

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

In the Matter of the Joint Application of Valley Woods )  
Water Company, Inc. and Valley Woods Utility, LLC ) **File No. WM-2012-0288**  
For Authority of Valley Woods Water Company, Inc. )  
To Sell Certain Assets to Valley Woods Utility, LLC )

**STAFF RECOMMENDATION TO APPROVE APPLICATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and hereby submits a request for extension of time, stating as follows:

1) On March 7, 2012, Valley Woods Water Company, Inc. (Valley Woods or Company) and Valley Woods Utility, LLC (VWU) (jointly, “the Companies”), filed with the Commission an *Application*, pursuant to 4 CSR 240-3.310 and 4 CSR 240-3.605, in which they seek authority for Valley Woods to sell and transfer certain water utility assets to VWU.

2) On March 7, 2012, the Commission issued an *Order Directing Notice, Adding Party, Setting Intervention Deadline and Directing Filing*, which set March 7, 2012, as the date by which interested parties should intervene and directed Staff to investigate and file a recommendation on the application no later than April 11, 2012. No parties sought to intervene in this case, and Staff’s *Memorandum*, attached and incorporated herein as Appendix A, complies with the Commission’s *Order*.

3) Staff has conducted its investigation and is recommending the Commission approve the Companies’ *Joint Application*. See Staff’s *Memorandum*. Included in Staff’s *Memorandum* is a recommendation that, on the effective date of the

proposed tariff sheets, Valley Woods' Certificate for the provision of water and sewer service for the described service areas be canceled and a Certificate for the provision of water and sewer service be granted to VWU.

4) According to Section 393.170.3 RSMo (2000), the Commission has the "power to grant [a certificate of convenience and necessity]. . . whenever it shall after due hearing determine that such construction or such exercise of the right, [or] privilege . . . is necessary or convenient for the public service. The Commission may by its order impose such condition or conditions as it may deem reasonable and necessary."

5) The Commission need not hold a hearing if, after proper notice and opportunity to intervene, no party requests such a hearing. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494 (Mo. App. W.D. 1989). No party or individual has requested a hearing in this case. Thus, the Commission need not hold a hearing to grant a Certificate to VWU.

6) In light of the above, Staff recommends the Commission issue an order that includes the following:

- a. Approves the sale and transfer of water and sewer utility assets from Valley Woods to VWU;
- b. Requires Valley Woods to transfer all books and records of the Company including, but not limited to, purchase orders, invoices, contracts and agreements relating to the Valley Woods operations, drawings and blue prints of the water and sewer systems, plant records, operations records, and expense records and all customer billing records to VWU upon closing of the assets, and requires VWU to adopt the individual plant-in-service, depreciation reserve and CIAC account balances utilized by the Audit Staff valued as of March 31, 2012, for purposes of determining the appropriate rate base in this proceeding as a starting point for plant-in-service, depreciation reserve and CIAC for the Valley Woods systems, to be recorded in the books and records of VWU, and requires VWU to maintain and retain

proper plant in service, depreciation reserve, cost of removal, salvage, and CIAC records on a going forward basis;

- c. Orders no recovery of acquisition adjustment or acquisition premium in this case;
- d. Requires VWU to file adoption notice tariff sheets, and revised index sheets, as 30-day tariff filings, within five (5) days after closing of the assets, and authorizes VWU, upon closing, to provide water and sewer service under the existing tariffs of Valley Woods on an interim basis until the effective date of such tariff sheets;
- e. On the effective date of the tariff sheets from Recommendation No. d, above, cancels the Certificate granted to Valley Woods for the provision of water and sewer service, and grants a Certificate to VWU for the provision of water and sewer service for the described service areas;
- f. Requires VWU to use the schedule of depreciation rates set out in Attachments A and B to Staff's *Memorandum* that were prescribed by the Commission and used by Valley Woods, from the date of the transfer forward, until changed by any future order of the Commission;
- g. Requires VWU to maintain utility plant records and all customer account records as acquired from VWU, and to keep all books and records, including plant property records, in accordance with the Uniform System of Accounts (USOA) as described in this memorandum;
- h. Requires VWU to continue implementation of all recommendations made by EMSU Staff during the context of the most recent Valley Woods water and sewer rate cases, Case Nos. WR-2010-0139 and SR-2010-0140; and,
- i. Makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters, including future expenditures by VWU, in any later proceeding.

**WHEREFORE**, Staff respectfully requests the Commission issue an order approving the sale and transfer of assets from Valley Woods Water Company, Inc. to Valley Woods Utility, LLC, as recommended in the Staff *Memorandum* attached hereto.

Respectfully Submitted,

**/s/ Amy E. Moore**

Amy E. Moore  
Legal Counsel  
Missouri Bar No. 61759

Attorney for the Staff of the  
Missouri Public Service Commission  
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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 20th day of April, 2012.

**/s/ Amy E. Moore**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. WM-2012-0288  
Valley Woods Water Company, Inc. and Valley Woods Utility, LLC  
Joint Application for Authority to Sell Certain Assets

FROM: Jim Merciel – Water & Sewer Unit  
Cary Featherstone – Auditing Unit  
Karen Lyons – Auditing Unit  
Lisa Kremer – Engineering and Management Services Unit  
Art Rice– Engineering and Management Services Unit

<u>/s/ Jim Busch</u>	<u>4/19/2012</u>
Water and Sewer Unit	Date

<u>/s/ Rachel Lewis</u>	<u>4/19/2012</u>
Staff Counsel's Office	Date

SUBJECT: Staff Recommendation Regarding Sale of Assets and Granting of Certificate of Convenience and Necessity

DATE: April 19, 2012

### PROCEDURAL BACKGROUND

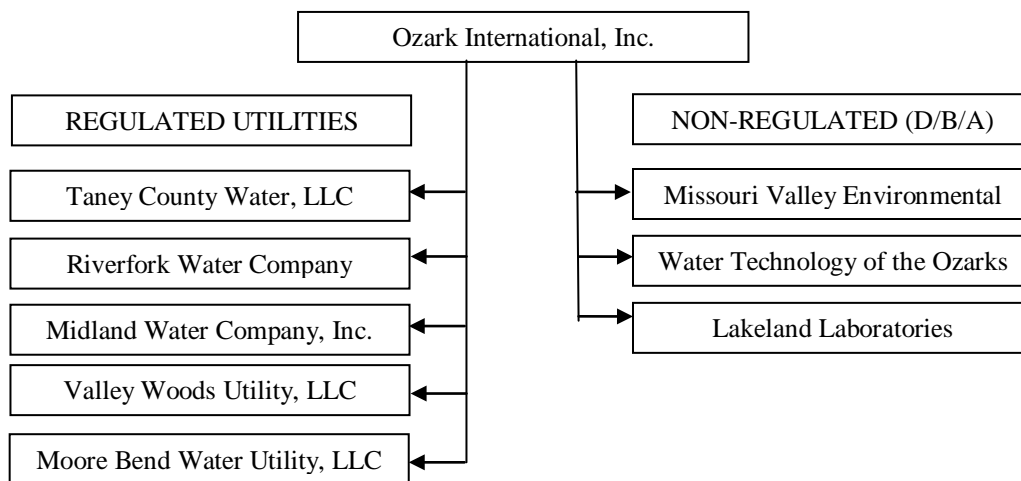
On March 7, 2012, Valley Woods Water Company, Inc. (Valley Woods or Company) and Valley Woods Utility, LLC (VWU) (jointly referred to hereafter as the Applicants) filed a *Joint Application* in which they seek approval of the Public Service Commission (Commission) to sell and transfer water utility assets owned and operated by Valley Woods to VWU. More specifically, Valley Woods entered into an Asset Purchase Agreement (Agreement, Exhibit F to the *Joint Application*) with Ozark International, Inc., and Ozark International, Inc. assigned the Agreement to VWU by an Assignment and Acceptance of Asset Purchase Agreement With (sic), (Exhibit G of the *Joint Application*). Also on March 7, 2012, the Commission issued its *Order Directing Notice, Adding Party, Setting Intervention Deadline and Directing Filing* in which it added VWU as a party to this case, directed notice be provided to state and local governmental authorities and local media, set March 21, 2012, as the date by which other parties may seek to intervene in this case, and if no parties sought to intervene, directed Staff to file a recommendation no later than April 11, 2011. No parties sought to intervene in this case. This memorandum complies with the Commission's order.

Valley Woods is a regulated water and sewer utility. It obtained a Certificate of Convenience and Necessity (Certificate) from the Commission in Case No. WA-95-122 to provide water and

**APPENDIX A**

sewer service. The utility assets are located within an area known as Valley Woods Subdivision, near Spokane, Missouri. Valley Woods serves approximately forty (40) water and sewer customers.

VWU is a newly created entity that is presently not providing any utility service. Along with acquisition of utility assets if approved, VWU will need a Certificate for authority to operate as a water and sewer utility. VWU is wholly owned by Ozark International, Inc (Ozark). Ozark also wholly owns three other Commission-regulated water utilities: Riverfork Water Company (Riverfork), Midland Water Company, Inc. (Midland) and Taney County Water, LLC (Taney County). Ozark also owns another LLC entity, Moore Bend Water Utility, LLC, which has no revenue yet but seeks to acquire the assets of a regulated water utility in another pending case before the Commission, File No. WM-2012-0335. In addition, Ozark is using three registered fictitious names to conduct its business. The three fictitious names are: Missouri Valley Environmental (Missouri Valley), Water Technology of the Ozarks (Water Technology) and Lakeland Laboratories (Lakeland Lab). Ozark has previously done business as Ozark Mountain Air (Mountain Air), a currently inactive fictitious name. There are other business entities in which the owners of Ozark are involved. The table below shows the relationship of the various Ozark entities. Revenue handled by Ozark includes that associated with the regulated utilities, and that associated with the fictitious names whose clients include regulated utilities and other non-regulated entities.



### **STAFF'S INVESTIGATION**

Staff has reviewed the *Joint Application* and supporting documents and has reviewed certain financial information for Valley Woods and VWU. During its investigation, Staff reviewed the annual reports that were filed with the Commission from 2009 to 2011. Staff also reviewed invoices provided by Valley Woods ranging in date from January 2009 through March 2012.

## **Rate Base**

The rate base valuation in this case was determined using the period ended March 31, 2012. Staff reviewed annual reports for the period of 2009 through 2011, Staff workpapers and accounting schedules from the Exhibit Modeling System (EMS) from Case No. WR-2010-0139 and Case No. SR-2010-0140, which are Valley Woods' most recent water and sewer rate cases. In addition, Staff reviewed documents supplied by Valley Woods supporting changes to its plant-in-service, accumulated depreciation reserve, contributions in aid of construction (CIAC) and materials and supplies that occurred since its last rate case. These changes are further explained in the "Plant-in-Service and Depreciation Reserves," "Sewer Plant-in-Service," "Water Plant-in-Service," "Other Changes Affecting the Utility Plant-in-Service," "Contributions in Aid of Construction (CIAC)" and "Materials and Supplies" sections of this memorandum, following.

### **Plant-in-Service and Depreciation Reserves**

Staff evaluated the plant-in-service and depreciation reserve beginning from the above-mentioned rate cases. Staff included various adjustments to plant-in-service and depreciation reserve proposed and agreed to by Valley Woods in its *Notice of Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* dated April 2, 2010, which was later adopted by Commission Order, effective July 11, 2010. To determine the current value of Valley Woods' plant-in-service, Staff examined various documents such as invoices and bank statements and had discussions with Company personnel to determine if any changes occurred for the water and sewer treatment plant since the Company's last rate case.

#### Sewer Plant-in-Service

During Staff's review, it was determined the Company extended its collecting sewers in February 2009. Based on discussions with Valley Woods personnel, Staff found the Missouri Department of Natural Resources (DNR) required the Company to submit a second engineering report for the collecting sewer extension in 2011, two years after the extension was completed. Staff revised the sewer plant-in-service and accumulated depreciation reserve to include the collecting sewer extension costs that occurred in 2009 in addition to the engineering plan costs that occurred in 2011. The Company also added two septic tanks at the treatment facility and purchased a lawn mower since its last rate case. Staff included these additions in the Company's sewer plant-in-service and accumulated depreciation reserve.

#### Water Plant-in-Service

The Company replaced a high service pump in 2010, which pressurizes the water distribution system. In addition, the Company purchased and replaced several meters and purchased water testing equipment in 2011. As a result of these changes, Staff revised the water plant-in-service and accumulated depreciation reserve to reflect these costs.

### Other Changes Affecting the Utility Plant-in-Service

In 2005, Valley Woods built a shed to store various materials and supplies such as meters, spare parts, and tools. During the Company's last rate case, Staff included the costs associated with the shed in the plant-in-service and accumulated reserve (USOA Account 371-Structures and Improvements). During this case, based on discussions with Company personnel, it was determined the shed will not be transferred, as part of the agreement, to VWU. Staff made an adjustment to remove the shed costs and the corresponding accumulated reserve for this case.

### **Contributions in Aid of Construction (CIAC)**

The most recent Valley Woods rate cases for water and sewer, Case Nos. WR-2010-0139, and SR-2010-0140, included CIAC. CIAC represents plant or capital contributed by the ratepayer for utility use. Staff analyzed the aggregate depreciation rates to update CIAC and CIAC Depreciation Reserves from these rate cases to the present, to determine the current level of CIAC and CIAC Depreciation Reserve. As previously mentioned, the Company extended its collecting sewers a significant portion of the collecting sewer extension costs were contributed. In addition to the contributed plant associated with the sewer extension, Valley Woods also added two sewer connections since the last rate case. The costs associated with the sewer connections are also contributed plant and as such, Staff reflected these costs in its CIAC calculation.

### **Materials and Supplies**

As a result of conversations with Company personnel, Staff determined Valley Woods has some materials and supplies that will be transferred to VWU as part of the asset transfer. Among the items included to be transferred to VWU are three meters. Staff included the costs of these items in its rate base valuation.

### **Summary of Staff's Calculated Rate Base and Related Acquisition Premium**

In light of the above explanations, Staff was able to calculate a rate base balance as of March 31, 2012, for the water and sewer systems involved in the *Joint Application*. Staff calculated the Water Rate Base as follows: Water Plant-In-Service balance of \$109,836; Accumulated Depreciated Reserve balance of \$37,696, resulting in a Net Plant-in-Service balance of \$72,140; CIAC balance of \$55,834; CIAC Depreciation offset balance of \$21,112, resulting in a Net CIAC of \$34,722; Materials and Supplies balance of \$148. As a result, the rate base for the water treatment plant as of March 31, 2012 is \$37,566.

Staff calculated the Sewer Rate Base as follows: Sewer Plant-In-Service balance of \$194,917; Accumulated Depreciated Reserve balance of \$53,447, resulting in a Net Plant-In-Service balance of \$141,470; CIAC balance of \$112,699; CIAC Depreciation offset balance of \$26,685,



resulting in a Net CIAC of \$86,014. As a result, the rate base for the sewer treatment plant as of March 31, 2012 is \$55,456.

Based on the calculations identified above, the Rate Base value for both the water and sewer treatment plants totals \$93,022. The following table identifies the Rate Base valuations:

<b>Valley Woods Water Company Case No. WM-2012-0288</b>						
	<b>Water Rate Base</b>		<b>Sewer Rate Base</b>		<b>Total Rate Base</b>	
Plant in Service	\$109,836		\$194,917		\$304,753	
Less: Accumulated Depreciation	37,696		53,447		91,143	
<b>Net Plant (Add to Rate Base)</b>		\$72,140		\$141,470		\$213,610
CIAC	\$55,834		\$112,699		\$168,533	
Less: CIAC Depreciation Offset	21,112		26,685		47,797	
<b>Net CIAC (Subtract from Rate Base)</b>		\$34,722		\$86,014		\$120,736
<b>Materials and Supplies (Add to Rate Base)</b>		\$148		\$0		\$148
<b>Valley Woods Rate Base</b>		<b>\$37,566</b>		<b>\$55,456</b>		<b>\$93,022</b>

In the *Joint Application*, the Applicants requested that the full purchase price of the assets be recognized as the rate base of said assets. Based upon Staff's review of the assets, Staff cannot agree to this request because the purchase price of \$113,466 is higher than Staff's rate base valuation of the water and sewer plant of \$93,022.

### **Depreciation**

The Engineering and Management Services Unit (EMSU) Staff performed a complete review of the water company and sewer company depreciation rates, plant-in-service, and the accumulated depreciation reserves for Valley Woods in the Company's last rate case filing. The depreciation rates ordered in those cases are still satisfactory to Staff, and Staff recommends that VWU adopt the current ordered depreciation rates of Valley Woods for both the water and sewer utility assets acquired in this case. The depreciation accrual rates are included as Attachments A and B and incorporated herein by reference. The Audit Staff used these depreciation rates in calculating the recommended rate base discussed above.

### **STAFF'S FINDINGS AND CONCLUSIONS**

In this case, Staff recommends the sale of water and sewer utility assets be approved on the conditions that no acquisition adjustment be reflected in rates, and that the rate base valuation for future rate cases should not include the full purchase price of \$113,466, the treatment discussed above, in addition to VWU meeting the other recommendations enumerated in this memorandum.

In the *Joint Application*, VWU proposes to adopt the rates that are currently in effect for Valley Woods. Staff recommends that VWU adopt the Schedule of Rates, Rules and Regulations (Tariffs) that are currently on file and approved for Valley Woods for both water service and sewer service. In addition, VWU should be required to file tariff adoption notices for each tariff, as well as revised index sheets to reflect the existence of the adoption notices, similar to the draft tariff sheets for the water and sewer tariffs attached to this memorandum as Attachments C and D, respectively, and incorporated herein by reference.

VWU also needs to keep its books and records in accordance with the Uniform System of Accounts (USOA), including, but not limited to, recording in the Company's ledger adjustments for new capital items placed into service, recording the cost of removal and gross salvage of plant items removed from service, and implementing a work order system to track material cost, labor cost, overhead cost, and record cost of removal and gross salvage for all new, replaced or retired plant. VWU also should keep adequate operations records that are compatible with those of Ozark's other operations, such that proper allocations may be made between VWU and Ozark's other operations. Staff will meet with VWU and its representatives to assist, if necessary.

Based on its familiarity with the owner of VWU and his existing utility businesses, Staff concludes that VWU has adequate technical, managerial, and financial capacity to operate the water and sewer systems presently certificated for Valley Woods.

### **OTHER MATTERS**

Besides this pending case involving VWU, Ozark has other matters regarding regulated utilities pending before the Commission. Taney County Water, LLC, which as noted above is owned by Ozark, has a pending rate case, Case No. WR-2012-0163. Also, as noted earlier in this memorandum, Moore Bend Water Utility, LLC, an entity owned by Ozark, has filed a joint application with Moore Bend Water Company, Inc., a regulated water utility, seeking approval to transfer assets, filed as Case No. WM-2012-0335. Neither of these cases will have any impact upon this pending case involving VWU. Likewise, this case will not have any impact on those cases.

Staff has reviewed Valley Woods' history of filing of annual reports for the calendar years 2002 through 2011, as posted on the Commission's Electronic Filing and Information System (EFIS), and finds no deficiencies in this regard. Valley Woods is current on annual assessments for both water and sewer operations for fiscal years 2006 through Fiscal Year 2012, as posted on the Commission's Intranet site by its Administration Division.

There are no current violations or issues with DNR that need immediate correction. There are no deficiencies with respect to the water system. With respect to the sewer system, Valley Woods has had some minor effluent monitoring issues in the past, which can be resolved by monitoring

and reporting on a going forward basis by VWU. By the terms of the current discharge permit, this treatment facility will need to meet limits for ammonia beginning January 1, 2015. VWU will be required to state how the facility will meet the new limits by July 1, 2012. If treatment facility modifications will be necessary to meet the new ammonia limits, by the terms of the permit, VWU will need to submit construction plans for such modifications to DNR by that date. Any resulting changes in plant investment will be examined by Staff in a future rate case filed by VWU.

In Valley Woods' most recent rate cases for its water and sewer operations, EMSU Staff made a number of recommendations to Valley Woods. Valley Woods implemented Staff's recommendations, the majority of which included matters that brought Valley Woods into conformance with Missouri Commission Rules, specifically 4 CSR 240-13 (Chapter 13). Since many of the recommendations involve day-to-day corporate operations and are of an ongoing nature, Staff wants to ensure that VWU continues with the Staff's prior recommendations implemented by Valley Woods, and that customers served by VWU are provided service in a manner that is in compliance with Missouri Public Service Commission Rules.

### **STAFF'S RECOMMENDATIONS**

Staff recommends the Commission approve the sale and transfer of water and sewer utility assets. Staff specifically recommends the Commission issue an order that includes the following:

1. Approves the sale and transfer of water and sewer utility assets from Valley Woods to VWU;
2. Requires Valley Woods to transfer all books and records of the Company including, but not limited to, purchase orders, invoices, contracts and agreements relating to the Valley Woods operations, drawings and blue prints of the water and sewer systems, plant records, operations records, and expense records and all customer billing records to VWU upon closing of the assets, and requires VWU to adopt the individual plant-in-service, depreciation reserve and CIAC account balances utilized by the Audit Staff valued as of March 31, 2012, for purposes of determining the appropriate rate base in this proceeding as a starting point for plant-in-service, depreciation reserve and CIAC for the Valley Woods systems, to be recorded in the books and records of VWU, and requires VWU to maintain and retain proper plant in service, depreciation reserve, cost of removal, salvage, and CIAC records on a going forward basis;
3. Orders no recovery of acquisition adjustment or acquisition premium in this case;
4. Requires VWU to file adoption notice tariff sheets, and revised index sheets, as 30-day tariff filings, within five (5) days after closing of the assets, and authorizes VWU, upon

closing, to provide water and sewer service under the existing tariffs of Valley Woods on an interim basis until the effective date of such tariff sheets;

5. On the effective date of the tariff sheets from Recommendation No. 4, above, cancels the Certificate granted to Valley Woods for the provision of water and sewer service, and grants a Certificate to VWU for the provision of water and sewer service for the described service areas;
6. Requires VWU to use the schedule of depreciation rates set out in Attachments A and B to this memorandum that were prescribed by the Commission and used by Valley Woods, from the date of the transfer forward, until changed by any future order of the Commission;
7. Requires VWU to maintain utility plant records and all customer account records as acquired from VWU, and to keep all books and records, including plant property records, in accordance with the Uniform System of Accounts (USOA) as described in this memorandum;
8. Requires VWU to continue implementation of all recommendations made by EMSU Staff during the context of the most recent Valley Woods water and sewer rate cases, Case Nos. WR-2010-0139 and SR-2010-0140; and,
9. Makes no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters, including future expenditures by VWU, in any later proceeding.

Attachments:     A – Depreciation Accrual Rates – Water Utility Plant  
                      B – Depreciation Accrual Rates – Sewer Utility Plant  
                      C – Draft Revised Water Tariff Pages - Adoption Notice and Index  
                      D - Draft Revised Sewer Tariff Pages - Adoption Notice and Index

**Valley Woods Utility, LLC**  
**SCHEDULE of DEPRECIATION RATES**  
**(WATER Class D)**  
**WM-2012-0288**

USOA

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
<b>Source of Supply</b>				
314	Wells & Springs	2.0%	50	
<b>Pumping Plant</b>				
321	Structures & Improvements	2.5%	40	
325.1	Submersible Pumping Equipment	10.0%	10	
325.2	High Service or Booster Pumping Equip.	6.7%	15	
<b>Water Treatment Plant</b>				
332	Water Treatment Equipment	2.9%	35	
<b>Transmission and Distribution</b>				
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	
<b>General Plant</b>				
371	Structures & Improvements	2.5%	40	
372	Office Furniture & Equipment	5.0%	20	
372.1	Office Computer Equipment	14.3%	7	
373	Transportation Equipment	13.0%	7	9%
379	Other General Equipment (tools, shop equip., backhoes, trenchers, etc.)	6.7%	13	13%

**VALLEY WOODS Utility, LLC**  
**SCHEDULE of DEPRECIATION RATES**  
**(SEWER Class C and D)**  
**WM-2012-0288**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT DESCRIPTION</b>	<b>DEPRECIATION RATE</b>	<b>AVERAGE SERVICE LIFE (YEARS)</b>	<b>NET SALVAGE</b>
<b>Land and Structures</b>				
311	Structures & Improvements	2.5%	40	0%
<b>Collection Plant</b>				
352.1	Collection Sewers (Force)	2.0%	50	0%
352.2	Collection Sewers (Gravity)	2.0%	50	0%
354	Services To Customers	2.0%	50	0%
<b>Pumping Plant</b> (none assigned)				
<b>Treatment and Disposal</b>				
373	Treatment & Disposal Facilities	5.0%	20	0%
373.1	Septic tanks	2.0%	50	
<b>General Plant</b>				
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computer Equipment	14.3%	7	0%
392	Transportation Equipment	13.0%	7	9%
393	Other General Equipment (tools, shop equip., backhoes, trenchers, etc.)	6.7%	13	13%

Name of Utility: Valley Woods Utility, LLC

Service Area: Missouri Service Area

<b>Rules Governing Rendering of Water Service</b>	
<u>ADOPTION NOTICE</u>	
<p>Water system assets were transferred from Valley Woods Water Company, Inc. to Valley Woods Utility, LLC, with approval granted in Case No. WM-2012-0288. Accordingly, Valley Woods Utility, LLC hereby adopts, ratifies, and makes its own in every respect, as if it had originally filed, all tariffs, schedules, rules, notices or other instruments filed by Valley Woods Water Company, Inc. and currently on file with and approved by the Public Service Commission, State of Missouri.</p>	
<p>* Indicates new rate or text + Indicates change</p>	

DATE OF ISSUE \_\_\_\_\_  
Month Day Year

DATE EFFECTIVE \_\_\_\_\_  
Month Day Year

ISSUED BY Hollis H. "Bert" Brower  
name of officer

Manager  
title

786 Croley Blvd., Nixa, MO 65714  
address

Name of Utility: Valley Woods Utility, LLC

Service Area: Missouri Service Area

Rules Governing Rendering of Water Service		
<u>Index</u>		
Sheet No.		
A	Adoption Notice	*
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2	Map of Service Area	
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5	Schedule of Service Charges	
Rule No.		
6	1. Definitions	
8	2. General	
9	3. Company Employees and Customer Relations	
10	4. Applications for Service	
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21	11. Meters and Meter Installations	
23	12. Meter Tests and Test Fees	
24	13. Bill Adjustments Based on Meter Tests	
25	14. Extension of Water Mains	
* Indicates new rate or text		
+ Indicates change		

DATE OF ISSUE \_\_\_\_\_  
Month Day Year

DATE EFFECTIVE \_\_\_\_\_  
Month Day Year

ISSUED BY Hollis H. "Bert" Brower  
name of officer

Manager  
title

786 Croley Blvd., Nixa, MO 65714  
address



Name of Utility: Valley Woods Utility, LLC

Service Area: Missouri Service Area

<p>Rules Governing Rendering of Sewer Service</p>	
<p><u>ADOPTION NOTICE</u></p> <p>Sewer system assets were transferred from Valley Woods Water Company, Inc. to Valley Woods Utility, LLC, with approval granted in Case No. WM-2012-0288. Accordingly, Valley Woods Utility, LLC hereby adopts, ratifies, and makes its own in every respect, as if it had originally filed, all tariffs, schedules, rules, notices or other instruments filed by Valley Woods Water Company, Inc. and currently on file with and approved by the Public Service Commission, State of Missouri.</p>	
<p>* Indicates new rate or text + Indicates change</p>	

DATE OF ISSUE \_\_\_\_\_  
Month Day Year

DATE EFFECTIVE \_\_\_\_\_  
Month Day Year

ISSUED BY Hollis H. "Bert" Brower  
name of officer

Manager  
title

786 Croley Blvd., Nixa, MO 65714  
address

Name of Utility: Valley Woods Utility, LLC

Service Area: Missouri Service Area

Rules Governing Rendering of Sewer Service		
<u>Index</u>		
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Rule No.		
6	1. Definitions	
9	2. General Rules and Regulations	
10	3. Limited Authority of Company Employees	
11	4. Applications for Sewer Service	
13	5. Inside Piping and Customer Service Sewer, Company Service Sewer, and Septic Tank	
16	6. Improper or Excessive Use	
18	7. Discontinuance of Service by Company	
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23	10. Special Contract for Excessive Capacity	
24	11. Extension of Collecting Sewers	
* Indicates new rate or text		
+ Indicates change		

DATE OF ISSUE \_\_\_\_\_  
 Month Day Year

DATE EFFECTIVE \_\_\_\_\_  
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ISSUED BY Hollis H. "Bert" Brower  
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786 Croley Blvd., Nixa, MO 65714  
 address

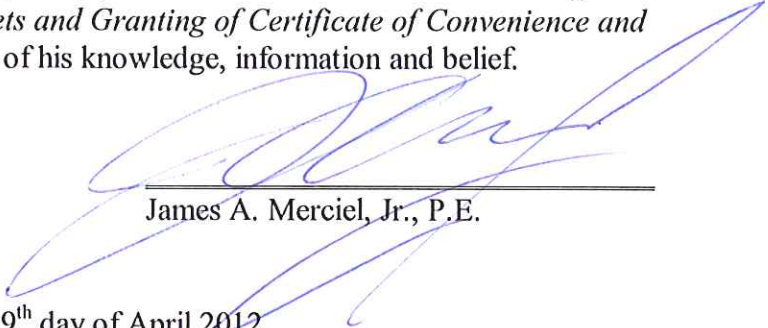
**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Joint Application of Valley )  
Woods Water Company, Inc. and Valley )  
Woods Utility, LLC for Authority of Valley ) File No. WM-2012-0288  
Woods Water Company, Inc. To Sell Certain )  
Assets to Valley Woods Utility, LLC )


AFFIDAVIT OF JAMES A. MERCIEL, JR., P.E.

STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

James A. Merciel, Jr., P.E., of lawful age, on his oath states: (1) that he is the Assistant Manager – Engineering in the Water and Sewer Unit of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Staff Recommendation Regarding Sale of Assets and Granting of Certificate of Convenience and Necessity* in memorandum form; (3) that certain information in the *Staff Recommendation Regarding Sale of Assets and Granting of Certificate of Convenience and Necessity* were provided by him; (4) that he has knowledge of matters set forth in the *Staff Recommendation Regarding Sale of Assets and Granting of Certificate of Convenience and Necessity*; and (5) that such matters set forth in the *Staff Recommendation Regarding Sale of Assets and Granting of Certificate of Convenience and Necessity* are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
James A. Merciel, Jr., P.E.

Subscribed and sworn to before me this 19<sup>th</sup> day of April 2012.

✓   
\_\_\_\_\_  
Notary Public

LAURA HOLSMAN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 21, 2015  
Commission Number: 11203914

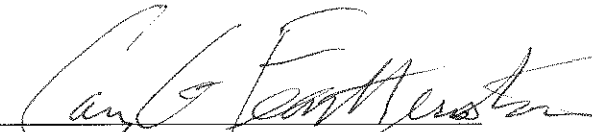
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of the Joint Application of )  
Valley Woods Water Company, Inc. and ) File No. WM-2012-0288  
Valley Woods Utility, LLC for Authority )  
of Valley Woods Water Company, Inc. To )  
Sell Certain Assets to Valley Woods )  
Utility, LLC )

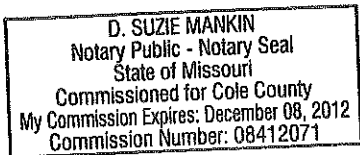
AFFIDAVIT OF CARY G. FEATHERSTONE

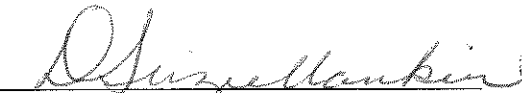
STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.

  
Cary G. Featherstone

Subscribed and sworn to before me this 18<sup>th</sup> day of April, 2012.



  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of the Joint Application of )  
Valley Woods Water Company, Inc. and ) File No. WM-2012-0288  
Valley Woods Utility, LLC for Authority of )  
Valley Woods Water Company, Inc. To Sell )  
Certain Assets to Valley Woods Utility, LLC )

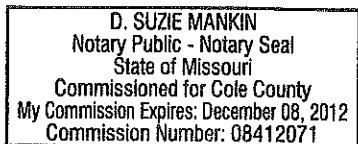
**AFFIDAVIT OF KAREN LYONS**

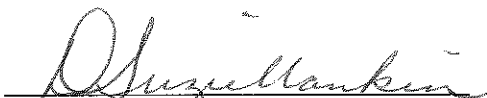
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Karen Lyons, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.

  
KAREN LYONS

Subscribed and sworn to before me this 18<sup>th</sup> day of April, 2012.



  
Notary Public

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

In the Matter of the Joint Application of            )  
Valley Woods Water Company, Inc. and            )  
Valley Woods Utility, LLC for Authority of        )  
Valley Woods Water Company, Inc. To Sell        )  
Certain Assets to Valley Woods Utility, LLC        )

File No. WM-2012-0288

AFFIDAVIT OF LISA A. KREMER

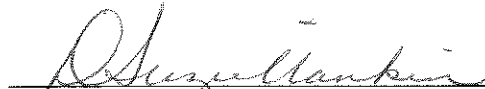
STATE OF MISSOURI    )  
                                  )  
COUNTY OF COLE     )        ss.

Lisa A. Kremer, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.

  
\_\_\_\_\_  
LISA A. KREMER

Subscribed and sworn to before me this 19<sup>th</sup> day of April, 2012.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 08, 2012 Commission Number: 08412071
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\_\_\_\_\_  
Notary Public

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

In the Matter of the Joint Application of            )  
Valley Woods Water Company, Inc. and            )            File No. WM-2012-0288  
Valley Woods Utility, LLC for Authority of        )  
Valley Woods Water Company, Inc. To Sell        )  
Certain Assets to Valley Woods Utility, LLC        )

AFFIDAVIT OF LISA A. KREMER

STATE OF MISSOURI     )  
  )            ss.  
COUNTY OF COLE        )

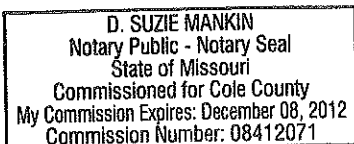
Lisa A. Kremer, being of lawful age, on her oath states: that as a Utility Regulatory Manager in the Engineering & Management Services Unit of the Utility Services Department, she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that she has verified that the foregoing Staff Memorandum was prepared by herself and Staff of the Commission that have knowledge of the matters set forth as described below; that she has verified with each of the Staff members listed below that the matters set forth in the Staff Memorandum are true and correct to the best of her knowledge and belief,

Arthur W. Rice, PE, Utility Regulatory Engineer I

that she has knowledge of the matters set forth in such report and that such matters are true to the best of her knowledge and belief.

  
\_\_\_\_\_  
LISA A. KREMER

Subscribed and sworn to before me this 19<sup>th</sup> day of April, 2012.



  
\_\_\_\_\_  
Notary Public