

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

In the Matter of the Application of Lakeland     )  
Heights Water Company, Inc. for a Small       )  
Company Rate Increase                             )

**Case No. WR-2009-0227**

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

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

1. On November 26, 2008, the Missouri Public Service Commission (the Commission) received a Rate Increase Request Letter (Request Letter) from Lakeland Heights Water Company, Inc. (Lakeland Heights or the Company).

2. In its Request Letter, the Company requests the Commission allow an increase of \$10,200 in its annual water system operating revenues pursuant to Commission Rule 4 CSR 240-3.050.

3. Upon completion of its investigation of the Company's request, Staff provided Lakeland Heights and the Office of the Public Counsel (OPC) with various information, as well as Staff's initial recommendations for the resolution of the revenue increase request.

4. Pursuant to negotiations conducted after the receipt by the Company and OPC of the above-referenced information and recommendations, Staff and Lakeland Heights were able to reach an agreement (Disposition Agreement) regarding the resolution of the Company's revenue increase request.

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

6. The Disposition Agreement reflects an agreed-upon annualized operating revenue increase in the amount of \$9,191.

7. Pursuant to Rule 4 CSR 240-3.050, governing disposition agreements executed between Staff and small utility companies utilizing the small utility rate case procedure, Lakeland Heights will file tariff sheets seeking to implement the terms of the Disposition Agreement. The tariff sheets will be filed on April 30, 2009, and as required will bear the minimum 45-day effective date of June 15, 2009.

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

**WHEREFORE**, the Staff respectfully submits this Agreement Notice and the attached Appendix 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/ Sam Ritchie

Sam Ritchie

Legal Counsel

Missouri Bar No. 61167

Attorney for the Staff of the  
Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 751-4140 (Telephone)

(573) 751-9285 (Fax)

[samuel.ritchie@psc.mo.gov](mailto:samuel.ritchie@psc.mo.gov)

### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the *Notice of Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* has been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all parties and/or counsel of record this 27<sup>th</sup> day of April 2009.

/s/ Sam Ritchie

# APPENDIX A

## STAFF PARTICIPANT AFFIDAVITS AND DISPOSITION AGREEMENT & ATTACHMENTS

CASE NO. WR-2009-0227

Note: To browse through this document by item, click on the "Bookmark" tab at the top of the menu bar to the left of the screen and then click on the item that you want to see.

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## Staff Participant Affidavits

David A. Spratt – Water & Sewer Department

Jeremy K. Hagemeyer – Auditing Department

Arthur W. Rice – Engineering & Management Services Department

Deborah A. Bernsen – Engineering & Management Services Department

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF DAVID SPRATT**

STATE OF MISSOURI


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COUNTY OF COLE

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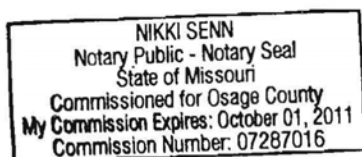
Case No. WR-2009-0227

**COMES NOW** David Spratt, being of lawful age, and on his oath states the following: (1) that he is a Technical Specialist in the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he was responsible for the preparation of the following *Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement"); (4) that he was responsible for the preparation of Attachments A, B, D, E and H to the Disposition Agreement; (5) that he has knowledge of the matters set forth in the Disposition Agreement and the above-referenced attachments thereto; and (6) that the matters set forth in this Disposition Agreement and the above-referenced attachments thereto are true and correct to the best of his knowledge, information, and belief.



David A. Spratt  
Technical Specialist  
Water and Sewer Department

Subscribed and sworn to before me this 27<sup>th</sup> day of April, 2009.

  
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF JEREMY K. HAGEMEYER

STATE OF MISSOURI


COUNTY OF

St. Louis

ss.

Case No. WR-2009-0227

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

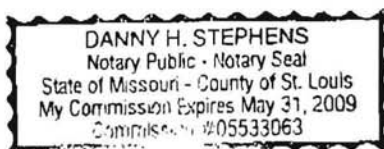


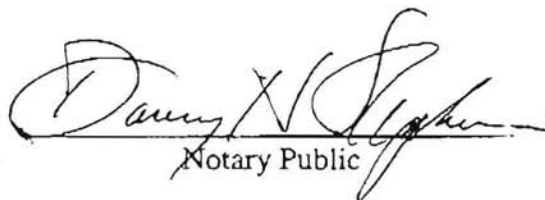
Jeremy K. Hagemeyer

Utility Regulatory Auditor IV

Auditing Department

Subscribed and sworn to before me this 23<sup>RD</sup> day of April, 2009.



  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF ARTHUR W. RICE, PE**

STATE OF MISSOURI

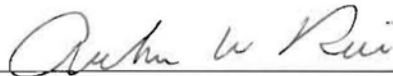
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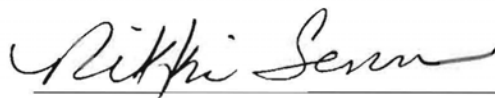
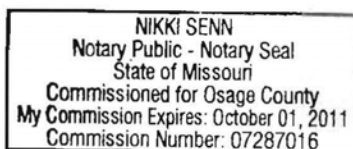
Case No. WR-2009-0227

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



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

Subscribed and sworn to before me this 24<sup>th</sup> day of April, 2009.



Notary Public



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF DEBORAH A. BERNSEN**

STATE OF MISSOURI

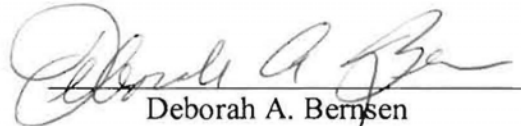
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Case No. WR-2009-0227

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



Deborah A. Bernsen  
Utility Management Analyst III  
Engineering & Management  
Services Department

Subscribed and sworn to before me this 24<sup>th</sup> day of April, 2009.

  
Nikki Senn  
Notary Public

NIKKI SENN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Osage County  
My Commission Expires: October 01, 2011  
Commission Number: 07287016

# Company/Staff Disposition Agreement

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

**LAKELAND HEIGHTS WATER COMPANY**

**MO PSC CASE NO. WR-2009-0227**

**BACKGROUND**

Lakeland Heights Water Company ("Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") tracking file by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on November 26, 2008 (unless noted otherwise, all dates herein refer to the year 2009), the Company set forth its request for an increase of \$10,200 in its total annual water service operating revenues. In its request letter, the Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 113 customers.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records, a review of the Company's customer service and general business practices, a review of the Company's existing tariff, an inspection of the Company's facilities and a review of the Company's operation of its facilities. (Hereafter, these activities are collectively referred to as Staff's "investigation" of the Company's Request.)

Upon completion of its investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with various information regarding the results of the investigation, as well as its 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 the OPC's receipt of the above-referenced information regarding Staff's investigation of the Company's Request, Staff and the Company hereby state the following agreements.

- (1) That for the purpose of implementing the agreements set out herein, the Company will file proposed tariff revisions with the Commission containing the rates, charges and language set out in the example tariff sheets attached hereto as Attachment A, with those proposed tariff revisions bearing an effective date of June 15, 2009.
- (2) That except as otherwise noted in the agreements below, the ratemaking income statement attached hereto as Attachment B accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$9,191 needed to recover the Company's cost of service.
- (3) That the audit workpapers attached hereto as Attachment C, which include consideration of a capital structure of 100% equity for the Company and a return on that equity of 9.5%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (2) above.
- (4) That the rates set out in the attached example tariff sheets, the development of which is shown on the rate design worksheet attached hereto as Attachment D, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.
- (5) That the rates included in the attached example tariff sheets will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment E.
- (6) That the rates included in the attached example tariff sheets are just and reasonable, and that the provisions of the attached example tariff sheets also properly reflect all other agreements set out herein, where necessary.
- (7) That the schedule of depreciation rates attached hereto as Attachment F, which includes the depreciation rates used by Staff in its revenue requirement analysis, should be the prescribed schedule of water plant depreciation rates for the Company.
- (8) The Company will maintain all of its financial records in accordance with the Commission's Uniform System of Accounts
- (9) The Company shall segregate company purchases from personal purchases.

(10) Within thirty (30) days of the effective date of an order approving this Disposition Agreement, the Company will implement the recommendations contained in the Engineering & Management Services Department (EMSD) Report. These recommendations include the following:

- a. The Company will implement a bill format that is consistent with Commission Rule 4 CSR 240-13.020(9) and includes 1) the billing period, 2) previous balance owed, and 3) other charges.
- b. Refund and/or credit to customers all fees that have been inappropriately collected of customers including returned check and reconnection fees.
- c. Charge and refund customer deposits consistent with Commission Rule 4 CSR 240-13.030 and the Company's tariffs. Specifically, the Company should ensure that customers are provided the opportunity to establish an acceptable credit rating under standards contained in its tariff. The Company should ensure that deposit amounts are appropriately calculated using criteria specified in its tariff. If determined appropriate to charge a deposit, they should be refunded upon satisfactory payment for 12 billing months and with appropriate interest.
- d. Review all customer deposits currently held with the Company and if they meet criteria specified in 4 CSR 240-13.030(4)(D), refund deposits with interest to its customers
- e. Ensure all customer complaints received by Company personnel are documented and maintained for at least two years. Documentation shall include customer name, address, the nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint as explained in Commission Rule 4 CSR 240-13.040(5).
- f. Perform monthly bill checking on a sample of bills and correct past billing errors to customers.
- g. Ensure that all rates and fees charged to customers, such as returned check and reconnection fees, have been approved by the Missouri Public Service Commission and are present in the Company's tariffs.

(11) Within six (6) months of the effective date of an order approving this Disposition Agreement, the Company will implement the recommendations

contained in the Engineering & Management Services Department (EMSD) Report. These recommendations include the following:

- a. Analyze automated billing software and consider use of a cost-effective automated system that would more efficiently and accurately handle the calculation and preparation of customer bills.
- b. Store all critical papers in fire proof storage.
- c. Institute time reporting by specific utility for the Company'

(12) The Company will mail its customers a written notice of the rates and charges included in its proposed tariff revisions within fifteen (15) days of the issuance of the Commission Order approving the terms of this 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 and Staff will file a copy in the subject case file.

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

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

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

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

#### **ADDITIONAL MATTERS**

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Disposition Agreement reflect compromises between Staff and the Company, and neither party has agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue increase specified herein.

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

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

**EFFECTIVE DATE AND SIGNATURES**

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

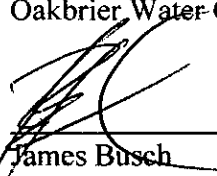
Agreement Signed and Dated:



Rodger Owens  
Manager  
Oakbrier Water Company

04-17-09

Date



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

4-23-09

Date

**List of Attachments**

Attachment A – Example Tariff Sheets

Attachment B – Ratemaking Income Statement

Attachment C – Audit Workpapers

Attachment D – Rate Design Worksheet

Attachment E – Billing Comparison Worksheet

Attachment F – Schedule of Depreciation Rates

Attachment G – EMSD Report

Attachment H – Summary of Events



## Agreement Attachment A

### Example Tariff Sheets

FORM NO. 13 P.S.C. MO No. 2

2<sup>nd</sup> Revised Sheet No. 4

Canceling P.S.C.MO. No. 2

Canceling 1<sup>st</sup> Revised Sheet No. 4**Lakeland Heights Water Company Inc.****For: Unincorporated Area in Wayne  
and Butler County, Missouri**

Name of Issuing Company

Certificated Service Area

**SCHEDULE OF RATES****AVAILABILITY**

The following rates are applicable to all residential customers adjacent to the Company's distribution mains using standard water service.

Monthly Minimum (includes 2,000 gal)	\$ 13.26	*
Commodity Charge (per 1,000 gallons over 2,000 gal)	\$ 4.81	*
Flat Rate (Prior to installation per month)	\$ 13.26	*
(Per Year)	\$ 159.12	*
(Per Quarter)	\$ 39.78	*

**SERVICE CONNECTION**

Charge for new service connection	\$ 850.00	*
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**Taxes:**

Any applicable Federal, State or Local taxes computed on billing basis shall be added as separate items in rendering each bill. \*

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: April 30, 2009  
Month/Day/Year

Effective Date: June 15, 2009  
Month/Day/Year

Issued By: Rodger Owens - Manager  
Name & Title of Issuing Officer

PO Box 24 Wappapello, MO 63966  
Company Mailing Address

FORM NO. 13 P.S.C. MO No. 2

1st Revised Sheet No. 5

Canceling P.S.C.MO. No. 2

Canceling Original Sheet No. 5**Lakeland Heights Water Company Inc.****For: Unincorporated Area in Wayne  
and Butler County, Missouri**

Name of Issuing Company

Certificated Service Area

**SCHEDULE OF SERVICE CHARGES**

These charges are applicable to the Company's services provide for in the corresponding rules:

Turn-on Fee	\$25.00	*
Turn-off Fee	\$25.00	*

**Late Charges:**

\*

Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last due date on which payment will then be considered delinquent. The period after which payment will then be considered delinquent is 21 days after rendition of the bill. A charge of \$5.00 (or 1% whichever is greater) will be added to delinquent amounts.

**Returned Check Charge:**

\*

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

\* Indicates New Rate or Text

+ Indicates Changed Rate or Text

Issue Date: April 30, 2009  
Month/Day/YearEffective Date: June 15, 2009  
Month/Day/YearIssued By: Rodger Owens - Manager  
Name & Title of Issuing OfficerPO Box 24 Wappapello, MO 63966  
Company Mailing Address

## Agreement Attachment B

### Ratemaking Income Statement

# LAKELAND HEIGHTS WATER

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$ 11,859
2	Other Operating Revenues *	\$ -
3	<b>Total Operating Revenues</b>	<b>\$ 11,859</b>
4	* See "Revenues - Current Rates" for Details	

### Cost of Service

Item	Amount
1 Pumping Equipment-Purchased Power	\$ 1,218
2 Operator Salary-Contract Services	\$ 8,113
3 Water Treatment -Testing/Laboratory Fees	\$ -
4 Maintenance of Parts/Equipment	\$ 346
5 Missouri One Call	\$ 29
6 Office Supplies	\$ -
7 Billing & Collections	\$ 3,731
8 Accounting Fees	\$ 245
9 Postage	\$ 446
10 Regulatory Commission Expense	\$ 352
11 Miscellaneous General Expenses	\$ 2,646
12 <b>Sub-Total Operating Expenses</b>	<b>\$ 17,126</b>
13 Property Taxes	\$ 107
14 MO Franchise Taxes	\$ -
15 Employer FICA Taxes	\$ 1,156
16 Federal Unemployment Taxes	\$ -
17 State Unemployment Taxes	\$ -
18 State & Federal Income Taxes	\$ 58
19 <b>Sub-Total Taxes</b>	<b>\$ 1,321</b>
20 Depreciation Expense	\$ 1,736
21 Interest Expense	\$ -
22 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 1,736</b>
23 <b>Return on Rate Base</b>	<b>\$ 867</b>
24 <b>Total Cost of Service</b>	<b>\$ 21,050</b>
25 <b>Overall Revenue Increase Needed</b>	<b>\$ 9,191</b>

Agreement Attachment C

Audit Workpapers

**Exhibit No.:** 12345667  
**Issue:** Accounting Schedules  
**Witness:** MO PSC Auditors  
**Sponsoring Party:** MO PSC Staff  
**Case No:** WR-2009-0227  
**Date Prepared:** 2/19/2009



**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**REVISED**

**STAFF ACCOUNTING SCHEDULES**

**LAKELAND HEIGHTS**

**CASE NO. WR-2009-0227**

**Jefferson City, Missouri**

**February 2009**

Lakeland Heights  
Informal Rate  
WR-2009-0227  
Test Year Ending 12/31/08  
Rate Design Schedule - Water

Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$11,859			
Rev-3	Miscellaneous Revenues	(1)	\$0			
Rev-4	TOTAL ANNUALIZED REVENUES		\$11,859			
1	OPERATIONS EXPENSES	(2)				
2	Administrative, Billing & Meter Reading Salaries (1)		\$3,731	\$0	\$3,731	0.00%
3	Operators Salary/Contract Services (1)		\$8,113	\$0	\$8,113	0.00%
4	Electricity		\$1,218	\$0	\$1,218	0.00%
5	Missouri One Call		\$29	\$0	\$29	0.00%
6	TOTAL OPERATIONS EXPENSE		\$13,091	\$0	\$13,091	
7	MAINTENANCE EXPENSES					
8	Outside Services Employed (1)		\$231	\$0	\$231	0.00%
9	System Maintenance		\$115	\$0	\$115	0.00%
10	TOTAL MAINTENANCE EXPENSE		\$346	\$0	\$346	
11	CUSTOMER ACCOUNT EXPENSE					
12	Accounting Services		\$245	\$0	\$245	0.00%
13	Postage		\$446	\$0	\$446	0.00%
14	TOTAL CUSTOMER ACCOUNT EXPENSE		\$691	\$0	\$691	
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Office Utilities		\$16	\$0	\$16	0.00%
17	Telephone & Pagers		\$350	\$0	\$350	0.00%
18	Vehicle Expense		\$1,052	\$0	\$1,052	0.00%
19	Medical Insurance		\$538	\$0	\$538	0.00%
20	Building Rent		\$690	\$0	\$690	0.00%
21	Other Misc. Expenses		\$0	\$0	\$0	0.00%
22	TOTAL ADMINISTRATIVE AND GENERAL		\$2,646	\$0	\$2,646	
23	OTHER OPERATING EXPENSES					
24	MO DNR Fees		\$200	\$0	\$200	0.00%
25	PSC Assessment		\$102	\$0	\$102	0.00%
26	Corporate Registration		\$50	\$0	\$50	0.00%
27	Depreciation		\$1,736	\$0	\$1,736	0.00%
28	TOTAL OTHER OPERATING EXPENSES		\$2,088	\$0	\$2,088	
29	TAXES OTHER THAN INCOME					
30	Real & Personal Property Taxes		\$107	\$0	\$107	0.00%
31	Payroll Taxes		\$1,156	\$0	\$1,156	0.00%
32	TOTAL TAXES OTHER THAN INCOME		\$1,263	\$0	\$1,263	
33	TOTAL OPERATING EXPENSES		\$20,125	\$0	\$20,125	
34	Interest Expense	(3)	\$0	\$0	\$0	0.00%
35	Return on Equity	(3)	\$867	\$0	\$867	0.00%
36	Income Taxes	(3)	\$58	\$0	\$58	0.00%
37	TOTAL INTEREST RETURN & TAXES		\$925	\$0	\$925	
38	TOTAL COST OF SERVICE		\$21,050	\$0	\$21,050	
39	Less: Miscellaneous Revenues		\$0	\$0	\$0	0.00%
40	COST TO RECOVER IN RATES		\$21,050	\$0	\$21,050	
41	INCREMENTAL INCREASE IN RATE REVENUES		\$9,191			
42	PERCENTAGE OF INCREASE		77.50%			



Lakeland Heights  
 Informal Rate  
 WR-2009-0227  
 Test Year Ending 12/31/08  
 Rate Design Schedule - Water

	A	B	C	D	E	F
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate

43 REQUESTED INCREASE IN REVENUES

\$10,200

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

Lakeland Heights  
 Informal Rate  
 WR-2009-0227  
 Test Year Ending 12/31/08  
 Rate Base Required Return on Investment Schedule - Water

Line Number	A Rate Base Description	B Dollar Amount	
1	Plant In Service	\$69,791	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$54,859	From Depreciation Reserve Schedule
3	Net Plant In Service	\$14,932	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction	-\$17,709	
	CIAC Depreciation	\$11,906	
5	Total Rate Base	\$9,129	
6	Total Weighted Rate of Return Including Income Tax	10.13%	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	\$925	

Lakeland Heights  
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Rate of Return Including Income Tax - Water

		A	B	formulas
1	State Income Tax Rate Statutory / Effective	6.25% (2)	6.25%	$(1 - (B2 \times .5)) \times A1$
2	Federal Income Tax Rate Statutory / Effective	0.00% (1) & (2)	0.00%	$(1 - B1) \times A2$
3	Composite Effective Income Tax Rate		6.25%	$B1 + B2$
4	Equity Tax Factor		1.0667	$1 / (1 - B3)$
5	Recommended Weighted Rate of Return on Equity - Common and Preferred		9.50%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		10.13%	$B4 \times B5$
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		10.13%	$B6 + B7$

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

Lakeland Heights  
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 Capital Structure Schedule - Water

Line Number	Description	Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$9,129	100.00%	9.50%	9.500%
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	\$9,129	100.00%		9.500%

To PreTax Return Rate Schedule

Lakeland Heights  
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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	\$545			100.00%	\$545
3	302.000	Franchises	\$0			100.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$545		\$0		\$545
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	\$0			100.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
10	314.000	Wells & Springs	\$7,754			100.00%	\$7,754
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$0			100.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$7,754		\$0		\$7,754
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$337			100.00%	\$337
16	325.000	Electric Pumping Equipment	\$3,195			100.00%	\$3,195
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$3,532		\$0		\$3,532
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
23	332.000	Water Treatment Equipment	\$0			100.00%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT					
26	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0			100.00%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$2,785			100.00%	\$2,785
29	344.000	Fire Mains	\$0			100.00%	\$0
30	345.000	Services	\$6,404			100.00%	\$6,404
31	343.000	Transmission & Distribution Mains	\$19,623			100.00%	\$19,623
32	346.000	Meters- Bronze Chamber	\$7,314			100.00%	\$7,314
33	346.000	Meters- Plastic Chamber	\$0			100.00%	\$0
34	347.000	Meter Installations- Bronze	\$6,851			100.00%	\$6,851
35	347.000	Meter Installations- Plastic	\$0			100.00%	\$0
36	348.000	Other Transmission & Distribution Plant	\$0			100.00%	\$0
37	349.000	Hydrants	\$0			100.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$42,977		\$0		\$42,977
39		GENERAL PLANT					
40	370.000	Land & Land Rights-GP	\$500			100.00%	\$500
41	371.000	Structures & Improvements - GP	\$3,125			100.00%	\$3,125
42	372.000	Office Furniture & Equipment	\$507	P-42	\$21	100.00%	\$528
43		Office Computer Equipment	\$0			100.00%	\$0
44	373.000	Transportation Equipment - GP	\$0	P-44	\$8,024	100.00%	\$8,024
45	379.000	Other General Equipment	\$2,806			100.00%	\$2,806
46		TOTAL GENERAL PLANT	\$6,938		\$8,045		\$14,983
47		TOTAL PLANT IN SERVICE	\$61,746		\$8,045		\$69,791

To Rate Base & Depreciation Schedules

Lakeland Heights  
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 Schedule of Adjustments for Plant in Service - Water

A	B	C	D	E
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
P-42	Office Furniture & Equipment	372.000		\$21
	To include HP 640 Fax purchased 2/16/09 (divided equally among the 4 Owens Companies)		\$21	
P-44	Transportation Equipment - GP	373.000		\$8,024
	Rate Base Treatment of Truck		\$8,024	
	Total Plant Adjustments			\$8,045

Lakeland Heights  
Informal Rate  
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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	\$545	0.00%	\$0
3	302.000	Franchises	\$0	0.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$545		\$0
5		SOURCE OF SUPPLY PLANT			
6	310.000	Land & Land Rights SP	\$0	0.00%	\$0
7	311.000	Structures & Improvements - SSP	\$0	3.00%	\$0
8	312.000	Collection & Impounding Reservoirs	\$0	0.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0	0.00%	\$0
10	314.000	Wells & Springs	\$7,754	2.00%	\$155
11	315.000	Infiltration Galleries & Tunnels	\$0	0.00%	\$0
12	316.000	Supply Mains	\$0	0.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$7,754		\$155
14		PUMPING PLANT			
15	321.000	Structures & Improvements - PP	\$337	3.00%	\$10
16	325.000	Electric Pumping Equipment	\$3,195	0.00%	\$0
17	326.000	Diesel Pumping Equipment	\$0	0.00%	\$0
18	328.000	Other Pumping Equipment	\$0	0.00%	\$0
19		TOTAL PUMPING PLANT	\$3,532		\$10
20		WATER TREATMENT PLANT			
21	330.000	Land & Land Rights-WTP	\$0	0.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0	0.00%	\$0
23	332.000	Water Treatment Equipment	\$0	2.90%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT			
26	340.000	Land & Land Rights-T&D	\$0	0.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0	0.00%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$2,785	2.50%	\$70
29	344.000	Fire Mains	\$0	0.00%	\$0
30	345.000	Services	\$6,404	2.50%	\$160
31	343.000	Transmission & Distribution Mains	\$19,623	2.00%	\$392
32	346.000	Meters- Bronze Chamber	\$7,314	10.00%	\$731
33	346.000	Meters- Plastic Chamber	\$0	0.00%	\$0
34	347.000	Meter Installations- Bronze	\$6,851	2.50%	\$171
35	347.000	Meter Installations- Plastic	\$0	0.00%	\$0
36	348.000	Other Transmission & Distribution Plant	\$0	2.00%	\$0
37	349.000	Hydrants	\$0	0.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$42,977		\$1,524
39		GENERAL PLANT			

Lakeland Heights  
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Depreciation Expense - Water

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
40	370.000	Land & Land Rights-GP	\$500	0.00%	\$0
41	371.000	Structures & Improvements - GP	\$3,125	3.00%	\$94
42	372.000	Office Furniture & Equipment	\$528	5.00%	\$26
43		Office Computer Equipment	\$0	20.00%	\$0
44	373.000	Transportation Equipment - GP	\$8,024	0.00%	\$0
45	379.000	Other General Equipment	\$2,806	10.00%	\$281
46		TOTAL GENERAL PLANT	\$14,983		\$401
47		Total Depreciation	\$69,791		\$2,090



Lakeland Heights  
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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	\$0			100.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
10	314.000	Wells & Springs	\$5,653			100.00%	\$5,653
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$0			100.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$5,653		\$0		\$5,653
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$418			100.00%	\$418
16	325.000	Electric Pumping Equipment	\$3,195			100.00%	\$3,195
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$3,613		\$0		\$3,613
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
23	332.000	Water Treatment Equipment	\$0			100.00%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT					
26	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0			100.00%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$2,866			100.00%	\$2,866
29	344.000	Fire Mains	\$0			100.00%	\$0
30	345.000	Services	\$3,542			100.00%	\$3,542
31	343.000	Transmission & Distribution Mains	\$18,787			100.00%	\$18,787
32	346.000	Meters- Bronze Chamber	\$4,953			100.00%	\$4,953
33	346.000	Meters- Plastic Chamber	\$0			100.00%	\$0
34	347.000	Meter Installations- Bronze	\$4,957			100.00%	\$4,957
35	347.000	Meter Installations- Plastic	\$0			100.00%	\$0
36	348.000	Other Transmission & Distribution Plant	\$0			100.00%	\$0
37	349.000	Hydrants	\$0			100.00%	\$0
38		TOTAL TRANS. & DISTRIBUTION PLANT	\$35,105		\$0		\$35,105
39		GENERAL PLANT					
40	370.000	Land & Land Rights-GP	\$0			100.00%	\$0
41	371.000	Structures & Improvements - GP	\$507			100.00%	\$507
42	372.000	Office Furniture & Equipment	\$787			100.00%	\$787
43		Office Computer Equipment	\$0			100.00%	\$0
44	373.000	Transportation Equipment - GP	\$0	R-44	\$8,024	100.00%	\$8,024
45	379.000	Other General Equipment	\$1,170			100.00%	\$1,170
46		TOTAL GENERAL PLANT	\$2,464		\$8,024		\$10,488
47		TOTAL DEPRECIATION RESERVE	\$46,835		\$8,024		\$54,859

To Rate Base Schedule

Lakeland Heights  
 Informal Rate  
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 Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Reserve	Accumulated Depreciation Reserve	Account	Adjustment	Total
Adjustment	Adjustments Description	Number	Amount	Adjustment
Number				Amount
R-44	Transportation Equipment - GP	373.000		\$8,024
	Rate Base Treatment of Truck		\$8,024	
	Total Reserve Adjustments			\$8,024

Lakeland Heights  
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 Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential 5/8"		Unmetered 2"	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	80		29	
3	Bills Per Year	12		12	
4	Customer Bills Per year	960		348	
5	Current Customer Charge	\$7.47		\$7.47	
6	Annualized Customer Charge Revenues		\$7,171		\$2,600
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	1,719,733		0	
9	Less: Base Gallons Included In Customer Charge	949,261		0	
10	Commodity Gallons	770,472		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	Block 2, Commodity Gallons per Block	770,472		0	
17	Block 2, Number of Commodity Gallons per Unit	1,000		0	
18	Block 2, Commodity Billing Units	770.47		0.00	
19	Block 2, Existing Commodity Charge	\$2.71		\$0.00	
20	Block 2, Annualized Commodity Charge Rev.		\$2,088		\$0
21	<b>Total Annualized Water Rate Revenues</b>		<b>\$9,259</b>		<b>\$2,600</b>

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.

Lakeland Heights  
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 Rate Revenue Feeder Schedule - Water

		Total	
Line Number	Description	F Amount	G Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	109	
3	Bills Per Year		
4	Customer Bills Per year	1,308	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$9,771
7	<u>Commodity Charge Revenues:</u>		
8	Total Gallons Sold	1,719,733	
9	Less: Base Gallons Included In Customer Charge	949,261	
10	Commodity Gallons	770,472	
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	Block 2, Commodity Gallons per Block		
17	Block 2, Number of Commodity Gallons per Unit		
18	Block 2, Commodity Billing Units		
19	Block 2, Existing Commodity Charge		
20	Block 2, Annualized Commodity Charge Rev.		\$2,088
21	<b>Total Annualized Water Rate Revenues</b>		<b>\$11,859</b>

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.

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Expense Schedule - Water

A		B	C	D	E	F	G
Line	Account		Company/	Adjustment		Jurisdictional	Adjusted
Number	Number	Expense Description	Test Year	Number	Adjustments	Allocation	Jurisdictional
	(Optional)		Amount				
1		OPERATIONS EXPENSES					
2		Administrative, Billing & Meter Reading Salaries (1)	\$700	W-2	\$3,031	100.00%	\$3,731
3		Operators Salary/Contract Services (1)	\$750	W-3	\$7,363	100.00%	\$8,113
4		Electricity	\$1,631	W-4	-\$413	100.00%	\$1,218
5		Missouri One Call	\$0	W-5	\$29	100.00%	\$29
6		TOTAL OPERATIONS EXPENSE	\$3,081		\$10,010		\$13,091
7		MAINTENANCE EXPENSES					
8		Outside Services Employed (1)	\$325	W-8	-\$94	100.00%	\$231
9		System Maintenance	\$15	W-9	\$100	100.00%	\$115
10		TOTAL MAINTENANCE EXPENSE	\$340		\$6		\$346
11		CUSTOMER ACCOUNT EXPENSE					
12		Accounting Services	\$0	W-12	\$245	100.00%	\$245
13		Postage	\$310	W-13	\$136	100.00%	\$446
14		TOTAL CUSTOMER ACCOUNT EXPENSE	\$310		\$381		\$691
15		ADMINISTRATIVE & GENERAL EXPENSES					
16		Office Utilities	\$720	W-16	-\$704	100.00%	\$16
17		Telephone & Pagers	\$912	W-17	-\$562	100.00%	\$350
18		Vehicle Expense	\$1,218	W-18	-\$166	100.00%	\$1,052
19		Medical Insurance	\$167	W-19	\$371	100.00%	\$538
20		Building Rent	\$2,268	W-20	-\$1,578	100.00%	\$690
21		Other Misc. Expenses	\$3,573	W-21	-\$3,573	100.00%	\$0
22		TOTAL ADMINISTRATIVE AND GENERAL	\$8,858		-\$6,212		\$2,646
23		OTHER OPERATING EXPENSES					
24		MO DNR Fees	\$200			100.00%	\$200
25		PSC Assessment	\$277	W-25	-\$175	100.00%	\$102
26		Corporate Registration	\$0	W-26	\$50	100.00%	\$50
27		Depreciation	\$0	W-27	\$1,736	100.00%	\$1,736
28		TOTAL OTHER OPERATING EXPENSES	\$477		\$1,611		\$2,088
29		TAXES OTHER THAN INCOME					
30		Real & Personal Property Taxes	\$535	W-30	-\$428	100.00%	\$107
31		Payroll Taxes	\$0	W-31	\$1,156	100.00%	\$1,156
32		TOTAL TAXES OTHER THAN INCOME	\$535		\$728		\$1,263
33		TOTAL OPERATING EXPENSES	\$13,601		\$6,624		\$20,125

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Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
W-2	Administrative, Billing & Meter Reading Salaries			\$3,031
	To Annualize LaDawn Owens' Salary		\$3,031	
W-3	Operators Salary/Contract Services (1)			\$7,363
	To Annualize Rodger Owens Salary		\$7,363	
W-4	Electricity			-\$413
	To Adjust to Bills		\$252	
	To Remove Late Fees/Credits		-\$74	
	To Remove Budget Adjustment		-\$43	
	To Annualize Rate Changes		\$136	
	To Allocate 90% of usage for 406 S Allen to personal use		-\$506	
	To remove electricity to Lake Office		-\$178	
W-5	Missouri One Call			\$29
	To Annualize MO One Call Expense		\$29	
W-8	Outside Services Employed (1)			-\$94
	To Reallocate Outside Services		-\$94	
W-9	System Maintenance			\$100
	To annualize system repairs		\$100	
W-12	Accounting Services			\$245
	To include tax preparation & accounting services		\$245	

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Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	To include an annualized level of legal expenses		\$0	
W-13	Postage			\$136
	To Annualize Postage Expense		\$95	
	To include additional postage for 3 notices over three years		\$34	
	To Allocate PO Box Fees		\$7	
W-16	Office Utilities			-\$704
	To disallow personal use utilities		-\$704	
W-17	Telephone & Pagers			-\$562
	To adjust to billed amounts		\$2	
	To remove late fees/credits		-\$18	
	To remove non company lines		-\$289	
	To remove cable & cable fees		-\$142	
	To remove 50% personal usage of telephone		-\$115	
W-18	Vehicle Expense			-\$166
	To annualize fuel cost		-\$166	
W-19	Medical Insurance			\$371
	To annualize health insurance		\$371	
W-20	Building Rent			-\$1,578
	To annualize rent payments		-\$1,578	
W-21	Other Misc. Expenses			-\$3,573

Lakeland Heights  
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Expense Adjustment Schedule - Water

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	To disallow personal spending		- \$3,573	
W-25	PSC Assessment			- \$175
	To annualize PSC Assessment		- \$175	
W-26	Corporate Registration			\$50
	To include corporate registration		\$50	
W-27	Depreciation			\$1,736
	1. To Annualize Depreciation		\$2,090	
	To Remove CIAC Depreciation Expense		- \$354	
W-30	Real & Personal Property Taxes			- \$428
	To adjust property tax to allow one year real estate and property tax and an allocation of 10% of real estate tax on 406 S Allen and property tax on the truck		- \$428	
W-31	Payroll Taxes			\$1,156
	To Annualize Payroll Taxes		\$1,156	
	Total Expense Adjustments			\$6,524



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 WR-2009-0227  
 Test Year Ending 12/31/08  
 Revenue Schedule - Water

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$12,172	Rev-2	-\$313	100.00%	\$11,859
Rev-3		Miscellaneous Revenues	\$0	Rev-3	\$0	100.00%	\$0
Rev-4		TOTAL ANNUALIZED REVENUES	\$12,172		-\$313		\$11,859

Lakeland Heights  
 Informal Rate  
 WR-2009-0227  
 Test Year Ending 12/31/08  
 Revenue Adjustment Schedule - Water

A	B	C	D	E
Revenue Adj		Account	Adjustment	Total
Number	Adjustment Description	Number	Amount	Adjustment
Rev-2	Annualized Rate Revenues			-\$313
	1. To Annualize Rate Revenues		-\$313	
Rev-3	Miscellaneous Revenues			\$0
	1. To Annualize Miscellaneous Revenues		\$0	
	Description		\$0	
	Description		\$0	
	Total Revenue Adjustments			-\$313

Lakeland Heights  
Informal Rate  
WR-2009-0227  
Test Year Ending 12/31/08  
Miscellaneous Revenues Feeder - Water

Line	A Description	B Amount
Number		

3	Total Miscellaneous Revenues	<u>\$0</u>
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Agreement Attachment D

Rate Design Worksheet

# LAKELAND HEIGHTS WATER

## Development of Tariffed Rates-Water

Agreement is to increase currently tariffed rates by a percentage equal to the agreed-upon overall revenue increase divided by the revenues generated by the currently tariffed rates.

Revenues Generated by Current Tariffed Rates	\$ 11,859
Agreed-Upon Overall Revenue Increase	\$ 9,191
Percentage Increase Needed	77.51%

### Customer Rates

Customer Type	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
Residential	\$ 7.47	\$ 13.26	\$ 2.71	\$ 4.81
Unmetered	\$ 7.47	\$ 13.26		

Agreement Attachment E

Billing Comparison Worksheet

# LAKELAND HEIGHTS WATER

## Residential Customer Bill Comparison-Water

### Rates for Residential Customers

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
<b>\$7.47</b>	<b>\$13.26</b>	<b>\$2.71</b>	<b>\$4.81</b>

Current customer monthly charge includes 2,000 gallons

usage rate is per 1,000 gallons used

### MONTHLY BILL COMPARISON

6,000 gallons/month usage

#### Current Rates

Customer Charge	\$ 7.47
Usage Charge	\$ 10.84
Total Bill	\$ 18.31

#### Proposed Rates

Customer Charge	\$ 13.26
Usage Charge	\$ 19.24
Total Bill	\$ 32.50

#### INCREASES

##### Customer Charge

<b>\$ Increase</b>	<b>\$5.79</b>
<b>% Increase</b>	<b>77.51%</b>

##### Usage Charge

<b>\$ Increase</b>	<b>\$8.40</b>
<b>% Increase</b>	<b>77.51%</b>

##### Total Bill

<b>\$ Increase</b>	<b>\$14.19</b>
<b>% Increase</b>	<b>77.51%</b>

Agreement Attachment F

Schedule of Depreciation Rates



# LAKELAND HEIGHTS WATER COMPANY

## DEPRECIATION RATES

(CLASS D WATER)

WR-2009-0227 TEMPORARY WORK FILE Rev. B 2/26/09

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE	NET SALVAGE
311	Structures & Improvements (well house)	3.0%	33	
314	Wells & Springs	2.0%	50	
321	Structures & Improvements (pump house)	0.0%	33	
325	Electric Pumping Equipment	10.0%	10	
332	Water Treatment Equipment	2.9%	35	
342	Distribution Reservoirs & Standpipes	0.0%	40	
343	Transmission & Distribution Mains	0.0%	50	
345	Services	2.5%	40	
346	Meters	10.0%	10	
347	Meter Installations	2.5%	40	
348	Hydrants	2.0%	50	
371	Structures & Improvements (office & shop)	3.0%	33	
272	Office Furniture & Equipment	0.0%	20	
372.1	Office Computer Equipment	20.0%	5	
373	Transportation Equipment	0.0%	7	9%
379	Other General (tools, shop, garage	10.0%	9	10%

## Agreement Attachment G

### EMSD Implementation Review

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

## **Engineering and Management Services Department**

### **Small Company Rate Increase Request**

**Case No: WR-2009-0227**

### **Lakeland Heights Water Company**

The Engineering and Management Services Department (EMSD) staff initiated a review of the customer service processes, procedures, and practices of Lakeland Heights Water Company, Inc. (Lakeland Heights, Company) on December 10, 2008. The review was performed in conjunction with a small company rate increase request submitted by the Company on November 26, 2008, and given case number WR-2009-0227. The EMSD staff examined Company tariffs, annual reports, Commission complaint and inquiry records, and information provided by the Company in relation to its customer service and business office operations. The EMSD staff also visited the Company's business office and made a tour of the plant facilities and met with the Company on January 21, 2009. The Company's rate increase request for annual water system operating revenues is \$10,200.

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

The objectives of the EMSD staff's review were to document and analyze the management control processes, procedures, and practices used by the Company to ensure that adequate customer service is provided. The findings of this review provide the Commission with information regarding the Company's customer service operations. This review also includes recommendations, when appropriate, to improve the quality of service that Lakeland Heights Water Company provides to its customers.

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

- Customer Billing
- Payment Remittance

- Credit and Collections
- Complaint and Inquiry Handling and Recording
- Customer Communications and Information
- Record Storage and Security
- Time Reporting

### **Overview**

Lakeland Heights was granted a certificate of public convenience and necessity by the Missouri Public Service Commission in January of 1968 to provide water service in Butler and Wayne counties. In 1997, the Company was purchased by its current owners, who currently reside in Bernie, Missouri. The Company's owners also own three other utility systems: Oakbrier Estates Water Company, Whispering Hills Water System, and R.D. Sewer Company. Lakeland Heights is operated by the Company's two owners who fulfill operational, managerial, and office duty responsibilities.

One of the Company's owners also serves as the Company's President, Manager and Operator. The other owner serves as the Company's Secretary and Billing Clerk and is responsible for general office duties. She also assists in the field to read meters and repair leaks. The Company President is responsible for operating the system and keeping it in good working order, as well as complying with regulations of the Department of Natural Resources (DNR). The Office Manager is responsible for recording payments, credit and collections and other office functions of the Company. There is currently no mechanism to track hours spent on the owners' work performed for Lakeland Heights.

The EMSD staff made an on-site visit to Lakeland Heights on January 21, 2009. During its visit, the staff conducted interviews with the Company's owners and visited the Company's well house located off County Road 510 in Butler County, Wappapello, Missouri. At the time of the staff's visit, the Company was provided copies of Commission Rules pertaining to water and sewer companies.

The Company indicated that its office hours for all of its utility systems are from 8 a.m. to 4 p.m., Monday through Friday. The Company's business office is located in the owner's residence at 406 South Allen, Bernie, Missouri.

## **Customer Billing**

Meter reading and billing are performed by the Company's owners. The Company indicated that all new customers are mailed a customer agreement to sign and return with an appropriate payment which could include a tap fee and/or a meter deposit. Per the Company's tariff, deposits may be required and are to be an amount not to exceed the estimated bill for one billing period plus thirty days. The Company indicated it had collected a minimal number of deposits over the last three years and normally set this amount at \$35 per customer. The table below displays the Company's customer deposits for years 2006, 2007 and 2008.

### **Deposits**

Year	Number	Amount	Total
2006	4	\$35	\$140
2007	9	\$35	\$315
2008	2	\$35	\$70

Source: Company response to EMSD staff information request

The customers' water bills are to be calculated in the following manner per the Company's tariff:

For Unmetered Customers: Per Year	\$89.64
For Metered Customers:	
First 2,000 gallons (monthly minimum)	\$ 7.47
Usage over 2,000 gallons (per 1,000 gallons)	\$ 2.71

Bills are prepared manually and include: the present reading, the previous reading, the number of gallons used and the corresponding amount of charges. There is a statement at the bottom of the bill which addresses late, reconnection, and returned check fees. The Company's owner indicated that they do not employ any bill checking procedures to review the accuracy of the bills.

The Company indicates that meters are read at the end of the month, usually on the 27<sup>th</sup> or 28<sup>th</sup>. Billing cards are mailed by the 30<sup>th</sup> or the 31<sup>st</sup> of the month; however, there is no date on the bill other than the indication that bills are due on the 20<sup>th</sup> of the month. The bill includes a notice to the customer to add \$3.00 if it is not paid by

the 20<sup>th</sup> of the month. If payment is not received by the 25<sup>th</sup>, service will be disconnected. While the Company has indicated it has not collected fees for late payments, fees of this nature must be included in the Company's tariffs. At this time, the tariffs do not address any fee for late payments.

Meters may be estimated during the winter periods when weather makes accessing the meters difficult.

### **Payment Remittance**

Lakeland Heights payment options include cash or check. Payments may be dropped off at the Company office or mailed and the Company does accept payments while in the field. No electronic payments are currently offered to customers.

Payments are recorded manually into the Company office records and the Company indicates it usually makes bank deposits two to three times a week for the four utilities it owns. Customer payments are stored in a small safe at the Company until deposits are made.

### **Credit and Collections**

The Company indicates it collects signed applications or agreements from new customers. The Company's tariff provides the opportunity to charge a deposit that is calculated on one month's historical usage plus thirty days.

The Company's bill indicates it will charge fees such as late fees and returned check charges. While the EMSD staff supports a utility's use of returned check and late payment fees, EMSD staff did not find provisions for such fees in the Company tariffs. Staff from the Commission's Water and Sewer Department reviewed miscellaneous charges included in the Company's tariff as part of the small company informal rate case process and will be recommending appropriate changes. Lakeland Heights has not received any returned checks for the past three years.

Customers are considered delinquent if payment is not received by the 25<sup>th</sup> of the month following that in which a bill is rendered. The Company's billing statement indicates that service will be disconnected. For customers not making payment of their bill, the amount is added to the next monthly billing statement before service is actually

subject to disconnection. The Company provides written delinquent notices indicating service will be subject to disconnection if payment is not received within thirty days. The Company also makes follow-up phone calls requesting payment.

The Company did not perform any non-pay service disconnections in the Lakeland Heights service territory during 2006, 2007, or 2008. During 2008, five customers had accounts in arrears with a total balance of \$174.80. The Company does not employ the services of an outside collection agency. There was only one account written-off by the Company in the last three years. This occurred in 2006 and was for \$33.40.

#### **Complaint and Inquiry Handling and Recording**

Customer calls are primarily handled by the Office Manager; however, the Operations Manager can also handle customer calls. The Company currently does not track these calls.

#### **Customer Communications and Information**

The Company indicated that all new customers are mailed a customer agreement to sign and return with either a tap fee and meter deposit or just meter deposit. The Company indicates that service is provided as soon as payment and the agreements are received. The office phone number is provided on the customer agreement form, as well as on the customer bills.

Company contact information is provided on customer bills. All office, home, and cell phone numbers are posted on all water bills, as well as an email address.

#### **Records Storage and Security**

Much of the Company's business office work is performed manually and is maintained in hard copy. Customer records, including meter reading, billing, agreements, general ledger and other types of records are not stored in a fireproof location.

### **Time Reporting**

The Company's owners also own and operate three other regulated utilities in addition to Lakeland Heights. A typical work day may involve performing tasks for more than one of these utilities. Presently, the Company has no systematic way to track the amount of hours spent on work for any one individual utility.

### **Findings, Conclusions, and Recommendations**

The following discussion contains findings, conclusions, and recommendations pertaining to Lakeland Heights Water customer service operations. This section focuses on the following areas that warrant Company management attention:

- Customer Billing
- Credit and Collections
- Complaint and Inquiry Handling and Recording
- Customer Communications and Information
- Records Storage and Security
- Time Reporting

### **Customer Billing**

The Company does not currently perform periodic bill checking on the monthly bills sent to its customers prior to mailing to ensure the accuracy of its bills. In addition, Commission staff from the Auditing Department noted some errors in the calculations it performed on a sample of customer bills. By performing a periodic check of a sampling of customer bills, the Company will develop an additional internal control to help ensure that bills are calculated accurately.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Perform monthly bill checking on a sample of bills and correct past billing errors to customers.*

The Company has not taken advantage of the opportunities for improvement to automate the Company's billing process. The Company currently performs its billing for Lakeland Heights, as well as its other three regulated utilities, manually. The Company



may consider utilizing the capabilities of its current spreadsheet to assist it in bill calculation or may consider the acquisition of a billing system. Implementation of an effective billing system would enhance the Company's customer record keeping activities. Calculation of the bills, preparation of the billing statements, detection of billing errors, and recording of the payments received could be improved with a more effective billing system.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

Analyze automated billing software and consider use of a cost-effective automated system that would more efficiently and accurately handle the calculation and preparation of customer bills.

The Company's current bill format does not provide information to its customers required by Commission Rule 4 CSR 240-13.020(9). Specifically, the current bill format is lacking the billing period, previous balance owed and amounts due for other authorized charges such as primacy fees.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

Implement a bill format that is consistent with Commission Rule 4 CSR 240-13.020(9) and includes 1) the billing period, 2) previous balance owed and 3) other charges.

The Company inaccurately dates its customer bills on the first of each month with a due date of the 20<sup>th</sup>. Although the Company indicates it mails bills prior to the billing date that is presented on customer bills, the current date of the Company's bills provides the appearance that customers are not being provided 21 days from rendition or mailing of the bill until the bill is due. Commission Rule 4 CSR 240-13.020(7) provides that:

“...a monthly-billed customer shall have at least twenty-one (21) days and a quarterly billed customer shall have at least sixteen (16) days from the rendition of the bill to pay the utility charges unless a customer has selected a preferred payment date in accordance with a utility's preferred payment date in accordance with a utility's preferred payment date plan.”

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Ensure that customers are consistently provided at least 21 days from rendition (or the mailing) of their bills until payment is due as required by Commission Rule 4 CSR 240-13.020(7).*

### **Credit and Collections**

The Company is currently charging or indicating on its bill that it will charge customers for fees that are either not provided in their tariffs or are authorized at rates other than what the utility is charging its customers. Specifically, the Company's bill indicates a service fee of \$15.00 will be charged for all returned checks, a \$36.00 reconnect fee will be charged for services disconnected for non-payment and a late fee of \$3.00 will be added to all bills not paid by the 25<sup>th</sup> of the month.

While the Company indicated it has not had any returned checks nor assessed any late fees for the past three years, it needs to ensure that all charges it represents to its customers are appropriately approved in its tariffs. The Company has historically had delinquent accounts and write-offs. If fees are charged, such fees should be appropriately addressed in the Company's tariffs.

The Company's bill indicates it will charge a reconnect fee of \$36.00 for service disconnected for non-payment plus the amount of the delinquent bill; however, the Company's tariffs do not specify indicate any specific charge for reconnection of service after a non-pay disconnect. The Company indicates it has not disconnected service for non-payment in the last three years. The Commission's Water and Sewer Department will be addressing matters of the Company's tariff.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Ensure that all rates and fees charged to customers, such as late, returned check and reconnection fees have been approved by the Missouri Public Service Commission and are present in the Company's tariffs.*

*Refund and/or credit to customers all fees that have been inappropriately collected of customers including returned check, late, and reconnection fees.*

The Company is presently charging new customers a deposit, but is not refunding deposits to customers with good payment history. The Company is charging set amounts and is not refunding deposits with appropriate interest as required by Commission Rules, 4 CSR 240-13.040(1)(C), 4 CSR 240-13.040(4)(B)(D) and the Company tariffs. Of the deposits the Company has on file, all were charged identical amounts of \$35.00 instead of calculated, per the Company's tariff, of not exceeding utility charges applicable to one billing period plus thirty days computed on estimated or actual annual usage. The Company indicates it has not been refunding deposits until customers leave its system and was not aware that it was required to refund deposits with interest.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

Charge and refund customer deposits consistent with Commission Rule 4 CSR 240-13.030 and the Company's tariffs. Specifically, the Company should ensure that customers are provided the opportunity to establish an acceptable credit rating under standards contained in its tariff. The Company should ensure that deposit amounts are appropriately calculated using criteria specified in its tariff. If determined appropriate to charge a deposit, they should be refunded upon satisfactory payment for 12 billing months and with appropriate interest.

Review all customer deposits currently held with the Company and if they meet criteria specified in 4 CSR 240-13.030(4)(D), refund deposits with interest to its customers.

**Complaint and Inquiry Handling and Recording**

The Company cannot demonstrate that documentation of complaints received by the Company is being performed, which is a violation of Commission Rule 4 CSR 240-13.040(5) which states:

“A utility shall maintain records on its customers for at least two (2) years which contain information concerning:  
(B) The number and general description of complaints registered with the utility;”

The lack of a comprehensive complaint log makes it difficult for Company management to evaluate the reasons for customer contacts and to determine if any measures could be taken to improve customer satisfaction.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Ensure all customer complaints received by Company personnel are documented and maintained for at least two years. Documentation shall include customer name, address, the nature of the complaint, date of occurrence, as well as an explanation of what the Company has done to address the complaint as explained in Commission Rule 4 CSR 240-13.040(5).*

### **Customer Communications and Information**

The Company lacks an informational brochure, summarizing the rights and responsibilities of the customer, to provide to customers. The Company is in violation of Commission Rule 4 CSR 240-13.040(3) which states:

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

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

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

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

### **Records Storage and Security**

The Company cannot ensure that critical paper files are adequately stored. It is a good business practice to have procedures in place to recover data in the event of a disaster such as a fire.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Store all critical paper files in fireproof storage.*

### **Time Reporting**

The Company currently does not have a time reporting system in place to track the amount of time its owners spend on activities related solely to Lakeland Heights. Time reporting can have many benefits including determining the number of hours worked, the type of work and compensation that should be incorporated into customer rates, the need for additional personnel as well as compensation paid to outside parties. The Company has indicated its willingness to begin a time reporting process. The time reporting should be utilized for both inside office functions and outside operational activities performed by Company employees as well as any contractors it may employ.

*THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:*

*Institute time reporting by specific utility for the Company's owners and any contractors it may employ.*

## Agreement Attachment H

### Summary of Case Events

<b><u>Lakeland Heights</u></b>		Summary of Case Events
Date Filed		11/26/2008
Day 150		4/25/2009
Extension?		No
If yes, why?		
Amount Requested		\$10,200
Amount Agreed Upon		\$9,191
Number of Customers		109
Rate of Return		9.50%
Return on Equity		9.50%
Assessments Current		Yes
Annual Reports Filed		Yes
Statement of Revenue Filed		Yes
Other Open Cases before Commission		No
Status with Secretary of State		Good
DNR Violations		No
Significant Service/Quality Issues		No