

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
January 13-2011
Data Center
Missouri Public
Service Commission

In the Matter of Small Company Rate Increase of)
Timber Creek Sewer Company)

File No. SR-2010-0320

**NOTICE OF UNANIMOUS PARTIAL 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 a Unanimous Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* (Agreement Notice) states the following:

1. On May 10, 2010, the Missouri Public Service Commission (the Commission) received a Rate Increase Request Letter (Request Letter) from Timber Creek Sewer Company. (Timber Creek or Company). In its Request Letter, Timber Creek requested the Commission allow an increase of \$63,500 in its annual sewer system operating revenues pursuant to Commission Rule 4 CSR 240-3.050.
2. Upon completion of Staff's investigation of Timber Creek's request, Staff provided the Company and the Office of the Public Counsel (Public Counsel) with various information, as well as Staff's initial recommendations for the resolution of the revenue increase request.
3. Pursuant to negotiations conducted after the receipt by Timber Creek and Public Counsel of the above-referenced information and recommendations, the Company, Public Counsel and Staff were able to reach a partial agreement (Unanimous Partial Disposition Agreement) regarding the resolution of Timber Creek's request.
4. Included in Appendix A, attached hereto, is a copy of the above-referenced Unanimous Partial Disposition Agreement, as well as various attachments related to the

Unanimous Partial Disposition Agreement and Staff's investigation of the revenue increase request. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation.

WHEREFORE, the Staff respectfully submits this Unanimous Partial Disposition Agreement 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 Timber Creek, Public Counsel, and the Company.

Respectfully submitted,

/s/ Jaime N. Ott

Jaime N. Ott
Assistant General Counsel
Missouri Bar No. 60949

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8700 (Telephone)
(573) 751-9285 (Fax)
jaime.ott@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 7th day of October, 2010.

/s/ Jaime N. Ott

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND PARTIAL DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. SR-2010-0320

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

Unanimous Partial Disposition Agreement

Agreement Attachment A: Schedule of Depreciation Rates

Agreement Attachment B: EMSD Report

Staff Participant Affidavits

Guy C. Gilbert – Engineering & Management Services Department

Nila S. Hagemeyer – Engineering & Management Services Department

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF GUY C. GILBERT, MS, PE, RG

In the Matter of the Application of Timber)
Creek Sewer Company Request for a Rate)
Increase.

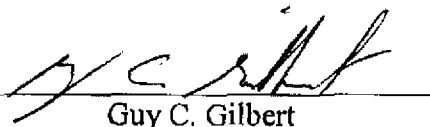
Case No. SR-2010-0320

STATE OF MISSOURI

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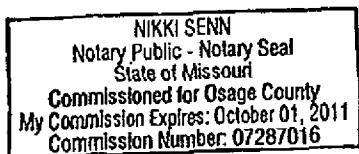
COUNTY OF COLE

COMES NOW Guy C. Gilbert, being of lawful age, and on his oath states that as a Utility Regulatory Engineer II, in the Engineering and Management Services Department of the Utility Services Division, he has knowledge of the matters as follows: (1) Arthur W. Rice is a 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 following *Unanimous Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment A to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment A to the Disposition Agreement; and (6) that the matters set forth in Attachment A to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



Guy C. Gilbert
Utility Regulatory Engineer II
Engineering and Management
Services Department

Subscribed and sworn to before me this 7th day of October, 2010.


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF NILA S. HAGEMEYER

In the Matter of the Application of Timber)
Creek Sewer Company Request for a Rate)
Increase.)

Case No. SR-2010-0320

STATE OF MISSOURI

SS.

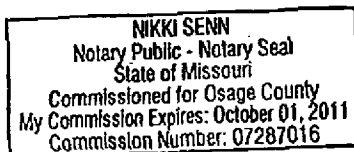
COUNTY OF COLE

COMES NOW Nila S. Hagemeyer, being of lawful age, and on her oath states the following: (1) that she is an Utility Management Analyst III in the Missouri Public Service Commission's Engineering and Management Services 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 following *Unanimous Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment B to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment B to the Disposition Agreement; and (6) that the matters set forth in Attachment B to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.

Nila S. Hagemeyer

Nila S. Hagemeyer
Utility Management Analyst III
Engineering & Management
Services Department

Subscribed and sworn to before me this 7th day of October, 2010.



Nikki Senn
Notary Public

Unanimous Partial Agreement

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

TIMBER CREEK SEWER COMPANY

MO PSC CASE NO. SR-2010-0320

BACKGROUND

Timber Creek Sewer Company ("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 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 May 10, 2010, the Company set forth its request for an increase of \$63,500 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 1,525 customers, the vast majority of which are residential customers located in Platte and Clay Counties.

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 Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with the results of the investigation, with Staff's initial recommendations for the resolution of the Company's Request, and with other information regarding Staff's investigation.

PARTIAL 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, OPC and the Company hereby state the following agreements:

- (1) Staff's rate design methodology of an equal percent increase to existing rates is acceptable;
- (2) The schedule of depreciation rates attached hereto as Attachment A and incorporated herein by reference, which includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of sewer plant depreciation rates for the Company;
- (3) The Commission's Auditing Department conducted an audit of the Company's books and records using a test year consisting of the 12-months ending December 31, 2009 as the period to base the revenue requirement calculation. All revenues, expenses and rate base investment were reviewed through this period and certain material revenue and expenses were trued up through the period ending June 30, 2010.

Staff provided the Company and OPC its initial recommendations of the revenue increase for the resolution of the Company's request and Staff's EMS run. The work papers supporting the revenue requirement calculation were also provided to the Company and the OPC with the results of its investigation regarding the proposed rate increase;

- (4) Within ninety (90) days of the effective date of an order approving this Unanimous Partial Disposition Agreement, the Company shall implement the following recommendations from the Auditing Department:
 - a. The Company shall keep a detailed list of invoices for future purchases within the Uniform System of Accounts ("USOA") including, but not limited to, the accounts Laboratory Equipment and Tools and Shop Equipment;
 - b. The Company shall maintain its financial and accounting records using the USOA guidelines for a Class A Sewer Company for its revenues, expenses and investment costs;
- (5) Within ninety (90) days of the effective date of an order approving this Unanimous Partial Disposition Agreement, the Company shall implement the following recommendations contained in the Engineering & Management Services Department ("EMSD") Report, except any recommendation associated with time sheets or any other contested items. The EMSD Report is attached hereto as Attachment B and incorporated by reference herein. These recommendations include the following:
 - a. The Company shall display the Company's logo on the Company's

vehicle;

(6) Within ninety (90) days of the effective date of an order approving this Unanimous Partial Disposition Agreement, the Company shall implement the following recommendations from Depreciation Staff associated with EMSD:

- a. The Company shall adjust the Company's general ledger to reflect the plant and reserve account balances shown in the Staff EMS exhibit, attached hereto as Attachment A and incorporated by reference herein;
- b. The Company shall adjust the Contributions in Aid of Construction ("CIAC") and the amortized CIAC account balances shown in the Staff EMS exhibit, attached hereto as Attachment A and incorporated by reference herein;
- c. The Company shall implement a work order system to track material cost, labor cost, overhead cost, and record cost of removal and gross salvage for all new, replaced or retired plant; and
- d. The Company shall follow National Association of Regulatory Utility Commissioners' ("NARUC") USOA guidelines for the recording of cost of removal and gross salvage in the Company ledger as adjustments to plant and reserves;

(7) Within six (6) months of the effective date of an order approving this Unanimous Partial Disposition Agreement, the Company shall implement the following recommendations from Depreciation Staff associated with EMSD:

- a. The Company shall estimate the original installed cost of the Johnson Ridge and Oakbrook collection and treatment facilities which were installed by a developer and transferred (donated) to the Company as contributed plant, and to provide these estimates to Depreciation Staff. This contributed plant relating to the collection and treatment facilities is to be included in plant in service and would be treated as a contribution in aid of construction an offset (reduction) to rate base;

(8) Staff and/or OPC may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Unanimous Partial Disposition Agreement;

(9) Staff and/or OPC may file a formal complaint against the Company, if the Company does not comply with the provisions of this Unanimous Partial Disposition Agreement;

(10) The Company agrees that it has read the foregoing Unanimous Partial Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's knowledge and belief; that the foregoing conditions accurately reflect the partial agreement reached between the Company, OPC and Staff; and that the Company freely and voluntarily enters into this partial agreement; and

(11) The above partial agreements satisfactorily resolve all issues identified and addressed in the above paragraphs by Staff, OPC and the Company regarding the Company's Request.

ITEMS TO BE RESOLVED THROUGH THE CONTESTED CASE PROCESS

Staff, OPC and the Company hereby state that other items and issues have not been resolved and request that those issues be addressed through the contested case process. Pursuant to any procedural schedule related to the contested matters, the parties will provide a list of issues to the Commission. A reconciliation of the differences between the parties will be developed and provided to the Commission prior to the hearings.


ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Unanimous Partial Disposition Agreement reflect compromises between Staff, OPC and the Company. The Company and OPC also acknowledge that the Staff will be filing this Unanimous Partial Disposition Agreement and the attachments hereto. The Company and OPC also acknowledges that Staff may make other filings in this case.

Additionally, the Company and OPC agree that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Partial 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 Unanimous Partial 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.

SIGNATURES


Agreement Signed and Dated:



Derek Sherry
President and General Manager
Timber Creek Sewer Company

10-7-2010

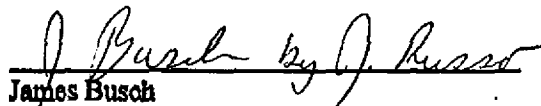
Date



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

10-7-10

Date



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

10/7/10

Date

List of Attachments

Attachment A - Schedule of Depreciation Rates

Attachment B - EMSD Report

Agreement Attachment A

Schedule of Depreciation Rates

TIMBER CREEK SEWER COMPANY

Schedule F - DEPRECIATION RATES

(SEWER Class B)

SR-2010-0320

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
COLLECTION PLANT				
351	Structures & Improvements	4.0%	25	
352.1	Collection Sewers (Force)	2.0%	50	
352.2	Collection Sewers (Gravity)	2.0%	50	
353	Services	2.0%	50	
354	Flow Measurement Devices	3.3%	30	
PUMPING PLANT				
361	Structures & Improvements	4.0%	25	
362	Receiving Wells	4.0%	25	
363	Electric Pumping Equipment	10.0%	10	
TREATMENT & DISPOSAL PLANT				
371	Structures & Improvements	3.3%	30	
372	Treatment & Disposal Facilities	5.0%	20	
372.1	Oxidation Lagoons or Septic tank	4.0%	25	
373	Plant Sewers	2.5%	40	
374	Outfall Sewer Lines	2.0%	50	
GENERAL PLANT				
390	Structures & Improvements	2.5%	40	
391	Office Furniture & Equipment	3.3%	30	
391.1	Office Electronic & Computer Equip.	14.3%	7	
392	Transportation Equipment	13.0%	7	9%
393	Stores Equipment	4.0%	25	
394	Tools, Shop, and Garage Equipment	5.0%	20	
395	Laboratory Equipment	5.0%	20	
396	Power Operated Equipment	6.7%	13	13%
397	Communication Equipment	6.7%	15	
399.1	OSHA Required Safety Equipment	20.0%	5	

Agreement Attachment B

EMSD Implementation Review

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Small Company Rate Increase Request

Timber Creek Sewer Co., Inc.

Case No. SR-2010-0320

Engineering & Management Services Department

Nila Hagemeyer

On June 15, 2010, the Engineering & Management Services Department (EMSD) staff initiated a review of the customer service processes, procedures, and practices at Timber Creek Sewer Co., Inc. (Timber Creek or Company). Timber Creek filed a small company rate increase request in the amount of \$63,500 on May 10, 2010, and it was designated Case No. SR-2010-0320. EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint and inquiry records, and other documentation provided by the Company in relation to its customer service operations.

Through its audit, EMSD staff is making two recommendations to the Company:

- 1) Develop and maintain daily time sheets to record work assignments and the time spent working on each project.
- 2) Display the Company logo on Timber Creek's truck.

Information regarding EMSD staff's two recommendations will be explained in greater detail in the Findings, Conclusions, and Recommendations section of this report.

The purpose of 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 reliable utility service at just, reasonable, and affordable rates, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of this review were to document and analyze the management control processes, procedures, and practices used by the Company to ensure that its customers' service needs are met, and to make recommendations where appropriate, by which the Company may improve the quality of service provided to its customers. The

findings of this review will also provide the Commission with information regarding the Company's customer service operations.

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

- Administrative
- Customer Billing
- Credit and Collections
- Complaint and Inquiry Handling and Recording
- Customer Communications
- Security Issues
- Record Storage

The EMSD staff's prior customer service and business operations review, performed in conjunction with Timber Creek's 2007 small company rate increase request, Case No. SR-2008-0080, noted two findings and recommendations:

1. *Applications for Service. Require all customers to sign and date an application for service prior to providing sewer service after the effective date of Timber Creek's revised tariff making Rule 2.A. consistent with Rule 4.A.1.*
2. *Security Issues. Post a sign on the intercom pedestal in front of the security gate to inform customers that access to office personnel is available.*

Timber Creek has taken action on both recommendations. The Company instituted a process in September 2007, whereby applications for service would be required prior to providing service. The Company installed a sign above the intercom pedestal in September 2007 informing customers to "Please push white button for service during business hours." The EMSD staff deems Company's responses to these two recommendations adequate.

This report contains the results of the EMSD staff's review in conjunction with the small sewer rate increase request.

Overview of the Company

Timber Creek provides sewer service to approximately 1,525 single-family residential customers, including contractors for homes currently nearing completion. The Company also provides sewer service to one wholesale account in Platte City. The

wholesale account includes a subdivision of 78 multi-family dwellings (comprising 366 units) and two strip malls containing the Y, a community center, public library, medical clinic, bank, daycare, hardware store, and two restaurants. The following table shows the Company's growth in customers from 2000 to the present. Although growth has slowed in recent years, most likely due to the downturn in the economy, it continues to trend upward.

Customer Levels		
Year	Customers	% Increase
2000	268	
2001	328	22%
2002	548	67%
2003	637	16%
2004	765	20%
2005	930	22%
2006	1,192	28%
2007	1,312	10%
2008	1,430	9%
2009	1,495	5%
2010YTD	1,525	

Source: Timber Creek Annual Reports and Company Data

The Company projects that another 50-60 new homes will be added to its service areas during the remainder of 2010.

Timber Creek began operations in 1990 with a wastewater treatment plant for the Timber Creek Subdivision located east of Platte City, Missouri. The plant was subsequently expanded to also service the Summerset Subdivision.

In 1995, the Timber Park treatment plant was built to service new developments south of Platte City. As expansion of existing subdivisions and new developments continued, the Timber Park treatment plant was taken off-line and replaced in March 2003 by the Prairie Creek treatment plant. One of the subdivisions served by the expanded Prairie Creek treatment plant, Seven Bridges, contains multiple developments consisting of 1,700 lots, but at the present time approximately 75 homes have been completed. All of these subdivisions are located in Platte County.

On January 5, 2006, the Commission granted authority to Timber Creek in Case No. SA-2005-0297 to construct, install, own, operate, control, manage and maintain a

sewer system in an unincorporated area of Clay County, known as Oakbrook Subdivision.

On March 28, 2006, the Commission granted authority to Timber Creek in Case No. SA-2005-0467 to construct, install, own, operate, control, manage and maintain a sewer system in another unincorporated area of Clay County, known as Johnson Ridge Subdivision. Company management stated that the Johnson Ridge and Oakbrook treatment plants in Clay County have been designed to fully service their respective subdivisions. Although growth may have slowed due to the economy, Timber Creek continues to expand its service territory.

On April 21, 2010, the Commission granted Timber Creek a certificate of convenience and necessity (CCN) in Case No. SA-2010-0063 to provide sewer service to an entire watershed area located ½ mile east of I-29 at 92 Highway. According to Company management, this unincorporated service area consists of a 2,900-acre parcel of land located east and just south of Platte City that wraps around the current Timber Creek and Summerset Subdivisions and two other tracts of land located north of Platte City. Company management indicated that it eventually plans to replace the current Timber Creek plant with a new treatment plant that will have the capacity to service the Timber Creek and Summerset Subdivisions, as well as both of these new areas.

As the Company's service area continues to expand, management is taking steps to electronically track assets. The General Manager has downloaded from the Internet, an Asset Management System and is tailoring it to the Company's specific needs. As of June 2010, he has input approximately 90% of the Company's inventory into the system. This will enable the Company to establish and track the history of each asset, maintain vendor and contact information, and facilitate budgeting.

The Asset Management System is also being used as a work order system to schedule customer service calls, as well as, routine maintenance and grinder pump maintenance. The Company can add attachments to the system, including photos of its equipment, as well as repair instructions downloaded from the Internet. This particular Asset Management System is Web-based, enabling the Company to take the information into the field via laptop computer. Employees access the Asset Management System

through their individual password, and each employee has been assigned a certain level of "change" access to modify information in the system.

Company management stated that in the short-term, it will continue the process of implementing a computer program to track building sewer connection permits and tie it into the work flow of the Asset Management System. Residential builders purchase sewer permits at \$100 each, which includes the permit and service sewer inspection. A mechanism to track permits will enable Timber Creek to more efficiently plan for scheduling future inspections. Timber Creek re-inspects the customer-owned service sewer connection to the Company's collecting sewer to ensure it is correct in its entirety. If a manhole is present, more than one re-inspection may be required at certain phases in the construction process. After the Company performs the final inspection, it may begin charging either the builder or the new homeowner for sewer service.

The Company will also continue to perform routine infrastructure maintenance, such as cleaning lines, and repairing and replacing grinder pumps. Company personnel have recently been installing the E1 grinder pumps, as they have found them to be more reliable than some of the earlier models that were used.

Timber Creek has utilized the Manifold GIs software to map approximately 50% of their 31 miles of sewer pipe. The project will be ongoing until completed.

Activities associated with overall Company management are performed by the General Manager. The Operations Manager and Plant and Collections System Operator perform outside plant activities. Outside plant activities include repairs to the infrastructure, inspection of pump stations, service sewer and manholes, overseeing work of plumbers, and general maintenance of outside plant facilities and property. Subcontractors, such as electricians, plumbers, backhoe operators, and mowers are used on an as-needed basis.

The Office Manager is responsible for business office functions. Business office functions include preparation of customer bills, collection of customer payments, maintenance of customer records, responding to customer inquiries and complaints, and preparation of customer correspondence.

Administrative

Office hours are Monday through Friday, 9 a.m. to 4 p.m., and customers may contact Timber Creek during those hours or leave a message on the answering machine. In the event of an emergency after business hours or on weekends, the office answering machine directs callers to cell phone numbers that are answered at all times by either the Operations Manager or the Plant and Collections System Operator on a rotating basis. Emergency numbers are also posted on Timber Creek's Web site.

The General Manager stated that all employees work full time and are considered "salaried." Employees are not compensated for overtime. Employees do not complete time sheets. Each employee has a written job description, and evaluations are performed each December.

The General Manager and Operations Manager set the training schedule. The Operations Manager holds a Class A Operator's License, and the Plant and Collections System Operator holds a Class B Operator's License. Both of these employees attend annual training to fulfill license requirements and have recently focused on sludge processing. The Operations Manager attends the OSHA class when it is offered locally. They also attend safety classes provided by DNR, One Call, and the Missouri Water and Wastewater Association. The Office Manager attended a class on QuickBooks, an accounting software, in June 2009.

Customer Billing

Contractors of new homes in Timber Creek's service area currently telephone the Office Manager to request a building sewer connection permit. The Office Manager completes an Application/Permit for Sewer Service Line Installation at the Company's office, noting the type of service required (service gravity or low pressure grinder pump), the subdivision and lot number, the permanent owner's name (if known), the contractor's name, and contractor's address and phone number. The permit also contains the dwelling type (residential, commercial, or industrial) and requests specific commercial use and square footage. Company management stated that contractors sign the application when the appropriate fees are paid. Platte County requires this signed application/permit with Timber Creek prior to issuing a contractor's building permit. This procedure serves as a

safeguard for Timber Creek, as a contractor cannot begin construction without a sewer permit.

Once the Operations Manager and/or Plant and Collections System Operator inspects service connections to the new homes, contractors are invoiced a monthly flat rate of \$34.74 in Platte County and \$26.97 in Clay County for each home in progress where service is provided. The Office Manager stated that contractors may be in the process of building several homes at a time and are billed for each of these homes on separate monthly invoices. When the contractor sells the home, the new homeowner is to notify Timber Creek to have service put in their name.

When new customers contact Timber Creek to request service, the Office Manager fills out a new service application for the customer's correct service location in either Platte or Clay County. She then informs the customer that she will be mailing a new service application and requests that the customer sign and return the application. When customers fail to return the application, the Office Manager telephones them to request the signed application. The application requests: date of closing, property owner's name, additional owners that the Company may talk to or a legal representative, address of property, mailing address if different from the property address, phone number, secondary number, and subdivision name. The service application also informs the customer of pertinent information such as the flat rate fee, date invoices are mailed, date when payment is due and the amount of the late fee that will be charged on past due accounts. It also informs the customer of the \$25 collection fee required for bills over 60 days old, extra charges for disconnection of service, and that direct withdrawal is an available method of payment.

Timber Creek does not currently charge a security deposit for providing sewer service. The Company charged deposits for 18 customers during a time period from January through October 2009, but decided that it did not want to be responsible for charging deposits, tracking them, and then refunding them with interest. The Company applied the past security deposits collected to outstanding customers' accounts, issued refunds, or credited customers' accounts. The deposits had been held anywhere from one month to six months. Deposits are not currently covered in Commission Rules 4 CSR 240, Chapters 60 or 61, nor are they mentioned in the Company's tariffs.

Timber Creek charges contractors a \$2,650 contribution in aid of construction (CIAC) fee for each new home constructed in Timber Creek's Platte County service area. New customers are charged a \$100 service connection fee and a \$50 re-inspection of service connection fee, if necessary. Residential customers in the Platte County service area are currently charged a flat monthly fee of \$34.74, while residential customers in Clay County are currently charged a flat monthly fee of \$26.97 for sewer service in advance of requiring the service. Customers with grinder pumps are charged an additional \$5.00 per month. A random check of customer accounts showed that customers are currently being billed the correct amounts in accordance with the Company's tariffs.

Platte City contracted with Timber Creek to continue to provide wholesale wastewater treatment to the area annexed by the City. The City bills these customers for wastewater treatment based on the number of gallons of water used (\$3.80 for the first 1,000 gallons of water used and \$3.30 for each 1,000 gallons of water used thereafter). The City then pays Timber Creek \$2.00 based on every 1,000 gallons of water used. Timber Creek installed a flow monitoring device in January 2010 to record the amount of water flowing into the treatment plant and began billing according to actual water flow. Platte City's Finance Officer stated the amount generally paid to Timber Creek has increased significantly, from a monthly average of approximately \$3,000 to around \$5,000, since installation of the flow meter.

Timber Creek utilizes a billing software package, Thoroughbred Utility Manager XP+. The first billing using the new system was generated on December 28, 2004. Personnel from Thoroughbred trained the Office Manager and granted her certification in its program. Certification allowed the Office Manager to obtain technical support free of charge for five years. The Office Manager stated that Thoroughbred's billing package has been a quality tool for efficient billing, as well as tracking customer account information and payment histories.

The Thoroughbred software package has numerous search capabilities, such as searching the number of accounts by subdivision and accounts that are in arrears by a specified number of days, enabling the Company to compile various management reports. The Office Manager stated that she has offered suggestions as to new items and

capabilities that she would like to see in the new version of Thoroughbred scheduled for release during Summer 2010. To date, Thoroughbred has continued to provide free technical support to Timber Creek. Once Timber Creek purchases the upgrade, the Office Manager will be guaranteed an additional five years of free technical support.

Timber Creek mails the postcard customer bills on the 28th day of each month (or the 27th of each month when the 28th falls on a weekend). Timber Creek bills residential customers one month ahead and the wholesale account one month behind due to measuring the flow. These billing dates are in agreement with the Company's tariffs. Payments are due upon receipt and are considered delinquent after the 21st day of the following month.

Each left-hand side of the perforated bills contain the Company's name, address, telephone number, statement date, service month, "Amount NOW DUE", and "Amt Due After month/21st/year." The bill also contains individual lines for any previous balance, flat rate charge, service call, grinder pump fee, collection fee, disconnect fee, and taxes owed. In addition, special messages can be programmed into the software to print on each bill, such as "Visit us at: timbercreeksewerco.com". The right-hand side of the perforated bill asks the customer to return this stub with payment and lists the amount now due, the amount due after month/21st/year, the service address, and customer name and mailing address. The Thoroughbred software also barcodes each address to aid in the bulk mailing process. Before mailing the bills, the Office Manager performs a random check to ensure that they have been correctly printed.

Credit and Collections

The Office Manager informs customers of payment options when they request service from Timber Creek. She also directs customers to Timber Creek's Web site for detailed payment option information.

Payment options for Timber Creek customers include paying by mail, in person at the office, by credit card through PayPal (PayPal charges customers 2.9% of their total payment as a convenience fee), or by direct withdrawal through automatic clearing house (ACH). The average monthly payments per option from 2008 through 2010 year-to-date (YTD) are shown in the following chart:

Payment Option	Avg. Monthly Payments Per Option for 2008	Avg. Monthly Payments Per Option for 2009	Avg. Monthly Payments Per Option for 2010 YTD
Mail	1,190	1,197	1,193
Walk-ins	25	25	25
Credit Card	0	23	35
Direct Withdrawal (ACH)	215	250	272
Total Average Payments	1,430	1,495	1,525

Source: Timber Creek response to EMSD staff information request and EMSD staff calculations

The above chart shows that the average number of customers paying by credit card and direct withdrawal are trending upward. Timber Creek began offering its customers the credit card payment option in February 2009. Customers paying by mail or walk-in may pay by check, cash, money order, or cashier's check. Payments are due on the 21st of each month and considered delinquent on the 22nd day of each month.

In order to process monthly payments from those customers registered for direct withdrawal, the Office Manager runs an ACH program through the Thoroughbred system. She compiles customer account information, bank routing numbers, and the amount to be billed, and electronically uploads it directly to the Platte Valley Bank. She then completes a transmittal registry and faxes it to the Platte Valley Bank. For security purposes, the bank telephones the Office Manager to confirm the dollar amount and settlement date (date the payments are taken from customer accounts). Payments are generally deducted from customers' accounts on the 2nd through the 5th of each month. There is no fee to Timber Creek or the customers for this service.

Payments are posted daily to customer accounts in Thoroughbred Utility Manager XP+, enabling the Office Manager to determine the total amount of arrearages for all accounts on any given day. After posting the payment to each customer's account, the Office Manager verifies the information. Bank deposits are made daily unless Timber Creek only receives three or four payments in one day. The Office Manager locks those payments in the safe, and they are deposited with the next day's receipts.

Timber Creek has maintained a "bad check log," as well as a memo in the QuickBooks accounting software. A report can be produced at any time from QuickBooks noting the number of insufficient funds checks that Timber Creek has

received, as well as the customer name, address, and when/if the check was actually paid. Keeping both the bad check log, as well as noting insufficient funds data in QuickBooks appeared to the Office Manager to be a duplication of efforts; thus, the Company will suspend maintaining the bad check log. Since January 2008, the Company received the following number of insufficient funds checks:

Insufficient Funds Checks	
Year	Number of Checks
2008	18
2009	12
Jan. to June 2010	4

Source: Data Provided by Company

The above chart shows that insufficient funds checks submitted to Timber Creek are trending downward. When Timber Creek receives notification from the bank that a check has been returned for insufficient funds, the Office Manager logs the check and telephones the customer to request payment. If the customer settles the account on that day, Timber Creek does not charge a fee. However, if the customer does not make payment on that day, a \$30 fee is assessed. The Office Manager then mails a certified letter, notifying the customer that their check has been returned for insufficient funds and requesting immediate payment. If necessary, the insufficient funds check is turned over to the Prosecuting Attorney's office for collection.

As mentioned earlier, payments are due on receipt and become delinquent after the 21st of the following month. After the 21st of the month, a 10% late fee is assessed on any balance owed over \$15.00. A postcard reminder is mailed, notifying the customer that the current charge to their account is now past due and service is subject to discontinuance on a certain date (after 30 days). Although the Company's tariffs allow the 10% late fee to be charged for all past due accounts, the Company has determined that it is not cost effective to process and mail reminders and notices to those customers owing less than \$15.00. Timber Creek does not collect payments in the field. A sample timeline detailing Timber Creek's processes for customers with delinquent accounts is shown in the following chart:

Timeline for Delinquent Account Process	
Date	Company Action Taken
May 28	Timber Creek mails customer bills.
June 21	Customer payments due.
June 22	Customer bills delinquent. 10% late fee assessed to accounts over \$15.00. Postcard reminder notice mailed.
June 28	Bills mailed for the next month's service. Bills denote the previous balance, along with the late fee.
July 21	Delinquent account letter sent by certified mail to customer.
August 4	\$25 collection fee added. Door hanger placed on customer's door. Service termination letter sent by certified mail to customer.
August 18-21	Customer has been given another 2 to 2 ½ weeks to pay delinquent bill.
Following Monday, i.e., August 23	Final notice door hanger placed on customer's door.
Wednesday, i.e., August 25	\$100 disconnect fee added (cost to disconnect and reconnect water service, as performed per contract with PWSD#4). Contact made after 3:00 p.m. with PWSD#4 to terminate water service the following day.
Thursday, beginning at 9 a.m., i.e., August 26	Termination of water service per contract with PWSD#4.

Source: Data Provided by Company

As shown in the above timeline, customers have approximately 90 days from rendition of the bill until their service is actually terminated via PWSD#4 disconnecting the water service. By the time of service termination, the customer has had at least six notices in various forms. Because Timber Creek has been aggressive in collection efforts and also contracts to have the water service terminated, they do not currently utilize the services of a collection agency.

Per agreement with PWSD#4, once Timber Creek submits the "cut order" to PWSD#4 (the day prior to termination), the customer is responsible for the \$100 termination fee charged by PWSD#4 and passed directly on to the customer. An employee of Timber Creek accompanies PWSD#4 to the customer's residence to terminate water service. The Office Manager stated that service was disconnected to 11

customers during 2009 and to 1 customer as of June 15, 2010. Disconnects of water service have all been made by PWSD#4 of Platte County. To date, Timber Creek has not had to employ the services of PWSD#6 or PWSD#9 to disconnect water service to customers in Clay County.

After the customer pays the entire bill, including the 10% late fee, the \$25 collection fee, and the \$100 disconnect/reconnect fee, the Office Manager informs PWSD#4 that service can be reconnected. It may take PWSD#4 anywhere from 15 minutes to 4 hours to reconnect water service, depending on workload.

Timber Creek has written off the following uncollectible accounts since 2007:

Write-offs of Uncollectibles	
Year	Amount
2007	\$104.67
2008	\$526.80
2009	\$789.95

Source: Timber Creek Annual Reports to the PSC

The above chart shows that write-offs have trended upward over the past three years. The Company explained that this may be due to the downturn in economy, customers' job losses, and customers moving from the area without paying their bills.

Timber Creek showed the following account balances in arrears as of May 31, 2010:

30-60-90 Day Arrearages		
Days	# of Accounts	Amounts
30 days	90	\$3,599.99
60 days	22	\$1,019.83
90 days	6	\$2,953.95
Total		\$7,573.77

Source: Data Provided by the Company

The Office Manager noted that the arrearages shown in the above chart include any type of balance, even those less than \$1.00. Of the six accounts that are 90 days past due, five are foreclosures and one is in bankruptcy. The Company has placed liens on all six properties. Personnel from Timber Creek monitor local newspapers, *Platte County Citizen*, *The Landmark*, and *Weston Chronicle*, for foreclosures or bankruptcies. Due to actively monitoring the newspapers, Timber Creek has been successful in having the banks collect on some accounts that were past due.

The number of delinquent accounts had risen to a peak of approximately 200 during the summer of 2009. In an attempt to turn the tide of rising delinquencies, Timber Creek analyzed the delinquent accounts and changed its collection policy as allowed by its tariffs. Timber Creek now requires the property owners to be charged for sewer service, rather than tenants. Property owners were informed of this decision by letter in September 2009. As a result of this policy change, delinquent accounts have decreased by approximately 25%, thereby also decreasing required collection efforts.

Timber Creek stated it is unaware of any problems with unauthorized service connection to its collecting sewer. The Operations Manager or Plant and Collections System Operator inspect the systems daily and monitor the subdivisions for construction activities.

Complaint and Inquiry Handling and Recording

Customers are able to contact the business office during working hours (Monday through Friday from 9 a.m. to 4 p.m.). Timber Creek's telephone number is printed on customer bills, and the Web site lists the office telephone number, as well as emergency contact numbers for the Operations Manager and the Plant and Collections System Operator. After business hours, Timber Creek's answering machine also provides the same emergency telephone numbers. The Operations Manager and the Plant and Collections System Operator rotate emergency on-call duties 24/7.

The Office Manager initially responds to customer inquiries and complaints. If callers need further assistance, they may be referred to the Operations Manager, the Plant and Collections System Operator, or the General Manager. The Office Manager makes notations of inquiries, concerns, or complaints to the memo page of the customer's individual account in the Thoroughbred account system. The Company also maintains work orders within the Thoroughbred system, as well as on the Asset Management System, in response to customer complaints. The Company plans to eventually transfer all of the work orders to the Asset Management System. The complaints or requests for service can be printed at any time. In addition, the Office Manager maintains a folder of the actual forms filled out when customers call with complaints or inquiries.

A review of the "Consumer Quality" database in the Commission's electronic filing and information system (EFIS) revealed that there have been no informal complaints since January 1, 2007, entered into the system regarding the Company. To date, Timber Creek customers have made 20 public comments within EFIS regarding the proposed rate increase. The Company is reviewing the public comments.

Customer Communications

Timber Creek has not held a public meeting. On occasion, the General Manager attends meetings with the Platte City Board of Aldermen (City Council) to keep abreast of issues concerning Platte City and to answer questions posed by City officials or the public. Prior to filing the rate increase request, the General Manager met with five Homeowners' Associations within Timber Creek's service area to discuss the need for an increase.

The Office Manager stated that communication to customers is typically by mail. The recent rate increase messages were communicated to customers through a printed letter, and customers utilizing grinder pumps are mailed educational letters in May and November each year. Other than the customer calls made to the Company's office, no indication of the customers' satisfaction level with their service has been determined.

Security Issues

Timber Creek's employees wear shirts displaying the Company logo and carry business cards identifying them as employees of Timber Creek; however, no Company logo is displayed on Timber Creek's Ford F-250 truck. As a safety precaution, the Company notifies customers by telephone prior to beginning any maintenance or repairs. In the event of a line break, the Company informs impacted customers by telephone. Before performing any work in a customer's yard, employees knock on the door to inform customers of the procedure. Company management stated that customers have expressed appreciation for the notifications.

Timber Creek's office is situated in a secluded rural area with woods surrounding it. A security gate is available, but rarely used, since the General Manager and Office

Manager are both generally at the Company's office. An alarm system and video surveillance were installed in 2006.

The Company uses Mission telemetry to monitor the pump station, which is locked. In the event the level of the pump station is high, the alarm rings a series of telephone numbers to the office, Operations Manager, Plant and Collections System Operator, General Manager, and President until it is answered. Treatment plants all have security fencing. Company management also stated that neighbors of the treatment plants have been very good about alerting the Company to any perceived problems.

Record Storage

The Office Manager runs a daily back-up of computerized customer account records. The disk containing customer accounts, as well as official Company documents, applications for service, and personnel records are stored in a fireproof safe at the Company's office. When the Company needed a larger safe for the office, they moved the smaller safe to the shop near the Prairie Creek treatment plant located down the hill from the office. A second backup set of customer account records is kept in the shop safe. In the event of a disaster, Timber Creek would have a set of customer account records in two locations.

Findings, Conclusions and Recommendations

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

- Administrative - Time Sheets
- Security Issue

Administrative – Time Sheets

Timber Creek employees do not currently complete time sheets. The General Manager stated that employees are salaried and considered exempt from overtime; thus, time worked is not being recorded.

Maintaining accurate time records can serve and support several purposes, such as planning, budgeting, and human resources.

- Time records assist in tracking the amount of time employees expend on all projects, enabling the General Manager to more accurately schedule required work to increase operational efficiencies.
- One of a Company's largest expenditures is the human resource function. Time sheets create a record, serving as visual feedback to the General Manager and the employees of the work and projects they have accomplished. Time records can also be a useful tool to demonstrate that expected job duties are being completed.
- Time reporting assists in projecting required staffing levels and can alert management to the number of hours being worked, including overtime hours. Time reporting can provide justification for adding needed staff by documenting the amount of work performed in a given number of staff hours.
- Data contained in the time records should be linked to accounting records and provide the necessary support for financial reporting and allocation of costs. Employee time records are useful in the regulatory process to support the pay and benefits that regulated utilities will receive in customer rates.

For all of the above reasons, it is vital that Timber Creek institute and maintain time sheets to record the various work assignments and the time spent working on each project.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and maintain daily time sheets to record work assignments and the time spent working on each project.

Security Issue

The Company vehicle does not display identification indicating it is a vehicle used by Timber Creek. A sign that displays the Company logo and is large enough to be seen from a distance, could be placed on the side of Timber Creek's truck to enable Company customers, as well as law enforcement personnel, to identify the white truck as belonging to the Company. A magnetic sign or vinyl lettering attached to the side of the Company truck would be inexpensive options to accomplish this purpose.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Display the Company logo on Timber Creek's truck.