

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

**STOCKTON HILLS WATER COMPANY**

**MISSOURI PUBLIC SERVICE COMMISSION CASE NO WR-2010-0202**

**BACKGROUND**

Stockton Hills Water Company ("Stockton Hills" or "Company") initiated the small company revenue increase request ("Request") for water service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") Case Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on January 7, 2010, the Company set forth its request for an increase of \$20,198 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 141 residential customers.

Pursuant to the provisions of the Small Company Procedure and related internal operating procedures, Staff initiated an audit of the Company's books and records to develop the appropriate revenue requirement (Cost of Service) and to determine the proper level of rates to recommend to the Commission, 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 Staff's investigation of the Company's Request, Staff provided the Company and the Office of the Public Counsel ("OPC") with the results of the investigation, with Staff's initial recommendations for the resolution of the Company's Request, and with other information regarding Staff's investigation.

## **RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST**

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

- (1) 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 sheet attached hereto as Attachment A and incorporated herein, with those proposed tariff revisions bearing an effective date of July 26, 2010.
- (2) That except as otherwise noted in the agreements below, the Exhibit Modeling System (EMS) hereto as Attachment B and the ratemaking income statement attached hereto as Attachment C and incorporated herein, accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$6,873 is just and reasonable to recover the Company's cost of service.
- (3) That the audit workpapers attached hereto as Attachment C and incorporated herein, which include consideration of a capital structure of 100% equity for the Company and a return on that equity of 9.50%, 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 sheet, the development of which is shown on the rate design worksheet attached hereto as Attachment D and incorporated herein, are designed to generate revenues sufficient to recover the agreed-upon total annualized cost of service for the Company.
- (5) That the rates included in the attached example tariff sheet will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment E and incorporated herein.
- (6) That the rates included in the attached example tariff sheet are just and reasonable, and that the provisions of the attached example tariff sheet also properly reflect all other agreements set out herein, where necessary.
- (7) That the schedule of depreciation rates attached hereto as Attachment F and incorporated herein, which includes the depreciation rates used by Staff in its revenue requirement analysis, should be the prescribed schedule of water plant depreciation rates for the Company.
- (8) The Commission's Auditing Department conducted an audit of Stockton Hills books and records using the 12-months ending December 31, 2009 as the period to

base the revenue requirement calculation. All revenues, expenses and rate base investment were reviewed through this period. Its audit findings are identified in Auditing Department Recommendation Memorandum, attached hereto as Attachment G and incorporated herein.

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

(9) Within thirty (30) days of the effective date of an order approving this Disposition Agreement, the Company will implement the recommendations contained in the Auditing Department Recommendation Memorandum. These recommendations include the following:

- a. Ensure that the accounting and financial records are accurate and an accurate accounting of the costs of service is maintained using the Uniform System of Accounts (USOA). Ensure that appropriate plant and depreciation reserve records are maintained by accounts to allow for plant additions and retirements. Maintain proper record keeping supporting the plant additions and retirements such as invoices, construction permits, construction contracts, purchased orders, and all other support for construction program. Ensure that the proper level of contributions in aid of construction (CIAC) is correctly maintained including the proper accounting of service connection charges to hook up to the regulated utility infrastructure

(10) Within sixty (60) days of the effective date of an order approving this Disposition Agreement, the Company will implement the recommendations contained in the Auditing Department Recommendation Memorandum. These recommendations include the following:

- a. With the recommendation of PSC Staff, Stockton Hills should begin keeping a detailed "timesheet" or "time-log" for all employees including the owner to record actual time spent on daily activities of operating the utility. These time reporting sheets or logs should provide daily detailed schedules of time worked strictly for the Water Company and identify other time spent on other work activities as "non-utility operations." The work records should be sufficient detail to identify the actual time spent on activities and the identity of such work activities broken down between categories such as administrative oversight, billing and accounting functions, operational activities such as maintenance and repair of the utility system, as well as construction activities. The actual amount of time spent on regulated utility activities should be identified from the actual amount of time spent on non-regulated utility activities. The time reporting should be used to allocate

costs to the financial records of the Company and the amount included in future rate requests.

(11) Prior to the filing of Stockton Hills next rate case, the Company will implement the recommendations contained in the Auditing Department Recommendation Memorandum. These recommendations include the following:

- a. With the assistance of Staff, Stockton Hills Water Company will convert its books and records into an electronic *Microsoft Office* format.

(12) 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 attached hereto as Attachment H and incorporated herein. These recommendations include the following:

- a. Incorporate the following revisions to the customer billing statement so that the Company adheres to Commission Rule 4 CSR 240-13.020 (9):
  - i. Print a clear due date on every customer billing statement.
  - ii. Print a clear delinquent date on every customer billing statement.
  - iii. Print the date of the present and previous meter readings on every customer billing statement.
- b. Charge a returned check fee as specified in the Company’s current tariff on PSC MO No. 2 2<sup>nd</sup> Revised Sheet No. 6 and the Company’s proposed tariff PSC MO No. 2 3<sup>rd</sup> Revised Sheet No. 6.
- c. Review and fully adhere to all provisions contained in Commission Rule 4 CSR 240.13.050(3) regarding the disconnection of service.
- d. Ensure that the Company’s notice of disconnection letter adheres to Commission Rule 4 CSR 240-13.050(4).
- e. Require customer deposits by adhering to Commission Rule 4 CSR 240-13.030(1)(C).
- f. Refund customer deposits with appropriate interest by adhering to Commission Rule 4 CSR 240-13.030(4)(B).
- g. Develop and implement a written customer deposit policy that adheres to Commission Rule 4 CSR 240-13.030.
- h. Record customer complaints concerning the Company in a separate document by adhering to Commission Rule 4 CSR 240-13.040(5)(B).

(13) Within sixty (60) 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

attached hereto as Attachment H and incorporated herein. These recommendations include the following:

- a. Exclude incorrect information by incorporating the following revisions to the customer billing statement.
    - i. Eliminate the phrase, “Minimum \$10.62 per 1,000 gallons per month.”
    - ii. Eliminate the phrase, “All over 12,000 gallons will be billed at \$2.60 per additional thousand gallons.”
    - iii. Eliminate the phrase, “Cut-off date is the 20<sup>th</sup>.”
  - b. Develop and implement a written policy regarding customer billing cycles, which contains clear guidelines for when a customer is allowed to transfer between monthly and quarterly billing cycles.
  - c. Develop a procedure to perform monthly bill checking on a sample of bills and correct any billing errors that are detected.
  - d. Mail a formal letter to all returned check customers indicating a specific date that a customer must make payment in order to avoid disconnection of service.
  - e. Include information on the customer contract and application for service regarding the Company’s customer deposit policy.
  - f. Ensure that all employees’ record their work performed and time worked on a standard timesheet.
  - g. Store Company documents in a locked fire proof file cabinet. Consider establishing electronic backup copies of Company documents.
- (14) The Company shall mail its customers a final written notice of the rates and charges included in its proposed tariff revisions prior to or with its next billing cycle after issuance of the Commission Order approving the terms of this Company/Staff Disposition Agreement. The notice will include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it will also send a copy to Staff Case Coordinator who will file a copy in the subject case file.
- (15) That Staff may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Disposition Agreement.
- (16) That Staff may file a formal complaint against the Company, if the Company does not comply with the provisions of this Disposition Agreement.
- (17) That the Company agrees that it has read the foregoing Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request; that upon the Company’s best knowledge and belief the facts stated therein

are true; that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this agreement.

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

### **ADDITIONAL MATTERS**

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

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

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

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

**SIGNATURES**

Agreement Signed and Dated:



Wanda Cassell

Owner

Stockton Hills Water Company

6/2/10

Date



James Busch

Manager

Water & Sewer Department

Missouri Public Service Commission Staff

6/3/10

Date

**List of Attachments**

Attachment A – Example Tariff Sheets

Attachment B – EMS

Attachment C – Rate-making Income Statement

Attachment D – Rate Design Worksheet

Attachment E – Billing Comparison Worksheet

Attachment F – Schedule of Depreciation Rates

Attachment G – Auditing Department Recommendation Memorandum

Attachment H – EMSD Report

Attachment I – Summary of Events

## Agreement Attachment A

### Example Tariff Sheets

P.S.C. MO No. 2

3<sup>rd</sup> Revised Sheet No. 6

Canceling P.S.C. MO No. 2

2<sup>nd</sup> Revised Sheet No. 6

Stockton Hills Water Company  
Name of Issuing Company

For: Stockton Hills Rural Subdivision Cedar County MO  
Certificated Service Area

Section 1: The monthly rate for water service to customers of the waterworks system to be constructed in the franchise area.

Bulk Tank Rate

\$2.86 per 1,000 gallons +

Wholesale Rate

\$2.60 per 1,000 gallons +

Residential Monthly Minimum \$13.13 +  
(Includes 1,000 gallons)

Residential Quarterly Minimum \$39.38 \*  
(Includes 3,000 gallons) \*

All usage over amount included in minimum \$3.21 per 1,000 gal. +

Late Charges \*

Billings will be made and distributed at monthly or quarterly intervals. Bills will be rendered net, bearing the last 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 three percent (3%) per month times the unpaid balance, whichever is more, 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: 06/11/10  
Month/Day/Year

Effective Date: 07/26/10  
Month/Day/Year

Issued By: Wanda Cassell, Owner  
Name & Title of Issuing Officer

P.O. Box 276 Stockton MO 65785  
Company Mailing Address

## Agreement Attachment B

EMS

**Exhibit No.: 0**  
**Issue:** Accounting Schedules  
**Witness:** MO PSC Auditors  
**Sponsoring Party:** MO PSC Staff  
**Case No:** WR-2010-0202  
**Date Prepared:** 5/15/2010



**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**STAFF ACCOUNTING SCHEDULES**

**STOCKTON HILLS WATER COMPANY**

**CASE NO. WR-2010-0202**

**Jefferson City, Missouri**

**May 2010**

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Executive Case Summary

Line Number	Description	Amount
1	Annualized Missouri Retail Revenues	\$29,421
2	Annualized Customer Numbers	0
3	Annualized Customer Usage	0
4	Profit (Return on Equity)	\$4,517
5	Interest Expense	\$0
6	Annualized Payroll	\$19,183
7	Utility Employees	0
8	Depreciation	\$4,992
9	Net Investment Plant	\$91,788
10	Pensions	\$0

**Stockton Hills Water Company**  
**Case No. WR-2010-0202**  
**Informal Water Rate Case**  
**Test Year Ending 12-31-2009**  
**Revenue Requirement**

Line Number	A Description	B 9.50% Return	C 9.50% Return	D 9.50% Return
1	Net Orig Cost Rate Base	\$47,547	\$47,547	\$47,547
2	Rate of Return	9.50%	9.50%	9.50%
3	Net Operating Income Requirement	\$4,517	\$4,517	\$4,517
4	Net Income Available	-\$2,356	-\$2,356	-\$2,356
5	Additional Net Income Required	\$6,873	\$6,873	\$6,873
6	Income Tax Requirement			
7	Required Current Income Tax	\$0	\$0	\$0
8	Current Income Tax Available	\$0	\$0	\$0
9	Additional Current Tax Required	\$0	\$0	\$0
10	Revenue Requirement	\$6,873	\$6,873	\$6,873
11	Allowance for Known and Measureable Changes/True-Up Estimate	\$0	\$0	\$0
12	Gross Revenue Requirement	\$6,873	\$6,873	\$6,873

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
**RATE BASE SCHEDULE**

Line	A Rate Base Description	B Percentage	C Dollar
Number		Rate	Amount
1	Plant In Service		\$140,700
2	Less Accumulated Depreciation Reserve		\$48,912
3	Net Plant In Service		\$91,788
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		\$0
6	Materials & Supplies		\$0
7	Prepayments		\$0
8	End Balance CIAC Depreciation Offset		\$15,805
9	TOTAL ADD TO NET PLANT IN SERVICE		\$15,805
10	SUBTRACT FROM NET PLANT		
11	Federal Tax Offset	38.0822%	\$0
12	State Tax Offset	38.0822%	\$0
13	City Tax Offset	38.0822%	\$0
14	Interest Expense Offset	38.0822%	\$0
15	Contribution In Aid of Construction		\$57,746
16	Customer Advances		\$0
17	Customer Deposits		\$2,300
18	Deferred Income Taxes		\$0
19	Accrued Pension Liability		\$0
20	TOTAL SUBTRACT FROM NET PLANT		\$60,046
21	Total Rate Base		\$47,547

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Plant In Service

Line Number	Account # (Optional)	Plant Account Description	Total Plant	Adjust. Number	Adjustments	As Adjusted Plant	Jurisdictional Allocations	Jurisdictional Adjustments	MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	301.000	Organization	\$2,492	P-2	\$0	\$2,492	100.00%	\$0	\$2,492
3	302.000	Franchises and Consents	\$0	P-3	\$0	\$0	100.00%	\$0	\$0
4	303.000	Miscellaneous Intangible Plant	\$0	P-4	\$0	\$0	100.00%	\$0	\$0
5		TOTAL PLANT INTANGIBLE	\$2,492		\$0	\$2,492		\$0	\$2,492
6		SOURCE OF SUPPLY PLANT							
7	310.000	Land and Land Rights- SSP	\$1,188	P-7	\$0	\$1,188	100.00%	\$0	\$1,188
8	311.000	Structures and Improvements- SSP	\$507	P-8	\$0	\$507	100.00%	\$0	\$507
9	312.000	Collecting & Impounding Reservoirs	\$15,615	P-9	\$0	\$15,615	100.00%	\$0	\$15,615
10	313.000	Lake, River and Other Intakes	\$0	P-10	\$0	\$0	100.00%	\$0	\$0
11	314.000	Wells and Springs	\$6,209	P-11	\$0	\$6,209	100.00%	\$0	\$6,209
12	315.000	Infiltration Galleries and Tunnels	\$0	P-12	\$0	\$0	100.00%	\$0	\$0
13	316.000	Supply Mains	\$0	P-13	\$0	\$0	100.00%	\$0	\$0
14	317.000	Other Water Source Plant	\$0	P-14	\$0	\$0	100.00%	\$0	\$0
15		TOTAL SOURCE OF SUPPLY PLANT	\$23,519		\$0	\$23,519		\$0	\$23,519
16		PUMPING PLANT							
17	320.000	Land and Land Rights - PP	\$1,188	P-17	\$0	\$1,188	100.00%	\$0	\$1,188
18	321.000	Structures and Improvements - PP	\$1,000	P-18	\$0	\$1,000	100.00%	\$0	\$1,000
19	321.000	Structures and Improvements Additions	\$131	P-19	\$0	\$131	100.00%	\$0	\$131
20	323.000	Other Power Production Equipment	\$0	P-20	\$0	\$0	100.00%	\$0	\$0
21	324.000	Steam Pumping Equipment	\$0	P-21	\$0	\$0	100.00%	\$0	\$0
22	325.000	Electric Pumping Equipment	\$6,865	P-22	\$0	\$6,865	100.00%	\$0	\$6,865
23	325.000	Electric Pumping Equipment Additions	\$0	P-23	\$0	\$0	100.00%	\$0	\$0
24	325.000	Electric Pumping Equipment Retirement	\$0	P-24	\$0	\$0	100.00%	\$0	\$0
25	327.000	Hydraulic Pumping Equipment	\$0	P-25	\$0	\$0	100.00%	\$0	\$0
26	328.000	Other Pumping Equipment Additions	\$1,896	P-26	\$0	\$1,896	100.00%	\$0	\$1,896
27		TOTAL PUMPING PLANT	\$11,080		\$0	\$11,080		\$0	\$11,080
28		WATER TREATMENT PLANT							
29	330.000	Land and Land Rights - WTP	\$0	P-29	\$0	\$0	100.00%	\$0	\$0
30	331.000	Structures and Improvements - WTP	\$0	P-30	\$0	\$0	100.00%	\$0	\$0
31	332.000	Water Treatment Equipment	\$0	P-31	\$0	\$0	100.00%	\$0	\$0
32		TOTAL WATER TREATMENT PLANT	\$0		\$0	\$0		\$0	\$0
33		TRANSMISSION & DIST. PLANT							
34	340.000	Land and Land Rights - TDP	\$0	P-34	\$0	\$0	100.00%	\$0	\$0
35	341.000	Structures and Improvements - TDP	\$0	P-35	\$0	\$0	100.00%	\$0	\$0
36	342.000	Distribution Reservoirs and Standpipes	\$4,583	P-36	\$0	\$4,583	100.00%	\$0	\$4,583
37	342.000	Distribution Reservoirs and Standpipes- Additions	\$0	P-37	\$0	\$0	100.00%	\$0	\$0
38	343.000	Transmission and Distribution Mains	\$66,789	P-38	\$0	\$66,789	100.00%	\$0	\$66,789
39	344.000	Fire Mains	\$0	P-39	\$0	\$0	100.00%	\$0	\$0
40	345.000	Services	\$12,384	P-40	\$0	\$12,384	100.00%	\$0	\$12,384
41	345.000	Services Additions	\$460	P-41	\$0	\$460	100.00%	\$0	\$460
42	346.000	Meters	\$16,958	P-42	\$0	\$16,958	100.00%	\$0	\$16,958
43	347.000	Meters Additions	\$830	P-43	\$0	\$830	100.00%	\$0	\$830
44	348.000	Hydrants	\$417	P-44	\$0	\$417	100.00%	\$0	\$417
45	349.000	Other Transmission & Distribution Plant	\$0	P-45	\$0	\$0	100.00%	\$0	\$0
46		TOTAL TRANSMISSION & DIST. PLANT	\$102,421		\$0	\$102,421		\$0	\$102,421
47		GENERAL PLANT							
48	370.000	Land and Land Rights - GP	\$1,188	P-48	\$0	\$1,188	100.00%	\$0	\$1,188
49	371.000	Structures and Improvements - GP	\$0	P-49	\$0	\$0	100.00%	\$0	\$0
50	372.000	Office Furniture and Equipment	\$0	P-50	\$0	\$0	100.00%	\$0	\$0
51	373.000	Transportation Equipment	\$0	P-51	\$0	\$0	100.00%	\$0	\$0
52	379.000	Stores Equipment	\$0	P-52	\$0	\$0	100.00%	\$0	\$0
53	379.000	Tools, Shop and Garage Equipment	\$0	P-53	\$0	\$0	100.00%	\$0	\$0
54	379.000	Laboratory Equipment	\$0	P-54	\$0	\$0	100.00%	\$0	\$0
55	396.000	Power Operated Equipment	\$0	P-55	\$0	\$0	100.00%	\$0	\$0
56	379.000	Communication Equipment	\$0	P-56	\$0	\$0	100.00%	\$0	\$0
57	379.000	Miscellaneous Equipment	\$0	P-57	\$0	\$0	100.00%	\$0	\$0
58	379.000	Other Tangible Equipment	\$0	P-58	\$0	\$0	100.00%	\$0	\$0
59		TOTAL GENERAL PLANT	\$1,188		\$0	\$1,188		\$0	\$1,188
60		TOTAL PLANT IN SERVICE	\$140,700		\$0	\$140,700		\$0	\$140,700

**Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Adjustments to Plant in Service**

A	B	C	D	E	F	G
Plant Adj. Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment Amount	Jurisdictional Adjustments	Total Jurisdictional Adjustments
<b>Total Plant Adjustments</b>				\$0		\$0

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Depreciation Expense

Line Number	Account Number	Plant Account Description	MO Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
1		<b>INTANGIBLE PLANT</b>			
2	301.000	Organization	\$2,492	0.00%	\$0
3	302.000	Franchises and Consents	\$0	0.00%	\$0
4	303.000	Miscellaneous Intangible Plant	\$0	0.00%	\$0
5		<b>TOTAL PLANT INTANGIBLE</b>	<b>\$2,492</b>		<b>\$0</b>
6		<b>SOURCE OF SUPPLY PLANT</b>			
7	310.000	Land and Land Rights- SSP	\$1,188	0.00%	\$0
8	311.000	Structures and Improvements- SSP	\$507	2.50%	\$13
9	312.000	Collecting & Impounding Reservoirs	\$15,615	2.50%	\$390
10	313.000	Lake, River and Other Intakes	\$0	0.00%	\$0
11	314.000	Wells and Springs	\$6,209	2.00%	\$124
12	315.000	Infiltration Galleries and Tunnels	\$0	0.00%	\$0
13	316.000	Supply Mains	\$0	0.00%	\$0
14	317.000	Other Water Source Plant	\$0	0.00%	\$0
15		<b>TOTAL SOURCE OF SUPPLY PLANT</b>	<b>\$23,519</b>		<b>\$527</b>
16		<b>PUMPING PLANT</b>			
17	320.000	Land and Land Rights - PP	\$1,188	0.00%	\$0
18	321.000	Structures and Improvements - PP	\$1,000	2.50%	\$25
19	321.000	Structures and Improvements Additions	\$131	2.50%	\$3
20	323.000	Other Power Production Equipment	\$0	0.00%	\$0
21	324.000	Steam Pumping Equipment	\$0	0.00%	\$0
22	325.000	Electric Pumping Equipment	\$6,865	10.00%	\$687
23	325.000	Electric Pumping Equipment Additions	\$0	10.00%	\$0
24	325.000	Electric Pumping Equipment Retirement	\$0	10.00%	\$0
25	327.000	Hydraulic Pumping Equipment	\$0	0.00%	\$0
26	328.000	Other Pumping Equipment Additions	\$1,896	10.00%	\$190
27		<b>TOTAL PUMPING PLANT</b>	<b>\$11,080</b>		<b>\$905</b>
28		<b>WATER TREATMENT PLANT</b>			
29	330.000	Land and Land Rights - WTP	\$0	0.00%	\$0
30	331.000	Structures and Improvements - WTP	\$0	0.00%	\$0
31	332.000	Water Treatment Equipment	\$0	0.00%	\$0
32		<b>TOTAL WATER TREATMENT PLANT</b>	<b>\$0</b>		<b>\$0</b>
33		<b>TRANSMISSION &amp; DIST. PLANT</b>			
34	340.000	Land and Land Rights - TDP	\$0	0.00%	\$0
35	341.000	Structures and Improvements - TDP	\$0	0.00%	\$0
36	342.000	Distribution Reservoirs and Standpipes	\$4,583	2.50%	\$115
37	342.000	Distribution Reservoirs and Standpipes- Additions	\$0	0.00%	\$0
38	343.000	Transmission and Distribution Mains	\$66,789	2.00%	\$1,336
39	344.000	Fire Mains	\$0	0.00%	\$0
40	345.000	Services	\$12,384	2.50%	\$310

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C MO Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
41	345.000	Services Additions	\$460	2.50%	\$12
42	346.000	Meters	\$16,958	10.00%	\$1,696
43	347.000	Meters Additions	\$830	10.00%	\$83
44	348.000	Hydrants	\$417	2.00%	\$8
45	349.000	Other Transmission & Distribution Plant	\$0	0.00%	\$0
46		TOTAL TRANSMISSION & DIST. PLANT	\$102,421		\$3,560
47		GENERAL PLANT			
48	370.000	Land and Land Rights - GP	\$1,188	0.00%	\$0
49	371.000	Structures and Improvements - GP	\$0	0.00%	\$0
50	372.000	Office Furniture and Equipment	\$0	0.00%	\$0
51	373.000	Transportation Equipment	\$0	0.00%	\$0
52	379.000	Stores Equipment	\$0	0.00%	\$0
53	379.000	Tools, Shop and Garage Equipment	\$0	0.00%	\$0
54	379.000	Laboratory Equipment	\$0	0.00%	\$0
55	396.000	Power Operated Equipment	\$0	0.00%	\$0
56	379.000	Communication Equipment	\$0	0.00%	\$0
57	379.000	Miscellaneous Equipment	\$0	0.00%	\$0
58	379.000	Other Tangible Equipment	\$0	0.00%	\$0
59		TOTAL GENERAL PLANT	\$1,188		\$0
60		Total Depreciation	\$140,700		\$4,992

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Accumulated Depreciation Reserve

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjust Number	E Adjustments	F As Adjusted Reserve	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	301.000	Organization	\$0	R-2	\$0	\$0	100.00%	\$0	\$0
3	302.000	Franchises and Consents	\$0	R-3	\$0	\$0	100.00%	\$0	\$0
4	303.000	Miscellaneous Intangible Plant	\$0	R-4	\$0	\$0	100.00%	\$0	\$0
5		TOTAL PLANT INTANGIBLE	\$0		\$0	\$0		\$0	\$0
6		SOURCE OF SUPPLY PLANT							
7	310.000	Land and Land Rights- SSP	\$0	R-7	\$0	\$0	100.00%	\$0	\$0
8	311.000	Structures and Improvements- SSP	\$186	R-8	\$0	\$186	100.00%	\$0	\$186
9	312.000	Collecting & Impounding Reservoirs	\$5,733	R-9	\$0	\$5,733	100.00%	\$0	\$5,733
10	313.000	Lake, River and Other Intakes	\$0	R-10	\$0	\$0	100.00%	\$0	\$0
11	314.000	Wells and Springs	\$2,280	R-11	\$0	\$2,280	100.00%	\$0	\$2,280
12	315.000	Infiltration Galleries and Tunnels	\$0	R-12	\$0	\$0	100.00%	\$0	\$0
13	316.000	Supply Mains	\$0	R-13	\$0	\$0	100.00%	\$0	\$0
14	317.000	Other Water Source Plant	\$0	R-14	\$0	\$0	100.00%	\$0	\$0
15		TOTAL SOURCE OF SUPPLY PLANT	\$8,199		\$0	\$8,199		\$0	\$8,199
16		PUMPING PLANT							
17	320.000	Land and Land Rights - PP	\$0	R-17	\$0	\$0	100.00%	\$0	\$0
18	321.000	Structures and Improvements - PP	\$367	R-18	\$0	\$367	100.00%	\$0	\$367
19	321.000	Structures and Improvements Additions	\$0	R-19	\$0	\$0	100.00%	\$0	\$0
20	323.000	Other Power Production Equipment	\$0	R-20	\$0	\$0	100.00%	\$0	\$0
21	324.000	Steam Pumping Equipment	\$0	R-21	\$0	\$0	100.00%	\$0	\$0
22	325.000	Electric Pumping Equipment	\$2,520	R-22	\$0	\$2,520	100.00%	\$0	\$2,520
23	325.000	Electric Pumping Equipment Additions	\$0	R-23	\$0	\$0	100.00%	\$0	\$0
24	325.000	Electric Pumping Equipment Retirement	\$0	R-24	\$0	\$0	100.00%	\$0	\$0
25	327.000	Hydraulic Pumping Equipment	\$0	R-25	\$0	\$0	100.00%	\$0	\$0
26	328.000	Other Pumping Equipment Additions	\$696	R-26	\$0	\$696	100.00%	\$0	\$696
27		TOTAL PUMPING PLANT	\$3,583		\$0	\$3,583		\$0	\$3,583
28		WATER TREATMENT PLANT							
29	330.000	Land and Land Rights - WTP	\$0	R-29	\$0	\$0	100.00%	\$0	\$0
30	331.000	Structures and Improvements - WTP	\$0	R-30	\$0	\$0	100.00%	\$0	\$0
31	332.000	Water Treatment Equipment	\$0	R-31	\$0	\$0	100.00%	\$0	\$0
32		TOTAL WATER TREATMENT PLANT	\$0		\$0	\$0		\$0	\$0
33		TRANSMISSION & DIST. PLANT							
34	340.000	Land and Land Rights - TDP	\$0	R-34	\$0	\$0	100.00%	\$0	\$0
35	341.000	Structures and Improvements - TDP	\$0	R-35	\$0	\$0	100.00%	\$0	\$0
36	342.000	Distribution Reservoirs and Standpipes	\$1,683	R-36	\$0	\$1,683	100.00%	\$0	\$1,683
37	342.000	Distribution Reservoirs and Standpipes- Additions	\$0	R-37	\$0	\$0	100.00%	\$0	\$0
38	343.000	Transmission and Distribution Mains	\$24,521	R-38	\$0	\$24,521	100.00%	\$0	\$24,521
39	344.000	Fire Mains	\$0	R-39	\$0	\$0	100.00%	\$0	\$0
40	345.000	Services	\$4,547	R-40	\$0	\$4,547	100.00%	\$0	\$4,547
41	345.000	Services Additions	\$0	R-41	\$0	\$0	100.00%	\$0	\$0
42	346.000	Meters	\$6,226	R-42	\$0	\$6,226	100.00%	\$0	\$6,226
43	347.000	Meters Additions	\$0	R-43	\$0	\$0	100.00%	\$0	\$0
44	348.000	Hydrants	\$153	R-44	\$0	\$153	100.00%	\$0	\$153
45	349.000	Other Transmission & Distribution Plant	\$0	R-45	\$0	\$0	100.00%	\$0	\$0
46		TOTAL TRANSMISSION & DIST. PLANT	\$37,130		\$0	\$37,130		\$0	\$37,130
47		GENERAL PLANT							
48	370.000	Land and Land Rights - GP	\$0	R-48	\$0	\$0	100.00%	\$0	\$0
49	371.000	Structures and Improvements - GP	\$0	R-49	\$0	\$0	100.00%	\$0	\$0
50	372.000	Office Furniture and Equipment	\$0	R-50	\$0	\$0	100.00%	\$0	\$0
51	373.000	Transportation Equipment	\$0	R-51	\$0	\$0	100.00%	\$0	\$0
52	379.000	Stores Equipment	\$0	R-52	\$0	\$0	100.00%	\$0	\$0
53	379.000	Tools, Shop and Garage Equipment	\$0	R-53	\$0	\$0	100.00%	\$0	\$0
54	379.000	Laboratory Equipment	\$0	R-54	\$0	\$0	100.00%	\$0	\$0
55	396.000	Power Operated Equipment	\$0	R-55	\$0	\$0	100.00%	\$0	\$0
56	379.000	Communication Equipment	\$0	R-56	\$0	\$0	100.00%	\$0	\$0
57	379.000	Miscellaneous Equipment	\$0	R-57	\$0	\$0	100.00%	\$0	\$0
58	379.000	Other Tangible Equipment	\$0	R-58	\$0	\$0	100.00%	\$0	\$0
59		TOTAL GENERAL PLANT	\$0		\$0	\$0		\$0	\$0
60		TOTAL DEPRECIATION RESERVE	\$48,912		\$0	\$48,912		\$0	\$48,912

**Stockton Hills Water Company**  
**Case No. WR-2010-0202**  
**Informal Water Rate Case**  
**Test Year Ending 12-31-2009**  
**Adjustments for Depreciation Reserve**

A	B	C	D	E	F	G
Reserve Adjustment Number	Accumulated Depreciation Reserve Adjustments Description	Account Number	Adjustment Amount	Total Adjustment Amount	Jurisdictional Adjustments	Total Jurisdictional Adjustments
Total Reserve Adjustments				\$0		\$0

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Cash Working Capital

Line Number	A Description	B Test Year Adj. Expenses	C Revenue Lag	D Expense Lag	E Net Lag C - D	F Factor (Col E / 365)	G CWC Req B x F
1	OPERATION AND MAINT. EXPENSE						
2	Base Payroll	\$0	43.00	12.38	30.62	0.083890	\$0
3	Tax Withholding	\$0	43.00	365.00	-322.00	-0.882192	\$0
4	Pensions and Employee Benefits	\$0	43.00	39.35	3.65	0.010000	\$0
5	Electric	\$0	43.00	39.51	3.49	0.009562	\$0
6	Telephone	\$0	43.00	43.00	0.00	0.000000	\$0
7	Office Rents	\$0	43.00	43.00	0.00	0.000000	\$0
8	Intercompany Billing	\$0	0.00	0.00	0.00	0.000000	\$0
9	Uncollectible Accounts	\$0	0.00	0.00	0.00	0.000000	\$0
10	PSC Assessment	\$0	0.00	0.00	0.00	0.000000	\$0
11	Expense Allocations	\$0	0.00	0.00	0.00	0.000000	\$0
12	Cash Vouchers	\$28,758	43.00	182.50	-139.50	-0.382192	-\$10,991
13	TOTAL OPERATION AND MAINT. EXPENSE	\$28,758					\$0
14	TAXES						
15	FICA - Employer Portion	\$0	0.00	0.00	0.00	0.000000	\$0
16	Unemployment	\$0	0.00	0.00	0.00	0.000000	\$0
17	Property Tax	\$0	43.00	182.00	-139.00	-0.380822	\$0
18	Gross Receipts Tax	\$0	43.00	38.03	4.97	0.013616	\$0
19	Corporate Franchise	\$0	0.00	0.00	0.00	0.000000	\$0
20	Sales Tax	\$0	0.00	0.00	0.00	0.000000	\$0
21	TOTAL TAXES	\$0					\$0
22	CWC REQ'D BEFORE RATE BASE OFFSETS						\$0
23	TAX OFFSET FROM RATE BASE						
24	Federal Tax Offset	\$0	43.00	182.00	-139.00	-0.380822	\$0
25	State Tax Offset	\$0	43.00	182.00	-139.00	-0.380822	\$0
26	City Tax Offset	\$0	43.00	182.00	-139.00	-0.380822	\$0
27	Interest Expense Offset	\$0	43.00	182.00	-139.00	-0.380822	\$0
28	TOTAL OFFSET FROM RATE BASE	\$0					\$0
29	TOTAL CASH WORKING CAPITAL REQUIRED						\$0

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Income Statement

Line Number	A Category Description	B Total Test Year	C Test Year Labor	D Test Year Non Labor	E Adjustments	F Total Company Adjusted	G Jurisdictional Adjustments	H MO Final Adj Jurisdictional	I MO Juris. Labor	J MO Juris. Non Labor
1	TOTAL OPERATING REVENUES	\$29,421	See Note (1)	See Note (1)	See Note (1)	\$29,421	\$0	\$29,421	See Note (1)	See Note (1)
2	TOTAL SOURCE OF SUPPLY EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	TOTAL PUMPING EXPENSES	\$3,337	\$0	\$3,337	\$0	\$3,337	\$0	\$3,337	\$0	\$3,337
4	TOTAL WATER TREATMENT EXPENSES	\$423	\$0	\$423	\$0	\$423	\$0	\$423	\$0	\$423
5	TOTAL TRANSMISSION & DIST. EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	TOTAL CUSTOMER ACCOUNTS EXPENSE	\$701	\$0	\$701	\$0	\$701	\$0	\$701	\$0	\$701
7	TOTAL CUSTOMER SERVICE EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	TOTAL SALES PROMOTION EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	TOTAL ADMIN. & GENERAL EXPENSES	\$24,297	\$19,183	\$5,114	\$0	\$24,297	\$0	\$24,297	\$19,183	\$5,114
10	TOTAL DEPRECIATION EXPENSE	\$1,725	See Note (1)	See Note (1)	See Note (1)	\$1,725	\$1,239	\$2,964	See Note (1)	See Note (1)
11	TOTAL AMORTIZATION EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	TOTAL OTHER OPERATING EXPENSE	\$55	\$0	\$55	\$0	\$55	\$0	\$55	\$0	\$55
13	TOTAL OPERATING EXPENSE	\$30,538	\$19,183	\$9,630	\$0	\$30,538	\$1,239	\$31,777	\$19,183	\$9,630
14	NET INCOME BEFORE TAXES	-\$1,117	\$0	\$0	\$0	-\$1,117	-\$1,239	-\$2,356	\$0	\$0
15	TOTAL INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$0	\$0	See Note (1)	See Note (1)
16	TOTAL DEFERRED INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	\$0	\$0	See Note (1)	See Note (1)
17	NET OPERATING INCOME	-\$1,117	\$0	\$0	\$0	-\$1,117	-\$1,239	-\$2,356	\$0	\$0

(1) Labor and Non Labor Detail not applicable to Revenue & Taxes

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Income Statement Detail

Line Number	Account Number	B	C	D	E	F	G	H	I	J	K	L	M
		Income Description	Test Year Total (D+E)	Test Year Labor	Test Year Non Labor	Adjust. Number	Total Company Adjustments (From Adj. Sch.)	Total Company Adjusted (C+G)	Jurisdictional Allocations	Jurisdictional Adjustments (From Adj. Sch.)	MO Final Adj. Jurisdictional (H x I) + J	MO Adj. Juris. Labor	MO Adj. Juris. Non Labor
Rev-1		OPERATING REVENUES											
Rev-2	480.000	Residential	\$0	See note (1)	See note (1)	Rev-2	See note (1)	\$0	100.00%	\$0	\$0	See note (1)	See note (1)
Rev-3	481.100	Commercial	\$0			Rev-3		\$0	100.00%	\$0	\$0		
Rev-4	481.200	Industrial	\$0			Rev-4		\$0	100.00%	\$0	\$0		
Rev-5	483.000	Residential Revenue	\$29,421			Rev-5		\$29,421	100.00%	\$0	\$29,421		
Rev-6	487.000	Public Fire	\$0			Rev-6		\$0	100.00%	\$0	\$0		
Rev-7	488.000	Public Authorities	\$0			Rev-7		\$0	100.00%	\$0	\$0		
Rev-8	489.000	Sales for Resale	\$0			Rev-8		\$0	100.00%	\$0	\$0		
Rev-9	493.000	Other Water Revenue - Oper. Rev.	\$0			Rev-9		\$0	100.00%	\$0	\$0		
Rev-10		TOTAL OPERATING REVENUES	\$29,421					\$29,421			\$29,421		
1		SOURCE OF SUPPLY EXPENSES											
2	600.000	Operation Supervision & Engineering	\$0	\$0	\$0	E-2		\$0	100.00%	\$0	\$0	\$0	\$0
3	601.000	Operation Labor & Expenses	\$0	\$0	\$0	E-3		\$0	100.00%	\$0	\$0	\$0	\$0
4	602.000	Purchased Water	\$0	\$0	\$0	E-4		\$0	100.00%	\$0	\$0	\$0	\$0
5	603.000	Miscellaneous Expenses	\$0	\$0	\$0	E-5		\$0	100.00%	\$0	\$0	\$0	\$0
6	604.000	Rents - SSE	\$0	\$0	\$0	E-6		\$0	100.00%	\$0	\$0	\$0	\$0
7	610.000	Maint. Supervision & Engineering	\$0	\$0	\$0	E-7		\$0	100.00%	\$0	\$0	\$0	\$0
8	611.000	Maint. of Structures & Improvements	\$0	\$0	\$0	E-8		\$0	100.00%	\$0	\$0	\$0	\$0
9	612.000	Maint. of Collect. & Impound. Reservoirs	\$0	\$0	\$0	E-9		\$0	100.00%	\$0	\$0	\$0	\$0
10	613.000	Maint. of Lake, River and Other Intakes	\$0	\$0	\$0	E-10		\$0	100.00%	\$0	\$0	\$0	\$0
11	614.000	Maint. of Wells & Springs	\$0	\$0	\$0	E-11		\$0	100.00%	\$0	\$0	\$0	\$0
12	615.000	Maint. of Infiltration Galleries & Tunnels	\$0	\$0	\$0	E-12		\$0	100.00%	\$0	\$0	\$0	\$0
13	616.000	Maint. of Supply Main	\$0	\$0	\$0	E-13		\$0	100.00%	\$0	\$0	\$0	\$0
14	617.000	Repairs of Water Plant, Other and Equipment	\$0	\$0	\$0	E-14		\$0	100.00%	\$0	\$0	\$0	\$0
15		TOTAL SOURCE OF SUPPLY EXPENSES	\$0	\$0	\$0			\$0			\$0	\$0	\$0
16		PUMPING EXPENSES											
17	620.000	Operation Supervision & Engineering - PE	\$0	\$0	\$0	E-17		\$0	100.00%	\$0	\$0	\$0	\$0
18	621.000	Fuel for Power Production	\$3,337	\$0	\$3,337	E-18		\$3,337	100.00%	\$0	\$3,337	\$0	\$3,337
19	622.000	Power Production Labor & Expenses	\$0	\$0	\$0	E-19		\$0	100.00%	\$0	\$0	\$0	\$0
20	623.000	Fuel or Power Purchased for Pumping	\$0	\$0	\$0	E-20		\$0	100.00%	\$0	\$0	\$0	\$0
21	624.000	Pumping Labor and Expenses	\$0	\$0	\$0	E-21		\$0	100.00%	\$0	\$0	\$0	\$0
22	625.000	Expenses Transferred - Cr.	\$0	\$0	\$0	E-22		\$0	100.00%	\$0	\$0	\$0	\$0
23	626.000	Miscellaneous Expense	\$0	\$0	\$0	E-23		\$0	100.00%	\$0	\$0	\$0	\$0
24	627.000	Rents - PE	\$0	\$0	\$0	E-24		\$0	100.00%	\$0	\$0	\$0	\$0
25	630.000	Maint. Supervision & Engineering - PE	\$0	\$0	\$0	E-25		\$0	100.00%	\$0	\$0	\$0	\$0
26	631.000	Maint. of Structures & Improvements - PE	\$0	\$0	\$0	E-26		\$0	100.00%	\$0	\$0	\$0	\$0
27	632.000	Maint. of Power Production Equipment - Pump Repair	\$0	\$0	\$0	E-27		\$0	100.00%	\$0	\$0	\$0	\$0
28	633.000	Maint. of Pumping Equipment	\$0	\$0	\$0	E-28		\$0	100.00%	\$0	\$0	\$0	\$0
29		TOTAL PUMPING EXPENSES	\$3,337	\$0	\$3,337			\$3,337			\$3,337	\$0	\$3,337
30		WATER TREATMENT EXPENSES											
31	640.000	Operation Supervision & Engineer. - WTE	\$0	\$0	\$0	E-31		\$0	100.00%	\$0	\$0	\$0	\$0
32	641.000	Chemicals - WTE	\$0	\$0	\$0	E-32		\$0	100.00%	\$0	\$0	\$0	\$0
33	642.000	Operation Labor & Expenses - WTE	\$0	\$0	\$0	E-33		\$0	100.00%	\$0	\$0	\$0	\$0
34	643.000	Water Testing - WTE	\$200	\$0	\$200	E-34		\$200	100.00%	\$0	\$200	\$0	\$200
35	644.000	Rents - WTE	\$0	\$0	\$0	E-35		\$0	100.00%	\$0	\$0	\$0	\$0
36	650.000	Maint. Supervision & Engineering - WTE	\$0	\$0	\$0	E-36		\$0	100.00%	\$0	\$0	\$0	\$0
37	651.000	Maint. of Structures & Improvements - WTE	\$0	\$0	\$0	E-37		\$0	100.00%	\$0	\$0	\$0	\$0
38	652.000	Maint. of Water Treatment Equipment	\$223	\$0	\$223	E-38		\$223	100.00%	\$0	\$223	\$0	\$223

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Income Statement Detail

Line Number	A Account Number	B Income Description	C Test Year Total (D+E)	D Test Year Labor	E Test Year Non Labor	F Adjust. Number	G Total Company Adjustments (From Adj. Sch.)	H Total Company Adjusted (C+G)	I Jurisdictional Allocations	J Jurisdictional Adjustments (From Adj. Sch.)	K MO Final Adj. Jurisdictional (H x I) + J	L MO Adj. Juris. Labor	M MO Adj. Juris. Non Labor
39		TOTAL WATER TREATMENT EXPENSES	\$423	\$0	\$423		\$0	\$423		\$0	\$423	\$0	\$423
40		TRANSMISSION & DIST. EXPENSES											
41	660.000	Operation Supervision & Engineering - TDE	\$0	\$0	\$0	E-41	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
42	661.000	Storage Facilities Expenses TDE	\$0	\$0	\$0	E-42	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
43	662.000	Transmission & Distribution Lines Expenses	\$0	\$0	\$0	E-43	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
44	663.000	Meter Expenses - TDE	\$0	\$0	\$0	E-44	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
45	664.000	Customer Installations Expenses - TDE	\$0	\$0	\$0	E-45	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
46	665.000	Miscellaneous Expenses - TDE	\$0	\$0	\$0	E-46	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
47	666.000	Rents - TDE	\$0	\$0	\$0	E-47	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
48	670.000	Maint. Supervision and Engineering - TDE	\$0	\$0	\$0	E-48	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
49	671.000	Maint. of Structures & Improvements - TDE	\$0	\$0	\$0	E-49	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
50	672.000	Maint. of Dist. Reservoirs & Standpipes - TDE	\$0	\$0	\$0	E-50	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
51	673.000	Maint. of Transmission & Distribution Mains-Water Line Repair	\$0	\$0	\$0	E-51	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
52	674.000	Maint. of Fire Mains - TDE	\$0	\$0	\$0	E-52	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
53	675.000	Maint. of Services - TDE	\$0	\$0	\$0	E-53	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
54	676.000	Maint. of Meters - TDE	\$0	\$0	\$0	E-54	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
55	677.000	Maint. of Hydrants - TDE	\$0	\$0	\$0	E-55	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
56	678.000	Maint. of Miscellaneous Plant - TDE	\$0	\$0	\$0	E-56	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
57		TOTAL TRANSMISSION & DIST. EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
58		CUSTOMER ACCOUNTS EXPENSE											
59	901.000	Supervision - CAE	\$0	\$0	\$0	E-59	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
60	902.000	Meter Reading Expenses - CAE	\$0	\$0	\$0	E-60	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
61	903.000	Billing	\$473	\$0	\$473	E-61	\$0	\$473	100.00%	\$0	\$473	\$0	\$473
62	904.000	Uncollectible Amounts - CAE	\$146	\$0	\$146	E-62	\$0	\$146	100.00%	\$0	\$146	\$0	\$146
63	905.000	Other Expenses (Water Refund) - CAE	\$82	\$0	\$82	E-63	\$0	\$82	100.00%	\$0	\$82	\$0	\$82
64	905.000	Interest Expense (Deposit Refund) - CAE	\$0	\$0	\$0	E-64	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
65		TOTAL CUSTOMER ACCOUNTS EXPENSE	\$701	\$0	\$701		\$0	\$701		\$0	\$701	\$0	\$701
66		CUSTOMER SERVICE EXPENSES											
67	907.000	Customer Service & Information Expenses	\$0	\$0	\$0	E-67	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
68		TOTAL CUSTOMER SERVICE EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
69		SALES PROMOTION EXPENSES											
70	910.000	Sales Promotion Expenses - SPE	\$0	\$0	\$0	E-70	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
71		TOTAL SALES PROMOTION EXPENSES	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
72		ADMIN. & GENERAL EXPENSES											
73	920.000	Admin. & General Salaries	\$19,183	\$19,183	\$0	E-73	\$0	\$19,183	100.00%	\$0	\$19,183	\$19,183	\$0
74	921.000	Office Supplies & Expenses	\$306	\$0	\$306	E-74	\$0	\$306	100.00%	\$0	\$306	\$0	\$306
75	922.000	Admin. Expenses Transferred - Credit	\$0	\$0	\$0	E-75	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
76	923.000	Outside Services Employed	\$345	\$0	\$345	E-76	\$0	\$345	100.00%	\$0	\$345	\$0	\$345
77	924.000	Insurances	\$780	\$0	\$780	E-77	\$0	\$780	100.00%	\$0	\$780	\$0	\$780
78	925.000	Transportation	\$1,153	\$0	\$1,153	E-78	\$0	\$1,153	100.00%	\$0	\$1,153	\$0	\$1,153
79	926.000	Rent	\$1,200	\$0	\$1,200	E-79	\$0	\$1,200	100.00%	\$0	\$1,200	\$0	\$1,200
80	927.000	Franchise Requirements	\$0	\$0	\$0	E-80	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
81	928.000	Regulatory Commission Expenses	\$242	\$0	\$242	E-81	\$0	\$242	100.00%	\$0	\$242	\$0	\$242
82	929.000	Duplicate Charges - Credit	\$0	\$0	\$0	E-82	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
83	930.100	Institutional or Goodwill Advertising Expenses	\$0	\$0	\$0	E-83	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
84	930.200	Misc. General Expenses	\$25	\$0	\$25	E-84	\$0	\$25	100.00%	\$0	\$25	\$0	\$25

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Income Statement Detail

Line Number	A Account Number	B Income Description	C Test Year Total (D+E)	D Test Year Labor	E Test Year Non Labor	F Adjust. Number	G Total Company Adjustments (From Adj. Sch.)	H Total Company Adjusted (C+G)	I Jurisdictional Allocations	J Jurisdictional Adjustments (From Adj. Sch.)	K MO Final Adj Jurisdictional (H x I) + J	L MO Adj. Juris. Labor	M MO Adj. Juris. Non-Labor
85	930.300	Research & Development Expenses - AGE	\$0	\$0	\$0	E-85	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
86	930.000	Missouri Rural Water Association	\$153	\$0	\$153	E-86	\$0	\$153	100.00%	\$0	\$153	\$0	\$153
87	930.100	Telephone- Office/Customer Line	\$317	\$0	\$317	E-87	\$0	\$317	100.00%	\$0	\$317	\$0	\$317
88	930.100	Internet-Office Expense	\$48	\$0	\$48	E-88	\$0	\$48	100.00%	\$0	\$48	\$0	\$48
89	930.100	10% of Office Expenses-Electric/Gas/Water/Trash	\$333	\$0	\$333	E-89	\$0	\$333	100.00%	\$0	\$333	\$0	\$333
90	930.100	Rate Case Expense-Meals	\$18	\$0	\$18	E-90	\$0	\$18	100.00%	\$0	\$18	\$0	\$18
91	930.100	Wanda Cell Phone-25 %	\$139	\$0	\$139	E-91	\$0	\$139	100.00%	\$0	\$139	\$0	\$139
92	930.000	Health Dept. Fee	\$10	\$0	\$10	E-92	\$0	\$10	100.00%	\$0	\$10	\$0	\$10
93	931.000	Sec. State Fee - AGE	\$45	\$0	\$45	E-93	\$0	\$45	100.00%	\$0	\$45	\$0	\$45
94	932.000	Maint. of General Plant - AGE	\$0	\$0	\$0	E-94	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
95		TOTAL ADMIN. & GENERAL EXPENSES	\$24,297	\$19,183	\$5,114		\$0	\$24,297		\$0	\$24,297	\$19,183	\$5,114
96		DEPRECIATION EXPENSE											
97	0.000	Depreciation Expense, Dep. Exp.	\$1,725	See note (1)	See note (1)	E-97	See note (1)	\$1,725	100.00%	\$3,267	\$4,992	See note (1)	See note (1)
98	0.000	CIAC- Offset to Depreciation Expense	\$0			E-98		\$0	100.00%	-\$2,028	-\$2,028		
99		TOTAL DEPRECIATION EXPENSE	\$1,725	\$0	\$0		\$0	\$1,725		\$1,239	\$2,964	\$0	\$0
100		AMORTIZATION EXPENSE											
101		TOTAL AMORTIZATION EXPENSE	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
102		OTHER OPERATING EXPENSES											
103	403.900	Amortization of Net Cost of Removal	\$0	\$0	\$0	E-103	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
104	404.000	Amortization of Expense	\$0	\$0	\$0	E-104	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
105	408.000	Property Taxes	\$55	\$0	\$55	E-105	\$0	\$55	100.00%	\$0	\$55	\$0	\$55
106	408.000	Payroll Taxes	\$0	\$0	\$0	E-106	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
107	408.000	Gross Receipts Tax	\$0	\$0	\$0	E-107	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
108	408.000	Missouri Franchise Taxes	\$0	\$0	\$0	E-108	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
109	403.001	Transportation Depr Clearing	\$0	\$0	\$0	E-109	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
110	403.900	Kansas City Income Taxes Paid	\$0	\$0	\$0	E-110	\$0	\$0	100.00%	\$0	\$0	\$0	\$0
111		TOTAL OTHER OPERATING EXPENSE	\$55	\$0	\$55		\$0	\$55		\$0	\$55	\$0	\$55
112		TOTAL OPERATING EXPENSE	\$30,538	\$19,183	\$9,630		\$0	\$30,538		\$1,239	\$31,777	\$19,183	\$9,630
113		NET INCOME BEFORE TAXES	-\$1,117					-\$1,117		-\$1,239	-\$2,356		
114		INCOME TAXES											
115	0.000	Current Income Taxes	\$0	See note (1)	See note (1)	E-115	See note (1)	\$0	100.00%	\$0	\$0	See note (1)	See note (1)
116		TOTAL INCOME TAXES	\$0					\$0		\$0	\$0		
117		DEFERRED INCOME TAXES											
118	0.000	Deferred Income Taxes - Def. Inc. Tax.	\$0	See note (1)	See note (1)	E-118	See note (1)	\$0	100.00%	\$0	\$0	See note (1)	See note (1)
119	0.000	Amortization of Deferred ITC	\$0			E-119		\$0	100.00%	\$0	\$0		
120	0.000	Deferred Income Tax - Test Line	\$0			E-120		\$0	100.00%	\$0	\$0		
121		TOTAL DEFERRED INCOME TAXES	\$0					\$0		\$0	\$0		
122		NET OPERATING INCOME	-\$1,117					-\$1,117		-\$1,239	-\$2,356		

(1) Labor and Non Labor Detail not applicable to Revenue & Taxes

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Adjustments to Income Statement Detail

A Income Adj. Number	B Income Adjustment Description	C Account Number	D Company Adjustment Labor	E Company Adjustment Non Labor	F Company Adjustments Total	G Jurisdictional Adjustment Labor	H Jurisdictional Adjustment Non Labor	I Jurisdictional Adjustments Total
E-97	Depreciation Expense, Dep. Exp.		\$0	\$0	\$0	\$0	\$3,267	\$3,267
	To Annualize Depreciation Expense		\$0	\$0		\$0	\$3,267	
	1. No Adjustment		\$0	\$0		\$0	\$0	
E-98	CIAC- Offset to Depreciation Expense		\$0	\$0	\$0	\$0	\$2,028	\$2,028
	Annualized CIAC- Offset to Depreciation Expense		\$0	\$0		\$0	-\$2,028	
Total Operating Revenues			\$0	\$0	\$0	\$0	\$0	\$0
Total Operating & Maint. Expense			\$0	\$0	\$0	\$0	\$1,239	\$1,239

Stockton Hills Water Company  
Case No. WR-2010-0202  
Informal Water Rate Case  
Test Year Ending 12-31-2009  
Income Tax Calculation

Line Number	A Description	B Percentage Rate	C Test Year	D 9.50% Return	E 9.50% Return	F 9.50% Return
1	TOTAL NET INCOME BEFORE TAXES		-2,356	\$4,517	\$4,517	\$4,517
2	ADD TO NET INCOME BEFORE TAXES					
3	Book Depreciation Expense		\$2,964	\$2,964	\$2,964	\$2,964
4	Test		\$0	\$0	\$0	\$0
5	TOTAL ADD TO NET INCOME BEFORE TAXES		\$2,964	\$2,964	\$2,964	\$2,964
6	SUBT. FROM NET INC. BEFORE TAXES					
7	Interest Expense calculated at the Rate of	0.0000%	\$0	\$0	\$0	\$0
8	Tax Straight-Line Depreciation		\$0	\$0	\$0	\$0
9	Excess Tax Depreciation		\$0	\$0	\$0	\$0
10	TOTAL SUBT. FROM NET INC. BEFORE TAXES		\$0	\$0	\$0	\$0
11	NET TAXABLE INCOME		\$608	\$7,481	\$7,481	\$7,481
12	PROVISION FOR FED. INCOME TAX					
13	Net Taxable Inc. - Fed. Inc. Tax		\$608	\$7,481	\$7,481	\$7,481
14	Deduct Missouri Income Tax at the Rate of	100.000%	\$0	\$0	\$0	\$0
15	Deduct City Inc Tax - Fed. Inc. Tax		\$0	\$0	\$0	\$0
16	Federal Taxable Income - Fed. Inc. Tax		\$608	\$7,481	\$7,481	\$7,481
17	Federal Income Tax at the Rate of	0.000%	\$0	\$0	\$0	\$0
18	Subtract Federal Income Tax Credits					
19	Credits - Solar		\$0	\$0	\$0	\$0
20	Net Federal Income Tax		\$0	\$0	\$0	\$0
21	PROVISION FOR MO. INCOME TAX					
22	Net Taxable Income - MO. Inc. Tax		\$608	\$7,481	\$7,481	\$7,481
23	Deduct Federal Income Tax at the Rate of	50.000%	\$0	\$0	\$0	\$0
24	Deduct City Income Tax - MO. Inc. Tax		\$0	\$0	\$0	\$0
25	Missouri Taxable Income - MO. Inc. Tax		\$608	\$7,481	\$7,481	\$7,481
26	Missouri Income Tax at the Rate of	0.000%	\$0	\$0	\$0	\$0
27	PROVISION FOR CITY INCOME TAX					
28	Net Taxable Income - City Inc. Tax		\$608	\$7,481	\$7,481	\$7,481
29	Deduct Federal Income Tax - City Inc. Tax		\$0	\$0	\$0	\$0
30	Deduct Missouri Income Tax - City Inc. Tax		\$0	\$0	\$0	\$0
31	City Taxable Income		\$608	\$7,481	\$7,481	\$7,481
32	City Income Tax at the Rate of	0.000%	\$0	\$0	\$0	\$0
33	SUMMARY OF CURRENT INCOME TAX					
34	Federal Income Tax		\$0	\$0	\$0	\$0
35	State Income Tax		\$0	\$0	\$0	\$0
36	City Income Tax		\$0	\$0	\$0	\$0
37	TOTAL SUMMARY OF CURRENT INCOME TAX		\$0	\$0	\$0	\$0
38	DEFERRED INCOME TAXES					
39	Deferred Income Taxes - Def. Inc. Tax.		\$0	\$0	\$0	\$0
40	Amortization of Deferred ITC		\$0	\$0	\$0	\$0
41	Deferred Income Tax - Test Line		\$0	\$0	\$0	\$0
42	TOTAL DEFERRED INCOME TAXES		\$0	\$0	\$0	\$0
43	TOTAL INCOME TAX		\$0	\$0	\$0	\$0

**Stockton Hills Water Company**  
**Case No. WR-2010-0202**  
**Informal Water Rate Case**  
**Test Year Ending 12-31-2009**  
**Capital Structure Schedule**

Line Number	Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital 9.50%	F Weighted Cost of Capital 9.50%	G Weighted Cost of Capital 9.50%
1	Common Stock	\$1	100.00%		9.500%	9.500%	9.500%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
4	Long Term Debt	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
7	TOTAL CAPITALIZATION	\$1	100.00%		9.500%	9.500%	9.500%
8	PreTax Cost of Capital				0.000%	0.000%	0.000%

Agreement Attachment C

Ratemaking Income Statement

# STOCKTON HILLS WATER COMPANY

## Rate Making Income Statement-Water

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	29,111
2	Other Operating Revenues *	\$	310
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>29,421</b>

4 \* See "Revenues - Current Rates" for Details

### Cost of Service

Item	Amount
1 Operators Salary-Maintenance	\$ -
2 Operator-Backup	\$ -
3 Electricity-Pumping	\$ 3,337
4 Electricity-Shop	\$ -
5 Outside Services Employed	\$ 345
6 Water Treatment Expense-Chemicals	\$ -
7 Water Treatment -Testing/Laboratory Fees	\$ 200
8 Maintenance of Parts/Equipment	\$ 223
9 Office Expense Allocation-Elect/Water/Gas/Trash	\$ 333
10 Administration & General - Salaries	\$ 19,183
11 Office Supplies	\$ 306
12 Uncollectible Amounts	\$ 146
13 Billing Expense	\$ 473
14 Telephone & Internet Expense	\$ 504
15 Transportation Expense	\$ 1,153
16 Property & Liability Insurance	\$ 780
17 Rent Expense-Building	\$ 1,200
18 Missouri Water Association	\$ 153
19 Health Dept. Fee	\$ 10
20 Secretary of State Fee	\$ 45
21 Rate Case Expense	\$ 18
22 MO DNR Fees	\$ -
23 Other Expenses (Water Refund)	\$ 82
24 Regulatory Commission Expense	\$ 242
25 Miscellaneous General Expenses	\$ 25
26 <b>Sub-Total Operating Expenses</b>	<b>\$ 28,758</b>
27 Property Taxes	\$ 55
28 MO Franchise Taxes	\$ -
29 Employer FICA Taxes	\$ -
30 Federal Unemployment Taxes	\$ -
31 State Unemployment Taxes	\$ -
32 State & Federal Income Taxes	\$ -
33 <b>Sub-Total Taxes</b>	<b>\$ 55</b>
34 Depreciation Expense	\$ 4,992
35 Amortization of CIAC	\$ (2,028)
36 <b>Sub-Total Depreciation/Amortization</b>	<b>\$ 2,964</b>
37 <b>Return on Rate Base</b>	<b>\$ 4,517</b>
38 <b>Total Cost of Service</b>	<b>\$ 36,294</b>
39 <b>Overall Revenue Increase Needed</b>	<b>\$ 6,873</b>

# Agreement Attachment D

## Rate Design Worksheet

# STOCKTON HILLS WATER COMPANY

## Development of Tariffed Rates-Water

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

Revenues Generated by Current Tariffed Rates	\$ 29,111
Agreed-Upon Overall Revenue Increase	\$ 6,873
Percentage Increase Needed	23.608%

### Metered Customer Rates

Meter Size	Current Service Charge	Proposed Service Charge	Current Usage Rate	Proposed Usage Rate
Monthly	\$ 10.62	\$ 13.13	\$ 2.600	\$ 3.21
Quarterly	\$ 31.86	\$ 39.38	\$ 2.600	\$ 3.21

Agreement Attachment E

Billing Comparison Worksheet

# STOCKTON HILLS WATER COMPANY

## Residential Customer Bill Comparison-Water

### Rates for Montly Residential Customer

<u>Current Base Customer Charge</u>	<u>Proposed Base Customer Charge</u>	<u>Current Usage Rate</u>	<u>Proposed Usage Rate</u>
<b>\$10.62</b>	<b>\$13.13</b>	<b>\$2.600</b>	<b>\$3.214</b>

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	\$ 10.62
Usage Charge	\$ 15.60
Total Bill	\$ 26.22

#### Proposed Rates

Customer Charge	\$ 13.13
Usage Charge	\$ 19.28
Total Bill	\$ 32.41

#### INCREASES

##### Customer Charge

<b>\$ Increase</b>	<b>\$2.51</b>
<b>% Increase</b>	<b>23.61%</b>

##### Usage Charge

<b>\$ Increase</b>	<b>\$3.68</b>
<b>% Increase</b>	<b>23.61%</b>

##### Total Bill

<b>\$ Increase</b>	<b>\$6.19</b>
<b>% Increase</b>	<b>23.61%</b>

## Agreement Attachment F

### Schedule of Depreciation Rates

**STOCKTON HILLS WATER COMPANY**  
**DEPRECIATION RATES**  
**(WATER)**  
**WR-2010-0202**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT DESCRIPTION</b>	<b>DEPRECIATION RATE</b>	<b>AVERAGE SERVICE LIFE (YEARS)</b>
311	Structures & Improvements	2.50%	40
312	Collecting and Impounding Reservoirs	2.50%	40
314	Wells & Springs	2.00%	50
321	Structures & Improvements	2.50%	40
325	Electric Pumping Equipment	10.00%	10
328	Other Pumping Equipment Additions	10.00%	10
331	Structures and Improvements - Chlorine Room	2.50%	40
332	Water Treatment Equipment	2.90%	35
342	Distribution Reservoirs & Standpipes	2.50%	40
343	Transmission & Distribution Mains	2.00%	50
345	Services	2.50%	40
346	Meters	10.00%	10
348	Hydrants	2.00%	50
379	Power Operated Equipment	6.70%	15

Revised Attachment F

## Agreement Attachment G

### Auditing Department Recommendation Memorandum

## ***AUDITING DEPARTMENT RECOMMENDATION MEMORANDUM***

**FROM:** Bret Prenger  
Auditing Department Staff

**TO:** James Russo  
Water and Sewer Department, Case Coordinator

**CC:** Samuel Ritchie  
Rachel Lewis  
General Counsel

**SUBJECT:** Auditing Department's Findings  
Stockton Hills Water Company, Inc.  
Case Nos. WR-2010-0202

**DATE:** May 21, 2010

### **OVERVIEW**

On January 7th, 2010 the Stockton Hills Water Company (Stockton Hills or Company) located in Stockton, Missouri (Cedar County) filed informally for an increase of \$20,198 for its annual water system operations. The main reason identified by the Company for its filing for a rate increase is the installation of a new pump, piping, and wiring for the pump, as well as new meter installation, mercooid switch installation and the addition of a full time certified operator. This case was designated as Case No. WR-2010-0202.

The Company holds a certificate of convenience and public necessity granted in March of 1972, by the Missouri Public Service Commission (PSC or Commission) to procure and distribute water service to 141 customers currently taking water service (the water system has total of 161 lots customers could take water service within its certificated service area) under the provisions of its Commission-approved tariffs. The Company's current customer rates for water service took effect in September 2005. The current Stockton Hills water rates are \$10.62 monthly, including 1,000 gallons, or \$31.86 quarterly, including 3,000 gallons. Usage over 1,000 gallons per month level is charged an additional \$2.60 per 1,000 gallons.

The Company is currently owned and operated by Wanda Cassell, whom, along with her husband, ran the Company jointly until his passing. Ms. Cassell has been the sole owner since the Company's inception in 1972. Stockton Hills currently provides water service to 141 customers. Ms. Cassell oversees the operations of the Company. Her daughter, Tonya Niermann, does various duties including meter reading, small general repairs and maintenance, and water testing; Ms. Niermann has a Class D-operator's certificate.

Ms. Cassell's sister, Thelma Underwood performs the daily administrative functions including the billing and collections functions, customer service issues such as connections and

disconnections, customer complaints, financing of the water and sewer operations and all regulatory requirements by the Missouri Department of Natural Resources (DNR) and the PSC.

The owner's son-in-law, Carl Cassell, has very limited responsibilities in the operations of the utility. He provides some meter reading activities on a very part time basis.

The Auditing Department conducted an audit for the requested rate increase Case No. WR-2010-0202 using an initial 12-month test year ended December 31, 2009. Based on the results of the audit, the Auditing Staff originally calculated a rate increase of \$2,904. After meeting with Stockton Hills to discuss the initial results of Staff's recommendation Staff has considered several items which the owner of the Company requested Staff to review. The areas which the Company supplied additional information related to increases to plant in service in early 2010; additional hours for the owner's time spent managing the water utility; additional duties for the employee primarily responsible for administrative functions; the request that Staff consider wage rates that are reflective of experience beyond the entry level initially included in the case. These changes to the revenue requirement results in a rate increase for water revenues of \$6,873, compared to the initial amount of \$2,904.

The Staff's audit of Stockton Hills included a review of the Company's Annual Reports filed with the Commission, depreciation rates and tariff provisions authorized by the Commission, general information obtained from the Company's books and records and from external sources, on-site discussions with the owners and a tour of Company facilities. All of these activities serve as a basis for Staff's determination of the revenue and expense levels to recommend to the Commission in these cases.

Staff verified that Stockton Hills is current on its annual PSC assessments paid to the Commission for fiscal year 2010 and that Stockton Hills has no outstanding amounts owed to the Commission. Stockton Hills is preparing its 2010 Annual Report to be filed with the Commission and is current on all other Commission matters. The Company has no other pending cases before the Commission.

## **CAPITAL STRUCTURE**

The Company's capital structure consisted entirely of common equity and no long-term debt resulting in a capital structure of 100% equity. Staff member Zephania Marevangeo of the Commission's Financial Analysis Department, calculated a return on equity and a total overall rate of return of 9.5 percent. The overall rate of return was applied to Stockton Hills' rate base to develop the recommended revenue requirement noted above.

## **RATE BASE**

Staff reviewed the Annual Reports that Stockton Hills submitted to the Commission over the past 7 years and determined it could use the results of the annual reports including the most recent annual report for the period of December 31, 2008 as a basis for basing the plant and depreciation reserve levels. Staff used information supplied by the Company to develop the test

year amounts for the period ended December 31, 2009 for revenues and expenses. Staff also relied on the past annual reports through the most current one to establish the proper rate base levels in which rates should be set. During its audit process, Staff also tied information from the Annual Reports back to the Company's books and records.

The Company lost much of its older records in a tornado that occurred in 2003. Staff did acquire as much documentation as possible for additions to plant installed since 2003.

Source: Schedule 2 of the Exhibit Modeling System

	<b>Water - Case WR-2010-0202</b>
Plant in Service	\$ 140,700
Depreciation Reserve	\$ 48,912
Net Plant	\$ 91,788
Addition: Ending Balance CIAC Depreciation Offset	\$ 15,805
Less: Customer Deposits	\$ 2,300
Less: Net Contributions in Aid of Construction	\$ 57,746
Stockton Hills Rate Base	\$ 47,547

Staff updated the total net plant in service through the update period ended May 31, 2010 and has calculated the amount of net Contribution in aid of Construction (contributed plant or CIAC) resulting in a net original cost rate base for water of \$47,547. This amount was used to determine the water revenue requirement recommendation in this case.

Plant in service is the investment in utility equipment and infrastructure such as water piping, pumps and water storage facilities used to provide water services to Stockton Hills customers. Contributed plant is the investment made by developers of the initial water system that is contributed to the utility. No investment is made by the utility and therefore, ratepayers are not required to provide a return of this investment. Contributed plant reduces the rate base so customers' rates do not reflect any further recovery of the CIAC investment. Since customers typically pay for this part of the infrastructure through the purchase of the lots themselves they are not required to provide a return on CIAC plant and recovery of the CIAC plant.

## **PLANT-IN-SERVICE AND DEPRECIATION RESERVE ADJUSTMENTS**

The Staff made the following adjustments to Water Plant and Depreciation Reserve account balances for changes made during rate case period ending with the May 31, 2010 update period:

- Plant Adjustments: No adjustments were made to plant-in-service; Staff simply used the

May 31, 2010 update period amounts including any additions that were supported by invoices.

- Depreciation Reserve Adjustments: No adjustments were made to the depreciation reserve accounts. For all Reserve amounts Staff used the 2010 update period identified in Stockton Hills' books and records.

During the 2009 test year, Stockton Hills installed a new pump. This was capitalized in plant, and was not expensed. Because of this capitalization, there wasn't any outside services, outside of tax preparation booked. All costs associated with the pump, including outside installation services were also capitalized. Along with the pump, Stockton Hills also installed new meters, including a master meter, and mercooid switch.

After meeting with Stockton Hills' owner on May 12, 2010, Staff learned the Company had purchased additional plant investment in early 2010 for meters. The Company provided support for this purchase and Staff added this investment into its revenue requirement calculation.

### **Depreciation**

During Stockton Hills' informal rate case in 2005, the Commission's Engineering and Management Services Department (EMSD) Staff provided the recommended water depreciation rates to be used in that case and on an on-going basis, pending Commission approval. Current water depreciation rates were set in previously mentioned Case No. WR-2006-0091.

Staff member Guy Gilbert of the EMSD Staff is sponsoring Staff's recommended water depreciation rates for the purpose of setting rates in the Stockton Hills Water Rate Case. Mr. Gilbert has changed the depreciation rates approved by the Commission. He is proposing an increase in the electric pumping equipment rate from 5% to 10% and also adding a rate of 10% for account 328.000 Other Pumping Equipment Additions. Also, Mr. Gilbert is proposing changing the meter and meter additions rate to 10%.

The Auditing Staff calculated the CIAC depreciation offset and used this amount as a reduction to depreciation expense. The depreciation expense was determined by applying the proposed depreciation rates to the gross plant-in-service balances. The CIAC depreciation offset was determined based on the CIAC account balance.

Since the CIAC-related plant is not financed by the Company's investors and is removed from the calculation of net rate base, it must also be removed from the calculation of depreciation expense. The Staff's Accounting Schedule model automatically calculates depreciation expense on all plant-in-service which does not reflect the rate base reduction for CIAC. Since the plant balances used to calculate depreciation expense include amounts related to CIAC, it was necessary for Staff to calculate the CIAC related depreciation and apply it as an offset to depreciation expense

### **REVENUES**

Staff used reported Company revenues through December 31, 2009, recorded in the Revenue Log provided by Stockton Hills, based on the current water customer count of 141 customers taking water service from the Company. Stockton Hills recognized additional or miscellaneous revenues in the filed Commission Annual Reports, however; the provided Revenue Log just lists total Company Revenues, with no breakdown between tariffed rates or late fees. etc. (The Annual Reports show a section labeled "Other Revenues" below tariffed rates in certain years, but the 2009 Revenue Log shows the total amount of the bill paid.) Thus, Staff's Revenue number includes all possible means of cash in-flow; all "other" forms of Revenues are just buried in the total amount.

### **PAYROLL EXPENSE**

In addition to the owner, Ms. Cassell, Stockton Hills currently has three employees who operate the water system, primarily on a part time basis. For this case, Staff split the function of the operations of the Company between operations, administrative and support and management oversight. Based on the size of the water operations and the actual activities performed by the employees, Staff determined the System could be operated successfully by splitting the duties between these employees.

Staff believes there are essentially two functions for Stockton Hills' employees-- the duties are divided between the administrative functions of the Company for maintaining the financial /customer service functions, and the operational function of running the Company-- the field operations-- which is maintaining the outside plant for maintenance and small repair functions. The administrating function includes the billing and collection function, accounting and record keeping, all financial activities including regulatory, etc. The operations responsibilities include meter reading, connections and disconnections, repairs for leaks on the system, repairs for well house pumps, sampling of the water to meet Department of Natural Resources' standards, any construction activities or oversight of such construction, etc. Staff has incorporated what it believes to be a reasonable monetary amount to be included for each position. The amount and reasoning behind that amount will be addressed below.

Staff met with the owner of Stockton Hills on May 12, 2010 to discuss its initial findings presented to the Company and Public Counsel on April 2, 2010. The Company ownership requested Staff reconsider the time spent for her in managing Stockton Hills and the amount of time and wage rate for the individual who performs administrative duties of the Company. Staff has further reviewed the time spent by each employee including the owner and revised the hours spent by the administrative assistant and Stockton Hills' management. Further, Staff revised the hourly wage rate for the three employees changing the amounts that were based on entry level amounts to those of more experienced employees.

#### **Stockton Hills Personnel--**

Ms. Tonya Niermann is a licensed Class DS II Missouri operator. Among her duties as

plant operator, Ms. Niermann gathers water samples, reads meters, maintains water lines, repairs water lines (as needed), records pressure reading at well, flush hydrants, exercises valves, performs draw down at well, and maintains certification status.

Ms. Thelma Underwood provides billing and record keeping functions and serves as a customer contact and book keeper for the Company. Ms. Underwood also aids Ms. Niermann in Company functions like meter reading, paperwork, repair and maintenance as needed.

Mr. Cassell's duties are meter reading along certain territories of the service area, and water shut-offs when necessary. Mr. Cassell has a limited role in the operations of the water system. It appears that Ms. Niermann, and the outside services provide sufficient work to maintain the operations of this water system.

Ms. Cassell, the Company's owner, also performs internal financial functions to benefit the Company. She is partially responsible for customer interaction, handling complaints/telephone calls, and handling any financial funding that is needed. Ms. Cassell also performs operational functions when needed or necessary, but for the purpose of payroll, Ms. Cassell's duties are considered to be within the realm of the inside financial functions.

The Company hires an outside contractor to perform all major construction and maintenance work. This work is done under contract. Since the Company uses outside services for all major repairs, Staff decided to include only the equivalent of a part time employment position to supplement the outside services.

For the internal financial employee Staff has determined that a yearly salary of \$1,587 dollars would be appropriate. Ms. Underwood is responsible for the financial functions of the Company, as well as billing and customer interaction. Staff initially proposed using 120 annual hours and a proposed hourly rate of \$10 for Ms. Underwood resulting in an annualized level of payroll of \$1,200 amount for the administrative function.

After the May 12th meeting Staff reviewed the time sheets maintained by Ms. Underwood and discovered it had misinterpreted and entry in the time report. Staff made the necessary correction and reflected this level in the updated payroll annualization. The owner of Stockton Hills wanted Staff to consider that Ms. Underwood also provided back-up meter reading function so this was added to her Company duties. Staff determined an hourly rate based upon the specific duties she performs applying the appropriate wage rate to those functions. The duties Staff proposes for Ms. Underwood are: back-up meter reader, bill collector, bookkeeping, and payroll. The wage rates for those duties are as follows: meter reading, \$16, bill collector, \$10, bookkeeping, \$12, and payroll, \$11. Staff initially had only included Ms. Underwood's wage rates as though she was entry level. The owner of Stockton Hills pointed out that Ms. Underwood had over 25-years experienced and the wage rate should not be at the entry level amount. Staff re-considered the initial proposal and agreed with the Company on this point and modified its position for this portion of the payroll annualization.

Stockton Hills had not kept accurate timesheets until a recent recommendation was made by Staff members. Based upon this recommendation in June, 2009 on keeping better time reporting, it was determined Ms. Underwood works approximately 11 hours per month, or an

average of 138 hours for the year. Using the 138 annual hours and applying the proposed hourly rates of each duty, Staff determined an annualized level of payroll of \$1,587 amount for the administrative function.

Ms. Underwood maintains a time reporting of the work activities she performs for the Company. Her duties of office manager and administrator include:

- Customer billings and collections
- Customer complaints
- Missouri Public Service Commission (PSC) filings
  - PSC Annual Reports
  - Rate Case Filings including the preparation and submission of responses to information needs
- Issues with Missouri Department of Natural Resources (DNR)
- Various administrative and bookkeeping duties.
- She also helps Tonya with items like:
  - Meter Reading
  - Maintenance/Repair

Staff has determined that Ms. Niermann performs a substantial number of duties in the operations of Stockton Hills and performs the operational duties of the Company. She supplied information concerning the responsibilities she has how she performs her duties. Staff examined time reporting Ms. Niermann maintains to examine the amount of time she spends working for the Company. Through discussions with Stockton Hills, it was revealed that Ms. Niermann also has other jobs besides the part time position with the Company. She is a substitute teacher and works with Ms. Cassell in her mother's real estate office.

Staff requested but was not given Ms. Niermann's time reporting of her actual activities performed for the Company. As such, it was difficult to determine the amount of time Ms. Niermann actually worked for the Company.

Staff concluded that Ms. Niermanns' responsibilities and duties include:

- Certified Class D Operator responsible for maintaining the water and sewer systems including:
  - Maintain/Determine health of water
  - Maintain water lines
  - Coordinate repair of water lines
  - Meter reading
  - Flush hydrants/maintain flushing log
  - Perform certain maintenance for system (large maintenance contracted out)
  - Maintain records and documentation of system
  - Maintain certification (Continuing education etc.)
  - Taking water samples and processing
- Missouri Public Service Commission (PSC) filings

- PSC Annual Reports
- Rate Case Filings including the preparation and submission of responses to information needs and tours of the plant facilities

Staff based its proposed payroll for Ms. Niermann on an entry wage level. As discussed above concerning the wage level of Ms. Underwood, Staff has revised its payroll calculation using a wage rate reflective of someone with experience, which Ms. Niermann has. Based on the activities and responsibilities of Ms. Niermann, Staff has determined that she should be paid around \$16 per hour for meter reading and \$14 per hour for all other maintenance and utility operation functions. Staff initially calculated her payroll costs using \$11 per hour. Ms. Niermann has indicated that she works full time on Stockton Hills. However, there is no documented evidence that supports this claim. She works as a part time substitute teacher and is involved in the real estate company owned by her mother, Ms. Cassell. Staff has assumed that Ms. Niermann works part time performing her responsibilities to Stockton Hills and therefore, included 20 hours per week to determine the payroll costs. After completing the Staff analysis the recommend payroll level for Ms. Niermann is \$14,976, up from the original level of \$11,440 used in Staff's April 2, 2010 recommendation.

Ms. Cassell performs the function as owner of the Company of managing and directing the overall operations of Stockton Hills and having decision making responsibilities. She has another job as owner of a real estate firm and only works on a part time basis on Stockton Hills. She ensures that the administration of Company is maintained regarding billing and collection activities and interacting with customers of the utility as needed.

Ms. Cassell also does inspections of the well house, along with Ms. Niermann. She is the primary interface with regulatory authorities such as, the Public Service Commission and the Missouri Department of Natural Resources. Ms. Cassell attended the Commission work shop in December 2009 dealing with regulation of small water and sewer utilities.

Staff initially included a total of 120 hours for the year (10 hours per month times 12 months) for the owner of Stockton Hills even though she did not propose any amounts for herself in the case. These hours were an estimate made by Staff based on time reporting Ms. Cassell provided to support her activities and duties Staff believed she performed to manage and operate the water system of Stockton Hills. Staff also included her salary initially \$15 per hour.

Staff updated its proposal for Ms. Cassell's time spent running Stockton Hills including payroll costs for her at an average of 15 hours per month or total of 180 hours for the year, up from the original 120 hours presented in Staff's April 2, 2010 recommendation. Staff further broke out the activities of Ms. Cassell based on time spent for outside operational duties overseeing the pumping well house function and other managerial duties running the Company. The proposed price for this labor activity is \$11 per hour for well visits and \$16 per hour for management oversight resulting in a level of \$2,620, up from the original amount of \$1,800.

The total payroll included in the revenue requirement calculation is \$19,183, up from the original level of \$14,440.

### **Staff Payroll Analysis--**

In making its recommendation for the hourly rate, Staff reviewed recently completed prior water and sewer cases of similar size and nature to compare what would be the appropriate hourly rate to include in this case for financial and administrative functions. The Kansas City office recently completed another small rate case for Valley Woods Water and Sewer Company (Valley Woods) which provides another good measure for the level included in this case for Ms. Underwood.

Staff determined the payroll costs for the outside maintenance/operational function should be compared with that of a system of similar size and customer number. Examples of similar systems would be the recently completed case for Valley Woods, and the smaller Riverfork system.

The Audit Department has been maintaining a data base of water and sewer rate cases it has conducted during the last several years. This analysis compares several small Missouri water and sewer companies on several factors such as number of customers, plant and revenue levels and number of employees and payroll costs. The Operator of Riverfork maintained the same duties as Ms. Niermann, while also running a system of similar size in both customers and employee functions. The owner and operator of Valley Woods held considerably more duties than Ms. Niermann, including heavy maintenance and repairs, as-well-as all testing and safety measures to ensure clean water distribution. Stockton Hills is actually larger than Valley Woods. Staff included an amount for the owner and operator of Valley Woods around \$13 an hour and the lead operator at Riverfork was compensated with approximately \$7,150 dollars annually.

To determine the proper level of compensation to include for Stockton Hills in this case, Staff reviewed internal documents provided by the Company and interviewed the owners to determine the job duties and responsibilities that each performed.

After meeting again with Ms. Cassell and obtaining additional payroll/timesheet information, Staff concluded that each employee performed significantly more duties at a higher experience level than initially thought.

Using the information of job duties supplied by Stockton Hills Water Company, Staff determined the proper level of compensation for each job duty based on other recent small utilities. These rates are within the median range of rates for similar utility activities in their region based on salaries that other recent small water and sewer companies are paying owner/operators and as reported on the Missouri Economic Research and Information Center (**MERIC**) website. The range of rates is based on the median level rate for similar positions in the Ozark region. The compensation information that was used to support the payroll amounts was taken from **MERIC**. Examples of the information used to base the payroll compensation included in this case include:

Occupation	Hourly Wage				Annual			
	Mean	Entry	Experienced	Median	Mean	Entry	Experienced	Median
<a href="#">Bill and Account Collectors</a>	\$11.09	\$8.29	\$12.50	\$10.23	\$23,076	\$17,238	\$25,995	\$21,287
<a href="#">Billing and Posting Clerks and Machine Operators</a>	\$13.15	\$10.11	\$14.66	\$12.04	\$27,342	\$21,020	\$30,503	\$25,053
<a href="#">Bookkeeping, Accounting, and Auditing Clerks</a>	\$13.05	\$9.01	\$15.07	\$12.41	\$27,140	\$18,739	\$31,340	\$25,813
<a href="#">Payroll and Timekeeping Clerks</a>	\$13.07	\$8.94	\$15.13	\$11.83	\$27,182	\$18,601	\$31,473	\$24,599
<a href="#">Meter Readers, Utilities</a>	\$17.15	\$10.74	\$20.35	\$17.95	\$35,668	\$22,341	\$42,331	\$37,341

Staff believes that Stockton Hills needs to develop a more accurate time reporting system for all of its employees including the owner with respect to actual time worked operating the utility and identifying the activities performed for the Company. The Company's employees should be diligent in keeping track of time spent in the operations of Stockton Hills. Since the employees all have other responsibilities regarding outside activities and jobs unrelated to the regulated operations of Stockton Hills, it is important to identify the duties, responsibilities and function of each individual and the actual time spent on those activities to accurately develop payroll costs for the Company.

### **OTHER MISCELLANEOUS OPERATING EXPENSES**

Staff reviewed the level of expenses by account for Stockton Hills over past three years (identified in the Company's Annual Reports). Based on this analysis Staff was able to make recommendations regarding the levels of expenses that are reflected in the cost of service calculation proposed in this case. Each account was analyzed separately to include the most appropriate expense level to calculate the revenue requirement. Depending on the account activity, Staff determined the amounts for each account using some type of average such as a 3-year average, or 2009 using billed amount.

The following table identifies the levels of expenses Staff is using to calculate the revenue requirement:

Account Number	Account Name	Adjustment Number	Dollar Amount	Reason for adjustment
621.000	Fuel for Power Production	E-18	\$3,337	2009 Well Electric Bills
643.000	Water Testing- WTE	E-34	\$200	2009 DNR water testing fees
652.000	Maint. Of Water Treatment Equipment	E-38	\$223	Bring up-to-date the 2009 actual amounts for water maintenance
903.000	Billing	E-61	\$473	2009 billing and postage expense
904.000	Uncollectible Amounts- CAE	E-62	\$146	3-Year average of Company uncollectible
905.000	Other Expenses (Water Refund)- CAE	E-63	\$82	2009 amounts for refunds to customers for deposits
920.000	Administration & General Salary	E-73	\$ 19,183	Salaries and wages paid
921.000	Office Supplies & Expense	E-74	\$ 306	Office Supplies & Expenses (3-year Average)
923.000	Outside Services	E-76	\$345	Include 2009 amount for outside services employed (Invoices provided)
924.000	Insurances	E-77	\$780	Included 2009 annual insurance payments
925.000	Transportation	E-78	\$ 1,153	
926.000	Rent	E-79	\$ 1,200	Mileage paid for Well Trip
				1-year annualized rent
928.000	Regulatory Commission Expenses	E-81	\$242	Include 2009 Regulatory Commission Expense
930.200	Misc. General Expense	E-84	\$25	Reflect amount included for 2009 misc. expenses
930.000	Missouri Rural Water Association	E-86	\$153	2009 amount paid to MO Rural Water Assoc.
930.100	Telephone- Office/Customer Line	E-87	\$317	2009 Telephone/Company Line
930.100	Internet-Office Expense	E-88	\$48	2009 Internet Expenses paid (10%)
930.100	10%- Electric/Gas/Water/Trash for Office Building	E-89	\$333	10% of 2009 office building expenses
930.100	Rate Case Expense/Meals	E-90	\$18	Meals for Rate Case Travel- 3 year Amortization
930.100	Wanda Cell- 25%	E-90	\$139	25% of Owner cell phone bills, her number is Company roll-over number
930.000	Health Department Fee	E-91	\$10	Payment to Health Department
931.000	Sec. State Fee- AGE	E-92	\$45	Payment to Sec. of State Fee
408.000	Property Taxes	E-103	\$55	2009 Property taxes paid expense
403.000	Depreciation	E-96	\$1,725	Include 2009 depreciation expenses paid

Staff examined invoices, billings, actual payments made to vendors and suppliers to determine the appropriate level of expenses to include in the revenue requirement calculation.

## **RECOMMENDATIONS**

For the reasons outlined above, the Auditing Staff is recommending the following:

1. A rate increase that would result in an additional revenue requirement of \$6,873 for water.
2. With the recommendation of Staff, Stockton Hills should begin keeping a detailed “timesheet” or “time-log” for all employees including the owner to record actual time spent on daily activities of operating the utility. These time reporting sheets or logs should provide daily detailed schedules of time worked strictly for the Water Company and identify other time spent on other work activities as "non-utility operations." The work records should be sufficient detail to identify the actual time spent on activities and the identity of such work activities broken down between categories such as administrative oversight, billing and accounting functions, operational activities such as maintenance and repair of the utility system, as well as construction activities. The actual amount of time spent on regulated utility activities should be identified from the actual amount of time spent on non-regulated utility activities. The time reporting should be used to allocate costs to the financial records of the Company and the amount included in future rate requests.
3. Ensure that the accounting and financial records are accurate and an accurate accounting of the costs of service is maintained using the Uniform System of Accounts (USOA). Ensure that appropriate plant and depreciation reserve records are maintained by accounts to account for plant additions and retirements. Maintain proper record keeping supporting the plant additions and retirements such as invoices, construction permits, construction contracts, purchased orders, and all other support for construction program. Ensure that the proper level of contributions in aid of construction (CIAC) is correctly maintained including the proper accounting of service connection charges to hook up to the regulated utility infrastructure
4. With the assistance of Staff, Stockton Hills Water Company should convert its books and records into an electronic *Microsoft Office* format.

Attachments: PSC Staff EMS Accounting Schedules 1 through 13.  
Schedule 1: Schedule of changes since Staff/Company Meeting

## **Schedule of Changes**

### **1) Errors:**

- Staff failed to include an adjustment to CIAC-for Offset to Depreciation Expense

### **2) Oversight:**

- Staff included mileage and meals for a small water and sewer meeting in Jefferson City for Ms. Cassell, as well as the Wednesday May 12<sup>th</sup>, 2010 mileage and meals for the Staff/Company meeting

### **3) Staff Review of Additional Information post May 12th, 2010**

- Changes to Depreciation Expense/Reserve and Depreciation Rates per Mr. Guy Gilbert
- 2010 plant installation (Meters)- Supported by invoices
- Payroll changes per meeting and additional support from Ms. Cassell

# Agreement Attachment H

## EMSD Report

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

## **Engineering and Management Services Department**

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

**Case No. WR-2010-0202**

### **Stockton Hills Water Company**

**Benjamin Wisnewski and J. Kay Niemeier**

The Engineering and Management Services Department (EMSD) staff performed a customer service review of Stockton Hills Water Company (Stockton Hills or Company) in June 2005 in conjunction with Case No. WR-2006-0091. The EMSD staff made four recommendations to the Company following that review which will be discussed in this report.

The EMSD staff initiated another review of the customer service processes, procedures, and business practices of Stockton Hills on January 25, 2010 in conjunction with a small company rate increase request submitted by the Company on January 7, 2010, and designated by the Commission Case No. WR-2010-0202. The EMSD staff examined Company tariffs, annual reports, Commission and inquiry records, and information provided by the Company in relation to its customer service and business operations. The EMSD staff met with the Company in Stockton, Missouri on March 15, 2010.

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 a reasonable 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 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 Stockton Hills Water Company provides to its customers.

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

- Meter Reading
- Customer Billing
- Payment Remittance
- Credit and Collections
- Customer Deposits
- Complaint and Inquiry Handling and Recording
- Customer Communication and Information
- Records Storage and Security

## **SUMMARY OF EMSD REVIEW**

### **Overview**

Stockton Hills provides water service to approximately 141 customers in rural southwest Missouri consisting of five subdivisions (Stockton Hills, Sac Valley Estates, Lu Acres, Lochview Estates, and Edge Subdivision) on or near the west shore of Stockton Lake. According to the Company, a majority of its customers are residents from the Kansas City area who have summer homes near Stockton Lake. Stockton Hills was certificated by the Commission on June 25, 1980.

The President of the Company assumed those responsibilities in 2003. Stockton Hills employs a part-time bookkeeper, who performs meter reading, customer billing, remittance processing and other office functions. The Company employs a part-time plant operator to manage and maintain the field operations as well as a part time meter reader who performs non-pay delinquent disconnects and reconnects.

The Company's business office is located in Stockton, Missouri. The normal business hours are Monday through Friday 8 a.m. to 5 p.m. The business office telephone is answered during normal business hours by an employee who also works for the President's primary business venture as a real estate developer.

### **Meter Reading**

Meters are read during the last week of each month. Since the company bills approximately 30 customers monthly and 110 customers quarterly, four months out of the year all of the customers' meters are read while eight months out of the year only the monthly customers' meters are read. During the eight months when only monthly

customers' meters are read, one part time employee handles that task while the four months when all the meters are read requires two part-time employees. The Company stated that meter readings are only estimated when it is physically difficult for Company employees to access the meter pit such as during a snow or ice storm. In December 2009, the Company had three to four estimated reads due to weather conditions and the meter pits being frozen over.

The meter readings are written on a large white sheet that contains a list of all customer accounts. The previous readings are not included on this sheet, although there is a column labeled "previous reading." Once all the meters have been read and recorded and the meter reader returns to the Company office, the present reads are manually transferred onto customer account cards and a green meter reading log book.

### **Customer Billing**

The Company bills customers either on a monthly or quarterly basis. New customers are initially billed on a monthly basis and after good payment history is established are allowed to transfer to quarterly billing if they want. This determination to allow a monthly customer to be billed quarterly is made at the discretion of the Company owner.

All billing functions are manually performed by the Company bookkeeper. A customer's bill is calculated on the customer account card after the meter reading is recorded. The customer's usage is calculated manually, and written on the customer account card.

The bookkeeper then manually calculates the customer's balance on the customer account card, and then transfers this information to both sides of a customer billing statement card, which is the size of a postcard. This billing statement card is made up of two identical halves that contain line entries for the present meter reading, the previous meter reading, gallons used, current amount due, any balance in arrears, the minimum charge, a DNR charge that is only assessed once a year, the net amount due, and any late fees that are due. These amounts are handwritten on the billing statement card in black pen. The billing statements are mailed to the customers, who return one side with their payment and retain the other side for their own records. The bookkeeper writes the due date which is the last day of the month. The billing statement card also indicates that the "Cut-off date is the 20<sup>th</sup>." The Company indicated this statement refers to the date when

the customer's water would be disconnected for non-payment, and refers to the 20<sup>th</sup> day of the following month after the payment is due.

### **Payment Remittance**

The Company mails customer bills the first or second day of each month and customers have until the 20<sup>th</sup> of that month to pay. A late fee is assessed if the customer does not pay by the last day of the month. Customers can pay by cash or check. The Company stated that about two-thirds of the customers physically come to the office to pay. When customers pay at the office, the Company records the payments in a receipt ledger and gives the customer a copy of the receipt. The remaining one-third of customers mails their payments to the Company.

The Company will accept cash or check payments in the field. Payments are recorded in a Company ledger and copies of the check or cash used are made and stored in a file cabinet. The owner stated that sometimes bank deposits are made daily, but all checks are stored in a locked office until deposited in the bank.

### **Credit and Collections**

The Company indicated it requires a signed customer contract and application for service of all new customers. Therefore, all customers are required to come to the business office to initiate service. All new customers are charged a \$50 deposit, which is refunded to them with no interest in the form of bill credits after 12 months of good payment history. If the customer does not have 12 months of good payment history, the Company keeps the deposit indefinitely.

Customer bills are considered delinquent after the last day of the month during which that bill is issued. This date is usually hand written on bills. A late fee of \$5.00 is added to the customer's next bill if payment is not received by the last day of the month. The Company indicated approximately ten to eleven customers are delinquent each month. The Company also charges a returned check fee of \$25, although the Company's tariff only allows for a charge of \$20. The Company indicated it received only two or three returned checks in 2009.

The Company had the following written-off amounts for the last three years:

### **Stockton Hills Bad Debt**

<b>Year</b>	<b>Amount</b>
2007	\$0.00
2008	\$326.00
2009	\$9.16

Source: Company Annual Reports

The Company stated that it had discovered approximately four incidents of theft over the past few years. These incidents centered on people hooking up water to a trailer near the mobile homes in the Company's service area. The Company stated that when it determines theft has occurred, it charges the customer who is providing water to the trailer two minimum usage charges as well as for all usage over the minimum allowed or 2,000 gallons.

The Company does work with several social assistance programs such as the Ministerial Alliance and the Division of Family Services for low income customers or those who have recently had a drop in income due to a family situation or a lost job.

The Company indicated it had two or three disconnects for non-payment during the last year, which the Company stated are usually renters. The Company will mark on the billing statement that a person is in danger of being disconnected for non-payment. Usually, the Company will send out the billing statement with the note on the back of it and include a formal letter which states the date that the customer's service will be discontinued. The Company will place a door hanger at the location four to five days before the disconnection takes place. In addition, the Company will make several telephone calls to the customer before service is shut off. If the customer still has not paid, the Company shuts off the water and locks the meter.

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

The Company tracks customer contacts but does not maintain a formal or organized customer complaint log. The owner showed the EMSD staff a planner book that contained names and numbers of customers who had called the Company. The entries in the book did not contain a description of the complaints of the customers.

### **Customer Communications and Information**

Customers can contact the Company by phone on a 24/7 basis. The Company's business office is open and staffed approximately 8 a.m. to 5 p.m. Monday to Friday. Calls during business hours are answered at the Company office. In addition, the

Company owner stated that customer calls ring at both the Company office and at the owner's home phone. If the owner is not available to answer at either location, customers are provided an opportunity to leave a message. The owner stated that messages are checked every five to six hours at the latest during non-business hours.

The Company communicates to customers through letters, posted signs, radio messages, and interaction with customers in the field or when customers come to the Company office. The Company also has an information sheet available to customers that includes the current rates, business address, business phone number and other information.

### **Records Storage and Security**

The Company maintains all paper files for its records and there are no electronic back up copies of Company records. All Company documents are stored in a non-fireproof file cabinet in the owner's business office, which is locked during non-business hours.

## **PREVIOUS FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

The EMSD staff conducted a previous customer service review of Stockton Hills Water Company in conjunction with Case No. WR-2006-0091. Four recommendations were made by the EMSD staff in the previous case and each recommendation was discussed with the Company during the current rate case.

### **Automation in the Business Office**

*Consider automating the record keeping functions using Microsoft Excel and Word software for meter reading, customer billing and payment remittance processes.*

The Company stated it would not automate the record keeping functions because of concerns over the cost of purchasing computer software, and concerns that a computer could crash or get a computer virus and in that event the Company would lose all data stored on the affected computer.

The EMSD staff observed that the Company's current process was time consuming and labor intensive. Also, it was cumbersome for the Company to answer questions from EMSD staff about billing statements, meter reads, and customer charges due to inefficiencies such as combing through massive stacks of paper and customer account cards, trying to read handwriting and bill calculations written on the billing card in a hard

to discern pattern, and keeping all the paper files organized while going through them. In addition, identical Company information is located in several different locations, which added to the difficulty in discerning Company records.

While the EMSD staff is of the opinion that Company processes such as billing, meter reading, and tracking customer payment history could be done more efficiently through automated computer software, the Company has considered incorporating computer software and gave the EMSD staff reasons as stated previously as to why it has chosen to not automate company processes. Therefore, the EMSD staff is of the opinion that the Company has completed this recommendation.

### **Customer Deposit Criteria**

*Develop a written customer deposit policy to ensure compliance with Commission Rule 4 CSR 240-13.030.*

The Company stated that it charges all new customers a deposit when they initiate service. The owner stated that if a new customer demonstrates good payment history for approximately one year, their deposit is returned without interest in the form of bill credits. However, the Company stated it has no written customer deposit policy. The EMSD staff is of the opinion that the Company has not satisfactorily completed this recommendation.

### **Customer Deposit Log**

*Create a log of customer deposits and review the log on a quarterly basis.*

The Company produced a written customer deposit log and provided a copy to the EMSD staff. The Company stated this document is reviewed every few months. The EMSD staff is of the opinion that the Company has completed this recommendation.

### **Customer Deposit Refunds**

*Refund customer deposits in a timely manner and with the appropriate interest.*

The Company stated that it does refund customer deposits after 12 months of good payment history through bill credits. However, the company does not refund the customer deposits with any interest. While discussing this previous recommendation with the Company, the EMSD staff indicated to the Company that this practice was in violation of Commission Rule 4 CSR 240-13.030(4)(B) and stated that the EMSD staff would make this recommendation again to the Company in the current rate case by including clearer

language on this issue in order for the Company to adhere to the Commission Rule. The EMSD staff is of the opinion that the Company has not satisfactorily completed this recommendation.

### **ADDITIONAL FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

In conjunction with Case No. WR-2010-0202, the EMSD staff conducted an investigation of the Company which included an on-site visit by the EMSD staff to the Company on March 15, 2010. The following discussion contains findings, conclusions and recommendations pertaining to Stockton Hills' customer service and business office operations. This section focuses on the following areas that warrant Company management attention:

- Customer Billing
- Credit and Collections
- Customer Deposits
- Complaint Handling and Recording
- Employee Timesheets
- Records Storage and Security

#### **Customer Billing**

The Company's customer billing statement does not adhere to Commission Rule 4 CSR 240-13.020(9). There is not a clear due date and delinquent date included on the billing statement, and the dates of the present and previous meter readings are not printed on the customer billing statement. These omissions are violations of Commission Rule 4 CSR 240-13.020(9) which states:

“(9) Every bill for residential utility service shall clearly state— (A) The beginning and ending meter readings of the billing period and the dates of these readings; (B) The date when the bill will be considered due and the date when it will be delinquent, if different;”

#### **THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

Incorporate the following revisions to the customer billing statement so that the Company adheres to Commission Rule 4 CSR 240-13.020(9):

- A. Print a clear due date on every customer billing statement.
- B. Print a clear delinquent date on every customer billing statement.

C. Print the date of the present and previous meter readings on every customer billing statement.

These actions should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.

The Company's customer billing statement includes incorrect information. The customer billing statement contains the phrase, "Minimum \$10.62 per 1,000 gallons per month," which is correct for monthly customers but is incorrect for quarterly customers who are billed at a minimum of \$31.86 for the first 3,000 gallons of usage. The phrase "All over 12,000 gallons will be billed at \$2.60" is incorrect because the Company tariff on sheet six states that "all usage over the amount in minimum: \$2.60 per 1,000 gallons." Finally, the phrase "Cut-off date is the 20<sup>th</sup>" is incorrect because the Company indicated it refers to possible shut off for non-payment on the 20<sup>th</sup> day of the following month after the bill is issued, and not the month in which the bill is issued. Therefore, the EMSD staff suggested revisions so that the customer billing statement will include correct information that can apply to all customers.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

Exclude incorrect information by incorporating the following revisions to the customer billing statement.

- A. Eliminate the phrase, "Minimum \$10.62 per 1000 gallons per month."
- B. Eliminate the phrase, "All over 12,000 gallons will be billed at \$2.60 per additional thousand gallons."
- C. Eliminate the phrase, "Cut-off date is the 20<sup>th</sup>."

The Company does not have a written policy regarding customer eligibility for placement on a monthly or quarterly billing cycle. The Company currently establishes all new customers on a monthly billing cycle. After good payment history has been established, the customer may be allowed to transfer to quarterly billing. This determination is made by the Company owner. There are no written standards or guidelines regarding this determination. The EMSD staff is of the opinion the Company should develop and implement a written policy regarding the Company's determination to transfer a customer between monthly and quarterly billing, so that all customers are treated in a fair and consistent manner.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

Develop and implement a written policy regarding customer billing cycles, which contains clear guidelines for when a customer is allowed to transfer between monthly and quarterly billing cycles.

The Company has no procedure in place to ensure customer bills are accurate. The Company calculates all bills manually, and transfers the meter reading information to the customer account cards and to the billing statement manually. The EMSD staff is concerned mistakes could arise from the repeated manual transfer of information among numerous Company documents. The Company bookkeeper is the sole person in charge of all customer billing, and stated that while mistakes are rare they do occasionally happen and are not always detected before bills are mailed to customers. The bookkeeper indicated that on occasion a customer will inform the Company of a mistake on a bill. The EMSD staff is of the opinion that a procedure should be developed to ensure bills are calculated correctly.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Develop a procedure to perform monthly bill checking on a sample of bills and correct any billing errors that are detected.*

**Credit and Collections**

The Company does not charge customers with returned checks the tariff approved amount of \$20. Instead, the Company charges customers \$25 for a returned check. The Company's tariff on PSC Mo No. 2 2<sup>nd</sup> Revised Sheet No. 6 allows for a returned check fee of \$20. Therefore, this Company practice is in violation of the Company's tariff.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Charge a returned check fee as specified in the Company's current tariff on PSC MO No. 2 2<sup>nd</sup> Revised Sheet No. 6 and the Company's proposed tariff PSC MO No. 2 3<sup>rd</sup> Revised Sheet No. 6. This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.*

The Company has no documentation of informing customers about returned checks. Currently, the Company telephones customers to notify them and asks the customers for payment but does not give a specific date as to when customers must pay. The EMSD staff advised the Company to issue a formal letter that provides an exact date payment is required so that both parties are clear when disconnection of service might occur.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Mail a formal letter to all returned check customers indicating a specific date that a customer must make payment in order to avoid disconnection of service.*

The Company sends out a notice of disconnection letter to customers who may be disconnected for non-payment, but does not disconnect service within the eleven business days allotted per Commission Rules after the notice of disconnection letter has been mailed to the customer. The Company mails out the notice of disconnection around the first day of the month. However, the actual disconnection will not take place until the last week of the month. The Company must adhere to Commission Rule 4 CSR 240-13.050(3) which states:

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

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

Review and fully adhere to all provisions contained in Commission Rule 4 CSR 240.13.050(3) regarding the disconnection of service. This action should be completed within thirty days of the Commission’s Order Approving the Disposition Agreement in Case No. WR-2010-0202.

The Company’s notice of disconnection letter, does not contain the address of the location being disconnected and does not offer the customer payment arrangements. This company practice is a violation of Commission Rule 4 CSR 240-13.050 (4) which states:

“(4) The notice of discontinuance shall contain the following information:  
(A) The name and address of the customer and the address, if different, where service is rendered; (B) A statement of the reason for the proposed discontinuance of service and the cost for reconnection; (C) The date on or after which service will be discontinued unless appropriate action is taken; (D) How a customer may avoid the discontinuance; (E) The possibility of a settlement agreement if the claim is for a charge not in dispute and the customer is unable to pay the charge in full at one (1) time;”

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

Ensure that the Company’s notice of disconnection letter adheres to Commission Rule 4 CSR 240-13.050(4). This action should be completed within thirty days of the Commission’s Order Approving the Disposition Agreement in Case No. WR-2010-0202.

## **Customer Deposits**

The Company does not allow new customers to demonstrate to the Company that they have an established acceptable credit rating. The Company collects customer deposits from all new customers. This company practice is a violation of Commission Rule 4 CSR 240-13.030(1)(C) which states:

“(1) A utility may require a deposit or other guarantee as a condition of new residential service if— (C) The customer is unable to establish an acceptable credit rating under standards contained in tariffs filed with and approved by the commission. The customer shall be deemed *prima facie* to have established an acceptable credit rating if the customer meets any of the following criteria: 1. Owns or is purchasing a home; 2. Is and has been regularly employed on a full-time basis for at least one (1) year; 3. Has an adequate regular source of income; or 4. Can provide adequate credit references from a commercial credit source.”

### **THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

Require customer deposits by adhering to Commission Rule 4 CSR 240-13.030(1)(C). This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.

The Company does not include interest earned when refunding customer deposits. The Company stated that it collects deposits from all new customers in the amount of \$50 and refunds the deposits to customers after a year of good payment history with no interest. This company practice is a violation of Commission Rule 4 CSR 240-13.030(4)(B) which states:

“(4) A deposit shall be subject to the following terms: (B) It shall bear interest at a rate specified in utility tariffs, approved by the commission, which shall be credited annually upon the account of the customer or paid upon the return of the deposit, whichever occurs first.”

### **THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

Refund customer deposits with appropriate interest by adhering to Commission Rule 4 CSR 240-13.030(4)(B). This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.

The Company does not have a clear customer deposit policy. It is the opinion of the EMSD staff that the Company should develop and implement a written customer deposit policy treats all customers in a fair and consistent manner and adheres to Commission rule 4 CSR 240.13.030.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Develop and implement a written customer deposit policy that adheres to Commission Rule 4 CSR 240-13.030. This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.*

The Company's customer contract and application for service does not contain information regarding the customer deposit policy of the Company. The Company should consider adding language that states its customer deposit policy.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Include information on the customer contract and application for service regarding the Company's customer deposit policy.*

**Complaint Handling and Recording**

The Company does not record customer complaints with the customer's name and general description of the complaint. Instead, the Company stated that it records a customer's name and number in the owner's daily planner. The Company should develop a complaint log that contains the customer's name, phone number, general description, and resolution of each complaint registered with the Company in order to adhere to Commission Rule 4 CSR 240 13.040(5)(B) which states:

“(5) 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 EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Record customer complaints concerning the Company in a separate document by adhering to Commission Rule 4 CSR 240-13.040(5)(B). This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.*

**Employee Timesheets**

All Company employees do not use standard timesheets to record their work performed and the time required to perform their tasks. The employees use various methods to record their time. One employee records her time on a daily planner and not on a timesheet. The EMSD staff is of the opinion the Company should implement a standard timesheet and reporting system for all company employees. A standard format of employees' time reporting will provide the Company with an accurate accounting of jobs performed and the required time to perform their tasks.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Ensure that all employees record their work performed and time worked on a standard timesheet.*

**Records Storage and Security**

The Company does not store Company documents in a locked, fire proof file cabinet. Instead, Company documents are stored in the owner's office which is locked overnight. All Company records are paper based, and there are no electronic company files. There are no backup files of any company records. The EMSD staff is concerned that an unforeseen incident could lead to the damage or destruction of Company documents and in that event the Company would have extreme difficulty in reconstructing Company records.

**THE EMSD STAFF RECOMMENDS THAT COMPANY MANAGEMENT:**

*Store Company documents in a locked fire proof file cabinet. Consider establishing electronic backup copies of Company documents.*

**THE EMSD STAFF RECOMMENDS**

**THAT COMPANY MANAGEMENT:**

Recommendation Number	Recommendation
1	<p><u>Incorporate the following revisions to the customer billing statement so that the Company adheres to Commission Rule 4 CSR 240-13.020 (9):</u></p> <ul style="list-style-type: none"> <li>A. <u>Print a clear due date on every customer billing statement.</u></li> <li>B. <u>Print a clear delinquent date on every customer billing statement.</u></li> <li>C. <u>Print the date of the present and previous meter readings on every customer billing statement.</u></li> </ul> <p><u>These actions should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.</u></p>
2	<p><u>Exclude incorrect information by incorporating the following revisions to the customer billing statement.</u></p> <ul style="list-style-type: none"> <li>A. <u>Eliminate the phrase, "Minimum \$10.62 per 1,000 gallons per month."</u></li> <li>B. <u>Eliminate the phrase, "All over 12,000 gallons will be billed at \$2.60 per additional thousand gallons."</u></li> <li>C. <u>Eliminate the phrase, "Cut-off date is the 20<sup>th</sup>."</u></li> </ul>
3	<p><u>Develop and implement a written policy regarding customer billing cycles, which contains clear guidelines for when a customer is allowed to transfer between monthly and quarterly billing cycles.</u></p>
4	<p><u>Develop a procedure to perform monthly bill checking on a sample of bills and correct any billing errors that are detected.</u></p>

5	<u>Charge a returned check fee as specified in the Company's current tariff on PSC MO No. 2 2<sup>nd</sup> Revised Sheet No. 6 and the Company's proposed tariff PSC MO No. 2 3<sup>rd</sup> Revised Sheet No. 6. This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.</u>
6	<u>Mail a formal letter to all returned check customers indicating a specific date that a customer must make payment in order to avoid disconnection of service.</u>
7	<u>Review and fully adhere to all provisions contained in Commission Rule 4 CSR 240.13.050(3) regarding the disconnection of service. This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.</u>
8	<u>Ensure that the Company's notice of disconnection letter adheres to Commission Rule 4 CSR 240-13.050(4). This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.</u>
9	<u>Require customer deposits by adhering to Commission Rule 4 CSR 240-13.030(1)(C). This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.</u>
10	<u>Refund customer deposits with appropriate interest by adhering to Commission Rule 4 CSR 240-13.030(4)(B). This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.</u>

11	<u>Develop and implement a written customer deposit policy that adheres to Commission Rule 4 CSR 240-13.030. This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.</u>
12	<u>Include information on the customer contract and application for service regarding the Company's customer deposit policy.</u>
13	<u>Record customer complaints concerning the Company in a separate document by adhering to Commission Rule 4 CSR 240-13.040(5)(B). This action should be completed within thirty days of the Commission's Order Approving the Disposition Agreement in Case No. WR-2010-0202.</u>
14	<u>Ensure that all employees record their work performed and time worked on a standard timesheet.</u>
15	<u>Store Company documents in a locked fire proof file cabinet. Consider establishing electronic backup copies of Company documents.</u>

# Agreement Attachment I

## Summary of Events

Stockton Hills Water Company  
WR-2010-0202  
Summary of Case Events

Date Filed	January 7, 2010
Day 150	June 7, 2010
Extension?	No
If yes, why?	
Amount Requested	\$ 20,198
Amount Agreed Upon	\$ 6,873
Item(s) Driving Rate Increase	New pump, wiring, meters and certified operator.
Number of Customers	
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	None
Status with Secretary of State	Good Standing
DNR Violations	Yes
Significant Service/Quality Issues	Company working with DNR and Staff on reliability and water pressure issues.