

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

In the Matter of Stockton Hills Water        )  
Company Rate Increase                                )

**Case No. WR-2017-0139**

## **NOTICE OF AMENDED DISPOSITION AGREEMENT**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Notice of Disposition Agreement*, states the following:

1. On May 3, 2017, Staff filed a “*Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request*” (*Disposition Agreement*), memorializing a settlement reached regarding Stockton Hills Water Company, Inc.’s (Stockton or Company) request for a rate increase.

2. After the *Disposition Agreement* was filed, the Office of the Public Counsel (OPC) requested the Commission order a local public hearing (LPH). The Commission granted that request on May 15, 2017, and set the LPH for June 13, 2017.

3. On June 13, 2017, the Commission held the LPH. Staff, the Company, and OPC participated in a question and answer session scheduled prior to the meeting. After that session, OPC proposed amendments to the *Disposition Agreement*, to which the Staff and Stockton were amenable.

4. The attached *Amended Disposition Agreement*, Appendix A, provides for an increase of \$10,117 (35.6%) for the water system.<sup>1</sup> When added to the previous level of water revenues of \$28,882, the increase in water operations results in overall annual revenues of \$38,999. This agreed-to amount is less than that of the Company's original requested annual operating increase of \$45,236.

<sup>1</sup> This amount is the same as in the previous *Disposition Agreement*.

5. Included in Appendix A is a copy of the above-referenced *Amended Disposition Agreement* that reflects the Company's agreement to implement Staff's recommendations, as well as supporting documentation for the *Amended Disposition Agreement*. Additionally, Appendix A contains affidavits from Staff members that participated in the investigation of this matter.

6. While OPC has not executed the *Amended Disposition Agreement*, counsel for OPC has affirmatively stated within the *Amended Disposition Agreement* that OPC has no objection.<sup>2</sup> Pursuant to 4 CSR 240-2.115(2)(C), if no party timely objects to a stipulation and agreement in a case, the Commission may treat the resolving document as unanimous.

7. 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 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."

8. On June 23, 2017, pursuant to the *Amended Disposition Agreement*, Stockton filed the agreed upon, new tariff sheets, bearing an effective date not fewer than thirty days from the date of filing.

9. The Company is current on the filing of its annual report and the payment of all of its annual assessments.

**WHEREFORE,** Staff submits this *Notice of Amended Unanimous Disposition Agreement* and the attached Appendix A for the Commission's information and

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<sup>2</sup> See, Appendix A, *Amended Disposition Agreement*, p. 1 – 2.

consideration in this case and respectfully requests that the Commission enter an Order adopting the terms agreed upon by the parties and 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  
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### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was delivered to the parties and or their counsel of record by U.S. Postal Service postage prepaid, or by hand, or served electronically, on this 23<sup>rd</sup> day of June, 2017.

**/s/ Jacob T. Westen**

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

**STOCKTON HILLS WATER COMPANY, INC.**

**MO PSC FILE NO. WR-2017-0139**

**BACKGROUND**

Stockton Hills Water Company, Inc. ("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 \$45,236 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 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, 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.

Public Counsel requested a local public hearing in this case, which was held on June 13, 2017. At the hearing, no customers offered testimony. However during the informational question and answer session held beforehand, multiple customers raised questions regarding certain aspects of the water utility's operations. In order to ensure customers are informed of the

rights and responsibilities between the company and customers Public Counsel suggested certain modifications be made to the original Company/Staff disposition agreement. With the modifications contained herein, Public Counsel does not object to the terms of this Amended Disposition Agreement as a reasonable resolution of this case.

### **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 \$10,117 (35.6% increase) added to the level of previous revenues of \$28,882 results in overall annual revenues of \$38,999. 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, 2015, updated to 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 \$68,830. 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 Attachments I is the agreed upon capital structure of 100% common equity and no long-term debt, with a calculated return on equity and overall return of 8.04%;
- (5) The schedule of depreciation rates in Attachments D, 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 F, incorporated by reference herein, are just and reasonable rates that the Company will be allowed to charge its customers. The impact of these rates will be as shown in Attachment E, also incorporated by reference herein;

(7) For the purposes of implementing the agreements set out in this disposition agreement, the Company will file with the Commission, a new proposed tariff containing the rates, charges, and language set out in the example tariff sheet(s), attached as Attachment F. The proposed tariff sheets with revisions will bear an effective date of June 24, 2017;

(8) The current PSC MO Number 2 tariff will be cancelled and replaced by PSC MO Number 3, which are included in the example tariff described above;

(9) The Company agrees to implement the recommendations contained in the CMAU 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 Consumer and Management Analysis Unit:

- (a) Within thirty (30) days of the effective date of the Commission order approving this Company/Staff Disposition Agreement, the Company will begin stating clearly on each bill the date customers are subject to the late payment fee as required by 4 CSR 240-13.020(9)(B).
- (b) Within thirty (30) days of the effective date of the Commission order approving this Company/Staff Disposition Agreement, the Company will revise and distribute, to all current and future customers, written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3) including subsections (A) through (K). A copy of this document will be available to customers upon request.
- (c) Within thirty (90) days of the effective date of the Commission order approving this Company/Staff Disposition Agreement, the Company will begin storing Company documents in a locked, fireproof file cabinet.
- (d) The Company will implement its written policy regarding customer billing cycles which contains clear guidelines for when a customer is allowed to transfer between monthly and quarterly billing cycles. This is included in the company's tariff sheets.

(10) 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 keep detailed timesheets or "time-log" for all employees, including the owner, to record actual time spent on daily activities of operating the utility, in accordance with the description in the Auditing Department Report.
- (b) 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). 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 CIAC is correctly maintained including the proper accounting of service connection charges to hook up to the regulated utility infrastructure

- (c) The Company shall implement a cost allocation method for business expenses that are shared between Stockton Hills and Cassell Real Estate.
- (d) The Company will record any future insurance proceeds in manner that proceeds will be identified and accounted for as an offset (reduction) to the capital project (well). Stockton Hills should separately account for future receipts from the Insurance Company for inclusion in its books and records reducing the capital cost values in rate base.

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

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

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

(14) The Company and Staff agree that they have read the foregoing Company/Staff 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

(15) 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 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 prior to the Local Public Hearing and has included that summary as Attachment J to this Company/Staff Disposition Agreement.

The Company acknowledges that 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 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 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 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**

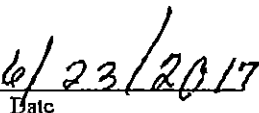
Agreement Signed and Dated:



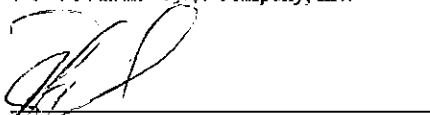
Wanda Cassell

Owner

Stockton Hills Water Company, Inc.



Date

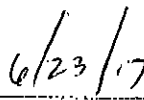


James Busch

Manager

Water & Sewer Department

Missouri Public Service Commission Staff



Date

**List of Attachments**

Attachment A - Rate-making Income Statement

Attachment B - Auditing Department Report

Attachment C - Rate Base Worksheet

Attachment D - Schedule of Depreciation Rates

Attachment E - Example Tariff

Attachment F - Billing Comparison Worksheet

Attachment G - CMAU Report

Attachment H - Water and Sewer Department Report

Attachment I - EMS

Attachment J - Summary of Events

Disposition Agreement Attachment A

Ratemaking Income Statement

**Stockton Hills Water Company, Inc.**  
**Rate Making Income Statement-Water**

**Operating Revenues at Current Rates**

1	Tariffed Rate Revenues *	\$	28,447
2	Other Operating Revenues *	\$	435
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>28,882</b>

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

**Customer Charge    Commodity**

	\$	20,873	\$	7,572
0.50	\$	218	\$	218

**Cost of Service**

Item	Amount				
5	Pumping Expenses	\$	2,134	0.00	\$ - \$ 2,134
6	Maintenance Water Lines	\$	505	0.80	\$ 404 \$ 101
7	Stand Pipe Cleaning	\$	309	0.80	\$ 247 \$ 62
8	Maintenance of Plant	\$	88	0.80	\$ 70 \$ 18
9	Billing	\$	519	0.80	\$ 415 \$ 104
10	Salaries and Wages	\$	18,886	0.50	\$ 9,443 \$ 9,443
11	Outside Services	\$	930	1.00	\$ 930 \$ -
12	Insurance	\$	920	1.00	\$ 920 \$ -
13	Transportation	\$	804	0.50	\$ 402 \$ 402
14	Rent	\$	1,800	1.00	\$ 1,800 \$ -
15	PSC Assessment	\$	521	1.00	\$ 521 \$ -
16	Continuing Education	\$	125	1.00	\$ 125 \$ -
17	<b>Sub-Total Operating Expenses</b>	<b>\$</b>	<b>27,541</b>		<b>\$ 15,278 \$ 12,263</b>
18	Property Taxes	\$	57	1.00	\$ 57
19	Income Taxes	\$	1,378	1.00	\$ 1,378 \$ -
20	<b>Sub-Total Taxes</b>	<b>\$</b>	<b>1,435</b>		<b>\$ 1,435 \$ -</b>
21	Depreciation Expense	\$	6,447	1.00	\$ 6,447 \$ -
22	CIAC	\$	(1,958)	1.00	\$ (1,958) \$ -
23	<b>Sub-Total Depreciation/Interest/Amortization</b>	<b>\$</b>	<b>4,489</b>		<b>\$ 4,489 \$ -</b>
24	Return on Equity	\$	5,534	0.90	\$ 4,981 \$ 553
25	<b>Total Cost of Service</b>	<b>\$</b>	<b>38,999</b>		<b>\$ 26,182 \$ 12,817</b>
26	<b>Cost to recover in rates</b>	<b>\$</b>	<b>38,564</b>		<b>\$ 25,965 \$ 12,599</b>
27	<b>Overall Revenue Increase Needed</b>	<b>\$</b>	<b>10,117</b>		<b>\$ 5,092 \$ 5,027</b>

Disposition Agreement Attachment B

Auditing Department Report

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

**FROM:** Wayne Hodges, Antonija Nieto, Jason Taylor, Matthew Young  
Auditing Department Staff

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

**CC:** Jacob Westen  
Staff Counsel Office

**SUBJECT:** Auditing Department's Findings  
Stockton Hills Water Company, Inc.  
Case Nos. WR-2017-0139

**DATE:** April 28, 2017

### **OVERVIEW**

On November 14, 2016 Stockton Hills Water Company ("Stockton Hills" or "Company") filed an informal rate increase request seeking an increase of \$45,236, a revenue increase of 156%. During Auditing's on-site visit in early December 2016, the Company indicated that a revised increase of more than \$65,000 would be more appropriate. The primary case driver identified by the Company for the requested increase were costs associated with replacing and retiring Stockton's water well and the costs to maintain water service during construction. The rate increase filing has received a designation of Case No. WR-2017-0139.

Stockton Hills holds a certificate of convenience and public necessity granted in March of 1972, by the Missouri Public Service Commission (the "PSC" or the "Commission") to procure and distribute water service in Cedar County, Missouri. At December 31, 2016, Stockton Hills provides water service to approximately 142 customers (Stockton's service area has the potential to serve 161 customers) under the provisions of its Commission-approved tariffs. Prior rate cases filed by the Company include WR-96-111, WR-2006-0091, and WR-2010-0202.

The Company's current customer rates for water service were set in Case No. WR-2010-0202, and were effective on September 11, 2010. The current Stockton Hills water rates are set at \$13.13 fixed monthly charge, which includes 1,000 gallons of usage, or \$39.38 quarterly fixed charge, including 3,000 gallons. Usage over the amount included in the fixed charge is billed at an additional \$3.21 per 1,000 gallons.

Stockton Hills is a family business, currently owned and operated by Ms. Wanda Cassell. Ms. Cassell also operates a real estate company, Cassell Real Estate. Both of Ms. Cassell's businesses are operated from a shared office located near Stockton Hills' service territory in Stockton, Missouri. Ms. Cassell also retains the services of several individuals, some of whom perform functions for the water company and the real estate company.

In response to Stockton Hill's rate increase request, the Auditing Department initiated an audit of the Company's books and records, issued data requests for Company specific information, reviewed Annual Reports, and had on-site discussions with the representatives of Stockton Hills and toured the facilities. Based upon the information obtained in the audit, which used the 12 months ending December 31, 2015 as the test year and was updated for known and measurable changes through December 31, 2016, Auditing calculated a revenue requirement of \$10,118, which when added to the current annualized revenues of \$29,373, produces a post-increase revenue level of \$39,491.

Staff verified that Stockton Hills is current on its annual PSC assessments paid to the Commission for fiscal year 2016 and that Stockton Hills has no outstanding amounts owed to the Commission. Stockton Hills is preparing its 2016 Annual Report to be filed with the Commission and filed its 2015 Annual Report on time. Stockton Hills 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 Jeffrey Smith of the Commission's Financial Analysis Department, calculated a return on equity and a total overall rate of return of 8.04 percent. The overall rate of return was applied to Stockton Hills' rate base to develop the recommended revenue requirement noted above.

## **RATE BASE**

### **Well Construction**

In October 2016, Stockton Hills' well failed and as a result, the Company incurred significant capital expenses in response to the failure. The related costs include attempting to repair the malfunctioning well, the installation of a new well and related components, retirement of the old well, and costs to maintain water service during construction.

Shortly after the well failed, Stockton Hills called a contractor to restore the well. The contractor suspected the underground pump needed to be replaced and began operations to extract the underground pump only to find that the well casing had collapsed and the pump was not able to be extracted.

After attempts to repair the well were not successful, Stockton Hills proceeded to construct a new well near the site of the old well. Stockton Hills contacted the Missouri Department of Natural Resources ("DNR") to obtain the necessary permissions for the construction and procured contractors to drill and install the new plant and equipment. The new well was providing water to Stockton's system in late November 2016 and passed DNR's quality standards in December 2016.

During the period of time when Stockton Hills did not have a functioning well to provide water to its customers (approximately four weeks), the Company hired a truck to haul water purchased from the municipal water company in the city of Stockton to the Company's service area.

Also, while the well was down, the Company used the lack of water as an opportunity to clean and inspect the interior of its standpipe. Stockton Hills also incurred costs related to securing (plugging) the old well in order to properly retire it.

The Company maintained property insurance and subsequent to the well replacement, filed an insurance claim for the losses related to the well failure. Initially, Stockton received \$14,747 of insurance proceeds related to its claim but procured legal counsel to pursue additional consideration. During a conference call with the Company and the Office of Public Counsel (the "Public Counsel" or the "OPC"), Staff offered to go over the case with the owner of Stockton Hills at her place of business. On April 4, 2017 members of the Audit Department met with Ms. Cassell to discuss the mechanics of the revenue requirement calculation.

During this discussion, Staff received additional documentation of a secondary insurance payout for the water hauling and other aspects of the well collapse. As a result of the additional efforts on the part of the Company, Stockton Hills received an additional insurance payment of \$23,857. The attorney's fees were \$2,000, resulting in a net receipt of \$21,857. Because the rates Stockton Hill's ratepayers pay include the cost of insurance premiums, the insurance proceeds (net of legal fees) should also be reflected in rates as an offset to the capital costs.

For the well installation, Auditing has taken all of the costs and receipts described in the paragraphs above and included them in Stockton Hill's rate base as follows:

Add: Cost to attempt repair of pump	\$4,550
Add: Cost of well construction	\$42,406
Add: Cost of water hauling	\$18,346
Add: Cost to clean and inspect standpipe	\$1,700
Add: Capitalized wages	\$4,210
Add: Cost to retire well	\$2,752
Less: Insurance proceeds net of legal fee (Note A)	(\$36,604)
<b>Investment in new well net of insurance</b>	<b>\$37,360</b>
Add: Cost of removal	\$2,752
Less: Retirements of existing well	(\$13,074)
<b>Net addition to rate base</b>	<b>\$27,038</b>

(A) Insurance Proceeds: Initial \$14,747 plus additional receipts net of attorney fees of \$21,857.

### **Rate Base**

Auditing obtained the May 31, 2010 rate base agreed to by all parties in Stockton Hill's prior rate case, Case No. WR-2010-0202. The plant, reserve, and contributions in aid of construction ("CIAC") balances were carried forward to the December 31, 2016 update period in this case and adjusted for known additions and retirements. Additions to plant include the construction of a new well, described above, the installation of a flush hydrant, and miscellaneous capital costs for meter equipment. The following table shows the current value of rate base at December 31, 2016:

Gross Plant in Service	\$170,804
Less: Accumulated Depreciation Reserve	72,350
Net Plant in Service	\$98,454
Gross Contributions in Aid of Construction	(\$51,537)
Less: Accumulated CIAC Amortization	23,130
Net CIAC	(\$28,407)
<b>Net Plant in Service net of CIAC</b>	<b>\$70,047</b>
Add: Materials and Supplies	\$902
Less: Customer Deposits	(450)
<b>Net Rate Base</b>	<b>\$70,499</b>

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 land developers during the construction of the initial water system that is ultimately contributed to the utility.

Generally, the initial utility systems in a development are constructed to make the lots within the development more attractive to potential buyers. It is assumed that the developer prices the lots for sale at a level that allows for the recovery of overhead costs, including the utility systems. In other words, the purchase price of each lot includes a component to reimburse the developer for the cost of the utility infrastructure. Since buyers pay for their share of the infrastructure through each purchase of the lots available, the cost of the infrastructure has been recovered by the utility from ratepayers in the past, therefore the utility does not have an unrecovered investment in the initial utility system. Staff accounts for the recovered infrastructure as CIAC, which is a reduction to the plant in service component of rate base.

As part of the Stipulation and Agreement in Case No. WR-2010-0202, all parties either agreed or did not oppose to implementing rates determined using a \$57,746 CIAC offset to Stockton's plant in service. In this case, the CIAC offset to plant in service is now \$51,537 to account for the retirement of contributed plant, namely the book cost of Stockton Hills' recently retired well.

## **DEPRECIATION**

During Stockton Hills' informal rate case in 2010, the Commission's Engineering and Management Services Department (EMSD), now referred to as Engineering Analysis, 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-2010-0202.

Staff member Keenan Patterson of the Engineering Analysis Unit is sponsoring Staff's recommended water depreciation rates for the purpose of setting rates in the Stockton Hills Water



Rate Case. Mr. Patterson does not recommend a change in the depreciation rates approved by the Commission in the 2010 case. 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**

Auditing examined Stockton Hill's billing log to measure and annualized the Company's revenues. The billing log showed 133 active customers at December 31, 2016 of which 84 are billed quarterly, 48 are billed monthly and 1 seasonal customer. Auditing annualized Stockton Hill's customer charge revenue based on the number of active customers at December 31, 2016 and annualized commodity revenues based on the historical usage of those active customers. For Stockton's miscellaneous revenues (late fees and reconnect fees), Auditing included the annual amounts shown in the Company's 2015 Annual Report because it is representative of Stockton's historical miscellaneous revenues.

## **SALARIES AND WAGES**

During the test year ending December 31, 2015, Ms. Wanda Cassell, the owner of Stockton Hills, had five individuals that worked on a part time basis. Staff concluded that there are two functions performed at Stockton Hills; administrative and operational functions. The administrative function comprises of billing and collecting amounts due, accounting and record keeping, and ensuring that all other financial and regulatory activities are held in compliance. Operational activities include meter reading, connections and disconnections, repairs for leaks on the system, repairs for well house pumps, sampling of water to meet the Department of Natural Resources' standards, and any construction activities or oversight of such events.

During the initial on-site visit, on December 12<sup>th</sup> and 13<sup>th</sup> of 2016, Auditing learned that the individual duties of Stockton Hills personnel include, but are not limited to;

- Ms. Wanda Cassell, the owner, helps in performing internal financial functions for the Company. She is also partially responsible for interacting with the customers, receiving telephone calls and complaints, and handling financial funding as needed. Ms. Cassell interacts with Missouri Public Service Commission, Missouri Department of Natural Resources, and any other financial or regulatory agencies as needed. In addition, Ms. Cassell performs operational functions when necessary such as periodic readings of the well's master meter and investigating possible water leaks.
- Ms. Thelma Underwood – provides billing and book/record keeping functions and serves as

a customer contact for the Company. As needed, Ms. Underwood also helps read meters, fills out paperwork, and assists with repairs and maintenance.

- Ms. Tonya Niermann – is the Company's licensed Class II Missouri operator. Stockton provided a description of her duties as a plant operator that listed gathering of water samples, reading meters, maintaining water lines, repairing water lines, recording pressure reading at the well, flushing hydrants, exercising valves, performing draw down at the well, and maintaining her certification status.
- Ms. Melinda Long serves as an assistant by interacting with customers (water customers and real estate customers) over the phone and in person.
- Mr. Carl Cassell's duties include turn-ons and shut-offs when necessary, as well as meter reading, along certain territories of the service area.
- Four other individuals performed meter reading functions as needed during the test year but did not report any meter-reading time in 2016.

During the on-site visit with Ms. Cassell, Auditing collected the time sheets kept by the employees of the Company to determine if the wages earned by Stockton's personnel were comparable to a market value of wages for similar services. To compare Stockton Hill's salary expense to the job market, Auditing obtained Occupational Employment and Wages data from Missouri Economic and Information Center online (MERIC) for the year 2015, the most recent data available. MERIC is a research division of the Missouri Department of Economic Development that provides labor market information and is commonly used by Auditing in water and sewer rate cases as a resource for developing salaries. According to MERIC webpage:

MERIC conducts a semiannual survey of businesses; survey responses are used to produce employment and wage estimates for Missouri, nine different metropolitan statistical areas (MSA) within Missouri, and four geographic regions that include Missouri counties not in MSA's.

Auditing reviewed the description of work performed for the Company, as reported on timesheets, and classified the time into appropriate job descriptions found in the MERIC database. The time submitted in each time sheet was then applied to the average MERIC wage rates (experienced) for the West Central Region to calculate a market-based cost for the services provided to Stockton Hills.

The disposition agreement approved by the Commission in Stockton Hill's prior rate case contained the following recommendation regarding timesheets:

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 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.

Although timesheets were maintained by some of Stockton's personnel, Auditing was informed during the December 2016 on-site audit that timesheets were unavailable for two of the primary individuals, the owner and the certified operator. Because timesheets were not available, Auditing originally estimated the time spent by these two individuals on utility activities. However, during the April 4, 2017 visit to the Company, Auditing was offered documentation of the owner's and operator's time. This documentation was in the form of the 2016 calendar planners of each individual.

Per discussion with Ms. Cassell, she makes regular trips to the Company's well house to get the water master meter readings. Staff obtained the Master Meter Reading printout and counted the number of readings performed in 2016. Staff determined that 60 minutes is appropriate amount of time to perform that task as well as account for other utility duties that may be required (e.g. travel to the post office). The "meter reader" MERIC experienced wage rate of \$18.55 per hour was applied to 91 hours for a total of \$1,686 to be considered as the market value of that function. Additionally, Staff applied a managerial wage rate to the utility-related hours recorded in Ms. Cassell's planner. Lastly, Staff included hours for Ms. Cassell to reflect the time required to take customer payments throughout the year.

For the certified operator, Auditing requested a description of the duties performed and the amount of time spent performing utility duties. The initial document provided by the Company in response to Staff's inquiry indicated that the operator spent 50 - 60 hours per month performing various responsibilities. Auditing evaluated the document submitted by the Company by comparing the amount paid to the operator during 2015 and 2016 with the assumption that 50 - 60 hours were worked per month and found that the per-hour compensation would be unrealistic.

After the April 4, 2017 visit to Stockton Hills, Auditing was provided a summary of the time recorded in the operator's calendar planner during 2016. Although the operator did not maintain the timesheets as agreed to in the Company's prior rate case, Staff reviewed information from the planners to assist in determining how much actual time the operator spent on Stockton Hills.

Based on Auditing's review and analysis of the information originally provided by the Company, and additional information later provided, as described above, Auditing's revised recommendation for Stockton Hills' salaries and wages should be a total of \$18,886 included in the revenue requirement. This total amount represents the hours reported during 2016 by the Company's owner, operator, and part-time individuals priced at the market wages.

Staff continues to further recommend that both the owner and operator and all employees of Stockton Hills maintain time sheets agreed to in the Company's last rate case.

## **OTHER MISCELLANEOUS OPERATING EXPENSES**

Auditing reviewed the level of expenses over past four years. Based on this analysis Auditing was able to make recommendations regarding the levels of expenses that are reflected in the cost of service calculation proposed in this case. Each expense was analyzed separately to include the most appropriate expense level to include in the revenue requirement. Depending on the expense activity, Auditing determined the amounts for each expense by using some type of annualization or normalization; such as a 3-year average, or the last-known annual amount.

Types of expenses annualized or normalized in the revenue requirement include electricity expense, maintenance expense, billing expense, outside service expense, insurance expense, transportation expense, rent expense (inclusive of office supplies), regulatory expense, continuing education expense, property tax expense, depreciation expense, and CIAC depreciation offset.

## **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 \$10,117.
2. Stockton Hills keep detailed timesheets 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 CIAC is correctly maintained including the proper accounting of service connection charges to hook up to the regulated utility infrastructure

4. Stockton Hills implement a cost allocation method for business expenses that are shared between Stockton Hills and Cassell Real Estate.
5. Should the Company receive any future insurance proceeds relating to the costs for the well replacement or any other water system repair or equipment replacement, Stockton Hills should record these insurance proceeds in manner that proceeds will be identified and accounted for as an offset (reduction) to the capital project (well) or other repairs or equipment replacement. Stockton Hills should separately account for future receipts from the Insurance Company for inclusion in its books and records reducing the capital cost values in rate base.

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
**RATE BASE SCHEDULE**

<b>A</b>	<b>B</b>	<b>C</b>
<b>Line Number</b>	<b>Rate Base Description</b>	<b>Percentage Rate</b>
1	Plant In Service	\$169,104
2	Less Accumulated Depreciation Reserve	\$72,333
3	Net Plant In Service	\$96,771
4	ADD TO NET PLANT IN SERVICE	
5	Cash Working Capital	\$0
6	Contributions in Aid of Construction Amortization	\$23,144
7	TOTAL ADD TO NET PLANT IN SERVICE	\$23,144
8	SUBTRACT FROM NET PLANT	
9	Federal Tax Offset	0.0000% \$0
10	State Tax Offset	0.0000% \$0
11	City Tax Offset	0.0000% \$0
12	Interest Expense Offset	0.0000% \$0
13	Contributions in Aid of Construction	\$51,537
14	Materials and Supplies - Meter Inventory	-\$902
15	Customer Deposits	\$450
16	TOTAL SUBTRACT FROM NET PLANT	\$51,085
17	<b>Total Rate Base</b>	<b>\$68,830</b>

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2016  
Update 12 months ending December 31, 2016  
Plant In Service

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjust. Number	E Adjustments	F As Adjusted Plant	G Jurisdictional Allocations	H Jurisdictional Adjustments	I MO Adjusted Jurisdictional
1		INTANGIBLE PLANT							
2	301.000	Organization	\$2,492	P-2	\$0	\$2,492	100.00%	\$0	\$2,492
3		TOTAL INTANGIBLE PLANT	\$2,492		\$0	\$2,492		\$0	\$2,492
4		SOURCE OF SUPPLY PLANT							
5	310.000	Land and Land Rights - SSP	\$1,188	P-6	\$0	\$1,188	100.00%	\$0	\$1,188
6	311.000	Structures and Improvements - SSP	\$507	P-6	\$0	\$507	100.00%	\$0	\$507
7	312.000	Collecting & Impounding Reservoirs	\$0	P-7	\$0	\$0	100.00%	\$0	\$0
8	314.000	Wells and Springs	\$21,869	P-8	\$0	\$21,869	100.00%	\$0	\$21,869
9	316.000	Supply Mains	\$0	P-9	\$0	\$0	100.00%	\$0	\$0
10		TOTAL SOURCE OF SUPPLY PLANT	\$23,564		\$0	\$23,564		\$0	\$23,564
11		PUMPING PLANT							
12	320.000	Land and Land Rights - PP	\$1,188	P-12	\$0	\$1,188	100.00%	\$0	\$1,188
13	321.000	Structures and Improvements - PP	\$1,131	P-13	\$0	\$1,131	100.00%	\$0	\$1,131
14	323.000	Other Power Production Equipment	\$0	P-14	\$0	\$0	100.00%	\$0	\$0
15	325.000	Electric Pumping Equipment	\$16,901	P-15	\$0	\$16,901	100.00%	\$0	\$16,901
16	324.000	Steam Pumping Equipment	\$0	P-16	\$0	\$0	100.00%	\$0	\$0
17	328.000	Other Pumping Equipment Additions	\$1,896	P-17	\$0	\$1,896	100.00%	\$0	\$1,896
18		TOTAL PUMPING PLANT	\$21,116		\$0	\$21,116		\$0	\$21,116
19		WATER TREATMENT PLANT							
20		TOTAL WATER TREATMENT PLANT	\$0		\$0	\$0		\$0	\$0
21		TRANSMISSION & DIST. PLANT							
22	342.000	Distribution Reservoirs and Standpipes	\$20,198	P-22	\$0	\$20,198	100.00%	\$0	\$20,198
23	342.000	Distribution Reservoirs and Standpipes Additions	\$0	P-23	\$0	\$0	100.00%	\$0	\$0
24	343.000	Transmission and Distribution Lines	\$66,789	P-24	\$0	\$66,789	100.00%	\$0	\$66,789
25	345.000	Services	\$12,844	P-25	\$0	\$12,844	100.00%	\$0	\$12,844
26	346.000	Meters	\$18,869	P-26	\$0	\$18,869	100.00%	\$0	\$18,869
27	348.000	Hydrants	\$2,064	P-27	\$0	\$2,064	100.00%	\$0	\$2,064
28	349.000	Other Transmission & Distribution Plant	\$0	P-28	\$0	\$0	100.00%	\$0	\$0
29		TOTAL TRANSMISSION & DIST. PLANT	\$120,744		\$0	\$120,744		\$0	\$120,744
30		GENERAL PLANT							
31	370.000	Land and Land Rights - GP	\$1,188	P-31	\$0	\$1,188	100.00%	\$0	\$1,188
32		TOTAL GENERAL PLANT	\$1,188		\$0	\$1,188		\$0	\$1,188
33		TOTAL PLANT IN SERVICE	\$169,104		\$0	\$169,104		\$0	\$169,104

**Stockton Hills Water Company**  
**Case No. WR-2017-0139**  
**Test Year 12 months ending December 31, 2015**  
**Update 12 months ending December 31, 2016**  
**Adjustments to Plant in Service**

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



Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
Depreciation Expense

Line Number	A Account Number	B Plant Account Description	C MO Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense	F Average Life	G Net Salvage
1		INTANGIBLE PLANT					
2	301.000	Organization	\$2,492	0.00%	\$0	0	0.00%
3		TOTAL INTANGIBLE PLANT	\$2,492		\$0		
4		SOURCE OF SUPPLY PLANT					
5	310.000	Land and Land Rights - SSP	\$1,188	0.00%	\$0	0	0.00%
6	311.000	Structures and Improvements - SSP	\$507	2.50%	\$13	0	0.00%
7	312.000	Collecting & Impounding Reservoirs	\$0	0.00%	\$0	0	0.00%
8	314.000	Wells and Springs	\$21,869	2.00%	\$437	0	0.00%
9	316.000	Supply Mains	\$0	0.00%	\$0	0	0.00%
10		TOTAL SOURCE OF SUPPLY PLANT	\$23,564		\$450		
11		PUMPING PLANT					
12	320.000	Land and Land Rights - PP	\$1,188	0.00%	\$0	0	0.00%
13	321.000	Structures and Improvements - PP	\$1,131	2.50%	\$28	0	0.00%
14	323.000	Other Power Production Equipment	\$0	0.00%	\$0	0	0.00%
15	325.000	Electric Pumping Equipment	\$16,901	10.00%	\$1,690	0	0.00%
16	324.000	Steam Pumping Equipment	\$0	0.00%	\$0	0	0.00%
17	328.000	Other Pumping Equipment Additions	\$1,896	10.00%	\$190	0	0.00%
18		TOTAL PUMPING PLANT	\$21,116		\$1,908		
19		WATER TREATMENT PLANT					
20		TOTAL WATER TREATMENT PLANT	\$0		\$0		
21		TRANSMISSION & DIST. PLANT					
22	342.000	Distribution Reservoirs and Standpipes	\$20,198	2.50%	\$505	0	0.00%
23	342.000	Distribution Reservoirs and Standpipes Additions	\$0	0.00%	\$0	0	0.00%
24	343.000	Transmission and Distribution Lines	\$66,789	2.00%	\$1,336	0	0.00%
25	345.000	Services	\$12,844	2.50%	\$321	0	0.00%
26	346.000	Meters	\$18,859	10.00%	\$1,886	0	0.00%
27	348.000	Hydrants	\$2,054	2.00%	\$41	0	0.00%
28	349.000	Other Transmission & Distribution Plant	\$0	0.00%	\$0	0	0.00%
29		TOTAL TRANSMISSION & DIST. PLANT	\$120,744		\$4,089		
30		GENERAL PLANT					
31	370.000	Land and Land Rights - GP	\$1,188	0.00%	\$0	0	0.00%
32		TOTAL GENERAL PLANT	\$1,188		\$0		
33		Total Depreciation	\$169,104		\$6,447		

Note: Average Life and Net Salvage columns are informational and have no impact on the entered Depreciation Rate.

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2016  
Update 12 months ending December 31, 2016  
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	75.00%	\$0	\$0
3		TOTAL INTANGIBLE PLANT	\$0		\$0	\$0		\$0	\$0
4		SOURCE OF SUPPLY PLANT							
5	310.000	Land and Land Rights - SSP	\$0	R-5	\$0	\$0	100.00%	\$0	\$0
6	311.000	Structures and Improvements - SSP	\$270	R-6	\$0	\$270	100.00%	\$0	\$270
7	312.000	Collecting & Impounding Reservoirs	\$0	R-7	\$0	\$0	100.00%	\$0	\$0
8	314.000	Wells and Springs	\$219	R-8	\$0	\$219	100.00%	\$0	\$219
9	316.000	Supply Mains	\$0	R-9	\$0	\$0	100.00%	\$0	\$0
10		TOTAL SOURCE OF SUPPLY PLANT	\$489		\$0	\$489		\$0	\$489
11		PUMPING PLANT							
12	320.000	Land and Land Rights - PP	\$0	R-12	\$0	\$0	100.00%	\$0	\$0
13	321.000	Structures and Improvements - PP	\$553	R-13	\$0	\$553	100.00%	\$0	\$553
14	323.000	Other Power Production Equipment	\$0	R-14	\$0	\$0	100.00%	\$0	\$0
15	326.000	Electric Pumping Equipment	\$928	R-15	\$0	\$928	100.00%	\$0	\$928
16	324.000	Steam Pumping Equipment	\$0	R-16	\$0	\$0	100.00%	\$0	\$0
17	328.000	Other Pumping Equipment Additions	\$1,094	R-17	\$0	\$1,094	100.00%	\$0	\$1,094
18		TOTAL PUMPING PLANT	\$2,575		\$0	\$2,575		\$0	\$2,575
19		WATER TREATMENT PLANT							
20		TOTAL WATER TREATMENT PLANT	\$0		\$0	\$0		\$0	\$0
21		TRANSMISSION & DIST. PLANT							
22	342.000	Distribution Reservoirs and Standpipes	\$10,744	R-22	\$0	\$10,744	100.00%	\$0	\$10,744
23	342.000	Distribution Reservoirs and Standpipes Additions	\$0	R-23	\$0	\$0	100.00%	\$0	\$0
24	343.000	Transmission and Distribution Lines	\$33,324	R-24	\$0	\$33,324	100.00%	\$0	\$33,324
25	345.000	Services	\$6,885	R-25	\$0	\$6,885	100.00%	\$0	\$6,885
26	346.000	Meters	\$18,059	R-26	\$0	\$18,059	100.00%	\$0	\$18,059
27	348.000	Hydrants	\$257	R-27	\$0	\$257	100.00%	\$0	\$257
28	349.000	Other Transmission & Distribution Plant	\$0	R-28	\$0	\$0	100.00%	\$0	\$0
29		TOTAL TRANSMISSION & DIST. PLANT	\$69,269		\$0	\$69,269		\$0	\$69,269
30		GENERAL PLANT							
31	370.000	Land and Land Rights - GP	\$0	R-31	\$0	\$0	100.00%	\$0	\$0
32		TOTAL GENERAL PLANT	\$0		\$0	\$0		\$0	\$0
33		TOTAL DEPRECIATION RESERVE	\$72,333		\$0	\$72,333		\$0	\$72,333

Stockton Hills Water Company  
 Case No. WR-2017-0139  
 Test Year 12 months ending December 31, 2015  
 Update 12 months ending December 31, 2016  
 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-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
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	0.00	0.00	0.00	0.000000	\$0
3	Tax Withholding	\$0	0.00	0.00	0.00	0.000000	\$0
4	Pensions and Employee Benefits	\$0	0.00	0.00	0.00	0.000000	\$0
5	Electric	\$0	0.00	0.00	0.00	0.000000	\$0
6	Telephone	\$0	0.00	0.00	0.00	0.000000	\$0
7	Office Rents	\$0	0.00	0.00	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	\$27,541	0.00	0.00	0.00	0.000000	\$0
13	TOTAL OPERATION AND MAINT. EXPENSE	\$27,541					\$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	0.00	0.00	0.00	0.000000	\$0
18	Gross Receipts Tax	\$0	0.00	0.00	0.00	0.000000	\$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	\$977	0.00	0.00	0.00	0.000000	\$0
25	State Tax Offset	\$401	0.00	0.00	0.00	0.000000	\$0
26	City Tax Offset	\$0	0.00	0.00	0.00	0.000000	\$0
27	Interest Expense Offset	\$0	0.00	0.00	0.00	0.000000	\$0
28	TOTAL OFFSET FROM RATE BASE	\$1,378					\$0
29	TOTAL CASH WORKING CAPITAL REQUIRED						\$0

Stockton Hills Water Company

Case No. WR-2017-0139

Test Year 12 months ending December 31, 2015

Update 12 months ending December 31, 2016

Income Statement

Line Number	Category Description	B		C		D		E		F		G		H		I		J	
		Total Test Year	Test Year Labor	Test Year Non Labor	Adjustments	Total Company Adjusted	Jurisdictional Adjustments	MO Final-Adj Jurisdictional	MO Juris. Labor	MO Juris. Non Labor									
1	TOTAL OPERATING REVENUES	\$29,373	See Note (1)	See Note (1)	See Note (1)	\$29,373	-\$491	\$28,882	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	\$1,915	\$0	\$1,915	\$219	\$2,134	\$0	\$2,134	\$0	\$0									
4	TOTAL WATER TREATMENT EXPENSES	\$563	\$0	\$563	-\$563	\$0	\$0	\$0	\$0	\$0									
5	TOTAL TRANSMISSION & DIST. EXPENSES	\$1,022	\$0	\$1,022	-\$120	\$902	\$0	\$902	\$0	\$0									
6	TOTAL CUSTOMER ACCOUNTS EXPENSE	\$642	\$0	\$642	-\$123	\$519	\$0	\$519	\$0	\$0									
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	\$18,764	\$13,978	\$4,786	\$5,222	\$23,986	\$0	\$23,986	\$18,886	\$5,100									
10	TOTAL DEPRECIATION EXPENSE	\$2,689	See Note (1)	See Note (1)	See Note (1)	\$2,689	\$1,800	\$4,489	See Note (1)	See Note (1)									
11	TOTAL AMORTIZATION EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
12	TOTAL OTHER OPERATING EXPENSE	\$68	\$0	\$68	-\$11	\$57	\$0	\$57	\$0	\$0									
13	TOTAL OPERATING EXPENSE	\$25,663	\$13,978	\$8,996	\$4,624	\$30,287	\$1,800	\$32,087	\$18,886	\$8,712									
14	NET INCOME BEFORE TAXES	\$3,710	\$0	\$0	\$0	-\$914	-\$2,291	-\$3,205	\$0	\$0									
15	TOTAL INCOME TAXES	\$0	See Note (1)	See Note (1)	See Note (1)	\$0	-\$639	-\$639	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	\$3,710	\$0	\$0	\$0	-\$914	\$1,652	-\$2,566	\$0	\$0									

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

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
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
Rev-2	Residential	480.000	\$0	\$0	\$0	\$0	-\$491	-\$491
	1. To Annualize Residential Revenue		\$0	\$0		\$0	-\$491	
	No Adjustment		\$0	\$0		\$0	\$0	
E-4	Fuel or Power Purchased for Pumping	823.000	\$0	\$219	\$219	\$0	\$0	\$0
	1. To annualize power purchased expense		\$0	\$219		\$0	\$0	
E-7	Water Testing - WTE	643.000	\$0	-\$563	-\$563	\$0	\$0	\$0
	1. To annualize water testing expense		\$0	-\$563		\$0	\$0	
E-10	Miscellaneous Expenses - TDE	665.000	\$0	-\$82	-\$82	\$0	\$0	\$0
	1. To annualize miscellaneous expense		\$0	-\$82		\$0	\$0	
E-11	Maint. of Transmission & Distribution Mains - Water Line Repair	673.000	\$0	-\$295	-\$295	\$0	\$0	\$0
	1. To normalize maintenance expense		\$0	-\$295		\$0	\$0	
E-12	Stand Pipe Cleaning		\$0	\$309	\$309	\$0	\$0	\$0
	1. To Amortize Stand Pipe Cleaning over 5.5 years		\$0	\$309		\$0	\$0	
E-13	Maint. of Miscellaneous Plant - TDE	678.000	\$0	-\$52	-\$52	\$0	\$0	\$0
	1. To normalize maintenance expense		\$0	-\$52		\$0	\$0	
E-16	Billing	903.000	\$0	-\$123	-\$123	\$0	\$0	\$0
	1. to annualize billing expense		\$0	-\$123		\$0	\$0	
E-23	Office Supplies & Expenses	921.000	\$0	-\$846	-\$846	\$0	\$0	\$0
	1. To annualize office supplies & expense		\$0	-\$846		\$0	\$0	
E-24	Salaries and Wages	923.000	\$4,908	\$0	\$4,908	\$0	\$0	\$0
	1. To annualize payroll (Nieto)		\$4,908	\$0		\$0	\$0	
E-26	Outside Services		\$0	\$930	\$930	\$0	\$0	\$0
	1. To annualize outside services		\$0	\$930		\$0	\$0	
E-28	Insurances	924.000	\$0	\$71	\$71	\$0	\$0	\$0
	1. To annualize insurance expense		\$0	\$71		\$0	\$0	
E-27	Transportation	925.000	\$0	\$421	\$421	\$0	\$0	\$0
	1. To annualize transportation expense		\$0	\$421		\$0	\$0	
E-29	Regulatory Commission Expenses	928.000	\$0	\$81	\$81	\$0	\$0	\$0

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
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
	1. To annualize regulatory expense		\$0	\$81		\$0	\$0	
E-30	Continuing Education		\$0	\$125	\$125	\$0	\$0	\$0
	1. To annualize continuing education expense		\$0	\$125		\$0	\$0	
E-31	Misc. General Expenses	930.200	\$0	-\$468	-\$468	\$0	\$0	\$0
	1. To annualize misc. general expense		\$0	-\$468		\$0	\$0	
E-34	Depreciation Expense, Dep. Exp.		\$0	\$0	\$0	\$0	\$1,798	\$1,798
	1. To Annualize Depreciation Expense		\$0	\$0		\$0	\$1,798	
	3. No Adjustment		\$0	\$0		\$0	\$0	
E-35	CIAC - Offset to Depreciation Expense		\$0	\$0	\$0	\$0	\$2	\$2
	1. To annualize CIAC amortization		\$0	\$0		\$0	\$2	
E-40	Property Taxes	408.000	\$0	-\$11	-\$11	\$0	\$0	\$0
	1. To annualize property taxes expense		\$0	-\$11		\$0	\$0	
E-45	Current Income Taxes		\$0	\$0	\$0	\$0	-\$639	-\$639
	1. To Annualize Current Income Taxes		\$0	\$0		\$0	-\$639	
Total Operating Revenues			\$0	\$0	\$0	\$0	-\$491	-\$491
Total Operating & Maint. Expense			\$4,908	-\$284	\$4,624	\$0	\$1,161	\$1,161

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
Income Tax Calculation

Line Number	A Description	B Percentage Rate	C Test Year	D 8.04% Return	E 8.04% Return	F 8.04% Return
1	TOTAL NET INCOME BEFORE TAXES		-\$3,205	\$6,912	\$6,912	\$6,912
2	ADD TO NET INCOME BEFORE TAXES					
3	Book Depreciation Expense		\$4,489	\$4,489	\$4,489	\$4,489
4	Test		\$0	\$0	\$0	\$0
5	TOTAL ADD TO NET INCOME BEFORE TAXES		\$4,489	\$4,489	\$4,489	\$4,489
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		\$4,489	\$4,489	\$4,489	\$4,489
9	Excess Tax Depreciation		\$0	\$0	\$0	\$0
10	TOTAL SUBT. FROM NET INC. BEFORE TAXES		\$4,489	\$4,489	\$4,489	\$4,489
11	NET TAXABLE INCOME		-\$3,205	\$6,912	\$6,912	\$6,912
12	PROVISION FOR FED. INCOME TAX					
13	Net Taxable Inc. - Fed. Inc. Tax		-\$3,205	\$6,912	\$6,912	\$6,912
14	Deduct Missouri Income Tax at the Rate of	100.000%	-\$186	\$401	\$401	\$401
15	Deduct City Inc Tax - Fed. Inc. Tax		\$0	\$0	\$0	\$0
16	Federal Taxable Income - Fed. Inc. Tax		-\$3,019	\$6,511	\$6,511	\$6,511
17	Federal Income Tax at the Rate of	See Tax Table	-\$453	\$977	\$977	\$977
18	Subtract Federal Income Tax Credits					
19	Credits - Solar		\$0	\$0	\$0	\$0
20	Net Federal Income Tax		-\$453	\$977	\$977	\$977
21	PROVISION FOR MO. INCOME TAX					
22	Net Taxable Income - MO. Inc. Tax		-\$3,205	\$6,912	\$6,912	\$6,912
23	Deduct Federal Income Tax at the Rate of	50.000%	-\$227	\$489	\$489	\$489
24	Deduct City Income Tax - MO. Inc. Tax		\$0	\$0	\$0	\$0
25	Missouri Taxable Income - MO. Inc. Tax		-\$2,978	\$6,423	\$6,423	\$6,423
26	Subtract Missouri Income Tax Credits					
27	Missouri Income Tax at the Rate of	6.250%	-\$186	\$401	\$401	\$401
28	PROVISION FOR CITY INCOME TAX					
29	Net Taxable Income - City Inc. Tax		-\$3,205	\$6,912	\$6,912	\$6,912
30	Deduct Federal Income Tax - City Inc. Tax		-\$453	\$977	\$977	\$977
31	Deduct Missouri Income Tax - City Inc. Tax		-\$186	\$401	\$401	\$401
32	City Taxable Income		-\$2,566	\$5,534	\$5,534	\$5,534
33	Subtract City Income Tax Credits					
34	City Income Tax at the Rate of	0.000%	\$0	\$0	\$0	\$0
35	SUMMARY OF CURRENT INCOME TAX					
36	Federal Income Tax		-\$453	\$977	\$977	\$977
37	State Income Tax		-\$186	\$401	\$401	\$401
38	City Income Tax		\$0	\$0	\$0	\$0
39	TOTAL SUMMARY OF CURRENT INCOME TAX		-\$639	\$1,378	\$1,378	\$1,378
40	DEFERRED INCOME TAXES					
41	Deferred Income Taxes - Def. Inc. Tax.		\$0	\$0	\$0	\$0
42	Amortization of Deferred ITC		\$0	\$0	\$0	\$0
43	TOTAL DEFERRED INCOME TAXES		\$0	\$0	\$0	\$0
44	TOTAL INCOME TAX		-\$639	\$1,378	\$1,378	\$1,378



Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
Income Tax Calculation

Line Number	A Description	B Percentage Rate	C Test Year	D 8.04% Return	E 8.04% Return	F 8.04% Return
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Federal Tax Table					
Federal Taxable Income					
15% on first \$50,000					
25% on next \$25,000					
34% > \$75,000 < \$100,001					
39% > \$100,000 < \$335,001					
34% > \$335,000 < \$10,000,001					
35% > \$10MM < \$15,000,001					
38% > \$15MM < \$18,333,334					
35% > \$18,333,333					
Total Federal Income Taxes					

**Stockton Hills Water Company**  
**Case No. WR-2017-0139**  
**Test Year 12 months ending December 31, 2015**  
**Update 12 months ending December 31, 2016**  
**Capital Structure Schedule**

Line Number	Description	Dollars Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital 8.04%	Weighted Cost of Capital 8.04%	Weighted Cost of Capital 8.04%
1	Common Stock	\$68,830	100.00%		8.040%	8.040%	8.040%
2	Other Security 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-Non Tax Deductible	\$0	0.00%	0.00%	0.000%	0.000%	0.000%
7	TOTAL CAPITALIZATION	\$68,830	100.00%		8.040%	8.040%	8.040%
8	PreTax Cost of Capital				10.042%	10.042%	10.042%

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
Executive Case Summary

<b>A</b>		<b>B</b>
<b>Line Number</b>	<b>Description</b>	<b>Amount</b>
1	Annualized Missouri Retail Revenues	\$28,882
2	Annualized Customer Numbers	133
3	Annualized Customer Usage	7,573
4	Profit (Return on Equity)	\$5,534
5	Interest Expense	\$0
6	Annualized Payroll	\$18,886
7	Utility Employees	0
8	Depreciation	\$6,447
9	Net Investment Plant	\$96,771
10	Pensions	\$0

Disposition Agreement Attachment C

Rate Base Worksheet

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
**RATE BASE SCHEDULE**

Line Number	A Rate Base Description	B Percentage Rate	C Dollar Amount
1	Plant In Service		\$169,104
2	Less Accumulated Depreciation Reserve		\$72,333
3	Net Plant In Service		\$96,771
4	ADD TO NET PLANT IN SERVICE		
5	Cash Working Capital		\$0
6	Contributions in Aid of Construction Amortization		\$23,144
7	TOTAL ADD TO NET PLANT IN SERVICE		\$23,144
8	SUBTRACT FROM NET PLANT		
9	Federal Tax Offset	0.0000%	\$0
10	State Tax Offset	0.0000%	\$0
11	City Tax Offset	0.0000%	\$0
12	Interest Expense Offset	0.0000%	\$0
13	Contributions in Aid of Construction		\$51,537
14	Materials and Supplies - Meter Inventory		-\$902
15	Customer Deposits		\$450
16	TOTAL SUBTRACT FROM NET PLANT		\$51,085
17	Total Rate Base		\$68,830

Disposition Agreement Attachment D

Schedule of Depreciation

# STOCKTON HILLS WATER COMPANY

## DEPRECIATION RATES

WR-2017-0139

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>DEPRECIATION RATE</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
311	Structures & Improvements	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

## Disposition Agreement Attachment E

### Example Tariffs



Name of Utility: Stockton Hills Water Company, Inc.  
Service Area: Stockton Hills, Sac Valley Estates, Lu Acres, Lochview Estates, and Edge  
Subdivision, Cedar County, MO

Rules and Regulations Governing Rendering of  
Water Service

INDEX

Sheet No.

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2 ..... Map of Service Area  
3 ..... Legal Description of Service Area  
5 ..... Schedule of Rates  
6 ..... Schedule of Service Charges

	Rule No.	Rule Title
7	.....1.	Definitions
10	.....2.	General Rules and Regulations
11	.....3.	Company Employees and Customer Relations
12	.....4.	Applications for Service
13	.....5.	Inside Piping and Water Service Lines
16	.....6.	Improper or Excessive Use
17	.....7.	Discontinuance of Service by Company
22	.....8.	Termination of Water Service at Customer's Request
23	.....9.	Interruptions in Service
24	.....10.	Bills for Service
28	.....11.	Meters and Meter Installations
31	.....12.	Meter Tests and Test Fees
32	.....13.	Bill Adjustments Based on Meter Tests
33	.....14.	Extension of Water Mains

\* Indicates new rate or text

+ Indicates change

Issue Date: June 23, 2017  
Month /Day/Year

Effective Date: July 24, 2017  
Month /Day/Year

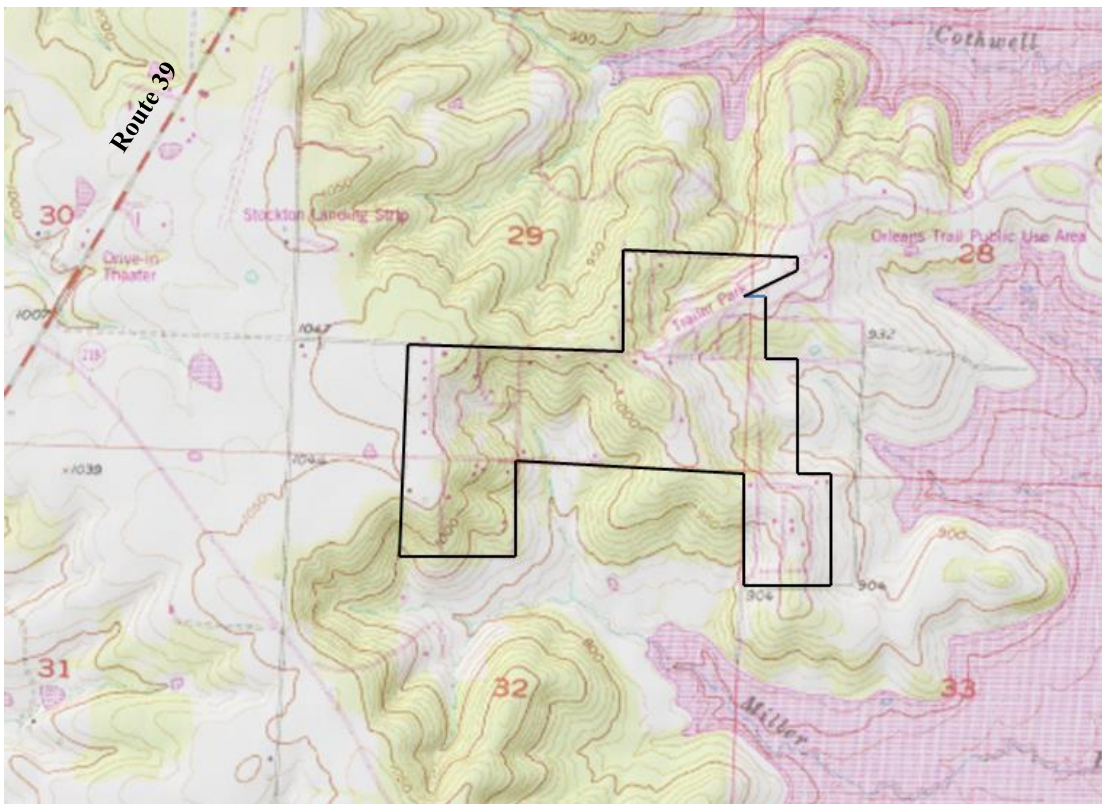
ISSUED BY Wanda Cassell, Owner  
Name and Title of Issuing Officer

PO Box 276, Stockton, MO 65785  
Mailing Address

Name of Utility: Stockton Hills Water Company, Inc.  
Service Area: Stockton Hills, Sac Valley Estates, Lu Acres, Lochview Estates, and Edge  
Subdivision, Cedar County, MO

Rules and Regulations Governing Rendering of  
Water Service

Map of Service Area



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Rules and Regulations Governing Rendering of  
Water Service

Legal Description of Service Area

The rural unincorporated area on the West Shore of Stockton Lake known as Stockton Hills Subdivision and described by metes and bounds as follows:

Beginning at the NW corner of the SE  $\frac{1}{4}$  of the SW  $\frac{1}{4}$  of Section 29, Township 34N, Range 26W, thence East to the NE corner of the SE  $\frac{1}{4}$  of the SE  $\frac{1}{4}$  of Section 29, Township 34N, Range 26W, thence South to the SE corner of Section 29, Township 34N, Range 26W, thence West to the NE corner of the NW  $\frac{1}{4}$ , Section 32, Township 34N, Range 26W. Thence South to the SE corner of the NE  $\frac{1}{4}$  of the NW  $\frac{1}{4}$  of Section 32, Township 34N, Range 26W, thence West to the SW corner of the NE  $\frac{1}{4}$  of the NW  $\frac{1}{4}$  of Section 32, Township 34N, Range 26W, thence North to the point of beginning.

Legal Description of Sac Valley Estates

All except the South 10 feet of the W  $\frac{1}{4}$  of the SW  $\frac{1}{4}$  of the SW  $\frac{1}{4}$  of Section 28, and the West  $\frac{3}{4}$  of the NW  $\frac{1}{4}$  of the NW  $\frac{1}{4}$  of Section 33 all in Township 34N, Range 26W, containing Forty (40) acres more or less together with Lot Thirty-four (34) Orleans Trail Road, Cassell's Stockton Hills Subdivision, Cedar County, Missouri, as per the recorded plat thereof.

Legal Description of Lochview Estates

All of Lochview Estate, a subdivision in Cedar County, Missouri comprising all of the E  $\frac{1}{4}$  of the NW  $\frac{1}{4}$  of the SE  $\frac{1}{4}$  of Section 29, as shown on the plat thereof filed in the Cedar County, Missouri, Recorder's Office, August 23, 1971, and shown in Plat Book 2 at Page 47 of said Recorder's Office.

- \* Indicates new rate or text
- + Indicates change

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Subdivision, Cedar County, MO

Rules and Regulations Governing Rendering of  
Water Service

Legal Description of Lu Acres Subdivision

Beginning at the NW corner of the NW  $\frac{1}{4}$ , of the SW  $\frac{1}{4}$ , Section 28, Township 34N, Range 26W, thence East 667.6 feet on the North line of said NW  $\frac{1}{4}$  of the SW  $\frac{1}{4}$ , thence South 127.0 feet, thence South 56 degrees 00' West 2150.6 feet along the westerly line of Edge Drive, as platted with Edge Subdivision, Third Addition, to the South Line of the NE  $\frac{1}{4}$  of the SE  $\frac{1}{4}$ , Section 29, Township 34N, Range 26W, thence West 217.0 feet along said South line, thence North 1322.8 feet along the West line of the said NE  $\frac{1}{4}$  of the SE  $\frac{1}{4}$ , thence East 1346.0 feet along the North line of the said NE  $\frac{1}{4}$  of the SE  $\frac{1}{4}$  to the point of beginning; containing 36.7 Acres, including that part used for public road, Cedar County, Missouri.

Legal Description of Edge Subdivision

That portion in Sections 28 and 29 in Township 34N, Range 26W, described as follows:  
Beginning at the Southwest (SW) corner of the NW  $\frac{1}{4}$  of the SW  $\frac{1}{4}$  of Section 28 thence East 146' thence North 410', thence West 146' to the Section Line, thence continuing West 350' thence South 110', thence West 150', thence South 86' thence West 100', thence South 168', thence East 600' to the point of beginning, also described as Lots 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 83, 84, and 85, of Edge Subdivision, Third Addition, a rural subdivision in Cedar County, Missouri, according to the recorded plat thereof.

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Name of Utility: Stockton Hills Water Company, Inc.  
Service Area: Stockton Hills, Sac Valley Estates, Lu Acres, Lochview Estates, and Edge  
Subdivision, Cedar County, MO

Rules and Regulations Governing Rendering of  
Water Service

Schedule of Rates

Residential Minimum Monthly Charge (Includes first 1,000 gallons)	\$16.86
Residential Minimum Quarterly Charge (Includes first 1,000 gallons)	\$48.06
Water Usage Charge (over the first 1,000 gallons)	\$5.34 per 1,000 gallons

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Rules and Regulations Governing Rendering of  
Water Service

Schedule of Service Charges

The following Miscellaneous Charges apply as authorized and Described elsewhere in the Company's filed Rule and Regulations:

New Service Connection Fee	Actual Cost
Consists of the costs incurred by the Company for construction including parts, material, labor and equipment, but excluding the cost of the meter. See Rule 5 B.	
Service Connection Inspection Fee	\$25
See Rule 5 B. 2 and 5 B. 3.	
Water Service Line Inspection Fee	\$25
See Rule 5 C.	
Turn-On/Reconnection Fee	\$25
Turn-Off/Disconnect Fee	\$25
Meter Test Fee	\$25
See Rule 12 B.	
Late Charges	\$5 or 3%
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 Charges	\$25
Service Calls for Damages caused by Customer	Actual cost but not less than \$40

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Rules and Regulations Governing Rendering of  
Water Service

Rule 1 DEFINITIONS

- . An "APPLICANT" is a person, firm, corporation, governmental body, or other entity which has applied for service; two or more APPLICANTS may make one application for a water main extension and be considered one APPLICANT.
- A. The "COMPANY" is Stockton Hills Water Company, Inc. , acting through its officers, managers, or other duly authorized employees or agents.
- B. The "CURB STOP" is a valve on the Service Connection, located at or near the Customer's property line, and used to shut off water service to the premises. The Curb Stop is owned and maintained by the Company.
- C. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for water service or is receiving service from Company, or whose facilities are connected for utilizing such service, and except for a guarantor is responsible for payment for service.
- D. The "DATE OF CONNECTION" shall be the date of the permit for installation and connection issued by the Company. In the event no permit is taken and a connection is made, the date of connection shall be based on available information such as construction/occupancy permits, electric service turn-on date, or may be the date of commencement of construction of the building upon the property.
- E. A "DEVELOPER" is any person, firm, corporation, partnership or any entity that, directly or indirectly, holds title to, or sells or leases, or offers to sell or lease, or advertises for sale or lease, any lots in a subdivision.
- F. "DISCONTINUANCE OF SERVICE" is the intentional cessation of service by the Company not requested by the Customer.

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Rules and Regulations Governing Rendering of  
Water Service

- G. The "MAIN" is a pipeline which is owned and maintained by the Company, located on public property or private easements, and used to transport water throughout the Company's service area.
- H. The "METER" is a device, owned by the Company, used to measure and record the quantity of water that flows through the service line, and is installed in the outdoor meter setting, or inside the Customer's building where the water service line enters through a foundation wall.
- I. The "METER SETTING" is a place either in the service connection or building plumbing for a water meter to be installed. An outdoor meter setting is located at or near the property line, and includes the meter box, meter yoke, lid, and appurtenances, all of which shall be owned and maintained by the Company. Indoor meter settings are located inside the Customer's premises where the water service line enters the foundation wall either installed directly in the piping or in a meter yoke.
- J. A "RETURNED CHECK" is a check that is returned to the Company from any bank unpaid for any reason.
- K. A "SEASONAL CUSTOMER" is a Customer who is absent from the premises and may turn off, or request the Company turn off, water service temporarily. All Rates, Rules and Regulations within this tariff continue to apply to "Seasonal Customers" during periods of seasonal absence or turn-off.
- L. The "SERVICE CONNECTION" is the pipeline connecting the main to the Customer's water service line and includes the curb stop, or outdoor meter setting and all necessary appurtenances located at or near the property line, or at the property line if there is no curb stop or outdoor meter setting. If the property line is in a street, and if the curb stop or meter setting is not located near the edge of the street abutting the Customer's property, the service connection shall be deemed to end at the edge of the street abutting the Customer's property. The service connection shall be owned and maintained by the Company.

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Rules and Regulations Governing Rendering of  
Water Service

- M. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes resubdivision thereof.
- N. "TERMINATION OF SERVICE" is cessation of service requested by the Customer.
- O. "TURN-OFF" is the act of turning water service off by physically turning a valve such that water is unavailable to a Customer's premises.
- P. "TURN-ON" is the act of turning water service on by physically turning a valve to allow water to be available to a Customer's premises.
- Q. The word "UNIT" or "LIVING UNIT" shall be used herein to define the premises or property of a single water consumer, whether or not that consumer is the Customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, or owned or leased. Each mobile home in a mobile home park and each rental unit of a multi-tenant rental property are considered as separate units for each single family or firm occupying same as a residence or place of business.
- R. The "WATER SERVICE LINE" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct water to the Customer's unit from the property line, curb stop or outdoor meter setting, including the connection to the curb stop or meter setting. If the property line is in a street, then the water service line shall be deemed to begin at the edge of the street abutting the Customer's property.

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Name and Title of Issuing Officer

PO Box 276, Stockton, MO 65785  
Mailing Address

Name of Utility: Stockton Hills Water Company, Inc.  
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Rule 2 GENERAL RULES & REGULATIONS

- A. Every applicant, upon signing an application for any water service rendered by the Company, or any Customer upon taking of water service, shall be considered to have expressed consent to be bound by these Rates, Rules and Regulations.
- B. The Company's Rules and Regulations governing rendering of service are set forth in these numbered sheets. The rates applicable to appropriate water service or service in particular service areas are set forth in rate schedules and constitute a part of these Rules and Regulations.
- C. The Company reserves the right, subject to authority of the Missouri Public Service Commission, to prescribe additional Rates, Rules or Regulations or to alter existing Rates, Rules or Regulations as it may from time to time deem necessary and proper.
- D. After the effective date of these Rules and Regulations, all new facilities, construction contracts, and written agreements shall conform to these Rules and Regulations, and in accordance with the statutes of the state of Missouri and the Rules and Regulations of the Missouri Public Service Commission. Pre-existing facilities that do not comply with applicable Rules and Regulations may remain, provided that their existence does not constitute a service problem or improper use, and reconstruction is not practical.
- E. The point of delivery of water service shall be at the connection of the Customer's service line to the Company's service connection.
- F. The Company shall have the right to enter upon the Customer's premises for the purpose of inspecting for compliance with these Rules and Regulations. Company personnel shall identify themselves and such inspections shall be conducted during reasonable hours.

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Rule 3 COMPANY EMPLOYEES AND CUSTOMER RELATIONS

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any services rendered to its Customers except as covered in the Company's Rules and Regulations.
- B. No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the intent of these Rules and Regulations.
- C. The Company shall not be responsible for damages caused by any failure to maintain water pressure or water quality, or for interruption, if such failure or interruption is without willful default or negligence on its part.
- D. The Company shall not be liable for damages due to, or interruptions caused by, defective piping, fittings, fixtures and appliances on the Customer's premises and not owned by the Company.
- E. The Company shall not be liable for damages due to Acts of God, civil disturbances, war, government actions, or other uncontrollable occurrences.

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Rule 4 APPLICATIONS FOR SERVICE

- A. A written application for service, signed by the Customer, stating the type of service required and accompanied by any other pertinent information, will be required from each Customer before service is provided to any unit.
- B. If service is requested at a point not already served by a main of adequate capacity, a main of adequate size shall be extended as may be necessary in accordance with Rule 14.
- C. When, in order to provide the service requested a main extension or other construction or equipment expense is required, the Company may require a written contract. Said contract may include, but not be limited to, the obligations upon the Company and the applicant, and shall specify a reasonable period of time necessary to provide such service.

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Rule 5 INSIDE PIPING AND WATER SERVICE LINES

- A. The Company will provide water service at the outdoor meter, at the curb stop if an indoor meter setting is utilized; or at the property line if neither an outdoor meter nor a curb stop exists at or near the property line, or at the edge of the street if such property line is in the street. Separate buildings shall be served through separate water service lines if they are not on one lot that cannot be subdivided.
- B. The service connection from the water main to the Customer's property line shall be owned and maintained by the Company. The meter installation and setting shall be constructed, owned and maintained by the Company.
- C. A service connection installation constructed by the Customer as provided for in paragraph 5 B., above, is subject to inspection by the Company. The Service Connection Inspection Fee as specified in the Schedule of Service Charges shall apply if the Company must make a trip solely to conduct an inspection of a service connection constructed by the Customer, and shall not apply if the inspection of a service connection is accomplished at the same time as a tap is made for the Customer, or the same time as an inspection of the water service line as provided for in paragraph D., below.
- D. Water service line construction and maintenance from the property line, curb stop or meter setting, including the connection to the curb stop or meter setting, to the building shall be the responsibility of the Customer, and is subject to inspection by the Company. The Customer shall be responsible for any applicable fees as listed in the Schedule of Service Charges. Customers shall be responsible for the cost of repairing any damage to the Company's mains, curb stops, valve boxes, meters, and meter installations caused by the Customer, Customer's agent, or tenant.

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- E. Existing water service lines and service connections may be used in connecting with new buildings only when they are found by examination and testing not to constitute a hazard to the health and safety of any Customer or the Company's facilities.
- F. The water service line shall be brought to the unit at a depth of not less than thirty-six inches (36") and have a minimum inside diameter of three-quarters inch (3/4"). The Customer is responsible for the determination of whether or not a larger size is needed to provide adequate flow to the unit. A valve must be installed in the service line where it enters the unit. This valve must be kept in good repair in order to shut off the water supply and drain the inside plumbing, if necessary.
- G. Water service lines and inside piping shall be of material conforming to recognized standards for potable water service and shall have a pressure rating of at least one hundred sixty (160) psi working pressure.
- H. The Company will not install a service connection to a vacant lot if such lot is not intended and recognized by the Company to be for intermittent use such as camping or picnic activity in a recreational subdivision, and the Customer installs a frost-free lockable hydrant at any point of use.
- I. Any change in the location of an existing service connection requested by the Customer shall be made by the Company or with the Company's approval, at the Customer's expense.
- J. The Company shall have the right to enter the Customer's premises, after reasonable notice, for the purposes of inspection to ensure compliance with these Rules and Regulations. Company personnel shall identify themselves and make these inspections only at reasonable hours.
- K. Neither water service lines nor service connections may be extended along public streets or roadways or through property of others in connecting with the Company's mains. The service connection may, however, extend through the

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water main easement and roadway easement as necessary in order to be connected to a main located across and adjacent to a street in front of the Customer's living unit. The service connection and service line must be laid in a straight line and at right angles to the main and the face of the structure or as nearly so as possible. Any deviation from this because of physical obstruction, landlocked property, or a clear impossibility to construction a future main extension for further subdivision development or additional future customers, will be at the discretion of the Company.

- L. Any Customer having a plumbing arrangement, or a water-using device that could allow backsiphonage of any chemical, petroleum, process water, water from a questionable supply, or other substance that could create a health hazard or damage to the water system; or, any Customer's plumbing classified as an actual or potential backflow hazard in the Regulations of the Missouri Department of Natural Resources shall be required to install and maintain a backflow prevention device. This rule may also apply to Customers on whose premises it is impossible or impractical for the Company to perform a cross connection survey. The device, installation, location and maintenance program shall be approved by the Company.

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Rule 6 IMPROPER OR EXCESSIVE USE

- A. No Customer shall be wasteful of the water supplied to the unit by the Customer's willful action or inaction. It shall be the responsibility and duty of each Customer to maintain all piping and fixtures at the unit in a good and efficient state of repair at all times.
- B. No Customer shall make or cause to be made a cross connection between the potable water supply and any source of chemical or bacterial contamination or any other water supply. The Company shall deny or discontinue service where Customer's water service line or inside piping may, in the opinion of the Company, cause a cross-connection with non-potable water or otherwise jeopardize the health and safety of other Customer's or the Company's facilities.
- C. The Customer shall not make or cause to be made a connection to a device that will result in excessive water demand or excessive shock, such as water-hammer, to the Company's mains.
- D. The Customer shall not tamper with, remove, or willfully damage a water meter or attempt to operate the shutoff cock on the service connection or meter yoke, or allow any such action. Licensed plumbers may operate such valves in order to work on the Customer's premises and to test their work, but must leave such valves open or closed as found.
- E. The Customer shall not attempt to take unmetered water from the Company mains either by an unauthorized tap or direct connection to service connection nor by connection to a fire hydrant.
- F. Customers will not be permitted to supply water in any way to premises other than the service address, nor to permit others to use their hose or attachments, nor leave them exposed to use by others without permission from the Company.

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Rule 7 DISCONTINUANCE OF SERVICE BY COMPANY

- A. The Company may discontinue service for any of the following reasons:
1. Non-payment of a delinquent account not in dispute; or
  2. Failure to post a security deposit or guarantee acceptable to the utility; or
  3. Unauthorized interference, diversion or use of the utility service situated or delivered on or about the Customer's premises; or
  4. Misrepresentation of identity in obtaining utility service; or
  5. Enclosing or obstructing any meter so as to make reading or repairs unreasonably difficult, or
  6. Failure to comply with the terms and conditions of a settlement agreement; or
  7. Refusal after reasonable notice to grant access at reasonable times to equipment installed upon the premises of the Customer for the purpose of inspection, meter reading, maintenance or replacement; or
  8. Violation of any of these Rules and Regulations on file with and approved by the Missouri Public Service Commission, or for any condition which adversely affects the safety of the Customer or other persons, or the integrity of the utility's delivery system; or
  9. Non-payment of a sewer bill issued by the Company or by a sewer utility requesting discontinuance of water service by an agreement between the Company and such sewer utility. When water service is discontinued for non-payment of a sewer bill and if the sewer bill is not issued by the Company, any service charges for turn on/off or

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disconnection/reconnection within these Rules and Regulations shall not apply, and notice to the Customer shall be provided by rules and procedure applicable to the Customer's sewer service in lieu of notification required by these Rules and Regulations.

B. None of the following shall constitute sufficient cause for the Company to discontinue service:

1. The failure of the Customer to pay for merchandise, appliances, or service not subject to Commission jurisdiction as an integral part of the utility service provided by the Company; or
2. The failure of the Customer to pay for service received at a separate metering point, residence, or location. In the event of discontinuance or termination of service at a separate residential metering point, residence, or location in accordance with these Rules and Regulations, the Company may transfer and bill any unpaid balance to any other residential service account of the Customer and may discontinue service after twenty-one (21) days after rendition of the combined bill, for nonpayment, in accordance with this rule; or
3. The failure of the customer to pay for a different class of service received at the same or different location. The placing of more than one (1) meter at the same location for the purpose of billing the usage of specific devices under operational rate schedules or provisions is not construed as a different class of service for the purpose of this rule; or
4. The failure to pay the bill of another customer, unless the customer whose service is sought to be discontinued received substantial benefit and use of the service billed to the other customer; or
5. The failure of a previous owner or occupant of the premises to pay an unpaid or delinquent bill except where the previous occupant remains an

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occupant of the living unit; or

6. The failure to pay a bill correcting a previous underbilling, whenever the customer claims an inability to pay the corrected amount, unless a utility has offered the customer a payment arrangement equal to the period of underbilling.
- C. The Company may discontinue service after notice by first class mail is sent to the Customer at least ten (10) days prior to the date of the proposed discontinuance. Service of notice by mail is complete upon mailing. If written notice is hand delivered to the Customer, it shall be done at least ninety-six (96) hours prior to discontinuance. If the Company intends to discontinue service to a multi-tenant dwelling with occupants who are not customers, a notice shall also be conspicuously posted in the building ten (10) days prior to the proposed discontinuance, along with information pertaining to how one or more of the tenants may apply to become customers. Discontinuance shall occur within thirty (30) calendar days after the date given as the discontinuance date, shall occur between the hours of 8:00 a.m. and 4:00 p.m., and shall not occur on a day when the Company will not be available to reconnect service or on a day immediately preceding such a day.
- D. A discontinuance notice provided to a customer shall include:
  1. The name and address of the Customer, the service address if different than the Customer's address; and
  2. A statement of the reason for the proposed discontinuance of service and the cost for reconnection; and
  3. How the customer may avoid the discontinuance; and
  4. The possibility of a payment agreement if the claim is for a charge not in dispute and the Customer is unable to pay the charge in full at one time;

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5. A telephone number the Customer may call from the service location without incurring toll charges and the address and any available electronic contact information of the utility prominently displayed where the customer may make an inquiry.
- E. The Company shall make reasonable efforts to contact the Customer, at least twenty-four (24) hours prior to any discontinuance, regarding the reason(s) for discontinuance of service, and the resolution. If discontinuance of service would affect an occupant who is not the Company's Customer, or is not responsible for payment of the bill, then the Company shall make reasonable efforts to inform such occupant(s).
- F. The Company shall postpone the discontinuance if personnel will not be available to restore service the same day, or if personnel will not be available to restore service the following day. The Company also shall postpone discontinuance if a medical emergency exists on the premises, however the postponement may be limited to twenty-one (21) days, and the Company may require proof of a medical emergency.
- G. The Company shall have the right to enter the Customer's premises for purposes of discontinuance of service in compliance with these Rules and Regulations. Discontinuance of service will be made during reasonable hours. Company personnel shall identify themselves and announce the intention to discontinue service, or leave a conspicuous notice of the discontinuance. The Company shall have the right to communicate with the owner of the Customer's Unit for purposes of gaining access to the property for discontinuance of service in accordance with the Missouri Public Service Commission's billing practices, but any extra costs for arranging such access shall not be charged to the Customer's account.
- H. The provisions of paragraphs C. and E. above may be waived if safety of Company personnel while at the premises is a consideration.

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- I. Discontinuance of service to a unit for any reason shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of monies due from the Customer.
- J. In case the Company discontinues its service for any violation of these Rules and Regulations, then any monies due the Company shall become immediately due and payable.
- K. The Company has the right to refuse or to discontinue service to any unit to protect itself against fraud or abuse.
- L. The Company shall deal with Customers, handle Customer accounts, and manage discontinuance of service procedures in accordance with the Missouri Public Service Commission's Utility Billing Practices.
- M. Applicable Turn-off and turn-on charges are specified in the Schedule of Service Charges.

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Rule 8 TERMINATION OF WATER SERVICE AT CUSTOMER'S REQUEST

- A. Service will be terminated at the Customer's request, by giving not less than twenty-four (24) hours notice to the Company during its regular office hours. The Company shall, on the requested day, read the Customer's meter and charges for water service rendered up to and including the time of termination shall be computed and will become due and payable immediately.
- B. A Customer may request temporary turn-off by the Company for the Customer's own convenience; however, the Customer shall still be charged for service at the appropriate rate as specified in the Schedule of Rates during the time the service is turned off.
- C. Turn-off and turn-on charges shall apply, and are specified in the Schedule of Service Charges.
- D. A Customer who requests termination of service, but returns to the premises and requests water service within nine (9) months of such termination, at the Company's discretion may be deemed to have been a seasonal customer, and applicable charges incurred during the period of absence may apply.

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Rule 9 INTERRUPTIONS IN SERVICE

- A. The Company reserves the right to discontinue water in its mains at any time, without notice, for making emergency repairs to the water system. Whenever service is interrupted for scheduled repairs or maintenance, Customers affected by such interruptions will be notified in advance whenever it is possible to do so. Every effort will be made to minimize interruption of service.
- B. No refunds of charges for water service will be made for interruptions of service unless due to willful misconduct of the Company.
- C. In order to avoid service problems when extraordinary conditions exist, the Company reserves the right, at all times, to determine the limit of and regulate water usage in a reasonable and non-discriminatory manner.

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Rule 10 BILLS FOR SERVICE

- A. The charges for water service shall be at the rates specified in the Schedule of Rates in these Rules and Regulations. Other applicable service charges are set forth in the Schedule of Service Charges in these Rules and Regulations.
- B. A Customer who has made application for, or is receiving the benefit of, water service to a unit shall be responsible for payment for all water service provided to the Customer at said unit from the date of connection until the date requested by the Customer by proper notification to the Company to terminate service.
- C. Each Customer is responsible for furnishing the Company with the correct address. Failure to receive bills will not be considered an excuse for non-payment nor reason to permit an extension of the date when the account would be considered delinquent. Bills and notices relating to the Company or its business will be mailed or delivered to the mailing address entered in the Customer's application unless the Company is notified in writing by the Customer of a change of address.
- D. Payments shall be made at the office of the Company or at such other places conveniently located as may be designated by the Company, by ordinary mail, or by electronic methods employed by the Company. Payment must be received by the close of business on the date due, unless the date due falls on a non-business day in which case payment must be received by the next business day.
- E. Neither the Company nor the Customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.

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- F. A separate bill shall be rendered for each Customer with itemization of all water service charges. All bills for service shall state the due date. The Company shall render bills on a monthly or quarterly basis. New customers will be billed monthly. After twelve (12) consecutive months of timely payments the customer shall be eligible for quarterly billing.
- G. All bills shall be due twenty-one (21) calendar days from the date of rendition, unless such due date falls on a Sunday, a legal holiday, or other day when the office is closed, in which case the due date shall be extended to the next business day. Bills unpaid after the stated due date will be delinquent and the Company shall have the right to discontinue service in accordance with Rule 7. Delinquent bills may be subject to a late charge as provided in the Schedule of Service Charges. The Company shall not be required to restore or connect any new service for such delinquent Customers until the unpaid account due the Company under these Rules and Regulations has been paid in full or arrangements satisfactory to the Company have been made to pay said account.
- H. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be the monthly or quarterly minimum plus an amount based on the water used at the commodity (water usage) rate or one-half (1/2) of the flat rate if applicable.
- I. The Company may require a security deposit or other guarantee as a condition of new service if the Customer:
1. Still has an unpaid account with a utility providing the same type of service accrued within the last five (5) years; or,
  2. Has diverted or interfered with the same type of service in an unauthorized manner within the last five (5) years; or,

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3. Is unable to establish a credit rating with the Company. Adequate credit rating for a residential Customer shall be established if the Customer:
- a. Owns or is purchasing a home; or,
  - b. Is and has been regularly employed full time for at least one (1) year; or,
  - c. Has an adequate and regular source of income; or
  - d. Can provide credit references from a commercial credit source.
- J. The Company may require a security deposit or other acceptable written guarantee of payment as a condition of continued service if:
- 1. The water service of the Customer has been discontinued for non-payment of a delinquent account not in dispute; or,
  - 2. The utility service to the unit has been diverted or interfered with in an unauthorized manner; or,
  - 3. The Customer has failed to pay undisputed bills before the delinquency date for five (5) billing periods out of twelve (12) consecutive monthly billing periods.
- K. The amount of a security deposit shall not exceed utility charges applicable to one (1) billing period plus thirty (30) days, computed on estimated or actual annual usage.
- L. Interest shall be payable annually on all deposits, but shall not accrue after the utility has made reasonable effort to return the deposit. Interest will be paid at a per annum rate equal to the prime bank lending rate, as published in the *Wall Street Journal* for the last business day of the preceding calendar year, plus one (1) percentage point. Interest may be credited to the Customer's account.

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Month /Day/Year

Effective Date: July 24, 2017  
Month /Day/Year

ISSUED BY Wanda Cassell, Owner  
Name and Title of Issuing Officer

PO Box 276, Stockton, MO 65785  
Mailing Address

Name of Utility: Stockton Hills Water Company, Inc.  
Service Area: Stockton Hills, Sac Valley Estates, Lu Acres, Lochview Estates, and Edge  
Subdivision, Cedar County, MO

Rules and Regulations Governing Rendering of  
Water Service

- M. After a Customer has paid proper and undisputed utility bills by the due dates, for a period not to exceed one (1) year, credit shall be established or re-established, and the deposit and any interest due shall be refunded. The utility may withhold full refund of the deposit pending resolution of a disputed matter.
- N. The utility shall give a receipt for deposits received, but shall also keep accurate records of deposits, including Customer name, service address, amounts, interest, attempts to refund and dates of every activity regarding the deposit.
- O. All billing matters shall be handled in accordance with the Missouri Public Service Commission's Rules and Regulations regarding Utility Billing Practices, 4 CSR 240-13.

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Rule 11 METERS AND METER INSTALLATIONS

- A. When water meters are utilized for billing, the Company shall furnish and install a suitable meter for each Customer, and the Company's installed meter shall be the standard for measuring water used to determine the bill. All meters shall be furnished, installed, maintained and removed by the Company and shall remain its property.
- B. The Company shall have the right to determine, on the basis of the Customer's flow requirements, the type and size of meter to be installed and location of same. No meter size selection will be based solely on the size of the Customer's service line. If flow requirements increase or decrease subsequent to installation and a larger or smaller meter is requested by the Customer, the cost of installing such larger or smaller meter shall be paid by the Customer.
- C. Domestic water service to any one Customer at a single premises shall be furnished through a single service connection. Individual units of a multi-unit building may have separate connections and meter installations only if each unit has separate plumbing, ground-level space, an individual service connection and meter installation location, and frontage to a Company-owned main. For multi-unit buildings with one service connection and meter installation, the inside piping may be rearranged at the Customer's own expense so as to separate the units and meter tenants, then divide the bill accordingly.

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- D. The owners of premises wherein meters are located shall be held responsible for the safekeeping of the Company's meters and metering appurtenances, and are required to keep meters located within their property accessible to the Company for reading and for meter changeouts. If a Customer limits accessibility, or fails to protect a meter against damage, the Company may discontinue service and/or refuse to supply water until accessibility is restored and the Company is paid for any such damage. The amount of the charge shall be the cost of the necessary replacement parts and the labor cost necessary to make the repair.
- E. If the Company determines that no suitable outdoor location is available, then the meter may be installed inside the Customer's premises where the water service line enters the building and just downstream of the inside shutoff valve. The Company shall install a curb stop within the service connection at or near the property line as practical. When the meter is installed inside the Customer's premises, the Customer will either provide a meter yoke to accept installation of the Company's meter, or provide proper fittings for the house plumbing pipe to allow for direct installation of the Company's meter, along with a proper grounding strap installed around the meter to prevent electric charge build-up on either side of the meter or while a meter is removed. If installation in a special setting is necessary, the excess cost of installation shall be paid by the Customer.
- F. If an existing basement meter location is determined by the Company to be inadequate or inaccessible, then the Customer must provide for the installation of a meter to be located at or near the Customer's property line. The Customer shall furnish or obtain from the Company, as appropriate, the necessary meter installation appurtenances conforming to the Company's specifications, and the cost of said appurtenances and labor shall be paid by the Customer.

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- G. Approved meter installation locations in dry basements, sufficiently heated to keep the meter from freezing, may remain provided the meter is readily accessible, at the Company's and Customer's convenience as determined by the Company, for servicing and reading and the meter space provided is located where the service line enters the building. The Company may, at its discretion, require the Customer to install a remote reading device at an approved location, for the purpose of reading the meter. It is the responsibility of the Customer and/or the owner of the premises to provide a location for the water meter which, in the event of water discharge as a result of leakage from the meter or couplings, will not result in damage. The Company's liability for damages to any and all property caused by such leakage shall in no event exceed the price of water service to the affected premises for one average billing period in the preceding year. Where damage is caused by the negligence of Company personnel at the premises, this limitation will not apply. If a Customer refuses to provide an accessible location for a meter as determined by the Company, the Company will notify the Staff of the Water and Sewer Unit of the Missouri Public Service Commission before ultimately refusing service or proceeding to discontinue service.
- H. The Customer shall promptly notify the Company of any defect in, or damage to, the meter setting.
- I. Any change in the location of any existing meter or meter setting at the request of the Customer shall be made at the expense of the Customer, and with the approval of the Company.

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Rule 12 METER TESTS AND TEST FEES

- A. Any Customer may request the Company to make a special test of the accuracy of the meter through which water is supplied to the Customer. This test will be made in accordance with water industry test procedures, and to check for accuracy as required by Regulations of the Missouri Public Service Commission.
- B. The Company reserves the right to remove and test a meter at any time and to substitute another in its place. In case of a dispute involving a question as to the accuracy of the meter, a test will be made by the Company upon the request of the Customer without charge if the meter has not been tested within twelve (12) months preceding the requested test; otherwise, an approved charge will be made if the test indicates meter accuracy within five percent (5%).
- C. A meter test requested by the Customer may be witnessed by the Customer or the Customer's duly authorized representative, except for tests of meters larger than two inch (2") inlet, which will be conducted by the water manufacturer. A certified copy of the test report will be provided to the Customer.
- D. If a test shows an average error of more than five percent (5%), billings shall be adjusted in accordance with Rule 13.

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Rule 13 BILL ADJUSTMENTS BASED ON METER TESTS

- A. Whenever any test by the Company of a meter while in service or upon its removal from service shall show such meter to have an average error of more than five percent (5%) on the test streams prescribed by the Missouri Public Service Commission, the Company shall adjust the Customer's bills by the amount of the actual average error of the meter and not the difference between the allowable error and the error as found. The period of adjustment on account of the under-registration or over-registration shall be determined as follows:
1. Where the period of error can be shown, the adjustment shall be made for such period; or
  2. Where the period of error cannot be shown, the error found shall be considered to have existed for three (3) months preceding the test.
- B. If the meter is found on any such test to under-register, the Company may render a bill to the Customer for the estimated consumption not covered by bills previously rendered during the period of inaccuracy as above outlined. Such action shall be taken only when the Company was not at fault for allowing the inaccurate meter to remain in service.
- C. If the meter is found on any such test to over-register, the Company shall refund to the Customer any overcharge caused during the period of inaccuracy as above defined. The refund shall be paid within a reasonable time and may be in the form of a bill credit.

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Rule 14 EXTENSION OF WATER MAINS

- A. This rule shall govern the extension of mains by the Company within its certified area where there are no water mains.
- B. Upon receipt of a written application for a main extension, the Company will provide the applicant(s) an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including valves, fire hydrants, booster stations, storage facilities, reconstruction of existing mains (if necessary), and the direct costs associated with supervision, engineering, permits, and bookkeeping. The estimate will not include unanticipated costs such as rock excavation.
- C. Applicant(s) shall enter into a contract with the Company for the installation of said extension and shall tender to the Company the amount determined in paragraph B. above. Any applicable New Service Connection Fee will become due after the cost incurred by the Company has been ascertained, as per Rule 5 B. 1. or 3., and as specified in the Schedule of Service Charges. The contract may allow the Customer to contract with an independent contractor for the installation and supply of material, except that mains of twelve inches (12") or greater diameter must be installed by the Company, and the reconstruction of existing facilities must be done by the Company.
- D. The cost to single-family residential applicant(s) connecting to a main extension for which other applicant(s) paid an amount determined in paragraph B., above, subject to subsequent adjustments for actual cost, shall be as follows:
  - 1. For single-family residential applicant(s) applying for service in a platted subdivision, the Company shall divide the actual cost of the extension by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing mains shall be excluded.

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2. For single-family residential applicant(s) applying for service in areas that are unplatted in subdivision lots, an applicant(s) cost shall be equal to the total cost of the main extension divided by the total length of the main extension in feet times one hundred (100) feet.
3. For industrial, commercial, or multifamily residential applicants, the cost will be equal to the amount calculated for a single-family residence in paragraphs D.1. or D.2. above, multiplied by the flow factors of the applicants' meter. The flow factors of the various sizes of meters are as follows:

<u>Meter Size</u>	<u>Flow Factor</u>
5/8"	1
1"	2.5
1 1/2"	5
2"	8
3"	15
4"	25

E. Refunds of funds paid by applicant(s) for any estimated costs or actual costs of a main extension shall be made to such applicant(s) as follows:

1. Should the actual cost of the extension be less than the estimated cost, the Company shall refund the difference to the applicant(s) as soon as the actual cost has been ascertained.
2. During the first ten (10) years after the main extension is completed, the Company will refund to the applicant(s) who paid for the extension the money collected from applicant(s) in accordance with paragraph D. above. The refund shall be paid within a reasonable time after the money is collected.

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3. The sum of all refunds to any applicant shall not exceed the total amount which the applicant(s) has paid.
- F. Extensions made under this rule shall be and remain the property of the Company.
- G. The Company reserves the right to further extend the main and to connect mains on intersecting streets and easements. Connecting new Customers to such further extensions shall not entitle the applicant(s) paying for the original extension to a refund for the connection of such Customers.
- H. Extensions made under this rule shall be of Company-approved pipe sized to meet water service requirements. If the Company chooses to size the extension larger in order to meet the Company's overall system requirements, the additional cost caused by the larger size of pipe shall be borne by the Company.
- I. No interest will be paid by the Company of payments for the extension made by the applicant(s).
- J. If extensions are required on private roads, streets, through private property, or on private property adjacent to public right-of-way, a proper deed of easement must be furnished to the Company without cost to the Company, before the extension will be made.

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Disposition Agreement Attachment F

Bill Comparison Worksheet

# Stockton Hills Water Company, Inc.

## 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	\$ 13.13	\$ 16.86	\$ 3.21	\$ 5.34
Full Time Quarterly	\$ 39.38	\$ 48.06	\$ 3.21	\$ 5.34

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. Customer Charge includes first 1,000 gallons

#### Monthly Billing

##### Current Rates

Customer Charge	\$ 13.13
Usage Charge	\$ 6.42
Total Bill	\$ 19.55

##### Proposed Rates

Customer Charge	\$ 16.86
Usage Charge	\$ 10.68
Total Bill	\$ 27.55

##### INCREASES

##### Customer Charge

\$ Increase	\$3.73
% Increase	28.44%

##### Usage Charge

\$ Increase	\$4.26
% Increase	66.38%

##### Total Bill

\$ Increase	\$8.00
% Increase	40.90%

#### Quarterly Billing

##### Current Rates

Customer Charge	\$ 39.38
Usage Charge	\$ 19.26
Total Bill	\$ 58.64

##### Proposed Rates

Customer Charge	\$ 48.06
Usage Charge	\$ 32.05
Total Bill	\$ 80.11

##### INCREASES

##### Customer Charge

\$ Increase	\$8.68
% Increase	22.05%

##### Usage Charge

\$ Increase	\$12.79
% Increase	66.38%

##### Total Bill

\$ Increase	\$21.47
% Increase	36.61%

Disposition Agreement Attachment G

CAMU Report

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

### **Consumer and Management Analysis Unit**

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

**Case No. WR-2017-0139**

### **Stockton Hills Water Company**

**Gary Bangert**

The Consumer and Management Analysis Unit (CMAU) staff of the Missouri Public Service Commission ("Commission") initiated an informal review in December 2016 of the customer service and business processes, procedures, and practices of Stockton Hills Water Company ("Stockton Hills" or "Company"). The review was performed in response to the Company's request for a rate increase in Case No. WR-2017-0139, which was filed on November 14, 2016. This request is for an increase of \$45,236 in its annual water system operating revenues.

The CMAU staff examined the Company's tariffs, annual reports, Commission complaint and inquiry records, and other documentation related to the Company's customer service and business operations. In preparation of this report, the CMAU staff submitted data requests to the Company and conducted interviews with Company personnel. The CMAU staff's review of the Company resulted in the following four recommendations:

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

1. Store Company documents in a locked, fireproof file cabinet. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0139.
2. 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. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0139.
3. State clearly on each bill the date customers are subject to the late payment fee as required by 4 CSR 240-13.020(9)(B). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0139.

4. Develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040. This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0139.

The purpose of the CMAU is to promote and encourage efficient and effective utility management. These objectives contribute to the Commission's overall mission to ensure that Missourians receive safe and reliable utility service at just, reasonable and affordable rates.

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

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

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

This report contains the results of the CMAU staff's review.

### **History**

Stockton Hills Water Company was certificated by the Commission on March 13, 1972, to provide water service. The Company currently operates near Stockton, Missouri, within five subdivisions (Stockton Hills, Sac Valley Estates, Lu Acres, Lochview Estates, and Edge Subdivision) on or near the west shore of Stockton Lake. A previous customer service review was performed by the CMAU staff in conjunction with Case No. WR-2010-0202.

The previous review resulted in a written report and included recommendations for improvement in the areas of customer billing, credit and collections, complaint handling and recording, and business operations. The CMAU staff reviewed the implementation actions taken



by Company management on the recommendations in the previous report during the current review. Recommendations that had not been completed at the time of this CMAU staff customer service review are included in the section of this report titled Findings, Conclusions, and Recommendations.

### **Overview**

The staff of Stockton Hills Water Company consists of the owner and five part-time employees. The owner has overall responsibility for Company operations. The five part-time employees perform a variety of tasks related to business office and outside plant operations. Two employees handle office administration; one employee has bookkeeping and billing responsibilities; and, the other collects bills, answers the telephone, and handles computer-related work. The remaining three employees have operation and maintenance related duties. One is a certified operator and the two others read meters, with one of these meter readers also performing routine maintenance work. Employees keep time records and vehicle logs on all work associated with Company business.

The Stockton Hills business office is located at 808 South Street, Stockton, Missouri 65785. Its hours of operation are 8:30 a.m. to 5:00 p.m. Monday thru Friday and 9:00 a.m. to 1:00 p.m. on Saturday. Company personnel are available 24/7 by telephone. The business office telephone number is provided on customer bills and is answered by the owner after normal business hours or by an answering machine. Stockton Hills provided water service to approximately 141 full-time customers as of January 17, 2017. Company management represented that 46 of these customers are billed on a monthly basis and 95 are billed quarterly. There were 163 customers at the end of 2015 and 142 customers at the end of 2016. Stockton Hills maintains paper files for its customer records and there are no electronic backup 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.

### **Meter Reading**

Stockton Hills Water Company's two part-time meter readers read the water meters by the 28<sup>th</sup> of the month. Inactive meters are read on a quarterly basis. Company personnel assert 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. Consequently, estimated bills are rarely

prepared. Stockton Hills personnel represented that there have been minimal problems with theft of water service. A lock is placed on meters when theft is suspected. The Company has no plans to change the way it captures and records meter readings.

### **Customer Billing**

Stockton Hills Water Company bills customers on either a monthly or quarterly basis. New customers are initially billed on a monthly basis. After a good payment history has been established, the customer may be allowed to transfer to quarterly billing. This determination to allow a monthly customer to be billed quarterly is made at the discretion of the Company owner. There is no written policy describing the criteria used to determine whether customers will be billed on a monthly or quarterly basis.

The Company's tariff provides the rates for water service to its monthly- and quarterly-billed customers. Monthly-billed customers pay \$13.13 for up to a minimum of 1,000 gallons of water usage. Quarterly-billed customers pay \$39.38 for up to a minimum of 3,000 gallons of water usage. All customers pay \$3.21 per 1,000 gallons of water over the minimum amount.

The bookkeeper manually calculates customers' bills 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 due date, the net amount due, and any late fees that are due. The date that late fees will be assessed is not included on the bill. The Company's tariff provides for a \$5.00 late fee or 3% per month of the unpaid balance whichever is more. The billing statements are mailed to customers who return one side with their payment and retain the other side for their own records. Company personnel assert that all bills are in the mail by the 29<sup>th</sup> or 30<sup>th</sup> of the month and due on the 21<sup>st</sup> of the following month.

### **Payment Remittance**

Customer payment options include cash and checks. Stockton Hills personnel indicate that most customers pay their bills by check although a few monthly-billed customers pay with cash. Company management represent that six to eight customers use an electronic bill pay option through their bank. About half of the payments are received from customers who walk

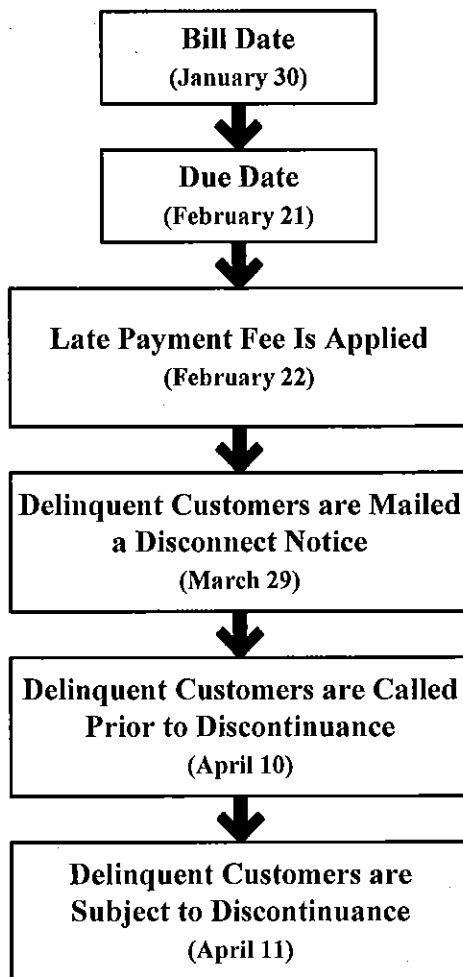
into the office and the rest are received in the mail. Company personnel assert that bill payments are processed and recorded on the day they are received and bank deposits are made daily.

### **Credit and Collections**

Customers requesting water service are required to complete a written application. Residential customers who do not meet the credit criteria provided in Commission Rule 4 CSR 240-13.030 must pay a \$50 security deposit as a condition for providing service. Company management represents that 11 deposits were collected in 2015 and 12 deposits in 2016. Stockton Hills personnel indicate that deposits are refunded with 6% interest after 12 months of satisfactory payment history or when customers move. Company personnel assert there were no returned checks in 2015 and one returned check in 2016. The Company's current tariff has a provision for a returned check fee of \$25.00.

Stockton Hills Water Company has an established procedure for handling delinquent accounts. The following illustration shows the actions that would be taken on delinquent accounts:

### **Delinquent Account Actions**



**Source: Stockton Hills Water Company Management Interview Information**

As shown in the illustration, a bill with a January 30 bill date would be due on February 21. Consequently, customers have 22 days to pay their bill before a late fee is assessed. Customers with unpaid accounts have almost 2 months from the due date before they are subject to discontinuance.

Stockton Hills Water Company personnel indicate that an average of four or five customers do not pay their bill by the due date each month. Company personnel assert that, of these customers with delinquent accounts, usually about two customers do not pay their bill by the time the next bill is mailed. Stockton Hills management represents that only about four delinquent account customers have their water service discontinued each year. The Company's

tariff provides for a \$25.00 reconnection fee which must be paid on discontinued service accounts before water service is turned on. Security deposits are not collected as a condition of continued service. Stockton Hills management indicates that no delinquent accounts were written off in 2015 or 2016. The Company does not use a collection agency to pursue the collection of uncollectible accounts.

### **Complaints and Inquiries**

Customers with questions or concerns may call the Company using the telephone number that appears on their bill. Office personnel respond to most calls and the owner may also become involved in certain situations. Stockton Hills personnel indicate that customer contacts requiring follow-up action are recorded and maintained on a log sheet that includes the date, customer's name, service location, description of the complaint/inquiry, resolution, and Company initials. A review of the Commission's complaint/inquiry records since 2015 showed there was one complaint in 2015 regarding a denial of service and one complaint and one inquiry in 2016 concerning the current rate case.

### **Customer Communication**

Customer bills are the primary means of communicating with customers. Some special information is also conveyed with letters. Stockton Hills has created a customer contract, which contains some information, but a comprehensive informational brochure about rights and responsibilities required by Commission Rule 4 CSR 240-13.040 is not available.

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

The following discussion presents a summary of the findings, conclusions, and recommendations pertaining to Stockton Hills Water Company's customer service operations. Recommendations resulting from rule or tariff violations are specifically noted and associated with a 30-day implementation requirement. The information presented in this section focuses on the following four issues that require Company management's attention:

- Record Storage and Security
- Customer Billing Criteria Documentation
- Late Fee Bill Information
- Customer Rights and Responsibilities Documentation

### **Record Storage and Security**

Stockton Hills Water Company does not store customer records in a locked, fireproof file cabinet. All Company records are paper-based, and there are no electronic backup Company files. Company documents containing customers' account information are stored in the owner's office which is locked overnight. There are no backup files of any Company records. The possibility exists that these Company records could be lost in the event of some disaster. Recreation of lost records could be very difficult, time consuming, and impossible in certain instances. The Company is extremely vulnerable to negative consequences since there is no off-site storage of backup files. The provision of locked, fireproof storage could greatly minimize any disruption in service to customers and facilitate recovery if some disaster would occur.

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

*Store Company documents in a locked, fireproof file cabinet. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0139.*

### **Customer Billing Criteria Documentation**

Stockton Hills Water 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 lack of a written policy may make it difficult for some customers to recognize they may be eligible to request quarterly billing. A written policy could help to ensure the uniform offering of quarterly billing to customers who qualify and could be incorporated into the Company's informational rights and responsibilities brochure.

#### ***THE CMAU 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. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0139.*

### **Late Fee Bill Information**

Customer bills do not state the date unpaid bills are subject to a late payment fee. Commission Rule 4 CSR 240-13.020(9) states: "Every bill for residential utility service shall clearly state – (B) The date when the bill will be considered due and the date when it will be delinquent, if different;" Customer bills include the due date, but they do not include the delinquent date. Customer bills are due on the stated 21<sup>st</sup> of the month and a late fee is assessed on the 22<sup>nd</sup> of the month, the date when the Company considers the account to be delinquent. However, a delinquent date is not specified.

The absence of a date on customer bills about when late payment fees will be applied could negatively impact the timeliness of customers remitting payments. Inclusion of information about the late payment fee and the date it will be assessed would provide customers the information necessary to avoid late payment fees and facilitate timely payments.

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

*State clearly on each bill the date customers are subject to the late payment fee as required by 4 CSR 240-13.020(9)(B). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0139.*

### **Customer Rights and Responsibilities Documentation**

Stockton Hills Water Company has not prepared comprehensive, written information documenting the rights and responsibilities of the Company and its customers. Commission Rule 4 CSR 240-13.040(3) states:

A utility shall prepare, in written form, information in plain language, which summarizes the rights and responsibilities of the utility and its customers in accordance with this chapter. The form shall be submitted to the consumer services department of the commission, and to the Office of the Public Counsel. This written information shall be displayed prominently, and shall be available at all utility office locations open to the general public, and shall be mailed or otherwise delivered to each of the utility's residential customers upon request. The information shall be delivered or mailed to each new customer of the utility upon the commencement of service and shall be available at all times upon request.

Stockton Hills has created a customer contract, which contains some information, but a comprehensive informational brochure including the rights and responsibilities required by

Commission Rule 4 CSR 240-13.040 is not available. Consequently, customers may not be aware of some information that could benefit their customer experience.

The availability of written information would provide useful facts relating to billing procedures, payment requirements, customer deposits, discontinuance of service, inquiries and complaints, and access to the Company, Commission, and the Office of the Public Counsel. Written information would be a valuable educational resource for new and existing customers.

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

*Develop and distribute to all current and future customers written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040. This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0139.*

**Implementation Review**

The CMAU staff will conduct a review of Stockton Hills Water Company's progress regarding the implementation of the four recommendations made in this report.



**Disposition Agreement Attachment H**

**Water and Sewer Department Report**

**REPORT OF WATER AND SEWER DEPARTMENT  
FIELD OPERATIONS AND TARIFF REVIEW**

**Case No. WR-2017-0139**

**Stockton Hills Water Company**

**Jonathan Dallas / David Spratt / Curt Gateley**

**Introduction**

Stockton Hills Water Company (Company) provides water service to approximately 141 customers. The Commission's Water and Sewer Department Staff (Staff) performed an inspection of the water system on December 7, 2016. Observations and suggested improvements are listed below.

**Facilities**

The water system is a one-well system with a standpipe. In November 2016 the submersible well pump stopped working. When repairs were attempted, it was determined that the well had collapsed, and the pump could not be pulled out of the ground to be repaired or replaced. Since the well was not salvageable and the Company had no other source of supply, a second well was required to replace the first well. The Company immediately began working to get the new well in place, by contracting with its well drilling company, and coordinating with the Missouri Department of Natural Resources (DNR) who exercised expedited approval procedure. As a single-well system, the Company at this point had no source of water of its own for five weeks while construction of the new well took place. The Company assured that its customers had water service by purchasing water wholesale from the city of Stockton and having it hauled to its system by truck and pumped into the stand pipe.

The new wellhead is a "pitless unit" and is located outside of the well house, which will make the well pump easier to access in the future when it requires maintenance. DNR recommends that all outdoor exposed wellheads be protected from damage by traffic or equipment, such as by installing concrete bollards or fencing. However, the Company has not yet installed security fencing or other protection. The previous well pump was installed in 2009 and had a 5 horsepower (hp) pump which produced approximately 25 gallons per minute. The new well pump was upgraded, along with three-phase electric power, to a 7.5 hp motor which produces approximately fifty (50) gallons per minute.

Storage is provided by a seventy (70) foot tall, ten (10) foot diameter standpipe, which besides providing storage volume also maintains system water pressure by gravity. The water level in the standpipe must be at least forty-two (42) feet in order to provide the DNR-specified minimum of 20 pounds per square inch (psi) water pressure. The electric controls turn off the well pump at the sixty-five (65) foot level. The usable storage volume, between the 42 and 65 foot levels, is approximately 13,500 gallons.

The distribution system consists of 32,600 feet of various sizes of PVC pipe ranging from two-inch (2") to five-inch (5") water mains with 5/8" water meters for all one hundred forty-one (141) customers.

### **Water and Sewer Staff Observations and Recommendations:**

Staff recommends that the Company purchase and install a generator to provide continuous power to the well pump in the event that there is a power outage.

While well construction was taking place, the Company also experienced a contamination event in the standpipe overflow pipe, requiring disinfection of the facility. The standpipe was inspected while it was out of service for disinfection and the Company states that the interior of the standpipe was found to be in good condition and did not need a new paint coating. The exterior of the standpipe is painted regularly and was scheduled to be painted again this fall, but that project has been delayed due to financial issues caused by the recent emergency events.

A large investment was made by the Company to restore water to the system. During that time the Company ensured that customers received water via the hauled water from the City of Stockton. While Staff recommends that a generator be purchased to protect the system from potential power outages, it does not require that it be done so in a certain time frame. In this situation when the well pump was inoperable, a generator would not have alleviated the problem, but in the event of a power outage, the Company may be able to rent a generator to prevent a prolonged outage. Since prolonged power outages are often associated with extreme weather, it is often difficult to obtain a generator for rent when roads are impassible or wide-spread damage creates high demand. Until a generator is purchased, the Company should have an arrangement made with its pump company or some local business to have a generator on hand in the event of a power outage or forecasted weather event that could lead to a power outage.

Staff recommends that a fence be installed around the perimeter of the Company's property to offer additional protection to the well house, the wellhead, and the standpipe but Staff is not requiring this or establishing a time frame in which a fence must be installed. For the time being the Company should place something around the wellhead for protection from a potential car accident. Concrete bollards work well as wellhead protection.

The Company contends that it is financially unable to install fencing or any new equipment at this time due to the large investment made for the new well.

### **Tariff Review**

Staff routinely works with utilities to update 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 significant portions of this company's tariff have not been updated to current regulations, Staff recommends replacing the entire tariff.

### **Rate Design**

Staff also reviewed the Company's current rate design in its investigation. The current rate structure consists of a monthly service charge and a commodity charge, as well as wholesale rates for bulk sales. Staff proposes to maintain the same rate structure, updated based on the results of the new a cost of service studies performed as part of this rate case.

**WATER AND SEWER DEPARTMENT STAFF RECOMMENDATIONS:**

- 1) The Company continue to pursue capital projects as necessary to ensure safe and adequate service, and to comply with DNR regulations and permit requirements
- 2) The current PSC MO No 2 be cancelled and replaced with PSC MO No 3.

Disposition Agreement Attachment I

EMS

Stockton Hills Water Company  
Case No. WR-2017-0139  
Test Year 12 months ending December 31, 2015  
Update 12 months ending December 31, 2016  
Revenue Requirement

Line Number	A Description	B 8.04% Return	C 8.04% Return	D 8.04% Return
1	Net Orig Cost Rate Base	\$68,830	\$68,830	\$68,830
2	Rate of Return	8.04%	8.04%	8.04%
3	Net Operating Income Requirement	\$5,534	\$5,534	\$5,534
4	Net Income Available	-\$2,566	-\$2,566	-\$2,566
5	Additional Net Income Required	\$8,100	\$8,100	\$8,100
6	Income Tax Requirement			
7	Required Current Income Tax	\$1,378	\$1,378	\$1,378
8	Current Income Tax Available	-\$639	-\$639	-\$639
9	Additional Current Tax Required	\$2,017	\$2,017	\$2,017
10	Revenue Requirement	\$10,117	\$10,117	\$10,117
11	Allowance for Known and Measureable Changes/True-Up Estimate	\$0	\$0	\$0
12	Miscellaneous (e.g. MEEIA)	\$0	\$0	\$0
13	Gross Revenue Requirement	\$10,117	\$10,117	\$10,117

**Disposition Agreement Attachment J**

**Summary of Case Events**

Stockton Hills Water Company, Inc.  
Case # WR-2017-0139  
Summary of Case Events

<b>Date Filed:</b>	November 14, 2016
<b>Day 150:</b>	April 28, 2017
<b>Extension?</b>	Yes
<b>If yes, why?</b>	Further negotiations
<b>Amount Requested:</b>	\$45,236
<b>Amount Agreed Upon:</b>	\$10,117
<b>Item(s) Driving Rate Increase:</b>	Emergency replacement of failed well and associated response costs, including water hauling during outage
<b>Number of Customers:</b>	141
<b>Return on Equity:</b>	8.04%
<b>Assessment Current:</b>	Yes
<b>Annual Reports Filed:</b>	Yes
<b>Other Open Cases before Commission:</b>	No
<b>Status with Secretary of State:</b>	Good Standing
<b>DNR Violations:</b>	Currently in Compliance
<b>Significant Service/Quality Issues:</b>	None



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


In the Matter of Stockton Hills Water Company       )  
Rate Increase    )

**Case No. WR-2017-0139**

**AFFIDAVIT OF GARY BANGERT**


State of Missouri       )  
                                      ) ss.  
County of Cole        )

Gary Bangert, of lawful age, on his oath states: (1) that he is a Utility Management Analyst III, of the Water and Sewer Department of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

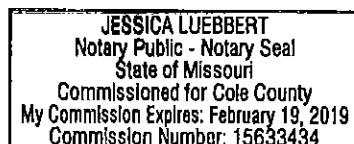
  
\_\_\_\_\_  
Gary Bangert

**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 3<sup>rd</sup> day of May, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: 2/19/2019.



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


In the Matter of Stockton Hills Water Company       )  
Rate Increase    )

**Case No. WR-2017-0139**

**AFFIDAVIT OF JONATHAN DALLAS**

State of Missouri       )  
                                      ) ss.  
County of Cole        )

Jonathan Dallas, of lawful age, on his oath states: (1) that he is a Utility Operations Technical Specialist II, of the Water and Sewer Department, of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

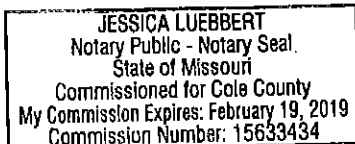
  
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Jonathan Dallas

**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 3<sup>RD</sup> day of May, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: 2/19/2019



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

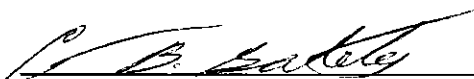
In the Matter of Stockton Hills Water Company       )  
Rate Increase    )

**Case No. WR-2017-0139**

**AFFIDAVIT OF CURT B. GATELEY**

State of Missouri       )  
                                      ) ss.  
County of Cole        )

Curt B. Gateley, of lawful age, on his oath states: (1) that he is a Utility Policy Analyst II, of the Water and Sewer Department of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

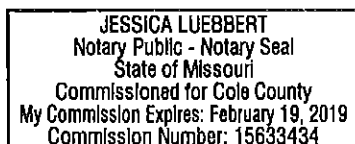
  
Curt B. Gateley

**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 2<sup>nd</sup> day of May, 2017.

  
NOTARY PUBLIC

My commission expires: 2/19/2019



BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

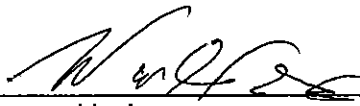
In the Matter of Stockton Hills Water Company )  
Rate Increase )

Case No. WR-2017-0139

AFFIDAVIT OF WAYNE HODGES

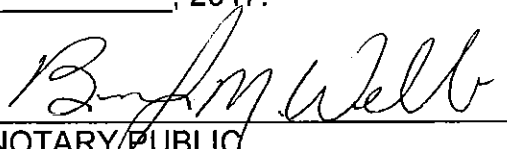
State of Missouri )  
 ) ss.  
County of Jackson )

Wayne Hodges, of lawful age, on his oath states: (1) that he is a Utility Regulatory Auditor I, of the Auditing Department – Kansas City, of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

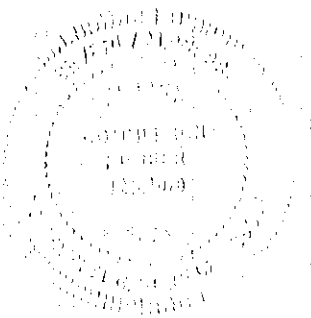
  
\_\_\_\_\_  
Wayne Hodges

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 25<sup>th</sup> day of April, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: 04-14-2020



BEVERLY M. WEBB  
My Commission Expires  
April 14, 2020  
Clay County  
Commission #12464070

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


In the Matter of Stockton Hills Water Company       )  
Rate Increase    )

**Case No. WR-2017-0139**

**AFFIDAVIT OF ANTONIJA NIETO**

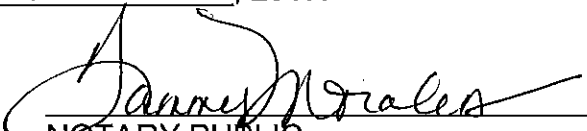
State of Missouri       )  
                                      ) ss.  
County of Jackson    )

Antonija Nieto, of lawful age, on her oath states: (1) that she is a Utility Regulatory Auditor I, of the Auditing Department – Kansas City, of the Missouri Public Service Commission; (2) that she participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by her; (4) that she has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of her knowledge, information and belief.

  
\_\_\_\_\_  
Antonija Nieto

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 24th day of April, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: 01/07/2018



TAMMY MORALES  
My Commission Expires  
January 7, 2018  
Clay County  
Commission #14461086

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

In the Matter of Stockton Hills Water Company       )  
Rate Increase   )

**Case No. WR-2017-0139**

State of Missouri       )  
                                      ) ss.  
County of Cole        )

**AFFIDAVIT OF KEENAN B. PATTERSON, P.E.**

Keenan B. Patterson, P.E., of lawful age, on his oath states: (1) that he is a Utility Regulatory Engineer I, of the Engineering Analysis Unit, of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

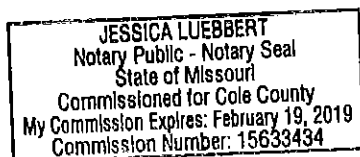
  
Keenan B. Patterson, P.E.

**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 3<sup>rd</sup> day of May, 2017.

  
NOTARY PUBLIC

My commission expires: 2/19/2019.



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

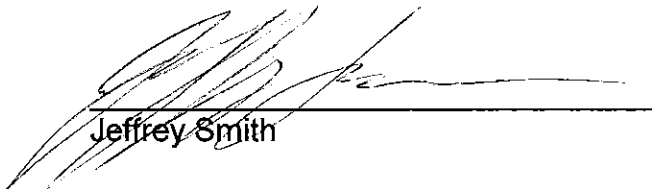
In the Matter of Stockton Hills Water Company       )  
Rate Increase    )

**Case No. WR-2017-0139**

**AFFIDAVIT OF JEFFREY SMITH**

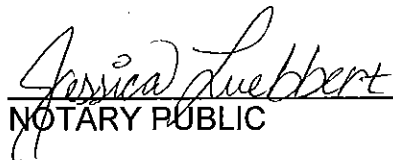
State of Missouri       )  
                                      ) ss.  
County of Cole        )

Jeffrey Smith, of lawful age, on his oath states: (1) that he is a Utility Regulatory Auditor I, of the Financial Analysis Unit, of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

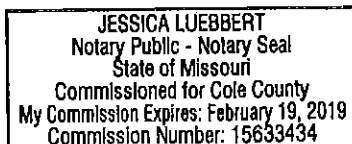
  
\_\_\_\_\_  
Jeffrey Smith

**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 3rd day of May, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: 2/19/2019



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

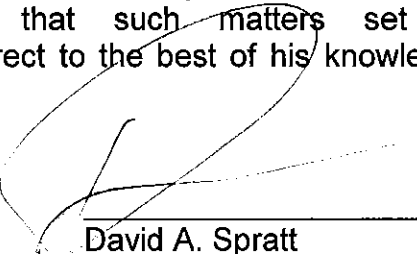
In the Matter of Stockton Hills Water Company       )  
Rate Increase    )

**Case No. WR-2017-0139**

**AFFIDAVIT OF DAVID A. SPRATT**

State of Missouri       )  
                                      ) ss.  
County of Cole        )

David A. Spratt, of lawful age, on his oath states: (1) that he is a Utility Operations Technical Specialist II, of the Water and Sewer Department, of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

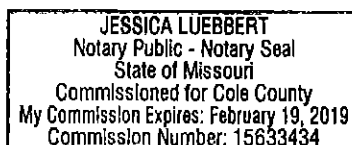
  
\_\_\_\_\_  
David A. Spratt

**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 3<sup>rd</sup> day of May, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: 2/19/2019.





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

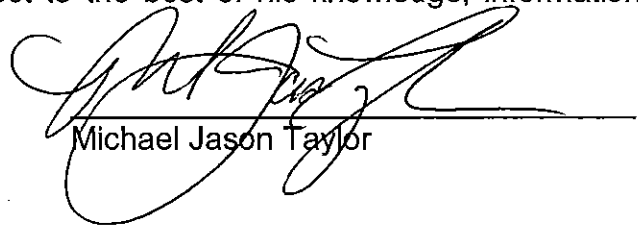
In the Matter of Stockton Hills Water Company       )  
Rate Increase    )

Case No. WR-2017-0139

**AFFIDAVIT OF MICHAEL JASON TAYLOR**

State of Missouri       )  
                                      ) ss.  
County of Jackson        )

Michael Jason Taylor, of lawful age, on his oath states: (1) that he is a Utility Regulatory Auditor II, of the Auditing Department – Kansas City, of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

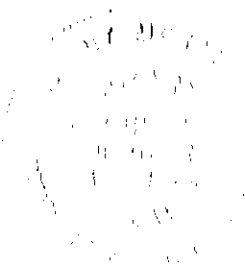
  
Michael Jason Taylor

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 24<sup>th</sup> day of April, 2017.

  
NOTARY PUBLIC

My commission expires: 01 / 07 / 2018.



TAMMY MORALES  
My Commission Expires  
January 7, 2018  
Clay County  
Commission #14451086

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

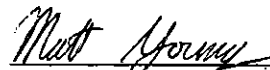
In the Matter of Stockton Hills Water Company       )  
Rate Increase    )

Case No. WR-2017-0139

**AFFIDAVIT OF MATTHEW R. YOUNG**

State of Missouri       )  
                                      ) ss.  
County of Jackson     )

Matthew R. Young, of lawful age, on his oath states: (1) that he is a Utility Regulatory Auditor IV, of the Auditing Department – Kansas City, of the Missouri Public Service Commission; (2) that he participated in the preparation of the foregoing *Disposition Agreement*; (3) that information in this *Disposition Agreement* was provided by him; (4) that he has knowledge of matters set forth in the *Disposition Agreement*; and (5) that such matters set forth in the *Disposition Agreement* are true and correct to the best of his knowledge, information and belief.

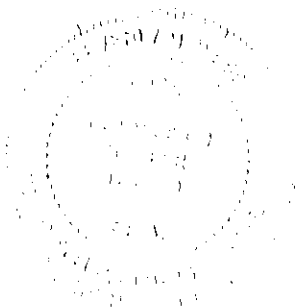
  
Matthew R. Young

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 25<sup>th</sup> day of April, 2017.

  
NOTARY PUBLIC

My commission expires: 04-14-2020.



BEVERLY M. WEBB  
My Commission Expires  
April 14, 2020  
Clay County  
Commission #12484070