

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

In the Matter of Middlefork Water Company)
Requesting a Rate Increase)

Case No. WR-2010-0309

**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 as follows:

1. On May 4, 2010, the Missouri Public Service Commission ("the Commission") received a Rate Increase Request Letter ("Request Letter") from Middlefork Water Company ("Middlefork" or "the Company").

2. In its Request Letter, Middlefork requested Commission approval of an increase of \$55,000 in its annual water system operating revenues pursuant to Commission Rule 4 CSR 240-3.050 (2).

3. Upon completion of its investigation of the Company's request, Staff provided Middlefork and the Office of the Public Counsel ("OPC") with materials related to Staff's investigation, as well as Staff's initial recommendations for the resolution of the revenue increase request.

4. 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 Middlefork were able to reach an agreement ("Company/Staff Disposition Agreement") regarding a resolution of the Company's request. This agreement provides for a two step phase-in of the Company/Staff agreed-upon operating revenue, with phase one being an operating revenue

remaining in the amount of \$55,000 and in effect until April 30, 2011, and phase two providing for an overall agreed-upon operating revenue increase of \$145,429 that would take effect May 1, 2011. The agreement, among other things, also prescribes a schedule of depreciation rates and requires the Company to implement certain agreed-upon Staff recommendations.

5. Included in Appendix A, attached and incorporated by reference herein, is a copy of the above-referenced Company/Staff Disposition Agreement, as well as various attachments related to the Company/Staff Disposition Agreement. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of the Company's request.

6. Pursuant to Commission Rule 4 CSR 240-3.050, governing disposition agreements executed between Staff and small utility companies utilizing the small utility rate case procedure, Middlefork will file tariff sheets seeking to implement the terms of the Company/Staff Disposition Agreement. The tariff sheets will be filed October 12, 2010, and will bear an effective date of November 24, 2010, which, as required by Commission Rule 4 CSR 240-3.050(14), is not fewer than forty-five (45) days after they are filed.

7. Middlefork is current in its payment of Commission assessments and on its filings of annual reports and statements of revenue. Middlefork has no other cases pending before the Commission at this time.

WHEREFORE, Staff respectfully submits this Agreement Notice and the attached Appendix A for the Commission's information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by Staff and the Company.

Respectfully submitted,

/s/ RACHEL M. LEWIS
Rachel M. Lewis
Deputy Counsel
Missouri Bar No. 56073

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526.6715 (Telephone)
(573) 751-9285 (Fax)
rachel.lewis@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 1st day of October, 2010.

/S/ RACHEL M. LEWIS

APPENDIX A

STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2010-0309

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Staff Participant Affidavits

James M. Russo - Water & Sewer Department

Paula Mapeka - Auditing Department

John Robinett - Engineering & Management Services Department

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

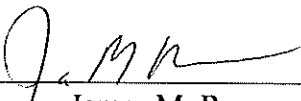
STATE OF MISSOURI)

) SS

CASE NO. WR-2010-0309

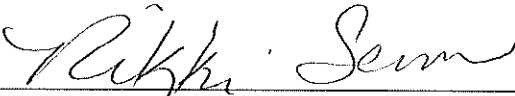
COUNTY OF COLE)

COMES NOW James M. Russo, being of lawful age, and on his oath states the following: (1) that he is the Rate and Tariff Examination Supervisor of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *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, C, 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.

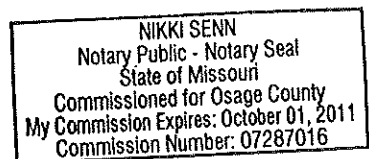


James M. Russo
Rate & Tariff Examination Supervisor
Water and Sewer Department

Subscribed and sworn to before me this 28th day of September, 2010.



Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF PAULA MAPEKA

STATE OF MISSOURI

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COUNTY OF COLE

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Case No. WR-2010-0309

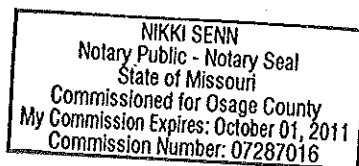
COMES NOW Paula Mapeka, being of lawful age, and on her oath states the following: (1) that she is a(n) Utility Regulatory Auditor in the Missouri Public Service Commission's Auditing Department; (2) that she participated in the Staff's investigation of the small company rate increase request that is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



Paula Mapeka

Utility Regulatory Auditor III
Auditing Department

Subscribed and sworn to before me this 29th day of September, 2010.


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI

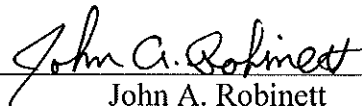
ss.

COUNTY OF COLE

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Case No. WR-2010-0309

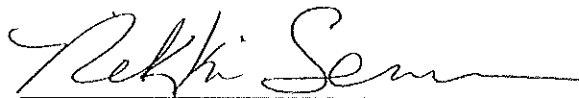
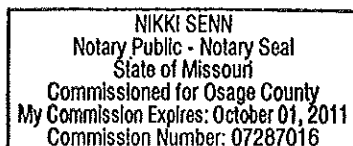
COMES NOW John A. Robinett, being of lawful age, and on his oath states the following: (1) that he is a(n)) Utility Regulatory Specialist in the Missouri Public Service Commission's Engineering & Management Services Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the foregoing *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.



John A. Robinett

Utility Regulatory Specialist
Engineering & Management
Services Department

Subscribed and sworn to before me this 28th day of September, 2010.



Notary Public

Company/Staff Disposition Agreement

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

MIDDLEFORK WATER COMPANY

MO PSC CASE NO. WR-2010-0309

BACKGROUND

Middlefork 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") 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 May 4, 2010, the Company set forth its request for an increase of \$55,000 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 two wholesale customers, the cities of Stanberry and Grant City in Northwest Missouri.

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 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 Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with the results of the investigation, with Staff's initial recommendations for the resolution of the Company's Request, and with 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) For the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission containing the rates 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 24, 2010;
- (2) Except as otherwise noted in the agreements below, the Exhibit Modeling System (EMS) hereto as Attachment B and the ratemaking income statement attached hereto as Attachment C and incorporated herein, 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 \$145,429 is just and reasonable to recover the Company's cost of service;
- (3) The Company and Staff agree to a two step phase-in of the Company/Staff agreed-upon operating revenue increase. Phase one of the increase would be based on a Company/Staff agreed-upon operating revenue amount of \$55,000 and would remain in effect until April 30, 2011. Phase two of the increase would be based on the overall agreed-upon operating revenue increase of \$145,429 and would take effect May 1, 2011;
- (4) The audit work papers attached hereto as Attachment C and incorporated herein, which include consideration of a capital structure of 100.0% equity for the Company and a return on that equity of 8.77%, 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;
- (5) 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;
- (6) 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;
- (7) 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;
- (8) 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;

(9) The Commission's Auditing Department conducted an audit of the Company's books and records using the 12-month period ending December 31, 2009 as the basis for the revenue requirement calculation. All revenues, expenses and rate base investment were reviewed through this period. The audit findings are identified in Auditing Department Recommendation Memorandum, attached hereto as Attachment G and incorporated herein.

Staff provided the Company and OPC its initial recommendations of the revenue increase for the resolution of the Company's request and Staff's EMS run. The work papers supporting the revenue requirement calculation were also provided to the Company and the OPC with the results of its investigation regarding the proposed rate increase;

(10) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company will implement the recommendations contained in the Auditing Department Recommendation Memorandum. These recommendations include the following:

- a. The Company shall adjust the Company's general ledger to agree with the plant and reserve account balances included in Staff's EMS run filed in this case as Attachment B and incorporated herein.
- b. The Company shall adjust the Contribution in Aid of Construction ("CIAC") and the amortized CIAC to agree with the account balances included in Staff's EMS run filed in this case as Attachment B and incorporated herein. This includes the transfer of \$5,000 of reserves from account 346 (Customer Meters) to account 397 (Communications Telemetry Equipment).
- c. The Company shall track and record on its books the cost of removal associated with gross salvage for all replaced and retired plant. In addition, the Company shall follow the Uniform System of Accounts ("USOA") for the recording of cost of removal of gross salvage in the Company ledger as adjustments to plant and reserves;

(11) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission Order approving the terms of this Company/Staff Disposition Agreement. 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 to Staff Case Coordinator who will file a copy in the subject case file;

(12) Staff may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Company/Staff Disposition Agreement;

(13) Staff may file a formal complaint against it, if the Company does not comply with the provisions of this Company/Staff Disposition Agreement;

(14) 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; and

(15) 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.

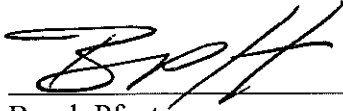
Staff has completed a Summary of Case Events and has included that summary as Attachment H to this Company/Staff Disposition Agreement.

The Company acknowledges that the Staff will be filing this Company/Staff Disposition Agreement and the attachments hereto. 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.

SIGNATURES

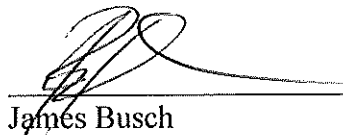
Agreement Signed and Dated:



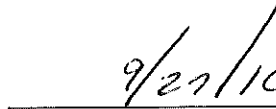
Brock Pfost
President
Middlefork Water Company



Date



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



Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – EMS Run
- Attachment C – Ratemaking Income Statement
- Attachment D – Rate Design Worksheet
- Attachment E – Billing Comparison Worksheet
- Attachment F – Schedule of Depreciation Rates
- Attachment G – Auditing Department Recommendation Memorandum
- Attachment H – Summary of Case Events

Agreement Attachment A

Example Tariff Sheets

P.S.C. MO No. 1

2nd Revised Sheet No. 6

P.S.C. MO No. 1

Cancelling 1st Revised Sheet No. 6

Middle Fork Water Company
Name of Issuing Company

For: Grant City
Certificated Service Area

SCHEDULE OF RATES FOR WATER SERVICE

Applicability:

The following rates and charges apply to water service provided by the Company to the City of Grant City, Missouri.

Water Rate:

The following rate will remain in effect until April 30, 2011:

For each 1000 gallons of usage per month \$1.85 +

The following rate will take effect on May 1, 2011:

For each 1000 gallons of usage per month \$2.71 +

Connection Charge

Company. The charge(s) for additional or other connections shall be paid by the customer. Said charge(s) shall be no less than the actual cost of making the connection(s).

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: October 12, 2010
Month/Day/Year

Effective Date: November 24, 2010
Month/Day/Year

Issued By: Mr. Brock Pfost, President
Name & Title of Issuing Officer

P.O. Box 468 Maryville, MO 64468
Company Mailing Address

P.S.C. MO No. 1

2nd Revised Sheet No. 7

P.S.C. MO No. 1

Cancelling 1st Revised Sheet No. 7

Middle Fork Water Company
Name of Issuing Company

For: City of Stanberry
Certificated Service Area

SCHEDULE OF RATES FOR WATER SERVICE

Applicability:

The following rates and charges apply to water service provided by the Company to the City of Stanberry, Missouri.

Water Rate:

The following rate will remain in effect until April 30, 2011:

For each 1000 gallons of usage per month \$1.85 +

The following rate will take effect on May 1, 2011:

For each 1000 gallons of usage per month \$2.71 +

Connection Charge

Company. The charge(s) for additional or other connections shall be paid by the customer. Said charge(s) shall be no less than the actual cost of making the connection(s).

* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: October 12, 2010
Month/Day/Year

Effective Date: November 24, 2010
Month/Day/Year

Issued By: Mr. Brock Pfof, President
Name & Title of Issuing Officer

P.O. Box 468 Maryville, MO 64468
Company Mailing Address

Agreement Attachment B

EMS Run

Exhibit No.: 12345667
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: WR-2010-0309
Date Prepared: 7/7/2010



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

Revised

STAFF ACCOUNTING SCHEDULES

MIDDLEFORK WATER COMPANY

CASE NO. WR-2010-0309

Jefferson City, Missouri

June 2009

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Rate Design Schedule - Water

A		B	C	D	E	F
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$140,370			
Rev-3	Miscellaneous Revenues	(1)	\$26,211			
Rev-4	TOTAL ANNUALIZED REVENUES		\$166,581			
1	OPERATIONS EXPENSES	(2)				
2	Salaries		\$51,551	\$0	\$51,551	0.00%
3	Chemicals Expense		\$153,123	\$0	\$153,123	0.00%
4	Utility Expenses (electricity, gas)		\$33,283	\$0	\$33,283	0.00%
5	Materials Expenses		\$1,089	\$0	\$1,089	0.00%
6	TOTAL OPERATIONS EXPENSE		\$239,046	\$0	\$239,046	
7	MAINTENANCE EXPENSES					
8	Maint. Plant		\$1,172	\$0	\$1,172	0.00%
9	Maint. Mowing		\$3,125	\$0	\$3,125	0.00%
10	Maint.		\$0	\$0	\$0	0.00%
11	TOTAL MAINTENANCE EXPENSE		\$4,297	\$0	\$4,297	
12	CUSTOMER ACCOUNT EXPENSE					
13	Meter Reader Expense		\$0	\$0	\$0	0.00%
14	Bad Debt Expense		\$0	\$0	\$0	0.00%
15	Postage & Billing Expense		\$76	\$0	\$76	0.00%
16	Office Supplies Expense		\$431	\$0	\$431	0.00%
17	Miscellaneous		\$0	\$0	\$0	0.00%
18	Customer Deposit Interest		\$0	\$0	\$0	0.00%
19	TOTAL CUSTOMER ACCOUNT EXPENSE		\$507	\$0	\$507	
20	ADMINISTRATIVE & GENERAL EXPENSES					
21	DNR Fees		\$560	\$0	\$560	0.00%
22	Advertising		\$0	\$0	\$0	0.00%
23	Telephone Expense		\$435	\$0	\$435	0.00%
24	Outside Service		\$0	\$0	\$0	0.00%
25	Transportation Expense		\$1,420	\$0	\$1,420	0.00%
26	Interest Expense		\$0	\$0	\$0	0.00%
27	Insurance Expense		\$14,439	\$0	\$14,439	0.00%
28	Legal & Accounting		\$5,513	\$0	\$5,513	0.00%
29	Rate Case Expense		\$452	\$0	\$452	0.00%
30	TOTAL ADMINISTRATIVE AND GENERAL		\$22,819	\$0	\$22,819	
31	OTHER OPERATING EXPENSES					
32	Licenses		\$0	\$0	\$0	0.00%
33	PSC Assessment		\$1,032	\$0	\$1,032	0.00%
34	Dues & Donations		\$116	\$0	\$116	0.00%
35	CIAC Depreciation Offset		-\$42,090	\$0	-\$42,090	0.00%
36	Depreciation		\$48,404	\$0	\$48,404	0.00%
37	TOTAL OTHER OPERATING EXPENSES		\$7,462	\$0	\$7,462	
38	TAXES OTHER THAN INCOME					
39	Property Taxes		\$5,403	\$0	\$5,403	0.00%
40	Payroll Taxes		\$8,277	\$0	\$8,277	0.00%
41	Franchise Taxes		\$620	\$0	\$620	0.00%
42	TOTAL TAXES OTHER THAN INCOME		\$14,300	\$0	\$14,300	
43	TOTAL OPERATING EXPENSES		\$288,431	\$0	\$288,431	
44	Interest Expense	(3)	\$0	\$0	\$0	0.00%
45	Return on Equity	(3)	\$22,105	\$0	\$22,105	0.00%
46	Income Taxes	(3)	\$1,474	\$0	\$1,474	0.00%
47	TOTAL INTEREST RETURN & TAXES		\$23,579	\$0	\$23,579	

Middlefork Water Company
 Informal Rate/Certificate Case
 Tracking Number WR-2010-0309
 Test Year Ending 12/31/2009
 Rate Design Schedule - Water

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
48	TOTAL COST OF SERVICE		\$312,010	\$0	\$312,010	
49	Less: Miscellaneous Revenues		\$26,211	\$0	\$26,211	0.00%
50	COST TO RECOVER IN RATES		\$285,799	\$0	\$285,799	
51	INCREMENTAL INCREASE IN RATE REVENUES		\$145,429			
52	PERCENTAGE OF INCREASE		87.30%			
53	REQUESTED INCREASE IN REVENUES		\$55,000			

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

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Rate Base Required Return on Investment Schedule - Water

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$2,257,026	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$697,840	From Depreciation Reserve Schedule
3	Net Plant In Service	\$1,559,186	
4	Other Rate Base Items:	\$0	
	Customer Deposits	\$0	
	Materials & Supplies	\$0	
	CIAC Depreciation	-\$1,307,131	
5	Total Rate Base	\$252,055	
6	Total Weighted Rate of Return Including Income Tax	9.35%	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u>\$23,579</u>	

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Rate of Return Including Income Tax - Water

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	6.25%	(1 - (B2 x .5)) x A1
2 Federal Income Tax Rate Statutory / Effective	0.00% (1) & (2)	0.00%	(1 - B1) x 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		8.77%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		9.35%	B4 x B5
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		0.00%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		9.35%	B6+B7

To Rate Base Schedule

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

Y

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
Consolidated Tax Rate:				
Average Tax Rate:				0

Middlefork Water Company
 Informal Rate/Certificate Case
 Tracking Number WR-2010-0309
 Test Year Ending 12/31/2009
 Capital Structure Schedule - Water

Line Number	Description	Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital
1	Common Stock	\$252,055	100.00%	8.77%	8.770%
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	\$0	0.00%	0.00%	0.000%
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	\$252,055	100.00%		8.770%

To PreTax Return Rate Schedule

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
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	\$603,919			100.00%	\$603,919
7	311.000	Structures & Improvements - SSP	\$0	P-7	\$0	100.00%	\$0
8	312.000	Collection & Impounding Reservoirs	\$387,002	P-8	\$63,361	100.00%	\$450,363
9	313.000	Lake, River & Other Intakes	\$50,000	P-9	-\$49,061	100.00%	\$939
10	314.000	Wells & Springs	\$0			100.00%	\$0
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$20,000	P-12	\$32,874	100.00%	\$52,874
13		TOTAL SOURCE OF SUPPLY PLANT	\$1,060,921		\$47,174		\$1,108,095
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$0			100.00%	\$0
16	325.000	Electric Pumping Equipment	\$100,000	P-16	-\$16,781	100.00%	\$83,219
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$100,000		-\$16,781		\$83,219
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP (was acct 311)	\$293,000	P-22	-\$163,283	100.00%	\$129,717
23	332.000	Water Treatment Equipment	\$299,000	P-23	\$485,240	100.00%	\$784,240
24		TOTAL WATER TREATMENT PLANT	\$592,000		\$321,957		\$913,957
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	\$95,000	P-28	-\$49,202	100.00%	\$45,798
29	344.000	Fire Mains	\$0			100.00%	\$0
30	345.000	Services	\$0			100.00%	\$0
31	343.000	Transmission & Distribution Mains	\$66,000	P-31	-\$66,000	100.00%	\$0
32	346.000	Customer Water Flow Meters	\$21,472	P-32	-\$14,403	100.00%	\$7,069
33	346.000	NA	\$0			100.00%	\$0
34	347.000	Customer Meter Installations	\$0	P-34	\$0	100.00%	\$0
35	347.000	NA 1	\$0			100.00%	\$0
36	348.000	Hydrants	\$0			100.00%	\$0
37	349.000	Other Transmission and Distribution	\$10,000	P-37	-\$10,000	100.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$192,472		-\$139,605		\$52,867
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	\$7,000	P-42	\$633	100.00%	\$7,633
43	391.100	Office Computer Equipment	\$0			100.00%	\$0
44	393.000	Stores Equipment	\$3,000	P-44	\$271	100.00%	\$3,271
45	394.000	Tools Shop & Garage Equip	\$3,000	P-45	\$271	100.00%	\$3,271
46	395.000	Laboratory Equipment	\$30,286	P-46	\$1,576	100.00%	\$31,862
47	396.000	Power Operated Equipment	\$25,000	P-47	-\$25,000	100.00%	\$0
48	397.000	Communications Telemetry Equipment	\$43,000	P-48	\$9,851	100.00%	\$52,851
49	398.000	Other General Equipment	\$5,000	P-49	-\$5,000	100.00%	\$0
50		TOTAL GENERAL PLANT	\$116,286		-\$17,398		\$98,888

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Plant In Service - Water

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
Line Number	Account # (Optional)	Plant Account Description	Total Plant	Adjustment Number	Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
51		TOTAL PLANT IN SERVICE	\$2,061,679		\$195,347		\$2,257,026

To Rate Base & Depreciation Schedules

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Schedule of Adjustments for Plant in Service - Water

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
P-7	Structures & Improvements - SSP	311.000		\$0
	Description		\$0	
P-8	Collection & Impounding Reservoirs	312.000		\$63,361
	Corrected Plant Balance - Rice WP		\$63,361	
P-9	Lake, River & Other Intakes	313.000		-\$49,061
	Corrected Plant Balance - Rice WP		-\$49,061	
P-12	Supply Mains	316.000		\$32,874
	Corrected Plant Balance - Rice WP		\$32,874	
P-16	Electric Pumping Equipment	325.000		-\$16,781
	Corrected Plant Balance - Rice WP		-\$16,781	
	To add pumping equip. purchased outside the update period (Green)		\$0	
P-22	Structures & Improvements - WTP (was acct 311)	331.000		-\$163,283
	Corrected Plant Balance - Rice WP		-\$163,283	
P-23	Water Treatment Equipment	332.000		\$485,240
	Corrected Plant Balance - Rice WP		\$485,240	
P-28	Distribution Reservoirs & Standpipes	342.000		-\$49,202
	Corrected Plant Balance - Rice WP		-\$49,202	

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Schedule of Adjustments for Plant in Service - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
P-31	Transmission & Distribution Mains	343.000		-\$66,000
	Corrected Plant Balance - Rice WP		-\$66,000	
P-32	Customer Water Flow Meters	346.000		-\$14,403
	Corrected Plant Balance - Rice WP		-\$14,403	
P-34	Customer Meter Installations	347.000		\$0
	Corrected Plant Balance - Rice WP		\$0	
P-37	Other Transmission and Distribution	349.000		-\$10,000
	Corrected Plant Balance - Rice WP		-\$10,000	
P-42	Office Furniture & Equipment	391.000		\$633
	Corrected Plant Balance - Rice WP		\$633	
P-44	Stores Equipment	393.000		\$271
	Corrected Plant Balance - Rice WP		\$271	
P-45	Tools Shop & Garage Equip	394.000		\$271
	Corrected Plant Balance - Rice WP		\$271	
P-46	Laboratory Equipment	395.000		\$1,576
	Corrected Plant Balance - Rice WP		\$1,576	
P-47	Power Operated Equipment	396.000		-\$25,000
	Corrected Plant Balance - Rice WP		-\$25,000	
P-48	Communications Telemetry Equipment	397.000		\$9,851

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Schedule of Adjustments for Plant in Service - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
	Corrected Plant Balance - Rice WP		\$9,851	
P-49	Other General Equipment	398.000		-\$5,000
	Corrected Plant Balance - Rice WP		-\$5,000	
Total Plant Adjustments				<u><u>\$195,347</u></u>

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
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	\$603,919	0.00%	\$0
7	311.000	Structures & Improvements - SSP	\$0	0.00%	\$0
8	312.000	Collection & Impounding Reservoirs	\$450,363	2.00%	\$9,007
9	313.000	Lake, River & Other Intakes	\$939	2.50%	\$23
10	314.000	Wells & Springs	\$0	0.00%	\$0
11	315.000	Infiltration Galleries & Tunnels	\$0	0.00%	\$0
12	316.000	Supply Mains	\$52,874	2.00%	\$1,057
13		TOTAL SOURCE OF SUPPLY PLANT	\$1,108,095		\$10,087
14		PUMPING PLANT			
15	321.000	Structures & Improvements - PP	\$0	0.00%	\$0
16	325.000	Electric Pumping Equipment	\$83,219	6.70%	\$5,576
17	326.000	Diesel Pumping Equipment	\$0	0.00%	\$0
18	328.000	Other Pumping Equipment	\$0	0.00%	\$0
19		TOTAL PUMPING PLANT	\$83,219		\$5,576
20		WATER TREATMENT PLANT			
21	330.000	Land & Land Rights-WTP	\$0	0.00%	\$0
22	331.000	Structures & Improvements - WTP (was acct 311)	\$129,717	2.90%	\$3,762
23	332.000	Water Treatment Equipment	\$784,240	2.90%	\$22,743
24		TOTAL WATER TREATMENT PLANT	\$913,957		\$26,505
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	\$45,798	2.50%	\$1,145
29	344.000	Fire Mains	\$0	0.00%	\$0
30	345.000	Services	\$0	0.00%	\$0
31	343.000	Transmission & Distribution Mains	\$0	0.00%	\$0
32	346.000	Customer Water Flow Meters	\$7,069	10.00%	\$707
33	346.000	NA	\$0	0.00%	\$0
34	347.000	Customer Meter Installations	\$0	2.50%	\$0
35	347.000	NA 1	\$0	0.00%	\$0
36	348.000	Hydrants	\$0	0.00%	\$0
37	349.000	Other Transmission and Distribution	\$0	0.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$52,867		\$1,852
39		GENERAL PLANT			

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
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	\$7,633	5.00%	\$382
43	391.100	Office Computer Equipment	\$0	14.30%	\$0
44	393.000	Stores Equipment	\$3,271	4.00%	\$131
45	394.000	Tools Shop & Garage Equip	\$3,271	5.00%	\$164
46	395.000	Laboratory Equipment	\$31,862	5.00%	\$1,593
47	396.000	Power Operated Equipment	\$0	6.70%	\$0
48	397.000	Communications Telemetry Equipment	\$52,851	4.00%	\$2,114
49	398.000	Other General Equipment	\$0	0.00%	\$0
50		TOTAL GENERAL PLANT	\$98,888		\$4,384
51		Total Depreciation	\$2,257,026		\$48,404

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
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	\$0			100.00%	\$0
8	312.000	Collection & Impounding Reservoirs	\$120,018	R-8	\$15,684	100.00%	\$135,702
9	313.000	Lake, River & Other Intakes	\$20,833	R-9	-\$20,450	100.00%	\$383
10	314.000	Wells & Springs	\$0	R-10	\$0	100.00%	\$0
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$6,667	R-12	\$10,605	100.00%	\$17,272
13		TOTAL SOURCE OF SUPPLY PLANT	\$147,518		\$5,839		\$153,357
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$0			100.00%	\$0
16	325.000	Electric Pumping Equipment	\$87,522	R-16	-\$42,659	100.00%	\$44,863
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$87,522		-\$42,659		\$44,863
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP (was acct 311)	\$123,134	R-22	-\$78,698	100.00%	\$44,436
23	332.000	Water Treatment Equipment	\$147,351	R-23	\$208,946	100.00%	\$356,297
24		TOTAL WATER TREATMENT PLANT	\$270,485		\$130,248		\$400,733
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	\$40,497	R-28	-\$21,796	100.00%	\$18,701
29	344.000	Fire Mains	\$0			100.00%	\$0
30	345.000	Services	\$0	R-30	\$0	100.00%	\$0
31	343.000	Transmission & Distribution Mains	\$22,667	R-31	-\$22,667	100.00%	\$0
32	346.000	Customer Water Flow Meters	\$2,429	R-32	-\$1,563	100.00%	\$866
33	346.000	NA	\$0			100.00%	\$0
34	347.000	Customer Meter Installations	\$0	R-34	\$0	100.00%	\$0
35	347.000	NA 1	\$0			100.00%	\$0
36	348.000	Hydrants	\$0			100.00%	\$0
37	349.000	Other Transmission and Distribution	\$5,050	R-37	-\$5,050	100.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$70,643		-\$51,076		\$19,567
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	\$5,833	R-42	\$401	100.00%	\$6,234
43	391.100	Office Computer Equipment	\$0			100.00%	\$0
44	393.000	Stores Equipment	\$2,000	R-44	\$137	100.00%	\$2,137
45	394.000	Tools Shop & Garage Equip	\$2,500	R-45	\$171	100.00%	\$2,671
46	395.000	Laboratory Equipment	\$20,927	R-46	-\$352	100.00%	\$20,575
47	396.000	Power Operated Equipment	\$25,000	R-47	-\$25,000	100.00%	\$0
48	397.000	Communications Telemetry Equipment	\$43,000	R-48	\$4,703	100.00%	\$47,703

Middlefork Water Company
 Informal Rate/Certificate Case
 Tracking Number WR-2010-0309
 Test Year Ending 12/31/2009
 Accumulated Depreciation Reserve - Water

<u>Line</u> <u>Number</u>	<u>A</u> <u>Account</u> <u>Number</u>	<u>B</u> <u>Depreciation Reserve Description</u>	<u>C</u> <u>Total</u> <u>Reserve</u>	<u>D</u> <u>Adjustment</u> <u>Number</u>	<u>E</u> <u>Adjustments</u>	<u>F</u> <u>Jurisdictional</u> <u>Allocation</u>	<u>G</u> <u>Adjusted</u> <u>Jurisdictional</u>
49	398.000	Other General Equipment	\$4,167	R-49	-\$4,167	100.00%	\$0
50		TOTAL GENERAL PLANT	\$103,427		-\$24,107		\$79,320
51		TOTAL DEPRECIATION RESERVE	\$679,595		\$18,245		\$697,840

To Rate Base Schedule

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009

Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
R-8	Collection & Impounding Reservoirs	312.000		\$15,684
	Corrected Reserve Balance - Rice WP		\$15,684	
R-9	Lake, River & Other Intakes	313.000		-\$20,450
	Corrected Reserve Balance - Rice WP		-\$20,450	
R-10	Wells & Springs	314.000		\$0
	To		\$0	
	To		\$0	
R-12	Supply Mains	316.000		\$10,605
	Corrected Reserve Balance - Rice WP		\$10,605	
R-16	Electric Pumping Equipment	325.000		-\$42,659
	Corrected Reserve Balance - Rice WP		-\$42,659	
	To		\$0	
	To		\$0	
R-22	Structures & Improvements - WTP (was acct 311	331.000		-\$78,698
	Corrected Reserve Balance - Rice WP		-\$78,698	
	To		\$0	
R-23	Water Treatment Equipment	332.000		\$208,946
	Corrected Reserve Balance - Rice WP		\$208,946	

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009

Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
R-28	Distribution Reservoirs & Standpipes	342.000		-\$21,796
	Corrected Reserve Balance - Rice WP		-\$21,796	
	To		\$0	
R-30	Services	345.000		\$0
	To		\$0	
	To		\$0	
R-31	Transmission & Distribution Mains	343.000		-\$22,667
	Corrected Reserve Balance - Rice WP		-\$22,667	
	To		\$0	
R-32	Customer Water Flow Meters	346.000		-\$1,563
	Corrected Reserve Balance - Rice WP		\$3,437	
	Transfer of \$5,000 to account 397		-\$5,000	
	To		\$0	
R-34	Customer Meter Installations	347.000		\$0
	NA		\$0	
R-37	Other Transmission and Distribution	349.000		-\$5,050
	Corrected Reserve Balance - Rice WP		-\$5,050	
	To annualize depreciation reserve through 6-30-2009 (Green)		\$0	

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
R-42	Office Furniture & Equipment	391.000		\$401
	Corrected Reserve Balance - Rice WP		\$401	
R-44	Stores Equipment	393.000		\$137
	Corrected Reserve Balance - Rice WP		\$137	
R-45	Tools Shop & Garage Equip	394.000		\$171
	Corrected Reserve Balance - Rice WP		\$171	
R-46	Laboratory Equipment	395.000		-\$352
	Corrected Reserve Balance - Rice WP		-\$352	
R-47	Power Operated Equipment	396.000		-\$25,000
	Corrected Reserve Balance - Rice WP		-\$25,000	
R-48	Communications Telemetry Equipment	397.000		\$4,703
	Corrected Reserve Balance - Rice WP		-\$297	
	Transfer of \$5,000 from account 346		\$5,000	
R-49	Other General Equipment	398.000		-\$4,167
	Corrected Reserve Balance - Rice WP		-\$4,167	
	To annualize depreciation reserve through 6-30-2009 (Green)		\$0	
Total Reserve Adjustments				\$18,245

**Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009**

Schedule of Adjustments for Accumulated Depreciation Reserve - Water

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

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential 5/8"		Cities 1"	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	0		105,541	
3	Bills Per Year	0		1	
4	Customer Bills Per year	0		105,541	
5	Current Customer Charge	\$0.00		\$1.33	
6	Annualized Customer Charge Revenues		\$0		\$140,370
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	0		0	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	0		0	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	\$0.00		\$0.00	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	FFFFF, Commodity Gallons per Block	0		0	
17	FFFFF, Number of Commodity Gallons per Unit	0		0	
18	FFFFF, Commodity Billing Units	0.00		0.00	
19	FFFFF, Existing Commodity Charge	\$0.00		\$0.00	
20	FFFFF, Annualized Commodity Charge Rev.		\$0		\$0
21	VVV, Commodity Gallons per Block	0		0	
22	VVV, Number of Commodity Gallons per Unit	0		0	
23	VVV, Commodity Billing Units	0.00		0.00	
24	VVV, Existing Commodity Charge	\$0.00		\$0.00	
25	VVV, Annualized Commodity Charge Rev.		\$0		\$0
26	FADF, Commodity Gallons per Block	0		0	
27	FADF, Number of Commodity Gallons per Unit	0		0	
28	FADF, Commodity Billing Units	0.00		0.00	
29	FADF, Existing Commodity Charge	\$0.00		\$0.00	
30	FADF, Annualized Commodity Charge Rev.		\$0		\$0
31	Total Annualized Water Rate Revenues		\$0		\$140,370

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential 5/8"		Cities 1"	
		B Amount	C Amount	D Amount	E Amount

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.

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Total	
		F Amount	G Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	105,541	
3	Bills Per Year		
4	Customer Bills Per year	105,541	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$140,370
7	<u>Commodity Charge Revenues:</u>		
8	Total Gallons Sold	0	
9	Less: Base Gallons Included In Customer Charge	0	
10	Commodity Gallons	0	
11	Block 1, Commodity Gallons per Block		
12	Block 1, Number of Commodity Gallons per Unit		
13	Block 1, Commodity Billing Units		
14	Block 1, Existing Commodity Charge		
15	Block 1, Annualized Commodity Charge Rev.		\$0
16	FFFFF, Commodity Gallons per Block		
17	FFFFF, Number of Commodity Gallons per Unit		
18	FFFFF, Commodity Billing Units		
19	FFFFF, Existing Commodity Charge		
20	FFFFF, Annualized Commodity Charge Rev.		\$0
21	VVV, Commodity Gallons per Block		
22	VVV, Number of Commodity Gallons per Unit		
23	VVV, Commodity Billing Units		
24	VVV, Existing Commodity Charge		
25	VVV, Annualized Commodity Charge Rev.		\$0
26	FADF, Commodity Gallons per Block		
27	FADF, Number of Commodity Gallons per Unit		
28	FADF, Commodity Billing Units		
29	FADF, Existing Commodity Charge		
30	FADF, Annualized Commodity Charge Rev.		\$0
31	Total Annualized Water Rate Revenues		\$140,370

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Total	
		F Amount	G Amount

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.

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Expense Schedule - Water

A	B	C	D	E	F	G
Line Number	Account Number (Optional) Expense Description	Company/ Test Year Amount	Adjustment Number	Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
1	OPERATIONS EXPENSES					
2	Salaries	\$37,267	W-2	\$14,284	100.00%	\$51,551
3	Chemicals Expense	\$110,766	W-3	\$42,357	100.00%	\$153,123
4	Utility Expenses (electricity, gas)	\$31,170	W-4	\$2,113	100.00%	\$33,283
5	Materials Expenses	\$769	W-5	\$320	100.00%	\$1,089
6	TOTAL OPERATIONS EXPENSE	\$179,972		\$59,074		\$239,046
7	MAINTENANCE EXPENSES					
8	Maint. Plant	\$366	W-8	\$806	100.00%	\$1,172
9	Maint. Mowing	\$3,125	W-9	\$0	100.00%	\$3,125
10	Maint.	\$0	W-10	\$0	100.00%	\$0
11	TOTAL MAINTENANCE EXPENSE	\$3,491		\$806		\$4,297
12	CUSTOMER ACCOUNT EXPENSE					
13	Meter Reader Expense	\$0			100.00%	\$0
14	Bad Debt Expense	\$0	W-14	\$0	100.00%	\$0
15	Postage & Billing Expense	\$76	W-15	\$0	100.00%	\$76
16	Office Supplies Expense	\$223	W-16	\$208	100.00%	\$431
17	Miscellaneous	\$0	W-17	\$0	100.00%	\$0
18	Customer Deposit Interest	\$0	W-18	\$0	100.00%	\$0
19	TOTAL CUSTOMER ACCOUNT EXPENSE	\$299		\$208		\$507
20	ADMINISTRATIVE & GENERAL EXPENSES					
21	DNR Fees	\$560	W-21	\$0	100.00%	\$560
22	Advertising	\$0			100.00%	\$0
23	Telephone Expense	\$302	W-23	\$133	100.00%	\$435
24	Outside Service	\$0	W-24	\$0	100.00%	\$0
25	Transportation Expense	\$0	W-25	\$1,420	100.00%	\$1,420
26	Interest Expense	\$0			100.00%	\$0
27	Insurance Expense	\$13,010	W-27	\$1,429	100.00%	\$14,439
28	Legal & Accounting	\$5,425	W-28	\$88	100.00%	\$5,513
29	Rate Case Expense	\$0	W-29	\$452	100.00%	\$452
30	TOTAL ADMINISTRATIVE AND GENERAL	\$19,297		\$3,522		\$22,819
31	OTHER OPERATING EXPENSES					
32	Licenses	\$0			100.00%	\$0
33	PSC Assessment	\$2,158	W-33	-\$1,126	100.00%	\$1,032
34	Dues & Donations	\$5,141	W-34	-\$5,025	100.00%	\$116
35	CIAC Depreciation Offset	-\$42,090	W-35	\$0	100.00%	-\$42,090
36	Depreciation	\$0	W-36	\$48,404	100.00%	\$48,404
37	TOTAL OTHER OPERATING EXPENSES	-\$34,791		\$42,253		\$7,462
38	TAXES OTHER THAN INCOME					
39	Property Taxes	\$5,403	W-39	\$0	100.00%	\$5,403
40	Payroll Taxes	\$3,318	W-40	\$4,959	100.00%	\$8,277
41	Franchise Taxes	\$620			100.00%	\$620
42	TOTAL TAXES OTHER THAN INCOME	\$9,341		\$4,959		\$14,300
43	TOTAL OPERATING EXPENSES	\$177,609		\$110,822		\$288,431

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
W-2	Salaries			\$14,284
	To annualize salaries (Green)		\$14,284	
W-3	Chemicals Expense			\$42,357
	To annualize chemical expenses (Green)		\$42,357	
W-4	Utility Expenses (electricity, gas)			\$2,113
	To annualize electricity expense (Green)		\$2,113	
W-5	Materials Expenses			\$320
	To annualize Material expenses (Green)		\$320	
W-8	Maint. Plant			\$806
	To normalize maintenance expense (Green)		\$806	
W-9	Maint. Mowing			\$0
	To normalize pumping system maintenance expense (Mapeka)		\$0	
W-10	Maint.			\$0
	To normalize maintenance treatment disposal plant expense (Mapeka)		\$0	
W-14	Bad Debt Expense			\$0
	To normalize bad debt expense (Green)		\$0	
W-15	Postage & Billing Expense			\$0
	To zero out test year postage & billing expense (Mapeka)		\$0	

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	To annualize postage & billing expense (Mapeka)		\$0	
W-16	Office Supplies Expense			\$208
	To normalize office supplies expense (Green)		\$208	
W-17	Miscellaneous			\$0
	To zero out test year miscellaneous expense (Mapeka)		\$0	
	To adjust miscellaneous expense (Mapeka)		\$0	
W-18	Customer Deposit Interest			\$0
	To include customer deposit interest expense (Green)		\$0	
W-21	DNR Fees			\$0
	To		\$0	
W-23	Telephone Expense			\$133
	To annualize telephone expense (Green)		-\$5	
	To annualize cell phone expense (Green)		\$138	
W-24	Outside Service			\$0
	To annualize outside service expense (Mapeka)		\$0	
W-25	Transportation Expense			\$1,420
	To annualize vehicle/mileage expense (Green)		\$1,420	
W-27	Insurance Expense			\$1,429

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	To annualize Works Compensation (Green)		\$661	
	To annualize General Liability (Green)		\$694	
	To annualize liability physical plant (Green)		\$74	
W-28	Legal & Accounting			\$88
	To annualize accounting expense (Green)		\$88	
W-29	Rate Case Expense			\$452
	To normalize rate case expenses 3yrs (Green)		\$452	
W-33	PSC Assessment			-\$1,126
	To annualize PSC Assessment (Green)		-\$1,126	
W-34	Dues & Donations			-\$5,025
	To eliminate donations (Green)		-\$5,025	
W-35	CIAC Depreciation Offset			\$0
	To zero out test year other taxes & licenses (Mapeka)		\$0	
	Annualized property tax expense moved under Property Tax account (Mapeka)		\$0	
	To annualize Lab fee expense (Mapeka)		\$0	
W-36	Depreciation			\$48,404
	1. To Annualize Depreciation		\$48,404	
	2. Description		\$0	
W-39	Property Taxes			\$0
	To		\$0	

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Expense Adjustment Schedule - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Expense Adj Number	Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
W-40	Payroll Taxes			\$4,959
	To annualize payroll taxes (Green)		\$4,959	
Total Expense Adjustments				<u>\$110,822</u>

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
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	\$136,203	Rev-2	\$4,167	100.00%	\$140,370
Rev-3		Miscellaneous Revenues	\$0	Rev-3	\$26,211	100.00%	\$26,211
Rev-4		TOTAL ANNUALIZED REVENUES	\$136,203		\$30,378		\$166,581

Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Revenue Adjustment Schedule - Water

<u>A</u> Revenue Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
Rev-2	Annualized Rate Revenues			\$4,167
	1. To Annualize Rate Revenues		\$4,167	
Rev-3	Miscellaneous Revenues			\$26,211
	1. To Annualize Miscellaneous Revenues		\$26,211	
	2. Description		\$0	
Total Revenue Adjustments				<u>\$30,378</u>

**Middlefork Water Company
Informal Rate/Certificate Case
Tracking Number WR-2010-0309
Test Year Ending 12/31/2009
Miscellaneous Revenues Feeder - Water**

Line Number	<u>A</u> Description	<u>B</u> Amount
2	Total Miscellaneous Revenues	<u><u>\$26,211</u></u>

Agreement Attachment C

Ratemaking Income Statement

MIDDLEFORK WATER COMPANY

Phase-in of Rates-Step One

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	140,370
2	Other Operating Revenues *	\$	26,211
3	Total Operating Revenues	\$	166,581
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Operators Salaries	\$ 51,551
2 Water Treatment Expense-Chemicals	\$ 153,123
3 Utilities Expense	\$ 33,283
4 Materials Expense	\$ 1,089
5 Maintenance of Plant	\$ 1,172
6 Maintenance Expense-Mowing	\$ 3,125
7 Water Treatment -Testing/Laboratory Fees	\$ -
8 Maintenance of Parts/Equipment	\$ -
9 Maintenance Expense-Outside Labor	\$ -
10 Administration & General - Salaries	\$ -
11 Office Supplies	\$ 431
12 Postage	\$ 76
13 Bookkeeping	\$ -
14 Telephone & Internet Expense	\$ 435
15 Transportation Expense	\$ 1,420
16 Propoerty & Liability Insurance	\$ 14,439
17 Legal & Accounting	\$ 5,513
18 Rate Case Expense	\$ 452
19 MO DNR Fees	\$ 560
20 Dues & Donations	\$ 116
21 Regulatory Commission Expense	\$ 1,032
22 Miscellaneous General Expenses	\$ -
23 Sub-Total Operating Expenses	\$ 267,817
24 Property Taxes	\$ 5,403
25 MO Franchise Taxes	\$ 620
26 Employer FICA Taxes	\$ 8,277
27 Federal Unemployment Taxes	\$ -
28 State Unemployment Taxes	\$ -
29 State & Federal Income Taxes	\$ 1,474
30 Sub-Total Taxes	\$ 15,774
31 Depreciation Expense	\$ 48,404
32 CIAC Depreciation Offset	\$ (42,090)
33 Sub-Total Depreciation/Amortization	\$ 6,314
34 Return on Rate Base	\$ 22,105
35 Total Cost of Service	\$ 312,010
36 Overall Revenue Increase Needed	\$ 55,000

MIDDLEFORK WATER COMPANY

Phase-in of Rates-Step Two

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	195,370
2	Other Operating Revenues *	\$	26,211
3	Total Operating Revenues	\$	221,581
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount
1 Operators Salaries	\$ 51,551
2 Water Treatment Expense-Chemicals	\$ 153,123
3 Utilities Expense	\$ 33,283
4 Materials Expense	\$ 1,089
5 Maintenance of Plant	\$ 1,172
6 Maintenance Expense-Mowing	\$ 3,125
7 Water Treatment -Testing/Laboratory Fees	\$ -
8 Maintenance of Parts/Equipment	\$ -
9 Maintenance Expense-Outside Labor	\$ -
10 Administration & General - Salaries	\$ -
11 Office Supplies	\$ 431
12 Postage	\$ 76
13 Bookkeeping	\$ -
14 Telephone & Internet Expense	\$ 435
15 Transportation Expense	\$ 1,420
16 Propoerty & Liability Insurance	\$ 14,439
17 Legal & Accounting	\$ 5,513
18 Rate Case Expense	\$ 452
19 MO DNR Fees	\$ 560
20 Dues & Donations	\$ 116
21 Regulatory Commission Expense	\$ 1,032
22 Miscellaneous General Expenses	\$ -
23 Sub-Total Operating Expenses	\$ 267,817
24 Property Taxes	\$ 5,403
25 MO Franchise Taxes	\$ 620
26 Employer FICA Taxes	\$ 8,277
27 Federal Unemployment Taxes	\$ -
28 State Unemployment Taxes	\$ -
29 State & Federal Income Taxes	\$ 1,474
30 Sub-Total Taxes	\$ 15,774
31 Depreciation Expense	\$ 48,404
32 CIAC Depreciation Offset	\$ (42,090)
33 Sub-Total Depreciation/Amortization	\$ 6,314
34 Return on Rate Base	\$ 22,105
35 Total Cost of Service	\$ 312,010
36 Overall Revenue Increase Needed	\$ 90,429

Agreement Attachment D

Rate Design Worksheet

MIDDLEFORK WATER COMPANY

Phase-in of Rates-Step One

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	\$ 140,370
Agreed-Upon Overall Revenue Increase	\$ 55,000
Percentage Increase Needed	39.182%

Metered Customer Rates

Meter Size	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 1.33	\$ 1.85

MIDDLEFORK WATER COMPANY

Phase-in of Rates-Step Two

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	\$ 195,370
Agreed-Upon Overall Revenue Increase	\$ 90,429
Percentage Increase Needed	46.286%

Metered Customer Rates

Meter Size	Current Usage Rate	Proposed Usage Rate
3/4"	\$ 1.85	\$ 2.71

Agreement Attachment E

Billing Comparison Worksheet

MIDDLEFORK WATER COMPANY

Phase-in of Rates-Step One

Wholesale Customer Rate Comparison-Water

Wholesale Water Rates

Current
Usage Rate
\$1.33

Proposed
Usage Rate
\$1.85

per 1,000 gallons

MONTHLY BILL COMPARISON

Current Rates

Usage Charge	\$ 1.33
Total Bill	\$ 1.33

Proposed Rates

Usage Charge	\$ 1.85
Total Bill	\$ 1.85

INCREASES

Usage Charge

\$ Increase	\$0.52
% Increase	39.18%

MIDDLEFORK WATER COMPANY

Phase-in of Rates-Step Two

Wholesale Customer Rate Comparison-Water

Wholesale Water Rates

**Current
Usage Rate**
\$1.85

**Proposed
Usage Rate**
\$2.71

per 1,000 gallons

MONTHLY BILL COMPARISON

Current Rates

Usage Charge	\$ 1.85
Total Bill	\$ 1.85

Proposed Rates

Usage Charge	\$ 2.71
Total Bill	\$ 2.71

INCREASES

Usage Charge

\$ Increase	\$0.86
% Increase	46.29%

Agreement Attachment F

Schedule of Depreciation Rates

Middlefork WATER COMPANY

Attachment F - Schedule of Depreciation Rates (WATER Class B)

WR-2010-0309

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
Source of Supply				
312	Collecting & Impoundment Reservoirs	2.0%	50	
313	Lake, River & Other Intakes	2.5%	40	
316	Supply Mains	2.0%	50	
Pumping Plant				
325	Electric Pumping Equipment	6.7%	14	6%
Water Treatment Plant				
331	Structures & Improvements	2.9%	35	
332	Water Treatment Equipment	2.9%	35	
Transmission and Distribution				
342	Distribution Reservoirs & Standpipes	2.5%	40	
346	Customer Water Flow Meters	10.0%	10	
347	Customer Meter Installations	2.5%	40	
General Plant				
391	Office Furniture & Equipment	5.0%	20	
391.1	Office Electronic & Computer Equip.	14.3%	7	
393	Stores Equipment	4.0%	25	
394	Tools, Shop, Garage Equipment	5.0%	20	
395	Laboratory Equipment	5.0%	20	
396	Power Operated Equipment	6.7%	13	13%
397	Communication Telemetry Equipment	4.0%	25	

Agreement Attachment G

Auditing Department Recommendation Memorandum

MEMORANDUM

TO: Jim Busch, Water & Sewer Department Manager
James Russo Water & Sewer Department, Case Coordinator

CC: Rachel Lewis, Staff Counsel's Office

THROUGH: Joan Wandel, Auditing Department Manager
Kim Bolin, Auditing Department

FROM: Paula Mapeka, Auditing Department Staff
Jermaine Green, Auditing Department Staff

SUBJECT: Middlefork Water Company Informal Rate Request
Tracking No. WR-2010-0309

DATE: July 28, 2010

RECOMMENDATION

Based upon its examination of the books and records of Middlefork Water Company (the Company or Middlefork), the Auditing Department Staff (Audit Staff) is recommending an annual water rate increase of \$145,429 for the Company, even though the Company, in its Application to the Missouri Public Service Commission (Commission), requested an overall increase in water revenue of \$55,000.

BACKGROUND

On May 4, 2010, Middlefork filed for a general increase to its water rates under the Commission's informal rate request procedure. The Company's water treatment plant is located in Gentry, Missouri and has an office in Maryville, Missouri. Middlefork serves two wholesale customers within its certificated service area in Gentry County of Missouri. The two customers are the cities of Grant City and Stanberry. Currently, Middlefork provides water service to these two customers through water supply contracts. The Company's last rate case was in 2005.

The Company, in its current Application to the Commission, requested an increase in water revenue of \$55,000. The increase, according to the Company, was necessary to compensate for expenses related to operations and to provide an adequate return on investment.

The Auditing Department Staff conducted an on-site audit of the books and records of the Company in Maryville, Missouri on June 28-29, 2010. This audit provides a reasonable basis for the Audit Staff's recommendation presented in this Memorandum. The Audit Staff used the calendar year 2009. Based upon the examination of the Company's activities, the Audit Staff cost of service calculation reflects a deficiency of \$145,429 (Rate Design Schedule 5). The

Audit Staff believes that this revenue requirement is reasonable given the current operating environment of the Company. Attached to this Memorandum are Audit Staff's Accounting Schedules and relevant workpapers related to the audit.

CAPITAL STRUCTURE

Ms. Shana Atkinson of the Staff's Financial Analysis Department recommends an 8.77 percent cost of equity for Middlefork, based on an assumed ratemaking capital structure of 100 percent equity. Although Middlefork's actual financial capital structure consists of debt issued through the Missouri Environmental Improvement and Energy Resource Authority (EIARA). Middlefork has a separate contract with their customers, the cities of Grant City and Stanberry, in which the cities pay the interest and principal on the loan EIARA (i.e. total debt service) through a surcharge. This surcharge allows for recovery of these debt costs directly through the surcharge rather than traditional rate base/rate of return ratemaking treatment. This special ratemaking treatment eliminates the financial risk that normally is associated with debt.

RATE BASE

The net investment in plant on the Company's books at December 31, 2009 (the end of the test year) was \$2,061,679 (Accounting Schedule 2-1). Audit Staff made adjustments to reflect an ending balance of \$2,257,026 with the depreciation reserve of \$697,840. Mr. Arthur Rice of the Depreciation Department sponsored the adjustments to plant in service balances, depreciation reserve, contribution in aid of construction (CIAC) and depreciation expenses resulting from plant additions, retirements and reclassification of plant in service to the appropriate accounts.

As aforementioned under the capital structure section, the Company has a very unique situation with its water supply contracts and debt repayment agreements with its customers. The two cities of Grant City and Stanberry agreed to contribute 90% of the initial investment in the water treatment plant over the life of the bonds used to finance the project. These monies represent contributions to the Company and an offset to the plant in service. The Company should not, and does not, expect to earn a return on investment of the amount of these contributions. Thus, the Staff allowed the amount of \$252,055 into rate base for Middlefork's contribution after subtracting the depreciation reserve of \$697,840 and the CIAC of \$1,307,131.

REVENUE

The Audit Staff annualized water revenue by applying the current rates as contained in the Company's current effective tariff (JW-2002-0040) to the number of gallons of water used. Water revenues were annualized based upon the current tariff rate of \$1.327 per 1,000 gallons sold. Usage was normalized using a 13-month average, which reflects the average usage from June 2009 to June 2010. The Audit Staff adjusted revenue to exclude amounts collected other than water revenues such as the debt service payments.

EXPENSES

The operating expenses of the Company for the test year were reviewed during the audit and, when necessary, adjustments were made.

The Company receives its electric services through United Electric Coop, Inc for their plant in Gentry County and a booster station in Worth County. The Audit Staff adjusted the purchase power to reflect the annualized water usage. Once the Audit Staff determined the normalized usage from the revenue workpapers, an annualized Kilowatt per hour (kWh) was calculated, which was multiplied by the cost per kilowatt to determine the annualized purchase power. For the fuel adjustment, the Audit Staff calculated the 13-month average for all the MFA propane heating invoices and this was used to calculate a normalized fuel expense adjustment.

Chemical expenses were also adjusted to accommodate for the increases in chemicals cost. Analysis of the Company's chemical expenses from January 2007 through June 2010 provided a reasonable basis for the annualization. The Audit Staff annualization of chemicals expense was performed by taking the 13-month average of the most current chemical invoices and multiplied by twelve (12) months. Over the years the Company has experienced significant increases in the prices of chemicals for water treatment and lab testing. A bid was conducted in the April 2010 for a new supplier; however the quotes presented were not material enough to impact the overall price currently being paid for water treatment chemicals. The Audit Staff conducted its own research on the increased cost of water treatment chemicals. Staff reviewed a study conducted in 2009 by the Water Research Foundation along with the American Water Works Association (AWWA); which reported significant increases in US and worldwide prices of chemicals for various reasons ranging from; rising cost of energy and fuel to the manufacturing capacity limitations. With this information on hand the Audit Staff found it prudent to perform an annualization of chemicals expense using a 13-month average.

Payroll expense was adjusted to reflect an annualized level of payroll expense based upon the current employee hours and respective salaries. The Audit Staff also made an adjustment to each employee's salary by granting a three percent (3%) increase to reflect the average salary for full-time operators and bookkeepers/office. Average salaries for these positions were obtained from the Bureau of Labor Statistics (BLS) for Missouri and Illinois, the Missouri Economic Research and Information Center (MERIC) website. Once the annualized amount for payroll was determined, the Audit Staff made an additional adjustment to reflect an annualized level of payroll tax expense for the employer.

Insurance expense was adjusted to reflect an annualized level. The Audit Staff's adjustment was performed by taking a two-year average of all the insurance premium invoices for workers compensation and general liability insurance to determine an annualized amount.

Telephone expense was adjusted to reflect an unallocated portion of telephone expense that was being incurred by a White Cloud Construction. White Cloud Construction is a construction and engineering company that is owned and operated by the President of Middlefork, Brock Pfost. The Audit Staff uncovered telephone expenses that were being paid for by White Cloud; while

employees at Middlefork were utilizing this service. The Audit Staff determined the amount of time employees spent on the phone for Middlefork business to calculate a percentage which was used to allocate the additional telephone expense being incurred by White Cloud Construction to Middlefork.

Transportation expense was adjusted to reflect an annualized cost. The Audit Staff removed the test year amount for this expense since it was booked along with payroll expense. Staff then determined a annualized level of transporation expense by taking a 13-month average of the monthly total miles driven multiplied the miles driven by the current CONUS rate of .37cents per mile.

Other adjustment include the annualization of DNR fees, property tax expense, franchise tax, maintenance, postage, office supplies, and outside services. The Audit Staff eliminated expenses related to a scholarship fund payment and other miscellaneous expenses.

The PSC assessment adjustment for the Company's cost of service reflects the Missouri Public Service Commission Assessment for the fiscal year 2011 charged to the Company.

RECOMMENDATIONS:

1. The Commission order the depreciation rates shown in Attachment F;
2. The Commission order the Company to adjust the Company general ledger used for regulatory ratemaking purposes to agree with the plant and reserve account balances that are shown in the Staff/Company Disposition Agreement for this rate case, Case No. WR-2010-0309;
3. The Commission order the Company to adjust the Contributions in Aid Of Construction (CIAC), and the amortized CIAC to agree with the balances that are shown in the Staff/Company Disposition Agreement for this rate case, Case No. WR-2010-0309. This includes a transfer of \$5,000 of reserves from account 346 (Customer Meters) to account 397 (Communications Telemetry Equipment);
4. The Commission order the Company to track and record cost of removal and gross salvage for all replaced or retired plant; and

5. The Commission order the Company to follow NARUC Uniform System of Accounts (USOA) guidelines for the recording of cost of removal and gross salvage in the Company ledger as adjustments to plant and reserves.

Agreement Attachment H

Summary of Case Events

Middlefork Water Company
Case # WR-2010-0309
Summary of Case Events

Date Filed	May 4, 2010
Day 150	October 1, 2010
Extension?	No
If yes, why?	
Amount Requested	\$55,000
Amount Agreed Upon	\$145,429
Item(s)/Dollar(s) Driving Rate Increase	chemicals & increase in rate base
Number of Customers	2 Wholesale Customers
Rate of Return	8.77%
Return on Equity	8.77%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	None
Status with Secretary of State	Good Standing
DNR Violations	No
Significant Service/Quality Issues	N/A