

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Rate Design/
Collection of Bad Debt
Russo/Direct
Public Counsel
SR-2016-0202

DIRECT TESTIMONY

OF

JAMES RUSSO

Submitted on Behalf of the Office of the Public Counsel

**RACCOON CREEK UTILITY
OPERATING COMPANY INC.**

CASE NO. SR-2016-0202

September 30, 2016

In the Matter of the Application)
of a Rate Increase for Raccoon Creek) Case No. SR-2016-0202
Utility Operating Company Inc.)

STATE OF MISSOURI)
) ss
COUNTY OF MORGAN)


James M. Russo
Consultant

Willa Porter

TABLE OF CONTENTS

Testimony	Page
Background of Witness	1
Introduction	2
Rate Design Overview	3
Rate Design Sewer Operations	4
Collection of Bad Debt	9

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22

JAMES M. RUSSO

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

CASE NO. SR-2016-0202

A. James M. Russo, 2215 Minnow Branch Road, Stover, Missouri 65102.

A. I am self-employed as a consultant and retained by the Office of Public Counsel (“OPC”) to assist with expert witness matters on small water and sewer cases

Q. Please describe your educational background and other qualifications.

A. I graduated from California State University-Fresno where I received a BS in Accounting. Local elected officials in county government employed me in various capacities: I was the Assistant Treasurer-Tax Collector for San Joaquin and El Dorado Counties in California. My responsibilities included all financial dealings of the county governments and all accounting activities of the Treasurer-Tax Collector office. In addition, I was the Supervising Accountant Auditor in El Dorado County for two years. My division was responsible for internal audits of all county agencies, special districts, and external franchise/lease agreements. I also was a member of the Missouri Public Service Commission Staff ("Staff") for several years.

1 **Q. What were the natures of your duties when employed as a member of**
2 **Staff?**

3 A. From April 1997 to December 2001, I worked in its Accounting
4 Department where my duties consisted of directing and assisting with various audits as
5 well as examinations of the books and records of public utilities operating within the
6 State of Missouri under the jurisdiction of the Public Service Commission
7 (“Commission”). From December 2001 to August 2003, I was a Regulatory Auditor IV
8 in the Energy Tariffs/Rate Design Department where my duties consisted of reviewing
9 purchased gas adjustment filings, tariffs, assisting on formal gas rate cases, and making
10 recommendations to the Commission based upon the results of these reviews. On
11 August 16 of 2003, I became the Rate and Tariff Examination Supervisor in the Water &
12 Sewer Unit where my duties consisted of reviewing tariffs, preparing and analyzing cost
13 of service and rate design, and performing accounting functions. I held this position until
14 my retirement from the Commission Staff on December 31, 2015.

15 **Q. Have you previously filed testimony before this Commission?**

16 A. Yes. A list of cases in which I have filed testimony before this
17 Commission is attached as Schedule 1 to my direct testimony.

18 **INTRODUCTION**

19 **Q. With reference to Case No. SR-2016-0202, have you made an**
20 **examination and study of the material filed by Racoon Creek Utility Operating**
21 **Company, Inc. (“Racoon Creek” or “Company”) relating to its proposed increase**
22 **in sewer rates?**

23 A. Yes, I have.

1 **Q. With reference to case number SR-2016-0202; have you made an**
2 **examination and study of the *Partial Disposition Agreement and Request for***
3 ***Evidentiary Hearing* filing by Staff on August 30, 2016?**

4 A. Yes I have.

5 **Q. With reference to case number SR-2016-0202; have you made an**
6 **examination of the Data Requests, work papers and documents provided to the**
7 **OPC by Staff and the Company?**

8 A. Yes I have.

9 **Q. What is the purpose of your direct testimony?**

10 A. The purpose of my direct testimony is to provide OPC's position relating
11 to: sewer operations rate design and the collection of bad debt.

12 **RATE DESIGN OVERVIEW**

13 **Q. Where are the locations of the sewer plants of Raccoon Creek?**

14 A. Raccoon Creek consists of three separate sewer plants: (1) The Villages
15 located near Whiteman Air Force Base in Johnson County, (2) WPC, and (3) West 16th
16 Street subdivisions, both of which are located in the city of Sedalia in Pettis County.

17 **Q. How many sewer customers does Raccoon Creek serve in each of the**
18 **three operational areas?**

19 A. Raccoon Creek serves approximately 262 sewer customers. The Villages
20 consists of 228 single-family homes and duplexes as well as 34 apartments. The
21 Company also serves approximately 86 residential sewer customers in WPC and 173
22 residential sewer customers in West 16th.

23 **Q. Did you perform a Class Cost of Service ("CCOS") Study?**

1 A. No.

2 **Q. What did you use to develop rates for sewer service as an alternative**
3 **to a CCOS?**

4 A. I used a cost of service developed by OPC for the sewer operations of the
5 Company.

6 **Q. What documents did you use in the development of your general Cost**
7 **of Service for your proposed rate design for water and sewer service?**

8 A. I used accounting schedules attached to the Direct Testimony of OPC
9 witness Keri Roth.

10 **Q. Did you prepare rate design worksheets for the Company's sewer**
11 **operations?**

12 A. Yes. I prepared rate design worksheets for each of the Company's
13 operational areas and my proposed alternate rate design for Sedalia to which I will
14 explain in more detail later in my testimony. The following are attached to my Direct
15 Testimony: Schedule 2 Ratemaking Income Statement, Schedule 3 Revenue
16 Annualization at Current Rates Worksheet, Schedule 4 Development of Tariffed Rates
17 Worksheet, Schedule 5 Revenue Annualizations at Proposed Rates Worksheet, and
18 Schedule 6 Billing Comparison Worksheet.

19 **RATE DESIGN SEWER OPERATIONS**

20 **Q. What is the current sewer rate design for the Company's sewer**
21 **operations?**

22 A. The current sewer rate design for Raccoon Creek is a separate flat monthly
23 charge for each of the three operational areas.

1 **Q. Are you proposing any changes to the current rate design for the**
2 **Company's operational areas?**

3 A. No. I am proposing the current rate design by operational area be
4 continued. I am also offering to the Commission an alternate rate design proposal for the
5 WPC and West 16th operational areas. My proposed rate design and alternative rate
6 design are discussed later in my testimony.

7 **Q. What are the Company's current sewer customer classes?**

8 A. The current sewer customer class for the Villages is a single family home
9 or duplex customer class. The current sewer customer class for WPC and West 16th is a
10 single family residence customer class.

11 **Q. Are you proposing any changes to the Company's existing sewer**
12 **customer classes?**

13 A. Yes. I am proposing a residential customer class and an apartment
14 customer class for the sewer customers residing in the Villages operational area.

15 **Q. Why are you proposing an Apartment customer class for the Villages**
16 **operational area?**

17 A. I performed an analysis of the water usage characteristics of the
18 Company's customers in the Villages operational area. The analysis consisted of
19 reviewing the water usage of the single family homes and duplexes that would make up
20 the residential customer class and the usage characteristics of apartment customers that
21 would make up the apartment customer class. The results of this analysis clearly showed
22 that apartment customers use considerably less water than the single family homes and
23 duplex customers in the Villages operation area.

1 **Q. Does Raccoon Creek provide water service to their customers in the**
2 **Villages operational area?**

3 A. No. Water service to the Villages operational area is provided by Johnson
4 County Public Water Supply District #3 (“Water District”). I contacted the Water District
5 and was allowed to review its water usage data for the Villages operational area.

6 **Q. What type of data did you use in your analysis of usage characteristics**
7 **for the Villages sewer customers?**

8 A. I reviewed the 2016 water usage data for the Villages sewer customers for
9 the months of January, February, and March.

10 **Q. Why did you choose the months of January, February and March?**

11 A. Outside water usage tends to be low to non-existent during these months
12 for single family homes and duplexes. Typically, customers do not water lawns, gardens,
13 fill swimming pools, or use the outside hose to wash down items like patios and
14 driveways. Water usage in these three months for customers is almost exclusively tap to
15 drain.

16 **Q. Why is it important to review water usage when this is a sewer rate**
17 **case?**

18 A. It is important to know what impact different types of customers have on
19 the sewer plant and knowing how much water is going down the drain is an accurate
20 measurement of an individual customer’s impact. This analysis clearly shows that the
21 apartment customers use significantly less water that is going to the sewer plant. Less
22 flow to the sewer plant means the apartment customers have a smaller impact on the daily

1 operations of the sewer plant and the associated costs related to the operation of the sewer
2 plant. The results of my analysis are in the box below:

Monthly Average Customer Water Usage Actual Gallons:

Month	Homes/Duplexes	Apartments	Apt. %
January 2016	4,018.7	2,360.7	58.7%
February 2016	3,922.8	1,920.0	48.9%
March 2016	3,787.9	2,390.3	63.1%

3
4 **Q. What is the customer equivalent factor you are proposing for the**
5 **sewer apartment customer class?**

6 A. I am proposing a customer equivalent factor of .8 for the new apartment
7 customer class.

8 **Q. How does the customer equivalent factor of .8 affect the actual**
9 **customer count?**

10 A. Using a customer equivalent factor of .8 for each apartment customer
11 changes the actual customer count of 262 to an equivalent customer count of 254.

12 **Q. How did you calculate the proposed monthly sewer customer charge**
13 **for the customers in the Villages operational area?**

14 A. I calculated the customer monthly sewer charge for the Villages
15 operational area by first determining the number of customer equivalents. The second
16 step was dividing the total cost of service by the number of customer equivalents and
17 dividing this result by 12, which is the number of billable months in a year. Customers in
18 the residential class were this resulting number and customers in the apartment class were

the resulting number multiplied by .8. The results of this calculation can be found on Schedule 4.

Q. How did you calculate the proposed monthly sewer customer charge for the customers in the WPC and West 16th operational areas?

A. I calculated the proposed monthly sewer charge for the WPC and West 16th operational areas by dividing the cost of service for each area by the number of customers in each area and then dividing this number by 12, which is the number of billable months in a year. The results of this calculation can be found on Schedule 4.

Q. What are the results of your proposed rate design for the sewer operations of Raccoon Creek?

A. The results of my proposed rate design for the sewer operations of Raccoon Creek are in the box below:

Monthly Customer Charge Comparison Current Rates to Proposed Rates:

	Current Rates	Proposed Rates
Villages Residential Class	\$23.48	\$63.20
Villages Apartment Class	\$23.48	\$50.56
WPC	\$38.12	\$106.39
West 16 th	\$26.42	\$67.55

Q. Are you offering an alternative rate design for the sewer operations of Raccoon Creek?

1 A. Yes. I am offering for the Commission's consideration a single rate for
2 the Company's customers residing in Pettis County as an alternative to the current
3 operational area specific rates.

4 **Q. What are the results of your alternate rate design proposal?**

5 A. The results of my proposed alternate rate design for the sewer operations
6 of Raccoon Creek are in the box below:

Monthly Customer Charge Comparison Current Rates to Proposed Rates:

	Current	Proposed
	Rates	Rates
Villages Residential Class	\$23.48	\$63.20
Villages Apartment Class	\$23.48	\$50.56
WPC/West 16 th Combined		
WPC	\$38.12	\$80.45
West 16 th	\$26.42	\$80.45

7
8 **COLLECTION OF BAD DEBT**

9 **Q. Did you review the amount of bad debt on the Company's books?**

10 A. Yes. I reviewed the amount of bad debt listed by Staff on pages 4 and 5 of
11 *Staff's Auditing Department Recommendation Memorandum*, which is Attachment A in
12 the *Partial Disposition Agreement* filed by Staff on August 30, 2016. The amount of bad
13 debt on the Company's books as of December 31, 2015, was a total of \$3,172. The
14 amount of this bad debt can be broken down by operational area as follows: WPC \$381,
15 the Villages \$2,173 and West 16th \$618. The amount of bad debt for each operational

1 area as a percentage to total revenues collected is as follows: WPC 0.95%, the Villages
2 2.94% and West 16th 1.1%.

3 **Q. Do you have an opinion on why the bad debt expense is considerably**
4 **higher in the Villages operational area?**

5 A. Yes. The customers in the Villages are highly transient due to the amount
6 of military personnel among the residents. Generally speaking, a customer that leaves the
7 area has little if any incentive to pay a bill for previous utility services received.

8 **Q. Have you reviewed the *Report of Customer Service and Business***
9 ***Operations Review* prepared by Staffs Consumer and Management Analysis Unit**
10 **(“CMAU”) which is Attachment C to the *Partial Disposition Agreement* filed by Staff**
11 **on August 30, 2016?**

12 A. Yes.

13 **Q. Have you reviewed CMAU’s recommendation related to customer**
14 **deposits which appears as item number 3 under the heading titled Resolution of the**
15 **Company’s Rate Increase Request located on page 2 of the *Company/Staff Partial***
16 ***Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request***
17 **which is included in the *Partial Disposition Agreement* filed by Staff on August 30,**
18 **2016?**

19 A, Yes.

20 **Q. Do you agree with this recommendation?**

21 A. Yes. This recommendation gives the Company one tool – requiring high-
22 risk residents to pay a deposit - to potentially reduce some future bad debt.

1 **Q. Do you believe the Company can dramatically reduce their bad debt**
2 **by utilizing Commission Rule 4 CSR 240-13.030?**

3 A. I believe Commission Rule 4 CSR 240-13.030 will assist the Company in
4 reducing bad debt but I do not believe it will have a dramatic impact on The Villages
5 customers as many will be ineligible to pay a deposit under these regulations. Sections
6 1(A) and 1(B) most likely do not apply to these customers as these customers are most
7 likely new customers to the utility with no previous utility history with the Company.
8 Section 1(C) will not apply if they do not have an established credit history as most of
9 these customers are employed and receiving a steady paycheck from the military.

10 **Q. Do you believe more can be done to reduce the Company's bad debt?**

11 A. Yes, the Company has several options including, but not limited to,
12 requesting forwarding address information from the US post office, talking to the
13 appropriate military officials at Whiteman Air Force Base to see if they can offer any
14 type of assistance in collecting past due accounts from personnel that have been
15 reassigned, and hiring a collection agency for assistance in collecting past due accounts. I
16 also think the personnel of the Company can develop policies to help collect bad debt
17 without relying heavily on an outside party.

18 **Q. What are some of the concerns OPC has with the level of bad debt**
19 **that is being incurred by Raccoon Creek?**

20 A. The primary concern is when bad debt is written off it is built into rates in
21 a subsequent rate case and other customers have to pay for it. Also a high bad debt rate
22 may have a negative effect on the Company's cash flow and impact its daily operations.

23 **Q. What is OPC's recommendation to the Company regarding bad debt?**

Direct Testimony of
James M. Russo

1 A. OPC recommends the Commission order the Company to develop a plan
2 to reduce the level of bad debt currently on the books and moving forward. Any plan
3 should include at least the items mentioned above. In addition, the Commission should
4 order the Company to provide to the parties in this case a copy of the plan that the
5 Company develops to reduce the level of bad debt and to allow the relevant parties to
6 work with the Company to ensure it offers all customers rights and protections under the
7 law.

8 **Q. Does this conclude your direct testimony?**

9 A. Yes it does.

RATE CASE PROCEEDING PARTICIPATION

JAMES M. RUSSO

<u>COMPANY</u>	<u>CASE NO.</u>
Union Electric Company	GR-97-393
Gascony Water Company	WA-97-510
St. Joseph Light and Power Company	EC-98-573
St. Joseph Light and Power Company	HR-99-245
St. Joseph Light and Power Company	GR-99-246
St. Joseph Light and Power Company	ER-99-247
UtiliCorp United Inc./St. Joseph Light and Power Company	EM-2000-292
UtiliCorp United Inc./Empire District Electric Company	EM-2000-369
Osage Water Company	WR-2000-557
Osage Water Company	SR-2000-556
Missouri Gas Energy	GR-2001-292
Southern Missouri Gas Company, L.P.	GR-2001-0388
Environmental Utilities	WA-2002-65
Laclede Gas Company	GR-2002-356
Laclede Gas Company	GA-2002-429
Missouri Gas Energy	GT-2003-0033
Aquila Networks L & P	GT-2003-0038
Southern Missouri Gas Company, L.P.	GT-2003-0031
Atmos Energy Corporation	GT-2003-0037
Fidelity Natural Gas, Inc.	GT-2003-0036
Laclede Gas Company	GT-2003-0032
Union Electric Company	GT-2003-0034
Union Electric Company	GR-2003-0517
Missouri Gas Energy	GT-2004-0049
Aquila Inc.	GR-2004-0072
Missouri Gas Energy	GC-2004-0216
Missouri Gas Energy	GC-2004-0305
Algonquin Water Resources of Missouri, LLC	WR-2006-0425

Missouri-American Water Company	WR-2007-0216
Missouri-American Water Company	SR-2007-0217
Timber Creek Sewer Company	SR-2008-0080
Missouri-American Water Company	WR-2008-0311
Missouri-American Water Company	SR-2008-0312
Lake Region Water & Sewer Company	SR-2010-0110
Lake Region Water & Sewer Company	WR-2010-0111
Missouri-American Water Company	WR-2010-0311
Missouri-American Water Company	WR-2011-0337
Emerald Pointe Utility Company	SR-2013-0016
Lake Region Water & Sewer Company	WR-2013-0461
Central Rivers Wastewater Utility, Inc.	SR-2014-0247
Hillcrest Utility Operating Company, Inc.	WR-2016-0064

Villages Operations

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

Villages Operations

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	73,821
2	Other Operating Revenues *	\$	-
3	Total Operating Revenues	\$	73,821
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 OPERATIONS EXPENSES	
2 Treatment Labor & Expense	\$ 29,750
3 Fuel & Power for Pumping	\$ 3,250
4 Miscellaneous Expense	\$ -
5 MAINTENANCE EXPENSES	
6 Maintenance of Services to Customers	\$ 96
7 Repairs & Maintenance	\$ 1,710
8 CUSTOMER ACCOUNT EXPENSE	
9 Customer Billing	\$ 8,028
10 Postage	\$ 640
11 Bank Fees	\$ 2,545
12 Uncollectible Accounts	\$ 798
13 Advertising Expense - CSWR 13.46%	\$ 38
14 ADMINISTRATIVE & GENERAL EXPENSES	
15 Administration & General Salary	\$ 12,995
16 Travel Expense - CSWR 13.46%	\$ 1,039
17 Telephone Expense - CSWR 13.46%	\$ 325
18 Office Supplies - CSWR 13.46%	\$ 478
19 Outside Services (Accounting)	\$ -
20 Outside Services (Legal Fees) - CSWR 13.46%	\$ 118
21 Outside Services (Legal Fees)	\$ 3,448
22 Outside Services (Accounting) - CSWR 13.46%	\$ 23
23 Outside Services (Mgmt Consult) - CSWR 13.46%	\$ 832
24 Outside Services (Payroll Fees) - CSWR 13.46%	\$ 95
25 Outside Services (IT) - CSWR 13.46%	\$ 204
26 Insurance (Professional Liability) - CSWR 13.46%	\$ 7,759
27 Insurance (Worker's Comp) - CSWR 13.46%	\$ 106
28 Insurance (Commercial) - CSWR 13.46%	\$ 9,882
29 Employee Benefits (Keyman) - CSWR 13.46%	\$ -
30 Employee Benefits (Healthcare) - CSWR 13.46%	\$ 3,769
31 Employee Benefits (401k) - CSWR 13.46%	\$ 434
32 Employee Benefits (Life/STD/LTD/ADD) - CSWR 13.46%	\$ 1,871
33 Rent Expense - CSWR 13.46%	\$ 5,919
34 OTHER OPERATING EXPENSES	
35 Rate Case Expense	\$ 351
36 MO DNR Fees	\$ 1,000
37 PSC Assessment	\$ 623
38 Permits & Fees - CSWR 13.46%	\$ 6
39 Sub-Total Operating Expenses	\$ 98,132
40 Personal Property Taxes	\$ 186
41 MO Franchise Taxes	\$ -
42 Employer FICA Taxes	\$ 1,107
43 Federal & State Unemployment Taxes	\$ 571
44 State & Federal Income Taxes	\$ 4,487
45 Sub-Total Taxes	\$ 6,351
46 Depreciation Expense	\$ 30,188
47 CIAC Depreciation	\$ (3,736)
48 Interest Expense	\$ 36,255
49 Amortize Account 301 over 10 years	\$ 4,396

50	Amortize Account 303 over 20 years	\$	3,940
51	Sub-Total Depreciation/Interest/Amortization	\$	71,043
52	Return on Rate Base	\$	18,018
53	Total Cost of Service	\$	193,544
54	Overall Revenue Increase Needed	\$	119,723

RACCOON CREEK UTILITY OPERATING COMPANY, INC.**Villages Operations
Revenue Annualizations at Current Rates-Sewer****Annualized Customer Counts and Customer Charge Revenues****Retail Customers**

Customer Type	Connections	Rate *	Annual Revenue
Residential	262	\$ 23.48	\$ 73,821
	0	\$ 17.33	\$ -
Total	262		\$ 73,821

*monthly service charge

Other Operating Revenues

Sales to Other Public Authorities	\$ -
Late Charge Fees	\$ -
Turn-Off/Turn-On/Penalty Charges	\$ -
Miscellaneous Revenues - Service Lines	\$ -
Rents from Water Property - Tower Rental	\$ -
Other	\$ -
Total Other Revenues	\$ -

Total Operating Revenues

Service Charges - Retail Customers	\$ 73,821
Other Operating Revenues	\$ -
Total Operating Revenues	\$ 73,821

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

Villages Operations 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	\$ 73,821
Agreed-Upon Overall Revenue Increase	\$ 119,723
Percentage Increase Needed	162.180%

Metered Customer Rates

Customer Type	Current Service Charge	Proposed Service Charge
Residential	\$ 23.48	\$ 63.20
Apartment	\$ 17.33	\$ 50.56

Customer Equivalents	Factor	Equv. Cust
Residential	1.00	228
Apartment	0.80	27
Total		255
		\$ 63.20

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

Villages Operations

Revenue Annualizations at Proposed Rates-Sewer

Annualized Customer Counts and Customer Charge Revenues

Retail Customers

Customer Type	Connections	Rate *	Annual Revenue
Residential	228	\$ 63.20	\$ 172,915
Apartment	34	\$ 50.56	\$ 20,629
Total	262		\$ 193,544

monthly service charge

Other Operating Revenues

Sales to Other Public Authorities

Late Charge Fees

Turn-Off/Turn-On/Penalty Charges

Miscellaneous Revenues - Service Lines

Rents from Water Property - Tower Rental

Other

\$ -
\$ -

Total Other Revenues

Total Operating Revenues

Service Charges - Retail Customers	\$ 193,544
Other Operating Revenues	\$ -
Total Revenues at Proposed Rates	\$ 193,544

Revenue Check - Proposed Rates vs. Current Rates

Total Revenues at Proposed Rates	\$ 193,544
Total Revenues at Current Rates	\$ 73,821
Increase In Revenues at Proposed Rates	\$ 119,723
Agreed-Upon Increase in Operating Revenues	\$ 119,723

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

Villages Operations
Residential Customer Bill Comparison-Sewer

Rates for 5/8" Meter

<u>Current Base</u>	<u>Proposed Base</u>
<u>Customer Charge</u>	<u>Customer Charge</u>
\$23.48	\$63.20

current service charge is monthly charge

MONTHLY BILL COMPARISON**Current Rates**

Customer Charge	\$ 23.48
Total Bill	\$ 23.48

Proposed Rates

Customer Charge	\$ 63.20
Total Bill	\$ 63.20

INCREASES

<u>Total Bill</u>	
\$ Increase	\$39.72
% Increase	169.17%

West 16th Operations

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

West 16th Street Operations

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	54,848
2	Other Operating Revenues *	\$	1,155
3	Total Operating Revenues	\$	56,003
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 OPERATIONS EXPENSES	
2 Treatment Labor & Expense	\$ 19,644
3 Fuel & Power for Pumping	\$ 4,413
4 MAINTENANCE EXPENSES	
5 Maintenance of Services to Customers	\$ -
6 Repairs & Maintenance	\$ -
7 CUSTOMER ACCOUNT EXPENSE	
8 Customer Billing	\$ 4,152
9 Postage	\$ 422
10 Bank Fees	\$ 1,681
11 Uncollectible Accounts	\$ 527
12 Advertising Expense - CSWR 13.46%	\$ 25
13 ADMINISTRATIVE & GENERAL EXPENSES	
14 Administration & General Salary	\$ 8,580
15 Travel Expense - CSWR 13.46%	\$ 686
16 Telephone Expense - CSWR 13.46%	\$ 214
17 Office Supplies - CSWR 13.46%	\$ 316
18 Outside Services (Accounting)	\$ -
19 Outside Services (Legal Fees) - CSWR 13.46%	\$ 78
20 Outside Services (Legal Fees)	\$ 2,277
21 Outside Services (Accounting) - CSWR 13.46%	\$ 15
22 Outside Services (Mgmt Consult) - CSWR 13.46%	\$ 550
23 Outside Services (Payroll Fees) - CSWR 13.46%	\$ 63
24 Outside Services (IT) - CSWR 13.46%	\$ 137
25 Insurance (Professional Liability) - CSWR 13.46%	\$ 5,123
26 Insurance (Worker's Comp) - CSWR 13.46%	\$ 70
27 Insurance (Commercial) - CSWR 13.46%	\$ 6,525
28 Employee Benefits (Keyman) - CSWR 13.46%	\$ -
29 Employee Benefits (Healthcare) - CSWR 13.46%	\$ 2,489
30 Employee Benefits (401k) - CSWR 13.46%	\$ 287
31 Employee Benefits (Life/STD/LTD/ADD) - CSWR 13.46%	\$ 1,236
32 Rent Expense - CSWR 13.46%	\$ 3,908
33 OTHER OPERATING EXPENSES	
34 Rate Case Expense	\$ 232
35 MO DNR Fees	\$ 3,000
36 PSC Assessment	\$ 411
37 Permits & Fees - CSWR 13.46%	\$ 4
38 Sub-Total Operating Expenses	\$ 67,066
39 Personal Property Taxes	\$ 311
40 MO Franchise Taxes	\$ -
41 Employer FICA Taxes	\$ 731
42 Federal & State Unemployment Taxes	\$ 377
43 State & Federal Income Taxes	\$ 3,654
44 Sub-Total Taxes	\$ 5,073
45 Depreciation Expense	\$ 27,490
46 CIAC Depreciation	\$ (6,036)
47 Interest Expense	\$ 29,526
48 Amortize Account 301 over 10 years	\$ 3,477
49 Amortize Account 303 over 20 years	\$ 112

50	Sub-Total Depreciation/Interest/Amortization	\$	54,570
51	Return on Rate Base	\$	14,674
52	Total Cost of Service	\$	141,383
53	Overall Revenue Increase Needed	\$	85,380

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

**West 16th Street Operations
Revenue Annualizations at Current Rates-Sewer**

Annualized Customer Counts and Customer Charge Revenues

Retail Customers

Customer Type	Connections	Rate *	Annual Revenue
Residential	173	\$ 26.42	\$ 54,848
Total	173		\$ 54,848

*monthly service charge

Other Operating Revenues

Sales to Other Public Authorities	\$ -
Late Charge Fees	\$ 1,155
Turn-Off/Turn-On/Penalty Charges	\$ -
Miscellaneous Revenues - Service Lines	\$ -
Rents from Water Property - Tower Rental	\$ -
Discounts Earned	\$ -
Total Other Revenues	\$ 1,155

Total Operating Revenues

Service Charges - Retail Customers	\$ 54,848
Other Operating Revenues	\$ 1,155
Total Operating Revenues	\$ 56,003

RACCOON CREEK UTILITY OPERATING COMPANY, INC.
West 16th Street Operations
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	\$ 54,848
Agreed-Upon Overall Revenue Increase	\$ 85,380
Percentage Increase Needed	155.667%

Metered Customer Rates		
Customer Type	Current Service Charge	Proposed Service Charge
Residential	\$ 26.42	\$ 67.55

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

**West 16th Street Operations
Revenue Annualizations at Proposed Rates-Sewer**

Annualized Customer Counts and Customer Charge Revenues

Retail Customers

Customer Type	Connections	Rate *	Annual Revenue
Residential	173	\$ 67.55	\$ 140,228
Total	173		\$ 140,228

monthly service charge

Other Operating Revenues

Sales to Other Public Authorities	
Late Charge Fees	\$ 1,155
Turn-Off/Turn-On/Penalty Charges	
Miscellaneous Revenues - Service Lines	
Rents from Water Property - Tower Rental	
Discounts Earned	
Total Other Revenues	\$ 1,155

Total Operating Revenues

Service Charges - Retail Customers	\$ 140,228
Other Operating Revenues	\$ 1,155
Total Revenues at Proposed Rates	\$ 141,383

Revenue Check - Proposed Rates vs. Current Rates

Total Revenues at Proposed Rates	\$ 141,383
Total Revenues at Current Rates	\$ 56,003
Increase In Revenues at Proposed Rates	\$ 85,380
Agreed-Upon Increase in Operating Revenues	\$ 85,380

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

West 16th Street Operations
Residential Customer Bill Comparison-Sewer

Rates for 5/8" Meter

Current Base	Proposed Base
Customer Charge	Customer Charge
\$26.42	\$67.55

current service charge is monthly charge

MONTHLY BILL COMPARISON**Current Rates**

Customer Charge	\$ 26.42
Total Bill	\$ 26.42

Proposed Rates

Customer Charge	\$ 67.55
Total Bill	\$ 67.55

INCREASES

Total Bill	
\$ Increase	\$41.13
% Increase	155.67%

WPC Operations

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

W.P.C. Operations

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	39,340
2	Other Operating Revenues *	\$	578
3	Total Operating Revenues	\$	39,918
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 OPERATIONS EXPENSES	
2 Treatment Labor & Expense	\$ 9,765
3 Fuel & Power for Pumping	\$ 3,909
4 MAINTENANCE EXPENSES	
5 Maintenance of Services to Customers	\$ 127
6 Repairs & Maintenance	\$ -
7 CUSTOMER ACCOUNT EXPENSE	
8 Customer Billing	\$ 1,560
9 Postage	\$ 210
10 Bank Fees	\$ 835
11 Uncollectible Accounts	\$ 262
12 Advertising Expense - CSWR 13.46%	\$ 12
13 ADMINISTRATIVE & GENERAL EXPENSES	
14 Administration & General Salary	\$ 4,265
15 Travel Expense - CSWR 13.46%	\$ 341
16 Telephone Expense - CSWR 13.46%	\$ 107
17 Office Supplies - CSWR 13.46%	\$ 156
18 Outside Services (Accounting)	\$ -
19 Outside Services (Legal Fees) - CSWR 13.46%	\$ 39
20 Outside Services (Legal Fees)	\$ 1,132
21 Outside Services (Accounting) - CSWR 13.46%	\$ 8
22 Outside Services (Mgmt Consult) - CSWR 13.46%	\$ 273
23 Outside Services (Payroll Fees) - CSWR 13.46%	\$ 31
24 Outside Services (IT) - CSWR 13.46%	\$ 68
25 Insurance (Professional Liability) - CSWR 13.46%	\$ 2,547
26 Insurance (Worker's Comp) - CSWR 13.46%	\$ 35
27 Insurance (Commercial) - CSWR 13.46%	\$ 3,244
28 Employee Benefits (Keyman) - CSWR 13.46%	\$ -
29 Employee Benefits (Healthcare) - CSWR 13.46%	\$ 1,237
30 Employee Benefits (401k) - CSWR 13.46%	\$ 143
31 Employee Benefits (Life/STD/LTD/ADD) - CSWR 13.46%	\$ 614
32 Rent Expense - CSWR 13.46%	\$ 1,943
33 OTHER OPERATING EXPENSES	
34 Rate Case Expense	\$ 115
35 MO DNR Fees	\$ 600
36 PSC Assessment	\$ 204
37 Permits & Fees - CSWR 13.46%	\$ 2
38 Sub-Total Operating Expenses	\$ 33,783
39 Personal Property Taxes	\$ 378
40 MO Franchise Taxes	\$ -
41 Employer FICA Taxes	\$ 363
42 Federal & State Unemployment Taxes	\$ 188
43 State & Federal Income Taxes	\$ 3,694
44 Sub-Total Taxes	\$ 4,623
45 Depreciation Expense	\$ 21,797
46 CIAC Depreciation	\$ (652)
47 Interest Expense	\$ 29,849
48 Amortize Account 301 over 10 years	\$ 5,690
49 Amortize Account 303 over 20 years	\$ 451

50	Sub-Total Depreciation/Interest/Amortization	\$	57,135
51	Return on Rate Base	\$	14,834
52	Total Cost of Service	\$	110,375
53	Overall Revenue Increase Needed	\$	70,457

RACCOON CREEK UTILITY OPERATING COMPANY, INC.**W.P.C. Operations****Revenue Annualizations at Current Rates-Sewer****Annualized Customer Counts and Customer Charge Revenues****Retail Customers**

Customer Type	Connections	Rate *	Annual Revenue
Residential	86	\$ 38.12	\$ 39,340
Total	86		\$ 39,340

*monthly service charge

Other Operating Revenues

Sales to Other Public Authorities	\$ -
Late Charge Fees	\$ 578
Turn-Off/Turn-On/Penalty Charges	\$ -
Miscellaneous Revenues - Service Lines	\$ -
Rents from Water Property - Tower Rental	\$ -
Discounts Earned	\$ -
Total Other Revenues	\$ 578

Total Operating Revenues

Service Charges - Retail Customers	\$ 39,340
Other Operating Revenues	\$ 578
Total Operating Revenues	\$ 39,918

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

W.P.C. Operations 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	\$ 39,340
Agreed-Upon Overall Revenue Increase	\$ 70,457
Percentage Increase Needed	179.099%

Metered Customer Rates

Customer Type	Current Service Charge	Proposed Service Charge
Residential	\$ 38.12	\$ 106.39

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

W.P.C. Operations
Revenue Annualizations at Proposed Rates-Sewer

Annualized Customer Counts and Customer Charge Revenues

Retail Customers

Customer Type	Connections	Rate *	Annual Revenue
Residential	86	\$ 106.39	\$ 109,797
Total	86		\$ 109,797

monthly service charge

Other Operating Revenues

Sales to Other Public Authorities	
Late Charge Fees	\$ 578
Turn-Off/Turn-On/Penalty Charges	
Miscellaneous Revenues - Service Lines	
Rents from Water Property - Tower Rental	
Discounts Earned	
Total Other Revenues	\$ 578

Total Operating Revenues

Service Charges - Retail Customers	\$ 109,797
Other Operating Revenues	\$ 578
Total Revenues at Proposed Rates	\$ 110,375

Revenue Check - Proposed Rates vs. Current Rates

Total Revenues at Proposed Rates	\$ 110,375
Total Revenues at Current Rates	\$ 39,918
Increase In Revenues at Proposed Rates	\$ 70,457
Agreed-Upon Increase in Operating Revenues	\$ 70,457

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

W.P.C. Operations Residential Customer Bill Comparison-Sewer

Rates for 5/8" Meter

Current Base Customer Charge	Proposed Base Customer Charge
\$38.12	\$106.39

current service charge is monthly charge

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 38.12
Total Bill	\$ 38.12

Proposed Rates

Customer Charge	\$ 106.39
Total Bill	\$ 106.39

INCREASES

Total Bill	
\$ Increase	\$68.27
% Increase	179.10%

WPC & West 16th Operations Combined

RACCOON CREEK UTILITY OPERATING COMPANY, INC.**W.P.C. & West 16th Operations Combined****Rate Making Income Statement-Sewer****Operating Revenues at Current Rates**

1	Tariffed Rate Revenues *	\$	94,188
2	Other Operating Revenues *	\$	1,733
3	Total Operating Revenues	\$	95,921
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 OPERATIONS EXPENSES	
2 Treatment Labor & Expense	\$ 29,409
3 Fuel & Power for Pumping	\$ 8,322
4 MAINTENANCE EXPENSES	\$ -
5 Maintenance of Services to Customers	\$ 127
6 Repairs & Maintenance	\$ -
7 CUSTOMER ACCOUNT EXPENSE	\$ -
8 Customer Billing	\$ 5,712
9 Postage	\$ 632
10 Bank Fees	\$ 2,516
11 Uncollectible Accounts	\$ 789
12 Advertising Expense - CSWR 13.46%	\$ 37
13 ADMINISTRATIVE & GENERAL EXPENSES	\$ -
14 Administration & General Salary	\$ 12,845
15 Travel Expense - CSWR 13.46%	\$ 1,027
16 Telephone Expense - CSWR 13.46%	\$ 321
17 Office Supplies - CSWR 13.46%	\$ 472
18 Outside Services (Accounting)	\$ -
19 Outside Services (Legal Fees) - CSWR 13.46%	\$ 117
20 Outside Services (Legal Fees)	\$ 3,409
21 Outside Services (Accounting) - CSWR 13.46%	\$ 23
22 Outside Services (Mgmt Consult) - CSWR 13.46%	\$ 823
23 Outside Services (Payroll Fees) - CSWR 13.46%	\$ 94
24 Outside Services (IT) - CSWR 13.46%	\$ 205
25 Insurance (Professional Liability) - CSWR 13.46%	\$ 7,670
26 Insurance (Worker's Comp) - CSWR 13.46%	\$ 105
27 Insurance (Commercial) - CSWR 13.46%	\$ 9,769
28 Employee Benefits (Keyman) - CSWR 13.46%	\$ -
29 Employee Benefits (Healthcare) - CSWR 13.46%	\$ 3,726
30 Employee Benefits (401k) - CSWR 13.46%	\$ 430
31 Employee Benefits (Life/STD/LTD/ADD) - CSWR 13.46%	\$ 1,850
32 Rent Expense - CSWR 13.46%	\$ 5,851
33 OTHER OPERATING EXPENSES	\$ -
34 Rate Case Expense	\$ 347
35 MO DNR Fees	\$ 3,600
36 PSC Assessment	\$ 615
37 Permits & Fees - CSWR 13.46%	\$ 6
38 Sub-Total Operating Expenses	\$ 100,849
39 Personal Property Taxes	\$ 689
40 MO Franchise Taxes	\$ -
41 Employer FICA Taxes	\$ 1,094
42 Federal & State Unemployment Taxes	\$ 565
43 State & Federal Income Taxes	\$ 7,348
44 Sub-Total Taxes	\$ 9,696
45 Depreciation Expense	\$ 49,287
46 CIAC Depreciation	\$ (6,688)
47 Interest Expense	\$ 59,375
48 Amortize Account 301 over 10 years	\$ 9,167
49 Amortize Account 303 over 20 years	\$ 563

50	Sub-Total Depreciation/Interest/Amortization	\$ 111,704
51	Return on Rate Base	\$ 29,508
52	Total Cost of Service	\$ 251,757
53	Overall Revenue Increase Needed	\$ 155,836

RACCOON CREEK UTILITY OPERATING COMPANY, INC.**W.P.C. & West 16th Operations Combined
Revenue Annualizations at Current Rates-Sewer****Annualized Customer Counts and Customer Charge Revenues****Retail Customers**

Customer Type	Connections	Rate *	Annual Revenue
WPC	86	\$ 38.12	\$ 39,340
W16th	173	\$ 26.42	\$ 54,848
Total	259		\$ 94,188

*monthly service charge

Other Operating Revenues

Sales to Other Public Authorities	\$ -
Late Charge Fees	\$ 1,733
Turn-Off/Turn-On/Penalty Charges	\$ -
Miscellaneous Revenues - Service Lines	\$ -
Rents from Water Property - Tower Rental	\$ -
Discounts Earned	\$ -
Total Other Revenues	\$ 1,733

Total Operating Revenues

Service Charges - Retail Customers	\$ 94,188
Other Operating Revenues	\$ 1,733
Total Operating Revenues	\$ 95,921

RACCOON CREEK UTILITY OPERATING COMPANY, INC.
W.P.C. & West 16th Operations Combined
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	\$ 94,188
Agreed-Upon Overall Revenue Increase	\$ 155,836
Percentage Increase Needed	165.453%

Metered Customer Rates		
Customer Type	Current Service Charge	Proposed Service Charge
WPC	\$ 38.12	\$ 80.45
W16th	\$ 26.42	\$ 80.45
		\$ 80.45

RACCOON CREEK UTILITY OPERATING COMPANY, INC.**W.P.C. & West 16th Operations Combined
Revenue Annualizations at Proposed Rates-Sewer****Annualized Customer Counts and Customer Charge Revenues****Retail Customers**

Customer Type	Connections	Rate *	Annual Revenue
WPC	86	\$ 80.45	\$ 83,020
W16th	173	\$ 80.45	\$ 167,004
Total	259		\$ 250,024

monthly service charge

Other Operating Revenues

Sales to Other Public Authorities	
Late Charge Fees	\$ 1,733
Turn-Off/Turn-On/Penalty Charges	
Miscellaneous Revenues - Service Lines	
Rents from Water Property - Tower Rental	
Discounts Earned	
Total Other Revenues	\$ 1,733

Total Operating Revenues

Service Charges - Retail Customers	\$ 250,024
Other Operating Revenues	\$ 1,733
Total Revenues at Proposed Rates	\$ 251,757

Revenue Check - Proposed Rates vs. Current Rates

Total Revenues at Proposed Rates	\$ 251,757
Total Revenues at Current Rates	\$ 95,921
Increase In Revenues at Proposed Rates	\$ 155,836
Agreed-Upon Increase in Operating Revenues	\$ 155,836

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

W.P.C. & West 16th Operations Combined Residential Customer Bill Comparison-Sewer

Rates for 5/8" Meter

Current Base Customer Charge	Proposed Base Customer Charge
\$38.12	\$80.45

current service charge is monthly charge

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 38.12
Total Bill	\$ 38.12

Proposed Rates

Customer Charge	\$ 80.45
Total Bill	\$ 80.45

INCREASES

Total Bill	
\$ Increase	\$42.33
% Increase	111.03%

RACCOON CREEK UTILITY OPERATING COMPANY, INC.

W.P.C. & West 16th Operations Combined Residential Customer Bill Comparison-Sewer

Rates for Sewer Service

	Current Base Customer Charge	Proposed Base Customer Charge
WPC	\$ 38.12	\$80.45
W16th	\$ 26.42	\$80.45

current service charge is monthly charge

MONTHLY BILL COMPARISON

WPC		West 16th	
<u>Current Rates</u>		<u>Current Rates</u>	
Customer Charge	\$ 38.12	Customer Charge	\$ 26.42
Total Bill	\$ 38.12	Total Bill	\$ 26.42
<u>Proposed Rates</u>		<u>Proposed Rates</u>	
Customer Charge	\$ 80.45	Customer Charge	\$ 80.45
Total Bill	\$ 80.45	Total Bill	\$ 80.45
<u>INCREASES</u>		<u>INCREASES</u>	
<u>Total Bill</u>		<u>Total Bill</u>	
\$ Increase	\$42.33	\$ Increase	\$54.03
% Increase	111.03%	% Increase	204.49%