

APPENDIX A

CASE No. WR-2012-0300

UNANIMOUS DISPOSITION AGREEMENT WITH ATTACHMENTS AND STAFF AFFIDAVITS

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Unanimous Disposition Agreement

UNANIMOUS AGREEMENT REGARDING DISPOSITION
OF SMALL WATER COMPANY REVENUE INCREASE REQUEST

EMPIRE DISTRICT ELECTRIC COMPANY-WATER

MO PSC FILE NO. WR-2012-0300

BACKGROUND

The Empire District Electric Company-Water ("Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on May 21, 2012, the Company set forth its request for an increase of \$516,401 in its total annual water service operating revenues. The Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices, and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 4,544 customers; the vast majority of which are residential customers located in the cities of Verona, Aurora, and Marionville, 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 customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (These activities are collectively referred to hereinafter as "Staff's investigation of the Company's Request" or "Staff's investigation.")

Upon completion of Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("Public Counsel") with information regarding Staff's investigation and the results of the investigation, including Staff's initial recommendations for the resolution of the Company's Request.

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

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

- (1) The agreed upon increase in total annualized revenue is \$450,000 (25.33% increase) on an overall revenue requirement of \$2,221,775. This revenue requirement is just and reasonable and designed to recover the Company's cost of service;
- (2) The Auditing Unit conducted a full and complete audit of the Company's books and records using the 12-month period ending March 31, 2012, updated to June 30, 2012, as the basis for the revenue requirement determined above;
- (3) The agreed upon net rate base is \$5,997,144;
- (4) The schedule of depreciation rates in Attachment A, incorporated by reference herein, includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of water/sewer plant depreciation rates for the Company;
- (5) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown on Attachment B, incorporated by reference herein are just and reasonable rates that the Company will be allowed to charge its customers. The impact of these rates will be as shown on Attachment C, also attached and incorporated by reference herein;
- (6) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission proposed tariff revisions containing the rates, charges, and language set out in the example tariff sheet(s) attached as Attachment B. The proposed tariff revisions will bear an effective date of November 23, 2012;
- (7) The Company agrees to adjust its general ledger to agree with Staff's estimate of the plant-in-service and depreciation reserve account balances at June 30, 2012, that are shown and attached hereto as Attachment D. Public Counsel, while not agreeing with those account balances, does not oppose Empire adjusting its general ledger to agree with those balances for use in this case;
- (8) Within thirty (30) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Unit ("EMSU") Report attached hereto as Attachment E and incorporated by reference herein:
 - (a) Implement a bill format that includes a due date and delinquent date if they are different on all customer bills as required by 4 CSR 240-13.020(9)(B); and

- (b) Revise its premise discontinuance notice to include the Company's address as required in 4 CSR 240-13.050(8);
- (9) Within ninety (90) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations contained in the EMSU Report attached hereto as Attachment E and incorporated by reference herein:
 - (a) Review and revise its Customer Handbook and web-site to include greater recognition and acknowledgement of water customers; and
 - (b) Monitor the usage documentation of the water system vehicle used by the electric operations of The Empire District Electric Company. If such usage becomes more frequent, take action to develop vehicle logs that would track actual usage by the electric side of the Company's business;
- (10) Within one hundred and eighty (180) days of the effective date of an order approving this Unanimous Disposition Agreement, the Company shall implement the recommendations contained in the EMSU Report attached hereto as Attachment E and incorporated by reference herein:
 - (a) Develop and implement a succession plan to lead it to a replacement for the Manager of Operations at such time he retires from the Company; and
 - (b) Review and revise, if necessary, the position description for the Manager of Operations prior to the retirement of the Company's current Manager;
- (11) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission order approving the terms of this Unanimous Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to Staff Case Coordinator who will file a copy in this case;
- (12) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Unanimous Disposition Agreement;
- (13) Staff or Public Counsel may file a formal complaint against the Company, if the Company does not comply with the provisions of this Unanimous Disposition Agreement;
- (14) The Company, Staff and Public Counsel agree that they have read the foregoing Unanimous Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's, Staff's and Public Counsel's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between the Company, Public Counsel and Staff; and that the Company, Staff and Public Counsel freely and voluntarily enter into this agreement; and

(15) The above agreements satisfactorily resolve all issues identified by Staff, Public Counsel 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 Unanimous Disposition Agreement reflect compromises between Staff, Public Counsel 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.

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

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

SIGNATURES

Agreement Signed and Dated:



Kelly S. Walters
Vice President and Chief Operating Officer-Electric
The Empire District Electric Company

10/18/12

Date



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

10-18-12

Date



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

10/18/12

Date

List of Attachments

- Attachment A – Schedule of Depreciation Rates
- Attachment B – Example Tariff Sheets
- Attachment C – Billing Comparison Worksheet
- Attachment D – Plant-in-Service and Depreciation Reserve Balances
- Attachment E – EMSU Report

Agreement Attachment A

Schedule of Depreciation Rates

THE EMPIRE DISTRICT ELECTRIC CO. WATER COMPANY
DEPRECIATION RATES
(WATER)
WR-2012-0300

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
311	Structures & Improvements	2.5%	40	
314	Wells & Springs	2.0%	50	
325	Electric Pumping Equipment	10.0%	10	
332	Water Treatment Equipment	2.9%	35	
342	Distribution Reservoirs & Standpipes	2.5%	40	
343	Transmission & Distribution Mains	2.0%	50	
345	Services	2.5%	40	
346	Meters & Meter Installations	3.3%	30	
348	Hydrants	2.0%	50	
391	Office Furniture & Equipment	5.0%	20	
391.1	Office Computer Equipment	20.0%	5	
393	Stores Equipment	4.0%	25	
394	Tools, Shop, Garage Equipment	5.0%	20	
395	Laboratory Equipment	5.0%	20	
397	Communication Equipment	6.7%	15	

Agreement Attachment B

Example Tariff Sheets

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. Mo. No. 4

THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. A 1st Revised Sheet No. 1
Cancelling P.S.C. Mo. No. 4For AURORA, MARIONVILLE, VERONANo supplement to this tariff will be issued except
for the purpose of cancelling this tariff.Sec. A Original Sheet No. 1
Which was issued 11-07-02

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THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 1 7th Revised Sheet No. 1
Canceling P.S.C. MO No. 4For: AURORA, MARIONVILLE, VERONANo supplement of this tariff will be issued except
for the purpose of canceling this tariff.Sec. 1 6th Revised Sheet No. 1
Canceling P.S.C. MO No. 4WATER SERVICE
SCHEDULE WA

AVAILABILITY:

This schedule is available for water service on an annual basis to any customer located along the water lines of the Company.

MONTHLY RATE:

Customer Charge:

Meter 5/8" or less +	\$ 12.93
Meter 1"	28.32
Meter 2"	84.76
Meter 4"	259.14
Meter 6"	515.46

Consumption Charge:

First 100,000 gallons, per thousand gallons +.....	\$ 4.30
Over 100,000 gallons, per thousand gallons +.....	1.52

TANK WATER:

Per 1,000 gallons or less +.....	\$ 18.35
----------------------------------	----------

PRIVATE FIRE PROTECTION SERVICE CHARGE:

If the Company for the service of the Customer's private fire protection system is required to install special or additional facilities not normally provided by the Company for the Customer's regular water service, the Customer will pay a monthly charge of 1 1/2% of such excess investment by the Company.

PUBLIC FIRE HYDRANT SERVICE CHARGE:

A monthly charge for fire hydrant service to each community served shall be determined annually in accordance with the formula below and shall be added to each regular water service bill rendered to Customers served on this schedule who reside within the community.

$$\text{Monthly Charge} = \frac{N \times R}{A \times 12}$$

Where: N = Number of Public Fire Hydrants in service within the community at the Date of Determination
R = Annual Rental Charge of \$159.83 per fire hydrant
A = Number of Customers within the community receiving service under Schedule WA at the Date of Determination.

The monthly fire hydrant service charge will be adjusted annually on March 1, based on December 31 data of the previous year of, at its option, the Company may adjust the monthly service charge at any time to reflect changes in the number of Customers or fire hydrants in the community where the variance in the Monthly Charge of \$0.01 or more results from a new computation.

PAYMENT:

Bills for Customers will be due on or before twenty-one (21) days after the date thereof.

GROSS RECEIPTS, OCCUPATION OR FRANCHISE TAXES, OR PRIMACY FEES:

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, or other similar fee or tax now or hereafter imposed upon the Company by any municipality or any other governmental authority, whether imposed by ordinance, franchise or otherwise, in which the fee or tax is based upon a percentage of gross receipts, net receipts or revenues from the sale of water service rendered by the Company to the Customer. Bills will be increased the proportionate amount only in service areas where such tax is applicable. There shall be added to the Customer's bill, as a separate item, the appropriate amount.

THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 1 2nd Revised Sheet No. 2
Cancelling P.S.C. Mo. No. 4For AURORA, MARIONVILLE, VERONA
No supplement to this tariff will be issued except
for the purpose of cancelling this tariff.Sec. 1 1st Revised Sheet No. 2
Which was issued 11-07-02WATER SERVICE
SCHEDULE WA

GROSS RECEIPTS, OCCUPATION OR FRANCHISE TAXES, OR PRIMACY FEES:

There shall be added to the Customer's bill, as a separate item, an amount equal to the proportionate part of any license, occupation, franchise, or other similar fee or tax now or hereafter imposed upon the Company by any municipality or any other governmental authority, whether imposed by ordinance, franchise or otherwise, in which the fee or tax is based upon a percentage of gross receipts, net receipts or revenues from the sale of water service rendered by the Company to the Customer. Bills will be increased the proportionate amount only in service areas where such tax is applicable. There shall be added to the Customer's bill, as a separate item, the appropriate amount of the primacy fee authorized by Section 640.100 of the Revised Statutes of Missouri.

CONDITIONS OF SERVICE:

1. Company Rules and Regulations, P.S.C. Mo. No. 4, Section 2, are a part of this schedule.

For AURORA, MARIONVILLE, VERONANo supplement to this tariff will be issued except
for the purpose of cancelling this tariff.

RULES AND REGULATIONS

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THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 2 2nd Revised Sheet No. 4
Canceling P.S.C. Mo. No. 4

For AURORA, MARIONVILLE, VERONA

No supplement to this tariff will be issued except
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Which was issued 11-21-05RULES AND
REGULATIONS

CHAPTER II

GENERAL CONDITIONS

A. Application for Service

1. Service Application:

The form of application for non-residential service shall be determined by the Company and may be oral or may be made upon the Company's standard written application forms, signed by the applicant or applicant's authorized agent. Residential applications may be by oral agreement to an implied contract that is ratified when Company provides service and Customer accepts and uses service and thereby incurs an obligation to pay for the service from which Customer has benefited. A written application may be required from a residential Customer for reasons of fraudulent or unauthorized usage or unacceptable credit performance.*

2. Application in Name of Customer:

Each service application must be made in the true name of Customer. Proof of identification may be required by Company.*

3. Separate Service Application for Each Location and Each Class of Service:

A separate service application must be made for each location and each class of service.

4. How Application for Service Should be Made:

a. Residential or Small Commercial - Service Established to Premises:

Where service is already established at the desired location, customer shall make application for service to the nearest Company office or collection agency within three (3)+ days after date of initial use of service. If a Residential or Small Commercial Customer merely transfers from one location to another location, where service has not been disconnected, the customer shall notify the Company of date and final meter reading at location being vacated, and date of initial meter reading at location being occupied, and request service contract, customer deposit and unpaid charges to be transferred from old to new address. In the event service to the new location has been disconnected, customer must make proper application and establish proper credit in order that service may be established.

b. Residential or Small Commercial - New Location, or Large Commercial or Industrial:

Any applicant in either of these classifications desiring to receive service from the Company, should notify the nearest Company office. A representative of the Company will then consult with the customer as to available service, location of customer's point of delivery, Company facilities necessary for the class of service desired, etc. Company representatives are competent to render valuable advice and assistance to assist Residential, Commercial or Industrial customers in obtaining the proper service, and to avoid unnecessary delay or expense to the customer due to improper selection of equipment or of installation. The Company desires especially to advise and assist the applicant or customer with respect to location of meter or point of delivery.

c. For service at a new location, applicant shall pay, in advance, a service connection charge as follows:

3/4" or less Single Meter Service Connection	\$580
3/4" Dual Meter Service Connection (with 1" service line)	\$650

If one side of a dual connection is used, customer shall pay only one-half of the \$650 charge, or \$325. For a service larger than 3/4" the service connection shall be equal to the cost of installing a meter and service connection (time and material).

If service is requested at a point not already served by a main of adequate capacity, the Company shall extend its mains as provided in Chapter III b.

B. Service Contract

1. Service Contract:

A service application, when accepted by the Company, becomes a service contract between the customer and the Company, whereby the customer will pay the Company for any service taken by the customer thereunder. The Company will not maintain service to the customer without a service contract. The customer may not assign any rights thereunder without written consent of the Company. These Rules and Regulations are, by reference, made a part of such service contract.

THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 2 1st Revised Sheet No. 6
Cancelling P.S.C. Mo. No. 4For AURORA, MARIONVILLE, VERONANo supplement to this tariff will be issued except
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Which was issued 07-11-78

<p align="center">RULES AND REGULATIONS</p>
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D. Access for Service**1. Right of Way**

Before service is connected, the customer shall, when requested by the Company, at his expense, make or procure conveyance to Company of necessary easements for proper location upon premises owned or occupied by customer of Company's lines and facilities employed in serving the customer.

2. Access to Customer's Premises:

Authorized employees of the Company shall have access to the premises of the customer at all reasonable times to read (Company's meters measuring service to customer), to test the customer's metering or to inspect the customer's equipment or connections, or to repair, replace or remove Company property.

E. Type of Service**1. More Than One Point of Delivery:**

Where service is rendered at more than one point of delivery or for more than one class of service except where necessitated by the Company's facilities, each shall be billed separately.

2. More Than One Customer:

In case service is rendered at one point of delivery to more than one individual customer, or to more than one location, address, establishment, or interconnected structure, the size of each rate block preceding the final block of the applicable rate schedule shall be multiplied by the number of above described premises so served.

3. Extensions to Fire Hydrants:

Extensions to provide service to public fire hydrants are made only upon order issued by the city and under conditions set forth in the existing municipal water service agreement.

4. Use of Fire Hydrants:

Public fire hydrants shall not be used by any person or persons other than members of the City Fire Department, and then only for the legitimate purpose of extinguishing fires, except on written consent of the Company.

5. Resale of Service:

Except where specifically provided by applicable schedule or special contract, no customer shall resell, redistribute or submeter, either directly or indirectly, to any person any service supplied to customer by Company.

F. Termination of Service

Notice of termination must be given by the customer+. Customer will be responsible for payment for all service used by him until final meter readings of meters are made. Customer shall not, by such notice, be relieved of any accrued obligations under service contract and applicable rate schedule.

THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 2 1st Revised Sheet No. 10
Cancelling P.S.C. Mo. No. 4For AURORA, MARIONVILLE, VERONANo supplement to this tariff will be issued except
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<p align="center">RULES AND REGULATIONS</p>

CHAPTER IV

BILLING PRACTICES

A. Billing and Payments Standards

1. Company will normally render a bill for each billing period to every customer in accordance with its applicable rate schedule. Failure of a customer to receive a bill shall not relieve him of his obligation for payment thereof.
2. Each billing statement rendered by the Company will be computed on the actual usage during the billing period except as follows:
 - a. Company may render a bill based on estimated usage:
 - (1) When extreme weather conditions, emergencies labor agreements, or work stoppages prevent actual meter readings.
 - (2) When Company is unable to obtain access to the customer's premises for the purpose of reading the meter, or in situations where the customer makes reading the meter unnecessarily difficult. If the Company is unable to obtain an actual meter reading for these reasons, where practicable, it will undertake reasonable alternatives to obtain a customer reading of the meter, such as mailing or leaving postpaid, preaddressed postcards upon which the customer may note the reading, unless the customer requests otherwise.
 - b. Company will not render a bill based on estimated usage for more than three consecutive billing periods, except under conditions described in paragraph A2a(1) of this rule.
 - c. Under no circumstances will Company render a bill based on estimated usage:
 - (1) Unless the estimating procedures employed by the Company and any substantive changes in those procedures have been approved by the Commission.
 - (2) As a customer's initial or final bill for service unless conditions beyond the control of the Company prevent an actual meter reading.
 - d. When Company renders an estimated bill in accordance with these rules, it will:
 - (1) Maintain accurate records of the reasons therefor and efforts made to secure an actual reading.
 - (2) Clearly and conspicuously note on the bill that it is based on estimated usage.
 - (3) Use customer supplied readings, whenever possible, to determine usage.
 - e. When Company underestimates a customer's usage, the customer will be given the opportunity, if requested, to make payment in installments.
 - f. In estimating readings, the Company will base the estimate on the previous year's usage and the number of days in the billing cycle. Estimated usage shall be calculated as follows: the previous year's gallons of consumption divided by the previous year's number of billing days will equal the usage per day (UPD). The UPD multiplied by the current number of days in the billing cycle will equal the billing estimate. When the previous year's usage data is unavailable, an estimate may be made using the previous month's usage. *
3. If Company is unable to obtain an actual meter reading for three consecutive billing periods, the Company will advise the customer by first class mail or personal delivery that the bills being rendered are estimated, that estimation may not reflect the actual usage and that the customer may read and report water usage to the Company on a regular basis. The procedure by which such reading and reporting may be initiated will be explained. Company will attempt to secure an actual meter reading from customers reporting their own usage at least annually. Such attempts shall include personal contact with the customer to advise the customer of the regular meter reading day. Company will offer appointments for meter readings on Saturday or prior to 9:00 p.m. on weekdays. The charge for this special reading will be Five Dollars (\$5.00) during normal business hours and Ten Dollars (\$10.00) outside normal business hours. Discontinuance of the service of a customer who is reading and reporting usage on a regular basis because of inability to secure an actual meter reading shall not be required.

For AURORA, MARIONVILLE, VERONANo supplement to this tariff will be issued except
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REGULATIONS

- b. Interest at a rate which is equal to one percent (1%) above the prime lending rate as published in the Wall Street Journal will be payable on all deposits. This rate shall be adjusted annually on January 1 using the prime lending rates, as published in the Wall Street Journal on the last business day of December of each year, plus one percent (1%). Interest will be either credited to the service account of the customer on an annual basis or paid upon the return of the deposit. Interest shall not accrue on any cash deposit after the date the Company has made a reasonable effort to return such deposit to the customer. The Company will keep in its records evidence of its efforts to return such deposit. This rule shall not preclude the Company from crediting interest upon each service account during one complete billing cycle annually.
- c. Upon termination of service, the deposit, with accrued interest, will be credited to the final bill and the balance, if any, will be returned promptly to the customer.
- d. The credit of a customer shall be established and the deposit and accrued interest shall be refunded promptly by the Company upon satisfactory payment by the customer of all proper charges for utility service for a period not to exceed twelve successive months. For purposes of this rule, payment is satisfactory if made prior to the date upon which the bill becomes delinquent. The Company may withhold refund of the deposit funds pending the resolution of a matter in dispute involving discontinuance for nonpayment or unauthorized interference by the customer.
- e. Company will maintain a record of all deposits, received from customers, showing the name of each customer, the location of the premises occupied by the customer at the time the deposit was required and each successive location while the deposit is retained, the date and amount of deposit, and the date and amount of interest paid.
- f. 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 thereof, unless the Company 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 receipt shall contain the following minimum information:
- (1) Name of customer.
 - (2) Date of payment.
 - (3) Amount of payment.
- g. Company will provide means whereby a person entitled to a return of a deposit is not deprived of the deposit refund even though he may be unable to produce the original receipt for the deposit, provided he can produce adequate identification to insure that he is the customer entitled to refund of the deposit.

For AURORA, MARIONVILLE, VERONA

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- g. Violation of any other rules of the Company on file with and approved by the Commission which adversely affect the safety of the customer or other persons, or the integrity of the Company's delivery system.
- h. The nonpayment of a sewer bill issued by a sewer provider that has a valid and existing contract with Company providing for discontinuance of water service for nonpayment of sewer bills as provided by Section 393.015 RSMo, when the sewer service provider has provided written notice of discontinuance by certified mail to the customer 30 days in advance and has also requested disconnection of water service by the Company and complied with all prerequisites under the contract. Customer notification, dispute resolution procedures, and charges in such circumstances are governed by the terms of the contract rather than these rules and regulations.
- 2. None of the following shall constitute sufficient cause for Company to discontinue service:
 - a. The failure of a customer to pay for merchandise, appliances, or services not subject to Commission jurisdiction as an integral part of the utility service provided by the Company.
 - b. The failure of a residential customer to pay for concurrent service received at a separate metering point, residence or location. In the event of a discontinuance or termination of service at a separate residential metering point, residence or location in accordance with these rules, Company may transfer any unpaid balance to any other residential service account of the customer.
 - c. The failure of the customer to pay for a different class of service received at the same or different location. The placing of more than one meter at the same location for the purpose of billing the usage of specific devices under optional rate schedules or provision is not construed as a different class of service for the purpose of this rule.
- 3. Subject to the requirements of these rules, Company may discontinue service to a customer between the hours of 8:00 a.m. and 4:00 p.m. on the date specified on the notice of discontinuance or within a reasonable time thereafter. Service shall not be discontinued on a day when Company personnel are not available to reconnect the customer's service, or on a day immediately preceding such day. Service shall not be discontinued for nonpayment of a delinquent account within six (6) days after an account becomes delinquent except where written notice is delivered to a customer in which case discontinuance may be effected not less than forty-eight (48) hours after delivery of the notice.
- 4. Company will not discontinue service pursuant to section C1 unless written notice by first class mail is sent to the customer at least ten (10) days prior to the date of the proposed discontinuance. If written notice is delivered to the customer, it shall be done at least ninety-six (96) hours prior to discontinuance. Service of notice by mail is complete upon mailing. Company will maintain an accurate record of the date of mailing. A notice of discontinuance of service shall not be issued as to a bill or portion of a bill currently the subject of a dispute pending with the Company or the Commission nor shall such a notice be issued as to any bill or portion of a bill which is the subject of a settlement agreement except after breach of a settlement agreement, unless the Company inadvertently issued such notice in which case the Company will take necessary steps to withdraw or cancel such notice. +
- 5. At least ten (10) days prior to discontinuance of service for non-payment of a bill or deposit at a multi-dwelling unit residential building at which usage is measured by a single meter, notices of the Company's intent to discontinuance will be conspicuously posted in public areas of the building, provided however, that such notices will not be required if the Company is not aware that said structure is a single metered multi-dwelling unit residential building. Such notices shall include the date on or after which discontinuance may occur. The Company will not be required to provide notice in individual situations where safety of employees is a consideration. +

THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 2 3rd Revised Sheet No. 16
Cancelling P.S.C. Mo. No. 4For AURORA, MARIONVILLE, VERONANo supplement to this tariff will be issued except
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Which was issued 11-07-02

<p align="center">RULES AND REGULATIONS</p>
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- At least ten (10) days prior to discontinuance of service for non-payment of a bill or deposit at a multi-dwelling unit residential building where each unit is individually metered at which a single customer is responsible for payment for service in all units in the building or at a residence in which the occupant using utility service is not the Company's customer, the occupant(s) shall be given written notice of the Company's intent to discontinue service, provided however that such notice shall not be required unless the occupant has advised the Company or the Company is otherwise aware that he is not the customer. In the case of a multi-dwelling unit residential building where each unit is individually metered or in the case of a single family residence, the notice provided to the occupant of the unit about to be discontinued shall outline the procedure by which the occupant thereof may apply in his or her name for service of the same character presently received through that meter. +
6. At least twenty-four hours preceding discontinuance of service, Company will make reasonable efforts to contact the customer to advise of the pending action and what steps must be taken to avoid discontinuance.
 7. Immediately preceding the discontinuance of service, an employee of the Company designated to perform such function shall, except in individual situations where the safety of the employee is a consideration, make a reasonable effort to contact and identify himself to the customer or responsible person then upon the premises and shall announce the purpose of his presence. When service is discontinued, the employee will leave a notice upon the premises in a manner conspicuous to the customer that service has been discontinued and the address and telephone number of the Company where the customer may arrange to have service restored.
 8. Notwithstanding any other provision of this rule, Company will postpone the discontinuance of utility service to a residential customer for a time not in excess of twenty-one days if the Company is advised the discontinuance will aggravate an existent medical emergency of the customer, a member of his family or other permanent resident of the premises where service is rendered. Company may require customer to provide satisfactory evidence that a medical emergency exists.
 9. Notwithstanding any other provision of this rule, Company may discontinue any service temporarily for reasons of maintenance, health, safety or a state of emergency.
 10. Upon the customer's request, Company will restore service promptly when the cause of discontinuance of service has been eliminated, applicable restoration charges paid and, if required satisfactory credit arrangements have been made. At all times, a reasonable effort shall be made to restore service upon the day restoration is requested, and in any event, restoration shall be made no later than the next working day following the day requested by the customer. The Company will charge the customer a reconnect charge as shown on the rate section of this tariff. If discontinuance was caused by diversion, the cost of any facility or changes Company deems necessary or appropriate in order to prevent possible future diversion of energy by customer may have to be paid for by customer.
 11. When a customer initiates a complaint or inquiry, the Company will: immediately record the date, time and place the complaint or inquiry is made; investigate it promptly and completely; and attempt to resolve the matter informally in a manner mutually satisfactory to both parties. When a customer initiates a complaint or inquiry at the Company relating to termination of the customer's water service because of non-payment of a sewer bill, the Company is under no obligation to investigate the nature of the dispute between the customer and the sewer sewer provider but shall immediately refer the customer to the proper department at the provider of sewer service.
 12. A customer may advise the Company that a bill is in dispute in any reasonable manner such as by written notice, in person or by a telephone call directed to the Company during normal business hours. A dispute must be registered with the Company at least 24 hours prior to the date of the proposed discontinuance for a customer to avoid discontinuance of service as provided by these rules.

THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 2 1st Revised Sheet No. 19
Cancelling P.S.C. Mo. No. 4For AURORA, MARIONVILLE, VERONANo supplement to this tariff will be issued except
for the purpose of cancelling this tariff.Sec. 2 Original Sheet No. 19
Which was issued 09-15-93

<p align="center">RULES AND REGULATIONS</p>
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CHAPTER V

**CONTRACTUAL ARRANGEMENTS WITH SEWER PROVIDERS FOR DISCONNECTION
OF WATER SERVICE FOR NONPAYMENT OF SEWER CHARGES**

A. Applicability

1. Section 393.015 RSMo authorizes a contract between Company and any sewer corporation or sewer provider for the purpose of disconnection of Company's water service to a premises to aid in the collection of delinquent bills for sewer service. This chapter of Company's rules and regulations specifies the terms and conditions under which the Company will enter into and perform under this agreement.
2. The Company will enter into a contract in the form contained herein with any sewer corporation or sewer provider which provides sewer service to Company's water customers. On the effective date of the contract, Company shall operate under the terms of the contract, as opposed to its other rules and regulations for water service, with regard to those transactions covered by the terms of this agreement.

B. Form of Contract:

**AGREEMENT REGARDING DISCONNECTION OF
WATER SERVICE FOR COLLECTION OF
DELINQUENT SEWER BILLS**

THIS AGREEMENT, dated as of _____, 20__, is between The Empire District Electric Company, a Kansas corporation with its principal office located at 602 Joplin Street, Joplin, Missouri, (hereinafter called "Water Company") and the sewer provider of _____, Missouri, (hereinafter called "the Sewer Provider"), with its principal office located at _____.

PRELIMINARY STATEMENTS

- a. The Sewer Provider owns and operates a sewer system which supplies service to the residents of the Sewer Provider. The Sewer Provider charges a fee for such service and periodically issues bills to its customers for that service. The Sewer Provider is obligated to attempt to collect delinquent bills for sewer service.
- b. Water Company provides water service under terms and conditions approved by the Public Service Commission of the State of Missouri (hereinafter "Commission") in areas where the Sewer Provider provides sewer service.
- c. Section 393.015 RSMo Supp. 1993, authorizes the Sewer Provider to contract with Water Company for the purpose of securing the termination of water service to any customer's premises for non-payment of a delinquent bill for sewer service rendered by the Sewer Provider.

In consideration of the promises and the respective mutual agreements, covenants, and representations contained in this agreement, Water Company and Sewer Provider agree as follows:

1. DEFINITIONS

- 1.1 Customer: The person or entity listed in the records of the Sewer Provider or the Water Company as having requested the service being provided. Depending upon the billing practices of the Sewer Provider and the Water Company, this may be either an owner/occupant, a non-owner/occupant, or a non-occupant/owner.
- 1.2 Customer premises: The place at which the particular utility service is being delivered such as a residence, an apartment building, a business location, a mechanical installation, or an industrial facility.

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Sec. 2 1st Revised Sheet No. 21
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Which was issued 9-15-93

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- a. If Water Company does not provide water service to the premises, Water Company shall notify the Sewer Provider of same by telephone and by follow-up written memorandum. By providing such notice, Water Company is relieved of any obligation under this agreement to pursue discontinuance efforts at that premises for the Sewer Provider.
 - b. If Water Company does provide water service to the premises, Water Company shall compare its records to the statement provided by the Sewer Provider to determine if the identity of its customer at the premises is the same as that contained in the notice from the Sewer Provider.
 - c. If the identity is the same, Water Company shall commence the discontinuance procedure specified in this agreement.
- 3.3 Identity of Customers. If the identity of the customer on the notice received from the Sewer Provider does not match the identity of the customer on the Water Company's records, the Water Company shall contact the Sewer Provider and the Sewer Provider shall attempt to discern the reason for the difference in identities.
- a. Individuals. In the case of residential water service, or other service provided in the name of an individual person, Water Company shall not be obligated to pursue discontinuance under this agreement unless Water Company is reasonably satisfied, upon proof presented by the Sewer Provider, that:
 1. the Sewer Provider's sewer customer and the Water Company's water customer are one and the same, or
 2. that the water customer, if a different person from the sewer customer, is nevertheless a co-occupant of the premises with the sewer customer and is benefitting from the availability of sewer service at the premises to a similar degree as that of the sewer customer.
 - b. Commercial or Industrial Premises. If the involved customer premises receives sewer service under a different name than under which Water Company provides water service, Water Company shall not be obligated to pursue discontinuance under this agreement unless Water Company is reasonably satisfied, upon proof presented by the Sewer Provider, that:
 1. the Sewer Provider's sewer customer and the Water Company's water customer are related corporations, associations, or other entities with common management control, or
 2. that the water customer, if a different entity from the sewer customer, is nevertheless a co-occupant or co-user of the premises with the sewer customer and is benefitting from the availability of sewer service at the premises to a similar degree as that of the sewer customer.
 - c. Multi-unit building; separate water service.
 1. If the Sewer Provider's sewer service is provided to a multi-unit building where there are occupants receiving separately-metered water service, the water service to those separately-metered units is not delinquent, and the sewer customer is not a customer of the Water Company receiving water service at the premises, Water Company shall not be obligated to discontinue water service to any unit under this agreement.
 2. If the Sewer Provider's sewer service is provided to a multi-unit building where there are occupants receiving separately-metered water service, and the sewer customer is one of those receiving separately-metered water service, and water service to the sewer customer can be discontinued without interruption of service to other water customers in the building, Water Company is obligated to pursue discontinuance of the water service to the sewer customer.
 3. If the Sewer Provider's sewer service is provided to a multi-unit building in a situation as described in C.1., but the sewer customer is also receiving water service from Water Company at another premises which does not involve other water customers that are not delinquent, Water Company may commence the discontinuance procedure at the other premises of the sewer customer, provided the Sewer Provider has proper authority to deal with customers in this manner.
 - d. Multi-unit building; common water service. If the Sewer Provider's sewer service is provided to a multi-unit building where there are occupants receiving water service through a single or common meters, the discontinuance procedure shall include the following notice requirement:

THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 2 2nd Revised Sheet No. 22
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Which was issued 11-21-05

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1. Not more than fifteen (15) but at least five (5) days prior to discontinuance of water service, notices of Water Company's intent to discontinue shall be conspicuously posted in public areas of the building; provided, however, that these notices shall not be required if the Water Company is not aware that the structure is a single metered multi-unit building. The notices shall include the date on or after which discontinuance may occur and shall state that water service is proposed to be discontinued for non-payment of a bill for sewer service. The notice shall state the name and address of the sewer customer that is delinquent and the name and telephone number of a person with the Sewer Provider who can discuss the situation.
- 3.4 Discontinuance Procedure.
 - a. If all the pertinent conditions above have been satisfied, at least twenty-four (24) hours preceding discontinuance, Sewer Provider shall make reasonable efforts to contact the customer to advise of the pending action and what steps must be taken to avoid discontinuance.
 - b. Immediately preceding the discontinuance of service, the employee of Water Company designated to perform the function and an employee of the Sewer Provider shall make a reasonable effort to contact the customer or a responsible person on the premises and identify themselves and announce the purpose of their presence. After service is discontinued, the Water Company employee shall leave a notice upon the premises in a manner conspicuous to the customer that service has been discontinued and the address and telephone number of the Water Company where the customer may arrange to have service restored.
- 3.5 Bankruptcy or Court Order. If either party to this agreement receives notice that the customer at the premises scheduled for discontinuance of water service has invoked the protection of the federal bankruptcy laws, such party shall immediately notify the other party by telephone and follow-up such telephone notification with written notification. Water Company is entitled to cease its discontinuance efforts under this agreement if it has notice that the customer has filed for bankruptcy and therefore the stay provisions of the bankruptcy laws would be violated if Water Company continued with collection efforts on behalf of the Sewer Provider. Water Company shall also be entitled to cease the discontinuance procedure in compliance with an order of the Commission or a court of competent jurisdiction to cease discontinuance efforts. Water Company shall be under no obligation to the Sewer Provider to resume discontinuance efforts until the stay or other orders blocking discontinuance have been lifted.
- 3.6 Where Water Bill Subsequently Becomes Delinquent.
 - a. In situations where the Sewer Provider's request for discontinuance arrives at Water Company and the water bill at the premises is not delinquent, but subsequently becomes delinquent, Water Company shall ensure that its discontinuance procedures required by its tariff approved by the Commission are followed in conjunction with the procedures under this agreement. Water Company may delay discontinuance of the water service for non-payment of a delinquent water bill to coincide with the scheduled discontinuance of water service for non-payment of the delinquent sewer bill. In no event, however, shall discontinuance take place less than thirty (30) days after notice by first class mail is sent by the Sewer Provider pursuant to section 3.1.F. hereof. +
 - b. In such situations, Water Company shall not be entitled to bill the Sewer Provider for Water Company's lost revenue after the date of discontinuance, unless otherwise provided in section 5.2. +
4. RESTORATION PROCEDURE
 - 4.1 Upon the customer's request, the Water Company shall restore water service promptly when the cause for the discontinuance has been eliminated and the customer has paid the cost of discontinuance and restoration of service by the Water Company, and any costs or charges for re-establishment of sewer service established by the Sewer Provider. Restoration of service shall be made not later than the next working day following the request and may be made after normal working hours at an additional charge if the customer requests and at the option of the Company.

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- 4.2 Service may also be restored to the premises without consideration of the delinquent sewer charges if Water Company receives a bona fide application for service from a new customer who meets all of the Water Company's requirements for initiation of service to a premises.

5. RELATIONSHIP BETWEEN CITY AND WATER COMPANY

- 5.1 The Sewer Provider and the Water Company shall establish a mutually agreeable procedure and schedule for the processing of requests for discontinuance by the Sewer Provider, so as not to unduly interfere with or restrict the normal operations of the Water Company of providing service to its customers. Water Company reserves the right to reschedule procedures under this agreement if they conflict with or prevent the Water Company from providing safe and adequate service to its customers.

- 5.2 Since Water Company will forego revenue it would otherwise receive from water customers by complying with the terms of this agreement, and incur costs for notices and discontinuance it would not otherwise incur, Sewer Provider shall pay Water Company according to the following schedule. Water Company shall issue a bill to Sewer Provider for each month in which the events occur and Sewer Provider shall pay the amount billed within thirty (30) days of the date of the bill.

a. Schedule of Fees:

For each request for discontinuance received	\$ 8.00
Customer charge for trip to premise	\$ 15.00
when not disconnected (due to payment at site)	
Additional fee for multi-unit building	\$ 10.00
During normal working hours of Water Company:	
For each discontinuance completed	\$ 24.00
For each restoration after discontinuance	\$ 24.00
After normal working hours of Water Company:	
For each restoration after discontinuance	\$ 58.00

b. Lost Revenues:

For each discontinuance completed, Water Company shall estimate its lost revenue for the month or partial month based upon its standard estimation procedure, giving due consideration to past usage from similar time periods and any known changes in condition of the premises. The amount of the lost revenue shall be separately itemized for each premises on each monthly bill so long as the discontinuance exists.

- 5.3 Indemnification. Since Water Company may be subject to damage claims from the Sewer Provider's sewer customers for Water Company's actions or inactions pursuant to this agreement, the Sewer Provider shall indemnify and save Water Company harmless from any and all claims, expenses and costs based upon or arising out of Water Company's actions or inactions related to this Agreement, including negligent acts or omissions by the Water Company or its employees related to the disconnection or reconnection procedures. The phrase "claims, expenses and costs" shall be construed broadly and shall include, by way of example, costs of defense, damages, penalties, remediation costs, investigation costs, attorneys fees, costs of settlement, and miscellaneous expenses. The Sewer Provider shall maintain adequate insurance coverage to fund this indemnification requirement.

- 5.4 Disputes. If a dispute arises between the Sewer Provider and Water Company regarding any of the provisions or operation of this agreement, the parties shall attempt promptly and in good faith to resolve such dispute through negotiations between representatives who have authority to settle the controversy. Either party may give notice to the other of the existence of a dispute. Within twenty (20) days of the delivery of such notice, the parties shall meet at a mutually acceptable time and place, and thereafter as often as they deem necessary, to exchange information and attempt to resolve the dispute, until the parties conclude that the dispute cannot be resolved by negotiation.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. Mo. No. 4

THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 2 2nd Revised Sheet No. 24
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Which was issued 11-21-05RULES AND
REGULATIONS

5.5 Negotiations. Negotiations extending for a period of sixty (60) days after the first such meeting shall be deemed to be at an impasse, unless otherwise agreed by the parties. If negotiations are deemed to be at an impasse, the parties agree to submit the matter to the Commission for arbitration pursuant to 386.230 RSMo. Nothing in this section shall prevent either party from terminating this agreement as otherwise provided in this agreement.

5.6 Termination. This agreement may be terminated by either of the parties hereto upon the delivery of thirty (30) days written notice to the other at the other's principal place of business. Termination shall not relieve any party of any amounts which accrued or became due prior to termination, or relieve the Sewer Provider of the obligation to indemnify the Water Company under section 5.3 for any event which occurred prior to termination.

6. MISCELLANEOUS PROVISIONS

6.1 This agreement shall not be construed to in any way limit the rights of the Sewer Provider to collect delinquent sewer bills in any other lawful fashion including, but not limited to, suits at law for damages, suits in equity relating to the sewer service, or physical disconnection of sewer service.

6.2 Water Company shall not be required to post notices or proceed with discontinuance under this agreement in situations where the safety of its employees is a consideration.

6.3 This agreement constitutes the entire agreement between the Water Company and the Sewer Provider with respect to the subject matter hereof and supersedes any other agreements, undertakings, understandings and discussions. This agreement may be amended or modified only by written instrument executed by both the Sewer Provider and the Water Company, except that the amounts for charges specified in this agreement shall be changed automatically if the Commission allows changes in said amounts in the tariff.

6.4 This agreement shall be construed and interpreted in accordance with the laws of Missouri.

Sewer Provider of THE EMPIRE DISTRICT ELECTRIC COMPANYBy: _____
Authorized Signature

By: _____

Under authority granted by
Ordinance No. _____

Attest:

Attest:

Secretary_____
Secretary**C. Exclusivity of Procedure**

1. In situations covered by the terms of the agreement between Company and a Sewer Provider or sewer district, the agreement shall govern over the terms of Company's other rules and regulations.

Agreement Attachment C

Billing Comparison Worksheet

The Empire District Electric Company-Water

Residential Customer Bill Comparison-Water

Rates for 5/8" Meter

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
\$10.22	\$12.93	\$3.40	\$4.30

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	\$ 10.22
Usage Charge	\$ 20.40
Total Bill	\$ 30.62

Proposed Rates

Customer Charge	\$ 12.93
Usage Charge	\$ 25.80
Total Bill	\$ 38.73

INCREASES

Customer Charge

\$ Increase	\$2.71
% Increase	26.48%

Usage Charge

\$ Increase	\$5.40
% Increase	26.48%

Total Bill

\$ Increase	\$8.11
% Increase	26.48%

Agreement Attachment D

Plant-in-Service and Depreciation Reserve Balances

The Empire District Electric Company (Water)
Plant-in-Service and Depreciation Reserve Balances
at June 30, 2012

USOA Account	Account Description	Plant-in-Service Balances	Depreciation Reserve Balances
	<u><i>Source of Supply Plant</i></u>		
310.0	Land and Land Rights	\$103,700	
311.0	Structures and Improvements	\$474,183	\$137,461
314.0	Wells and Springs	\$328,638	\$111,059
	<u><i>Pumping Plant</i></u>		
325.1	Submersible Electric Pumping	\$549,154	\$416,186
	<u><i>Water Treatment Plant</i></u>		
332.0	Water Treatment Equipment	\$70,416	\$4,010
	<u><i>Transmission and Distribution Plant</i></u>		
340.0	Land and Land Rights	\$1,732	
342.0	Distribution Reservoirs and Standpipes	\$349,215	\$224,019
343.0	Transmission and Distribution Mains	\$5,354,714	\$1,516,988
345.0	Services	\$3,511,210	\$1,388,195
346.0	Meters and Meter Installations	\$657,279	\$311,898
348.0	Hydrants	\$387,401	\$152,801
	<u><i>General Plant</i></u>		
391.0	Office Furniture and Equipment	\$567	\$567
391.1	Office Computer Equipment		
393.0	Stores Equipment	\$442	\$764
394.0	Tools, Shop, and Garage Equipment	\$65,745	\$40,046
395.0	Laboratory Equipment	\$1,503	\$1,967
397.0	Communication Equipment		
398.0	Miscellaneous Equipment	\$238,985	\$140,325
	Totals	\$12,094,884	\$4,446,286

Agreement Attachment E

EMSU Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Engineering and Management Services Unit

Small Company Rate Increase Request

File No: WR-2012-0300

Empire District Electric Company – Water Operations

Lisa Kremer and Tammy Vieth

The Engineering and Management Services Unit (EMSU) staff initiated a review of the customer service processes, procedures, and practices of The Empire District Electric Company's water operations (Empire Water, or Company) on May 24, 2012.

The review was performed in conjunction with a small company rate increase request File No. WR-2012-0300 submitted by the Company on May 21, 2012. The Company is requesting an increase of \$516,401 in its annual water system operating revenues. This request represents an increase of approximately 29.55% in the Company's annual water system operating revenues. The Company's last rate increase request became effective February 4, 2006.

The EMSU staff examined Company tariffs, annual reports, Missouri Public Service Commission (Commission) complaint and inquiry records, and other documentation and information provided by the Company in relation to its customer service and business office operations. In preparation of this report, the EMSU staff submitted data requests on May 24, 2012, and conducted interviews with Company personnel on July 11 and 12, 2012 in both its Joplin and Aurora, Missouri offices. The EMSU staff's review of the Company resulted in the following six recommendations for Company management:

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

1. Implement a bill format that includes a due date and delinquent date if they are different on all customer bills as is required by 4 CSR 240-13.020(9)(B). This action should be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in File No. WR-2012-0300.
2. Review and revise its Customer Handbook and web-site to include greater recognition and acknowledgement of water customers.

3. Revise its premise discontinuance notice to include the Company's address as required in 4 CSR 240-13.050(8). This revision should be completed within thirty (30) days of the Commission's Order Approving the Disposition Agreement in File No. WR-2012-0300.
4. Monitor the usage documentation of the water system vehicle used by the electric operations of Empire District Electric Company. If such usage becomes more frequent, take action to develop vehicle logs that would track actual usage by the electric side of the Company's business.
5. Develop and implement a succession plan to lead it to a replacement for the Manager of Operations at such time he retires from the Company.
6. Review and revise, if necessary, the position description for the Manager of Operations prior to the retirement of the Company's current Manager.

The purpose of the EMSU 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 reasonable rates, while providing utilities the opportunity to earn a fair return on their investment.

The objectives of the EMSU staff's 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, for the Company to improve the quality of services provided to its customers. The findings of this review also provide the Commission with information regarding the Company's customer service and business operations.

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

- Customer Billing
- Meter Reading
- Payment Remittance
- Credit and Collections
- Complaint and Inquiry Handling and Recording
- Customer Communications and Information
- Record Storage and Security
- Time Reporting

- Vehicle Logs
- Succession Planning

Overview

The Empire Water Company was established in 1926 when Empire purchased the Lawrence County Water, Light and Cold Storage Company. The water company provides water service to approximately 4,500 customers in three communities southwest of Springfield, Missouri near U.S. Highway 60. The majority of the Company's customers are in Aurora, Missouri, with the customer count of approximately 3400. The Company serves approximately 900 customers in Marionville, Missouri and approximately 200 in Verona, Missouri. The Company's manager indicated that approximately 95% of the Company's water customers are also electric customers of The Empire District Electric Company.

Empire Water has five employees that are dedicated to the operations of the water system and include three Water System Maintenance positions, one Water System Foreman and the Manager of Water Operations. The Water System Maintenance positions and the Foreman of Water Operations are all on a revolving weekly schedule to divide the work load involving day-to-day operations, repairs, and outside plant functions as well as daily system checks, chlorination, routine maintenance, and responding to customer service calls.

The Manager of Water Operations, a trained electrician, has 33 years of experience with the Company and has been working on the Company's water system operations since May 1995. The Manager is responsible for day to day operations, policy development, general problem solving, budgeting, oversight to four employees, and repairs and maintenance as needed. All five employees responsible for the operation of the water system have been with the Company a minimum six years. The corporate headquarters is located at 602 Joplin Street, Joplin, Missouri. Because the water operations' organizational position is essentially an operating unit within The Empire District Electric Company, the water entity benefits from the operational and technical support of the larger regulated electric company. For example, all billing, credit and

collection activities, call center support, meter reading and other support functions are performed by The Empire District Electric Company.

The EMSU staff made an on-site visit to Empire Water on July 11 and 12, 2012 and conducted interviews with the water system's General Manager as well as a number of other staff of The Empire District Electric Company who perform a number of functions for the water company. The EMSU staff also visited the Company's call center located at the Joplin headquarters as well as its business office in Aurora. The Aurora office functions as a service center for the water operations as well as some of the Company's electric operations.

The Company's Aurora business office hours are 8:00 to 5:00, Monday through Friday. Empire Water's customers also have access to the Company's toll-free call center on a 24/7 basis. The Company utilizes an underground contractor, Singer, for all underground construction activities, including laying of new mains and distribution infrastructure.

Company management anticipates minimal future growth in the number of customers it serves. Although the population in the service area has increased, the total number of company customers has slightly declined. Recent projects included a main loop built around the City of Verona to allow for a second source of water for the City. Possible changes in minimum pressure guidelines could create additional projects that are tentative in the 2015 budget.

Customer Billing

The Company's customer billing and meter reading is performed by The Empire District Electric Company employees.

The Company's current water rates for residential customers are to be calculated in the following manner per The Empire District Electric Company P.S.C. Mo. No. 4 Sec. 1 7th Revised Sheet No. 1 Canceling P.S.C. Mo. No. 4 Sec. 1 6th Revised Sheet No. 1 issued 11-07-02:

Customer Charge 5/8 inch meter:	\$ 10.22
Price per 1,000 gallons (first 100,000 gallons)	\$ 3.40

Over 100,000 gallons, (per thousand gallons) \$ 1.20

Bills are prepared by The Empire District Electric Company's billing system and include the present reading, the previous reading, the number of gallons used and the corresponding amount of charges.

The Company indicated that it considers the bill due upon receipt by the customer. The billing statement includes a late charge will be added after a given date which computes to 21 days after the bill has been rendered or mailed.

Meter Reading

The Company utilizes 21 meter reading cycles to enable all meters to be read in a given month. Meters are read through an Itron hand-held meter reading system and are transmitted each day through the Host Download File (HDF). The docking system is located in Aurora. The Company recently upgraded to an FC300 Itron hardware system. The Itron system includes a target 'last read date' to ensure that meters are read within the 26 to 35 day usage time periods as required by the Code of State Regulations 4 CSR 240-13.015 (C) (also known as Chapter 13). Two meter readers are responsible for all readings, with one located in Republic and the other in Aurora.

Meter reads are calculated into customer bills and posted to customer accounts through the billing system, "Customer Watch" batch files. The meter reading process is generally started about one week before the statement is to be mailed. The readings are due at least two days prior to billing cycle. Statements for the scheduled billing cycle are generated and mailed the next business day after the reads are transmitted and account posting occurs.

A high/low report is generated when all readings have been transmitted. This report includes parameters to try to eliminate possible problems or errors in the read. Each instance is manually investigated. Some items on the report require a service order or a re-read. If service orders cannot be processed during the 26-35 days of service timeframe, estimations are calculated for the current billing statement.

Meter reads are occasionally estimated with the majority of estimates occurring during the winter months when opening meter pits can cause freezing and damage to

equipment. The mild winter of 2011 saw significantly fewer estimated reads than prior years during the same period. The Company indicated the estimates are based upon the prior year's historical usage and include recognition of weather factors. The EMSU staff reviewed the company's tariff for actual estimation procedures and did not locate the procedures. That matter is currently being addressed by the Commission's Water and Sewer Unit.

Payment Remittance

Empire Water provides a number of payment options including cash, check, electronic payment, or credit/debit card. Methods of payment include Company Night Boxes (business office night depositories), authorized pay agents in local communities, payments mailed in using the Company's payment remittance envelopes, payments auto-drafted from the customer's bank account, payments made by third party vendor over the telephone or internet, payments made by online banking through the customer's bank, payments wired directly to Empire Water's bank and payments made "over the counter" at local business offices. The Company does accept payments while in the field to perform non-payment discontinuances. A door collection fee of \$15.00 is required for such field payments.

Credit and Collections

Applications for service may be made through the Company's call center or in person at one of five business offices located in Aurora, Bolivar, Joplin, Ozark, and Branson. Since the majority of the water system's customers are located in the Aurora area, the majority of the Company's customers utilize the Aurora business office location to initiate water service, make water payments or inquire about service issues.

The electronic application process can be initiated at a local business office, through the Company's website as well as through its call center. Policies and practices regarding the collection of customer deposits mirror the Company's electric practices. New applicants are asked the four questions contained in Chapter 13 and within its tariff to determine credit worthiness. The Company also accepts a letter of credit from another utility to waive a deposit. Per the Company's tariff, deposits are calculated based upon

one month's utility charges plus thirty days. For non-payment discontinuance accounts, the Company requires two (2) times the highest water bill in the most recent 12 months to restore service, which is permitted within Chapter 13. In 2012, the Company collected deposits from 111 water customers.

The Company indicated that the refund of customer deposits are system generated, as with the electric and gas business, and refund criteria follows provisions of Chapter 13. Upon satisfactory payment of all undisputed utility charges during the prior 12 month period deposits will be refunded or credited with accrued interest, which is one 1 % above the prime lending rate.

A penalty and shut-off notice are generated on the 2nd business day after the due date allowing customers an additional ten days to pay. After ten days and within eleven business days, two phone call attempts are made to notify the customers of the Company's intention to disconnect service for nonpayment. A reasonable payment agreement and corresponding payments will be accepted in lieu of disconnect. A door hanger notice is placed on the customer's door at least 24 hours before disconnection if the Company is unable to contact the customer in person.

Once service has been discontinued, no payment arrangements are accepted. Service is restored when payment of the arrearage is made in addition to the reconnect fees and deposit, if required. A shut-off notice or discontinuance notice is generally sent after sixty days arrears. Non-payment disconnections totaled 124 for 2010, 136 for 2011 and 75 for the first five months of 2012. Water system bad debt write-offs averaged .66% of revenues for 2010, 2011 through May 2012, which is the Company's target for bad debt.

The Company utilizes the outside collection agency, Berlin Wheeler, with a first placement fee of 25% of total collected and 50% if legal action is required. All settlement offers are presented to the Company for approval.

Returned checks are charged a fee of \$20.00 to the customer and the Company's bank charges a fee of \$8.00. Because approximately 95% of the Company's water customers are also electric, and water and electric service are billed on a single bill, the Company is unable to distinguish returned checks that were received only on the water side of the business.

Complaint and Inquiry Handling and Recording

Customer complaints and inquiries are received through the Company's call center but are also received through its web-site as well as at Company local business offices. The Company indicates that complaints are tracked and maintained electronically through the Company's customer information system, Customer Watch. Notes and resolutions are recorded on the individual customer's account.

Customer Communications and Information

The Company indicates that all new customers are mailed a customer handbook. The handbook includes a variety of information that is required by 4 CSR 240-13.040(3). The handbook is understandably written toward the majority of Empire Water's customer base, which are electric customers, but some opportunities exist to make changes to acknowledge Empire Water's water (and gas customers), particularly in the areas that address usage charges and customer inquiries. The Company's premise notice used to inform customers of service termination for non-payment is also lacking the Company's address, a requirement of 4 CSR240-13.050(8).

Records Storage and Security

Empire Water customer records benefit from the record storage and security employed by The Empire District Electric Company. Electronic files are backed-up regularly. Operational records are stored in fireproof file cabinets located within the Aurora business office and Marionville facilities.

Time Reporting

All water employees maintain daily time records which are tracked by People Soft, a business software package utilized to manage human resources, financial management and other business functions. EMSU staff reviewed a sample of the manually completed time reports that captured hours worked, overtime, leave time and other categories. The five water employees of Empire's water operations are dedicated solely to work on water business.

Vehicle Logs

Empire Water has four trucks dedicated to providing water service. Daily mileage logs are maintained for the Company's largest truck that is used for responding to water leaks, a Ford F350 half-ton, and identified as truck number 253. The Missouri Department of Transportation requires daily mileage records as well as other select safety information to be maintained on vehicles of a given license. The other three vehicles are monitored through daily tracking of hours utilized on the water system and monthly mileage records are recorded and maintained. The Company indicated that on occasion, a water vehicle may be used to perform minimal work associated with the electric operations of The Empire District Electric Company.

Succession Planning

The water system has an experienced Manager of Operations that has indicated consideration of retirement within the next three years. The Manager is ultimately responsible for the delivery of safe and reliable water to 4500 Missouri customers, and oversees the design, construction and maintenance of the Company's water facilities in addition to other important duties.

Findings, Conclusions, and Recommendations

The following discussion contains findings, conclusions and recommendations pertaining to Empire Water's customer service and business office operations. This section focuses on the following four areas that warrant Company management attention:

- Customer Billing
- Customer Communications and Information
- Vehicle Logs
- Succession Planning

Customer Billing

The Company's current bill format does not include the date when bills will be considered due and the date when they will be considered delinquent as required by 4 CSR 240-13.020(9)(B). The Company indicated that it considers the bill due upon

receipt by the customer, but no indication of this expectation is present on the bill. The bill does state that a late charge will be added after a given date which computes to 21 days after the bill has been rendered or mailed and is consistent with the requirements of Chapter 13. The mention of ‘late fee’ could be inferred to mean the bill was delinquent but it is the EMSU staff’s opinion that the bill format without either an actual due or actual ‘delinquent’ date is not within compliance with Chapter 13.

Commission Rule 4 CSR 240-13.020(9)(B) states that “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.”

In addition, an actual due date present on the bill may encourage customers to pay more promptly than the last day by which they can avoid a “late fee.” Prompter customer payments may have a positive impact upon the Company’s cash flow. The Company has indicated it is already in the process of addressing the recommendation and making revisions to its bill format.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Implement a bill format that includes a due date and delinquent date if they are different on all customer bills as is required by 4 CSR 240-13.020(9)(B). This action should be completed within thirty (30) days of the Commission’s Order Approving the Disposition Agreement in Case No. WR-2012-0300.

The Company’s premise notice indicating that service had been discontinued for non-payment does not include the Company’s address as required by 4 CSR 240-13.050(8).

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Revise its premise discontinuance notice to include the Company’s address as required in 4 CSR 240-13.050(8). This revision should be completed within 30 days of the Commission’s Order Approving the Disposition Agreement in Case No. WR-2012-0300.

Customer Communications and Information

Opportunities exist to revise the Company's Customer Handbook and web-site to include greater recognition and direction to the Company's water customers. Specifically, the present Customer Handbook that is mailed to new customers and available to customers in the Company's business offices is understandably geared toward electric customers but is used for water customer information. Areas within the document such as under the section "Customer Inquiries" and "Usage Charge" should be revised to include direction for water customers as well as electric customers.

The Company's web-site also could benefit from the addition of a section to provide a company phone number for its water customers. Presently, the web-site includes phone numbers for the Company's electric and gas customers.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Review and revise its Customer Handbook and web-site to include greater recognition and acknowledgement of water customers.

Vehicle Logs

The Company's control documentation regarding its vehicles is generally appropriate; however additional controls to track electric company use should be implemented if any vehicle becomes more frequently utilized for electric utility work.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Monitor the usage documentation of the water system vehicle used by the electric operations of The Empire District Electric Company. If such usage becomes more frequent, take action to develop vehicle logs that would track actual usage by the electric side of the Company's business.

Succession Planning

The Manager of Operations has extensive expertise in the Company's water business and has expressed consideration of retirement within a three year time frame. Many forms of succession planning exist including formal and informal methodologies. The Company should consider plans for the Manager of Operations replacement when his

retirement occurs. The Company has indicated that such consideration has initially been contemplated.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and implement a succession plan to lead it to a replacement for the Manager of Operations at such time he retires from the Company.

Position Description – Manager of Operations

The Position Description of the Manager of Operations was last revised in 1996 and may not reflect all current responsibilities. Before the current Manager of Operations retires, the Company should review and revise the position description that may be necessary. Such review and revision may be benefited by the expertise of the current Manager of Operations prior to his retirement and will reflect current responsibilities of the position.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Review and revise, if necessary, the position description for the Manager of Operations prior to the retirement of the Company's current Manager.

Implementation Review

The EMSU staff will conduct a review of the Company's progress regarding the implementation of the six recommendations made in this report.

Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Keith Foster-Auditing Department

John Robinett – Engineering & Management Services Department

Lisa Kremer – Engineering & Management Services Department

Tammy Vieth – Engineering & Management Services Department

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF JAMES M. RUSSO

In the Matter of a Small Utility Rate Case for)
Empire District Electric Company)


File No. WR-2012-0300

STATE OF MISSOURI

ss.

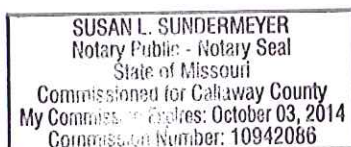
COUNTY OF COLE

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



James M. Russo
Rate & Tariff Examination Supervisor
Water & Sewer Unit

Subscribed and sworn to before me this 18th day of October, 2012.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

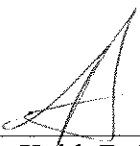
AFFIDAVIT OF KETH D. FOSTER

In the Matter of a Small Utility Rate Case for)
Empire District Electric Company)

File No. WR-2012-0300

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

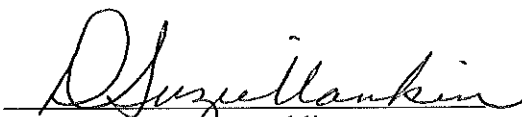
COMES NOW Keith D. Foster, being of lawful age, and on his oath states the following: (1) that he is a Utility Regulatory Auditor III in the Missouri Public Service Commission's Regulatory Review, Utility Services Department, Auditing Unit; (2) that he participated in the Staff's investigation of the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



Keith D. Foster
Utility Regulatory Auditor III
Auditing Unit

Subscribed and sworn to before me this 18th day of October, 2012.

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



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF LISA A KREMER

In the Matter of a Small Utility Rate Case for)
Empire District Electric Company)

File No. WR-2012-0300

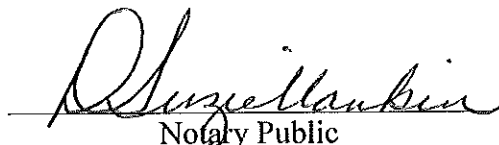
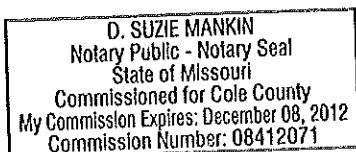
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

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



Lisa A. Kremer
Utility Regulatory Manager
Engineering & Management
Services Unit

Subscribed and sworn to before me this 18th day of October, 2012.



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

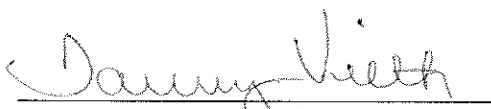
AFFIDAVIT OF TAMMY VIETH

In the Matter of a Small Utility Rate Case for)
Empire District Electric Company)

File No. WR-2012-0300

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

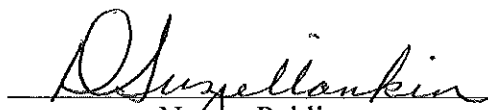
COMES NOW Tammy Vieth, being of lawful age, and on her oath states the following:
(1) that she is a Utility Management Analyst II in the Missouri Public Service Commission's Regulatory Review, Utility Services Department, Engineering & Management Services Unit;
(2) that she participated in the Staff's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



Tammy Vieth
Utility Management Analyst II
Engineering & Management
Services Unit

Subscribed and sworn to before me this 18th day of October, 2012.

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



Notary Public