

*Exhibit No.:*  
*Issue:* *Partial Disposition Agreement;  
Revenue Requirement;  
Employee Benefits*  
*Witness:* *Keith D. Foster*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*Case No.:* *WR-2017-0110*  
*Date Testimony Prepared:* *May 31, 2017*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**AUDITING DEPARTMENT**

**DIRECT TESTIMONY**

**OF**

**KEITH D. FOSTER**

**TERRE DU LAC UTILITIES CORPORATION**

**CASE NO. WR-2017-0110**

*Jefferson City, Missouri  
May 2017*

**DIRECT TESTIMONY**

**OF**

**KEITH D. FOSTER**

**TERRE DU LAC UTILITIES CORPORATION**

**CASE NO. WR-2017-0110**

Q. Please state your name and business address.

A. Keith D. Foster, 200 Madison Street, Suite 440, Jefferson City, MO 65101.

Q. By whom are you employed and in what capacity?

A. I am a Utility Regulatory Auditor IV for the Missouri Public Service Commission (“Commission”).

Q. Please describe your educational background, work experience and any cases in which you have previously filed testimony before this Commission.

A. My credentials and a listing of cases in which I have filed testimony previously before this Commission are attached to this direct testimony as Schedule KDF-d1.

Q. What knowledge, skills, experience, training and education do you have in the areas of which you are testifying as an expert witness?

A. I have received continuous training at in-house and outside seminars on technical ratemaking matters since I began my employment at the Commission. I have been employed by the Commission as a Regulatory Auditor for over nine years, and have submitted testimony on ratemaking matters numerous times before the Commission. I have also been responsible for the supervision of other Commission employees in rate cases and other regulatory proceedings.

1 Q. What is the purpose of your direct testimony?

2 A. The purpose of my direct testimony is to sponsor the Terre Du Lac Utilities  
3 Corporation (“TDLU” or “Company”)/Commission Staff (“Staff”)/Office of Public Council  
4 (“OPC”) Partial Disposition Agreement of Small Company Revenue Increase Request (“Partial  
5 Disposition Agreement”) filed on May 9, 2017, in this rate case proceeding and to provide  
6 Staff’s computed revenue requirement and Staff’s recommendation for rate treatment of  
7 employee benefits.

8 **OVERVIEW OF THE PARTIAL DISPOSITION AGREEMENT**

9 Q. Did Staff conduct a full investigation of TDLU in response to its rate increase  
10 request applications?

11 A. Yes. As part of Staff’s investigation, Staff met with the Company and OPC and  
12 provided both parties the results of its investigation. After discussion between the parties, Staff,  
13 TDLU and OPC reached a partial disposition agreement regarding the resolution of certain  
14 aspects of the Company’s water and sewer rate increase requests filed on May 9, 2017. The  
15 *Partial Disposition Agreement* is attached to this testimony as Schedule KDF-d2. In addition,  
16 attached to this testimony as exhibits KDF-d3 and KDF-d4 are Staff’s Exhibit Modeling System  
17 (EMS) reports supporting Staff’s water and sewer cost of service adjustments and calculations  
18 referenced in Attachment A of the *Partial Disposition Agreement*.

19 Q. Please summarize the disposition agreement.

20 A. The disposition agreement includes agreements between the parties regarding:  
21 the recommendations of Staff’s Auditing Department as laid out in Attachment A to the

1 agreement; the recommendations of Staff's Consumer and Management Analysis Unit as laid  
2 out in Attachment D to the agreement; a final customer notice following resolution of this  
3 matter; and rate design.

4 Q. What issues are still unresolved at this time?

5 A. Staff, Terre Du Lac and OPC were unable to reach a final disposition as to: an  
6 agreed upon water and sewer revenue requirement increase amount; the net rate base amount;  
7 depreciation rates; accounting treatment of certain capital projects; electric costs; employee  
8 benefits; fair rate of return and capital structure.

9 Q. Who are the Staff witnesses for each of these issues?

10 A. The following is a list of Staff witnesses who are filing direct testimony in this  
11 case concerning the remaining issues:

12 Revenue Requirement – Keith D. Foster

13 Net Rate Base – Amanda C. McMellen

14 Depreciation Rates – Keenan Patterson

15 Accounting Treatment of Certain Capital Projects – Amanda C. McMellen

16 Electric Costs – Caroline Newkirk

17 Employee Benefits – Keith D. Foster

18 Fair Rate of Return – Jeffrey Smith

19 Capital Structure – Jeffrey Smith

1     **REVENUE REQUIREMENT**

2           Q.     Briefly, what steps did Staff perform to determine a revenue requirement for this  
3 case?

4           A.     Staff conducted a review of the Company's books and records. For purposes of  
5 its audit, Staff utilized a test year of twelve-months ending September 30, 2016, updated through  
6 December 31, 2016, for known and measurable changes. Staff reviewed all capital investments,  
7 revenues and expenses for the period January 1, 2014, through December 31, 2016, for purposes  
8 of conducting its review in this rate case proceeding.

9           Q.     What revenue requirement is Staff recommending to the Commission?

10          A.     Based upon its review, Staff has determined that TDLU warrants an increase in  
11 annual water revenues in the amount of \$66,197 and a \$4,724 increase in annual sewer revenues.  
12 This would represent an increase of 23.32% in current water rate revenues and a 1.19% increase  
13 in current sewer rate revenues.

14     **EMPLOYEE BENEFITS**

15          Q.     What benefits does the Company provide its employees?

16          A.     TDLU provides group health insurance to Mike Tilley (President and Co-owner),  
17 Kathy Tilley (Vice President and Office Manager) and Robert Brake Jr. (Field Technician).  
18 Staff recommends that health insurance coverage for TDLU's key employees is reasonable and  
19 should be allowed to be recovered through rates.

20          Q.     What amount does Staff recommend be included in rates for the group health  
21 insurance coverage?

1           A.     The current (as of October 1, 2016) annual premium to provide this coverage to  
2 the three aforementioned TDLU employees is \$47,860. TDLU incurred group health insurance  
3 expense during the test year ending September 30, 2016, in the amount of \$46,076. Staff  
4 recommends an adjustment to increase test year expense by \$892 for water operations and \$893  
5 for sewer operations, to reflect the current premium.

6           Q.     Does TDLU provide health insurance coverage for anyone other than Mike Tilley,  
7 Kathy Tilley and Robert Brake Jr.?

8           A.     Yes. TDLU also purchased supplemental health insurance at a cost of \$5,816  
9 during the test year ending September 30, 2016, for Francis and Kaye Tilley who are Mike  
10 Tilley's father and step-mother, respectively, and who are not employees of TDLU. Staff  
11 recommends disallowance of amounts paid to provide supplemental health insurance for non-  
12 employees as they provide no services to TDLU that can be verified. Therefore, Staff proposes  
13 adjustments to reduce the test year level of group health insurance expense by \$2,908 for water  
14 operations and \$2,908 for sewer operations.

15          Q.     Are there any other benefits provided by the Company for its employees?

16          A.     Yes. TDLU also purchased dental and life insurance for Mike Tilley, Kathy  
17 Tilley and Francis Tilley. Staff recommends disallowance of any amounts paid to provide dental  
18 and life insurance for non-employees so it has disallowed those amounts related to Francis  
19 Tilley, since he is not an employee of TDLU. As such, Staff proposes a total reduction in dental  
20 and life insurance expense in the amount of \$1,466 with an adjustment in the amount of \$733  
21 each to the water and sewer cost of service.

1           Q.     Did Staff recommend the removal of any other costs related to employee benefits  
2 from Staff's recommended cost of service?

3           A.     Yes.   Staff removed any payments made for health insurance claims that  
4 traditionally would be the responsibility of the employee and those paid on behalf of  
5 non-employee family members for a total reduction of \$4,912 resulting in an adjustment in the  
6 amount of \$2,456 each to the water and sewer cost of service.

7           Q.     Does this conclude your direct testimony in this proceeding?

8           A.     Yes, it does.

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

In the Matter of the Request for Increase in  
Annual Water and Sewer System Operating  
Revenues for Terre Du Lac Utilities

)  
)  
)

**Case No. WR-2017-0110**

**AFFIDAVIT OF KEITH D. FOSTER**

State of Missouri    )  
                                  ) ss.  
County of Cole        )

**COMES NOW KEITH D. FOSTER** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Direct Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

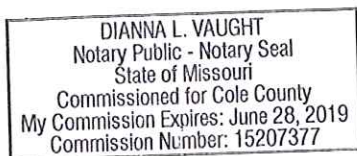
\_\_\_\_\_  
Keith D. Foster

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of May, 2017.

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

My commission expires: June 28, 2019





## **Keith D. Foster**

### **Educational and Employment Background and Credentials**

I am currently employed as a Utility Regulatory Auditor IV for the Missouri Public Service Commission (“Commission”) within the Auditing Department of the Commission Staff Division. I have been employed by the Commission since January 2008. After a 27-year career in the Information Systems (IS) industry, I returned to college and earned a Bachelor of Science degree in Business Administration, major in Accounting from Columbia College. I graduated summa cum laude in October 2007.

Prior to my work at the Commission, I was most recently employed by IBM as a Project Manager and Project Executive. In my capacity as Project Executive, I managed the development and implementation of welfare reform and other system enhancements, ongoing operations and maintenance activities, warranty support, application help desk, and system turnover for the Missouri Automated Child Support System (MACSS), a statewide integrated financial and case management system. I managed all budget, revenue, and profit objectives; developed and maintained detailed spreadsheets to prepare project budgets and revenue projections, to track and manage project costs and revenue daily, and to reconcile with corporate accounting.

I am a member of the Institute of Internal Auditors (IIA) as well as the Project Management Institute (PMI) including the local chapters. I was most recently a board member of the Mid-Missouri PMI chapter, serving two two-year terms as Vice-President of Financial Affairs. In addition, I am a PMI-certified Project Management Professional (PMP), a credential I have held since January 2000.

As a Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings as ordered by the Commission. In addition, I review all exhibits and testimony on

## **Keith D. Foster**

assigned issues, develop accounting adjustments, and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Other cases I have been assigned are listed below:

<b>Case/Tracking Number</b>	<b>Company Name - Issue</b>
QW-2008-0010	<b>Tri-States Utility, Inc.</b> - Property Taxes; Fuel & Electricity Expense; Telephone Expense; Rent Expense; Plant in Service; Depreciation Schedule, Reserve, Rates, and Expense; Transportation Expense; Chemicals Expense; Waste Disposal; Insurance Expense; Contractual Services; Bad Debt Expense; Miscellaneous Expenses
WR-2008-0311	<b>Missouri-American Water Company</b> - Advertising & Promotional Items; Dues and Donations; Cash Working Capital; Plant in Service; Depreciation Expense; Depreciation Reserve; Franchise Tax; Property Taxes; Fuel & Electricity Expense; Telephone Expense; Postage Expense; Purchased Water; Prepayments; Materials & Supplies; Customer Advances; Contributions in Aid of Construction (CIAC)
WR-2009-0098	<b>Raytown Water Company</b> - Materials & Supplies; Prepayments; Customer Deposits; Revenues; Insurance Expense; Utilities Expense; Directors Fees; Office Supplies Expense; Postage Expense; Laboratory Fees; Transportation Expenses; Rate Case Expense; Regulatory Commission Expense
GO-2009-0302	<b>Missouri Gas Energy</b> - Infrastructure Service Replacement Surcharge (ISRS)
SA-2009-0319	<b>Mid-MO Sanitation, LLC</b> – Certificate Case; All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
GR-2009-0355	<b>Missouri Gas Energy</b> – Payroll, Payroll Taxes, 401(k), and Other Employee Benefit Costs; Incentive Compensation and Bonuses; Medical and Dental Expense; Bad Debt Expense; Rate Case Expense; Pension Expense; FAS106/OPEBs; Prepaid Pension Asset (PPA); Franchise Tax Expense; Income Tax Expense
SR-2010-0095	<b>Mid-MO Sanitation, LLC</b> – Full Audit of All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items

**Keith D. Foster**

ER-2010-0130	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Off-System Sales; Transmission Revenue; Payroll, Payroll Taxes, and 401(k) Benefit Costs; Incentive Compensation; Maintenance Normalization Adjustments
WR-2010-0304	<b>Raytown Water Company</b> – Revenues; Rate Case Expense; Regulatory Commission Expense; Utilities Expense; Purchased Water; Insurance Expense; Laboratory Fees; Communication Expense; Transportation Expense
GO-2011-0003	<b>Missouri Gas Energy</b> - Infrastructure Service Replacement Surcharge (ISRS)
ER-2011-0004	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Maintenance Normalization Adjustments; Miscellaneous Revenues (SO2 Allowances and Renewable Energy Credits); Operations and Maintenance (O&M) Expenses for Iatan 2 and Plum Point; Transmission Revenue; Entergy Transmission Contract; Reconciliation
WR-2011-0337	<b>Missouri-American Water Company</b> – Belleville Lab Allocations; Chemical Expense; Corporate and District Allocations; Fuel & Electricity Expense; Service Company Management Fees; Business Transformation Program; Reconciliation
WR-2012-0300	<b>Empire District Electric (Water)</b> – Plant-in-Service; Depreciation Reserve; Depreciation Expense; Materials and Supplies; Property Tax Expense; Customer Advances; Operations and Maintenance (O&M) Adjustment
WM-2012-0335	<b>Moore Bend Water Company</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense
ER-2012-0345	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Maintenance Normalization Adjustments (Operations and Maintenance Expense); Operations and Maintenance (O&M) Expense Trackers for Iatan 2, Iatan Common, and Plum Point; Entergy Transmission Contract; Reconciliation
WR-2013-0461 SR-2013-0459	<b>Lake Region Water &amp; Sewer</b> – Executive Management Fees; Current Income Taxes; Deferred Income Taxes; Payroll and Benefits; Payroll Taxes; Allocation Factors; Sludge Removal; Accounting Fees; Legal Fees (Other Than Rate Case Expense); Billing Expense; Outside Services; Travel & Entertainment Expense; Transportation Expense
GR-2014-0086	<b>Summit Natural Gas</b> – Acquisition Costs; Affiliate Transactions; Fuel Expense; Property Taxes; Other Miscellaneous Expenses; Income Taxes; Deferred Taxes;

**Keith D. Foster**

	and Reconciliation
WA-2015-0049 SA-2015-0107	<b>Branson Cedars Resort</b> – Certificate Case - All Revenue and Expenses; Plant in Service; Depreciation Reserve; Other Rate Base Items
WA-2015-0108	<b>Missouri-American Water Company (Redfield Water)</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense
WO-2015-0077	<b>Woodland Manor Water Company</b> – Acquisition Case – Plant-in-Service; Depreciation Reserve; Depreciation Expense; CIAC; Customer Deposits
WR-2015-0192	<b>Ozark International, Inc.</b> – Plant-in-Service; Depreciation Reserve; Depreciation Expense; CIAC; Customer Deposits; Chemicals Expense; Legal Expense; Office Expense; Postage; Water Testing Expense; Gas & Oil Expense
ER-2016-0023	<b>Empire District Electric</b> – Fuel and Purchased Power; Fuel Inventories; Gas Stored Underground; Software Maintenance Expense; Corporate Allocations; Outside Services; Iatan and Plum Point Carrying Costs

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

In the Matter of the Request for	)	
Increase in Annual Water and	)	<b><u>Case No. WR-2017-0110</u></b>
Sewer System Operating Revenues	)	
For Terre Du Lac Utilities	)	

**NOTICE OF PARTIAL DISPOSITION**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and on behalf of Terre Du Lac Utilities and the Office of the Public Counsel (OPC), and for their *Notice of Partial Disposition* in this matter hereby state:

1. On October 11, 2016, Terre Du Lac filed a letter with the Missouri Public Service Commission (Commission) requesting that the Commission approve increases in its annual water and sewer operating revenues, which resulted in the Commission opening two cases, Case Nos. WR-2017-0110 and SR-2017-0109. Staff filed to consolidate the cases, which the Commission granted, consolidating under Case No. WR-2017-0110.

2. Staff conducted an investigation and audit of Terre Du Lac pursuant to 4 CSR 240-3.050(6), and Staff provided its findings to the Company and OPC.

3. At this time the Office of the Public Counsel (OPC) has not requested a local public hearing. Should OPC request a local public hearing Staff will file its Report on the Hearing pursuant to 4 CSR 240-3.050(19). Should any material issues arise at the local public hearing, Staff will include that information in its Report.

4. Subsequent to Staff's investigation and through negotiations between Staff, Terre Du Lac and OPC, the parties have reached an agreement as to some of the

elements of both the water and sewer small company rate increase requests. Attached to this pleading as Exhibit A and reflecting that agreement is a partial disposition for Terre Du Lac's water and sewer requests as approved by Staff and Terre Du Lac pursuant to 4 CSR 240-3.050(11). Also attached to this pleading are Attachments A through E, reflecting Staff's work in these matters.

5. The dispositions include agreements as to: the recommendations of Staff's Auditing Department as laid out in Attachment A; the recommendations of Staff's Consumer and Management Analysis Unit as laid out in Attachment D; a final customer notice following resolution of this matter; and rate design.

6. Terre Du Lac will file proposed updated tariff sheets with the Commission pursuant to 4 CSR 240-3.050(16), which reflect the agreements set forth in this partial disposition.

7. Staff, Terre Du Lac and OPC were unable to reach a final disposition as to the matters of (1) an agreed upon water and sewer revenue requirement increase amount; (2) the net rate base amount; (3) depreciation rates; (4) accounting treatment of certain capital projects; (5) electric costs; (6) employee benefits; and (7) capital structure. The parties request an evidentiary hearing and propose the procedural schedule attached as Exhibit B to present these outstanding issues to the Commission for its determination.

8. Staff has verified that Terre Du Lac filed its annual report and is current on payments of all annual assessments.

**WHEREFORE,** Staff recommends that the Commission approve this *Partial Disposition* as a final resolution of the specified matters of Terre Du Lac's Small Company Rate Increase Request for both water and sewer; approve the proposed *Procedural Schedule*; and grant such other and further relief as the Commission considers just in the circumstances.

Respectfully submitted,

**/s/ Whitney Payne**

Whitney Payne  
Legal Counsel  
Missouri Bar No. 64078  
Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-8706 (Telephone)  
(573) 751-9285 (Fax)  
whitney.payne@psc.mo.gov

### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 9th day of May, 2017, to all counsel of record.

**/s/ Whitney Payne**

**PARTIAL DISPOSITION AGREEMENT**  
**OF SMALL COMPANY REVENUE INCREASE REQUEST**

**TERRE DU LAC UTILITIES CORPORATION**

**MO PSC FILE NO. WR-2017-0110 & SR-2017-0109**

**BACKGROUND**

Terre Du Lac Utilities Corporation ("Company") initiated the small company revenue increase request ("Request") for water and sewer service, which is the subject of the above-referenced Missouri Public Service Commission ("Commission") File Number by submitting a letter to the Secretary of the Commission in accordance with the provisions of Commission Rule 4 CSR 240-3.050, Small Utility Rate Case Procedure ("Small Company Procedure"). In its request letter, received by the Commission on October 11, 2016, the Company set forth its request for an increase of \$134,000 in its annual water service operating revenues and \$8,700 in its annual sewer operating revenues. The Company also acknowledged that the design of its customer rates, service charges, customer service practices, general business practices and general tariff provisions would be reviewed during the Commission Staff's ("Staff") review of the revenue increase request, and could thus be the subject of Staff's recommendations. The Company provides service to approximately 1,298 water customers and 1,255 sewer customers, the vast majority of which are residential customers.

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

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



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

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

- (1) The Auditing Department conducted a full and complete audit of the Company's books and records. The test year used is the 12-month period ending September 30, 2016, updated to December 31, 2016;
- (2) For the purposes of implementing the agreements set out in this partial disposition agreement, the Company will file with the Commission, proposed tariff revisions containing the language set out in the example tariff sheet(s) attached as Attachments B and C.
- (3) The Company shall implement the below recommendations of the Auditing Department Report, attached hereto as Attachment A and incorporated by reference herein, and will provide proof of implementing the recommendations to the Manager of the Commission's Auditing Department:
  - (a) Within thirty (30) days of the effective date of an order approving this Partial Disposition Agreement, Company shall report all plant additions related to customer services to Account 345 – Customer Services for water operations and Account 353 – Customer Services for sewer operations per the USOA;
  - (b) Within one hundred eighty (180) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall record capitalized payroll related to customer connections as a separate journal entry to ensure this capitalized labor is properly reflected in Company's plant balance for ratemaking purposes. All journal entries related to customer connects should be made on a quarterly basis;
  - (c) Within one hundred eighty (180) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall record customer connection fees collected as a separate journal entry to ensure these amounts are properly reflected in Company's CIAC balance. All journal entries related to customer connections should be made on a quarterly basis;
  - (d) Within one hundred eighty (180) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall track all meters installed on its water system separately from other costs to ensure the proper Commission approved depreciation rate is applied for ratemaking purposes, and to ensure adequate records for tracking meter life, locations, and meter accuracy;
  - (e) The Company shall continue to submit, on or before August 15th of each year, to the Manager of the Auditing Department for the Staff copies of disks containing the final billed water usage, sewer service revenues and all miscellaneous revenues for each month on a separate basis for the period covering January

through June. On or before February 15th of each year, Terre Du Lac shall provide to the Manager of the Auditing Department for the Staff copies of disks containing the final billed water usage, sewer service revenues, and all miscellaneous revenues for each month on a separate basis for the period covering July through December;

- (f) The Company shall maintain a Plant Additions and Retirement spreadsheet along with supporting documentation to ensure all plant assets are properly reflected in future rate case proceedings. This supporting documentation shall include any bids received, sales or purchase agreements, loan agreements, invoices by vendor and proof of payment;
  - (g) The Company shall begin immediately following the effective date of an order approving this Partial Disposition Agreement the recording of employee Stephen Skiles' payroll taxes in the appropriate 5001W and 5001S Payroll Taxes accounts;
  - (h) The Company will keep a record of the customers that are added to and dropped off the systems between this rate case and the Company's next rate case
  - (i) The Company shall continue tracking costs related to each customer connection to the sewer system and the water system using the form provided in the last rate case. The Company's Thoroughbred Database System appears to have the functionality for tracking all costs related to individual customer connections on a going forward basis;
  - (j) The Company shall continue recording all parts purchased for customer connections as a separate journal entry to ensure a proper accounting of this cost.
- (4) The Company shall implement the recommendations contained in the Consumer and Management Analysis Unit (CMAU) Report, attached hereto as Attachment D and incorporated by reference herein, and provide proof of implementing the recommendation to the Manager of the Commission's CMAU:
- (a) Within thirty (30) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall Update and distribute, to all current and future customers, written information specifying the rights and responsibilities of the Company and its customers as required by Commission Rule 4 CSR 240-13.040(3);
  - (b) Within thirty (30) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall correct its monthly billing statements to include the dates of the beginning and ending meter readings, so that the billing statements adhere to Commission Rules 4 CSR-13.020 (9)(A);
  - (c) Within thirty (30) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall develop and utilize a notice of discontinuance or make a reasonable effort to contact the

customers 24 hours in advance of a service discontinuance in compliance with Commission Rule 4 CSR 240-13.050(8);

- (d) Within ninety (90) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall develop written job descriptions for each position that adequately reflect the employee's current job duties and responsibilities;
  - (e) Within ninety (90) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information regarding the vehicle type, date, employee name, general description and location of the task, and the miles attributable to the task;
  - (f) Within ninety (90) days of the effective date of an order approving this Partial Disposition Agreement, the Company shall evaluate storing a copy of all customer documentation and billing records off-site;
- (5) Staff or Public Counsel may conduct follow-up reviews of the Company's operations to ensure that the Company has complied with the provisions of this Partial Disposition Agreement;
- (6) Staff or Public Counsel may file a formal complaint against the Company if the Company does not comply with the provisions of this Partial Disposition Agreement;
- (7) The Company, Staff and Public Counsel agree that they have read the foregoing Partial Disposition Agreement, that the facts stated therein are true and accurate to the best of the Company's knowledge and belief, that the foregoing conditions accurately reflect the agreement; and that the Company freely and voluntarily enters into this Partial Disposition Agreement; and
- (8) The above agreements satisfactorily resolve all issues identified by Staff, Public Counsel and the Company regarding the Company's Request, except as otherwise specifically stated herein.

#### **ISSUES FOR EVIDENTIARY HEARING**

Staff, Terre Du Lac and OPC were unable to reach a final disposition as to the matters of: an agreed upon water and sewer revenue requirement increase amount; the net rate base amount; depreciation rates; accounting treatment of certain capital projects; electric costs; employee benefits; fair rate of return; and capital structure. The parties request an evidentiary hearing and propose the procedural schedule attached as Exhibit B to present these outstanding issues to the Commission for its determination.

### **ADDITIONAL MATTERS**

Other than the specific conditions agreed upon and expressly set out herein, the terms of this Partial Disposition Agreement reflect compromises between Staff and the Company.

The Company and Staff acknowledge that they have previously agreed to extensions of the normal "Day-150" date by which an agreement regarding the resolution of a small company revenue increase request is to be reached due to a delay in response to Data Requests. Copies of the extension agreements can be found in the above-referenced EFIS Case No. for the Request.

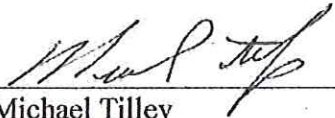
Staff has completed a Summary of Case Events and has included that summary as Attachment F to this Partial Disposition Agreement.

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

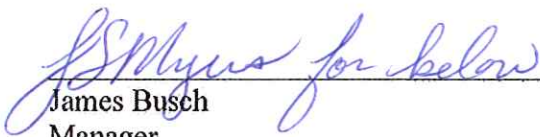
**SIGNATURES**

Agreement Signed and Dated:

  
\_\_\_\_\_  
Michael Tilley  
President  
Terre Du Lack Utilities Corporation

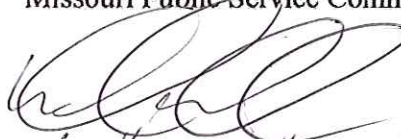
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Date

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

5/9/2017

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
William Williams, OPL Acting Director

Ryan Smith  
Senior Counsel  
Missouri Office of the Public Counsel

5/9/2017

\_\_\_\_\_  
Date

**List of Attachments**

- Attachment A – Auditing Department Report
- Attachment B – Example Water Tariff Sheet
- Attachment C – Example Sewer Tariff Sheet
- Attachment D – CMAU Report
- Attachment E – Water & Sewer Department Report
- Attachment F – Summary of Events

**EXHIBIT B**  
**PROPOSED PROCEDURAL SCHEDULE**

<b><u>Date</u></b>	<b><u>Event</u></b>
May 31	Direct Testimony of all Parties
June 23	Rebuttal Testimony of all Parties
June 28	List of Issues/Witnesses and Order of Cross/ Openings
June 30	Statement of Positions
July 5	Filed Exhibit List
July 6 and 7	Evidentiary Hearing
July 28	Initial Briefs
August 11	Reply Briefs

Attachment A

Auditing Department Report

## MEMORANDUM

**TO:** Jim Busch, Manager – Water and Sewer Department  
Curt Gateley, Case Coordinator – Water and Sewer Department

**FROM:** Keith D. Foster, Utility Regulatory Auditor IV – Auditing Department  
Amanda McMellen, Utility Regulatory Auditor V – Auditing Department

**SUBJECT:** Terre Du Lac Utilities Corporation  
Rate Increase Request  
Case Nos. WR-2017-0110 and SR-2017-0109

**DATE:** February 23, 2017 (Revised April 26, 2017)

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On October 11, 2016, Terre Du Lac Utilities (“TDLU” or “Company”) filed a small utility rate case request to increase its annual water system operating revenues by \$134,000 and its annual sewer system operating revenues by \$8,700. This Memorandum will address the Auditing Department’s review and findings as part of these dockets.

### **Company History, Rates and Operations**

TDLU is located in St. Francois and Washington Counties in Missouri, near the city of Bonne Terre, Missouri, and provides water service to approximately 1,298 customers and sewer service to 1,255 customers. TDLU is co-owned by two brothers, Mike Tilley and Paul Tilley. The Tilley brothers purchased the TDLU systems from James Kwon, the previous TDLU owner, in April 2001. Mike Tilley oversees the day-to-day operations and serves as the licensed operator for the water system. Stephen Skiles currently serves as the licensed operator for the sewer system. Paul Tilley primarily maintains an ownership interest in the Company and occasionally provides very limited assistance with TDLU’s operations. TDLU last filed for an increase in rates on October 21, 2013, as part of Case Nos. WR-2014-0104 and SR-2014-0105 under the Commission’s small utility rate case procedures. As part of the small utility rate increase requests, TDLU sought a 15% increase in annual water operating revenues and a 16.5% increase in its sewer operating revenues. The Auditing Department Staff (“Staff”) conducted an investigation of the Company’s books and records and ultimately determined that TDLU required an 18.95% increase for its water operations and a 20.47% increase for its sewer operations. On July 24, 2014, Commission Staff filed a “Notice of Updated Company/Staff Agreement Regarding Disposition of Small Company Rate Increase Request” describing the aforementioned rate increases. On August 20, 2014, the Commission issued its “Order Approving Tariff and Incorporating Disposition Agreement” with an effective date of September 1, 2014, for the new agreed-upon rates.

The following table provides a summary of the current rates approved by this Commission and the number of customers currently served by TDLU:



<b>System</b>	<b>No. Metered Customers</b>	<b>Customer Type</b>	<b>Current Monthly Rate</b>
Water	1274	Standard Residential 5/8"	\$ 11.41
	3	Residential – 1" Meter	\$ 28.53
	19	Standard – Business	\$ 11.41
	1	Business – 1" Meter	\$ 28.53
	1	Business – 2" Meter	\$ 91.30
Total	1298		
<b>System</b>	<b>Water Usage</b>	<b>Description</b>	<b>Current Commodity Rate Quarterly</b>
Water	No Minimum	Per 1,000 gallons	\$ 1.38
<b>System</b>	<b>No. of Customers</b>	<b>Customer Type</b>	<b>Current Monthly Rate</b>
Sewer	1242	Residential	\$ 19.41
	7	Residential – Aerator (\$18/qtr)	\$ 6.00
	3	Commercial – 2" Pressure	\$ 155.27
	3	Residential – 1" Main	\$ 48.52
Total	1255		

The Company's well number one is located at TDLU's office and is currently not in-service because of unresolved operational technical problems. TDLU has three (3) additional wells: well numbers two, three and the new well number four, that are capable of producing 100, 250 and 320 gallons per minute, respectively, on its water system. Storage capacity for the water system is provided by two elevated storage tanks, of 50,000 and 100,000 gallons volume. The Company currently has approximately 50 miles of water mains consisting of four (4), six (6) and eight (8) inch PVC piping.

The Company currently operates three wastewater treatment facilities: (1) a single-cell lagoon; (2) a three-cell lagoon with aerators and (3) an oxidation ditch. The single-cell lagoon, although small, is not considered capable of meeting regulatory discharge standards. Therefore, TDLU will need to determine alternative wastewater treatment options sometime in the future for customers currently served by the single-cell lagoon. TDLU expects to replace this facility with a lift station which would involve the construction of a new electric power line connection and a force main to transfer sewage to the collection system. There are a total of approximately 45 miles of collection sewers, of which 25 miles are four (4) inch force mains with customers connected through a pump unit, consisting of a septic tank with an electric pump, the remaining 20 miles are mostly eight (8) inch gravity sewers. The Company's single-cell lagoon serves approximately 20 homes. The three-cell lagoon serves approximately 530 homes and the oxidation ditch serves approximately 730 homes. There are nine (9) customers who are not connected to collecting sewers, but instead utilize individual on-site aerated tanks,

meaning each customer has a separate aerated tank. These customers can optionally pay an approved charge to TDLU for maintenance of the aerators.

Staff conducted a review of the Company's books and records. For purposes of its audit, Staff utilized a test year of twelve-months ending September 30, 2016, updated through December 31, 2016, for known and measurable changes. Staff reviewed all capital investments, revenues and expenses for the period January 1, 2014, through December 31, 2016, for purposes of conducting its review in this rate case proceeding.

Based upon this review, Staff determined that TDLU warrants an increase in annual water revenues in the amount of \$66,197 and a \$4,724 increase in annual sewer revenues. This would represent an increase of 23.32% in current water rate revenues and a 1.19% increase in current sewer rate revenues. A discussion of Staff's cost of service calculation and proposed adjustments follows below.

### **DIVIDENDS**

The Company has been paying dividends to Mike Tilley and co-owner, Paul Tilley, since 2006. Prior to that, the co-owners were taking similar payouts in the form of a "draw" that was recorded as an expense on the books of the Company. Amounts disbursed for dividends during the test year ending September 30, 2016, totaled \$32,000.

The following chart reflects by year the amount of dividends and draws that have been paid to Mr. Mike Tilley and Paul Tilley since 2003:

Year	Mike Tilley	Paul Tilley	Total
2003	\$14,996	\$14,996	\$29,992
2004	\$14,996	\$14,996	\$29,992
2005	\$14,996	\$14,996	\$29,992
2006	\$16,446	\$16,446	\$32,892
2007	\$14,996	\$14,996	\$29,992
2008	\$15,897	\$15,897	\$31,794
2009	\$15,596	\$15,596	\$31,192
2010	\$17,499	\$17,499	\$34,999
2011	\$19,200	\$19,200	\$38,400
2012	\$21,700	\$21,700	\$43,400
2013	\$18,400	\$18,400	\$39,600
2014	\$20,700	\$20,700	\$41,400
2015	\$19,500	\$19,500	\$39,000
2016 (thru Sep)	\$10,000	\$10,000	\$20,000
Total	\$234,922	\$234,922	\$469,844

In light of ongoing needs to meet the Missouri Department of Natural Resources (“DNR”) compliance requirements along with further system improvements, Staff recommends that Mike and Paul Tilley reconsider their practice of paying dividends at the current time and instead re-invest the funds in capital improvements for the water and sewer systems.

### **RATE BASE AND RELATED ISSUES**

Staff used the plant in-service balances at December 31, 2013, previously determined by Staff in Case Nos. WR-2014-0104 and SR-2014-0105, as its starting point in performing this review and included all capital investments that were completed since that time. In this rate case proceeding, Staff verified each capital investment completed during the period covering December 31, 2013, through December 2016, through a review of the Company’s general ledger, check registers, bank statements, plant records and invoices.

Per agreements in the last case, Staff continues to remove all costs from plant-in-service associated with a 2011 Cadillac CTS utilized by Kathy Tilley, who serves as TDLU’s Vice President. Staff believes this luxury vehicle is excessive in cost and should not be borne by the ratepayers. Staff has previously made TDLU aware of its concern regarding its attempts to include excessively expensive vehicles as part of the cost of service in its previous rate proceeding. During Staff’s review in the previous rate case, it was determined that Ms. Tilley uses the vehicle for both TDLU business (approximately one-third of its use) and personal use (approximately two-thirds of its use). Ms. Tilley’s duties for TDLU business include trips to Bonne Terre for the completion of banking transactions and trips to the U.S. Post Office. Ms. Tilley also periodically picks up materials and supplies for TDLU. Staff calculated the annual mileage and, using the 2016 IRS Standard Mileage Rate, Staff included \$374 in its cost of service calculation for mileage incurred by Ms. Tilley for all TDLU business related trips. Staff recommends that Ms. Tilley maintain travel logs documenting the nature of all business trips including the corresponding date of travel and all mileage incurred.

In addition, since the time of the last rate case, TDLU has made major investments primarily in one additional drinking water well (Well #4), repairs for Well #3 and complete renovations of three sewage lift stations. Staff has reviewed all necessary invoices and verified that these improvements are in-service.

In summary the following chart reflects Staff’s inclusion for rate base for TDLU’s waterand sewer operations at December 31, 2016:

	Water	Sewer
Plant In Service	\$1,436,212	\$976,803
Accumulated Depreciation Reserve	\$605,293	\$363,664
Net Plant in Service	\$830,919	\$613,139

Contributions in Aid of Construction (CIAC)	(\$255,450)	(\$260,808)
CIAC Depreciation	\$78,466	\$84,941
Inventory	\$514	\$567
Total Rate Base	\$654,449	\$437,839

## **REVENUES**

### **Water**

In order to annualize water revenues, Staff reviewed billing data provided by TDLU. At December 31, 2016, TDLU served 1,298 total water customers consisting of 1,274 residential customers with 5/8" meters, three (3) residential customers with 1" meters, nineteen (19) business customers with 5/8" meters, one (1) business customer with 1" meter, and one (1) business customer with 2" meter. These customer levels were then multiplied by each specific base tariff rate to determine annualized base water revenues. Staff also performed an analysis of the usage of each rate class over a four-year period covering January 31, 2013, through December 31, 2016. Based on usage history, Staff determined a normalized usage for the determination of commodity revenue. Staff's total annualized commodity usage was then priced at \$1.38 per 1,000 gallons. The commodity usage revenue and base revenue were then added to determine a total annualized water service revenue level of \$258,504.

Staff also included other miscellaneous revenues for TDLU's water system in the amount of \$6,600. This other miscellaneous revenue is generated from leases entered into with Big River Broadband and WiFi Midwest Inc. for allowing them to place their equipment on TDLU property.

### **Sewer**

Staff annualized sewer revenues based upon the number of customers reported on the TDLU sewer system at the period ending December 31, 2016, at current approved tariffed rates. The sewer customer count at December 31, 2016, is 1,255 customers consisting of 1,242 residential customers with 5/8" and 3/4" water meters, seven (7) residential aerator customers, three (3) commercial-pressure customers with a two (2) inch water meter, and three (3) residential customers with one (1) inch water meter. Based upon the current tariffs and these customer levels, Staff determined a \$297,127 level for total annualized sewer service revenues.

### **Miscellaneous Service Revenue**

During the test year ending September 30, 2016, TDLU collected \$47,677 in miscellaneous service revenues for sewer. This miscellaneous service revenue was

collected to reimburse TDLU for materials and supplies purchased by the Company for maintenance performed on customer sewer pumps. In this proceeding, Staff recommends an inclusion of \$38,277 for maintenance expense related to customer sewer pumps. TDLU's current tariff allows the Company to charge customers for all materials and supplies purchased for such repairs. As such, Staff recommends a reduction to miscellaneous service revenue in the amount of \$9,401 in order to reflect full recovery of any expense incurred for materials and supplies purchased by the Company to perform maintenance on customer sewer pumps.

#### **Miscellaneous Other Income**

During the test year ending September 30, 2016, TDLU collected \$10,708 and \$7,777 in miscellaneous other income, respectively for water and sewer. This miscellaneous other income is collected from customers when they need a part or pump, at which time TDLU charges an additional 20% above cost for handling, ordering and storage. In this proceeding, Staff recommends inclusion of test year levels (less minor adjustments) for water of \$7,602 and \$10,533 for sewer. Since this income involves TDLU labor and property, Staff recommends inclusion in revenues.

#### **Non-Tariff New Pressure Pump Revenue**

During the test year ending September 30, 2016, TDLU collected \$35,137 in non-tariff new pressure pump revenue. This non-tariff new pressure pump revenue was collected when the customer paid for the pump for new construction (Account 4060S). When TDLU pays the invoice from Flo-Systems for the pump, TDLU applies that payment to the corresponding New Connect/Pressure Pump Account (5118S). In order to reflect full recovery of any expense, Staff recommends an inclusion of a \$41,785 (test year level less minor adjustment) for new connect/pressure pump expense.

#### **Other Miscellaneous Revenue – Water and Sewer System**

Staff also included Other Miscellaneous Revenues in the amount of \$21,222 broken down as follows: (1) Late Fees equal to the test year of \$15,147; (2) Reconnection Fees equal to the test year of \$5,147; (3) Returned Check Fees in the amount of \$125; and (4) Refunds equal to the test year of \$803. These revenues were spread evenly between the water and sewer systems.

#### **UNCOLLECTIBLE EXPENSE**

During the test year, TDLU recorded \$316 in uncollectible expense split evenly between its water and sewer accounts. Based on discussions with the Company, Staff learned that TDLU had successfully collected these past due balances during the test year. Therefore, Staff recommends an adjustment to decrease the uncollectible expense to \$0 for both water and sewer.

## **LOST WATER ADJUSTMENT**

Staff determined from a comparison of actual customer usage to the master meter usage that TDLU's water system experiences significant water losses. This comparison revealed that 23.88% of the water that was pumped during the test year did not actually pass through customers' meters. Although this is a decrease from the last case, it is still significant. Consistent with its past treatment of lost water at other regulated water utilities, Staff established a maximum allowable 15% water loss factor to address this significant water loss level. After allowing a 15% water loss factor, Staff determined an excess 8.88% water loss percentage to reduce chemicals and electric expense. Staff maintains the position that TDLU customers should not be forced to pay for electricity expense associated with pumping lost water, above the 15% threshold as established by Staff, since the customers are not afforded the use of this water.

## **PAYROLL**

In addition to being the Company's licensed water system operator, Mike Tilley is responsible for daily operations of the water and sewer systems, which includes oversight, inspections, facility locates and meter reading. Mr. Tilley's current salary is \$46,218. Staff's opinion is that this salary should be increased to \$51,814 to compensate Mr. Tilley for the work he performs for the TDLU systems. Staff reviewed salary data for the southeast region from the Missouri Economic Research and Information Center ("MERIC"), a division of the Missouri Department of Economic Development, to check the reasonableness of the salary being paid to Mr. Tilley and other TDLU employees. Therefore, Staff recommends an adjustment to increase test year payroll expense in the amount of \$5,596 that will be split evenly between water and sewer operations.

Kathy Tilley is responsible for billing, customer service, work orders, data entry into TDLU's accounting software and purchasing of materials and supplies for water and sewer operations. Ms. Tilley is a full time employee and acts as office manager for TDLU and is paid an annual salary of \$46,218 for the duties that she performs. This is the same as the current annual salary paid to Mr. Tilley who performs considerably different functions. Staff's review of the salary data in MERIC for the type of work performed by Ms. Tilley shows a mean annual wage of \$45,046. Staff's opinion is that this salary is reasonable to compensate Ms. Tilley for the work she performs. Therefore, Staff recommends an adjustment to decrease test year payroll expense in the amount of \$1,172 that will be split evenly between water and sewer operations.

TDLU also employs a full-time clerical worker, Cynthia Hollock, to assist Kathy Tilley with the duties of the office. Ms. Hollock is currently compensated at a weekly salary of \$540 which is \$28,080 annually. Staff's review of the salary data in MERIC for the type of work performed by Ms. Hollock shows a mean annual wage of \$28,704. This wage appears to be reasonable to compensate her for the work she performs. Therefore, Staff

recommends an adjustment to increase test year payroll expense in the amount of \$624 that will be split evenly between water and sewer operations.

The Company currently employs five other full-time employees. TDLU currently employs a full-time sewer system operator, Stephen Skiles, who is paid an hourly rate of \$18.00. Staff believes this total level of annual pay of \$37,440 is adequate to compensate Mr. Skiles for the work he performs for TDLU. The four field technicians currently employed by TDLU are compensated at a per hour rate of \$15.72, \$12.00, \$10.00, and \$8.00, respectively. Mr. Robert Ludwig, the senior field technician, has responsibility for meter reading, system maintenance, facility locates, excavating, and, since the last case, backhoe operations. The remaining three field technicians, Robert Brake Jr., John Pratt, and Robert Gough (who began on October 31, 2016) perform similar system maintenance functions, as required, such as meter reading, customer pressure pump repairs, water and sewer leak repairs, and water and sewer lines new construction. Staff reviewed the field technicians' current duties and hourly wage rates compared to MERIC positions for similar duties. Staff believes the current total level of annual pay of \$24,960 is adequate to compensate Mr. Brake for the work he performs for TDLU. For Mr. Pratt, whose annual pay is \$20,800, Staff believes a \$23,181 annual rate, which is the annual wage mean level for MERIC SOC Code 49-9098, Helpers-Installation, Maintenance & Repair Work, is reasonable to compensate for the work he performs for TDLU. For Mr. Gough, the more junior field technician, whose annual pay is \$16,640, Staff believes a \$17,944 annual rate, which is the annual wage entry level for MERIC SOC Code 49-9098, Helpers-Installation, Maintenance & Repair Work, is reasonable to compensate for the work he performs for TDLU. Staff believes the proposed increases in wages should properly compensate Mr. Brake and Mr. Gough for the work they perform for the water and sewer operations of TDLU. Therefore, Staff has proposed adjustments to the test year to adjust these wages accordingly. For the field technicians all annual wages were allocated to water and sewer based on the hours each recorded on their timesheets for the test year period. For Robert Gough, who started after the test year, Staff used the hours recorded by Ryan Skaggs, who Mr. Gough replaced.

Staff's adjustments record all annualized salaries and wages in Account 5000 –Salaries & Wages. Therefore, Staff also included adjustments to remove all payroll expenses currently recorded in the test year for any other Company account. This includes test year expenses for sick pay, holiday pay, vacation pay, on call pay, maintenance – wells, labor – sewer treatment plants, maintenance – mains, maintenance – meters, education expense, maintenance – customer pressure pump, maintenance – other plant facilities and labor – meter reading.

### **PAYROLL TAXES**

Payroll taxes paid during the test year were \$18,026. Of this amount, \$9,145 represents the test year level of expense for water operations and \$8,881 for sewer operations. Staff made adjustments to increase these test year levels in the amount of \$1,371 for water

operations and \$2,682 for sewer operations to reflect the additional tax liability that will result from the salaries and wages that Staff recommends for the increase in annualized salaries and wages at MERIC rates.

Staff would also like to note that the Company has been inappropriately recording all payroll tax expenses for Stephen Skiles in Account 5045S – Maintenance Sewer Gravity instead of the 5001W and 5001S Payroll Taxes accounts. This grossly overstates the amounts in the maintenance accounts and understates the Company's payroll tax liabilities in the Payroll Taxes accounts. Staff included an adjustment to remove the \$3,324 incorrectly recorded in the 5045S account.

### **UNIFORM ALLOWANCE**

In the prior rate cases (Nos. WR-2014-0104 and SR-2014-0105), the Company included a uniform allowance that was paid to all TDLU employees in the form of payroll. The Company stopped including this in the paychecks of its hourly employees after the May 21, 2016 payroll. At that time, the Company started using Clean Uniform Company to supply clean uniforms for the field technicians. The cost for this service is comparable to what was being included in the employees' weekly paychecks. Staff created an adjustment to annualize the uniform expense based on a \$10 per week per employee cost. For the salaried employees, Staff also included an adjustment to annualize the payroll taxes due for including this reimbursement in their paychecks.

### **EMPLOYEE BENEFITS**

TDLU provides group health insurance to Mike Tilley, Kathy Tilley and Robert Brake Jr. Staff recommends that health insurance coverage for TDLU's key employees is reasonable and should be allowed to be recovered through rates.

The current (October 1, 2016) annual premium to provide this coverage to TDLU employees is \$47,860. TDLU incurred group health insurance expense during the test year ending September 30, 2016, in the amount of \$46,076. Staff recommends an adjustment to increase test year expense by \$892 for water operations and \$893 for sewer operations, to reflect the current premium.

TDLU also purchased supplemental health insurance at a cost of \$5,816 during the test year ending September 30, 2016, for Francis and Kaye Tilley who are Mike Tilley's father and step-mother and who are not employees of TDLU. Staff recommends disallowance of amounts paid to provide supplemental health insurance for Francis and Kaye Tilley as they provide no services to TDLU that can be verified. Therefore, Staff proposes adjustments to reduce test year level of group health insurance expense by \$2,908 for water operations and \$2,908 for sewer operations.



TDLU also purchased dental and life insurance for Mike Tilley, Kathy Tilley and Francis Tilley. Staff recommends disallowance of amounts paid to provide dental and life insurance for Francis Tilley since he is not an employee of TDLU. As such, Staff proposes a reduction in dental & life insurance expense in the amount of \$1,466 with an adjustment in the amount of \$733 to both water and sewer cost of service.

Finally, Staff removed payments made for health insurance claims that should have been the responsibility of the employee and those paid for non-employee family members.

## **MAINTENANCE**

### **Water Operations**

TDLU has experienced ongoing environmental issues relating to naturally occurring radionuclide levels within its well systems. TDLU has worked with DNR on this matter and previously employed the services of Taylor Engineering to evaluate the environmental issues and provide solutions. TDLU has developed a new Well #4 that it is hoped will resolve the radionuclide issues, however is unknown at this time as it just went into service in late December 2016.

TDLU completed repairs to its wells, pumping plant, meters, mains and other plant facilities during the test year. Staff normalized the on-going level of expense for maintenance to wells, supply & engineering, pumping equipment, mains, meters, and other plant facilities. Staff recommends a total water system maintenance normalized expense of \$3,504.

### **Sewer Operations**

TDLU also made repairs to collection/force and sewer gravity, pumping system, customer pressure pump units, treatment & disposal equipment and other plant facilities during the test year. Staff recommends a normalized sewer maintenance expense of \$3,731.

Staff determined the level of maintenance expense for customer pressure pumps (i.e., customer-owned sewer pumps) should be recommended as a three-year average of maintenance expense as there has been a fluctuation in this maintenance expense category for the 12-month periods ending September 30 for 2014 through 2016. As such, Staff recommends the on-going level of customer pressure pump maintenance be set at \$38,277. Staff also recommends that miscellaneous service revenues be set equal to this amount to reflect full reimbursement from the customer as allowed by TDLU's current tariff.

## **CHEMICALS**

Staff determined, as part of its review of the chemical expenses for water and sewer, that even though the Company has two accounts for recording these expenses (5020W – Hypochlorite-Wells and 5020S – Chemicals), all of the expenditures in the test year were recorded in incorrect accounts; either the 5005 Purchase Power accounts, or the 5010 Operating Supplies & Expenses accounts. Staff included adjustments to remove the improperly recorded chemical amounts from these accounts (5005 and 5010) and then, as described below, calculated the proposed adjustments to the appropriate 5020 accounts which had a test year balance of zero.

### **Water Operations**

TDLU purchased chemicals during the test year ending September 30, 2016, for its water system in the amount of \$2,971. Staff reviewed the water system chemical expenditures for each of the 12-month periods ending September 30 for the years 2014 through 2016. Due to fluctuations in costs incurred during these years Staff calculated a three-year average of \$2,941. Staff recommends this average as an appropriate amount for the ongoing level of chemical expense for the water system. To this \$2,941, Staff applied the previously described 8.88% water loss factor which reduced the amount by \$261 to reflect the cost to treat water that is lost and never consumed by the ratepayer. Therefore, the total normalized ongoing level of chemical expense recommended by Staff for the water system is \$2,680.

### **Sewer Operations**

TDLU purchased chemicals during the test year ending September 30, 2016, for its sewer system in the amount of \$2,965. Staff reviewed the sewer system chemical expenditures for each of the 12-month periods ending September 30 for the years 2014 through 2016. Due to fluctuations in costs incurred during these years, Staff calculated a three-year average of \$3,023. Staff recommends this average as an appropriate amount for the ongoing level of chemical expense for the sewer system.

### **TELEPHONE EXPENSE**

TDLU's telephone expense for the test year was \$4,687, which includes wireless phone service provided to Judy Tilley, Audrey Tilley, Francis Tilley and Hayden Tilley, none of whom are employees of TDLU. Staff disallowed the entire portion of wireless phone service attributable to those non-employee individuals as well as two-thirds of the wireless phone service provided to Kathy Tilley in order to more accurately reflect the business usage portion of her service. In addition, it is Staff's opinion the Company is overpaying for its wireless plan. In addition to the fact that the Company is paying for wireless services for family members, it is paying for a 30-gigabyte data usage plan with rollover when, on average, approximately 5.5 gigabytes are used, 80% of which are used by family members included in the plan. Therefore, Staff also recommended a reduction in the monthly rate from a 30-gigabyte data plan to a 3-gigabyte data plan to more

accurately reflect TDLU test year usage. Reflecting the removal of these wireless phone service charges, Staff determined that the ongoing level of wireless expense should be \$2,161 and the ongoing level of telephone expense for the TDLU office should be \$1,571 allocated each to the water and sewer systems.

### **INTERNET SERVICE**

In the prior rate case, Staff included \$718 in annualized expense for internet service provided by Big River Broadband. Subsequently, the Company switched to Charter Communications who supply both internet and television service. Staff adjusted these charges in the G & A Office Expense accounts (5070) to annualize the internet expense at the current rate and to exclude the television costs as Staff could not determine how this expense benefits the ratepayers.

### **VEHICLE FUEL EXPENSE**

Vehicle fuel expenses incurred by TDLU are charged to TDLU's BP Solutions credit card. BP Solutions provides a detailed invoice to TDLU each month that provides an accurate record of gallons purchased, date purchased, which employee purchased the fuel and price paid. Staff disallowed the fees and charges that were incurred for using a BP card at a non-BP station as well as one late fee/interest charge. Staff proposes the annualized gallons for vehicle fuel expense be based upon the test year ending September 30, 2016. Staff also excluded all vehicle fuel expense for Kathy Tilley since Staff included mileage expense for Kathy Tilley as previously described in the Rate Base and Related Issues section of this memorandum. Staff has included \$4,795 in fuel expense for water and \$5,513 for sewer.

### **ELECTRICITY EXPENSE**

With the exception of the new Well #4, Staff reviewed TDLU's Ameren Missouri electric service invoices, TDLU's general ledgers and check registers and determined a normalized electricity expense for each metered location. For each location, Staff recorded the detailed information included in each bill for the last three years ending October 31. This date was used instead of September 30 simply because the first bills collected began in November 2013. Using the recorded data, Staff then used the actual usage data split between winter and summer rates to calculate various average annual usages: current year, two-years and three-years. From this, Staff determined, based on the historical usages, which of the usages reflects an appropriate amount to recommend representing electric expense for each location going forward. Upon making a selection, Staff then recalculated the expense using current Ameren Missouri tariff rates. Then, for those meters that supported water functions, the previously described 8.88% water loss factor was applied to reduce the cost of electricity for water loss. For the TDLU headquarters office and Maintenance Shop, this water loss factor was applied to only half the computed electric rates since costs are allocated equally between sewer and water

systems for these facilities and the water loss factor is not applied to the sewer systems. For Well #4, which has no historical usage, Staff used the Company's amount contracted with Ameren Missouri for the first year of service to which Staff applied the water loss factor. The following paragraphs denote the average usages selected and the normalized amounts for which Staff based its adjustments.

### **Water Operations**

- (1) Well #3 normalized usage based upon a three-year average was determined by Staff to be \$21,256 for the on-going level of electricity expense.
- (2) Well #2 - chlorinator normalized usage based upon a three-year average was determined by Staff to be \$962 for the on-going level of electricity expense.
- (3) Well #2 – pump normalized usage based upon a three-year average was determined by Staff to be \$4,386 for the on-going level of electricity expense.
- (4) Maintenance shop and private lighting at the maintenance shop normalized usage based upon a three-year average was determined by Staff to be \$862 for the on-going water portion of electricity expense.
- (5) TDLU Headquarters Office normalized usage based upon a three-year average was determined by Staff to be \$806 for the on-going water portion of electricity expense.
- (6) Well #4, after applying the water loss factor to the Company's contracted rate for the first year of electrical service, was determined by Staff to be \$12,253 for the on-going level of electricity expense.

### **Sewer Operations**

- (1) Maintenance shop and private lighting at the maintenance shop normalized usage based upon a three-year average was determined by Staff to be \$946 for the on-going sewer portion of electricity expense.
- (2) TDLU Headquarters Office normalized usage based upon a three-year average was determined by Staff to be \$885 for the on-going sewer portion of electricity expense.
- (3) Oxidation ditch normalized usage based upon a three-year average was determined by Staff to be \$4,299 for the on-going level of electricity expense.
- (4) Lift station #1 normalized usage based upon a two-year average was determined by Staff to be \$1,434 for the on-going level of expense. A two-year average was chosen for this meter because there was a significant increase in usage from 2014 to 2015 which remained steady into 2016.
- (5) Three-cell lagoon normalized usage based upon the current year usage was determined by Staff to be \$2,632 for the on-going level of electricity expense. The current year usage was chosen for this meter because the usage showed a steady increase each year.
- (6) Lift station #2 normalized usage based upon a two-year average was determined by Staff to be \$972 for the on-going level of electricity expense. A two-year average was chosen because there was a steady usage in 2014 and 2015 but then usage went down in 2016.

(7) Lift station #3 normalized usage based upon a three-year average was determined by Staff to be \$1,780 for the on-going level of electricity expense.

### **PROPERTY AND CASUALTY INSURANCE**

TDLU currently carries property and casualty insurance for the TDLU office, maintenance shop, wells & well equipment, elevated water towers, sewer treatment plant & treatment plant equipment, electrical panels & testing equipment, lagoon building & equipment, electronic controls and lift station equipment.

The current annual premium paid by TDLU for property and casualty insurance is \$14,976. TDLU also had to pay \$100 to Savers P&C for a Right of Way Bond in order to cut into the road to access lines. The amount paid during the test year ending September 30, 2016, was \$15,737. Therefore, Staff is recommending an adjustment to decrease property and casualty insurance expense by \$661. Staff allocated the adjustment between the two systems based upon a percentage of total rate base which resulted in an increase of \$1,165 for the water system, and a decrease of \$1,825 for the sewer system.

### **WORKERS' COMPENSATION**

TDLU maintains its worker's compensation policy with AmTrust North America. The amount paid by TDLU for workers' compensation insurance during the test year ending September 30, 2016, was \$11,362. This total included a \$4,185 payment due from the result of an audit and is, therefore, non-recurring. The current annual premium is \$8,539 which, in Staff's opinion, is the appropriate on-going level of expense to be included in the cost of service. Therefore, Staff is recommending an adjustment to decrease workers' compensation insurance expense by \$2,823. Staff allocated the adjustment between the two systems based upon a percentage of total rate base which resulted in a decrease of \$565 for the water system, and a decrease of \$2,258 for the sewer system.

### **VEHICLE INSURANCE**

TDLU maintains its vehicle insurance policy with Allstate. The amount paid by TDLU for vehicle insurance during the test year ending September 30, 2016, was \$4,698. The current annual premium is \$4,889, which Staff reduced by \$1,672 to remove the expense associated with the CTS Cadillac used by Kathy Tilley. Therefore, Staff is recommending an adjustment to decrease total vehicle insurance expense by \$1,480. Staff allocated the adjustment between the two systems based upon a percentage of total rate base, which resulted in a decrease of \$421 for the water system, and a decrease of \$1,059 for the sewer system.

### **BILLING AND COLLECTIONS EXPENSE**

TDLU recorded no expense for card stock used to print water and sewer bills during the test year ending September 30, 2016. Therefore, Staff reviewed invoices and developed an annualized expense based upon current customer counts and the most recent purchase of card stock by TDLU. Based upon annualized customer counts determined by Staff in this proceeding and the current cost per bill of \$0.05, the annualized cost for cardstock is \$407 for water, and \$390 for sewer. Staff recommends adjustments in these amounts to properly reflect the on-going level of expense for TDLU to prepare billings for water and sewer operations, respectively.

### **POSTAGE EXPENSE**

During the test year, TDLU recorded \$2,419 and \$2,418 for postage costs for its water and sewer operation, respectively. Staff annualized postage expense by determining annualized billing and mailing costs based upon the current customer levels. Based upon this analysis, Staff recommends an annualized postage expense level of \$2,142 for water operations and \$2,054 for sewer operations.

### **MEMBERSHIP FEES**

TDLU pays membership fees to the Missouri Rural Water Association (MRWA). Staff included \$320 for water and \$320 for sewer as an annualized amount for these membership fees. This annual membership consists of fees for training provided by the MRWA for some continuing education courses relating to motors and pumps and licensing of TDLU's system operators.

### **ASSOCIATION FEES**

TDLU pays association fees to the Terre Du Lac Property Owners' Association. During the test year ending September 30, 2016, TDLU was assessed an amount of \$1,680 (for water and sewer both) for its office and maintenance shop. Staff allowed this test year level of expense in the cost of service calculation in order to include an ongoing level for these association fees.

### **PERMITS AND FEES**

#### **Water Operations**

TDLU incurred a fee for lab services and program costs in the amount of \$200, which Staff included in the cost of service. This \$200 fee represents TDLU's annual water program administration fee that is charged by DNR for water testing services. The DNR water testing program provides smaller utilities like TDLU with a direct and affordable approach to maintain compliance with water system testing requirements. Under the program the utility is provided with all sample containers and either prepaid shipping labels or a nearby drop-off location for all required samples. Staff annualized a total of

\$596 for all permits and licenses, \$15 for the merchant and manufacturer's license and some other various charges for repairing water leaks and inspecting/licensing vehicles. Staff adjusted out \$600 for the construction permit for Well #4 and included the amount in plant-in-service.

### **Sewer Operations**

Missouri state statute also requires TDLU to pay annual state operating permit fees to DNR under the Missouri Clean Water Act. TDLU is required to pay \$5,000 for its oxidation ditch, \$4,000 for the TDLU North Lagoon (which was incorrectly recorded in the water account) and \$150 for Terre Du Lac South Lagoon. Staff annualized a total of \$9,451 for permits and licenses, which includes the aforementioned charges, a \$45 license fee for its backup sewer system operator, and other various charges for permits and inspecting/licensing vehicles. Staff included these costs in TDLU's cost of service.

### **OUTSIDE SERVICES - LEGAL**

TDLU has secured the legal services of Bruntrager & Billings P.C. to represent the Company in litigation involving compliance issues brought forth by DNR and the Missouri Office of the Attorney General (AGO) on behalf of DNR. Total costs incurred during the test year were \$400. Staff believes these fees are associated with non-compliance with DNR regulations and could have been avoided by the Company. Therefore, Staff removed the test year level of these fees from the cost of service calculation. TDLU also used legal services from Brydon, Swearngen & England for assistance with MoPSC Case No. WF-2017-0143 regarding its Finance Application. Staff believes these costs are appropriate and recommends these costs be recovered over two years.

### **LAB TESTING – HYDRO SERVICES**

During the test year ending September 30, 2016, TDLU recorded \$7,875 in Account 5140S for Lab Analysis Expense for services provided by Environmental Management Services for lab testing. Staff has determined that the level of annual expense should be \$9,000 based upon the fifty-two (52) total wastewater tests for the north lagoon and oxidation ditch. The frequency of testing increased since the last rate case due to new DNR regulations, effective February 1, 2015, that changed testing for E. coli from monthly to weekly. Therefore, Staff is recommending an adjustment to increase test year level expense recorded in Account 5140S by \$1,125.

### **PSC ASSESSMENT**

Staff recognized \$2,922 for water operations and \$4,032 for sewer operations in the cost of service calculations to reflect the most current fiscal year 2017 PSC assessment that was issued on July 1, 2016. Amounts paid during the test year ending September 30,

2016, were \$2,099 and \$2,822, respectively. Some of these costs were incorrectly classified in the general ledger as permits and licenses therefore understating the test year numbers for Accounts 5147W and 5147S. Therefore, Staff recommends an adjustment to increase the annual assessment for the water system by \$2,192, and an increase in annual assessment for the sewer system in the amount of \$3,024.

### **REAL ESTATE AND PERSONAL PROPERTY TAX**

During the test year, TDLU recorded \$2,252 for water and \$2,252 for sewer for real estate and personal property taxes paid for a total of \$4,504 that were due December 31, 2015. Staff recommends this be allocated to water and sewer operations based upon the actual location of the service or the percentage of total payroll when the asset is used for both water and sewer operations. Staff also recommends that the property tax expense associated with the Cadillac CTS used primarily for personal use by Kathy Tilley be removed as this is also excluded from plant-in-service, and mileage expense is included as described previously. After allocating the remaining amounts, Staff recommends an increase of \$1,156 for the water operations, to reflect the current tax liability paid for the year ending December 31, 2016, for a total amount of \$3,408 for the water system. Staff recommends an adjustment to decrease real estate and property tax expense by \$314 for the sewer operations to reflect a current tax liability paid for the year ending December 31, 2016 for a total amount of \$1,938 for the sewer system.

### **RATE CASE EXPENSE**

The Company incurred rate case expense of \$858 to print and mail out the initial rate case letters to its customers. Since the Company mailed these letters with the November 2016 bills, Staff reduced this amount by \$325 for the postage already included in this case for the annualized postage expense for mailing bills. The remaining \$533 was amortized over three years, or \$178, split evenly between the water and sewer systems. As this current case progresses, Staff will consider including any additional rate case items prudently incurred by the Company to be amortized over a three-year period.

### **AUDITING DEPARTMENT STAFF RECOMMENDATIONS**

The Auditing Department Staff recommends the following items:

1. Staff recommends that the Commission grant TDLU a \$66,197 increase in water revenue requirement and a \$4,724 increase in sewer revenue requirement.
2. Company will keep a record of the customers that are added to and dropped off the systems between this rate case and the Company's next rate case.



3. Company shall continue tracking costs related to each customer connection to the water system using the form provided in the last case. The Company's Thoroughbred Database System appears to have the functionality for tracking all costs related to individual customer connections on a going forward basis.
4. Company shall continue tracking costs related to each customer connection to the sewer system using the form provided in the last case.
5. Company shall record capitalized payroll related to customer connections as a separate journal entry to ensure this capitalized labor is properly reflected in Company's plant balance for ratemaking purposes. All journal entries related to customer connects should be made on a quarterly basis. Staff recommends this condition be met no later than six (6) months after new rates become effective.
6. Company shall record customer connection fees collected as a separate journal entry to ensure these amounts are properly reflected in Company's CIAC balance. All journal entries related to customer connections should be made on a quarterly basis. Staff recommends this condition be met no later than six (6) months after new rates become effective.
7. Company shall continue recording all parts purchased for customer connections as a separate journal entry to ensure a proper accounting of this cost.
8. Company shall track all meters installed on its water system separately from those costs recorded in Item 5 above to ensure the proper Commission approved depreciation rate is applied for ratemaking purposes, and to ensure adequate records for tracking meter life, locations, and meter accuracy. Staff recommends this condition be met no later than six (6) months after new rates become effective.
9. Company shall use the appropriate annual report form for Water and Sewer utilities, as specified by Missouri State Codes of Regulation, 4 CSR 240-3.640, 4 CSR 240-50.030, 4 CSR 240-3.335 and 4 CSR 240-61.020, to ensure the proper recording of plant assets, revenues and expenses on a going forward basis. Company should also consider registering with the Missouri Public Service Commission so annual reports may be filed utilizing the Commission's Electronic Filing Information System (EFIS). Staff is available to assist the Company with this recommendation. Staff recommends the Company do this in conjunction with the Company filing its next Annual Report to the Missouri Public Service Commission.

10. Company shall report all plant additions related to customer services to Account 345 – Customer Services for water operations and Account 353 – Customer Services for sewer operations per the USOA. Staff recommends this condition be met within thirty (30) days of the effective date of new rates.
11. Company shall immediately maintain a Plant Additions and Retirement spreadsheet along with supporting documentation to ensure all plant assets are properly reflected in future rate case proceedings. This supporting documentation shall include any bids received, sales or purchase agreements, loan agreements, invoices by vendor and proof of payment. Staff recommends this condition be met no later than six (6) months after new rates become effective.
12. On or before August 15th of each year, Terre Du Lac shall provide to the Manager of the Auditing Department for the Staff copies of disks containing the final billed water usage, sewer service revenues and all miscellaneous revenues for each month on a separate basis for the period covering January through June. On or before February 15th of each year, Terre Du Lac shall provide to the Manager of the Auditing Department for the Staff copies of disks containing the final billed water usage, sewer service revenues, and all miscellaneous revenues for each month on a separate basis for the period covering July through December.
13. Staff recommends the Company continue to record master meter readings at a minimum of five days per week in a master meter log, and that the Company make the master meter log available for review upon Staff's request.
14. Staff recommends the Company take steps to ensure that the employee timesheets, paystubs and associated General Ledger payroll entries all match to accurately record and report allocation of water and sewer work.
15. Staff recommends the Company apply a permanent fix to stop the continued inaccurate recording of Stephen Skiles payroll taxes in the 5045S – Maintenance Sewer Gravity account and to start recording these amounts in the appropriate 5001W and 5001S Payroll Taxes accounts.

Attachment B

Example Water Tariff Sheet

Schedule of Rates

Availability:

Available to any customer located in the Company's certificated service territory.

Water Service Rates:

5/8" & 3/4" meters                      \$xx.xx per month

1" Meter                                      \$ xx.xx per month

2" Meter                                      \$ xx.xx per month

Usage Charge                              \$ xx.xx per 1,000 gallons of water used per month

Taxes:

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

Attachment C

Example Sewer Tariff Sheet

Schedule of Rates

Availability:

Available to any customer located in the Company's certificated service territory.

Sewer Service Rates:

Residential and Commercial (5/8" & 3/4" meters)	\$xx.xx per month
Commercial, Multi-Family & Residential (1" meter)	\$xx.xx per month
Commercial, Multi-Family & Residential (2" meter)	\$xx.xx per month

Taxes:

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

Attachment D  
CMAU Report

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

## **Consumer and Management Analysis Unit**

**Case Nos. WR-2017-0110**

**and SR-2017-0109**

**Terre Du Lac Utilities Corporation**

**Scott Glasgow and Brooke Richter**

The Consumer and Management Analysis Unit (CMAU) staff of the Missouri Public Service Commission (“Commission”) initiated an informal review of the customer service and business processes, procedures, and practices of Terre Du Lac Utilities Corporation (“TDLU”) located in Bonne Terre, Missouri. The review was performed in response to TDLU’s request for a rate increase in Case Nos. WR-2017-0110 and SR-2017-0109, filed October 11, 2016, and consolidated under WR-2017-0110. TDLU is requesting an increase of \$134,000 in its annual water system operating revenues and \$8,700 in its annual sewer system operating revenues, which represents an increase of approximately 51% for water and 4% for sewer.

The CMAU staff examined TDLU’s tariffs, Commission complaint and inquiry records, as well as other documentation related to TDLU’s customer service and business operations. In preparation of this report, the CMAU staff submitted data requests to TDLU on October 31, 2016, and conducted an on-site interview with TDLU personnel on December 13, 2016. The CMAU staff’s review of TDLU resulted in the following seven recommendations for TDLU management:

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

1. Develop written job descriptions for each position at TDLU that adequately reflect the employee’s current job duties and responsibilities. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.
2. Develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information regarding the vehicle type, date, employee name, general description and location of the task, and the miles attributable to the task. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.



3. Update and distribute, to all current and future customers, written information specifying the rights and responsibilities of TDLU and its customers as required by Commission Rule 4 CSR 240-13.040(3). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.
4. Correct its monthly billing statements to include the dates of the beginning and ending meter readings, so that the billing statements adhere to Commission Rules 4 CSR-13.020 (9)(A). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.
5. Evaluate storing a copy of all customer documentation and billing records off-site. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.
6. Develop and utilize a notice of discontinuance or make a reasonable effort to contact the customers 24 hours in advance of a service discontinuance in compliance with Commission Rule 4 CSR 240-13.050(8). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.

### **Summary of Review**

The purpose of the CMAU is to promote and encourage efficient and effective utility management decisions. This purpose contributes to the Commission's overall mission to ensure that Missourians receive safe and reliable utility service at just, reasonable and affordable rates. CMAU staff has previously performed a customer service review of TDLU in Case Nos. WW-2013-0196 and WR-2014-0104.

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

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

- Meter Reading
- Customer Billing

- Payment Remittance
- Credit and Collections
- Complaints and Inquiries
- Customer Communication
- Records and Documentation Retention

### **Overview**

TDLU operates both a water system and a wastewater collection and treatment system to serve approximately 1,300 customers near Bonne Terre, Missouri. TDLU has an office located at 1628 South St. Francois Road, Bonne Terre, Missouri, which is open from 8:00 a.m. to 4:00 p.m. Monday through Friday. TDLU has a President, Mike Tilley, a Vice President, Kathy Tilley, and office personnel, Cynthia Hollock. However, TDLU does not have written job descriptions for these employee positions. TDLU currently employs five other full-time employees that do have job descriptions. These five employees are responsible for field operations, such as meter reading, system maintenance, work orders, and water/sewer repairs. Two of the employees act as the full-time sewer system and backhoe operators. The five field operations employees work from 7:00 am to 3:30 pm. Both field and office personnel utilize time sheets to allocate time to either water or sewer operations and for payroll purposes. Currently TDLU does not use vehicle logs to track vehicle miles associated with performing work activities.

Outside of normal office hours, TDLU utilizes an automated attendant to answer customer calls and give instructions for the customer to leave a message if it is not an emergency situation. For emergency service, the customer is given a number to contact the on-call employee who responds to emergency situations. TDLU always has at least one on-call field operator. The field operators perform maintenance and repairs, as needed, on holidays and weekends.

### **Meter Reading**

TDLU renders a bill to customers on a monthly basis including a customer charge and usage charge based upon monthly meter reads. There are four employees that perform meter reads. In TDLU's last rate case, WR-2014-0104, TDLU indicated that meter reads would move

from quarterly to a monthly read. That change has occurred, resulting in the bills being rendered monthly based on monthly meter reads.

TDLU attempts to begin reading meters around the 17<sup>th</sup> of each month. TDLU indicates it requires the meter readers to complete the meter readings in a two week period. Meter readings are manually recorded on a meter reading worksheet that includes the last reading and a space to enter the new reading. Meter reads are turned into the Business Office and are entered into the billing system on the 15<sup>th</sup> of the following month. TDLU indicated to CMAU staff that if there is any abnormal meter reading, their meter readers do re-checks.

### **Customer Billing**

Thoroughbred Utility Manager 32 is the billing software utilized by TDLU since year 2000 to maintain customer account records and prepare monthly billing statements. Bills are reviewed to discover possible reading errors and questionable reads may dictate an additional trip to check the meter reading. Office staff prints billing statements at the Business Office and mails the statements by the 17<sup>th</sup> of the month. Bills are due by the 14<sup>th</sup> of the following month.

TDLU currently does not have bill estimation procedures in its tariff. TDLU indicated that the need to estimate usage has historically been rare and will not occur in the future.

### **Payment Remittance**

Customers may pay their bills by sending their payment through the mail, through an online bill payer, using one of two drop boxes, or paying their bill at the local bank. TDLU picks up the mail and checks the two drop boxes multiple times a day. Customers are able to make payments by credit card, cash, check or online. Payments are normally posted to the customer's account on the day payment is received.

### **Credit and Collections**

TDLU collects a written application from each new customer and requires a social security number or driver's license, but does not collect customer deposits from its customers. Although TDLU asserted that no deposit is collected from customers, TDLU's tariff provides for the collection of a customer deposit in an amount not to exceed one billing period plus thirty days, computed on estimated or actual usage.

TDLU's late fee of three percent times the unpaid balance or \$5.00 (whichever is greater) is applied to delinquent accounts. Currently, TDLU accepts payments of cash or check in the field to avoid service discontinuance. TDLU's tariff allows for and TDLU charges a returned check charge of \$25.00 per check for insufficient funds checks.

TDLU indicated that after meter reads are entered into billings system, bills are printed and mailed on the 17<sup>th</sup> of the month (or the next business day). The bills are due on the 14<sup>th</sup> of the following month. If no payment is received, a late fee will be assessed on the next billing statement. If the bill is not paid by the time of the next month's bill, the customer will be sent a 15 day disconnect notice. If payment is not received by the date on the delinquent notice, TDLU will knock on the customer's door before the disconnection and if there is no answer TDLU will place a notice on the door that the service is discontinued. TDLU indicated that there is no additional contact attempt before the service is discontinued. Below is an illustration of this process.

Source: TDLU Interview held December 13, 2016

### **Complaints and Inquiries**

Customers may call, mail, fax or email complaints or inquiries to TDLU. Most contacts begin with a phone call. Calls are generally answered by Office personnel who can access their billing history and attempt to resolve a customer's inquiry. TDLU maintains a customer complaint log. The Commission's Electronic Filing Information System (EFIS) received three customer complaints in 2014, three customer complaints in 2015 and zero customer complaints during 2016. As of the time of this report, there are a total of twenty public comments filed by customers in this case. Most comments state that customers are against the amount of the increase and a few public comments indicate that TDLU can improve its communication with its customers.

### **Customer Communication**

TDLU has a written informational brochure. However, the informational brochure does not include all the requirements of Commission Rule 4 CSR 240-13.040(3). Brochures are available to customers at the office and new customers receive one when applying for service. If necessary, TDLU is able to provide messages to customers on their monthly billing statements.

### **Records and Documentation Retention**

TDLU maintains records in a fireproof cabinet for several years. It also does five to six back-ups on CD of all billing records every month. Thoroughbred Utility Manager has also kept records of service locations and billing since 2005. TDLU currently does not maintain any storage off-site for its records.

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

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

- Job Descriptions
- Vehicle Logs
- Customer Communication

- Customer Billing
- Storage Off-site
- Credit and Collections Delinquent Notification Process

### **Job Descriptions**

TDLU does not have written job descriptions defining the activities and responsibilities for the President, Vice President, and Office personnel. The lack of job descriptions makes it more difficult to determine each employee's job functions and an evaluation of their performance. It is a basic business practice to have job descriptions for each position as they provide employees and supervisors a framework for understanding each employee's role at TDLU. The job description can assist in employee training and development, workflow analysis, the clarification of relationships between jobs and work assignments, as well as determining appropriate staffing levels. Written job descriptions become even more important within companies that perform regulated and unregulated activities to document expectations and responsibilities. This recommendation was previously identified in the Disposition Agreement in case WR-2014-0104. TDLU has written job descriptions for some employees but they still need job descriptions for the positions mentioned above. The CMAU staff encourages TDLU to develop and maintain job descriptions for all personnel to adequately reflect the employees' current job duties and responsibilities.

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

*Develop written job descriptions for each position at TDLU that adequately reflect the employee's current job duties and responsibilities. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.*

### **Vehicle Logs**

TDLU employees do not currently log the mileage associated with jobs while utilizing TDLU vehicles. This lack of written documentation makes it difficult to ensure that TDLU vehicles are being used for TDLU-related activities and the actual cost associated with specific jobs. An appropriately detailed vehicle log that provides information including the vehicle type, date, employee name, a general description and location of the task, and the miles driven

attributable to the task would be useful for review in Company regulatory activities such as rate cases. This recommendation was previously identified in the Disposition Agreement in case WR-2014-0104.

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

*Develop and utilize a written vehicle log to maintain information regarding vehicle usage. The log should include information regarding the vehicle type, date, employee name, general description and location of the task and the miles attributable to the task. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.*

**Customer Communication**

TDLU's informational brochure detailing the rights and responsibilities of TDLU and its customers does not include all requirements of Commission Rule CSR 240-13.040(3). The subparts under CSR 240-13.040 (3) that still need to be included consist of:

- (a) Billing and estimated billing procedures; (g) Explanation of meter reading procedures which would enable a customer to read his/her own meter;

TDLU is working with CMAU staff to include all requirements of Commission Rule CSR 240-13.040(3) in the brochure for distribution to existing and future customers.

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

*Update and distribute, to all current and future customers, written information specifying the rights and responsibilities of TDLU and its customers as required by Commission Rule 4 CSR 240-13.040(3). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.*

**Customer Billing**

TDLU's monthly billing statements do not indicate the dates of the beginning and ending meter readings, which violates Commission Rule 4 CSR 240-13. 020(9)(A), which states:

"Every bill for residential utility service shall clearly state (A) the beginning and ending meter readings of the billing period and the dates of these readings."

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



Correct its monthly billing statements to include the dates of the beginning and ending meter readings, so that the billing statements adhere to Commission Rules 4 CSR-13.020(9)(A). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.

### **Storage Off-Site**

TDLU currently does not keep any storage of customer information or billing records off-site. Off-site storage of customer information will assist in recreating customer records in case of an emergency in which the Office Building and its contents are destroyed.

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

Evaluate storing a copy of all customer documentation and billing records off-site. This recommendation should be completed within ninety (90) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.

### **Credit and Collections Delinquent Notification Process**

TDLU will send the customer a 15 day disconnect notice if the bill is not paid by the second month's late bill. If payment is not received by the date on the delinquent notice, TDLU will knock on the customer's door before the disconnection and if there is no answer TDLU will place a notice on the door that the service is discontinued. TDLU indicated that there is no additional contact attempt before the service is discontinued. This violates Commission Rule 4 CSR 240-13.050(8), which states:

At least twenty-four (24) hours preceding discontinuance, a utility shall make reasonable efforts to contact the customer to advise the customer of the proposed discontinuance and what steps must be taken to avoid it. Reasonable efforts shall include either a written

notice following the initial notice pursuant to section (4), a door hanger or at least two (2) telephone call attempts reasonably calculated to reach the customer.

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

*Develop and utilize a notice of discontinuance or make reasonable effort to contact the customers 24 hours in advance of a service discontinuance in compliance with Commission Rule 4 CSR 240-13.050(8). This recommendation should be completed within thirty (30) days of the effective date of the Commission order that resolves Case No. WR-2017-0110.*

**Implementation Review**

The CMAU staff will conduct a review of TDLU's progress regarding the implementation of the recommendations made in this report within one hundred and fifty (150) days of the effective date of any Commission order issued in Case No. WR-2017-0110.

Attachment E

Water and Sewer Department Report

## **REPORT OF WATER AND SEWER UNIT**

**File Nos. WR-2017-0110**

**Terre du Lac Utilities Corporation**

**Martin Hummel / Curtis Gateley**

### **Introduction**

This Report was prepared jointly by Staff members Martin Hummel and Curtis Gateley.

Terre du Lac Utilities Corporation (Company or TDLU) holds certificates of public convenience and necessity (CCN) with original water and sewer tariffs that went into effect in 1974. TDLU provides drinking water service and sewer service to the Terre du Lac lake development community located east of Potosi and west of Bonne Terre, Missouri. Currently there are approximately 1,300 service connections on each system, water and sewer.

This report, and this current rate case are a follow-up to TDLU's previous rate case, Case No. WR-2014-0104. In that case, TDLU agreed to undertake certain facility improvements. Improvements to the drinking water system are needed primarily to address daily supply capacity. Improvements to the wastewater system are needed to address operating deficiencies including violations of environmental regulations, resulting largely from degradation due to age. TDLU as part of its last rate case agreed to then subsequently file a rate case to address recovery of capital expenses. While the time between these rate cases has been significantly longer than anticipated by the Company and Staff, it is understandable in that the improvements, primarily one additional drinking water well that is identified as Well #4, and complete renovation of three sewage lift stations, are major projects that took significant time to plan and construct.

TDLU is a small utility having limited staff for operations, and uses outside contracts to accomplish major improvements. Although the Company's manager has held his position for 14 years, he had never before managed the construction of a new well. The logistics for these improvements, and arranging capital financing, are major efforts for this small utility.

The facility improvements (new well and lift stations renovation recently completed) are a big step to alleviating the immediate concerns of the PSC staff and the Department of Natural Resources (DNR) toward the ability of the facilities to provide reliable drinking water and sewer service. A number of small improvements were also made in conjunction with the construction of the new well. Both elevated tanks have been inspected, with vent and overflow pipes installed or improved. Both primary wells will activate automatically.

In the future, TDLU would like to also replace a major component, one of the two aeration rotors on the oxidation ditch; and also install a new lift station to eliminate a small wastewater lagoon. However TDLU could not get these projects completed within the timeframe of this rate case.

On October 19 and December 21, 2016, Staff members Martin Hummel, Jarrod Robertson and David Spratt made observations of the improvements to the drinking water and wastewater systems. The December 21, 2016 was for Staff to verify that Well #4 was “in service”, as construction had been completed after the initial October 19<sup>th</sup> inspection.

## **Facilities:**

**The water system** utilizes groundwater wells as the source of supply. Well #1 is small and currently removed from service because of unresolved operational technical problems. Well #2 provides approximately 100 gallons per minute (gpm), but is considered a “backup” supply and is not routinely used. Well #3 provides approximately 250 gpm. The new well, #4, provides approximately 320 gpm. The water supply utilizes chlorine disinfection. Well #2 at 100gpm is critical as a backup source when the system demand is high, such as peak usage day of the year. Well #3 and #4 are the primary producers. With the new Well #4, Staff considers the daily pumping capacity to be adequate.

The Company has a complication regarding its sources of supply, in that the ground water in that area of Missouri has a significant probability of radionuclide contamination. In the TDLU system, the radionuclides primarily involved are naturally occurring isotopes of the mineral Radium, with associated Alpha particle emission. The mineral is dissolved in ground water that is extracted through deep wells, such as those owned by TDLU. Maximum contaminant levels in drinking water for various radionuclides are set by the United States Environmental Protection Agency and DNR. Minimizing the radionuclide problem in the new well was a complicating part of the planning process.

Storage is provided by two elevated tanks with 50,000 and 100,000 gallon capacity respectively. For a system with multiple sources of supply (wells) this is adequate storage for peak-hour flows plus some reserve volume for fire protection. The distribution system, with water meters on all customer service connections, has approximately 50 miles of 4, 6 and 8 inch diameter pipe.

With the new well #4, if any other one well is out of service, the system should still be capable of meeting system daily demand. Well #4 has tested below the maximum contaminant level for radionuclides.

**The wastewater system** consists of three separate collection systems and treatment facilities. The treatment facilities are a small single cell lagoon, an oxidation ditch, and a large three cell aerated lagoon. The collecting sewer systems consists of about 25 miles of pressure collecting sewers with each customer owning a septic tank effluent pump (STEP) pump unit; and about 20 miles of gravity collecting sewer with three (3) lift stations.

The single cell lagoon: this facility serves approximately 18 connections and though it is small it is not considered capable of meeting regulatory water quality discharge standards. TDLU expects to replace this facility with a lift station. Construction of the lift station would also involve the construction of a new electric power line connection, and a force main to transfer sewage to the collection system that drains to the Company's oxidation ditch.

The oxidation ditch: This facility serves approximately 730 connections. As stated earlier, TDLU plans to replace one of two aerator rotors, with a cost estimate of approximately \$25,000. The collection system for this treatment plant is a pressure collecting sewer with customer owned STEP pump units on each customer's service sewer.

The three cell aerated lagoon: This facility serves approximately 530 connections. At the time of Staff's inspection the aerators were properly operating. Operation of the aerators has been a problem in the past, and non-operation results in inadequate sewage treatment. Brush, small trees and old fence has been removed from the berm. Fencing around the lagoon is being replaced, but was not yet complete at the time of the inspection. This facility is over 30 years in age, maintenance issues are ongoing including evaluating and addressing sludge accumulation and berm condition.

There are seven customers in the Company's service territory who are not connected to any of the collection systems. These customers are presently served by aerated holding tanks. The Company has been providing maintenance to the aerators for a quarterly \$18 fee, which is not authorized in the sewer tariff.

The DNR discharge permits for all of these facilities are currently in effect until June 30, 2018.

## **Tariff Review**

Staff routinely works with utilities to update water and/or sewer tariffs of the individual companies using a generic tariff that is modified for specific operations of the individual companies as they file rate cases with the Commission. Because both the water and sewer tariffs for this company were last revised in 2014, little change is necessary. The sheets with rate schedules (sheet 8 of both tariffs) will be revised with updated rates. Sheet 20 of the sewer tariff will be revised to better conform with DNR requirements regarding proximity of collecting sewers to water mains or water service lines.

## **Rate Design**

Staff also reviewed the Company's current rate design in its investigation. The current rate structure consists of a monthly service charge and a commodity charge for water service, and a

monthly flat rate service charge for sewer service. Staff proposes to maintain the same rate structure, updated based on the results of the new a cost of service studies performed as part of this rate case.

**WATER AND SEWER UNIT STAFF RECOMMENDATIONS:**

- 1) The Company continues to pursue capital projects as necessary to ensure safe and adequate service, and to comply with DNR regulations and permit requirements.
- 2) The current PSC MO No 3 Original Sheet 8 in the sewer tariff will be canceled and replaced by First Revised Sheet 8.
- 3) The current PSC MO No 3 Original Sheet 20 in the sewer tariff will be canceled and replaced by First Revised Sheet 20.
- 4) The current PSC MO No 2 Original Sheet 8 in the water tariff will be canceled and replaced by First Revised Sheet 8.








In the Matter of the Request for Increase in )  
Annual Water and Sewer System Operating )  
Revenues for Terre Du Lac Utilities )

State of Missouri )  
 ) ss.  
County of Cole )

  
Scott J. Glasgow

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9<sup>th</sup> day of May, 2017.

Dianne L. Vaughn  
NOTARY PUBLIC

My commission expires: June 28, 2019



In the Matter of the Request for Increase in )  
Annual Water and Sewer System Operating )  
Revenues for Terre Du Lac Utilities )

[illegible]

Martin Hummel

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9th day of May, 2017.

Dianne L. Vaughn  
NOTARY PUBLIC

My commission expires: June 29, 2019









**In the Matter of the Request for Increase in  
Annual Water and Sewer System Operating  
Revenues for Terre Du Lac Utilities**

**AFFIDAVIT OF BROOKE RICHTER**

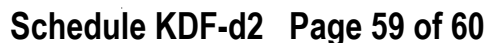
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Brooke Richter

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9th day of May, 2017.

Diana L. Vaughn  
NOTARY PUBLIC

My commission expires: June 28, 2019



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

In the Matter of the Request for Increase in  
Annual Water and Sewer System Operating  
Revenues for Terre Du Lac Utilities


)  
)  
)

**Case No. WR-2017-0110**

**AFFIDAVIT OF JEFFREY SMITH**

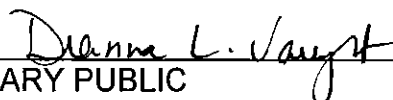
State of Missouri     )  
                                  ) ss.  
County of Cole        )

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

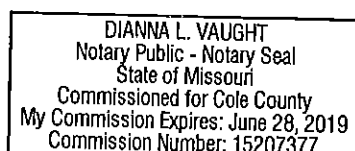
  
\_\_\_\_\_  
Jeffrey Smith

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9th day of May, 2017.

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

My commission expires: June 28, 2019.





DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 28, 2019  
Commission Number: 15207377

**Exhibit No.:**

**Issue:** Accounting Schedules

**Witness:** MO PSC Auditors

**Sponsoring Party:** MO PSC Staff

**Case No:** WR-2017-0110

**Date Prepared:** 4/26/2017



**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF**

**AUDITING DEPARTMENT**

**STAFF ACCOUNTING SCHEDULES**

**TERRE DU LAC UTILITIES CORPORATION**

**CASE NO. WR-2017-0110**

**Jefferson City, Missouri**

**Apr-17**

Terre Du lac Utilities Corporation  
Informal Case/rate Case  
WR-2017-0110  
Test Year Ending 09/30/2016 Updated Through 12/31/2016  
Rate Design Schedule - Water

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)	\$258,503			
Rev-3	Miscellaneous Revenues	(1)	\$25,364			
Rev-4	TOTAL ANNUALIZED REVENUES		\$283,867			
1	OPERATIONS EXPENSES	(2)				
2	Salaries & Wages (5000)		\$126,497	\$0	\$126,497	0.00%
3	Payroll - ON CALL PAY (5051)		\$0	\$0	\$0	0.00%
4	Payroll - Sick Pay (5052)		\$0	\$0	\$0	0.00%
5	Payroll - Holiday Pay (5053)		\$0	\$0	\$0	0.00%
6	Payroll - Vacation Pay (5054)		\$0	\$0	\$0	0.00%
7	Payroll - Overtime (5056)		\$0	\$0	\$0	0.00%
8	Employee Benefits (5061)		\$0	\$0	\$0	0.00%
9	Power Purchase-Wells (5005)		\$40,527	\$0	\$40,527	0.00%
10	Operating Supplies & Expense (5010)		\$1,351	\$0	\$1,351	0.00%
11	Hypocholesterol-Wells (5020)		\$2,680	\$0	\$2,680	0.00%
12	Uniforms (5030)		\$1,841	\$0	\$1,841	0.00%
13	Operating Supplies-Water Lines (5040)		\$14,415	\$0	\$14,415	0.00%
14	TOTAL OPERATIONS EXPENSE		\$187,311	\$0	\$187,311	
15	MAINTENANCE EXPENSES					
16	Maintenance-Wells (5015)		\$234	\$0	\$234	0.00%
17	Maint Supply & Engineering (5023)		\$73	\$0	\$73	0.00%
18	Maintenance-Pumping Plant (5025)		\$1,750	\$0	\$1,750	0.00%
19	Labor-Water Lines (5035)		\$0	\$0	\$0	0.00%
20	Maintenance-Mains (5045)		\$1,293	\$0	\$1,293	0.00%
21	Road Cut Repairs (5046)		\$0	\$0	\$0	0.00%
22	Maintenance-Meters (5050)		\$19	\$0	\$19	0.00%
23	Maintenance - Other Plant Facilities (5125)		\$135	\$0	\$135	0.00%
24	TOTAL MAINTENANCE EXPENSE		\$3,504	\$0	\$3,504	
25	CUSTOMER ACCOUNT EXPENSE					
26	Labor- Accting & Collection (5135)		\$0	\$0	\$0	0.00%
27	Labor-Meter Reading (5130)		\$0	\$0	\$0	0.00%
28	Postage (5095)		\$2,142	\$0	\$2,142	0.00%
29	Bad Debts (5141)		\$0	\$0	\$0	0.00%
30	Billing & Collection		\$407	\$0	\$407	0.00%
31	TOTAL CUSTOMER ACCOUNT EXPENSE		\$2,549	\$0	\$2,549	
32	ADMINISTRATIVE & GENERAL EXPENSES					
33	Mileage - Kathy Tilley		\$187	\$0	\$187	0.00%
34	G & A Salaries (5060)		\$0	\$0	\$0	0.00%
35	Management Fees (5065)		\$0	\$0	\$0	0.00%
36	G & A Office Expense (5070)		\$1,480	\$0	\$1,480	0.00%
37	Credit Card Fees (5071)		-\$21	\$0	-\$21	0.00%
38	Bank Charges (5072)		\$0	\$0	\$0	0.00%
39	G & A Outside Services (5075)		\$346	\$0	\$346	0.00%
40	Engineering Fees (5077)		\$0	\$0	\$0	0.00%
41	G & A Legal & Accounting Fees (5080)		\$1,487	\$0	\$1,487	0.00%
42	Legal & Consult Rate Case (5082)		\$89	\$0	\$89	0.00%
43	G & A Insurance (5085)		\$16,077	\$0	\$16,077	0.00%
44	G & A Meals & Entertainment (5086)		\$0	\$0	\$0	0.00%
45	Group Health Insurance (5087)		\$25,737	\$0	\$25,737	0.00%
46	Telephone (5090)		\$1,737	\$0	\$1,737	0.00%
47	Rent & Utilities (5100)		\$0	\$0	\$0	0.00%
48	Equipment Rental (5101)		\$0	\$0	\$0	0.00%
49	Education Expenses (5105)		\$794	\$0	\$794	0.00%
50	Backhoe Expenses (5150)		\$0	\$0	\$0	0.00%
51	Ditch Witch Expenses (5155)		\$0	\$0	\$0	0.00%
52	Dump Truck Expenses (5160)		\$0	\$0	\$0	0.00%
53	Truck Expense (5165)		\$1,419	\$0	\$1,419	0.00%
54	Gasoline & Diesel Fuel (5170)		\$4,795	\$0	\$4,795	0.00%
55	Bldg Maintenance Expense (5175)		\$0	\$0	\$0	0.00%

Terre Du lac Utilities Corporation  
Informal Case/rate Case  
WR-2017-0110  
Test Year Ending 09/30/2016 Updated Through 12/31/2016  
Rate Design Schedule - Water

A		B	C	D	E	F
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
56	Misc General Expenses (5110)		\$752	\$0	\$752	0.00%
57	TOTAL ADMINISTRATIVE AND GENERAL		\$54,879	\$0	\$54,879	
58	OTHER OPERATING EXPENSES					
59	Penalties (5112)		\$0	\$0	\$0	0.00%
60	Permits & Licenses (5145)		\$595	\$0	\$595	0.00%
61	PSC Assessment (5147)		\$2,922	\$0	\$2,922	0.00%
62	Inv. Variation (5180)		\$0	\$0	\$0	0.00%
63	Interest Expense (5310)		\$0	\$0	\$0	0.00%
64	Capitalized Costs (5400)		\$0	\$0	\$0	0.00%
65	Dues		\$1,160	\$0	\$1,160	0.00%
66	Amortization Expense		\$155	\$0	\$155	0.00%
67	Depreciation		\$38,137	\$0	\$38,137	0.00%
68	TOTAL OTHER OPERATING EXPENSES		\$42,969	\$0	\$42,969	
69	TAXES OTHER THAN INCOME					
70	Real Estate & Pers Prop Taxes (5102)		\$3,408	\$0	\$3,408	0.00%
71	Payroll Taxes (5001)		\$10,576	\$0	\$10,576	0.00%
72	General Tax & License (5143)		\$0	\$0	\$0	0.00%
73	TOTAL TAXES OTHER THAN INCOME		\$13,984	\$0	\$13,984	
74	TOTAL OPERATING EXPENSES		\$305,196	\$0	\$305,196	
75	Interest Expense	(3)	\$24,064	\$0	\$24,064	0.00%
76	Return on Equity	(3)	\$16,656	\$0	\$16,656	0.00%
77	Income Taxes	(3)	\$4,148	\$0	\$4,148	0.00%
78	TOTAL INTEREST RETURN & TAXES		\$44,868	\$0	\$44,868	
79	TOTAL COST OF SERVICE		\$350,064	\$0	\$350,064	
80	Less: Miscellaneous Revenues		\$25,364	\$0	\$25,364	0.00%
81	COST TO RECOVER IN RATES		\$324,700	\$0	\$324,700	
82	INCREMENTAL INCREASE IN RATE REVENUES		\$66,197			
83	PERCENTAGE OF INCREASE		23.32%			
84	REQUESTED INCREASE IN REVENUES		\$134,000			

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

Terre Du lac Utilities Corporation  
 Informal Case/rate Case  
 WR-2017-0110  
 Test Year Ending 09/30/2016 Updated Through 12/31/2016  
 Rate Base Required Return on Investment Schedule - Water

Line Number	<u>A</u> Rate Base Description	<u>B</u> Dollar Amount	
1	Plant In Service	\$1,436,212	From Plant Schedule
2	Less Accumulated Depreciation Reserve	\$605,293	From Depreciation Reserve Schedule
3	Net Plant In Service	\$830,919	
4	Other Rate Base Items:	\$0	
	Contribution in Aid of Construction Amortization (positive or zero)	\$0	
	CIAC Depreciation	\$78,466	
	Contribution in Aid of Construction (negative or zero)	-\$255,450	
	Inventory @ 12/31/2015	\$514	
5	Total Rate Base	\$654,449	
6	Total Weighted Rate of Return Including Income Tax	6.86%	From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	\$44,867	

Terre Du lac Utilities Corporation  
 Informal Case/rate Case  
 WR-2017-0110  
 Test Year Ending 09/30/2016 Updated Through 12/31/2016  
 Rate of Return Including Income Tax - Water

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	5.81%	$(1 - (B2 \times .5)) \times A1$
2 Federal Income Tax Rate Statutory / Effective	15.00% (1) & (2)	14.13%	$(1 - B1) \times A2$
3 Composite Effective Income Tax Rate		19.94%	$B1 + B2$
4 Equity Tax Factor		1.2490	$1 / (1 - B3)$
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		2.55%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		3.18%	$B4 \times B5$
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		3.68%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		6.86%	$B6 + B7$

To Rate Base Schedule

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

N

Equity Income Required \$19,595  
 & Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$19,595	\$2,939
\$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
			\$19,595	\$2,939
			Consolidated Tax Rate:	
			Average Tax Rate:	0.15

Terre Du lac Utilities Corporation  
 Informal Case/rate Case  
 WR-2017-0110  
 Test Year Ending 09/30/2016 Updated Through 12/31/2016  
 Capital Structure Schedule - Water

Line Number	A Description	B Dollar Amount	C Percentage of Total Capital Structure	D Embedded Cost of Capital	E Weighted Cost of Capital
1	Common Stock	\$172,260	26.32%	9.67%	2.545%
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	\$482,189	73.68%	4.99%	3.677%
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>\$654,449</u>	<u>100.00%</u>		<u>6.222%</u>

To PreTax Return Rate Schedule

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

Terre Du lac Utilities Corporation  
Informal Case/rate Case  
WR-2017-0110  
Test Year Ending 09/30/2016 Updated Through 12/31/2016  
Plant In Service - Water

Line Number	A Account # (Optional)	B Plant Account Description	C Total Plant	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	300.000	Stipulated Plant	\$203,633			100.00%	\$203,633
3	302.000	Franchises	\$0			100.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$203,633		\$0		\$203,633
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights - SSP	\$0			100.00%	\$0
7	311.000	Structures & Improvements - SSP	\$0			100.00%	\$0
8	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
10	314.000	Wells and Springs	\$205,643			100.00%	\$205,643
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$0			100.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$205,643		\$0		\$205,643
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$151,974			100.00%	\$151,974
16	325.000	Submersible Pumping Equipment	\$141,530			100.00%	\$141,530
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$293,504		\$0		\$293,504
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
23	332.000	Water Treatment Equipment	\$2,385			100.00%	\$2,385
24	332.100	Chemical Pumps	\$1,115			100.00%	\$1,115
25		TOTAL WATER TREATMENT PLANT	\$3,500		\$0		\$3,500
26		TRANSMISSION & DISTRIBUTION PLANT					
27	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
28	341.000	Structures & Improvements - T&D	\$0			100.00%	\$0
29	342.000	Distribution Reservoirs & Standpipes	\$89,596			100.00%	\$89,596
30	344.000	Fire Mains	\$0			100.00%	\$0
31	345.000	Services	\$305,987			100.00%	\$305,987
32	343.000	Transmission & Distribution Mains	\$58,275			100.00%	\$58,275
33	346.100	Meters- Bronze Chamber	\$0			100.00%	\$0
34	346.200	Meters- Plastic Chamber	\$76,982			100.00%	\$76,982
35	347.000	Meter Installations- Bronze	\$0			100.00%	\$0
36	347.200	Meter Installations- Plastic	\$47,867			100.00%	\$47,867
37	349.000	Other Transmission & Distribution Plant	\$0			100.00%	\$0
38	348.000	Hydrants	\$22,304			100.00%	\$22,304
39		TOTAL TRANS. & DISTRIBUTION PLANT	\$601,011		\$0		\$601,011
40		GENERAL PLANT					
41		Land & Land Rights-GP	\$0			100.00%	\$0
42	390.000	Structures & Improvements - Office/Shop	\$10,614			100.00%	\$10,614
43	391.000	Office Furniture & Equipment	\$7,553			100.00%	\$7,553
44	391.100	Office Computer Equipment	\$3,287			100.00%	\$3,287
45	392.000	Transportation Equipment - GP	\$28,533			100.00%	\$28,533
46	393.000	Stores Equipment	\$0			100.00%	\$0
47	394.000	Tools, Shop and Garage Equipment	\$8,800			100.00%	\$8,800
48	396.000	Power Operated Equipment	\$66,407			100.00%	\$66,407
49	397.000	Communication Equipment	\$3,727			100.00%	\$3,727
50		Other General Equipment	\$0			100.00%	\$0
51		TOTAL GENERAL PLANT	\$128,921		\$0		\$128,921



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 Plant In Service - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	
Line Number	Account # (Optional)	Plant Account Description	Total Plant	Adjustment Number	Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
52		TOTAL PLANT IN SERVICE	<u>\$1,436,212</u>		<u>\$0</u>		<u>\$1,436,212</u>

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 Schedule of Adjustments for Plant in Service - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
Total Plant Adjustments				<u>\$0</u>

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Depreciation Expense - Water

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense	F Average Life	G Net Salvage
1		INTANGIBLE PLANT					
2	300.000	Stipulated Plant	\$203,633	2.50%	\$5,091	0	0.00%
3	302.000	Franchises	\$0	0.00%	\$0	0	0.00%
4		TOTAL INTANGIBLE PLANT	\$203,633		\$5,091		
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights - SSP	\$0	0.00%	\$0	0	0.00%
7	311.000	Structures & Improvements - SSP	\$0	2.50%	\$0	0	0.00%
8	312.000	Collection & Impounding Reservoirs	\$0	0.00%	\$0	0	0.00%
9	313.000	Lake, River & Other Intakes	\$0	0.00%	\$0	0	0.00%
10	314.000	Wells and Springs	\$205,643	2.00%	\$4,113	0	0.00%
11	315.000	Infiltration Galleries & Tunnels	\$0	0.00%	\$0	0	0.00%
12	316.000	Supply Mains	\$0	2.00%	\$0	0	0.00%
13		TOTAL SOURCE OF SUPPLY PLANT	\$205,643		\$4,113		
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$151,974	2.50%	\$3,799	0	0.00%
16	325.000	Submersible Pumping Equipment	\$141,530	10.00%	\$14,153	0	0.00%
17	326.000	Diesel Pumping Equipment	\$0	0.00%	\$0	0	0.00%
18	328.000	Other Pumping Equipment	\$0	0.00%	\$0	0	0.00%
19		TOTAL PUMPING PLANT	\$293,504		\$17,952		
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0	0.00%	\$0	0	0.00%
22	331.000	Structures & Improvements - WTP	\$0	0.00%	\$0	0	0.00%
23	332.000	Water Treatment Equipment	\$2,385	2.90%	\$69	0	0.00%
24	332.100	Chemical Pumps	\$1,115	10.00%	\$112	0	0.00%
25		TOTAL WATER TREATMENT PLANT	\$3,500		\$181		
26		TRANSMISSION & DISTRIBUTION PLANT					
27	340.000	Land & Land Rights-T&D	\$0	0.00%	\$0	0	0.00%
28	341.000	Structures & Improvements - T&D	\$0	0.00%	\$0	0	0.00%
29	342.000	Distribution Reservoirs & Standpipes	\$89,596	2.50%	\$2,240	0	0.00%
30	344.000	Fire Mains	\$0	0.00%	\$0	0	0.00%
31	345.000	Services	\$305,987	2.50%	\$7,650	0	0.00%
32	343.000	Transmission & Distribution Mains	\$58,275	2.00%	\$1,166	0	0.00%
33	346.100	Meters- Bronze Chamber	\$0	9.50%	\$0	0	0.00%
34	346.200	Meters- Plastic Chamber	\$76,982	0.00%	\$0	0	0.00%
35	347.000	Meter Installations- Bronze	\$0	2.50%	\$0	0	0.00%
36	347.200	Meter Installations- Plastic	\$47,867	2.50%	\$1,197	0	0.00%
37	349.000	Other Transmission & Distribution Plant	\$0	0.00%	\$0	0	0.00%
38	348.000	Hydrants	\$22,304	2.00%	\$446	0	0.00%
39		TOTAL TRANS. & DISTRIBUTION PLANT	\$601,011		\$12,699		
40		GENERAL PLANT					
41		Land & Land Rights-GP	\$0	0.00%	\$0	0	0.00%
42	390.000	Structures & Improvements - Office/Shop	\$10,614	2.50%	\$265	0	0.00%
43	391.000	Office Furniture & Equipment	\$7,553	5.00%	\$378	0	0.00%
44	391.100	Office Computer Equipment	\$3,287	14.30%	\$470	0	0.00%
45	392.000	Transportation Equipment - GP	\$28,533	0.00%	\$0	0	0.00%
46	393.000	Stores Equipment	\$0	4.00%	\$0	0	0.00%
47	394.000	Tools, Shop and Garage Equipment	\$8,800	5.00%	\$440	0	0.00%
48	396.000	Power Operated Equipment	\$66,407	6.70%	\$4,449	0	0.00%
49	397.000	Communication Equipment	\$3,727	0.00%	\$0	0	0.00%
50		Other General Equipment	\$0	0.00%	\$0	0	0.00%
51		TOTAL GENERAL PLANT	\$128,921		\$6,002		

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 Depreciation Expense - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	
Line Number	Account Number	Plant Account Description	Adjusted Jurisdictional	Depreciation Rate	Depreciation Expense	Average Life	Net Salvage
52		Total Depreciation	<u>\$1,436,212</u>		<u>\$46,038</u>		

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

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Accumulated Depreciation Reserve - Water

Line Number	A Account Number	B Depreciation Reserve Description	C Total Reserve	D Adjustment Number	E Adjustments	F Jurisdictional Allocation	G Adjusted Jurisdictional
1		INTANGIBLE PLANT					
2	300.000	Stipulated Plant	\$163,163			100.00%	\$163,163
3	302.000	Franchises	\$0			100.00%	\$0
4		TOTAL INTANGIBLE PLANT	\$163,163		\$0		\$163,163
5		SOURCE OF SUPPLY PLANT					
6	310.000	Land & Land Rights - SSP	\$0			100.00%	\$0
7	311.000	Structures & Improvements - SSP	\$0			100.00%	\$0
8	312.000	Collection & Impounding Reservoirs	\$0			100.00%	\$0
9	313.000	Lake, River & Other Intakes	\$0			100.00%	\$0
10	314.000	Wells and Springs	\$17,222			100.00%	\$17,222
11	315.000	Infiltration Galleries & Tunnels	\$0			100.00%	\$0
12	316.000	Supply Mains	\$0			100.00%	\$0
13		TOTAL SOURCE OF SUPPLY PLANT	\$17,222		\$0		\$17,222
14		PUMPING PLANT					
15	321.000	Structures & Improvements - PP	\$0			100.00%	\$0
16	325.000	Submersible Pumping Equipment	\$22,560			100.00%	\$22,560
17	326.000	Diesel Pumping Equipment	\$0			100.00%	\$0
18	328.000	Other Pumping Equipment	\$0			100.00%	\$0
19		TOTAL PUMPING PLANT	\$22,560		\$0		\$22,560
20		WATER TREATMENT PLANT					
21	330.000	Land & Land Rights-WTP	\$0			100.00%	\$0
22	331.000	Structures & Improvements - WTP	\$0			100.00%	\$0
23	332.000	Water Treatment Equipment	\$377			100.00%	\$377
24	332.100	Chemical Pumps	\$288			100.00%	\$288
25		TOTAL WATER TREATMENT PLANT	\$665		\$0		\$665
26		TRANSMISSION & DISTRIBUTION PLANT					
27	340.000	Land & Land Rights-T&D	\$0			100.00%	\$0
28	341.000	Structures & Improvements - T&D	\$0			100.00%	\$0
29	342.000	Distribution Reservoirs & Standpipes	\$27,649			100.00%	\$27,649
30	344.000	Fire Mains	\$0			100.00%	\$0
31	345.000	Services	\$144,227			100.00%	\$144,227
32	343.000	Transmission & Distribution Mains	\$25,608			100.00%	\$25,608
33	346.100	Meters- Bronze Chamber	\$0			100.00%	\$0
34	346.200	Meters- Plastic Chamber	\$88,128			100.00%	\$88,128
35	347.000	Meter Installations- Bronze	\$0			100.00%	\$0
36	347.200	Meter Installations- Plastic	\$8,566			100.00%	\$8,566
37	349.000	Other Transmission & Distribution Plant	\$0			100.00%	\$0
38	348.000	Hydrants	\$6,304			100.00%	\$6,304
39		TOTAL TRANS. & DISTRIBUTION PLANT	\$300,482		\$0		\$300,482
40		GENERAL PLANT					
41		Land & Land Rights-GP	\$0			100.00%	\$0
42	390.000	Structures & Improvements - Office/Shop	\$2,581			100.00%	\$2,581
43	391.000	Office Furniture & Equipment	\$7,046			100.00%	\$7,046
44	391.100	Office Computer Equipment	\$1,953			100.00%	\$1,953
45	392.000	Transportation Equipment - GP	\$46,211			100.00%	\$46,211
46	393.000	Stores Equipment	\$0			100.00%	\$0
47	394.000	Tools, Shop and Garage Equipment	\$6,936			100.00%	\$6,936
48	396.000	Power Operated Equipment	\$31,158			100.00%	\$31,158
49	397.000	Communication Equipment	\$5,316			100.00%	\$5,316
50		Other General Equipment	\$0			100.00%	\$0
51		TOTAL GENERAL PLANT	\$101,201		\$0		\$101,201

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 Accumulated Depreciation Reserve - Water

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
Line	Account		Total	Adjustment		Jurisdictional	Adjusted
Number	Number	Depreciation Reserve Description	Reserve	Number	Adjustments	Allocation	Jurisdictional
52		TOTAL DEPRECIATION RESERVE	\$605,293		\$0		\$605,293

**Terre Du lac Utilities Corporation**  
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**Schedule of Adjustments for Accumulated Depreciation Reserve - Water**

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Reserve Adjustment Number	Accumulated Depreciation Reserve Adjustments Description	Account Number	Adjustment Amount	Total Adjustment Amount
Total Reserve Adjustments				<u><u>\$0</u></u>

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 Revenue Schedule - Water

	A	B	C	D	E	F	G
Line Number	Account Number (Optional)	Revenue Description	Company/ Test Year Amount	Adjustment Number	Jurisdictional Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$261,006	Rev-2	-\$2,503	100.00%	\$258,503
Rev-3		Miscellaneous Revenues	\$11,853	Rev-3	\$13,511	100.00%	\$25,364
Rev-4		TOTAL ANNUALIZED REVENUES	\$272,859		\$11,008		\$283,867



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 Revenue Adjustment Schedule - Water

<u>A</u> Revenue Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
Rev-2	Annualized Rate Revenues			-\$2,503
	1. To Annualize Rate Revenues		-\$2,503	
Rev-3	Miscellaneous Revenues			\$13,511
	1. To Annualize Miscellaneous Revenues		\$13,511	
Total Revenue Adjustments				<u>\$11,008</u>

Terre Du lac Utilities Corporation  
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 Rate Revenue Feeder Schedule - Water

Line Number	A Description	Residential 5/8"		1" Meter - Residential 1"	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	1,274		3	
3	Bills Per Year	12		12	
4	Customer Bills Per year	15,288		36	
5	Current Customer Charge	<u>\$11.41</u>		<u>\$28.53</u>	
6	Annualized Customer Charge Revenues		\$174,436		\$1,027
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	55,065,794		228,470	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	55,065,794		228,470	
11	Block 1, Commodity Gallons per Block	55,065,794		228,470	
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>		<u>1,000</u>	
13	Block 1, Commodity Billing Units	55,065.79		228.47	
14	Block 1, Existing Commodity Charge	<u>\$1.38</u>		<u>\$1.38</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$75,991		\$315
16	<b>Total Annualized Water Rate Revenues</b>		<u><b>\$250,427</b></u>		<u><b>\$1,342</b></u>

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

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 Rate Revenue Feeder Schedule - Water

Line Number	A Description	Standard - Business 5/8"		1" Meter - Business 1"	
		F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	19		1	
3	Bills Per Year	12		12	
4	Customer Bills Per year	228		12	
5	Current Customer Charge	<u>\$11.41</u>		<u>\$28.53</u>	
6	Annualized Customer Charge Revenues		\$2,601		\$342
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	752,490		11,215	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		<u>0</u>	
10	Commodity Gallons	752,490		11,215	
11	Block 1, Commodity Gallons per Block	752,490		11,215	
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>		<u>1,000</u>	
13	Block 1, Commodity Billing Units	752.49		11.22	
14	Block 1, Existing Commodity Charge	<u>\$1.38</u>		<u>\$1.38</u>	
15	Block 1, Annualized Commodity Charge Rev.		\$1,038		\$15
16	<b>Total Annualized Water Rate Revenues</b>		<u><b>\$3,639</b></u>		<u><b>\$357</b></u>

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

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 Rate Revenue Feeder Schedule - Water

Line Number	A Description	2" Meter - Business 2"		Total	
		J Amount	K Amount	L Amount	M Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	1		1,298	
3	Bills Per Year	12			
4	Customer Bills Per year	12		15,576	
5	Current Customer Charge	<u>\$91.30</u>			
6	Annualized Customer Charge Revenues		\$1,096		\$179,502
7	<u>Commodity Charge Revenues:</u>				
8	Total Gallons Sold	1,189,600		57,247,569	
9	Less: Base Gallons Included In Customer Charge	<u>0</u>		0	
10	Commodity Gallons	1,189,600		57,247,569	
11	Block 1, Commodity Gallons per Block	1,189,600			
12	Block 1, Number of Commodity Gallons per Unit	<u>1,000</u>			
13	Block 1, Commodity Billing Units	1,189.60			
14	Block 1, Existing Commodity Charge	<u>\$1.38</u>			
15	Block 1, Annualized Commodity Charge Rev.		\$1,642		\$79,001
16	<b>Total Annualized Water Rate Revenues</b>		<u><b>\$2,738</b></u>		<u><b>\$258,503</b></u>

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

**Terre Du lac Utilities Corporation**  
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**Miscellaneous Revenues Feeder - Water**

Line Number	<u>A</u> Description	<u>B</u> Amount
1	Miscellaneous Service Revenue	\$549
2	Rent Income - WIFI (McMellen)	\$2,400
3	Rent Income - Big River Broadband (McMellen)	\$4,200
4	Late Fees (McMellen)	\$7,574
5	Reconnect Fees (McMellen)	\$2,574
6	Returned Check Fees (McMellen)	\$63
7	Refunds	\$402
8	Miscellaneous Other Income	<u>\$7,602</u>
9	Total Miscellaneous Revenues	<u><u>\$25,364</u></u>

Terre Du lac Utilities Corporation  
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Expense Schedule - Water

A	B	C	D	E	F	G
Line Number	Account Number (Optional) Expense Description	Company/ Test Year Amount	Adjustment Number	Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
1	OPERATIONS EXPENSES					
2	Salaries & Wages (5000)	\$111,455	W-2	\$15,042	100.00%	\$126,497
3	Payroll - ON CALL PAY (5051)	\$2,524	W-3	-\$2,524	100.00%	\$0
4	Payroll - Sick Pay (5052)	\$1,215	W-4	-\$1,215	100.00%	\$0
5	Payroll - Holiday Pay (5053)	\$1,620	W-5	-\$1,620	100.00%	\$0
6	Payroll - Vacation Pay (5054)	\$2,684	W-6	-\$2,684	100.00%	\$0
7	Payroll - Overtime (5056)	\$0			100.00%	\$0
8	Employee Benefits (5061)	\$0			100.00%	\$0
9	Power Purchase-Wells (5005)	\$28,905	W-9	\$11,622	100.00%	\$40,527
10	Operating Supplies & Expense (5010)	\$1,689	W-10	-\$338	100.00%	\$1,351
11	Hypochlorite-Wells (5020)	\$0	W-11	\$2,680	100.00%	\$2,680
12	Uniforms (5030)	\$2,250	W-12	-\$409	100.00%	\$1,841
13	Operating Supplies-Water Lines (5040)	\$14,415			100.00%	\$14,415
14	TOTAL OPERATIONS EXPENSE	\$166,757		\$20,554		\$187,311
15	MAINTENANCE EXPENSES					
16	Maintenance-Wells (5015)	\$1,537	W-16	-\$1,303	100.00%	\$234
17	Maint Supply & Engineering (5023)	\$375	W-17	-\$302	100.00%	\$73
18	Maintenance-Pumping Plant (5025)	\$850	W-18	\$900	100.00%	\$1,750
19	Labor-Water Lines (5035)	\$0			100.00%	\$0
20	Maintenance-Mains (5045)	\$2,357	W-20	-\$1,064	100.00%	\$1,293
21	Road Cut Repairs (5046)	\$0			100.00%	\$0
22	Maintenance-Meters (5050)	\$847	W-22	-\$828	100.00%	\$19
23	Maintenance - Other Plant Facilities (5125)	\$83	W-23	\$52	100.00%	\$135
24	TOTAL MAINTENANCE EXPENSE	\$6,049		-\$2,545		\$3,504
25	CUSTOMER ACCOUNT EXPENSE					
26	Labor- Accting & Collection (5135)	\$0			100.00%	\$0
27	Labor-Meter Reading (5130)	\$844	W-27	-\$844	100.00%	\$0
28	Postage (5095)	\$2,419	W-28	-\$277	100.00%	\$2,142
29	Bad Debts (5141)	\$158	W-29	-\$158	100.00%	\$0
30	Billing & Collection	\$0	W-30	\$407	100.00%	\$407
31	TOTAL CUSTOMER ACCOUNT EXPENSE	\$3,421		-\$872		\$2,549
32	ADMINISTRATIVE & GENERAL EXPENSES					
33	Mileage - Kathy Tilley	\$0	W-33	\$187	100.00%	\$187
34	G & A Salaries (5060)	\$0			100.00%	\$0
35	Management Fees (5065)	\$0			100.00%	\$0
36	G & A Office Expense (5070)	\$4,545	W-36	-\$3,065	100.00%	\$1,480
37	Credit Card Fees (5071)	-\$21			100.00%	-\$21
38	Bank Charges (5072)	\$2,336	W-38	-\$2,336	100.00%	\$0
39	G & A Outside Services (5075)	\$346			100.00%	\$346
40	Engineering Fees (5077)	\$0			100.00%	\$0
41	G & A Legal & Accounting Fees (5080)	\$1,997	W-41	-\$510	100.00%	\$1,487
42	Legal & Consult Rate Case (5082)	\$0	W-42	\$89	100.00%	\$89
43	G & A Insurance (5085)	\$16,712	W-43	-\$635	100.00%	\$16,077
44	G & A Meals & Entertainment (5086)	\$346	W-44	-\$346	100.00%	\$0
45	Group Health Insurance (5087)	\$30,942	W-45	-\$5,205	100.00%	\$25,737
46	Telephone (5090)	\$3,137	W-46	-\$1,400	100.00%	\$1,737
47	Rent & Utilities (5100)	\$0			100.00%	\$0
48	Equipment Rental (5101)	\$0			100.00%	\$0
49	Education Expenses (5105)	\$907	W-49	-\$113	100.00%	\$794
50	Backhoe Expenses (5150)	\$0			100.00%	\$0
51	Ditch Witch Expenses (5155)	\$0			100.00%	\$0
52	Dump Truck Expenses (5160)	\$0			100.00%	\$0
53	Truck Expense (5165)	\$2,919	W-53	-\$1,500	100.00%	\$1,419
54	Gasoline & Diesel Fuel (5170)	\$5,102	W-54	-\$307	100.00%	\$4,795
55	Bldg Maintenance Expense (5175)	\$0			100.00%	\$0
56	Misc General Expenses (5110)	\$991	W-56	-\$239	100.00%	\$752
57	TOTAL ADMINISTRATIVE AND GENERAL	\$70,259		-\$15,380		\$54,879

Terre Du lac Utilities Corporation  
 Informal Case/rate Case  
 WR-2017-0110  
 Test Year Ending 09/30/2016 Updated Through 12/31/2016  
 Expense Schedule - Water

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
Line Number	Account Number (Optional)  Expense Description	Company/ Test Year Amount	Adjustment Number	Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
58	OTHER OPERATING EXPENSES					
59	Penalties (5112)	\$0			100.00%	\$0
60	Permits & Licenses (5145)	\$7,729	W-60	-\$7,134	100.00%	\$595
61	PSC Assessment (5147)	\$730	W-61	\$2,192	100.00%	\$2,922
62	Inv. Variation (5180)	\$2,188	W-62	-\$2,188	100.00%	\$0
63	Interest Expense (5310)	\$10,140	W-63	-\$10,140	100.00%	\$0
64	Capitalized Costs (5400)	-\$5,340	W-64	\$5,340	100.00%	\$0
65	Dues	\$0	W-65	\$1,160	100.00%	\$1,160
66	Amortization Expense	\$0	W-66	\$155	100.00%	\$155
67	Depreciation	\$30,277	W-67	\$7,860	100.00%	\$38,137
68	TOTAL OTHER OPERATING EXPENSES	\$45,724		-\$2,755		\$42,969
69	TAXES OTHER THAN INCOME					
70	Real Estate & Pers Prop Taxes (5102)	\$2,252	W-70	\$1,156	100.00%	\$3,408
71	Payroll Taxes (5001)	\$9,145	W-71	\$1,431	100.00%	\$10,576
72	General Tax & License (5143)	\$0			100.00%	\$0
73	TOTAL TAXES OTHER THAN INCOME	\$11,397		\$2,587		\$13,984
74	TOTAL OPERATING EXPENSES	\$303,607		\$1,589		\$305,196

**Exhibit No.:**

**Issue:** Accounting Schedules

**Witness:** MO PSC Auditors

**Sponsoring Party:** MO PSC Staff

**Case No:** SR-2017-0109

**Date Prepared:** 4/26/2017



**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF**

**AUDITING DEPARTMENT**

**STAFF ACCOUNTING SCHEDULES**

**TERRE DU LAC UTILITIES CORPORATION**

**CASE NO. SR-2017-0109**

**Jefferson City, Missouri**

**April 2017**



Terre Du Lac Utilities Corporation  
Informal Rate Case  
SR-2017-0109  
Test Year Ending 09/30/2016 Updated Through 12/31/2016  
Rate Design Schedule - Sewer

A		B	C	D	E	F
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
Rev-1	ANNUALIZED REVENUES					
Rev-2	Annualized Rate Revenues	(1)	\$297,128			
Rev-3	Miscellaneous Revenues	(1)	\$101,208			
Rev-4	TOTAL ANNUALIZED REVENUES		\$398,336			
1	OPERATIONS EXPENSES	(2)				
2	Salaries & Wages (5000)		\$137,327	\$0	\$137,327	0.00%
3	Payroll - ON CALL PAY (5051)		\$0	\$0	\$0	0.00%
4	Payroll - Sick Pay (5052)		\$0	\$0	\$0	0.00%
5	Payroll - Holiday Pay (5053)		\$0	\$0	\$0	0.00%
6	Payroll - Vacation Pay (5054)		\$0	\$0	\$0	0.00%
7	Payroll - Overtime (5056)		\$0	\$0	\$0	0.00%
8	Employee Benefits (5061)		\$0	\$0	\$0	0.00%
9	Power Purchase-Pump & Treat (5005)		\$13,079	\$0	\$13,079	0.00%
10	Operating Supplies & Expense (5010)		\$2,005	\$0	\$2,005	0.00%
11	Chemicals (5020)		\$3,023	\$0	\$3,023	0.00%
12	Uniforms (5030)		\$2,319	\$0	\$2,319	0.00%
13	Operating Supplies-Sewer Lines (5040)		\$1,572	\$0	\$1,572	0.00%
14	TOTAL OPERATIONS EXPENSE		\$159,325	\$0	\$159,325	
15	MAINTENANCE EXPENSES					
16	Maintenance-Collect/Force (5015)		\$27	\$0	\$27	0.00%
17	Tank Pump Out (5021)		\$600	\$0	\$600	0.00%
18	Maint Supply & Engineering (5025)		\$468	\$0	\$468	0.00%
19	Labor-Sewer Treatment Plant (5035)		\$0	\$0	\$0	0.00%
20	Maintenance-Sewer Gravity (5045)		\$558	\$0	\$558	0.00%
21	Road Cut Repairs (5046)		\$0	\$0	\$0	0.00%
22	Maintenance-Pressure Lines (5050)		\$1,402	\$0	\$1,402	0.00%
23	Maintenance-Customer Press Pump (5115)		\$38,277	\$0	\$38,277	0.00%
24	new connect/pressure pump (5118)		\$41,785	\$0	\$41,785	0.00%
25	Maint-Treat & Disposal Equip (5120)		\$395	\$0	\$395	0.00%
26	Maint-Jet Rodder (5123)		\$0	\$0	\$0	0.00%
27	Maint-Other Plant Facilities (5125)		\$879	\$0	\$879	0.00%
28	TOTAL MAINTENANCE EXPENSE		\$84,391	\$0	\$84,391	
29	CUSTOMER ACCOUNT EXPENSE					
30	Cust Records & Collection Exp (5135)		\$0	\$0	\$0	0.00%
31	Postage Expense (5095)		\$2,054	\$0	\$2,054	0.00%
32	Bad Debts (5141)		\$0	\$0	\$0	0.00%
33	Billing & Collection		\$390	\$0	\$390	0.00%
34	TOTAL CUSTOMER ACCOUNT EXPENSE		\$2,444	\$0	\$2,444	
35	ADMINISTRATIVE & GENERAL EXPENSES					
36	Mileage - Kathy Tilley		\$187	\$0	\$187	0.00%
37	G & A Salaries (5060)		\$0	\$0	\$0	0.00%
38	Management Fees (5065)		\$0	\$0	\$0	0.00%
39	G & A Office Expense (5070)		\$1,480	\$0	\$1,480	0.00%
40	Credit Card Fees (5071)		-\$21	\$0	-\$21	0.00%
41	Bank Charges (5072)		\$0	\$0	\$0	0.00%
42	G & A Outside Services (5075)		\$346	\$0	\$346	0.00%
43	Engineering Fees (5077)		\$0	\$0	\$0	0.00%
44	G & A Legal and Accounting (5080)		\$1,487	\$0	\$1,487	0.00%
45	Legal & Consult Rate Case (5082)		\$89	\$0	\$89	0.00%
46	G & A Insurance (5085)		\$10,756	\$0	\$10,756	0.00%
47	G & A Meals & Entertainment (5086)		\$0	\$0	\$0	0.00%
48	Group Health Insurance (5087)		\$25,737	\$0	\$25,737	0.00%
49	Telephone (5090)		\$1,997	\$0	\$1,997	0.00%
50	Rent & Utilities (5100)		\$0	\$0	\$0	0.00%
51	Equipment Rental (5101)		\$0	\$0	\$0	0.00%
52	Education Expenses (5105)		\$794	\$0	\$794	0.00%
53	Backhoe Expenses (5150)		\$4	\$0	\$4	0.00%
54	Ditch Witch Expenses (5155)		\$0	\$0	\$0	0.00%

Terre Du Lac Utilities Corporation  
Informal Rate Case  
SR-2017-0109  
Test Year Ending 09/30/2016 Updated Through 12/31/2016  
Rate Design Schedule - Sewer

A		B	C	D	E	F
Line Number	Description	Account Number (Optional)	Staff Annualized	Customer Charge	Commodity	Percentage Rate
55	Dump Truck Expenses (5160)		\$0	\$0	\$0	0.00%
56	Truck Expense (5165)		\$1,419	\$0	\$1,419	0.00%
57	Gasoline & Diesel Fuel (5170)		\$5,513	\$0	\$5,513	0.00%
58	Bldg Maintenance Expense (5175)		\$151	\$0	\$151	0.00%
59	Misc General Expense (5110)		\$1,059	\$0	\$1,059	0.00%
60	TOTAL ADMINISTRATIVE AND GENERAL		\$50,998	\$0	\$50,998	
61	OTHER OPERATING EXPENSES					
62	Penalties (5112)		\$0	\$0	\$0	0.00%
63	Lab Analysis (5140)		\$9,000	\$0	\$9,000	0.00%
64	Permits & Licenses (5145)		\$9,451	\$0	\$9,451	0.00%
65	PSC Assessment (5147)		\$4,032	\$0	\$4,032	0.00%
66	Inv. Variation (5180)		\$0	\$0	\$0	0.00%
67	Interest expense (5310)		\$0	\$0	\$0	0.00%
68	Capitalized Costs (5400)		\$0	\$0	\$0	0.00%
69	Dues		\$1,160	\$0	\$1,160	0.00%
70	Amortization Expense		\$155	\$0	\$155	0.00%
71	Depreciation		\$38,526	\$0	\$38,526	0.00%
72	TOTAL OTHER OPERATING EXPENSES		\$62,324	\$0	\$62,324	
73	TAXES OTHER THAN INCOME					
74	Real Estate & Pers Prop Taxes (5102)		\$1,938	\$0	\$1,938	0.00%
75	Payroll Taxes (5001)		\$11,623	\$0	\$11,623	0.00%
76	General Tax & License (5143)		\$0	\$0	\$0	0.00%
77	TOTAL TAXES OTHER THAN INCOME		\$13,561	\$0	\$13,561	
78	TOTAL OPERATING EXPENSES		\$373,043	\$0	\$373,043	
79	Interest Expense	(3)	\$16,099	\$0	\$16,099	0.00%
80	Return on Equity	(3)	\$11,143	\$0	\$11,143	0.00%
81	Income Taxes	(3)	\$2,775	\$0	\$2,775	0.00%
82	TOTAL INTEREST RETURN & TAXES		\$30,017	\$0	\$30,017	
83	TOTAL COST OF SERVICE		\$403,060	\$0	\$403,060	
84	Less: Miscellaneous Revenues		\$101,208	\$0	\$101,208	0.00%
85	COST TO RECOVER IN RATES		\$301,852	\$0	\$301,852	
86	INCREMENTAL INCREASE IN RATE REVENUES		\$4,724			
87	PERCENTAGE OF INCREASE		1.19%			
88	REQUESTED INCREASE IN REVENUES		\$8,700			

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

Terre Du Lac Utilities Corporation  
 Informal Rate Case  
 SR-2017-0109  
 Test Year Ending 09/30/2016 Updated Through 12/31/2016  
 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	\$976,803 From Plant Schedule
2	Less Accumulated Depreciation Reserve	<u>\$363,664</u> From Depreciation Reserve Schedule
3	Net Plant In Service	\$613,139
4	Other Rate Base Items:	\$0
	Contribution in Aid of Construction Amortization (positive or zero)	\$0
	CIAC Depreciation	\$84,941
	Contribution in Aid of Construction (negative or zero)	-\$260,808
	Inventory	\$567
5	Total Rate Base	<u>\$437,839</u>
6	Total Weighted Rate of Return Including Income Tax	<u>6.86%</u> From PreTax Return & Taxes Schedule
7	Required Return & Income Tax	<u><u>\$30,017</u></u>

Terre Du Lac Utilities Corporation  
Informal Rate Case  
SR-2017-0109  
Test Year Ending 09/30/2016 Updated Through 12/31/2016  
Rate of Return Including Income Tax - Sewer

	A	B	formulas
1 State Income Tax Rate Statutory / Effective	6.25% (2)	5.81%	(1 - (B2 x .5)) x A1
2 Federal Income Tax Rate Statutory / Effective	15.00% (1) & (2)	14.13%	(1 - B1) x A2
3 Composite Effective Income Tax Rate		19.94%	B1 + B2
4 Equity Tax Factor		1.2490	1 / (1-B3)
5 Recommended Weighted Rate of Return on Equity - Common and Preferred		2.55%	From Capital Structure Schedule
6 Weighted Rate of Return on Equity Including Income Tax		3.18%	B4 x B5
7 Recommended Weighted Rate of Return on Debt - Long-Term and Short-Term		3.68%	From Capital Structure Schedule
8 Total Weighted Rate of Return Including Income Tax		6.86%	B6+B7

To Rate Base Schedule

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

N

Equity Income Required \$13,109  
& Preliminary Federal Tax

Tax Rate Table

Net Income Range				
Start	End	Tax Rate	Amount in Range	Tax on Range
\$0	\$50,000	15.00%	\$13,109	\$1,966
\$50,001	\$75,000	25.00%	\$0	\$0
\$75,001	\$100,000	34.00%	\$0	\$0
\$100,001	\$335,000	39.00%	\$0	\$0
\$335,001	\$9,999,999,999	34.00%	\$0	\$0
			\$13,109	\$1,966
			Consolidated Tax Rate:	
			Average Tax Rate:	0.15

Terre Du Lac Utilities Corporation  
 Informal Rate Case  
 SR-2017-0109  
 Test Year Ending 09/30/2016 Updated Through 12/31/2016  
 Capital Structure Schedule - Sewer

Line Number	Description	Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital
1	Common Stock	\$115,245	26.32%	9.67%	2.545%
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	\$322,594	73.68%	4.99%	3.677%
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>\$437,839</u>	<u>100.00%</u>		<u>6.222%</u>

To PreTax Return Rate Schedule

Terre Du Lac Utilities Corporation  
Informal Rate Case  
SR-2017-0109  
Test Year Ending 09/30/2016 Updated Through 12/31/2016  
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	300.000	Stipulated Plant	\$60,347			100.00%	\$60,347
3	302.000	Franchises	\$0			100.00%	\$0
4	303.000	Miscellaneous Intangible Plant	\$0			100.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$60,347		\$0		\$60,347
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$0			100.00%	\$0
8	311.000	Structures & Improvements	\$8,309			100.00%	\$8,309
9		TOTAL SOURCE OF SUPPLY PLANT	\$8,309		\$0		\$8,309
10		COLLECTION PLANT					
11	352.100	Collection Sewers - Force	\$205,198			100.00%	\$205,198
12	352.200	Collection Sewers - Gravity	\$37,233			100.00%	\$37,233
13	353.000	Other Collection Plant Facilities	\$0			100.00%	\$0
14	354.000	Services to Customers	\$262,109			100.00%	\$262,109
15	355.000	Flow Measuring Devices	\$0			100.00%	\$0
16		TOTAL COLLECTION PLANT	\$504,540		\$0		\$504,540
17		PUMPING PLANT					
18	362.000	Receiving Wells and Pump Pits	\$0			100.00%	\$0
19	363.000	Electric Pumping Equipment	\$238,836			100.00%	\$238,836
20		TOTAL PUMPING PLANT	\$238,836		\$0		\$238,836
21		TREATMENT & DISPOSAL PLANT					
22		Oxidation Lagoon	\$0			100.00%	\$0
23	372.000	Treatment and Disposal Equipment	\$49,277			100.00%	\$49,277
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	\$49,277		\$0		\$49,277
28		GENERAL PLANT					
29	390.000	Structures and Improvements	\$2,300			100.00%	\$2,300
30	391.000	Office Furniture & Equipment	\$10,722			100.00%	\$10,722
31	391.100	Electronic Office Equipment	\$3,287			100.00%	\$3,287
32	392.000	Transportation Equipment	\$28,233			100.00%	\$28,233
33	394.000	Tools, Shop and Garage Equipment	\$2,588			100.00%	\$2,588
34	395.000	Laboratory Equipment	\$1,197			100.00%	\$1,197
35	396.000	Power Operated Equipment	\$66,407			100.00%	\$66,407
36	397.000	Communication Equipment	\$760			100.00%	\$760
37		TOTAL GENERAL PLANT	\$115,494		\$0		\$115,494
38		TOTAL PLANT IN SERVICE	\$976,803		\$0		\$976,803

To Rate Base & Depreciation Schedules

**Terre Du Lac Utilities Corporation**  
**Informal Rate Case**  
**SR-2017-0109**  
**Test Year Ending 09/30/2016 Updated Through 12/31/2016**  
**Schedule of Adjustments for Plant in Service - Sewer**

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Plant Adjustment Number	Plant In Service Adjustment Description	Account Number	Adjustment Amount	Total Adjustment
Total Plant Adjustments				<u><u>\$0</u></u>

Terre Du Lac Utilities Corporation  
 Informal Rate Case  
 SR-2017-0109  
 Test Year Ending 09/30/2016 Updated Through 12/31/2016  
 Depreciation Expense - Sewer

Line Number	A Account Number	B Plant Account Description	C Adjusted Jurisdictional	D Depreciation Rate	E Depreciation Expense	F Average Life	G Net Salvage
1		INTANGIBLE PLANT					
2	300.000	Stipulated Plant	\$60,347	2.50%	\$1,509	0	0.00%
3	302.000	Franchises	\$0	0.00%	\$0	0	0.00%
4	303.000	Miscellaneous Intangible Plant	\$0	0.00%	\$0	0	0.00%
5		TOTAL INTANGIBLE PLANT	\$60,347		\$1,509		
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$0	0.00%	\$0	0	0.00%
8	311.000	Structures & Improvements	\$8,309	2.50%	\$208	0	0.00%
9		TOTAL SOURCE OF SUPPLY PLANT	\$8,309		\$208		
10		COLLECTION PLANT					
11	352.100	Collection Sewers - Force	\$205,198	2.00%	\$4,104	0	0.00%
12	352.200	Collection Sewers - Gravity	\$37,233	2.00%	\$745	0	0.00%
13	353.000	Other Collection Plant Facilities	\$0	0.00%	\$0	0	0.00%
14	354.000	Services to Customers	\$262,109	2.00%	\$5,242	0	0.00%
15	355.000	Flow Measuring Devices	\$0	3.30%	\$0	0	0.00%
16		TOTAL COLLECTION PLANT	\$504,540		\$10,091		
17		PUMPING PLANT					
18	362.000	Receiving Wells and Pump Pits	\$0	0.00%	\$0	0	0.00%
19	363.000	Electric Pumping Equipment	\$238,836	10.00%	\$23,884	0	0.00%
20		TOTAL PUMPING PLANT	\$238,836		\$23,884		
21		TREATMENT & DISPOSAL PLANT					
22		Oxidation Lagoon	\$0	0.00%	\$0	0	0.00%
23	372.000	Treatment and Disposal Equipment	\$49,277	5.00%	\$2,464	0	0.00%
24	374.000	Plant Sewers	\$0	0.00%	\$0	0	0.00%
25	375.000	Outfall Sewer Lines	\$0	0.00%	\$0	0	0.00%
26	376.000	Other Treatment & Disposal Plant Equip.	\$0	0.00%	\$0	0	0.00%
27		TOTAL TREATMENT & DISPOSAL PLANT	\$49,277		\$2,464		
28		GENERAL PLANT					
29	390.000	Structures and Improvements	\$2,300	2.50%	\$58	0	0.00%
30	391.000	Office Furniture & Equipment	\$10,722	5.00%	\$536	0	0.00%
31	391.100	Electronic Office Equipment	\$3,287	14.30%	\$470	0	0.00%
32	392.000	Transportation Equipment	\$28,233	0.00%	\$0	0	0.00%
33	394.000	Tools, Shop and Garage Equipment	\$2,588	0.00%	\$0	0	0.00%
34	395.000	Laboratory Equipment	\$1,197	8.30%	\$99	0	0.00%
35	396.000	Power Operated Equipment	\$66,407	6.70%	\$4,449	0	0.00%
36	397.000	Communication Equipment	\$760	0.00%	\$0	0	0.00%
37		TOTAL GENERAL PLANT	\$115,494		\$5,612		
38		Total Depreciation	\$976,803		\$43,768		

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



Terre Du Lac Utilities Corporation  
 Informal Rate Case  
 SR-2017-0109  
 Test Year Ending 09/30/2016 Updated Through 12/31/2016  
 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	300.000	Stipulated Plant	\$50,550			100.00%	\$50,550
3	302.000	Franchises	\$0			100.00%	\$0
4	303.000	Miscellaneous Intangible Plant	\$0			100.00%	\$0
5		TOTAL INTANGIBLE PLANT	\$50,550		\$0		\$50,550
6		SOURCE OF SUPPLY PLANT					
7	310.000	Land & Land Rights	\$0			100.00%	\$0
8	311.000	Structures & Improvements	\$2,889			100.00%	\$2,889
9		TOTAL SOURCE OF SUPPLY PLANT	\$2,889		\$0		\$2,889
10		COLLECTION PLANT					
11	352.100	Collection Sewers - Force	\$77,990			100.00%	\$77,990
12	352.200	Collection Sewers - Gravity	\$19,367			100.00%	\$19,367
13	353.000	Other Collection Plant Facilities	\$0			100.00%	\$0
14	354.000	Services to Customers	\$93,247			100.00%	\$93,247
15	355.000	Flow Measuring Devices	\$0			100.00%	\$0
16		TOTAL COLLECTION PLANT	\$190,604		\$0		\$190,604
17		PUMPING PLANT					
18	362.000	Receiving Wells and Pump Pits	\$0			100.00%	\$0
19	363.000	Electric Pumping Equipment	\$22,292			100.00%	\$22,292
20		TOTAL PUMPING PLANT	\$22,292		\$0		\$22,292
21		TREATMENT & DISPOSAL PLANT					
22		Oxidation Lagoon	\$0			100.00%	\$0
23	372.000	Treatment and Disposal Equipment	\$22,546			100.00%	\$22,546
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	\$22,546		\$0		\$22,546
28		GENERAL PLANT					
29	390.000	Structures and Improvements	\$55			100.00%	\$55
30	391.000	Office Furniture & Equipment	\$9,586			100.00%	\$9,586
31	391.100	Electronic Office Equipment	\$1,379			100.00%	\$1,379
32	392.000	Transportation Equipment	\$29,909			100.00%	\$29,909
33	394.000	Tools, Shop and Garage Equipment	\$2,617			100.00%	\$2,617
34	395.000	Laboratory Equipment	-\$341			100.00%	-\$341
35	396.000	Power Operated Equipment	\$30,636			100.00%	\$30,636
36	397.000	Communication Equipment	\$942			100.00%	\$942
37		TOTAL GENERAL PLANT	\$74,783		\$0		\$74,783
38		TOTAL DEPRECIATION RESERVE	\$363,664		\$0		\$363,664

To Rate Base Schedule

**Terre Du Lac Utilities Corporation**  
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**Schedule of Adjustments for Accumulated Depreciation Reserve - Sewer**

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Reserve Adjustment Number	Accumulated Depreciation Reserve Adjustments Description	Account Number	Adjustment Amount	Total Adjustment Amount
Total Reserve Adjustments				<b>\$0</b>

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 Revenue Schedule - Sewer

	A	B	C	D	E	F	G
Line	Account		Company/				
Number	Number	Revenue Description	Test Year	Adjustment	Jurisdictional	Jurisdictional	Adjusted
	(Optional)		Amount	Number	Adjustments	Allocation	Jurisdictional
Rev-1		ANNUALIZED REVENUES					
Rev-2		Annualized Rate Revenues	\$291,645	Rev-2	\$5,483	100.00%	\$297,128
Rev-3		Miscellaneous Revenues	\$97,051	Rev-3	\$4,157	100.00%	\$101,208
Rev-4		TOTAL ANNUALIZED REVENUES	\$388,696		\$9,640		\$398,336

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 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			\$5,483
	1. To Annualize Rate Revenues		\$5,483	
Rev-3	Miscellaneous Revenues			\$4,157
	1. To Annualize Miscellaneous Revenues		\$4,157	
Total Revenue Adjustments				<u>\$9,640</u>

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Revenue Summary Schedule - Sewer

Line Number	A Description	Residential Gravity & Pressure		Residential Aerator	
		B Amount	C Amount	D Amount	E Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	1,242		7	
3	Bills Per Year	12		12	
4	Customer Bills Per year	14,904		84	
5	Current Customer Charge	<u>\$19.41</u>		<u>\$6.00</u>	
6	Annualized Customer Charge Revenues		\$289,287		\$504
7	<u>Commodity Charge Revenues:</u>				
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	<b>Total Annualized Sewer Rate Revenues</b>		<u><b>\$289,287</b></u>		<u><b>\$504</b></u>

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

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Line Number	A Description	Residential 1"		Commercial 2"	
		F Amount	G Amount	H Amount	I Amount
1	<u>Customer Charge Revenues:</u>				
2	Customer Number	3		3	
3	Bills Per Year	12		12	
4	Customer Bills Per year	36		36	
5	Current Customer Charge	<u>\$48.52</u>		<u>\$155.27</u>	
6	Annualized Customer Charge Revenues		\$1,747		\$5,590
7	<u>Commodity Charge Revenues:</u>				
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	<b>Total Annualized Sewer Rate Revenues</b>		<u><b>\$1,747</b></u>		<u><b>\$5,590</b></u>

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

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Revenue Summary Schedule - Sewer

Line Number	A Description	Total	
		J Amount	K Amount
1	<u>Customer Charge Revenues:</u>		
2	Customer Number	1,255	
3	Bills Per Year		
4	Customer Bills Per year	15,060	
5	Current Customer Charge		
6	Annualized Customer Charge Revenues		\$297,128
7	<u>Commodity Charge Revenues:</u>		
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	<b>Total Annualized Sewer Rate Revenues</b>		<b><u>\$297,128</u></b>

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

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**Miscellaneous Revenues Feeder - Sewer**

Line Number	<u>A</u> Description	<u>B</u> Amount
1	Misc Service Revenue TYE 9/30/2016 (McMellen)	\$47,678
2	Adjustment to Normalize Misc Service Revenues to Offset Normalized Maintenance Expense - Customer Sewer Pumps	-\$9,401
3	Late Fee Payments (McMellen)	\$7,574
4	Reconnect Fees (McMellen)	\$2,574
5	Returned Check Fees (McMellen)	\$63
6	Refunds	\$402
7	non-tariff new pressure pump	\$41,785
8	Miscellaneous Other Income	<u>\$10,533</u>
9	Total Miscellaneous Revenues	<u><u>\$101,208</u></u>



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Expense Schedule - Sewer

A	B	C	D	E	F	G
Line Number	Account Number (Optional) Expense Description	Company/ Test Year Amount	Adjustment Number	Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
1	OPERATIONS EXPENSES					
2	Salaries & Wages (5000)	\$112,596	S-2	\$24,731	100.00%	\$137,327
3	Payroll - ON CALL PAY (5051)	\$2,524	S-3	-\$2,524	100.00%	\$0
4	Payroll - Sick Pay (5052)	\$1,215	S-4	-\$1,215	100.00%	\$0
5	Payroll - Holiday Pay (5053)	\$1,861	S-5	-\$1,861	100.00%	\$0
6	Payroll - Vacation Pay (5054)	\$2,443	S-6	-\$2,443	100.00%	\$0
7	Payroll - Overtime (5056)	\$0			100.00%	\$0
8	Employee Benefits (5061)	\$0			100.00%	\$0
9	Power Purchase-Pump & Treat (5005)	\$15,697	S-9	-\$2,618	100.00%	\$13,079
10	Operating Supplies & Expense (5010)	\$3,021	S-10	-\$1,016	100.00%	\$2,005
11	Chemicals (5020)	\$0	S-11	\$3,023	100.00%	\$3,023
12	Uniforms (5030)	\$2,255	S-12	\$64	100.00%	\$2,319
13	Operating Supplies-Sewer Lines (5040)	\$2,088	S-13	-\$516	100.00%	\$1,572
14	TOTAL OPERATIONS EXPENSE	\$143,700		\$15,625		\$159,325
15	MAINTENANCE EXPENSES					
16	Maintenance-Collect/Force (5015)	\$0	S-16	\$27	100.00%	\$27
17	Tank Pump Out (5021)	\$600			100.00%	\$600
18	Maint Supply & Engineering (5025)	\$506	S-18	-\$38	100.00%	\$468
19	Labor-Sewer Treatment Plant (5035)	\$1,200	S-19	-\$1,200	100.00%	\$0
20	Maintenance-Sewer Gravity (5045)	\$4,455	S-20	-\$3,897	100.00%	\$558
21	Road Cut Repairs (5046)	\$0			100.00%	\$0
22	Maintenance-Pressure Lines (5050)	\$2,131	S-22	-\$729	100.00%	\$1,402
23	Maintenance-Customer Press Pump (5115)	\$24,804	S-23	\$13,473	100.00%	\$38,277
24	new connect/pressure pump (5118)	\$41,785			100.00%	\$41,785
25	Maint-Treat & Disposal Equip (5120)	\$1,925	S-25	-\$1,530	100.00%	\$395
26	Maint-Jet Rodder (5123)	\$0			100.00%	\$0
27	Maint-Other Plant Facilities (5125)	\$4,078	S-27	-\$3,199	100.00%	\$879
28	TOTAL MAINTENANCE EXPENSE	\$81,484		\$2,907		\$84,391
29	CUSTOMER ACCOUNT EXPENSE					
30	Cust Records & Collection Exp (5135)	\$0			100.00%	\$0
31	Postage Expense (5095)	\$2,418	S-31	-\$364	100.00%	\$2,054
32	Bad Debts (5141)	\$158	S-32	-\$158	100.00%	\$0
33	Billing & Collection	\$0	S-33	\$390	100.00%	\$390
34	TOTAL CUSTOMER ACCOUNT EXPENSE	\$2,576		-\$132		\$2,444
35	ADMINISTRATIVE & GENERAL EXPENSES					
36	Mileage - Kathy Tilley	\$0	S-36	\$187	100.00%	\$187
37	G & A Salaries (5060)	\$0			100.00%	\$0
38	Management Fees (5065)	\$0			100.00%	\$0
39	G & A Office Expense (5070)	\$4,545	S-39	-\$3,065	100.00%	\$1,480
40	Credit Card Fees (5071)	-\$21			100.00%	-\$21
41	Bank Charges (5072)	\$2,336	S-41	-\$2,336	100.00%	\$0
42	G & A Outside Services (5075)	\$346			100.00%	\$346
43	Engineering Fees (5077)	\$0			100.00%	\$0
44	G & A Legal and Accounting (5080)	\$1,997	S-44	-\$510	100.00%	\$1,487
45	Legal & Consult Rate Case (5082)	\$0	S-45	\$89	100.00%	\$89
46	G & A Insurance (5085)	\$16,712	S-46	-\$5,956	100.00%	\$10,756
47	G & A Meals & Entertainment (5086)	\$346	S-47	-\$346	100.00%	\$0
48	Group Health Insurance (5087)	\$30,942	S-48	-\$5,205	100.00%	\$25,737
49	Telephone (5090)	\$3,137	S-49	-\$1,140	100.00%	\$1,997
50	Rent & Utilities (5100)	\$0			100.00%	\$0
51	Equipment Rental (5101)	\$0			100.00%	\$0
52	Education Expenses (5105)	\$907	S-52	-\$113	100.00%	\$794
53	Backhoe Expenses (5150)	\$4			100.00%	\$4
54	Ditch Witch Expenses (5155)	\$0			100.00%	\$0
55	Dump Truck Expenses (5160)	\$0			100.00%	\$0
56	Truck Expense (5165)	\$2,919	S-56	-\$1,500	100.00%	\$1,419
57	Gasoline & Diesel Fuel (5170)	\$5,102	S-57	\$411	100.00%	\$5,513
58	Bldg Maintenance Expense (5175)	\$151			100.00%	\$151
59	Misc General Expense (5110)	\$1,298	S-59	-\$239	100.00%	\$1,059
60	TOTAL ADMINISTRATIVE AND GENERAL	\$70,721		-\$19,723		\$50,998
61	OTHER OPERATING EXPENSES					
62	Penalties (5112)	\$0			100.00%	\$0
63	Lab Analysis (5140)	\$7,875	S-63	\$1,125	100.00%	\$9,000
64	Permits & Licenses (5145)	\$9,180	S-64	\$271	100.00%	\$9,451
65	PSC Assessment (5147)	\$1,008	S-65	\$3,024	100.00%	\$4,032

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Expense Schedule - Sewer

	A	B	C	D	E	F	G
Line Number	Account Number (Optional)	Expense Description	Company/ Test Year Amount	Adjustment Number	Adjustments	Jurisdictional Allocation	Adjusted Jurisdictional
66		Inv. Variation (5180)	\$149	S-66	-\$149	100.00%	\$0
67		Interest expense (5310)	\$10,139	S-67	-\$10,139	100.00%	\$0
68		Capitalized Costs (5400)	-\$5,746	S-68	\$5,746	100.00%	\$0
69		Dues	\$0	S-69	\$1,160	100.00%	\$1,160
70		Amortization Expense	\$0	S-70	\$155	100.00%	\$155
71		Depreciation	\$27,718	S-71	\$10,808	100.00%	\$38,526
72		TOTAL OTHER OPERATING EXPENSES	\$50,323		\$12,001		\$62,324
73		TAXES OTHER THAN INCOME					
74		Real Estate & Pers Prop Taxes (5102)	\$2,252	S-74	-\$314	100.00%	\$1,938
75		Payroll Taxes (5001)	\$8,881	S-75	\$2,742	100.00%	\$11,623
76		General Tax & License (5143)	\$0			100.00%	\$0
77		TOTAL TAXES OTHER THAN INCOME	\$11,133		\$2,428		\$13,561
78		TOTAL OPERATING EXPENSES	\$359,937		\$13,106		\$373,043

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Expense Adjustment Schedule - Sewer

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
<b>S-2</b>	<b>Salaries &amp; Wages (5000)</b>			<b>\$24,731</b>
	1. To annualize salaries and wages. (Foster)		\$24,731	
<b>S-3</b>	<b>Payroll - ON CALL PAY (5051)</b>			<b>-\$2,524</b>
	1. To remove On Call Pay already included in Salaries & Wages. (Foster)		-\$2,524	
<b>S-4</b>	<b>Payroll - Sick Pay (5052)</b>			<b>-\$1,215</b>
	1. To remove Sick Pay already included in Salaries & Wages. (Foster)		-\$1,215	
<b>S-5</b>	<b>Payroll - Holiday Pay (5053)</b>			<b>-\$1,861</b>
	1. To remove Holiday Pay already included in Salaries & Wages. (Foster)		-\$1,861	
<b>S-6</b>	<b>Payroll - Vacation Pay (5054)</b>			<b>-\$2,443</b>
	1. To remove Vacation Pay already included in Salaries & Wages. (Foster)		-\$2,443	
<b>S-9</b>	<b>Power Purchase-Pump &amp; Treat (5005)</b>			<b>-\$2,618</b>
	1. To reclassify chemicals (Newkirk)		-\$2,407	
	2. To reclassify Supplies (Newkirk)		-\$63	
	3. To move from sewer to water (Newkirk)		-\$827	
	4. To annualize/normalize electricity expense based upon current Ameren Missouri tariff rates and account for water losses over 15% (Newkirk)		\$679	
<b>S-10</b>	<b>Operating Supplies &amp; Expense (5010)</b>			<b>-\$1,016</b>
	1. To reclassify chemicals (Newkirk)		-\$1,016	

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
<b>S-11</b>	<b>Chemicals (5020)</b>			<b>\$3,023</b>
	1. To reclassify chemicals (Newkirk)		\$3,023	
<b>S-12</b>	<b>Uniforms (5030)</b>			<b>\$64</b>
	1. Annualize employee uniform allowance. (Foster)		\$64	
<b>S-13</b>	<b>Operating Supplies-Sewer Lines (5040)</b>			<b>-\$516</b>
	1. To capitalize plant (McMellen)		-\$516	
<b>S-16</b>	<b>Maintenance-Collect/Force (5015)</b>			<b>\$27</b>
	1. To normalize maintenance expense for Collection/Force. (Foster)		\$27	
<b>S-18</b>	<b>Maint Supply &amp; Engineering (5025)</b>			<b>-\$38</b>
	1. To normalize maintenance expense for Supply & Engineering. (Foster)		-\$38	
<b>S-19</b>	<b>Labor-Sewer Treatment Plant (5035)</b>			<b>-\$1,200</b>
	1. To remove allocated payroll expense already included in Salaries & Wages. (Foster)		-\$1,200	
<b>S-20</b>	<b>Maintenance-Sewer Gravity (5045)</b>			<b>-\$3,897</b>
	1. To remove incorrectly allocated payroll taxes for Stephen J. Skiles. (Foster)		-\$3,324	
	2. To normalize maintenance expense for Sewer Gravity. (Foster)		-\$573	
<b>S-22</b>	<b>Maintenance-Pressure Lines (5050)</b>			<b>-\$729</b>

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<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
	1. To normalize maintenance expense for Pressure Lines. (Foster)		-\$729	
<b>S-23</b>	<b>Maintenance-Customer Press Pump (5115)</b>			<b>\$13,473</b>
	1. To capitalize plant (McMellen)		-\$13,234	
	2. To remove allocated payroll expense already included in Salaries & Wages. (Foster)		-\$2,266	
	3. To normalize maintenance expense for Customer Pressure Pumps. (Foster)		\$28,973	
<b>S-25</b>	<b>Maint-Treat &amp; Disposal Equip (5120)</b>			<b>-\$1,530</b>
	1. To normalize maintenance expense for Treatment and Disposal Equipment. (Foster)		\$190	
	2. To capitalize plant (McMellen)		-\$1,720	
<b>S-27</b>	<b>Maint-Other Plant Facilities (5125)</b>			<b>-\$3,199</b>
	1. To remove allocated payroll expense already included in Salaries & Wages. (Foster)		-\$168	
	2. To normalize maintenance expense for Other Plant Facilities. (Foster)		-\$953	
	3. To capitalize plant (McMellen)		-\$2,078	
<b>S-31</b>	<b>Postage Expense (5095)</b>			<b>-\$364</b>
	1. To annualize postage expense and disallow radionuclide notices and stamps (Newkirk)		-\$364	
<b>S-32</b>	<b>Bad Debts (5141)</b>			<b>-\$158</b>
	1. To annualize uncollectibles (Newkirk)		-\$158	
<b>S-33</b>	<b>Billing &amp; Collection</b>			<b>\$390</b>
	1. To annualize card stock expense (Newkirk)		\$390	

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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
<b>S-36</b>	<b>Mileage - Kathy Tilley</b>			<b>\$187</b>
	1. To include mileage expense for Kathy Tilley in lieu of including Cadillac CTS in rate base. (Foster)		\$187	
<b>S-39</b>	<b>G &amp; A Office Expense (5070)</b>			<b>-\$3,065</b>
	1. To capitalize plant (McMellen)		-\$2,679	
	2. To Annualize Internet Expense Excluding TV Expense. (Foster)		-\$364	
	3. To remove envelopes for radionuclide notices (Newkirk)		-\$22	
<b>S-41</b>	<b>Bank Charges (5072)</b>			<b>-\$2,336</b>
	1. To eliminate bank charges that are not ongoing (McMellen)		-\$2,336	
<b>S-44</b>	<b>G &amp; A Legal and Accounting (5080)</b>			<b>-\$510</b>
	1. To disallow legal fees paid to Bruntager & Billings re: DNR compliance issues that could have been avoided by TDLU (McMellen)		-\$200	
	2. To remove legal fees associated with financing case that will be amortized (McMellen)		-\$310	
<b>S-45</b>	<b>Legal &amp; Consult Rate Case (5082)</b>			<b>\$89</b>
	1. To annualize Rate Case Expense (Foster)		\$89	
<b>S-46</b>	<b>G &amp; A Insurance (5085)</b>			<b>-\$5,956</b>
	1. To remove life insurance (Newkirk)		-\$814	
	2. To annualize P&C insurance based in current yearly premiums (Newkirk)		-\$1,825	

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<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 annualize worker's compensation insurance based on current premiums (Newkirk)		-\$2,258	
	4. To annualize vehicle insurance and to remove insurance related to CTS Cadillac expense (Newkirk)		-\$1,059	
<b>S-47</b>	<b>G &amp; A Meals &amp; Entertainment (5086)</b>			<b>-\$346</b>
	1. To remove meals and entertainment (Newkirk)		-\$346	
<b>S-48</b>	<b>Group Health Insurance (5087)</b>			<b>-\$5,205</b>
	1. To remove insurance expenses for non-TDLU employees and all medical expenses. (Foster)		-\$6,097	
	2. To annualize Anthem BCBS Group Health Insurance at 10/1/2016 rate. (Foster)		\$892	
<b>S-49</b>	<b>Telephone (5090)</b>			<b>-\$1,140</b>
	1. To annualize wireless telephone expense removing non-TDLU users and excessive charges. (Foster)		-\$1,195	
	2. To relocate office telephone expense according to payroll allocation. (Foster)		\$55	
<b>S-52</b>	<b>Education Expenses (5105)</b>			<b>-\$113</b>
	1. To remove allocated payroll expense already included in Salaries & Wages. (Foster)		-\$113	
<b>S-56</b>	<b>Truck Expense (5165)</b>			<b>-\$1,500</b>
	1. To capitalize plant (McMellen)		-\$1,500	
<b>S-57</b>	<b>Gasoline &amp; Diesel Fuel (5170)</b>			<b>\$411</b>
	1. To annualize fuel expense (Newkirk)		\$411	

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Expense Adjustment Schedule - Sewer

<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
<b>S-59</b>	<b>Misc General Expense (5110)</b>			<b>-\$239</b>
	1. To remove ineligible Misc General Expenses (Newkirk)		-\$239	
<b>S-63</b>	<b>Lab Analysis (5140)</b>			<b>\$1,125</b>
	1. To reclassify lab analysis charges from 5023W and 5145S to 5140S (Newkirk)		\$1,125	
<b>S-64</b>	<b>Permits &amp; Licenses (5145)</b>			<b>\$271</b>
	1. To reclassify lab analysis charges from 5023W and 5145S to 5140S (Newkirk)		-\$750	
	2. To reclassify charges from 5145 to 5147 (Newkirk)		-\$1,814	
	3. To reclassify MRWA dues (Newkirk)		-\$320	
	4. To reclassify TDL Assoc dues (Newkirk)		-\$845	
	5. To reclassify DNR permit fees from water to sewer (Newkirk)		\$4,000	
<b>S-65</b>	<b>PSC Assessment (5147)</b>			<b>\$3,024</b>
	1. To adjust test year to the FY2017 MoPSC assessment (Newkirk)		\$3,024	
<b>S-66</b>	<b>Inv. Variation (5180)</b>			<b>-\$149</b>
	1. To remove balances associated with plant (McMellen)		-\$149	
<b>S-67</b>	<b>Interest expense (5310)</b>			<b>-\$10,139</b>
	1. To remove interest expense included in capital structure (McMellen)		-\$10,139	



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<u>A</u> Expense Adj Number	<u>B</u> Adjustment Description	<u>C</u> Account Number	<u>D</u> Adjustment Amount	<u>E</u> Total Adjustment
<b>S-68</b>	<b>Capitalized Costs (5400)</b>			<b>\$5,746</b>
	1. To remove balances associated with plant (McMellen)		\$5,746	
<b>S-69</b>	<b>Dues</b>			<b>\$1,160</b>
	1. To reclassify MRWA dues (Newkirk)		\$320	
	2. To reclassify and annualize TDL Assoc dues (Newkirk)		\$840	
<b>S-70</b>	<b>Amortization Expense</b>			<b>\$155</b>
	1. To amortize expense associated with financing case (McMellen)		\$155	
<b>S-71</b>	<b>Depreciation</b>			<b>\$10,808</b>
	1. To Annualize Depreciation		\$16,050	
	2. To reflect depreciation expense for CIAC. (McMellen)		-\$5,242	
<b>S-74</b>	<b>Real Estate &amp; Pers Prop Taxes (5102)</b>			<b>-\$314</b>
	1. To disallow Cadillac CTS personal property tax and reallocate taxes to sewer/water percentage of payroll (Newkirk)		-\$314	
<b>S-75</b>	<b>Payroll Taxes (5001)</b>			<b>\$2,742</b>
	1. Annualize payroll taxes for salaried employees uniform allowance. (Foster)		\$60	
	2. To annualize payroll taxes. (Foster)		\$2,682	
<b>Total Expense Adjustments</b>				<b><u>\$13,106</u></b>