

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

In the Matter of the Small Company Rate)	<u>Case No. WR-2008-0314</u>
Increase Request of Spokane Highlands)	
Water Company)	

**NOTICE OF AGREEMENT REGARDING DISPOSITION
OF SMALL COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its Notice of Agreement Regarding Disposition of Small Company Rate Increase Request ("Agreement Notice") states the following to the Missouri Public Service Commission ("Commission").

1. On April 7, 2008, Spokane Highlands Water Company. (Company) submitted to the Commission revised tariff sheets to implement increases in its water service rates and charges, and other tariff changes, and the instant case was established.

2. As is noted in the Company's tariff filing transmittal letter, the changes contained in the subject revised tariff sheets are based upon a *Unanimous Agreement Regarding Disposition of Small Water Company Rate Increase Request* (Agreement) entered into by the Company, Staff and Office of the Public Counsel (OPC). As is also noted in the Company's tariff filing transmittal letter, the Agreement pertains to the small company rate increase request that the Company submitted to the Commission on November 14, 2007 (Tracking File No. QW-2008-0003).

3. Included in Appendix A attached hereto is a copy of the above-referenced Agreement. Various documents related to the Agreement are also included in Appendix A as attachments to the Agreement. Additionally, affidavits from the Staff members that participated in the investigation of the Company's Request are included in Appendix A.

4. Consistent with established internal operating procedures pertaining to small company rate increase requests, the Staff intends to file its recommendation in this case no later than the end of business on April 30, 2008.

WHEREFORE, the Staff respectfully submits this Agreement Notice and the attached Appendix for the Commission's information and consideration in this case.

Respectfully Submitted,

/s/ **Keith R. Krueger**

Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

Attorney for the Staff of the
Missouri Public Service Commission

P.O. Box 360
Jefferson City, MO 65102
573-751-4140 (telephone)
573-751-9285 (facsimile)
keith.krueger@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this Agreement Notice and the attached Appendix has been provided, either by first-class mail, by electronic mail, by facsimile transmission or by hand-delivery, to each attorney and/or party of record for this case on this 15th day of April 2008.

/s/ **Keith R. Krueger**

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2008-0314

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Staff Participant Affidavits

James M. Russo – Water & Sewer Department

William Harris – Auditing Department

Guy Gilbert – Engineering & Management Services Department

Kay Niemeier – Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

STATE OF MISSOURI)

) SS

CASE NO. WR-2008-0314

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 *Unanimous Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachments A, B, D, & E 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 7th day of April, 2008.


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 V. WILLIAM HARRIS

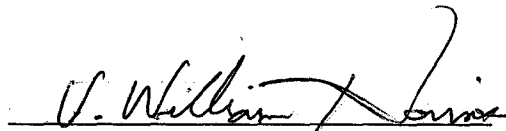
STATE OF MISSOURI

ss.

Case No. WR-2008-0314

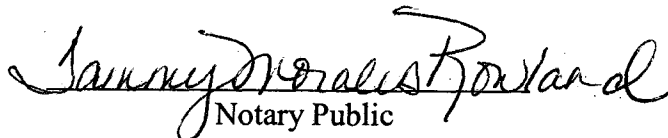
COUNTY OF COLE

COMES NOW V. William Harris, 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 *Unanimous Agreement Regarding Disposition of Small Water Company Rate 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.



V. William Harris
Utility Regulatory Auditor III
Auditing Department

Subscribed and sworn to before me this 4th day of April 2008.


Notary Public

TAMMY MORALES ROWLAND
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County

My Commission Expires: Jan. 23, 2010
Commission # 06451086

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT GUY C. GILBERT

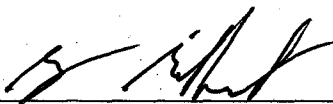
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COUNTY OF COLE

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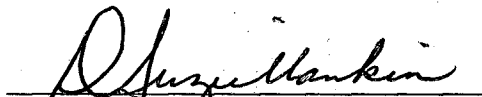
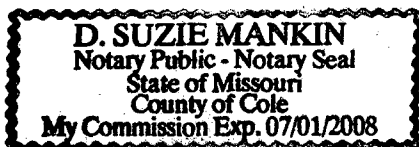
COMES NOW Guy C. Gilbert, being of lawful age, and on his oath states the following: (1) that he is an Utility Regulatory Engineer II in the Missouri Public Service Commission's Engineering and Management Services Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the following *Unanimous Agreement Regarding Disposition of Small Water Company Rate 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.



Guy C. Gilbert

Utility Regulatory Engineer II
Engineering and Management Services Department

Subscribed and sworn to before me this 8th day of April 2008.


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF J. KAY NIEMEIER

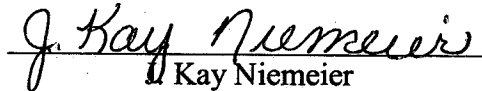
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Case No. WR-2008-0314

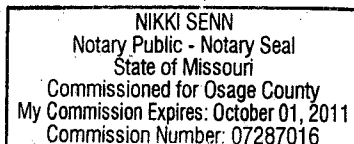
COMES NOW J. Kay Niemeier, being of lawful age, and on her oath states the following: (1) that she is an Utility Management Analyst III in the Missouri Public Service Commission's Engineering and Management Services Department; (2) that she participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that she has knowledge of the following *Unanimous Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement"); (4) that she was responsible for the preparation of Attachment G to the Disposition Agreement; (5) that she 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 her knowledge, information, and belief.



J. Kay Niemeier

Utility Management Analyst III
Engineering and Management Services Department

Subscribed and sworn to before me this 3rd day of April 2008.




Notary Public

Unanimous Disposition Agreement

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

SPOKANE HIGHLANDS WATER COMPANY

MO PSC TRACKING FILE NO. QW-2008-0003

BACKGROUND

Spokane Highlands Water Company (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) tracking file by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure (Small Company Procedure). In its letter, received on November 14, 2007, the Company set forth its request for an increase of \$10,000 in its total annual water service operating revenues. In its request, the Company also acknowledged that the design of its customer rates, service charges, customer service practices, general business practices and 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 50 residential customers.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, the 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 the Staff's "investigation" of the Company's Request.)

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

RESOLUTION OF THE COMPANY'S REQUEST

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the Staff's investigation of the Company's Request, the Staff, the Company and the OPC 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, with those proposed tariff revisions bearing an effective date of May 7, 2008.

(2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$2,807 needed to recover the Company's cost of service.

(3) That the audit workpapers attached hereto as Attachment C, which include consideration of a capital structure of 100% equity for the Company and a pre-tax return on equity of 9.00%, 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, 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.

(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, which includes the depreciation rates used by the Staff in its revenue requirement analysis, should be the prescribed schedule of water plant depreciation rates for the Company.

(8) That the Company will immediately start keeping an accurate recording of timekeeping and mileage for utility-related purposes.

(9) That the Company will establish billing and collections practices and account for revenues electronically by July 31, 2008.

(10) That the Company will implement the recommendations contained in the Engineering & Management Services Department ("EMSD") Report attached hereto as Attachment G no later than August 31, 2008.

(11) That no later than April 9, 2008, the Company will mail its customers a written notice of the rates and charges included in its proposed tariff revisions. The notice will include a summary of the impact of the proposed rates on an average residential customer's bill, and will invite the customers to submit comments on the

proposed tariff changes to the Staff and OPC within twenty (20) days after the date of the notice. When the Company mails the notice to its customers, it will also send a copy to the Staff and the Staff will file a copy in the subject case file.

(12) That the Company acknowledges that the Staff will, and the OPC may, conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.

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

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

ADDITIONAL MATTERS

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Agreement reflect compromises between the Staff, the Company and the OPC, and none of the parties have agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

The Company and the OPC acknowledge that the Staff will be filing this Agreement, including the attachments, in the case that will be opened when the Company files the proposed tariff revisions called for in the Agreement. The Company and the OPC also acknowledge that the Staff will be making another filing in that case that will include the following: (a) the Staff's recommendation for approval of the subject proposed tariff revisions, and any related recommendations; (b) background information regarding the Company's Request and the Staff's investigation thereof; (c) information regarding the status of the Company's payment of its Commission assessments; (d) information regarding the status of the Company's submission of its Commission annual reports; (e) information regarding the status of the Company's submission of its Commission annual statement of operating revenues; (f) information regarding any other cases that the Company may have before the Commission; (g) information regarding any recent Notices of Violations that the Department of Natural Resources has issued to the Company; and (h) information regarding the status of the Company's corporate standing with the Secretary of State.


Additionally, the Company and the OPC agree that the Staff shall have the right to provide whatever oral explanation the Commission may request regarding the rate case that will be opened

when the Company files the proposed tariff revisions called for in this Agreement, at any agenda meeting at which that case is noticed to be considered by the Commission. To the extent reasonably practicable, the Staff will provide the Company and the OPC with advance 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:




Olivia Turner
Owner
Spokane Highlands Water Company

3-31-2008
Date



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

4/3/08
Date



Christina L. Baker
Senior Public Counsel
Office of the Public Counsel

4-3-08
Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Ratemaking 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

Agreement Attachment A

Example Tariff Sheets

P.S.C. MO No. 1

2nd Revised Sheet No. 4

Canceling

1st Revised Sheet No. 4

Spokane Highlands Water Company

Name of Issuing Company

For: Spokane Highlands Subdivision

Certificated Service Area

**Rules & Regulations Governing
the Rendering of Water Service**

Schedule of Rates

Availability:

Any metered customer located in the Company's service territory.

Water Service Rates:

Monthly Customer Charge	\$12.38 per month	+
Commodity Charge (for all metered volumes)	\$ 3.56 per thousand gallons	+

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: April 7, 2008
Month/Day/Year

Effective Date: May 7, 2008
Month/Day/Year

Issued By: Olivia Turner, President
Name & Title of Issuing Officer

290 Highland Drive Spokane MO 65754
Company Mailing Address

P.S.C. MO No. 1

2nd Revised Sheet No. 5

Canceling

1st Revised Sheet No. 5

Spokane Highlands Water Company
Name of Issuing Company

For: Spokane Highlands Subdivision
Certificated Service Area

**Rules Governing
Rendering of Water Service**

Schedule of Service Charges

New Connection Charge: actual cost not to exceed \$850 +

(Includes material and labor for installation of the Service Connection and Meter Setting)

Discontinuance of Service for Non-payment of Bill: +

Disconnect/Reconnection charge \$ 25.00

Temporary Disconnection of Service at Customers Request: +

Turn-off Charge \$12.50

Turn-on Charge \$12.50

Late Payment Charge: +

Billing will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last date on which payment will be considered delinquent. The period after which the payment is considered delinquent is 21 days after rendition of the bill. For any bill not paid within the period stated thereon, a late charge in the amount of \$5.00 per month, not to exceed three months or \$15.00 per customer, shall be added to the total amount due plus all disconnection and reconnection costs, collection costs and reasonable attorney's fees for collections.

Returned Check Charge: +

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

Meter Test Charge:

This charge of \$25 will be billed for a customer requested testing where more than one test is requested during a consecutive 12 month period, consistent with Rule 12 of this tariff.

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: April 7, 2008
Month/Day/Year

Effective Date: May 7, 2008
Month/Day/Year

Issued By: Olivia Turner, President
Name & Title of Issuing Officer

290 Highland Drive Spokane MO 65754
Company Mailing Address

Agreement Attachment B

Ratemaking Income Statement

SPOKANE HIGHLANDS WATER COMPANY

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	15,918
2	Other Operating Revenues *	\$	228
3	Total Operating Revenues	\$	16,146
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Pumping Equipment-Purchased Power	\$ 1,744
2 Water Treatment Expense-Chemicals	\$ -
3 Water Treatment -Testing/Laboratory Fees	\$ 200
4 Maintenance of Parts/Equipment	\$ 372
5 Operator Services	\$ 2,400
6 Administration & General - Salaries	\$ 4,816
7 Office Supplies	\$ 85
8 Accounting Services	\$ 350
9 Office Rent	\$ 857
10 General Liability Insurance	\$ 265
11 Postage	\$ 153
12 Telephone	\$ 562
13 MO Secretary of State Fees	\$ 45
14 Fuel & Transportation	\$ 868
15 Rate Case Expense	\$ 41
16 Regulatory Commission Expense	\$ 90
17 Sub-Total Operating Expenses	\$ 12,848
18 Property Taxes	\$ 90
19 MO Franchise Taxes	\$ -
20 Employer FICA Taxes	\$ -
21 Federal Unemployment Taxes	\$ -
22 State Unemployment Taxes	\$ -
23 State & Federal Income Taxes	\$ 744
24 Sub-Total Taxes	\$ 834
25 Depreciation Expense	\$ 3,611
26 Amortization of Utility Plant	\$ (1,328)
27 Sub-Total Depreciation/Amortization	\$ 2,283
28 Return on Rate Base	\$ 2,988
29 Total Cost of Service	\$ 18,953
25 Overall Revenue Increase Needed	\$ 2,807

Agreement Attachment C

Audit Workpapers

Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Revenue Requirement

Line 9.00%
Return

(A)	(B)
1 Net Orig Cost Rate Base (Sch 2)	\$ 33,198
2 Rate of Return	9.00%

3 Net Operating Income Requirement	\$ 2,988
4 Net Income Available (Sch 8)	\$ 740

5 Additional NOIBT Needed	\$ 2,248
6 Income Tax Requirement (Sch 10)	
7 Required Current Income Tax	\$ 744
8 Test Year Current Income Tax	\$ 185

9 Additional Current Tax Required	\$ 559
10 Required Deferred ITC	\$ 0
11 Test Year Deferred ITC	\$ 0

12 Additional Deferred ITC Required	\$ 0

13 Total Additional Tax Required	\$ 559

14 Gross Revenue Requirement	\$ 2,807

Accounting Schedule: 2
13:33 03/07/2008

Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Rate Base

Line Description	Amount
(A)	(B)
1 Total Plant in Service (Sch 3)	\$ 79,640
Subtract from Total Plant	
2 Depreciation Reserve (Sch 6)	\$ 27,896
3 Net Plant in Service	\$ 51,744
Add to Net Plant in Service	
4 Cash Working Capital (Sch)	\$ 0
5 Amortization of CIAC	10,920
6 Prepaid Insurance	0
Subtract from Net Plant	
7 Federal Tax Offset 0.0000 %	\$ 0
8 State Tax Offset 0.0000 %	0
9 City Tax Offset 0.0000 %	0
10 Interest Expense Offset 0.0000 %	0
11 Customer Advances for Construction	0
12 Contribution in Aid of Construction	29,466
13 CIAC Depreciation	0
14 Customer Deposits	0
15 Total Rate Base	\$ 33,198

Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Total Plant in Service

Line			Total	Total Co	Alloc	Jurisdictional	Adjusted
No	Acct	Description	Company	Adjustment	Factor	Adjustment	Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Intangible Plant							
1	301.000	Organization	\$ 3,137	\$ 0	100.0000	\$ 0 P-1	\$ 3,137
2	302.000	Franchises	0	0	100.0000	0 P-2	0
3	303.000	Miscellaneous Intangible Plant	0	0	100.0000	0 P-3	0
4		Total	\$ 3,137	\$ 0		\$ 0	\$ 3,137
Source of Supply & Pumping Plant							
5	310.000	Land & Land Rights	\$ 1,000	\$ 0	100.0000	\$ 0 P-4	\$ 1,000
6	311.000	Structures & Improvements	5,517	0	100.0000	0 P-5	5,517
7	312.000	Collecting & Impounding Reservoirs	0	0	100.0000	0 P-6	0
8	313.000	Lake, River, and Other Intakes	0	0	100.0000	0 P-7	0
9	314.000	Wells & Springs	16,179	0	100.0000	0 P-8	16,179
10	316.000	Supply Mains	0	0	100.0000	0 P-9	0
11	321.000	Structures & Improvements	0	0	100.0000	0 P-10	0
12	325.000	Electric Pumping Equipment	12,299	0	100.0000	0 P-11	12,299
13	328.000	Other Pumping Equipment	0	0	100.0000	0 P-12	0
14		Total	\$ 34,995	\$ 0		\$ 0	\$ 34,995
Water Treatment Plant							
15	330.000	Land & Land Rights	\$ 0	\$ 0	100.0000	\$ 0 P-13	\$ 0
16	331.000	Structures & Improvements	0	0	100.0000	0 P-14	0
17	332.000	Water Treatment Equipment	0	0	100.0000	0 P-15	0
18		Total	\$ 0	\$ 0		\$ 0	\$ 0

13:33 03/07/2008

Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Total Plant in Service

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Transmission & Distribution Plant							
19	340.000	Land & Land Rights	\$ 0	\$ 0	100.0000	\$ 0 P-16	\$ 0
20	341.000	Structures & Improvements	0	0	100.0000	0 P-17	0
21	342.000	Distribution Reservoirs & Standpipe	9,515	0	100.0000	0 P-18	9,515
22	343.000	Transmission & Distribution Mains	15,875	0	100.0000	0 P-19	15,875
23	344.000	Fire Meters	0	0	100.0000	0 P-20	0
24	345.000	Services	916	0	100.0000	0 P-21	916
25	346.000	Meters	11,325	392	100.0000	0 P-22	11,717
26	347.000	Meter Installation	0	0	100.0000	0 P-23	0
27	348.000	Hydrants	1,104	0	100.0000	0 P-24	1,104
28	349.000	Other Plant & Miscellaneous Equip	0	0	100.0000	0 P-25	0
29		Total	\$ 38,735	\$ 392		\$ 0	\$ 39,127
General Plant							
30	389.000	Land & Land Rights	\$ 0	\$ 0	100.0000	\$ 0 P-26	\$ 0
31	390.000	Structures & Improvements	0	0	100.0000	0 P-27	0
32	391.000	Office Furniture & Equipment	2,271	0	100.0000	0 P-28	2,271
33	391.100	Computers and Office Equipment	0	110	100.0000	0 P-37	110
34	392.000	Transportation Equipment	0	0	100.0000	0 P-29	0
35	393.000	Stores Equipment	0	0	100.0000	0 P-30	0
36	394.000	Tools, Shop & Garage Equipment	0	0	100.0000	0 P-31	0
37	395.000	Laboratory Equipment	0	0	100.0000	0 P-32	0
38	396.000	Power Operated Equipment	0	0	100.0000	0 P-33	0
39	397.000	Communication Equipment	0	0	100.0000	0 P-34	0
40	398.000	Miscellaneous Equipment	0	0	100.0000	0 P-35	0
41	399.000	Other Tangible Plant	0	0	100.0000	0 P-36	0
42		Total	\$ 2,271	\$ 110		\$ 0	\$ 2,381
43		Total Plant In Service	\$ 79,138	\$ 502		\$ 0	\$ 79,640

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Adjustments to Total Plant

Adj No Description	Total Co Adjustment	Mo Juris Adjustment
-----------------------	------------------------	------------------------

Meters	P-22	\$ 392
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1. To adjust 2006 test year to reflect a meter placed in service in January 2007. (Harris)	\$	392
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Computers and Office Equipment	P-37	\$ 110
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1. To include printer/copier purchased at Walmart. (Harris)	\$	110
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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
Intangible Plant					
1	301.000	Organization	\$ 3,137	0.0000	\$ 0
2	302.000	Franchises	0	0.0000	0
3	303.000	Miscellaneous Intangible Plant	0	0.0000	0
4		Total	\$ 3,137		\$ 0
Source of Supply & Pumping Plant					
5	310.000	Land & Land Rights	\$ 1,000	0.0000	\$ 0
6	311.000	Structures & Improvements	5,517	2.5000	138
7	312.000	Collecting & Impounding Reservoirs	0	0.0000	0
8	313.000	Lake, River, and Other Intakes	0	0.0000	0
9	314.000	Wells & Springs	16,179	2.0000	324
10	316.000	Supply Mains	0	2.0000	0
11	321.000	Structures & Improvements	0	2.5000	0
12	325.000	Electric Pumping Equipment	12,299	10.0000	1,230
13	328.000	Other Pumping Equipment	0	0.0000	0
14		Total	\$ 34,995		\$ 1,692
Water Treatment Plant					
15	330.000	Land & Land Rights	\$ 0	0.0000	\$ 0
16	331.000	Structures & Improvements	0	0.0000	0
17	332.000	Water Treatment Equipment	0	2.9000	0
18		Total	\$ 0		\$ 0
Transmission & Distribution Plant					
19	340.000	Land & Land Rights	\$ 0	0.0000	\$ 0
20	341.000	Structures & Improvements	0	0.0000	0
21	342.000	Distribution Reservoirs & Standpipe	9,515	2.5000	238
22	343.000	Transmission & Distribution Mains	15,875	2.0000	318
23	344.000	Fire Meters	0	0.0000	0
24	345.000	Services	916	2.9000	27
25	346.000	Meters	11,717	10.0000	1,172
26	347.000	Meter Installation	0	0.0000	0
27	348.000	Hydrants	1,104	2.5000	28
28	349.000	Other Plant & Miscellaneous Equip	0	0.0000	0
29		Total	\$ 39,127		\$ 1,783

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Depreciation Expense

Line No	Acct	Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)
		General Plant			
30	389.000	Land & Land Rights	\$ 0	0.0000	\$ 0
31	390.000	Structures & Improvements	0	0.0000	0
32	391.000	Office Furniture & Equipment	2,271	5.0000	114
33	391.100	Computers and Office Equipment	110	20.0000	22
34	392.000	Transportation Equipment	0	0.0000	0
35	393.000	Stores Equipment	0	0.0000	0
36	394.000	Tools, Shop & Garage Equipment	0	0.0000	0
37	395.000	Laboratory Equipment	0	0.0000	0
38	396.000	Power Operated Equipment	0	0.0000	0
39	397.000	Communication Equipment	0	0.0000	0
40	398.000	Miscellaneous Equipment	0	0.0000	0
41	399.000	Other Tangible Plant	0	0.0000	0
42		Total	\$ 2,381		\$ 136
43		Total Depreciation Expense	\$ 79,640		\$ 3,611

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Depreciation Reserve

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Intangible Plant							
1	301.000	Organization	\$ 0	\$ 0	100.0000	\$ 0 R-1	\$ 0
2	302.000	Franchises	0	0	100.0000	0 R-2	0
3	303.000	Other Plant & Miscellaneous Equip	0	0	100.0000	0 R-3	0
4		Total	\$ 0	\$ 0		\$ 0	\$ 0
Source of Supply & Pumping Plant							
5	310.000	Land & Land Rights	\$ 0	\$ 0	100.0000	\$ 0 R-4	\$ 0
6	311.000	Structures & Improvements	1,242	138	100.0000	0 R-5	1,380
7	312.000	Collecting & Impounding Reservoirs	0	0	100.0000	0 R-6	0
8	313.000	Lake, River & Other Intakes	0	0	100.0000	0 R-7	0
9	314.000	Wells & Springs	2,916	324	100.0000	0 R-8	3,240
10	316.000	Supply Mains	0	0	100.0000	0 R-9	0
11	321.000	Structures & Improvements	0	0	100.0000	0 R-10	0
12	325.000	Electric Pumping Equipment	7,470	1,230	100.0000	0 R-11	8,700
13	328.000	Other Plant & Miscellaneous Equip	0	0	100.0000	0 R-12	0
14		Total	\$ 11,628	\$ 1,692		\$ 0	\$ 13,320
Water Treatment Plant							
15	303.100	Land & Land Rights	\$ 0	\$ 0	100.0000	\$ 0 R-13	\$ 0
16	331.000	Structures and Improvements	0	0	100.0000	0 R-14	0
17	332.000	Water Treatment Equipment	0	0	100.0000	0 R-15	0
18		Total	\$ 0	\$ 0		\$ 0	\$ 0
Transmission & Distribution Plant							
19	340.000	Land & Land Rights	\$ 0	\$ 0	100.0000	\$ 0 R-16	\$ 0
20	341.000	Structures and Improvements	0	0	100.0000	0 R-17	0
21	342.000	Distribution Reservoirs & Standpipe	2,142	238	100.0000	0 R-18	2,380
22	343.000	Transmission & Distribution Mains	2,862	318	100.0000	0 R-19	3,180
23	344.000	Fire Meters	0	0	100.0000	0 R-20	0
24	345.000	Services	243	27	100.0000	0 R-21	270
25	346.000	Meters	6,850	1,172	100.0000	0 R-22	8,022
26	347.000	Meter Installations	0	0	100.0000	0 R-23	0
27	348.000	Hydrants	252	28	100.0000	0 R-24	280
28	349.000	Other Plant & Miscellaneous Equip	0	0	100.0000	0 R-25	0
29		Total	\$ 12,349	\$ 1,783		\$ 0	\$ 14,132

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Depreciation Reserve

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
General Plant							
30	389.000	Land & Land Rights	\$ 0	\$ 0	100.0000	\$ 0 R-26	\$ 0
31	390.000	Structures & Improvements	0	0	100.0000	0 R-27	0
32	391.000	Office Furniture & Equipment	331	113	100.0000	0 R-28	444
33	391.100	Computers and Office Equipment	0	0	100.0000	0 R-37	0
34	392.000	Transportation Equipment	0	0	100.0000	0 R-29	0
35	393.000	Stores Equipment	0	0	100.0000	0 R-30	0
36	394.000	Tools, Shop & Garage Equipment	0	0	100.0000	0 R-31	0
37	395.000	Laboratory Equipment	0	0	100.0000	0 R-32	0
38	396.000	Power Operated Equipment	0	0	100.0000	0 R-33	0
39	397.000	Communication Equipment	0	0	100.0000	0 R-34	0
40	398.000	Miscellaneous Equipment	0	0	100.0000	0 R-35	0
41	399.000	Other Tangible Plant	0	0	100.0000	0 R-36	0
42		Total	\$ 331	\$ 113		\$ 0	\$ 444

43		Total Depreciation Reserve	\$ 24,308	\$ 3,588		\$ 0	\$ 27,896

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Adjustments to Depreciation Reserve

Adj No Description		Total Co Adjustment	Mo Juris Adjustment

Structures & Improvements	R-5	\$ 138	

1. To reflect depreciation expense for the period ended December 31, 2007. (Harris)		\$ 138	

Wells & Springs	R-8	\$ 324	

1. To reflect depreciation expense for the period ended December 31, 2007. (Harris)		\$ 324	

Electric Pumping Equipment	R-11	\$ 1,230	

1. To reflect depreciation expense for the period ended December 31, 2007. (Harris)		\$ 1,230	

Distribution Reservoirs & Standpipe	R-18	\$ 238	

1. To reflect depreciation expense for the period ended December 31, 2007.		\$ 238	

Transmission & Distribution Mains	R-19	\$ 318	

1. To reflect depreciation expense for the period ended December 31, 2007.		\$ 318	

Spokane Highlands

Case: QW-08-003A

Year Ending December 31, 2006

Adjustments to Depreciation Reserve

Adj No Description		Total Co Adjustment	Mo Juris Adjustment

Services	R-21	\$ 27	

1. To reflect depreciation expense for the period ended December 31, 2007.		\$ 27	

Meters	R-22	\$ 1,172	

1. To reflect depreciation expense for the period ended December 31, 2007.		\$ 1,172	

Hydrants	R-24	\$ 28	

1. To reflect depreciation expense for the period ended December 31, 2007.		\$ 28	

Office Furniture & Equipment	R-28	\$ 113	

1. To reflect depreciation expense for the period ended December 31, 2007. (Harris)		\$ 113	

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Income Statement

Line No	Acct Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
	(A)	(B)	(C)	(D)	(E)	(F)
Operating Revenues						
1	Income-Metered	\$ 13,020	\$ 2,898	100.0000	\$ 0 S-1	\$ 15,918
2	Income-Late payment fees	120	108	100.0000	0 S-2	228
3	Income-Meter testing fees	0	0	100.0000	0 S-3	0
4	Income-Other	0	0	100.0000	0 S-4	0
5	Total	\$ 13,140	\$ 3,006		\$ 0	\$ 16,146
Operation & Maintenance Expense						
6	Payroll	\$ 0	\$ 4,816	100.0000	\$ 0 S-5	\$ 4,816
7	Insurance-Gen. Liability	253	12	100.0000	0 S-6	265
8	Employee Benefits	0	0	100.0000	0 S-7	0
9	Accounting Services	0	350	100.0000	0 S-8	350
10	Operator Services	2,400	0	100.0000	0 S-9	2,400
11	MO Secretary of State Fees	0	45	100.0000	0 S-10	45
12	PSC Assessment Fee	80	10	100.0000	0 S-11	90
13	Water Testing Expense	200	0	100.0000	0 S-12	200
14	Office Supplies Expense	85	0	100.0000	0 S-13	85
15	Office Rent	2,400	(1,543)	100.0000	0 S-14	857
16	Postage	144	9	100.0000	0 S-15	153
17	Rate Case Expense	0	41	100.0000	0 S-16	41
18	Chemicals & Water Treatment	0	0	100.0000	0 S-17	0
19	Fuel & Transportation Expense	0	868	100.0000	0 S-18	868
20	Business Meals	0	0	100.0000	0 S-19	0
21	Phone - Basic Service	454	(42)	100.0000	0 S-20	412
22	Phone - Internet Service	0	150	100.0000	0 S-21	150
23	Phone - Pager	0	0	100.0000	0 S-22	0
24	Maintenance Expense	0	372	100.0000	0 S-23	372
25	Property Taxes	80	10	100.0000	0 S-24	90
26	Electric-Pumping	1,121	623	100.0000	0 S-25	1,744
27	Total	\$ 7,217	\$ 5,721		\$ 0	\$ 12,938

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Income Statement

Line No	Acct	Description	Total Company	Total Co Adjustment	Alloc Factor	Jurisdictional Adjustment	Adjusted Jurisdictional
		(A)	(B)	(C)	(D)	(E)	(F)
Depreciation Expense							
28		Depreciation Expense	\$ 0	\$ 0	100.0000	\$ 3,611 S-26	\$ 3,611
29		Amortization of CIAC	(1,281)	(47)	100.0000	0 S-27	(1,328)
30		Total	\$ (1,281)	\$ (47)		\$ 3,611	\$ 2,283

31		Other Operating Expenses	\$ 0	\$ 0		\$ 0	\$ 0

32		Total Operating Expenses	\$ 5,936	\$ 5,674		\$ 3,611	\$ 15,221

33		Net Income Before Taxes	\$ 7,204	\$ (2,668)		\$ (3,611)	\$ 925

Current Income Taxes							
34		Current Income Taxes	\$ 0	\$ 0	100.0000	\$ 185 S-29	\$ 185
35		Total	\$ 0	\$ 0		\$ 185	\$ 185
Deferred Income Taxes							
36		Deferred Income Taxes	\$ 0	\$ 0	100.0000	\$ 0 S-30	\$ 0
37		Total	\$ 0	\$ 0		\$ 0	\$ 0

38		Total Income Taxes	\$ 0	\$ 0		\$ 185	\$ 185

39		Net Operating Income	\$ 7,204	\$ (2,668)		\$ (3,796)	\$ 740

Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Adjustments to Income Statement

Adj No Description		Total Co Adjustment	Mo Juris Adjustment

Income-Metered	S-1	\$ 2,898	

1. To update test year for correct level of revenues.		\$ 2,687	
2. To annualize revenues to reflect customer growth.		\$ 211	

Income-Late payment fees	S-2	\$ 108	

1. To reflect account balance through the updated period ended December 31, 2007.		\$ 108	

Payroll	S-5	\$ 4,816	

1. To reflect annualized salaries.		\$ 4,816	

Insurance-Gen. Liability	S-6	\$ 12	

1. To reflect account balance through the updated period ended December 31, 2007.		\$ 12	

Accounting Services	S-8	\$ 350	

1. To reflect expenses incurred in 2007.		\$ 350	

MO Secretary of State Fees	S-10	\$ 45	

1. To include incorporation fee for 2007. (Harris)		\$ 45	

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Adjustments to Income Statement

Adj No Description		Total Co Adjustment	Mo Juris Adjustment

PSC Assessment Fee	S-11	\$ 10	

1. To reflect increase in PSC Assessment for 2007.		\$ 10	

Office Rent	S-14	\$ (1,543)	

1. To reduce home-office rent allocation. (Harris)		\$ (1,543)	

Postage	S-15	\$ 9	

1. To reflect increase in postage rates.		\$ 9	

Rate Case Expense	S-16	\$ 41	

1. To normalize rate case expense over a three-year period.		\$ 41	

Fuel & Transportation Expense	S-18	\$ 868	

1. To reflect mileage and other costs incurred for banking, purchasing supplies, reading meters, flushing lines and general maintenance. (Harris)		\$ 868	

Phone - Basic Service	S-20	\$ (42)	

1. To annualize cost of basic wireless telephone service.		\$ (42)	

Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Adjustments to Income Statement

Adj No Description		Total Co Adjustment	Mo Juris Adjustment

Phone - Internet Service	S-21	\$ 150	

1. To adjust for allowed annual internet expense.		\$ 150	

Maintenance Expense	S-23	\$ 372	

1. To reflect cost of equipment and grounds maintenance.		\$ 372	

Property Taxes	S-24	\$ 10	

1. To reflect 2007 increase in property taxes.		\$ 10	

Electric-Pumping	S-25	\$ 623	

1. To reflect increase in 2007 electric rates.		\$ 623	

Amortization of CIAC	S-27	\$ (47)	

1. To reflect change in 2007 CIAC amortization. (Majors)		\$ (47)	

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Income Tax

Line		Test Year	9.00% Return
(A)		(B)	

1	Net Income Before Taxes (Sch 8)	\$ 925	\$ 3,732

	Add to Net Income Before Taxes		
2	Book Depreciation Expense	\$ 2,283	\$ 2,283
		-----	-----
3	Total	\$ 2,283	\$ 2,283
	Subtr from Net Income Before Taxes		
4	Interest Expense 0.0000 %	\$ 0	\$ 0
5	Book Depreciation	2,283	2,283
		-----	-----
6	Total	\$ 2,283	\$ 2,283

7	Net Taxable Income	\$ 925	\$ 3,732

	Provision for Federal Income Tax		
8	Net Taxable Income	\$ 925	\$ 3,732
9	Deduct Missouri Income Tax 100.0 %	\$ 54	\$ 217
10	Deduct City Income Tax	0	0
11	Federal Taxable Income	871	3,515
		-----	-----
12	Total Federal Tax	\$ 131	\$ 527
	Provision for Missouri Income Tax		
13	Net Taxable Income	\$ 925	\$ 3,732
14	Deduct Federal Income Tax 50.0 %	\$ 66	\$ 264
15	Deduct City Income Tax	0	0
16	Missouri Taxable Income	860	3,469
		-----	-----
17	Total Missouri Tax	\$ 54	\$ 217

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Spokane Highlands
Case: QW-08-003A
Year Ending December 31, 2006

Income Tax

Line		Test Year	9.00% Return
(A)		(B)	
	Provision for City Income Tax		
18	Net Taxable Income	\$ 925	\$ 3,732
19	Deduct Federal Income Tax	\$ 131	\$ 527
20	Deduct Missouri Income Tax	54	217
21	City Taxable Income	740	2,988
22	Total City Tax	\$ 0	\$ 0
	Summary of Provision for Income Tax		
23	Federal Income Tax	\$ 131	\$ 527
24	Missouri Income Tax	54	217
25	City Income Tax	0	0
26	Total	\$ 185	\$ 744
	Deferred Income Taxes		
27	Deferred Investment Tax Credit	\$ 0	\$ 0
28	Deferred Repair Allowance	0	0
29	Deferred Tax Depreciation	0	0
30	Amort of Deferred Tax Depreciation	0	0
31	Amort of Repair Allowance	0	0
32	Amort of Deferred ITC	0	0
33	Deferred Unbilled	0	0
34	Total	\$ 0	\$ 0

35	Total Income Tax	\$ 185	\$ 744

Agreement Attachment D

Rate Design Worksheet

SPOKANE HIGHLANDS WATER COMPANY

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	\$ 15,918
Agreed-Upon Overall Revenue Increase	\$ 2,807
Percentage Increase Needed	17.636%

Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 10.52	\$ 12.38	\$ 3.030	\$ 3.56

Agreement Attachment E

Billing Comparison Worksheet

SPOKANE HIGHLANDS 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>
\$10.52	\$12.38	\$3.030	\$3.56

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	\$ 10.52
Usage Charge	\$ 18.18
Total Bill	\$ 28.70

Proposed Rates

Customer Charge	\$ 12.38
Usage Charge	\$ 21.39
Total Bill	\$ 33.76

INCREASES

Customer Charge

\$ Increase	\$1.86
% Increase	17.64%

Usage Charge

\$ Increase	\$3.21
% Increase	17.64%

Total Bill

\$ Increase	\$5.06
% Increase	17.64%

Agreement Attachment F

Schedule of Depreciation Rates

**SPOKANE HIGHLANDS WATER COMPANY
DEPRECIATION RATES**

(WATER)

CASE NO. QW-2008-0003

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATES %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>SALVAGE %</u>
311	Structures & Improvements	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%
345	Services	2.9%	35	0%
346	Meters	10.0%	10	0%
348	Hydrants	2.5%	40	0%
391	Office Furniture and Equipment	5.0%	20	0%

Agreement Attachment G

EMSD Report

**Review of Spokane Highlands Water Company
Customer Service Operations
Small Company Rate Increase Request
Tracking File No. QW-2008-0003
J. Kay Niemeier**

The Engineering and Management Services Department (EMSD) staff initiated an informal review of the customer service processes, procedures and practices at Spokane Highlands Water Company (Spokane Highlands or Company) on November 27, 2007. This review was performed in conjunction with a small company rate increase request submitted by the Company and assigned Tracking No. QW-2008-0003. Prior to a February 25, 2008 interview with the owners, the EMSD staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint records, public comments and other documentation related to the Company's customer service operations.

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

The objectives of 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 will 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 Readings
- Customer Billing and Remittance
- Credit and Collections

- Communications with Customers
- Complaints Handling and Recording
- Company Records

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

Overview

Spokane Highlands Water Company was originally certificated August 29, 1994. Olivia A. Turner and Martin M. Turner, the current owners, purchased the Company July 1, 2006. The Company currently provides water service to approximately 49 customers in its certificated service area, Spokane, Missouri, which is located in Christian County. Although there are twenty remaining lots in the subdivision, the Company has not experienced significant growth in the past few years.

All business operations of the Company are performed from an office at the owners' residence, 290 Highland Drive, Spokane, MO 65754. The owners' property adjoins the property location of the pump house and well, which is the first lot upon entering the subdivision.

Olivia Turner performs the business operations of the Company, i.e., meter reads, billing, credit and collections and other duties while Martin Turner performs the required electrical and mechanical duties. The monthly water tests required by the Department of Natural Resources (DNR) and necessary corrections to the water supply are performed by a contracted employee who is certified technician. The water tests are performed twice each month.

The owners expressed some frustrations with the previous owners and the customers. The previous owners had apparently left some unpaid bills and, in the owners' opinion, the customers have a poor attitude toward the water company and the owners.

The Company informed the EMSD staff that its future plans in order of implementation include the following: 1) place a gate at the drive to the well, 2) verify the calibration of its master meter and its customers' meters, 3) upgrade

the pump house, 4) install new water meters throughout system, 5) build a shed over the well and 6) place electric service at the well underground.

Meter Readings

The Company stated that it reads its customer meters around the 26th day of each month. This task requires one hour of time. The owner indicated that the readings have never been estimated. The owner records the reading on a steno pad sheet of paper with the date of the readings shown at the top of the page. Each month, all 49 customers and their previous month's meter reading are listed 1 through 49 on two sheets of the steno pad. With the customers' previous usage in the steno pad, the meter reader is able to immediately determine the accuracy of the meter reads.

The customers' current meter reading is recorded and then transferred to the customer billing card and the usage is calculated. Each customer billing card displays the customer's name and address and has the following headings: previous reading, present reading, usage, amount due, amount paid and the date paid. Each customer billing card handles this information for one calendar year.

The amount due for water usage for each customer is also written on the appropriate customer line of the steno pad each month. The steno pad and the customer billing cards are stored in the owner's office.

When a customer's usage is higher than normal, the owner telephones the customer to inform him/her of the high usage and determine if there is a problem.

The Company's technician reads its master meter twice each month and records the readings on a calendar. The owners read the master meter at the same time they read the customers' meters. The owners maintain a record of the master meter readings and the customers' total usage each month. The EMSD staff was informed that the Company experiences a large difference each month in the master meter reading and the customers' meter readings. January 2008's difference was approximately 20,000 gallons and February 2008's difference was approximately 3,000 gallons.

Customer Billing and Remittance

Following the calculation of the bill, the customer's postcard billing statement is manually completed and mailed the day following the meter read, typically the 27th day of the month. The postcard billing statement shown below is perforated; the customer returns the right side with their payment and retains the left side for their records.

The owner stated that when billing statements are reordered, the Company's phone number will be shown on both sides of the statement. The phone number shown on the billing statement is the owner's cell number and is a toll-free call for all customers.

Minimum \$10.52 per month	Minimum \$10.52 per month
Account No. Service Statement	Account No. Service Statement
SPOKANE HIGHLANDS WATER CO.	SPOKANE HIGHLANDS WATER CO.
290 Highland Drive • Spokane, MO 65754	290 Highland Drive • Spokane, MO 65754
<hr/>	<hr/>
Present Reading	<u>Present Reading</u>
<hr/>	<hr/>
Previous Reading	<u>Previous Reading</u>
<hr/>	<hr/>
Gallons Used	<u>Gallons Used</u>
<hr/>	<hr/>
Current Amount	<u>Current Amount</u>
<hr/>	<hr/>
Arrears	<u>Arrears</u>
<hr/>	<hr/>
Late Fee	<u>Late Fee</u>
<hr/>	<hr/>
DNR Fee	<u>DNR Fee</u>
<hr/>	<hr/>
Net Amount Due	<u>Net Amount Due</u>
<hr/>	<hr/>
Service to:	Service to:
<hr/>	<hr/>
\$3.03 per 1,000 gallons	Please send this card when paying bill. For service call: 417-693-6464. Cut-off date is the 22nd.

The Company's current rates are:

Monthly customer charge: \$10.52

Commodity charge: \$ 3.03 per 1,000 gallons

The Company is requesting an increase of \$10,000.00 in its annual water system operating revenues, which represents an increase of approximately 76.1% in its annual water system operating revenues.

The customers' payments are due by the 21st day of the month following the month statements are mailed and are considered delinquent on the 22nd day of the month. The Company's tariff allows a late charge of \$3.00 per month, not to exceed three months or \$9.00 per customer. No delinquent notice is mailed to the delinquent customers; the Company's late charge is added to the customer's next month's bill.

The customer's only payment option is by check. Customers either mail their payment or drop the payment in the lock box which is located on the owner's mailbox.

The Company informed the EMSD staff that customers are allowed to make payment of their bill in advance. The customers continue to receive a monthly bill showing the amount of remaining credit. The customer's monthly amount due is deducted from their credit balance and a payment is made when the credit balance has been depleted.

The Company stated that payments are manually recorded the day received. Bank deposits are stored in the office and deposited as needed, typically once per week.

Credit and Collections

The Company currently has signed applications from some of its customers. The owners stated that when the new rates go into effect, they will attempt to acquire a signed application from those customers that currently do not have a signed application on file with the Company. On a going forward basis, the Company stated that they will require a signed application from each new customer. Currently, the Company does not require any means of identification, so it is unable to verify customer identity. The Company stated that customers sometimes fail to inform it of changes in home ownership and bill responsibility.

The Company currently charges all new customers a deposit of \$25.00; the customer's amount of deposit paid is recorded on their customer billing card. The previous owners provided the current owners no customer deposit information.

The delinquent notice letter shown below is one the Company stated it mails to customers who have not paid after three month's billing.

SPOKANE HIGHLANDS WATER COMPANY INC .
290 Highland Drive
Spokane, Mo 65754
(417) 693-6464

To: Customer's Name

February 24, 2008

We have not heard from you on payment of your water bill. It is delinquent and must be paid ten days from now to avoid other charges and shut-off of your water .
Please contact us in regards of payment. Last payment received from you : 11-20-2007

Payment past due : \$103 .65

Total Due : \$103.65

Thank you,
Olivia Turner

The Company stated that when a customer's service is disconnected, it sometimes places a padlock on the meter. The Company's tariff provides for a \$15.00 reconnection charge when a service is discontinued due to non-payment. However, the EMSD staff was informed by the Company that it has never disconnected a service due to nonpayment.

The Company stated that it has received no insufficient funds checks. The Company's tariffed bad check charge is \$15.00 per check, but it is unaware of its bank charge for insufficient funds checks.

A customer's final bill is mailed to the address the Company has on record. The Company informed the EMSD staff that it had no write-offs for 2006 and approximately \$16.00 for 2007.

Communication with Customers

The owners stated that when necessary, it posts a sign in their yard near their mailbox with pertinent information, e.g., “flushing system”. The customers were informed of the anticipated rate increase through a letter.

Complaints Handling and Recording

Customers with questions or concerns may call the owner’s cell phone; the number is located on the customers’ billing statement and is a toll-free number. The customers’ complaints and inquiries are recorded on the back of the customer’s billing card.

Company Records

The Company’s records and all business documents are stored in the office at the owners’ residence. The EMSD staff was informed that the records are kept in a file cabinet and desk.

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 six areas that require Company management's attention:

- *Customer Billing and Remittance*
- *Credit and Collections*
- *Communication with Customers*
- *Complaints Handling and Recording*
- *Company Contracts*
- *Company Records*

Customer Billing and Remittance

The Company's monthly billing statements do not indicate the dates of the previous and present meter readings, which violates Commission Rule 4 CSR 240-13.020 (9)(A), which states:

Every bill for residential utility service shall clearly state (A) The beginning and ending meter readings of the billing period and the dates of these readings.

The Company's monthly billing statements do not indicate the date when the bill is due and the date when the bill will be delinquent, which violates Commission Rule 4 CSR 240-13.020 (9)(B), which states:

Every bill for residential utility service shall clearly state—The date when the bill will be considered due and the date when it will be delinquent, if different.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Correct its monthly billing statements to include the dates of the previous and present meter readings and to include the due date and the delinquent date so that the billing statements adhere to Commission Rules 4 CSR-13.020 (9)(A) and (B).

Credit and Collections

The Company does not have a signed customer application from all of its customers. Without a signed application from its customers, the Company is unable to determine the party responsible for payment of the monthly bills. The application form should include the customer's signature and the date the document was signed. The Company stated that it plans to implement the usage of the sample application provided it by the EMSD staff.

The Company informed the EMSD staff that it will attempt to acquire a signed application from those customers who do not currently have one with the Company. In addition, the Company stated that on a going-forward basis, it will require a signed application from each new customer.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Implement the procedure that a signed application is required prior to service being provided by the Company. The Company should attempt to obtain a signed application from its current customers that do not have a signed application on file with the Company. The Company's application form should include the customer's signature and the date of the signature.

The Company inappropriately charges all new customers a deposit of \$25.00. The Company's tariff does not include a customer deposit amount.

Commission Rule 4 CSR 240-13.030 establishes reasonable and uniform standards regarding deposits and guarantees required by utilities. The Company should abide by this rule when determining those customers required to make payment of a customer deposit.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Assess and refund customer deposits consistent with the Company's tariffs and Commission Rule 4 CSR 240-13.030.

The Company does not maintain records of its customers' deposits, which is in violation of Commission Rule 4 CSR 240-13.030(4)(E), which states:

A utility shall maintain records which show the name of each customer who has posted a deposit, the current address of the customer, the date and amount of deposit, the date and amount of interest paid and information to determine the earliest possible refund date.

The EMSD staff provided the Company a sample form to be used to maintain these records.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Maintain a record of paid customer deposits that adheres to Commission Rule 4 CSR 240-13.030(4)(E).

The Company does not provide a receipt to the customer of a secured customer deposit, which violates Commission Rule 4 CSR 240-13.030(4)(F), which states:

Each customer posting a security deposit shall receive, in writing, at the time of tender of deposit or with the first bill a receipt as evidence of deposit, unless the utility shows the existence or

nonexistence of a deposit on the customer's bill, in which event the receipt shall not be required unless requested by the customer. . . .

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Implement a policy of providing a receipt to customers that have posted a deposit with the Company. The policy should adhere to the Commission Rule 4 CSR 240-13.030(4)(E).

The Company's delinquent notice letter, which indicates future service disconnection, does not provide an adequate amount of days for the Company to disconnect service and it does not provide the customer the date of possible disconnection, which violates Commission Rule 4 CSR 240-13.050(3) which states:

On the date specified on the notice of discontinuance or within eleven (11) business days after that, and subject to the requirements of these rules, a utility may discontinue service to a residential customer between the hours of 8:00 a.m. and 4:00 p.m. Service shall not be discontinued on a day when utility personnel are not available to reconnect the customer's service, or on a day immediately proceeding such a day. After the eleven (11) business day effective period of the notice, all notice procedures required by this rule shall again be followed before the utility may discontinue service.

Commission Rule 4 CSR 240-13.050(4)(C) states:

The notice of discontinuance shall contain the following information:

The date on or after which service will be discontinued unless appropriate action is taken;

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Correct the Company's delinquent notice letter to permit customers eleven days to make payment prior to service disconnection and state the date on or after service will be discontinued, consistent with Commission Rule 4 CSR 240-13.050(4)(C).

The Company's charge to disconnect a service due to non-payment is incorrectly called a reconnection turn-on charge and, if service is reconnected, is added to the next month's bill.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Change the name in the Company's tariffs of the Discontinuance of Service for Non-Payment of Bill fee from "Reconnection Turn-on Charge" to "Disconnect for Non-payment Fee" and charge the fee amount on the bill which is due in order for the service to be reconnected.

The Company's tariffed bad check fee is \$15.00, but the Company is unaware of its bank's charge for insufficient funds checks. Although the Company has received no insufficient funds checks, its tariffed bad check charge should be an amount to adequately cover the fee charged by the Company's bank and the costs of the Company's required administrative tasks, in case the Company receives an insufficient funds check.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Determine the Company's bank charge for insufficient funds checks and its administrative costs of processing a returned check and change the Company's tariff accordingly, if appropriate.

Communication with Customers

The Company is in violation of Commission Rule 4 CSR 240-13.040(3) which states:

A utility shall prepare, in written form, information which in layman's terms summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter. The form shall be submitted to the consumer services department of the Missouri Public Service Commission, and to the Office of the Public Counsel. This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each residential customer of the utility if requested by the customer. The information shall be delivered or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request. The written information shall indicate conspicuously that it is being provided in accordance with the rules of the commission, and shall contain information concerning, but not limited to: (A) – (L).

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

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

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

Complaint Handling and Recording

The Company is not maintaining the number and general description of complaints registered with the Company which violates Commission Rules. Instead, the Company logs complaints and inquiries on the back of the customer's billing card.

The lack of a complaint and inquiry log that includes all complaint and/or inquiry calls makes it difficult for the Company to provide accurate documentation of the nature of its complaints and inquiries. Commission Rule 4 CSR 240-13.040(5) states:

A utility shall maintain records on its customers for at least two (2) years which contain information concerning:

. . . .

(B) The number and general description of complaints registered with the utility;

In addition to compliance with the Commission Rule, this comprehensive reporting information could provide the Company with an essential management tool. This documented information would enable Company management to evaluate the reasons customers contact the Company and determine if any measures could be taken to reduce customer contacts and improve customer satisfaction. The Company stated that it plans to implement the usage of the sample complaint log provided it.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and utilize a log that documents all the complaints and inquiries received by the Company's personnel, consistent with the provisions of Commission Rule 4 CSR 240-13.040(5).

Company Contracts

The Company does not have a written contract with its certified technician; it is a verbal agreement. The technician tests and treats the water and takes the monthly reading of the master meter. A written contract would provide that an agreement has been reached between the technician and the Company as to the job's duties, responsibilities, compensation and other necessary items.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure a signed contract is obtained from the Company's technician and review the contract yearly.

The Company is not provided the technician's twice-monthly meter readings of the Company's master meter. The Company is paying for this service and should be provided the actual meter reading each month. It would be a good business practice for the Company to retain these monthly master meter readings.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Ensure the monthly master meter readings are provided to the Company by the technician.

Company Records

The Company does not currently store its billing information or business documents in a fireproof locked location; they are stored in the office of the owners' home. Secure protection of the Company's records would be provided if the Company made use of fireproof file cabinets or vaults. Securing the company's materially relevant information/documents in fireproof file cabinets or vaults could eliminate the cost, time and frustration of re-creating lost data should the information/documents be destroyed or lost. The risk of this occurrence would be minimized if information/documents were stored in fireproof file cabinets or vaults.

THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Store all customer payments, Company billing information and all business documents in a fireproof file cabinet(s) or fireproof vault(s).