabinet.

The lack of fireproof storage has several potential detrimental effects. In the event of a disaster, important documents maintained in the office could be lost or destroyed. It would be difficult and time consuming to replace or re-create important customer records.

Securing the Company's critical documents related to customers' accounts in fireproof storage would minimize the risk of loss and the cost and labor-intensive process required to re-create customer data should a disaster occur.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Store all important customer business documents in a lockable, fireproof cabinet.

Follow-Up

The EMSD staff will conduct follow-ups of all of the EMSD recommendations no later than the deadlines as set out for each EMSD recommendation in the disposition agreement in Case No. SR-2009-0392. The EMSD staff will conduct follow-ups of all of the EMSD recommendations no later than the deadlines as set out for each EMSD recommendation in the disposition agreement in Case No. WR-2009-0393.

Agreement Attachment H

Summary of Case Events

Highway H Utilities, Inc.
Case # SR-2009-0392
Summary of Case Events

Date Filed	April 30, 2009
Day 150	September 28, 2009
Extension?	No
If yes, why?	
Amount Requested	\$ 34,000
Amount Agreed Upon	\$ 17,592
Number of Customers	265
Rate of Return on Debt	6.09%
Return on Equity	0.00%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	SA-2009-0317 WA-2009-0316
Status with Secretary of State	Yes
DNR Violations	June 2, 2009
Significant Service/Quality Issues	Capacity of plant needs to be expanded.