

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

In the Matter of the Application of Rodger Owens)
d/b/a Whispering Hills Water System for Authority)
and Approval of the Acquisition of Certain Assets of) **Case No. WM-2009-0436**
Whispering Hills Water System and, in Connection)
Therewith, Certain Other Related Transactions.)

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Rodger Owens, a sole proprietor d/b/a Whispering Hills Water System (“Whispering Hills” or “the Company”), the Staff of the Missouri Public Service Commission (“Staff”), and the Office of the Public Counsel (“OPC”) (collectively referred to as “the Signatories”) and state the following:

STIPULATED FACTS

The Signatories stipulate and do hereby agree to the following facts:

1. On November 26, 2009, Whispering Hills sent to the Missouri Public Service Commission (“the Commission”) a Rate Increase Request Letter, initiating the Small Utility Rate Case Procedure found at 4 CSR 240-3.050. The case was designated by the Commission as Case No. WR-2009-0228.
2. Case No. WR-2009-0228 was ultimately withdrawn by the Company in March 2009. Prior to withdrawal Staff had completed its audit investigation of the Company’s finances, its review of the Company’s customer service processes, procedures and practices, and its initial inspection of the Company’s facilities. Since March 2009 Staff has continued to update its revenue requirement calculations as part of the ongoing examination of those companies owned and operated by Rodger Owens. Staff of the Water and Sewer Department completed a follow-up facilities inspection on July 1, 2009 and Staff of the Engineering and

- Management Services Department (“EMSD”) again met with company representatives on July 2, 2009.
3. On June 5, 2009, Whispering Hills submitted to the Commission its Application for Approval of Assets Transfer (“Application”), requesting that the Commission authorize the requested transfer of assets and either grant to Whispering Hills a Certificate of Convenience and Necessity (“CCN”) or transfer to Whispering Hills the CCN of the system’s previous owners. This case has been designated by the Commission as Case No. WM-2009-0436.
 4. Whispering Hills Water System is the fictitious name of the sole proprietorship owned and operated by Rodger Owens. A fictitious name registration was filed with the Missouri Secretary of State on behalf of Rodger Owens on May 20, 2009.
 5. Rodger Owens also owns and operates the following entities: R. D. Sewer Company, LLC, Lakeland Heights Water Company Inc., Whispering Hills Water System, and Oakbrier Estates.¹
 6. A CCN for the operation of the utility system was originally granted by the Commission to Leo Temples (“Temples”) and James E. Ketcherside (“Ketcherside”) on April 5, 1988, in Case No. WA-88-111. Temples and Ketcherside operated the system thereafter under the fictitious name Whispering Hills Water System and under the operation of tariffs on file with the

¹ Currently pending before the Commission are small utility rate cases filed by R.D. Sewer Company, LLC (Case No. SR-2009-0226); Lakeland Heights Water Company Inc. (Case No. WR-2009-0227); and Oakbrier Estates (Case No. WR-2009-0229). Staff, OPC and each of these respective companies have filed Unanimous Disposition Agreements that are each connected to this Whispering Hills Unanimous Stipulation and Agreement due to the allocation of costs between the four companies.

Commission. The tariffs under which Temples and Ketcherside operated bear the name Whispering Hills Water System and were effective for service rendered after September 10, 1988.

7. In 1995, Temples and Ketcherside deeded the assets of Whispering Hills to Rodger Owens, the applicant herein. Rodger Owens has operated and managed the system since 1995. Until the filing of the instant Application, Rodger Owens operated the utility system under the good faith belief that he had the authority to do so.
8. Whispering Hills is both a “water system” and a “public utility” as those terms are defined in Section 386.020 RSMo (2000) and is subject to the jurisdiction and supervision of the Commission.
9. Whispering Hills currently provides service to forty-one (41) customers living in the Whispering Hills Subdivision in Wayne County, Missouri. These customers include twenty-eight (28) single-family residential units and thirteen (13) manufactured homes, all of which are metered connections.
10. Rodger Owens is knowledgeable in the operation of water utilities and is fully qualified in all respects to own and operate Whispering Hills and to otherwise provide safe and adequate service.
11. Whispering Hills is current in the submission of its Annual Reports and on the payment of its Commission Assessments.
12. Whispering Hills has no consumer complaints currently pending with the Commission.

13. Whispering Hills has no pending violations issued by the Missouri Department of Natural Resources (“DNR”).
14. Whispering Hills has no other action currently pending before the Commission.
15. Pursuant to the negotiations between Whispering Hills, Staff, and OPC, the Signatories entered into this Unanimous Stipulation and Agreement regarding the disposition of the Company’s Application.
16. Additionally, the Signatories stipulate and do hereby agree to the facts contained in this Unanimous Stipulation and Agreement, and within the attachments submitted herein, and the Signatories incorporate those facts by reference herein.

AGREEMENT

The Signatories stipulate and do hereby agree to the following:

17. It is in the public interest for the Commission to approve the transfer of assets of the Whispering Hills Water System from Leo Temples, Dorothy Temples and James E. Ketcherside to Rodger Owens, a sole proprietorship operating under the fictitious name Whispering Hills Water System.
18. It is in the public interest for the Commission to grant Rodger Owens d/b/a Whispering Hills Water System a CCN for the provision of water service to the Whispering Hills Subdivision, as defined by the following service area: all of the Northwest Quarter of Section 26, Township 27 North, range 7 East, and all of the Southwest Quarter of the Southwest Quarter of the Southwest Quarter of Section 23, Township 27 North, Range 7 East, containing 170 acres, more or less, all in Wayne county, Missouri. It is similarly in the public interest for the Commission

to cancel the certificate previously issued by the Commission to Temples and Ketcherside.

19. This Unanimous Stipulation and Agreement shall be effective upon the effective date of a Commission Order approving the terms of this Unanimous Stipulation and Agreement.
20. No later than ten (10) days after the effective date of any Commission Order approving the terms of this Unanimous Stipulation and Agreement the Company shall file an adoption notice whereby the Company shall adopt the existing tariff of Whispering Hills Water System, subject to the conditions contained herein.
21. Upon filing the adoption notice required herein, the Company shall file with the Commission the substitute tariff sheets P.S.C. MO. No. 1, 2nd Revised Sheet No. 5 (“No. 5”), and P.S.C. MO. No. 1, 1st Revised Sheet No. 6 (“No. 6”), intended both to reflect the terms of this Unanimous Stipulation and Agreement and to supersede tariff sheets P.S.C. MO. No. 1, 1st Revised Sheet No. 5 and P.S.C. MO. No. 1, Original Sheet No. 6, currently on file with the Commission. The Company shall also file any additional substitute tariff sheet required to implement the terms and conditions of this Unanimous Stipulation and Agreement. All substitute tariff sheets shall be filed on or before August 13, 2009, shall bear an effective date of September 12, 2009, and shall contain the rates, charges and language set out in the sample tariff sheets attached hereto as Attachment A.
22. The rates set out in the attached example substitute tariff sheet No. 5, attached hereto as Attachment A, are designed to generate additional revenues of \$5,942.00.

23. The rates included in the attached example substitute tariff sheet are just and reasonable, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company, and do properly reflect all other agreements set out herein, where necessary.
24. The residential unmetered rate of \$20.69 per month, and a metered rate of \$20.69 plus \$3.67 per 1000 gallons of use, the development of which is shown on the Rate Design Worksheet, attached hereto as Attachment B, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.
25. The Schedule of Depreciation Rates attached hereto as Attachment C, and incorporated by reference herein, shall be the prescribed schedule of water plant depreciation rates for the Company.
26. No later than September 1, 2009, the Company will implement the attached written plan to pay amounts owed for pumps purchased/repaired by MACO, legal fees and the storage building used by the utility, and attached hereto as Attachment D.
27. Within thirty (30) days of the effective date of a Commission Order approving the terms of this Unanimous Stipulation and Agreement the Company shall implement the recommendations contained in the Engineering & Management Services Department (“EMSD”) Report, prepared in conjunction with WR-2009-0228 and attached hereto as Attachment E. These recommendations include the following:

- A. The Company shall institute a procedure to perform bill-checking on a sample of bills and correct past billing errors to customers;
- B. The Company shall implement a bill format that is consistent with Commission Rule 4 CSR 240-13.020(9) and includes 1) the billing period, 2) previous balance owed and 3) other charges;
- C. The Company shall institute a procedure to ensure that customers are consistently provided at least twenty-one (21) days from rendition (or the mailing) of their bills until payment is due as required by Commission Rule 4 CSR 240-13.020(7);
- D. The Company shall institute a procedure to charge customers fees, late fees, returned check fees and reconnection fees that have been approved by the Commission and which are present in the Company's tariffs;
- E. The Company shall institute a procedure to ensure that all customer complaints received by Company personnel are documented and maintained for at least two (2) years. Documentation shall include customer name, address, the nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint as explained in Commission Rules 4 CSR 240-13.040(5); and
- F. The Company shall develop in written form, the information that summarizes the rights and responsibilities of the utility and its customers and make such documentation available to customers.

The document shall adhere to Commission Rule 4 CSR 240-13.040(3).

28. Within six (6) months of the effective date of a Commission Order approving the terms of this Unanimous Stipulation and Agreement the Company shall implement the recommendations contained in the Engineering & Management Services Department (EMSD) Report, prepared in conjunction with WR-2009-0228 and attached hereto as Attachment E. These recommendations include the following:

- A. The Company shall institute a procedure to analyze automated billing software and shall consider initiating the use of a cost effective automated system that would more efficiently and accurately handle the calculation and preparation of customer bills;
- B. The Company shall store all critical paper files in fireproof storage;
and,
- C. The Company shall institute a procedure for time reporting by specific utility for the Company's owners and any contractors it may employ.

29. Whispering Hills shall maintain all of its financial records in accordance with the Commission approved 1973 Uniform System of Accounts (USOA), as revised in July 1976.

30. Whispering Hills acknowledges that the Staff will conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Unanimous Stipulation and Agreement.

31. Whispering Hills acknowledges that Staff or OPC may file a formal complaint against the Company if the Company does not comply with the provisions of this Unanimous Stipulation and Agreement.
32. The above agreements satisfactorily resolve all issues identified by the Signatories regarding the Company's Application, except as otherwise specifically stated herein.

CONTINGENT WAIVER OF RIGHTS

33. This Unanimous Stipulation and Agreement is being entered into solely for the purpose of settling the issues in this case. Unless otherwise explicitly provided herein, none of the Signatories to this Unanimous Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue-related methodology. Other than explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Unanimous Stipulation and Agreement in these or any other proceeding regardless of whether it is approved.
34. This Unanimous Stipulation and Agreement has resulted from negotiations among the Signatories and the terms thereof are interdependent. If the Commission does not approve this Unanimous Stipulation and Agreement unconditionally and without modification, then it shall be void and no Signatory shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.
35. If the Commission does not approve this Unanimous Stipulation and Agreement without condition or modification, and notwithstanding the provision herein that it

shall become void; neither this Unanimous Stipulation and Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Signatory has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Unanimous Stipulation and Agreement had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Unanimous Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

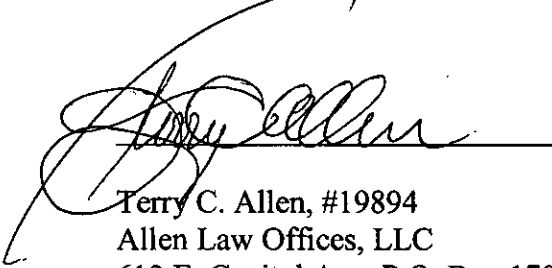
36. In the event the Commission accepts the specific terms of this Unanimous Stipulation and Agreement without condition or modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to reading of the transcript by the Commission pursuant to §536.080.2 RSMo 2000; their respective rights to seek rehearing pursuant to §536.500 RSMo 2000; and their respective rights to judicial review pursuant to §368.510 RSMo 2000. This waiver applies only to a Commission order approving this Unanimous Stipulation and Agreement without condition or modification issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent

Commission proceeding nor any matters not explicitly addressed by this Unanimous Stipulation and Agreement.

RIGHT TO DISCLOSE

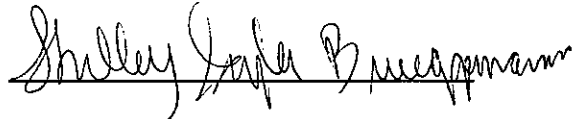
37. The Staff may file suggestions or a memorandum in support of this Unanimous Stipulation and Agreement. Each of the Signatories shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staffs suggestions or memorandum, responsive suggestions or a memorandum, which shall also be served on all Signatories. The contents of any suggestions or memorandum provided by any Signatory are its own and are not acquiesced in or otherwise adopted by the other Signatories to this Unanimous Stipulation and Agreement, whether or not the Commission approves and adopts this Unanimous Stipulation and Agreement.
38. The Staff also shall have the right to provide, at any agenda meeting at which this Unanimous Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests; provided, that the Staff shall, to the extent reasonably practicable, provide the other Signatories with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staffs oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to Commission Rule 4 CSR 240-2.135.

WHEREFORE, for the foregoing reasons, the Signatories respectfully request the Commission issue an Order approving all of the specific terms and conditions of this Unanimous Stipulation and Agreement.



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HILLS WATER SYSTEM



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christina.baker@ded.mo.gov

ATTORNEY FOR THE OFFICE
OF THE PUBLIC COUNSEL

Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Rate Design Worksheet
- Attachment C – Schedule of Depreciation Rates
- Attachment D – Company Written Payment Plan
- Attachment E – EMSD Report

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND ATTACHMENTS

CASE NO. WM-2009-0436

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

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- Agreement Attachment B: Rate Design Worksheet
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- Agreement Attachment D: Company Payment Plan
- Agreement Attachment E: EMSD Report

Staff Participant Affidavits

David A. Spratt – Water & Sewer Department

Guy C. Gilbert – Engineering & Management Services

Lisa A. Kremer – Engineering & Management Services Department

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF DAVID A. SPRATT

STATE OF MISSOURI

ss.

COUNTY OF COLE

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Case No. WM-2009-0436

COMES NOW David A. Spratt, being of lawful age, and on his oath states the following: (1) that he is a Technical Specialist in the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the asset transfer case that is the subject of the instant case; (3) that he was responsible for the preparation of Attachments A and B to the Unanimous Stipulation and Agreement; (4) that he has knowledge of the matters set forth in Attachment D to the Unanimous Stipulation and Agreement and the above-referenced attachments thereto; and (5) that the matters set forth in this Unanimous Stipulation and Agreement and the above-referenced attachments thereto are true and correct to the best of his knowledge, information, and belief.



David A. Spratt
Technical Specialist
Water and Sewer Department

Subscribed and sworn to before me this 29th day of July, 2009.

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


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

STATE OF MISSOURI

ss.

COUNTY OF COLE

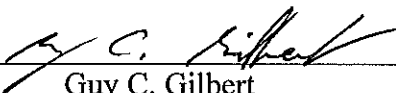
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Case No. WM-2009-0436

COMES NOW Guy C. Gilbert, being of lawful age, and on his oath states the following: (1) that he is an Utility Regulatory Engineer II in the Missouri Public Service Commission's Engineering and Management Services Department; 2) that he has knowledge of the preparation of the foregoing *Unanimous Stipulation and Agreement*, to be presented in the above case; 3) that he has verified that the following Attachment C was prepared by himself and Staff of the Commission that have knowledge of the matters set forth as described below; that he has verified with the Staff member(s) listed below that the matters set forth in Attachment C are true and correct to the best of his knowledge and belief,

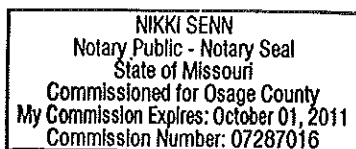
Arthur W. Rice, PE

that he has knowledge of the matters set forth in Attachment C and that such matters are true to the best of his knowledge and belief.



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

Subscribed and sworn to before me this 29th day of July, 2009.



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF LISA A. KREMER

STATE OF MISSOURI

ss.

COUNTY OF COLE

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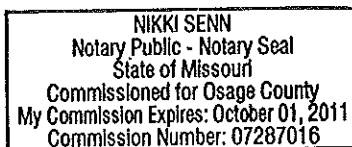
Case No. WM-2009-0436

COMES NOW Lisa A. Kremer, being of lawful age, and on her oath states the following: (1) that she is a Utility Regulatory Manager in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that she participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that she has knowledge of the foregoing *Unanimous Stipulation and Agreement (Agreement)*; (4) that she was responsible for the preparation of Attachment E; (5) that she has knowledge of the matters set forth in Attachment E; and (6) that the matters set forth in Attachment E are true and correct to the best of her knowledge, information, and belief.



Lisa A. Kremer
Utility Regulatory Manager
Engineering & Management
Services Department

Subscribed and sworn to before me this 29th day of July, 2009.



Notary Public

Agreement Attachment A

Example Tariff Sheets

FORM NO. 13 P.S.C. MO No. 1

2nd Revised Sheet No. 5

Canceling P.S.C.MO. No. 1

Canceling 1st Revised Sheet No. 5

Whispering Hills Water Company

For: Wayne County, Missouri

Name of Issuing Company

Certificated Service Area

**SCHEDULE OF RATES
FOR WATER SERVICE**

AVAILABILITY

The following rates are applicable to all residential customers adjacent to the Company's distribution mains using standard water service.

Monthly Minimum (includes 4,000 gal)	\$ 20.69	*
Commodity Charge (per 1,000 gallons over 4,000 gal)	\$ 3.67	*
Flat Rate (Prior to installation per month)	\$ 20.69	*

SERVICE CONNECTION

Charge for new service connection	\$ 600.00	*
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Taxes:

Any applicable Federal, State or Local taxes computed on billing basis shall be added as separate items in rendering each bill. *

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: August 13, 2009
Month/Day/Year

Effective Date: September 12, 2009
Month/Day/Year

Issued By: Rodger Owens - Owner
Name & Title of Issuing Officer

PO Box 24 Wappapello, MO 63966
Company Mailing Address

FORM NO. 13

P.S.C. MO No. 1

1st Revised Sheet No. 6

Canceling P.S.C.MO. No. 1

Canceling Original Sheet No. 6

Whispering Hills Water Company

Name of Issuing Company

For: Wayne County, Missouri

Certificated Service Area

**SCHEDULE OF SERVICE CHARGES
FOR WATER SERVICE**

These charges are applicable to the Company's services provide for in the corresponding rules:

Turn-on Fee	\$25.00	*
Turn-off Fee	\$25.00	*

Late Charges:

*

Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last due date on which payment will then be considered delinquent. The period after which payment will then be considered delinquent is 21 days after rendition of the bill. A charge of \$5.00 (or 1% whichever is higher) will be added to delinquent amounts.

Returned Check Charge:

*

A returned check charge of \$25 per check will be paid on all checks returned from the bank for insufficient funds.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: August 13, 2009
Month/Day/Year

Effective Date: September 12, 2009
Month/Day/Year

Issued By: Rodger Owens - Owner
Name & Title of Issuing Officer

PO Box 24 Wappapello, MO 63966
Company Mailing Address

Agreement Attachment B

Rate Design Worksheet

WHISPERING HILLS WATER

Development of Tariffed Rates-Water

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

Revenues Generated by Current Tariffed Rates	\$ 6,588
Agreed-Upon Overall Revenue Increase	\$ 5,942
Percentage Increase Needed	90.190%

Customer Rates

Customer Type	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
Residential	\$ 10.88	\$ 20.69	\$ 1.93	\$ 3.67

Agreement Attachment C

Depreciation Rates

WHISPERING HILLS WATER COMPANY

DEPRECIATION RATES

(CLASS D WATER)

WR-2009-0228

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>DEPRECIATION RATE</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>NET SALVAGE</u>
311	Structures & Improvements (well house)	3.0%	33	
314	Wells & Springs	2.0%	50	
321	Structures & Improvements (pump house)	3.0%	33	
325	Electric Pumping Equipment	0.0%	10	
332	Water Treatment Equipment	2.9%	35	
342	Distribution Reservoirs & Standpipes	2.5%	40	
343	Transmission & Distribution Mains	2.0%	50	
345	Services	2.5%	40	
346	Meters	10.0%	10	
347	Meter Installations	2.5%	40	
348	Hydrants	2.0%	50	
371	Structures & Improvements (office & shop)	3.0%	33	
372	Office Furniture & Equipment	5.0%	20	
372.1	Office Computer Equipment	20.0%	5	
373	Transportation Equipment	0.0%	7	9%
379	Other General (tools, shop, garage)	10.0%	9	10%

Agreement Attachment D

Company Payment Plan

WRITTEN PAYMENT PLANS

The following is a written payment plan between R.D. Sewer Company, L.L.C., Oakbrier Water Company, Lakeland Heights Water Company and Whispering Hills Water system(referred to as the Companies and the creditors herein identified and approved by each below, as also referenced in the P.S.C. cases R.D. Sewer, L.L.C., Case No SR-2009-0226; Oakbrier Water Company; Cares No WR-2009-0229; Lakeland Heights Water Company, Case No WR-2009-0227, and Whispering Hills Water System, Case No. WM-2009-0436:

1. MACO debt for Plan verses expense items: over an eight year period at the rate of \$1,521 yearly payable on a monthly basis with equal monthly payments beginning September 1, 2009, until paid with the right of prepayment at anytime and subject to the approval of MACO.
2. Legal Fees-(Allen Law Offices and Holden Law Offices) payable over an eight year period at the rate of \$1,821.00 per year on a monthly basis with equal monthly payments beginning September 1, 2009, until paid with the right of prepayment at any time and subject to the approval of each firm.
3. Storage Building: Payable to Stephen Holden, Dexter, Missouri, over an eight year period at the rate of \$1,600 per year on a monthly basis with equal monthly payments beginning September 1, 2009, until paid with the right of prepayment at any time and subject to the approval of Stephen Holden.

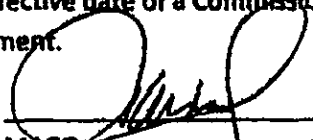
This payment plan is conditioned on approval by the Missouri Public Service Commission (Commission)of the three Disposition Agreements in the above referenced cases and the Stipulation and Agreement in WM-2009-0436, and effective as of the effective date of a Commission Order approving such Disposition Agreements and Stipulation and Agreement.

Dated: 7/24/09


Dated: 7/28/09

Dated: 7/27/09

Dated: 7/27/09


MACO *(Landon M. Jones)*


Allen Law Offices, LLC


Holden Law Office, P.C. and Stephen Holden
Individually


Rodger Owens, for the Companies

Agreement Attachment E

EMSD Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Department

Small Company Rate Increase Request

Case No: WR-2009-0228

Whispering Hills Water System

The Engineering and Management Services Department (EMSD) staff initiated a review of the customer service processes, procedures, and practices of Whispering Hills Water System (Whispering Hills or the Company) on December 10, 2008. The review was performed in conjunction with the small company rate increase request submitted by the Company on November 26, 2008, and designated by the Commission as Case Number WR-2009-0228. The EMSD staff examined Company tariffs, annual reports, Commission complaint and inquiry records, and information provided by the Company in relation to its customer service and business office operations. The EMSD staff met with the Company on January 21, 2009. The Company's rate increase request for annual water system operating revenues is for \$4,644.00.

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

The objectives of the EMSD staff's review were to document and analyze the management control processes, procedures, and practices used by the Company to ensure that adequate customer service is provided. The findings of this review provide the Commission with information regarding the Company's customer service operations. This review also includes recommendations, when appropriate, to improve the quality of service that Whispering Hills provides to its customers.

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

- Customer Billing
- Payment Remittance
- Credit and Collections

- Complaint and Inquiry Handling and Recording
- Customer Communications and Information
- Record Storage and Security
- Time Reporting

Overview

Effective April 15, 1988, Whispering Hills was granted a certificate of public convenience and necessity by the Missouri Public Service Commission to provide water service in Wappapello, Missouri located in Wayne County. In 1995, the Company was purchased by its current owners whom currently reside in Bernie, Missouri. The Company's owners also own three (3) other utility systems: Oakbrier Estates Water Company, Lakeland Heights Water Company and R.D. Sewer Company. The previous owners of Whispering Hills still perform the billing and meter reading for the forty-three (43) customers of Whispering Hills.

Whispering Hills is operated by the Company's two (2) owners who fulfill operational, managerial and office duty responsibilities. The Company's two (2) previous owners read meters and perform billing. For their services, the previous owners receive water service at no charge and are compensated at a rate of \$100.00 per month. The Company indicated that billing for Whispering Hills customers is not reviewed by the Company's current owners.

One of the Company's current owners also serves as the Company's President, Manager and Operator. The other owner serves as the Company's Secretary and Billing Clerk and is responsible for general office duties. She also assists in the field to repair leaks and read meters. The Company's President is responsible for operating the system and keeping it in good working order, as well as complying with regulations of the Department of Natural Resources (DNR). The Office Manager is responsible for recording payments, credit and collections and other office functions of the Company. There is currently no mechanism to track hours spent on the owners' work performed for Whispering Hills.

The EMSD staff made an on-site visit to Whispering Hills Water Company on January 21, 2009. During its visit, the staff conducted interviews with the Company's

owners and visited the Company's well house located off of State Highway D in Wappapello, Missouri. At the time of the staff's visit, the Company was provided copies of Commission Rules pertaining to water and sewer companies.

The Company indicated that its office hours for all of its utility systems are from 8 a.m. to 4 p.m., Monday through Friday. The Company's business office is located in the owners' residence at 406 South Allen, Bernie, Missouri.

Customer Billing

As indicated previously, customer billing and meter reading is performed by the Company's prior owners. In exchange for this service, the past owners are given water service at no charge and compensated \$100 per month. The Company indicated that all new customers are mailed a customer agreement to sign and return with an appropriate payment, which could include a tap fee and meter deposit or just a meter deposit. Per the Company's tariff, deposits are to be calculated on one month's usage plus thirty (30) days. The Company currently has no deposits on record for any of its customers.

The Company's current water rates are to be calculated in the following manner per the Company's tariff:

Monthly Minimum (includes 4,000 gallons)	\$ 10.88
Commodity Charge (per 1,000 gallons over 4,000)	\$ 1.93
Flat Rate (prior to meter installation per month)	\$ 10.88
Charge for new service connection	\$250.00

Bills are prepared manually and include: the present reading, the previous reading, the number of gallons used and the corresponding amount of charges. There is a statement at the bottom of the bill which addresses late, reconnection and returned check fees. The Company's owner indicated that they do not employ any bill checking procedures to review the accuracy of the bills prepared by the Company's previous owners.

The Company indicates that meters are read at the end of the month, usually on the 27th or 28th. Billing cards are mailed by the 30th or the 31st of the month. The bills indicate that they are due on the 20th of the month and if not paid by the 25th, a 5% late fee will be due.

Meters may be estimated during the winter periods when weather makes accessing the meters difficult.

Payment Remittance

Whispering Hills' payment options include cash or check. Payments may be hand delivered to the Company's office or mailed. The Company does accept payments while in the field. No electronic payments are currently offered to customers.

Payments are recorded manually into the Company office records and the Company indicated it usually makes bank deposits two to three times a week; deposits are made concurrently with its other three entities. Customer payments are stored in a small safe at the Company until deposits are made.

Credit and Collections

The Company indicated it collects signed applications or agreements from new customers. The Company's tariff provides the opportunity to charge a deposit that is calculated on one month's historical usage at that location plus thirty (30) days.

While the EMSD staff supports a utility's use of returned check and late payment fees and the Company's bill indicates it will charge such fees, staff did not find a provision for such fees in Company tariffs. Staff from the PSC's Water and Sewer Department reviewed miscellaneous charges included in the Company's tariff as part of the small company informal rate case process and will be recommending appropriate changes. Whispering Hills has not received any return checks for the past three (3) years.

Customers are considered delinquent if payment is not received by the 25th of the month following that in which a bill is rendered. For customers not making payment of their bill, the amount is added to the next monthly billing statement before service is actually subject to disconnection. The Company provides written delinquent notices indicating service will be subject to disconnection if payment is not received within thirty

(30) days. The Company also makes follow-up phone calls requesting payment. The Company did not perform any non-pay service disconnections in the Whispering Hills service territory during 2006, 2007 or 2008. During 2008, six (6) customers had accounts in arrears with a total balance of \$130.34. The Company does not employ the services of an outside collection agency and indicates it has charged no late fees or deposits on Whispering Hills customers.

Complaint and Inquiry Handling and Recording

Customer calls are primarily handled by the Office Manager; however, the Operations Manager and Assistant Operations Manager also handle customer calls. The Company currently does not track these calls.

Customer Communications and Information

The Company indicates that all new customers are mailed a customer agreement to sign and return with either a tap fee and meter deposit or just a meter deposit. The Company indicated that service is provided as soon as payment and the agreements are received. The phone numbers on the Whispering Hills bills are the phone numbers of the Company's previous owners.

Records Storage and Security

Much of the Company's business office work is performed manually and is maintained in hard copy. Customer records, including meter reading, billing, agreements, general ledger and others are not stored in a fireproof location.

Time Reporting

The Company's owners own and operate four (4) regulated utilities. Their work days are often spent performing tasks for more than one utility and presently the Company has no systematic way to track the amount of hours spent on work for any one individual utility.

Findings, Conclusions, and Recommendations

The following discussion contains findings, conclusions and recommendations pertaining to Whispering Hills customer service and business office operations. This section focuses on the following areas that warrant Company management attention:

- Customer Billing
- Credit and Collections
- Complaint and Inquiry Handling and Recording
- Customer Communications and Information
- Records Storage and Security
- Time Reporting

Customer Billing

The Company lacks a procedure to ensure billing accuracy because it relies upon the billing calculations of the utility's previous owners and does not periodically perform bill checking procedures of its own. In addition, the Commission staff from the auditing department noted some errors in the calculation of customer bills. By performing periodic checks of a sampling of customer bills, the Company will develop additional internal control to help ensure that bills are calculated adequately.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Perform bill checking on a sample of bills and correct past billing errors to customers.

The Company has not taken advantage of the opportunities for improvement to automate the Company's billing process. The Company currently performs its billing for Whispering Hills as well as its other three (3) regulated utilities manually. The Company may consider utilizing the capabilities of its current spreadsheet software to assist it in its billing process or may consider the acquisition of a billing package. Implementation of an effective billing system would enhance the Company's customer record keeping activities. Customer records, calculation of the bills, preparation of the billing

statements, detection of billing errors, and recording of the payments received could be improved with a more effective billing system.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Analyze automated billing software and consider initiating the use of a cost-effective automated system that would more efficiently and accurately handle the calculation and preparation of customer bills.

The Company's current bill format does not provide information to its customers required by Commission Rule 4 CSR 240-13.020(9). Specifically, the current bill format is lacking the billing period, previous balance owed and amounts due for other authorized charges such as primacy fees.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Implement a bill format that is consistent with Commission Rule 4 CSR 240-13.020(9) and includes 1) the billing period, 2) previous balance owed and 3) other charges.

The Company inaccurately dates its customer bills on the 1st of each month with a due date of the 20th. Although the Company indicates it mails bills prior to the billing date that is presented on customer bills, the current date of the Company's bills provides the appearance that customers are not being provided twenty-one (21) days from rendition or mailing of the bill until the bill is due. Commission Rule 4 CSR 240-13.020(7) provides that "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."

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure that customers are consistently provided at least twenty-one (21) days from rendition (or the mailing) of their bills until payment is due as required by Commission Rule 4 CSR 240-13.020(7).

Credit and Collections

The Company is currently charging or indicating it will charge customers for fees that are either not provided in their tariffs or are authorized at rates other than what the utility is charging its customers. Specifically, the Company's bill indicates a service fee of \$10.00 will be charged for all returned checks, a \$50.00 reconnect fee will be charged for services disconnected for non-payment and a late fee of 5% will be added to all bills not paid by the 25th of the month. The company indicated it has not charged late fees to its customers.

While the Company indicated it has had no returned checks for the past three (3) years, it should ensure that all charges it represents to its customers are appropriately approved in its tariffs. The Company has historically had delinquent accounts as well as write-offs. If fees are charged, they should be appropriately addressed in the Company's tariffs.

The Company's bill indicates it will charge a reconnect fee of \$50.00 for service disconnected for non-payment; however, the Company's tariffs indicate a \$36.00 reconnection fee is currently approved for non-metered service and a \$20.00 fee is approved for metered service. The Company indicates reconnection fees have not been charged to its customers. The Commission's Water and Sewer Department will address matters in the Company's tariff.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Charge customers fees, such as late, returned check and reconnection fees that have been approved by the Missouri Public Service Commission and are present in the Company's tariffs.

Complaint and Inquiry Handling and Recording

The Company cannot demonstrate that documentation of complaints received by the Company is being performed, which is a violation of Commission Rule 4 CSR 240-13.040(5) also states:

“A utility shall maintain records on its customers for at least two (2) years which contain information concerning:
(B) The number and general description of complaints registered with the utility...”

The lack of a comprehensive complaint log makes it difficult for Company management to evaluate the reasons for customer contacts and to determine if any measures could be taken to improve customer satisfaction.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure all customer complaints received by Company personnel are documented and maintained for at least two (2) years. Documentation shall include customer name, address, the nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint as explained in Commission Rules 4 CSR 240-13.040(5).

Customer Communications and Information

The Company lacks an informational brochure, summarizing the rights and responsibilities of the Company and its customers. The Company is in violation of Commission Rule 4 CSR 240-13.040(3) which states:

A utility shall prepare, in written form, information which in layman's terms 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 Missouri Public Service 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 residential customer of the utility if requested by the customer. 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 written information shall indicate conspicuously that it is being provided in accordance with the rules of the commission, and shall contain information concerning, but not limited to: (A) – (L).

The EMSD staff provided the Company with a sample of this document.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop in written form, the information that summarizes the rights and responsibilities of the utility and its customers and make such documentation available to customers. The document should adhere to Commission Rule 4 CSR 240-13.040(3).

Record Storage and Security

The Company cannot ensure that critical paper records are adequately stored. It is a good business practice to have procedures in place to protect data in the event of a disaster such as a fire.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Store all critical paper files in fireproof storage.

Time Reporting

The Company currently does not have a time reporting system in place to track the amount of time its owners spend on activities related solely to Whispering Hills. Time reporting can have many benefits including determining the number of hours of work, the type of work and compensation that should be incorporated into customer rates and the need for additional personnel as well as compensation paid to outside parties. The Company has indicated its willingness to begin a time reporting process. The time reporting should be utilized for both inside office functions and outside operational activities performed by Company employees as well as any contractors it may employ.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Institute time reporting by specific utility for the Company's owners and any contractors it may employ.