

Dear Customer:

After implementing professional operations and investing almost \$2,000,000 in improving water and wastewater infrastructure in your community, Elm Hills Utility Operating Company (Elm Hills) is working to ensure you have access to clean, safe and reliable drinking water and wastewater systems.

As a result, in early March Elm Hills submitted a request to the Missouri Public Service Commission (PSC) for an increase in its annual water operating revenues of \$135,745.45 and an increase in its annual sewer operating revenues of \$393,919.34. At the end of this notice is a table that compares the Company's current residential customer rates and the proposed residential rates. The PSC is the state agency that will ultimately rule on this request.

With the recent spread of the COVID-19 virus, the associated restrictions on public gatherings, and other recommended social distancing measures, a virtual public hearing is scheduled to begin at 6 p.m. on July 14, 2020 via the internet-based video and teleconferencing service, WebEx. Customers who wish to provide comments on the record to the Commission during the public hearing must register before 5 p.m. on July 7, 2020. To register, please send an email to elmhillscomments@psc.mo.gov with your first and last name, and whether you will connect to the public hearing via internet or by phone. If you register to connect via internet, you will receive an email invitation with access information by no later than 5 p.m. on July 10, 2020. Those who register to participate by phone will receive dial-in information when registration is confirmed. A live audio web stream of the public hearing will also be available at the PSC's website, www.psc.mo.gov, for those who are not registered to participate in the public hearing. Customers are also invited to ask any questions or submit written comments about the utility's rates and quality of service. Customers may submit questions to elmhillscomments@psc.mo.gov by no later than July 20, 2020. Customers should send any written comments also by email no later than July 22, 2020, for the comment to be part of the case record

Lastly, please be advised that all currently available information regarding the Elm Hills' rate increase request can be found Public Service Commission's website.

1. Go to <http://www.psc.mo.gov>.
2. In the menu column on the right side of the page click on "Access EFIS."
3. Scroll down to "View Information on a Specific Case" and click on the "Docket Sheet" link.
4. From the Docket Sheet page, enter WR-2020-0275 in the Case Number Field and press the Enter key on your keyboard (this will bring up a page that contains all of the documents that have been filed in the case to date).
5. To view a particular document, click on the item number in the left column.
6. A second window will open. Click on the document link to view the document.

If you have any questions about this notice, please call (314) 380-8544.

Sincerely,

Josiah Cox
President
Elm Hills Utility Operating Company, Inc.



Rate Comparison Table

Type of Charge	Service Area	Current Rates	Proposed Rates	Proposed Amount of Rate Change
Total Monthly Sewer Bill	Missouri Utilities	\$ 19.21	\$ 113.16	\$ 93.95
Total Monthly Sewer Bill	State Park Village	\$ 45.00	\$ 113.16	\$ 68.16
Total Monthly Sewer Bill	Rainbow Acres	\$ 15.00	\$ 113.16	\$ 98.16
Total Monthly Sewer Bill	Twin Oaks	\$ 140.00	\$ 113.16	\$ (26.84)
Total Monthly Water Bill - Mobile Homes	Elm Hills	\$ 6.34	\$ 88.70	\$ 82.36
Total Monthly Water Bill - Single Family	Elm Hills	\$ 7.92	\$ 88.70	\$ 80.78
Total Monthly Water Bill - Commercial	Elm Hills	\$ 14.24	\$ 88.70	\$ 74.46



THE STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

WHO WE ARE

The Staff of the Missouri Public Service Commission (Staff) is an independent body of professional accountants, engineers, financial analysts, economists, customer experience specialists, and attorneys that evaluate utility requests and provide recommendations to the Missouri Public Service Commission. Staff may not own utility stock or bonds, or have any other monetary interest in a regulated utility. Staff also abides by regulations that prevent them from having discussions with Commissioners about issues during the case, outside of an evidentiary hearing.

ACTIVITY DURING THE CASE – WR-2020-0275

On March 6, 2020 Elm Hills Utility Operating Company (Elm Hills) filed a request for an increase in rates for water and sewer service. It also seeks to establish a single rate for water and a single rate for sewer for all customers. Staff is reviewing information provided by Elm Hills and conducting an investigation to determine not only what the annual revenues should be, but also if any operational changes are necessary. The regulations that govern this process require that Staff seek to obtain a settlement with Elm Hills so as to avoid the expense of an evidentiary hearing. If an agreement among the parties cannot be reached, this rate case will proceed to a hearing in the fall of 2020.

Rates are established to cover the cost to provide the utility service, plus an authorized amount of return on the Company's investment. In order to determine what costs should go into the rates, Staff is in the process of conducting a full audit of the Company's books and records, examining capital improvements made to the treatment facilities, reviewing customer service practices, and determining any operational changes or maintenance that may be necessary. Costs are determined based on current and previous expenses, not future expenses.

STAFF POSITION

As Staff is still conducting its investigation, and has not yet developed a final position on a recommended annual revenue requirement, and resulting changes in rates, your feedback is critical to this process.



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TO: Members of the Public
FROM: The Missouri Office of the Public Counsel
RE: The Consumer Advocate's Handout Regarding Elm Hills Utility Operating Company Inc.'s request to increase its rates for water and wastewater services (Missouri Public Service Commission case number WR-2020-0275)
DATE: June 16, 2020

Who is the Public Counsel:

The Public Counsel is a position within the state government created by the Missouri State Legislature. The Public Counsel employs a number of legal and technical experts that together form the Office of the Public Counsel (or "OPC"). The purpose of the OPC is to represent and protect the interests of the public in any proceedings before the Missouri Public Service Commission (which is a separate entity). The OPC is tasked with ensuring that the citizens of this State receive the best possible service at the most reasonable rates possible from the various publically regulated utility companies operating in Missouri.

What this case is about:

This case was initiated by Elm Hills Utility Operating Company, Inc. (or "Elm Hills"). Elm Hills is seeking to increase the rates that it charges for water and wastewater (sewer) services for one of its systems, and the rates it charges for wastewater services for three of its other systems. Elm Hills is also seeking to consolidate its rates across all of these systems, meaning that everyone will pay the same rates for water and wastewater services (though only those receiving water service will pay the water rate).

The Office of the Public Counsel's assessment of this case:

Elm Hills is only permitted to recover the cost of improvements and other expenses that are "prudently" incurred. The OPC has undertaken an audit of Elm Hills's records and accounts to determine the prudence of the costs and expenses that Elm Hills is claiming as the reason for its requested rate increase. The OPC has identified several areas that pose a concern and is continuing its investigation to determine if these costs should be challenged. Initial areas of concern for the OPC include:

- (1) The cost of certain plant investments (particularly for the wastewater systems) that include implementation of very expensive and high-end equipment.
- (2) The cost of contracts for third-party operations, some of which included questionable charges, as well as the bidding process for these contracts.
- (3) The company's requested rate of return on its plant investments.

In order to provide a better understanding of these issues, the OPC will briefly explain the underlying basis for them. The first concern involves the fact that Elm Hills has installed a moving bed biofilm reactor (or “MBBR”) in its wastewater system. This is a very expensive piece of equipment. In fact, its installation appears to have superseded the cost of all other plant additions made to the wastewater systems. The OPC is therefore currently investigating whether this type of treatment system is really prudent (given the size of these systems) when compared to other, more traditional methods of wastewater treatment.

The Second concern lies with the fact that Elm Hills relies almost exclusively on third-party contractors to provide maintenance to its systems and to handle operations such as billing and customer service. These contractor costs make up a very large percentage of the overall rate increase for both water and wastewater operations. The bidding process for these contracts currently appear to have been rather limited, and may have been further stymied by the fact that the systems were bid out together but then contracted for separately. The OPC believes refinement of the bidding process by increasing the number of bidders and allowing bidding on an individual system basis might lower costs in the future. In addition, there were a number of costs incurred by contractors that the OPC is arguing to exclude.

Finally, the last issue lies with the fact that Elm Hills is seeking far too high of a rate of return on its investments. There are two halves to this issue. First, Elm Hills’ rate increase request assumes it would have to pay an excessively high interest rate (which the Company claims is confidential) on any loans used for investment. Experience with other Missouri small water and sewer systems shows that this is not an appropriate interest rate. Second, the OPC considers the requested rate of return on equity for the Company’s private equity investor Sciens Capital (which Elm Hills again claims is confidential) to also be excessive.

What should you, as an individual, do in this case:

The most important thing for you as an individual member of the public to do in this case is to stand up and be heard. We want to hear from you, and this virtual local public hearing is the best place to do that. Both prior to and after the local public hearing, there will be made available means by which you can informally ask any or all of the parties any questions (or raise any concerns) you might have about this case or your water and wastewater services in general. In addition, there will be an opportunity for you to speak directly to Commissioners and provide testimony that will become a part of the record in this case through a virtual format. This is likely to be your one and only chance to talk to the Commission directly and tell the Commissioners exactly how you feel about this case. Therefore, even if someone else has said everything that you wanted to say, you should tell the Commission you agree just so it knows that more than one person holds that opinion.

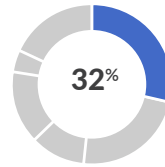
In addition to providing testimony you, or anyone you know who would like to, may also file written comments in this case by going to https://psc.mo.gov/General/Submit_Comments and accessing the links provided. Alternatively, you can mail or email any comments that you would like to give directly to the OPC, using the contact information at the top of this handout, and we will submit your comments to the Commission. Finally, if you want to stay informed about this case or read up on what has already been filed, you can access this case on the Commission’s Electronic Filing Information System (or “EFIS”). Just go to <https://psc.mo.gov/General/EFIS>, find the link for “Docket Sheet” under EFIS Shortcuts, and enter the case number for this case (WR-2020-0275) in the box provided to see everything filed in this case.



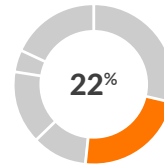
ELM HILLS

Utility Operating Company

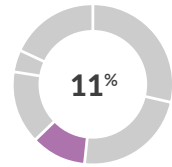
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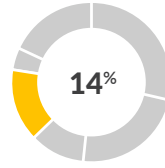
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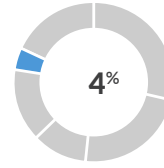
Administration



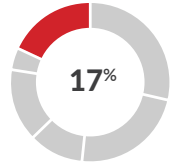
Depreciation of System Assets



Interest



Income Tax



Return on Investment

ABOUT ELM HILLS

Elm Hills Utility Operating Company is a division of Central States Water Resources, which is transforming how water utilities work by using technology and innovation to quickly assess and invest in reliable infrastructure that meets or exceeds stringent state and federal safety standards. Elm Hills is working to ensure every community it serves in Missouri has access to safe, clean and reliable water resources while protecting the aquifers, lakes, rivers and streams that are essential to our world.

WHY ARE RATES INCREASING?

When Elm Hills Utility Operating Company purchased your wastewater system, we found pipes, pumps and facilities that were dangerously outdated and hazardous to your community. And with a legal mandate from the State of Missouri to ensure every citizen has the right to safe and reliable wastewater systems that work properly 24 hours a day, 365 days a year, we made the necessary repairs to ensure water flowing to and from your home is operating properly and maintained safely.

Over \$2,000,000 of investments in the Elm Hills system, rates will increase as utility companies are permitted to recover expenses for building, operating and maintaining wastewater systems.

This protects you, your families, the community, and increases the value of your properties.

IMPROVEMENTS MADE AT ELM HILLS

RAINBOW ACRES WASTEWATER TREATMENT FACILITY

- Installed new electrical system required to efficiently and reliably power the facility.
- Installed Mission monitoring system to monitor processes (like water pressure, water levels, etc.) and equipment in real-time.
- Put new gravel access road along the lagoon to prevent flooding.
- Installed a Moving Bed Bio Reactor process to meet the current required effluent discharge limits.
- Installed a new duplex blower system and a new clarifier to aerate and settle out sewage in the Moving Bed Bio Reactor.
- Installed a new magnetic flow meter to ensure accurate reporting to state and monitor for potential flow problems.
- Installed new chlorination and dechlorination stations to remove substances (like E. coli bacteria, residual chlorine, etc.) before going into the stream.

WHAT DOES MY BILL PAY FOR?

Percentages represent the portion of rates covering various costs of system.



IT'S A FACT:

One in every four Americans is exposed to potentially unsafe drinking water or wastewater systems.

TWIN OAKS WASTEWATER TREATMENT FACILITY

- Installed new electrical blower panel.
- Installed Mission monitoring system to monitor processes (like water pressure, water levels, etc.) and equipment in real-time.
- Installed a Moving Bed Bio Reactor to meet the current required effluent discharge limits.
- Installed new duplex blower system to aerate the Moving Bed Bio Reactor.
- Installed a new magnetic flow meter to ensure accurate reporting to state and monitor for potential flow problems.
- Installed new chlorination and dechlorination stations to remove substances (like E. coli bacteria, residual chlorine, etc.) before going into the stream.



STATE PARK VILLAGE WASTEWATER TREATMENT FACILITY

- Installed electrical blower panel
- Put in new Mission monitoring system in the plant and lift stations
- Installed fencing around plant and lift stations
- Added influent lift station with aeration to mix with small, low-noise blower
- Installed mechanical bar screen and influent structure
- Removed all failed, deteriorating PVC piping and diffusers
- Added stainless steel aeration piping and diffusers
- Installed media towers in aeration basin converting plant from standard activated sludge to fixed film aeration
- Installed UV disinfection system to disinfect water of harmful bacteria
- Put in duplex blower system in sound reduction doghouse with associated piping and appurtenances
- Added new walkways and handrails around ground-level, open-top tankage
- Installed flow monitoring equipment
- Boring of new sewer main from homes on east side of lake to replace the exposed and suspended main that was located on washed-out dam
- Cleaning of approximately 1,000 feet of sludge in creek

MISSOURI UTILITIES WASTEWATER TREATMENT FACILITY

- Installed electrical service, transformer, meter, disconnect and equipment/process panels
- Regrading throughout site
- Rebuilt lagoon berms
- Installed Mission monitoring system
- Created gravel access road along lagoon cells
- Installed MBBR process with associated lift station, site piping and appurtenances (including leading edge protection around MBBR pits for OSHA compliance)
- Added duplex blower system in sound-reduction doghouse with associated piping and appurtenances
- Installed drum filter with associated pump, piping and appurtenances
- Added flow monitoring equipment
- Put in UV disinfection system to disinfect water of harmful bacteria
- Installed fencing surrounding lagoon, with additional fencing surrounding new MBBR, drum filter, and UV equipment
- Added new diffuser to the first cell of the lagoon running on MBBR blower
- Sections of sewer main cleaned, jetted, repaired, and/or replaced

MISSOURI UTILITIES – WATER SYSTEM

- Converted existing railroad tanker car used for water storage to an actual hydropneumatic storage tank. Tanker was cleaned, sand blasted, patched, coated inside and out, access hatch added and piping fully redesigned
- Removed broken components and installed new well head with new sampling ports, metering, and piping
- Installed new submersible well pump setting
- Rehabbed well house structure and interior because it was in extremely poor condition and its walls had to be opened for work on the water tank
- Installed backup water connection with master meter and pressure-reducing valve (PRV) to City of Sedalia water supply
- Installed valves and flushing hydrant, which allows the well and tank to be isolated from the system for future maintenance and rehab work
- Added new Mission monitoring system and flowmeter