

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

In the Matter of the Highway H Utilities, Inc.'s)
Small Water Company Rate Increase Request) **Case No. WR-2009-0393**

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

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, and files this *Notice Of Staff/Company Agreement Regarding Disposition Of Small Water Company Revenue Increase Request (Notice)* with the Missouri Public Service Commission (Commission). For its *Notice*, Staff respectfully states the following:

1. On April 30, 2009, the Commission received Highway H Utilities, Inc.'s (HHU or Company) request for a small company revenue increase request (Request) to increase its annual water service operating revenues by \$66,000. On the same date, the Commission established the instant case for administrative purposes and to receive public comments related to the case.

2. Pursuant to 4 CSR 240-3.050, the Commission's Small Utility Rate Increase Procedure, the Staff initiated an audit of HHU's books and records, reviewed customer service, general business practices, and the operation of facilities, reviewed the existing tariff, and inspected HHU's facilities, all activities collectively known as Staff's investigation.

3. Upon completion of its investigation, the Staff provided the Company and the Office of Public Counsel (OPC) with copies of its work papers and recommendations for the resolution of the Request.

4. After a series of negotiations and discussions between the Staff, Company, and OPC, the Staff and the Company reached an agreement regarding the rate Request. Attached as Appendix A is the *Staff/Company Agreement Regarding Disposition Of Small Water Company Revenue Increase (Disposition Agreement)*, along with the supporting attachments, work papers, and Staff affidavits.

5. The Staff/Company agreed-upon annualized operating revenue increase of \$19,254 will recover the Company's agreed-upon cost of service. Additionally, the *Disposition Agreement* allows the addition of a normalized level of rate case expense to the Company's agreed-upon cost of service for any evidentiary hearing, arbitration or mediation session held.

6. The *Disposition Agreement* satisfactorily resolves all issues identified by the Staff and the Company regarding the Company's Request, except as otherwise specifically stated therein.

7. Pursuant to 4 CSR 240-3.050 (14) and the *Disposition Agreement*, HHU will file tariff sheets with an effective date of November 16, 2009, to implement the terms of the *Disposition Agreement*.

8. HHU is current on the payment of Commission annual assessments and the filing of annual reports. Also pending before the Commission is HHU's small sewer company revenue increase request.

WHEREFORE the Staff submits this *Notice* with Appendix A for the Commission's information and consideration, and requests the Commission issue an Order approving the *Staff/Company Agreement Regarding Disposition Of Small Water Company Revenue Increase*.

Respectfully submitted,

/s/ Jennifer Hernandez

Jennifer Hernandez

Legal Counsel

Missouri Bar No. 59814

Attorney for the Staff of the
Missouri Public Service Commission

PO Box 360

Jefferson City, MO 65102

(573) 751-8706 (Telephone)

(573) 751-9285 (Fax)

jennifer.hernandez@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail on Dean L. Cooper, attorney for Highway H Utilities, Inc., at dcooper@brydonlaw.com; and The Office of Public Counsel at opcservice@ded.mo.gov this 23rd day of September, 2009.

/s/ Jennifer Hernandez

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND COMPANY/STAFF DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2009-0393

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Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Dana Eaves – Auditing Department

Arthur Rice – Engineering & Management Services Department

Gary Bangert – Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

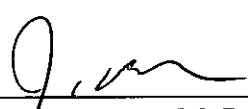
STATE OF MISSOURI)

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CASE NO. WR-2009-0393


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 was responsible for the preparation of the following *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request ("Disposition Agreement")*; (4) that he was responsible for the preparation of Attachments A, B, D, E and H to the Disposition Agreement; (5) that he has knowledge of the matters set forth in the Disposition Agreement and the above-referenced attachments thereto; and (6) that the matters set forth in the Disposition Agreement and the above-referenced attachments thereto 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 22nd day of September, 2009.



Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF DANA E. EAVES

STATE OF MISSOURI

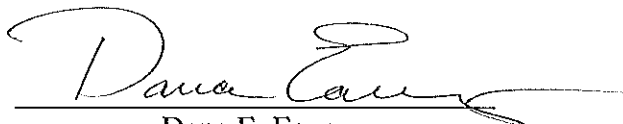
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Case No. WR-2009-0393

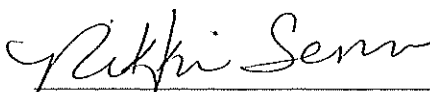
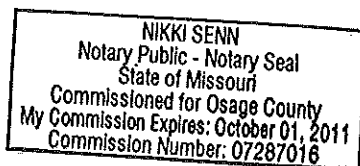
COMES NOW Dana E. Eaves, being of lawful age, and on his oath states the following: (1) that he is an Utility Regulatory Auditor III in the Missouri Public Service Commission's Auditing Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the following *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment C to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment C to the Disposition Agreement; and (6) that the matters set forth in Attachment C to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



Dana E. Eaves

Utility Regulatory Auditor III
Auditing Department

Subscribed and sworn to before me this 25th day of September, 2009.



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF ARTHUR W. RICE, PE

STATE OF MISSOURI

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COUNTY OF COLE

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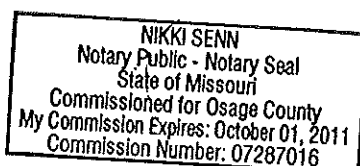
Case No. WR-2009-0393

COMES NOW Arthur W. Rice, being of lawful age, and on his oath states the following: (1) that he is a(n) Utility Regulatory Engineer 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 *Company/Staff Agreement Regarding Disposition of Small Water 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.



Arthur W. Rice
Utility Regulatory Engineer
Engineering & Management
Services Department

Subscribed and sworn to before me this 22nd day of September, 2009.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF GARY R. BANGERT

STATE OF MISSOURI

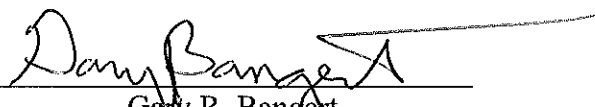
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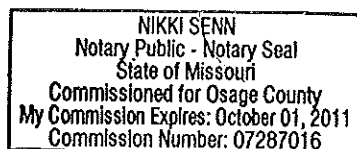
Case No. WR-2009-0393

COMES NOW Gary R. Bangert, being of lawful age, and on his oath states the following: (1) that he is a(n) 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 *Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachment G to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment G to the Disposition Agreement; and (6) that the matters set forth in Attachment G to the Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



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

Subscribed and sworn to before me this 23rd day of September, 2009.





Notary Public

Company/Staff Disposition Agreement

**COMPANY/STAFF AGREEMENT REGARDING DISPOSITION
OF SMALL WATER COMPANY REVENUE INCREASE REQUEST**

HIGHWAY H UTILITIES, INC.

MO PSC CASE NO WR-2009-0393

BACKGROUND

Highway H Utilities, 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") Case 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 April 30, 2009, the Company set forth its request for an increase of \$66,000 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 provides service to approximately 1,000 customers, the 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. (Hereafter, these activities are collectively referred to as Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with the results of the investigation, as well as Staff's initial recommendations for the resolution of the Company's Request and various other information regarding staff's investigation.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

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

- (1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A and incorporated herein, with those proposed tariff revisions bearing an effective date of November 16, 2009.
- (2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B and incorporated herein, accurately reflects the Company's agreed-upon annualized revenues generated by its current customer rates and the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$19,254 will recover the Company's agreed-upon cost of service. However, the parties agree that should an evidentiary hearing, mediation or arbitration be required related to this agreement, a normalized level of rate case expense, also including local public hearing costs, if any, shall be added to the Company's annualized cost of service for this rate case.
- (3) That the audit workpapers attached hereto as Attachment C and incorporated herein, which include consideration of a capital structure of 100.00% debt for the Company and a rate of return on that debt of 6.09%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (2) above.
- (4) That 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 D and incorporated herein, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.
- (5) That 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 E and incorporated herein.
- (6) That the rates included in the attached example tariff sheets 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.
- (7) That the schedule of depreciation rates attached hereto as Attachment F and incorporated herein, which includes the depreciation rates used by Staff in its revenue requirement analysis, should be the prescribed schedule of water plant depreciation rates for the Company.

(8) The Company will maintain all of its financial records in accordance with the Commission's Uniform System of Accounts.

(9) Within fifteen (15) days or during its next billing cycle after the issuance of a Commission Order approving the terms of this Disposition Agreement, the Company will mail its customers a written notice of the rates and charges included in its proposed tariff. The notice will 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 will also send a copy within five (5) days to the Staff Case Coordinator who will file a copy in the subject case file.

(10) Within thirty (30) days of the effective date of an order approving this Disposition Agreement the Company will keep time reporting records by water and sewer accounts for all directly assigned and shared employees and provide written verification of implementation to the Manager of Auditing within 15 (fifteen) days of implementation.

(11) Within thirty (30) days of the effective date of an order approving this Disposition Agreement, the Company will implement the following items as recommended in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment G and incorporated herein. These recommendations include the following:

- a. Initiate the practice of obtaining actual meter readings for all customer accounts, including multi-family dwelling accounts, and using these meter readings as a basis for preparing accurate bills.
- b. Store all important customer business documents in a lockable, fireproof cabinet.

(12) Within three (3) months of the effective date of an order approving this Disposition Agreement the Company will develop continuing property records and depreciation schedules for utility plant and provide written verification of implementation to the Manager of Auditing within 15 (fifteen) days of implementation.

(13) That the Company will implement a ten-year replacement program for its existing meters according to 4 CSR240-10.030(38) with the first year of the replacements to be completed no later than June 30, 2010, and that the Company will provide addresses of the replaced meters to the Manager of the Water and Sewer Department by July 10, 2010.

(14) That Staff will conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

(15) That Staff may file a formal complaint against it, if the Company does not comply with the provisions of this Disposition Agreement.

(16) That the Company agrees that it has read the foregoing Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that upon the Company's best knowledge and belief the facts stated therein are true; that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this agreement.

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

ADDITIONAL MATTERS

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


The Company acknowledges that the Staff will be filing this Company/Staff Disposition Agreement and the attachments hereto, in the existing case after the Company files the proposed tariff revisions mandated by this agreement. The Company also acknowledges that Staff may make other filings in this case.

Additionally the Company agrees that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Disposition Agreement at any agenda meeting at which that case is noticed to be considered by the Commission. Staff will be available to answer Commission questions regarding this Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advanced notice of any such agenda meeting so that they may have the opportunity to also be represented at the meeting.

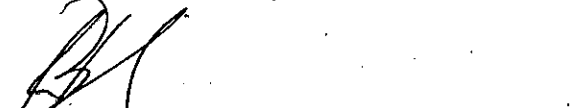
EFFECTIVE DATE AND SIGNATURES

This Disposition Agreement shall be considered effective as of the date that the Company files the proposed tariff revisions required herein with the Commission.

Agreement Signed and Dated:


Jay Laughlin
President
Highway H Utilities, Inc.

9/18/09
Date


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

9/21/09
Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Rate-making Income Statement
- Attachment C – Audit Workpapers
- Attachment D – Rate Design Worksheet
- Attachment E – Billing Comparison Worksheet
- Attachment F – Schedule of Depreciation Rates
- Attachment G – EMSD Report
- Attachment H – Summary of Events

Agreement Attachment A

Example Tariff Sheets

Highway H Utilities
Name of Issuing Company

For: Service Area
Certificated Service Area

RATE SCHEDULES

SCHEDULE OF WATER RATES

RESIDENTIAL RATE SCHEDULE

Availability: The following monthly charges apply in those situations where the customer is receiving metered water service through the Company's standard meter primarily for domestic or household uses, and is adjacent to the Company's mains:

Customer Charge:

For the first 2,000 gal. or less per month	\$6.38	+
(This charge applies whether there is any water usage or not.)		

Commodity Charge:

All over 2,000 gal. per month, per 1,000 gal	\$1.17	+
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Sales, Gross Receipts, Occupation or Franchise Taxes:

There shall be added to the customer's bill as a separate item an amount equal to the proportionate part of any sales, license, occupation, franchise or other similar fee or tax now or hereafter imposed upon the Company by any municipality or any other governmental authority, whether imposed by ordinance, franchise or otherwise, in which the fee or tax is based upon a percentage of gross receipts, net receipts, revenue or income from the provision of water service by the Company. When such tax or fee is a stated amount, a pro rata portion of such tax or fee shall be calculated by applying thereto the same percentage factor as the total annual amount of the tax bears to the gross receipts of the Company from sale of water during the preceding calendar year to customers located within the boundaries of the taxing entity. These tax or fee amounts shall be added to the customer's bill only where water is purchased by customers located within the boundaries of the entity imposing such tax.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: September 28, 2009
Month/Day/Year

Effective Date: November 16, 2009
Month/Day/Year

Issued By: Jerry Laughlin, President
Name & Title of Issuing Officer

Waynesville, MO
Company Mailing Address

Highway H Utilities
Name of Issuing Company

For: Service Area
Certificated Service Area

RATE SCHEDULES

SCHEDULE OF WATER RATES (con't.)

COMMERCIAL RATE SCHEDULE

Availability: The following monthly charges apply in those situations where the customer is receiving retail water service primarily for uses other than domestic or household purposes. This rate schedule assumes the use of a meter of the same size as that utilized in providing residential service. If a different meter is required, special charges will apply.

Customer Charge:

For the first 2,000 gal. or less per month \$6.38 +
(This charge applies whether there is any water usage or not.)

Commodity Charge:

All over 2,000 gal. per month, per 1,000 gal\$1.17 +

Sales, Gross Receipts, Occupation or Franchise Taxes:

There shall be added to the customer's bill as a separate item an amount equal to the proportionate part of any sales, license, occupation, franchise or other similar fee or tax now or hereafter imposed upon the Company by any municipality or any other governmental authority, whether imposed by ordinance, franchise or otherwise, in which the fee or tax is based upon a percentage of gross receipts, net receipts, revenue or income from the provision of water service by the Company. When such tax or fee is a stated amount, a pro rata portion of such tax or fee shall be calculated by applying thereto the same percentage factor as the total annual amount of the tax bears to the gross receipts of the Company from sale of water during the preceding calendar year to customers located within the boundaries of the taxing entity. These tax or fee amounts shall be added to the customer's bill only where water is purchased by customers located within the boundaries of the entity imposing such tax.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: September 28, 2009
Month/Day/Year

Effective Date: November 16, 2009
Month/Day/Year

Issued By: Jerry Laughlin, President
Name & Title of Issuing Officer

Waynesville, MO
Company Mailing Address

Highway H Utilities
Name of Issuing Company

For: Service Area
Certificated Service Area

RATE SCHEDULES

SCHEDULE OF WATER SERVICE CHARGES (con't.)

Late Payment Charge: Bills shall be considered delinquent after twenty-one days from the date the bill is rendered. If not paid prior to the delinquent date, a one-time late payment charge equal to Five Dollars (\$5.00) or ten percent of the delinquent amount, whichever is greater, shall be added to the unpaid balance.

Returned Check Charge: A returned check charge of \$25 per check will be paid on all checks returned from the bank. *

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: September 28, 2009
Month/Day/Year

Effective Date: November 16, 2009
Month/Day/Year

Issued By: Jerry Laughlin, President
Name & Title of Issuing Officer

Waynesville, MO
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

HIGHWAY H UTILITIES, INC.-WATER

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	114,393
2	Other Operating Revenues *	\$	7,188
3	Total Operating Revenues	\$	121,581

4 * See "Revenues - Current Rates" for Details

Cost of Service

Item	Amount
1 Pumping Equipment-Purchased Power	\$ 15,313
2 Water Opeerations Expense-Management Salary	\$ 6,255
3 Water Opeerations Expense-Operators Salary	\$ 25,866
4 Maintenance Expense-Misc. Supplies	\$ 74
5 Meter Reading	\$ 13,703
6 Billing & Collections	\$ 10,158
7 Administration & General - Salaries	\$ 11,676
8 Postage Expense	\$ 2,370
9 Accounting Expense	\$ 317
10 Telephone/Cell Phone Expense	\$ 740
11 Advertising Expense	\$ 732
12 Transportation Expense	\$ 1,700
13 Dues & Donations	\$ 166
14 Building Rent	\$ 2,853
15 Corporate Registration	\$ 45
16 Regulatory Commission Expense	\$ 810
17 Miscellaneous General Expenses	\$ 175
18 Sub-Total Operating Expenses	\$ 92,953
19 Property Taxes	\$ 39
20 MO Franchise Taxes	\$ -
21 Employer FICA Taxes	\$ -
22 Federal Unemployment Taxes	\$ -
23 State Unemployment Taxes	\$ -
24 State & Federal Income Taxes	\$ -
25 Sub-Total Taxes	\$ 39
26 Depreciation Expense	\$ 35,425
27 Interest Expense	\$ 22,242
28 Amortization Expense	\$ (9,824)
29 Sub-Total Depreciation/Amortization	\$ 47,843
30 Return on Rate Base	\$ -
31 Total Cost of Service	\$ 140,835
32 Overall Revenue Increase Needed	\$ 19,254

Agreement Attachment C

Audit Workpapers

Exhibit No.: 0
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: WR-2009-0393
Date Prepared: 7/24/2009



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

STAFF ACCOUNTING SCHEDULES

HIGHWAY H UTILITIES

CASE NO. WR-2009-0393

Jefferson City, Missouri

July 2009

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number WR-2009-0393
Test Year Ending 12-31-2008
Rate Design Schedule - Water

Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$114,393			
Rev-3	Miscellaneous Revenues	(1)	\$7,188			
Rev-4	TOTAL ANNUALIZED REVENUES		\$121,581			
1	OPERATIONS EXPENSES	(2)				
2	Management Salary (1)		\$6,255	\$0	\$6,255	0.00%
3	Operators Salary/Contract Services (1)		\$25,866	\$0	\$25,866	0.00%
4	Electricity-(Pumping)		\$15,313	\$0	\$15,313	0.00%
5	Chemicals-(Chlorine)		\$0	\$0	\$0	0.00%
6	TOTAL OPERATIONS EXPENSE		\$47,434	\$0	\$47,434	
7	MAINTENANCE EXPENSES					
8	Outside Services Employed (1)		\$0	\$0	\$0	0.00%
9	Misc. Supplies		\$74	\$0	\$74	0.00%
10	System Maintenance		\$0	\$0	\$0	0.00%
11	TOTAL MAINTENANCE EXPENSE		\$74	\$0	\$74	
12	CUSTOMER ACCOUNT EXPENSE					
13	Meter Reading		\$13,703	\$0	\$13,703	0.00%
14	Accounting Fees		\$0	\$0	\$0	0.00%
15	Billing & Collections		\$10,158	\$0	\$10,158	0.00%
16	Office Supplies		\$0	\$0	\$0	0.00%
17	Postage		\$2,370	\$0	\$2,370	0.00%
18	Uncollectible Accounts		\$0	\$0	\$0	0.00%
19	TOTAL CUSTOMER ACCOUNT EXPENSE		\$26,231	\$0	\$26,231	
20	ADMINISTRATIVE & GENERAL EXPENSES					
21	Administration & General Salary (1)		\$11,676	\$0	\$11,676	0.00%
22	Legal Expense		\$0	\$0	\$0	0.00%
23	Accounting Expense		\$317	\$0	\$317	0.00%
24	Telephone/Cell Phones		\$740	\$0	\$740	0.00%
25	Advertising Expense		\$732	\$0	\$732	0.00%
26	Transportation Expense		\$1,700	\$0	\$1,700	0.00%
27	Dues and Donations		\$166	\$0	\$166	0.00%
28	Medical Insurance		\$0	\$0	\$0	0.00%
29	Property & Liability Insurance		\$0	\$0	\$0	0.00%
30	Uncollectible Expense		\$0	\$0	\$0	0.00%
31	Building Rent		\$2,853	\$0	\$2,853	0.00%
32	Loan Payments		\$0	\$0	\$0	0.00%
33	Other Misc. Expenses		\$175	\$0	\$175	0.00%
34	TOTAL ADMINISTRATIVE AND GENERAL		\$18,359	\$0	\$18,359	
35	OTHER OPERATING EXPENSES					
36	MO DNR Fees		\$0	\$0	\$0	0.00%
37	PSC Assessment		\$810	\$0	\$810	0.00%
38	Corporate Registration		\$45	\$0	\$45	0.00%
39	Amortization Expense		-\$9,824	\$0	-\$9,824	0.00%
40	Depreciation		\$35,425	\$0	\$35,425	0.00%
41	TOTAL OTHER OPERATING EXPENSES		\$26,456	\$0	\$26,456	
42	TAXES OTHER THAN INCOME					
43	Real & Personal Property Taxes		\$39	\$0	\$39	0.00%
44	Payroll Taxes		\$0	\$0	\$0	0.00%
45	TOTAL TAXES OTHER THAN INCOME		\$39	\$0	\$39	
46	TOTAL OPERATING EXPENSES		\$118,593	\$0	\$118,593	
47	Interest Expense	(3)	\$22,242	\$0	\$22,242	0.00%
48	Return on Equity	(3)	\$0	\$0	\$0	0.00%
49	Income Taxes	(3)	\$0	\$0	\$0	0.00%

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number WR-2009-0393
 Test Year Ending 12-31-2008
 Rate Design Schedule - Water

Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
50	TOTAL INTEREST RETURN & TAXES		\$22,242	\$0	\$22,242	
51	TOTAL COST OF SERVICE		\$140,835	\$0	\$140,835	
52	Less: Miscellaneous Revenues		\$7,188	\$0	\$7,188	0.00%
53	COST TO RECOVER IN RATES		\$133,647	\$0	\$133,647	
54	INCREMENTAL INCREASE IN RATE REVENUES		\$19,254			
55	PERCENTAGE OF INCREASE		15.84%			
56	REQUESTED INCREASE IN REVENUES		\$0			

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

Highway H Utilities
Informal Rate/Certificate Case
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Test Year Ending 12-31-2008
Rate Base Required Return on Investment Schedule - Water

Line Number	Rate Base Description	B Dollar Amount	
1	Plant In Service	\$1,125,878	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$268,298	From Depreciation Reserve Schedule
3	Net Plant In Service	\$857,580	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction	-\$836,025	
	CIAC Depreciation	\$143,672	
5	Total Rate Base	\$365,227	
6	Total Weighted Rate of Return Including Income Tax	6.09%	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u>\$22,242</u>	

Highway H Utilities
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 Test Year Ending 12-31-2008
 Rate of Return Including Income Tax - Water

A	B
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1	State Income Tax Rate Statutory / Effective	6.25%	(2)	6.25%	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	0.00%	(1) & (2)	0.00%	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate			6.25%	$B1 + B2$
4	Equity Tax Factor			1.0667	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred			0.00%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax			0.00%	$B4 \times B5$
7	Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term			6.09%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax			6.09%	$B6 + B7$

To Rate Base Schedule

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

N

Equity Income Required \$0
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$0	\$0
\$50,001	\$75,000	25.00%	\$0	\$0
\$75,001	\$100,000	34.00%	\$0	\$0
\$100,001	\$335,000	39.00%	\$0	\$0
\$335,001	\$9,999,999,999	34.00%	\$0	\$0
			\$0	\$0
Consolidated Tax Rate:				
Average Tax Rate:				0

Highway H Utilities
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 Test Year Ending 12-31-2008
 Capital Structure Schedule - Water

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$0	0.00%	0.00%	0.000%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$2,357,164	100.00%	6.09%	6.090%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	\$2,357,164	100.00%		6.090%

To PreTax Return Rate Schedule

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number WR-2009-0393
Test Year Ending 12-31-2008
Plant in Service - Water

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$0			100.00%	\$0
3	302.000	Franchises	\$0			100.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights SP	\$24,000			100.00%	\$24,000
7	311.000	Structures & Improvements - SSP	\$38,250			100.00%	\$38,250
8	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
10	314.000	Wells & Springs	\$130,671			100.00%	\$130,671
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$0			100.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$192,921		\$0		\$192,921
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$0			100.00%	\$0
16	325.000	Electric Pumping Equipment	\$94,933			100.00%	\$94,933
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$94,933		\$0		\$94,933
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
23	332.000	Water Treatment Equipment	\$0			100.00%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT					
26	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0			100.00%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$31,575			100.00%	\$31,575
29	343.000	Transmission & Distribution Mains	\$490,497			100.00%	\$490,497
30	344.000	Fire Mains	\$0			100.00%	\$0
31	345.000	Services	\$0			100.00%	\$0
32	346.000	Meters- Bronze Chamber	\$24,595	P-32	\$1,800	100.00%	\$26,395
33	346.000	Meters- Plastic Chamber	\$0			100.00%	\$0
34	347.000	Meter Installations- Bronze	\$276,163	P-34	\$6,194	100.00%	\$282,357
35	347.000	Meter Installations- Plastic	\$0			100.00%	\$0
36	348.000	Other Transmission & Distribution Plant	\$0			100.00%	\$0
37	349.000	Hydrants	\$0			100.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$822,830		\$7,994		\$830,824
39		GENERAL PLANT					
40	389.000	Land & Land Rights-GP	\$0			100.00%	\$0
41	390.000	Structures & Improvements - GP	\$0			100.00%	\$0
42	391.000	Office Furniture & Equipment	\$0			100.00%	\$0
43	391.100	Office Computer Equipment	\$0			100.00%	\$0
44	392.000	Transportation Equipment - GP	\$7,200			100.00%	\$7,200
45	399.000	Other General Equipment	\$0			100.00%	\$0
46		TOTAL GENERAL PLANT	\$7,200		\$0		\$7,200
47		TOTAL PLANT IN SERVICE	\$1,117,884		\$7,994		\$1,125,878

To Rate Base & Depreciation Schedules

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number WR-2009-0393
 Test Year Ending 12-31-2008
 Schedule of Adjustments for Plant in Service - Water

A	B	C	D	E
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
P-32	Meters- Bronze Chamber	346.000		\$1,800
	To reflect plant additions during the update period.		\$1,800	
P-34	Meter Installations- Bronze	347.000		\$6,194
	To reflect plant additons during the update period		\$6,194	
	Total Plant Adjustments			\$7,994

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number WR-2009-0393
 Test Year Ending 12-31-2008
 Depreciation Expense - Water

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2	301.000	Organization	\$0	0.00%	\$0
3	302.000	Franchises	\$0	0.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$0		\$0
5		SOURCE OF SUPPLY PLANT			
6	310.000	Land & Land Rights SP	\$24,000	0.00%	\$0
7	311.000	Structures & Improvements - SSP	\$38,250	2.50%	\$956
8	312.000	Collection & Impounding Reservoirs	\$0	0.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0	0.00%	\$0
10	314.000	Wells & Springs	\$130,671	2.00%	\$2,613
11	315.000	Infiltration Galleries & Tunnels	\$0	0.00%	\$0
12	316.000	Supply Mains	\$0	0.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$192,921		\$3,569
14		PUMPING PLANT			
15	321.000	Structures & Improvements - PP	\$0	0.00%	\$0
16	325.000	Electric Pumping Equipment	\$94,933	10.00%	\$9,493
17	326.000	Diesel Pumping Equipment	\$0	0.00%	\$0
18	328.000	Other Pumping Equipment	\$0	0.00%	\$0
19		TOTAL PUMPING PLANT	\$94,933		\$9,493
20		WATER TREATMENT PLANT			
21	330.000	Land & Land Rights-WTP	\$0	0.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0	0.00%	\$0
23	332.000	Water Treatment Equipment	\$0	0.00%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT			
26	340.000	Land & Land Rights-T&D	\$0	0.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0	0.00%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$31,575	2.50%	\$789
29	343.000	Transmission & Distribution Mains	\$490,497	2.00%	\$9,810
30	344.000	Fire Mains	\$0	0.00%	\$0
31	345.000	Services	\$0	0.00%	\$0
32	346.000	Meters- Bronze Chamber	\$26,395	10.00%	\$2,640
33	346.000	Meters- Plastic Chamber	\$0	0.00%	\$0
34	347.000	Meter Installations- Bronze	\$282,357	2.90%	\$8,188
35	347.000	Meter Installations- Plastic	\$0	0.00%	\$0
36	348.000	Other Transmission & Distribution Plant	\$0	0.00%	\$0
37	349.000	Hydrants	\$0	0.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$830,824		\$21,427
39		GENERAL PLANT			

Highway H Utilities
 Informal Rate/Certificate Case
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 Test Year Ending 12-31-2008
 Depreciation Expense - Water

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
40	389.000	Land & Land Rights-GP	\$0	0.00%	\$0
41	390.000	Structures & Improvements - GP	\$0	0.00%	\$0
42	391.000	Office Furniture & Equipment	\$0	0.00%	\$0
43	391.100	Office Computer Equipment	\$0	0.00%	\$0
44	392.000	Transportation Equipment - GP	\$7,200	13.00%	\$936
45	399.000	Other General Equipment	\$0	0.00%	\$0
46		TOTAL GENERAL PLANT	\$7,200		\$936
47		Total Depreciation	\$1,125,878		\$35,425

Highway H Utilities
Informal Rate/Certificate Case
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Test Year Ending 12-31-2008
Accumulated Depreciation Reserve - Water

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$0			100.00%	\$0
3	302.000	Franchises	\$0			100.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights SP	\$0			100.00%	\$0
7	311.000	Structures & Improvements - SSP	\$10,972	R-7	\$319	100.00%	\$11,291
8	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
10	314.000	Wells & Springs	\$32,165	R-10	\$871	100.00%	\$33,036
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$0			100.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$43,137		\$1,190		\$44,327
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$0			100.00%	\$0
16	325.000	Electric Pumping Equipment	\$34,079	R-16	\$1,677	100.00%	\$35,756
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$34,079		\$1,677		\$35,756
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
23	332.000	Water Treatment Equipment	\$0			100.00%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT					
26	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0			100.00%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$13,018	R-28	\$263	100.00%	\$13,281
29	343.000	Transmission & Distribution Mains	\$91,314	R-29	\$3,270	100.00%	\$94,584
30	344.000	Fire Mains	\$0			100.00%	\$0
31	345.000	Services	\$0			100.00%	\$0
32	346.000	Meters- Bronze Chamber	\$17,407	R-32	\$2,550	100.00%	\$19,957
33	346.000	Meters- Plastic Chamber	\$0			100.00%	\$0
34	347.000	Meter Installations- Bronze	\$50,407	R-34	\$8,099	100.00%	\$58,506
35	347.000	Meter Installations- Plastic	\$0			100.00%	\$0
36	348.000	Other Transmission & Distribution Plant	\$0			100.00%	\$0
37	349.000	Hydrants	\$0			100.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$172,146		\$14,182		\$186,328
39		GENERAL PLANT					
40	389.000	Land & Land Rights-GP	\$0			100.00%	\$0
41	390.000	Structures & Improvements - GP	\$0			100.00%	\$0
42	391.000	Office Furniture & Equipment	\$0			100.00%	\$0
43	391.100	Office Computer Equipment	\$0			100.00%	\$0
44	392.000	Transportation Equipment - GP	\$1,544	R-44	\$343	100.00%	\$1,887
45	399.000	Other General Equipment	\$0			100.00%	\$0
46		TOTAL GENERAL PLANT	\$1,544		\$343		\$1,887
47		TOTAL DEPRECIATION RESERVE	\$250,806		\$17,392		\$268,298

To Rate Base Schedule

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number WR-2009-0393
 Test Year Ending 12-31-2008

Schedule of Adjustments for Accumulated Depreciation Reserve - Water

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount
R-7	Structures & Improvements - SSP	311.000		\$319
	To reflect depreciation reserve for update period.		\$319	
R-10	Wells & Springs	314.000		\$871
	To reflect depreciation reserve for update period.		\$871	
R-16	Electric Pumping Equipment	325.000		\$1,677
	To reflect depreciation reserve for update period.		\$1,677	
R-28	Distribution Reservoirs & Standpipes	342.000		\$263
	To reflect depreciation reserve for update period.		\$263	
R-29	Transmission & Distribution Mains	343.000		\$3,270
	To reflect depreciation reserve for update period.		\$3,270	
R-32	Meters- Bronze Chamber	346.000		\$2,550
	To reflect depreciation reserve for update period.		\$2,550	
R-34	Meter Installations- Bronze	347.000		\$8,099
	To reflect depreciation reserve for update period.		\$8,099	

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number WR-2009-0393
Test Year Ending 12-31-2008
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

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

R-44	Transportation Equipment - GP	392,000		\$343
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To reflect depreciation reserve for update period.

\$343

Total Reserve Adjustments				\$17,392
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Highway H Utilities
 Informal Rate/Certificate Case
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 Test Year Ending 12-31-2008
 Rate Revenue Feeder Schedule - Water

Line Number	Description	Residential 5/8"		Multi-Family 5/8"	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	693		314	
3	Bills Per Year	12		12	
4	Customer Bills Per year	8,316		3,768	
5	Current Customer Charge	\$5.46		\$5.46	
6	Annualized Customer Charge Revenues		\$45,405		\$20,573
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	49,938,428		20,629,800	
9	Less: Base Gallons Included In Customer Charge	15,299,000		7,536,000	
10	Commodity Gallons	34,639,428		13,093,800	
11	Block 1, Commodity Gallons per Block	34,639,428		13,093,800	
12	Block 1, Number of Commodity Gallons per Unit	1,000		1,000	
13	Block 1, Commodity Billing Units	34,639.43		13,093.80	
14	Block 1, Existing Commodity Charge	\$1.00		\$1.00	
15	Block 1, Annualized Commodity Charge Rev.		\$34,639		\$13,094
16	Total Annualized Water Rate Revenues		\$80,044		\$33,667

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

Highway H Utilities
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 Rate Revenue Feeder Schedule - Water

Line Number	Description	Commercial 2"		Total	
		F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	6		1,013	
3	Bills Per Year	12			
4	Customer Bills Per year	72		12,156	
5	Current Customer Charge	<u>\$5.46</u>			
6	Annualized Customer Charge Revenues		\$393		\$66,371
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	396,600		70,964,828	
9	Less: Base Gallons Included In Customer Charge	<u>144,000</u>		22,979,000	
10	Commodity Gallons	252,600		47,985,828	
11	Block 1, Commodity Gallons per Block	288,600			
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>			
13	Block 1, Commodity Billing Units	288.60			
14	Block 1, Existing Commodity Charge	<u>\$1.00</u>			
15	Block 1, Annualized Commodity Charge Rev.		\$289		\$48,022
16	Total Annualized Water Rate Revenues		\$682		\$114,393

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

Highway H Utilities
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Test Year Ending 12-31-2008
Expense Schedule - Water

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2		Management Salary (1)	\$0	W-2	\$7,893	79.25%	\$6,255
3		Operators Salary/Contract Services (1)	\$0	W-3	\$32,639	79.25%	\$25,866
4		Electricity-(Pumping)	\$14,887	W-4	\$426	100.00%	\$15,313
5		Chemicals-(Chlorine)	\$0			100.00%	\$0
6		TOTAL OPERATIONS EXPENSE	\$14,887		\$40,958		\$47,434
7		MAINTENANCE EXPENSES					
8		Outside Services Employed (1)	\$0			100.00%	\$0
9		Misc. Supplies	\$74			100.00%	\$74
10		System Maintenance	\$0			100.00%	\$0
11		TOTAL MAINTENANCE EXPENSE	\$74		\$0		\$74
12		CUSTOMER ACCOUNT EXPENSE					
13		Meter Reading	\$12,500	W-13	\$1,203	100.00%	\$13,703
14		Accounting Fees	\$0			79.25%	\$0
15		Billing & Collections	\$664	W-15	\$12,154	79.25%	\$10,158
16		Office Supplies	\$0			100.00%	\$0
17		Postage	\$2,144	W-17	\$847	79.25%	\$2,370
18		Uncollectible Accounts	\$0			100.00%	\$0
19		TOTAL CUSTOMER ACCOUNT EXPENSE	\$15,308		\$14,204		\$26,231
20		ADMINISTRATIVE & GENERAL EXPENSES					
21		Administration & General Salary (1)	\$3,750	W-21	\$10,983	79.25%	\$11,676
22		Legal Expense	\$1,920	W-22	-\$1,920	79.25%	\$0
23		Accounting Expense	\$980	W-23	-\$580	79.25%	\$317
24		Telephone/Cell Phones	\$992	W-24	-\$58	79.25%	\$740
25		Advertising Expense	\$924			79.25%	\$732
26		Transportation Expense	\$8,222	W-26	-\$6,077	79.25%	\$1,700
27		Dues and Donations	\$209			79.25%	\$166
28		Medical Insurance	\$0			100.00%	\$0
29		Property & Liability Insurance	\$0			100.00%	\$0
30		Uncollectible Expense	\$0			100.00%	\$0
31		Building Rent	\$3,600			79.25%	\$2,853
32		Loan Payments	\$71,000	W-32	-\$71,000	100.00%	\$0
33		Other Misc. Expenses	\$221			79.25%	\$175
34		TOTAL ADMINISTRATIVE AND GENERAL	\$91,818		-\$68,652		\$18,359
35		OTHER OPERATING EXPENSES					
36		MO DNR Fees	\$6,105	W-36	-\$6,105	100.00%	\$0
37		PSC Assessment	\$3,432	W-37	-\$2,622	100.00%	\$810
38		Corporate Registration	\$45			100.00%	\$45
39		Amortization Expense	\$0	W-39	-\$9,824	100.00%	-\$9,824
40		Depreciation	\$0	W-40	\$35,425	100.00%	\$35,425
41		TOTAL OTHER OPERATING EXPENSES	\$9,582		\$16,874		\$26,456
42		TAXES OTHER THAN INCOME					
43		Real & Personal Property Taxes	\$49			79.25%	\$39
44		Payroll Taxes	\$0			100.00%	\$0
45		TOTAL TAXES OTHER THAN INCOME	\$49		\$0		\$39
46		TOTAL OPERATING EXPENSES	\$131,715		\$3,384		\$118,593

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number WR-2009-0393
 Test Year Ending 12-31-2008
 Expense Adjustment Schedule - Water

A	B	C	D	E
Expense Adj		Account	Adjustment	Total
Number	Adjustment Description	Number	Amount	Adjustment

W-2	Management Salary (1)			\$7,893
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To reflect the annual salary for Jerry Laughlin. \$7,893

W-3	Operators Salary/Contract Services (1)			\$32,639
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To reflect the annualized level of payroll for Jay Laughlin. \$32,639

W-4	Electricity (Pumping)			\$426
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To reflect annualized level of electric expense reflecting customer growth. \$426

W-13	Meter Reading			\$1,203
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To reflect annualized payroll taxes for Betty Laughlin. \$1,203

W-15	Billing & Collections			\$12,154
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To reflect the annualized level of salary for Paula Weber 50% to Administrative & General Salary account. \$11,445

To reflect the disallowance of customer refunds/overcharges. -\$79

To reflect the annualized level fee for billing software from RVS. \$788

W-17	Postage			\$847
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To reflect an annualized level of postage expense. \$847

W-21	Administration & General Salary (1)			\$10,983
------	-------------------------------------	--	--	----------

To reflect the annualized level of salary for Laura Laughlin. -\$461

Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number WR-2009-0393
 Test Year Ending 12-31-2008
 Expense Adjustment Schedule - Water

A	B	C	D	E
Expense Adj		Account	Adjustment	Total
Number	Adjustment Description	Number	Amount	Adjustment

To reflect the annualized level of salary for Paula Weber 50% to Customer Billing and Collections account.

\$11,444

W-22	Legal Expense			-\$1,920
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To reflect the disallowance of legal fees.

-\$1,920

W-23	Accounting Expense			-\$580
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To reflect an annualized level of accounting expense.

-\$580

W-24	Telephone/Cell Phones			-\$58
------	-----------------------	--	--	-------

To reflect an annualized level of telephone expense.

-\$58

W-26	Transportation Expense			-\$6,077
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To reflect the disallowance of vehicle payments associated with non work vehicle.

-\$8,222

To reflect an annualized level of transportation expense.

\$2,145

W-32	Loan Payments			-\$71,000
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To reflect the disallowance of loan payments from the Cost of Service as a direct expense.

-\$71,000

W-36	MO DNR Fees			-\$6,105
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To reflect the annualized level of DNR Fess - no annual fees are associated with water operations.

-\$6,105

W-37	PSC Assessment			-\$2,622
------	----------------	--	--	----------

To reflect the 2010 PSC annual assessment.

-\$2,622

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number WR-2009-0393
Test Year Ending 12-31-2008
Expense Adjustment Schedule - Water

A	B	C	D	E
Expense Adj		Account	Adjustment	Total
Number	Adjustment Description	Number	Amount	Adjustment

W-39	Amortization Expense			\$9,824
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To reflect the annual CIAC amortization expense associated with contributed plant.

- \$9,824

W-40	Depreciation			\$35,425
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1. To Annualize Depreciation

\$35,425

2. Description

	Total Expense Adjustments			\$3,384
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Highway H Utilities
 Informal Rate/Certificate Case
 Tracking Number WR-2009-0393
 Test Year Ending 12-31-2008
 Revenue Schedule - Water

A	B	C	D	E	F	G	
Line Number	Account Number (Optional)	Revenue Description	Company/ Test Year Amount	Adjustment Number	Jurisdictional Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$87,080	Rev-2	\$27,313	100.00%	\$114,393
Rev-3		Miscellaneous Revenues	\$9,507	Rev-3	-\$2,319	100.00%	\$7,188
Rev-4		TOTAL ANNUALIZED REVENUES	\$96,587		\$24,994		\$121,581

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number WR-2009-0393
Test Year Ending 12-31-2008
Revenue Adjustment Schedule - Water

A	B	C	D	E
Revenue Adj		Account	Adjustment	Total
Number	Adjustment Description	Number	Amount	Adjustment
Rev-2	Annualized Rate Revenues			\$27,313
	1. To Annualize Rate Revenues		\$29,939	
	To reflect occupancy rate adjustment		-\$2,626	
Rev-3	Miscellaneous Revenues			-\$2,319
	1. To Annualize Miscellaneous Revenues		-\$2,319	
	Total Revenue Adjustments			\$24,994

Highway H Utilities
Informal Rate/Certificate Case
Tracking Number WR-2009-0393
Test Year Ending 12-31-2008
Miscellaneous Revenues Feeder - Water

Line	Description	Amount
Number	Description	Amount

4	Total Miscellaneous Revenues	<u>\$7,188</u>
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Agreement Attachment D

Rate Design Worksheet

HIGHWAY H UTILITIES, INC.-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	\$ 114,393
Agreed-Upon Overall Revenue Increase	\$ 19,254
Percentage Increase Needed	16.831%

Metered Customer Rates

Customer Type	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
Residential	\$ 5.46	\$ 6.38	\$ 1.000	\$ 1.17
Multi-Family	\$ 5.46	\$ 6.38	\$ 1.000	\$ 1.17
Commercial	\$ 5.46	\$ 6.38	\$ 1.000	\$ 1.17

Agreement Attachment E

Billing Comparison Worksheet

HIGHWAY H UTILITIES, INC.-WATER

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>
\$5.46	\$6.38	\$1.00	\$1.17

current service charge is monthly charge including 2,000 gallons

usage rate is per 1,000 gallons used

MONTHLY BILL COMPARISON

6,000 gallons/month usage

Current Rates

Customer Charge	\$ 5.46
Usage Charge	\$ 4.00
Total Bill	\$ 9.46

Proposed Rates

Customer Charge	\$ 6.38
Usage Charge	\$ 4.68
Total Bill	\$ 11.06

INCREASES

Customer Charge

\$ Increase	\$0.92
% Increase	16.83%

Usage Charge

\$ Increase	\$0.68
% Increase	17.03%

Total Bill

\$ Increase	\$1.60
% Increase	16.87%

Agreement Attachment F

Schedule of Depreciation Rates

Highway H Utilities

DEPRECIATION RATES

(WATER)

WR-2009-0393 Recommendation 7/23/09

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
311	Structures & Improvements (well house)	2.5%	40	0%
314	Wells & Springs	2.0%	50	0%
325	Electric Pumping Equipment	10.0%	10	0%
342	Distribution Reservoirs & Standpipes	2.5%	40	0%
343	Transmission & Distribution Mains	2.0%	50	0%
346	Meters	10.0%	10	0%
392	Transportation Equipment	13.0%	7	9%

Agreement Attachment G

EMSD Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Department

Small Company Rate Increase Request

Case Nos: SR-2009-0392 and WR-2009-0393

Highway H Utilities, Inc.

Highway H Utilities, Inc. (Highway H or Company) filed a rate increase request on April 30, 2009, for water and sewer service provided in its certificated service area, located near Waynesville, Missouri. The Engineering and Management Services Department (EMSD) staff initiated an informal review of customer service processes, procedures, and practices at Highway H in April 2008. The EMSD staff's review included an examination of Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, and other documentation related to the Company's customer service operations.

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

The objectives of this review were to document and analyze the management control processes, procedures, and practices used by the Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which the Company may improve the quality of services provided to its customers. The findings of this review 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
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

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

Overview

Highway H was certificated to provide water service on May 10, 1990, and sewer service on June 28, 1991. The Company provides water and sewer service to approximately 267 customers and water-only service to an additional 757 customers. The Highway H business office is located in Waynesville, Missouri. Business office hours are 8:00 a.m. – 4:30 p.m., Monday through Friday. Customers have 24-hour, 7-day access to Company personnel by calling the telephone number provided on the customer bill.

Highway H staffing includes an operation manager, assistant operator, meter reader, and three business office employees. Other than meter reading, most outside plant functions are performed by the operation manager with assistance from the assistant operator. Outside plant responsibilities include daily system checks, chlorination, routine maintenance, construction activity, and responding to customer emergency calls. Business office functions including taking new service applications, entering meter readings, preparing and mailing customer bills, maintaining customer account records, posting customer bill payments, making bank deposits, and paying bills. Business office personnel also respond to customer inquiries and complaints received by telephone or from customers who walk into the business office.

The following graph illustrates the moderate growth experienced by the Company since 2007:

Highway H Customer Growth 2007 - 2009



Source: Company Data Request Information

As shown, the number of water and sewer customers has grown by approximately 32% since 2007, and the number of water only customers has increased by about 24%. Company management stated that a continued moderate level of growth is anticipated over the next two to three years.

The Company began using written applications for new service requests in April 2009. Customers may call the Company with questions about rules and procedures associated with the provision of service; however, in April 2009, the Company prepared written information documenting the rights and responsibilities of the Company and its customers. This information is provided to all new customers and to customers with specific questions about Company policies.

Meter Reading

All water meters at single-family homes, active and inactive, are read between the 25th and 27th of the month. Company personnel stated that the meters located at multi-family

dwelling are not read. The Company bills the monthly minimum customer charge for the number of units in each multi-family dwelling and no usage charge. The meter readings from single-family homes are handwritten on a meter route sheet that includes the name, address, and meter numbers of the customers. An office employee enters the meter readings into a computer billing program. Company personnel stated that meters are only estimated when inclement weather makes it impossible to obtain a meter reading. Company personnel are unaware of any theft of water service.

Customer Billing

The Company uses an RVS customer accounting program to calculate and print customers' bills. The program is designed to beep when bills are calculated that fall outside of expected billing parameters. The accuracy of bills is verified through visual inspection when the bills are produced. Company personnel stated that customer account information is backed up daily on a computer disk and other hard copy customer information is stored in a file cabinet. Company personnel stated that bills are always mailed by the last day of the month and are considered due on the 21st of the following month.

Customer rates for water and sewer service are provided in the Company's tariffs. Customers' water bills are based on a monthly minimum customer charge of \$5.46 and a usage charge of \$1.00 per 1,000 gallons over 2,000 gallons of usage. Sewer customers pay a flat fee of \$15.32 per month. Most customers mail their payments to the business office, although some customers remit account payments, in person, in the business office or at a drop box located at the business office. Company personnel stated that bank deposits of customer payments are typically made on a daily basis.

Credit and Collections

The Company does not collect customer deposits from customers, although the collection of deposits is permitted under the Company's tariff. Prior to May 2009, a \$5.00 late charge was added to customer accounts not paid by the 15th of the month; however, the Company revised this practice. Since May 2009, a \$5.00 late charge is assessed on every account that remains unpaid after the 21st of the month. This practice complies with the Company's tariff which states that "a one-time late payment charge equal to Five Dollars (\$5.00) or ten percent of the delinquent amount, whichever is greater, shall be added to the unpaid balance" of bills after 21

days from the date they are rendered. The Company started the practice in May 2009 of sending out delinquent notices, calling customers immediately prior to disconnection, and leaving notice of disconnection at the door with information about how customers may get service restored. Company personnel stated that, although a rare occurrence, insufficient funds checks are turned over to an outside collection agency. Three insufficient funds checks were turned over to the collection agency in 2008 and immediately resolved. The contract with the collection agency states that a customer with an insufficient funds check pays the amount of the insufficient funds check and a \$12 fee directly to the collection agency. The collection agency subsequently remits the amount of the insufficient funds check to the Company.

Company personnel stated that bad debt write-offs, generally, only occur from people that cannot be located because they have moved out of the area. Bad debt write-offs were \$592.30 in 2007 and \$426.28 in 2008.

Complaints and Inquiries

Customers with questions or concerns may call the Company contact number appearing on the bill. Customers calling outside of normal business hours are provided alternate numbers to use in the event of an emergency. Company personnel created a Log of Customer Complaints/Inquiries and began recording all contacts from customers on April 21, 2009. The log includes the date of the customer contact, customer name, address, brief description of the complaint/inquiry, how the complaint/inquiry was resolved, and the initials of the Company employee involved.

A review of Commission complaint/inquiry records since 2007 showed one (1) customer contact in 2007, one (1) in 2008, and one (1) in 2009 related to customer billing issue complaints. There was also one customer inquiry in 2009 regarding water service. There have been no Commission complaints or inquiries regarding the Company's sewer service since 2007.

Customer Communication

Outside of monthly billings, the Company rarely communicates with its customers. Letters are used to notify customers about rate case activity. In addition, the customer information sheet about rights and responsibilities is provided to all new customers and other customers who have questions about Company policies.

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 two issues that require Company management's attention:

- Meter Readings at Multi-Family Dwellings
- Storage of Customer Documents

Meter Readings at Multi-Family Dwellings

Company personnel do not read the water meters located at multi-family dwellings. The Company bills the monthly minimum customer charge for the number of units in each multi-family dwelling and no usage charge.

The practice of not obtaining a meter reading from multi-family dwelling units violates Commission Rule 4 CSR 240-13.020(2) which states, "Each billing statement rendered by a utility shall be computed on the actual usage during the billing period..." Depending on the occupancy level of each multi-family dwelling, this practice results in Highway H either under collecting for water usage or over collecting, and it does not enable customers to receive accurate bills.

The availability of accurate meter readings for all accounts, including the accounts at multi-family dwelling units, is a critical requirement of Commission Rule 4 CSR 240-13.020(2). The meter readings enable the Company to produce accurate bills that result in an appropriate level of revenue for the water it supplies.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Initiate the practice of obtaining actual meter readings for all customer accounts, including multi-family dwelling accounts, and using these meter readings as a basis for preparing accurate bills. This recommendation must be completed within thirty (30) days of the Commission order approving the disposition agreement in Case No. WR-2009-0393.

Storage of Customer Documents

Customers' important business documents are not kept in locked, fireproof storage. The Company's current practice is to keep customer records including applications for service and other account records in an ordinary file cabinet.

The lack of fireproof storage has several potential detrimental effects. In the event of a disaster, important documents maintained in the office could be lost or destroyed. It would be difficult and time consuming to replace or re-create important customer records.

Securing the Company's critical documents related to customers' accounts in fireproof storage would minimize the risk of loss and the cost and labor-intensive process required to re-create customer data should a disaster occur.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Store all important customer business documents in a lockable, fireproof cabinet.

Follow-Up

The EMSD staff will conduct follow-ups of all of the EMSD recommendations no later than the deadlines as set out for each EMSD recommendation in the disposition agreement in Case No. SR-2009-0392. The EMSD staff will conduct follow-ups of all of the EMSD recommendations no later than the deadlines as set out for each EMSD recommendation in the disposition agreement in Case No. WR-2009-0393.

Agreement Attachment H

Summary of Case Events

Highway H Utilities, Inc.
Case # WR-2009-0393
Summary of Case Events

Date Filed	April 30, 2009
Day 150	September 28, 2009
Extension?	No
If yes, why?	
Amount Requested	\$ 66,000
Amount Agreed Upon	\$ 19,254
Number of Customers	1,013
Rate of Return on Debt	6.09%
Return on Equity	0.00%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	SA-2009-0317 WA-2009-0316
Status with Secretary of State	Yes
DNR Violations	No
Significant Service/Quality Issues	N/A