

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

In The Matter of Ridge Creek Water Company, LLC's)
Application to Implement a General Rate Increase in)
Water Service)

Case No. WR-2017-0042

NOTICE OF TOTAL DISPOSITION AGREEMENT

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, the Interim Receiver for Ridge Creek Water Company, LLC, and the Office of the Public Counsel (OPC), and for the *Notice of Total Disposition Agreement* in these matters hereby state:

1. Ridge Creek Water Company LLC (Ridge Creek or Company) filed its Application to Implement a General Rate Increase in Water Service (*Application*) on November 14, 2016, seeking review of a revenue increase request for the Company's water systems, which provides water utility service to approximately 138 customers, located in Pulaski County, Missouri.

2. In its Request, Ridge Creek requested Commission approval of a \$15,500 increase in its annual water system operating revenues pursuant to Commission Rule 4 CSR 240-3.050 (Small Utility Rate Case Procedure).

3. Subsequent to the Company filing its *Application*, and as a result of its investigation into Ridge Creek's *Application*, Staff filed an action with the Commission seeking an order for an interim and permanent receiver for Ridge Creek. See, Case No. WO-2017-0042.

4. On May 5, 2017, the Commission issued an order appointing an Interim Receiver for Ridge Creek and its related entity, Ridge Creek Development, LLC.¹

5. Upon completion of Staff's investigation of Ridge Creek's *Application*, Staff provided the Receiver of Ridge Creek and OPC with materials related to Staff's investigation, as well as the Staff's initial recommendation for the resolution of the *Application*.

6. Subsequent to the Staff's investigation and pursuant to negotiations between Staff, Ridge Creek, and OPC, the parties have been able to reach a *Company/Staff/OPC Agreement Regarding Disposition of Small Company Revenue Increase Request (Total Disposition Agreement)*, attached hereto as Appendix A, and incorporated by reference herein.

7. Included in Appendix A is a copy of the above-referenced *Total Disposition Agreement*, as well as a prescribed schedule of depreciation rates and reflects Ridge Creek's agreement to implement Staff's recommendations. It also includes various other attachments related to the *Disposition Agreement*. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

8. The *Total Disposition Agreement* provides for an increase of 81.28% or \$52,925 in operating revenues for the water system.

9. In addition, the *Total Disposition Agreement* provides the agreed-upon net rate base of \$87,611 in Ridge Creek's water system.

10. Pursuant to Rule 4 CSR 240-3.050(13), "[i]f the disposition agreement filed by the staff provides for a full resolution of the utility's request and is executed by

¹ See, Case No. WO-2017-0236, EFIS Item 26.

the utility, the staff and the public counsel, the utility shall file new and/or revised tariff sheets, bearing an effective date that is not fewer than thirty (30) days after they are filed, to implement the agreement.” The Company will file revised tariff sheets seeking to implement the terms of the *Total Disposition Agreement*. The tariff shall bear an effective date of July 12, 2017, in compliance with Rule 4 CSR 240.3-050(13).

11. The Company is current on the filing of its annual report.

12. The Company is current on payment of all of its annual assessments.

WHEREFORE, the Staff submits this *Notice of Total Disposition Agreement*, and the attached *Total Disposition Agreement* labelled as Appendix A for the Commission’s information and consideration in this case and requests that the Commission enter an Order adopting the terms agreed upon by the parties contained herein.

Respectfully submitted,

/s/ Jacob T. Westen

Jacob T. Westen
Deputy Counsel
Missouri Bar No. 65265

Attorney for the Staff of the
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
573-751-5472 (Voice)
573-526-6969 (Fax)
jacob.westen@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was delivered to the parties of record by U.S. Postal Service postage prepaid, or by hand, or served electronically, on this 12th day of June, 2017.

/s/ Jacob T. Westen

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

RIDGE CREEK WATER COMPANY, LLC

MO PSC FILE NO. WR-2017-0042

BACKGROUND

Ridge Creek Water Company, LLC ("Company") initiated a small company revenue increase request ("Request") for water service, which is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number, by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, received by the Commission on November 14, 2016, the Company set forth its request for an increase of \$15,500 in its total annual operating revenues. The Company also acknowledged that the design of its customer rates, service charges, customer service practices, general business practices and general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff's recommendations. The Company provides service to approximately 138 residential customers.

On May 3, 2017, Mr. Terry Jarret (Receiver) of Healy Law Offices, LLC was appointed interim Receiver over the Company in case WO-2017-0236 as a result of a petition filed by the Commission Staff. The Receiver has continued to pursue the rate increase request on behalf of the Company.

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

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

RESOLUTION OF THE COMPANY'S RATE INCREASE REQUEST

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

- (1) The agreed upon revenue requirement increase of \$52,925 (81.28% increase) added to the level of previous revenues of \$65,118 results in overall annual revenues of \$118,043. This revenue requirement is just and reasonable and designed to recover the Company's cost of service. This amount is shown on the ratemaking income statement found in Attachments A, incorporated by reference herein;
- (2) The Auditing Department conducted a full and complete audit of the Company's books and records using the 12-month period ended December 31, 2016, as the basis for the revenue requirement determined above. The audit findings can be found in Attachment B, incorporated by reference herein;
- (3) The agreed upon net rate base is \$87,611. The development of this amount is shown on the rate base worksheet found in Attachment C, and incorporated by reference herein. This amount is included in the audit work papers in the ultimate determination of the revenue requirement shown in (1) above;
- (4) Included in Attachment C is the agreed upon capital structure of 54.74% common equity and 45.26% long-term debt, with a calculated return on equity of 9.67% and overall return of 7.86%;
- (5) The schedule of depreciation rates in Attachments C, incorporated by reference herein, includes the depreciation rates used by Staff in its revenue requirement analysis and shall be the prescribed schedule of plant depreciation rates for the Company;
- (6) To allow the Company the opportunity to collect the revenue requirement agreed to in (1) above, the rates as shown in Attachment E, incorporated by reference herein, are just and reasonable rates that the Company will be allowed to charge its customers. The impact of these rates are also included Attachment F;
- (7) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission revised tariff sheets 4 & 5. These sheets will contain the rates and service charges, as set out in the example tariff sheets, attached as Attachment D. The proposed tariff sheets with revisions will bear an effective date of August 1, 2017;
- (8) The current PSC MO Number 1 original sheets 4 & 5 will be cancelled and replaced by first revised sheets 4 & 5, which are included in the example tariff described above;

(9) The Company agrees to implement the recommendations contained in the Auditing Department Report attached hereto as Attachment B and incorporated by reference herein; as well as provide proof of implementation of the recommendations to the Manager of the Commission's Auditing Department:

- (a) The Company shall 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).

(10) The Company agrees to implement the recommendations contained in the CMAU Report attached hereto as Attachment F and incorporated by reference herein, as well as provide proof of implementing the recommendation to the Manager of the Commission's Consumer and Management Analysis Unit:

- (a) Within thirty (30) days of the effective date of the Commission order approving this Company/Staff/OPC Disposition Agreement, the Company will have developed and began using a log of customer complaints and inquiries.

(11) The Company agrees to implement the recommendations contained in the Water and Sewer Department Report attached hereto as Attachment G and incorporated by reference herein, as well as provide proof of implementing the recommendation to the Manager of the Commission's Water and Sewer Department:

- (a) Within thirty (30) days of the effective date of the Commission order approving this Company/Staff/OPC Disposition Agreement, the Company will hire a DS-II certified operator and begin monthly bacteriological sampling according to MDNR regulations and requirements.
- (b) Within thirty (30) days of the effective date of the Commission order approving this Company/Staff/OPC Disposition Agreement, the Company will install temporary chlorination on Well 7.
- (c) Within thirty (30) days of the effective date of the Commission order approving this Company/Staff/OPC Disposition Agreement, the Company will have determined which homes are served by which wells.
- (d) Within one hundred twenty (120) days of the effective date of the Commission order approving this Company/Staff/OPC Disposition Agreement, the Company will have installed master meters on all wells as required in the CCN Stipulation.
- (e) Within one hundred eighty (180) days of the effective date of the Commission order approving this Company/Staff/OPC/OPC Disposition Agreement, the Company will have completed construction and placed into operation permanent chlorination at Well 7.
- (f) The Company agrees to install chlorination on other wells as required by the Department of Natural Resources.

(12) 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/OPC Disposition Agreement. The notice shall include a summary of the impact of the proposed rates on an average residential customer's bill. When the Company mails the notice to its customers, it shall also send a copy to Staff's Case Coordinator, who will file a copy in this case;

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

(14) Staff or Public Counsel may file a formal complaint against the Company if the Company does not comply with the provisions of this Company/Staff/OPC Disposition Agreement;

(15) The Company and Staff agree that they have read the foregoing Company/Staff/OPC Disposition Agreement, that facts stated therein are true and accurate to the best of the Company's knowledge and belief, that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this Disposition Agreement; and

(16) The above agreements satisfactorily resolve all issues identified by 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/OPC 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.

Specifically regarding the service contract agreed to between the Receiver and the contractor for service, Staff does not endorse or condone any term or terms within the service contract, and to the extent the contract price is reflected in the revenue requirement, Staff agrees to the revenue requirement amount solely for the purpose of this Disposition Agreement. Staff reserves the right to contest the provisions within that service contract or future service contracts with that contractor, in future rate cases with the signatory parties, and in other cases before the commission involving the contractor.

In addition, the Company agrees to supervise the contractor's work in executing the service contract to include: communicating with contractor and sub-contractor and supervising contractor and sub-contractor to ensure contractor and sub-contractors maintain and produce to Receiver records that show contractor and sub-contractor are maintaining an adequate audit trail to account for all contractor's and sub-contractor's hourly labor, postage expenses, website expenses, fees, shipping expenses and other miscellaneous expenses incurred for the Company. Receiver shall provide proof of implementation of the above condition to the Manager of the Commission's Auditing Department concurrent with Receiver's responsibilities under Paragraph 9 and 9(a) of this agreement.


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

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

Additionally, the Company agrees that subject to the rules governing practice before the Commission, Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff/OPC Disposition Agreement at any agenda meeting at which this case is noticed to be considered by the Commission. Subject to the rules governing practice before the Commission, Staff will be available to answer Commission questions regarding this Company/Staff/OPC Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that it may have the opportunity to be present and/or represented at the meeting.

SIGNATURES

Agreement Signed and Dated:



Terry M. Jarrett, Receiver
Ridge Creek Water Company LLC

6/12/17

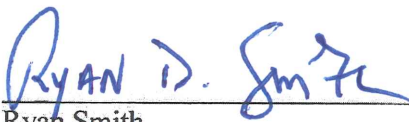
Date



Natelle Dietrich
Staff Director
Missouri Public Service Commission Staff

6/12/17

Date



Ryan Smith
Senior Counsel
Office of the Public Counsel

6/12/17

Date

List of Attachments

Attachment A – Ratemaking Income Statement

Attachment B – Auditing Department Report

Attachment C – EMS

Attachment D – Example Tariff

Attachment E – Billing Comparison Worksheet

Attachment F – CMAU Report

Attachment G – Water and Sewer Department Report

Attachment H – Summary of Events

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

In The Matter of Ridge Creek Water Company, LLC's)
Application to Implement a General Rate Increase in)
Water Service)

Case No. WR-2017-0042

AFFIDAVIT OF DEBORAH ANN BERNSEN

State of Missouri)
) ss
County of Cole)

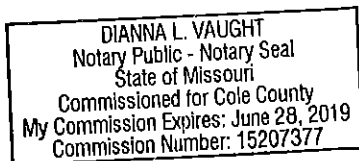
COMES NOW Deborah Ann Bernsen, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Total Disposition Agreement*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


Deborah Ann Bernsen

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 12th day of June, 2017.




NOTARY PUBLIC

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

In The Matter of Ridge Creek Water Company, LLC's)
Application to Implement a General Rate Increase in)
Water Service)

Case No. WR-2017-0042

AFFIDAVIT OF KIMBERLY K. BOLIN

State of Missouri)
) ss
County of Cole)

COMES NOW Kimberly K. Bolin, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Total Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.

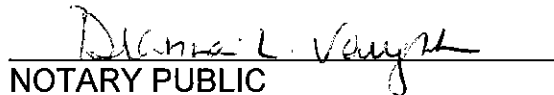
Further the Affiant sayeth not.



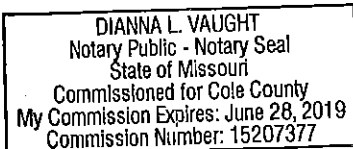
Kimberly K. Bolin

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 12th day of June, 2017.



NOTARY PUBLIC



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

In The Matter of Ridge Creek Water Company, LLC's)
Application to Implement a General Rate Increase in)
Water Service)

Case No. WR-2017-0042

AFFIDAVIT OF JONATHAN DALLAS

State of Missouri)
) ss
County of Cole)

COMES NOW Jonathan Dallas, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Total Disposition Agreement*; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.



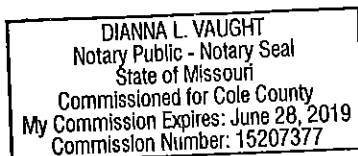
Jonathan Dallas

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 12 day of June, 2017.



NOTARY PUBLIC



In The Matter of Ridge Creek Water Company, LLC's)
Application to Implement a General Rate Increase in)
Water Service)

AFFIDAVIT OF MARK KIESLING

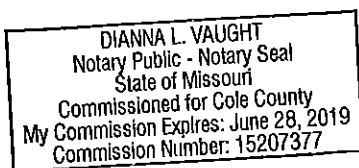
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Further the Affiant sayeth not.

Mark Kiesling
Mark Kiesling

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 12th day of June, 2017.



Dianna L. Vaughn
NOTARY PUBLIC

Disposition Agreement Attachment A

Ratemaking Income Statement

Ridge Creek Water Company LLC

Rate Making Income Statement-Water

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	65,118
2	Other Operating Revenues *	\$	-
3	Total Operating Revenues	\$	65,118
4	* See "Revenues - Current Rates" for Details		

Customer Charge	Commodity
\$ 23,631	\$ 41,487
\$ -	\$ -

Cost of Service

Item	Amount			
5 Receiver Fees	\$ 12,000	0.50	\$ 6,000	\$ 6,000
6 Operator Salary/Services	\$ 54,000	0.70	\$ 37,800	\$ 16,200
7 Electricity [pumping]	\$ 11,529	0.00	\$ -	\$ 11,529
8 Water Testing	\$ 200	0.50	\$ 100	\$ 100
9 Maintenance & Repair	\$ -	0.80	\$ -	\$ -
10 Billing and Collection	\$ 5,400	0.10	\$ 540	\$ 4,860
11 Customer Service/Website	\$ 12,600	0.00	\$ -	\$ 12,600
12 Banking and Fees	\$ 3,600	0.10	\$ 360	\$ 3,240
13 Rate Case Expense	\$ 1,785	0.50	\$ 893	\$ 893
14 Engineering Expense	\$ 1,860	0.50	\$ 930	\$ 930
15 Tax Prep	\$ 400	1.00	\$ 400	\$ -
16 PSC Assessment	\$ 588	1.00	\$ 588	\$ -
17 Licenses and Permit Fees	\$ 24	1.00	\$ 24	\$ -
18 SOS fee	\$ 20	1.00	\$ 20	\$ -
19 Interest	\$ 2,248	0.50	\$ 1,124	\$ 1,124
20 Sub-Total Operating Expenses	\$ 106,254		\$ 48,779	\$ 57,476
21 Personal & Property Taxes	\$ 1,288	0.50	\$ 644	\$ 644
22 Income Taxes	\$ 1,155	0.50	\$ 578	\$ 578
23 Sub-Total Taxes	\$ 2,443		\$ 1,222	\$ 1,222
24 Depreciation	\$ 15,897	0.50	\$ 7,949	\$ 7,949
25 CIAC Depreciation Offset	\$ (11,188)	0.50	\$ (5,594)	\$ (5,594)
26 Sub-Total Depreciation/Interest/Amortization	\$ 4,709		\$ 2,355	\$ 2,355
27 Return on Equity	\$ 4,637	0.50	\$ 2,319	\$ 2,319
28 Total Cost of Service	\$ 118,043		\$ 54,673	\$ 63,370
29 Cost to recover in rates	\$ 118,043		\$ 54,673	\$ 63,370
30 Overall Revenue Increase Needed	\$ 52,925		\$ 31,042	\$ 21,883

Disposition Agreement Attachment B

Auditing Department Report

M E M O R A N D U M

TO: **Curtis Gateley**
 Water and Sewer Department, Case Coordinator

FROM: Kimberly Bolin
 Auditing Unit, Staff

SUBJECT: Ridge Creek Water Company, LLC
 Informal Rate Increase Request
 Case Nos. WR-2017-0042

DATE: June 8, 2017

On November 14, 2016, Ridge Creek Water Company LLC, (“Ridge Creek” or “Company”) filed an informal rate increase request with the Missouri Public Service Commission (“Commission”). The Company’s request seeks an annual rate increase of \$15,500 in its water revenues. This would represent a 28.78% increase in rates for Ridge Creek. The Commission granted the Company its certificate of convenience and necessity (CCN) to construct, install, own, operate and control a water system for service to the public, in Case No. WA-2015-0182 with an effective date of September 12, 2015. The Commission’s last approved rates for Ridge Creek became effective on October 21, 2015 from the previously mentioned CCN case. As a result of the Stipulation and Agreement for that CCN case, Ridge Creek received a revenue requirement of \$53,820 in annual water revenues.

Ridge Creek currently serves 138 metered water customers; all located within its certificated service in Pulaski County near the city of Waynesville Missouri. The Company’s current tariff specifies a monthly minimum base water rate of \$14.27, and \$3.47 for each additional 1,000 gallons of usage thereafter. The Audit Staff conducted an audit of the Company’s books and records based upon the twelve-month test year ending December 31, 2016; and determined a revenue requirement of \$118,043 is necessary. This reflects an increase of approximately \$52,925 in Ridge Creek’s annual test year water revenues that was recorded on their books. Staff’s proposed revenues would represent a (81.28%) increase in Ridge Creek’s water revenues.

RATE OF RETURN AND CAPITAL STRUCTURE

Jeffrey Smith, of the Commission’s Financial Analysis Unit, provided the Audit Staff with a weighted cost of capital and rate of return calculation. Mr. Smith’s recommendation is based on a hypothetical capital structure, which is similar to ones that the Financial Analysis Department has developed for other small water and sewer utilities that are in receivership. Mr. Smith determined that the capital components consisted of 54.74% common equity and 45.26% long term debt. He determined that an overall weighted cost of capital should be 7.86% when using a common equity return of 9.67%.

RATE BASE

Plant, Reserve and Contributions In Aid of Construction (CIAC)

Staff included in its cost of service calculation of all capital expenditures completed by the Company and in service based upon Staff's review of actual invoices and payments made by the Company since Ridge Creek's CCN proceeding. It is Staff's understanding that there has been no improvements made to the Ridge Creek water system since the CCN case. Ridge Creek's plant in service as of December 31, 2016 is \$279,910, depreciation reserve is (\$114,426), contributions in aid of construction (CIAC) are (\$171,030) and CIAC amortization is \$93,157 for a net rate base of \$87,611. It is Staff's understanding that all of Ridge Creek's assets are still owned by Ridge Creek Development, L.L.C. and have not yet been transferred to Ridge Creek Water Company, LLC

DEPRECIATION AND AMORTIZATION

The Audit Staff incorporated in its cost of service calculation of all depreciation rates that were supplied by Keenan Patterson of the Commission's Engineering Analysis Unit. Based upon these depreciation rates, the Audit Staff included a \$15,897 annualized level of depreciation expense on the water system and included (\$11,188) annualized level for CIAC depreciation expense offset. The Audit Staff also included in its cost of service calculations for the various reserve adjustments to update depreciation reserve up through December 31, 2016.

REVENUES

In general, the Company's water systems have not experienced customer growth over the last several years. The Staff's annualized level of water revenue was based on the deposit ledger for calendar year 2016. The Company provided two separate deposit ledgers for calendar year 2016, one by month for April, June, July, August, September, October and November, the other one was for April through December 2016. Using these deposit ledgers, the Audit Staff annualized Ridge Creek's water revenues. Staff's calculation of the revenues determined that approximately \$23,631 of Ridge Creek's revenue was created from the base monthly charge and approximately \$41,487 was created from the customer water usage for a total amount of revenue for Ridge Creek of \$65,118. Staff estimates based on these ledgers that Ridge Creek customers used approximately 11,955,863 gallons of water during calendar year 2016.

OPERATING EXPENSES

Interim Receiver

Staff filed a Petition for Interim Receiver Seeking an Order Directing the General Counsel to Petition the Circuit Court of Cole County for the Appointment of a Receiver for Ridge Creek Water Company, LLC and Ridge Creek Development, L.L.C on March 14, 2017. On May 3, 2017 Terry Jarrett of Healy Law Offices, LLC, was appointed as interim receiver for Ridge Creek Water Company, LLC and for Ridge Creek Development, L.L.C. Based upon documentation outlining the receiver fees that Mr. Jarrett will be charging, Staff has included \$12,000 in its cost of service for Mr. Jarrett services as Interim Receiver.

Contractual Service—Meter Reading—Maintenance and Operations

The interim receiver for Ridge Creek signed a contract on May 4, 2017 with Central States Water Resources, Inc. (CSWR) for CSWR to provide the day to day operations of Ridge Creek. Staff has included in its cost of service \$54,000 annually for operations and maintenance, \$5,400 annually for billing services, \$3,600 annually for banking fees and \$12,600 annually for customer service/website administration per the contract. Staff has included the entire contracted amount in its cost of service, but Staff reserves the right to contest the provisions within that service contract or future service contracts with that contractor, in future rate cases with the signatory parties, and in other cases before the commission involving the contractor.

Purchased Power Expense

The Audit Staff included an \$11,529 level of electricity expense in its cost of service calculation for Ridge Creek. This expense level is based on factoring up the actual level of electric expense in Ridge Creek's CCN case by six percent. The Company did not have the actual electric bills that they paid Laclede Co-Op Electric for the electricity used by the 22 wells for this case, therefore since it has been approximately two years since the CCN case cost of service was developed for this Company and the annual inflation rate for 2016 was 2.74 percent, Staff factored up the electric expense that was developed in the CCN case by three percent each year.

Contractual Services – Accounting Fees

The Company did not maintain adequate records to determine proper historical level for accounting costs. Staff included \$400 in its cost of service for an accountant to prepare and file the Company's annual tax returns with the Internal Revenue Service (IRS). This level of expense for an outside accountant is reasonable when compared to the level actually paid by other small utilities, (Gladlo's Water and Sewer for instance), that Audit Staff has observed.

Rate Case Expense

During calendar year 2016, Ridge Creek incurred approximately \$8,816 in legal fees from Mr. Mark Comley. The majority of these costs are related to rate case expenses and; therefore Staff is recommending a five year amortized amount of \$1,763 to be recovered in rates for this case.

Engineering Fees

Ridge Creek has incurred approximately \$61,200 in engineering fees from David Krehbiel Engineering Firm up through December 31, 2016. A significant amount of these fees were associated with Case Nos. WC-2015-0182 and WA-2015-0182 which Audit Staff believes should be capitalized. The capitalized amount for this case is approximately \$55,620 and the test year expensed amount is \$5,580. Due to the difficulty in determining the amount of engineering fees that should be allocated to the regulated entity, (Ridge Creek Water Company) and the amount that should be allocated to the non-regulated entity (Ridge Creek Development Company, LLC), Staff is still reviewing this expense. Until the review is complete, Staff has included an annualized amount of \$1,860 of engineering expense in its cost of service and capitalized the other \$55,260 in rate base. In addition, Staff is recommending that the test year expensed amount of \$5,580 be amortized over a three year period and has included \$1,860 of

engineering fees in its cost of service. This expense is subject to change when additional information is received and Staff's analysis is done.

PSC Assessment

PSC assessment in the amount of \$588 for Ridge Creek for fiscal year 2017 is included in the cost of service calculations.

Property Taxes

The Company did not have the actual property tax bills for Ridge Creek and Staff does not believe that the Company paid Pulaski County property taxes for calendar year 2015 and 2016 for the 22 wells, but during the Ridge Creek CCN case, the Audit Staff received the 2014 property taxes for the wells from Pulaski County and included those amounts in that case. Therefore since it has been approximately two years since the CCN case cost of service was developed for this Company and the annual inflation rate for 2016 was 2.74 percent, Staff factored up the property tax expense that was developed in the CCN case by three percent each year. The final property tax expense included in Ridge Creek's cost of service is \$1,288.

Missouri Department of Natural Resources (MDNR) Water and Sewer Testing

It is Staff's understanding that during the six months that Ridge Creek contracted with Water Pollution Control, (the certified operator for Ridge Creek) the mandated MDNR water testing and sampling for Ridge Creek was being performed. However, Staff does not believe that the MDNR water testing and sampling for Ridge Creek has been performed since the end of March 2016 when the certified operator terminated its contract with Ridge Creek. Since the testing and sampling is a requirement mandated by MDNR, the Audit Staff included \$200 for the annual water program administration fee that is charged by the MDNR for water testing and sampling services. The MDNR water testing program provides smaller utilities like Ridge Creek with a direct and affordable approach to maintain compliance with water system testing requirements. Under the program the utility is provided with all sample containers and either prepaid shipping labels or a nearby drop-off location for all required samples.

Corporate Administration Expense

During calendar year 2016, the test year, Ridge Creek recorded Licenses, permit and Secretary of State Fees of \$44 dollars for the water system. Therefore Staff included this expense in its cost of service for Ridge Creek.

Audit Staff Recommendations

- 1. Ridge Creek shall maintain its books and records in accordance with the National Association Regulatory Utility Commission (NARUC) Uniformed System of Accounts (USOA).**

Disposition Agreement Attachment C

EMS

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Rate Design Schedule - Water

A		B	C	D	E	F
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$65,118			
Rev-3	Miscellaneous Revenues	(1)	\$0			
Rev-4	TOTAL ANNUALIZED REVENUES		\$65,118			
1	OPERATIONS EXPENSES	(2)				
2	Receiver Fees		12000	\$0	\$12,000	0
3	Operators Salary/Services		\$54,000	\$54,000	\$0	100.00%
4	Electricity-(Pumping)		\$11,529	\$11,529	\$0	100.00%
5	Water Testing (DNR)		\$200	\$0	\$200	0.00%
6	TOTAL OPERATIONS EXPENSE		\$77,729	\$65,529	\$12,200	
7	MAINTENANCE EXPENSES					
8	Maintenance & Repairs		\$0	\$0	\$0	100.00%
9	TOTAL MAINTENANCE EXPENSE		\$0	\$0	\$0	
10	CUSTOMER ACCOUNT EXPENSE					
11	Billing and Collection		\$5,400	\$0	\$5,400	0.00%
12	Meter Reading Expense		\$0	\$0	\$0	100.00%
13	Office Supplies		\$0	\$0	\$0	100.00%
14	TOTAL CUSTOMER ACCOUNT EXPENSE		\$5,400	\$0	\$5,400	
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Property & Liability Insurance		\$0	\$0	\$0	100.00%
17	Rate Case Expenses (Legal) (Engineering)		\$1,785	\$0	\$1,785	0.00%
18	Engineering Expense		\$1,860	\$0	\$1,860	0.00%
19	Phone Expense		\$0	\$0	\$0	0.00%
20	Rent Expense		\$0	\$0	\$0	0.00%
21	Banking & Fees		\$3,600	\$0	\$3,600	0.00%
22	Customer Service/Website		\$12,600	\$0	\$12,600	0.00%
23	Tax Preparation Expense		\$400	\$0	\$400	0.00%
24	TOTAL ADMINISTRATIVE AND GENERAL		\$20,245	\$0	\$20,245	
25	OTHER OPERATING EXPENSES					
26	PSC Assessment		\$588	\$588	\$0	100.00%
27	Licenses and Permit Fees		\$24	\$24	\$0	100.00%
28	Secretary of State Registration Fees		\$20	\$0	\$20	0.00%
29	CIAC Depreciation Expense Offset		-\$11,188	\$0	-\$11,188	0.00%
30	Depreciation		\$15,897	\$15,897	\$0	100.00%
31	TOTAL OTHER OPERATING EXPENSES		\$5,341	\$16,509	-\$11,168	
32	TAXES OTHER THAN INCOME					
33	Real & Personal Property Taxes		\$1,288	\$1,288	\$0	100.00%
34	TOTAL TAXES OTHER THAN INCOME		\$1,288	\$1,288	\$0	
35	TOTAL OPERATING EXPENSES		\$110,003	\$83,326	\$26,677	
36	Interest Expense	(3)	\$2,248	\$2,248	\$0	100.00%
37	Return on Equity	(3)	\$4,637	\$4,637	\$0	100.00%
38	Income Taxes	(3)	\$1,155	\$1,155	\$0	100.00%
39	TOTAL INTEREST RETURN & TAXES		\$8,040	\$8,040	\$0	
40	TOTAL COST OF SERVICE		\$118,043	\$91,366	\$26,677	
41	Less: Miscellaneous Revenues		\$0	\$0	\$0	100.00%
42	COST TO RECOVER IN RATES		\$118,043	\$91,366	\$26,677	
43	INCREMENTAL INCREASE IN RATE REVENUES		\$52,925			

Ridge Creek Water Company, LLC
 Informal Rate Case
 Case Number WR-2017-0042
 Test Year Ending 12-31-2016
 Rate Design Schedule - Water

Line Number	<u>A</u> Description	<u>B</u> Account Number (Optional)	<u>C</u> Staff Annualized	<u>D</u> Customer Charge	<u>E</u> Commodity	<u>F</u> Percentage Rate
44	PERCENTAGE OF INCREASE		<u>81.28%</u>			
45	REQUESTED INCREASE IN REVENUES		\$15,500			

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

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Rate Base Required Return on Investment Schedule - Water

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$279,910	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$114,426	From Depreciation Reserve Schedule
3	Net Plant In Service	\$165,484	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction	-\$171,030	
	CIAC Amortization	\$93,157	
5	Total Rate Base	\$87,611	
6	Total Weighted Rate of Return Including Income Tax	9.18%	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	\$8,040	

Ridge Creek Water Company, LLC
Informal Rate Case
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Test Year Ending 12-31-2016
Rate of Return Including Income Tax - Water

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	5.81%	$(1 - (B2 \times .5)) \times A1$
2 Federal Income Tax Rate Statutory / Effective	15.00% (1) & (2)	14.13%	$(1 - B1) \times A2$
3 Composite Effective Income Tax Rate		19.94%	$B1 + B2$
4 Equity Tax Factor		1.2490	$1 / (1 - B3)$
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		5.29%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		6.61%	$B4 \times B5$
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		2.57%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		9.18%	$B6 + B7$

To Rate Base Schedule

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

N

Equity Income Required \$5,455
& Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$5,455	\$818
\$50,001	\$75,000	25.00%	\$0	\$0
\$75,001	\$100,000	34.00%	\$0	\$0
\$100,001	\$335,000	39.00%	\$0	\$0
\$335,001	\$9,999,999,999	34.00%	\$0	\$0
			\$5,455	\$818
			Consolidated Tax Rate:	15.00%
			Average Tax Rate:	

Ridge Creek Water Company, LLC
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Test Year Ending 12-31-2016
Capital Structure Schedule - Water

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$27,291	54.74%	9.67%	5.293%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$22,565	45.26%	5.67%	2.566%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	<u>\$49,856</u>	<u>100.00%</u>		<u>7.859%</u>

To PreTax Return Rate Schedule

Note: column C: is 6 positions with 4 that are displayed (if not totaled correctly, due to rounding)

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Plant In Service - Water

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$0			100.00%	\$0
3	302.000	Franchises	\$0			100.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights - SSP	\$0			100.00%	\$0
7	311.000	Structures & Improvements - SSP	\$0			100.00%	\$0
8	312.000	Collection & Impounding Reservoirs	\$0	P-8	\$0	100.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
10	314.000	Wells & Springs	\$66,861			100.00%	\$66,861
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$0			100.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$66,861		\$0		\$66,861
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$0	P-15	\$0	100.00%	\$0
16	325.100	Electric Pumping Equipment	\$106,429	P-16	\$0	100.00%	\$106,429
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$106,429		\$0		\$106,429
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
23	332.000	Water Treatment Equipment	\$0			100.00%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT					
26	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0			100.00%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$0			100.00%	\$0
29	344.000	Fire Mains	\$0			100.00%	\$0
30	345.000	Services	\$0	P-30	\$0	100.00%	\$0
31	343.000	Transmission & Distribution Mains	\$0	P-31	\$55,620	100.00%	\$55,620
32	346.000	Meters- Bronze Chamber	\$0	P-32	\$0	100.00%	\$0
33	346.000	Meters- Plastic Chamber	\$20,400			100.00%	\$20,400
34	347.000	Meter Installations- Bronze	\$0			100.00%	\$0
35	347.000	Meter Installations- Plastic	\$30,600			100.00%	\$30,600
36	348.000	Hydrants	\$0	P-36	\$0	100.00%	\$0
37		TOTAL TRANS. & DISTRIBUTION PLANT	\$51,000		\$55,620		\$106,620
38		GENERAL PLANT					
39	370.000	Land & Land Rights-GP	\$0			100.00%	\$0
40	371.000	Structures & Improvements - GP	\$0			100.00%	\$0
41	372.000	Office Furniture & Equipment	\$0			100.00%	\$0
42	372.100	Office Computer Equipment	\$0			100.00%	\$0
43	379.000	Other General Equipment 1	\$0			100.00%	\$0
44	373.000	Transportation Equipment	\$0			100.00%	\$0
45	395.000	Laboratory Equipment	\$0			100.00%	\$0
46	396.000	Power Operated Equipment	\$0			100.00%	\$0
47		TOTAL GENERAL PLANT	\$0		\$0		\$0
48		TOTAL PLANT IN SERVICE	\$224,290		\$55,620		\$279,910

To Rate Base & Depreciation Schedules

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Schedule of Adjustments for Plant in Service - Water

<u>A</u> Plant Adjustment Number	<u>B</u> Plant In Service Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
P-8	Collection & Impounding Reservoirs	312.000		\$0
	Description		\$0	
P-15	Structures & Improvements - PP	321.000		\$0
	Description		\$0	
P-16	Electric Pumping Equipment	325.100		\$0
	Description		\$0	
P-30	Services	345.000		\$0
	Description		\$0	
P-31	Transmission & Distribution Mains	343.000		\$55,620
	1. To capitalize Dave Kriebiel Engineering Fees for Mapping and assisting the Company in the Resolution of MDNR Violations. (Harrison)		\$55,620	
P-32	Meters- Bronze Chamber	346.000		\$0
	Description		\$0	
P-36	Hydrants	348.000		\$0
	Description		\$0	
Total Plant Adjustments				<u>\$55,620</u>

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Depreciation Expense - Water

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2	301.000	Organization	\$0	0.00%	\$0
3	302.000	Franchises	\$0	0.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$0		\$0
5		SOURCE OF SUPPLY PLANT			
6	310.000	Land & Land Rights - SSP	\$0	0.00%	\$0
7	311.000	Structures & Improvements - SSP	\$0	2.50%	\$0
8	312.000	Collection & Impounding Reservoirs	\$0	0.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0	0.00%	\$0
10	314.000	Wells & Springs	\$66,861	2.00%	\$1,337
11	315.000	Infiltration Galleries & Tunnels	\$0	0.00%	\$0
12	316.000	Supply Mains	\$0	0.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$66,861		\$1,337
14		PUMPING PLANT			
15	321.000	Structures & Improvements - PP	\$0	2.50%	\$0
16	325.100	Electric Pumping Equipment	\$106,429	10.00%	\$10,643
17	326.000	Diesel Pumping Equipment	\$0	0.00%	\$0
18	328.000	Other Pumping Equipment	\$0	0.00%	\$0
19		TOTAL PUMPING PLANT	\$106,429		\$10,643
20		WATER TREATMENT PLANT			
21	330.000	Land & Land Rights-WTP	\$0	0.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0	2.50%	\$0
23	332.000	Water Treatment Equipment	\$0	2.90%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT			
26	340.000	Land & Land Rights-T&D	\$0	0.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0	2.50%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$0	2.50%	\$0
29	344.000	Fire Mains	\$0	0.00%	\$0
30	345.000	Services	\$0	2.50%	\$0
31	343.000	Transmission & Distribution Mains	\$55,620	2.00%	\$1,112
32	346.000	Meters- Bronze Chamber	\$0	2.50%	\$0
33	346.000	Meters- Plastic Chamber	\$20,400	10.00%	\$2,040
34	347.000	Meter Installations- Bronze	\$0	0.00%	\$0
35	347.000	Meter Installations- Plastic	\$30,600	2.50%	\$765
36	348.000	Hydrants	\$0	2.00%	\$0
37		TOTAL TRANS. & DISTRIBUTION PLANT	\$106,620		\$3,917
38		GENERAL PLANT			
39	370.000	Land & Land Rights-GP	\$0	0.00%	\$0

Ridge Creek Water Company, LLC
 Informal Rate Case
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 Depreciation Expense - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	
Line Number	Account Number	Plant Account Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense
40	371.000	Structures & Improvements - GP	\$0	2.50%	\$0
41	372.000	Office Furniture & Equipment	\$0	5.00%	\$0
42	372.100	Office Computer Equipment	\$0	14.30%	\$0
43	379.000	Other General Equipment 1	\$0	10.00%	\$0
44	373.000	Transportation Equipment	\$0	13.00%	\$0
45	395.000	Laboratory Equipment	\$0	5.00%	\$0
46	396.000	Power Operated Equipment	\$0	14.30%	\$0
47		TOTAL GENERAL PLANT	\$0		\$0
48		Total Depreciation	\$279,910		\$15,897

Ridge Creek Water Company, LLC
Informal Rate Case
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Test Year Ending 12-31-2016
Accumulated Depreciation Reserve - Water

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$0			100.00%	\$0
3	302.000	Franchises	\$0			100.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights - SSP	\$0			100.00%	\$0
7	311.000	Structures & Improvements - SSP	\$0			100.00%	\$0
8	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
10	314.000	Wells & Springs	\$10,676	R-10	\$1,616	100.00%	\$12,292
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$0			100.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$10,676		\$1,616		\$12,292
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$0			100.00%	\$0
16	325.100	Electric Pumping Equipment	\$80,976	R-16	\$12,860	100.00%	\$93,836
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$80,976		\$12,860		\$93,836
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
23	332.000	Water Treatment Equipment	\$0			100.00%	\$0
24		TOTAL WATER TREATMENT PLANT	\$0		\$0		\$0
25		TRANSMISSION & DISTRIBUTION PLANT					
26	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
27	341.000	Structures & Improvements - T&D	\$0			100.00%	\$0
28	342.000	Distribution Reservoirs & Standpipes	\$0			100.00%	\$0
29	344.000	Fire Mains	\$0			100.00%	\$0
30	345.000	Services	\$0			100.00%	\$0
31	343.000	Transmission & Distribution Mains	\$0			100.00%	\$0
32	346.000	Meters- Bronze Chamber	\$0			100.00%	\$0
33	346.000	Meters- Plastic Chamber	\$3,570	R-33	\$2,465	100.00%	\$6,035
34	347.000	Meter Installations- Bronze	\$0			100.00%	\$0
35	347.000	Meter Installations- Plastic	\$1,339	R-35	\$924	100.00%	\$2,263
36	348.000	Hydrants	\$0			100.00%	\$0
37		TOTAL TRANS. & DISTRIBUTION PLANT	\$4,909		\$3,389		\$8,298
38		GENERAL PLANT					
39	370.000	Land & Land Rights-GP	\$0			100.00%	\$0
40	371.000	Structures & Improvements - GP	\$0			100.00%	\$0
41	372.000	Office Furniture & Equipment	\$0			100.00%	\$0
42	372.100	Office Computer Equipment	\$0			100.00%	\$0
43	379.000	Other General Equipment 1	\$0			100.00%	\$0
44	373.000	Transportation Equipment	\$0			100.00%	\$0
45	395.000	Laboratory Equipment	\$0			100.00%	\$0
46	396.000	Power Operated Equipment	\$0			100.00%	\$0
47		TOTAL GENERAL PLANT	\$0		\$0		\$0
48		TOTAL DEPRECIATION RESERVE	\$96,561		\$17,865		\$114,426

To Rate Base Schedule

Ridge Creek Water Company, LLC
 Informal Rate Case
 Case Number WR-2017-0042
 Test Year Ending 12-31-2016
 Schedule of Adjustments for Accumulated Depreciation Reserve - Water

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
R-10	Wells & Springs	314.000		\$1,616
	To Update Depreciation Reserve through Dec 31, 2016		\$1,616	
R-16	Electric Pumping Equipment	325.100		\$12,860
	To Update Depreciation Reserve through Dec 31, 2016		\$12,860	
R-33	Meters- Plastic Chamber	346.000		\$2,465
	To Update Depreciation Reserve through Dec 31, 2016		\$2,465	
R-35	Meter Installations- Plastic	347.000		\$924
	To Update Depreciation Reserve through Dec 31, 2016		\$924	
Total Reserve Adjustments				<u><u>\$17,865</u></u>

Ridge Creek Water Company, LLC
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 Test Year Ending 12-31-2016
 Revenue Schedule - Water

	A	B	C	D	E	F	G
Line Number	Account Number (Optional)	Revenue Description	Company/ Test Year Amount	Adjustment Number	Jurisdictional Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$0	Rev-2	\$65,118	100.00%	\$65,118
Rev-3		Miscellaneous Revenues	\$0	Rev-3	\$0	100.00%	\$0
Rev-4		TOTAL ANNUALIZED REVENUES	\$0		\$65,118		\$65,118

Ridge Creek Water Company, LLC
 Informal Rate Case
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 Test Year Ending 12-31-2016
 Revenue Adjustment Schedule - Water

<u>A</u> Revenue Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
Rev-2	Annualized Rate Revenues			\$65,118
	1. To Annualize Rate Revenues		\$65,118	
Rev-3	Miscellaneous Revenues			\$0
	1. To Annualize Miscellaneous Revenues		\$0	
Total Revenue Adjustments				<u>\$65,118</u>

Ridge Creek Water Company, LLC
Informal Rate Case
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Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential Full-Time Customers		Residential Part-Time Customers	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	138		0	
3	Bills Per Year	12		0	
4	Customer Bills Per year	1,656		0	
5	Current Customer Charge	<u>\$14.27</u>		<u>\$0.00</u>	
6	Annualized Customer Charge Revenues		\$23,631		\$0
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	11,955,863		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	11,955,863		0	
11	Block 1, Commodity Gallons per Block	11,955,863		0	
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>		<u>0</u>	
13	Block 1, Commodity Billing Units	11,955.86		0.00	
14	Block 1, Existing Commodity Charge	<u>\$3.47</u>		<u>\$0.00</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$41,487		\$0
16	Total Annualized Water Rate Revenues		<u>\$65,118</u>		<u>\$0</u>

Commodity Billing Units are based on the number of commodity gallons applicable to each block, divided by the tariff usage rate gallons (e.g. for tariff rate of \$2.50 per 1,000 gallons of usage, the commodity gallons for that rate would be divided by 1,000 to arrive at the number of commodity billing units.

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Rate Revenue Feeder Schedule - Water

Line Number	A Description	Total	
		F Amount	G Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	138	
3	Bills Per Year		
4	Customer Bills Per year	1,656	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$23,631
7	<u>Commodity Charge Revenues:</u>		
8	Total Gallons Sold	11,955,863	
9	Less: Base Gallons Included In Customer Charge	0	
10	Commodity Gallons	11,955,863	
11	Block 1, Commodity Gallons per Block		
12	Block 1, Number of Commodity Gallons per Unit		
13	Block 1, Commodity Billing Units		
14	Block 1, Existing Commodity Charge		
15	Block 1, Annualized Commodity Charge Rev.		\$41,487
16	Total Annualized Water Rate Revenues		<u>\$65,118</u>

Commodity Billing Units are based on the number of commodity gallons applicable to each block, divided by the tariff usage rate gallons (e.g. for tariff rate of \$2.50 per 1,000 gallons of usage, the commodity gallons for that rate would be divided by 1,000 to arrive at the number of commodity billing units.

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Miscellaneous Revenues Feeder - Water

<u>A</u>		<u>B</u>
Line Number	Description	Amount
1	Late Charge Fees	\$0
2	Description of Miscellaneous Revenue Item2	<u>\$0</u>
3	Total Miscellaneous Revenues	<u><u>\$0</u></u>

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Expense Schedule - Water

A	B	C	D	E	F	G
Line Number	Account Number (Optional) Expense Description	Company/ Test Year Amount	Adjustment Number	Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
1	OPERATIONS EXPENSES					
2	Receiver Fees	\$0	W-2	\$12,000	100.00%	\$12,000
3	Operators Salary/Services	\$7,392	W-3	\$46,608	100.00%	\$54,000
4	Electricity-(Pumping)	\$10,876	W-4	\$653	100.00%	\$11,529
5	Water Testing (DNR)	\$200			100.00%	\$200
6	TOTAL OPERATIONS EXPENSE	\$18,468		\$59,261		\$77,729
7	MAINTENANCE EXPENSES					
8	Maintenance & Repairs	\$1,200	W-8	-\$1,200	100.00%	\$0
9	TOTAL MAINTENANCE EXPENSE	\$1,200		-\$1,200		\$0
10	CUSTOMER ACCOUNT EXPENSE					
11	Billing and Collection	\$2,191	W-11	\$3,209	100.00%	\$5,400
12	Meter Reading Expense	\$2,097	W-12	-\$2,097	100.00%	\$0
13	Office Supplies	\$1,267	W-13	-\$1,267	100.00%	\$0
14	TOTAL CUSTOMER ACCOUNT EXPENSE	\$5,555		-\$155		\$5,400
15	ADMINISTRATIVE & GENERAL EXPENSES					
16	Property & Liability Insurance	\$0			100.00%	\$0
17	Rate Case Expenses (Legal) (Engineering)	\$0	W-17	\$1,785	100.00%	\$1,785
18	Engineering Expense	\$0	W-18	\$1,860	100.00%	\$1,860
19	Phone Expense	\$0			100.00%	\$0
20	Rent Expense	\$0			100.00%	\$0
21	Banking & Fees	\$0	W-21	\$3,600	100.00%	\$3,600
22	Customer Service/Website	\$0	W-22	\$12,600	100.00%	\$12,600
23	Tax Preparation Expense	\$200	W-23	\$200	100.00%	\$400
24	TOTAL ADMINISTRATIVE AND GENERAL	\$200		\$20,045		\$20,245
25	OTHER OPERATING EXPENSES					
26	PSC Assessment	\$386	W-26	\$202	100.00%	\$588
27	Licenses and Permit Fees	\$24			100.00%	\$24
28	Secretary of State Registration Fees	\$20			100.00%	\$20
29	CIAC Depreciation Expense Offset	-\$11,188			100.00%	-\$11,188
30	Depreciation	\$0	W-30	\$15,897	100.00%	\$15,897
31	TOTAL OTHER OPERATING EXPENSES	-\$10,758		\$16,099		\$5,341
32	TAXES OTHER THAN INCOME					
33	Real & Personal Property Taxes	\$1,215	W-33	\$73	100.00%	\$1,288
34	TOTAL TAXES OTHER THAN INCOME	\$1,215		\$73		\$1,288
35	TOTAL OPERATING EXPENSES	\$15,880		\$94,123		\$110,003

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
W-2	Receiver Fees			\$12,000
	To include Receiver Fees. (Harrison)		\$12,000	
W-3	Operators Salary/Services			\$46,608
	To annualize certified operator expense. (Harrison)		\$46,608	
W-4	Electricity-(Pumping)			\$653
	To annualize electric expense. (Harrison)		\$653	
W-8	Maintenance & Repairs			-\$1,200
	To remove maintenance & repairs expense (included in Operator's Salary/Services.		-\$1,200	
W-11	Billing and Collection			\$3,209
	To annualize billing & collection. (Harrison)		\$3,209	
W-12	Meter Reading Expense			-\$2,097
	To annualize meter reading expense. (Harrison)		-\$2,097	
W-13	Office Supplies			-\$1,267
	To annualize office supply expense. (Harrison)		-\$1,267	
W-17	Rate Case Expenses (Legal) (Engineering)			\$1,785
	1. To normalize rate case expense (legal) over a 5- year period based upon Staff's expectation of the ongoing annual level of this expense. (Harrison)		\$1,763	

Ridge Creek Water Company, LLC
Informal Rate Case
Case Number WR-2017-0042
Test Year Ending 12-31-2016
Expense Adjustment Schedule - Water

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
	2. To normalize rate case expense (engineering) over a 5-year period based upon Staff's expectation of the ongoing annual level of this expense. (Harrison)		\$22	
W-18	Engineering Expense			\$1,860
	To include a three-year amortized amount for Engineering expenses. (Harrison)		\$1,860	
W-21	Banking & Fees			\$3,600
	To annualize banking fees per contract.		\$3,600	
W-22	Customer Service/Website			\$12,600
	To annualize Website/Customer Service expense.		\$12,600	
W-23	Tax Preparation Expense			\$200
	To include a normalized amount for tax preparation expense based upon Staff's expectation of the ongoing annual level of this expense. (Harrison)		\$200	
W-26	PSC Assessment			\$202
	To include FY 2017 PSC assessment. (Harrison)		\$202	
W-30	Depreciation			\$15,897
	1. To Annualize Depreciation		\$15,897	
W-33	Real & Personal Property Taxes			\$73
	To include CY 2016 property taxes. (Harrison)		\$73	
Total Expense Adjustments				<u>\$94,123</u>

Disposition Agreement Attachment D

Example Tariff Sheets

Name of Utility: Ridge Creek Water Company, LLC

Service Area: The Ridge Creek Subdivision and adjoining areas in unincorporated Pulaski County, MO

Rules and Regulations Governing Rendering of Water Service

Schedule of Service Charges

The following miscellaneous charges apply as authorized and described elsewhere in Company's filed Rules and Regulations.

SERVICE ACTIVATION FEE..... \$ 25.00

TURN ON or TURN OFF.....\$15.00

Trip charge for discontinuance, restoration, termination or emergency that is customer responsibility
Mon – Sat 8:00am – 5:00pm except holidays

AFTER HOURS TURN ON/OFF..... \$30.00

Trip charge for discontinuance, restoration, termination or emergency that is customer responsibility after regular hours, weekends and holidays

NEW SERVICE CONNECTION INSPECTION CHARGE\$50.00

METER TESTING

The cost to each Customer for a meter test requested by said Customer in accordance with Rule 12 shall be \$25.00.

DELINQUENT CHARGE:.....\$5 or 3%

Bills for customers will be due on or before twenty-one (21) days after the date thereof. The late charge is calculated monthly with the greater amount above being added to the delinquent bill in accordance with Rule 10 G.

RETURNED CHECK CHARGE:

A returned check charge of twenty-five (\$25.00) per check will be paid on all checks returned from the bank for any reason.

* Indicates new rate or text

+ Indicates change

Issue Date: _____
Month /Day/Year

Effective Date: _____
Month /Day/Year

ISSUED BY _____
Name and Title of Issuing Officer Mailing Address

Disposition Agreement Attachment E

Bill Comparison Worksheet

Ridge Creek Water Company LLC

Residential Customer Bill Comparison-Water

Rates for 5/8" Meter

Customer	Current Base Customer Charge	Proposed Base Customer Charge	Current Usage Rate	Proposed Usage Rate
Full time monthly	\$ 14.27	\$ 33.02	\$ 3.47	\$ 5.30
Full Time Quarterly	\$ -	\$ -	\$ 3.47	\$ 5.30

current service charge is monthly charge

usage rate is per 1,000 gallons used

MONTHLY BILL COMPARISON

Full Time average 3,000 gallons/month usage.

Monthly Billing

Current Rates

Customer Charge	\$ 14.27
Usage Charge	\$ 10.41
Total Bill	\$ 24.68

Proposed Rates

Customer Charge	\$ 33.02
Usage Charge	\$ 15.90
Total Bill	\$ 48.92

INCREASES

Customer Charge

\$ Increase	\$18.75
% Increase	131.36%

Usage Charge

\$ Increase	\$5.49
% Increase	52.75%

Total Bill

\$ Increase	\$24.24
% Increase	98.20%

Disposition Agreement Attachment F

CMAU Report

REPORT OF CUSTOMER SERVICE AND BUSINESS OPERATIONS REVIEW

Consumer and Management Analysis Unit

Case No. WR-2017-0042

Ridge Creek Water Company, LLC

Debbie Bernsen and Mark Kiesling

The Consumer and Management Analysis Unit (CMAU) staff of the Missouri Public Service Commission (“Commission”) initiated an informal review of the customer service and business processes, procedures, and practices of Ridge Creek Water Company, LLC (“RCWC”) in Waynesville, Missouri. The review was performed in response to Ridge Creek Water Company’s request for a rate increase in Case No. WR-2017-0042, filed November 14, 2016. Ridge Creek Water Company is requesting an increase of \$15,500 in its annual water system operating revenues, which represents an increase of approximately 29% to Ridge Creek Waters annual water operating revenues.

The CMAU staff examined RCWC’s tariffs, Commission complaint and inquiry records, as well as other documentation related to RCWC’s customer service and business operations. In preparation of this report, the CMAU staff submitted data requests to RCWC on December 8, 2016, and conducted an on-site interview with RCWC personnel on December 29, 2016.

At the time of the initial preparation of this report, customer service functions such as meter reading, billing, payment remittance, and the handling of customer inquiries for the Company were being performed by a contract employee of RCWC. A Petition for Interim Receiver for RCWC was filed by Staff on March 14, 2017 and on May 3rd, 2017, the Commission issued an Order in Case No.WO-2017-0236 appointing a receiver. At this time, Mr. Terry Jarrett has been appointed the interim receiver for RCWC. Mr. Jarrett has indicated that he intends to contract-out the meter reading, billing, payment remittance, credit and collection functions and handling of customer inquiries for the Company.

The CMAU staff's review of RCWC resulted in the following three recommendations for RCWC management:

THE CMAU STAFF RECOMMENDS THAT RCWC MANAGEMENT:

1. Develop and utilize a log that all customer complaints received by Company personnel are documented and maintained for at least two (2) years, as required by Commission Rule 4 CSR 240-13.040(5). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0042.
2. Develop and utilize time sheets for all employees to record the time associated with Company work activity. This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0042.
3. Develop and execute a written contract for all services performed for the Company. The Company should complete implementation actions and be in compliance with this recommendation within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0042.

The purpose of the CMAU is to promote and encourage efficient and effective utility management decisions. This purpose contributes to the Commission's overall mission to ensure that Missourians receive safe and reliable utility service at just, reasonable and affordable rates. CMAU staff has previously performed a customer service review in Case No.WA-2015-0182.

The objectives of this review were to analyze and document the management control processes, procedures, and practices used by Ridge Creek Water Company to ensure that its customers' service needs are met and to make recommendations, where appropriate, by which RCWC may improve the quality of services provided to its customers. The findings of this review will also provide the Commission with information regarding RCWC's customer service and business operations.

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

- Meter Reading
- Customer Billing
- Payment Remittance
- Credit and Collections
- Complaints and Inquiries
- Customer Communication

Overview

Ridge Creek Development L.L.C. owns, and Ridge Creek Water Company, LLC operates a water system that serves approximately 138 customers in Waynesville, Missouri. RCWC has an office located at 18499 Highway 133, Dixon, Missouri. Mike and Denise Stoner own both Ridge Creek Development L.L.C. and Ridge Creek Water Company LLC. Ridge Creek Water Company currently employs two part-time employees. However, RCWC does not have written job descriptions for these employee positions. One of these part-time employees is responsible for field operations, such as meter reading, system maintenance, work orders, and water repairs. The other part-time employee handles all of the billing and payment remittance for Ridge Creek Water Company.

Ridge Creek Water Company provides customers with the phone numbers of the two part-time employees and Denise Stoner to contact regarding any service calls or emergency situations.

Meter Reading

RCWC renders a bill to customers on a monthly basis with a customer charge and usage based upon monthly meter reads. There is one part-time employee who performs meter reads. Ridge Creek Water Company attempts to begin reading meters around the 22nd of each month. Meter readings are manually recorded on a meter reading worksheet that includes the last reading and a space to enter the new reading. Meter reads are turned into the part-time billing employee and are then entered into the billing system. Ridge Creek Water Company indicated to CMAU staff that if there are any abnormal meter readings, their meter reader will do re-checks if necessary.

Customer Billing

Ridge Creek Water Company's employee who is responsible for billing and payment remittance enters the meter readings to generate the monthly bills. Bills are reviewed to discover possible reading errors and questionable reads may dictate an additional trip to check the meter reading. Company personal represented that bills are printed and mailed on or around the 27th of the month. Bills are due by the 21st of the following month.

Payment Remittance

Customers may pay their bills by sending their payments through the mail or by utilizing the Company drop box. Ridge Creek Water Company indicates it checks the drop box multiple times a day. Customers are able to make payments by cash or check. Payments are normally posted to the customers' accounts on the day payments are received.

Credit and Collections

Ridge Creek Water Company collects a written application from each new customer. Ridge Creek Water Company does not collect customer deposits from its customers. Ridge Creek Water Company's tariff allows for a late fee charge of \$25.00 for a past due balance. Currently, RCWC accepts payments of cash or check to avoid service discontinuance. RCWC's tariff allows for a returned check charge of \$25.00 per check.

Ridge Creek Water Company indicated that after meter reads are entered into the billing system, bills are printed and mailed on the 27th of the month (or the next business day). The bills are due on the 21st of the following month. If no payment is received, a late fee will be assessed on the next billing statement. If the bill is not paid by the time of the next month's bill, the customer will be sent a 10-day disconnect notice. If payment is not received by the date on the delinquent notice, Ridge Creek Water Company will try to contact the customer via phone to notify them that their water service is going to be discontinued. If Ridge Creek Water Company cannot contact the customer, their service is discontinued. The Company does not use an outside collection agency to collect bad debts. Unpaid accounts for customers no longer in possession of the property are written off as bad debt.

Complaints and Inquiries

Customers may call Ridge Creek Water Company with any inquiries or complaints. The Company currently does not utilize a customer complaint and inquiry log. Most contacts begin with a phone call. Calls are generally answered by RCWC personnel who can access their billing history and attempt to resolve a customer's inquiry. The Commission's Electronic Filing Information System (EFIS) received no customer complaints in 2016, however there are three customer complaints for the period of January through April 2017.

Customer Communication

RCWC has a written informational brochure. Brochures are available to customers at the office and new customers receive one when applying for service. If necessary, RCWC is able to provide messages to customers on their monthly billing statements.

Findings, Conclusions, and Recommendations

The following discussion presents a summary of the findings, conclusions, and recommendations pertaining to RCWC's customer service operations. The information presented in this section focuses on the following issues that require RCWC management's attention:

- Customer Complaint/Inquiry Log
- Employee Time Sheets
- Company/Outside Contracts

Customer Complaint/Inquiry Log

The Company does not maintain documentation of complaints received by the Company from customers, which is a violation of Commission Rule 4 CSR 240-13.040(5) which states:

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

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

The lack of a comprehensive complaint log or logging inquiries on work order forms within customer files makes it difficult for Company management to evaluate the reasons for customer contacts and to determine if any measures could be taken to improve customer satisfaction.

THE CMAU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and utilize a log that all customer complaints received by Company personnel are documented and maintained for at least two (2) years, as required by Commission Rule 4 CSR 240-13.040(5). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0042.

Time Sheets

Time records associated with Company work activity are not kept by all Company employees. Time records are only kept by the two part-time Company employees. The lack of actual time records inhibits Company management's ability to support the need for specific resources to operate the water company.

Maintaining accurate time records can serve and support several managerial and regulatory purposes, such as planning, budgeting, verification, and human resources. The following examples highlight the benefits of maintaining accurate time sheets:

- Time records assist in tracking the amount of time employees expend on all projects.
- Time sheets create a record, serving as visual feedback of the work and projects that have been accomplished.
- Data contained in the time records should be linked to accounting records and provide the necessary support for financial reporting and allocation of costs. Employee time records are useful in the regulatory process to support the pay and benefits that regulated utilities will receive in customer rates.

THE CMAU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and utilize time sheets for all employees to record the time associated with Company work activity. This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No.WR-2017-0042.

Outside Contracts

The lack of written contracts with various parties performing services such as meter reading and billing raise the possibility of a misunderstanding regarding the services that are provided and the basis of charges for such services. Written contracts would document the responsibilities of the entities performing the services and enable Company management to verify the legitimacy of charges incurred and the duties that are performed.

THE CMAU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Develop and execute a written contract for all services performed for the Company. The Company should complete implementation actions and be in compliance with this recommendation within ninety (90) days of the effective date of the Commission order that resolves Case No.WR-2017-0042.

Implementation Review

The CMAU staff will conduct a review of RCWC's progress regarding the implementation of the three recommendations made in this report.

Disposition Agreement Attachment G

Water and Sewer Department Report

REPORT OF WATER AND SEWER DEPARTMENT FIELD OPERATIONS AND TARIFF REVIEW

**Case No. WR-2017-0042
Ridge Creek Water Company
Jonathan Dallas / Curt Gateley**

Introduction

Ridge Creek Water Company, LLC (Company) was granted a Certificate of Convenience and Necessity (CCN) from the Public Service Commission (Commission) on September 12, 2015 as a result of case WA-2015-0182. WA-2015-0182 resulted from the Company agreeing to file for its CCN as a result of WC-2015-0011, which was a Staff Complaint against Ridge Creek Development, L.L.C., for operating a public utility without authority from the Commission. The Company's tariff became effective on October 22, 2015. Mr. Terry Jarret (Receiver) of Healy Law Offices, LLC was appointed interim Receiver over the Company in case WO-2017-0236 which became effective May 3, 2017.

The Company serves an unincorporated portion of Pulaski County, Missouri, just north of the Cities of Waynesville and St. Robert, generally referred to as the Ridge Creek Subdivision or Ridge Creek. Staff estimates there to be approximately 138 residential customers that are served by 22 wells. Each well serves approximately from two to fourteen homes. This water system is not a typical system due to the former owners Ridge Creek Development L.L.C. constructing the water system to avoid Missouri Department of Natural Resources (MDNR) regulation as a public drinking water system. The Company is now considered a public drinking water system by MDNR and falls under their regulation.

Water System

As stated above, the water system consists of 22 wells, each serving approximately two to fourteen customers. Unfortunately, the Company indicates it does not have record of which well serves which customer, or how many customers are connected to a particular well. A normal water system of this size typically has one or two wells with storage that serves its customers with water mains that are all connected throughout its distribution system. At Ridge Creek the Company reports that none of the wells are interconnected with mains. Staff believes, based on its observations from site visits, that each well has a small diameter main of approximately an inch and a half to which individual house's service lines are connected. Some houses appear to be connected to wells via these small mains. But based on information collected by Staff, some homes may be connected directly to a well. All of the service connections are metered. The Company has had multiple leaks due to meters being buried too shallow, which causes them to freeze and break in the cold winter months. The Company does not have a good grasp on where water mains or service connections are located or even which home is connected to which well. The Company does not have a map of any mains or service connections. This lack of information has caused difficulties in the past with finding and repairing leaks.

MDNR has classified Ridge Creek water system as needing a certified operator with a DS-II license. The Company has not had a certified operator since April 1, 2016, according to MDNR. Also according to DNR, the Company has also failed to submit its monthly monitoring samples

since March of 2016. This is cause for great concern because without regular monitoring and testing, it is unknown whether the water consumed by customers is bacteriologically contaminated, or safe to drink. Well 7, located at 19200 Laney Lane, has already tested positive for E-coli and was placed under a boil order in March of 2016 by MDNR. This boil order will not be lifted until chlorination is installed to disinfect the water. Therefore as of the time of drafting of this report, the customers served by Well 7 have been under a boil order for 13 months due to the Company's failure to install chlorination treatment on the well. The interim receiver for Ridge Creek signed a contract on May 4, 2017 with Central States Water Resources, Inc. (CSWR) for CSWR to provide the day to day operations of Ridge Creek. This contract includes the services of a certified operator and routine sampling as required by MDNR.

In the CCN case (WA-2015-0182), the Company agreed to install master meters on each well within 12 months of the effective date of the Commission's Order Approving Non-unanimous Stipulation and Agreement.¹ The Company has not installed any master meters at this time. Master meters provide valuable data to the operator and Company. Comparing master meter readings to the sum of the customers' meter readings served by that well can help identify if there is a leak on the water main or service lines. Unknown leaks could cost the Company and customers money due to water being pumped and lost. Leaks also pose a safety concern because bacteria could enter the water and cause illness. Staff understands that with a newly appointed Receiver installing master meters could be costly at this time. When funding is available the Receiver should install master meters and began recording how many gallons of water is pumped every month and compare it to how many gallons are sold.

At this time the Company does not own any of the wells. Ownership of the wells, easements, and access will be resolved through the receivership.

Tariff Review

Staff routinely works with utilities to update water and/or sewer tariffs of the individual companies using a generic tariff that is modified for specific operations of the individual companies as they file rate cases with the Commission. Because original tariff for this company became effective in October 2015, little change is necessary. The excessively high late fees will need to be addressed, and rate schedules will be revised with updated rates.

Rate Design

Staff also reviewed the Company's current rate design in its investigation. The current rate structure consists of a monthly service and a commodity charge. Staff proposes to maintain the same rate structure, updated based on the results of the new cost-of-service studies performed as part of this rate case. The existing tariff also contains a flat rate for customers who previously did not have a meter installed. Since all customers now have meters, Staff proposes to remove this flat rate from the tariff.

¹ Case No. WA-2015-0182, EFIS Item 39, *Order Approving Stipulation and Agreement*, p. 5; Attachment A, ¶ 8.

Requirements

1. The Receiver shall, within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0042, install temporary chlorination on Well 7.
2. The Receiver shall, within eighteen (18) months of the effective date of the Commission order that resolves Case No. WR-2017-0042, have completed construction and placed into operation permanent chlorination at Well 7.
3. The Receiver shall install chlorination on wells as required by MDNR.
4. The Receiver shall, within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0042, determine which homes are served by which well and provide this documentation to the manager or the Water and Sewer Department.
5. The Receiver shall, within one hundred twenty (120) days of the effective date of the Commission order that resolves Case No. WR-2017-0042, install master meters on all wells as required in the CCN Stipulation.
6. The current PSC MO No 1 Original Sheets 4 and 5 in the tariff will be canceled and replaced by First Revised Sheets 4 and 5.

Disposition Agreement Attachment H

Summary of Case Events

Ridge Creek Water Company, Inc.
Case # WR-2017-0042
Summary of Case Events

Date Filed:	November 14, 2016
Day 150:	June 12, 2017
Extension?	Yes
If yes, why?	Receiver appointed
Amount Requested:	\$15,500
Amount Agreed Upon:	\$52,925
Item(s) Driving Rate Increase:	Expenses associated with maintenance, contract operator, and Receiver.
Number of Customers:	138
Return on Equity:	9.67%
Assessment Current:	Yes
Annual Reports Filed:	Yes
Other Open Cases before Commission:	Yes, WC-2017-0200 (Staff has filed a <i>Motion to Dismiss</i>)
Status with Secretary of State:	Good Standing
DNR Violations:	E. coli contamination of well 7 (boil order issued), failure to sample wells, failure to have certified operator
Significant Service/Quality Issues:	Bacterial contamination of well 7 (based on DNR samples), failure to sample wells, failure to effect repairs of leaks, resolve service outages, and repair wells in a reasonable amount of time