

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

In the Matter of the Small Company Rate)
Increase Request of Taneycomo Highlands, Inc.)

Case No. SR-2006-0379
Tariff Work ID No. YS-2006-0749

**RECOMMENDATION REGARDING DISPOSITION
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its Recommendation Regarding Disposition of Small Company Rate Increase Request ("Recommendation") states the following to the Missouri Public Service Commission ("Commission").

1. By a letter dated March 30, 2006, which was received in the Commission's Data Center on April 3, 2006, Taneycomo Highlands, Inc. ("Company") filed a proposed revised tariff sheet with the Commission for the purpose of implementing the provisions of a *Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request* ("Disposition Agreement"), and the instant case was established.

2. The Company, the Staff and the Office of the Public Counsel ("OPC") executed the above-referenced Disposition Agreement, which the Staff filed in this case on April 6, 2006, as a resolution of the Company's small company rate increase request ("Request") that was received at the Commission's offices on November 7, 2005. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). Initially, the Company's Request was assigned Tracking No. QS-2006-0004.

3. The Staff's recommendations to the Commission regarding this case are set out on page 4 of the Staff's Official Case File Memorandum ("Memorandum") that is included in the document that is attached hereto and labeled as Appendix A.

4. Included with the Staff's Memorandum are various documents regarding the Company's Request and the Staff's investigation of the Request that have not previously been filed in the case, including the Staff's audit and rate design workpapers.

5. The Commission has the authority to approve the subject proposed tariff revisions in accordance with Sections 393.140(11) and 393.150, RSMo. Additionally, Section 393.130.1, RSMo provides that all charges made by any sewer corporation for sewer service rendered or to be rendered shall be "just and reasonable". The Staff's and the OPC's agreement with the proposed tariff revisions are evidence that the rates and charges contained in the tariff revisions are just and reasonable.

6. The procedure followed in this case complies with the requirements of the Small Company Rate Increase Procedure in general, and with 4 CSR 240-3.330(1)(C) in particular.

WHEREFORE, the Staff respectfully requests that the Commission issue an order consistent with the recommendations set out on page 4 of the Staff's Memorandum.

Respectfully Submitted,

/s/ Keith R. Krueger

Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

Attorney for the Staff of the
Missouri Public Service Commission

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Jefferson City, MO 65102
573-751-4140 (telephone)
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keith.krueger@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of this Recommendation have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 12th day of May 2006.

/s/ Keith R. Krueger

AFFIDAVIT OF DALE W. JOHANSEN

STATE OF MISSOURI)

) ss

Case No. SR-2006-0379

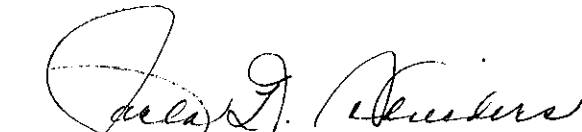
COUNTY OF COLE)

Dale W. Johansen, of lawful age, on his oath states: (1) that he is a member of the Staff of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing Recommendation and the documents included in Appendix A attached hereto; (3) that he has knowledge of the matters set forth in the foregoing Recommendation and the documents included in Appendix A attached hereto; and (4) that the matters set forth in the foregoing Recommendation and the documents included in Appendix A attached hereto are true and correct to the best of his knowledge, information and belief.

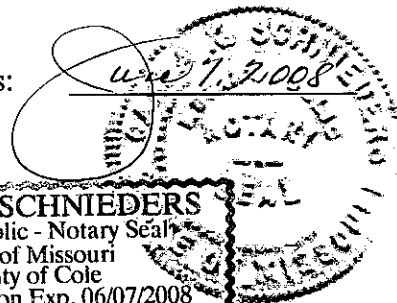
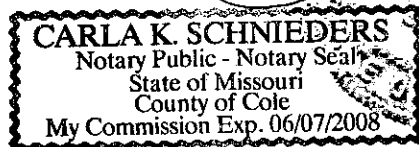


Dale W. Johansen – Manager
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 11th day of May 2006.


Notary Public

My Commission Expires:



APPENDIX A

STAFF MEMORANDUM & ATTACHMENTS

CASE NO. SR-2006-0379

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

Official Case File Memorandum

- Memo Attachment A: Ratemaking Income Statement, Rate Design Worksheet and Customer Bill Comparison
- Memo Attachment B: Revenue Requirement Audit Workpapers
- Memo Attachment C: Overview of Company and Customer Service Operations

Official Case File Memorandum

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. SR-2006-0379 - - - Taneycomo Highlands, Inc.

FROM: Dale W. Johansen – Project Coordinator
Water & Sewer Department
Dana Eaves – Auditing Department
Rosella Schad – Engineering & Management Services Department
Kay Niemeier – Engineering & Management Services Department
David Murray – Financial Analysis Department
Jim Russo – Water & Sewer Department
Bill Nickle – Water & Sewer Department

<u>/s/ Dale W. Johansen</u>	<u>05/12/06</u>
Project Coordinator	Date
 <u>/s/ Keith R. Krueger</u>	 <u>05/12/06</u>
General Counsel's Office	Date

SUBJECT: Staff Recommendation for Approval of Revised Tariff Sheet and
Agreement Regarding Disposition of Small Company Rate Increase Request

DATE: May 12, 2006

BACKGROUND

Taneycomo Highlands, Inc. ("Company") initiated the subject small company rate increase request ("Request") by submitting a letter to the Secretary of the Commission, which was received at the Commission's offices on November 7, 2005. The Company submitted its Request under the provisions of the Commission's Small Company Rate Increase Procedure, Commission Rule 4 CSR 240-3.330, Sewer Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure").

By its Request, the Company was seeking Commission approval of customer rates intended to generate an increase of \$9,250 in its total annual sewer service operating revenues. As stated by the Company in its Request letter, the reasons for the requested increase in its sewer service operating revenues are: increases in operation and maintenance expenses; increases in the Department of Natural Resources' annual sewer discharge permit fees; increased incidence of misuse of the system, and higher chemical demand due to increased phosphorus levels.

The Company provides sewer service to approximately 20 customers, all of which are residential customers. The Company's current rates (those resulting from the Company's original certificate case) went into effect on May 15, 1996.

Upon receipt of the Company's letter that initiated the Request, personnel in the Commission's Data Center entered the letter into the Commission's electronic filing and information system ("EFIS") and the system assigned Work I.D. No. QS-2006-0004 to the Request. The Company's Request was then routed to the Commission's Water & Sewer Department ("W/S Dept") for processing under the Small Company Rate Increase Procedure. A copy of the Company's request letter is identified as item number 1 in the EFIS tracking file for the Request.

By a letter dated November 29, 2005, which Staff members in the W/S Dept had previously approved, the Company notified its customers of the Request. As a part of this initial customer notice, the Company requested that its customers' questions or comments be directed to the Commission Staff and/or the Office of the Public Counsel ("OPC"). A copy of the initial customer notice is identified as item number 2 in the EFIS tracking file for the Request.

STAFF'S INVESTIGATION AND CONCLUSIONS

As noted at the beginning of this Memorandum, Staff members from the Auditing, Engineering & Management Services, Financial Analysis and Water & Sewer departments participated in the Staff's investigation of the Company's Request. All Staff participants and the attorney assigned to this case were provided the opportunity to review and comment on this Memorandum prior to it being filed. Jim Russo of the W/S Dept created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein to create this final version of the Memorandum.

In response to the Company's initial customer notice, the W/S Dept Staff received three EFIS public comment forms and one e-mail message. Three of the customer responses addressed the level of the proposed increase and one addressed a service-related matter. Copies of the customers' public comment forms and e-mail message, and the W/S Dept's customer contact log, are included in item number 3 in the EFIS tracking file for the Request. Consistent with established practice, the W/S Dept Staff conducted an investigation of the customer response that addressed the service-related matter. Notes regarding the W/S Dept's contacts with the customers regarding the matters addressed in their responses to the initial notice are included in the W/S Dept's customer contact log. The W/S Dept provided copies of the customers' EFIS public comment forms and e-mail message, and its customer contact log, to the OPC and the Company shortly after the customer comment period ended.

Based upon an audit of the Company's books and records, a determination of the Company's rate base investments and necessary operating expenses, an evaluation of the Company's depreciation rates and an analysis of the Company's capital structure and cost of capital, and an investigation of the Company's business and system operations, the Staff concluded that an increase of \$5,006 in the Company's annual sewer service operating revenues is warranted.

In addition to its conclusion regarding the increase in the Company's annual operating revenues, the Staff concluded that new/modified depreciation rates need to be prescribed for the Company and that certain changes in the Company's miscellaneous service charges, business operations and system operations are warranted.

On February 22, 2006, the Staff forwarded information regarding the above items to representatives of the Company and the OPC for their review and response.

RESPONSES TO STAFF'S FINDINGS AND SUBSEQUENT ACTIONS

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the results of the Staff's investigation of the Company's Request, a written *Unanimous Agreement Regarding Disposition of Small Sewer Company Rate Increase Request* ("Disposition Agreement") was reached between the Staff, the Company and the OPC ("the Parties"). The Parties also reached an agreement regarding the tariff revisions needed to implement the terms of the Disposition Agreement. (Because the Disposition Agreement is between the Staff, the Company and the OPC, the Company was not required to send a notice to its customers regarding the rates and charges that would result from implementation of the provisions of this Disposition Agreement, and the OPC was not provided the opportunity to request a local public hearing.)

The Disposition Agreement reflects the following agreements: (1) that an increase of \$5,006 in the Company's sewer annual operating revenues is necessary; (2) that certain changes to the Company's service charges are appropriate; (3) that certain changes to the Company's system operations are appropriate; (4) that certain changes to the Company's administrative operations are appropriate; (5) that new/modified depreciation rates need to be prescribed for the Company; (6) that the rates included in the above-referenced agreed-upon tariff revisions are designed to generate revenues sufficient to recover the Company's total annualized cost of service; and (7) that the rates included in the above-referenced agreed-upon tariff revisions are just and reasonable. (The specific agreements between the Company and the Staff are set out on page 2 of the Disposition Agreement, which the Staff filed in this case on April 6, 2006 and which can be found in the EFIS case file as item number 2.)

By a letter dated March 30, 2006, which was stamped "Filed" by personnel in the Commission's Data Center on April 3, 2006, the Company submitted a revised tariff sheet including the agreed-upon tariff revisions that are necessary to implement the terms of the Disposition Agreement. Upon receipt of that tariff filing, Data Center personnel entered the filing into EFIS, and the instant case was created (the transmittal letter and revised tariff sheets are included in item number 1 in the EFIS case file). The subject revised tariff sheet bore an issue date of March 30, 2006 and a proposed effective date of April 30, 2006. (The effective date of the subject revised tariff sheet was subsequently suspended by the Commission until May 30, 2006.) As is required by the Small Company Rate Increase Procedure, the above-referenced Disposition Agreement has been filed in the case papers. (As noted previously, the Staff filed the Disposition Agreement on April 6, 2006.)

ADDITIONAL INFORMATION

In addition to the above-noted documents that are in the EFIS tracking file and EFIS case file, the following documents are included with this Memorandum: (1) the Staff's ratemaking income statement, rate design worksheet and customer bill comparison are included in Attachment A;

(2) the Staff's revenue requirement audit workpapers are included in Attachment B; and (3) the Staff's overview of the Company and its customer service procedures and practices is included in Attachment C.

Pursuant to a review of available electronic information maintained by the Commission's Budget & Fiscal Services Department and Data Center, and in EFIS, the Staff notes that the Company was current on the payment of its Commission assessments and on the filing of its Commission annual reports when it submitted its Request, as is required by the Small Company Rate Case Procedure. The Staff also notes that the Company remains current on those matters as of the writing of this Memorandum. The assessment information reviewed covers fiscal years 1996 through 2006 and the annual report information reviewed covers calendar years 1997 through 2005.

Additionally, the Staff notes that the Company currently has no other matters pending before the Commission, and that approval of the subject tariff revisions will thus not affect any other matter before the Commission with regard to the Company.

Lastly, the Staff notes that the Company received no "notices of violations" from the Missouri Department of Natural Resources during the test year used for the Request, nor has it received any such notices since the end of the test year to date.

STAFF'S RECOMMENDATIONS

Based upon the above, the Staff recommends that the Commission issue an order in this case that:

- * Approves the revised tariff sheet that the Company filed on April 3, 2006, to be effective for service rendered on and after May 30, 2006;
- * Approves the Disposition Agreement submitted in this case;
- * Directs the Company to comply with the terms of the Disposition Agreement; and
- * Prescribes the depreciation rates set out on Attachment D to the Disposition Agreement submitted in this case as the depreciation rates authorized for the Company's use.

List of Attachments

Attachment A: Ratemaking Income Statement, Rate Design
Worksheet and Customer Bill Comparison

Attachment B: Revenue Requirement Audit Workpapers

Attachment C: Overview of Company and Customer Service Operations

Memo Attachment A

Ratemaking Income Statement, Rate Design
Worksheet & Customer Bill Comparison

TANEYCOMO HIGHLANDS, INC.

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	4,571
2	Other Operating Revenues *	\$	-
3	Total Operating Revenues	\$	4,571
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Sewer Treatment Expense-Chemicals	\$ 98
2 Sewer Treatment -Testing/Laboratory Fees	\$ 407
3 Fuel or Power for Sewage Treatment	\$ 852
4 Maintenance Expense-Parts/Equipment	\$ 570
5 Maintenance Expense-Outside Labor	\$ 1,584
6 Maintenance Expense-Treatment & Disp Plan	\$ 546
7 Permit Fees	\$ 200
8 Sludge Hauling	\$ 275
9 General Insurance	\$ 673
10 Customer Records & Collection Expense	\$ 147
11 Transportation	\$ 601
12 Regulatory Commission Expense	\$ 373
13 Miscellaneous General Expenses-Interest	\$ -
14 Sub-Total Operating Expenses	\$ 6,326
15 Property Taxes	\$ 427
16 MO Franchise Taxes	\$ -
17 Employer FICA Taxes	\$ -
18 Federal Unemployment Taxes	\$ -
19 State Unemployment Taxes	\$ -
20 State & Federal Income Taxes	\$ -
21 Sub-Total Taxes	\$ 427
22 Depreciation Expense	\$ 2,442
23 Amortization of CIAC-Dep Expense	\$ (842)
24 Sub-Total Depreciation/Amortization	\$ 1,600
25 Return on Rate Base	\$ 1,224
26 Total Cost of Service	\$ 9,577
27 Overall Revenue Increase Needed	\$ 5,006

TANEYCOMO HIGHLANDS, INC.

Development of Tariffed Rates-Sewer

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

Revenues Generated by Current Tariffed Rates	\$ 4,571
Agreed-Upon Overall Revenue Increase	\$ 5,006
Percentage Increase Needed	109.504%

Flat Rate Customer Rates				
Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 18.14	\$ 38.00	\$ -	\$ -

TANEYCOMO HIGHLANDS, INC.

Residential Customer Bill Comparison-Sewer

Residential Rates			
<u>Current Base</u>	<u>Proposed Base</u>	<u>Current</u>	<u>Proposed</u>
<u>Service Charge</u>	<u>Service Charge</u>	<u>Usage Rate</u>	<u>Usage Rate</u>
\$18.14	\$38.00	\$0.000	\$0.000

current service charge is monthly charge

MONTHLY BILL COMPARISON

Current Rates

Service Charge	\$ 18.14
Usage Charge	\$ -
Total Bill	\$ 18.14

Proposed Rates

Service Charge	\$ 38.00
Usage Charge	\$ -
Total Bill	\$ 38.00

INCREASES

Service Charge

\$ Increase	\$19.86
% Increase	109.50%

Usage Charge

\$ Increase	\$0.00
% Increase	N/A

Total Bill

\$ Increase	\$19.86
% Increase	109.50%

Memo Attachment B

Revenue Requirement Audit Workpapers

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31, 2005

Revenue Requirement

Line	7.00%
	Return

(A)		(B)
1	Net Orig Cost Rate Base (Sch 2)	\$ 17,480
2	Rate of Return	7.00%

3	Net Operating Income Requirement	\$ 1,224
4	Net Income Available (Sch 8)	\$ (3,782)

5	Additional NOI BT Needed	\$ 5,006
6	Income Tax Requirement (Sch 10)	
7	Required Current Income Tax	\$ 0
8	Test Year Current Income Tax	\$ 0

9	Additional Current Tax Required	\$ 0
10	Required Deferred ITC	\$ 0
11	Test Year Deferred ITC	\$ 0

12	Additional Deferred ITC Required	\$ 0

13	Total Additional Tax Required	\$ 0

14	Gross Revenue Requirement	\$ 5,006

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31,2005

Rate Base

Line Description		Amount	
(A)		(B)	
1	Total Plant in Service (Sch 3)	\$	74,100
	Subtract from Total Plant		
2	Depreciation Reserve (Sch 6)	\$	23,010

3	Net Plant in Service	\$	51,090
	Add to Net Plant in Service		
4	Cash Working Capital (Sch)	\$	0
5	Materials and Supplies-Exempt		0
6	Prepaid Insurance		0
	Subtract from Net Plant		
7	Federal Tax Offset 0.0000 %	\$	0
8	State Tax Offset 0.0000 %		0
9	City Tax Offset 0.0000 %		0
10	Interest Expense Offset 0.0000 %		0
11	Customer Advances for Construction		0
12	Contribution in Aid of Construction		42,100
13	CIAC Depreciation		(8,490)
14	Customer Deposits		0

15	Total Rate Base	\$	17,480
			=====

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31,2005

Total Plant in Service

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Intangible Plant					
1	301.000	Organization	\$ 0	\$ 0 P-1	\$ 0
2	302.000	Franchises	0	0 P-2	0
3	303.000	Miscellaneous Intangible Plant	0	0 P-3	0
4	Total		\$ 0	\$ 0	\$ 0
Collection & Pumping Plant					
5	350.000	Land & Land Rights	\$ 0	\$ 0 P-4	\$ 0
6	352.100	Collections Sewer Force	0	0 P-5	0
7	352.200	Collection Sewer Gravity	42,100	0 P-6	42,100
8	353.000	Service to Customers	0	0 P-7	0
9	354.000	Flow Measuring Device	0	0 P-8	0
10	355.000	Flow Measuring Installation	0	0 P-9	0
11	362.000	Receiving Wells	0	0 P-10	0
12	363.000	Electric Pumping Equipment	0	0 P-11	0
13	Total		\$ 42,100	\$ 0	\$ 42,100
Treatment & Disposal Plant					
14	370.000	Land & Land Rights	\$ 0	\$ 0 P-12	\$ 0
15	371.000	Structures & Improvements	0	0 P-13	0
16	372.000	Treatment & Disposal Equipment	32,000	0 P-14	32,000
17	373.000	Plant Sewers	0	0 P-15	0
18	375.000	Other Treatment and Disp. Equip.	0	0 P-16	0
19	Total		\$ 32,000	\$ 0	\$ 32,000

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31,2005

Total Plant in Service

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
(A)			(B)	(C)	(D)
General Plant					
20	389.000	Land & Land Rights	\$	0 \$	0 P-17 \$ 0
21	390.000	Structures & Improvements		0	0 P-18 0
22	391.000	Office Furniture & Equipment		0	0 P-19 0
23	392.000	Transportation Equipment		0	0 P-20 0
24	393.000	Stores Equipment		0	0 P-21 0
25	394.000	Tools, Shop & Garage Equipment		0	0 P-22 0
26	395.000	Laboratory Equipment		0	0 P-23 0
27	396.000	Power Operated Equipment		0	0 P-24 0
28	397.000	Communication Equipment		0	0 P-25 0
29	399.000	Other Tangible Plant		0	0 P-26 0
30	Total		\$	0 \$	0 \$ 0

31	Total Plant In Service		\$	74,100 \$	0 \$ 74,100

Accounting Schedule: 4

Eaves

11:06 02/15/2006

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31, 2005

Adjustments to Total Plant

Adj	Total Co	Mo Juris
No Description	Adjustment	Adjustment

Accounting Schedule: 4-1

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31,2005

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Intangible Plant					
1	301.000	Organization	\$ 0	0.0000	\$ 0
2	302.000	Franchises	0	0.0000	0
3	303.000	Miscellaneous Intangible Plant	0	0.0000	0
4		Total	\$ 0		\$ 0
Collection & Pumping Plant					
5	350.000	Land & Land Rights	\$ 0	0.0000	\$ 0
6	352.100	Collections Sewer Force	0	2.0000	0
7	352.200	Collection Sewer Gravity	42,100	2.0000	842
8	353.000	Service to Customers	0	2.0000	0
9	354.000	Flow Measuring Device	0	3.3000	0
10	355.000	Flow Measuring Installation	0	3.3000	0
11	362.000	Receiving Wells	0	5.0000	0
12	363.000	Electric Pumping Equipment	0	10.0000	0
13		Total	\$ 42,100		\$ 842
Treatment & Disposal Plant					
14	370.000	Land & Land Rights	\$ 0	0.0000	\$ 0
15	371.000	Structures & Improvements	0	3.0000	0
16	372.000	Treatment & Disposal Equipment	32,000	5.0000	1,600
17	373.000	Plant Sewers	0	4.5000	0
18	375.000	Other Treatment and Disp. Equip.	0	5.0000	0
19		Total	\$ 32,000		\$ 1,600

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31,2005

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
		General Plant			
20	389.000	Land & Land Rights	\$ 0	0.0000	\$ 0
21	390.000	Structures & Improvements	0	3.0000	0
22	391.000	Office Furniture & Equipment	0	5.0000	0
23	392.000	Transportation Equipment	0	14.3000	0
24	393.000	Stores Equipment	0	0.0000	0
25	394.000	Tools, Shop & Garage Equipment	0	5.0000	0
26	395.000	Laboratory Equipment	0	5.0000	0
27	396.000	Power Operated Equipment	0	6.7000	0
28	397.000	Communication Equipment	0	5.0000	0
29	399.000	Other Tangible Plant	0	20.0000	0
30		Total	\$ 0		\$ 0

31		Total Depreciation Expense	\$ 74,100		\$ 2,442

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31, 2005

Depreciation Reserve

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Intangible Plant					
1	301.000	Organization	\$ 0	\$ 0	\$ 0
2	302.000	Franchises	0	0	0
3	303.000	Other Plant & Miscellaneous Equip	0	0	0
4		Total	\$ 0	\$ 0	\$ 0
Collection & Pumping Plant					
5	350.000	Land & Land Rights	\$ 0	\$ 0 R-1	\$ 0
6	352.100	Collection Sewer-Force	0	0 R-2	0
7	352.200	Collection Sewer-Gravity	8,490	0 R-3	8,490
8	353.000	Service to Customers	0	0 R-4	0
9	354.000	Flow Measuring Device	0	0 R-5	0
10	355.000	Flow Measuring Installation	0	0 R-6	0
11	362.000	Receiving Wells	0	0 R-7	0
12	363.000	Electric Pumping Equipment	0	0 R-8	0
13		Total	\$ 8,490	\$ 0	\$ 8,490
Treatment & Disposal Plant					
14	371.000	Structures and Improvements	\$ 0	\$ 0 R-9	\$ 0
15	372.000	Treatment & Disposal Equipment	14,520	0 R-10	14,520
16	373.000	Plant Sewers	0	0 R-11	0
17	375.000	Other Treatment & Disposal Equip.	0	0 R-12	0
18		Total	\$ 14,520	\$ 0	\$ 14,520

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31,2005

Depreciation Reserve

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
		General Plant			
19	390.000	Structures & Improvements	\$ 0	\$ 0 R-13	\$ 0
20	391.000	Office Furniture & Equipment	0	0 R-14	0
21	392.000	Transportation Equipment	0	0 R-15	0
22	393.000	Stores Equipment	0	0 R-16	0
23	394.000	Tools, Shop & Garage Equipment	0	0 R-17	0
24	395.000	Laboratory Equipment	0	0 R-18	0
25	396.000	Power Operated Equipment	0	0 R-19	0
26	397.000	Communication Equipment	0	0 R-20	0
27	399.000	Other Tangible Property	0	0 R-21	0
28		Total	\$ 0	\$ 0	\$ 0
29		Total Depreciation Reserve	\$ 23,010	\$ 0	\$ 23,010

Accounting Schedule: 7

Eaves

11:06 02/15/2006

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31,2005

Adjustments to Depreciation Reserve

Adj	Total Co	Mo Juris
No Description	Adjustment	Adjustment

Accounting Schedule: 7-1

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31,2005

Income Statement

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
Operating Revenues					
1	521.100	Flat Rate Res. Revenues	\$ 4,718	\$ (146) S-1	\$ 4,572
2	522.100	Measured Res. Revenues	0	0 S-2	0
3	522.200	Measured Commercial Revenues	0	0 S-3	0
4	536.000	Miscellaneous Operating Revenues	0	0 S-4	0
5		Total	\$ 4,718	\$ (146)	\$ 4,572
Operation & Maintenance Expense					
6	701.000	Salaries and Wages Employee Maint	\$ 0	\$ 1,584 S-5	\$ 1,584
7	702.000	Service to Customers	0	0 S-6	0
8	711.000	Sludge Hauling	550	(275) S-7	275
9	716.000	Maintenance of Other Collection Fac	0	0 S-8	0
10	741.000	Chemicals	98	0 S-9	98
11	742.000	Equipment Maintenance Expense	570	0 S-10	570
12	743.000	Fuel or Power for Sewage Treatment	636	216 S-11	852
13	744.000	Lab and Testing Fees	407	0 S-12	407
14	752.000	Maint. of Treatment & Disposal Plan	546	0 S-13	546
15	903.000	Customer Records and Collection Exp	147	0 S-14	147
16	905.000	Misc. Customer Accounts Expenses	0	0 S-15	0
17	920.000	Administrative and General Salaries	0	0 S-16	0
18	921.000	Office Supplies & Other Expenses	0	0 S-17	0
19	923.000	Outside Services Employed	0	0 S-18	0
20	925.000	Injuries & Damages	0	0 S-19	0
21	926.000	Employees Pension & Benefits	0	0 S-20	0
22	927.000	Francise Requirement	0	0 S-21	0
23	928.000	Regulatory Commission Expense	526	48 S-22	574
24	929.000	Transportation	601	0 S-23	601
25	757.000	Insurance General	0	673 S-24	673
26	931.000	Property Tax	854	(427) S-25	427
27	930.000	Misc General Exp. Interest Expense	0	0 S-26	0
28		Total	\$ 4,935	\$ 1,819	\$ 6,754
Depreciation Expense					
29		Depreciation Expense	\$ 2,442	\$ 0 S-60	\$ 2,442
30		Amortization of CIAC Dep expense	0	(842) S-61	(842)
31		Total	\$ 2,442	\$ (842)	\$ 1,600

Taneycomo Highland
Case: QS-06-004A
Test Year ending October 31,2005

Income Statement

Line No	Acct	Description	Missouri Jurisdictional	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)
32		Other Operating Expenses	\$ 0	\$ 0	\$ 0
33		Total Operating Expenses	\$ 7,377	\$ 977	\$ 8,354
34		Net Income Before Taxes	\$ (2,659)	\$ (1,123)	\$ (3,782)
35		Current Income Taxes	\$ 0	\$ 0	\$ 0
36		Total	\$ 0	\$ 0	\$ 0
37		Deferred Income Taxes	\$ 0	\$ 0	\$ 0
38		Total	\$ 0	\$ 0	\$ 0
39		Total Income Taxes	\$ 0	\$ 0	\$ 0
40		Net Operating Income	\$ (2,659)	\$ (1,123)	\$ (3,782)

Taneycomo Highland
Case: QS-06-004A
Test Year ending October 31, 2005

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Flat Rate Res. Revenues S-1		\$ (146)

1. To reflect the annualized level of revenues.		\$ (146)
(Eaves)		

Salaries and Wages Employee Maint S-5		\$ 1,584

1. To reflect the amount of maint. salary expense for operator.		\$ 1,584
(Eaves)		

Fuel or Power for Sewage Treatment S-11		\$ 216

1. To reflect charges for security lighting at the sewer plant.		\$ 216
(Eaves)		

Regulatory Commission Expense S-22		\$ 48

1. To reflect the current PSC and DNR assessment and permit fees.		\$ 48
(Eaves)		

Insurance General S-24		\$ 673

1. To reflect insurance expense related to sewer treatment plant.		\$ 673
(Eaves)		

Eaves

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Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31, 2005

Adjustments to Income Statement

Adj No Description	Total Co Adjustment	Mo Juris Adjustment

Property Tax	S-25	\$ (427)

1. To reflect the allocation of property tax between sewer and water plant. (Eaves)		\$ (427)

Misc General Exp. Interest Expense	S-26	

1. (Eaves)		

Depreciation Expense	S-60	

1.		

Amortization of CIAC Dep expense	S-61	\$ (842)

1. To reflect CIAC amortization expense. (Eaves)		\$ (842)

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31, 2005

Income Tax

Line		Test Year	7.00% Return
(A)		(B)	
1	Net Income Before Taxes (Sch 8)	\$ (3,782)	\$ 1,224

	Add to Net Income Before Taxes		
2	Book Depreciation Expense	\$ 1,600	\$ 1,600
		-----	-----
3	Total	\$ 1,600	\$ 1,600
Subtr from Net Income Before Taxes			
4	Interest Expense 7.0000 %	\$ 1,224	\$ 1,224
5	Book Depreciation	1,600	1,600
		-----	-----
6	Total	\$ 2,824	\$ 2,824

7	Net Taxable Income	\$ (5,006)	\$ 0

	Provision for Federal Income Tax		
8	Net Taxable Income	\$ (5,006)	\$ 0
9	Deduct Missouri Income Tax 100.0 %	\$ 0	\$ 0
10	Deduct City Income Tax	0	0
11	Federal Taxable Income	(5,006)	0
		-----	-----
12	Total Federal Tax	\$ 0	\$ 0
Provision for Missouri Income Tax			
13	Net Taxable Income	\$ (5,006)	\$ 0
14	Deduct Federal Income Tax 50.0 %	\$ 0	\$ 0
15	Deduct City Income Tax	0	0
16	Missouri Taxable Income	(5,006)	0
		-----	-----
17	Total Missouri Tax	\$ 0	\$ 0

Taneycomo Highland

Case: QS-06-004A

Test Year ending October 31, 2005

Income Tax

Line		Test Year	7.00% Return
	(A)	(B)	
	Provision for City Income Tax		
18	Net Taxable Income	\$ (5,006)	\$ 0
19	Deduct Federal Income Tax	\$ 0	\$ 0
20	Deduct Missouri Income Tax	0	0
21	City Taxable Income	(5,006)	0
22	Total City Tax	\$ 0	\$ 0
	Summary of Provision for Income Tax		
23	Federal Income Tax	\$ 0	\$ 0
24	Missouri Income Tax	0	0
25	City Income Tax	0	0
26	Total	\$ 0	\$ 0
	Deferred Income Taxes		
27	Deferred Investment Tax Credit	\$ 0	\$ 0
28	Deferred Repair Allowance	0	0
29	Deferred Tax Depreciation	0	0
30	Amort of Deferred Tax Depreciation	0	0
31	Amort of Repair Allowance	0	0
32	Amort of Deferred ITC	0	0
33	Deferred Unbilled	0	0
34	Total	\$ 0	\$ 0
35	Total Income Tax	\$ 0	\$ 0

Memo Attachment C

Overview of Company and Customer Service Operations

Review of Taneycomo Highlands, Inc. Sewer Company Customer Service Operations

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service processes, procedures and practices at Taneycomo Highlands, Inc. Sewer Company (Company) on November 7, 2005. Prior to on-site interviews, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records and other documentation related to the Company's customer service operations.

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

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

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

- Customer Billing and Remittance
- Credit and Collections
- Complaints Handling and Recording
- Customer Communication and Information

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

Overview

Taneycomo Highlands, Inc. Sewer Company provides sewer services to approximately twenty to twenty-two customers in the Taneycomo Highlands, Inc.

Development located near Branson, Missouri. There is a community well at the development that provides water service to all sewer customers. The Company does not currently have, but is considering obtaining a water tariff.

Currently, all customers are year round residents. The Company could potentially serve 120 lots within the development, which the management believes to be equivalent to 180 people. The Company is owned by Ms. Judy Gurney, vice-president and treasurer, and Mr. Chris Schneider, president. These two part-time employees perform most of the activities associated with Company operations. On occasion, the Company has contracted with third parties to perform special projects. The Company's business office is located at the development. But, most of the business procedures are performed at the residence of the Company's treasurer in Shell Knob, Missouri. The Company stated that all Company records are locked in a fire proof file cabinet at the treasurer's residence.

Although the Company is currently listed as "For Sale", the Company's short range goal is to provide more housing units at an inexpensive rate. A large development, Branson Landing, is in the process of being developed and the economic study that was performed in conjunction with this project stated that inexpensive housing was necessary. If the Company does not sell, the Company's goal is to develop its facility to full capacity and continue to maintain it.

The Company's succession plan includes hiring a relative of the treasurer; if that is not possible, then contracting out the duties.

Customer Billing and Remittance

The Company bills on a monthly basis; the sewer charge is a flat fee of \$18.14 per customer. The customers also receive their water via a well on the development property; but, the Company does not have a certificate of service for water service. The Company bills for trash pickup and sewer are on the same bill. The trash pickup cost varies each month; it is whatever the total charge is to the Company divided by the number of customers, which is typically 20.

Customers' billing statements are handwritten and mailed on the first day of the month; payment is due by the 15th of the same month. Customers can pay their bills by check or money order and most customers mail their payment. At one time, the

Company had a drop box at the development office; but, it was discontinued following vandalism to the drop box and stealing of the payments.

Customers' monthly charges and payments are recorded in a ledger. Each customer page shows the customer name, customer address or lot number and the customer account number.

The treasurer makes bank deposits of payments on an as-needed basis, which is normally twice a month. Typically, most payments are received within a one week period of time.

If payment is not received by the 15th, a late fee of \$5.00 is charged. This amount is for late payment of the sewer and trash bills.

Credit and Collections

Customers are required to sign an application prior to having service placed in their name. The Company recently implemented a procedure that requires some type of picture identification in addition to the signed application. The Company does not currently hold any customer deposits. If the Company charges a deposit, the amount due is currently \$36.28, which is two times the monthly bill (2 x \$18.14).

Although the Company stated that it has never written off any amounts, it currently has \$36.00 in uncollectibles.

As stated in the Customer Billing section, if payment is not received by the 15th, a late fee of \$5.00 is charged. When a customer's account continues to be delinquent, a letter is mailed with the last statement enclosed. The letter requests immediate attention to the past due bill. If there is no response from the customer, another letter is mailed requesting payment within 30 days or the customer's water will be disconnected and a reconnect fee and possible deposit will be charged. Both letters are mailed certified mail. If no response is provided from either letter, the treasurer goes to the service location to collect payment. If payment is not made, the treasurer and the president perform the disconnection. The Company has disconnected water service on two occasions. A \$50.00 reconnect fee is charged to accounts disconnected for nonpayment.

When the Company receives a returned check from one of its customers, the Company mails a letter with a copy of the letter it received from its bank. The bank

charges the Company a \$2.00 fee for each returned check and the Company adds this fee to the amount due to cover the returned check. The Company stated that it received one returned check during 2003 and none during 2004 and 2005.

Complaints and Inquiries

Customers with questions or concerns may contact the vice-president/treasurer at any time at her residence. Customers may leave messages on an answering machine if someone is not immediately available. The telephone number is displayed on the customers' monthly bills. The Company records the date, name and nature of all calls received. A review of Commission complaint records showed no contacts from customers during 2003 and 2004 and one during 2005.

Customer Communication and Information

When necessary, the Company communicates with its customers via mail. Customers are also able to call the vice-president's home phone number 24/7.

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 two areas that require Company management's attention:

- *Customer Billing*
- *Credit and Collections*

Customer Billing

The Company does not stipulate the date payment is received or the customer's check number when recording payments in its ledger. Since the sewer bill is the same amount each month, it would be difficult to determine what month the customer is paying if a customer becomes delinquent with their payment. It would be a good business practice and would possibly avoid a confusing situation to record the date the payment

was received and also the customer's check number when entering payment information in the Company's ledger.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Stipulate in the Company's ledger the date customer payments are received and also record the customer's check number.

The Company only allows customers 15 days from rendition of the bill to make payment of their bill. Most utility companies allow 21 days from rendition of the bill to make payment. The Company mails their bills on the 1st day of the month and payment is due by the 15th of the same month. A late fee is charged if payment is not received by the 15th. At the earliest, the customer would receive their bill on the 2nd day of the month, giving them 13 days to make payment of their bill.

If the Company would allow customers 21 days from rendition of the bill to make payment, the bill would become delinquent on the 22nd day of the month and the Company could charge a late charge at that time.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Allow customers 21 days from the rendition of the bills to make payment of their bill.

Credit and Collections

The Company's returned check fee of \$2.00 is inadequate. The Company's bank charges it \$2.00 for each returned check and the Company passes this charge on to the returned check customer. The Company should charge an amount that reflects the administrative tasks to collect the amount due for the returned check and to also provide an incentive to the customer to not provide the Company an insufficient funds check. The Company's late fee of \$5.00 is charged because payment has not yet been received; which is true for the returned check amount, too. The Company should consider increasing the returned check fee to at least \$5.00.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Increase the Company's returned check fee.