

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

In the Matter of S.K. & M. Water and)
Sewer Company's Request For)
Increases in Annual Water and)
Sewer System Operating Revenues)

Case No. SR-2019-0157

NOTICE OF NON-UNANIMOUS DISPOSITION AGREEMENT

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, on behalf of itself and S.K. & M. Water and Sewer Company ("S.K. & M." or "Company") collectively, the signatories, and, for this *Notice of Non-Unanimous Disposition Agreement*, respectfully states as follows:

1. S.K. & M filed a letter with the Missouri Public Service Commission ("Commission") on November 27, 2018, requesting an increase in annual operating revenues, in addition to the implementation of emergency/interim rates
2. The Commission approved the implementation of emergency/interim rates on December 7, 2018.
3. In its request letter, S.K. & M. set forth its request for an increase of \$200,000 in its annual water service operating revenues and \$100,000 in annual sewer revenues. S.K. & M. also acknowledged that as a part of its request, Staff would review the Company's customer rate design, service charges, customers service practices, general business practices and general tariff provisions, and could thus be the subject of Staff's recommendations.
4. Upon completion of Staff's investigation of the Company's request, Staff provided the Company and the Office of Public Counsel ("OPC") with materials related to

Staff's investigation, as well as Staff's initial recommendation for the resolution of the request.

5. Subsequent to Staff's investigation, and pursuant to negotiations between Staff, the Company and OPC, Staff and S.K. & M. have been able to reach a "*Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*" ("*Disposition Agreement*"), attached hereto as Appendix A, and incorporated by reference herein.

6. Included in Appendix A is a copy of the above-referenced *Disposition Agreement*, as well as a prescribed schedule of depreciation rates, that reflects the Company's agreement to implement Staff's recommendations. It also includes various other attachments related to the *Disposition Agreement*. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

7. The *Disposition Agreement* provides for an increase of \$13,280 (13%) for the water system. When added to the previous level of water revenues of \$105,822, the increase in water operations results in overall annual revenues of \$119,102

8. In addition, the *Disposition Agreement* provides for an increase of \$15,598 (24%) for the sewer system. When added to the previous level of sewer revenues of \$65,460, the increase in sewer operations results in overall annual revenues of \$81,058.

9. Pursuant to Rule 4 CSR 240-10.075(11)(C), "[i]f the disposition agreement filed by staff provides for a full resolution of the small utility rate case but is not executed by all parties, the utility will submit to the commission concurrent with staff's filing new

and/or revised tariff sheets, bearing an effective date that is not fewer than forty-five (45) days after they are filed, to implement the agreement.”

10. The Company is current on the filing of its annual report and the payment of all of its annual assessments.

WHEREFORE, Staff submits this *Notice of Non-Unanimous Disposition Agreement* and the attached Appendix A for the Commission’s information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by the parties and contained herein.

Respectfully submitted,

/s/ Travis J. Pringle
Missouri Bar No. 71128
Legal Counsel
Attorney for the Staff of the
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-4140 (Telephone)
(573) 751-9265 (Fax)
Travis.Pringle@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was delivered to the parties and or their counsel of record by U.S. Postal Service postage prepaid, or by hand, or served electronically, on this 17th day of May, 2019.

/s/ Travis J. Pringle

**NON-UNANIMOUS AGREEMENT REGARDING DISPOSITION OF
SMALL UTILITY COMPANY REVENUE INCREASE REQUEST**

S. K. & M. WATER AND SEWER COMPANY

MO PSC FILE NO. SR-2019-0157

BACKGROUND

S. K. & M. Water and Sewer Company ("Company") initiated the small company revenue increase request ("Request") for water and sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File 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 November 27, 2018, the Company set forth its request for an increase of \$200,000 in its annual water service operating revenues and \$100,000 in annual sewer revenues. 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's recommendations. The Company is located in one residential area southwest of Perryville, Missouri, providing service to approximately 302 water customers and 156 sewer customers. As explained in the attached documentation, the annualized number of customers for the test year is 284 water customers and 158 sewer customers. All but one of these customers is residential.

Pursuant to the provisions of the Staff Assisted Rate Case Procedure¹ 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. (These activities are collectively referred to hereinafter as Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("Public Counsel") information regarding Staff's

¹Commission Rule 4 CSR 240-10.075

investigation and the results of the investigation, including Staff's initial recommendations for resolution of the Company's Request.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

Pursuant to negotiations held subsequent to the Company's receipt of the above-referenced information regarding Staff's investigation of the Company's request, Staff and the Company hereby state the following agreements:

- (1) The agreed upon revenue requirement increase for water of \$13,280 (13% increase) added to the level of previous revenues of \$105,822 results in overall annual revenues of \$119,102. The agreed upon revenue requirement increase for Sewer of \$15,598 (24% increase) added to the level of previous revenues of \$65,460 results in overall annual revenues of \$81,058. This revenue requirement is just and reasonable and designed to recover the Company's cost of service. These amounts are shown on the ratemaking income statements found in Attachment A, incorporated by reference herein;
- (2) The above increases are in addition to revenue received from the previously approved Emergency Rates. The Emergency Rates for both water and sewer will be eliminated upon Commission approval of replacement tariffs associated with this agreement.
- (3) Staff's Auditing Department conducted a full and complete audit of the Company's books and records using the 12-month period ended December 31, 2018, as the basis for the revenue requirement determined above. The audit findings can be found in Attachment B, incorporated by reference herein;
- (4) The agreed upon net rate base for sewer is zero dollars as of January 1, 2019. The agreed upon net rate base for water \$55,892. The development of this amount is shown on the rate base worksheet that is found in Attachment C, incorporated by reference herein. This amount is included in the audit work papers in the ultimate determination of the revenue requirement shown in (1) above;
- (5) Included in Attachment B is the agreed upon capital structure which includes 25% common equity and 75% long-term debt. Return on Equity is 11.53%, with a cost of debt of 6%. After-tax Rate of Return is 8.37%;
- (6) The schedule of depreciation rates in Attachment D, incorporated by reference herein, includes the depreciation rates used by Staff in its revenue requirement analysis and shall be the prescribed schedule of water and sewer plant depreciation rates for the Company;
- (7) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown on Attachment E, incorporated by reference herein, are just and reasonable rates that the Company will be allowed to charge its customers. The impact of these rates will be as shown on Attachment F, also attached and incorporated by reference herein;

(8) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission, proposed tariff revisions containing the rates, charges, and language set out in the example tariff sheets attached as Attachment G. The proposed tariff revisions will bear an effective date of May 31, 2019;

(9) The current PSC MO No. 1 tariff will be cancelled and replaced by PSC MO No. 4, which is included in the example tariff described above. The current PSC MO No. 3 tariff will be cancelled and replaced by PSC MO No. 5;

(10) The Company agrees to implement the recommendations contained in the Auditing Department Report, attached hereto as Attachment B and incorporated by reference herein, and provide proof of implementing the recommendations to the Manager of the Commission's Auditing Unit:

(a) Within ninety (90) days of an order approving this Disposition Agreement, the Company will:

1. Adjust the Company general ledger used for regulatory ratemaking purposes to agree with the plant and depreciation reserve account balances that are shown in the Staff/Company Disposition Agreement for this rate case;
2. Modify its timesheets in the following manner: (1) add a new category named "Inst/Rep/Maint – Sewer" so the Company can appropriately split the installation, repair, and maintenance hours between the water and sewer operations; and (2) add a category on timesheets to record any time spent on new construction, split out between water and sewer;
3. Comply with the requirements of the NARUC Uniform System of Accounts ("USOA"), including its guidelines for the recording of cost of removal and gross salvage in the Company ledger as adjustments to plant and reserves; and
4. Purchase property and general liability insurance;

(11) The Company agrees to implement the recommendations contained in the Customer Experience Department (CXD) Report, attached hereto as Attachment H and incorporated by reference herein, and provide proof of implementing the recommendation to the Manager of the Commission's CXD:

(a) Within thirty (30) days of an order approving this Disposition Agreement, the Company will:

1. Change billing practices such that a monthly-billed customer shall have at least twenty-one (21) days to pay the bill in accordance with 4 CSR 240-13.020(7);
2. Change Company procedures such that the Company shall make reasonable efforts to contact the customer to advise the customer of the proposed discontinuance and what steps must be taken to avoid it, at least twenty-four (24) hours preceding discontinuance, in

accordance with 4 CSR 240-13.050(8). Reasonable efforts shall include either a written notice, a door hanger, or at least two (2) telephone call attempts reasonably calculated to reach the customer;

3. Create and implement a complaint log in accordance with 4 CSR 204-13.040(5); and
 4. Create and distribute to customers a ‘Customer Rights and Responsibilities Brochure’ in accordance with 4 CSR 240-13.040(3).
- (b) Within ninety (90) days of an order approving this Disposition Agreement, the Company will:
1. Modify the customer bill format such that information required by 4 CSR 240.13.020(9) is clearly presented;

(12) The Company agrees to implement the recommendations contained in the Water & Sewer Department Report, attached hereto as Attachment I and incorporated by reference herein, and provide proof of implementing the recommendation to the Manager of the Commission’s Water & Sewer Department:

- (a) The Company agrees to complete the following tasks, as listed in Attachment I, no later than the dates listed, in accordance with the Environmental Improvement Contingency Fund (EICF), pursuant to Commission Rule 4 CSR 240-10.095:
1. Submit Engineering Report to PSC Staff – December 1, 2020;
 2. Install Backup Booster Pump – January 1, 2021
 3. Repair Sewer Line Breaks – January 1, 2021;
 4. Replace Master Meters – June 1, 2021;
 5. Complete Sewer Camera Survey and Jetting – January 2022.
- (b) The Parties agree that this schedule requires that the Commission grant a waiver from 4 CSR 240-10.095(4)(B)3. This section requires that if a requested EICF includes funds for a preliminary engineering report, the report must be completed and submitted to the commission prior to the first disbursement from the EICF account; however, the Parties agree good cause exists to allow disbursements from the fund for other improvements prior to the completion of the engineering study. Good cause exists for allowing fund disbursement for a backup booster pump because if the existing single booster pump is taken down by failure or for maintenance, all water pressure in the drinking water system would immediately be lost for an indeterminate amount of time. Good cause exists for allowing fund disbursements for repairing the sewer line breaks because these represent a significant threat of sewer blockage and sewer backups into customer’s homes. The intent of 4 CSR 240-10.095(4)(B)3 is to ensure prudent spending on the most cost effective upgrades to a water or sewer system; however, the parties agree no engineering analysis is necessary to determine that the backup booster pump and sewer line repairs are critical for continued safe and reliable service;

(13) The parties agree that an EICF shall be implemented in this proceeding. The EICF charge shall be \$2.14 each month for water customers, and \$5.11 for sewer customers, as shown in Attachment I;

- (a) The Company agrees that these charges are to be collected as part of the monthly customer charge. The Company agrees to comply with revenue recording and segregation required by 4 CSR 240-10.095(5).
- (b) The Company shall comply with 4 CSR 240-10.095(5)(C), including at least 30 days' notice to Staff prior to making a disbursement.
- (c) The Company agrees to file quarterly reports in the SR-2019-0157 Docket in EFIS showing monthly EICF funds received, deposits to the escrow account, expenditures, and end of the month balances in accordance with 4 CSR 240-10.095(6).
- (d) This charge shall be reviewed in the Company's next rate case;

(14) The Company agrees to cease collection of "Sewer Maintenance Fees"; the remaining balance of fees collected shall be spent only on sewer plant, repairs, or maintenance, and shall be recorded as contribution in aid of construction. The Company agrees to provide documentation of the spending of the remaining funds for review at the next rate case. Provided that the Company fulfills this requirement, Staff agrees it will not claim, in any Commission proceeding, that the Company's collection of the "Sewer Maintenance Fee" was a violation of any tariff, statute, rule, order, or decision within the Commission's jurisdiction;

(15) The Company has identified several customer meters in the system which are not functioning. Water customers currently served by a non-functioning meters, or customers at a future date whose meter stops functioning, shall be charged the non-metered rate found in the tariff. The non-metered rate shall be effective until June 1, 2024, or until changed or replaced by a subsequent rate case. Unless changed or replaced by a subsequent rate case, customers on the non-metered rate after June 1, 2024, shall be charged the metered rate. Customers being switched to the non-metered rate shall first be notified by letter at least 21 days prior to the change taking effect. Once the non-functioning meter is replaced, customers will be notified at least 21 days before being switched back to the metered rate. The Company may mail or hand-deliver these notifications. The Company agrees to receive approval of the language in these customer notifications from Staff prior to implementing this procedure. For the purpose of this agreement, and execution of the tariff language associated with the non-metered rate, non-functioning meters are those for which the meter can be observed to not be turning while water is flowing through the meter. The Company shall document the date the meter was evaluated, how water was determined to be flowing through the meter at the time of the evaluation, and any customer contact associated with the evaluation;

(16) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle

after issuance of the Commission order approving the terms of this Company/Staff Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to Staff Case Coordinator who will file a copy in this case;

(17) The Company shall provide adequate notification and information regarding changes to customers' service and billing as they occur. This information shall include, but not be limited to, an explanation of new rates and rate structures, billing charges, and meter replacements;

(18) The Company agrees to immediately undertake actions to verify customer information at each billing address and determine the functioning and accuracy of its meter at each address. The Company agrees to develop procedures to ensure the integrity of future customer information, and will verify function of any meter observed to have unusually low usage over a two-month period;

(19) The Company agrees to file a rate case for both water and sewer utilities no later than January 31st, 2022;

(20) Staff may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Company/Staff Disposition Agreement;

(21) Staff may file a formal complaint against the Company, if the Company does not comply with the provisions of this Company/Staff Disposition Agreement;

(22) The Company and Staff agree that they have read the foregoing Company/Staff Disposition Agreement, 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 agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this Disposition Agreement; and

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

Additional Matters

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Unanimous Disposition Agreement reflect compromises between the Staff and the Company,

and no party has agreed to any particular ratemaking principle, unless specifically detailed herein, in arriving at the amount of the annual operating revenue increase specified herein.

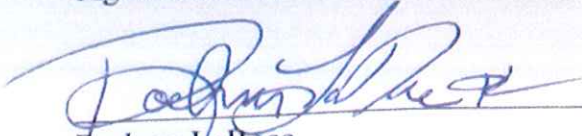
Staff has completed a Summary of Case Events and has included that summary as Attachment K to this Disposition Agreement.

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

Additionally, the Company agrees that subject to the rules governing practice before the Commission and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff shall have the right to provide an oral explanation to support its entering into this Partial Disposition Agreement, if the Commission requests one at any agenda meeting at which this case is noticed to be considered by the Commission. Subject to the rules governing practice before the Commission and without waiving the confidentiality of the facts and positions disclosed in the course of settlement, Staff will be available to answer Commission questions regarding this Partial Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.


SIGNATURES

Agreement Signed and Dated:



Rodney LaRose
President
S. K. & M. Water and Sewer Company

5-17-19
Date



Susan LaRose
Vice President
S. K. & M. Water and Sewer Company

5-17-19
Date



Jim Busch
Manager – Water & Sewer Department
Missouri Public Service Commission Staff

5/17/19
Date

List of Attachments

- Attachment A – Income Statements
- Attachment B – Auditing Department Report
- Attachment C – EMS Runs
- Attachment D – Schedule of Depreciation Rates
- Attachment E – Rate Design Worksheets
- Attachment F – Billing Comparison Worksheets
- Attachment G – Example Tariff Sheets
- Attachment H – CXD Report
- Attachment I – Water and Sewer Department Report
- Attachment J – Summary of Events

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

In the Matter of S.K. & M. Water and)
Sewer Company's Application For)
Increases in Annual Water and)
Sewer System Operating Revenues)

Case No. SR-2019-0157

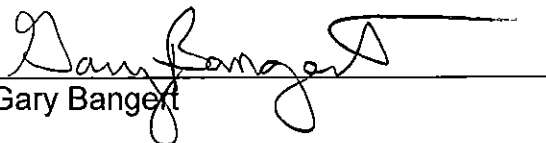
State of Missouri)
) ss.
County of Cole)

AFFIDAVIT OF GARY BANGERT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Gary Bangert, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*; and that the same is true and correct according to his best knowledge and belief.

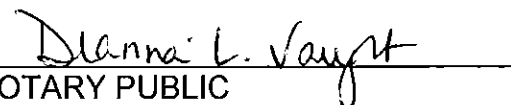
Further the Affiant sayeth not.



Gary Bangert

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of May, 2019.



NOTARY PUBLIC

My commission expires: June 28, 2019

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377

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

In the Matter of S.K. & M. Water and)
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Increases in Annual Water and)
Sewer System Operating Revenues)

Case No. SR-2019-0157

State of Missouri)
) ss.
County of Cole)

AFFIDAVIT OF COURTNEY BARRON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Courtney Barron, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Courtney Barron
Courtney Barron

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of May, 2019.

Dianna L. Vaught
NOTARY PUBLIC

My commission expires: June 28, 2019

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of S.K. & M. Water and)
Sewer Company's Application For)
Increases in Annual Water and)
Sewer System Operating Revenues)

Case No. SR-2019-0157

State of Missouri)
) ss.
County of Cole)

AFFIDAVIT OF DEBORAH ANN BERNSEN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

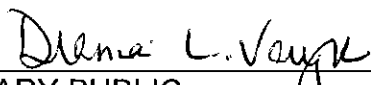
COMES NOW, Deborah Ann Bernsen, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


Deborah Ann Bernsen

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of May, 2019.


NOTARY PUBLIC

My commission expires: June 28, 2019

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377

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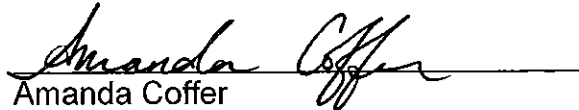
State of Missouri)
) ss.
County of Cole)

AFFIDAVIT OF AMANDA COFFER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

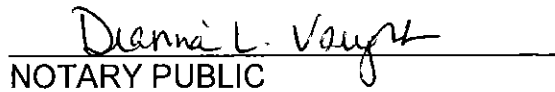
COMES NOW, Amanda Coffe, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


 Amanda Coffe

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of May, 2019.


 NOTARY PUBLIC

My commission expires: June 28, 2019

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377

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State of Missouri)
) ss.
County of Cole)

AFFIDAVIT OF CURT B. GATELEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

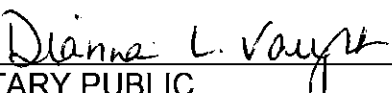
COMES NOW, Curt B. Gateley, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


 Curt B. Gateley

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 17th day of May, 2019.


 NOTARY PUBLIC

My commission expires: June 28, 2019

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377

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State of Missouri)
) ss.
County of Cole)

AFFIDAVIT OF CAROLINE NEWKIRK

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Caroline Newkirk, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*; and that the same is true and correct according to her best knowledge and belief.

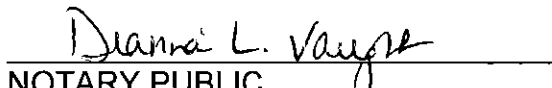
Further the Affiant sayeth not.



Caroline Newkirk

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of May, 2019.



NOTARY PUBLIC

My commission expires: June 28, 2019

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377

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State of Missouri)
) ss.
County of Cole)

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, David C. Roos, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Non-Unanimous Agreement Regarding Disposition of Small Utility Company Revenue Increase Request*; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.



 David C. Roos

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 17th day of May, 2019.



 NOTARY PUBLIC

My commission expires: June 28, 2019

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377

Disposition Agreement Attachment A

Income Statements

S. K. & M. Water and Sewer Company

Water Rate Making Income Statement

Operating Revenues at Current Rates			Customer Charge	Commodity	
1	Tariffed Rate Revenues *	\$ 105,822			
2	Other Operating Revenues *	\$ 1,930			
3	Total Operating Revenues	\$ 107,752			
4	* See "Revenues - Current Rates" for Details.				
Cost of Service					
Item	Amount		Customer Charge	Commodity	
5	Operations Expenses	\$ 61,525	0.90 \$	55,373 \$	6,153 \$
6	Maintenance Expenses	\$ 9,714	0.90 \$	8,743 \$	971 \$
7	Customer Account Expense	\$ 11,701	0.20 \$	2,340 \$	9,361 \$
8	Administrative & General Expenses	\$ 19,327	0.50 \$	9,664 \$	9,664 \$
9	DNR Fees	\$ 200	1.00 \$	200 \$	-
10	PSC Assessment	\$ 678	1.00 \$	678 \$	-
11	Rate Case Expense	\$ 1,349	0.50 \$	675 \$	675 \$
12	Sub-Total Operating Expenses	\$ 104,494		\$ 77,671	\$ 26,823
13	Property Taxes	\$ 1,994	0.50 \$	997 \$	997 \$
14	Payroll Taxes	\$ 4,092	0.50 \$	2,046 \$	2,046 \$
15	Income Taxes	\$ 550	0.50 \$	275 \$	275 \$
16	Sub-Total Taxes	\$ 6,636		\$ 3,318	\$ 3,318
17	Depreciation	\$ 5,776	0.60 \$	3,466 \$	2,310 \$
18	Interest Expense	\$ 2,515	0.60 \$	1,509 \$	1,006 \$
19	Sub-Total Depreciation/Interest/Amortization	\$ 8,291		\$ 4,975	\$ 3,316
20	Return on Equity	\$ 1,611	0.60 \$	967 \$	644 \$
21	Total Cost of Service	\$ 121,032		\$ 86,931	\$ 34,102
22	Cost to recover in rates	\$ 119,102		\$ 85,001	\$ 34,102
23	Overall Revenue Increase Needed	\$ 13,280			

S. K. & M. Water and Sewer Company

Sewer Rate Making Income Statement

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	65,460
2	Other Operating Revenues *	\$	1,255
3	Total Operating Revenues	\$	66,715

4 * See "Revenues - Current Rates" for Details

5

Cost of Service

	Item		Amount
8	Operations Expenses	\$	41,313
9	Maintenance Expenses	\$	18,081
10	Customer Account Expense	\$	4,156
11	Administration & General Expenses	\$	10,924
12	Other Operating Expenses	\$	5,289
13	Sub-Total Operating Expenses	\$	79,763
14	Property Taxes	\$	259
15	Payroll Taxes	\$	2,203
16	Income Tax	\$	-
17	Sub-Total Taxes	\$	2,462
18	Depreciation Expense	\$	88
19	Interest Expense	\$	-
20	Sub-Total Depreciation/Interest/Amortization	\$	88
21	Return on Equity	\$	-
22	Total Cost of Service	\$	82,313
23	Cost to Recover in Rates	\$	81,058
24	Overall Revenue Increase Needed	\$	15,598

Disposition Agreement Attachment B

Auditing Department Report

**AUDITING DEPARTMENT
PRELIMINARY
REVIEW AND AUDIT**

PRELIMINARY REVENUE INCREASE RECOMMENDATION

The Auditing Staff (“Staff”) performed an analysis of SK&M’s books and records, based on a test year consisting of the twelve months ending December 31, 2018. Staff’s analysis shows that after the implementation of interim rates, the rates for the Company’s water operations are still under recovering the cost of service by \$13,280. Staff’s analysis of the sewer operation of SK&M indicates that the sewer operations are also under recovering the cost of service by \$15,598. Attached to this Memorandum are the Audit Staff’s Accounting Schedules and relevant workpapers related to the audit. The following is a discussion of Staff’s findings in this case.

RATE OF RETURN AND CAPITAL STRUCTURE

Staff’s Financial Analysis Department has performed an initial review of SK&M’s capital structure and rate of return. Staff’s preliminary recommendation is a capital structure that consists of 25% common equity and 75% long-term debt, and a recommended allowed Return on Equity of 11.53% with a cost of debt of 6% cost. This results in an after-tax rate of return of 8.37%. All of these values are reflected in the Audit Staff’s Accounting Schedules.

RATE BASE

As of January 31, 2019 the sewer plant balance was \$880 and the sewer depreciation reserve balance was set to \$0. As of December 31, 2018 (the end of the test year), the water plant balance was \$237,388 and the water depreciation reserve balance was \$181,496. Staff took the balances of plant and reserve one month farther out for SKM’s sewer operations compared to water because Staff wanted to capture the new sewer pump the Company purchased in January of 2019.

Staff’s Depreciation Department has performed an initial review and made adjustments to SK&M’s plant-in-service balances, depreciation reserve, and depreciation rates resulting from plant additions, retirements, and reclassification of plant in service to the appropriate accounts.

REVENUES

Staff determined the total fixed customer charges for the active 284 water customers by using the rates established in the current tariff of \$18.10 for 5/8” meters and \$27.91 for 1” meters. Both of these monthly amounts include the currently effective emergency rate of \$11.55 per month. Staff then divided the monthly usage by the current customer count to determine the average gallons used per customer for January-December of 2018. Staff then used the current tariff rates of \$2.76 per 1,000 gallons and applied it to the average gallons used per customer for each month. Staff applied a 3,000 gallon average usage to the water customer accounts for which the meter

recorded zero usage. Staff's calculation combining the fixed customer charges plus the usage charges was \$105,281. Late fees of \$1,930 were also added for a total annualized water revenue amount of \$107,751.

Staff determined the total fixed customer charges for the active 158 sewer customers by using the rates established in the current tariff of \$34.60 per month for single families and \$28.72 per month for each multi-family. Both of these monthly amounts include the currently effective emergency rate of \$5.24 per month. Staff's calculation of the fixed customer charges was \$65,460, which with assumed late fee charges of \$1,255 results in a total annualized sewer revenue amount of \$66,715.

Customer numbers used in revenue calculations for a test year are expected to differ from the actual number of customers on a given date due to inactive accounts, new customers having connected, previous customers permanently leaving the system, etc.

OPERATING EXPENSES

Payroll

Staff has adjusted SK&M's test year payroll expense to reflect an annualized level of payroll and payroll taxes. Rodney LaRose and Susan LaRose ("Owners") took over operation of SK&M in July 2018. Besides the Owners, SK&M does not employ any full time employees. The Owners' job duties include operations, administrative work, and repairs and maintenance. Staff compared the average hourly wage from the Southeast region of the Missouri Economic Research and Information Center (MERIC) website to the Company requested salaries. Staff used the timesheets to calculate the average weekly number of hours worked for Ms. LaRose to be 47 and for Mr. LaRose to be 50. Then, using the classifications from the timesheets, the hours were split into two categories with different hourly rates. The administrative hours were based on the MERIC job classification: "Office Clerks, General" at \$12.43 per hour. The Operation and Install/Repair/Maintenance hours were based on the MERIC job classification: "Water and Wastewater Treatment Plant and System Operator", at \$17.33 per hour. On the timesheets, SK&M allocated the Operation hours between water and sewer. However, the Company did not split the "Install/Repair/Maintenance" hours and instead allocated all hours to the water system. Staff's annualized level for payroll is \$81,195. Staff has also included annualized payroll tax in the amount of \$6,295 to cover SK&M's portion of FUTA (Federal Unemployment Tax Act) and FICA (Federal Insurance Contributions Act) which is comprised of Social Security and Medicare at the current tax rates.

Electricity

Staff used a three-year average of KWh used plus annualized service availability, outside lighting, and tax to develop the annualized sewer plant, lift station, and the two wells' annualized electricity amount.

Postage

Staff used the total customer count of 285¹ customers to determine the number of bills sent each month. Staff also included postage for the 408 late notices sent during the test year, the annual post office box fee, and the envelopes purchased for billing.

Phone/Internet Expense

Staff analyzed six months of cell phone bills from AT&T. The phone bills included three lines. Staff disallowed 50% of the two phone lines used for both personal and business purposes. Staff disallowed 100% of the phone line that is for personal use only. Staff also disallowed all charges pertaining to cell phone equipment, upgrades, and late fees. Staff disallowed 50% of the internet since it is used for both personal and business purposes. Staff annualized the most current invoice for internet service and reduced it by 50% to determine the amount of expense allowed in the case.

Insurance

The Company does not currently have property or general liability insurance. Staff is including \$5,185 in its recommended revenue requirement for these types of insurance so the Company can acquire it. Staff recommends that the Company be ordered to acquire property and general liability insurance within 90 days following the conclusion of the rate case.

Transportation

The owners use their personal vehicles for business purposes since the Company does not currently own any vehicles. The owners have two trucks, a 2005 GMC and a 2008 Chevrolet. According to the owner's timesheets, they work Monday-Sunday including holidays. The Company did not maintain gas receipts until September 2018 nor mileage logs until December 2018. Staff annualized the business miles (excluding commuting) from the December 2018 and January 2019 mileage logs and then multiplied that amount by the 2019 standard mileage rate to determine transportation expense.

Repairs and Maintenance

Staff analyzed two years of data for the repairs and maintenance account for water and sewer. During the analysis, Staff noted a substantial increase in expense since the new owners took over in July as compared to the previous months. Staff has also been notified by both the Company and by members of the Water and Sewer Department who have inspected the system that there are numerous repairs still left to be made. Therefore, Staff disregarded the charges incurred under the previous owner, and instead annualized the five months of charges under the new ownership (August-December 2018) to reflect adequately the level of repairs expense that will likely continue over the next two years. Staff removed any charges from these accounts that were of a capital nature and included the cost of those items in plant-in-service accounts.

Meter Replacement Program Tracker

Staff is recommending SK&M replace at least 12 meters per year. An annual amount of \$5,532 has been included in Staff's revenue requirement for the meter replacements. If, for whatever reason, the Company does not spend \$5,532 annually for replacing meters, Staff recommends the

¹ The 285 customers was calculated by adding the 127 water only customers, the 1 sewer only customer, and the 157 customers with water AND sewer service.

under-utilized amounts collected in rates be used as an offset (reduction) over an agreed upon period of time.

Chemicals & Testing

Staff included the purchase of chlorine and Dechlor (both purchased monthly: April-October), DPD powder (purchased twice a year), and bleach. Staff also included the cost for waste water testing, water testing, and e-coli testing (weekly testing April-October).

Office Supplies and Expense

Ms. LaRose indicated to Staff that the Company is using a room in their home as an office at the rate of \$120 per month. Since the Company didn't have calculations supporting the monthly rate, Staff conducted a reasonableness study using the IRS publication 509 simplified method. The IRS publication allows taxpayers to claim \$5.00 per square foot of the office space as a tax deduction. By using this method Staff calculated an amount of \$93.75 per month. Staff included the adjusted rent as well as two certified mailings, and other miscellaneous supplies in the annualized amount. Staff disallowed stamps and gas purchases, since stamps are captured under billing and postage expense and gas is captured under transportation expense.

Outside Services

To calculate outside service expense, Staff included the monthly accounting fees, yearly tax preparation, monthly meter reading, and quarterly two-load sludge hauls. Staff disallowed the \$250 recorded in August 2018 for a one-time accounting charge related to the purchase of the company and promissory note. Staff also allowed the payments made during the test year to the Owners' 14-year old son. The Company had no formal documentation of their son's work, but stated he does small jobs such as mowing, weed eating, cutting down brush, testing, and other odd jobs at the rate of \$10 per hour. Staff informed the Company that going forward they will need to have better documentation for the work being done by family members.

Miscellaneous Expense

SK&M Water and Sewer Company incurred expenses related to training, Missouri One Call charges, and other miscellaneous expense. Staff included all charges with the exception of a one-time fee for Shawnee Homeowners Association.

Rate Case Expense

S.K&M incurred expenses related to its rate case filing. These expenses include customer notices, CPA fees, and time spent working with Staff and The Office of Public Counsel. Staff used a two-year amortization for this cost since Staff is recommending the Company file another rate case two years after this rate case is finalized.

Bad Debt Expense

Staff included the full amount of \$1,597 for bad debt expense incurred by SK&M for 2018.

AUDIT STAFF PRELIMINARY RECOMMENDATIONS:

1. The Commission order the depreciation rates shown in Attachment A;

2. The Commission order the Company to adjust the Company general ledger used for regulatory ratemaking purposes to agree with the plant and depreciation reserve account balances that are shown in the Staff/Company Disposition Agreement for this rate case;
3. The Commission order the Company to comply with the requirements of the NARUC Uniform System of Accounts (“USOA”), including its guidelines for the recording of cost of removal and gross salvage in the Company ledger as adjustments to plant and reserves;
4. The Commission order the Company to purchase property and general liability insurance within 90 days following the conclusion of the rate case;
5. The Company should be ordered to modify its timesheets in the following manner: (1) add a new category named “Inst/Rep/Maint – Sewer” so the Company can appropriately split the installation, repair, and maintenance hours between the water and sewer operations; and (2) add a category on timesheets to record any time spent on new construction, split out between water and sewer.

AUDIT STAFF PRELIMINARY SUGGESTIONS:

General Ledger Suggestions:

1. In general ledger entries, the Company needs to include a description for the expense incurred under “Memo”. This is especially important for entries related to supplies or reimbursements.
2. There are currently four accounts in which chemicals were found on the General Ledger: Chemicals, Water Testing, Water Testing & Chlorine, and Bleach. Staff recommends the Company reduce the number of accounts and consistently record like chemicals under the same account all year
3. There are currently two accounts in which sewer utility expenses were found on the General Ledger: Utilities- Sewer, and Sewer Electric. Staff recommends combining these accounts and only using one going forward.
4. There are currently two accounts in which FICA taxes were recorded on the General Ledger: Payroll Expenses and Payroll Taxes. Medicare was recorded under the Payroll Tax account and Social Security was recorded under the Payroll Expense account. Staff recommends the Company record both Medicare and Social Security in the same account and close out the other account.
5. Susan LaRose’s paychecks of \$200 a week were recorded under the Payroll Expenses Account. Staff recommends Ms. LaRose’s paychecks to be recorded under Admin & Gen Salaries account (where the rest of the salaries are recorded) moving forward.

Revenue Suggestions:

1. Staff found a customer who was not charged a flat rate but was charged for water usage. If a customer is incurring a water usage charge they should also be incurring the flat rate charge. Staff recommends due diligence when entering billing information.
2. There were a few instances where customers had “Yes Sewer” in column L of the Company’s billing register spreadsheet; however, no sewer usage was charged to the customer. Similarly, there were instances when a customer would have “No Sewer” in column L, but a flat rate of \$29.36 was charged and billed. Staff recommends making sure the sewer coding and the actual charges match.

3. Staff discovered a couple of customers did not have the “Yes/No” designation for if a customer was a water customer or a sewer customer. Staff recommends the Company make sure to include this designation for each customer.
4. Several customer names were listed as “Vacant Place” with an address identified; however, a flat rate was charged for water and billed for usage. It is unclear to Staff whether those customers were actually sent bills, or if the address was vacant, or if the address was no longer vacant and the customer information had not been updated. Staff recommends the company utilize a better system for tracking customers moving in and out of residences, and the corresponding effects to the billing register.
5. The late fee for water or sewer customers is \$5, or \$10 if the customer has both services. However, Staff discovered instances where water only customers were charged \$10, rather than \$5. Similarly, there were instances where customers with both services were charged \$5 instead of \$10. Staff recommends the company ensure that late fees are being correctly applied.
6. Overall, the billing register has several inconsistencies and mistakes. Staff recommends, on a going forward basis, that the Company look into having it’s excel sheet modified to accurately calculate bills, or to investigate obtaining an actual billing system for small water/sewer systems.

Disposition Agreement Attachment C

EMS Runs

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate Design Schedule - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues		(1) \$105,822			
Rev-3	Miscellaneous Revenues		(1) \$1,930			
Rev-4	TOTAL ANNUALIZED REVENUES		<u>\$107,752</u>			
1	OPERATIONS EXPENSES		(2)			
2	Management Salary		\$42,526	\$0	\$42,526	0.00%
3	Electricity		\$11,762	\$0	\$11,762	0.00%
4	Meters		\$5,532	\$0	\$5,532	0.00%
5	Chemicals and Testing		\$1,705	\$0	\$1,705	0.00%
6	TOTAL OPERATIONS EXPENSE		<u>\$61,525</u>	\$0	\$61,525	
7	MAINTENANCE EXPENSES					
8	Contract Services		\$260	\$0	\$260	0.00%
9	Repairs and Maintenance		\$9,454	\$0	\$9,454	0.00%
10	TOTAL MAINTENANCE EXPENSE		<u>\$9,714</u>	\$0	\$9,714	
11	CUSTOMER ACCOUNT EXPENSE					
12	Accounting Fees		\$5,428	\$0	\$5,428	0.00%
13	Billing & Collections		\$99	\$0	\$99	0.00%
14	Meter Reading		\$3,600	\$0	\$3,600	0.00%
15	Postage		\$1,536	\$0	\$1,536	0.00%
16	Bad Debt Expense		\$1,038	\$0	\$1,038	0.00%
17	TOTAL CUSTOMER ACCOUNT EXPENSE		<u>\$11,701</u>	\$0	\$11,701	
18	ADMINISTRATIVE & GENERAL EXPENSES					
19	Administration & General Salary		\$10,251	\$0	\$10,251	0.00%
20	Telephone		\$871	\$0	\$871	0.00%
21	Internet		\$542	\$0	\$542	0.00%
22	Vehicle Expense		\$3,348	\$0	\$3,348	0.00%
23	Property & Liability Insurance		\$3,370	\$0	\$3,370	0.00%
24	Rent		\$736	\$0	\$736	0.00%
25	Other Misc. Expenses		\$209	\$0	\$209	0.00%
26	TOTAL ADMINISTRATIVE AND GENERAL		<u>\$19,327</u>	\$0	\$19,327	
27	OTHER OPERATING EXPENSES					
28	MO DNR Fees		\$200	\$0	\$200	0.00%
29	PSC Assessment		\$678	\$0	\$678	0.00%
30	Rate Case Expense		\$1,349	\$0	\$1,349	0.00%
31	Depreciation		\$5,776	\$0	\$5,776	0.00%
32	TOTAL OTHER OPERATING EXPENSES		<u>\$8,003</u>	\$0	\$8,003	
33	TAXES OTHER THAN INCOME					
34	Property Taxes		\$1,994	\$0	\$1,994	0.00%
35	Payroll Taxes		\$4,092	\$0	\$4,092	0.00%
36	TOTAL TAXES OTHER THAN INCOME		<u>\$6,086</u>	\$0	\$6,086	
37	TOTAL OPERATING EXPENSES		<u>\$116,356</u>	\$0	\$116,356	
38	Interest Expense		(3) \$2,515	\$0	\$2,515	0.00%
39	Return on Equity		(3) \$1,611	\$0	\$1,611	0.00%
40	Income Taxes		(3) \$550	\$0	\$550	0.00%
41	TOTAL INTEREST RETURN & TAXES		<u>\$4,676</u>	\$0	\$4,676	
42	TOTAL COST OF SERVICE		\$121,032	\$0	\$121,032	
43	Less: Miscellaneous Revenues		\$1,930	\$0	\$1,930	0.00%
44	COST TO RECOVER IN RATES		<u>\$119,102</u>	\$0	\$119,102	

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate Design Schedule - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
45	INCREMENTAL INCREASE IN RATE REVENUES		<u>\$13,280</u>			
46	PERCENTAGE OF INCREASE		<u>12.32%</u>			
47	REQUESTED INCREASE IN REVENUES		\$200,000			

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

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate Base Required Return on Investment Schedule - Water

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$237,388	From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$181,496</u>	From Depreciation Reserve Schedule
3	Net Plant In Service	\$55,892	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction Amortization (positive or zero)	\$0	
	Test Line	\$0	
	Contribution in Aid of Construction (negative or zero)	\$0	
5	Total Rate Base	<u>\$55,892</u>	
6	Total Weighted Rate of Return Including Income Tax	<u>8.37%</u>	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$4,676</u></u>	

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate of Return Including Income Tax - Water

	A		B	formulas
1 State Income Tax Rate Statutory / Effective	6.25%	(2)	5.63%	(1 - (B2 x .5)) x A1
2 Federal Income Tax Rate Statutory / Effective	20.99%	(1) & (2)	<u>19.81%</u>	(1 - B1) x A2
3 Composite Effective Income Tax Rate			25.44%	B1 + B2
4 Equity Tax Factor			1.3412	1 / (1-B3)
5 Recommended Weighted Rate of Return on Equity - Common and Preferred			<u>2.88%</u>	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax			3.87%	B4 x B5
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			<u>4.50%</u>	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax			<u><u>8.37%</u></u>	B6+B7

To Rate Base Schedule

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

Equity Income Required \$2,039
& Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	21.00%	\$2,039	\$428
\$50,001	\$75,000	21.00%	\$0	\$0
\$75,001	\$100,000	21.00%	\$0	\$0
\$100,001	\$335,000	21.00%	\$0	\$0
\$335,001	\$9,999,999,999	21.00%	\$0	\$0
			<u>\$2,039</u>	<u>\$428</u>
			Consolidated Tax Rate:	
			Average Tax Rate:	0.2099

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Capital Structure Schedule - Water

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$13,973	25.00%	11.53%	2.883%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$41,919	75.00%	6.00%	4.500%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	<u>\$55,892</u>	<u>100.00%</u>		<u>7.383%</u>

To PreTax Return Rate Schedule

Note: column C: is 6 positions with 4 that are displayed (if not totaled correctly, due to rounding)

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Plant In Service - Water

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
3		SOURCE OF SUPPLY PLANT					
4	314.000	Wells and Springs	\$40,278			100.00%	\$40,278
5		TOTAL SOURCE OF SUPPLY PLANT	\$40,278		\$0		\$40,278
6		PUMPING PLANT					
7	325.000	Electric Pumping Equipment	\$14,383			100.00%	\$14,383
8		TOTAL PUMPING PLANT	\$14,383		\$0		\$14,383
9		WATER TREATMENT PLANT					
10	331.000	Structures & Improvements - WTP	\$3,208			100.00%	\$3,208
11	332.000	Water Treatment Equipment	\$0			100.00%	\$0
12		TOTAL WATER TREATMENT PLANT	\$3,208		\$0		\$3,208
13		TRANSMISSION & DISTRIBUTION PLANT					
14	342.000	Distribution Reservoirs & Standpipes	\$32,639			100.00%	\$32,639
15	343.000	Transmission & Distribution Mains	\$100,664			100.00%	\$100,664
16	345.000	Services	\$2,116	P-16	\$383	100.00%	\$2,499
17	346.000	Meters	\$17,745	P-17	\$4,861	100.00%	\$22,606
18	347.000	Meter Pits & Installations	\$0	P-18	\$1,367	100.00%	\$1,367
19	348.000	Hydrants	\$1,143			100.00%	\$1,143
20		TOTAL TRANS. & DISTRIBUTION PLANT	\$154,307		\$6,611		\$160,918
21		GENERAL PLANT					
22	389.000	Land & Land Rights-GP	\$18,250			100.00%	\$18,250
23	391.000	Office Furniture & Equipment	\$0			100.00%	\$0
24	391.100	Office Computer Equipment	\$0			100.00%	\$0
25	392.000	Transportation Equipment - GP	\$0			100.00%	\$0
26	393.000	Other General Equipment	\$351			100.00%	\$351
27		TOTAL GENERAL PLANT	\$18,601		\$0		\$18,601
28		TOTAL PLANT IN SERVICE	\$230,777		\$6,611		\$237,388

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Schedule of Adjustments for Plant in Service - Water

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
P-16	Services	345.000		\$383
	To move water tap installation from repairs and maintenance expense to plant		\$383	
P-17	Meters	346.000		\$4,861
	To move meters and installation from repairs and maintenance expense to plant		\$4,861	
P-18	Meter Pits & Installations	347.000		\$1,367
	To move 2017 meter pits and installation from repairs and maintenance expense to plant		\$409	
	To move 2018 meter pits and installation from repairs and maintenance expense to plant		\$958	
Total Plant Adjustments				\$6,611

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Depreciation Expense - Water

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense	F Average Life	G Net Salvage
1		INTANGIBLE PLANT					
2		TOTAL INTANGIBLE PLANT	\$0		\$0		
3		SOURCE OF SUPPLY PLANT					
4	314.000	Wells and Springs	\$40,278	2.00%	\$806	0	0.00%
5		TOTAL SOURCE OF SUPPLY PLANT	\$40,278		\$806		
6		PUMPING PLANT					
7	325.000	Electric Pumping Equipment	\$14,383	10.00%	\$1,438	0	0.00%
8		TOTAL PUMPING PLANT	\$14,383		\$1,438		
9		WATER TREATMENT PLANT					
10	331.000	Structures & Improvements - WTP	\$3,208	2.50%	\$80	0	0.00%
11	332.000	Water Treatment Equipment	\$0	2.90%	\$0	0	0.00%
12		TOTAL WATER TREATMENT PLANT	\$3,208		\$80		
13		TRANSMISSION & DISTRIBUTION PLANT					
14	342.000	Distribution Reservoirs & Standpipes	\$32,639	2.50%	\$816	0	0.00%
15	343.000	Transmission & Distribution Mains	\$100,664	2.50%	\$2,517	0	0.00%
16	345.000	Services	\$2,499	2.50%	\$62	0	0.00%
17	346.000	Meters	\$22,606	0.00%	\$0	0	0.00%
18	347.000	Meter Pits & Installations	\$1,367	2.50%	\$34	0	0.00%
19	348.000	Hydrants	\$1,143	2.00%	\$23	0	0.00%
20		TOTAL TRANS. & DISTRIBUTION PLANT	\$160,918		\$3,452		
21		GENERAL PLANT					
22	389.000	Land & Land Rights-GP	\$18,250	0.00%	\$0	0	0.00%
23	391.000	Office Furniture & Equipment	\$0	5.00%	\$0	0	0.00%
24	391.100	Office Computer Equipment	\$0	14.30%	\$0	0	0.00%
25	392.000	Transportation Equipment - GP	\$0	13.00%	\$0	0	0.00%
26	393.000	Other General Equipment	\$351	0.00%	\$0	0	0.00%
27		TOTAL GENERAL PLANT	\$18,601		\$0		
28		Total Depreciation	\$237,388		\$5,776		

Note: Average Life and Net Salvage columns are informational and have no impact on the entered Depreciation Rate.

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Accumulated Depreciation Reserve - Water

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
3		SOURCE OF SUPPLY PLANT					
4	314.000	Wells and Springs	\$24,352			100.00%	\$24,352
5		TOTAL SOURCE OF SUPPLY PLANT	\$24,352		\$0		\$24,352
6		PUMPING PLANT					
7	325.000	Electric Pumping Equipment	\$14,348			100.00%	\$14,348
8		TOTAL PUMPING PLANT	\$14,348		\$0		\$14,348
9		WATER TREATMENT PLANT					
10	331.000	Structures & Improvements - WTP	\$2,513			100.00%	\$2,513
11	332.000	Water Treatment Equipment	\$0			100.00%	\$0
12		TOTAL WATER TREATMENT PLANT	\$2,513		\$0		\$2,513
13		TRANSMISSION & DISTRIBUTION PLANT					
14	342.000	Distribution Reservoirs & Standpipes	\$27,690			100.00%	\$27,690
15	343.000	Transmission & Distribution Mains	\$77,688			100.00%	\$77,688
16	345.000	Services	\$1,282			100.00%	\$1,282
17	346.000	Meters	\$32,447			100.00%	\$32,447
18	347.000	Meter Pits & Installations	\$27			100.00%	\$27
19	348.000	Hydrants	\$564			100.00%	\$564
20		TOTAL TRANS. & DISTRIBUTION PLANT	\$139,698		\$0		\$139,698
21		GENERAL PLANT					
22	389.000	Land & Land Rights-GP	\$0			100.00%	\$0
23	391.000	Office Furniture & Equipment	\$0			100.00%	\$0
24	391.100	Office Computer Equipment	\$0			100.00%	\$0
25	392.000	Transportation Equipment - GP	\$0			100.00%	\$0
26	393.000	Other General Equipment	\$585			100.00%	\$585
27		TOTAL GENERAL PLANT	\$585		\$0		\$585
28		TOTAL DEPRECIATION RESERVE	\$181,496		\$0		\$181,496

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

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

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Revenue Schedule - Water

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$65,807	Rev-2	\$40,015	100.00%	\$105,822
Rev-3		Miscellaneous Revenues	\$1,930	Rev-3	\$0	100.00%	\$1,930
Rev-4		TOTAL ANNUALIZED REVENUES	\$67,737		\$40,015		\$107,752

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Revenue Adjustment Schedule - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Revenue Adj Number	Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
Rev-2	Annualized Rate Revenues			\$40,015
	1. To Annualize Rate Revenues		\$40,015	
Rev-3	Miscellaneous Revenues			\$0
	1. To Annualize Miscellaneous Revenues		\$0	
Total Revenue Adjustments				\$40,015

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential 5/8"		Commercial 1"	
		B Amount	C Amount	D Amount	E Amount
1	Customer Charge Revenues:				
2	Customer Number	283		1	
3	Bills Per Year	12		12	
4	Customer Bills Per year	3,396		12	
5	Current Customer Charge	<u>\$18.10</u>		<u>\$27.91</u>	
6	Annualized Customer Charge Revenues		\$61,468		\$335
7	Commodity Charge Revenues:				
8	Total Gallons Sold	15,892,745		56,158	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	15,892,745		56,158	
11	Block 1, Commodity Gallons per Block	15,892,745		56,158	
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>		<u>1,000</u>	
13	Block 1, Commodity Billing Units	15,892.75		56.16	
14	Block 1, Existing Commodity Charge	<u>\$2.76</u>		<u>\$2.76</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$43,864		\$155
16	Total Annualized Water Rate Revenues		<u>\$105,332</u>		<u>\$490</u>

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

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Total	
		F Amount	G Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	284	
3	Bills Per Year		
4	Customer Bills Per year	3,408	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$61,803
7	<u>Commodity Charge Revenues:</u>		
8	Total Gallons Sold	15,948,903	
9	Less: Base Gallons Included In Customer Charge	0	
10	Commodity Gallons	15,948,903	
11	Block 1, Commodity Gallons per Block		
12	Block 1, Number of Commodity Gallons per Unit		
13	Block 1, Commodity Billing Units		
14	Block 1, Existing Commodity Charge		
15	Block 1, Annualized Commodity Charge Rev.		\$44,019
16	Total Annualized Water Rate Revenues		\$105,822

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

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Miscellaneous Revenues Feeder - Water

Line Number	<u>A</u> Description	<u>B</u> Amount
1	To annualize late fees	\$1,930
2	Description of Miscellaneous Revenue Item2	<u>\$0</u>
3	Total Miscellaneous Revenues	<u><u>\$1,930</u></u>

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Expense Schedule - Water

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2		Management Salary	\$15,700	W-2	\$26,826	100.00%	\$42,526
3		Electricity	\$11,342	W-3	\$420	100.00%	\$11,762
4		Meters	\$0	W-4	\$5,532	100.00%	\$5,532
5		Chemicals and Testing	\$449	W-5	\$1,256	100.00%	\$1,705
6		TOTAL OPERATIONS EXPENSE	<u>\$27,491</u>		<u>\$34,034</u>		<u>\$61,525</u>
7		MAINTENANCE EXPENSES					
8		Contract Services	\$260			100.00%	\$260
9		Repairs and Maintenance	\$10,621	W-9	-\$1,167	100.00%	\$9,454
10		TOTAL MAINTENANCE EXPENSE	<u>\$10,881</u>		<u>-\$1,167</u>		<u>\$9,714</u>
11		CUSTOMER ACCOUNT EXPENSE					
12		Accounting Fees	\$6,227	W-12	-\$799	100.00%	\$5,428
13		Billing & Collections	\$99	W-13	\$0	100.00%	\$99
14		Meter Reading	\$3,600			100.00%	\$3,600
15		Postage	\$1,497	W-15	\$39	100.00%	\$1,536
16		Bad Debt Expense	\$0	W-16	\$1,038	100.00%	\$1,038
17		TOTAL CUSTOMER ACCOUNT EXPENSE	<u>\$11,423</u>		<u>\$278</u>		<u>\$11,701</u>
18		ADMINISTRATIVE & GENERAL EXPENSES					
19		Administration & General Salary	\$6,465	W-19	\$3,786	100.00%	\$10,251
20		Telephone	\$1,253	W-20	-\$382	100.00%	\$871
21		Internet	\$132	W-21	\$410	100.00%	\$542
22		Vehicle Expense	\$683	W-22	\$2,665	100.00%	\$3,348
23		Property & Liability Insurance	\$65	W-23	\$3,305	100.00%	\$3,370
24		Rent	\$408	W-24	\$328	100.00%	\$736
25		Other Misc. Expenses	\$308	W-25	-\$99	100.00%	\$209
26		TOTAL ADMINISTRATIVE AND GENERAL	<u>\$9,314</u>		<u>\$10,013</u>		<u>\$19,327</u>
27		OTHER OPERATING EXPENSES					
28		MO DNR Fees	\$265	W-28	-\$65	100.00%	\$200
29		PSC Assessment	\$678	W-29	\$0	100.00%	\$678
30		Rate Case Expense	\$0	W-30	\$1,349	100.00%	\$1,349
31		Depreciation	\$0	W-31	\$5,776	100.00%	\$5,776
32		TOTAL OTHER OPERATING EXPENSES	<u>\$943</u>		<u>\$7,060</u>		<u>\$8,003</u>
33		TAXES OTHER THAN INCOME					
34		Property Taxes	\$1,994			100.00%	\$1,994
35		Payroll Taxes	\$4,729	W-35	-\$637	100.00%	\$4,092
36		TOTAL TAXES OTHER THAN INCOME	<u>\$6,723</u>		<u>-\$637</u>		<u>\$6,086</u>
37		TOTAL OPERATING EXPENSES	<u>\$66,775</u>		<u>\$49,581</u>		<u>\$116,356</u>

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
W-2	Management Salary			\$26,826
	To annualize operator portion of salary (Arabian)		\$26,826	
W-3	Electricity			\$420
	To normalize electricity expense (Barron)		\$420	
W-4	Meters			\$5,532
	To include replacement for 12 meters per year (Newkirk)		\$5,532	
W-5	Chemicals and Testing			\$1,256
	To annualized chemicals (Barron)		\$1,256	
W-9	Repairs and Maintenance			-\$1,167
	To remove plant items and non-eligible expenses from repairs and maintenance and annualize (Newkirk)		-\$1,167	
W-12	Accounting Fees			-\$799
	To remove fees associated with rate case expense and purchase of company (Barron)		-\$799	
W-13	Billing & Collections			\$0
	No adjustment necessary (Barron)		\$0	
W-15	Postage			\$39
	To annualize and remove postage related to rate case expense (Barron)		\$39	
W-16	Bad Debt Expense			\$1,038

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	To include bad debt expense (Arabian)		\$1,038	
W-19	Administration & General Salary			\$3,786
	To annualize admin portion of salary (Arabian)		\$3,786	
W-20	Telephone			-\$382
	To remove non-business portion of cell phones (Barron)		-\$382	
W-21	Internet			\$410
	To annualize and remove non-business portion of internet (Barron)		\$410	
W-22	Vehicle Expense			\$2,665
	To annualize vehicle expense (Barron)		\$2,665	
W-23	Property & Liability Insurance			\$3,305
	To include property and general liability insurance quotes (Barron)		\$3,305	
W-24	Rent			\$328
	To include rent for home office (Barron)		\$328	
W-25	Other Misc. Expenses			-\$99
	To include bank charges, training, fire tags, and other misc expenses (Arabian)		-\$47	
	To include misc supplies (Barron)		-\$52	
W-28	MO DNR Fees			-\$65
	Disallowed transfer of operating permit (Arabian)		-\$65	

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
W-29	PSC Assessment			\$0
	No adjustment necessary (Barron)		\$0	
W-30	Rate Case Expense			\$1,349
	To normalize rate case expense over two year (Arabian)		\$1,349	
W-31	Depreciation			\$5,776
	1. To Annualize Depreciation		\$5,776	
W-35	Payroll Taxes			-\$637
	To annualize payroll tax expense and remove salary for Susan LaRose (Arabian)		-\$637	
Total Expense Adjustments				\$49,581

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate Design Schedule - Sewer

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues		(1) \$65,460			
Rev-3	Miscellaneous Revenues		(1) \$1,255			
Rev-4	TOTAL ANNUALIZED REVENUES		<u>\$66,715</u>			
1	OPERATIONS EXPENSES		(2)			
2	Management Salary		\$22,899	\$0	\$22,899	0.00%
3	Electricity		\$9,698	\$0	\$9,698	0.00%
4	Chemicals and Testing		\$4,876	\$0	\$4,876	0.00%
5	Sludge Removal		\$3,840	\$0	\$3,840	0.00%
6	TOTAL OPERATIONS EXPENSE		<u>\$41,313</u>	\$0	\$41,313	
7	MAINTENANCE EXPENSES					
8	Contract Services		\$140	\$0	\$140	0.00%
9	Repairs and Maintenance		\$17,941	\$0	\$17,941	0.00%
10	TOTAL MAINTENANCE EXPENSE		<u>\$18,081</u>	\$0	\$18,081	
11	CUSTOMER ACCOUNT EXPENSE					
12	Accounting Fees		\$2,923	\$0	\$2,923	0.00%
13	Billing & Collections		\$53	\$0	\$53	0.00%
14	Postage Expense		\$621	\$0	\$621	0.00%
15	Bad Debt Expense		\$559	\$0	\$559	0.00%
16	TOTAL CUSTOMER ACCOUNT EXPENSE		<u>\$4,156</u>	\$0	\$4,156	
17	ADMINISTRATIVE & GENERAL EXPENSES					
18	Administration & General Salaries		\$5,520	\$0	\$5,520	0.00%
19	Telephone		\$469	\$0	\$469	0.00%
20	Internet		\$292	\$0	\$292	0.00%
21	Vehicle Expense		\$1,803	\$0	\$1,803	0.00%
22	Property & Liability Insurance		\$1,815	\$0	\$1,815	0.00%
23	Rent		\$397	\$0	\$397	0.00%
24	Other Misc. Expenses		\$628	\$0	\$628	0.00%
25	TOTAL ADMINISTRATIVE AND GENERAL		<u>\$10,924</u>	\$0	\$10,924	
26	OTHER OPERATING EXPENSES					
27	MO DNR Fees		\$4,000	\$0	\$4,000	0.00%
28	PSC Assessment		\$586	\$0	\$586	0.00%
29	Rate Case Expense		\$703	\$0	\$703	0.00%
30	Depreciation		\$88	\$0	\$88	0.00%
31	TOTAL OTHER OPERATING EXPENSES		<u>\$5,377</u>	\$0	\$5,377	
32	TAXES OTHER THAN INCOME					
33	Property Taxes		\$259	\$0	\$259	0.00%
34	Payroll Taxes		\$2,203	\$0	\$2,203	0.00%
35	TOTAL TAXES OTHER THAN INCOME		<u>\$2,462</u>	\$0	\$2,462	
36	TOTAL OPERATING EXPENSES		<u>\$82,313</u>	\$0	\$82,313	
37	Interest Expense		(3) \$0	\$0	\$0	0.00%
38	Return on Equity		(3) \$0	\$0	\$0	0.00%
39	Income Taxes		(3) \$0	\$0	\$0	0.00%
40	TOTAL INTEREST RETURN & TAXES		<u>\$0</u>	\$0	\$0	
41	TOTAL COST OF SERVICE		\$82,313	\$0	\$82,313	
42	Less: Miscellaneous Revenues		<u>\$1,255</u>	\$0	\$1,255	0.00%
43	COST TO RECOVER IN RATES		<u>\$81,058</u>	\$0	\$81,058	

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate Design Schedule - Sewer

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
44	INCREMENTAL INCREASE IN RATE REVENUES		<u>\$15,598</u>			
45	PERCENTAGE OF INCREASE		<u>23.38%</u>			
46	REQUESTED INCREASE IN REVENUES		\$100,000			

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

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate Base Required Return on Investment Schedule - Sewer

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount
1	Plant In Service	\$880 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$0</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$880
4	Other Rate Base Items:	\$0
	Contribution in Aid of Construction Amortization (positive or zero)	\$0
	Test Line	\$0
	Contribution in Aid of Construction (negative or zero)	\$0
5	Total Rate Base	<u>\$880</u>
6	Total Weighted Rate of Return Including Income Tax	<u>0.00%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$0</u></u>

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Rate of Return Including Income Tax - Sewer

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

To Rate Base Schedule

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

Equity Income Required \$0
& Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	21.00%	\$0	\$0
\$50,001	\$75,000	21.00%	\$0	\$0
\$75,001	\$100,000	21.00%	\$0	\$0
\$100,001	\$335,000	21.00%	\$0	\$0
\$335,001	\$9,999,999,999	21.00%	\$0	\$0
			\$0	\$0
			Consolidated Tax Rate:	
			Average Tax Rate:	0

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Capital Structure Schedule - Sewer

Line Number	<u>A</u> Description	<u>B</u> Dollar Amount	<u>C</u> Percentage of Total Capital Structure	<u>D</u> Embedded Cost of Capital	<u>E</u> Weighted Cost of Capital
1	Common Stock	\$0	0.00%	0.00%	0.000%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$0	0.00%	0.00%	0.000%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	\$0	0.00%		0.000%

To PreTax Return Rate Schedule

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Plant In Service - Sewer

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	303.000	Miscellaneous Intangible Plant	\$0			100.00%	\$0
3		TOTAL INTANGIBLE PLANT	<u>\$0</u>		\$0		<u>\$0</u>
4		SOURCE OF SUPPLY PLANT					
5	311.000	Structures & Improvements	\$0			100.00%	\$0
6		TOTAL SOURCE OF SUPPLY PLANT	<u>\$0</u>		\$0		<u>\$0</u>
7		COLLECTION PLANT					
8	352.100	Collection Sewers - Force	\$0			100.00%	\$0
9	352.200	Collection Sewers - Gravity	\$0			100.00%	\$0
10	353.000	Other Collection Plant Facilities	\$0			100.00%	\$0
11	354.000	Services to Customers	\$0			100.00%	\$0
12	355.000	Flow Measuring Devices	\$0			100.00%	\$0
13		TOTAL COLLECTION PLANT	<u>\$0</u>		\$0		<u>\$0</u>
14		PUMPING PLANT					
15	362.000	Receiving Wells and Pump Pits	\$0			100.00%	\$0
16	363.000	Pumping Equipment (Elec., Diesel, other)	\$0	P-16	\$880	100.00%	\$880
17		TOTAL PUMPING PLANT	<u>\$0</u>		\$880		<u>\$880</u>
18		TREATMENT & DISPOSAL PLANT					
19	372.000	Oxidation Lagoon	\$0			100.00%	\$0
20	373.000	Treatment and Disposal Equipment	\$0			100.00%	\$0
21	374.000	Plant Sewers	\$0			100.00%	\$0
22	375.000	Outfall Sewer Lines	\$0			100.00%	\$0
23	376.000	Other Treatment & Disposal Plant Equip.	\$0			100.00%	\$0
24		TOTAL TREATMENT & DISPOSAL PLANT	<u>\$0</u>		\$0		<u>\$0</u>
25		GENERAL PLANT					
26	391.000	Office Furniture & Equipment	\$0			100.00%	\$0
27	392.000	Transportation Equipment	\$0			100.00%	\$0
28	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$0			100.00%	\$0
29		TOTAL GENERAL PLANT	<u>\$0</u>		\$0		<u>\$0</u>
30		TOTAL PLANT IN SERVICE	<u>\$0</u>		\$880		<u>\$880</u>

To Rate Base & Depreciation Schedules

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Schedule of Adjustments for Plant in Service - Sewer

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
P-16	Pumping Equipment (Elec., Diesel, other)	363.000		\$880
	To include new pump purchased		\$880	
Total Plant Adjustments				\$880

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Depreciation Expense - Sewer

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense	F Average Life	G Net Salvage
1		INTANGIBLE PLANT					
2	303.000	Miscellaneous Intangible Plant	\$0	0.00%	\$0	0	0.00%
3		TOTAL INTANGIBLE PLANT	\$0		\$0		
4		SOURCE OF SUPPLY PLANT					
5	311.000	Structures & Improvements	\$0	3.00%	\$0	0	0.00%
6		TOTAL SOURCE OF SUPPLY PLANT	\$0		\$0		
7		COLLECTION PLANT					
8	352.100	Collection Sewers - Force	\$0	2.00%	\$0	0	0.00%
9	352.200	Collection Sewers - Gravity	\$0	2.00%	\$0	0	0.00%
10	353.000	Other Collection Plant Facilities	\$0	4.00%	\$0	0	0.00%
11	354.000	Services to Customers	\$0	2.00%	\$0	0	0.00%
12	355.000	Flow Measuring Devices	\$0	3.30%	\$0	0	0.00%
13		TOTAL COLLECTION PLANT	\$0		\$0		
14		PUMPING PLANT					
15	362.000	Receiving Wells and Pump Pits	\$0	4.00%	\$0	0	0.00%
16	363.000	Pumping Equipment (Elec., Diesel, other)	\$880	10.00%	\$88	0	0.00%
17		TOTAL PUMPING PLANT	\$880		\$88		
18		TREATMENT & DISPOSAL PLANT					
19	372.000	Oxidation Lagoon	\$0	4.00%	\$0	0	0.00%
20	373.000	Treatment and Disposal Equipment	\$0	5.00%	\$0	0	0.00%
21	374.000	Plant Sewers	\$0	2.50%	\$0	0	0.00%
22	375.000	Outfall Sewer Lines	\$0	2.00%	\$0	0	0.00%
23	376.000	Other Treatment & Disposal Plant Equip.	\$0	0.00%	\$0	0	0.00%
24		TOTAL TREATMENT & DISPOSAL PLANT	\$0		\$0		
25		GENERAL PLANT					
26	391.000	Office Furniture & Equipment	\$0	5.00%	\$0	0	0.00%
27	392.000	Transportation Equipment	\$0	13.00%	\$0	0	0.00%
28	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$0	10.00%	\$0	0	0.00%
29		TOTAL GENERAL PLANT	\$0		\$0		
30		Total Depreciation	\$880		\$88		

Note: Average Life and Net Salvage columns are informational and have no impact on the entered Depreciation Rate.

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Accumulated Depreciation Reserve - Sewer

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	303.000	Miscellaneous Intangible Plant	\$0			100.00%	\$0
3		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
4		SOURCE OF SUPPLY PLANT					
5	311.000	Structures & Improvements	\$0			100.00%	\$0
6		TOTAL SOURCE OF SUPPLY PLANT	\$0		\$0		\$0
7		COLLECTION PLANT					
8	352.100	Collection Sewers - Force	\$0			100.00%	\$0
9	352.200	Collection Sewers - Gravity	\$0			100.00%	\$0
10	353.000	Other Collection Plant Facilities	\$0			100.00%	\$0
11	354.000	Services to Customers	\$0			100.00%	\$0
12	355.000	Flow Measuring Devices	\$0			100.00%	\$0
13		TOTAL COLLECTION PLANT	\$0		\$0		\$0
14		PUMPING PLANT					
15	362.000	Receiving Wells and Pump Pits	\$0			100.00%	\$0
16	363.000	Pumping Equipment (Elec., Diesel, other)	\$0			100.00%	\$0
17		TOTAL PUMPING PLANT	\$0		\$0		\$0
18		TREATMENT & DISPOSAL PLANT					
19	372.000	Oxidation Lagoon	\$0			100.00%	\$0
20	373.000	Treatment and Disposal Equipment	\$0			100.00%	\$0
21	374.000	Plant Sewers	\$0			100.00%	\$0
22	375.000	Outfall Sewer Lines	\$0			100.00%	\$0
23	376.000	Other Treatment & Disposal Plant Equip.	\$0			100.00%	\$0
24		TOTAL TREATMENT & DISPOSAL PLANT	\$0		\$0		\$0
25		GENERAL PLANT					
26	391.000	Office Furniture & Equipment	\$0			100.00%	\$0
27	392.000	Transportation Equipment	\$0			100.00%	\$0
28	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$0			100.00%	\$0
29		TOTAL GENERAL PLANT	\$0		\$0		\$0
30		TOTAL DEPRECIATION RESERVE	\$0		\$0		\$0

To Rate Base Schedule

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

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

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Revenue Schedule - Sewer

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$56,528	Rev-2	\$8,932	100.00%	\$65,460
Rev-3		Miscellaneous Revenues	\$1,255	Rev-3	\$0	100.00%	\$1,255
Rev-4		TOTAL ANNUALIZED REVENUES	\$57,783		\$8,932		\$66,715

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Revenue Adjustment Schedule - Sewer

<u>A</u> Revenue Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
Rev-2	Annualized Rate Revenues			\$8,932
	1. To Annualize Rate Revenues		\$8,932	
	2. Description		\$0	
	3. Description		\$0	
Rev-3	Miscellaneous Revenues			\$0
	1. To Annualize Miscellaneous Revenues		\$0	
	2. Description		\$0	
Total Revenue Adjustments				\$8,932

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Revenue Summary Schedule - Sewer

Line Number	A Description	Residential 5/8"		Multi-Family 5/8"	
		B Amount	C Amount	D Amount	E Amount
1	Customer Charge Revenues:				
2	Customer Number	156		2	
3	Bills Per Year	12		12	
4	Customer Bills Per year	1,872		24	
5	Current Customer Charge	<u>\$34.60</u>		<u>\$28.72</u>	
6	Annualized Customer Charge Revenues		\$64,771		\$689
7	Commodity Charge Revenues:				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	<u>0</u>		<u>0</u>	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	<u>\$0.00</u>		<u>\$0.00</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Sewer Rate Revenues		<u>\$64,771</u>		<u>\$689</u>

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

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Revenue Summary Schedule - Sewer

Line Number	A Description	Total	
		F Amount	G Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	158	
3	Bills Per Year		
4	Customer Bills Per year	1,896	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$65,460
7	<u>Commodity Charge Revenues:</u>		
8	Total Gallons Sold	0	
9	Less: Base Gallons Included In Customer Charge	0	
10	Commodity Gallons	0	
11	Block 1, Commodity Gallons per Block		
12	Block 1, Number of Commodity Gallons per Unit		
13	Block 1, Commodity Billing Units		
14	Block 1, Existing Commodity Charge		
15	Block 1, Annualized Commodity Charge Rev.		\$0
16	Total Annualized Sewer Rate Revenues		\$65,460

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

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Miscellaneous Revenues Feeder - Sewer

Line Number	<u>A</u> Description	<u>B</u> Amount
1	Late Fees	\$1,255
2	Description of Miscellaneous Revenue Item2	<u>\$0</u>
3	Total Miscellaneous Revenues	<u><u>\$1,255</u></u>

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Expense Schedule - Sewer

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2		Management Salary	\$8,454	S-2	\$14,445	100.00%	\$22,899
3		Electricity	\$9,709	S-3	-\$11	100.00%	\$9,698
4		Chemicals and Testing	\$3,931	S-4	\$945	100.00%	\$4,876
5		Sludge Removal	\$960	S-5	\$2,880	100.00%	\$3,840
6		TOTAL OPERATIONS EXPENSE	<u>\$23,054</u>		<u>\$18,259</u>		<u>\$41,313</u>
7		MAINTENANCE EXPENSES					
8		Contract Services	\$140			100.00%	\$140
9		Repairs and Maintenance	\$8,043	S-9	\$9,898	100.00%	\$17,941
10		TOTAL MAINTENANCE EXPENSE	<u>\$8,183</u>		<u>\$9,898</u>		<u>\$18,081</u>
11		CUSTOMER ACCOUNT EXPENSE					
12		Accounting Fees	\$3,353	S-12	-\$430	100.00%	\$2,923
13		Billing & Collections	\$53			100.00%	\$53
14		Postage Expense	\$806	S-14	-\$185	100.00%	\$621
15		Bad Debt Expense	\$0	S-15	\$559	100.00%	\$559
16		TOTAL CUSTOMER ACCOUNT EXPENSE	<u>\$4,212</u>		<u>-\$56</u>		<u>\$4,156</u>
17		ADMINISTRATIVE & GENERAL EXPENSES					
18		Administration & General Salaries	\$3,481	S-18	\$2,039	100.00%	\$5,520
19		Telephone	\$675	S-19	-\$206	100.00%	\$469
20		Internet	\$71	S-20	\$221	100.00%	\$292
21		Vehicle Expense	\$368	S-21	\$1,435	100.00%	\$1,803
22		Property & Liability Insurance	\$35	S-22	\$1,780	100.00%	\$1,815
23		Rent	\$220	S-23	\$177	100.00%	\$397
24		Other Misc. Expenses	\$681	S-24	-\$53	100.00%	\$628
25		TOTAL ADMINISTRATIVE AND GENERAL	<u>\$5,531</u>		<u>\$5,393</u>		<u>\$10,924</u>
26		OTHER OPERATING EXPENSES					
27		MO DNR Fees	\$4,035	S-27	-\$35	100.00%	\$4,000
28		PSC Assessment	\$586	S-28	\$0	100.00%	\$586
29		Rate Case Expense	\$0	S-29	\$703	100.00%	\$703
30		Depreciation	\$0	S-30	\$88	100.00%	\$88
31		TOTAL OTHER OPERATING EXPENSES	<u>\$4,621</u>		<u>\$756</u>		<u>\$5,377</u>
32		TAXES OTHER THAN INCOME					
33		Property Taxes	\$259			100.00%	\$259
34		Payroll Taxes	\$2,546	S-34	-\$343	100.00%	\$2,203
35		TOTAL TAXES OTHER THAN INCOME	<u>\$2,805</u>		<u>-\$343</u>		<u>\$2,462</u>
36		TOTAL OPERATING EXPENSES	<u>\$48,406</u>		<u>\$33,907</u>		<u>\$82,313</u>

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Expense Adjustment Schedule - Sewer

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
S-2	Management Salary			\$14,445
	To annualize operator portion of salary (Arabian)		\$14,445	
S-3	Electricity			-\$11
	To normalize electricity expense (Barron)		-\$11	
S-4	Chemicals and Testing			\$945
	To annualized chemicals (Barron)		\$945	
S-5	Sludge Removal			\$2,880
	To annualize sludge hauling (Barron)		\$2,880	
S-9	Repairs and Maintenance			\$9,898
	To remove plant items and non-eligible expenses from repairs and maintenance and annualize (Newkirk)		\$9,898	
S-12	Accounting Fees			-\$430
	To remove fees associated with rate case expense and purchase of company (Barron)		-\$430	
S-14	Postage Expense			-\$185
	To annualize and remove postage related to rate case expense (Barron)		-\$185	
S-15	Bad Debt Expense			\$559
	To include bad debt expense (Arabian)		\$559	
S-18	Administration & General Salaries			\$2,039

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Expense Adjustment Schedule - Sewer

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	To annualize admin portion of salary (Arabian)		\$2,039	
S-19	Telephone			-\$206
	To remove non-business portion of cell phones (Barron)		-\$206	
S-20	Internet			\$221
	To annualize and remove non-business portion of internet (Barron)		\$221	
S-21	Vehicle Expense			\$1,435
	To annualize vehicle expense (Barron)		\$1,435	
S-22	Property & Liability Insurance			\$1,780
	To include property and general liability insurance quotes (Barron)		\$1,780	
S-23	Rent			\$177
	To include rent for home office (Barron)		\$177	
S-24	Other Misc. Expenses			-\$53
	To include bank charges, training, fire tags, and other misc expenses (Arabian)		-\$25	
	To include misc supplies (Barron)		-\$28	
S-27	MO DNR Fees			-\$35
	Disallowed transfer of operating permit (Arabian)		-\$35	
S-28	PSC Assessment			\$0
	No adjustment necessary (Barron)		\$0	

S. K. M. Water and Sewer Company
Case No. SR-2019-0157
Day 120 Preliminary Report
Test Year Ending 12-31-2018
Expense Adjustment Schedule - Sewer

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
S-29	Rate Case Expense			\$703
	To normalize rate case expense over two year (Arabian)		\$703	
S-30	Depreciation			\$88
	1. To Annualize Depreciation		\$88	
S-34	Payroll Taxes			-\$343
	To annualize payroll tax expense and remove salary for Susan LaRose (Arabian)		-\$343	
Total Expense Adjustments				\$33,907

Disposition Agreement Attachment D

Schedule of Depreciation Rates

SK&M Water and Sewer Company

DEPRECIATION RATES

(WATER)

SR-2019-0157

Class C

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATES %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>NET SALVAGE %</u>
389	Land and Land Rights	0.0	-	-
314	Wells and Springs	2.0	50.0	0%
325	Pumping Equip (Electric)	10.0	10.0	0%
331	Structures and Improvements	2.5	40.0	0%
332	Water Treatment Equipment	2.9	35.0	0%
342	Dist. Reservoirs and Standpipes	2.5	40.0	0%
343	Trans & Dist. Mains	2.5	40.0	0%
345	Services	2.5	40.0	0%
346	Meters	0	-	-
347	Meter Pits & Installations	2.5	40.0	0%
348	Hydrants	2.0	50.0	0%
391	Office Furniture & Equipment	5.0	20.0	0%
391.1	Office Electronic & Computer Equip.	14.3	7.0	0%
392	Transportation Equipment	13.0	7.0	9%
393	Other General Equipment	0	-	-

SK&M Water and Sewer Company

DEPRECIATION RATES

(SEWER)

SR-2019-0157

Class C

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATES %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>NET SALVAGE %</u>
311	Structures and Improvements	3.0	33.0	0%
352.1	Collection Sewers, Force	2.0	50.0	0%
352.2	Collection Sewers, Gravity	2.0	50.0	0%
353	Other Collection Plant	4.0	25.0	0%
354	Services to Customers	2.0	50.0	0%
355	Flow Measuring Devices	3.3	30.0	0%
362	Receiving Wells (Pump Pits)	4.0	26.0	-5%
363	Pumping Equipment	10.0	10.0	0%
372	Oxidation Lagoons	4.0	25.0	0%
373	Treatment & Disposal Facilities	5.0	22.0	-10%
374	Plant Sewers	2.5	40.0	0%
375	Outfall Sewers	2.0	50.0	0%
376	Other Treat. And Disp. Plant Equip.	5.0	20.0	0%
391	Office Furniture and Equipment	5.0	20.0	0%
392	Transportation Equipment	13.0	7.0	9%
393	Other General Equipment	10.0	10.0	0%

Disposition Agreement Attachment E

Rate Design Worksheets

S. K. & M. Water and Sewer Company

Development of Tariffed Rates-Water

Agreement is to modify rate design to include usage data now available per customer based on the currently metered customers average usage. In addition, the part time customer factor is now the same as sewer.

Revenues Generated by Current Tariffed Rates	\$ 105,822
Agreed-Upon Overall Revenue Increase	\$ 13,280
Percentage Increase Needed	12.549%

Metered Customer Rates

Meter Size	Current Customer Charge	Proposed Customer Charge	Current Usage Rate	Proposed Usage Rate
5/8"	\$ 18.10	\$ 27.01	\$ 2.76	\$ 2.50
1"	\$ 27.91	\$ 46.91		
1 1/2"	\$ -	\$ 76.75		
2"	\$ -	\$ 176.24		
3"	\$ -	\$ 300.60		
4"	\$ -	\$ 499.57		

Customer Charge	Number	Factor	Customer Equivalents	Factored Customer Charge	EICF	Proposed Customer Charge
5/8"	283	1	283.0	\$ 24.87	\$ 2.14	\$ 27.01
1"	1	1.8	1.8	\$ 44.77	\$ 2.14	\$ 46.91
1 1/2"	0	3	0.0	\$ 74.61	\$ 2.14	\$ 76.75
2"	0	7	0.0	\$ 174.10	\$ 2.14	\$ 176.24
3"	0	12	0.0	\$ 298.46	\$ 2.14	\$ 300.60
4"	0	20	0.0	\$ 497.43	\$ 2.14	\$ 499.57
			284.8			

Customer Charge Calculation: \$ 85,001 \$ 24.87

Commodity	Gallons	Rate
	\$ 34,102	13638600
		\$ 2.50
		\$ 2.50

Because actual gallons expected to be sold cannot be determined, an assumed amount of gallons sold was developed. Based upon customer make up, experience, and best professional judgement, 5/8" customers assumed to use 3,600 gallons per month. 1" customer meter assumed to be functioning, use averaged 4,550 gallons per month.

Non-metered Rates

Assumed usage of 3000 gallons per month

5/8" meter
 \$ 7.50 + \$ 27.01 = \$ 34.51

S. K. & M. Water and Sewer Company

Development of Tariffed Rates-Sewer

Current Revenue	\$ 65,460
Agreed-Upon Overall Revenue Increase	\$ 15,598
Percentage Increase Needed	23.827%

Customer Rates

	Current Customer Charge	Proposed Customer Charge	
Residential	\$ 34.60	\$ 47.87	
Multifamily	\$ 28.72	\$ 47.87	
Total # of customers			158
Current average rate		\$	34.53
Current Revenue		\$	65,460
Total necessary revenue		\$	81,058

Meter Size	Factor	Factored Customer Charge		EICF	Proposed Customer Charge
5/8"	1	\$ 42.75	\$	5.12	\$ 47.87
1"	1.8	\$ 76.95	\$	5.12	\$ 82.07
1 1/2"	3	\$ 128.26	\$	5.12	\$ 133.37
2"	7	\$ 299.26	\$	5.12	\$ 304.38

Disposition Agreement Attachment F
Billing Comparison Worksheets

S. K. & M. Water and Sewer Company

Residential Customer Bill Comparison-Water

Rates for 5/8" Meter

Customer	Current Base Customer Charge	Proposed Base Customer Charge	Current Usage Rate	Proposed Usage Rate
5/8"	\$ 18.10	\$ 27.01	\$ 2.76	\$ 2.50

MONTHLY BILL COMPARISON

Usage assumed at 3,600 gallons/month

Monthly Billing

Current Rates

Customer Charge	\$ 18.10
Usage Charge	\$ 9.94
Total Bill	\$ 28.04

Proposed Rates

Customer Charge	\$ 27.01
Usage Charge	\$ 9.00
Total Bill	\$ 36.01

INCREASES

Customer Charge

\$ Increase	\$8.91
% Increase	49.24%

Usage Charge

\$ Increase	(\$0.93)
% Increase	N.A.

Total Bill

\$ Increase	\$7.98
% Increase	28.45%

S. K. & M. Water and Sewer Company

Residential Customer Bill Comparison-Sewer

Proposed Base
Customer Charge
\$47.87

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 34.60
Usage Charge	\$ -
Total Bill	\$ 34.60

Proposed Rates

Customer Charge	\$ 47.87
Usage Charge	\$ -
Total Bill	\$ 47.87

INCREASES

Customer Charge

\$ Increase	\$13.27
% Increase	38.35%

Usage Charge

\$ Increase	\$0.00
% Increase	N/A

Total Bill

\$ Increase	\$13.27
% Increase	38.35%

Disposition Agreement Attachment G

Example Tariff Sheets

Name of Utility: S. K. & M. Water & Sewer Company

Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

INDEX

Sheet No.

- 1 Index
- 2 Map of Service Area
- 3 Legal Description of Service Area
- 4 Schedule of Rates
- 5 Schedule of Service Charges

<u>Rule No.</u>	<u>Rule Title</u>
71.	Definitions
102.	General Rules and Regulations
113.	Company Employees and Customer Relations
124.	Applications for Service
165.	Inside Piping and Water Service Lines
166.	Improper or Excessive Use
177.	Discontinuance of Service by Company
228.	Termination of Water Service at Customer's Request
239.	Interruptions in Service
2410.	Bills for Service
2711.	Meters and Meter Installations
3012.	Meter Tests and Test Fees
3113.	Bill Adjustments Based on Meter Tests
3214.	Extension of Water Mains

Issue Date: May 1, 2019
Month /Day/Year

Effective Date: May 31, 2019
Month /Day/Year

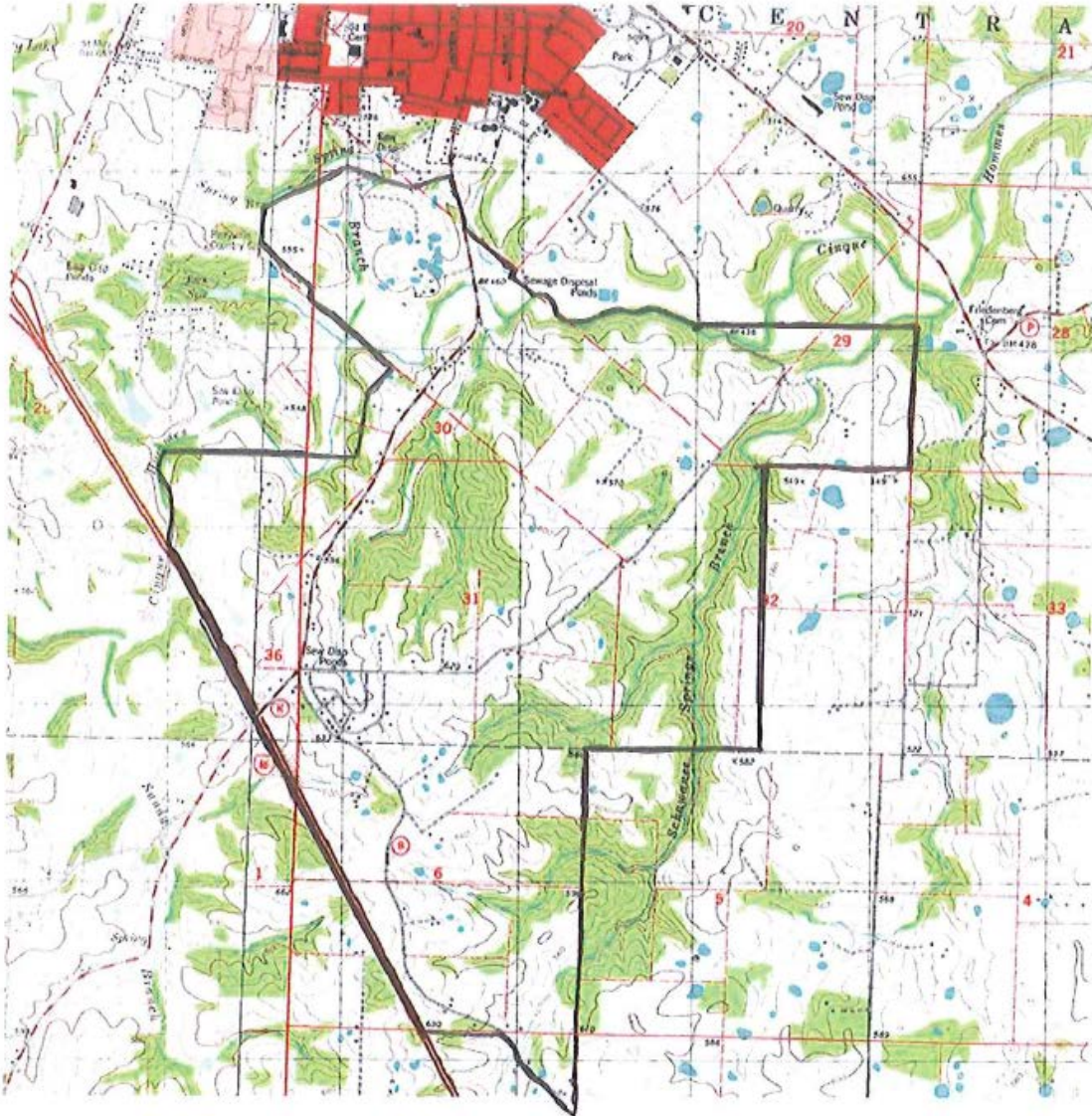
ISSUED BY Susan Larose – Vice President/Owner P.O. Box 212, Perryville, MO 63775
Name and Title of Issuing Officer Mailing Address

Name of Utility: S. K. & M. Water & Sewer Company

Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

Map of Service Area



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Name and Title of Issuing Officer

P.O. Box 212, Perryville, MO 63775
Mailing Address

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Rules and Regulations Governing Rendering of
Water Service

Legal Description of Service Area

Beginning at the Southeast Corner of said fractional Section 32; thence east to the South Quarter Corner of said Section 32; thence North to the North Quarter Corner of said Section 32; thence East to the Northeast Corner of said Section 32; thence North to the East Quarter Corner of said Fractional Section 29; thence West along the North Line of the South Half of said Section 29 and on its Prolongation approximately 4,5000 feet to the Centerline of Cinque Hommes Creek; thence Northwesterly along said Centerline to the Southeast Corner of the Corporate City Limits of Perryville; thence Northwesterly along said survey line and said City Limits approximately 550 feet to the Westerly Corner of the United States Survey 2128; thence Northeasterly along the Line of said United States Survey 2128 and said City Limits to the Southerly Corner of said Survey 2129; thence Northwesterly, Southwesterly, and Southeasterly along said City limits to the Southwesterly Line of said United States Survey 2146; thence leaving said City Limits Southeasterly along said Survey Line to a Point 630 feet Northwest of the Centerline of State Route "B" as measured at right angles to said Centerline; thence Southwesterly on a Line parallel to and 630 feet Northwesterly of said Centerline to the North Line of said Section 31; thence West to the Centerline of Cinque Hommes Creek; thence Southerly along said Creek to the Northeasterly Right-Of-Way to the South Line of said Section 6; thence East to the Centerline of State Highway "B"; thence Southeasterly along said Centerline to the East Line of said Section 7; thence North to the South Line of said Section 31; thence East to the Point of Beginning and containing 2,500 acres more or less.

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Rules and Regulations Governing Rendering of
Water Service

Schedule of Rates

Metered Rate

Minimum Monthly Charge

5/8"	\$27.01
1"	\$46.91
1 1/2"	\$76.75
2"	\$176.24

Water Usage Charge \$2.50 per thousand gallons used

Non-Metered Rate

\$34.51 per month

All new customers shall receive a meter and be charged the metered rate.

Non-functioning meters are those for which the meter can be observed to not be turning while water is flowing through the meter. Documentation of meter evaluations and replacement with functioning meters shall be maintained by the Company.

Customers with a non-functioning meter shall receive written notification at least 21 days prior to being switched to the Non-Metered Rate, and at least 21 days prior to being switched to the Metered Rate after meter replacement.

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Rules and Regulations Governing Rendering of
Water Service

Schedule of Service Charges

The following Miscellaneous Charges apply as authorized and Described elsewhere in the Company's filed Rule and Regulations:

New Service Connection Fee Consists of the costs incurred by the Company for construction including parts, material, labor and equipment, but excluding the cost of the meter. See Rule 5 B.	Actual Cost
Service Connection Inspection Fee During Normal Business Hours Customer Request Outside of Normal Business Hours See Rule 5 B. 2 and 5 B. 3.	\$25 per trip \$225 per trip
Water Service Line Inspection Fee During Normal Business Hours Customer Request Outside of Normal Business Hours See Rule 5 C.	\$25 per trip \$225 per trip
Turn-On/Turn-Off Fee During Normal Business Hours Customer Request Outside of Normal Business Hours	\$25 per trip \$225 per trip
Meter Test Fee See Rule 12 B.	\$25 per test
Late Charges The late charge is calculated monthly with the greater amount above being added to the delinquent bill in accordance with Rule 10 G.	\$5 or 3%

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Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of Water Service	
<u>Schedule of Service Charges continued</u>	
Returned Check Charges	\$36
Credit / Debit Card Charges	Not to exceed \$3
Service Calls for Damages caused by Customer	Actual cost but not less than \$200

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Name of Utility: S. K. & M. Water & Sewer Company

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Rules and Regulations Governing Rendering of
Water Service

Rule 1 DEFINITIONS

- A. The "COMPANY" is S. K. & M. Water and Sewer Company, acting through its officers, managers, or other duly authorized employees or agents.
- B. The "CURB STOP" is a valve on the Service Connection, located at or near the Customer's property line, and used to shut off water service to the premises. The Curb Stop is owned and maintained by the Company.
- C. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for water service or is receiving service from Company, or whose facilities are connected for utilizing such service, and except for a guarantor is responsible for payment for service.
- D. The "DATE OF CONNECTION" shall be the date of the permit for installation and connection issued by the Company. In the event no permit is taken and a connection is made, the date of connection shall be based on available information such as construction/occupancy permits, electric service turn-on date, or may be the date of commencement of construction of the building upon the property.
- E. A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.
- F. "DISCONTINUANCE OF SERVICE" is the intentional cessation of service by the Company not requested by the Customer.
- G. The "MAIN" is a pipeline which is owned and maintained by the Company, located on public property or private easements, and used to transport water throughout the Company's service area.
- H. The "METER" is a device, owned by the Company, used to measure and record the quantity of water that flows through the service line, and is installed in the outdoor meter setting, or inside the Customer's building where the water service line enters through a foundation wall.

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Rules and Regulations Governing Rendering of
Water Service

- I. The "METER SETTING" is a place either in the service connection or building plumbing for a water meter to be installed. An outdoor meter setting is located at or near the property line, and includes the meter box, meter yoke, lid, and appurtenances, all of which shall be owned and maintained by the Company. Indoor meter settings are located inside the Customer's premises where the water service line enters the foundation wall either installed directly in the piping or in a meter yoke.
- J. A "RETURNED CHECK" is a check that is returned to the Company from any bank unpaid for any reason.
- K. A "SEASONAL CUSTOMER" is a Customer who is absent from the premises and may turn off, or request the Company turn off, water service temporarily. All Rates, Rules and Regulations within this tariff continue to apply to "Seasonal Customers" during periods of seasonal absence or turn-off.
- L. The "SERVICE CONNECTION" is the pipeline connecting the main to the Customer's water service line and includes the curb stop, or outdoor meter setting and all necessary appurtenances located at or near the property line, or at the property line if there is no curb stop or outdoor meter setting. If the property line is in a street, and if the curb stop or meter setting is not located near the edge of the street abutting the Customer's property, the service connection shall be deemed to end at the edge of the street abutting the Customer's property. The service connection shall be owned and maintained by the Company.
- M. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes resubdivision thereof.
- N. "TERMINATION OF SERVICE" is cessation of service requested by the Customer.
- O. "TURN-OFF" is the act of turning water service off by physically turning a valve such that water is unavailable to a Customer's premises.
- P. "TURN-ON" is the act of turning water service on by physically turning a valve

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Rules and Regulations Governing Rendering of
Water Service

to allow water to be available to a Customer's premises.

- Q. The word "UNIT" or "LIVING UNIT" shall be used herein to define the premises or property of a single water consumer, whether or not that consumer is the Customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, or owned or leased. Each domicile within a multi-tenant building is a separate unit. Each mobile home in a mobile home park and each rental unit of a multi-tenant rental property are considered as separate units for each single family or firm occupying same as a residence or place of business. In instances of a multi-tenant building with a single service connection, each unit within the building is a separate customer subject to the flat rate monthly charge appearing in the Schedule of Rates, whether occupied or not.
- R. The "WATER SERVICE LINE" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct water to the Customer's unit from the property line, curb stop or outdoor meter setting, including the connection to the curb stop or meter setting. If the property line is in a street, then the water service line shall be deemed to begin at the edge of the street abutting the Customer's property.

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Rules and Regulations Governing Rendering of
Water Service

Rule 2 GENERAL RULES & REGULATIONS

- A. Every applicant, upon signing an application for any water service rendered by the Company, or any Customer upon taking of water service, shall be considered to have expressed consent to be bound by these Rates, Rules and Regulations.
- B. The Company's Rules and Regulations governing rendering of service are set forth in these numbered sheets. The rates applicable to appropriate water service or service in particular service areas are set forth in rate schedules and constitute a part of these Rules and Regulations.
- C. The Company reserves the right, subject to authority of the Missouri Public Service Commission, to prescribe additional Rates, Rules or Regulations or to alter existing Rates, Rules or Regulations as it may from time to time deem necessary and proper.
- D. After the effective date of these Rules and Regulations, all new facilities, construction contracts, and written agreements shall conform to these Rules and Regulations, and in accordance with the statutes of the state of Missouri and the Rules and Regulations of the Missouri Public Service Commission. Pre-existing facilities that do not comply with applicable Rules and Regulations may remain, provided that their existence does not constitute a service problem or improper use, and reconstruction is not practical.
- E. The point of delivery of water service shall be at the connection of the Customer's service line to the Company's service connection.
- F. The Company shall have the right to enter upon the Customer's premises for the purpose of inspecting for compliance with these Rules and Regulations. Company personnel shall identify themselves and such inspections shall be conducted during reasonable hours.

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Rules and Regulations Governing Rendering of
Water Service

Rule 3 COMPANY EMPLOYEES AND CUSTOMER RELATIONS

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any services rendered to its Customers except as covered in the Company's Rules and Regulations.
- B. No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the intent of these Rules and Regulations.
- C. The Company shall not be responsible for damages caused by any failure to maintain water pressure or water quality, or for interruption, if such failure or interruption is without willful default or negligence on its part.
- D. The Company shall not be liable for damages due to, or interruptions caused by, defective piping, fittings, fixtures and appliances on the Customer's premises and not owned by the Company.
- E. The Company shall not be liable for damages due to Acts of God, civil disturbances, war, government actions, or other uncontrollable occurrences.

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Rules and Regulations Governing Rendering of
Water Service

Rule 4 APPLICATIONS FOR SERVICE

- A. A written application for service, signed by the Customer, stating the type of service required and accompanied by any other pertinent information, will be required from each Customer before service is provided to any unit.
- B. If service is requested at a point not already served by a main of adequate capacity, a main of adequate size shall be extended as may be necessary in accordance with Rule 14.
- C. When, in order to provide the service requested a main extension or other construction or equipment expense is required, the Company may require a written contract. Said contract may include, but not be limited to, the obligations upon the Company and the applicant, and shall specify a reasonable period of time necessary to provide such service.

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Rules and Regulations Governing Rendering of
Water Service

Rule 5 INSIDE PIPING AND WATER SERVICE LINES

- A. The Company will provide water service at the outdoor meter, at the curb stop if an indoor meter setting is utilized; or at the property line if neither an outdoor meter nor a curb stop exists at or near the property line, or at the edge of the street if such property line is in the street. Separate buildings shall be served through separate water service lines if they are not on one lot that cannot be subdivided.
- B. The service connection from the water main to the Customer's property line shall be owned and maintained by the Company. Construction of the service connection, outdoor meter setting and curb stop shall be accomplished in one of the following ways at the Customer's option:
 - 1. The Company will construct the service connection, outdoor meter setting and curb stop, as necessary, and make the connection to the main, within three (3) business days of an application for service, or within the time period specified in an application for service (See Rule 4). The Customer shall be responsible for payment of the New Service Connection Fee, as specified by or provided for in the Schedule of Service Charges; or,
 - 2. The Customer may install, or have installed by a professional contractor or plumber, the service connection from the water main to the meter setting, and make the connection to the main, subject to prior approval of the connection and contractor by the Company; or,
 - 3. The Customer may install, or have installed by a professional contractor or plumber, the service connection from the water main to the meter setting, and the Company will tap the main and connect the service connection. The connection and the contractor are subject to prior approval by the company. The Customer shall be responsible for payment of a New Service Connection Fee as specified by or provided for in the Schedule of Service Charges.
- C. A service connection installation constructed by the Customer as provided for in paragraphs B. 2. or 5 B. 3., above, is subject to inspection by the Company. The Service Connection Inspection Fee as specified in the Schedule of Service

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Rules and Regulations Governing Rendering of
Water Service

Charges shall apply if the Company must make a trip solely to conduct an inspection of a service connection constructed by the Customer, and shall not apply if the inspection of a service connection is accomplished at the same time as a tap is made for the Customer, or the same time as an inspection of the water service line as provided for in paragraph D., below, or if the Company installs the service connection as provided in 5 B. 1., above.

- D. Water service line construction and maintenance from the property line, curb stop or meter setting, including the connection to the curb stop or meter setting, to the building shall be the responsibility of the Customer, and is subject to inspection by the Company. The Customer shall be responsible for any applicable fees as listed in the Schedule of Service Charges.
- E. Customers shall be responsible for the cost of repairing any damage to the Company's mains, curb stops, valve boxes, meters, and meter installations caused by the Customer, Customer's agent, or tenant.
- F. Existing water service lines and service connections may be used in connecting with new buildings only when they are found by examination and testing not to constitute a hazard to the health and safety of any Customer or the Company's facilities.
- G. The water service line shall be brought to the unit at a depth of not less than thirty-six inches (36") and have a minimum inside diameter of three-quarters inch (3/4"). The Customer is responsible for the determination of whether or not a larger size is needed to provide adequate flow to the unit. A valve must be installed in the service line where it enters the unit. This valve must be kept in good repair in order to shut off the water supply and drain the inside plumbing, if necessary.
- H. Water service lines and inside piping shall be of material conforming to recognized standards for potable water service and shall have a pressure rating of at least one hundred sixty (160) psi working pressure.
- I. The Company will not install a service connection to a vacant lot if such lot is not intended and recognized by the Company to be for intermittent use such as camping or picnic activity in a recreational subdivision, and the Customer

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Rules and Regulations Governing Rendering of
Water Service

installs a frost-free lockable hydrant at any point of use.

- J. Any change in the location of an existing service connection requested by the Customer shall be made by the Company or with the Company's approval, at the Customer's expense.
- K. The Company shall have the right to enter the Customer's premises, after reasonable notice, for the purposes of inspection to ensure compliance with these Rules and Regulations. Company personnel shall identify themselves and make these inspections only at reasonable hours.
- L. Neither water service lines nor service connections may be extended along public streets or roadways or through property of others in connecting with the Company's mains. The service connection may, however, extend through the water main easement and roadway easement as necessary in order to be connected to a main located across and adjacent to a street in front of the Customer's living unit. The service connection and service line must be laid in a straight line and at right angles to the main and the face of the structure or as nearly so as possible. Any deviation from this because of physical obstruction, landlocked property, or a clear impossibility to construction a future main extension for further subdivision development or additional future customers, will be at the discretion of the Company.
- M. Any Customer having a plumbing arrangement, or a water-using device that could allow back-siphonage of any chemical, petroleum, process water, water from a questionable supply, or other substance that could create a health hazard or damage to the water system; or, any Customer's plumbing classified as an actual or potential backflow hazard in the Regulations of the Missouri Department of Natural Resources shall be required to install and maintain a backflow prevention device. This rule may also apply to Customers on whose premises it is impossible or impractical for the Company to perform a cross connection survey. The device, installation, location and maintenance program shall be approved by the Company.

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Rules and Regulations Governing Rendering of
Water Service

Rule 6 IMPROPER OR EXCESSIVE USE

- A. No Customer shall be wasteful of the water supplied to the unit by the Customer's willful action or inaction. It shall be the responsibility and duty of each Customer to maintain all piping and fixtures at the unit in a good and efficient state of repair at all times.
- B. No Customer shall make or cause to be made a cross connection between the potable water supply and any source of chemical or bacterial contamination or any other water supply. The Company shall deny or discontinue service where Customer's water service line or inside piping may, in the opinion of the Company, cause a cross-connection with non-potable water or otherwise jeopardize the health and safety of other Customer's or the Company's facilities.
- C. The Customer shall not make or cause to be made a connection to a device that will result in excessive water demand or excessive shock, such as water-hammer, to the Company's mains.
- D. The Customer shall not tamper with, remove, or willfully damage a water meter or attempt to operate the shutoff cock on the service connection or meter yoke, or allow any such action. Licensed plumbers may operate such valves in order to work on the Customer's premises and to test their work, but must leave such valves open or closed as found.
- E. The Customer shall not attempt to take unmetered water from the Company mains either by an unauthorized tap or direct connection to service connection nor by connection to a fire hydrant.
- F. Customers will not be permitted to supply water in any way to premises other than the service address, nor to permit others to use their hose or attachments, nor leave them exposed to use by others without permission from the Company.

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Rules and Regulations Governing Rendering of
Water Service

Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY

- A. The Company may discontinue service for any of the following reasons:
1. Non-payment of a delinquent account not in dispute; or
 2. Failure to post a security deposit or guarantee acceptable to the utility; or
 3. Unauthorized interference, diversion or use of the utility service situated or delivered on or about the Customer's premises; or
 4. Misrepresentation of identity in obtaining utility service; or
 5. Enclosing or obstructing any meter so as to make reading or repairs unreasonably difficult, or
 6. Failure to comply with the terms and conditions of a settlement agreement; or
 7. Refusal after reasonable notice to grant access at reasonable times to equipment installed upon the premises of the Customer for the purpose of inspection, meter reading, maintenance or replacement; or
 8. Violation of any of these Rules and Regulations on file with and approved by the Missouri Public Service Commission, or for any condition which adversely affects the safety of the Customer or other persons, or the integrity of the utility's delivery system; or
 9. Non-payment of a sewer bill issued by the Company or by a sewer utility requesting discontinuance of water service by an agreement between the Company and such sewer utility. When water service is discontinued for non-payment of a sewer bill and if the sewer bill is not issued by the Company, any service charges for turn on/off or disconnection/reconnection within these Rules and Regulations shall not apply, and notice to the Customer shall be provided by rules and procedure applicable to the Customer's sewer service in lieu of notification

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Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

required by these Rules and Regulations.

- B. None of the following shall constitute sufficient cause for the Company to discontinue service:
1. The failure of the Customer to pay for merchandise, appliances, or service not subject to Commission jurisdiction as an integral part of the utility service provided by the Company; or
 2. The failure of the Customer to pay for service received at a separate metering point, residence, or location. In the event of discontinuance or termination of service at a separate residential metering point, residence, or location in accordance with these Rules and Regulations, the Company may transfer and bill any unpaid balance to any other residential service account of the Customer and may discontinue service after twenty-one (21) days after rendition of the combined bill, for nonpayment, in accordance with this rule; or
 3. The failure of the customer to pay for a different class of service received at the same or different location. The placing of more than one (1) meter at the same location for the purpose of billing the usage of specific devices under operational rate schedules or provisions is not construed as a different class of service for the purpose of this rule; or
 4. The failure to pay the bill of another customer, unless the customer whose service is sought to be discontinued received substantial benefit and use of the service billed to the other customer; or
 5. The failure of a previous owner or occupant of the premises to pay an unpaid or delinquent bill except where the previous occupant remains an occupant of the living unit; or
 6. The failure to pay a bill correcting a previous underbilling, whenever the customer claims an inability to pay the corrected amount, unless a utility has offered the customer a payment arrangement equal to the period of under-billing.

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Rules and Regulations Governing Rendering of
Water Service

- C. The Company may discontinue service after notice by first class mail is sent to the Customer at least ten (10) days prior to the date of the proposed discontinuance. Service of notice by mail is complete upon mailing. If written notice is hand delivered to the Customer, it shall be done at least ninety-six (96) hours prior to discontinuance. If the Company intends to discontinue service to a multi-tenant dwelling with occupants who are not customers, a notice shall also be conspicuously posted in the building ten (10) days prior to the proposed discontinuance, along with information pertaining to how one or more of the tenants may apply to become customers. Discontinuance shall occur within thirty (30) calendar days after the date given as the discontinuance date, shall occur between the hours of 8:00 a.m. and 4:00 p.m., and shall not occur on a day when the Company will not be available to reconnect service or on a day immediately preceding such a day.
- D. A discontinuance notice provided to a customer shall include:
1. The name and address of the Customer, the service address if different than the Customer's address; and
 2. A statement of the reason for the proposed discontinuance of service and the cost for reconnection; and
 3. How the customer may avoid the discontinuance; and
 4. The possibility of a payment agreement if the claim is for a charge not in dispute and the Customer is unable to pay the charge in full at one time; and
 5. A telephone number the Customer may call from the service location without incurring toll charges and the address and any available electronic contact information of the utility prominently displayed where the customer may make an inquiry.
- E. The Company shall make reasonable efforts to contact the Customer, at least twenty-four (24) hours prior to any discontinuance, regarding the reason(s) for discontinuance of service, and the resolution. If discontinuance of service would affect an occupant who is not the Company's Customer, or is not

Issue Date: May 1, 2019
Month /Day/Year

Effective Date: May 31, 2019
Month /Day/Year

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Name of Utility: S. K. & M. Water & Sewer Company

Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

responsible for payment of the bill, then the Company shall make reasonable efforts to inform such occupant(s).

- F. The Company shall postpone the discontinuance if personnel will not be available to restore service the same day, or if personnel will not be available to restore service the following day. The Company also shall postpone discontinuance if a medical emergency exists on the premises, however the postponement may be limited to twenty-one (21) days, and the Company may require proof of a medical emergency.
- G. The Company shall have the right to enter the Customer's premises for purposes of discontinuance of service in compliance with these Rules and Regulations. Discontinuance of service will be made during reasonable hours. Company personnel shall identify themselves and announce the intention to discontinue service, or leave a conspicuous notice of the discontinuance. The Company shall have the right to communicate with the owner of the Customer's Unit for purposes of gaining access to the property for discontinuance of service in accordance with the Missouri Public Service Commission's billing practices, but any extra costs for arranging such access shall not be charged to the Customer's account.
- H. The provisions of paragraphs C. and E. above may be waived if safety of Company personnel while at the premises is a consideration.
- I. Discontinuance of service to a unit for any reason shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of monies due from the Customer.
- J. In case the Company discontinues its service for any violation of these Rules and Regulations, then any monies due the Company shall become immediately due and payable.
- K. The Company has the right to refuse or to discontinue service to any unit to protect itself against fraud or abuse.
- L. The Company shall deal with Customers, handle Customer accounts, and manage discontinuance of service procedures in accordance with the Missouri

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Rules and Regulations Governing Rendering of
Water Service

Public Service Commission's Utility Billing Practices.

- M. Applicable Turn-off and turn-on charges are specified in the Schedule of Service Charges.

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Rules and Regulations Governing Rendering of
Water Service

Rule 8 TERMINATION OF WATER SERVICE AT CUSTOMER'S REQUEST

- A. Service will be terminated at the Customer's request, by giving not less than twenty-four (24) hours' notice to the Company during its regular office hours. The Company shall, on the requested day, read the Customer's meter and charges for water service rendered up to and including the time of termination shall be computed and will become due and payable immediately.
- B. A Customer may request temporary turn-off by the Company for the Customer's own convenience; however, the Customer shall still be charged for service at the appropriate rate as specified in the Schedule of Rates during the time the service is turned off.
- C. Turn-off and turn-on charges shall apply, and are specified in the Schedule of Service Charges.
- D. A Customer who requests termination of service, but returns to the premises and requests water service within nine (9) months of such termination, at the Company's discretion may be deemed to have been a seasonal customer, and applicable charges incurred during the period of absence may apply.

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Rules and Regulations Governing Rendering of
Water Service

Rule 9 INTERRUPTIONS IN SERVICE

- A. The Company reserves the right to discontinue water in its mains at any time, without notice, for making emergency repairs to the water system. Whenever service is interrupted for scheduled repairs or maintenance, Customers affected by such interruptions will be notified in advance whenever it is possible to do so. Every effort will be made to minimize interruption of service.
- B. No refunds of charges for water service will be made for interruptions of service unless due to willful misconduct of the Company.
- C. In order to avoid service problems when extraordinary conditions exist, the Company reserves the right, at all times, to determine the limit of and regulate water usage in a reasonable and non-discriminatory manner.

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Rules and Regulations Governing Rendering of
Water Service

Rule 10 BILLS FOR SERVICE

- A. The charges for water service shall be at the rates specified in the Schedule of Rates in these Rules and Regulations. Other applicable service charges are set forth in the Schedule of Service Charges in these Rules and Regulations.
- B. A Customer who has made application for, or is receiving the benefit of, water service to a unit shall be responsible for payment for all water service provided to the Customer at said unit from the date of connection until the date requested by the Customer by proper notification to the Company to terminate service.
- C. Each Customer is responsible for furnishing the Company with the correct address. Failure to receive bills will not be considered an excuse for non-payment nor reason to permit an extension of the date when the account would be considered delinquent. Bills and notices relating to the Company or its business will be mailed or delivered to the mailing address entered in the Customer's application unless the Company is notified in writing by the Customer of a change of address.
- D. Payments shall be made at the office of the Company or at such other places conveniently located as may be designated by the Company, by ordinary mail, or by electronic methods employed by the Company. Payment must be received by the close of business on the date due, unless the date due falls on a non-business day in which case payment must be received by the next business day.
- E. Neither the Company nor the Customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.
- F. A separate bill shall be rendered for each Customer with itemization of all water service charges. All bills for service shall state the due date. The Company shall render bills monthly.

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Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

- G. Monthly bills shall be due twenty-one (21) calendar days from the date of rendition, unless such due date falls on a Sunday, a legal holiday, or other day when the office is closed, in which case the due date shall be extended to the next business day. Bills unpaid after the stated due date will be delinquent and the Company shall have the right to discontinue service in accordance with Rule 7. Delinquent bills may be subject to a late charge as provided in the Schedule of Service Charges. The Company shall not be required to restore or connect any new service for such delinquent Customers until the unpaid account due the Company under these Rules and Regulations has been paid in full or arrangements satisfactory to the Company have been made to pay said account.
- H. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be the monthly or quarterly minimum plus an amount based on the water used at the commodity (water usage) rate or one-half (1/2) of the flat rate if applicable.
- I. The Company may require a security deposit or other guarantee as a condition of new service if the Customer:
 - 1. Still has an unpaid account with a utility providing the same type of service accrued within the last five (5) years; or,
 - 2. Has diverted or interfered with the same type of service in an unauthorized manner within the last five (5) years; or,
 - 3. Is unable to establish a credit rating with the Company. Adequate credit rating for a residential Customer shall be established if the Customer:
 - a. Owns or is purchasing a home; or,
 - b. Is and has been regularly employed full time for at least one (1) year; or,
 - c. Has an adequate and regular source of income; or
 - d. Can provide credit references from a commercial credit source.
- J. The Company may require a security deposit or other acceptable written

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Rules and Regulations Governing Rendering of
Water Service

guarantee of payment as a condition of continued service if:

1. The water service of the Customer has been discontinued for non-payment of a delinquent account not in dispute; or,
 2. The utility service to the unit has been diverted or interfered with in an unauthorized manner; or,
 3. The Customer has failed to pay undisputed bills before the delinquency date for five (5) billing periods out of twelve (12) consecutive monthly billing periods.
- K. The amount of a security deposit shall not exceed utility charges applicable to one (1) billing period plus thirty (30) days, computed on estimated or actual annual usage.
- L. Interest shall be payable annually on all deposits, but shall not accrue after the utility has made reasonable effort to return the deposit. Interest will be paid at a per annum rate equal to the prime bank lending rate, as published in the *Wall Street Journal* for the last business day of the preceding calendar year, plus one (1) percentage point. Interest may be credited to the Customer's account.
- M. After a Customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one (1) year, credit shall be established or re-established, and the deposit and any interest due shall be refunded. The utility may withhold full refund of the deposit pending resolution of a disputed matter.
- N. The utility shall give a receipt for deposits received, but shall also keep accurate records of deposits, including Customer name, service address, amounts, interest, attempts to refund and dates of every activity regarding the deposit.
- O. All billing matters shall be handled in accordance with the Missouri Public Service Commission's Rules and Regulations regarding Utility Billing Practices, 4 CSR 240-13.

Issue Date: May 1, 2019
Month /Day/Year

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Rules and Regulations Governing Rendering of
Water Service

Rule 11 METERS AND METER INSTALLATIONS

- A. When water meters are utilized for billing, the Company shall furnish and install a suitable meter for each Customer, and the Company's installed meter shall be the standard for measuring water used to determine the bill. All meters shall be furnished, installed, maintained and removed by the Company and shall remain its property.
- B. The Company shall have the right to determine, on the basis of the Customer's flow requirements, the type and size of meter to be installed and location of same. No meter size selection will be based solely on the size of the Customer's service line. If flow requirements increase or decrease subsequent to installation and a larger or smaller meter is requested by the Customer, the cost of installing such larger or smaller meter shall be paid by the Customer.
- C. Domestic water service to any one Customer at a single premises shall be furnished through a single service connection. Individual units of a multi-unit building may have separate connections and meter installations only if each unit has separate plumbing, ground-level space, an individual service connection and meter installation location, and frontage to a Company-owned main. For multi-unit buildings with one service connection and meter installation, the inside piping may be rearranged at the Customer's own expense so as to separate the units and meter tenants, then divide the bill accordingly.
- D. The owners of premises wherein meters are located shall be held responsible for the safekeeping of the Company's meters and metering appurtenances, and are required to keep meters located within their property accessible to the Company for reading and for meter change-outs. If a Customer limits accessibility, or fails to protect a meter against damage, the Company may discontinue service and/or refuse to supply water until accessibility is restored and the Company is paid for any such damage. The amount of the charge shall be the cost of the necessary replacement parts and the labor cost necessary to make the repair.
- E. If the Company determines that no suitable outdoor location is available, then

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Month /Day/Year

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Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

the meter may be installed inside the Customer's premises where the water service line enters the building and just downstream of the inside shutoff valve. The Company shall install a curb stop within the service connection at or near the property line as practical. When the meter is installed inside the Customer's premises, the Customer will either provide a meter yoke to accept installation of the Company's meter, or provide proper fittings for the house plumbing pipe to allow for direct installation of the Company's meter, along with a proper grounding strap installed around the meter to prevent electric charge build-up on either side of the meter or while a meter is removed. If installation in a special setting is necessary, the excess cost of installation shall be paid by the Customer.

- F. If an existing basement meter location is determined by the Company to be inadequate or inaccessible, then the Customer must provide for the installation of a meter to be located at or near the Customer's property line. The Customer shall furnish or obtain from the Company, as appropriate, the necessary meter installation appurtenances conforming to the Company's specifications, and the cost of said appurtenances and labor shall be paid by the Customer.
- G. Approved meter installation locations in dry basements, sufficiently heated to keep the meter from freezing, may remain provided the meter is readily accessible, at the Company's and Customer's convenience as determined by the Company, for servicing and reading and the meter space provided is located where the service line enters the building. The Company may, at its discretion, require the Customer to install a remote reading device at an approved location, for the purpose of reading the meter. It is the responsibility of the Customer and/or the owner of the premises to provide a location for the water meter which, in the event of water discharge as a result of leakage from the meter or couplings, will not result in damage. The Company's liability for damages to any and all property caused by such leakage shall in no event exceed the price of water service to the affected premises for one average billing period in the preceding year. Where damage is caused by the negligence of Company personnel at the premises, this limitation will not apply. If a Customer refuses to provide an accessible location for a meter as determined by the Company, the Company will notify the Staff of the Water and Sewer Unit of the Missouri Public Service Commission before ultimately refusing service or proceeding to discontinue service.

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Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

- H. The Customer shall promptly notify the Company of any defect in, or damage to, the meter setting.
- I. Any change in the location of any existing meter or meter setting at the request of the Customer shall be made at the expense of the Customer, and with the approval of the Company.

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Rules and Regulations Governing Rendering of
Water Service

Rule 12 METER TESTS AND TEST FEES

- A. Any Customer may request the Company to make a special test of the accuracy of the meter through which water is supplied to the Customer. This test will be made in accordance with water industry test procedures, and to check for accuracy as required by Regulations of the Missouri Public Service Commission.
- B. The Company reserves the right to remove and test a meter at any time and to substitute another in its place. In case of a dispute involving a question as to the accuracy of the meter, a test will be made by the Company upon the request of the Customer without charge if the meter has not been tested within twelve (12) months preceding the requested test; otherwise, an approved charge will be made if the test indicates meter accuracy within five percent (5%).
- C. A meter test requested by the Customer may be witnessed by the Customer or the Customer's duly authorized representative, except for tests of meters larger than two inch (2") inlet, which will be conducted by the water manufacturer. A certified copy of the test report will be provided to the Customer.
- D. If a test shows an average error of more than five percent (5%), billings shall be adjusted in accordance with Rule 13.

Issue Date: May 1, 2019
Month /Day/Year

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Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

Rule 13 BILL ADJUSTMENTS BASED ON METER TESTS

- A. Whenever any test by the Company of a meter while in service or upon its removal from service shall show such meter to have an average error of more than five percent (5%) on the test streams prescribed by the Missouri Public Service Commission, the Company shall adjust the Customer's bills by the amount of the actual average error of the meter and not the difference between the allowable error and the error as found. The period of adjustment on account of the under-registration or over-registration shall be determined as follows:
1. Where the period of error can be shown, the adjustment shall be made for such period; or
 2. Where the period of error cannot be shown, the error found shall be considered to have existed for three (3) months preceding the test.
- B. If the meter is found on any such test to under-register, the Company may render a bill to the Customer for the estimated consumption not covered by bills previously rendered during the period of inaccuracy as above outlined. Such action shall be taken only when the Company was not at fault for allowing the inaccurate meter to remain in service.
- C. If the meter is found on any such test to over-register, the Company shall refund to the Customer any overcharge caused during the period of inaccuracy as above defined. The refund shall be paid within a reasonable time and may be in the form of a bill credit.

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Month /Day/Year

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Rules and Regulations Governing Rendering of
Water Service

Rule 14 EXTENSION OF WATER MAINS

- A. This rule shall govern the extension of mains by the Company within its certified area where there are no water mains.
- B. Upon receipt of a written application for a main extension, the Company will provide the applicant(s) an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including valves, fire hydrants, booster stations, storage facilities, reconstruction of existing mains (if necessary), and the direct costs associated with supervision, engineering, permits, and bookkeeping. The estimate will not include unanticipated costs such as rock excavation.
- C. Applicant(s) shall enter into a contract with the Company for the installation of said extension and shall tender to the Company the amount determined in paragraph B. above. Any applicable New Service Connection Fee will become due after the cost incurred by the Company has been ascertained, as per Rule 5 B. 1. or 3., and as specified in the Schedule of Service Charges. The contract may allow the Customer to contract with an independent contractor for the installation and supply of material, except that mains of twelve inches (12”) or greater diameter must be installed by the Company, and the reconstruction of existing facilities must be done by the Company.
- D. The cost to single-family residential applicant(s) connecting to a main extension for which other applicant(s) paid an amount determined in paragraph B., above, subject to subsequent adjustments for actual cost, shall be as follows:
 - 1. For single-family residential applicant(s) applying for service in a platted subdivision, the Company shall divide the actual cost of the extension by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing mains shall be excluded.
 - 2. For single-family residential applicant(s) applying for service in areas that are unplatted in subdivision lots, an applicant(s) cost shall be equal to the

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Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

total cost of the main extension divided by the total length of the main extension in feet times one hundred (100) feet.

3. For industrial, commercial, or multifamily residential applicants, the cost will be equal to the amount calculated for a single-family residence in paragraphs D.1. or D.2. above, multiplied by the flow factors of the applicants' meter. The flow factors of the various sizes of meters are as follows:

<u>Meter Size</u>	<u>Flow Factor</u>
5/8"	1
1"	2.5
1 1/2"	5
2"	8
3"	15
4"	25

- E. Refunds of funds paid by applicant(s) for any estimated costs or actual costs of a main extension shall be made to such applicant(s) as follows:
- Should the actual cost of the extension be less than the estimated cost, the Company shall refund the difference to the applicant(s) as soon as the actual cost has been ascertained.
 - During the first ten (10) years after the main extension is completed, the Company will refund to the applicant(s) who paid for the extension the money collected from applicant(s) in accordance with paragraph D. above. The refund shall be paid within a reasonable time after the money is collected.
 - The sum of all refunds to any applicant shall not exceed the total amount which the applicant(s) has paid.
- F. Extensions made under this rule shall be and remain the property of the Company.

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Month /Day/Year

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Service Area: Unincorporated Perry County, MO

Rules and Regulations Governing Rendering of
Water Service

- G. The Company reserves the right to further extend the main and to connect mains on intersecting streets and easements. Connecting new Customers to such further extensions shall not entitle the applicant(s) paying for the original extension to a refund for the connection of such Customers.
- H. Extensions made under this rule shall be of Company-approved pipe sized to meet water service requirements. If the Company chooses to size the extension larger in order to meet the Company's overall system requirements, the additional cost caused by the larger size of pipe shall be borne by the Company.
- I. No interest will be paid by the Company of payments for the extension made by the applicant(s).
- J. If extensions are required on private roads, streets, through private property, or on private property adjacent to public right-of-way, a proper deed of easement must be furnished to the Company without cost to the Company, before the extension will be made.

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Service Area: Unincorporated Perry County, MO

Rules Governing Rendering of
Sewer Service

INDEX

Sheet Number

- 1 Index
- 2 Map of Service Area
- 3 Legal Description of Service Area
- 4 Schedule of Rates
- 5 Schedule of Service Charges

<u>Sheet Number</u>	<u>Rule Number</u>	<u>Rule Subject</u>
7	1	Definitions
12	2	General Matters
13	3	Limited Authority of Company Employees
14.....	4	Applications for Sewer Service
16	5	Inside Piping and Customer Service Sewer
21	6	Improper or Excessive Use
24	7	Discontinuance of Service
30.	8	Termination of Service
31	9	Interruptions in Service
32	10	Bills for Service
36	11	Extension of Collecting Sewers

* Indicates new rate or text

+ Indicates change

Issue Date: May 1, 2019
Month /Day/Year

Effective Date: May 31, 2019
Month /Day/Year

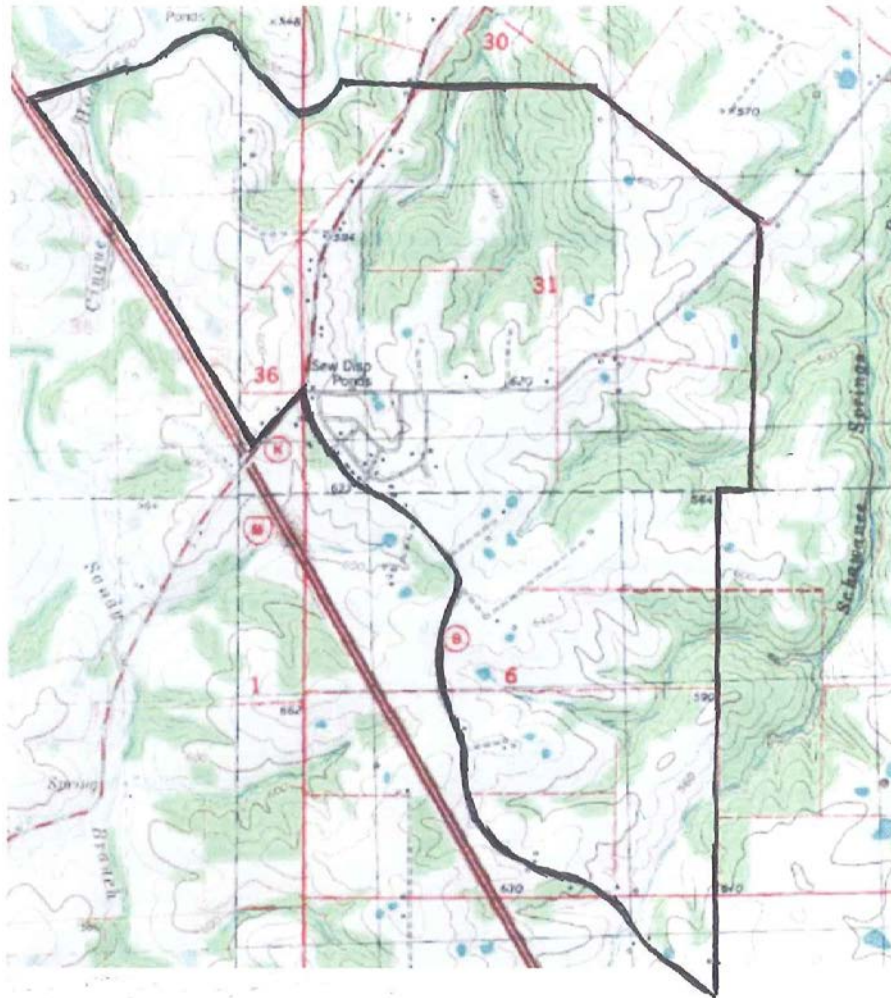
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Name of Utility: S. K. & M. Water & Sewer Company

Service Area: Unincorporated Perry County, MO

Rules Governing Rendering of
Sewer Service

Map of Service Area



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Rules Governing Rendering of
Sewer Service

Legal Description of Service Area

Beginning at the Southeast corner of Section 6, Township 34 North, Range 11 East of the Fifth Principal Meridian; Thence South along the East line of Section 7 in the aforesaid Township and Range to the intersection of the said line with the Northeast right-of-way line of State Highway `B' ; Thence Westerly along aforesaid right-of-way line to the North side of the intersection of State Highway `B' and State Highway `K' ; Thence Westerly to the West right-of-way line of State Highway `K' to the intersection of said right-of-way line of Interstate No. 55; Thence Northwesterly along the Northeast right-of-way line of Interstate No. 55 to the intersection of said right-of-way line with the center of Cinque Hommes Creek in U.S. Survey NO. 2147, Township 35 North, Ranges 10 and 11 East; Thence along the centerline of Cinque Hommes Creek to a point where the projections of the North line of Section 31, Township 35 North, Range 11 East meets the center of Cinque Hommes Creek; Thence East along the projection of and the North line of aforesaid Section 31 to the intersection of said line with the Southwest line of the U.S. Survey No. 2146, Township 35 North, Ranges 10 and 11 East; Thence Southeasterly along the Southwest line of aforesaid U.S. Survey 2146 to a point where said Southwest line meets the East line of aforesaid Section 31 ; Thence South along the East line of aforesaid Section 31 to the line between Township 34 North and 35 North; Thence West along said Township line to the Northeast corner of aforesaid Section 6; Thence South along the East line of aforesaid Section 6 to the point of beginning.

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Service Area: Unincorporated Perry County, MO

Rules Governing Rendering of Sewer Service	
<u>Schedule of Rates</u>	
Monthly Rate	
<u>Water Meter Size</u>	<u>Sewer Rate</u>
5/8"	\$47.87
1"	\$82.07
1 1/2"	\$133.37
2"	\$304.38
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Service Area: Unincorporated Perry County, MO

Rules Governing Rendering of
Sewer Service

Schedule of Service Charges

The following Miscellaneous Charges apply as authorized and Described elsewhere in the Company's filed Rule and Regulations:

New Service Connection Fee	Actual Cost
Consists of the costs incurred by the Company for construction including parts, material, labor and equipment, but excluding the cost of the meter. See Rule 5 B.	
Service Connection Inspection Fee	
During Normal Business Hours	\$25 per trip
Customer Request Outside of Normal Business Hours	\$225 per trip
See Rule 5	
Service Line Inspection Fee	
During Normal Business Hours	\$25 per trip
Customer Request Outside of Normal Business Hours	\$225 per trip
See Rule 5 .	
On-site Collection Charge	\$15
This charge will be added to the current bill if the Company personnel is on-site to disconnect the service when the Customer pays the bill. The disconnection fee may not be assessed if the service is not physically disconnected.	
Late Charges	\$5 or 3%
The late charge is calculated monthly with the greater amount above being added to the delinquent bill in accordance with Rule 10 G.	

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Rules Governing Rendering of
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Schedule of Service Charges continued

Returned Check Charges	\$36
Credit / Debit Card Charges	Not to exceed \$3
Service Calls for Damages caused by Customer	Actual cost but not less than \$200

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Rules Governing Rendering of
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Rule 1 – Definitions

- A. An "APPLICANT" is a person, firm, corporation, governmental body, or other entity that has applied for sewer service and/or an extension of collecting sewers along with additional plant facilities; two or more such entities may make one application for a sewer extension, and be considered one APPLICANT. An "ORIGINAL APPLICANT" is an APPLICANT who entered into any contract or agreement with the Company for an extension of collecting sewers and/or additional plant facilities, contributed funds or utility plant assets to the Company under the terms of the contract or agreement, and is eligible for refunds under the terms of the contract or agreement as additional Applicants connect to such extensions or plant facilities.
- B. "B.O.D" denotes Biochemical Oxygen Demand. It is the quantity of oxygen utilized in the biochemical oxidation of waste matter under standard laboratory conditions expressed in milligrams per liter.
- C. "C.O.D" denotes Chemical Oxygen Demand. It is the quantity of oxygen utilized in the chemical oxidation of waste matter under standard laboratory conditions, expressed in milligrams per liter.
- D. A "COLLECTING SEWER" is a pipeline, including force pipelines, gravity sewers, interceptors, laterals, trunk sewers, manholes, lampholes, and necessary appurtenances, including service tees, wyes and saddles, which is owned and maintained by the Company, located on public property or on private easements, and used to transport sewage waste from the Customer's service connection to the point of disposal. A "PRESSURE COLLECTING SEWER" is a collecting sewer pipeline, including tees, wyes, and saddles, operated under pressure from pump

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Rules Governing Rendering of
Sewer Service

units owned and operated by customers connected to the pipeline, and is sometimes referred to generically as a COLLECTING SEWER.

- E. The "COMPANY" is S. K.& M. Water and Sewer Company, acting through its officers, managers, or other duly authorized employees or agents.
- F. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for sewer service, or is receiving service from the Company, or whose facilities are connected for utilizing such service, and except for a guarantor is responsible for payment for service.
- G. The "DATE OF CONNECTION" shall be the date the permit for a service connection is issued by the Company. In the event no permit is taken and a service connection is made, the date of connection shall be determined based on available information, such as construction/occupancy permits, or water or electric service turn-on dates, or may be the date of commencement of construction of the building upon the property.
- H. A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.
- I. "DISCONTINUANCE OF SERVICE" is intentional cessation of the use of sewer service by action of the Company not at the request of the Customer. Such DISCONTINUANCE OF SERVICE may be accomplished by methods including physical disconnection of the service sewer, or turn-off of water service by the water utility at the request of the Company.
- J. "DOMESTIC SEWAGE" is sewage, excluding storm and surface water, resulting

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Rules Governing Rendering of
Sewer Service

from normal household activities; and, "NON-DOMESTIC SEWAGE" is all sewage other than DOMESTIC SEWAGE including, but not limited to, commercial or industrial wastes. See Rule 6 - Improper or Excessive Use.

- K. A "FOUNDATION DRAIN" is a pipe installed inside or outside the foundation of a structure for the purpose of draining ground or subsurface water away from the foundation.
- L. "pH" is the relative degree of acidity or alkalinity of water as indicated by the hydrogen ion concentration. pH is indicated on a scale reading from 1-14, with 7.0 being neutral, below 7.0 acid, and above 7.0 alkaline; more technically defined as the logarithm of the reciprocal of the hydrogen ion concentration.
- M. A "RETURNED CHECK" is a check that is returned to the Company from any bank unpaid for any reason.
- N. A "SADDLE" is a fitting that connects the Customer's Service Sewer to the collecting sewer whether it be a gravity collecting sewer or a pressure collecting sewer; the saddle clamps around the collecting sewer pipeline into which pipeline a hole is cut, and the Service Sewer is connected to the Saddle thereby connecting it to the collecting sewer.
- O. A "SEASONAL CUSTOMER" is a Customer who is absent from the premises and may turn off, or request the Company turn off, water service temporarily. All Rates, Rules and Regulations within this tariff continue to apply to "Seasonal Customers" during periods of seasonal absence or turn-off.

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Sewer Service

- P. A "SERVICE CONNECTION" is the connection of a service sewer to the Company's collecting sewer either at the bell of a tee branch or wye branch, or the bell of a saddle placed on the barrel of the collecting sewer.
- Q. A "SERVICE SEWER" or "CUSTOMER'S SERVICE SEWER" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct sewage from the Customer's premises to the collecting sewer, excluding service tees, wyes or saddles. For Customers connected to a pressure collecting sewer and utilizing a pump unit, the portion of the Service Sewer between the pump unit and the collecting sewer is a pressurized portion of the Service Sewer. In addition to other parts and fittings this shall include a stop cock accessible to the Company for turn-off of sewage flow and a check valve to prevent backflow of waste-water under pressure in the pressure collecting sewer. The SERVICE SEWER is constructed, owned and maintained by the Customer.
- R. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes re-subdivision thereof.
- S. A "TEE" is a three-way one-piece pipe fitting in the shape of the letter "T" that is a part of the Collecting Sewer pipeline and to which the Customer's Service Sewer is connected.
- T. "TERMINATION OF SERVICE" is the cessation of the use of sewer service requested by the Customer. Such TERMINATION OF SERVICE shall be accomplished by a method verified and recognized by the Company, and may include physical disconnection of the service sewer, termination or disconnection

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Rules Governing Rendering of
Sewer Service

of water service by the water utility, or the Company's observation of non-occupancy of the unit served.

U. The word "UNIT" or "LIVING UNIT" shall be used herein to define the premises or property of a single sewer user, whether or not that sewer user is the Customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, owned or leased. Each mobile home in a mobile home park, and each rental unit of a multi-tenant rental property are considered as separate Units for each single family or firm occupying same as a residence or place of business.

V. A "WYE" or "WYE BRANCH" or "Y" or "Y BRANCH" is a three-way one-piece pipe fitting in the shape of the letter "y" that is a part of the collecting sewer pipeline, and to which the Customer's service sewer is connected.

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Rules Governing Rendering of
Sewer Service

Rule 2 - General Matters

- A. Every applicant, upon signing an application for sewer service or any Customer accepting service rendered by the Company, shall be considered to have expressed consent to be bound by these Rates, Rules and Regulations.
- B. The Company's Rules and Regulations governing rendering of service are set forth in the numbered sheets of this tariff. The rates applicable to appropriate class of service in particular service areas are set forth in rate schedules and constitute a part of this tariff.
- C. The Company reserves the right, subject to approval from the Missouri Public Service Commission, to prescribe additional Rates, Rules or Regulations or to alter existing Rates, Rules or Regulations as it may from time-to-time deem necessary or proper.
- D. After the effective date of these rules, all new facilities, construction contracts and written agreements shall conform to these Rules and Regulations, in accordance with the statutes of the State of Missouri, and the Rules and Regulations of the Missouri Public Service Commission. Pre-existing facilities that do not conform with these Rules and Regulations may remain, if said facilities do not cause any service problems or improper use, and reconstruction is impractical.
- E. The point of sewer service provided by the Company shall be at the service connection.
- F. The Company shall have the right to enter upon the Customer's premises for the purpose of inspecting for compliance with these rules. Company personnel shall identify themselves and such inspections shall be conducted during reasonable hours.

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Rules Governing Rendering of
Sewer Service

Rule 3 – Limited Authority Of Company Employees

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any service rendered to its Customers except as covered in the Company's Rules and Regulations.
- B. No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these Rules and Regulations.
- C. The Company shall not be responsible for damages due to any failure to remove waste water from the premises, or for interruption if such failure or interruption is without willful default or negligence on its part.
- D. The Company shall not be liable for damages because of any interruption of sewer service, or for damages caused by defective piping, fittings, fixtures or appliances on the Customer's premises and not owned by the Company.
- E. The Company shall not be liable for damages due to damages from Acts of God, civil disturbances, war, government actions, and other uncontrollable occurrences.

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Rules Governing Rendering of
Sewer Service

Rule 4 – Applications For Sewer Service

- A. A written application for service, signed by the Customer, and accompanied by the appropriate fees as provided in the Schedule of Rates, the Schedule of Service Charges, Rule 11 - Extension of Collecting Sewers, and other information required by these Rules, must be received from each Customer. Said application must be filed in writing three (3) business days in advance stating the street, house number, name of the applicant, name of the property owner, and the time, at which connection is to be made.
- B. The Company shall have the right to refuse service for failure to comply with the rules herein, or if the Customer owes a past due bill not in dispute for sewer service at any location within the Company's service area.
- C. In any case where a collecting sewer extension or unusual construction or equipment expense is necessary to furnish the service, the Company may require a contract for service specifying a reasonable period of time for the Company to provide the service.
- D. If the Customer is a tenant, the Company shall notify the owner of the property or owner's property manager or other agent, if known to the Company, that such owner or property manager may be responsible for payment of the sewer service bill associated with the application.
- E. A prospective Commercial or Industrial Customer shall, upon request of the Company, present in writing to the Company a list of devices that will discharge to the collecting sewers, the amount and specifications of any discharge, and the location of any buildings. The Company will then advise the Customer of the

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Rules Governing Rendering of
Sewer Service

- form and the character of the wastewater collection facilities available. If a sewer extension as provided for in Rule 11 - Extension of Collecting Sewers will be necessary, or if the Customer will be required to own, operate, and maintain a pretreatment facility, the Customer will also be so advised.
- F. When sewer charges are based on water usage, the Company reserves the right to refuse sewer service to any applicant unless said applicant agrees to install a water meter accessible by the Company, so that there will be a basis for sewer charges. The Company and Customer may agree to an estimated water use amount, on an interim basis for a period not to exceed six (6) months, to allow time to install suitable metering equipment.
- G. The Company will determine or approve the location of the service connection. Service sewers will not be extended along public streets or roadways or through property of others in connecting with collecting sewers. If a service connection is requested at a point not already served by a collecting sewer of adequate capacity, the collecting sewer shall be extended in accordance with Rule 11 - Extension of Collecting Sewers, unless in the Company's judgment such a collecting sewer would serve no other future purpose and a service sewer may be constructed to serve the Customer's premises in a reasonable manner.
- H. A new service connection shall be authorized when all conditions in the above paragraphs, and Rule 5 – Inside Piping and Customer Service Sewer, regarding application, construction and inspection provisions, are met.
- I. No substantial addition to the water using equipment or appliances connected to the sewer system shall be made by Commercial or Industrial Customers except upon written notice to and with the written consent of the Company.

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Rules Governing Rendering of
Sewer Service

Rule 5 – Inside Piping And Customer Service Sewer

- A. The Customer is obligated to construct, repair, and maintain the service sewer from the collecting sewer to the building, and make the connection to the collecting sewer, with the approval of the Company. The Customer shall notify the Company prior to cleaning or repairing the service sewer.
- B. Construction of the service connection shall be accomplished in one of the following ways at the Customer's option:
1. The Company will construct the service connection, with saddle, and make the connection to the main, within three (3) business days of an application for service, or within the time period specified in an application for service. The Customer shall be responsible for payment of the New Service Connection Fee, as specified by or provided for in the Schedule of Service Charges; or,
 2. The Customer may install, or have installed by a professional contractor or plumber, the service connection to the sewer main with a saddle, subject to prior approval of the connection and contractor by the Company; or,

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Rules Governing Rendering of
Sewer Service

3. The Customer may install, or have installed by a professional contractor or plumber, the service connection to the sewer main, and the Company will tap the main and connect the service connection. The connection and the contractor are subject to prior approval by the company. The Customer shall be responsible for payment of a New Service Connection Fee as specified by or provided for in the Schedule of Service Charges.

No backfill shall be placed until the work has been inspected by the Company. In the event the Customer or the Customer's agent shall damage a tee branch, wye branch or saddle, or cause damage to the collecting sewer, then the Customer shall be responsible for the cost to repair any such damage, including replacement of pipe or appurtenances as necessary.

C. Plumbing specifications of all governmental agencies having jurisdiction, and these Rules and Regulations, in effect at the time of connection, must be met. The Company may deny service or may discontinue service where foundation drains, downspouts, or other sources of surface or storm water are permitted to enter the sewer system through either the inside piping or through the building sewer.

D. A separate and independent service sewer shall generally be required for every building. Exceptions are:

1. When one building stands at the rear of another building on an interior lot where a proper service sewer cannot be constructed through an adjoining easement. In that situation, the service sewer from the front building may be extended to the rear building and it will be considered as one service sewer.

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Rules Governing Rendering of
Sewer Service

2. When two or more buildings are a part of a complex that cannot be subdivided.

E. The gravity service sewer shall be constructed using ductile iron pipe, polyvinyl chloride pipe (PVC), ASTM specification or equal; or other suitable material approved by the Company. Only those jointing materials and methods that are approved by the Company may be used. Joints shall be tight and waterproof. Any part of the service sewer that is located within ten (10) feet of a water main or water service pipe shall be constructed of ductile iron or PVC pressure pipe. The pipe shall be bedded according to the manufacturer's specifications and on undisturbed earth or fill compacted to at least ninety-five percent (95%) proctor density. Fill may be non-organic soil or aggregate.

F. The size and slope of the gravity service sewer shall be subject to the approval of the Company, but in no event shall the diameter be less than four (4) inches. The slope of such four (4) inch gravity sewer pipe shall not be less than one-eighth (1/8) inch per foot.

G. Whenever possible, the service sewer shall be brought to the building at an elevation below the basement floor. No building sewer shall be laid parallel to or within three (3) feet of any bearing wall except where the service sewer enters the building area. The depth shall be sufficient to afford protection from frost. The service sewer shall be laid at a uniform grade and in straight alignment insofar as possible. Changes in direction shall be made only with properly curved pipes and fittings.

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Rules Governing Rendering of
Sewer Service

- H. Existing service sewers may be used in connection with new buildings only when they are found on examination and test to meet all requirements of the Company.
- I. In any building in which a building drain is too low to permit the required slope of the service sewer, sanitary sewage carried by such drain shall be lifted by approved artificial means and discharged to the service sewer. No water operated sewage ejector shall be used.
- J. All excavations required for the installation of a service sewer and connection to the collecting sewer shall be open trench work unless otherwise approved by the Company. Pipe laying and backfill shall be performed in accordance with the latest published engineering specifications of the manufacturer of the materials used, and all applicable local plumbing codes.
- K. The connection of the service sewer to the collecting sewer shall be made at the tee branch or wye branch, if such branch is available at a suitable location. If the collecting sewer is vitrified clay pipe of twelve inch (12") diameter or less and there is no properly located tee branch or wye branch at a suitable location, such a branch shall be furnished and installed by the Customer at a location specified by the Company and by an installation method approved by the Company. If the collecting sewer is greater than twelve inches (12") in diameter, or is PVC of any size, a neat hole may be cut at a location specified by the Company, and a saddle shall be furnished installed by the Customer to which the service sewer will be connected. The invert of the service sewer at the point of connection shall be at the centerline or higher elevation of the collecting sewer. The connection shall be secure and watertight. The wye branch, tee branch, or saddle shall become a part of the Company's collecting sewer and owned by the Company after installation.

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Rules Governing Rendering of
Sewer Service

- L. Any change in the location of an existing service connection and/or service sewer requested by the Customer shall be made at the Customer's expense.
- M. Company personnel may not work on piping or facilities not owned by the Company, unless authorized by the Customer. Except, the Company will work on Customer-owned Pump Units as provided for within these Rules and Regulations.
- N. The Company shall have the right to enter the Customer's premises, after reasonable notice, for the purposes of inspection to ensure compliance with these Rules and Regulations. Company personnel shall identify themselves and make these inspections only at reasonable hours.
- O. Customer Service Sewers may not be extended along public streets or roadways or through property of others in connecting with the Company's collecting sewers. The service sewer may, however, extend through the collecting sewer easement and roadway easement as necessary in order to be connected to a collecting sewer located across and adjacent to a street in front of the Customer's living unit. The service sewer must be laid in a straight line and at right angles to the collecting sewer and the face of the structure or as nearly so as possible. Any deviation from this because of physical obstruction will be at the discretion of the Company.

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Rules Governing Rendering of
Sewer Service

Rule 6 – Improper Waste or Excessive Use

A. In the event that the Customer to be served proposes to discharge, or actually consistently discharges, an abnormally high volume or strength of waste, the Company may require:

1. The Customer to install a pretreatment facility, grease trap or other device on the premises, to prevent the exceeding of discharge limits, or other adverse impacts upon the Company's system. The installation of any such device as well as its operation and maintenance shall be the responsibility of the Customer, and subject to approval and inspection by the Company.
2. The Customer to enter into a special contract with the Company for treatment of the Customer's discharge, that could require an enlargement of the Company's existing sewage treatment plant or the construction of a temporary sewage treatment plant, and/or the construction or reconstruction of sewer lines or pump facilities, in a form approved by the Missouri Public Service Commission with a rate applicable to the Customer to be included within this Schedule of Rates, Rules, and Regulations, that is fair and reasonable to both parties and so as not to constitute a burden upon the Company or the existing Customers of the Company.

B. No Customer shall discharge or cause to be discharged any storm water, surface water, ground water, swimming pool water, roof runoff, sub-surface drainage, or cooling water into the collecting sewers.

C. The Customer shall not tamper with, by-pass, remove, or willfully damage a water meter that is used for calculation of sewer bills, or allow any such action.

D. The Customer shall not attempt to discharge sewage either by an unauthorized

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Rules Governing Rendering of
Sewer Service

service connection or direct unauthorized connection to a service sewer.

E. Customers will not be permitted to allow discharge in any way from premises other than the service address, nor to permit the use of their drains or connections to the service sewer for waste discharge by others, without permission from the Company.

F. Except as may be provided in paragraph A.2., above, the Customer shall be required to take any action necessary to meet the following described wastewater limits before the wastewater is discharged into the collection sewer:

1. Maximum temperature of 150 degrees Fahrenheit.
2. Maximum strength of four-hundred (400) parts per million Biological Oxygen Demand (B.O.D.).
3. A maximum of one-hundred (100) parts per million, by weight, any fat, oil or grease.
4. A maximum of twenty-five (25) parts per million, by weight, any soluble oils.
5. No gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid or gas.
6. No garbage that has not been properly shredded.
7. No ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood or any other solid or viscous substance capable of

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Rules Governing Rendering of
Sewer Service

causing obstruction to the flow in sewers or other interference with the proper operation of the sewer system.

8. No waste-water having a pH less than 5.0 or greater than 9.0, or having any other corrosive property, capable of causing damage or hazard to structures, equipment or personnel of the Company.
9. No waste-water containing heavy metals, toxic material, or Chemical Oxygen Demand (C.O.D.), in sufficient quantity to disrupt the operation of treatment facilities, or exceeding any limits which may be specified in a service contract for any such substance.

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Rules Governing Rendering of
Sewer Service

Rule 7 – Discontinuance of Service

A. The Company may discontinue service for any of the following reasons:

1. Non-payment of a delinquent account not in dispute; or
2. Failure to post a security deposit or guarantee acceptable to the utility; or
3. Unauthorized interference, diversion or use of the utility service situated or delivered on or about the Customer's premises; or
4. Misrepresentation of identity in obtaining utility service; or
5. Enclosing or obstructing any meter so as to make reading or repairs unreasonably difficult, or
6. Failure to comply with the terms and conditions of a settlement agreement.
7. Refusal after reasonable notice to grant access at reasonable times to equipment installed upon the premises of the Customer for the purpose of inspection, meter reading, maintenance or replacement; or
8. Violation of any of these Rules and Regulations on file with and approved by the Missouri Public Service Commission, for unauthorized resale of sewer service, or for any condition which adversely affects the safety of the Customer or other persons, or the integrity of the utility's sewer system; or
9. Non-payment of a sewer bill issued by the Company or by a sewer utility requesting discontinuance of water service by an agreement between the Company and such sewer utility. When water service is discontinued for

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Rules Governing Rendering of
Sewer Service

non-payment of a sewer bill and if the sewer bill is not issued by the Company, any service charges for turn on/off or disconnection/reconnection within these Rules and Regulations shall not apply, and notice to the Customer shall be provided by rules and procedure applicable to the Customer's sewer service in lieu of notification required by these Rules and Regulations.

B. Discontinuance of service may be accomplished by, but not limited to, physical disconnection or turn-off of the Customer's service sewer from the Company's collecting sewer. Discontinuance of sewer service for non-payment of a sewer bill may be accomplished by physical disconnection or turn-off, or discontinuance by turn-off of water service by the Customer's water utility at the request of the Company. In such cases where discontinuance is accomplished by turn-off of water service:

1. If sewer billing is combined with water billing, Customers will be notified by the water utility by the terms of its rules normally practiced for discontinuance of water service; or
2. If sewer billing is not combined with water billing, Customers will be notified by the terms of paragraphs F. and H., below, and not by those of any water utility.

C. Reconnection of any Customer after discontinuance of service by authority of this rule will be made subject to payment of the cost of reconnection.

D. Where the owner of rental property is the Customer and has been notified of the intent of disconnection, the tenants shall be given the opportunity in a reasonable and timely manner to pay delinquent bills in lieu of disconnection of service.

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Sewer Service

E. None of the following shall constitute sufficient cause for the Company to discontinue service:

1. The failure of the Customer to pay for merchandise, appliances, or service not subject to Commission jurisdiction as an integral part of the utility service provided by the Company; or
2. The failure of the Customer to pay for service received at a separate point of service, residence, or location. In the event of discontinuance or termination of service at a separate residential point of service, residence, or location in accordance with these rules, the Company may transfer and bill any unpaid balance to any other residential service account of the Customer and may discontinue service after twenty-one (21) days after rendition of the combined bill, for nonpayment, in accordance with this rule; or
3. The failure of the customer to pay for a different class of service received at the same or different location. The placing of more than one (1) service connection at the same location for the purpose of billing the usage of specific devices under operational rate schedules or provisions is not construed as a different class of service for the purpose of this rule; or
4. The failure to pay the bill of another customer, unless the customer whose service is sought to be discontinued received substantial benefit and use of the service billed to the other customer; or
5. The failure of a previous owner or occupant of the premises to pay an unpaid or delinquent bill except where the previous occupant remains an occupant of the living unit; or
6. The failure to pay a bill correcting a previous underbilling, whenever the

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Rules Governing Rendering of
Sewer Service

customer claims an inability to pay the corrected amount, unless a utility has offered the customer a payment arrangement equal to the period of underbilling.

F. Unless discontinuance is accomplished by turn-off of water service and discontinuance notice is provided by the water utility, then at least thirty (30) days prior to discontinuance of service, the Company will mail a written notice to the Customer by certified mail, return receipt requested, with a copy of the notice sent to the Public Service Commission and a copy to the property owner if different than the Customer and if known by the Company. If the Company intends to discontinue service to a multi-tenant dwelling with occupants who are not customers, a notice shall also be conspicuously posted in the building ten (10) days prior to the proposed discontinuance, along with information pertaining to how one or more of the tenants may apply to become customers. Discontinuance shall occur within thirty (30) calendar days after the date given as the discontinuance date, shall occur between the hours of 8:00 a.m. and 4:00 p.m., and shall not occur on a day when the Company will not be available to reconnect service or on a day immediately preceding such a day. The thirty (30) day notice may be waived if there is any waste discharge that might be detrimental to the health and safety of the public, or cause damage to the sewer system. In the event of discontinuance of service without the thirty (30) day notice as above provided, the Customer and the Missouri Public Service Commission shall be notified immediately with a statement of the reasons for such discontinuance of service.

G. A discontinuance notice provided to a customer shall include:

1. The name and address of the Customer, the service address if different than the Customer's address; and
2. A statement of the reason for the proposed discontinuance of service and the cost for reconnection; and

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Rules Governing Rendering of
Sewer Service

3. How the customer may avoid the discontinuance; and
4. The possibility of a payment agreement if the claim is for a charge not in dispute and the Customer is unable to pay the charge in full at one time; and
5. A telephone number the Customer may call from the service location without incurring toll charges and the address and any available electronic contact information of the utility prominently displayed where the customer may make an inquiry.

H. The Company shall make reasonable efforts to contact the Customer, at least twenty-four (24) hours prior to any discontinuance, regarding the reason(s) for discontinuance of service, and the resolution. If discontinuance of service would affect an occupant who is not the Company's Customer, or is not responsible for payment of the bill, then the Company shall make reasonable efforts to inform such occupant(s).

I. The Company shall postpone the discontinuance if personnel will not be available to restore service the same day, or if personnel will not be available to restore service the following day. The Company also shall postpone discontinuance if a medical emergency exists on the premises, however the postponement may be limited to twenty-one (21) days, and the Company may require proof of a medical emergency.

J. The Company shall have the right to enter the Customer's premises for purposes of discontinuance of service in compliance with these Rules and Regulations. Discontinuance of service will be made during reasonable hours. Company personnel shall identify themselves and announce the intention to discontinue service, or leave a conspicuous notice of the discontinuance. The Company shall

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Rules Governing Rendering of
Sewer Service

- have the right to communicate with the owner of the Customer's Unit for purposes of gaining access to the property for discontinuance of service in accordance with the Missouri Public Service Commission's billing practices, but any extra costs for arranging such access shall not be charged to the Customer's account.
- K. The provisions of paragraphs I. and K., above, may be waived if safety of Company personnel while at the premises is a consideration.
- L. Discontinuance of service to a unit for any reason shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of monies due from the Customer.
- M. In case the Company discontinues its service for any violation of these Rules and Regulations, then any monies due the Company shall become immediately due and payable.
- N. The Company has the right to refuse or to discontinue service to any unit to protect itself against fraud or abuse.
- O. The Company shall deal with Customers and handle Customer accounts in accordance with the Missouri Public Service Commission's Utility Billing Practices.
- P. Applicable Turn-off and turn-on charges are specified in the Schedule of Service Charges.

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Sewer Service

Rule 8 – TERMINATION OF SERVICE

- A. Termination of service at the Customer's request may be accomplished at the expense of the Customer. If termination of service must be accomplished by physical disconnection, the Customer shall notify the Company of the date and time of the disconnection in writing at least five (5) days prior to the disconnection. If termination is accomplished by turn-off of water service, such notice shall be on or before the date of the water turn-off. Service may not be terminated for one unit of a multi-unit building if the building is served by one service sewer, unless accomplished by turnoff of water service to that unit. The method used for termination of service shall be determined by the Company.
- B. A Customer may request temporary turn-off of water service or sewer service by the Company for the Customer's own convenience; however, the Customer shall still be charged for service at the appropriate rate as specified in the Schedule of Rates during the time the service is turned off.
- C. A Customer who requests termination of sewer service, but returns to the premises and requests sewer service within nine (9) months of such termination, at the Company's discretion may be deemed to have been a seasonal customer, and applicable charges incurred during the period of absence may apply.

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Rules Governing Rendering of
Sewer Service

Rule 9 – Interruptions in Service

- A. The Company reserves the right to limit sewer service in its collecting sewers at any time, in a reasonable and non-discriminatory manner, for the purpose of making repairs to the sewer system.
- B. Whenever service is limited for repairs, all Customers affected by such limitation will be notified in advance whenever it is practicable to do so. Every effort will be made to minimize limitation of service.
- C. No refunds of charges for sewer service will be made for limitations of service unless due to willful misconduct of the Company.
- D. In order to avoid service problems when extraordinary conditions exist, the Company reserves the right, at all times, to determine the limit of and regulate sewage discharge in a reasonable and non-discriminatory manner.

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Rules Governing Rendering of
Sewer Service

Rule 10 – Bills for Service

- A. The charges for sewer service shall be at the rates specified in the Schedule of Rates in these Rules and Regulations. Service charges for connection or disconnection are set forth in the Schedule of Service Charges.
- B. A Customer who has made application for, or who is or has been taking sewer service at one or more units connected to the collecting sewer, shall be held liable for payment of any applicable charges for service furnished to such units from the date of connection until the date requested by the Customer in writing for service to be terminated, or until service is discontinued by the Company.
- C. Bills for sewer service will be mailed or delivered to the Customer's last address as shown by the records of the Company, but failure to receive the bill will not relieve the Customer from the obligation to pay the same.
- D. Payments shall be made at the office of the Company or at a convenient location designated by the Company, by ordinary mail, or by electronic methods employed by the Company. Payment must be received by the close of business on the date due, unless the date due falls on a non-business day in which case payment must be received by the next business day.
- E. Neither the Company nor the Customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.
- F. Separate bills shall be rendered for each location at which sewer service is provided, even though one entity may be the Customer at such separate locations.

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Rules Governing Rendering of
Sewer Service

- G. The Company may render bills monthly in advance, or on a monthly basis in arrears when the sewer charges are based on water usage. Bills shall have the due date indicated on the bill. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which the payment is considered delinquent is a minimum of 21 days after rendition of the bill. Bills unpaid after the stated due date will be delinquent and the Company shall have the right to discontinue service in accordance with Rule 8. Delinquent bills may be subject to a late charge as provided in the Schedule of Service Charges. The Company shall not be required to restore or connect any new service for such delinquent Customers until the unpaid account due the Company under these Rules and Regulations has been paid in full or arrangements satisfactory to the Company have been made to pay said account.
- H. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be for the proportionate part of the monthly charge, or where water usage is the basis for the charge, at the appropriate rate for water used.
- I. Customers terminating after taking service for less than one month shall pay not less than the monthly minimum. The owner of the property served will be held responsible for ultimate payment of a bill. If the customer is a tenant of rental property, copies of all notices of violations of the rules, or of disconnection of service shall also be sent to the owner of the property if the owner is known to the Company.
- A. Unless sewer charges are billed in advance, the Company may require a security deposit or other guarantee as a condition of new service if the Customer:
1. Has a past-due bill which accrued within the last five (5) years and, at the time of the request for service, remains unpaid and not in dispute with a

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Rules Governing Rendering of
Sewer Service

utility for the provision of the same type of service; or,

2. Has, in an unauthorized manner, within the last five (5) years prior to applying for service, interfered with or diverted the service of a utility in the provision of the same type of service; or,

3. Is unable to establish a credit rating with the Company. Adequate credit rating for a residential Customer shall be established if the Customer:

a. Owns or is purchasing a home; or,

b. Is and has been regularly employed full time for at least one (1) year; or,

c. Has an adequate and regular source of income; or

d. Can provide credit references from a commercial credit source.

B. Unless sewer charges are billed in advance, the Company may require a security deposit or other acceptable written guarantee of payment as a condition of continued or re-establishing service service if:

1. The water service of the Customer has been discontinued for non-payment of a delinquent account not in dispute; or,

2. The Customer has interfered with, diverted or, in an unauthorized manner, used utility service delivered to the customer's premises; or,

3. The Customer has failed to pay undisputed bills before the delinquency date for five (5) billing periods out of twelve (12) consecutive monthly billing periods. Prior to requiring a customer to post a deposit under this subsection, the utility shall send the customer a written notice explaining the utility's right to require a deposit or include such explanation with each

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Rules Governing Rendering of
Sewer Service

written discontinuance notice.

- C. The amount of a security deposit shall not exceed utility charges applicable to one (1) billing period plus thirty (30) days, computed on estimated or actual annual usage.
- D. Interest shall be payable annually on all deposits, but shall not accrue after the utility has made reasonable effort to return the deposit. Interest will be paid at a per annum rate equal to the prime bank lending rate, as published in the *Wall Street Journal* for the last business day of the preceding calendar year, plus one (1) percentage point. Interest may be credited to the Customer's account.
- E. After a Customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one (1) year, credit shall be established or re-established, and the deposit and any interest due shall be refunded. The utility may withhold full refund of the deposit pending resolution of a disputed matter.
- F. The utility shall give a receipt for deposits received, but shall also keep accurate records of deposits, including Customer name, service address, amounts, interest, attempts to refund and dates of every activity regarding the deposit.
- G. All billing matters shall be handled in accordance with the Missouri Public Service Commission's Rules and Regulations regarding Utility Billing Practices, 4 CSR 240-13.

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Rules Governing Rendering of
Sewer Service

Rule 11 – Extension Of Collecting Sewers

- A. Collecting sewers will be extended within the Company's certificated service area, at the applicant's cost, if service is requested by the applicant at a location where facilities do not exist (the "applicant" is sometimes referred to in this rule as the "original applicant"). The applicant shall enter into a contract with the Company. The applicant may choose to have the Company perform all work under the terms and conditions of Paragraph C, following, or have a private contractor perform the work under the terms and conditions of Paragraph D, following. For purposes of this rule, an extension could include, in addition to a collecting sewer, one or more pump station or treatment plant facilities, as necessary to provide the service.
- B. The pipe used in making extensions shall be of a type and size which will be reasonably adequate for the area to be served. Such determination as to size and type of pipe shall be left solely to the judgment of the Company. If the Company desires a pipe size, lift station, treatment plant, or any other facility larger than reasonably required to provide service to the applicant, the additional cost due to larger size shall be borne by the Company.
- C. The Company will extend collecting sewers for the applicant under the following terms and conditions:
1. Upon receipt of written application for service as provided in Rule 4, Applications for Service, the Company will provide the applicant an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including reconstruction of existing facilities if necessary, and the direct costs associated with supervision, engineering, permits, and bookkeeping.

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Rules Governing Rendering of
Sewer Service

2. The applicant shall enter into a contract with the Company for the installation of said extension and shall tender to the Company a contribution-in-aid-of-construction equal to the amount determined in Paragraph C (1) above, plus any appropriate fees as provided in the Schedule of Rates or the Schedule of Service Charges.
 3. If, as a result of reasonably unforeseen circumstances, the actual cost of the extension exceeds the estimated cost of the extension, the applicant shall pay the additional cost.
- D. When the applicant elects to construct an extension, the Company will connect said extension to its existing collecting sewers under the following terms and conditions:
1. Applicant shall enter into a contract with the Company which provides that the applicant construct said collecting sewers and/or other facilities to meet the requirements of all governmental agencies and the Company's rules. Plans for the extension shall be submitted to the Company for approval prior to construction. Applicant's choice of construction contractor is subject to approval by the Company. Applicant shall contribute said facilities to the Company with a detailed accounting of the actual cost of construction, and contribute to the Company the estimated reasonable cost of the Company's inspection.
 2. The Company, or its representative, shall have the right to inspect and test the extension prior to connecting it to the existing collecting sewers and acceptance of ownership.
 3. Connection of the extension to existing Company collecting sewers shall be made by, or under direct supervision of, the Company or its representative.

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Rules Governing Rendering of
Sewer Service

4. The Company shall have the right to refuse ownership and responsibility for the sewer extension until applicant has met the contractual obligations as provided in Paragraph D (1).
- E. The cost to additional applicants connecting to the sewer contributed by the original applicant shall be as follows:
 1. For a single-family residential applicant applying for service in a platted subdivision, the Company shall divide the actual cost of the extension, including income tax impact if any, by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing sewers shall be excluded.
 2. For a single-family residential applicant requesting service to areas that are not platted in subdivision lots, the applicant's cost shall be equal to the total cost of the extension times 100 feet divided by the total length of the extension in feet.
 3. For an industrial, commercial, or multi-family residential applicant, the cost will be equal to the amount calculated for a single-family residence in E (1) above or E (2) above, as appropriate, multiplied by a water usage factor. The water usage factor shall be determined by dividing the average monthly usage in gallons by 7,000 gallons, but shall not be less than 1.
- F. Refunds of contributions shall be made to the original applicant as follows:
 1. Should the actual cost of an extension constructed by the Company under Paragraph C, or actual costs for inspection by the Company under Paragraph D, above, be less than the estimated cost, the Company shall refund the difference as soon as the actual cost has been ascertained.

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Rules Governing Rendering of
Sewer Service

2. During the first ten years after the extension is completed, the Company will refund to the original applicant who paid for the extension monies collected from additional applicants in accordance with Paragraph E above.
 3. The sum of all refunds to the applicant shall not exceed the total contribution, including income tax and inspection costs associated with the extension, which the applicant has paid.
 4. If two or more entities are considered an original applicant, the refund shall be distributed to each entity based upon the percentage of the actual extension cost contributed by each entity.
- G. Any extension made under this rule shall be and remain the property of the Company in consideration of its perpetual upkeep and maintenance.
- H. The Company reserves the right to connect additional extensions to a collecting sewer contributed by the applicant. The connection of new customers to such additional extensions shall not entitle the applicant to any refund.

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Disposition Agreement Attachment H

CXD Report

CUSTOMER EXPERIENCE DEPARTMENT REPORT

The purpose of the Customer Experience Department (“CXD”) is to investigate and make recommendations to the Commission on issues related to the customer experience which include promoting and encouraging efficient and effective utility management and customer service. These objectives contribute to the Commission’s overall mission to ensure that Missourians receive safe and reliable utility service at just and reasonable rates.

The objectives of this review are to document and analyze the management control processes, procedures, and practices by S. K. & M. Water and Sewer Company (SK&M or 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 and business operations.

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

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

The CXD Staff examined the Company’s tariffs, annual reports, Commission complaint and inquiry records, and other documentation related to the Company’s customer service and business operations. In preparation of this report, the CXD Staff submitted initial data requests to the Company on December 19, 2019, and conducted on-site interviews on January 15, 2019, with Company personnel.

Overview

The Company provides drinking water distribution and sewer collection and treatment services in Perry County, Missouri. Company management indicated that it had 302 water customers and 156 sewer customers at the end-of-year 2018. The Company was acquired by Rodney and Susan LaRose in July of 2018. The Company utilizes the services of Carol A. Word, CPA, for its billing, payment remittance, and daily customer contact. A representative from the CPA firm handles customer phone and walk-in contacts, as well as billing and payment collections. SK&M’s business office is located at the office of Carol A. Word located at 411 N. Main Street in Perryville, Missouri 62774. The office hours of operation are 8:00 a.m. to 12:00 p.m. and 1:00 to 4:00 p.m. Monday through Thursday. The owners are available 24/7 by telephone for any emergency situations.

The owners of SK&M handle all daily operations, maintenance and communication with regulatory agencies. Both owners hold Level D Wastewater Certifications and are working towards certifications in Water Distribution and higher levels for the Wastewater Certification. When a higher level certified operator is needed, the Company utilizes a local contractor for those functions. One individual employee reads meters on a monthly basis. The Company utilizes outside contractors to perform specific functions that may require special equipment or expertise. The owners have recently begun to maintain time sheets for their daily activities to track the amount of time spent on different activities and whether it applied to water or sewer operations.

The Company utilizes formal written contracts for certain outside services. Written contracts are in place with Carol A. Word, CPA, a Level A Wastewater Operator for sampling and reporting, and a chief operator to perform monthly checks of the water system.

Meter Reading

The Company utilizes an individual to read customer water meters on a monthly basis, normally between the 13th and 15th of each month. The meter reader records the readings obtained in a meter book and these are turned in to the office for billing purposes. Office personnel enter the usage into Excel for bill calculation. Actual readings of all meters are normally obtained unless there is a severe weather incident or if a meter is inoperable. In those cases, office personnel represent they will utilize a 3-month average to estimate the usage and note it on the billing statement.

Customer Billing

Once water usage is calculated in Excel, this information is imported into Access to develop and print the customer billing statements. Bills are mailed around the 21st of the month.

Staff requested and received a number of sample bills. Company management acknowledged the bill design and contents need improvement to provide clearer information. Company management indicated an openness to work with the CXD Staff in evaluating and conducting improvements. The Company also indicated it is interested in looking into and evaluating other currently available billing programs used by other small water and sewer companies.

Payment Remittance

Customer payment options are checks or cash and the customer usage of each option has historically been equally split. The customers can make payments by mailing their payments to the P.O. Box number, by using the drop box at the office, or paying in person. The drop box is checked twice daily. Customer payments are normally made equally between the three available options.

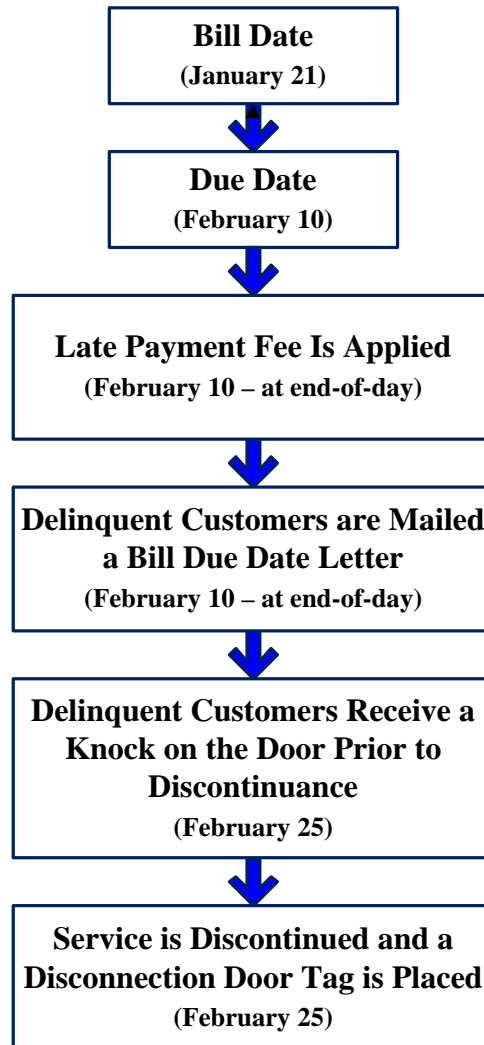
Credit and Collection

All new customers requesting water service are required to complete a written application. A security deposit is not required as a condition for providing service. Company personnel assert

that returned checks have not been a problem and indicate a process is in place to handle returned checks.

SK&M has an established procedure for handling delinquent accounts. The following illustration shows the actions that would be taken on delinquent accounts:

Delinquent Account Actions



Source: SK&M Management Interview Information

As shown in the illustration, bills with a January 21 bill date would be due on February 10. Based on this example, customers would have 20 days to pay their account balance before delinquent actions are taken. For any accounts that remain unpaid by the end of the day on the 10th, late payment fees of \$5.00 are applied and past due notices are mailed. Past due notices provide the disconnect date, information about late fees that have been added, how customers may avoid discontinuance of service, and that a reconnect fee of \$30.00 will also be required after service is discontinued. No further attempt is made to contact customers with delinquent accounts until the discontinuance date. Customers receive a knock on the door prior to discontinuance of service

and a notice is left at the residence indicating service has been discontinued and who to contact regarding a reconnection. The Company does not take payments in the field, but a customer can go to the office and make payment. Service is then restored as soon as possible.

The Company has indicated that an average of 7 to 8 customers a month have their service discontinued for nonpayment of their bill. Write-offs over the last several years have fluctuated with \$1,597 reported for year 2018. The Company does not utilize collection agencies.

Complaints and Inquiries

The Company provides two telephone numbers on billing statements that customers may use to reach Company personnel. Customers with billing questions or service concerns may call the Company using the billing telephone number that appears on their bill. Office personnel will respond to calls and attempt to answer customers' concerns during normal office hours. If the inquiry involves an emergency or is outside of business hours, customers can call the emergency number which is answered 24/7 by the owners. At the present time, there is no record kept of customer calls or service requests. A review of the Commission's complaint/inquiry records entered into EFIS for water and/or sewer service from 2017 to 2019 showed there was one water complaint in 2017 regarding payment arrangements.

Customer Communication

Customer bills and billing inserts are used to communicate with the customer. If necessary, the local media is used to communicate line breaks or special information. A Company brochure about rights and responsibilities as required by Commission Rule 4 CSR 240-13.040(3), is not presently available for customers.

Findings and Conclusions

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

- Bill Format and Preparation
- Time Frame for Account Payment
- Notification for Discontinuance for Nonpayment
- Customer Complaint Log
- Customer Rights and Responsibilities Brochure

Bill Format and Preparation

The bill format can be confusing in presenting the amount actually owed by the customer and the bill preparation process is cumbersome. For example, the billing statement does not include a "Total Due" with the amount clearly due at the present time. In addition, there could be improvements in the organization of the information contained on the bill to make it easier for the customer to find specific items. The bill preparation process involves manual entry of meter

readings into an Excel spreadsheet and then importing the data to Access in order to print the billing statements.

It is critical that customer billing statements provide accurate information in an easy to understand format for the customer. Commission Rule 4 CSR 240.13.020(9) requires companies to include specific information on customer billing statements but it also specifies that the bill should clearly state such information. The CXD Staff believes some improvements can be made to the billing statement. The Company has acknowledged there is an opportunity to improve its bill preparation process and has indicated to Staff during its audit that it is interested in developing a billing statement that is easier to read and provides clear information.

Time Frame for Account Payment

The Company cannot ensure that customers are consistently allowed a full 21 days in which to pay their bills. Based on the illustration that Company personnel provided the CXD Staff, customers would have 20 days to pay their bills. On the afternoon of the 20th day after bills are sent, customer past due notices are prepared that include a late payment fee and notification that a reconnect fee will be required if the service is discontinued. Company management indicated that billing statements are sometimes mailed prior to the date provided in their illustration; however, this does not always occur. Commission Rule 4 CSR 240-13.020(7) states:

A monthly-billed customer shall have at least twenty-one (21) days and a quarterly-billed customer shall have at least sixteen (16) days from the rendition of the bill to pay the utility charges, unless a customer has selected a preferred payment date in accordance with a utility's preferred payment date plan....

There are several benefits associated with giving customers at least 21 days to pay their account balances before delinquent actions are taken, as Commission rules require. Company personnel would have more time to check for drop box payments and potentially minimize the amount of time spent on delinquent account actions. Customers would benefit by having additional time to make timely bill payments.

Notification for Discontinuance for Nonpayment

The Company makes no attempt to contact customers between the time past due notices are sent and the discontinuance date. Customers with delinquent accounts will only receive a knock on their door prior to the actual discontinuance. Commission Rule 4 CSR 240-13.050(8) states:

At least twenty-four (24) hours preceding discontinuance, a utility shall make reasonable efforts to contact the customer to advise the customer of the proposed discontinuance and what steps must be taken to avoid it. Reasonable efforts shall include either a written notice following the notice pursuant to section (4), a door hanger or at least two (2) telephone call attempts reasonably calculated to reach the customer.

Giving customers with delinquent accounts at least a 24-notice prior to discontinuance would be beneficial to the Company and its customers. Commission rules require companies to give customers at least 24 hours' notice prior to discontinuance. Customers may be able to avoid the inconvenience of having their service discontinued and avoid the payment of reconnection fees.

Customer Complaint Log

The Company does not keep a record of customer contacts about complaints it receives. SK&M personnel indicate there is no log of the calls it receives in the business office regarding service or billing. Commission Rule 4 CSR 240-13.040(5) states "A utility shall maintain records on its customers for at least two (2) years which contain all information concerning ... (B) The number and general description of complaints registered with the utility; ..."

The availability of summary information about customer contacts is important for several reasons. A log of customer contacts would enable the Company to meet the Commission rule requirement for recording complaint information and enable Company management to evaluate why customers contact the Company, determine if any corrective measures could be taken to reduce customer contacts, and improve customer satisfaction

Customer Rights and Responsibilities Brochure

SK&M has not prepared comprehensive, written information documenting the rights and responsibilities of the Company and its customers. Consequently, customers may not be aware of some information that could benefit their customer experience. Commission Rule 4 CSR 240-13.040(3) states:

A utility shall prepare, in written form, information in plain language, which summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter. The form shall be submitted to the consumer services department of the commission, and to the Office of the Public Counsel. This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each of the utility's residential customers upon request. The information shall be delivered or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request.

The availability of written information would provide useful facts relating to billing procedures, payment requirements, customer deposits, discontinuance of service, inquiries and complaints, and access to the Company, Commission, and the Office of the Public Counsel. Written information would be a valuable educational resource for new and existing customers.

Disposition Agreement Attachment I
Water and Sewer Department Report

REPORT OF WATER AND SEWER DEPARTMENT
FIELD OPERATIONS AND TARIFF REVIEW

Case No. SR-2019-0157
S. K. &M. Water and Sewer Company

Introduction

S. K. & M. Water and Sewer Company (SK&M or The Company) is a regulated public water and sewer utility that received Certificates of Convenience and Necessity (CCN) from the Missouri Public Service Commission (Commission) on November 16, 1973.

On November 27, 2018, SK&M filed a request for a rate increase for its water¹ and sewer² rates under the Staff Assisted Rate Procedure. In its request, SK&M stated that it intends to submit tariff sheets seeking emergency rates. On November 29, 2018, SK&M filed revised tariff sheets with a request for approval of emergency rates on less than 30-days' notice. The emergency rates allow SK&M to cover expenses, maintain, and repair the water and sewer systems in the interim until the rate cases are complete. On December 7, 2018, the Commission approved the interim emergency rates and consolidated both rates cases into SR-2019-0157.

Prior to the interim/emergency rates and tariff, the water and sewer rates were last adjusted in 2010 and were a result of rate cases WR-2010-0154 and SR-2010-0155. The current monthly water rates for SK&M, which have been in effect since December 30, 2018, are as follows: Residential - Customer Charge \$6.55 plus an emergency charge of \$11.55, Commodity Charge per 1,000 gal \$2.76, Commercial - Customer Charge \$16.36 plus an emergency charge of \$11.55, and Commodity Charge per 1,000 gal \$2.76. The current monthly sewer rates for SK&M, which have been in effect since December 30, 2018, are as follows: Residential – Monthly Charge \$29.36 (flat rate) plus an emergency charge of \$5.24. Commercial – Monthly Charge \$29.36 (flat rate) plus an emergency charge of \$5.24.

At the time of the inspection, the Company provides water service to approximately 302 customers, and sewer service to approximately 156 sewer customers in its certificated service area in Perry County.

On November 21, 2018, Staff inspected both the water and sewer systems of SK&M, as well as a regulatory review of the water and sewer system. Observations and suggested improvements are listed below.

Sewer System

Waste water is delivered to the treatment facility through a gravity collecting sewer system, with force main piping from one lift station. Piping is composed of various sizes of clay and PVC pipe with manholes for access.

³ Actual flow volume is estimated based on pipe diameter and time (the “stop watch” method) since there is no flowmeter at the treatment facility. The volume estimated in the Department of Natural Resources Operating permit is based on the estimated flows reported by the facility.

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The wastewater is treated by an extended aeration plant consisting of two aeration chambers, one clarifier, one aerobic sludge digester, and chlorination and de-chlorination equipment. The system has a design capacity of 120,000 gallons per day (gpd), but has an actual flow of approximately 22,000 gpd.³ The company has stated its intent to install a flow meter or graduated weir so that actual flows can be more accurately determined, at the direction of the Department of Natural Resources (DNR). The facility experiences significant peak flows due to Inflow and Infiltration (I & I), further explained below.

Raw wastewater flows to the two aeration chambers, operated in parallel, where solid waste is digested by aerobic bacteria that is suspended in activated sludge. The aeration system consists of a blower forcing air through piping with multiple aerators located at the bottom sides of the aeration chambers. This air supplies oxygen to the aerobic bacteria, provides mixing and keeps the activated sludge in suspension with the wastewater. The wastewater then flows to a clarifier where the activated sludge is allowed to settle and separate from the wastewater. The clarified wastewater flows off the top of the clarifier to another chamber where it is disinfected using calcium hypochlorite tablets to chlorinate the water, followed by de-chlorination with sodium sulfite tablets to remove any residual chlorine. The treated wastewater is then discharged into the receiving stream, which is an unnamed tributary of Cinque Hommes Creek. The settled sludge is continually recirculated from the clarifier back to aeration but as more and more accumulates it is periodically pumped to a sludge digester, which is also aerated. Periodically, sludge from the sludge digester is hauled by a licensed contract hauler for disposal.

The new owners of SK&M received no engineering drawings or equipment specifications for the wastewater treatment plant from the previous owner. Equipment nameplates were either illegible or missing.

SK&M stated that the collection system has several compromised or collapsed sections of clay piping, some of which has been replaced. In addition, inflows of rainwater through the collecting system have flooded the treatment facility. Stormwater inflow can result in excessive hydraulic flow through the treatment facility resulting in carrying sludge to the discharge, which is a water pollution violation. At the time of Staff's inspection, sludge of an indeterminate age was present on the ground around the plant. The company confirmed the sludge came to be on the ground due to peak flows overwhelming the aeration chamber and sludge holding tank, allowing sludge to settle in low spots around the tanks. A sewer camera inspection has been recently completed by SK&M but the results are not yet available to Staff. The sewer camera inspection allows for a visual inspection the collecting sewers which can provide a record of the extent and severity of the compromised piping.

The wastewater treatment facility is in overall poor condition with broken or missing aeration piping and significant corrosion seen in many parts of the plant. Portions of the aeration tank and sludge holding tank appear to be in danger of eminent collapse. The walls of these tanks are held apart by wooden 4X4s, as the original metal structures for this purpose have rusted away. Since the treatment facility is under-loaded, it could ordinarily be operated by cycling the aeration on and off in predetermined, timed durations. However, to compensate for the deteriorated aerators and piping, the

³ Actual flow volume is estimated based on pipe diameter and time (the "stop watch" method) since there is no flowmeter at the treatment facility. The volume estimated in the Department of Natural Resources Operating permit is based on the estimated flows reported by the facility.

system is currently being operated with one blower running continuously with no cycling. The final clarifier skimmer arms were turning, but the skimming features were inoperable. The company did not know if the sweeper arms at the bottom of the tank were operating. Significant corrosion of the clarifier appeared to reduce its ability to prevent the loss of algae and debris to the chlorination chamber. Staff observed heavy amounts of algae and debris in the chlorine contact chamber, which were not in operation in accordance with DNR Permit requirements⁴. Significant amounts of organic matter entering the chlorine contact chamber can render chlorine disinfection ineffective.

Despite the condition of the facility, and operation outside of design specifications, the plant has been meeting effluent limitations as documented by DNR.

On Friday January 25, 2019, SK&M's wastewater treatment facility went off-line because of an electrical failure that cause damage to the blower motor. Repairs were made to the system's electrical lines and the blower motor was replaced. The system was restarted Monday, February 4, 2019, and continues to operate in the same manner as described in this report.

DNR Wastewater System Operating Permit Review

The SK&M wastewater treatment facility's Missouri State Operating Permit M0-0098680 was last issued on January 1, 2015, and expired on September 30, 2018. An application for renewal was received by DNR on April 4, 2018, and a permit modification request to reflect a change in ownership⁵ was received on August 14, 2018. A new permit, posted on DNR's website, became effective on March 1, 2019, and expires September 30, 2023. This permit sets forth effluent limitations, monitoring requirements, and permit conditions, both standard and specific, with which SK&M is required to comply.

DNR Inspection of Wastewater System

DNR conducted an inspection of the SK&M wastewater treatment system on October 18, 2018. At the time of the inspection the system was found to be out of compliance with the Missouri Clean Water Law because of the following unsatisfactory findings:

The potable water supply at the facility, used for washing and cleaning the plant, did not have a reduced pressure zone device to prevent backflow and protect the potable public drinking water supply.

The clarifier weir was not level, was rusted through on the west side, and needed to be cleaned, all resulting in increased velocity of the clarifier discharge which can result in sludge carryover in the discharge.

Water System Description

⁴ Disinfection at this facility is required May 1st – October 31st, to protect those who may come into contact with the water in the receiving stream.

⁵ The DNR permit lists the individual owners of SK&M as the owner of the treatment facility. Staff, however, considers SK&M to be the owner of the treatment facility.

The water system consists of two deep wells each with one submersible pump, a concrete ground storage tank, one high service pump, a hydro-pneumatic tank and chlorination equipment. From the wells, groundwater is pumped to the ground storage tank. For disinfection, sodium hypochlorite is injected into the piping leading to the ground storage tank. High service pumps are supposed to intermittently run to pressurize the hydro-pneumatic tank providing both distribution system pressure and flow.

Well No.1 is 700 feet deep with the well pump intake set at 357 feet. The well pump is a 10 horsepower submersible pump. Well No. 2 is 1,200 feet deep with the well pump intake set at 600 feet. The well pump is a 20 horsepower submersible pump. The concrete ground storage tank is a rectangular 90,000 gallon tank partially buried in a hillside.

The high service pump is a manually operated 5 horsepower centrifugal pump. The hydro-pneumatic tank is a 5,000 gallon horizontal steel tank with connections for compressed air, but no air compressor is installed. Normally, a hydro-pneumatic tank utilizes compressible air to maintain pressure as pumps cycle on and off and as customers use water. However, without the air, distribution system pressure relies on the continually running high service pump, which is very inefficient from an energy consumption standpoint.

Overall, the potable water system is in poor condition. Both well pumps have master meters of indeterminate age and questionable accuracy which causes uncertainty about the exact amount of water produced from the wells. Well #1 is operated seven hours per day, during which time the pump cycles based on the water level in the ground storage tank. Well #2 operates for two and a half hours each day, regardless of the water level in the ground storage tanks. The ground storage tank leaks water into the pump house, but the water loss due to tank leakage is unknown. The distribution system fed by the storage tank is reliant on one high service pump which supplies the flow and pressure to the distribution system. Two other pumps are piped into the system but, according to the owner, they are not used because they are incorrectly sized for the system. The high service pump runs continuously, regardless of demand, with no automated control. It is unclear what impact this has on the water system, particularly at times of low demand where there is little to no water usage in the system but water continues to be pumped. The hydro-pneumatic pressure tank, mentioned above, is also connected to the system but in its current condition is no longer operated as a pressure tank. Staff observed corrosion on piping, well casings, pumps and motors.

The company has reported that all the meters originally installed were used equipment. To the best of its knowledge, no meters had been replaced prior to their takeover of the company. Meters are required to be replaced at least every ten years, or earlier if they cease to function.⁶ As meters age, their accuracy decreases, meaning less and less of the water that flows through them is measured. The result is under billing, and therefore under recovery of revenue for the company. As of March 11, 2019, the Company has replaced 25 meters, 73 are nonfunctional, and the remaining 204 appear to be at least partially functional, but are past their design-life and must be replaced. The Company stated that in instances of nonfunctioning meters, customers are only billed the monthly customer charge, and no fee is billed for the commodity charge. Staff observed by inspection that many of the meter settings were poorly constructed and in poor condition. In most instances the meter is simply glued in-line in the pipe, with no method to shut off water, no yoke, and in a poorly constructed pit.

⁶ Required by 4 CSR 240-10.030 (38) for 5/8" meters

When it is necessary to shut off water to a customer's residence, either the entire pit and setting is replaced with a proper installation, or the existing meter is cut out and a shut off valve is temporarily glued in until a proper pit and setting can be installed.

Based on SK&M's 2017 Annual Report, the water loss for this system in 2017 was 4.8 million gallons, or approximately 46 gallons per connection per day; or 32 gallons per 100 ft of main per day.⁷ For earlier years, according to SK&M's annual reports, water loss was 5.7 million gallons in 2016, 2.4 million gallons in 2015, and 4.8 million gallons in 2012. However, data used to calculate these losses include significant error and uncertainty due to the faulty well meters and customer meters. It is important that SK&M address metering error for good operations and correct customer billing.

DNR Water System Operating Permit Review

On December 13, 2018, DNR issued a revised permit to dispense water to the public, to SK&M. SK&M's permit number is now MO4036226.

DNR Inspection of Water System

The new owners of SK&M contacted DNR and requested assistance on drinking water regulations and permit requirements. DNR responded with a Compliance Assistance Visit to the SK&M water system on September 20, 2018, and provided regulatory information and areas of concern. Areas of concern still outstanding at the time of this report are:

- Water leaks were noted in the wall of the concrete ground storage tank. SK&M needs to undertake tank repairs by a professional tank contractor. This needs to be completed as soon as possible to prevent further failure.
- Need to remove rust from Hydro-pneumatic tank and paint the exterior.
- Need to have a system in place to control humidity in the high service pump building. This could be achieved by using exhaust fans, control climate with CHA Unit, etc.

Tariff Review

The Company's water tariff has not been updated in almost nine years. The sewer tariff has not been updated in over 28 years. Therefore, neither of the currently effective tariffs are consistent with current regulations. Staff recommends replacing both tariffs in their entirety.

Rate Design

A significant percentage of the meters are currently non-functional, and some current meters are likely to become non-functional in the near future. Therefore, Staff proposes both a flat rate and a conventional customer charge/commodity rate. Customers with non-functioning meters will be placed on a flat rate. Once reliable meters are in place the rate design would return to a monthly customer charge and commodity rate.

⁷ Calculation for 2017 is based on 17,848,300 gallons pumped into the system, 13,098,500 gallons metered sales, and 290 customers.

Environmental Improvement Contingency Fund (EICF)

Neglected maintenance, by previous owners, over the course of several years has left many needs in both the water and sewer systems suitable for funding through the EICF.⁸ These projects are items the owners do not have the funding to install at this time, but which they agree must be completed. As part of its investigation into this rate case, Staff conducted financial and managerial audits and a comprehensive review of the necessary improvements for the utilities. As explained below, Staff finds grounds to recommend that establishment of an EICF in this case is in the public interest.

The costs provided come from bids sought by the owners working with Staff during the course of its investigation to determine the investment needed to improve the system. Due to the number of projects and associated costs, and in consideration of the relatively small number of customers, Staff recommends that not all of the projects be funded at this time. This will help to reduce the rate impact to customers. Staff assigned a priority status to each project based on imminent threat to safe and adequate service or other regulatory requirements, future cost savings associated with prudent planning, and best professional judgement. The projects listed in the table below with a priority assignment of 'High' are recommended for EICF. Based upon the financial capabilities of the Company, Staff recommends these projects be funded 100% through an EICF.⁹

Item	Water or Sewer	Cost	Necessity	Priority
Back up Booster Pump	Water	\$3,962	System currently has one pump in continuous operation to provide pressure. This presents a single point of failure that will take the water system off line. Installation of a back-up pump will provide needed redundancy, enable maintenance without shutting down the water system, and extend the life of the life of the existing pump as the two are rotated in and out of service.	High
Repair Sewer Line Breaks	Sewer	\$3,400	Broken sewer lines present a significant risk of blockages and sewer back-ups, as well as being sources of inflow and infiltration. Such breaks also pose a potential public health threat through exposure to pathogens.	High
Preliminary Engineering Report	Water and Sewer	\$15,000	Preliminary engineering report will provide best and least cost options for replacement of the sewer treatment plant, repair and improvement of the sewer collection system, mitigation of high sewage flows due to inflow and infiltration, and necessary repairs and upgrades to the water system. The sewer treatment plant is well beyond its design life and is physically collapsing. The water treatment system has many needed upgrades and repairs.	High
Master Meters	Water	\$1,629	Necessary for determining well production and the relative integrity of the system. When compared to water sold to customers, master meter data is used for determining water loss and detecting water theft.	High
Tools	Water and Sewer	\$3,000	Company assets did not include tools. Some tools are general in nature, such as a cordless drill, some are specialized to the nature of the work. It is prudent and necessary for the Company to possess appropriate tools for conducting maintenance and repairs so as to ensure safe and adequate service.	High
Company	Water and	\$15,000	Would be used instead of personal vehicle. Capable of carrying	Moderate

⁸ 4 CSR 240-10.095

⁹ 4 CSR 240-10.095(4)(B)2.

Work Truck	Sewer		necessary tools, capable of reaching all locations in most weather conditions.	
Flow Meter	Sewer	\$17,500	Required by Federal and State Law, necessary for determining total pollutant loading to the receiving stream. Project would install a flow meter and involves construction of a location in which to install the effluent flow meter.	Moderate
Complete Sewer Camera Survey and Jetting	Sewer	\$7,000	Examine remaining portion of the collection system for any additional sewer line breaks, issues to be resolved, and overall condition of the collection system. The collection system currently allows very significant inflow and infiltration during precipitation, causing flooding and bypassing at the sewer treatment plant.	High
Generator	Water	\$21,795	Provide back-up power to run the system. Recommended by DNR as prudent for ensuring safe and adequate service.	Low
Repair Crack in Ground Storage Basin	Water	\$3,200	Basin has a slow leak. Non-revenue water hurts overall Company revenues, and the leaked water enters the well house creating a slip/trip/fall hazard.	Low

The total cost of the high priority projects is \$33,991 with \$14,591 attributed to water customers and \$19,400 attributed to sewer customers. Spread across two years, this represents an EICF charge of \$2.14 for each water customer and \$5.11 for each sewer customer, which shall be collected as part of the monthly customer charge. Staff has worked with the Company to establish a schedule for completion of the High Priority projects:

- Submit Engineering Report to PSC Staff and Public Counsel – December 1, 2020;
- Install Backup Booster Pump – January 1, 2021
- Repair Sewer Line Breaks – January 1, 2021;
- Replace Master Meters – June 1, 2021;
- Complete Sewer Camera Survey and Jetting – January 2022.

Staff recommends the Company be ordered to file a rate case no later than July 1st, 2021. This will allow a reexamination of the EICF along with updated revenue data, updated water sales through functioning meters, a reevaluation of the priority status of the various projects identified, and any new projects to be considered.

Staff Recommendations

SK&M should initiate engineering studies on both the water and wastewater systems as soon as reasonably possible. Both the water and wastewater systems are in varying states of disrepair and inefficiency which require repairs, replacements, and improvements. Engineering studies would give SK&M guidance and options on how to proceed with water and wastewater system improvements. In some cases, this will help determine whether rehabilitation or replacement is more beneficial in providing reliable service.

SK&M should replace or repair the master meters for each well. Replacing the meters for each well would allow SK&M to accurately track how much water is being produced from each well and allow SK&M to accurately track how much water is going into the distribution system. Accurate master meters, along with accurate customer meters, would allow SK&M to quantify water loss in the distribution system.

SK&M should replace customer meters as quickly as rates will allow. Inaccurate meters tend to reduce the revenue that SK&M is receiving from the sale of water. If SK&M could obtain accurate meter readings, then SK&M could provide accurate bills, and receive the proper amount of revenue from each customer based on the amount of water sold. When combined with a master meter, new customer meters would allow SK&M to accurately track water loss in the distribution system.

SK&M should complete the action items identified by DNR in the DNR inspection reports.

Disposition Agreement Attachment J

Summary of Case Events

S. K. & M. Water and Sewer Company
Case # SR-2019-0157 & WR-2017-0156
Summary of Case Events

Date Filed:	November 27, 2019
Day 150:	May 24, 2019
Extension?	Yes, to complete negotiations
Amount Requested:	\$100,000 for Sewer, \$200,000 for Water
Amount Agreed Upon:	\$25,407 for Sewer, \$52,503 for Water [includes revenue approved in emergency interim rates on December 10, 2018]
Item(s) Driving Rate Increase:	Increases in operating expenses, capital expenditures, environmental improvement contingency fund
Number of Customers:	156 sewer, 302 water
Return on Equity:	11.53%
Assessment Current:	Yes
Annual Reports Filed:	Yes
Other Open Cases before Commission:	No
Status with Secretary of State:	Good Standing
DNR Violations:	Currently in Compliance
Significant Service/Quality Issues:	None