

APPENDIX A

CASE No. SR-2012-0263

AMENDED STAFF/COMPANY DISPOSITION AGREEMENT WITH ATTACHMENTS AND STAFF AFFIDAVITS

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Amended Company/Staff Disposition Agreement

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

R. D. SEWER COMPANY, L.L.C.

MO PSC FILE NO. SR-2012-0263

BACKGROUND

R. D. Sewer Company, L.L.C. ("Company") 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 January 31, 2012, the Company set forth its request for an increase of \$10,380 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 thus could be the subject of Staff recommendations. The Company provides service to approximately 164 residential customers located in Bernie, 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 sheets attached hereto as Attachment A and incorporated by reference herein, with those proposed tariff revisions bearing an effective date of October 22, 2012;
- (2) The current PSC MO Number 2 tariff will be cancelled and replaced by PSC MO Number 3 tariff and is included in the example tariff sheets in Attachment A, and reflect 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 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 32.08% increase in annual operating sewer 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 E and incorporated by reference herein, accurately reflects the Company's annualized revenues generated by its current customer rates, the agreed-upon total annualized cost of service for the Company, and the resulting agreed-upon annualized operating revenue increase of \$15,771 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 25.00% equity for the Company and a return on that equity of 12.22%, 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 \$12,586, 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 Amended Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Unit ("EMSU") Report attached hereto as Attachment I and incorporated by reference herein;

(a) The Company utilize a standard time sheet to record and maintain the time expended by its employees and contractors at each of the water and sewer systems it operates that will facilitate summarization and analysis;

(12) On the effective date of the order from the Commission approving this Amended Company/Staff Disposition Agreement, the Company shall implement the following recommendations contained in the Auditing Unit Recommendation Memorandum attached hereto as Attachment H and incorporated by reference herein:

(a) The Company will discontinue making personal purchases from the Company's business account; and

(b) The Company will maintain utility plant records and customer account records, and keep all books and records, including plant property records, in accordance with the NARUC Uniform System of Accounts, Sewer version 1976;

(13) Within ninety (90) days of the effective date of an order approving this Amended 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 will obtain estimates for accounting services including estimates for financial statement preparation and tax form preparation;

(14) Within ninety (90) days of the effective date of an order approving this Amended Company/Staff Disposition Agreement, the Company shall implement the recommendations contained in the Engineering & Management Services Unit (“EMSU”) Report attached hereto as Attachment I and incorporated by reference herein;

- (a) The Company complete an analysis of automated billing systems that could be cost-effectively implemented to manage the calculation and preparation of customer bills and maintenance of records; and
- (b) The Company review the present bill format to determine if information regarding delinquent dates can be provided more clearly. This review should be conducted in conjunction with the analysis and implementation of an automated billing system;

(15) 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 Amended 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;

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

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

(18) The Company agrees that it has read the foregoing Amended Company/Staff Agreement Regarding Disposition of Small Sewer Company Revenue Increase Request; that facts stated therein are true and accurate to the best of the Company's knowledge and belief; that the foregoing conditions accurately reflect the agreement reached between the Company and Staff; and that the Company freely and voluntarily enters into this agreement; and

(19) 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 Amended 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.

The Company and Staff acknowledge that they have previously agreed to an extension of the normal "Day 150" date by which an agreement regarding the resolution of a small company revenue increase request is to be reached. A copy of the extension agreement can be found in the above-referenced EFIS Case No. for the Request and was filed with the Commission on April 10, 2012.

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


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

Additionally, the Company agrees that, subject to the rules governing practice before the Commission, Staff shall have the right to provide whatever oral explanation the Commission may request regarding this Amended 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 Amended Company/Staff Disposition Agreement. To the extent reasonably practicable, Staff shall provide the Company with advanced notice of any such agenda meeting so that they may have the opportunity to be present and/or represented at the meeting.

SIGNATURES

Agreement Signed and Dated:

/s/ Rodger Owens _____ 09/05/2012
Rodger Owens _____
Manager _____
R. D. Sewer Company, L.L.C. _____
Date



James Busch _____
Manager _____
Water & Sewer Unit _____
Missouri Public Service Commission Staff _____
9/5/12
Date

List of Attachments

- Attachment A – Example Tariff Sheets
- Attachment B – Water & Sewer Unit Memorandum
- Attachment C – EMS Run
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Agreement Attachment A

Example Tariff Sheets

Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service																																			
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<p>* Indicates new rate or text + Indicates change</p>																																			

DATE OF ISSUE September 4, 2012
 Month Day Year

DATE EFFECTIVE October 22, 2012
 Month Day Year

ISSUED BY Rodger Owens
 name of officer

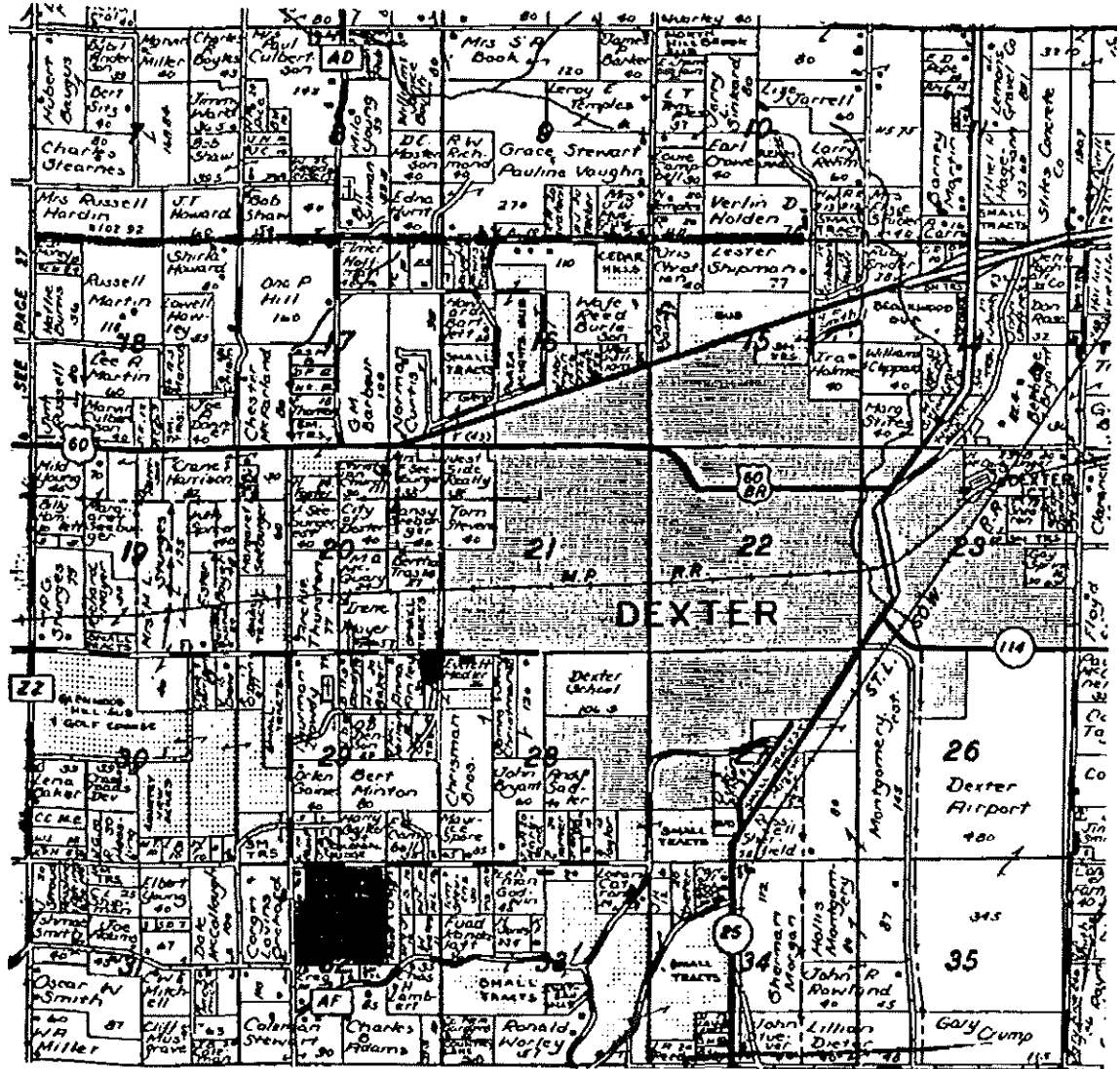
Owner Member
 title

406 S. Allen, Bernie, MO 63822
 address

Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service

Map of Service Area



- * Indicates new rate or text
- + Indicates change

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Owner Member
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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of Service Area

Western Heights Subdivision

Part of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) and part of the Northeast Quarter (NE 1/4) of the Northwest (NW 1/4) of Section 32, Township 25 North, Range 10 East, described as follows: Beginning at the southeast corner of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) of Section 32, Township 25 North, Range 10 East; thence south 89 degrees 15' west along the quarter-quarter section line, 1,827.6 feet; thence north parallel to the west line of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) of Section 32 aforesaid, 400 feet; thence south 89 degrees 15' west parallel to the southline of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) 500 feet; thence north parallel to the west line of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) 610 feet; thence north 89 degrees 15' east parallel to the north line of said Section 32, 1,828.72 feet; thence south parallel to the west line of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) 610 feet; thence north 89 degrees 15' east, parallel to the south line of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) 505 feet; thence south along the east line of the Northwest Quarter (NW 1/4) of the Northeast Quarter (NE 1/4) 400 feet to the point of beginning, containing 42.7 acres, more or less.

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Rules and Regulations Governing Rendering of
Sewer Service

Legal Description of Service Area

Ecology Acres Subdivision

The part of the SE 1/4 of the NW 1/4 of Section 32, Township 25, Range 10 East and all of the SW 1/4 of the NE 1/4 of Section 32, Township 25 North, Range 10 East, more particularly described as follows: Beginning at the Southwest corner of the SE 1/4 of the NW 1/4 of Section 32, Township 25 North, Range 10 East, thence North 0° 03' East along and with the Quarter-Quarter Section line 1,110.0 ft; thence North 89° 28' East along and with the Quarter-Quarter Section line 1,110.0 ft; thence North 15° 30' E. 218.7 ft. to a point on the North Quarter-Quarter Section line of the SE 1/4 NW 1/4 of aforesaid Section 32; thence North 89° 15' East along and with aforesaid Quarter-Quarter Section line 2,312.6 feet to the NE corner of the SW 1/4 NE 1/4 of aforesaid Section 32; thence S 0° 30" West along and with the Quarter-Quarter Section line 1,320 feet to the SE corner of the SW 1/4 NE 1/4 of aforesaid Section 32; thence S 89° 15' West along and with the Quarter Section line 2,642.2 feet to the point of beginning; containing 78.06 acres more or less.

Unincorporated area in Stoddard County, MO

The North One-Half (N 1/2) of the East One-Fourth (E 1/4) of the Northeast Quarter (NE 1/4) of the Northeast Quarter (NE 1/4) of Section 29, Township 25 North of the Base Line, Range 10 East of the Fifth Principal Meridian, containing five (5) acres, more or less.

ALSO

Part of the Northeast Quarter (NE 1/4) of the Northeast Quarter (NE 1/4) of Section 29, Township 25 North, Range 10 East described as follows: Start at the Northeast corner of Section 29, Township 25 North, Range 10 East; thence South 89° 16' 45" West along and with the North section line 331.23 feet for a point of beginning; thence South 0° 29' 30" East 557.87 feet; thence South 89° 14' 37" West 35.45 feet; thence North 1° 54' 37" West 558 feet to the section line; thence North 89° 16' 45" East 49.27 feet to the point of beginning; containing 0.54 acres subject to any easements that may exist.

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of Sewer Service	
<u>Schedule of Rates</u>	
Monthly Service Charge	
Single-Family Residence	\$35.34
Multi-Family Residence	\$28.27 per single family living quarters.
All Applicable Federal, State or local taxes shall be included in addition to the above charges.	
Contribution in Aid of Construction	
Single Family Residence	\$835.00
Multi-Family residence	\$628.00 Per Single family living quarters.
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Rules and Regulations Governing Rendering of
Sewer Service

Schedule of Service Charges

Late Charges

A charge of five dollars (\$5.00) or three percent (3%) per month times the unpaid balance, whichever is greater, will be added to delinquent accounts.

Returned Check Charge

A returned check charge of twenty-five dollars (\$25.00) per check will be due on all checks returned from the bank for insufficient funds.

Disconnection/Reconnection

If sewer Discontinuance of Service in accordance with Rule 8 is accomplished by physical disconnection, then the charge for reconnection after such disconnection by the Company shall be the total actual cost of disconnection and reconnection.

Disconnection/Reconnection by Public Water District

A fee of one hundred dollars (\$100.00) will be charged for disconnection/reconnection of water service by a public water district when the disconnection/reconnection is done at the request of the Company due to a delinquent sewer bill pursuant to Rule 8.

Inspection Fee

A fee of thirty-five dollars (\$35.00) will be charged for inspection of a new service sewer and connection to the collecting sewer.

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Schedule of Service Charges (Continued)

Re-Inspection Fee

A fee of twenty dollars (\$20.00) will be charged for any re-inspection of the new service sewer that is not the fault of the Company.

Preliminary Estimate Fee for New Construction-Collecting Sewers, Lift Stations and Treatment Facilities

A preliminary estimate fee will be charged in accordance with Rule 11 C. 1.

Service Calls

Service calls at any time other than during normal business hours for any reason except disconnection for a ruptured Customer's service shall require a service charge of twenty-five dollars (\$25.00).

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Rules and Regulations Governing Rendering of
Sewer Service

Rule 1 DEFINITIONS

- A. An "APPLICANT" is a person, firm, corporation, governmental body, or other entity that has applied for sewer service and/or an extension of collecting sewers along with additional plant facilities; two or more such entities may make one application for a sewer extension, and be considered one APPLICANT. An "ORIGINAL APPLICANT" is an APPLICANT who entered into any contract or agreement with the Company for an extension of collecting sewers and/or additional plant facilities, contributed funds or utility plant assets to the Company under the terms of the contract or agreement, and is eligible for refunds under the terms of the contract or agreement as additional Applicants connect to such extensions or plant facilities.
- B. "B.O.D" denotes Biochemical Oxygen Demand. It is the quantity of oxygen utilized in the biochemical oxidation of waste matter under standard laboratory conditions expressed in milligrams per liter.
- C. "C.O.D" denotes Chemical Oxygen Demand. It is the quantity of oxygen utilized in the chemical oxidation of waste matter under standard laboratory conditions, expressed in milligrams per liter.
- D. A "COLLECTING SEWER" is a pipeline, including force pipelines, gravity sewers, interceptors, laterals, trunk sewers, manholes, lampholes, and necessary appurtenances, including service wyes and saddles, which is owned and maintained by the Company, located on public property or on private easements, and used to transport sewage waste from the Customer's service connection to the point of disposal.
- E. The "COMPANY" is R.D. Sewer Co., LLC, acting through its officers, managers, or other duly authorized employees or agents.
- F. A "CUSTOMER" is any person, firm, corporation or governmental body which has contracted with the Company for sewer service, or is receiving service from the Company,

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 1 continued

or whose facilities are connected for utilizing such service.

- G. The "DATE OF CONNECTION" shall be the date the permit for a service connection is issued by the Company. In the event no permit is taken and a service connection is made, the date of connection shall be determined based on a available information, such as construction/occupancy permits, or water or electric service turn-on dates.
- H. "DISCONTINUANCE OF SERVICE" is intentional cessation of the use of sewer service by action of the Company not at the request of the Customer. Such DISCONTINUANCE OF SERVICE may be accomplished by methods including physical disconnection of the service sewer, or turn-off of water service by the water utility at the request of the Company.
- I. "DOMESTIC SEWAGE" is sewage, excluding storm and surface water, resulting from normal household activities; and, "NON-DOMESTIC SEWAGE" is all sewage other than DOMESTIC SEWAGE including, but not limited to, commercial or industrial wastes. See Rule 6 - Improper Waste or Excessive Use.
- J. A "FOUNDATION DRAIN" is a pipe installed inside or outside the foundation of a structure for the purpose of draining ground or subsurface water away from the foundation.
- K. "pH" is the relative degree of acidity or alkalinity of water as indicated by the hydrogen ion concentration. pH is indicated on a scale reading from 1-14, with 7.0 being neutral, below 7.0 acid, and above 7.0 alkaline; more technically defined as the logarithm of the reciprocal of the hydrogen ion concentration.
- L. A "SADDLE" is a fitting that connects the Customer's Service Sewer to the collecting sewer. The saddle clamps around the collecting sewer pipeline into which pipeline a hole is cut, and the Service Sewer is connected to the SADDLE thereby connecting it to the collecting sewer.

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 1 continued

- M. A "SERVICE CONNECTION" is the connection of a service sewer to the Company's collecting sewer either at the bell of a wye branch or the bell of a saddle placed on the barrel of the collecting sewer.
- N. A "SERVICE SEWER" or "CUSTOMER'S SERVICE SEWER" is a pipe with appurtenances installed, owned and maintained by the Customer, used to conduct sewage from the Customer's premises to the collecting sewer, excluding service wyes or saddles. The SERVICE SEWER is constructed, owned and maintained by the Customer.
- O. A "SUBDIVISION" is any land in the state of Missouri which is divided or proposed to be divided into two or more lots or other divisions of land, whether contiguous or not, or uniform in size or not, for the purpose of sale or lease, and includes resubdivision thereof.
- P. A "TEE" is a three-way one-piece pipe fitting in the shape of the letter "T" that is a part of the Collecting Sewer pipeline and to which the Customer's Service Sewer is connected.
- Q. "TERMINATION OF SERVICE" is the cessation of the use of sewer service requested by the Customer. Such TERMINATION OF SERVICE shall be accomplished by a method verified and recognized by the Company, and may include physical disconnection of the service sewer, termination or disconnection of water service by the water utility, or the Company's observation of non-occupancy of the unit served.
- R. The word "UNIT" or "LIVING UNIT" shall be used herein to define the premises or property of a single sewer user, whether or not that sewer user is the Customer. It shall pertain to any building whether multi-tenant or single occupancy, residential or commercial, owned or leased. Each mobile home in a mobile home park, and each rental unit of a multi-tenant rental property are considered as separate Units for each single family or firm occupying same as a residence or place of business.

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 1 continued

- S. A "WYE" or "WYE BRANCH" or "Y" or "Y BRANCH" is a three-way one-piece pipe fitting in the shape of the letter "y" that is a part of the collecting sewer pipeline, and to which the Customer's service sewer is connected.

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 2 GENERAL MATTERS

- A. Every Customer, upon signing an application for service or accepting service rendered by the Company, shall be considered to have expressed consent to be bound by these Rates, Rules and Regulations.
- B. The Company's Rules and Regulations governing rendering of service are set forth in the numbered sheets of this tariff. The rates applicable to appropriate class of service are set forth in Rate Schedules and constitute a part of this tariff.
- C. The Company reserves the right, subject to approval from the Missouri Public Service Commission, to prescribe additional rates or to alter existing Rates or Rules as it may deem necessary or proper.
- D. At the effective date of these Rules, all new facilities, construction contracts and written agreements shall conform to these Rules in accordance with the statutes of the State of Missouri and authority of the Missouri Public Service Commission. Pre-existing facilities that do not conform with these Rules and Regulations may remain, if said facilities do not cause any service problems and reconstruction is impractical.
- E. The Company shall have the right to enter upon the Customer's premises for the purpose of inspecting for compliance with these Rules and Regulations. Company personnel shall identify themselves and such inspections shall be conducted during reasonable hours.

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Owner Member
title

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Service Area: All Missouri Service Areas

Rules and Regulations Governing Rendering of
Sewer Service

Rule 3 LIMITED AUTHORITY OF COMPANY EMPLOYEES

- A. Employees or agents of the Company are expressly forbidden to demand or accept any compensation for any service rendered to its Customers except as covered in the Company's Rates, Rules and Regulations.
- B. No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these Rates, Rules and Regulations.
- C. The Company shall not be responsible in damages for any failure to remove waste water from the premises or for interruption if such failure or interruption is without willful default or negligence on its part.
- D. The Company shall not be liable for damages resulting to Customer or third persons, unless due to contributory negligence on the part of the Company, and without any contributory negligence on the part of the Customer or such third party.
- E. The Company shall not be liable for damages because of any interruption of sewer service or for damages caused by defective piping and appliances on the Customer's premises.
- F. The Company shall not be liable for damages due to damages from acts of God, civil disturbances, war, government actions, and other uncontrollable occurrences.

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Rules and Regulations Governing Rendering of
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Rule 4 APPLICATIONS FOR SEWER SERVICE

- A. A written application for service, signed by the Customer, and accompanied by the appropriate fees as provided in the Schedule of Rates, the Schedule of Service Charges, Rule 10 - Extension of Collecting Sewers, and other information required by these Rules, must be received from each Customer. Said application must be filed in writing seventy-two (72) hours in advance stating the street, house number, name of the applicant, name of the property owner, and the time, at which connection is to be made. The Company shall have the right to refuse service for failure to comply with the Rules herein, or if the Customer owes a past due bill not in dispute for sewer service at any location within the Company's service area. In any case where a collecting sewer extension or unusual construction or equipment expense is necessary to furnish the service, the Company may require a contract for service specifying a reasonable period of time for the Company to provide the service. If the Customer is a tenant, the Company shall notify the owner of the property or owner's property manager or other agent that the owner or property manager may be responsible for payment of the sewer service bill associated with the application.

- B. A prospective Customer shall, upon request of the Company, present in writing to the Company a list of devices that will discharge to the collecting sewers, the amount and specifications of any discharge, and the location of any buildings. The Company will then advise the Customer of the form and the character of the wastewater collection facilities available. If a sewer extension as provided for in Rule 10 - Extension of Collecting Sewers will be necessary, or if the Customer will be required to own, operate, and maintain a pretreatment facility, the Customer will also be so advised.

- C. When sewer charges are based on water usage, the Company reserves the right to refuse sewer service to any applicant unless said applicant agrees to install a water meter accessible by the Company, so that there will be a basis for sewer charges. The Company and Customer may agree to an estimated water use amount, on an interim basis for a period not to exceed six (6) months, to allow time to install suitable metering equipment.

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Rules and Regulations Governing Rendering of
Sewer Service

Rule 4 continued

- D. The Company will determine or approve the location of the service connection. Service sewers will not be extended along public streets or roadways or through property of others in connecting with collecting sewers. If a service connection is requested at a point not already served by a collecting sewer of adequate capacity, the collecting sewer shall be extended in accordance with Rule 10 - Extension of Collecting Sewers, unless in the Company's judgment such a collecting sewer would serve no other purpose and a service sewer may be constructed to serve the Customer's premises in a reasonable manner.
- E. A new service connection shall be authorized when all conditions in Rule 2 – General Matters and Rule 5 – Inside Piping and Customer Service Sewer, regarding application, construction and inspection provisions, are met.
- F. No substantial addition to the water using equipment or appliances connected to the sewer system shall be made by Customers discharging non domestic sewage except upon written notice to and with the written consent of the Company.

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Rules and Regulations Governing Rendering of
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Rule 5 INSIDE PIPING AND CUSTOMER SERVICE SEWER

- A. The Customer is obligated to construct, repair, and maintain the service sewer from the collecting sewer to the building, and make the connection to the collecting sewer. The Customer shall notify the Company prior to cleaning or repairing the service sewer.
- B. When a service sewer is to be connected to the collecting sewer, the plumber shall advise the Company seventy-two (72) hours in advance of when the connection is expected to be made so a representative of the Company can inspect the installation and connection. No backfill shall be placed until the work has been inspected by the Company. In the event the Customer or the Customer's agent shall damage a wye branch or saddle, or cause damage to the collecting sewer, then the Customer shall be responsible for the cost to repair any such damage, including replacement of pipe or appurtenances as necessary.
- C. Plumbing specifications of all governmental agencies having jurisdiction, and the Company's Rules, in effect at the time of connection, must be met. The Company may deny service or may discontinue service where foundation drains, downspouts, or other sources of surface or storm water are permitted to enter the sewer system through either the inside piping or through the building sewer.
- D. A separate and independent service sewer shall generally be required for every building. Exceptions are:
 - 1. When one building stands at the rear of another building on an interior lot where a proper service sewer cannot be constructed through an adjoining easement. In that situation, the service sewer from the front building may be extended to the rear building and it will be considered as one service sewer; or
 - 2. When two or more buildings are a part of a complex that cannot be subdivided.

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Rule 5 continued

- E. The service sewer shall be one of the following: ductile iron pipe, vitrified clay sewer pipe (VCP), or polyvinyl chloride pipe (PVC), American Society for Testing and Materials (ASTM) specification or equal; or other suitable material approved by the Company. Only those jointing materials and methods that are approved by the Company may be used. Joints shall be tight and waterproof. Any part of the service sewer that is located within ten feet (10') of a water main or water service pipe shall be constructed of ductile iron or PVC pressure pipe. The pipe shall be bedded according to the manufacturer's specifications and on undisturbed earth or fill compacted to at least ninety-five percent (95%) proctor density. Fill may be non-organic soil or aggregate.
- F. The size and slope of the service sewer shall be subject to the approval of the Company, but in no event shall the diameter be less than four inches (4"). The slope of such four inch (4") pipe shall not be less than one-eighth inch (1/8") per foot.
- G. Whenever possible, the service sewer shall be brought to the building at an elevation below the basement floor. No building sewer shall be laid parallel to or within three feet (3') of any bearing wall. The depth shall be sufficient to afford protection from frost. The service sewer shall be laid at a uniform grade and in a straight alignment insofar as possible. Changes in direction shall be made only with properly curved pipes and fittings.
- H. Existing service sewers may be used in connection with new buildings only when they are found on examination and test to meet all requirements of the Company.
- I. In any building in which a building drain is too low to permit the required slope of the service sewer, sanitary sewage carried by such drain shall be lifted by approved artificial means and discharged to the service sewer. No water operated sewage ejector shall be used.

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Rule 5 continued

- J. All excavations required for the installation of a service sewer and connection to the collecting sewer shall be open trench work unless otherwise approved by the Company. Pipe laying and backfill shall be performed in accordance with the latest published engineering specifications of the manufacturer of the materials used, and all applicable local plumbing codes.
- K. The connection of the service sewer to the collecting sewer shall be made at the wye branch, if such branch is available at a suitable location. If the collecting sewer is vitrified clay pipe of twelve inch (12") diameter or less and there is no properly located wye branch at a suitable location, a wye branch shall be installed at a location specified by the Company. If the collecting sewer is greater than twelve inches (12") in diameter, or is PVC of any size, a neat hole may be cut at a location specified by the Company, and a saddle installed to which the service sewer will be connected. The invert of the service sewer at the point of connection shall be at the centerline or higher elevation of the collecting sewer. The connection shall be secure and watertight.
- L. Any change in the location of an existing service connection and/or service sewer requested by the Customer shall be made at the Customer's expense.
- M. Company personnel may not work on piping or facilities not owned by the Company unless authorized by the Customer.

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Rule 6 – IMPROPER WASTER OR EXCESSIVE USE

- A. The following requirements for the use of sewer service provided by the Company shall be observed. Violation of the requirements will result in the discontinuance of service to the Customer, and the Customer may be required to comply with Paragraph B., below.
- B. In the event that the Customer to be served proposes to discharge an abnormally high volume or strength of waste, the Company may require:
 - 1. The Customer to install a pretreatment facility, grease trap or other device on the premises to prevent the exceeding of discharge limits or other adverse impacts upon the Company's system. The installation of any such device as well as its operation and maintenance shall be the responsibility of the Customer, and subject to approval and inspection by the Company; or
 - 2. The Customer to enter into a special contract with the Company for treatment of the Customer's discharge that could require an enlargement of the Company's existing sewage treatment plant or the construction of a temporary sewage treatment plant, and/or the construction or reconstruction of sewer lines or pump facilities. This special contract shall be in a form approved by the Missouri Public Service Commission with a rate applicable to the Customer to be included within this Schedule of Rates, Rules, and Regulations, that is fair and reasonable to both parties and so as not to constitute a burden upon the Company or the existing Customers of the Company.
- C. No Customer shall discharge or cause to be discharged any storm water, surface water, ground water, swimming pool water, roof runoff, sub-surface drainage, or cooling water into the collecting sewers.
- D. Except as may be provided in Paragraph B.2., above, the Customer shall be required to take any action necessary to meet the following described wastewater limits before the wastewater is discharged into the collecting sewer:

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Rule 6 continued

1. Maximum temperature of 150 degrees Fahrenheit; and
2. Maximum strength of four-hundred (400) parts per million Biological Oxygen Demand (B.O.D.); and
3. A maximum of one-hundred (100) parts per million, by weight, any fat, oil or grease; and
4. A maximum of twenty-five (25) parts per million, by weight, any soluble oils; and
5. No gasoline, benzene, naphtha, fuel oil, or other flammable or explosive liquid, solid or gas; and
6. No garbage that has not been properly shredded; and
7. No ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood or any other solid or viscous substance capable of causing obstruction to the flow in sewers or other interference with the proper operation of the sewer system; and
8. No waste-water having a pH less than 5.0 or greater than 9.0, or having any other corrosive property, capable of causing damage or hazard to structures, equipment or personnel of the Company; and
9. No waste-water containing heavy metals, toxic material, or Chemical Oxygen Demand (C.O.D.), in sufficient quantity to disrupt the operation of treatment facilities, or exceeding any limits which may be specified in a service contract for any such substance.

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Rules and Regulations Governing Rendering of
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Rule 7 – DISCONTINUANCE OR TERMINATION OF SERVICE

A. The Company reserves the right of discontinuance of service for any of the following reasons:

1. For nonpayment of the sewer utility bill (see Rule 9); or
2. For unauthorized resale of sewer service; or
3. For an unauthorized service connection to the Company's collecting sewer; or
4. For failure to comply with these Rules and Regulations.

B. Discontinuance of service may be accomplished, but not limited to, physical disconnection of the Customer's service sewer from the Company's collecting sewer. Discontinuance of sewer service for non-payment of a sewer bill may be accomplished either by physical disconnection or by discontinuance by turn-off of water service by the Customer's water utility at the request of the Company. In such cases where discontinuance is accomplished by turn-off of water service:

1. If sewer billing is combined with water billing, Customers will be notified by the water utility by the terms of its Rules normally practiced for discontinuance of water service; or
2. If sewer billing is not combined with water billing, Customers will be notified by the terms of Paragraphs F. and H., below, and not by those of any water utility.

C. Discontinuance of service to a Customer for any reason as outlined in Paragraph A., above, shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of monies due from the Customer.

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Rule 7 continued

- D. In the event of discontinuance of service by the Company for any reason as outlined in Paragraph A., above, then any monies due the Company shall become immediately due and payable.
- E. The Company reserves the right of discontinuance of service to a Customer, or to refuse service to any applicant or for any unit to reasonably protect itself against fraud or abuse.
- F. Unless discontinuance is accomplished by turn-off of water service and discontinuance notice is provided by the water utility as provided for in Paragraph B.1., above, then at least thirty (30) days prior to discontinuance of service, the Company will mail a written notice to the Customer by certified mail, return receipt requested, with a copy of the notice sent to the Public Service Commission and a copy to the property owner if different than the Customer and if known by the Company. Said notice shall state the reasons for discontinuance of service, the amount of money owed if for a past due bill including the amount of any service charges owed, and that service may be discontinued at any time after the expiration of the notice period, provided satisfactory arrangements for continuance of the service have not been made by the Customer. The thirty (30) day notice may be waived if there is any waste discharge that might be detrimental to the health and safety of the public, or cause damage to the sewer system. In the event of discontinuance of service without the thirty (30) day notice as above provided, the Customer and the Missouri Public Service Commission shall be notified immediately with a statement of the reasons for such discontinuance of service. If service is provided to a multi-tenant building or complex, the Company will make an effort to notify tenants by door hangers or other type of notice of the possibility of discontinuance of service.
- G. Reconnection of any Customer after discontinuance of service by authority of this Rule will be made subject to payment of the cost of reconnection.
- H. Where the owner of rental property is the Customer and has been notified of the intent of discontinuance of service, the tenants shall be given the opportunity in a reasonable and

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Rules and Regulations Governing Rendering of
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Rule 7 continued

timely manner to pay delinquent bills in lieu of disconnection of service.

- I. Termination of service at the Customer's request may be accomplished at the expense of the Customer. If termination of service must be accomplished by physical disconnection, the Customer shall notify the Company of the date and time of the disconnection in writing at least five (5) days prior to the disconnection. If termination is accomplished by turn-off of water service, such notice shall be on or before the date of the water turn-off. Service may not be terminated for one unit of a multi-unit building if the building is served by one service sewer, unless accomplished by turnoff of water service to that unit. The method used for termination of service shall be determined by the Company.

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Rule 8 INTERRUPTIONS IN SERVICE

- A. The Company reserves the right to limit sewer service in its collecting sewers at any time, in a reasonable and non-discriminatory manner, for the purpose of making repairs to the sewer system.
- B. Whenever service is limited for repairs, all Customers affected by such limitation will be notified in advance whenever it is practicable to do so. Every effort will be made to minimize limitation of service.
- C. No refunds of charges for sewer service will be made for limitations of service unless due to willful misconduct of the Company.

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Rule 9 BILLS FOR SERVICE

- A. The charges for sewer service shall be at the rates specified in this tariff, which is on file with the Missouri Public Service Commission and at the Company's office. The point of assumption of sewer service shall be at the service connection. Service charges for connection or disconnection are set forth in the Schedule of Service Charges.
- B. A Customer who is or has been taking sewer service at one or more units connected to the collecting sewer shall be held liable for payment of any applicable charges for service furnished to such units from the date of connection until the date requested by the Customer in writing for service to be terminated, or until service is discontinued by the Company.
- C. Bills for sewer service will be mailed or delivered to the Customer's last address as shown by the records of the Company, but failure to receive the bill will not relieve the Customer from the obligation to pay the same.
- D. Payments shall be made at the office of the Company or at a convenient location designated by the Company, or by mailing to the Company's mailing address.
- E. Separate bills shall be rendered for each location at which sewer service is provided, even though one entity may be the Customer at such separate locations.
- F. The Company shall have the right to render bills monthly in advance, or on a monthly basis in arrears when the sewer charges are based on water usage. Bills shall have the due date indicated on the bill.
- G. Neither the Company nor the Customer will be bound by bills rendered under mistake of fact as to the quantity of service rendered or as a result of clerical error. Customers will be held responsible for charges based on service provided.

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Rule 9 continued

- H. Billings will be made and distributed at monthly intervals. Bills will be rendered net, bearing the last date on which payment will then be considered delinquent. The period after which the payment is considered delinquent is a minimum of twenty-one (21) days after rendition of the bill. Service may be discontinued after thirty (30) days written notice by certified mail return receipt requested from the Company as provided by Rule 7 - Discontinuance or Termination of Service. Delinquent bills are subject to a late charge as provided in the Schedule of Service Charges.
- I. When bills are rendered for a period of less than a complete billing period due to the connection or termination of service, the billing shall be for the proportionate part of the monthly charge, or where water usage is the basis for the charge, at the appropriate rate for water used. Customers terminating after taking service for less than one month shall pay not less than the monthly minimum.
- J. The owner of the property served will be held responsible for ultimate payment of a bill. Copies of all notices of violations of the Rules, or of disconnection of service shall also be sent to the owner of the property

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Rule 10 EXTENSION OF COLLECTING SEWERS

- A. Collecting sewers will be extended within the Company's certificated service area, at the applicant's cost, if service is requested by the applicant at a location where facilities do not exist (the "applicant" is sometimes referred to in this Rule as the "original applicant"). The applicant shall enter into a contract with the Company. The applicant may choose to have the Company perform all work under the terms and conditions of Paragraph C., below, or have a private contractor perform the work under the terms and conditions of Paragraph D., below. For purposes of this Rule, an extension could include, in addition to a collecting sewer, one or more pump station or treatment plant facilities, as necessary to provide the service.
- B. The pipe used in making extensions shall be of a type and size which will be reasonably adequate for the area to be served. Such determination as to size and type of pipe shall be left solely to the judgment of the Company. If the Company desires a pipe size, lift station, treatment plant, or any other facility larger than reasonably required to provide service to the applicant, the additional cost due to larger size shall be borne by the Company.
- C. The Company will extend collecting sewers for the applicant under the following terms and conditions:
1. Upon receipt of written application for service as provided in Rule 4, Applications for Service, the Company will provide the applicant an itemized estimate of the cost of the proposed extension. Said estimate shall include the cost of all labor and materials required, including reconstruction of existing facilities if necessary, and the direct costs associated with supervision, engineering, permits, and bookkeeping. Applicable income tax cost calculated at the maximum rate will be added to this estimate.
 2. The applicant shall enter into a contract with the Company for the installation of said extension and shall tender to the Company a contribution-in-aid-of-construction (CIAC) equal to the amount determined in Paragraph C.1., above, plus any appropriate fees as provided in the Schedule of Rates or the Schedule of Service Charges.

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Rule 10 continued

3. If, as a result of reasonably unforeseen circumstances, the actual cost of the extension exceeds the estimated cost of the extension, the applicant shall pay the additional cost.
- D. When the applicant elects to construct an extension, the Company will connect said extension to its existing collecting sewers under the following terms and conditions:
1. Applicant shall enter into a contract with the Company which provides that the applicant construct said collecting sewers and/or other facilities to meet the requirements of all governmental agencies and the Company's Rules and Regulations. Plans for the extension shall be submitted to the Company for approval prior to construction. Applicant's choice of construction contractor is subject to approval by the Company. Applicant shall contribute said facilities to the Company with a detailed accounting of the actual cost of construction, and contribute to the Company the estimated reasonable cost of the Company's inspection.
 2. The Company, or its representative, shall have the right to inspect and test the extension prior to connecting it to the existing collecting sewers and acceptance of ownership.
 3. Connection of the extension to existing Company collecting sewers shall be made by, or under direct supervision of, the Company or its representative.
 4. The Company shall have the right to refuse ownership and responsibility for the sewer extension until applicant has met the contractual obligations as provided in Paragraph D.1., above.
- E. The cost to additional applicants connecting to the sewer contributed by the original applicant shall be as follows:
1. For a single-family residential applicant applying for service in a platted subdivision, the Company shall divide the actual cost of the extension, including

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Rules and Regulations Governing Rendering of
Sewer Service

Rule 10 continued

income tax impact if any, by the number of lots abutting said extension to determine the per lot extension cost. When counting lots, corner lots which abut existing sewers shall be excluded.

2. For a single-family residential applicant requesting service to areas that are not platted in subdivision lots, the applicant's cost shall be equal to the total cost of the extension times one hundred feet (100') divided by the total length of the extension in feet.
3. For an applicant that is not a single family residence as described in E.1. or E.2., above the cost will be multiplied by a water usage factor, as appropriate. The water usage factor shall be determined by dividing the average monthly usage in gallons by 7,000 gallons, but shall not be less than 1.

F. Refunds of contributions shall be made to the original applicant as follows:

1. Should the actual cost of an extension constructed by the Company under Paragraph C, or actual costs for inspection by the Company under Paragraph D, above, be less than the estimated cost, the Company shall refund the difference as soon as the actual cost has been ascertained.
2. During the first ten years after the extension is completed, the Company will refund to the original applicant who paid for the extension monies collected from additional applicants in accordance with Paragraph E., above.
3. The sum of all refunds to the applicant shall not exceed the total contribution, including income tax and inspection costs associated with the extension, which the applicant has paid.
4. If two or more entities are considered an original applicant, the refund shall be distributed to each entity based upon the percentage of the actual extension cost contributed by each entity.

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Rule 10 continued

- G. Any extension made under this Rule shall be and remain the property of the Company in consideration of its perpetual upkeep and maintenance.
- H. The Company reserves the right to connect additional extensions to a collecting sewer contributed by the applicant. The connection of new Customers to such additional extensions shall not entitle the applicant to any refund.

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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-2012-0263
R.D. Sewer Company, Inc.
Steve Loethen/James Russo

Introduction

This Report was prepared jointly by Staff members Steve Loethen and James Russo. The Staff member responsible for each section is denoted at the end of each section.

R.D. Sewer Company, Inc. (“RD Sewer” or “Company”) acquired the assets of Stoddard County Sewer Company in Case No. SO-2008-0289. Stoddard County received its certificate of convenience and necessity in September 1979 from the Missouri Public Service Commission (Commission) in Case No. SA-79-11. Rodger and La Dawn Owens are the owners of RD Sewer Company and Rodger is the current president and operator. The Company provides sewer service to approximately 164 customers in Stoddard County. On January 31, 2012, the Company filed a Request for Increase in Annual Sewer System operating revenues with the Commission seeking a \$10,380.00 rate increase. This matter was assigned File No. SR-2012-0263. The Commission’s Water and Sewer Staff (Staff) inspected the system on May 16, 2012. (Loethen)

Facilities

RD Sewer plant is an extended aeration wastewater treatment plant designed to treat 75,000 gallons per day and has sludge storage. The Company has made many improvements to the facility since the last rate case. A new blower, motor and controls were installed at the plant. A new building was constructed for storage and to house the drop box for customers to make payments. Where needed, siding was added to the blower building. The blower building and the lab building were also painted.

The collection system is made up of eight inch (8”) clay tile gravity mains with concrete and brick manholes. The collection system also consists of two lift stations with five-horsepower grinder pumps that have two and three inch galvanized and PVC force mains. The Company did some rewiring on the control panel of one of the lift stations to make it more reliable. There are infiltration issues; rain water entering the collection system causing hydraulic overloading of the treatment plant, with the collection system. The Company has performed inspections on the collection system and made many improvements, such as capping laterals and fixing broken or misaligned manhole rings and lids, to alleviate some of these issues. The Company plans to continue to inspect the collection system to find and fix infiltration problems that may still exist. (Loethen)

Operations

The operator for the system has the certification required by the Missouri Department of Natural Resources (DNR) to operate this type of system. RD Sewer has made much needed improvements to the treatment plant and collection system as stated above. The operator purchased a dissolved oxygen and pH meter to take readings essential for proper operations of a waste water treatment plant. These readings are also required by DNR. The overall operations and appearance of the facility has been greatly improved since RD Sewer's ownership.

The Company sent a rate case letter to the customers on March 1, 2012. Staff received one service related complaint regarding odor issues as a result of that letter. Staff contacted the customer on the day of the inspection in which the customer stated the problem was not currently prevalent. Staff gave the customer contact information to use if the problem occurs again. Staff did note that the customer lives a significant distance from the treatment facility and no customers on adjacent properties to the facility had odor complaints. Staff will follow up on the issue during routine inspections but, at this time, no adjustments to the Company's operations are required as a result of the complaint. (Loethen)

Tariff Review

Staff continues the process of updating water and sewer tariffs as individual companies file rate cases with the Commission. R.D. Sewer Company, Inc. adopted the existing tariff of Stoddard County Sewer Company, Inc. in December 2008 after acquiring the assets of Stoddard County Sewer Company, Inc. in Case No. SO-2008-0289. The current tariff became effective in December 1979. Sheet 4 was updated in July 1986 to correct the legal description of the system. Sheets 7, 7a, 8, 9 and 11 were updated in September 2009.

A new rate schedule will be developed to reflect the new rates the customers will be required to pay based on the Company's cost of service. In addition, Staff reviewed the existing miscellaneous service charges with the Company and the Company's cost for performing these services. Miscellaneous charges have been calculated by Staff to allow the Company to recover the actual costs related to these items used in its operations from the Customers causing the event. The rates proposed are reasonable for the costs incurred for the services and are consistent with the majority of other regulated water companies.

In the process of updating the current tariff, Staff made several changes. Staff included new charges for inspection fee and late charges. Staff set service connection fees at \$25. Staff set the customer late charges at \$5 or 3% of the monthly delinquent amount, whichever is greater. Staff set disconnection and Reconnection charges at the actual cost

of the disconnection or reconnection. The new and updated tariff for R.D. Sewer Company, Inc. will be filed by the Company as part of this current rate case proceeding. The current PSC MO Number 1 tariff will be cancelled and replaced by PSC MO Number 2 tariff. (Russo)

Rate Design

Staff also reviewed the current rate design in its investigation. The current rate design is a monthly flat service charge. Staff is not making any other recommendations to change the Company's current rate design in this case. (Russo)

Conclusion and Recommendations

Staff of the Water and Sewer Unit finds that the system is in good physical condition and is properly operating at this time. Staff notes several improvements that have been made to the facilities. Staff recommends the Company continue to inspect the collection system to find and fix infiltration problems that may still exist. Staff is recommending several changes to the Company's tariff, including the following charges:

- Service connection fees at \$25.
- Customer late charges of \$5 or 3% of the monthly delinquent amount, whichever is greater.
- Disconnection and Reconnection charges set at the actual cost of the disconnection or reconnection.

Agreement Attachment C

EMS Run

Exhibit No.:
Issue: Accounting Schedules
Witness: MO PSC Auditors
Sponsoring Party: MO PSC Staff
Case No: SR-2012-0263
Date Prepared: 6/11/2012



MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

STAFF ACCOUNTING SCHEDULES

RD SEWER

CASE NO. SR-2012-0263

Jefferson City, Missouri

June 2012

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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) \$48,270			
Rev-3	Miscellaneous Revenues		(1) \$885			
Rev-4	TOTAL ANNUALIZED REVENUES		\$49,155			
1	OPERATIONS EXPENSES		(2)			
2	Management Salary		\$0	\$0	\$0	0.00%
3	Operators Salary / Contractor Services		\$12,820	\$0	\$12,820	0.00%
4	Electricity		\$10,753	\$0	\$10,753	0.00%
5	Chemicals		\$0	\$0	\$0	0.00%
6	Sludge Removal		\$1,330	\$0	\$1,330	0.00%
7	Sewer Testing		\$1,275	\$0	\$1,275	0.00%
8	Waste Disposal		\$569	\$0	\$569	0.00%
9	TOTAL OPERATIONS EXPENSE		\$26,747	\$0	\$26,747	
10	MAINTENANCE EXPENSES					
11	Outside Services Employed		\$27	\$0	\$27	0.00%
12	System Repairs and Maintenance		\$3,219	\$0	\$3,219	0.00%
13	Supplies Expense		\$0	\$0	\$0	0.00%
14	TOTAL MAINTENANCE EXPENSE		\$3,246	\$0	\$3,246	
15	CUSTOMER ACCOUNT EXPENSE					
16	Accounting Fees		\$0	\$0	\$0	0.00%
17	Billing & Collections		\$425	\$0	\$425	0.00%
18	Office Supplies		\$228	\$0	\$228	0.00%
19	Postage Expense		\$696	\$0	\$696	0.00%
20	Uncollectible Accounts		\$0	\$0	\$0	0.00%
21	TOTAL CUSTOMER ACCOUNT EXPENSE		\$1,349	\$0	\$1,349	
22	ADMINISTRATIVE & GENERAL EXPENSES					
23	Administration & General Salaries		\$5,261	\$0	\$5,261	0.00%
24	Telephone & Pagers		\$698	\$0	\$698	0.00%
25	Office Utilities		\$195	\$0	\$195	0.00%
26	Vehicle Expense		\$1,274	\$0	\$1,274	0.00%
27	Fuel Expense-Vehicles		\$2,126	\$0	\$2,126	0.00%
28	Medical Expense		\$1,184	\$0	\$1,184	0.00%
29	Other Insurance		\$1,988	\$0	\$1,988	0.00%
30	Rent		\$1,064	\$0	\$1,064	0.00%
31	Other Misc. Expenses		\$109	\$0	\$109	0.00%
32	TOTAL ADMINISTRATIVE AND GENERAL		\$13,899	\$0	\$13,899	
33	OTHER OPERATING EXPENSES					
34	MO DNR Fees		\$2,500	\$0	\$2,500	0.00%
35	PSC Assessment		\$4,437	\$0	\$4,437	0.00%
36	Corporate Registration		\$0	\$0	\$0	0.00%
37	Amortization Expense		\$0	\$0	\$0	0.00%
38	Depreciation		\$9,964	\$0	\$9,964	0.00%
39	TOTAL OTHER OPERATING EXPENSES		\$16,901	\$0	\$16,901	
40	TAXES OTHER THAN INCOME					
41	Real & Personal Property Taxes		\$235	\$0	\$235	0.00%
42	Payroll Taxes		\$1,756	\$0	\$1,756	0.00%
43	TOTAL TAXES OTHER THAN INCOME		\$1,991	\$0	\$1,991	
44	TOTAL OPERATING EXPENSES		\$64,133	\$0	\$64,133	
45	Interest Expense		(3) \$312	\$0	\$312	0.00%
46	Return on Equity		(3) \$385	\$0	\$385	0.00%
47	Income Taxes		(3) \$96	\$0	\$96	0.00%

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 Test Year Ending 12-31-2011
 Rate Design Schedule - Sewer

A	B	C	D	E	F	
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
48	TOTAL INTEREST RETURN & TAXES		\$793	\$0	\$793	
49	TOTAL COST OF SERVICE		\$64,926	\$0	\$64,926	
50	Less: Miscellaneous Revenues		\$885	\$0	\$885	0.00%
51	COST TO RECOVER IN RATES		\$64,041	\$0	\$64,041	
52	INCREMENTAL INCREASE IN RATE REVENUES		<u>\$15,771</u>			
53	PERCENTAGE OF INCREASE		<u>32.08%</u>			
54	REQUESTED INCREASE IN REVENUES		\$10,380			

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

RD Sewer
Informal Rate/Certification Case
SR-2012-0263
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	\$213,137 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$200,551</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$12,586
4	Other Rate Base Items:	\$0
	Contribution of Aid of Construction	\$0
	CIAC Depreciation	\$0
5	Total Rate Base	<u>\$12,586</u>
6	Total Weighted Rate of Return Including Income Tax	<u>6.29%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$792</u></u>

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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	15.01% (1) & (2)	14.14%	$(1 - B1) \times A2$
3 Composite Effective Income Tax Rate		19.95%	B1 + B2
4 Equity Tax Factor		1.2492	$1 / (1 - B3)$
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		3.06%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		3.82%	B4 x B5
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		2.48%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		6.29%	B6+B7

To Rate Base Schedule

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

Equity Income Required \$453
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$453	\$68
\$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
			\$453	\$68
			Consolidated Tax Rate:	
			Average Tax Rate: 0.1501	

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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	\$15,729	25.00%	12.22%	3.055%
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	\$47,188	75.00%	3.30%	2.475%
5	Short Term Debt	\$0	0.00%	0.00%	0.000%
6	Other Security-Tax Deductible	\$0	0.00%	0.00%	0.000%
7	TOTAL CAPITALIZATION	<u>\$62,917</u>	<u>100.00%</u>		<u>5.530%</u>

To PreTax Return Rate Schedule

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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	\$0			100.00%	\$0
3	302.000	Franchises	\$0			100.00%	\$0
4	303.000	Miscellaneous Intangible Plant	\$0			100.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$15,989	P-7	\$0	100.00%	\$15,989
8	311.000	Structures & Improvements	\$15,742	P-8	-\$12,755	100.00%	\$2,987
9		TOTAL SOURCE OF SUPPLY PLANT	\$31,731		-\$12,755		\$18,976
10		COLLECTION PLANT					
11	352.100	Collection Sewers - Force	\$2,742	P-11	-\$350	100.00%	\$2,392
12	352.200	Collection Sewers - Gravity	\$95,102	P-12	\$0	100.00%	\$95,102
13	353.000	Other Collection Plant Facilities	\$0			100.00%	\$0
14	354.000	Services to Customers	\$31			100.00%	\$31
15	355.000	Flow Measuring Devices	\$6,219			100.00%	\$6,219
16		TOTAL COLLECTION PLANT	\$104,094		-\$350		\$103,744
17		PUMPING PLANT					
18	362.000	Receiving Wells and Pump Pits	\$0			100.00%	\$0
19	363.000	Pumping Equipment (Elec., Diesel, other)	\$22,820	P-19	-\$4,800	100.00%	\$18,020
20		TOTAL PUMPING PLANT	\$22,820		-\$4,800		\$18,020
21		TREATMENT & DISPOSAL PLANT					
22	372.000	Oxidation Lagoon	\$0			100.00%	\$0
23	373.000	Treatment and Disposal Equipment	\$46,246	P-23	\$0	100.00%	\$46,246
24	374.000	Plant Sewers	\$0			100.00%	\$0
25	375.000	Outfall Sewer Lines	\$0			100.00%	\$0
26	376.000	Other Treatment & Disposal Plant Equip.	\$0			100.00%	\$0
27		TOTAL TREATMENT & DISPOSAL PLANT	\$46,246		\$0		\$46,246
28		GENERAL PLANT					
29	391.000	Office Furniture & Equipment	\$1,452	P-29	-\$1,431	100.00%	\$21
30	391.100	Office Computer Equipment	\$2,011	P-30	-\$2,011	100.00%	\$0
31	392.000	Transportation Equipment	\$13,638	P-31	\$9,400	100.00%	\$23,038
32	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$4,822	P-32	-\$1,730	100.00%	\$3,092
33	397.000	Communications Equipment	\$225	P-33	-\$225	100.00%	\$0
34		TOTAL GENERAL PLANT	\$22,148		\$4,003		\$26,151
35		TOTAL PLANT IN SERVICE	\$227,039		-\$13,902		\$213,137

To Rate Base & Depreciation Schedules

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 Test Year Ending 12-31-2011
 Schedule of Adjustments for Plant in Service - Sewer

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
P-7	Land & Land Rights	310.000		\$0
	Description		\$0	
P-8	Structures & Improvements	311.000		-\$12,755
	1.To adjust Structures and Improvements. (McMellen)		-\$12,755	
P-11	Collection Sewers - Force	352.100		-\$350
	1.To adjust Collection Sewers-Force. (McMellen)		-\$350	
P-12	Collection Sewers - Gravity	352.200		\$0
	1.To adjust Collection Sewers-Gravity. (McMellen)		\$0	
P-19	Pumping Equipment (Elec., Diesel, other)	363.000		-\$4,800
	1.To adjust Pumping Equipment. (McMellen)		-\$4,800	
P-23	Treatment and Disposal Equipment	373.000		\$0
	1.To adjust Treatment and Disposal Equipment. (McMellen)		\$0	
P-29	Office Furniture & Equipment	391.000		-\$1,431
	1.To adjust Office Furniture & Equipment. (McMellen)		-\$1,431	
P-30	Office Computer Equipment	391.100		-\$2,011

RD Sewer,
 Informal Rate/Certification Case
 SR-2012-0263
 Test Year Ending 12-31-2011
 Schedule of Adjustments for Plant in Service - Sewer

A Plant Adjustment Number	B Plant In Service Adjustment Description	C Account Number	D Adjustment Amount	E Total Adjustment
	1.To adjust Office Computer Equipment. (McMellen)		-\$2,011	
P-31	Transportation Equipment	392.000		\$9,400
	1.To adjust Transportation Equipment. (McMellen)		-\$1,271	
	1.To add cost of new truck to Transportation Equipment. (McMellen)		\$10,671	
P-32	Other General Equipment, Includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	393.000		-\$1,730
	1.To adjust Other General Equipment. (McMellen)		-\$1,730	
P-33	Communications Equipment	397.000		-\$225
	1. To adjust Communications Equipment. (McMellen)		-\$225	
Total Plant Adjustments				-\$13,902

RD Sewer
Informal Rate/Certification Case
SR-2012-0263
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	\$0	0.00%	\$0
3	302.000	Franchises	\$0	0.00%	\$0
4	303.000	Miscellaneous Intangible Plant	\$0	0.00%	\$0
5		TOTAL INTANGIBLE PLANT	<u>\$0</u>		<u>\$0</u>
6		SOURCE OF SUPPLY PLANT			
7	310.000	Land & Land Rights	\$15,989	0.00%	\$0
8	311.000	Structures & Improvements	\$2,987	3.00%	\$90
9		TOTAL SOURCE OF SUPPLY PLANT	<u>\$18,976</u>		<u>\$90</u>
10		COLLECTION PLANT			
11	352.100	Collection Sewers - Force	\$2,392	2.00%	\$48
12	352.200	Collection Sewers - Gravity	\$95,102	2.00%	\$1,902
13	353.000	Other Collection Plant Facilities	\$0	0.00%	\$0
14	354.000	Services to Customers	\$31	2.00%	\$1
15	355.000	Flow Measuring Devices	\$6,219	3.30%	\$205
16		TOTAL COLLECTION PLANT	<u>\$103,744</u>		<u>\$2,156</u>
17		PUMPING PLANT			
18	362.000	Receiving Wells and Pump Pits	\$0	4.00%	\$0
19	363.000	Pumping Equipment (Elec., Diesel, other)	\$18,020	10.00%	\$1,802
20		TOTAL PUMPING PLANT	<u>\$18,020</u>		<u>\$1,802</u>
21		TREATMENT & DISPOSAL PLANT			
22	372.000	Oxidation Lagoon	\$0	4.00%	\$0
23	373.000	Treatment and Disposal Equipment	\$46,246	5.00%	\$2,312
24	374.000	Plant Sewers	\$0	2.50%	\$0
25	375.000	Outfall Sewer Lines	\$0	2.00%	\$0
26	376.000	Other Treatment & Disposal Plant Equip.	\$0	0.00%	\$0
27		TOTAL TREATMENT & DISPOSAL PLANT	<u>\$46,246</u>		<u>\$2,312</u>
28		GENERAL PLANT			
29	391.000	Office Furniture & Equipment	\$21	5.00%	\$1
30	391.100	Office Computer Equipment	\$0	20.00%	\$0
31	392.000	Transportation Equipment	\$23,038	14.30%	\$3,294
32	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$3,092	10.00%	\$309
33	397.000	Communications Equipment	\$0	0.00%	\$0
34		TOTAL GENERAL PLANT	<u>\$26,151</u>		<u>\$3,604</u>
35		Total Depreciation	<u><u>\$213,137</u></u>		<u><u>\$9,964</u></u>

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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	303.000	Miscellaneous Intangible Plant	\$0			100.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$0		\$0		\$0
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$15,989			100.00%	\$15,989
8	311.000	Structures & Improvements	\$3,541	R-8	\$37	100.00%	\$3,578
9		TOTAL SOURCE OF SUPPLY PLANT	\$19,530		\$37		\$19,567
10		COLLECTION PLANT					
11	352.100	Collection Sewers - Force	\$2,536	R-11	-\$144	100.00%	\$2,392
12	352.200	Collection Sewers - Gravity	\$99,890	R-12	-\$5,662	100.00%	\$94,228
13	353.000	Other Collection Plant Facilities	\$0			100.00%	\$0
14	354.000	Services to Customers	\$33	R-14	-\$2	100.00%	\$31
15	355.000	Flow Measuring Devices	\$6,835	R-15	-\$616	100.00%	\$6,219
16		TOTAL COLLECTION PLANT	\$109,294		-\$6,424		\$102,870
17		PUMPING PLANT					
18	362.000	Receiving Wells and Pump Pits	\$0			100.00%	\$0
19	363.000	Pumping Equipment (Elec., Diesel, other)	\$22,900	R-19	-\$5,337	100.00%	\$17,563
20		TOTAL PUMPING PLANT	\$22,900		-\$5,337		\$17,563
21		TREATMENT & DISPOSAL PLANT					
22	372.000	Oxidation Lagoon	\$0			100.00%	\$0
23	373.000	Treatment and Disposal Equipment	\$51,920	R-23	-\$6,849	100.00%	\$45,071
24	374.000	Plant Sewers	\$0			100.00%	\$0
25	375.000	Outfall Sewer Lines	\$0			100.00%	\$0
26	376.000	Other Treatment & Disposal Plant Equip.	\$0			100.00%	\$0
27		TOTAL TREATMENT & DISPOSAL PLANT	\$51,920		-\$6,849		\$45,071
28		GENERAL PLANT					
29	391.000	Office Furniture & Equipment	\$24	R-29	-\$3	100.00%	\$21
30	391.100	Office Computer Equipment	\$0	R-30	\$0	100.00%	\$0
31	392.000	Transportation Equipment	\$17,190	R-31	-\$4,823	100.00%	\$12,367
32	393.000	Other General Equipment, includes stores, tools shop & garage, lab, power operated, communication, and other tangible equipment.	\$4,020	R-32	-\$928	100.00%	\$3,092
33	397.000	Communications Equipment	\$0			100.00%	\$0
34		TOTAL GENERAL PLANT	\$21,234		-\$5,754		\$15,480
35		TOTAL DEPRECIATION RESERVE	\$224,878		-\$24,327		\$200,551

To Rate Base Schedule

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 Test Year Ending 12-31-2011
 Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount
R-8	Structures & Improvements	311.000		\$37
	1.To adjust Structures & Improvements reserve to reflect current balance. (McMellen)		\$37	
R-11	Collection Sewers - Force	352.100		-\$144
	1.To adjust Collection Sewers reserve to reflect current balance. (McMellen)		-\$144	
R-12	Collection Sewers - Gravity	352.200		-\$5,662
	1.To adjust Collection Sewers reserve to reflect current balance. (McMellen)		-\$5,662	
R-14	Services to Customers	354.000		-\$2
	1.To adjust Services to Customers reserve to reflect current balance. (McMellen)		-\$2	
R-15	Flow Measuring Devices	355.000		-\$616
	1.To adjust Flow Measuring Devices reserve to reflect current balances. (McMellen)		-\$616	
R-19	Pumping Equipment (Elec., Diesel, other)	363.000		-\$5,337
	1.To adjust Pumping Equipment reserve to reflect current balances. (McMellen)		-\$5,337	
R-23	Treatment and Disposal Equipment	373.000		-\$6,849

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 Test Year Ending 12-31-2011
 Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer

A Reserve Adjustment Number	B Accumulated Depreciation Reserve Adjustments Description	C Account Number	D Adjustment Amount	E Total Adjustment Amount
	1.To adjust Treatment and Disposal Equipment reserve to reflect current balances. (McMellen)		-\$6,849	
R-29	Office Furniture & Equipment	391.000		-\$3
	1.To adjust Office Furniture & Equipment reserve to reflect current balance. (McMellen)		-\$3	
R-30	Office Computer Equipment	391.100		\$0
	1.To adjust Office Computer Equipment reserve to reflect current balance. (McMellen)		\$0	
R-31	Transportation Equipment	392.000		-\$4,823
	1.To adjust Transportation Equipment reserve to reflect current balance. (McMellen)		-\$4,823	
R-32	Other General Equipment, includes stores, tools	393.000		-\$928
	1.To adjust Other General Equipment reserve to reflect current balance. (McMellen)		-\$928	
Total Reserve Adjustments				-\$24,327

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 Test Year Ending 12-31-2011
 Revenue Schedule - Sewer

A	B	C	D	E	F	G	
Line Number	Account Number (Optional)	Revenue Description	Company/ Test Year Amount	Adjustment Number	Jurisdictional Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$0	Rev-2	\$48,270	100.00%	\$48,270
Rev-3		Miscellaneous Revenues	\$0	Rev-3	\$885	100.00%	\$885
Rev-4		TOTAL ANNUALIZED REVENUES	\$0		\$49,155		\$49,155

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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
Rev-2	Annualized Rate Revenues			\$48,270
	1. To Annualize Rate Revenues		\$48,270	
	2. Description		\$0	
	3. Description		\$0	
Rev-3	Miscellaneous Revenues			\$885
	1. To Annualize Miscellaneous Revenues		\$885	
	2. Description		\$0	
Total Revenue Adjustments				\$49,155

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 Test Year Ending 12-31-2011
 Revenue Summary Schedule - Sewer

Line Number	A Description	Residential Single Family		Residential Multi Family	
		B Amount	C Amount	D Amount	E Amount
1	Customer Charge Revenues:				
2	Customer Number	99		65	
3	Bills Per Year	12		12	
4	Customer Bills Per year	1,188		780	
5	Current Customer Charge	<u>\$26.64</u>		<u>\$21.31</u>	
6	Annualized Customer Charge Revenues		\$31,648		\$16,622
7	Commodity Charge Revenues:				
8	Total Gallons Sold	0		0	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	0		0	
11	Block 1, Commodity Gallons per Block	0		0	
12	Block 1, Number of Commodity Gallons per Unit	<u>0</u>		<u>0</u>	
13	Block 1, Commodity Billing Units	0.00		0.00	
14	Block 1, Existing Commodity Charge	<u>\$0.00</u>		<u>\$0.00</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$0		\$0
16	Total Annualized Sewer Rate Revenues		<u>\$31,648</u>		<u>\$16,622</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.

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 Test Year Ending 12-31-2011
 Revenue Summary Schedule - Sewer

Line Number	A Description	Total	
		F Amount	G Amount
1	Customer Charge Revenues:		
2	Customer Number	164	
3	Bills Per Year		
4	Customer Bills Per year	1,968	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$48,270
7	Commodity Charge Revenues:		
8	Total Gallons Sold	0	
9	Less: Base Gallons Included In Customer Charge	0	
10	Commodity Gallons	0	
11	Block 1, Commodity Gallons per Block		
12	Block 1, Number of Commodity Gallons per Unit		
13	Block 1, Commodity Billing Units		
14	Block 1, Existing Commodity Charge		
15	Block 1, Annualized Commodity Charge Rev.		\$0
16	Total Annualized Sewer Rate Revenues		\$48,270

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.

RD Sewer
Informal Rate/Certification Case
SR-2012-0263
Test Year Ending 12-31-2011
Miscellaneous Revenues Feeder - Sewer

Line Number	A Description	B Amount
1	Late Payment Fees	\$885
2	Description of Miscellaneous Revenue Item2	\$0
3	Total Miscellaneous Revenues	<u>\$885</u>

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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		Management Salary	\$0			100.00%	\$0
3		Operators Salary / Contractor Services	\$2,740	S-3	\$10,080	100.00%	\$12,820
4		Electricity	\$11,979	S-4	-\$1,226	100.00%	\$10,753
5		Chemicals	\$0			100.00%	\$0
6		Sludge Removal	\$1,330			100.00%	\$1,330
7		Sewer Testing	\$1,421	S-7	-\$146	100.00%	\$1,275
8		Waste Disposal	\$603	S-8	-\$34	100.00%	\$569
9		TOTAL OPERATIONS EXPENSE	\$18,073		\$8,674		\$26,747
10		MAINTENANCE EXPENSES					
11		Outside Services Employed	\$1,808	S-11	-\$1,781	100.00%	\$27
12		System Repairs and Maintenance	\$7,101	S-12	-\$3,882	100.00%	\$3,219
13		Supplies Expense	\$0			100.00%	\$0
14		TOTAL MAINTENANCE EXPENSE	\$8,909		-\$5,663		\$3,246
15		CUSTOMER ACCOUNT EXPENSE					
16		Accounting Fees	\$0			100.00%	\$0
17		Billing & Collections	\$425			100.00%	\$425
18		Office Supplies	\$228			100.00%	\$228
19		Postage Expense	\$232	S-19	\$464	100.00%	\$696
20		Uncollectible Accounts	\$0			100.00%	\$0
21		TOTAL CUSTOMER ACCOUNT EXPENSE	\$885		\$464		\$1,349
22		ADMINISTRATIVE & GENERAL EXPENSES					
23		Administration & General Salaries	\$3,525	S-23	\$1,736	100.00%	\$5,261
24		Telephone & Pagers	\$1,015	S-24	-\$317	100.00%	\$698
25		Office Utilities	\$643	S-25	-\$448	100.00%	\$195
26		Vehicle Expense	\$1,645	S-26	-\$371	100.00%	\$1,274
27		Fuel Expense-Vehicles	\$2,403	S-27	-\$277	100.00%	\$2,126
28		Medical Expense	\$502	S-28	\$682	100.00%	\$1,184
29		Other Insurance	\$806	S-29	\$1,182	100.00%	\$1,988
30		Rent	\$2,025	S-30	-\$961	100.00%	\$1,064
31		Other Misc. Expenses	\$2,949	S-31	-\$2,840	100.00%	\$109
32		TOTAL ADMINISTRATIVE AND GENERAL	\$15,513		-\$1,614		\$13,899
33		OTHER OPERATING EXPENSES					
34		MO DNR Fees	\$0	S-34	\$2,500	100.00%	\$2,500
35		PSC Assessment	\$4,344	S-35	\$93	100.00%	\$4,437
36		Corporate Registration	\$0			100.00%	\$0
37		Amortization Expense	\$0			100.00%	\$0
38		Depreciation	\$0	S-38	\$9,964	100.00%	\$9,964
39		TOTAL OTHER OPERATING EXPENSES	\$4,344		\$12,557		\$16,901
40		TAXES OTHER THAN INCOME					
41		Real & Personal Property Taxes	\$235			100.00%	\$235
42		Payroll Taxes	\$0	S-42	\$1,756	100.00%	\$1,756
43		TOTAL TAXES OTHER THAN INCOME	\$235		\$1,756		\$1,991
44		TOTAL OPERATING EXPENSES	\$47,959		\$16,174		\$64,133

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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-3	Operators Salary / Contractor Services			\$10,080
	1.To annualize Rodger Owens Salary. (McMellen)		\$10,080	
S-4	Electricity			-\$1,226
	1.To adjust to bills. (McMellen)		\$277	
	2.To remove late fees/credits. (McMellen)		-\$52	
	3.To remove budget adjustment. (McMellen)		-\$146	
	4.Rate change adjustment. (McMellen)		-\$51	
	5.Adjustment to allocate 90% usage of 406S Bernie to personal use. (McMellen)		-\$889	
	6.Adjustment to remove electricity for lake office. (McMellen)		-\$365	
S-7	Sewer Testing			-\$146
	1.To annualize sewer testing. (Westhues)		-\$146	
S-8	Waste Disposal			-\$34
	1.To adjust to Staff's test year. (Westhues)		-\$34	
S-11	Outside Services Employed			-\$1,781
	1.To adjust Outside Services Employed. (McMellen)		-\$1,781	
S-12	System Repairs and Maintenance			-\$3,882
	1.To remove capital costs from System Repairs and Maintenance. (McMellen)		-\$1,031	
	2.To remove costs misclassified as System Repairs and Maintenance. (Westhues)		-\$184	

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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
	3.To remove 2010 expenses. (Westhues)		-\$112	
	4.To remove Chase credit card charges. (Westhues)		-\$450	
	5.To remove Maco charges. (Westhues)		-\$1,560	
	6. To correct misrecorded transaction. (Westhues)		-\$545	
S-19	Postage Expense			\$464
	1.To annualize postage expense. (McMellen)		\$450	
	2.To adjust for PO Box. (McMellen)		\$14	
S-23	Administration & General Salaries			\$1,736
	1.To annualize LaDawn Owens salary. (McMellen)		\$1,736	
S-24	Telephone & Pagers			-\$317
	1.To adjust to Staff's test year bills. (Westhues)		\$703	
	2.To remove late fees. (Westhues)		-\$9	
	3.To remove second cell phone. (Westhues)		-\$74	
	4.To remove text messaging. (Westhues)		-\$12	
	5.To remove cable fees. (Westhues)		-\$302	
	6.To adjust for personal internet/phone usage. (Westhues)		-\$479	
	7.To remove AT&T charges. (Westhues)		-\$144	
S-25	Office Utilities			-\$448
	1.To annualize office utilities. (McMellen)		-\$448	

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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-26	Vehicle Expense			-\$371
	1.To adjust to actual invoices. (McMellen)		-\$252	
	2.To remove disallowed expenses. (McMellen)		-\$119	
S-27	Fuel Expense-Vehicles			-\$277
	1.To annualize fuel expense for vehicles. (Westhues)		-\$277	
S-28	Medical Expense			\$682
	1.To annualize health insurance expense. (McMellen)		\$682	
S-29	Other Insurance			\$1,182
	1. To annualize life insurance expense. (McMellen)		-\$100	
	2. To annualize AD&D insurance expense. (McMellen)		\$19	
	3. To annualize vehicle insurance expense. (McMellen)		\$272	
	4. To annualize plant/office insurance expense. (McMellen)		\$991	
S-30	Rent			-\$961
	1.To annualize rent. (Westhues)		-\$961	
S-31	Other Misc. Expenses			-\$2,840
	1.To remove costs included in plant. (McMellen)		-\$1,010	
	2.To remove MRWA costs related to legislative assessment. (McMellen)		-\$100	
	3.To remove amounts moved to savings. (McMellen)		-\$700	

RD Sewer
 Informal Rate/Certification Case
 SR-2012-0263
 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
	4.To annualize MRWA fees. (McMellen)		-\$55	
	5. To disallow costs associated with past legal fees. (McMellen)		-\$975	
S-34	MO DNR Fees			\$2,500
	1. To annualize MO DNR Permit fees. (McMellen)		\$2,500	
S-35	PSC Assessment			\$93
	1.To annualize PSC Assessment. (Westhues)		\$93	
S-38	Depreciation			\$9,964
	1. To Annualize Depreciation		\$9,964	
S-42	Payroll Taxes			\$1,756
	1.To annualize payroll taxes. (McMellen)		\$1,756	
Total Expense Adjustments				\$16,174

Agreement Attachment D

Billing Comparison Worksheet

RD SEWER COMPANY, LLC.

Residential Customer Bill Comparison-Sewer

Rates for Single Family Residence

<u>Current Base</u>	<u>Proposed Base</u>
<u>Customer Charge</u>	<u>Customer Charge</u>
\$26.64	\$35.34

current service charge is monthly charge

MONTHLY BILL COMPARISON

Current Rates

Customer Charge	\$ 26.64
Total Bill	\$ 26.64

Proposed Rates

Customer Charge	\$ 35.34
Total Bill	\$ 35.34

INCREASES

<u>Total Bill</u>	
\$ Increase	\$8.70
% Increase	32.67%

Agreement Attachment E
Ratemaking Income Statement

RD SEWER COMPANY, LLC.

Rate Making Income Statement-Sewer

Operating Revenues at Current Rates

1	Tariffed Rate Revenues *	\$	48,270
2	Other Operating Revenues *	\$	885
3	Total Operating Revenues	\$	49,155
4	* See "Revenues - Current Rates" for Details		

Cost of Service

Item	Amount		
1	Management Salary	\$	-
2	Operators Salary	\$	12,820
3	Electricity	\$	10,753
4	Sludge Removal	\$	1,330
5	Sewer Testing	\$	1,275
6	Waste Disposal	\$	569
7	Outside Services Employed	\$	27
8	System Repairs & Maintenance	\$	3,219
9	Accounting Fees	\$	-
10	Billing & Collections	\$	425
11	Office Supplies	\$	228
12	Postage Expense	\$	696
13	Uncollectible Accounts	\$	-
14	Administration & General - Salaries	\$	5,261
15	Telephone & Internet Expense	\$	698
16	Office Utilities	\$	195
17	Vehicle Expense	\$	1,274
18	Fuel Expense-Vehicles	\$	2,126
19	Medical Expense	\$	1,184
20	Property & Liability Insurance	\$	1,988
21	Rent	\$	1,064
22	Rate Case Expense	\$	-
23	MO DNR Fees	\$	2,500
24	Regulatory Commission Expense	\$	4,437
25	Corporate Registration		
26	Miscellaneous General Expenses	\$	109
27	Sub-Total Operating Expenses	\$	52,178
28	Property Taxes	\$	235
29	MO Franchise Taxes	\$	-
30	Employer FICA Taxes	\$	1,756
31	Federal Unemployment Taxes	\$	-
32	State Unemployment Taxes	\$	-
33	State & Federal Income Taxes	\$	96
34	Sub-Total Taxes	\$	2,087
35	Depreciation Expense	\$	9,964
36	Interest Expense	\$	312
37	Amortization of Utility Plant	\$	-
38	Sub-Total Depreciation/Interest/Amortization	\$	10,276
39	Return on Rate Base	\$	385
40	Total Cost of Service	\$	64,926
41	Overall Revenue Increase Needed	\$	15,771

Agreement Attachment F

Rate Base Worksheet

RD Sewer
Informal Rate/Certification Case
SR-2012-0263
Test Year Ending 12-31-2011
Rate Base Required Return on Investment Schedule - Sewer

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount
1	Plant In Service	\$213,137 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$200,551</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$12,586
4	Other Rate Base Items:	\$0
	Contribution of Aid of Construction	\$0
	CIAC Depreciation	\$0
5	Total Rate Base	<u>\$12,586</u>
6	Total Weighted Rate of Return Including Income Tax	<u>6.29%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$792</u></u>

Agreement Attachment G

Schedule of Depreciation Rates

R. D. SEWER CO., L.L.C.

DEPRECIATION RATES (CLASS C & D SEWER)

SR-2012-0263

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>DEPRECIATION RATE</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>NET SALVAGE</u>
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%
354	Services	2.0%	50	0%
355	Flow Measurement Devices	3.3%	30	0%
362	Receiving Wells (lift station structure)	4.0%	25	0%
363	Electric Pumping Equipment	10.0%	10	0%
372	Oxidation Lagoons	4.0%	25	0%
373	Treatment & Disposal Facilities	5.0%	20	0%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Computer Equipment	20.0%	5	0%
392	Transportation Equipment	14.3%	7	9%
393	Other Equipment (tools, shop equip backhoes, trenchers etc)	10.0%	9	10%

Agreement Attachment H

Auditing Unit Recommendation Memorandum

MEMORANDUM

TO: Jim Russo
Jim Busch

FROM: Amanda McMellen
Casey Westhues

SUBJECT: Lakeland Heights Water Company, Inc. WR-2012-0266
Oakbrier Water Company, Inc. WR-2012-0267
R.D. Sewer Co., L.L.C. SR-2012-0263

DATE: August 22, 2012

On January 31, 2012, Rodger Owens filed a request seeking an overall \$16,500 increase for the following systems that he and his wife own and operate: Lakeland Heights Water Company, Inc., Oakbrier Water Company, Inc. and R.D. Sewer Co., L.L.C. (unless otherwise specified, collectively hereafter referred to as “Company”). The Owens also own and operate Whispering Hills Water System, which is also a regulated utility. However, Whispering Hills did not file for a rate increase at this time. The following table provides a brief description of each system, the current rates and the Company’s proposed revenue increase for each system:

System Name Sewer/Water	Customer #s	County Location	Current Monthly Rates	Company Proposed \$ Increase
Lakeland Heights Water	77 Metered 28 Unmetered	Wayne & Butler Counties	Minimum Monthly Charge-\$12.29 and \$4.46/1000 gallons after the first 2000 gallons. Unmetered Customer Charge \$12.29/month	\$3,960
Oakbrier Water	60	Butler County	Minimum Monthly Charge-\$15.59 and \$2.44/1000 gallons after the first 5000 gallons.	\$2,160
RD Sewer Sewer	164	Stoddard County	Monthly Charge-\$26.64 for Single Family Dwelling and \$21.31 for Multi-Family Dwellings Interim Charge	\$10,380

The Auditing Staff conducted an investigation of the Company’s books and records and determined that increases are necessary for Lakeland Heights Water Company, Inc., and Oakbrier Water Company, Inc. water systems and also for the R.D. sewer system. The table shown below provides a breakdown of the Auditing Staff’s proposed rate increase by system:

System Name	Staff Findings	Staff Findings Annualized Revenues
Sewer/Water	\$ Increase	% Increase
Lakeland Heights	\$6,582	28.85%
Water		
Oakbrier	\$1,307	8.43%
Water		
RD Sewer	\$13,271	27.00%

The Auditing Staff utilized a test year of twelve months ending December 31, 2011, with plant updates through June 2012. As discussed below, based on an examination of the companies' actual and proposed level of revenues and expenses for this period, the Auditing Staff is proposing several adjustments.

REVENUES

The Auditing Staff annualized revenues for each water system based on a three (3) year average of gallons sold over the period of 2009-2011 and using current rates. The Auditing Staff used a three (3) year average of gallons sold because the usage over the last three (3) years has varied significantly. In order to get a more normal level of usage, an average was needed.

For the two water companies, the monthly minimum charge was multiplied by the current number of customers to determine the minimum monthly revenue for each system. The average gallons sold over the monthly minimum amount was then multiplied by the commodity charge, and then added to the monthly minimum charge to arrive at total annualized revenues.

For the sewer company, the most current number of customers was multiplied by the current tariff rate for single-family and multi-family residences. The monthly revenue was then multiplied by 12 to arrive at the total annualized revenues.

PLANT, RESERVE AND DEPRECIATION

The Auditing Staff has included all capital improvements that could be supported by documentation. The Auditing Staff utilized the plant and reserve levels resulting from the last rate cases as its starting point for determining plant and depreciation reserve. There were some costs that were included in expense in the test year that the Auditing

Staff asserts should be capitalized. Adjustments were made to eliminate these costs from the Company's expenses and include them in the plant in service balances. Other costs were eliminated from the plant balances because the companies provided no invoice, no proof of payment, or no proof of plant actually being in service.

The Engineering and Management Services Unit (E&MSU) Staff performed a review of the depreciation rates, plant in service, and the accumulated depreciation reserves for Lakeland Heights Water Company, Inc., Oakbrier Water Company, Inc. and R.D. Sewer Co., L.L.C. in file numbers WR-2012-0266, WR-2012-0267, and SR-2012-0263 respectively. Staff's recommended depreciation rates for Lakeland Heights Water Company, Inc., Oakbrier Water Company, Inc. and R.D. Sewer Co., L.L.C. are included herein as Attachment 1,2, and 3 and are incorporated herein by reference. The Audit Staff used these depreciation rates in determining the annualized depreciation expense.

PAYROLL AND PAYROLL TAXES

The owner, Mr. Owens, is responsible for the daily operations of the systems. This responsibility includes repairs and maintenance, system checks, mowing, meter reading and taking samples. In addition to the systems listed above, he works on other non-regulated utility systems in the area. The Auditing Staff determined a salary for Mr. Owens by comparing the level proposed by the Company to several sources. First, the Auditing Staff looked at the cost of living increases from 2009 through current. Second, information was obtained online from the Missouri Economic Research and Information Center (MERIC) for the 2010 average salary for someone in the same area and with a comparable job title as Mr. Owens. After analyzing this information, the Auditing Staff determined the overall salary proposed by the Company was reasonable. An adjustment was made to exclude ten percent (10%) of Mr. Owens salary for the non-regulated systems.

The Staff then allocated a portion of this salary to reflect the time Mr. Owens spends working at the three systems. The Auditing Staff included a total annualized salary of \$28,922 for Mr. Owens to serve as the operator of Lakeland Heights, Oakbrier, R.D. Sewer and Whispering Hills. Although Whispering Hills is not currently involved in a rate case, all costs (such as salaries) need to be allocated across all regulated systems. The Owens run these companies out of the same location in Dexter, Missouri. So, time and expenses need to be allocated to all systems.

LaDawn Owens is responsible for assisting Mr. Owens in meter reading, small repairs and maintenance, mowing, billing, handling customer contacts, fielding Staff's requests for information, accounts receivable and accounts payable. These responsibilities do not require a full time position. The Auditing Staff determined a base salary for Mrs. Owens analyzing the same information as mentioned above for Mr. Owens. Staff then reduced this salary to reflect that a full week's work was not required. The Auditing Staff included a total annualized salary of \$11,870 for Mrs. Owens to fulfill these responsibilities for all four of the systems.

Based upon its determination of salaries, the Auditing Staff also included an appropriate annualized level of payroll taxes in Staff's cost of service calculation.

ELECTRICITY

The Auditing Staff adjusted the test year electricity expense by eliminating the discrepancy between the check register entries and bills. The Auditing Staff then eliminated the late fees and bill credits. The Auditing Staff also included in the cost of service calculation a small portion of electricity expense to address the Owens' home-based office.

HEALTH INSURANCE

The Auditing Staff has included the cost of health insurance premiums for Mrs. Owens, consistent with the allocation that Staff used to calculate her salary. The Staff utilized the most current invoices available to annualize these costs.

SLUDGE REMOVAL

Staff annualized the sludge removal expense for R.D. Sewer's treatment facility and its lift stations based upon the current invoices provided. R.D. Sewer estimated that it hauled about six loads of sludge per year. The test year amount equaled the amount for six loads of sludge hauling, thus Staff deemed the test year amount of sludge hauling to be the appropriate amount.

WASTE DISPOSAL

Waste disposal was a new expense built into the last rate case, Case No. SR-2009-0226. The Owens were disposing of the waste at the R.D. Sewer property on their own, which was not the proper way to dispose of the waste. The Owens obtained a quote from Allied Waste Company in the previous case to determine the correct amount to include for waste disposal with the understanding that the Owens would use that service going forward to properly dispose of any waste. Staff analyzed the test year receipts for waste disposal and compared the amount to what was built into the last case for this expense. The amounts were similar, so the test year amount was left unadjusted in Staff's cost of service.

BILLING AND COLLECTIONS EXPENSE

In developing the billing and collections expense, the Auditing Staff used the postal rates that went into effect in January 2012, for a pre-stamped postcard multiplied by the number of billings per year. The Auditing Staff also included the cost of a single P.O. Box for all three systems to share

RENT

Staff used the same rental rate as what was used in the last rate case to determine rent expense. The Owens use an office room in their personal residence to conduct all of the Company's business. They charge rent to the Company for the mortgage payments on their house. Staff asserts that the rate payers should not have to pay the full cost of the Owens' personal residence and should only have to pay for the office portion of the house that is used to conduct Company business. For this reason, the rent level was kept the same as what was deemed appropriate in the last rate case. The total amount of rent charged for the office space was then allocated to each of the three companies involved in this case based on customer numbers.

OUTSIDE SERVICES

During the test year there were payments made to various individuals that were not supported by invoices. The Auditing Staff asserts that as part of its annualization of payroll and payroll taxes, the Owens can fulfill the duties that have been assigned to these other individuals, and therefore eliminated these expenses in this case.

During the test year, H&R Block provided accounting services to the Company for tax preparation. The Auditing Staff asserts this should be included as an expense in this case but this expense has been eliminated from Staff's cost of service because the invoices were not provided by the Company.

Services were also provided for pest control during the test year. The Auditing Staff considers these expenses are reasonable but are allocated on the same basis as the electricity because they are for the entire residence/office.

SYSTEM REPAIRS AND MAINTENANCE

Staff was only able to use test year numbers to determine an appropriate level of repair expenses to include in Staff's cost of service. The data for the prior years was unreliable, thus a comparison of prior years to the test year, which would have been more desirable, was not possible. The prior years' data was considered unreliable because all Staff had available to review were hand written ledgers. The ledgers had descriptions of each expense, but it was still hard to determine where each separate expense should be classified, according to the written description. Staff would have had to spend more time going through each and every line of the ledgers and creating a summary of accounts to determine what should probably have been included. Since the comparison was not possible at this time, Staff determined a test year amount from looking at the ledgers provided by the Company, the 2011 receipts and the summarization of costs provided by H&R Block. Then Staff eliminated any amounts related to auto repairs, the Chase credit card payments, Maco well payments, or expenses that should have been capitalized. Staff eliminated the Chase payments that were classified as repairs because it was

impossible to trace the payments back to an original receipt to verify that the charges were actually for repairs and were actually incurred in the test year. The Maco payments were eliminated from repairs because these are costs that have previously been capitalized. There were also some costs included in repairs that Staff determined should be capitalized. These costs were eliminated out of repairs and placed into plant.

TELEPHONE AND INTERNET

There are expenses to pay for two cell phones from Verizon Wireless, a phone line from BPS Telephone, long distance service from AT&T, and cable and internet service from Newwave Communications. Staff eliminated the cost of one of the cell phones as only one cell phone is necessary for operating the Company. Staff also eliminated the costs of text messaging on the cell phones. The AT&T long distance charges were also eliminated because BPS provides long distance service, so this is a duplicate charge. AT&T was eliminated over BPS because BPS also provides the local phone service along with long distance service. AT&T only provides long distance service. Half of the internet and office phone costs were eliminated because there is one phone and one computer that are used for both business and personal use. The cable charges were also eliminated, as it is not necessary for the operation of the systems. The annualized costs were then distributed to all the systems based on customer numbers.

VEHICLE EXPENSES

The systems are spread through a three county area and require a significant amount of driving between them. Staff used an estimate of miles driven each week by Mr. Owens to perform work on all of the systems to determine the annualized fuel costs to include in Staff's cost of service. The annualized miles driven in a year were then divided by the average miles per gallon for a Dodge truck to determine the total gallons of fuel used per year. The gallons used were then multiplied by the current gas price in Dexter, Missouri, to determine the annualized fuel costs. This annualized cost was then divided between all the systems owned by the Owens according to customer numbers.

The Auditing Staff also reviewed all automobile related repairs. Some expenses were eliminated due to lack of documentation.

ENVIRONMENTAL ANALYSIS TESTING

Staff used the test year costs to determine the normalized amount for the Environmental Analysis Testing expense. There were some charges to this expense in the ledger that could not be verified by Staff, and so they were adjusted out of the test year cost to determine the normalized amount.

PSC ASSESSMENT

Staff annualized the PSC Assessment based on the current year assessment.

OTHER MISCELLANEOUS EXPENSES

In the examination of the Company's receipts and invoices, the Auditing Staff found many personal expenses being charged to the various systems. The Auditing Staff has eliminated such personal and non-utility costs from its calculation of the cost of service.

FINANCIAL ANALYSIS

Based on Staff's hypothetical capital structure of 75% debt and 25% equity. Staff member Shana Atkinson of the Commission's Financial Analysis Unit, estimated a return on equity of 12.22% and a total overall rate of return of 5.53%. The overall rate of return was applied to the each Company's rate base to develop the revenue requirement.

RECOMMENDATIONS

The Auditing Staff emphasizes that all personal purchases must be paid for by the Owens out of their own separate personal funds and that the utilities should be charged only those expenses that relate to providing safe and adequate utility service to customers.

It is important that both the Owens keep complete and accurate time records going forward. These time records are important for determining how much time they each spend working on each of the systems and will be used for allocation purposes in future rate cases.

The Auditing Staff recommends the Owens get estimates for accounting services. These estimates should include all financial statement and tax form preparations. The Auditing Staff found it difficult in these cases to even determine a test year cost of service due to the lack of financial reports (balance sheets, income statements, etc.). The Owens should obtain estimates to see if receiving accounting services may be a cost effective way of maintaining accurate and complete financial records.

Require Lakeland Heights Water Company, Inc., Oakbrier Water Company, Inc. and R.D. Sewer Co., L.L.C. to maintain utility plant records and customer account records, and to keep all books and records, including plant property records, in accordance with the NARUC Uniform System of Accounts, revision 1973 for water and revision 1976 for sewer, as described in this memorandum.

cc: Kim Bolin and Mark Oligschlaeger

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-2012-0263

R.D. Sewer Company, L.L.C.

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 R.D. Sewer Company, L.L.C. (“R.D.” or “Company”) in Bernie, Missouri, in March 2012. The review was performed in conjunction with the Company’s rate increase request, File No. SR-2012-0263 filed on January 31, 2012. The Company is requesting an increase of \$10,380.00 in its annual sewer system operating revenues. This request represents an increase of approximately 18% 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 February 9, 2012, and conducted interviews with Company personnel on April 18 and 19, 2012. The EMSU staff’s review of the Company resulted in the following recommendations for Company management:

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Utilize a standard time sheet to record and maintain the time expended by its employees and contractors at each of the water and sewer systems it operates that will facilitate summarization and analysis. This recommendation should be completed within thirty (30) days of the Commission’s Order in File No. SR-2012-0263.

Complete an analysis of automated billing systems that could be cost-effectively implemented to manage the calculation and preparation of customer bills and maintenance of records. This recommendation should be completed within ninety (90) days of the Commission’s order in File No. SR-2012-0263.

Review the present bill format to determine if information regarding delinquent dates can be provided more clearly. This review should be conducted in conjunction with the analysis and implementation of an automated billing system. This recommendation should be completed within ninety (90) days of the Commission's order in File No. SR-2012-0263.

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

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 January 2008. This review was performed in conjunction with a small company rate request submitted by the Company and given Case No. SR-2009-0226. That review resulted in a written report and included recommendations for improvement in the areas of customer billing, credit and collections, complaint recording, records storage and time reporting. 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.

Overview

R.D. Sewer Company was certificated by the Missouri Public Service Commission in 2008 to provide sewer service in the service area of Stoddard County. The Company was acquired by Rodger and LaDawn Owens in 2008 and provides sewer service to 107 single families, 51 apartments and 5 duplexes. The Owens also own three other utility systems which are water systems: Oakbrier Estates Water Company, Whispering Hills Water System, and Lakeland Heights Water Company. The business office is located at 406 South Allen in Bernie, Missouri and office hours are 8 am to 4 pm, Monday through Friday. The Company noted that someone is available at all times to handle emergency issues. A phone number is provided on customer bills, which gives customers 24-hour, 7-day access to Company personnel in the event of an emergency.

The Company is operated by its owners. Rodger Owens serves as the company's president, owner and operator. LaDawn Owens serves as the office manager and billing clerk, in addition to being responsible for all customer service operations. The Company utilizes part-time assistance in the office and occasionally in the field as needed.

The Company keeps employee time records as a result of the prior customer service audit performed in 2008. LaDawn Owens indicates that she maintains a record of her time and which of the four companies they own and manage that she is allocating time. In addition, she notes the specific activity such as billing or collections that is performed that day. The operator's activities are recorded by the office manager who schedules and assigns the work activities. In addition, the operator records all visits to company facilities on field logs kept at the well houses to document activities. That information is transferred to date planner books that are used to maintain records on time and activities at various companies.

The Company has developed a standard mileage amount associated with travel to each of the areas it serves and any Company facilities it frequently visits. These mileage figures are

included on monthly mileage logs and also frequently on the time sheets or monthly monitoring records for wastewater treatment facilities.

Customer Billing

Customers requesting service are required to complete an application for service and either send or drop off to the Company at the business office. The EMSU staff understands that customers are not charged a security deposit prior to establishing service.

Customers' sewer charges are a monthly charge of \$26.64 for a single family residence and \$21.31 for a single family living quarter in a multi-family residence. These rates took effect in September 2009.

LaDawn Owens manually calculates and prepares the customers' bills on pre-printed postcards that have been formatted to allow her to fill in the information by hand. The address labels are affixed and the bills for sewer service are mailed on the 28th of the month, although the customer has until the 21st day of the following month before the bill is delinquent. The bill includes a billing date, a due date and a billing period. The due date is always noted as the first day of the following month. The total amount due is also stated, which may include a previous balance or any additional fees, if applicable. The Company has the authority to charge a late fee of \$5.00 on the 21st day of the month. The bottom of the bill instructs the customer to add a \$5.00 fee to the total amount due if the Company has not received payment by the 20th of the month. If the bill is not paid within 10 days after the 20th, disconnect notices will be mailed and/or hand delivered to the customer and their service is subject to discontinuance.

Payment Remittance

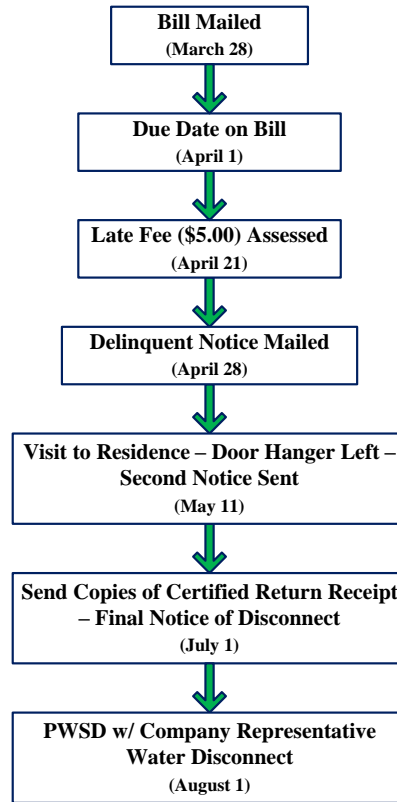
Customers' payment options include cash, check, or a money order. The Company indicated that the majority of payments are made by mail and the Company has recently installed a drop box at the well station to offer another payment method. Customers can pay at the business office and, in addition, the owner will take payments in the field. 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 usually at least once or twice a week. Fireproof safes are used to store monies and important customer records, such as back up cds.

Credit and Collections

The Company indicated that it does follow the appropriate notifications prior to discontinuing service, by providing written notice by certified mail return receipt required by the Company. Several attempts are made to contact the customer by visiting the service address, as well as attempting to contact the customer by telephone. If the customer still does not indicate any attempt to pay or make payment arrangements, the Company may proceed to schedule a discontinuance of service according to the Company approved tariffs. The Company is required to mail the customer a certified letter with a return receipt required indicating that in thirty days the customer's service will be discontinued. Copies of these letters are also sent to the Commission's Water and Sewer Unit, as well as the Department of Natural Resources and Health Department.

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

Billing and Collection Time Line



The Company did not perform any service discontinuances for non-payment in years 2010 and 2011. The costs and concerns for the customer associated with discontinuing sewer service have made the Company hesitant to pursue service discontinuances unless it feels like there is no other option. The Company has tried to continue offering arrangements and some flexibility to the customer to avoid service discontinuances.

In October 2011, the Company entered into an agreement with the Public Water Supply District of Stoddard County (Water District) to assist it in collecting on its delinquent sewer bills. Under the provisions of Sections 393.015 and 393.016 RSMo, the Water District is able to disconnect water service for nonpayment of sewer bills. The Company determines the customer accounts that are in arrears and subject to discontinuance. Once the appropriate written notifications have been made, the Company will also attempt a telephone contact with the customer. If the customer still does not indicate an attempt to pay, the service will be subject to discontinuance. A representative of the Company accompanies the Water District's contractor to the residence at the time the water service is discontinued.

The Company began utilizing the Water District in March 2012, to perform discontinuances of water service due to sewer bill delinquencies. Three water discontinuances were performed on accounts that were in arrears and two of these accounts were reconnected after payment was made. The ability to utilize the Water District to perform a discontinuance of water service in order to collect on sewer bills appears to have had a positive effect on the arrears of the Company. The Company indicates that it has received more inquiries from delinquent customers regarding how to avoid a discontinuance of service. In addition, the total amount of arrears in February 2012 was reduced to \$3,234 from the \$6,228 recorded in February of 2011. The Company attributes the use of the Water District to perform water discontinuances on customers with outstanding sewer balances may have assisted in the improved collections.

Complaints and Inquiries

Customers with questions or concerns may call the Company at the contact number appearing on the bill. LaDawn Owens indicated that she responds quickly to customer calls and will schedule field visits as needed. An emergency contact cell phone number is also provided on the billing statement for customers that call outside of business hours and an answering service is utilized. The Company maintains that all emergency calls are handled promptly. Company personnel document the type of complaint or inquiry on a log. A review of Commission complaint/inquiry records showed no complaints for 2010 and one complaint for 2011.

Customer Communication

Customer bills are the primary means of communicating with customers. Company personnel occasionally send the customer correspondence to provide specific information. Letters have been sent to notify customers of pending rate case activity and to offer suggestions on how the customer can help keep rates from increasing.

Findings, Conclusions, and Recommendations

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

- Time Keeping Records
- Automated Billing and Records Systems
- Revisions to Bill Format

Time Keeping Records

The Company's system for documenting employee time is not conducive to summarization and analysis. The Company has attempted to maintain documentation regarding hours worked by its employees by noting the use of time on a calendar. However, these records are difficult to summarize and analyze for rate making and other review purposes.

The EMSU staff previously made a recommendation to the Company in Case No. SR-2009-0226 to initiate time reporting for Company employees and any contractors it may employ. The Company did implement a practice to record the hours spent on daily activities at each of the companies operated by the owners. The EMSU staff reviewed the Company's actions and found them appropriate for a response to the recommendation at that time.

However, it is the opinion of the EMSU staff that the Company could improve the usefulness of the time records by using a simple standard form time sheet to track hours, location of work and a general description of the activity. Some companies also use this time sheet to include vehicle mileage, thereby capturing all of the information on one sheet. The time sheet should also note time spent on activities unrelated to the operation of its regulated water and sewer companies. The eventual purchase of an automated billing system may include options that can maintain time records as well. However, as an interim measure, the Company should utilize a standard time sheet to consolidate its time record keeping. The EMSU staff will provide some sample time sheets to the Company that may assist it in implementing the following recommendation.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Utilize a standard time sheet to record and maintain the time expended by its employees and contractors at each of the water and sewer systems it operates that will facilitate summarization and analysis. This recommendation should be completed within thirty (30) days of the Commission's Order in File No. SR-2012-0263.

Automated Billing and Records System

The Company's present billing processes are manual, based upon a multitude of paper records and are time consuming to complete. While customers do appear to be receiving accurate bills in a timely manner, the process could be improved by utilization of an automated billing system. In addition, the system could provide a system of consolidated record keeping for data such as time keeping and vehicle maintenance.

The EMSU staff has previously made a recommendation to the Company to evaluate the utilization of an automated billing system. The Company did review several systems it was aware of but found them to be inadequate for use by a regulated water and sewer utility. For example, regulated companies characteristically must provide specific information on the bill and the billing systems reviewed would not allow for the level of detail the Company may need to provide to its customers. The EMSU staff found the Company's actions appropriate for a response to the recommendation at that time.

However, it is apparent that the Company needs to expand its review of billing systems to focus upon those used successfully by other regulated water and sewer utilities. While the EMSU staff appreciates the work load of attending to daily operations of four companies, it appears that the time may be available at the conclusion of this case for the Company to focus upon the analysis and eventual purchase of an automated billing system. As an interim measure, the application of Excel spreadsheets may assist in the consolidation of customer data and assist in minimizing the tedious record keeping that the Company presently maintains manually.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Complete an analysis of automated billing systems that could be cost-effectively implemented to manage the calculation and preparation of customer bills and maintenance of records. This recommendation should be completed within ninety (90) days of the Commission's order in File No. SR-2012-0263.

Revision of Bill Format

The format of the present bill appears confusing regarding the due date and the delinquent date. The due date is always noted as the first of the month. A penalty is assessed if the bill is not paid by the 20th of the month. The 21st day of the month is actually the delinquent

date and is used in determining when a penalty is assessed and when a potential discontinuance of service can occur.

It may be helpful to customers to be able to clearly see the delinquent date in order to make sure they meet this deadline. While it could be time consuming and confusing to make such changes now, these changes should be considered when the Company reviews automated bill systems.

THE EMSU STAFF RECOMMENDS THAT COMPANY MANAGEMENT:

Review the present bill format to determine if information regarding delinquent dates can be provided more clearly. This review should be conducted in conjunction with the analysis and implementation of an automated billing system. This recommendation should be completed within ninety (90) days of the Commission's Order in File No. SR-2012-0263.

Implementation Review

The EMSU staff will conduct a review of the Company's progress regarding the implementation of the two recommendations made in this report.

Agreement Attachment J

Summary of Case Events

R. D. Sewer Company, L.L.C.
Case #SR-2012-0263
Summary of Case Events

Date Filed	January 31, 2012
Day 150	August 28, 2012
Extension?	Yes
If yes, why?	Installation of additional plant and additional time to complete review of Company's financial records.
Amount Requested	\$10,380
Amount Agreed Upon	\$15,771
Item(s)/Dollar(s) Driving Rate Increase	Investment in plant and increase in general operating costs.
Number of Customers	164
Return on Equity	12.22%
Assessments Current	Yes
Annual Reports Filed	Yes
Statement of Revenue Filed	Yes
Other Open Cases before Commission	WR-2012-0266 & WR-2012-0267
Status with Secretary of State	Current
DNR Violations	No recent
Significant Service/Quality Issues	None

Staff Participant Affidavits

James M. Russo – Water & Sewer Department

Steve Loethen – Water & Sewer Department

Amanda C. McMellen-Auditing Department

John A. Robinett – Engineering & Management Services Department

Deborah A. Bernsen – Engineering & Management Services Department

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

AFFIDAVIT OF DEBORAH A. BERNSEN

In the Matter of Request for Increase in)
Annual Sewer System Operating Revenues)
by R. D. Sewer Company LLC)

File No. SR-2012-0263

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW James M. Russo, being of lawful age, and on her oath states the following: (1) that he is a Rate and Tariff Examination Supervisor 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 foregoing *Amended Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Amended Disposition Agreement"); (4) that he was responsible for the preparation of Attachments A, B, D, E and J to the Amended Disposition Agreement; (5) that he has knowledge of the matters set forth in Attachments A, B, D, E and J to the Amended Disposition Agreement; and (6) that the matters set forth in Attachments A, B, D, E and J to the Amended Disposition Agreement are true and correct to the best of his knowledge, information, and belief.



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

Subscribed and sworn to before me this 5th day of September, 2012.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086



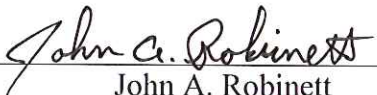
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
AFFIDAVIT OF JOHN A. ROBINETT

In the Matter of Request for Increase in)
Annual Sewer System Operating Revenues) File No. SR-2012-0263
by R. D. Sewer Company LLC)

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

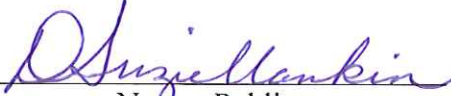
COMES NOW John A. Robinett, being of lawful age, and on his oath states the following: (1) that he is a Utility Regulatory Specialist in the Missouri Public Service Commission's Engineering & Management Services Unit; (2) that he participated in the Staff's investigation of the small company rate increase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



John A. Robinett
Utility Engineering Specialist
Engineering & Management
Services Unit

Subscribed and sworn to before me this 5th day of September, 2012.

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



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

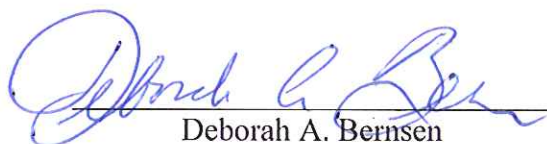
OF THE STATE OF MISSOURI

AFFIDAVIT OF DEBORAH A. BERNSEN

In the Matter of Request for Increase in)
Annual Sewer System Operating Revenues) File No. SR-2012-0263
by R. D. Sewer Company LLC)

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

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 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 *Amended Company/Staff Agreement Regarding Disposition of Small Water Company Revenue Increase Request* ("Amended Disposition Agreement"); (4) that she was responsible for the preparation of Attachment I to the Amended Disposition Agreement; (5) that she has knowledge of the matters set forth in Attachment I to the Amended Disposition Agreement; and (6) that the matters set forth in Attachment I to the Amended 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 5th day of September, 2012.

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



Notary Public