

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

In the Matter of Small Company Rate	)	#	
Increase of Tri-States Utility, Inc.	)		<b><u>Case No. WR-2011-0037</u></b>
	)		
		#	

**NOTICE OF UNANIMOUS AGREEMENT REGARDING  
DISPOSITION OF SMALL WATER COMPANY REVENUE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Notice of Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Unanimous Agreement Notice) states the following:

1. On August 13, 2010, the Missouri Public Service Commission (Commission) received a Rate Increase Request Letter (Request Letter) from Tri-States Utility, Inc. (“Tri-States” or “Company”), requesting the Commission allow an increase of \$620,000 in its annual water system operating revenues pursuant to Commission Rule 4 CSR 240-3.050.

2. Subsequent to Staff’s investigation and pursuant to negotiations between the Company, Staff and the Office of the Public Counsel (Public Counsel), (collectively referred to hereafter as “parties”) all parties have been able to reach a *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Unanimous Agreement).

3. Included in Appendix A, attached hereto, is a copy of the above-referenced Unanimous Agreement, as well as various attachments related to the Unanimous Agreement. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

4. As agreed-upon by the parties to this case, the Unanimous Agreement provides of an increase of \$88,024 in Tri-State’s annual operating revenues.

5. Pursuant to Commission Rule 4 CSR 240-3.050(13), “[i]f the disposition agreement filed by the staff provides for a full resolution of the utility’s request and is executed by the utility, the staff and the public counsel, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than thirty (30) days after they are filed to implement the agreement.” Tri-State will withdraw the previously filed tariff sheet and file a new one on April 1, 2011. This tariff sheet will seek to implement the terms of the Unanimous Agreement. This tariff sheet will be filed no later than April 1, 2011, and will bear an effective date of May 1, 2011, which complies with the minimum 30-day requirement.

8. Tri-States is current on its payment of Commission assessments and on its filings of annual report and statements of revenue. Tri-States has no other cases pending before the Commission at this time.

**WHEREFORE**, the Staff respectfully submits this Unanimous 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 Staff, the Company and Public Counsel.

Respectfully submitted,

**/s/ Meghan E. McClowry**

Meghan E. McClowry

Legal Counsel

Missouri Bar No. 63070

Attorney for the Staff of the  
Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 751-6651 (Telephone)

(573) 751-9285 (Fax)

Meghan.mcclowry@psc.mo.gov

**/S/ RACHEL M. LEWIS**

Rachel M. Lewis

Deputy Counsel

Missouri Bar No. 56073

Attorney for the Staff of the

Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 526.6715 (Telephone)

(573) 751-9285 (Fax)

rachel.lewis@psc.mo.gov

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 31st day of March, 2011.

**/S/ RACHEL M. LEWIS**

# APPENDIX A

## STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2011-0037

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## Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Kim Bolin-Auditing Department

John Robinett – Engineering & Management Services Department

Gary Bangert – Engineering & Management Services Department

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

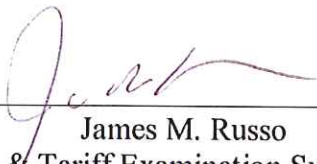
In the Matter of Small Company Rate Increase     )  
of Tri-States Utility Inc.                                 )

WR-2011-0037

**AFFIDAVIT OF JAMES M. RUSSO**

STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF COLE     )

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement") (4) That he was responsible for the preparation of Attachments A, B, C and G to the Disposition Agreement (5) that he has knowledge of the matters set forth in the Disposition Agreement; and (6) that the matters set forth in the Disposition Agreement are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
James M. Russo  
Rate & Tariff Examination Supervisor  
Water and Sewer Department

Subscribed and sworn to before me this 29<sup>th</sup> day of March, 2011.

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



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF KIMBERLY K. BOLIN**

In the Matter of Small Company Rate )  
Increase of Tri-States Utility Inc. )

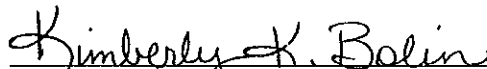
File No. WR-2011-0037

STATE OF MISSOURI

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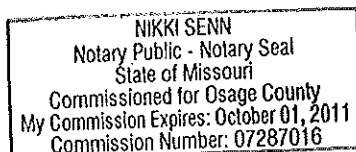
COUNTY OF COLE

**COMES NOW** Kimberly K. Bolin, being of lawful age, and on her oath states the following: (1) that she is a Utility Regulatory Auditor V in the Missouri Public Service Commission's Auditing 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 Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment E to the Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment E to the Disposition Agreement; and (6) that the matters set forth in Attachment E to the Disposition Agreement are true and correct to the best of her knowledge, information, and belief.



Kimberly K. Bolin  
Utility Regulatory Auditor V  
Auditing Department

Subscribed and sworn to before me this 29<sup>th</sup> day of March, 2011.



  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF JOHN A. ROBINETT**

In the Matter of Small Company Rate )  
Increase of Tri-States Utility Inc. )

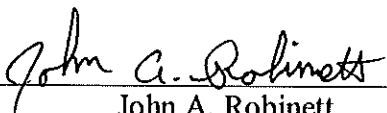
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STATE OF MISSOURI

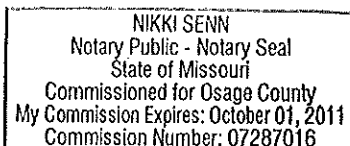
ss.


COUNTY OF COLE

**COMES NOW** John A Robinett, being of lawful age, and on his oath states the following: (1) that he is a Utility Engineer Specialist in the Missouri Public Service Commission's Engineering & Management Services Department ; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Water and Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment D to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment D to the Disposition Agreement; and (6) that the matters set forth in Attachment D to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
John A. Robinett  
Utility Engineer Specialist  
Engineering & Management  
Services Department

Subscribed and sworn to before me this 29<sup>th</sup> day of March, 2011.



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



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF GARY A BANGERT**

In the Matter of Small Company Rate )  
Increase of Tri-States Utility Inc. )


File No. WR-2011-0037

STATE OF MISSOURI

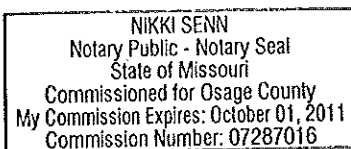
ss.


COUNTY OF COLE

**COMES NOW** Gary A Bangert, being of lawful age, and on his oath states the following: (1) that he is a Utility Management Analyst III in the Missouri Public Service Commission's Engineering & Management Services Department ; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *Unanimous Agreement Regarding Disposition of Small Water and Sewer Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment F to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment F to the Disposition Agreement; and (6) that the matters set forth in Attachment F to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.

  
Gary A. Bangert  
Utility Management Analyst III  
Engineering & Management  
Services Department

Subscribed and sworn to before me this 30<sup>th</sup> day of March, 2011.



  
Notary Public

## Unanimous Agreement

**UNANIMOUS AGREEMENT REGARDING DISPOSITION**  
**OF SMALL WATER COMPANY REVENUE INCREASE REQUEST**

**TRI-STATES UTILITY, INC.**

**MO PSC FILE NO. WR-2011-0037**

**BACKGROUND**

Tri-States Utility, Inc. ("Company") initiated the small company revenue increase request ("Request") for water 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 August 13, 2010, the Company set forth its request for an increase of \$620,000 in its total annual water service operating revenues. In its request letter, 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 recommendations. The Company, located within and adjacent to Branson, Missouri, provides service to approximately 3,374 customers, the vast majority of which are residential customers.

Pursuant to the provisions of the Small Company Procedure 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 Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("Public Counsel") with the results of the investigation and with Staff's initial recommendations for the resolution of the Company's Request. On January 11, 2011, Staff and the Company filed a notice that those parties had reached an agreement resolving the Company's request.

On February 24, 2011, Public Counsel requested a local public hearing in this matter. The local public hearing was held on March 15, 2011. Staff filed its Response to the Local Public Hearing on March 17, 2011, informing the Commission that no material information was provided at the local

public hearing that was not previously available. On March 25, 2011, Public Counsel filed its Position Statement and Notice of Agreement with the Commission.

### **RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST**

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

- (1) For the purpose of implementing the agreements set out herein, the Company will file with the Commission proposed tariff revisions containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A and incorporated by reference herein, with those proposed tariff revisions, bearing an effective date of May 1, 2011;
- (2) The agreed-upon annualized operating revenue increase of \$88,024 is just and reasonable and designed to recover the Company's cost of service;
- (3) The rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment B and incorporated by reference herein, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company;
- (4) The rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment C and incorporated by reference herein;
- (5) The rates included in the example tariff sheets attached hereto as Attachment A and incorporated by reference herein, are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary;
- (6) The schedule of depreciation rates attached hereto as Attachment D and incorporated by reference herein, which includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of water plant depreciation rates for the Company;
- (7) The agreed-upon total rate base is \$2,168,658, the development of which is shown on the rate base worksheet attached hereto as Attachment E and incorporated by reference herein;
- (8) Within thirty (30) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment F and incorporated by reference herein;

- a) Incorporate required information about the Missouri Public Service Commission and the Office of the Public Counsel in the written information provided to utility customers, pursuant to 4 CSR 240-13.040(3); and
  - b) Develop and implement a process to ensure all customer complaints received by Company personnel are documented in a summary report and maintained for at least two (2) years;
- (9) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the following recommendations from Staff's Auditing Department:
- a) The Company shall continue to develop continuous property records (CPRs) for all of the Company's Plant in Service and Contribution in Aid of Construction (CIAC) that include, where applicable, the amount of plant, depreciation reserve, CIAC, and CIAC reserve used by Staff in this case;
  - b) The Company shall reclassify the Company's books and records to coincide with Staff's reclassification developed in this case;
  - c) The Company shall keep the Company's CPRs and vehicle logs up to date and complete;
  - d) The Company shall maintain the Company's books and records in accordance with National Association of Regulated Utility Commissioners (NARUC) Uniform System of Accounts (USOA); and
  - e) The Company shall calculate depreciation expense on a monthly basis and include it in the Company's general ledger;
- (10) Within six (6) months of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations from the EMSD's Depreciation Staff:
- a) The Company shall implement 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; and
  - b) The Company shall follow the NARUC USOA guidelines for the recording of cost of removal and gross salvage in the Company's general ledger as adjustments to plant and services;
- (11) 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 Unanimous 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;

- (12) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Unanimous Disposition Agreement;
- (13) Staff or Public Counsel may file a formal complaint against the Company, if the Company does not comply with the provisions of this Unanimous Disposition Agreement;
- (14) The Company, Staff and Public Counsel agree that it has read the foregoing Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's, Staff's and Public Counsel knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between the Company, Staff and Public Counsel; and that the Company freely and voluntarily enters into this agreement; and
- (15) The above agreements satisfactorily resolve all issues identified by Staff, the Company, and Public Counsel 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 Staff, the Company, and Public Counsel. In arriving at the amount of the annual operating revenue increase specified herein neither party has agreed to any particular ratemaking principle.

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

The Company and Public Counsel acknowledge that the Staff will be filing this Unanimous Disposition Agreement and the attachments hereto. The Company also acknowledges that Staff may make other filings in this case.

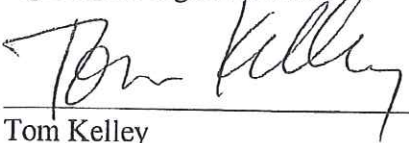
Additionally, the Company and Public Counsel agree that subject to the rules governing practice before the Commission that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Unanimous Disposition Agreement at any agenda meeting at which this case is noticed to be considered by the Commission. Subject to the rules governing practice before the Commission, Staff will be available to answer Commission questions regarding this Unanimous Disposition Agreement. To the extent reasonably practicable, Staff shall provide the

Small Company Revenue Increase Disposition Agreement  
MO PSC File No. WR-2011-0037  
Tri-States Utility, Inc. – Page 5 of 6 Pages

Company and Public Counsel with advanced notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.

**SIGNATURES**

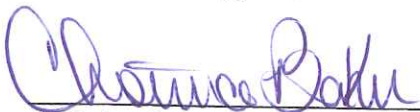
Agreement Signed and Dated:



Tom Kelley  
Chief Operating Officer  
Tri-States Utility, Inc.

03/31/11

Date



Christina Baker  
Senior Public Counsel  
Office of the Public Counsel

3-31-11

Date



James Busch  
Manager  
Water & Sewer Department  
Missouri Public Service Commission Staff

3/31/11

Date

**List of Attachments**

- Attachment A – Example Tariff Sheets
- Attachment B – Rate Design Worksheet
- Attachment C – Billing Comparison Worksheet
- Attachment D – Schedule of Depreciation Rates
- Attachment E – Rate Base Worksheet
- Attachment F – EMSD Report
- Attachment G – Summary of Events



## Agreement Attachment A

### Example Tariff Sheets

2nd Revised Sheet No. 51<sup>st</sup> Revised Sheet No. 5

For: Area as shown on Service Map  
Certificated Service Area  
Taney County Missouri

302 Terrace Road, Branson, MO 65616  
Company Mailing Address

## Agreement Attachment B

### Rate Design Worksheet

# TRI-STATES UTILITY, INC. WATER COMPANY

## Development of Tariffed Rates-Water

Agreement is to eliminate seasonal commodity rates, eliminate gallons included in the customer charge and to base the customer charge and commodity charge on the cost of service study completed on the rate making income statement.

Revenues Generated by Current Tariffed Rates	\$ 911,612
Agreed-Upon Overall Revenue Increase	\$ 88,024
Percentage Increase Needed	9.656%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
5/8"	\$ 6.60	\$ 7.45	\$ 1.87	\$ 3.11
3/4"	\$ 11.43	\$ 8.20	\$ 1.87	\$ 3.11
1"	\$ 15.89	\$ 10.44	\$ 1.87	\$ 3.11
2"	\$ 42.62	\$ 21.62	\$ 1.87	\$ 3.11
3"	\$ 76.64	\$ 82.00	\$ 1.87	\$ 3.11
4"	\$ 125.24	\$ 104.36	\$ 1.87	\$ 3.11
6"	\$ 246.74	\$ 156.55	\$ 1.87	\$ 3.11
8"	\$ 441.14	\$ 216.18	\$ 1.87	\$ 3.11
5/8"-summer			\$ 3.58	\$ 3.11
3/4"			\$ 3.58	\$ 3.11
1"			\$ 3.58	\$ 3.11
2"			\$ 3.58	\$ 3.11
3"			\$ 3.58	\$ 3.11
4"			\$ 3.58	\$ 3.11
6"			\$ 3.58	\$ 3.11
8"			\$ 3.58	\$ 3.11
Customer Charge	\$ 434,962	\$ 350,083	\$ (84,879)	-19.51%
Commodity Charge	\$ 709,668	\$ 60,110	\$ 649,553	\$ 3.11

Meter Equivalents	Number	Factor	Total Equiv. Meters
5/8"	1,469	1.0	1,469.0
3/4"	1,759	1.1	1,934.9
1"	36	1.4	50.4
2"	98	2.9	284.2
3"	5	11.0	55.0
4"	5	14.0	70.0
6"	1	21.0	21.0
8"	1	29.0	29.0

3,913.5

Customer Charge per equivalent meter per month: \$ 7.45

### Gallons Included in Customer Charge

5/8"	19,511.3
3/4"	28,605.7
1"	490.9
2"	1,976.9
3"	120.0
4"	101.0
6"	25.0
8"	24.0

Total 50,854.8

Annualized gallons (per 1,000) 157,821.8

Total gallons (per 1,000) 208,676.6

## Agreement Attachment C

### Billing Comparison Worksheet

# TRI-STATES UTILITY, INC. WATER COMPANY

## Residential Customer Bill Comparison-Water

### Rates for 5/8" Meter

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>	<u>Current Usage Rate*</u>	<u>Proposed Usage Rate</u>
\$6.60	\$7.45	\$2.90	\$3.11

\*current usage charge is weighted average of current summer/winter usage..

current service charge is monthly charge.

usage rate is per 1,000 gallons used

### MONTHLY BILL COMPARISON

6,000 gallons/month usage

#### Current Rates

Customer Charge	\$ 6.60
Usage Charge	\$ 11.59
Total Bill	\$ 18.19

#### Proposed Rates

Customer Charge	\$ 7.45
Usage Charge	\$ 18.68
Total Bill	\$ 26.13

#### INCREASES

##### Customer Charge

\$ Increase	\$0.85
% Increase	12.95%

##### Usage Charge

\$ Increase	\$7.09
% Increase	61.14%

##### Total Bill

\$ Increase	\$7.94
% Increase	43.65%

# TRI-STATES UTILITY, INC. WATER COMPANY

## Residential Customer Bill Comparison-Water

Rates for 3/4" Meter			
Current Base Customer Charge	Proposed Base Customer Charge	Current Usage Rate*	Proposed Usage Rate
\$11.43	\$8.20	\$2.90	\$3.11

\*current usage charge is weighted average of current summer/winter usage..

current service charge is monthly charge.

usage rate is per 1,000 gallons used

### MONTHLY BILL COMPARISON

6,000 gallons/month usage

#### Current Rates

Customer Charge	\$	11.43
Usage Charge	\$	11.59
Total Bill	\$	23.02

#### Proposed Rates

Customer Charge	\$	8.20
Usage Charge	\$	18.68
Total Bill	\$	26.88

#### INCREASES

##### Customer Charge

\$ Increase	(\$3.23)
% Increase	-28.26%

##### Usage Charge

\$ Increase	\$7.09
% Increase	61.14%

##### Total Bill

\$ Increase	\$3.86
% Increase	16.75%

## Agreement Attachment D

### Schedule of Depreciation Rates



**Tri-States Utilities, Inc.**  
**Attachment D - SCHEDULE of DEPRECIATION RATES**  
**(WATER Class A)**  
**WR-2011-0037**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT DESCRIPTION</b>	<b>DEPRECIATION RATE</b>	<b>AVERAGE SERVICE LIFE (YEARS)</b>	<b>NET SALVAGE</b>
<b>SOURCE OF SUPPLY</b>				
311	Structures & Improvements	2.50%	40	
314	Wells & Springs	2.00%	50	
316	Supply Mains	2.00%	50	
<b>PUMPING PLANT</b>				
321	Structures & Improvements	2.50%	40	
325	Electric Pumping Equipment	10.00%	10	
328	Other Pumping Equipment	4.00%	25	
<b>WATER TREATMENT PLANT</b>				
331	Structures & Improvements	2.50%	40	
332	Water Treatment Equipment	2.90%	35	
<b>TRANSMISSION &amp; DISTRIBUTION</b>				
341	Structures & Improvements	2.50%	40	
342	Distribution Reservoirs & Standpipes	2.50%	40	
343	Transmission & Distribution Mains	2.00%	50	
345	Services	2.50%	40	
346	Customer Meters 1" or smaller diameter	10.00%	10	
346.1	Customer Meters 1 1/2" or larger diameter	3.30%	30	
348	Hydrants	2.00%	50	
349	Other Transmission & Distribution Plant	2.00%	50	
<b>GENERAL PLANT</b>				
390	Structures & Improvements	2.50%	40	
391	Office Furniture & Equipment	5.00%	20	
391.1	Office Computer Equipment	14.30%	7	9%
392	Transportation Equipment	13.00%	7	
394	Tools, Shop, Garage Equipment	5.00%	20	
395	Laboratory Equipment	5.00%	20	
396	Power Operated Equipment	6.70%	15	
397	Communication Equipment	6.70%	15	

# Agreement Attachment E

## Rate Base Worksheet

Tri-States Utility  
Informal Case/Rate Case  
Tracking Number WR-2011-0037  
Test Year Ending 06-30-2010 Updated thru 9/30/2010

Line Number	A Rate Base Description	B Dollar Amount
1	Plant In Service	\$3,438,224
2	Less Accumulated Depreciation Reserve	\$1,019,735
3	Net Plant In Service	\$2,418,489
4	Other Rate Base Items:	\$0
	Materials & Supplies	\$75,621
	Customer Deposits	-\$37,294
	Customer Credit Balance	-\$5,347
	CIAC Offset	\$55,435
	Contribution In Aid of Construction (CIAC)	-\$268,829
	Accumulated Deferred Income Taxes	-\$69,417
5	Total Rate Base	\$2,168,658

Agreement Attachment F

EMSD Report

# **REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW**

## **Small Company Rate Increase Request**

**Tri-States Utility, Inc.**

**Case with File No. WR-2011-0037**

**Engineering and Management Services Department**

**Gary Bangert**

Tri-States Utility, Inc., (Tri-States or Company) filed a rate increase request on August 13, 2010, for water service provided in its certificated service area located near Branson, Missouri. The Engineering and Management Services Department (EMSD) staff initiated an informal review of customer service processes, procedures, and practices at Tri-States in September 2010. A prior customer service review was performed by the EMSD staff in conjunction with the Company's previous 2008 rate increase filing in Case with File No. WR-2009-0058. Before conducting on-site interviews in the current case, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service operations. The EMSD staff's review resulted in the following two Company management recommendations:

### **EMSD Staff Recommendations**

1. Incorporate required information about the Missouri Public Service Commission and the Office of the Public Counsel in the written information provided to utility customers pursuant to 4 CSR 240-13.040(3). This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case with File No. WR-2011-0037.
2. Develop and implement a process to ensure all customer complaints received by Company personnel are documented in a summary report and maintained for at least two (2) years pursuant to 4 CSR 240-13.040(5). This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case with File No. WR-2011-0037.

The purpose of the Engineering and Management Services Department is to promote and encourage efficient and effective utility management. This purpose contributes to the

Commission's overall mission to ensure that customers receive safe and adequate service, while providing utilities the opportunity to earn a fair return on their investment.

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

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

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

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

## **OVERVIEW**

Tri-States was granted a certificate of public convenience and necessity by the Commission effective on March 1, 1980, to provide water service in Taney County, Missouri. The Company provides water service to approximately 3,125 customers. Company personnel stated that there have been no new developments since 2008 and that there is a stable customer base.

Company personnel moved into the current business office near Branson, Missouri, in August 2010. Business office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday. Customers also have 24-hour, 7-day access to Company personnel by calling the telephone number listed in the customer information brochure provided to every customer, on customer bills, and on the Company's Web site, [www.tristates.viewmybill.net](http://www.tristates.viewmybill.net). The office manager stated that the current customer information brochure is being revised; however, the current brochure does not include the information about the Commission and the Office of the Public Counsel that is required by Commission Rule, 4 CSR 240-13.040(3).

Tri-States' staffing includes the chief executive officer, chief operating officer, corporate secretary, office manager, two office clerks, superintendent, and two field workers. The chief executive officer and chief operating officer are located in Topeka, Kansas, and each make periodic Company visits about twice per month. The chief executive officer has overall responsibility for Company operations. The chief operating officer helps establish operating policies. The office manager and superintendent are directly responsible for routine Company operations. The office manager has supervisory responsibilities over the two office clerks and performs problem-solving activities. The office manager supervises business office functions including taking new service applications, maintaining customer account records, billing, accounts receivable, accounts payable, and responding to customer inquiries and complaints. The superintendent supervises two field workers and has responsibility for the operation of the water system. Operational responsibilities include performing routine daily maintenance work, reading meters, inspecting and maintaining the wells, identifying needed repairs, checking for leaks, taking required water samples, maintaining equipment, and supervising all new construction. Individual time records are kept by each Company employee.

### **Meter Reading**

All water meters, active and inactive, are read between the 23<sup>rd</sup> and 25<sup>th</sup> of each month. The Company started using automated meter reading technology from Infinity Metering in November 2007. Most readings are automatically recorded via drive-by on a laptop computer. Company personnel stated that about 600 of the water meters are manually read by walking routes. The accuracy of meter readings is verified by comparing them with high and low parameters built into the billing system. Master meters at the wells are also read and compared with customers' metered usage on a monthly basis. Company personnel stated that locking lids at each meter installation have minimized problems with theft of water service.

### **Customer Billing**

Customer rates for water service are provided in the Company's tariffs. Customers' water bills for the first 2,000 gallons are based on a monthly customer charge of \$6.60 for customers with a 5/8" meter and \$11.43 for customers with a 3/4" meter. Water is \$1.87 per thousand gallons in excess of 2,000 gallons from November to April and \$3.58 per thousand gallons in excess of 2,000 gallons from May to October.

The Company uses a SoftWater program to maintain customer account information and to prepare customers' bills. Customer bills are in a full-page format and provide space for special messages and for the Company to include any past due balances. Customers may also register online on the Company's Web site, in order to view their bill or receive other Company information. Company personnel stated that bills are mailed by the last day of the month and are considered delinquent after the 22<sup>nd</sup> of the following month.

### **Payment Remittance**

Customers have a variety of options for paying their water bills. Customers may mail their payment, place it in a drop box at the business office, or pay in person. For customers who bring their payments into the office, the Company accepts cash, check, credit or debit card, and money orders. Customers may also sign up to have their bill payment made automatically each month. Finally, customers may call the Company to make a payment, pay online on the Company's Web site, or pay through other outside electronic payment providers such as a local bank. All Company payment options are offered at no cost to the customer.

The SoftWater program is also used for accounts receivable information and to prepare a variety of financial reports. Payments are not collected in the field. Company personnel stated that all customer payments are recorded on the day received and bank deposits are made daily.

### **Credit and Collections**

All new customers complete an application form when initiating service. The Company collects a security deposit of \$50.00 from those residential customers who do not meet the established credit criteria included in the Company's tariff. As of December 10, 2010, Tri-States is holding \$31,825 in deposits from 630 customers. On a monthly basis, the deposit amount plus 6% interest is refunded to those customers who have established a satisfactory payment history for 12 months.

The EMSD staff reviewed a Company report that provided delinquent account information on customers from January to October 2010. An average of 302 customers was delinquent each month and charged the \$6.50 late payment fee allowed in the Company's tariff. Of these 302 customers, approximately 14 were actually disconnected for nonpayment. The Company provides notice to customers of any past due amounts and late payment fees on the bills which are prepared after bill payments become delinquent. These bills also state when



customers must remit payment in order to avoid disconnection for nonpayment. The Company also uses a door hanger to provide 24-hour notice of a pending disconnection of service. Disconnections for nonpayment are performed on the 15<sup>th</sup> of each month and customers who remit payment are usually reconnected the same day after paying all past due amounts, late fees, and a \$25 reconnection fee. Tri-States personnel stated that about one or two insufficient funds checks are received each month. The Company charges a \$25 returned check fee as allowed by its tariff.

When a customer is disconnected for nonpayment, a final bill is rendered. After the third billing cycle of carrying a final bill balance, the account is written off and forwarded to Springfield Recovery, Inc., the collection agency under contract with Tri-States since the Fourth Quarter of 2008. The collection agency retains 35% of the money collected from customer accounts that have been forwarded for collection. Company personnel stated that an average of 10 to 12 accounts are written off each month and the collection agency is successful in collecting from about 2 or 3 customers per month. From January to December 10, 2010, approximately \$4,257 from 89 uncollected accounts was turned over to the collection agency and \$1,650 has been collected.

### **Complaints and Inquiries**

Customers with questions or concerns may call the Company's contact number appearing in the customer brochure, on the customer bill, and on the Company's Web site. Company personnel stated that the office manager or office clerks respond to customer questions or concerns. The superintendent handles emergency calls after hours. Company personnel currently document customer contact information within individual customer account records. However, this information is not available in a summary report that documents the nature of all customer contacts. A review of Commission complaint/inquiry records showed 18 customer complaints in 2009 and 6 inquiries. From January to November 2010, there were 3 complaints and 6 inquiries. The reasons for the complaints that occurred in 2009 and 2010 included high bills, service outages, late payment charges, and water pressure.

### **Customer Communication**

Company personnel stated that a variety of methods to communicate with customers is used. Bill inserts and messages are the most common, although letters are occasionally used. The Tri-States Web site is also used to convey important customer information.

### **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

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

- Customer Rights and Responsibilities Documentation
- Complaint and Inquiry Documentation

#### **Customer Rights and Responsibilities Documentation**

The Company's written information documenting the rights and responsibilities of the Company and its customers does not include required information about the Missouri Public Service Commission and the Office of the Public Counsel. The address of the Missouri Public Service Commission is not provided and no mention is made of the Office of the Public Counsel. This information is required by Commission Rule 4 CSR 240-13.040(3) which states the Company shall include:

(J) The telephone number and address of a customer services office of the Missouri Public Service Commission, the commission's 800 telephone number, and the statement that the company is regulated by the Missouri Public Service Commission;

(K) The address and telephone number of the Office of the Public Counsel and a statement of the function of that office;

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

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Incorporate required information about the Missouri Public Service Commission and the Office of the Public Counsel in the written information provided to utility customers pursuant to 4 CSR 240-13.040(3). This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case with File No. WR-2011-0037.*

**Complaint and Inquiry Documentation**

The Company does not keep a summary record of customer contacts involving complaints it receives. Company personnel currently document customer contact information within individual customer account records. However, this information is not available in a summary report that documents the nature of all customer contacts. Commission Rule 4 CSR 240-13.040(5) states, in part:

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 availability of documented customer contact information would 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. Documentation regarding customer contacts would also help to show the Company's responsiveness in addressing customer issues.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Develop and implement a process to ensure all customer complaints received by Company personnel are documented in a summary report and maintained for at least two (2) years pursuant to 4 CSR 240-13.040(5). This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case with File No. WR-2011-0037.*

**Follow-Up**

The EMSD staff will conduct follow-up on all of the EMSD recommendations no later than the deadlines as set out for each EMSD recommendation in the disposition agreement in Case with File No. WR-2011-0037.

## Agreement Attachment G

### Summary of Events

Tri-States Utility, Inc.  
Case # WR-2011-0037  
Summary of Case Events

Date Filed	August 13, 2010
Day 150	January 10, 2011
Extension?	No
If yes, why?	
Amount Requested	\$620,000
Amount Agreed Upon	\$88,024
Item(s)/Dollar(s) Driving Rate Increase	Increase in Operating Expenses Replacement of Infrastructure
Number of Customers	3,374
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	No
Status with Secretary of State	Good Standing
DNR Violations	No
Significant Service/Quality Issues	None