

# APPENDIX A

CASE No. SR-2012-0399

# STAFF/COMPANY DISPOSITION AGREEMENT WITH ATTACHMENTS AND STAFF AFFIDAVITS

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## Company/Staff Disposition Agreement

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

**HOUSE SPRINGS SEWER COMPANY, INC.**

**MO PSC FILE NO. SR-2012-0399**

**BACKGROUND**

House Springs Sewer Company, Inc. ("Company" or "HSSC") initiated the small company revenue increase request ("Request") for sewer service that is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, which was received at the Commission's offices on May 30, 2012, the Company set forth its request for an increase of \$125,000 in its total annual sewer service operating revenues. The Company also acknowledged that the design of its customer rates, its service charges, its customer service practices, its general business practices and its general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff recommendations. The Company provides service to approximately 1,178 customers; the vast majority of which are residential customers located in Jefferson County, Missouri.

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

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

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

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

- (1) For the purpose of implementing the agreements set out herein, the Company will file with the Commission proposed tariff revisions containing the rates, charges and language set out in the example tariff sheet attached hereto as Attachment A and incorporated by reference herein, with those proposed tariff revisions bearing an effective date of December 17, 2012;
- (2) The current PSC MO Number 3 original tariff sheet No. 4 will be cancelled and replaced by PSC MO Number 3 1<sup>st</sup> revised tariff sheet No. 4 and is included in Attachment A, and reflects the recommendations made by the Water and Sewer Unit in its Memorandum, attached and incorporated herein by reference as Attachment B;
- (3) The rates included in the example tariff, specifically on tariff sheet 4, attached hereto and included in Attachment A, are just and reasonable, and that the provisions of the attached example tariff also properly reflect all other agreements set out herein, where necessary;
- (4) The rates set out in the attached example tariff, specifically on tariff sheet 4, included in Attachment A, are designed to generate revenues sufficient to recover the annualized cost of service for the Company, and equates to a 29.73% increase in annual operating water revenues;
- (5) The rates included in the attached example tariff, specifically on tariff sheet 4, included in Attachment A, will result in the residential customer impacts shown on the billing comparison worksheet attached hereto as Attachment D and incorporated by reference herein;
- (6) Except as otherwise noted in the agreements below, both the Exhibit Modeling System ("EMS"), attached hereto as Attachment C and incorporated by reference herein, and the ratemaking income statement attached hereto as Attachment D and incorporated by reference herein, accurately reflect the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$143,929 is just and reasonable and designed to recover the Company's cost of service;
- (7) The audit work papers attached hereto as Attachment C and incorporated by reference herein, which include consideration of a capital structure of 42.46% equity for the Company and a return on that equity of 11.61%, accurately reflect the agreed-upon total annualized cost of service for the Company and provide the basis for the ratemaking income statement referenced in item (4) above;

(8) The agreed-upon net rate base is \$230,847, the development of which is shown on the rate base worksheet attached hereto as Attachment F and incorporated by reference herein;

(9) The schedule of depreciation rates attached hereto as Attachment G and incorporated by reference herein, which includes the depreciation rates used by Staff in its revenue requirement analysis, shall be the prescribed schedule of sewer plant depreciation rates for the Company;

(10) The Commission's Auditing Unit conducted an audit of the Company's books and records using the 12-month period ending December 31, 2011, as the basis for the revenue requirement calculation. All revenues, expenses, and rate base investment were reviewed through this period. The audit findings are identified herein as Attachment H and incorporated by reference herein.

Staff provided the Company and Public Counsel its initial recommendations of the revenue increase for the resolution of the Company's request and Staff's EMS run and work papers;

(11) Within thirty (30) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall provide a written plan outlining the replacement of thirty-eight (38) UV bulbs to the Manager of the Missouri Public Service Commission Water and Sewer Unit. This report is to provide, for each plant, the number of bulbs that will be replaced and the date in which the bulbs will be replaced from the effective date of the order approving this Company/Staff Disposition Agreement until the next rate case;

(12) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall provide monthly reports (including copies of invoices and proof of payment) detailing how many UV bulbs were replaced at each plant to the Manager of the Missouri Public Service Commission Water and Sewer Unit;

(13) The Company agrees that Staff may conduct spot inspections of the UV bulb replacements from the effective date of the order approving this Company/Staff Disposition Agreement until the next rate case;

(14) Within ninety (90) days of the effective date of an order approving this Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Auditing Unit Recommendation Memorandum attached hereto as Attachment H and incorporated by reference herein:

- (a) The Company shall develop a proposal for alternatives that may exist to treat sewer that is currently handled by the City of Byrnes Mill, Missouri and provide such alternatives to the Manager of the Commission's Auditing Department;

- (b) The Company shall explore options to reduce the rate paid to the City of Byrnes Mill, Missouri for sewer treatment for the customers hooked to the Hardee's lift station including, but not limited to, the possibility of retaining legal counsel to discuss or re-negotiate the contract and the cost of an estimated cost of any such legal representation; and
  - (c) Staff recommends that HSSC analyze utilization of an accounting software package or an Excel spreadsheet to more efficiently and accurately record payments made by the Company;
- (15) The Company's rates resulting from this Company/Staff Disposition Agreement will include an amount of \$22,850 for sludge hauling expense. This amount exceeds the sludge hauling expense incurred by the Company during the test year; however, Staff determined that a greater amount of sludge hauling is needed from the Company than what was performed during the test year in order to keep the system operating properly. Staff asserts that allowing the Company \$22,850 in sludge hauling expense is reasonable. The Company shall maintain sufficient documentation of its ongoing incurred sludge hauling expense to allow for an ongoing comparison of its actual expenditures to the amount of sludge hauling expense included in its rates. If, at the time of the Company's next rate proceeding (as described below), the Company's actual sludge hauling expenses are less than the amount of the expense it has collected in rates, then that shortfall will be returned to customers through a surcharge, after application of interest. Alternatively, if, at the time of the Company's next rate proceeding (as described below), the Company's actual sludge hauling expenses are more than the amount of expense it has collected in rates, then the additional amount of sludge hauling expense incurred will be charged to customers through a surcharge after application of interest. In both scenarios, the interest rate paid will be 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.
- (16) The Company shall file a rate case no later than eighteen (18) months after the effective date of an order approving this Company/Staff Disposition Agreement. At that time, Staff will review, along with other actions and expenses, the prudence of the Company's actions regarding the expense for sewer treatment by the City of Byrnes Mill, Missouri, referenced in Paragraph (14)(a) and (b) above, and Staff will review the Company's sludge hauling expense tracker described in Paragraph (15) above;
- (17) The Company shall review the Engineering & Management Services Unit ("EMSU") Report attached hereto as Attachment I and incorporated by reference herein;
- (18) 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 Case Coordinator who will file a copy in this case;

(19) Staff 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;

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

(21) The Company agrees that it has read the foregoing Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request; that the 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 agreement; and

(22) 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 and has included that summary as Attachment J to this Company/Staff Disposition Agreement.

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


Additionally, the Company agrees that subject to the rules governing practice before the Commission that Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Company/Staff Disposition Agreement at any agenda meeting at which 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



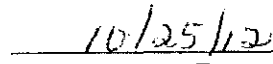
Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advance notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.

**SIGNATURES**

Agreement Signed and Dated:



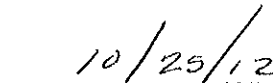
Patricia A. Fribis  
President  
House Springs Sewer Company



Date



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



Date

**List of Attachments**

- Attachment A – Example Tariff Sheets
- Attachment B – Water & Sewer Unit Memorandum
- Attachment C – EMS Run
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- Attachment E – Ratemaking Income Statement
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## Agreement Attachment A

### Example Tariff Sheets

Name of Utility: House Springs Sewer Company

Service Area: Certificated Areas in Jefferson County

Rules Governing  
Rendering of Sewer Service

**SCHEDULE OF RATES**

\*

Rate Schedule "A" – Single Family Dwelling

**Availability:** This rate is available for attached and detached single family residences and mobile homes not in a mobile home park.

**Sewer Service Rates: Monthly Service Charge** **\$38.08**

All Applicable Federal, State or local taxes shall be included in addition to the above charges.

Rate Schedule "B" – Mobile Homes in Parks and Multi-Family Dwellings

**Availability:** This rate is available for each rental unit of a multiple family dwelling and for each mobile home in a mobile home park.

**Sewer Service Rates: Monthly Service Charge** **\$35.45**

All Applicable Federal, State or local taxes shall be included in addition to the above charges.

Rate Schedule "C" – Commercial Establishments

**Availability:** This rate is available for commercial establishments.

**Sewer Service Rates:**

**Monthly Minimum Service Charge** **\$38.08**  
(includes 6,000 gallons of metered water)

**Commodity Charge:** **\$6.03 per 1,000 gallons**  
(per 1,000 gallons over 6,000 gallons per month)

All Applicable Federal, State or local taxes shall be included in addition to the above charges.

\* Indicates new rate or text

+ Indicates change

DATE OF ISSUE November 1, 2012  
Month Day Year

DATE EFFECTIVE December 17, 2012  
Month Day Year

ISSUED BY Patricia Fribis, President  
Name and Title of Issuing Officer

4095 Country Club Drive, Imperial, MO 63052  
Address

## Agreement Attachment B

### Water & Sewer Unit Memorandum

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

**Water and Sewer Unit**  
**File No. SR-2012-0399**  
**House Springs Sewer Company, Inc.**  
**Jerry Scheible/James Russo**

**Introduction**

This Report was prepared jointly by Jerry Scheible and James Russo, Staff members of the Missouri Public Service Commission (Staff). The Staff member responsible for each section is denoted at the end of each section.

House Springs Sewer Company, Inc. (House Springs or Company) received a certificate of public convenience and necessity from the Missouri Public Service Commission (Commission) in March 1986. Patricia Fribis was designated as a court-appointed receiver to take over the operations of the Company in 1998. The receivership was dissolved after a meeting with the Missouri Attorney General's office in 2008. Ms. Fribis became the sole owner and president of the Company at that time and has remained as such to present.

House Springs last filed a Small Company Rate Case, SR-2011-0274, in 2011. A Unanimous Disposition Agreement providing for a 0% increase in revenues was approved in the case. Although a new tariff P.S.C. MO No. 3, effective August 31, 2011, was filed in conjunction with that case, no change in rates resulted.

Previous to the 2011 Case, a Small Company Rate Case was filed in 1999, resulting in an increase in revenues and tariff rates effective in February of 2000. Therefore the current rates have not changed since 2000.

The Company provides sewer service to approximately 1,096 residential customers in multiple subdivisions, mobile home parks, and apartment building complexes, and 76 commercial customers, all near Imperial, Missouri in Jefferson County.

On May 30, 2012, the Company filed a *Request for Increase in Annual Water System Operation Revenues* with the Commission seeking a \$125,000 rate increase. Commission Water and Sewer Unit Staff (Staff) performed a site-visit to all of House Spring's sewer systems on July 17, 2012. (Scheible)

**Facilities**

House Springs operates 13 separate Missouri Department of Natural Resources (MDNR) permitted mechanical treatment plants. The Company also operates a lift station and collection system that ultimately pumps to the City of Byrnes Mill for treatment. The collection systems for the multiple treatment facilities consist of a total of 13 lift-stations

and a total of approximately 13 miles of piping of various sizes and construction materials, though predominately PVC.

The majority of the treatment facilities were installed to provide service to individual subdivisions. Additional residential and commercial customers from the surrounding areas have been added over time as treatment plant capacity allowed. The facilities range in age from three years old to twenty-plus years old.

There are currently no known MDNR violations for any of the facilities. However, the MDNR operating permits for three of the facilities contain a Schedule of Compliance (SOC) for the addition of dechlorination components by July of 2012. The Company has recently installed dechlorination components at four other treatment facilities as required by MDNR, and consequently claims that funds for the remaining three projects were not available for completion of the projects by the deadline in the SOC's. The Company has been working proactively with MDNR to address the issue, and construction of dechlorination components at one of the remaining three facilities is under way currently.

The treatment facility structures and the associated buildings that house the motors and blowers, the perimeter fencing and facility grounds have all been adequately maintained by House Springs. There is room for improvement, however, in keeping up with plant maintenance and the Company desires to be more proactive in repairs to the structures, buildings and fencing. Additionally, during Staff's July 2012 site-visit, Staff noted that several treatment facilities were operating with a single motor and blower assembly, the second assembly being down for repair for mechanical issues, where two assemblies should be functional for reliable operation. Ultraviolet (UV) disinfection bulbs and filter disks at several of the treatment plants were at the end of their useful life or in obvious disrepair. These specific items are intended to be replaced on intervals specified by the manufacturer to maintain reliable and efficient performance. Again, the Company desires to be more proactive in repairing, rebuilding or replacing motors and blowers and in adhering to the specified replacement of UV bulbs and filter disks to improve the reliability and efficiency of the facilities rather than wait for the components to fail and possibly risk a failure to meet MDNR limitations. (Scheible)

## **Operations**

House Springs has employed as head operator, an MDNR-certified operator who works full-time performing the necessary operations, maintenance, sampling and testing at the facilities. A second employee, working part-time, assists with those tasks, though is not MDNR certified. At the writing of this Report, however, the full-time certified operator has notified House Springs that he is terminating his employment, having accepted another position elsewhere. The Company has made arrangements with a new individual who has taken over the operation of the plants for the time being. This new operator is not MDNR certified but is knowledgeable in the wastewater field and intends to obtain certification as soon as possible; if he is to continue on to permanent employment as House Spring's head operator. Regardless of the current issue of the head operator

leaving, Staff is of the opinion that the requirements of operating and maintaining the multiple treatment facilities, along with the associated collection systems and lift-stations, easily justify a full-time head operator and a second full-time operator; preferably both of which are experienced and MDNR certified. Alternatively, contracting with a properly certified company to oversee the operations of the treatment facilities may also be an option. A House Springs employee would likely still be recommended to perform daily operational duties and maintenance at the facilities, depending on the scope of the services ultimately included in the contract. House Springs currently contracts with an outside service to handle the majority of sludge hauling, but does utilize a Company owned truck to handle the smaller jobs or difficult to get to locations. In the Company's previous rate case (SR-2011-0274) Disposition Agreement, Staff recommended that sludge hauling should be increased to 378,661 gallons annually. That volume of hauling was not met in 2011, primarily due to the contracted hauler's equipment being inoperable for a significant period of time. Staff noted during the July 2012 site-visit that the operation of the facilities would benefit from additional sludge hauling. Therefore Staff recommends that sludge hauling in the amount recommended in SR-2011-0274 be continued.

The Company sent a rate case letter to its customers on June 29, 2012. Staff received thirty-two (32) public comments from customers in return. Staff contacted two of those customers who responded as their issues appeared to be operational or service related. The only actual issue which requires Company action is a complaint of occasional odor at one of the treatment facilities, which the Company intends to address through operational adjustments. (Scheible)

### **Tariff Review**

House Spring's current tariff became effective August 31, 2011. Staff will develop a new rate schedule to reflect the new rates the customers will be required to pay based on the Company's cost of service. Staff is not proposing any other changes to the current tariff. (Russo)

### **Rate Design**

Staff also reviewed the current rate design in its investigation. The current rate design is a monthly flat service charge for single-family dwelling units, mobile homes in mobile home parks and multi-family dwellings. Commercial customers have a monthly service charge and a monthly commodity charge for any usage over 6,000 gallons. Staff recommends that this current rate design remain in place. (Russo)

### **Recommendations**



Staff of the Water and Sewer Unit recommends the following:

- 1) The Company take a more proactive approach to repairing, rebuilding or replacing motors and blowers and in adhering to the specified replacement of UV bulbs and filter disks to improve the reliability and efficiency of the facilities;
- 2) The Company keep on staff two full-time plant operators, both of which obtain proper MDNR operator certification within one year of hiring, OR contract with an experienced operations company and keep one employee on staff for daily facility operations and maintenance when necessary; and
- 3) The Company continue to attempt to meet the goal of hauling a minimum of 378,661 gallons of sludge from the facilities annually.

# Agreement Attachment C

## EMS Run

**Exhibit No.:**  
**Issue:** Accounting Schedules  
**Witness:** MO PSC Auditors  
**Sponsoring Party:** MO PSC Staff  
**Case No:** SR-2012-0399  
**Date Prepared:** 8/13/2012



**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**STAFF ACCOUNTING SCHEDULES**

**HOUSE SPRINGS SEWER COMPANY, INC.**

**CASE NO. SR-2012-0399**

**Jefferson City, Missouri**

**August 2012**

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Rate Design Schedule - Sewer

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$459,786			
Rev-3	Miscellaneous Revenues	(1)	\$24,339			
Rev-4	TOTAL ANNUALIZED REVENUES		\$484,125			
1	OPERATIONS EXPENSES	(2)				
2	Operators Salary / Contractor Services		\$163,200	\$0	\$163,200	0.00%
3	Electricity - Pumping Treatment		\$58,116	\$0	\$58,116	0.00%
4	Chemicals		\$0	\$0	\$0	0.00%
5	Sludge Removal		\$22,850	\$0	\$22,850	0.00%
6	Wastewater Testing Expense		\$0	\$0	\$0	0.00%
7	Contracted Treatment - City of Byrnes Mill		\$112,974	\$0	\$112,974	0.00%
8	TOTAL OPERATIONS EXPENSE		\$357,140	\$0	\$357,140	
9	MAINTENANCE EXPENSES					
10	Outside Services - O&M		\$0	\$0	\$0	0.00%
11	System Repairs, Maint & Supplies Expense		\$3,898	\$0	\$3,898	0.00%
12	TOTAL MAINTENANCE EXPENSE		\$3,898	\$0	\$3,898	
13	CUSTOMER ACCOUNT EXPENSE					
14	Billing & Software		\$2,397	\$0	\$2,397	0.00%
15	Office Supplies		\$713	\$0	\$713	0.00%
16	Postage Expense		\$4,499	\$0	\$4,499	0.00%
17	Uncollectible Accounts		\$1,215	\$0	\$1,215	0.00%
18	Customer Returned Check Fees		\$1,100	\$0	\$1,100	0.00%
19	TOTAL CUSTOMER ACCOUNT EXPENSE		\$9,924	\$0	\$9,924	
20	ADMINISTRATIVE & GENERAL EXPENSES					
21	Administration & General/Management Salaries		\$60,069	\$0	\$60,069	0.00%
22	Medical Insurance		\$15,472	\$0	\$15,472	0.00%
23	Retirement Plan		\$1,750	\$0	\$1,750	0.00%
24	Accounting Fees		\$5,900	\$0	\$5,900	0.00%
25	Bank Service Charges		\$1,292	\$0	\$1,292	0.00%
26	Dues & Donations		\$65	\$0	\$65	0.00%
27	IUC Related Garnishments		\$0	\$0	\$0	0.00%
28	Telephone, Wireless Phone, Internet		\$3,101	\$0	\$3,101	0.00%
29	Answering Service		\$1,032	\$0	\$1,032	0.00%
30	Outside Services - A&G		\$2,682	\$0	\$2,682	0.00%
31	Office Rent Expense		\$7,260	\$0	\$7,260	0.00%
32	Property & Liability Insurance		\$11,434	\$0	\$11,434	0.00%
33	Legal Fees		\$1,020	\$0	\$1,020	0.00%
34	Vehicle Maintenance Expense		\$2,169	\$0	\$2,169	0.00%
35	Other Miscellaneous Expenses		\$1,214	\$0	\$1,214	0.00%
36	Rate Case Expense		\$608	\$0	\$608	0.00%
37	Worker's Compensation Insurance		\$940	\$0	\$940	0.00%
38	TOTAL ADMINISTRATIVE AND GENERAL		\$116,008	\$0	\$116,008	
39	OTHER OPERATING EXPENSES					
40	MO DNR Fees		\$20,050	\$0	\$20,050	0.00%
41	PSC Assessment		\$33,293	\$0	\$33,293	0.00%
42	Corporate Registration		\$0	\$0	\$0	0.00%
43	Depreciation		\$42,692	\$0	\$42,692	0.00%
44	TOTAL OTHER OPERATING EXPENSES		\$96,035	\$0	\$96,035	
45	TAXES OTHER THAN INCOME					
46	Real & Personal Property Taxes		\$17,975	\$0	\$17,975	0.00%
47	Payroll Taxes		\$4,862	\$0	\$4,862	0.00%
48	TOTAL TAXES OTHER THAN INCOME		\$22,837	\$0	\$22,837	
49	TOTAL OPERATING EXPENSES		\$605,842	\$0	\$605,842	

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Rate Design Schedule - Sewer

Line Number	A Description	B Account Number (Optional)	C Staff Annualized	D Customer Charge	E Commodity	F Percentage Rate
50	Interest Expense	(3)	\$7,997	\$0	\$7,997	0.00%
51	Return on Equity	(3)	\$11,381	\$0	\$11,381	0.00%
52	Income Taxes	(3)	\$2,834	\$0	\$2,834	0.00%
53	TOTAL INTEREST RETURN & TAXES		\$22,212	\$0	\$22,212	
54	TOTAL COST OF SERVICE		\$628,054	\$0	\$628,054	
55	Less: Miscellaneous Revenues		\$24,339	\$0	\$24,339	0.00%
56	COST TO RECOVER IN RATES		\$603,715	\$0	\$603,715	
57	INCREMENTAL INCREASE IN RATE REVENUES		\$143,929			
58	PERCENTAGE OF INCREASE		29.73%			
59	REQUESTED INCREASE IN REVENUES		\$125,000			

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

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Rate Base Required Return on Investment Schedule - Sewer

Line Number	A Rate Base Description	B Dollar Amount
1	Plant In Service	\$1,916,624 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$678,267</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$1,238,357
4	Other Rate Base Items:	\$0
	Inventory	\$1,778
	Contribution of Aid of Construction	-\$1,211,717
	CIAC Depreciation	\$225,079
	Deferred Taxes	-\$22,650
5	Total Rate Base	<u>\$230,847</u>
6	Total Weighted Rate of Return Including Income Tax	<u>9.62%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$22,211</u></u>

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Rate of Return Including Income Tax - Sewer

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	5.81%	$(1 - (B2 \times .5)) \times A1$
2 Federal Income Tax Rate Statutory / Effective	15.00% (1) & (2)	14.13%	$(1 - B1) \times A2$
3 Composite Effective Income Tax Rate		19.94%	$B1 + B2$
4 Equity Tax Factor		1.2490	$1 / (1 - B3)$
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		4.93%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		6.16%	$B4 \times B5$
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		3.46%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		9.62%	$B6 + B7$

To Rate Base Schedule

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

N

Equity Income Required \$13,389  
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$13,389	\$2,008
\$50,001	\$75,000	25.00%	\$0	\$0
\$75,001	\$100,000	34.00%	\$0	\$0
\$100,001	\$335,000	39.00%	\$0	\$0
\$335,001	\$9,999,999,999	34.00%	\$0	\$0
			\$13,389	\$2,008
			Consolidated Tax Rate:	
			Average Tax Rate:	0.15

House Springs Sewer Company, Inc.  
 Informal Rate Case  
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 Test Year Ending 12-31-2011  
 Capital Structure Schedule - Sewer

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$98,021	42.46%	11.61%	4.930%
2	Other Security-Non Tax Deductible	\$0	0.00%	0.00%	0.000%
3	Preferred Stock	\$0	0.00%	0.00%	0.000%
4	Long Term Debt	\$132,827	57.54%	6.02%	3.464%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	<b>TOTAL CAPITALIZATION</b>	<b>\$230,848</b>	<b>100.00%</b>		<b>8.394%</b>

To PreTax Return Rate Schedule



House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Plant In Service - Sewer

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$251			100.00%	\$251
3	302.000	Franchises	\$4,136			100.00%	\$4,136
4		TOTAL INTANGIBLE PLANT	\$4,387		\$0		\$4,387
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights	\$2,025			100.00%	\$2,025
7	311.000	Structures & Improvements	\$71,733			100.00%	\$71,733
8		TOTAL SOURCE OF SUPPLY PLANT	\$73,758		\$0		\$73,758
9		COLLECTION PLANT					
10	352.100	Collection Sewers - Force	\$374,770			100.00%	\$374,770
11	352.200	Collection Sewers - Gravity	\$6,387			100.00%	\$6,387
12		TOTAL COLLECTION PLANT	\$381,157		\$0		\$381,157
13		PUMPING PLANT					
14	362.000	Receiving Wells and Pump Pits	\$49,654			100.00%	\$49,654
15	363.000	Pumping Equipment (Elec., Diesel, other)	\$154,229	P-15	\$7,670	100.00%	\$161,899
16		TOTAL PUMPING PLANT	\$203,883		\$7,670		\$211,553
17		TREATMENT & DISPOSAL PLANT					
18	373.000	Treatment and Disposal Equipment	\$1,131,750	P-18	\$8,900	100.00%	\$1,140,650
19	374.000	Plant Sewers	\$93,250			100.00%	\$93,250
20		TOTAL TREATMENT & DISPOSAL PLANT	\$1,225,000		\$8,900		\$1,233,900
21		GENERAL PLANT					
22	391.000	Office Furniture & Equipment	\$400			100.00%	\$400
23	391.100	Office Computer Equipment	\$1,926			100.00%	\$1,926
24	392.000	Transportation Equipment	\$87,594	P-24	-\$87,594	100.00%	\$0
25	394.000	Tools, Shop, Garage Equipment	\$163			100.00%	\$163
26	395.000	Laboratory Equipment	\$613			100.00%	\$613
27	396.000	Power Operated Equipment	\$1,783			100.00%	\$1,783
28	397.000	Communication Equipment	\$129			100.00%	\$129
29	398.000	Miscellaneous Equipment	\$6,855			100.00%	\$6,855
30		TOTAL GENERAL PLANT	\$99,463		-\$87,594		\$11,869
31		TOTAL PLANT IN SERVICE	\$1,987,648		-\$71,024		\$1,916,624

To Rate Base & Depreciation Schedules

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Schedule of Adjustments for Plant in Service - Sewer

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
P-15	Pumping Equipment (Elec., Diesel, other)	363.000		\$7,670
	To include grinder repair. (McMellen)		\$7,670	
P-18	Treatment and Disposal Equipment	373.000		\$8,900
	To include new dechlorinator. (McMellen)		\$8,900	
P-24	Transportation Equipment	392.000		-\$87,594
	To exclude plant no longer needed due to the new contract operator. (McMellen)		-\$87,594	
<b>Total Plant Adjustments</b>				<b><u>-\$71,024</u></b>

House Springs Sewer Company, Inc.  
Informal Rate Case  
Case No. SR-2012-0399  
Test Year Ending 12-31-2011  
Depreciation Expense - Sewer

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense
1		INTANGIBLE PLANT			
2	301.000	Organization	\$251	0.00%	\$0
3	302.000	Franchises	<u>\$4,136</u>	0.00%	<u>\$0</u>
4		TOTAL INTANGIBLE PLANT	\$4,387		\$0
5		SOURCE OF SUPPLY PLANT			
6	310.000	Land & Land Rights	\$2,025	0.00%	\$0
7	311.000	Structures & Improvements	<u>\$71,733</u>	3.00%	<u>\$2,152</u>
8		TOTAL SOURCE OF SUPPLY PLANT	\$73,758		\$2,152
9		COLLECTION PLANT			
10	352.100	Collection Sewers - Force	\$374,770	2.00%	\$7,495
11	352.200	Collection Sewers - Gravity	<u>\$6,387</u>	2.00%	<u>\$128</u>
12		TOTAL COLLECTION PLANT	\$381,157		\$7,623
13		PUMPING PLANT			
14	362.000	Receiving Wells and Pump Pits	\$49,654	5.00%	\$2,483
15	363.000	Pumping Equipment (Elec., Diesel, other)	<u>\$161,899</u>	10.00%	<u>\$16,190</u>
16		TOTAL PUMPING PLANT	\$211,553		\$18,673
17		TREATMENT & DISPOSAL PLANT			
18	373.000	Treatment and Disposal Equipment	\$1,140,650	5.00%	\$57,033
19	374.000	Plant Sewers	<u>\$93,250</u>	4.50%	<u>\$4,196</u>
20		TOTAL TREATMENT & DISPOSAL PLANT	\$1,233,900		\$61,229
21		GENERAL PLANT			
22	391.000	Office Furniture & Equipment	\$400	5.00%	\$20
23	391.100	Office Computer Equipment	\$1,926	20.00%	\$385
24	392.000	Transportation Equipment	\$0	12.50%	\$0
25	394.000	Tools, Shop, Garage Equipment	\$163	5.00%	\$8
26	395.000	Laboratory Equipment	\$613	5.00%	\$31
27	396.000	Power Operated Equipment	\$1,783	6.70%	\$119
28	397.000	Communication Equipment	\$129	6.70%	\$9
29	398.000	Miscellaneous Equipment	<u>\$6,855</u>	5.00%	<u>\$343</u>
30		TOTAL GENERAL PLANT	\$11,869		\$915
31		Total Depreciation	<u>\$1,916,624</u>		<u>\$90,592</u>

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Accumulated Depreciation Reserve - Sewer

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	301.000	Organization	\$0			100.00%	\$0
3	302.000	Franchises	\$0			100.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights	\$0			100.00%	\$0
7	311.000	Structures & Improvements	\$18,603			100.00%	\$18,603
8		TOTAL SOURCE OF SUPPLY PLANT	\$18,603		\$0		\$18,603
9		COLLECTION PLANT					
10	352.100	Collection Sewers - Force	\$157,279			100.00%	\$157,279
11	352.200	Collection Sewers - Gravity	\$1,012			100.00%	\$1,012
12		TOTAL COLLECTION PLANT	\$158,291		\$0		\$158,291
13		PUMPING PLANT					
14	362.000	Receiving Wells and Pump Pits	\$61,874			100.00%	\$61,874
15	363.000	Pumping Equipment (Elec., Diesel, other)	\$121,206			100.00%	\$121,206
16		TOTAL PUMPING PLANT	\$183,080		\$0		\$183,080
17		TREATMENT & DISPOSAL PLANT					
18	373.000	Treatment and Disposal Equipment	\$296,133			100.00%	\$296,133
19	374.000	Plant Sewers	\$17,061			100.00%	\$17,061
20		TOTAL TREATMENT & DISPOSAL PLANT	\$313,194		\$0		\$313,194
21		GENERAL PLANT					
22	391.000	Office Furniture & Equipment	\$25			100.00%	\$25
23	391.100	Office Computer Equipment	\$1,662			100.00%	\$1,662
24	392.000	Transportation Equipment	\$51,754	R-24	-\$51,754	100.00%	\$0
25	394.000	Tools, Shop, Garage Equipment	\$52			100.00%	\$52
26	395.000	Laboratory Equipment	\$163			100.00%	\$163
27	396.000	Power Operated Equipment	\$394			100.00%	\$394
28	397.000	Communication Equipment	\$38			100.00%	\$38
29	398.000	Miscellaneous Equipment	\$2,765			100.00%	\$2,765
30		TOTAL GENERAL PLANT	\$56,853		-\$51,754		\$5,099
31		TOTAL DEPRECIATION RESERVE	\$730,021		-\$51,754		\$678,267

To Rate Base Schedule

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

<u>A</u> Reserve Adjustment Number	<u>B</u> Accumulated Depreciation Reserve Adjustments Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment Amount
R-24	Transportation Equipment	392.000		-\$51,754
	To exclude reserve associated with plant no longer needed due to the new contract operator. (McMellen)		-\$51,754	
<b>Total Reserve Adjustments</b>				<b>-\$51,754</b>

House Springs Sewer Company, Inc.  
 Informal Rate Case  
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 Test Year Ending 12-31-2011  
 Revenue Schedule - Sewer

Line Number	A Account Number (Optional)	B Revenue Description	C Company/ Test Year Amount	D Adjustment Number	E Jurisdictional Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
Rev-1	ANNUALIZED REVENUES						
Rev-2		Annualized Rate Revenues	\$409,693	Rev-2	\$50,093	100.00%	\$459,786
Rev-3		Miscellaneous Revenues	\$2,700	Rev-3	\$21,639	100.00%	\$24,339
Rev-4	TOTAL ANNUALIZED REVENUES		\$412,393		\$71,732		\$484,125

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Revenue Adjustment Schedule - Sewer

<u>A</u> Revenue Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
<b>Rev-2</b>	<b>Annualized Rate Revenues</b>			<b>\$50,093</b>
	1. To Annualize Rate Revenues		\$50,093	
	2. Description		\$0	
	3. Description		\$0	
<b>Rev-3</b>	<b>Miscellaneous Revenues</b>			<b>\$21,639</b>
	1. To Annualize Miscellaneous Revenues		\$21,639	
	2. Description		\$0	
<b>Total Revenue Adjustments</b>				<b>\$71,732</b>

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Revenue Summary Schedule - Sewer

Line Number	A Description	Residential Sewer		Multi-Family Dwelling Sewer	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	776		327	
3	Bills Per Year	12		12	
4	Customer Bills Per year	9,312		3,924	
5	Current Customer Charge	\$29.00		\$27.00	
6	Annualized Customer Charge Revenues		\$270,048		\$105,948
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	0		0	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	0		0	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	\$0.00		\$0.00	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	<b>Total Annualized Sewer Rate Revenues</b>		<b>\$270,048</b>		<b>\$105,948</b>

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



House Springs Sewer Company, Inc.  
 Informal Rate Case  
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 Revenue Summary Schedule - Sewer

Line Number	A Description	Commercial Sewer		Total	
		E Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	75		1,178	
3	Bills Per Year	12			
4	Customer Bills Per year	900		14,136	
5	Current Customer Charge	<u>\$29.00</u>			
6	Annualized Customer Charge Revenues		\$26,100		\$402,096
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	15,925,436		15,925,436	
9	Less: Base Gallons Included In Customer Charge	<u>3,356,900</u>		3,356,900	
10	Commodity Gallons	12,568,536		12,568,536	
11	Block 1, Commodity Gallons per Block	12,568,536			
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>			
13	Block 1, Commodity Billing Units	12,568.54			
14	Block 1, Existing Commodity Charge	<u>\$4.59</u>			
15	Block 1, Annualized Commodity Charge Rev.		\$57,690		\$57,690
16	<b>Total Annualized Sewer Rate Revenues</b>		<u><b>\$83,790</b></u>		<u><b>\$459,786</b></u>

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

House Springs Sewer Company, Inc.  
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Miscellaneous Revenues Feeder - Sewer

Line Number	A Description	B Amount
1	Late Fees (Bolin)	\$19,195
2	Discover Cash Back Bonus Rewards (Bolin)	\$200
3	Other Revenues (Bolin)	<u>\$4,944</u>
4	Total Miscellaneous Revenues	<u><u>\$24,339</u></u>

House Springs Sewer Company, Inc.  
Informal Rate Case  
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Test Year Ending 12-31-2011  
Expense Schedule - Sewer

Line Number	A Account Number (Optional)	B Expense Description	C Company/ Test Year Amount	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		OPERATIONS EXPENSES					
2		Operators Salary / Contractor Services	\$64,953	S-2	\$98,247	100.00%	\$163,200
3		Electricity - Pumping Treatment	\$56,898	S-3	\$1,218	100.00%	\$58,116
4		Chemicals	\$441	S-4	-\$441	100.00%	\$0
5		Sludge Removal	\$17,300	S-5	\$5,550	100.00%	\$22,850
6		Wastewater Testing Expense	\$4,632	S-6	-\$4,632	100.00%	\$0
7		Contracted Treatment - City of Byrnes Mill	\$8,545	S-7	\$104,429	100.00%	\$112,974
8		TOTAL OPERATIONS EXPENSE	\$152,769		\$204,371		\$357,140
9		MAINTENANCE EXPENSES					
10		Outside Services - O&M	\$1,903	S-10	-\$1,903	100.00%	\$0
11		System Repairs, Maint & Supplies Expense	\$6,825	S-11	-\$2,927	100.00%	\$3,898
12		TOTAL MAINTENANCE EXPENSE	\$8,728		-\$4,830		\$3,898
13		CUSTOMER ACCOUNT EXPENSE					
14		Billing & Software	\$600	S-14	\$1,797	100.00%	\$2,397
15		Office Supplies	\$1,627	S-15	-\$914	100.00%	\$713
16		Postage Expense	\$2,603	S-16	\$1,896	100.00%	\$4,499
17		Uncollectible Accounts	\$0	S-17	\$1,215	100.00%	\$1,215
18		Customer Returned Check Fees	\$1,100			100.00%	\$1,100
19		TOTAL CUSTOMER ACCOUNT EXPENSE	\$5,930		\$3,994		\$9,924
20		ADMINISTRATIVE & GENERAL EXPENSES					
21		Administration & General/Management Salaries	\$74,443	S-21	-\$14,374	100.00%	\$60,069
22		Medical Insurance	\$20,932	S-22	-\$5,460	100.00%	\$15,472
23		Retirement Plan	\$3,524	S-23	-\$1,774	100.00%	\$1,750
24		Accounting Fees	\$15,211	S-24	-\$9,311	100.00%	\$5,900
25		Bank Service Charges	\$2,940	S-25	-\$1,648	100.00%	\$1,292
26		Dues & Donations	\$89	S-26	-\$24	100.00%	\$65
27		IUC Related Garnishments	\$41,025	S-27	-\$41,025	100.00%	\$0
28		Telephone, Wireless Phone, Internet	\$4,225	S-28	-\$1,124	100.00%	\$3,101
29		Answering Service	\$675	S-29	\$357	100.00%	\$1,032
30		Outside Services - A&G	\$2,450	S-30	\$232	100.00%	\$2,682
31		Office Rent Expense	\$3,145	S-31	\$4,115	100.00%	\$7,260
32		Property & Liability Insurance	\$16,016	S-32	-\$4,582	100.00%	\$11,434
33		Legal Fees	\$5,395	S-33	-\$4,375	100.00%	\$1,020
34		Vehicle Maintenance Expense	\$12,305	S-34	-\$10,136	100.00%	\$2,169
35		Other Miscellaneous Expenses	\$14,904	S-35	-\$13,690	100.00%	\$1,214
36		Rate Case Expense	\$0	S-36	\$608	100.00%	\$608
37		Worker's Compensation Insurance	\$3,996	S-37	-\$3,056	100.00%	\$940
38		TOTAL ADMINISTRATIVE AND GENERAL	\$221,275		-\$105,267		\$116,008
39		OTHER OPERATING EXPENSES					
40		MO DNR Fees	\$7,350	S-40	\$12,700	100.00%	\$20,050
41		PSC Assessment	\$35,435	S-41	-\$2,142	100.00%	\$33,293
42		Corporate Registration	\$0			100.00%	\$0
43		Depreciation	\$42,856	S-43	-\$164	100.00%	\$42,692
44		TOTAL OTHER OPERATING EXPENSES	\$85,641		\$10,394		\$96,035
45		TAXES OTHER THAN INCOME					
46		Real & Personal Property Taxes	\$10,511	S-46	\$7,464	100.00%	\$17,975
47		Payroll Taxes	\$14,964	S-47	-\$10,102	100.00%	\$4,862
48		TOTAL TAXES OTHER THAN INCOME	\$25,475		-\$2,638		\$22,837
49		TOTAL OPERATING EXPENSES	\$499,818		\$106,024		\$605,842

House Springs Sewer Company, Inc.  
 Informal Rate Case  
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 Test Year Ending 12-31-2011  
 Expense Adjustment Schedule - Sewer

<b>A</b> Expense Adj Number	<b>B</b> Adjustment Description	<b>C</b> Account Number	<b>D</b> Adjustment Amount	<b>E</b> Total Adjustment
<b>S-2</b>	<b>Operators Salary / Contractor Services</b>			<b>\$98,247</b>
	1. To annualize/normalize O&M salaries to reflect current rates. (McMellen)		\$3,710	
	2. To exclude salaries for the operation staff due to the new contract operator. (McMellen)		-\$68,663	
	3. To include the new contract operator. (McMellen)		\$163,200	
<b>S-3</b>	<b>Electricity - Pumping Treatment</b>			<b>\$1,218</b>
	To annualize Electricity Expense. (McMellen)		\$1,218	
<b>S-4</b>	<b>Chemicals</b>			<b>-\$441</b>
	1. To annualize Chemical Expense. (McMellen)		\$1,234	
	2. To exclude chemicals due to the new contract operator. (McMellen)		-\$1,675	
<b>S-5</b>	<b>Sludge Removal</b>			<b>\$5,550</b>
	To annualize Sludge Removal. (Scheible)		\$5,550	
<b>S-6</b>	<b>Wastewater Testing Expense</b>			<b>-\$4,632</b>
	1. To annualize wastewater testing expense. (McMellen)		\$4,598	
	2. To exclude wastewater testing expense due to the new contract operator. (McMellen)		-\$9,230	
<b>S-7</b>	<b>Contracted Treatment - City of Byrnes Mill</b>			<b>\$104,429</b>
	To annualize Sewer Treatment Expense. (Bolin)		\$104,429	
<b>S-10</b>	<b>Outside Services - O&amp;M</b>			<b>-\$1,903</b>

House Springs Sewer Company, Inc.  
 Informal Rate Case  
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 Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To annualize Equipment Rentals. (McMellen)		\$1,313	
	2. To exclude all rentals no longer needed due to the new contract operator. (McMellen)		-\$3,216	
<b>S-11</b>	<b>System Repairs, Maint &amp; Supplies Expense</b>			<b>-\$2,927</b>
	1. To adjust test year level to actual expenses per receipts. (McMellen)		-\$1,950	
	2. To normalize System Repairs and Maintenance Expense. (McMellen)		\$1,227	
	3. To annualize maintenance expense for wastewater treatment disc filters. (McMellen)		\$1,451	
	4. To annualize maintenance expense for ultraviolet bulbs. (Scheible)		\$1,447	
	5. To exclude repairs, maintenance and supplies no longer needed due to the new contract operator. (McMellen)		-\$5,102	
<b>S-14</b>	<b>Billing &amp; Software</b>			<b>\$1,797</b>
	1. To annualize/normalize software support. (McMellen)		\$809	
	2. To annualize billing supplies. (McMellen)		\$988	
<b>S-15</b>	<b>Office Supplies</b>			<b>-\$914</b>
	To annualize office supplies. (Sharpe)		-\$914	
<b>S-16</b>	<b>Postage Expense</b>			<b>\$1,896</b>
	To annualize postage expense. (Sharpe)		\$1,896	
<b>S-17</b>	<b>Uncollectible Accounts</b>			<b>\$1,215</b>
	To annualize uncollectibles expense. (McMellen)		\$1,215	

House Springs Sewer Company, Inc.  
Informal Rate Case  
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Test Year Ending 12-31-2011  
Expense Adjustment Schedule - Sewer

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
<b>S-21</b>	<b>Administration &amp; General/Management Salaries</b>			<b>-\$14,374</b>
	To annualize/normalize A&G salaries to reflect current rates. (McMellen)		-\$14,374	
<b>S-22</b>	<b>Medical Insurance</b>			<b>-\$5,460</b>
	1. To annualize health insurance based on current rates. (McMellen)		\$6,555	
	2. To exclude medical insurance for the operations staff due to the new contract operator. (McMellen)		-\$12,015	
<b>S-23</b>	<b>Retirement Plan</b>			<b>-\$1,774</b>
	1. To annualize/normalize retirement expense based on current payroll. (McMellen)		\$286	
	2. To exclude retirement for operations staff due to the new contract operator. (McMellen)		-\$2,060	
<b>S-24</b>	<b>Accounting Fees</b>			<b>-\$9,311</b>
	To annualize/normalize accounting fees. (McMellen)		-\$9,311	
<b>S-25</b>	<b>Bank Service Charges</b>			<b>-\$1,648</b>
	To annualize bank fees. (Sharpe)		-\$1,648	
<b>S-26</b>	<b>Dues &amp; Donations</b>			<b>-\$24</b>
	To annualize dues and donations. (Sharpe)		-\$24	
<b>S-27</b>	<b>IUC Related Garnishments</b>			<b>-\$41,025</b>
	To remove IUC Related Garnishments. (Bolin)		-\$41,025	
<b>S-28</b>	<b>Telephone, Wireless Phone, Internet</b>			<b>-\$1,124</b>

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1. To annualize telephone, wireless phone and internet. (Sharpe)		-\$404	
	2. To exclude reimbursement for operations staff cell phones due to the new contract operator. (McMellen)		-\$720	
S-29	Answering Service			\$357
	To annualize AppleTree Answering Service. (McMellen)		\$357	
S-30	Outside Services - A&G			\$232
	To annualize MO One Call expense (Sharpe)		\$232	
S-31	Office Rent Expense			\$4,115
	To annualize rent expense. (McMellen)		\$4,115	
S-32	Property & Liability Insurance			-\$4,582
	To annualize property & liability insurance expense. (McMellen)		-\$4,582	
S-33	Legal Fees			-\$4,375
	To remove legal fees due to lack of documentation. (McMellen)		-\$4,375	
S-34	Vehicle Maintenance Expense			\$10,136
	1. To adjust test year level to actual expenses per receipts. (McMellen)		-\$306	
	2. To annualize vehicle fuel & maintenance expense. (McMellen)		-\$1,190	
	3. To exclude maintenance associated with vehicles no longer being used due to the new contract operator. (McMellen)		-\$8,640	

House Springs Sewer Company, Inc.  
 Informal Rate Case  
 Case No. SR-2012-0399  
 Test Year Ending 12-31-2011  
 Expense Adjustment Schedule - Sewer

<b>A</b> Expense Adj Number	<b>B</b> Adjustment Description	<b>C</b> Account Number	<b>D</b> Adjustment Amount	<b>E</b> Total Adjustment
<b>S-35</b>	<b>Other Miscellaneous Expenses</b>			<b>-\$13,690</b>
	1. To adjust test year level to actual expenses per receipts. (McMellen)		-\$4,618	
	2. To annualize miscellaneous expenses. (McMellen)		-\$9,072	
<b>S-36</b>	<b>Rate Case Expense</b>			<b>\$608</b>
	To include rate case expenses. (McMellen)		\$608	
<b>S-37</b>	<b>Worker's Compensation Insurance</b>			<b>-\$3,056</b>
	1. To annualize worker's compensation insurance to reflect current rates. (McMellen)		-\$1,177	
	2. To excludeworker's compensation insurance for the operations staff due to the new contract operator. (McMellen)		-\$1,879	
<b>S-40</b>	<b>MO DNR Fees</b>			<b>\$12,700</b>
	To annualize MO DNR Fees. (Sharpe)		\$12,700	
<b>S-41</b>	<b>PSC Assessment</b>			<b>-\$2,142</b>
	To annualize PSC Assessment fee. (Sharpe)		-\$2,142	
<b>S-43</b>	<b>Depreciation</b>			<b>-\$164</b>
	1. To Annualize Depreciation		\$47,736	
	2. To remove CIAC Amortization Expense. (McMellen)		-\$47,900	
<b>S-46</b>	<b>Real &amp; Personal Property Taxes</b>			<b>\$7,464</b>
	To annualize property taxes. (McMellen)		\$7,464	



House Springs Sewer Company, Inc.  
Informal Rate Case  
Case No. SR-2012-0399  
Test Year Ending 12-31-2011  
Expense Adjustment Schedule - Sewer

A Expense Adj Number	B Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
S-47	Payroll Taxes			\$10,102
	1. To annualize payroll taxes based on current rates. (McMellen)		-\$4,633	
	2. To exclude payroll taxes associated with operations staff due to the new contract operator. (McMellen)		-\$5,469	
Total Expense Adjustments				\$106,024

## Agreement Attachment D

### Billing Comparison Worksheet

# HOUSE SPRINGS SEWER COMPANY, INC.

## Residential Customer Bill Comparison-Sewer

### Rates for Single Family Dwelling

<u>Current Base</u>	<u>Proposed Base</u>
<u>Customer Charge</u>	<u>Customer Charge</u>
<b>\$29.00</b>	<b>\$38.08</b>

current service charge is monthly charge

### MONTHLY BILL COMPARISON

#### Current Rates

Customer Charge	\$ 29.00
Usage Charge	\$ -
Total Bill	\$ 29.00

#### Proposed Rates

Customer Charge	\$ 38.08
Usage Charge	\$ -
Total Bill	\$ 38.08

#### INCREASES

#### Customer Charge

<b>\$ Increase</b>	<b>\$9.08</b>
<b>% Increase</b>	<b>31.30%</b>

#### Usage Charge

<b>\$ Increase</b>	<b>\$0.00</b>
<b>% Increase</b>	<b>N/A</b>

#### Total Bill

<b>\$ Increase</b>	<b>\$9.08</b>
<b>% Increase</b>	<b>31.30%</b>

Agreement Attachment E

Ratemaking Income Statement

# HOUSE SPRINGS SEWER COMPANY, INC.

## Rate Making Income Statement-Sewer

### Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	459,786
2	Other Operating Revenues *	\$	24,339
3	<b>Total Operating Revenues</b>	<b>\$</b>	<b>484,125</b>
4	* See "Revenues - Current Rates" for Details		

### Cost of Service

Item	Amount
1 Operators Salary/Contract Services	\$ 163,200
2 Electricity-Pumping	\$ 58,116
3 Sewer Treatment -Chemicals	\$ -
4 Sludge Removal	\$ 22,850
5 Sewer Treatment -Testing/Laboratory Fees	\$ -
6 Contracted Treatment-City of Byrnwies Mills	\$ 112,974
7 Maintenance Expense-Outside Labor	\$ -
8 Maintenance Expense-Parts/Equipment	\$ 3,898
9 Billing & Software	\$ 2,397
10 Office Supplies	\$ 713
11 Postage Expense	\$ 4,499
12 Uncollectible Accounts	\$ 1,215
13 Customer Returned Check Fees	\$ 1,100
14 Administration & General/Management Salaries	\$ 60,069
15 Medical Insurance	\$ 15,472
16 Retirement Plan	\$ 1,750
17 Accounting Fees	\$ 5,900
18 Bank Service Charges	\$ 1,292
19 Dues & Donations	\$ 65
20 Telephone/Internet	\$ 3,101
21 Answering Service	\$ 1,032
22 Outside Services-A&G	\$ 2,682
23 Office Rent Expense	\$ 7,260
24 Property & Liability Insurance	\$ 11,434
25 Legal Fees	\$ 1,020
26 Vehicle Maintenance Expense	\$ 2,169
27 Other Miscellaneous Expense	\$ 1,214
28 Rate Case Expense	\$ 608
29 MO DNR Fees	\$ 20,050
30 PSC Assessment	\$ 33,293
31 Workers Compensation Insurance	\$ 940
32 <b>Sub-Total Operating Expenses</b>	<b>\$ 540,313</b>
33 Property Taxes	\$ 17,975
34 MO Franchise Taxes	\$ -
35 Employer FICA Taxes	\$ 4,862
36 Federal Unemployment Taxes	\$ -
37 State Unemployment Taxes	\$ -
38 State & Federal Income Taxes	\$ 2,834
39 <b>Sub-Total Taxes</b>	<b>\$ 25,671</b>
40 Depreciation Expense	\$ 42,692
41 Interest Expense	\$ 7,997
42 Amortization of Utility Plant	\$ -
43 <b>Sub-Total Depreciation/Interest/Amortization</b>	<b>\$ 50,689</b>
44 <b>Return on Rate Base</b>	<b>\$ 11,381</b>
45 <b>Total Cost of Service</b>	<b>\$ 628,053</b>
46 <b>Overall Revenue Increase Needed</b>	<b>\$ 143,929</b>

Agreement Attachment F

Rate Base Worksheet

House Springs Sewer Company, Inc.  
Informal Rate Case  
Case No. SR-2012-0399  
Test Year Ending 12-31-2011  
Rate Base Schedule - Sewer

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount
1	Plant In Service	\$1,916,624
2	Less Accumulated Depreciation Reserve	<u>\$678,267</u>
3	Net Plant In Service	\$1,238,357
4	Other Rate Base Items:	
	Inventory	\$1,778
	Contribution of Aid of Construction	-\$1,211,717
	CIAC Depreciation	\$225,079
	Deferred Taxes	-\$22,650
5	Total Rate Base	<u><u>\$230,847</u></u>

Agreement Attachment G

Schedule of Depreciation Rates



**Attachment G - House Springs Sewer Company**  
**DEPRECIATION RATES**  
**SR-2012-0399**

<b>ACCOUNT NUMBER</b>	<b>ACCOUNT DESCRIPTION</b>	<b>DEPRECIATION RATE</b>	<b>AVERAGE SERVICE LIFE (YEARS)</b>	<b>NET SALVAGE</b>
311	Structures & Improvements	3.0%	33	0%
352.1	Collection Sewers (Force)	2.0%	50	0%
352.2	Collection Sewers (Gravity)	2.0%	50	0%
362	Receiving Wells & Pump Pits	5.0%	20	0%
363	Pumping Equipment	10.0%	10	0%
373	Treatment & Disposal Facilities	5.0%	20	0%
374	Plant Sewers	4.5%	22	0%
375	Outfall Sewer Lines	2.0%	50	0%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Electronic & Computer Equip.	20.0%	5	0%
392	Transportation Equipment	12.5%	8	0%
394	Tools, Shop, and Garage Equipment	5.0%	20	0%
395	Laboratory Equipment	5.0%	20	0%
396	Power Operated Equipment	6.7%	15	0%
397	Communication Equipment	6.7%	15	0%
398	Miscellaneous Equipment	5.0%	20	0%

## Agreement Attachment H

### Auditing Unit Recommendation Memorandum

## **AUDITING DEPARTMENT RECOMMENDATION MEMORANDUM**

**FROM:** Kim Bolin  
Amanda McMellen  
Sarah Sharpe  
Auditing Unit

**TO:** James Russo  
Water and Sewer Unit

**CC:** Rachel Lewis

**SUBJECT:** Auditing Unit Findings and Recommended Cost of Service for  
House Springs Sewer Company  
Case No. SR-2012-0399

**DATE:** October 22, 2012

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On May 30, 2012 House Springs Sewer Company (“HSSC” or “Company”), filed a request with the Missouri Public Service Commission (“Commission”) asking for a \$125,000 increase in sewer rates for its approximately 1,200 customers. The Company’s sewer rates are currently the same as those established in its last tariff that became effective August 31, 2011.

Kim Bolin, Amanda McMellen, and Sarah Sharpe of the Auditing Unit conducted an investigation of the Company’s books and records, in conjunction with other members of the Staff of the Missouri Public Service Commission (“Staff”), and determined that an increase of \$143,929 in rates for HSSC is necessary.

Staff utilized a test year of the twelve months ending December 31, 2011. Staff updated its case for all known and measurable significant changes; (i.e., rate base, revenues and payroll, etc.) through current. As discussed below, based on an examination of HSSC’s actual costs for this period, Staff recommends several adjustments to the Company’s test year books and records.

### **PLANT, DEPRECIATION RESERVE, AND DEPRECIATION EXPENSE**

Staff has included all capital improvements that could be supported by documentation. Staff utilized the plant-in-service (“plant”) and depreciation reserve levels resulting from the last rate case ([SR-2011-0274](#)) as its starting point for determining plant and depreciation reserve in this case. There were some costs that were capitalized in the test year that Staff asserts should be included in expenses. Adjustments were made to eliminate these costs from the Company’s plant and to include them in the expenses. Other costs were eliminated from the plant balances because the Company provided no invoice or no proof of payment.

Staff incorporated the depreciation rates supplied by Mr. David Williams of Staff's Engineering and Management Services Unit Department (EMSU) into its cost of service calculation. Using these depreciation rates, Staff included an annualized level of depreciation expense for HSSC based on its plant in service at August 25, 2012.

## **REVENUES**

Staff annualized rate revenues based upon the most current number of customers as of June 30, 2012. The Company earned miscellaneous revenues totaling \$24,339 for charges relating to inspection fees, late payments and returned checks. Staff's annualized levels of revenues are summarized below:

Residential	\$ 270,048
Commercial	\$ 83,790
Mobile Homes	\$ 97,848
Apartments	\$ 8,100
Miscellaneous Service Revenue	<u>\$ 24,339</u>
<b>Total</b>	<b>\$ 484,125</b>

## **PAYROLL AND PAYROLL TAXES**

As part of its payroll analysis, Staff reviewed all payroll records for the period covering 2005 through July 2012. Ms. Patricia Fribis, the Company's owner, manages the operations of HSSC and performs all billing, collection, customer service and secretarial duties. During the test year, Ms. Fribis paid herself \$74,443 for the work that she performed for HSSC. Staff concludes that this level of compensation is excessive with regard to the duties that Ms. Fribis performs for HSSC and is also higher than the level normally included for owners of other comparable water and sewer operations that are regulated by the Commission. The following chart depicts Ms. Fribis' salary from January 2005 through current and the increases that she has awarded to herself during that time frame.

<u>Date of Increase</u>	<u>Salary Amount</u>	<u>% of Increase</u>
January 2005	\$ 39,780	
November 2005	\$ 44,780	13%
February 2007	\$ 46,123	3%
March 2008	\$ 62,035	34%
August 2009	\$ 74,443	20%

In the last rate case, Staff used an annualized salary of \$53,000 for Ms. Fribis' duties. In this case, Auditing Staff chose to examine Staff's information from the last case as well as more current data in order to determine a reasonable level of compensation for duties that Ms. Fribis performs for HSSC. For additional reference,

Auditing Staff examined manager salaries for Jefferson and Franklin Counties as reported by the Missouri Economic and Research Information Center (MERIC). Initially, Auditing Staff factored up the annualized salary level proposed by Staff in HSSC's last rate case by a reasonable increase of 3.2% which is the 2011 Consumer Price Index (CPI) increase resulting in an annualized salary of \$54,696. The MERIC salary figures support the level of Ms. Fribis' salary, as calculated by Staff, but Staff also examined other comparable compensations including the salaries and wages of owners of other comparable water and sewer operations that are regulated by this Commission. As a result of Staff's analysis, Auditing Staff has included a \$58,322 annualized level of salary for Ms. Fribis in the cost of service.

HSSC did employ a Class A licensed Wastewater Treatment Plant Operator, who was responsible for daily operations of the system, which included repairs and maintenance, sludge hauling and system checks. The Operator also oversaw the work that is performed by outside contractors. The Operator worked forty (40) hours per week (Monday through Friday) and was available for emergency calls on nights and weekends. The Operator for HSSC resigned. The Company has informed Staff that they will be using a contract operator instead of hiring someone directly. The amount for this new contract has been included in the cost of service. All expenses associated with the Operator have been eliminated from the cost of service.

HSSC also employs a General Laborer who assists the Operator with repairs and maintenance, systems checks, cutting grass and sludge hauling. He also picks up parts and supplies as needed. The Laborer works forty (40) hours per week (Monday through Friday) and is available for emergency calls on nights and weekends. Due to the fact that HSSC is now going to use a contract operator, a General Laborer is no longer needed. Therefore, all expenses associated with this position have been eliminated from the cost of service.

## **INSURANCE**

Staff annualized all insurance expenses (General and Liability, Health and Worker's Compensation) for all three HSSC employees based upon their most current coverage levels and monthly premiums. Due to the new contract operator, only Ms. Fribis insurance expenses are now being included.

## **CITY OF BYRNES MILL CONTRACTED SEWER**

The Company pays the City of Byrnes Mill (the City) for sewer treatment for a portion of its customers. These customers are connected to what is referred to as the "Hardee's lift station." Obtaining sewer treatment service from a third party is necessary because the Company does not have a treatment plant for these customers. As of July 1, 2012, the City increased the rate charged to the Company for this sewer treatment service. Staff annualized this expense based upon the current number of customers connected to this system, the customer's most current usage, the 12 months ending July 2012 and the current contract rate charge to HSSC by the City.

The City performed a rate study for its treatment service based upon a study period of July 2010 through June 2011. During this time period, the meter that measures the amount of sewer being treated by the City for HSSC was not functioning properly. The meter was reading significantly lower levels of usage than the actual amount being treated. The City replaced the malfunctioning meter with another meter that provided accurate readings in April 2012. However, as mentioned, the City began charging HSSC a new rate for treatment service in July 2012. Unfortunately, because this new rate was based upon the lower amount of HSSC usage indicated by the malfunctioning meter, application of the increased rate for treatment service to the higher usage levels read by the new meter resulted in sharply higher charges to the Company billed by the City of Byrnes Mill-. As a comparison point, Staff included \$13,352 dollars for treatment expense from the City in HSSC's last rate proceeding, but the amount of expense in this case is \$112,974 based upon an annualization of bills from the City from May 2012 onward. Staff is concerned that the difference between the new rates charged by the City, (premised upon the old meter readings) and the new usage levels measured by the new meter readings is producing a material overstatement of treatment expense at this time.

Staff is not proposing any adjustment to the current annualized level of payments by HSSC to the City, as the Company is obligated to make payments using the current rate for treatment service. However, Staff recommends that HSSC take all reasonable actions to attempt to reduce its charges for treatment service to a more reasonable level in the future. These actions might include HSSC reviewing alternatives to using the City for sewer treatment, such as building its own treatment facility or using another sewer treatment provider. HSSC might also initiate discussions with the City or other interested parties in order to negotiate a lower rate for treatment service for HSSC and its customers. It may also be appropriate for the Company to inform its customers via notice or letter of the situation that has occurred with the City and the installation of the new meter.

### **POSTAGE**

Staff developed its postage expense by using the current number of customers multiplied by 12 months to arrive at its postage expense. Staff also included a three-year average of certified letters multiplied by the current cost to send certified letters.

### **PSC ASSESSMENT**

The Company is currently making payments on the PSC Assessment for fiscal year 2011. HSSC has not made any payments to date for fiscal years 2012 or 2013. Staff used the most current assessment for fiscal year 2013 for its PSC Assessment fee expense in this case.

### **PROPERTY TAX**

Auditing Staff annualized property tax expenses based on the actual 2011 bills. Adjustments were made to eliminate all late fees and penalties.

## **MO DNR OPERATING PERMIT FEES**

Staff has allowed operating permit fees in this case based on the actual cost of permit fees for 12 of the 13 active systems. The sewer system linked to the Otto Express Mart is currently operating under an expired permit. The permit application relating to this system was received by Missouri Department of Natural Resources (MDNR) on June 26, 2009. Per correspondence sent to the Company on July 18, 2012, the amount of this permit is undetermined. Staff spoke with an Environmental Engineer at MDNR on August 8, 2012, and understands that a new fee schedule is still under development, and a publishing date for the new fees has not been determined. During that conversation Staff provided an estimate of the permit fee for the Otto Express Mart system, which has been built into the permit fee expenses in this case.

## **BANK FEES**

Auditing Staff's annualization is based on 12 months of data (August 2011-July 2012) with Concord Bank. Fortune Bank fees have not been included in Staff's adjusted number because they are not determined to be a part of future expenses to be incurred when collecting fees from customers. As of August 5, 2011, when Ms. Fribis opened the Concord Bank account, Staff understands that the Fortune Bank account would no longer be used as a primary checking account for HSSC. Due to lower bank fees and convenience, Ms. Fribis will use the Concord Bank account as the primary checking account for HSSC expenses. The Fortune Bank account was relegated to a payroll-related transactions only account. Overdraft fees and Not Sufficient Funds fees have not been included in the expense base. It is Staff's opinion that these fees are due to the money management decisions of Company officers.

## **MISSOURI ONE CALL**

Staff used a five-year average (2007 thru 2011) to determine the appropriate amount of Missouri One Call expense to include in this case.

## **SLUDGE REMOVAL**

Staff's annualized sludge hauling expense is based upon the annualized level agreed to in the disposition agreement in the last rate case. The Company's rates resulting from this agreement will include an amount of \$22,850 for sludge hauling expense. This amount exceeds the sludge hauling expense incurred by the Company during the test year; however, Staff determined that a greater amount of sludge hauling is needed from the Company than what was performed during the test year in order to keep the system operating properly. Staff asserts that allowing the Company \$22,850 in sludge hauling expense is reasonable. Staff is recommending the Company maintain sufficient documentation of its ongoing sludge hauling expense to allow for an ongoing comparison of its actual expenditures to the amount of sludge hauling expense included in its rates. Until then, Staff is recommending the Commission approve a tracking mechanism to account for actual sludge hauling expenses. Staff will review the sludge hauling expense and the tracker at the Company's next rate case.

## **PHONE AND INTERNET**

Staff annualized internet expense by using the flat monthly fee of \$50 and multiplying it by twelve months.

Staff used the most current charges for the Company's land line phone to annualize phone expense. This cost was considered steady to slightly rising, so Staff asserts this is an accurate representation of future, ongoing costs to provide service.

Staff examined the wireless phone bills. Currently, the owner is on the Company cell phone plan, and so is her daughter, who is not an employee of HSSC. The wireless phone is used for an emergency contact and is used to receive texts from Missouri One Call. Staff has allowed half of the cost of the data plan due to texting usage from Missouri One Call service. These text messages alert the Company to problems within the service area that require immediate attention. Staff also allowed costs for the owner's wireless phone which include the basic service plan cost and the applicable federal, state, county, city, and district taxes and fees. Staff excluded all costs for the phone used by the owner's daughter and half of the data plan which the daughter utilizes.

## **ACCOUNTING EXPENSE**

Staff in the last case took the position that HSSC's fees for accounting expense were excessive. Also during the course of its investigation in the last case, Staff discovered that the accounting methods being used by the Company's accounting service provider at that time back then were not in compliance with the Commission's rules; specifically that the accountant was not maintaining the Company's records in accordance with Commission Rule 4 CSR 240-61-020, which requires sewer utilities to utilize the prescribed Uniform System of Accounts. Additionally, Staff discovered numerous accounting errors posted in the Company's records during the test year and also during the past several years. Staff also observed co-mingled records in the documents reviewed at the accountant's office. In that case, Staff encouraged the Company to reassess its accounting service needs and compliance with the Commission's rules on record keeping, with the understanding that the Staff reviews service expenditures for prudence and reasonableness.

During the test year in this case, HSSC received quotes and proceeded to hire a new accountant. Staff annualized accounting expense based on the most current estimate of charges provided by the new accountant.

## **STATE OF MO FEES**

Currently, the Company pays for three Secretary of State biannual company certifications; these certifications are for House Spring Sewer Company, EpcO, Inc., and Imperial Utility Company (now defunct). Staff has allowed only the cost for



certification for HSSC. Staff asserts that since HSSC is the only company providing service to the ratepayers, the ratepayers should only pay for HSSC, not the other two affiliated companies.

### **MISCELLANEOUS**

Currently, the Company hand writes the check register and then turns this information over to the accountant. Auditing Staff recommends that HSSC analyze utilization of an accounting software package or an Excel spreadsheet to more efficiently and accurately record payments made by the Company.

### **CAPITAL STRUCTURE**

The Company's capital structure consisted of \$98,021 of common equity and \$132,827 of long-term debt, resulting in a capital structure of 42.46 percent equity and 57.54 percent debt. Staff member Shana Atkinson of the Commission's Financial Analysis Unit estimated a return on equity of 11.61 percent and a total overall rate of return of 8.39 percent. The overall rate of return was applied to the Company's rate base to develop the revenue requirement identified above.

### **RECOMMENDATION**

1. Staff recommends that the Company develop a proposal for alternatives that may exist to treat sewer that is currently handled by the City of Byrnes Mill, Missouri and provide such alternatives to the Manager of the Commission's Auditing Department.
2. Staff recommends that HSSC explore options to reduce the rate paid to the City of Byrnes Mill, Missouri for sewer treatment for the customers hooked to the Hardee's lift station including, but not limited, to the possibility of retaining legal counsel to discuss or re-negotiate the contract and the cost of an estimated cost of any such legal representation.
3. Staff recommends that the Company's rates resulting from this agreement will include an amount of \$22,850 for sludge hauling expense. This amount exceeds the sludge hauling expense incurred by the Company during the test year; however, Staff determined that a greater amount of sludge hauling is needed from the Company than what was performed during the test year in order to keep the system operating properly. Staff asserts that allowing the Company \$22,850 in sludge hauling expense is reasonable. The Company shall maintain sufficient documentation of its ongoing incurred sludge hauling expense to allow for an ongoing comparison of its actual expenditures to the amount of sludge hauling expense included in its rates. If, at the time of the Company's next rate proceeding (as described below), the Company's actual sludge hauling expenses are less than the amount of the expense it has collected in rates, than that shortfall will be returned to customers through a surcharge, after application of interest. Alternatively, if, at the time of the Company's next rate proceeding (as described below), the Company's

actual sludge hauling expenses are more than the amount of expense it has collected in rates, then the additional amount of sludge hauling expense incurred will be charged to customers through a surcharge after application of interest. In both scenarios, the interest rate paid will be 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.

4. Staff recommends that HSSC file a rate case no later than eighteen (18) months after the effective date of an order approving this Company/Staff Disposition Agreement. At this time, Staff will review, along with other expenses, the prudence of the Company's actions in regard to the expense for the treatment of sewer by the City of Byrnes Mill as well as the amount of sludge hauling expense the Company incurs until the next rate case, among other items to be reviewed.

5. Staff recommends that HSSC analyze utilization of an accounting software package or an Excel spreadsheet to more efficiently and accurately record payments made by the Company.

Agreement Attachment I

EMSU Implementation Review

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

## **Engineering and Management Services Unit**

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

**File No. SR-2012-0399**

#### **House Springs Sewer Company**

**Debbie Bernsen**

The Engineering and Management Services Unit (EMSU) staff initiated an informal review of the customer service and business processes, procedures and practices of House Springs Sewer Company (“House Springs” or “Company”) in Imperial, Missouri, in June 2012. The review was performed in conjunction with the Company’s rate increase request, File No. SR-2012-0399 filed on May 30, 2012. The Company is requesting an increase of \$125,000.00 in its annual sewer system operating revenues. This request represents an increase of approximately 25% to the Company’s annual sewer system operating revenues.

The EMSU staff examined the Company’s tariffs, annual reports, Missouri Public Service Commission (Commission) complaint and inquiry records, and other documentation related to the Company’s customer service and business operations. In preparation of this report, the EMSU staff submitted data requests on June 19, 2012, and conducted interviews with Company personnel on July 18, 2012. The EMSU staff’s review of the Company did not result in any recommendations for Company management.

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

The objectives of this review were to document and analyze the management control processes, procedures and practices used by the Company to ensure that its customers’ service needs are met and to make recommendations, where appropriate, 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 focused on processes, procedures, and practices related to:

- Customer Billing
- Payment Remittance
- Credit and Collections
- Complaints and Inquiries
- Customer Communication and Records Storage

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

## **History**

The EMSU staff previously performed a customer service review of the Company in April 2011. This review was performed in conjunction with a small company rate increase request submitted by the Company and given File No. SR-2011-0274. That review resulted in a written report and included five recommendations for improvement in the areas of employee time records, written leases and contractor agreements, vehicle logs and duplication of customer records. The Disposition Agreement in the prior case addressed specific timeframes for the completion of each of the recommendations made in the report. The EMSU staff continued to work with the Company to ensure that these recommendations were addressed. The actions taken by the Company were considered appropriate for meeting the intent of the recommendations contained in the EMSU report and the recommendations were considered complete.

## **Overview**

House Springs Sewer Company was certificated by the Commission in 1986 to provide sewer service in the city of Imperial, which is in Jefferson County. A court-appointed receiver was designated to take over the operations of the Company in 1998. The receivership was later dissolved after a meeting with the Missouri Attorney General's office. At that time, the present owner was made the sole owner and operator of the Company.

The Company provides sewer service to approximately 769 residential customers, 25 apartments, 302 mobile homes and 76 commercial customers in Imperial, Missouri. The Company experienced a decrease in both residential (888 customers) and commercial

(91 customers) from year 2010. The Company operates and maintains 13 wastewater treatment plants located in the House Springs area.

The Company has three employees consisting of the President, a licensed Operator, and a Laborer. The President performs all business office functions and handles customer billing, payment remittance, credit and collections, customer complaints and inquiries, and customer communications. The Company's Operator has a Class A license and is responsible for most of the outside field operations and maintenance of the sewer system including the collection of samples for testing. The Company employs outside contractors to help with some Company tasks, such as sludge hauling and the Operator has responsibility for monitoring the work of contractors. A Laborer is also used to assist on projects, including outside field operations and maintenance, and to perform general clean-up duties and cut grass. A part-time employee is utilized in the office on a periodic basis to assist during the billing cycle.

The business office is located in an office at a storage facility in Imperial, Missouri. The office is rented under a written agreement with the owner of the facility on a monthly basis. Office hours are maintained from 7:30 am to 4:00 pm Monday through Friday. Customers may stop by the office to make payments or inquiries during business hours. Customers can also contact the Company by calling the business phone number. If the Company is unable to answer the phone, the customer is offered the ability to leave a message. In the case of an emergency, the customer is given a different number to contact the Company. The Company indicated that someone is available at all times to handle emergency issues.

The Company utilizes employee time records as a result of the prior EMSU staff Customer Service Audit performed in 2011. At the conclusion of File No. SR-2011-0274, the EMSU and Auditing staffs and Company worked together to develop a timesheet that would collect useful information for daily operations, as well as regulatory requirements. The timesheets have been utilized by all three of the Company employees since August 2011. Timesheets utilized by the Operator and Laborer employees include a description of the type and location of the work, as well as the mileage on Company vehicles.

## **Customer Billing**

Service may be initiated in the customer's name in several ways. For new customers, the title company associated with the property will complete out the application for service and fax it to the Company. If there are any outstanding balances for sewer service on the property, the title company will assist the Company in collecting these. If a title company is not used, new customers requesting service are required to complete an application for service and either send or drop it off at the business office. The Company indicated that it does not charge customers a security deposit prior to establishing service.

Customers' sewer charges are a monthly charge of \$29.00 for a single family residence and \$27.00 for a rental unit of a multi-family dwelling. Commercial rates include a monthly minimum service charge of \$29.00 and a commodity charge of \$4.59 per 1,000 gallons. These rates took effect on August 31, 2011.

Customer billing is completed by the President utilizing a Sequoyah Software computer billing program. The Company has utilized the Sequoyah system since August 2008. Bills are printed on perforated forms and a quick review is performed by the President to ensure accuracy. The bills are mailed on the last day of the month. Also on that day, meters are read on commercial accounts that require usage figures to calculate the bill. The same process is then conducted using the software to print, review and mail bills within a day.

Customer bills are due on the 21<sup>st</sup> of the month. The Company has the authority to charge a late fee of \$5.00 or three percent per month times the unpaid balance, whichever is greater, on accounts that are delinquent. Accounts are considered delinquent on the 22<sup>nd</sup> day after a bill is rendered.

## **Payment Remittance**

Customers' payment options include cash, check, or a money order. Payments are also accepted by customers requesting their bank issue a check to the Company. The Company indicated that the majority of payments (99%) are made by mail; however, customers can also pay at the business office in person during business hours or after hours by using the locked mailbox. Payments are posted as they are received and a majority of the payments are received

in the first ten days of the month. Bank deposits are made as needed, but normally at the end of each day.

### **Credit and Collections**

Customers with delinquent account balances will have it noted on their bill. If a customer's account becomes three months in arrears, the President attempts to contact them by phone. After an additional seven days if the payment has not been received, a certified letter is mailed to alert them to a possible disconnection of service after 30 days. Copies of these letters are also mailed to the Commission's Water and Sewer Unit, as well as the Department of Natural Resources and the Health Department. Twenty-eight days after the date of the letter, the Company makes another phone call to the customer to remind them that a discontinuance of service will be scheduled after the 30<sup>th</sup> day on the certified letter.

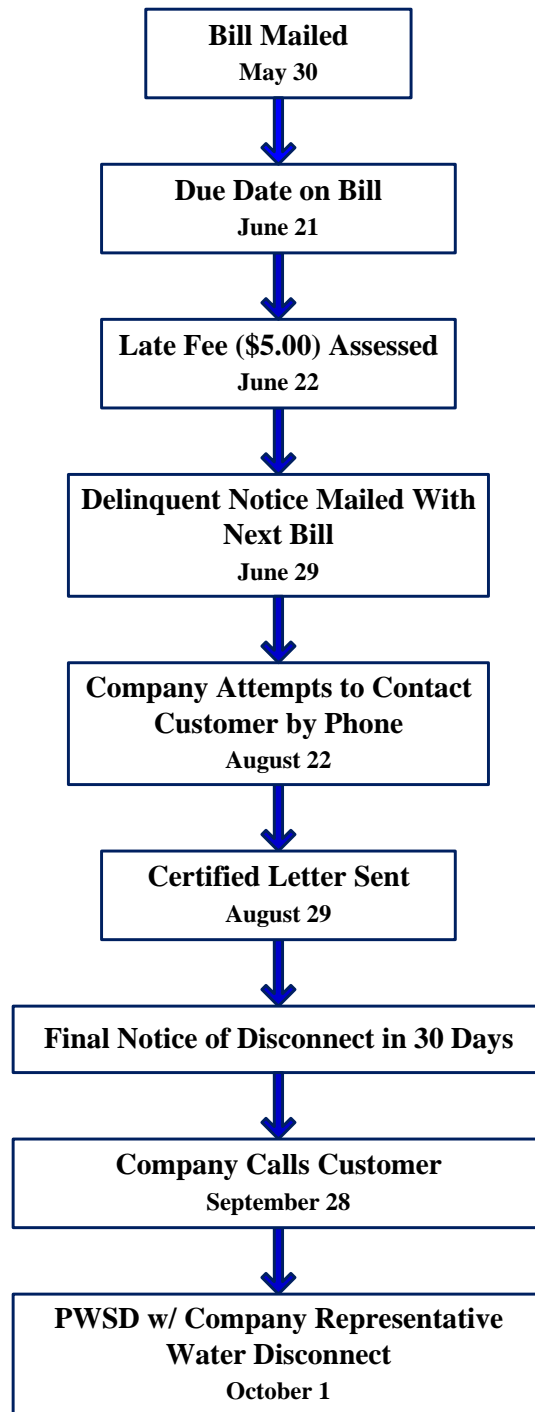
Under the provisions of Section 393.015 RSMO (2000), the Company may enter into an agreement with a water company to terminate water service due to non-payment of sewer bills. The Company has had an agreement since 2007 with the Public Water Supply District of Jefferson County (Water District) to perform these disconnections for a fee of \$100 per disconnection. The Company will email the Water District and ask them to schedule the discontinuance. When the Water District is able to schedule the discontinuance, they contact the Company to meet them at the property. The Company posts a flyer on the property notifying the customer that the water has been turned off due to non-payment of the sewer bill. The Company indicated that it does follow the appropriate notifications prior to discontinuing service.

The following timeline illustrates the actions that would typically be taken on a customer account that would remain unpaid.

*continued on next page*



### Billing and Collection Time Line



The Water District performed water service discontinuances for non-payment of sewer bills in 2010 and 2011. In 2010, 6 customers had water discontinued and in 2011, 14 customers had water discontinued. For year 2012 year to date July 1, there were 9 water discontinuances

performed and all of these customers paid their accounts to have service restored. Reconnection information on the prior years was not available. The President believes that customers have learned that their water service will be discontinued if they do not stay current on their sewer bill payments. The Company continued offering payment arrangements and some flexibility to the customer to avoid water service discontinuances.

The Company began utilizing the Water District in 2007 to perform water disconnects in instances where the customer becomes delinquent on three bills in a row.

The Company utilizes a fee of \$25 for insufficient funds checks which is contained in its tariff. In 2009, it received 11 of these checks totaling \$3,563 and in 2010, the number reduced to 3 checks totaling \$314. In 2011, there were 3 checks totaling \$227. The Company sends the checks through the bank twice and, if they do not clear, sends them on to the Prosecuting Attorney for prosecution.

The Company reported the following information regarding customer delinquent accounts for year 2012 year-to-date June.

#### **Delinquent Accounts**

	31-60 Days	61-90 Days	Over 90 Days
# of Accounts	150	16	91
\$ Amount	\$6,730	\$1,128	\$27,972

Source: Response to MOPSC Information Request No. 24

The number of accounts and dollar amounts for accounts over 90 days is the largest amount. Accounts go into collection action at approximately 90 days so these amounts will reflect accounts that may be in the early stages of collection action.

#### **Complaints and Inquiries**

Customers with questions or concerns may call the Company at the office contact number. The Company indicated that they attempt to respond quickly to customer calls and will schedule field visits as needed. The Company maintains that all emergency calls are handled

promptly. Company personnel document any type of complaint or inquiry on a form that is maintained in the files. A review of Commission complaint/inquiry records through the Commission's Electronic Filing and Information System (EFIS) showed one complaint for 2010, and no complaints in 2011 and 2012 August year to date.

### **Customer Communication and Records Storage**

Customer bills are the primary means of communicating with customers. Company personnel occasionally mail the customers' specific information regarding sewer service or rates.

The Company updates its electronic customer records on a daily basis to a flash drive and stores this in an alternate location.

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

The EMSU staff conducted a review of the Company in April 2011 in conjunction with Case SR-2011-0274. This review resulted in five recommendations made to the Company. The EMSU staff reviewed the Company's actions taken in response to these recommendations and determined that the Company had taken appropriate actions to complete these recommendations.

The EMSU staff does not have any specific recommendations at this time.

## Agreement Attachment J

### Summary of Case Events

House Springs Sewer Company, Inc.  
Case #SR-2012-0399  
Summary of Case Events

Date Filed	May 30, 2012
Day 150	October 29, 2012
Extension?	No
If yes, why?	N/A
Amount Requested	\$125,000
Amount Agreed Upon	\$143,929
Item(s)/Dollar(s) Driving Rate Increase	Sewage treatment cost paid to the City of Byrnes Mills.
Number of Customers	1,178
Return on Equity	11.61%
Assessments Current	Past due for fiscal years 2011 and 2012.
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	None
Status with Secretary of State	Current
DNR Violations	No recent violations.
Significant Service/Quality Issues	None

## Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Jerry Scheible – Water & Sewer Department

Amanda McMellen-Auditing Department

David Williams – Engineering & Management Services Department

Deborah Bernsen – Engineering & Management Services Department

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

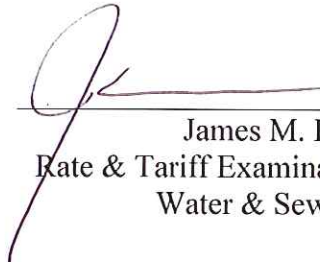
**AFFIDAVIT OF JAMES M. RUSSO**

In the Matter of a Rate Increase Request of )  
House Springs Sewer Company )

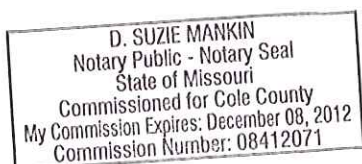
File No. SR-2012-0399


STATE OF MISSOURI )  
 ) SS  
COUNTY OF COLE )

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

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

Subscribed and sworn to before me this 25<sup>th</sup> day of October, 2012.



  
\_\_\_\_\_  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

**AFFIDAVIT OF JERRY SCHEIBLE, P.E.**

In the matter of House Springs Sewer                     )  
Company Rate Increase Request                     )

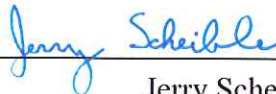
**CASE NO. SR-2012-0399**

STATE OF MISSOURI

ss.

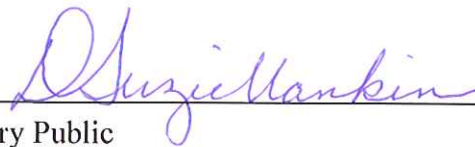
COUNTY OF COLE

**COMES NOW** Jerry Scheible, P.E., being of lawful age, and on his oath states the following: (1) that he is a Utility Regulatory Engineer in the Missouri Public Service Commission's Water & Sewer Unit; (2) that he participated in the Staff's investigation of the small company rate increase request that is the subject of the instant case; (3) that he has knowledge of the information presented in the foregoing "*Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request*" ("Disposition Agreement"); (4) that he participated in the preparation of Attachment B to the Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachment B to the Disposition Agreement; and (6) that the matters set forth in Attachment B to the Disposition Agreement are true and correct to the best of his knowledge, information and belief.



Jerry Scheible, P.E.

Subscribed and sworn to before me this 25<sup>th</sup> day of October 2012.

  
Notary Public

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 08, 2012 Commission Number: 08412071
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**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of a Rate Increase Request of     )  
House Springs Sewer Company                             )             File No. SR-2012-0399

AFFIDAVIT OF AMANDA C. MCMELLEN

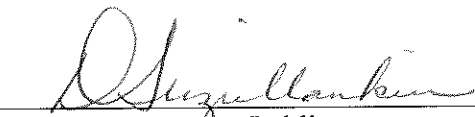
STATE OF MISSOURI     )  
                                      )             ss.  
COUNTY OF COLE     )

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

  
Amanda C. McMellen  
Utility Regulatory Auditor IV  
Auditing Unit

Subscribed and sworn to before me this 24<sup>th</sup> day of October, 2012.

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

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

In the Matter of a Rate Increase Request of     )  
House Springs Sewer Company                             )                     File No. SR-2012-0399

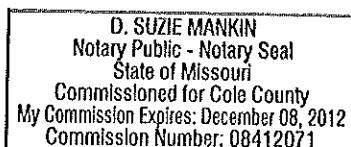
AFFIDAVIT OF DAVID WILLIAMS

STATE OF MISSOURI     )  
                                   )             ss.  
COUNTY OF COLE     )

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

David Williams  
David Williams  
Utility Engineering Specialist III  
Engineering & Management  
Services Unit

Subscribed and sworn to before me this 24<sup>th</sup> day of October, 2012.



D. Suzie Mankin  
Notary Public

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

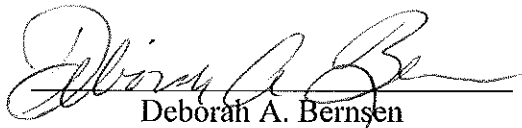
In the Matter of a Rate Increase Request of )  
House Springs Sewer Company )

File No. SR-2012-0399

AFFIDAVIT OF DEBORAH A. BERNSEN

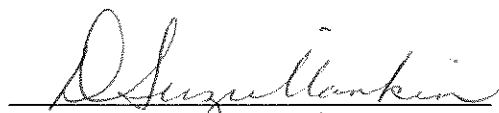
STATE OF MISSOURI       )  
                                      )  
COUNTY OF COLE       )       ss.

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

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

Subscribed and sworn to before me this 24<sup>th</sup> day of October, 2012.

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